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Signalling Similarity in the Icelandic Labour Market: How Can Immigrants Reduce Statistical Discrimination?

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Abstract

Research on immigration has emphasized the role that statistical discrimination plays in hiring decisions. A better understanding of how immigrants overcome this type of discrimination might lead to better interventions to improve their labour market participation. In this article, we use qualitative interviews to examine how immigrants can reduce statistical discrimination by signalling their similarity to employers in their job applications. Specifically, we find that immigrants who demonstrate signal similarity to employers in the type of education, job experience and religion tend to reduce their statistical discrimination by employers. We suggest how further research can build on these results to provide possible tools for immigrant integration.

Keywords: *Immigrants; hiring process; prejudice; statistical discrimination; human resource managers.*

Introduction

Despite increased globalization and a more international labour market, immigrants are still marginalised in most labour markets in the Western world (Bergh, 2017; Koopmans, 2010). As labour migration becomes more common, it is therefore important to find better ways to integrate immigrants, reduce prejudice and decrease labour disparities.

In this paper, we look at the process of hiring immigrants from the point of view of human resource (HR) managers. Management literature has shown that HR managers face significant uncertainties when hiring (Moscoso and Salgado, 2017), which can, in turn, lead to statistical discrimination on their part. In this paper, we use qualitative interviews to examine how immigrants can reduce statistical discrimination (Guryan and Charles, 2013; Baert and Pauw, 2014) in the Icelandic labour market by signalling their similarity to employers and divergence from their immigrant group.

Research on immigration in Iceland has shown the weak position of immigrants in the Icelandic labour market (Skaptadóttir, 2015; Þórarinsdóttir, Georgsdóttir, and Hafsteinsdóttir, 2009; Christiansen and Kristjánisdóttir 2016), and prejudices towards them in the Icelandic community (Loftsdóttir, 2015). However, there are still many questions unanswered regarding the labour market experience of immigrants in Iceland. Studies outside of Iceland have repeatedly shown how HR managers neglect the expertise of people of foreign origin (Parutis, 2014) and similar indications can be found in research on the Icelandic labour market (Jónsdóttir, Harðardóttir and Garðarsdóttir 2009).

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We begin our discussion by giving a brief overview on how the hiring process is burdened by uncertainty about the quality of the candidates and how human resource managers are often pushed towards statistical discrimination because of this uncertainty. We then move on to our methodology and results.

Uncertainty and Statistical Discrimination in the hiring process

Human resource managers aim to hire outstanding employees, but finding the right candidate can be problematic. An underlying problem in hiring decisions is the uncertainty concerning the true quality of the candidates (Stigler, 1961; Mason and Schroeder, 2010). This is mainly due to the applicants' knowledge and abilities being hard to observe *ex-ante*. Therefore, a consistent problem for HR managers is how to reduce the large number of *seemingly* high-quality applicants to a workable number. This can lead to statistical discrimination, the process of using group average characteristics to predict individual applicant performance (Schwab, 1986; Guryan and Charles, 2013). As every candidate has the incentive to exaggerate the quality and effort level they are offering, it is easy to see how much uncertainty is inherent to the hiring process (Hunter and Schmidt, 1982; Moscoso and Salgado, 2017).

Given this uncertainty, it is common that HR managers try to reduce uncertainty the best they can during the hiring process. Traditionally this has been done by picking the seemingly best applicants for structured interviews, cognitive ability tests and examining their letters of recommendation (Guion, 1991). Some researchers have also suggested that personal networks, such as employee referrals, may help reduce uncertainty in the hiring process (for example, Fernandez, Castilla, and Moore, 2000; Wanous and Colella, 1989). For immigrants, this process can be problematic. Immigrants often do not have the right personal networks to help them secure a job as well as having a more uncertain signal of quality through their education and prior employment. Therefore, their uncertainty signal can lead to statistical discrimination by potential employers. Unfortunately, the literature on how immigrants can signal their suitability to avoid statistical discrimination is very scarce (Zschirnt and Ruedin, 2016). As immigrants face several problems when signalling their quality as a suitable candidate, we find that this warrants further investigation. This is especially true if such an investigation leads to insights on how immigrants can avoid statistical discrimination in the labour market.

Method

So far, research on statistical discrimination has mainly been quantitative. However, in this article, we take a step further using qualitative methods to understand the selection process when faced with hiring immigrants and to understand the antecedent of statistical discrimination. The research method used is the think-aloud method, where interviewees are given a project and encouraged to think-aloud while they solve it (Koro-Ljungberg et al. 2013; van Someren et al. 1994). This method has been used in various research problems, for example, how individuals make decisions and problem solve (Atman et al. 2007; Hoppmann 2009; Koro-Ljungberg et al. 2013). Here the method is used within a qualitative interview setting (Merriam, 2009). Using the think-aloud method in interviews changes the structure of the interview slightly. After an introduction, the interviewee was presented with a job advert and six applicant Curriculum Vitae (CVs). The interviewee was asked to review the suitability of the six applicants to the job advert and encourage to think-aloud while doing so. While the interviewees were studying the individual CVs, the researcher intermittently asked the interviewees what he was thinking. When the HR managers had



gone through the job descriptions and the CVs using the think-aloud process, they were asked to rank the applicants. This was then followed up by a traditional semi-structured qualitative interview. In the interview, the interviewees were asked to follow up on various aspects that emerged during the process and add aspects that had not been discussed. The data gathered was then analysed thematically. The interviews and think-aloud process created a forum for discussion about decision making in the hiring process, with an emphasis on foreigners.

Seven interviews were conducted with HR managers in seven financial service companies in Iceland. The companies were selected randomly from a list of companies above a certain size. Each interview was just over an hour and due to the homogeneity of the interviewees (they all held the same job in similar organizations), saturation (Merriam, 2009) was quite prominent, even with only seven interviews.

The HR managers were promised anonymity. Three of the seven interviewees were male and four were women. They have all been given Icelandic pseudonyms. The interviewees were all of similar age, in their fifties and sixties, and university graduates in business or similar courses related to HR management.

Results

In the following section, our results are divided into sub-sections based on our main conclusions from the interviews.

Education

Having an accounting education was better than not having education in business or related fields, but having an Icelandic education was deemed even more important. This is how the HR managers, in general, justified that Renata was the most promising applicant. Anna states: “She has all of her education from Iceland, this *could* matter. We don’t have experience of anything else”. Anna’s comment indicates that hiring someone with an education they did not have an experience of might be risky. Alexander offers a further explanation: “The Icelandic Bachelor’s degree is positive. You know what it stands for”. This knowledge seems based on years of hiring people from the Icelandic University system. When it came to foreign degrees, they expressed more uncertainty. As Friða put it: “It might be more difficult, in this instance to confirm a degree from abroad. So, we would do that”. This comment indicated that they would look up the educational institution and get a confirmation for the degree, something which is not the general practice for Icelandic degrees. Some of the interviewees were furthermore worried that a foreign degree would not be in alignment with the Icelandic legal and business environment. Yet the interviewees indicated that much of this is based on a feeling more than anything else, and Alexander even put this into words:

“I would think that the University in Vilnius would not be any worse than the University of Iceland or the University of Reykjavik. You just have a vague feeling that the universities in the Baltic states are comparable with the Nordic countries. It’s just a feeling.”

The reference to the Nordic countries should not come as a surprise in Iceland, as Icelanders have traditionally sought education in Scandinavia and have a close collaboration with the other Nordic countries. The reference to people from Scandinavia as our ‘cousins’ further indicates the kinship there is between Iceland and the Nordic countries. This kinship was, however, not enough to promote the Scandinavian applicant for the job, even if she had an Icelandic education, as the diploma she received in Iceland was in a field unrelated to the job. Although the cultural similarities

between Scandinavian countries is greater than the Baltic countries, and the Scandinavian applicant had a relevant education, the Icelandic diploma was deemed as more important. The diploma in financial bookkeeping, the exact field of the job, and the feeling that there was a fit between the job description and what they had learned through this diploma was the first criteria for all of the HR managers. At this stage, the origin of the applicant did not seem to matter.

Industry experience

When it came to evaluating job experience, it seemed important to the HR managers that the applicants had relevant experience. This could mean anything from having worked in an office, to working in the same industry, either internationally or in Iceland. An applicant with experience in the relevant industry in companies known to the HR managers was viewed favourably. When the HR managers knew the company, they were more inclined to trust that “they would not hire just anybody – that is clearly a recommendation”.

Prior knowledge further influenced how the HR managers thought about international industry experience. When they knew the specific industry the applicant had experience in, they were much more positive. “I think it is a quality, this is a specific industry, you know it” (Margret). However other HR managers without the specific international experience were more skeptical about the international experience, or in some cases intrigued. “Well she has experience. Five years’ experience from abroad. You don’t really know what that is. You would be a little bit curious” (Davíð). It is interesting here that the term used is “curious”, indicating that the HR manager felt that even if there was some level of uncertainty he might be willing to take a closer look at it. Yet, at the same time, curiosity is not as strong as interest, indicating that there might not be a strong incentive to learn more. Even if there might be a curiosity or even interest about international experience, relevant job experience in Iceland was always the preferred criterion. This was justified in that “they have been tested in the Icelandic job market. Not that I’m saying we are that special, but you know. It’s clearly a big plus” (Anna).

The reasoning behind the Icelandic experience being a plus was very much the same as for education; you knew what you were getting. Getting references was deemed to be easier, especially if the HR manager knew the companies, and the applicant had stayed for longer stretches at these companies. The HR managers seemed to view this as a tacit recommendation even without checking the reference.

“It is somehow easier to get a reference here in Iceland. It’s undeniably easier for me, as I can be sure that the accounting in [this company] is reliable. I know the company, I used to be the HR manager there before I came here. I can be sure that their accounting is comparable to ours” (Fríða).

The need to have some knowledge of the company even led HR managers to indicate that they would seek references from any Icelandic company the applicant had worked for, even if there was a more industry-relevant reference abroad. Even if the HR managers suggested that they would check international references, the local reputation of the companies seemed to matter. One of the applicants had work experience from a small, little-known company in Iceland, and during the think-aloud process, more than one of the HR managers asked, “what kind of company is that?” This indicates that even if the work experience was in Iceland, experience from a well-known company was preferable.

Therefore, in education and work experience there seem to be indications that prior knowledge of the educational institute and the companies the applicant had worked for before strongly



influenced the evaluation of the individual as a good job candidate. This implies that these traits lowered the perceived risk of hiring. The same cannot really be claimed for the aspects of culture and nationality.

Culture and nationality

When dealing with foreign applications, the HR managers talked about the increased effort involved in evaluating the applicants. They admitted that there were frequent unsolicited applications from foreigners, many of them being of very poor quality. This seems to have led to skepticism towards foreign applicants in general.

“You need to conduct a bit of research, to be really sure, you know. It’s so much easier to confirm that [an Icelander] really worked where he says he worked. There is so much junk, you need to distinguish the wheat from the chaff and you don’t really have the time for that. You need to take your time. So therefore they don’t really get on your radar. It’s simply a practical matter” (Margret).

The greatest concern seemed to be whether or not the applicant’s language qualifications were really as stated on the application. This was most often stated as a concern for how well the person could complete the job, but also as a social issue.

“You look at the language skills, because I have worked in a place where there were many foreigners and there was this issue, people were irritated that they could not just speak Icelandic with the employees” (Friða).

The barrier of not speaking Icelandic in Iceland has been extensively researched in Iceland and is often believed to be the single most important barrier to entry into Icelandic society. However, language is not the only cultural issue: when foreign applicants were assessed, the country of origin did also matter. As María put it:

“Norwegians, Swedish and you know Danes. They are all foreigners. I mean they can probably do any job in Iceland, and everyone you know, it doesn’t matter. I feel the same way if we look further in Europe.”

When it comes to nationality, the further away the HR managers felt that the culture was from the Icelandic one, the less sure they felt about hiring an applicant of that nationality. As Davíð said: “...you only see the tip of the iceberg. You know, a foreigner from another cultural world, with values different from here. You never know what will happen at a critical moment”. Although he continued on to discuss that even hiring a certain type of Icelander could also be risky and that you never get anywhere without risk, he still conveyed the feeling that a risky Icelander is a more acceptable risk, a risk you know how to handle.

From the interviews, it is clear that the HR managers perceive a considerable risk surrounding the Islamic religion. While one of the applicants had an Islamic name and a scarf loosely arranged over her shoulders, only one of the HR managers linked her to Islam. When the interviewee was directed towards the scarf, the discussion did, however, in all interviews turn towards burkas and/or cultural differences. More than one of the HR managers voiced a concern for “these” women.

“I think that this veil thing is just oppression of women. I’m there. I think this is patriarchal, medieval thinking. So, when you hear a woman talking about how it is just a part of the culture, justifying it. Then I think, yes, it’s probably right, but it’s still oppression” (Karl).

It was important to more than just this interviewee that any foreigner would adjust to the gender equality evident in the Icelandic job market. This extended beyond the issue of Islam, even if it was most prominent in discussing religion. As María put it: “You know there are also women that come from a cultural background where they can’t imagine a woman being in charge”, in this referring to her own status as an HR manager. None of the HR managers stated that they had any experience working with Muslims, and their knowledge of Islam did indeed seem very limited, as the ‘jump’ from a scarf to a burka indicated.

Knowing the person

Based on the interviews, although knowledge of the education and work experience of the applicants can lessen the risk perceived in hiring a foreigner, the difference in cultural background seem to make it harder for the HR manager to assess whether the foreigner in question would be a good fit for the organization or not. This was in part attributed to the manager in the particular department the foreigner is hired into. As Alexander said, “he needs to be willing... but mostly people just want to get the most qualified person”. This indicated that the manager might be a hindrance to hiring a foreigner, even if qualifications are considered important. However, when it came to the qualifications, there were indications that foreign applicants might have to jump through more hoops than an Icelandic applicant.

“If she did well in the interview and got good recommendations, for example, from where she was working before and I mean, we could also just test her, it is very simple to test accounting knowledge that is, just to test her understanding” (Fríða).

In this case, getting to know the foreigner in the work setting in some senses seemed to remove the perception of risk in hiring a foreigner. In the two companies that did not employ a foreigner at the time of the interviews, both had had a negative experience of hiring a foreigner. But in both cases, the hiring process had been very different from the formal process being discussed in the interviews.

The interest in hiring a foreigner in both cases seemed genuine, but at the same time, created a conflict. To hire a foreigner entails a certain risk, and getting to know the foreigner before you hire them might engender the feeling that the risk has been limited. But in this study, the companies seem to have overlooked aspects which would certainly have been taken into account if the hiring process had involved a traditional approach to hiring with external applicants who all needed to be vetted. Any knowledge of the culture or professional experience of the applicant further seemed to lessen the “foreignness” of the applicant. The fact that most of the companies seemed to view the hiring of foreigners in a professional capacity further suggests that a joint professional background, such as through education or specialised jobs, seems to diminish the perception of risk. The cultural aspect, however, seem to be a larger barrier than education or work experience, both of which can be vetted. The cultural aspect is, however, not interpreted only in terms of national culture. One of the HR managers described how she felt that the homogeneity in the company was more prominent when there were more financial specialists working there, even if they were from all over the world. “It was like, stereotypes, everyone had been to business school” (Margrét).

The findings thus indicate that in the hiring of foreigners, the impression of ‘foreignness’ is a bigger hurdle than the nationality of the applicant. The HR managers even admitted that when their own experiences were important as an aspect of the hiring decision, and even if you might risk missing out on the best candidate, prior knowledge felt safer.



“Because a degree in Accounting from the University of Iceland certainly, you know, I know what I’m getting. Maybe I’m getting something better here [points at an applicant with a foreign degree] I just don’t know. But it’s what you know. You can only make decisions based on your own experience, you don’t have another experience to build on” (Davíð)

Conclusion and discussion

In this paper, we have explored the hiring process of foreigners for the skilled job of financial bookkeeper in Iceland. Interviews were conducted with HR managers using the think-aloud process, while they reviewed applications from seven applicants from as many countries. Using this method, we hope to shed light on the experiences and backgrounds that HR managers pay special attention to when viewing CVs from foreign applicants. The interviews clearly show that the HR managers are well aware of the risk involved in the hiring process, and that foreignness does indeed seem to create uncertainty and a high likelihood of statistical discrimination. The uncertainty seems to be attributed to experience both in work and education, as well as in relation to cultural aspects. When reviewing both education and job experience, it seemed that an Icelandic education and experience of the Icelandic job market was important for avoiding statistical discrimination, and this was even more apparent if the HR manager knew well the organizations the applicant worked for. This indicates that networks matter and in particular if the network of the applicant and the HR manager were connected, for example, when they had both worked for the same or a similar company. The same holds for education, where prior knowledge of graduates from a given university was used to judge applicants. The interviews further indicated that HR managers felt the need to test the knowledge of foreign applicants, which supports the Christiansen and Kristjánsdóttir (2016) findings that immigrants find themselves defending their education and experience. Even if the emphasis on experience was prominent during the interviews, the risk involved in association with cultural differences was further discussed, mostly related to the Islamic religion. Lack of understanding of Islam was generally related to gender issues. As Iceland is proudly listed at the top of the gender equality list, any culture not valuing gender equality might be perceived as a threat to the culture of the company. The question does, however, remain concerning how much of this is related to perceived cultural risk, or mere prejudice. It is our belief that when it comes to evaluating education and work experience, the HR managers were only trying to eliminate uncertainty about the experience. When it came to cultural aspects, their interviews do, however, indicate prejudice, in particular towards Muslims. The next step, based on these findings, will be to conduct quantitative research where cultural aspects, which might be perceived as more of a threat, will be compared to the evaluation of education and work experience using experimental design.

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