



# Inequalities in social capital and their longitudinal effects on the labour market entry



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## ARTICLE INFO

### Keywords:

Social capital  
Network resources  
Inequalities  
Labour market entry

## ABSTRACT

This study investigates socio-economic and ethnic inequalities in social capital and their effects on the process of the labour market entry. We use longitudinal data about the transition from school to work of lower- and middle educated young people in Belgium. Social capital is measured with three robust position generator measures. In line with previous studies, there are substantial socioeconomic and ethnic inequalities in the access to social capital. Ethnic differences in social capital are, however, due to the socio-economic deprivation of ethnic minority groups in Belgium. Among the specific population of lower- and middle educated youth, knowing more people from the working class leads to a higher likelihood of entering the labour market versus continuing in education, whereas knowing more people from the higher service class results in a lower likelihood of entering the labour market. Especially the resources of strong ties such as relatives and friends are important for these decisions. In addition, once entered the labour market, social capital has an impact on the likelihood of getting a job. Lower- and middle educated labour market entrants who know more people from the working class are more likely to find work, whereas knowing people from the lower service class decreases the job chances. However, there is no evidence for social capital effects on the occupational status of the job among our population.

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## 1. Introduction

Since the outbreak of the economic crisis in Europe, youth unemployment has soared seriously. According to Eurostat statistics (2012), youth unemployment in the European Union was 21.4% in 2011. Especially lower educated and immigrant youngsters experience difficulties during their labour market entry (Breen and Goldthorpe, 1997; Craig et al., 2005). Moreover, taking a bad start on the labour market has persisting consequences for the further career (Scherer, 2005; Steijn et al., 2006). Getting insight into the factors facilitating or hindering the important life course is, thus, of great importance.

This critical ‘turning point’ in life happens, of course, not in a social vacuum. Many people are advantaged during their job search by their social networks (Granovetter, 1995; Lin, 2001). The assistance of social network members can be considered as social capital in its instrumental tradition, in which it is defined as the resources

embedded in social networks that can be accessed or used by individuals (Bourdieu, 1986; Portes, 1998; Völker and Flap, 1999; Lin, 2001). The main aim is to examine to which extent social capital plays a role in (re)producing inequalities during the process of the labour market entry.

We aim to contribute to the literature in four ways. Firstly, although many studies have investigated to which extent social capital affects occupational attainment (Lin and Dumin, 1986; Boxman et al., 1991; Erickson, 1996; Bian, 1997; Völker and Flap, 1999; Lin, 2001; Li et al., 2008; McDonald et al., 2009), few focused on the labour market entry. Research suggests that someone’s access to social capital becomes less ascribed during life and more achieved (Flap and Boxman, 2000; McDonald and Mair, 2010). Therefore, the labour market entry is an interesting life stage to examine how someone’s background factors, such as the ethnic and social class origin, shape his/her access to social capital. Moreover, it would shed light on how this important life course transition is socially embedded.

Secondly, as the first longitudinal study, we examine whether and how social capital affects the labour market entry. By following 1080 high school graduates during one year in their transition from school to the labour market, we address previously raised questions about the causality of the association between social capital and

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labour market outcomes (Mouw, 2006). Social capital is measured with the position generator (Van der Gaag, 2005; Lin and Erickson, 2008).

Thirdly, we distinguish between social capital provided by 'strong ties' such as friends and family and 'weak ties' such as acquaintances. With this distinction, we test theories concerning the strength of weak ties (Granovetter, 1973) versus strength of strong ties (Lin et al., 1981; Bian, 1997) with respect to the labour market entry.

Lastly, there are substantial socio-economic and ethnic inequalities in the labour market entry (Breen and Goldthorpe, 1997; Craig et al., 2005). This study examines explicitly to which extent social capital mediates the relationships between these background factors and labour market outcomes.

## 2. Literature review and hypotheses

### 2.1. Effects of social capital on labour market entry

The transition from school to work consists of two processes: the decision process to continue in education or not, and the search process for a first job. We distinguish two types of mechanisms through which social capital could influence these processes.

The first mechanism relates to the *direct use of social network resources to find a job*. There are several ways through which relatives, friends or acquaintances could help during the job search. They could, for example, provide information about the labour market in general or about some specific job vacancies in particular, or put in a good word with an employer, or directly hire job searchers (Granovetter, 1995; Lin and Ao, 2010). According to social capital theory (Lin, 2001), job seekers are not helped by having social contacts per se, but by the resources of these contacts. It is not the size, but the socio-economic composition of personal networks that matters. Research has shown that the access to social capital is positively related to finding a job (Fernandez et al., 2000; McDonald et al., 2009; Lancee, 2012) and to the occupational status of that job (Lin and Dumin, 1986; Bian, 1997; Lai et al., 1998; Völker and Flap, 1999; Lancee, 2012). Moreover, labour market entrants with more social capital make more use of their personal contacts to search for a job than those with less social capital (Flap and Boxman, 2000; Moerbeek and Flap, 2008).

However, Flap and Völker (2001) have shown that the utility of social capital is goal specific: different objectives require social networks with different structures and contents. We expand this logic to the labour market entry of our research population of lower and middle educated people. Given their educational qualifications and the segmentation of the labour market, we expect that they are more helped with the resources of people active in the working class than with resources of people active in the (higher) service classes. Working class people are more able to provide relevant labour market- or job information, or put in a good word with an employer. Therefore, we expect that, among lower- and middle educated people, working class specific social capital is more helpful to find a first job than service class specific social capital (hypothesis 1).

The second mechanism concerns the *indirect influence of social network resources* on entering the labour market. In contrast to the previous mechanism, social capital is not directly used. Social capital affects the labour market entry by shaping occupational and study aspirations. From qualitative studies (Stanton-Salazar, 1997; Domínguez and Watkins, 2003), we know that social network members could encourage job searchers in their occupational attainment (e.g. acting as positive role models) or discourage them (e.g. gender expectations). According to the rational choice theory of educational decision making (Breen and Goldthorpe, 1997),

young people try to avoid, in their decision to continue education or not, downward socio-economic mobility given the class position of their parents. We argue that young people try to avoid any position in life that is worse than the class position of not only their parents, but also of other significant persons such as brothers, sisters, friends and peers. Previous research has shown the role of significant others in shaping educational and occupational aspirations (Sewell et al., 1970; Brown et al., 1996). We argue that network resources shape educational and occupational aspirations, and consequently, the likelihood of continuing in education rather than entering the labour market. We expect that, among lower- and middle educated people, having service class specific social capital results in a higher likelihood of continuing in education, whereas having working class specific social capital leads to a higher likelihood of entering the labour market (hypothesis 2).

Not all network members have, however, the same influence on the labour market entry. Scholars distinguish between 'strong ties', characterized by intimacy, trust and loyalty, and 'weak ties' which are less intimate (Granovetter, 1973; Wellman and Wortley, 1990; Bian, 1997). According to the strength of weak ties theory of Granovetter (1973), weak ties are better for instrumental actions like getting a job, because they serve as bridges to networks with different resources. Although weak ties may be more useful to find a job in general, research has found that strong ties are better for finding high-status jobs because strong ties are more motivated to actually help a person, especially when the requested resources are scarce and valuable (Lin et al., 1981; Bian, 1997; Ooka and Wellman, 2006). Therefore, we expect that weakly tied social capital is more helpful for finding a first job than strongly tied social capital (hypothesis 3), but that strongly tied social capital is more likely to lead to a job with a higher status than weakly tied social capital (hypothesis 4).

In addition, since research has shown that people's occupational aspirations are especially shaped by significant others (Sewell et al., 1970; Brown et al., 1996), we expect that strongly tied social capital affects the decision to continue education or not more than weakly tied social capital (hypothesis 5).

### 2.2. Inequalities in social capital

Although social capital appears to be important for the transition from school to work, there is surprisingly little research about inequalities in the access to social capital among labour market entrants. According to Lin (2001), inequalities in social capital can be attributed to the combination of social stratification and social homophily: when social groups differ in their access to resources (such as wealth, status or information) and when members of privileged groups mainly interact with one another, social network resources are unequally distributed.

Many studies have shown high levels of socio-economic homogeneity in social interactions (Kalmijn, 1998; McPherson et al., 2001; Blossfeld, 2009). Because of these homophilous relationships, there are substantial socio-economic inequalities in the access to social capital (Erickson, 1996; Lin, 2001; Völker and Flap, 1999; Li et al., 2008). Lower educated and working class people are embedded in socio-economically less advantaged networks. Moreover, previous research has demonstrated that the occupational and educational positions of the parents affect the access to social capital of their children (Lin and Dumin, 1986; Völker and Flap, 1999; Moerbeek and Flap, 2008; Verhaeghe et al., 2012a). Following these studies, we expect that the socio-economic background of labour market entrants affects their access to social capital (hypothesis 6).

In addition, ethnicity is also important factor in shaping relationships (McPherson et al., 2001). Although there are indications of a decline in ethnic segregation in Belgium (Verhaeghe et al., 2012b), there is still considerable ethnic homogeneity in marriage and

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