

Does it pay to be beautiful?

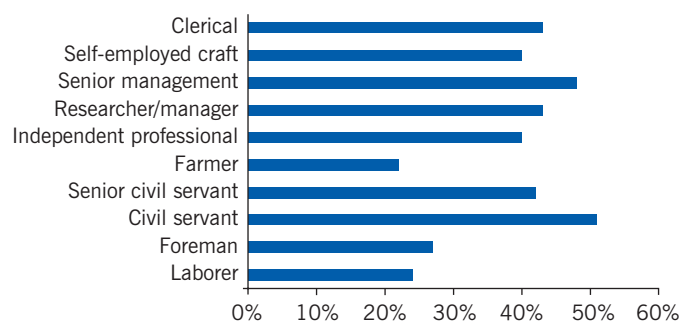
Physically attractive people can earn more, particularly in customer-facing jobs, and the rewards for men are higher than for women

Keywords: beauty premium, wages, discrimination, gender differentials, occupational sorting, physical attractiveness

ELEVATOR PITCH

It is a well-established view amongst economists that good-looking people have a better chance of employment and can earn more than those who are less physically attractive. A “beauty premium” is particularly apparent in jobs where there is a productivity gain associated with good looks, though this is different for women and men, and varies across countries. People also sort into occupations according to the relative returns to their physical characteristics; good-looking people take jobs where physical appearance is deemed important while less-attractive people steer away from them, or they are required to be more productive for the same wage.

Share of employees reported as having very good looks by occupation in Germany



Source: Own calculations from GSS 2008. Online at: <http://www.gesis.org/fileadmin/upload/dienstleistung/daten/umfragedaten/allbus/Fragebogen/quest2008.pdf>

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KEY FINDINGS

Pros

- ⊕ Employer discrimination against less-attractive workers is present in the labor market.
- ⊕ In occupations where looks are important, a beauty premium is apparent.
- ⊕ Good-looking people sort into occupations where the payoff to appearance is higher, while those who are less good-looking avoid them.
- ⊕ The way in which physically attractive people sort themselves in the labor market is different for women and men, which also explains why the “beauty effect” is more pronounced for men.

Cons

- ⊖ There is not one universal standard of beauty. It is also difficult to measure.
- ⊖ Beauty is not a fixed factor, but can be influenced by other factors such as cosmetics or plastic surgery, as well as confounded by confidence or personality.
- ⊖ It is difficult to separate out the effect of beauty from other less immediately recognizable attributes of individuals.
- ⊖ Customer discrimination cannot be easily disentangled from real differences in productivity.
- ⊖ It is not easy to make cross-country comparisons when perceptions of physical attractiveness differ.

AUTHOR'S MAIN MESSAGE

The number of employment-related discrimination claims based on employees' physical appearance is increasing. Policies to counter such discrimination are being introduced in a number of countries, but if they do not take into account the channels through which physical appearance is affecting labor market outcomes—such as employer discrimination, customer discrimination, productivity, and occupational sorting—they may fail to achieve their goals. Society should recognize and observe the relevance of a beauty premium. A need for interventions depends on legal considerations and whether such a premium reflects discrimination or productivity.

MOTIVATION

The number of employment-related discrimination claims based on employees' physical appearance has increased in recent years. While beauty is difficult to measure, it is nevertheless a well-established view amongst economists that physically attractive people earn more than those who are considered to be less attractive. A "beauty premium" is particularly apparent in those occupations where there is a productivity gain associated with good looks.

As an illustration of the measures that are now being introduced to counter such discrimination, in 2000 the city and county of San Francisco prohibited discrimination based on weight and height, and issued appropriate compliance guidelines. In 2008, the District of Columbia also imposed a number of protection measures for employees, making it illegal to discriminate on the basis of external physical appearance for the purpose of recruitment, hiring, or promotion [1]. The aim of such local legislation is to protect individuals who could be disadvantaged by physical appearance [2].

Empirical results support the fact that "better-looking" people receive a wage premium, while those with "below-average" looks incur a wage penalty. In order to determine whether effective public policy could be developed to address this type of discrimination, it is important to understand why and how physical appearance can have an effect on people's pay.

DISCUSSION OF PROS AND CONS

Can physical attractiveness be measured?

While there is no conceptual definition of beauty or physical attractiveness there is, however, significant agreement on beauty standards within cultures at any given point in time, and this changes fairly slowly over time. Individuals also tend to have similar judgments regarding what makes a "beautiful person."

An accepted way to measure attractiveness is to ask judges (e.g. interviewers) to rate people's physical appearance based on photographs, or to use self-reported measures. Most often this is done on a scale of 1 to 5, where 1 is "homely"; 2 is "quite plain" (i.e. below average for age and sex); 3 is "average looks" for age and sex; 4 is "good-looking" (i.e. above average); and 5 is "strikingly handsome" or "beautiful." Alternative measures that emphasize other aspects of physical attractiveness, such as height and weight, are also used.

The "beauty premium" and "plainness penalty" explained

The overarching aim of the empirical research in this area has been to quantify the effect of beauty on labor market outcomes. Empirical studies do in fact provide strong support for the existence of a significant effect of physical appearance in the labor market. However, the effect is not the same across occupations and also varies by gender.

It is important to understand the channels through which the effects of physical attractiveness impact on wages and other aspects of the labor market. This can then help to articulate which potential policies might be applied in order to influence the effects. The traditional channels that are most often referred to in the literature, and which might help explain the existence of the wage effect, include employer discrimination, customer discrimination, and "sorting" into occupations according to physical appearance. There is also a strand of literature that suggests that attractiveness affects an individual's cognitive/non-cognitive skills that are important for job performance.

The empirical evidence in support of some of these explanations varies, but they nonetheless receive a lot of attention in the literature [2].

Employer discrimination

There is substantial empirical evidence that supports the existence of employer discrimination against less-attractive or short workers [3], [4]. In theory, there could be two reasons why employers may choose to avoid working with less-attractive people. First, employers may believe that physically attractive employees are better workers and are more productive. This is the stereotypical view that better-looking people might be more capable at performing their tasks, and does not take into account the innate ability of workers. Second, employers may simply prefer to work with individuals who are more pleasing to look at, even though they do not have any overt prejudice regarding their abilities as workers (“taste-based discrimination”).

In a work setting, people react in different ways toward physically attractive and less-attractive individuals. In general, people tend to be favorably biased toward those who are better-looking. From a psychological point of view, the visual impression one makes on someone else affects the way that person responds to them. This is based on the assumption that better-looking people have more socially pleasing personalities and are more inclined to have a successful career. This conviction is particularly important when it comes to inviting people for interviews and when employers make hiring decisions during face-to-face interviews. There is evidence that, in an experimental setting, more-attractive people receive additional call-backs from employers compared to people who are deemed to be less-attractive [5], [6].

Taste-based discrimination, introduced by the economist Gary S. Becker in 1957, assumes that some employers do not want to work with members of particular groups, e.g. other racial groups or women, or in this case, less-attractive workers, and as a result choose to hire those who are more physically attractive. Even though employers may have no bias concerning a potential employee’s performance, they may still prefer to hire comparatively more attractive people. As a result, less-attractive or unattractive workers may have to accept lower wages for the same level of productivity as attractive people. Or, alternatively, they will need to be more productive for the same wage.

Customer discrimination

Another explanation for why people’s looks could affect their labor market outcomes is “customer discrimination.” In some occupations, where looks are deemed to be important, physically attractive workers may be more productive than unattractive ones. These occupations might include, for example, salespeople (e.g. in cosmetics or car dealerships); actors; sales assistants; waiting staff, etc.

Such occupations generally require extensive worker–customer engagement and interaction. Therefore, if customers prefer to interact with physically attractive workers this could generate advantages in terms of workers’ productivity and thus customer satisfaction.

Co-workers may also react to physical attractiveness, and so good looks may enhance a worker’s ability to engage in productive interaction with their fellow co-workers. Thus, having good working relationships with co-workers and the firm’s clients can create a type of firm-specific human capital that could generate additional revenue for the employer and higher earnings for the workers themselves [7].

Attractive salespeople generally enjoy the benefits from this type of customer “discrimination.” Purchasers interacting with an attractive salesperson are more likely to book an appointment for a demonstration and, as a result, are probably more likely to go on to purchase the product. Moreover, perceptions of attractiveness appear to induce buyers to behave more favorably toward better-looking sellers.

In contrast, other results show that the 9% beauty premium that attractive women receive on top of their earnings is entirely due to productivity effects rather than caused by customer discrimination [8]. However, these results vary with the specific subsamples that are being analyzed [2].

Occupational sorting

Evidence also indicates that workers appear to “sort” themselves into occupations according to their looks. Individuals who are relatively more endowed with physical beauty seem to concentrate in occupations where the payoff to appearance is high. These occupations usually require very extensive interactions with customers (such as sales assistants), where the effect of physical appearance can be quite significant. Thus, overall, attractive people tend to work in jobs where appearance is important, while less-attractive individuals prefer professions that do not demand good looks.

It should be emphasized, however, that the decision regarding job choice is not based solely on a self-assessment of one’s looks and the advantages the individual believes he or she will have as a result. It is also based on the preferences that people have regarding different types of activity and vocations and the belief in one’s ability to perform different types of work.

Other demographic characteristics also affect job choice, e.g. educational training, marital status, parents’ education, and level of training. This could explain the presence of less-attractive people in professions where a greater proportion of good-looking people are found. Similarly, attractive people can also be found in occupations where there is no additional return to good looks.

The empirical evidence suggests that good-looking women cluster in managerial and administrative types of jobs and are less likely to be found in blue-collar jobs, such as operative or skilled-craft occupations [2].

In addition, people seem to switch jobs depending on their looks. Among law school graduates, individuals working in the private and public sectors were surveyed five and 15 years following graduation. Lawyers who switched from the private sector to the public sector turned out to be less attractive than those who continued practicing in the private sector. On the other hand, lawyers who changed their jobs from the public sector to the private sector turned out to be more physically attractive than those who continued their practice in the public sector. These results indicate that dynamic sorting could be taking place in the labor market. The direction of this sorting is consistent with changes in the relative returns to individual characteristics such as beauty [2].

Physical attractiveness in relation to cognitive and non-cognitive skills

A different strand of literature has focused on the extra return to beauty on wages as a result of the fact that good looks may be related to other labor-market-enhancing skills, such as communication skills, confidence, leadership capabilities, test scores, etc. Such skills are valued

in the labor market and could have an enhancing effect on physical appearance. They could also effectively increase a worker's productivity and thus their payoff in the labor market.

Research has found that cognitive and non-cognitive skills that have been acquired during secondary education also prove to be important in future labor market outcomes. These include test scores, college enrollment, social behavior, employment, occupational attainment, and wages [2]. Different activities in secondary school contribute to the development of these skills during adolescence, via socialization or other high-school activities. For example, a child who is good looking tends to be given more time and attention by teachers and peers [2]. This suggests that physical attractiveness at younger ages already contributes to the development of the individual's human capital and investment in future employment.

Similarly, attractive and/or tall adolescents are more likely to take part in extracurricular activities at secondary school, such as sports and general interest clubs. Participation in these activities results in a relatively higher acquisition of confidence compared to other peers and this in turn promotes higher future wages.

Since good looks may be correlated with cognitive/non-cognitive skills, research estimates could be biased toward the effect of attractiveness. In order to accommodate this, some studies have included IQ scores, secondary school activities, and, if the data permits, the "big five" personality traits (openness, conscientiousness, extraversion, agreeableness, and neuroticism). In general, better-looking individuals exhibit better communication skills, have more confidence, and are more extroverted. These skills most often translate into higher wages. However, one study compared the effects of beauty and confidence measures in Germany and Luxembourg and found wages to be driven more by looks than self-esteem [9].

More attractive young adults also exhibit a lower tendency toward criminal activity, which is again explained by higher student human capital development during high school. Physical attractiveness at the secondary school and university levels has been shown to be correlated with better individual cognitive skills, such as higher test scores and superior study performance.

Good looks and capabilities—those qualities/characteristics that would allow you to perform well at your job—have also been found to be complementary at high levels of physical attractiveness, but substitutable at low levels [2]. This means that for attractive individuals an increase in their capabilities would increase the wage premium, while for less-attractive individuals there could be negative returns to capabilities.

Gender effects

Women and men differ in the way they make their decisions to participate in the labor market. Consequently, the effect of "attractiveness" on labor market outcomes also differs for the two groups. At the same time, an individual's physical appearance results in different opportunities for men and women in the labor market. For example, for some occupations (such as sales assistants, waiting staff, television presenters, etc.), good-looking women will have a higher probability of obtaining a job and securing a higher wage than less-attractive women. In addition, better-looking women might be more likely to work in the first place because they are more confident that they will find a job [10]. Since beauty is very likely to enhance their productivity at work, women will also be more inclined to take advantage of this opportunity. However, less-attractive women, given the payoff to good looks, will be more likely to avoid entering the labor market precisely because of the perceived disincentives.

Studies indeed show that women who are married, and who are also deemed to have below-average looks, have a 3–11% lower probability of participating in the labor market and are more likely to be unemployed.

In addition, since women may be self-selecting into the labor market according to their good looks, this may alter the distribution of good looks that we observe in the labor market. In other words, better-looking women are more likely to take jobs, while less good-looking women are more likely to stay out of the labor force. As a result, there is less beauty variation in the labor market among women and so the payoff to good looks for women will be smaller.

However, the same does not hold true for men. In their case, selection based on physical appearance is smaller and they have higher labor force participation rates in general. This suggests that, in theory, they will also have larger premiums due to good looks compared with women. However, with the increased labor force participation of women, the gap in the effect is expected to decrease.

This argument is supported by empirical studies from different countries and using different data. For example, studies in the US and Canada report that less-attractive men incur a 9% penalty in hourly earnings, while those who are deemed as having above-average attractiveness receive an earnings premium of 5%. Women, on the other hand, receive a lower beauty premium than men of around 4%, and a similar plainness penalty as men of about 5% in hourly earnings. Other research that captures information about good looks at younger ages indicates that men who are rated as “homely” at both age seven and 11 incur a large and significant pay penalty of 14.9% later in life. This pattern also applies to their female counterparts, with a lower penalty for plain looks of about 10.9% [2].

Within occupations, effects for men are also stronger than for women. Accordingly, men receive higher premiums or penalties than women. One study shows that good-looking men receive higher salaries at the beginning of their careers and continue to earn more over time. Women’s starting salaries, however, do not exhibit a beauty effect; but better-looking women do earn more with experience than their average-looking counterparts. Examining payoffs of law school graduates from the 1970s and 1980s finds that even five years after graduation there is still a statistically significant effect of physical appearance on male, but not on female, wages [11].

Besides earnings and labor force participation, other economic outcomes have been studied to examine the effect of physical appearance and to compare the differences between women and men. In universities, for example, evaluations by students are used as an indicator of teaching performance. Since teachers’ salaries are conditional on positive teaching evaluations and because physical attractiveness may affect students’ class ratings of their teachers, beauty may have an indirect impact on teachers’ salaries. Here again, there is a differential effect for women and men. Studies find that the effect of physical appearance on class ratings for female teachers is less than half that of male teachers.

In addition, the effect of beauty differs by age: accordingly, the effect is stronger for older men but weaker for older women [2].

Another labor market outcome of interest is the probability of receiving a “call-back” to job applications. It appears that attractive people receive more responses, and more quickly, to their job applications than less attractive people [5], [6]. When comparing the effect of obesity and attractiveness on call-back rates, research shows that the results are driven by obesity for women and by physical appearance for men [12].

Evidence from cross-country findings

There is some cross-country variation in the beauty–wage premium and penalty. Good looks lead to a wage premium in most of the countries examined (Figure 1). The highest beauty premiums are present in Germany and China. And the return is particularly large for women. British and Australian studies show the largest penalties for “below-average” looks (Figure 2). In the UK, however, individuals do not receive a wage premium for good looks, while in Australia, good-looking women also do not receive a positive wage effect for physical appearance. This similarity in the payoff of physical appearance in the two countries may be a result of similarities in their historical economic structures, as well as in their cultures.

Figure 1. Cross-country evidence on the wage effect of beauty for people with ‘above-average’ looks

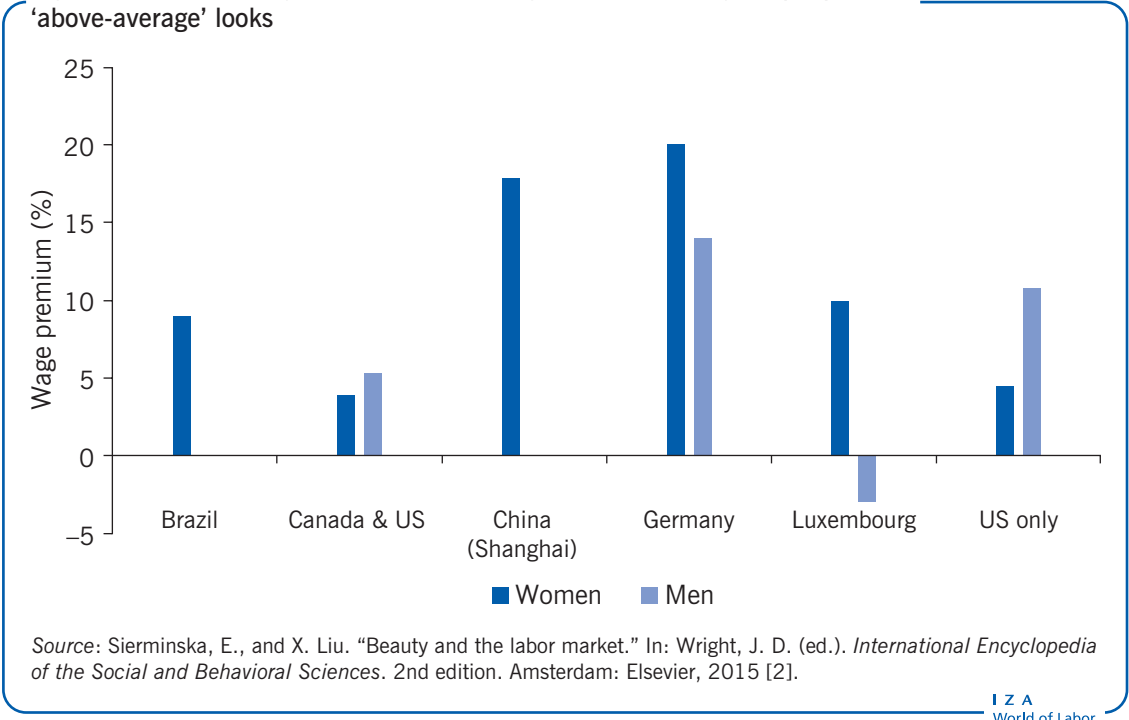
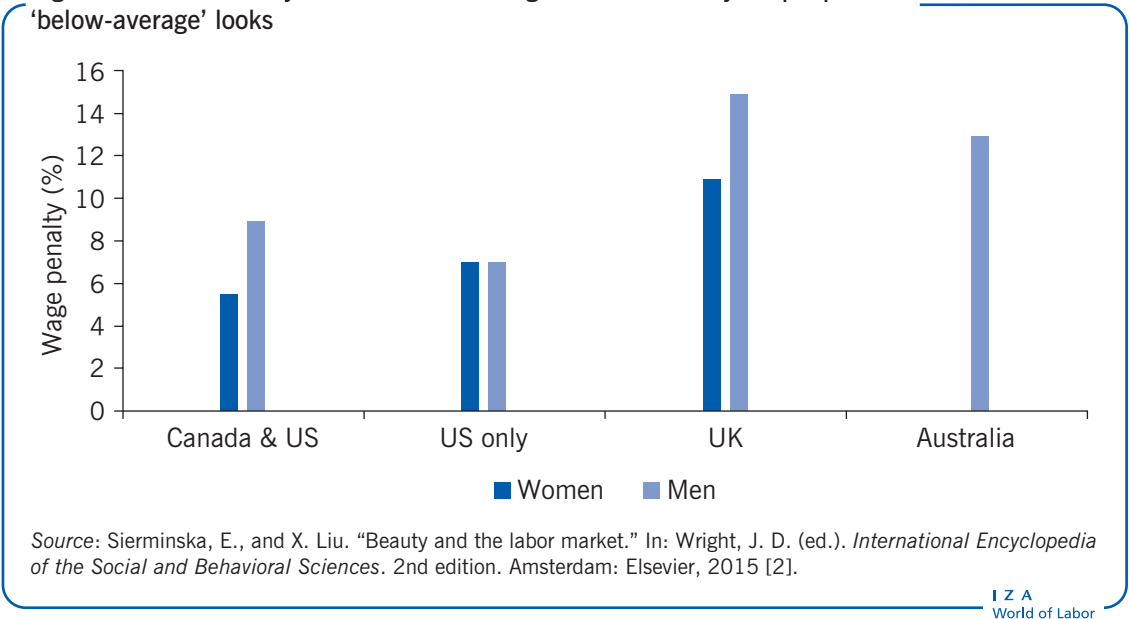


Figure 2. Cross-country evidence on the wage effect of beauty for people with ‘below-average’ looks



LIMITATIONS AND GAPS

Economic analyses cannot yet explain what makes some personal physical features or characteristics attractive and others not, or why the same individual features or characteristics bring about different responses from different observers (though individual preferences obviously play a part). In addition, few consistent standards of beauty exist across time and across cultures [2].

Identifying occupations in which looks could enhance productivity has proved to be a challenge. However, one attempt to do this has been through the Dictionary of Occupation Titles (DOT), compiled in 1997. The DOT provides a scale that rates whether physical appearance is important in a specific occupation and allows for the categorization of occupations according to the ratings.

Another method has been to classify occupations into “dressy” and “non-dressy,” by taking advantage of questions in a survey that ask people’s opinion on the importance of appearance in their professional lives. This strategy generally coincides with the previous classification using DOT. Occupations such as supervisors/managers, intellectual professions, administrative employees, service, and sales employees are included in the dressy category, i.e. those professions within which beauty may enhance a worker’s productivity.

A further limitation of this work is that beauty is usually considered a matter of fact in and of itself, whereas in reality it may be influenced by and correlated to clothing, cosmetics, and plastic surgery expenditures. Failing to consider these issues may cause the estimated effect of beauty to be biased upward.

With regard to employer discrimination, it is difficult to state unequivocally whether discrimination is a result of biased beliefs on the part of the employer or due to a dislike of or “distaste” toward the individual.

Job performance is also difficult to measure, and household survey data usually do not provide this information as adequately as other measures of analysis, such as an employer’s opinion of a worker’s ability. The data do not even adequately capture performance-related wage adjustments. Such measures would help shed some light on the real reasons for employer discrimination. Experimental settings can overcome this to some extent if the wage negotiation process between the worker and potential employer is observed and considered and if workers’ task-solving skills, that are not related to physical appearance, are adequately measured [13].

Another challenge in this area of research is the ability to adequately distinguish between the beauty effect that results from productivity, on the one hand, and the effect that occurs as a result of customer discrimination on the other. There is some research in support of the idea of productivity-related discrimination, but the evidence is unfortunately fairly weak. The research argues that due to omitted variables in the data, additional differences in productivity are not identified. To better describe this mechanism of transmission, alternative methods of analysis should be employed. Future research studies could do this by collecting data from a homogeneous group of workers from within one specified occupation, given that productivity-related discrimination is highly specific to a given occupation. For example, a study using a sample of university instructors found a positive relationship between standardized rankings of physical appearance and students’ class ratings. It is unclear whether this is due to differences in productivity or to student discrimination in favor of instructors who are more attractive.

Also, in a sample of employees in the advertising industry, it has been found that attractive workers increase a firm’s revenue by more than the additional wages that good-looking

executives obtain. Therefore, in this case, executives' good looks enhance the human capital of the firm and the wage premium that employees obtain, which is most likely induced by higher productivity [2].

SUMMARY AND POLICY ADVICE

The number of employment-related discrimination cases based on physical appearance has increased in recent years. Empirical research shows that positive labor market outcomes, particularly in terms of wages and "call-back" rates, are indeed related to good looks.

There are several mechanisms through which physical appearance can influence labor market outcomes, such as employer discrimination, customer discrimination, the "productivity effect," and occupational sorting [2]. These must be considered more clearly to understand the policy implications and options.

Policies that fail to take into account the channel through which physical appearance or attractiveness is affecting labor market outcomes may fail to achieve their goals. For example, if customer discrimination is taking place then policies that are geared toward buying from the less-attractive would be more effective than those focused solely on the employer. Examples here might include anonymous job applications, which would ensure less potential bias in selecting job applicants for interview. In some occupations this may make sense in order to avoid employer discrimination. In others it may not if customer discrimination is present.

Customer discrimination is difficult to eliminate and is more or less beyond the control of the employer, but once hiring takes place, an employer could provide in-house training on professional dress codes, approachability, and appealing personality characteristics, etc., in order to limit customer discrimination.

The growing practice in Europe of including candidate photographs on CVs should be abandoned in order to decrease the vulnerability of certain individuals to discrimination. Ensuring that at least one person participating in the interview process has undergone specific training on hiring without prejudice regarding physical appearance would be beneficial for a non-discriminatory recruitment process.

Society should recognize and observe the relevance of a beauty premium. A need for interventions like the introduction of anonymous applications in hiring also depends on legal considerations and whether such a premium reflects discrimination or productivity.

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Competing interests

The IZA World of Labor project is committed to the *IZA Guiding Principles of Research Integrity*. The author declares to have observed these principles.

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