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Job advertisements and personal networks: two specific channels in the Spanish labour market

Géraldine Rieucou***

Summary

Drawing on an employee labour survey, this article explores job-finding channels in the Spanish labour market and points out that social networks are the most important way of finding a job. It focuses on a comparison between an informal channel (relatives and close personal relationships) and a formal one (job advertisements), and demonstrates that these channels serve two specific segments in the labour market. The most important results concern workers' profiles: advertisements are highly selective because they tend to focus on tangible reference points (education level, prior work experience, age, sex), while social networks exclude people with poor connections in the labour market but might favour applicants without qualifications or experience.

Sommaire

Zusammenfassung

Keywords: labour market, information, jobseekers, employers, job advertisements, social networks

Introduction

Since George Stigler (1962), it has been accepted that jobseekers look for information about job opportunities and employers look for information about suitable employees. This search on the labour market may take different forms, with considerable variation in expenditure and quality of information. The literature distinguishes mainly between formal information channels (public and private employment agencies, job advertisements in the media, labour unions and school placement services) and informal ones (social networks, such as contacts through friends, relatives, colleagues, and so on). The route of direct application is not easily classified: some studies regard it as an informal method, others as a formal one. The formal vs informal distinction has made it possible to highlight the weight of social networks in the labour market. Granovetter (1973) distinguished 'weak ties' (acquaintances) from 'strong ties' (close friends or relatives) and reported that the former work better than the latter because large and dispersed circles generate non-routine and rich information, while family and close friendships convey redundant news. Since the publication of this seminal research, the importance of personal contacts in the labour market has been confirmed by a large number of

empirical works (Ioannides and Datcher Loury 2004; Fontaine 2007) and the 'strength of weak ties', which provide very good jobs according to Granovetter (1973), has been widely discussed (Granovetter 1995; Franzen and Hangartner 2006).

By contrast, formal channels have been little explored. Several studies have investigated public employment offices and concluded that they are particularly helpful for unemployed and people with a low level of education (Gregg and Wadsworth 1996; Addison and Portugal 2002). However, little is known about job advertisements in the media. Therefore, in this article we shall explore this vehicle for finding a job and compare it with strong ties in the Spanish labour market,¹ where the contrast between the two channels is fairly marked. Assuming some consistency between the methods used by jobseekers and the recruitment practices of employers, we can conclude that the different hiring channels play an important part in labour market segmentation. Data from a national employee survey provide empirical evidence that job advertisements and strong ties serve two different segments in the Spanish labour market, providing different sorts of information concerning companies and jobseekers, respectively.

Job-finding channels in the Spanish labour market

Copious statistical data exist concerning the methods used by individuals to look for a job, for example, in surveys of the number of unemployed in European countries. However, relatively little is known about the successful methods, that is, the channels through which people finally get a job. Analysing the distribution of job-finding channels is important for understanding the organisation of the labour market.² The Spanish Labour Force Survey features questions about job-search methods but contains no item concerning job-finding routes. Fortunately, the ECVT (*Encuesta de Calidad de Vida en el Trabajo: Quality of life at work survey*), which is a nationwide employee survey conducted by the Spanish Work and Social Office, provides us with useful data for examining how individuals find a job.

This paper focuses on the job-finding channels of wage-earners. In order to analyse the current labour market and to reduce the memory problems that are usually present in retrospective questionnaires, I selected workers hired by their current firm (or organisation) in the last three years. A sample derived from the database of the years 2002, 2003 and 2004 was constructed (in the survey, the composition of households and the respondents are modified each year). My sample contains 5 437 individuals. The population of recently hired people is younger, more female and more educated than the average in the Spanish labour market.

¹ This research was conducted during a stay at the Department of Political and Social Sciences of the Pompeu Fabra University in Barcelona, Spain.

² The European Community Household Panel contains a question about job-finding methods but data are not available for all countries and results are not very pertinent because of a large residual group of 'other methods'.

Table 1: Job-finding channels for recent employees in Spain (%)

#####INSERT TABLE 1 ABOUT HERE#####

* Public examinations, school and trade union placement services.

Source: Encuesta de Calidad de Vida en el Trabajo, 2002-2004 MTAS.

In Spain, social networks account for more than half of recruitments (Table 1). The survey allows us to distinguish ‘strong ties’ from ‘weak ties’: answers are grouped into ‘strong ties’ if the workers named a direct family member, a relative or friends, and into the second category if they referred to acquaintances. This distinction underlines the strength of family and close personal relationship networks in the Spanish labour market. These results are similar to those reported by Franzen and Hangartner (2006), according to whom in 2001 33.7% of job placements in Spain took place via strong ties and 14% through weak ties (their results were from the International Social Survey Programme). Social networks are also the most common way of getting a job in Spain according to the data from the European Community Household Panel (Calvo Armengol 2006) and a local survey in the south of Spain (Requena Santos 1991). Direct application is the second way of getting a job in Spain, according to my survey (Table 1) and this modality is defined as ‘sending a curriculum vitae directly to firms or walking into a workplace’. This channel is not easily classified: some studies regard it as a formal method, others as an informal one. Ultimately, none of the formal routes (public and private employment agencies, job advertisements, school placement services) are important in Spain. Press advertisements have the same weight as those posted on the Internet and both are grouped in the same category: around 7% of the respondents found their job thanks to a job advertisement in the media (Table 1). In fact, matches outside formal job-seeking institutions are fairly dominant in Spain where jobseekers must rely on their social networks or themselves send a direct application to reach an employer. Comparison with other European countries reveals considerable differences: visiting an employment agency or answering an advertisement are the most common ways of finding a job in United Kingdom, in contrast to France and Portugal, where direct applications and social networks are the most important job-finding channels (Addison and Portugal 2002; Bessy *et al.* 2007). This situation may have implications for employment policies that usually rely heavily on public agencies and need formal facilities. It would be difficult to improve employment when information in the labour market mostly flows through informal channels. In order to improve knowledge about the true functioning of the labour market, we need to consider the characteristics of strong ties and job advertisements, which serve two specific segments in the Spanish labour market.

Information and interaction in the labour market

What is the process whereby employers request and jobseekers provide information? How do the two sides of the employment relationship interact? Job advertisements and informal close contacts could be regarded as two quite distinct channels.

In his seminal study, Rees (1966) considered that the search for information in any market has both an extensive and an intensive margin. An employer can seek at the extensive margin by getting a quote from one more jobseeker or at the intensive margin by getting additional information concerning only one. The informal sources mostly operate at the intensive margin and convey rich and trustworthy information about a few applicants, who often live in the neighbourhood of the firm, especially when the contact is a close friend or family member. Furthermore, employer surveys have shown that small organisations like to use informal recruitment methods, mostly because they are inexpensive (Marsden and Campbell 1990). At this stage, competition is not too strong because of the reduced number of applicants and because informal and detailed comments are reliable and complementary to work experience information. The person who refers the jobseeker can justify why he or she regards him or her as an appropriate candidate. Obviously, social networks might be a source of inequality: as the transmission of information about a job opportunity is likely to pass between individuals with very similar attributes, while people who are poorly represented in the labour force, without connection to the labour market or with poor contacts may be excluded from employment opportunities that flow by word-of-mouth (Ioannides and Datcher Loury 2004; Calvo Armengol 2006).

The characteristics of job advertisements differ from those of personal networks. First, this formal channel operates at the extensive margin with an a priori broad field of search. Secondly, it is mostly large organisations that can afford the cost. Spence (1973) pointed out the importance of 'signalling' in the labour market: hiring is like an investment under uncertainty and employers emphasise the more easily observable characteristics of applicants, such as educational achievement, job experience, gender, age or other data that have significant 'signalling power'.³ With job ads, employers have a larger and more flexible set of choices than with social networks; therefore, they define formal hiring standards in order to reduce the number of candidates to manageable proportions. These standards are set depending on the expected performance but, as Doeringer and Piore (1971) remarked, the criteria often derive from the collective experience and prejudices of the company management. When requirements such as gender, age are used, the screening process can be regarded as discriminatory.

³ Spence (1973) distinguished 'signals' (education, work experience, and so on) from 'indices' (age, sex, race): both are observable attributes of the job applicant but signals are subject to manipulation while indices are unalterable. According to this author, jobseekers mainly signal the level of their skills to employers by acquiring a certain degree of education.

The field of search, the kind of information conveyed and the type of interaction between workers and employers differ according to whether the match takes place thanks to a job announcement or a close link. In light of this contrast, one would expect that firms hiring through job ads differ from those that opt for social networks; that employment procured via the formal channel (job ads) has different characteristics from that provided thanks to a personal contact; and, finally, that differences exist between jobseekers' profiles. I shall now evaluate these predictions in the case of the Spanish labour market.

Job ads and strong ties: two specific channels

Table 2 displays the percentage of workers who found their job through a job ad and of those who found it thanks to a strong tie, according to the characteristics of the job (permanent or fixed-term contract, full- or part-time job) and of the organisation (firm size, private or public sector, activity sector). A variable on monthly earnings is not included because of the large number of non-responses. Significant results assessed with binomial logistic regressions contrast strong ties (job advertisement) with other ways of getting a job. When percentages are indicated in bold in Tables 2 and 3, it is because, compared to the reference, the characteristic impacts the probability of being hired thanks to this channel, when all other variables are controlled for (see Tables 2 and 3).

Table 2: Percentage of workers hired according to the characteristics of the job and the firm

XXXXXINSERT TABLE 2 ABOUT HEREXXXXXx

* Percentage in bold refers to significant results according to a binomial logistic regression: when all the other variables are controlled for, people working in construction are more likely to have found their job thanks to a strong tie (compared to other ways of getting a job) than people working in services (reference). Significant results for $p < 0.1$.

Source: Encuesta de Calidad de Vida en el Trabajo, 2002-2004 MTAS.

Results from Table 2 confirm that organisation size affects the job-finding channel: contacts with family and close friends are not expensive and frequently make it possible to find a job in a small organisation in Spain; the large number of small companies explains the weight of this informal channel. In the whole sample, 37.2% of people found their job thanks to a strong tie, but when we restrict it to individuals working for a small firm, this proportion reaches 41.8%. Neither job ads nor strong ties provide many jobs in the public sector, but jobs in the private sector are frequently found by these routes. In the construction sector, referrals and personal recommendations are frequent, while formal information (CV and solicitation letter) is rare, as Garner and Lutinier (2006) have found for France.

Table 3 presents data on worker profiles: age, gender, educational attainment, nationality, current and prior situation. The survey does not distinguish foreign workers from Spanish ones but I decided to consider respondents as 'not Spanish'

when they and their mothers were not born in Spain. The ECVT does not clearly indicate the worker's employment status just before he or she was hired. However, to code this prior position, we can use the variable indicating whether a person's current job is their first.⁴

According to Table 3, workers who found their job through a job advertisement and those who obtained it by a strong tie have straightforward and fairly contrasting profiles. Two significant differences concern education level and prior work experience: first, the proportion of people with a high level of education who are hired via the formal channel is high (11% compared to 7%), while the percentage of those who, with the same educational background, are hired through the informal route is particularly low (23% compared to 37.2%). Secondly, among individuals without prior experience (their first job), the percentage of those who were hired via a strong tie is higher than for the whole sample (38.8% compared to 37.2%). By contrast, among the same category of 'beginner workers', the proportion of those contracted via an advertisement in the media (6.4%) is lower than for the whole sample (7%).

Table 3: Percentage of workers hired by each channel according to their profile

XXXXXINSERT TABLE 3 ABOUT HEREXXXX

* Percentage in bold refers to significant results according to a binomial logistic regression: when all the other variables are controlled for, people with a tertiary education are more likely to have found their job thanks to a job advertisement (compared to other ways of getting a job) than people with a primary education (reference). Significant results for $p < 0.1$.

Source: Encuesta de Calidad de Vida en el Trabajo, 2002–2004 MTAS.

To be more specific about the formal hiring channel, an examination of the content of job advertisements is useful. In a prior study (Marchal and Rieucan 2005), we analysed two samples of Spanish announcements extracted from newspapers and Internet job-boards at the beginning of the 2000s (see Table 4). In these samples, the majority of ads required previous work experience and a large proportion, especially on the Web, called for a high educational background (Table 5). Such requirements are more frequent on the Internet than in the press. More generally, in the European countries we analysed (Spain, France and the United Kingdom), advertisements posted on the Web are more standardised and selective than those published in newspapers (Marchal *et al.* 2007).

Table 4: Selection and analysis of 800 Spanish job advertisements

XXXXXINSERT TABLE 4 ABOUT HEREXXXX IN A BOX

⁴ Other sociological variables, such as matrimonial status or number of children, cannot be considered because the current responses could differ from when the respondent found their job, in particular for those who did so several years ago.

Results from the Spanish survey and from the analysis of ad samples provide evidence that, in Spanish job advertisements, education and experience constitute two observable signals and are useful devices for reducing the number of jobseekers who have the right profile to apply.⁵ In the first step of an extensive search, there is no room for interaction and the distance from anonymous applicants might lead the employer to place greater stress on the most observable attributes, while variables which cannot be easily summarised have a hard time circulating in this route.

Table 5: Percentage of Spanish ads mentioning employment criteria

XXXXINSERT TABLE 5 ABOUT HEREXX

Source: see Table 4.

However, educational achievement and prior experience are less important when information about job opportunities and applicants is conveyed through networks of family and friends. Indeed, data from Table 3 mainly underscore the role played by strong ties in the insertion in the Spanish labour market of workers with low levels of education and experience. When information about an applicant is conveyed in a referral from someone in a close relationship with the employer, the jobseeker is less penalised than when the first step in the selection process is his or her CV. In Spain, young people have great difficulty finding a good job (Blázquez Cuesta 2005) and leaving the parental household. The family can be helpful to them in making up for the failings of the labour market and the housing crisis (Mercader Prats 2005). The present survey confirms that the family is helpful for young people but also for jobseekers without experience or qualifications.

Age and gender are observable hiring standards that, although illegal, are frequently mentioned in Spanish job advertisements (Table 5). Around 17% of the job ads we examined have an age requirement lower than 45 years⁶ and such hiring standards can cut off older jobseekers from employment. Consistent with this, Table 3 indicates that, among workers older than 50 years, the proportion of

⁵ In France and the United Kingdom, job advertisements often refer to experience. The frequency with which educational requirements are mentioned is higher in France and Spain than in the United Kingdom (Marchal and Rieucan 2005).

⁶ In another study, Morell Blanch and Brunet Icart (1999) reported that 45% of the 300 Spanish Internet job ads they analysed required young candidates. Age requirements are also frequent in France but not in the UK. More generally, British job advertisements are less selective and less discriminatory than French and Spanish ones (Marchal and Rieucan 2005)

those who were hired thanks to a job advertisement is lower than for the whole sample of workers (3.3% compared to 7%).

Furthermore, in the samples we examined, gender-specific job advertisements mainly concerned women (Table 5): they were addressed to female clerks or sales assistants and mirror, to a certain extent, the occupational sexual segregation of the Spanish labour market. Consistent with the job ads' messages, data from the ECVT indicate that, among women, the percentage of those who found their job through this formal route is larger than for the whole sample (Table 3).

By contrast, strong ties might be less favourable to women than to men. Exploring the nature of social networks in which people are embedded, several studies have suggested that women have more home-centred social activities and, in particular, improve kinship and neighbourhood links at the expense of their professional networks (Russel 1999). In Spain, their close relationships might bring them fewer job opportunities than are available to men (Table 3). Furthermore, transmission of information about job opportunities mainly passes between people with similar demographic attributes (Granovetter 1995; Requena 1995; Ioannides and Datcher Lounsbury 2004) and women have fewer connections than men in the Spanish labour market, where they remain underrepresented despite the recent dramatic increase in their participation.

The tendency of individuals to associate with those who are similar to them ('homophily') may also explain differences between immigrants and native workers. Investigations produced mixed results about the role social networks play for workers belonging to ethnic minorities and for immigrants: some studies have focused on the role of social links in cutting off these groups from employment or maintaining them in 'wrong' or 'bad' networks (Reingold 1999), while other studies report only scant evidence that network factors serve to exclude immigrants and minorities and show that these categories produce more referrals than the others (Frijters *et al.* 2005). Our Spanish survey does not make it possible to produce accurate results that could contribute to this debate but it reveals that the proportion of 'foreigners' (people not born in Spain with a mother born abroad) hired thanks to a close contact is higher than for the whole sample (Table 3). Finally, job ads and strong ties might both be favourable to immigrant workers.

Conclusion

Job-finding (hiring) channels provide valuable insight into labour market organisation. Differences exist between European countries. In Spain, most recruitment takes place through social networks and direct applications, while matches through formal channels, such as employment agencies or job advertisements, are relatively low in proportion. Nevertheless, a comparison between the main informal way of getting a job (relatives and close friends) and a formal vehicle (job advertisements) is relevant in order to improve knowledge about

labour market segmentation. Assuming the filtering process differs according to whether the match takes place due to strong ties or job advertisements, I attempted to demonstrate that these channels serve two distinct segments in the Spanish labour market. Data from the ECVT Quality of life at work survey show that firms that rely on social networks are smaller than those hiring through advertisements. The most important results concern differences between job-seekers' profiles. People who have poor connections in the labour market are excluded right away from recruitments through personal networks, while, a priori, all jobseekers can look for a job by skimming through a newspaper or surfing the Internet. However, the content of ads reduces the number of those who are able to answer and, finally, this channel is quite selective because of its great emphasis on observable signals, such as educational achievement, prior work experience, age or sex. By contrast, reputation and 'non-observable' attributes may be involved when employers and jobseekers interact on the basis of a personal contact. In Spain, young jobseekers without experience and without qualifications in particular are likely to have found their job via a strong tie.

This paper contributes to our knowledge about job-finding channels in Spain. A number of questions for further research remain: in particular, it would be useful to improve our knowledge about screening processes from employers' surveys; furthermore, a comparison with other European countries may help improve employment policies.

Associate Professor of Economics at the University of Paris 8 (France),
Member of the LED (Laboratoire d'Economie Dyonisien) and of the CEE (Centre d'Etudes de l'Emploi)
E-mail: geraldine.rieucau@univ-paris8.fr

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