



# Transitions in a West African labour market: The role of family networks



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## ABSTRACT

This paper sheds light on the role of family networks in the dynamics of a West African labour market, i.e. in the transitions from unemployment to employment, from wage employment to self-employment, and from self-employment to wage employment. It investigates the effects of three dimensions of family networks on these transitions: their structure, the strength of their ties, and the resources embedded in them. For this purpose, we use a first-hand survey conducted in Ouagadougou on a representative sample of 2000 households. Using event history data and very detailed information on family networks, we estimate proportional hazard models for discrete-time data. We find that family networks have a significant effect on the dynamics of workers in the labour market and that this effect differs depending on the type of transition and the dimension of the family network considered. Network size appears not to matter much in labour market dynamics. However, strong ties play a stabilizing role by limiting large transitions. Their negative effect on transitions is reinforced by a high level of resources embedded in the network.

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## 1. Introduction

A recent economic literature has emphasized the importance of social networks in labour market outcomes by conveying information about employment, market opportunities, or new technology (Durlauf and Fafchamps, 2005; Ioannides and Loury, 2004). From a theoretical perspective, social networks are known to be crucial to understand the dynamics of labour markets, in particular duration dependence and persistence in unemployment (Calvó-Armengol and Jackson, 2004, 2007; Bramoullé and Saint-Paul, 2010). From an empirical perspective, evidence shows that there is a widespread use of friends, relatives, and other acquaintances to search for jobs and to access coveted positions. For entrepreneurs, social networks may be used to reduce the uncertainties faced regarding market opportunities, the reliance on partners, or the productivity of their prospective employees, and also to promote risk-sharing and informal credit arrangements (Hoang and Antoncic, 2003). Within the social network, family ties have been shown to play a key role in labour market outcomes (Granovetter, 1995), by enforcing informal agreements (La Ferrara, 2007). It has also been shown recently that recent graduates benefit from the use of family ties (parents) through a faster

access to jobs and by better labour market outcomes (Kramarz and Skans, 2013).

These issues are decisive in developing countries where a large part of the inefficiency in the labour market may be due to imperfect information. These countries are often characterized by formal institutions which fail to channel information about jobs or market opportunities. In Ouagadougou (Burkina Faso) for example, 85% of unemployed workers are not registered in the public employment office and 45% declare that this is because they do not know it exists (DIAL, 2007). In the absence of formal institutions, the role played by interpersonal relationships and by family networks in particular may be substantial in employment trajectories.

While there is strong evidence of the importance of social and family networks in labour markets in developing countries, little is known in these countries about the specific effect of the different dimensions of these networks. Indeed, most studies in developing countries, particularly in Sub-Saharan Africa, focus on the size of networks, approximated by the number of contacts that an agent maintains with other categories of agents. However, since the seminal sociological work of Granovetter (1973), it has been widely acknowledged that the intensity of ties is an essential dimension of social networks. Granovetter put forth 'the strength of weak ties' argument highlighting that links with infrequent interactions or with low intimacy, in other words weak ties, tend to bridge individuals across social groups, and are consequently the most informative and useful in the labour market. Following Granovetter's definition of the strength of ties, strong

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as well as weak ties can be observed even among family members. Lin (1990)'s theory of social resources also emphasizes a dimension of social networks that has to be addressed: the resources available in a network, defined by the socio-economic characteristics of the individuals connected through the network.

Some studies have attempted to fill this knowledge gap, but they remain divided on the effect of social network resources and tie content on the labour market. Besides, they mostly focus on business outcomes (such as Barr, 2002) and they do not address the issue of the dynamics of employment. An interesting exception is Kramarz and Skans (2013) who use a Swedish linked employer–employee dataset to show that strong social ties (parents) are an important determinant of where young workers find their first job but also of how they progress in their careers. For Africa, using a longitudinal dataset on young South Africans to examine the correlation of children's employment with parents' usefulness in job search, Magruder (2010) finds that fathers serve as useful network connections for their sons (but not daughters), contrary to mothers. Relying on an original dataset collected in the informal economy of Bobo-Dioulasso (Burkina Faso), Berrou and Combarrous (2012) argue that informal entrepreneurs have to combine strong and wide ongoing social support ties with weaker business ties to be successful. In the West African context again, Pasquier-Doumer (2013) has shown that informal entrepreneurs who have family members involved in the same activity perform better.

Other studies emphasize the reverse side of strong ties. In her research on informal manufacturers in Nigeria, Meagher (2006) identifies disinclination among entrepreneurs to trade with people from their home communities because they exercise moral pressure to get credit and then expect the trader to understand their problems when the time comes for repayment. In the same way, Whitehouse (2011) finds that in the capital of the Republic of Congo, it is especially difficult for entrepreneurs to do business in their home communities, where they face a constant barrage of requests by their kin, both close and distant, for goods on credit, discounts, employment, and short-term loans or outright grants. For informal entrepreneurs in West Africa, including in Ouagadougou, Grimm et al. (2013) provide evidence that while family and kinship ties within the city tend to increase labour effort and the use of physical capital, distant kinship ties can be a source of pressure to redistribute which prevents these entrepreneurs' economic success.

Hence, family networks may affect the dynamics of workers in different ways and there is no clear evidence on what the main channel is. This lack of consensus may be explained by the low level of representativeness of data in Africa, but also because most studies fail to overcome the simultaneity issue between network constitution and the dynamics of workers.<sup>1</sup> Another difficulty is determining which features of the networks interact most with workers' trajectories, and through which channel, which requires detailed characteristics for these family networks.

In a West African context, this paper aims at disentangling the determinants of changes in workers' employment status and transitions from unemployment to employment by emphasizing the role played by family networks in stabilizing or helping workers improve their professional situation. A crucial question tackled is to what extent this is the case, and why different sorts of family networks may lead to different employment trajectories. We analyse the effect of family networks on specific employment transitions in Ouagadougou by answering the following questions. Do family ties help unemployed individuals have access to employment? To what extent is one's personal family network essential in the transition from wage employment to self-employment, or from self-employment to wage

employment? Indeed, using the divide between self- and wage-employment in urban West Africa has been shown to be a meaningful way of characterizing the quality and vulnerability of jobs (Bocquier, Nordman and Vescovo, 2010).

We attempt to overcome the limitations of the previous studies on social networks and labour markets outcomes in Sub-Saharan Africa in different ways. First, we avail ourselves of a representative sample of households in the capital of Burkina Faso which combines workers' socio-demographic characteristics and very detailed social network information, together with event history data, in particular the individuals' employment records.<sup>2</sup> Second, we characterise the various dimensions of family networks. Lastly, we address the problem of the simultaneity bias which may affect the measure of the effect of networks on labour market outcomes by using a survival analysis that makes use of proportional hazard models for discrete-time data, and by relying mostly on the characteristics of siblings to define family networks.

The paper is organized as follows. Section 2 presents the data and the concepts used. Section 3 summarizes the estimation strategy. Section 4 comments on the effect of family networks on professional transitions and Section 5 concludes.

## 2. Surveys, data, and definitions

### 2.1. The surveys

For this analysis, we use an original survey conducted in 2009 in Ouagadougou on a representative sample of 2000 households. This survey was conducted by a team of researchers from the French Institute of Research for Development (IRD), including the authors of this paper, under the supervision of Daniel Delaunay and Florence Boyer (Boyer and Delaunay, 2009). This survey provides data on the socio-demographic characteristics of the households and their members and also on individual events such as work experience and migration history. In addition, the survey includes very detailed information on social networks which we will describe below. An area sampling methodology guarantees the representativeness of the survey.<sup>3</sup> Event history and social network information were collected from half of the individuals aged 18 and over, chosen at random.<sup>4</sup> Thus, we collected the work histories of 1762 men and 1050 women, totalling 2812 individuals.<sup>5</sup>

In addition, following the approach advocated in Kanbur (2005), qualitative data are used in our analysis to complement quantitative results. In April 2009, 15 qualitative interviews were carried out with individuals who had responded to the full questionnaire.<sup>6</sup> The interviews were semi-structured, following the event history questionnaire and a comprehensive interviewing guide in order to streamline the reporting and recording of the narratives. The emphasis was placed on the interviewees' social network formation and dynamics, on the resources they had acquired throughout their lives (social, human, and financial capital), on the help they received at different stages of their trajectories (schooling, marriage, housing, and job), and on the process of occupational insertion and transitions. The interviews lasted between 45 minutes and one hour and a half.

<sup>2</sup> See Nordman and Roubaud (2009) for an example of labour market analysis using event history data.

<sup>3</sup> In a first step, we set the limits of the city. Then, the city was divided into small sub-areas which were randomly sampled. Each of the chosen sub-areas was then fully inspected and enumerated, and one of the households in the sub-area was chosen at random. All the individuals in the household were surveyed.

<sup>4</sup> For more details, see Boyer and Delaunay (2009).

<sup>5</sup> Weights are applied in all calculations to take the sampling scheme into account.

<sup>6</sup> Using the sampling frame of the 'quantitative' survey of households, the sampling of respondents, whose interviews took place at the respondents' home and/or workplace, included individuals with diverse characteristics specifically regarding their occupations, and professional and migration experiences.

<sup>1</sup> A simultaneity bias in estimations may occur when workers build their network through various strategies in order to improve their occupational trajectories.

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