

ABSTRACT

The present study breaks new ground in labor economic research by providing direct evidence of potential discrimination among attractive and unattractive job candidates. It utilizes a field experiment, the so-called 'CV testing approach' (Jowell and Prescott-Clarke, 1970) to determine discrimination in recruitment based on physical attractiveness. Two individuals who are equivalent on all required and desired job characteristics except their physical attractiveness, apply for the same vacancy. Responses are carefully documented and discrimination is measured by which one job applicant is invited for an interview relative to the other. Application photos are used to examine the level of discrimination regarding an applicant's physical attractiveness. The experiment is conducted among a set of 990 German firms. Results show that attractive candidates are on average 14% more likely to get an invitation for an interview.

Beauty was shown to have a positive impact on one's labor market outcome by Hamermesh and Biddle (1994), who dubbed it the 'beauty premium'. Later research in psychology then showed beauty to serve as a signal for intelligence (Kanazawa and Kovar, 2004). Results of the present study, using data from the National University of La Plata, Argentina, show that physically attractive employees experience a 'beauty premium' due to beauty being a signal for intelligence, rather than as a result of expected productivity directly related to physical attractiveness or employer discrimination. The 'beauty premium' is found to hold for low- and mid-tenure employees, but not to hold for high-tenure employees. An 'intelligence premium', on the contrary, is shown to increase over job tenure. These results are explained by a signaling effect of beauty, which weakens as employers observe more about their employees over job tenure.

The closing part of the study examines the impact of physical attractiveness on the determination of executive compensation in a sample of 450 publicly traded companies in Germany. Results show that physically attractive CEOs experience a sizeable compensation premium in the form of higher total compensation: a one standard

deviation increase in the utilized measure of physical attractiveness increases a CEO's total compensation by 9%. This premium, however, ultimately decreases to zero, the greater the length of prior work experience and tenure in the CEO position. The 'beauty premium' may serve as a signal of job performance early in one's career and job tenure, but weakens over time as true job performance becomes gradually observed.