The Role of Social Capital in the Search for a Job

A qualitative study investigating "the hidden job market" on Sørlandet

EDIN ZUBOVIC

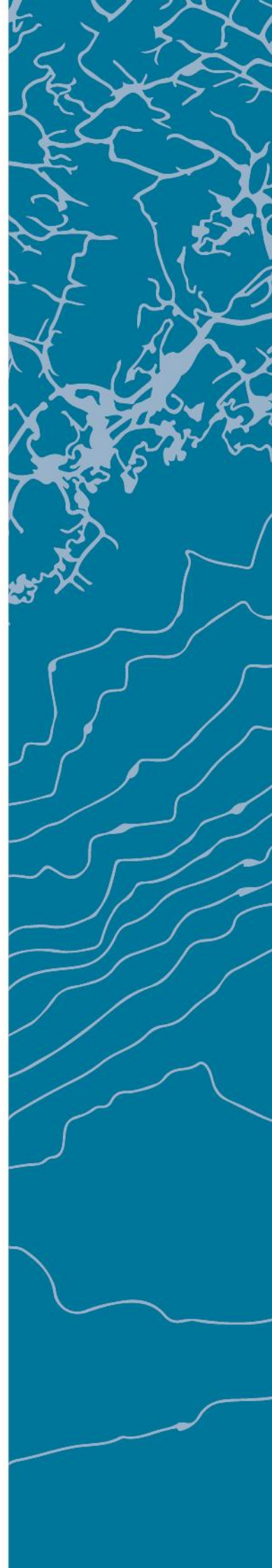SUPERVISOR

Andreas Erich Wald

Preface

This master thesis is written as a final part of the master program in Business and Administration at the University of Agder. The thesis is an obligatory part of the program and makes out 30 credits.

I would like to thank my friends and family for their support and motivation during the writing of this thesis. A special appreciation for my dear friend Nicklas A. Myhre, who has pushed and motivated me through the entire process.

I would also like to thank my supervisor, Andreas E. Wald, for his knowledge about the topic, as well as his comments and guidance throughout the semester.

Finally, I would like to thank the informants who participated in the study. Their willingness to share and discuss their experiences is what made this thesis possible.

Abstract

Social capital and its effect on the job market has become an important aspect of how we view the job searching process. Much research on social capital in the job search stems from large generalizable surveys, meaning that little is known about the motives and insights of those responsible for employment. This thesis presents a qualitative study of how recruiters and employers in Norway view the use and potential benefits of using a social network when searching for a job.

This study focuses on how referred applicants may have an advantage over the formal applicant and investigates the myth on Sørlandet regarding its "hidden job market". As such, the study explores the experiences of those responsible for employment on Sørlandet. The empirical findings in the study are based on in-depth interviews with 11 employers responsible for the recruitment of their company or agency.

The study reveals, amongst other, that there is a correlation between social capital, the usage of networks and higher work quality. Its findings also support the research regarding non-searchers and uncovers the myth, presenting the potential vastness of "the hidden job market" on Sørlandet. In relation to the research question, the study can, according to its findings, conclude that there is a causality between referred applicants and a higher yield ratio.

Table of content

Table and figure list

1. Introduction

In this chapter, I present the background and the research purpose of the study. I also discuss its relevance, the research question as well as limitations and definitions.

1.1 Background

It is recognized by continuous empirical work that job contact networks play an essential role in matching workers with vacant jobs. Rees (1966) and Granovetter's (1973) early work showed that between 30% and 50% of jobs are employed using social networks. These findings have been further researched across countries, industries and demographic features; see, for example, Harry Holzer (1986), Blau and Robbins (1990), Axel Frantzen and Dominik Hangartner (2006), Bayer et al. (2008) and Galenianos (2014).

This indication that many workers receive job information through their social contacts has led to several theoretical studies that investigate the value of social networks in labor market outcomes, for example Boorman (1975), Mortensen and Vishwanath (1994), Cahuc and Fontaine (2009) and Trimble (2013).

1.2 Research purpose

Since the early research of Rees (1966) and Granovetter (1973), there has been numerous studies regarding how social capital is affecting the job search (Gorman 2001; McDonald et al 2006;, Zaharieva 2014), job search behaviors and models (Holzzer 1986, Jensen and Nielsen 1987; Blau and Robins 1990; Blau 1992), as well as firms usage of referrals (Dustmann et al 2011; Galenianos 2012, 2014). The correlation with this research is that its data consists of quantitative surveys and models, and therefore lacks the in-depth understanding behind the motives of the employers.

Many of the best jobs are obtained without the worker actively searching, and Elite non-searchers are far more likely to have executive and administrative jobs than in any other form of occupation (McDonald 2004). Elliot (2000) states that jobs with greater prestige, autonomy and supervisory authority are most often obtained without a search. Further, these positions may not be publicly advertised and are instead often filled through employer recruitment which targets specific individuals and, in this way, limiting the access of potential workers. Non-searchers may in this way serve as an indicator of how closed a labor market is (Elliot 2000). "Unfortunately, very little is known about non-searchers and the non-search process. Qualitative data on the history and context of non-searchers' receipt of job information is

sorely needed…” (McDonald 2004)

The combination of a lack in understanding of employer’s motives when hiring and the need of qualitative data on non-searchers opens an interesting gap. By accomplishing respectable interviews with the employment-responsible, the purpose of this paper is to attempt to fill the gap by comprehending how employers are recruiting.

Furthermore, in the procedure of gathering knowledge about the role of social capital in the job search, statements about it being very relatable here on Sørlandet showed up. There are to my knowledge no research regarding the use of social capital in any context for the southern part of Norway. After talking with several individuals and groups prior to this paper, it was apparent that many knew and had experienced that social networks were an important part of how jobs on Sørlandet were shared. I wish to use this study to make it clear whether “the hidden job market” myth on Sørlandet is valid or not.

I will therefore in this paper take a unique approach to study how social capital is of such importance to the job seeker, by investigating the benefits of being a referred applicant in the search for a job.

1.3 Relevance

Knowledge on the use and advantages of using social capital in both the job search and employment is an aspect which needs further research. While this is a global aspect that can benefit job searchers and employers in all countries and industries, this paper also looks at its regional relevance.

The Norwegian petroleum’s industry has the last years experienced a decrease in profitability, which is a consequence from a large drop in the oil price (Martén & Whittaker, 2015). The decrease which started in 2014, has brought about several large clampdowns to the workforce to several oil related companies (Aadland, 2015). The largest private employer on Sørlandet, National Oilwell Varco, has had a significant downsizing lately, which is one of the reasons for the increased unemployment rate on Sørlandet. In august 2015 it reached a new height, when it became the region in the country with the highest unemployment rate (Sørheim, 2015). These employees then have their grant from the government funding (NAV), which results in massive costs, until they find a new job, possibly in a totally different industry. This

paper will try to aid this process of finding a new job by looking at the way social capital influences ones' capabilities of finding work.

1.4 Presentation of research question

With background on this topic, which is how social capital is influencing the job search, the research question goes as following:

"Is there a causality between referred applicants and a higher yield ratio?"

As the data will be qualitative and therefore also contain lower numbers of respondents than previous studies (example Blau and Robins 1990, Marsden and Gorman 2001), this paper might have less generalizable findings, but will aim to contribute to the research by adding to the depth of understanding the employers' views.

1.5 Limitations and definitions

1.5.1 Geography

Because of the scope and the purpose of the assignment, I have chosen to limit it geographically. In addition, the limitations of the research data have contributed to delineate the study. As a part of the research will be to investigate "the hidden job market" on Sørlandet, this study will therefore be limited to Sørlandet, which is defined as the Agder counties, Vest – and Aust-Agder.

1.5.2 Definition of yield ratio

Recruiting yield ratios are some of the most important recruiting key performance indicators (KPIs) and are usually used to measure how many candidates were hired from a total number of applications (Bika, 2016). Yield ratios show what percentage of candidates pass from one stage of the hiring process to another.

2. Theory and related studies

This chapter will present theories and studies that are correlated to the thesis. The hypotheses will be formulated as well as the research justifying them. An additional elaboration of the calculation of the yield ratio will also be included as well as the studies conceptual research model.

2.1 Social Capital

Social capital has over the past 20 years become a concept with renewed interest in academic literature in sociology, but also in political and economic. The core focus of the literature is to detect the various aspects of social relations and its ways of influencing the economic, political and social phenomena. Even though the concept is being widely adopted by many authors in economics, it is not new and can be traced back to authors such as Marx (1953), Hume (1978) and Smith (1991). These authors have based the idea that social interactions create social networks, foster confidence, influence the formation of values, support the norms and culture, and generate the community (Poder 2011). These social entities which has long been known to be a substantial role in the economic and social life, together creates a part of what we today call "social capital".

According to Poder (2011), there are three approaches to the concept of social capital. The first is of James Coleman (1988), which integrates the use of rational choice in the construction of a sociological theory. The second is framed in the framework of sociology networks and is based on the theories of weak ties and embeddedness, elaborated by Mark Granovetter (1973). The third is of Pierre Bourdieu (1980), which is built on a conceptual framework which is radically different from the others. The focus in this paper will be that of Granovetter, which is different from the two others in the way that it explains social theory through economic behaviors.

Contrary to the neoclassical framework, which describes an "undersocialized conception of the man" which ignores the role of non-market social interactions in defining both individual and collective behaviors that shape economic outcome, Granovetter states that economic actions are "embedded" in social relationships. This means that "action is always socially situated and cannot be explained by reference to individual motives alone, and that social institutions do not arise automatically in some inevitable form but rather are socially

constructed" (Granovetter 1990, pp. 95-96). This is how the study of social networks will pave a path for the conceptualization of social capital.

Granovetter considers two types of network which regards the nature of the tie which links individuals. These are networks of weak ties and networks of strong ties. He differentiates more deep and sustained relationships like close friends, which he calls strong ties, from less personal networks like colleagues, which he names weak ties. How strong a tie is defined as "a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter 1973, p. 1361). The strength of weak ties (which also is the name of his thesis), lies in the networks ability to facilitate the connection of various networks of strong ties, as well as diversifying and increasing the sources of information. This would be unreachable without the weak ties, as most networks of strong ties tend to be made up of people with very similar characteristic (Poder 2011).

2.2 The job searching project
After Granovetter's (1974) *Getting a Job*, the enquiry of how people find jobs and what effect social contacts have on the labor market has arose as one of the most controversial research questions in the labor market research. The fundament of his ideas can be abridged as three hypotheses.

First, his proposition that many employees use and find their jobs through social contacts and not only through the formal channels like direct applications, employment agencies or job advertisements. Further, he argued that the use of social networks allows job seekers to acquire better job information about both the availability and characteristics of the job. By having this information, the job seekers should be able select better jobs resulting in higher wages and satisfaction. Lastly, this labor market information is best generated through weak ties instead of strong ties, as the information in close-friend relationship is more likely to be reiterated and much alike and therefore not having the necessary new info that more dissimilar networks provide.

The first proposition has been confirmed in many studies (Granovetter, 1995; Ioannides and Loury, 2004; Marsden and Gorman, 2001), as most empirical studies shows that an extensive share of employees find their jobs through their contacts with friends, family or coworkers

etc. Furthermore, there is an even larger number that uses informal contacts when looking for work. According to the National Longitudinal Survey of Youth, Hollzer (1988) concludes that more than 85% takes usage of the informal channel. In terms of outcomes, according to data from the Panel Study of Income Dynamics, more than 50% of workers found their job through their social network (Corocoran, Datcher and Duncan, 2011.) There seem to possibly be a difference in terms of culture regarding the degree of job finding through social networks. While most of the studies mentioned previously have its data from the US, there are studies done in European countries by the European Community Household Panel which report that between 25-45% of workers report finding their jobs through referrals (Pelizzari, 2010).

What is controversial, however, are his second and third proposition. In his research, Granovetter (1975) found that 54% of those who found their jobs through contacts exhibited a very high satisfaction with their work compared to 30% who found their work through the formal system. These findings have however, only been replicated by a few studies (Corcoran et al., 1980; Wegener 1991; Coverdill, 1994; Jann, 2003). Later research on the impact social networks have (Lin, 1999), including his own extensive review (Granovetter, 1995) shows that most empirical studies are not able to confirm any bonuses regarding wage. There has even been found a negative wage effect for social contacts (De Graaf and Flap, 1988; Flap and Boxmann, 2001). These findings have been further encouraged by Mouw (2003) who concluded that social contacts do not have any causal effect on labor market outcomes. These results raised questions whether the social embeddedness of people had any impact on labor market outcomes. *This is further discussed in 2.3.6.*

One challenge with job search is that the job offers do not come at the same time, but consecutively in time (e.g. Lippmann and McCall, 1976). This means that the person looking for a job is confronted with the decision of either accepting the offer and stop searching, or to discard the offer to look for another. Mortensen (1986) states that searching for a job is costly (direct cost and opportunity cost), and therefore the individual will maximize his earnings if receiving an offer of wR, called the reservation wage, which normally will take longer time, the higher the wage. One way of understanding the social capitals impact on labor market outcomes is via the reservation rate (Montgomery, 1992). A job seeker with a larger social network may assume to receive more job offers, which would increase the reservation wage. There is an alignment between this indirect effect on social networks on earnings and the

empirical findings of Lin (1999) and Mouw (2003).

2.3 Hypotheses and its relevant theory

2.3.1 Referred applicants

Franzen and Hangartner (2006) reports contrary to the research on a higher reservation rate, that jobs offered through the social network should not be superior in terms of earnings. This is because when they offer the job, they are usually not very well informed of the wage, as wages normally are a product of negotiations between employer and employee. Nevertheless, according to the two researchers, a persons' social network is usually informed about the qualification and education of the worker and should therefore be better able to set up an enhanced match between them and the potential employer. In their paper from 2006, they used questionnaires from a swiss graduate survey with 12,447 graduates who left the university in 2000. A total of 8,151 graduates returned the questionnaire, which established a response rate of 65 per cent. This was used to study, amongst others, whether the usage of network resulted in more adequate jobs. Their findings stated that the respondents more often viewed jobs found through their network as long-term engagements which suited their career plans. This was also supported by their evaluations of job characteristics, meaning that network jobs more often proved to offer the opportunity to exercise influence and apply one's ability. Jobs which are viewed as long-term investments and offers better occasions for personal influence and use of ability should be viewed as more adequate to an individual's interest and education.

Another argument for a referred applicant to perform better is the social obligation argument (Bailey and Waldinger 1991; Grieco 1987), which suggests that newly hired employees may be worried about how their results affect the people who referred them. This may then put additional pressure to perform well. On the other hand, the current employee who referred the newly hired employee may feel some obligation to help by training, mentoring and monitoring their new colleague. This means that even if the referral's skills and abilities are no more significant than other hires, adjusting and learning more quickly is possible due to the preexisting ties to other employees.

The notion that an individual's network should be informed about the qualifications and interest, leading to long-term engagements as well as opportunity for influence and ability is the background for the first hypothesis:

Hypothesis 1: A referred worker tends to be a better match than a worker through the formal system.

Regarding the connection between recruiting sources and the probability of the applicant receiving a job offer, the theory suggests that referred workers should be more likely to receive job offers than workers recruited via formal channels. As discussed prior to hypothesis 1, when employees receive job information from their social network, there is a greater chance that the network is educated about the workers expertise than a job advertisement (Frantzen and Hangartner 2006). Additionally, empirical data reported by Kirnan et al. (1989) support the expectation that employee referrals would be more likely to receive job offers than individuals recruited from formal sources. The subjects of the study were applicants and hires of the position of insurance agent of a major insurance company in 1981. By using data from a Background Questionnaire (BQ) score, the researchers' findings stated that referrals by agent, district manager, sales manager, and self-initiated application had significantly higher BQ scores than applicant from other sources. When they removed the self-initiated and only looking at formal (agencies, newspaper advertisement and school placement) versus informal (agent referral, sales manager referral, district manager referral, clerical referral, and mutual acquaintance), the differences became even more apparent. This was the case for both sexes, different ethnic groups and all ages. The last part of their study looked at which candidates were more likely to receive full-time job offers by the end of the 52-week survival of the hiring, and the average survival for informal sources was 41.6 weeks while the formal average was 38.2 weeks. This three-week difference was statistically significant (p < .05).

Research conducted by Galenianos (2014) states that employers assume that employee referrals help deepen their pool of qualified job candidates, as present employees prescreen candidates. As unsuitable candidates are more likely to be rejected by current employees, the actual referrals who do apply should be a better qualification than other candidates who are not pre-screened. Additionally, a study done by Fernandez and Weinberg (1997) investigated the hiring process in a retail bank, whereas one of their findings were that referrals was far more likely to be granted an interview than nonreferrals with a percentage of 79 % for referrals and 27 % for nonreferrals.

The second hypothesis is building upon the first by looking at the additional research for the success of previously referred applicants, assuming that the source with the highest success will be granted more interviews. I will therefore investigate the differences in the grant of

interview for referrals and non-referrals, assuming the prior has an advantage. Therefore, my second hypothesis is:

Hypothesis 2: Referred applicants are more likely to be granted an interview than those recruited through the formal system.

2.3.2 Employers and Network Recruitment Methods

There are far fewer studies of employer recruitment practices than there are of the job-seekers methods, but the existing literature shows that employers characteristically use their own network when recruiting job applicants (Mardsen and Gorman, 2001). For instance, in the 1991 National Organizations Study (NOS), 37% of the workplaces surveyed said they "frequently" used referrals from existing employees when publicizing opening in "core" positions (Marsden 1996). Further on, 23% of employers often called business or professional contacts when seeking applicants for such job. This goes along with Holzer's (1987c) findings on a 1982 survey of firms conducted as a part of the Employment Opportunity Pilot Project, which indicated that the most recently hired employee had been recruited through a referral from an existing one in 36% of the firms. Additionally, another 8% of the recruited were found through friends and relatives of the employer, while 3% of the firms who had a recent vacancy said that they had informed their current employees of the opening of these positions. These studies reinforce the supposition that a common approach to recruitment is through personal contacts, as this may be even more relevant for recent graduates without any prior experience or for labor work that does not require a degree. Neckerman and Kirschenman's (1991) studies of 185 Chicago-area firms found that 88% enquired referrals from existing employees when filling entry-level jobs. They also found that 42% of the employers figured employee referrals to be the best source of employment. Other studies, such as Fernandez and Weinberg (1997) chose to study entry-level jobs when investigating the usage of personal contact in hiring. Controversially, several scholars have argued that the use of personal contacts might matter more in hiring for high-status jobs than low-status jobs (Marsden and Campbell 1990; but see Granovetter 1995:147).

Nonetheless, as most research points in the direction of noteworthy levels of referrals in the filling of entry-level positions, as well as (Mardsen 1996) later study, I therefore hypothesize:

Hypothesis 3: When an employer is filling entry-level positions, he tends to first look for referrals

2.3.4 High prestige contacts

Before job seekers become employed by getting aid from their social network contacts, they first "access" social capital and "mobilize" it for their searches (Lin, 1999, 2001). This means that job seekers must seek and find contacts who possess the kinds of resources they need for their search, and then influence them to share their resources. According to Trimble (2013), a contacts' ability to help with a job search depends partly on their status. This status is linked directly with the access to social resources, and social resource theory (SRT) advocates that high-status contacts have a larger and more varied network than contacts of low status (Campbell et al., 1986; Marsden and Hulbert, 1988; Lin, 1999). This means that these high-status contacts both have more and a wider social network they can share with job seekers (Marsdsen and Hulbert, 1988; Lin, 1999). On the other side, research like (Wilson 1996) has showed that economically disadvantaged urban black men with a network consisting of other low-income blacks, did not have the necessary connections to provide job opportunities information or influence over hiring decisions.

Given the studies providing evidence that "high prestige contacts" are better able to help with a job search, they should also be more reliable for employers as they have an arsenal of potential workers in their network. This should imply that the high-status contact will provide better matches than a contact with a smaller network, which is also indicated by SRT (Lin, 1999; Lin et al., 1981; Marin, 2013). Therefore, I hypothesize:

Hypothesis 4: When a worker is referred through a high-status contact, he will have a better chance of getting the job than being referred through a low-status contact.

2.3.5 Importance of Social capital on Sørlandet

Social capital is "the idea that individuals and groups can gain resources from their connections to one another (and the type of these connections)" (Paxton 1999, p. 89). Apart from the studies of Granovetter (1973, 1985, 1990) and Bourdieu (1980), most of research on social capital stems from Coleman's (1988) seminal work (Furstenberg 2005; Paxton 1999). It was initially suggested by Coleman that trust (which he saw as a major form of social capital) was based on the considerate help received from other people is like a "credit slip" dispensed to the one helping and an obligation on the part of the person who received help is implied. Coleman believed that trust (and therefore a major part of social capital) would vanish if the

expected obligation is not fulfilled. Although more recent literature suggests Coleman's category of trust may be defined too narrowly (Allum et al. 2010), the idea that an important part of social capital consists of mutual favors between people goes along with the correlation of social capital and the process of finding a job. Trimble et al. (2013) suggests that job seekers who activate social capital through their networks are likely to have more productive searchers by spending less energy, time and resources than job seekers whose networks are unable or unwilling to help with their searches.

As mentioned in the research purpose, there are to my knowledge no research regarding social capital on Sørlandet, however my experiences of communication on this topic with people living on Sørlandet creates my foundation for the following proposition. Proportionally, research by Neckerman and Kirschenman (1991) found that black candidates in Chicago would "get in the door" if they were children of university people they knew, which implies having social contacts to be an advantage.

As the literature regarding job search provides findings that a significant part of jobs is found through social contacts, gaining social capital by building a social network should be prioritized along with formal search if one wants to maximize ones' results. Therefore, I hypothesize:

Hypothesis 5: Having and utilizing social capital as a job searcher on Sørlandet proves significant advantage over those without

2.3.6 Non-Searchers

Non-Searchers are people who get their jobs without engaging in a job search. These are often excluded from investigations of the role of personal relationships in job finding processes. McDonald and Elder (2006) suggests that by relying on personal contacts with friends, relatives and acquaintances, job seekers can find jobs that might not be accessible through the formal channels, such as reading the job ads or direct application to employers. This proves an advantage for informal relative to formal job searching, and the benefits of relying on personal contacts are likely to be proportional to the quality of social resources available in people's social networks. As people have different valuable social resources that varies, these embedded resources create social capital (Lin 2001b). By "networking" and inquiring about potential job openings, people can invest in their social capital to receive benefits in the labor

market (Lin 2001b). The ones with the greatest social capital, also receive the greatest benefits from using personal contacts to get jobs (Lin 1999).

When reviewing literature of the benefits of using personal contacts, the findings seem less apparent when examining evidence from survey research. Lin (1999) finds that people in the most disadvantaged social groups are most likely to use personal contacts in the process of job-search, even though they are the least likely to benefit from them. This has puzzled the findings of previous literature when examining the benefits of social capital (McDonald and Elder 2006). They found that the problem with the research on social networks is that it focuses exclusively on active job seekers and flops therefore to consider non-searchers. Non-searchers tend to receive spontaneous job information from personal and professional contacts through routine conversation (Granovetter 1995, Lin 2000). Therefore, Lin (2002) suggests that the labor market advantages of non-searching represent the "invisible hand of social capital". As non-searchers tend to receive better jobs on average than both formal and informal seekers, the exclusion of non-searchers from analyses downwardly biases the findings of the effectiveness of social capital.

As literature on social networks has tended to focus on job searching rather than job matching (Granovetter 1995, Hanson and Pratt 1991), most research has excluded the people who did not search for their jobs. According to McDonald and Elder (2006), these non-searchers constitute around 30% of workers. Between 73% (Granovetter 1995) and 83% (Hanson and Pratt 1991) of these people receive their job information from personal contacts.

The current research in this area has another problem which is that the studies lack an adequate variation across the life course (McDonald 2005). Generally, when work experience increases, so does the broad set of work contacts (Bridges and Villemez 1986), which expands the individuals set of labor market opportunities. Considering it hypothetically, a young worker whose personal contacts consists of classmates and friends working in the local restaurant will have an immensely distinct set of opportunities than a middle-aged man whose contacts consists of managers and professionals. In this way, relying on personal contacts can offer different outcomes depending on a person's life stage.

Hence, I hypothesize:

Hypothesis 6: When an employer is filling a specific position, he tends to reach out to specific individuals

2.4 Yield ratio calculation

To fully understand the yield ratio and its calculations to find the most effective recruiting source, its explanation is given and illustrated in the table and figures below. The figures/table and illustrative numbers are obtained from *Recruiting yield ratios, explained* by Bika (2013).

Figure 1: How to calculate yield ratio. Obtained from Recruiting yield ratios, explained, Bika (2013). Source: https://resources.workable.com/tutorial/recruiting-yield-ratios-recruiting-metrics

Companies can use the yield ratio to find the efficiency of their hiring process. An example would be a company receiving 240 applications for a specific position. From these applications, only 120 passed from resume screening to screening calls, while 30 were given an assignment. Only 15 were invited to an interview, five went through to an executive interview and one received an offer. This can be visualized using this recruitment yield pyramid for the hiring process:

Figure 2: Recruiting yield pyramid. Obtained from Recruiting yield ratios, explained, Bika (2013). Source: https://resources.workable.com/tutorial/recruiting-yield-ratios-recruiting-metrics

The more the yield ratio decrease over time, the more efficient the process becomes. For example, the company above would experience a decreased HR yield ratio if they interviewed 10 candidates (instead of 15) in the first interview round, saving their interviewing team time and effort. The most significant analytics of yield metrics for this paper is to use them to figure out whether the companies recruitment strategies and sources are effective. For example, assessing an external agency's service as candidate source and receiving 200 resumes where only 5% passed through the screening call phase could signify an inefficient service.

By comparing recruitment ratios from various sources like recruitment agencies, employee referrals and job boards, one finds a method of calculating the most effective source. For example:

SOURCE	CANDIDATES	HIRES	YIELD RATIOS (AS %)
Job boards	300	6	2%
Agency	250	2	0.8%
Referrals	50	2	4%

Table 1: Method for finding the most effective recruitment source. Obtained from Recruiting yield ratios, explained, Bika (2013). Source: https://resources.workable.com/tutorial/recruiting-yield-ratios-recruiting-metrics

2.5 Research model

As mentioned in chapter 1.4, this study wishes to answer the research question "Is there a causality between referred applicants and a higher yield ratio?". The six formulated hypotheses' will cover different areas of the aspect to conclude the research question. The research model presenting the research question is illustrated in the simple model below:
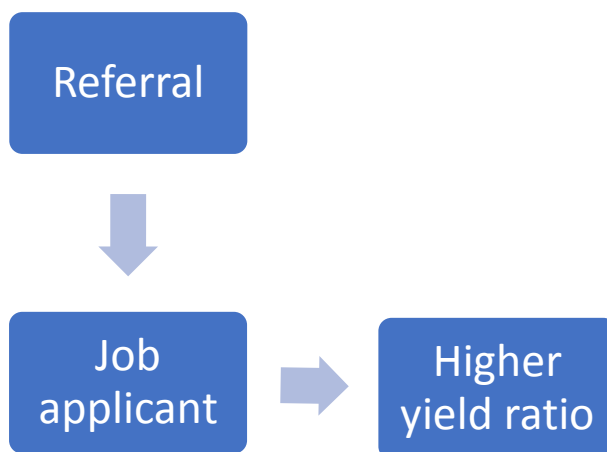
Figure 3: Research model

3. Methodology

There are fundamentally three different approaches that are employed when conducting social science research: a qualitative approach, a quantitative approach or a combination of the two. The approach the study takes is usually dependent on the type of information the researcher is seeking. This makes it a strategy; a way of thinking when doing research. The approach related to the purpose, as well of the function of the research, how the research is conducted (method) and how the data analysis is performed (Creswell, 2004; Silverman, 2006).

3.1 Quantitative approach

The most substantial advantage by using the quantitative method is it standardizes the information and makes it less demanding to treat. In addition, low costs are associated with this method. By using a quantitative approach, the researcher can ask a lot of respondents and therefore gain a representative sample. This increases the possibility of generalizing the information from the respondents. The research is capable to gather relatively precise information, as well as being able to say a lot about the variation and coherence between different conditions. The greatest challenge lays in the possibility of obtaining superficial information, as diving deep into the phenomenon and acquire different edges can prove difficult. Another risk is that the researcher must define what information is relevant in advance, which limits the way respondents can answer. Most relevant research studying social capital has been using quantitative approaches in forms of surveys. This limitation is a factor for my choice of using a qualitative approach.

3.2 Qualitative approach

A qualitative approach puts few limits on what and how the respondent can answer. The qualitative approach is often used when trying to get a more complete understanding of a certain phenomenon, and commonly used methods are observation and interviews (Creswell, 2014; Grønmo 2004; Silverman 2006). This method emphasizes details in every respondent. Openness is a central keyword for this approach. This method will often be suitable to explain an unexplained topic closer to obtain a nuanced description. By using the qualitative approach, the researcher is able to validate the accuracy of findings, as the participants will be able to confirm/disconfirm the researchers assumptions. By bringing about a collaboration where the researcher can ask and receive the information he is requesting, and the participant has the opportunity to fully express herself, there is a possibility of new, unexpected and useful information coming up. In this way, the participants knowledge on the topic might

prove to be even more valuable to the researcher than expected, which could not be picked up on a survey.

This thesis is based on a qualitative approach. When studying a social phenomenon like social capital, in relation to job search, the qualitative approach provides many advantages when trying to understand why and how job searchers can make use of social capital. The participants, which are the responsible for the recruitment in the company, will through an interview be able to fully express their views and experiences on the topic, which proves great advantage over completing a pre-written survey when the goal of the research is to get a deeper understanding. The advantage is especially true in relation to the methods of data collection. The flexibility and unstructured features of the qualitative method makes it possible to interpret the data in its context, as well as contributing to a more thorough description, and perhaps a deeper understanding of the problem at hand (Silverman, 2006).

3.2.2 In-depth interview

When studying the correlation between social capital and successful job search, it is necessary to establish contact with those in the process of job search. When narrowing the study to understand the motives and views of the recruiting side, it is a great advantage to be in person with the informative participant. As the recruiters of a company is vital in a hiring-decision, it would probably be difficult to gain access to this type of information than any other method than in-depth interviews. According to literature, interviews are considered as the most frequently used method for qualitative data-collection (Jacobsen, 2005; Ryen, 2002). By offering the person being interviewed time to explain her answers, she can reflect upon their own experiences and choices and possibly come up with information not previously thought about. The in-depth interview also offers the researcher a chance to explore the informant's answers more thoroughly. Though the qualitative method has been looked upon as more time and resource challenging (Jacobsen 2000), interviews are according to (Silverman, 2006: 113) "(…) relatively economical in terms of time and resources". As the thesis has a relatively limited time and resource-span, I find this type of interviews to be the most effective for this study.

3.2.3 Semi-structured interview

A semi-structured interview typically consist of a dialog between the researcher and the informant based on an interview guide (see section 3.2.4). Silverman (2006) suggests that the main topic is given beforehand, the questions being prepared in a wide and open manner, and

that sequel questions are dependent on the conversation. This type of interview relates with this study, as it enables the researcher with the opportunity of steering the conversation while focusing on the topics, as well as allowing the informant to freely express her opinions along with letting new topics arise. Therefore, the informants' views and inside perspectives will often be reflected in the interview while the main topics remain the same. This makes managing and comparing the informants' answers relatively easy. However, a potential disadvantage to semi-structured interviews is that the pre-creation of topics and questions may exclude certain topics from the very beginning (Jacobsen, 2005). Nevertheless, the benefit of having the opportunity to steer the focus towards topics that were thought to be relevant to the thesis, was considered to exceed the possibility of excluding certain topics.

3.2.4 The interview guide

Ahead of an interview, the interview guide is one of the most important preparations. There are three matters that need to be addressed when creating a guide: *the topics, the form, the communication and openness* (Grønmo 2004). The topic provides the guide with an overview of the primary issues or concerns. Each topic in a semi-structured interview will commonly consist of open questions designed to give the informant the opportunity to talk about the subject. A vital role of the topics is its capability of framing the interview by helping to divide and categorize the potential aspects which can arise during the conversation.

How the communication takes place depends on the individual characteristics of each informant. The researcher should extensively express himself to the informant to keep the interview evenly going without confusion or significant misinterpretations. In this way, the questions and topics can remain about the same, only changing and adjusting the way they are presented to best suit each informant.

How much of the information about the study that are shared with the informants is regarded as openness. According to Grønmo (2004), being as open as possible is the way to go. Therefore, in this study, the people being interviewed were told about the interview's purpose, along with the goals of the thesis. They were given the main topics, but not the precise questions. The interview guide is shown in appendix 7.1.

The interviews were estimated to take around 30 minutes, with an additional 10-15 minutes depending on the conversation and the interviewee. Apart from discussing the questions with the supervisor, they were also tested on a fellow student to verify them being understandable and logically formulated.

3.3 Sampling

For a researcher who pursues to conduct interviews it is required to select qualified units from the *population* of interest, which means the group of units, people or items that one is investigating. On Sørlandet, there are more than 500 companies (NFK, 2018) which means that there are at least as many people which are managing the recruiting and therefore included in the sample. Given the time and resources of the thesis, finding an accurate listing of the population would be too resource-dependent. Because of this practical challenge, it was out of reach to base the sampling on an actual list of the accessible population (*sampling frame).*

When conducting a sampling, the researchers has two main categories to choose from; *probability sampling and non-probability sampling* (Remenyi et al., 2005). As the possibility of doing a random sampling would be un-practical, a non-probability sampling was chosen. From there, *purposive sampling* was used to find qualified informants.

3.3.1 Purposive sampling

A purposive sampling is drawn as the concept says, purposively, and the researcher usually predefines the sample with qualities that he is seeking (Remenyi et al., 2005). This type of sampling was convenient in this thesis because of the necessity of the informant being responsible for recruiting. When locating samples with those responsible for recruiting, one main point of focus was the size and the location of the company. The company had to be large enough so that their recruiting procedure was relevant, as an enterprise with very few employees would have little experience of recruiting unless the informant had previous experience. As one of the focus points of the study was to confirm/disconfirm the myth of "the closed labor market" on Sørlandet, the sample was drawn from companies in Kristiansand. An additional of two interviews from informants in Oslo were conducted over the phone for comparison.

To attain information regarding recruiting, the interviewee had to be responsible for the companies recruiting. When getting in touch with the companies, it was made clear that many of them used staffing agencies for recruiting. Therefore, the sample drawn consisted of companies handling their own recruitment and staffing agencies.

3.3.2 Confidentially

"Research is of great importance – to individuals, to society and to global development. Research also exercises considerable power at all these levels. For both these reasons, it is essential that research is undertaken in ways that are ethically sound" (The Norwegian National Committees for Research Ethics, 2014).

As this research was to be conducted qualitatively with individuals as informants, the gathering of information wished to follow the ethical guidelines to maintain an honest frame. Having this mentality from the very beginning aided the feeling of contribution, which guided the interviews to a place of sharing, rather than collecting information. From my subjective point of view, this made the entire process more successful as well as enjoyable.

During the literature research, a notification form was sent to the Norwegian Centre for Research Data, which considers research (both professionals and students) treating personal information. Here it was stated that the informants would remain anonymous both in the transcripts and the thesis in general. This was also explained prior to each interview, when developing an agreement to contribute while remaining totally anonymous. All the recordings and transcripts were privately held by the researcher and the recordings will be destroyed once the project is finished.

Every interview was recorded on tape and later transcribed to ensure that the information was sure to be remembered without taking ongoing notes to keep the conversation in the interview going smoothly and naturally. According to Jacobsen (2005), the usage of recordings is generally favored when conducting an interview, as the researcher only has access to the data he/she can register. By leaving out notes, which would require time and attention to write down, the researcher is able to really listen, and therefore better understand the informant, or ask questions when something is unclear.

3.3 Collection the data

As previously mentioned, the collection of the data was based on the given information shared in the 11 interviews. Apart from the two phone-interviews, the interviews took place individually and was held primarily at the informants' location of choice which consisted of their office or meeting room.

3.3.1 The interviews

The nine interviews were completed within a period of three weeks, while the two conducted over the phone was done a week later, while the transcribing and analyzing process already had begun. This was due to the phone interviews role as a small control group in addition to its practical relevance. By delaying the control groups while working on the analysis, I was able to ask questions which came up during the analysis. The informants were a mixture of men and women in the age group 30-60+, and even though these demographics did not have a direct relevance to the research, it serves as a potential growth to the reliability by including a larger spectrum of informants. The length of the interviews varied from 25 minutes to 1 hour, depending on the informants' relevant experiences as well as the unfolding of the interview itself.

3.3.2 Analyzing the data

Upon the completion of the interviews, the recordings were transcribed to collect data from the transcriptions. During the data collection, a summary was written down after each interview. This aided the process of analyzing, as I now had a "present-time opinion" as well as the recordings to use when analyzing the data. In the process of transcribing, the questions and matching answers were sorted to have a better understanding of the material to, as well as simplifying the process of tying the data to related theory and previously conducted studies.

The transcribing turned out to be a time-consuming process which in return gave a clearer understanding and knowledge of the data.

3.3.3 Validity and reliability

When discussing the concern of the researchers' credibility, it is necessary to understand the concept of *validity,* which is concerned with whether the research design is appropriate for the relevant data collection as well as the degree of the actual measurement to the indented measurement (Remenyi et al., 2004; Silverman, 2006). The question that arises when determining the validity is if the results are believable. The answer is in many ways only found by the informants, as they are the only ones to tell if the interpretations of the researcher are correct. By implementing a solid description of the research and its context, the researcher can increase the studies' validity.

The *reliability* of a study refers to the dependability of the gathered information. This means that if the study was to be replicated, and the answers are approximately the same, it would have a high reliability. However, it is not always possible to perform a replica in relation to

qualitative data, as many phenomena change according to society, as well the qualitative approach's flexibility and complexity (Grønmo, 2004).

Another issue of reliability when doing a study based on humans lies in the human nature of being in-consisted when distracted, misinterpreting cues and the habit of not telling the truth. Because of this, one is only able to estimate the reliability, as a proper calculation would be impossible. In addition, the researcher may interpret situations differently than the intentions of the informant, causing the interpretation of the data to not be completely reliable:

"...) even when people's activities are audio or video recorded and transcribed, the reliability of the interpretation of transcripts may be gravely weakened by a failure to note apparently trivial, but often crucial, pauses, overlaps or body movements" (Silverman, 2006:46)

However, the reliability does improve by taping the interviews and makes testing the trustworthiness of the gathered information easier. Therefore, the transcripts in this case have been thoroughly reviewed to clear up in eventual misunderstandings by re-initiating contact with the informant if the missing information were thought to be valuable.

4 Analyzing from the transcription:

This chapter will present the results and analysis of the collected data. The informants that have been interviewed will be briefly introduced and topics that have ascended during the period of data collection will be reviewed and elaborated. The findings from the collection will be analyzed according to the recruiters, and their approach to the notion of social capital in the recruiting process. In relation to the discoveries, the analysis has been divided into three main categories: *The recruitment process* (chapter 4.2), *Networking and usage of networks* (chapter 4.3) and *Social capital on Sørlandet* (chapter 4.4)

4.1 The informants:

The sample consisted of 11 people, nine of which worked in Sørlandet, while the two others had their work in Oslo. The informants were a mixture of employers working in the public and the private sector, both in private companies and staffing agencies. One of the informants who worked in the public sector had been working a long time in NAV, and therefore had a vast experience regarding the labor market. Because of the variety in the sample, I was able to get insight into a greater perspective of the employers' standpoint which proved helpful when trying to understand everyone's' viewpoint.

Table 2 – Presentation of the informants

Informants	Private/public	Company/agency	Position	Location
1	Private	Company	HRM	Kristiansand
2	Private	Staffing agency	Recruiter	Kristiansand
3	Private	Staffing agency	Recruiter	Kristiansand
4	Private	Staffing agency	Recruiter	Kristiansand
5	Public	Company	HRM	Kristiansand
6	Private	Staffing agency	Manager	Kristiansand
7	Public	Company	Department manager	Kristiansand
8	Private	Staffing agency	Recruiter	Kristiansand
9	Private	Staffing agency	Manager	Kristiansand
10.	Private	Staffing agency	Recruiter	Oslo
11.	Private	Staffing agency	Recruiter	Oslo

Table 2 provides an overview of the composition of the sample.

4.2 The recruitment process

The recruitment process is done differently in the private than in the public sector. The public sector has stricter procedures, while the private can follow their own set of dealing with the process. A company will act out the process differently than a staffing agency, as the company itself will identify the need to fill a position, create a job description and from there seek to fill this position. When the description is completed, a company in the private sector may first look inside if it can fill the position with current employees, or if needs to search outwards while the public company must do the latter. This is where the staffing agency comes into play, as their role is to help the businesses with the later part of the recruitment stages, after the needs has been identified. These needs are then forwarded to the agency which searchers for prospective candidates, holds interviews and passes on their top pick(s) to the company.

What is most interesting for this thesis regarding this is not the process itself but what influences some candidates to get called for an interview, as well as the recruiters reasons for choosing some candidates over others during the interview process. The reasons for a candidate being called in and later hired over others will vary greatly over different sectors as well as the employers' subjective motives. This is presented throughout the analysis by looking at it from different perspectives.

4.2.2 Regulations/rules when recruiting:

For the private sector, there are no other rules than the ones that are self-imposed. Therefore, ethics are of significance, and each of the informants stated their importance of this. These ethics includes not headhunting candidates that already are hired and have not showed any signs of wanting to change jobs. Even though each of the informants from private companies mentioned their codes of conduct, many of them still declared that even though they are ethical, the environment around them was not necessarily following the same conducts.

Extract 1:
 "I feel we are gaining an advantage by being ethical and publishing all of the positions as we are able to scan the whole candidate base, as opposed to those who miss out by not posting the ad" (Interview 4)

This opens the possibility that there are private agencies or companies on Sørlandet not publishing job ads but headhunting or directly contacting candidates, both already employed or in the search for a job. This comes not as a surprise, as the private sector is not administered by anyone other than themselves but is interesting as each of the informants from this studies sample specified their companies' ethical way of working. Data from this study then points to the possibility of usage of direct-contact when hiring long-term but shows no direct evidence other than the experience of the informants. This is a potential opening for further research.

What is even more interesting is the way the rules and regulations occasionally gets handled in the public sector. Employment in the government are more rule-governed than the private sector. This applies both to the process hiring process and the publishing of job advertisements.

Extract 2:

"We are not tied to any rules. We can use headhunting without any problems. Normally we combine advanced search, direct contact to a potential candidate and the use of our database were candidates upload their CV" (Interview 1)

This informant explained that everything usually gets published. They first get a specific request, then post it on Finn and the company page so that it becomes visible for different candidates. In this way they get the whole chunk of the candidates. The difference is the length of the assignment they receive from their customers, if its short then they might already have people in the network that we can contact.

Extract 3:

"In the state sector we must follow this principle which is called the "qualification principle", which means we must employ the most qualified candidate in terms of education, experience and personal suitability" (Interview 5)

This principle is statutory in the state employment law § 3. The challenge lies in the overall assessment, as the best suited candidate amongst tight competition always will be subjective. As one of the informants stated:

Extract 4:

*"When I applied for jobs in the public sector and got rejected, I received a public e-mail with the name of the employed person. After looking up their name on Google, I saw that they had far less education and experience than myself". (*Interview 10)

Education and experience seem to be the most impartial criteria's out of the three, leaving personal suitability as the often-deciding factor.

The public sector must follow job posting-regulations, which means they must publicly post the position even though they might have candidates internally. This is governed by the state employment law § 4. This has led to people being interviewed, just to know a while later that the position already was given to someone internally, and that the interviews just worked as a formality. As one of the informants explained:

Extract 5:

"I went to an interview for a leader position but found out that the position already was given to one of the employees already working for the firm". (Interview 6)

This goes along with the notion of positions being given to pre-determined individuals even when there are public rules both to the job postings and the hiring decision in the public sector. Posting job advertisements and holding interviews when a position already is determined might surpass the regulations but is also a waste of resources. A potential future research would be to investigate this possible leakage of government resources.

According to the informants, it is not uncommon to favorize present employees over potential ones. Apart from the trust and relationships that is naturally built after months or years of working together, present employees have the benefit of knowing how the company is working and its foundation. This may take years to develop, leaving employers to occasionally choose amongst the already established staff when filling a leader position.

Several companies have the tradition of allowing present employees or previously employed staff to fill positions over other qualified candidates when for example moving to another city. This goes true for all types of positions, both in the case of managerial but also for entry-level jobs. Some of the informants had experience with students working for a company during the summer being offered work after their studies. The procedure of filling entry-level jobs was presented to be formal, meaning they followed the traditional way of advertising the position,

as long as there were enough qualified seekers. For positions that were harder to find qualified candidates, there were a tendency to look for them in diverse ways, such as through their network or through employee referrals. This meant that the usual way companies dealt with entry-level positions was to advertise them on Finn/their or their home page. Many companies used Finn.no, but it was made clear that others only posted positions on their own home page, meaning the job seeker would have to specifically look for a position in the given company to find out about it.

4.2.3 Relation models

Though this paper does not dive deep into the process of interviews, it is still interesting to look at, however briefly, how an interviewer evaluates the potential candidate. As previously pointed out, a candidates' qualification covers an overall assessment which contains a combination of education, experience and personal suitability. These three factors are further advanced by recruiters to be able to more thoroughly determine the competence of the candidate. This is done in diverse ways depending on the company/individual, but there are some characteristics which either includes or points in the same direction. One of these is the creation and usage of a relation model. To illustrate this, I am using one of the relation models created by one of the informants:
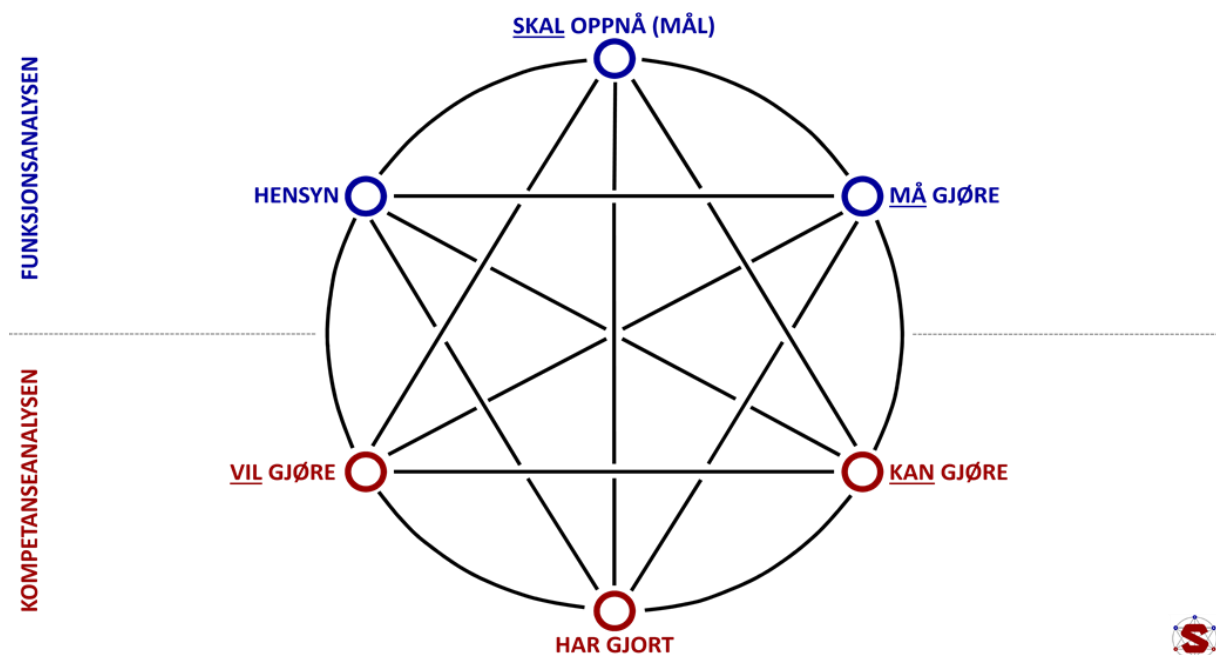

Figure 4: Relasjonsmodellen, Ulf M. Singstad (2018)

This model (though in Norwegian) contains two parts put together, which are the combination of a function analysis and a competence analysis. The function analysis looks at the environment that the candidate is potentially being put in, by combining conditions, the companies' goals and tasks for the given position. This helps shape the interview in a way that can sift out those which does not fit the external qualifications given by the company. The competence analysis combines the candidates' internal capabilities to see if there is a match with the function he/she could be put in. It consists of the personality, the educational competence and previous achievements.

The factors were looked upon differently, depending on the position, demand and candidate. Previous achievements were generally less important than the personality and competence, but this again depended entirely on the individual. As the task of evaluating the candidate seems quite complex and subjective, there appears to be other factors which are influencing the decision making. This will be explained in the chapter ahead, which deals with the role of networks.

4.3 Networking and usage of networks

Another way that the informants explained the way around both the rules and the ethical was through something they described as "The gray market" or "The hidden market". This market is not directly covered but consists of non-advertised job posts. Instead it is spread in the employers' network in several ways, typically through casual conversation. As one of the informants put it:

Extract 6:
When employers with large networks have regular conversations, they sometimes get into these topics. "I really would like someone who does accounting, do you know someone?" So, they sit, talk and make some phone calls. (Interview 7)

According to the informants, this hidden job market is vast and holds 40-70% of the total market. Instead of posting job openings, some employers choose alternatives such as to hire internally, use recruiting firms or headhunters, and relying on referrals from current employees or their network. Reasons for the usage of the alternatives vary. Some employers

may need to fill a position in a hurry and does not have time for the traditional recruiting process which can often take up to five months. Others may want to keep their hiring decision quiet, so they do this by avoiding online posting. A common reason for not posting a job opening publicly, seemed to be the employers trust in their current employees and network. Especially current employees who both understand the needs and vision of the company, as well as their own vested interest in referring decent candidates, as they will be working with whoever gets hired. Some companies even offer bonuses to employees who recommend the applicant who is hired.

Apart from current employees, people in an employers' network may also be motivated to give good recommendations. By networking in this way, they might be able to get a favor back in form of an opening to the other persons network when they need either filling a position or a job themselves. This way of networking is common both in the public and private sector.

Staffing agencies are an alternative when the companies need help to fill positions. One of their advantages are their databases which consists of resumes of previous candidates, some which actively looked for a job while others kept it for later use. This is a part of the hidden job market, as the agencies may go straight to their databases and look for potential candidates instead of publicly listing the position. In this way the position never gets announced, and only persons already in the agencies database or network is presented with the position. Because of this, job seekers may never know about the position until after someone has been hired. As one of the informants put it:

Extract 7:
As Kristiansand is a medium sized city, people may pick up on who gets hired where. Therefore, job seekers who scan through all the relevant pages of Finn, may feel frustrated and left out, thinking they never got to know about an applicable position they could've been qualified for. (Interview 4)

Not only staffing agencies, but also companies use their databases for finding candidates. One hinderance to the traditional job seeker is when they only use Finn as their tool for seeking jobs. Some companies rarely or never post positions there, but rather use their own web page and databases. All the informants stressed the importance of actively searching for a job, rather than only searching through job advertisements on Finn.

By building networks, directly contacting companies and agencies through office visitation or cold phone calls, the job seeker can put themselves out there so that if there happens to be a job opening, they have a higher chance of getting to know about it. By already having some contact with someone in the hiring position, the job seeker has a chance of being spoken about or recommended so that the employers interest of him/her increases. As previously mentioned, personal suitability is one of the principal factors in terms of being qualified, as well as being the most subjective. By being chatted about/already knowing the employer(s), the candidate may appear on the employers' radar, leading to an advantage over others which did not benefit from this use of social capital.

4.3.2 LinkedIn's position

By proactively searching, spending time building networks and putting oneself out there, the candidate is building social capital. Before the introduction of public internet around the late 90's and early 2000's (Byung-Keun 2005), knowing your social capital in terms of professional networks was very different from today. Nearly all the informants mentioned and recommended the use of LinkedIn. It is looked upon as important, and nearly essential to maximize the building and usage of ones' networks. The platform is not only of significance to the job seeker for building a network capable of being reached out to when needed, but its usage extends to the other way around as well. All but the one working in NAV used their LinkedIn almost every day to get updated on their current network, sending/accepting requests and looking for potential candidates.

Extract 8:
LinkedIn is important. People can help you if they want to, as well as you are telling them that you are looking for work. You meet someone, send them a request and that's how it works.
(Interview 9)

In fact, an important part of the recruiters' method of finding candidates was through searching on LinkedIn. This was normally done through searching in their network, adding for example "HR personal" and seeing if there was anyone within their or their networks network who they could reach out to. This meant that job seekers could get contacted by a recruiter without reaching out physically, but instead having the social capital work for them. If the recruiter knew that the candidate with the potential qualification was either looking for or considered changing work, it made it easier for them to approach. Not only building but

activating ones' network by letting them know about the job search is important so that people know they can help you. In situations where they had received a recommendation, LinkedIn was also used to look up the candidate.

4.3.3 The role of referrals

In the process of being referred by someone, the person referring played an essential part to what extend the recruiter acted on the recommendation. A mixture of trust and the position of the person doing the recommendation was the two critical factors. By trust, the informants meant how reliable a reference from the person was in terms of their own experience in the field. For example, receiving a reference for a potential councilman, it was of great significance if this information came from someone who knew the industry and the network alike, for example the head of municipal affairs or another councilman.

Extract 9:
We try to look the same way at every candidate, but if it's a strategic customer or we have a good relation, we tend to be extra nice. Even if we are concerned with ethics, the notion of judging people differently lies in us and is something that unfortunately happens unconsciously. (Interview 2)

It was not always the direct reliability of having experience in the field that increased the referrers chance of getting the recommendation through. Some of the informants stated that the status of the person referring did not act as an important influence, but that it normally was people with a high status that did the referring. A person with considered high status would usually know a lot of people, and because of the large network also be more inclined to be in a situation where a recommendation takes place. Likewise, individuals with the average job and network would have less influence power, exactly because of their lack of contacts. However, it was clear for most that even though the contacts status was not an important influence in itself, it still swayed their decision in terms how to treat the recommendation. This was explained to be a natural phenomenon (Extract 9), meaning that it did evidently matter, even if most informants tried to stray away from it, if the person recommending was a" big shot" or "the average Joe". Status is here defined as an invincible rank, determined by how influential others look at you, usually in terms of job positions or achievements. It was obvious to most informants that if two candidates had the same qualification and if one of them was referred by a "high-status" person, he/she was most likely to get the job.

One of the reasons for this, stated by some of the informants, was their experience of referred candidates doing a job better than the average candidate. This was surely not true for every case, but in certain sectors, especially the more practical ones like electricians, going with the recommendation proved to be beneficial. The companies interviewed were clear that after a candidate was hired, the channel (formal/informal) was generally not noted, meaning it was not common to know which employees came from where. The staffing agencies on the other hand usually follows up their clients after they've helped with the recruiting and could therefore inform about the experience of referred candidates' work. It was explained that it was not necessarily the recommendation, but rather that individuals who goes the extra mile get recognition for their efforts and therefore benefit from their passion. By following a recommendation from a trusted friend/colleague with knowledge in the field, the recruiters found that the candidate usually fit the job quite well.

There was consensus among the informants that having a network and being referred through it generally proved an advantage. As there normally are many candidates that seeks the same position, it is important to stand out amongst those to get an interview. If they received a recommendation from someone they trusted and there was a match in the qualifications, it was highly likely that this candidate ended up in "the right pile". Sometimes the candidate could "skip the line" ahead of the others and get an interview right ahead, but this generally depended on the person giving the recommendation. More general tips from people saying they have a friend that might fit the position was not as interesting, whereas they always checked out candidates they trusted personally or respected professionally.

Some of the candidates they found were activated through their network as they were not visible in either databases or through received applications. Different terms were used for this type of candidates, but the informants agreed upon the aspect of non-searchers. All the informants were familiar with the concept and had either personally reached out to an individual who has not seeking work for the moment, or experienced it happening in the company. These were usually people with a very particular education and competence, and therefore also highly sought. Candidates with an education or experience in different branches of IT were for the moment required. Others had a highly successful history and wouldn't lower oneself to search for a job as they expected to be called upon. As these types of candidates were pursued by many companies and agencies, having a large network was vital in the competition for the best candidates. Likewise, to be pursued by companies and

agencies, the candidate had to have a network where he/she can be found.

4.4 Social capital on Sørlandet

All but one of the informants felt that networks and the usage of these to acquire positions was very typical on Sørlandet. Some of the informants felt like having a network on Sørlandet was "alpha-omega", making it tougher to find work without one. Informants from one of the staffing agencies stated that it was common to gift their customers with cakes and presents around Easter, summer and Christmas, as well as taking them out for informal lunches. According to the interviews from Oslo, a common way of building relations was from working together previously, and then getting in touch again if one needed work. On the other hand, some of the informants on Sørlandet stated that the usage of family relations was very common compared to different cities they had been working in. There are many locally owned companies as well as family corporations and this strengthens the expectation one has for trading favors with each other. As one of the informants from a staffing agency put it:

Extract 10:
Here on Sørlandet it is typical that if one wants a job, you can go to the cousin of your moms' uncle and be hired. You are either in or you are out. I've experienced that a customer did not want to hire a candidate because his father was working for a different company. This would not have happened in for example Oslo. (Interview 3)

Sørlandet, especially Kristiansand is known for being a religious city, more specifically a Christian society. This is sometimes talked about in a jokingly matter but has seemingly made its impact on the business. Accordingly, there are several networks which are in the cutting point between business and religion. This has created a direction where one takes care of one's own, leading to what one of the informants described as nepotism. This means to favor friends and relatives, and to put familiarity ahead of competence.

It was illustrated by some of the informants that one reason for the more frequent use of networks on Sørlandet, compared to other parts of Norway with larger cities is its size. The smaller the society, the more important a network was. In villages or very small cities where most people know about each other, networks would be the most efficient way of finding work/employees. As Kristiansand is a medium to small city, it made sense to the informants that the usage of networks has put its mark in the cities' labor market.

5. Discussion

In this chapter the hypotheses will be presented and discussed in relation to the findings in the study as well as the relevant theoretical perspectives. By combining the findings and theoretical perspectives, this chapter will attempt to answer why the results were as they were. This chapter will include a part which discusses the findings regarding the "closed labor market" on Sørlandet, and an evaluation of the study will be given.

Chapter 5.1 discusses the role of referrals and their differences in work competence and receiving of interviews in the job referred employees tend to work compared to the average employees and is relevant to hypothesis one and two:

1. *A referred worker tends to be a better match than a worker through the formal system*
2. *Referred applicants are more likely to be granted an interview than those recruited through the formal system.*

Chapter 5.2 discusses employers general procedure of recruiting entry-level positions and how the use of social capital is influences by the difference in how people are perceived and is relevant to hypothesis 3 and 4:

3. When an employer is filling entry-level positions, he tends to first look for referrals
4. *When a worker is referred through a high-status contact, he will have a better chance of getting the job than being referred through a low-status contact.*

Chapter 5.3 discusses the possible advantages of having social capital on Sørlandet when searching for a job as well as the phenomenon of Non-Searchers and is relevant to hypothesis 5 and 6:

5. *Having and utilizing social capital as a job searcher on Sørlandet proves significant advantage over those without*
6. *When an employer is filling a specific position, he tends to reach out to specific individuals*

5.1 Referred employees position match tendency compared to the average employee and their difference in interviews

As presented in chapter 2.2, Franzen and Hangartner (2006) suggested that the graduates who found their jobs through their network viewed their occupation as a more long-term engagement as well as more rewarding in terms of exercising influence and applying ones' ability. Likewise, informants from the data collection suggested that individuals with a passion for their work were likely to get recognized and benefit from the social capital gained by asking for/receiving a recommendation. Previous studies (Smith 2005, 2007, 2010; Trimble 2013) have investigated job contacts' willingness to help. A key factor predicting the willingness was their perception of the job seekers work quality. This opens an interesting correlation with the findings from this study as well as Franzen and Hangartner (2006). The graduates from the (2006) study found that applying ones' abilities and influence was easier when hired through their network, while the data from this study states that job seekers previously proving high work quality may again get recommended which also is true for the studies regarding job contact's willingness to help. This draws a full circle in which social capital, the usage of networks to find work and higher work quality establishes a connection. This is presented in figure 4 below:
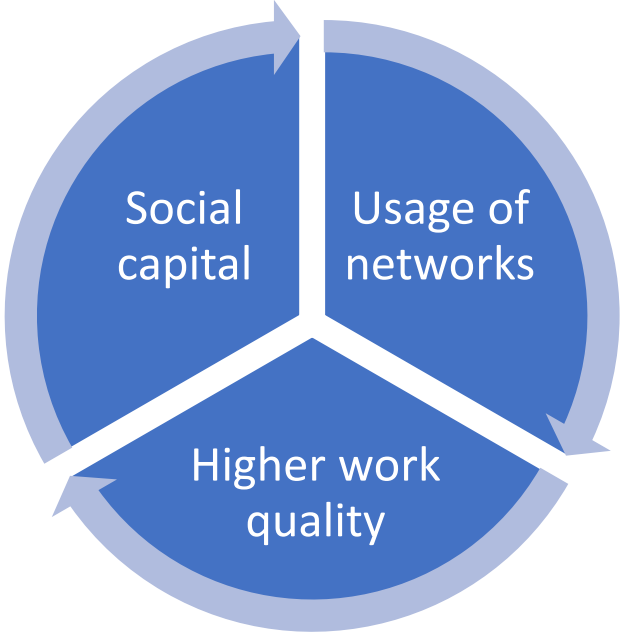

Figure 5: Relationship between social capital, usage of networks and higher work quality

A possible explanation for the connection of social capital and higher work quality could be that when an employee gets hired through a recommendation, a higher motivational work ethic could be present as the employee may wish to maintain the trusted relationship with the endorsing person.

As there to my knowledge are no research regarding this seemingly substantial relationship, future studies on social capital could aid the understanding of its influence on higher work quality, although this may also include the study of human psychology.

More research on the topic (Breaugh, 1981; Gannon, 1971) states that self-initiated applicants are amongst those of highest quality, possibly because these self-initiated seekers are taking their time to investigate the job. This could mean they are relatively highly motivated with more job knowledge than those looking for not non-specific advertisements on for example Finn. As revealed in 4.2.2, some companies are mainly advertising positions through their own home-page or not advertising at all, and a potential insight could be that they are looking for these candidates that, according to mentioned research (Gannon 1971; Breaugh 1981), are expected to be of higher quality. Consistently with the literature, this study provides support for a greater match tendency for referred applicants compared to non-referrals and hypothesis 1 is thus supported.

Researchers in the field of social capital and job search theory have long known that a primary way job seekers search and find work is by asking their social network (Granovetter 1995; Marsden and Gorman 2001; Corocoran, Datcher and Duncan 2011). According to the literature mentioned in chapter 2.3, referred applicants are more likely to grant an interview, supported by findings of Fernandez and Weinberg (1997), Castilla (2005) and Brown et al (2016). The motives for a referred candidates' higher frequency of interviews are not directly explained in the mentioned studies, as the research setting includes large samples and results described through statistics. The finding is also supported in this study, and the notion is explained in diverse ways.

One of the reasons why a referral more frequently will be granted an interview is because the employer has an abbreviated time to fill a position, and therefore goes directly to his network or employers to find potential candidates as the traditional recruiting process can extend up to five months. Some of the informants from the staffing agencies explained that in the process of finding candidates on short notice, they experienced decent results when going through their network. This can be explained by Fernandez and Weinberg (1997) who stated that applicants who had been referred by an employee had therefore also been pre-screened by that

current employee, meaning the applicant is more likely to have an appropriate resumé with the right qualifications. This in turn should increase the candidates' chances of being called for an interview. This goes along with this study's findings, as all the informants said they generally had good experiences when receiving resumes from candidates referred by current employees. When being contacted by someone they trusted, the informants expected the applicant to be a fit and generally called the candidate for an interview.

The informants' expectations are not without reason, as research provided by Castilla (2005) and Brown et al (2016) gives evidence that personal connections help to produce more productive employees in the job. Their discoveries that personal contacts provide difficult-to-obtain and realistic job information is a good reason for the informants' tendency to let referred candidates "skip the line" and get an interview right ahead. Thus, hypothesis 2 is supported.

5.2 Entry-level recruitment and influence status has on social capital

Ensuing the research regarding job search and social capital, as well as the results from this study, there is little doubt about the use of networks. However, there is some debate amongst scholars whether the usage of networks matter more for high-status jobs such as managerial or administrative positions, or low-status jobs such as entry-level jobs (Holzer 1987c; Neckerman and Kirschenman 1991) and (Mardsen and Campbell 1990; Granovetter 1995). By looking at the results from this study, I find that the use of network for findings employees in various levels of positions depends on whether the company is private/public, availability and whether the work is skilled/unskilled.

As mentioned in chapter 4.2, public companies in Norway must follow posting the-regulations due to the state employment law §4 which means they must publicly post the position even though they might have candidates internally or through their network. As presented in Extract 5 in the data, a possible inefficient use of government resources can be explained by public companies advertising and holding interviews only in order not to interfere with the laws. To my knowledge, there is no research on the use of personal contacts for public companies following the Norwegian state laws, conceivably because of the controversy.

Many of the informants speculated that it was probably mostly happening for higher positions. This was confirmed by one who had experienced going to an interview for a leader position and later realizing the position already given to an internal employee, meaning the interviews were working only as a formality. This goes along with Mardsen and Campbell's (1990) research and was explained by some of the informants to be the case as these higher positions sometime require ground floor knowledge which is only achievable through years in the company. Further on, public companies have a stronger tendency to work in the same traditional way as opposed to private, (this is also supported by research from Hodak 2014) and would therefore explain why entry-level positions are generally done formally in public companies.

For private companies however, the main reason for filling skilled entry-level jobs with referrals was due to the availability of the needed position. The procedure of finding these candidates was usually formal unless it was a position which there were limited searchers. In the process of filling unskilled entry-level work, most of the informants were clear that employers were highly likely to reach out to their network when filling these types of work. It does not come as a surprise when a family member of an already working employee in a grocery store is hired. Thus, hypothesis 3 is not consistent with the results. Apart from unskilled work, which is not the focus of this study, entry-level jobs seem to be done in a more formal way than positions that require more experience or competence. An explanation for this unexpected finding that differs from the research (Neckerman and Kirschenman 1991; Fernandez and Weinberg 1997) could be not enough emphasizing on the topic during the interviews. The results do however go along with research by Mardsen and Campbell (1990), which suggested that personal contact use mattered more for higher positions.

Researchers such as Lin (1999, 2001) and Trimble (2013) have found that in order to utilize ones' network in a job search, the job seeker has to find contacts who possess their needed resources and then influence them into sharing these. Consistent with social resource theory Mardsen and Hulbert 1988; Lin 1999,2001, Trimble 2013) I find that people who possess greater social resources are also considered as higher status. However, even though most informants in this study said that a higher status was likely to influence their decision when receiving a recommendation, it was more clearly explained as their trust in the contact that was most important. A high status in itself was usually not enough when it was clear that the contact did not have the necessary experience in the field to recommend a certain candidate.

If, however, there were two similar candidates and one of them was spoken highly about from a considered high-status individual, it was very likely if not certain that this candidate would proceed.

Along the lines of research done by for example (Cambpell et al., 1896 and Wilson 1996), which stated that those considered low status would be less likely to help in a job search, was also consistent with this study. Again, status was explained more in a trust-way, which meant that if someone without any clear experience in the sector (say a plumber in the context of IT) would not have the same influence as say a computer system technician. Another finding which went along with the previously conducted and mentioned research was that people with smaller networks usually were less likely to be able to help during the job search. Wilson (1996) and Trimble (2013) found that those with lower status in terms of their work would have smaller networks which usually consisted of other individuals with the same network qualities. When the informants in this study received recommendations, it was usually from those considered high-status and therefore also further confirms that those individuals are most likely to get a recommendation through.

Thus, hypothesis 4 is supported, but for reasons that differ from my theoretical expectations.

5.3 Advantages of social capital on Sørlandet in the job search and non-searchers

Being a referred applicant in the process of job searching has in the progression of this study as well as the previous literature proved to be an advantage (see for ex. Granovetter 1990, Marin 2013). Hence it should prove an advantage of having a large and resourceful network which one can activate when needed. Paxton (1999, p.89) explained social capital as "the idea that individuals and groups can gain resources from their connections to one another…), which corresponds with the informant's explanation (Extract 6). The extract says how employers commonly sit together and share their social resources with each other, which is also how Coleman (1988) described an important part of social capital was to share mutual favors amongst each other.

The importance of having social networks in the job search became very apparent once the informants described what they called "the hidden market" or "the gray market" which according to the informants held 40-70% of the total market. Comparing this speculated number with the literature which stated somewhere between 30 and 50% (Rees 1966;

Granovetter 1973) it is apparent that it might be larger than expected. An explanation could be this studies' geographical limitations, as well as subjective information bias. This market was believed to consist of non-advertised jobs and was typically shared through casual conversation or headhunting. Lin (2003) called this for "the invisible hand of social capital" and stated that since it in one way or another was "hidden" from the public eye, it usually biased the effectiveness of social capital.

Without knowing the vastness of "the hidden market", its existence seems to be the previously mentioned advantages of referrals, an urgency in position filling and a combination of trust and control. By not publicly posting and addressing a job position, employers and candidates alike are able to exchange information without it being publicly exposed. This was explained to be the case especially for top leaders who were considering changing companies.

Having a social network give the impression to have many advantages when searching for a job, not only when directly seeking help and asking for a recommendation or direction. As mentioned in chapter 4.3 and 4.3.2, one common way staffing agencies found candidates was to ask their network as well as using LinkedIn. This means that a job seeker unexpectedly can be contacted with a job offer by passively having used her network. By actively representing and putting oneself out there, the candidate may be spoken about in a communication between employers, and thereby benefiting from "the invisible hand of social capital "(Lin 2003). Job seekers who does not look at these opportunities will therefore lose the benefit and be left out. This suggests that building ones' social network, both through reaching out and using LinkedIn proves significant benefits for a job seeker.

More specifically on Sørlandet, which is one of this papers purposes, having a personal network when searching for a job is of great significance. Social relations and taking care of ones' own is a traditional and still ongoing factor in the southern part of Norway. Staffing agencies know this and takes therefore care of their customers with attention and gifts around various times of the year. Coleman (1988) considered this help received and given like a "credit slip" which dispensed to the one helping and an obligation on the part of the person receiving the favor. As many companies on Sørlandet are locally owned or originated as family corporations, a tradition of trading favors has seemingly been kept. This means that if the candidate is not inside this web of social network, he is missing out on information and positions being trafficked amongst the people with large social resources. One of the informants explained this as "either being in or out" (Extract 10).

Several of these networks are in the cutting points between business and religion, which consequently has led to them being relatively closed for outsiders. One of the informants explained this as nepotism, and this term has been previously used and researched by for example Baldanova (2014) and Eriksson et al. (2016). In their findings, this form of recruiting has been suggested to be driven by cultural values and resulting in less competent workforce. On the other hand, it is proposed by Eriksson et al (2016) that though there alluringly may be less competent workers, a higher sense of loyalty and chemistry may be present. There are however not enough studies on this topic and is an interesting topic for further research. The results about the significance of social networks on Sørlandet are consistent with hypothesis 5.

Besides the traditional aspect of recruiting candidates inside their network on Sørlandet, a possible explanation could be the size of the cities. It was illustrated by some of the informants that in villages or very small cities where most people know each other, networks would be the most efficient way of finding work/employees. The southern part of Norway consists of medium to small cities like Kristiansand, Arendal, Grimstad and Mandal which ranges from a population of 90 000 (Kristiansand) to 15 000 (Flekkefjord) (SSB 2017). A combination of the smaller cities as well as the history of taking care of one's own seems to be two factors which guides the greater need of social capital in the job market.

Some individuals have very resourceful social networks and can find work without actively searching. They benefit from their social capital not because of their persistent reaching out in the process of job-search, but because of their social network and their reputation in it. This goes along with Lins' (1999) research, who found that people in the most disadvantaged social groups were most likely to use their personal contact when searching for work, even though they were the least likely to benefit from them.

These resourceful individuals are known as Non-searchers (McDonald and Elder 2006), which also was a term the informants could relate to. Apart from their resourceful social network which constitutes their opportunity to benefit from not actively searching is their specific education and competence. This suggests that if a job seeker wishes to acquire this "non-searching status", a necessary step would be to acquire an education or competence that is sought after. For the moment it seems to be positions in digital marketing, web developing and specialized competence in IT-security and digital infrastructure. Further on, building a wide social network by putting oneself out there and being active on LinkedIn would enable

the employers and contacts alike to find and contact the potential employee. This, based on the results provided by the interviews, hypothesis 6 is supported.

Bridges and Villemez (1986) suggested that non-searchers would consist of individuals with an extensive work experience, as they would've gained a broad set of work contacts. The findings from this study does both goes along and contradicts this suggestion. A possible explanation for this could be that there has been a vast change in the way work is being done now than when that study was conducted. Social network applications like LinkedIn, as well as the digitalization has opened an opportunity to gain a unique competence and get recognition without that same work experience that was necessary back then.

5.4 Evaluation of the study

In chapter 3.2, I presented that there are several methods of conducting a qualitative study. Including methods such as surveys and observations could've aided the process of investigating the object of the study. The focus of this study has been to investigate the likely benefits of being a referred candidate in the job search, as well as the potential significance of having a social network as a job seeker on Sørlandet. This study has exclusively been based on in-dept interviews as the best way to investigate this was to go directly to those with most experience: the recruiters. By conducting in-depth interviews, I have been able to question those responsible for recruiting and getting insight into their motives and experiences regarding the use of social capital.

Using a qualitative approach, the informants were able to fully express themselves which gave me an understanding and opportunity to further question the topics that arose. I was also able to contact the informants after the interviews to clarify concepts, which would have been difficult if not impossible if the study was based on a quantitative survey. In relation to the number of informants, this was based on the acquiring of the needed data for the investigation, which resulted in a total of 11 interviews. Nine of the 11 informants were stationed in Kristiansand which could act as a restriction to the findings because of the non-representative sample size. It is not, however, considered as a limitation to this study as it is not meant to be representative as one of the purposes was to study Sørlandet specifically. Future research may still use these findings as analytical generalizations are still possible if generally studying the population is sought after.

This chapter has presented three different discussions related to the analysis and relevant theory. The next chapter will provide a summary of the discussions in relation to the research questions. Probable implications of the study will also be presented.

6. Conclusion

This thesis has presented a study investigating the role of social capital in the process of job search and employment. By analyzing findings provided by those responsible for recruiting and employment on Sørlandet and discussing them according to various theoretical perspectives, the intention of this study has been to solve two ambiguities. The scientific purpose has been to answer the research question presented in the introduction, while the motivating and distinct drive have been to answer the myth regarding the hidden market on Sørlandet.

The research question presented in the introduction:

"*Is there a causality between referred applicants and a higher yield ratio?*"

To determine and answer the research question, six hypotheses have been created and tested. These hypotheses have further been categorized into three aspects to look at and analyze the causality from three different angles. These aspects which are presented in the discussion consists of:

1. *The beneficial tendency referred applicants has in job matching and interviews*
2. *Entry-level recruitment and the influence status has on social capital*
3. *Advantages of social capital on Sørlandet and non-searchers*

In relation to the first perspective, it was determined that there was a connection between social capital, the usage of networks to find work and a higher work quality. By using social networks to find work, applicants are believed to find more suited work and therefore be of higher quality. As such, employers are presented to have trust in their network and expect those applicants generated from this source to be a better fit. Referred applicants should therefore have a tendency of a higher job match and more interviews.

In relation to the second aspect, skilled entry-level jobs were perceived to be recruited using a formal procedure, where the tendency of social network use were more frequent for higher

positions. The strength of social status was presented as trust, and those trusted individuals with experience and/or relevant achievements were believed to have a higher influence in the process of recommending a candidate.

In relation to the third aspect, the importance of social capital in the job search was found to be apparent once the informants stated their experiences of "the hidden market". The markets vastness was presented only by speculation, but its function consisted of non-advertised jobs, typically shared with the people involved. Sørlandet was believed to be a significant representation of this, because of cultural and religious, values, as well as a tradition of taking cares of ones' own. The presence of "the hidden job market" inspires a way of job search which is believed to bias the effectiveness of social capital. This study supports the notion that resourceful individuals are benefiting from their social network by being mentioned, recommended and contacted without actively searching.

These three perspectives create an overview where social capital is beneficial and at times a necessity to have access to job information and opportunities. The individuals having and using their social network are believed to be at the advantage over those who does not, both because of the availability of information as well the higher perceived chance of being hired. Therefore, in answer to the research question, referred applicants should have an increased chance over others in the job search, and the causality between them and a higher yield ratio is supported.

6.1 Implications and future research

As presented in the results and discussions, there are interesting aspects to the findings that have been displayed in the study. The potential waste of government resources due to an inefficient hiring process may motivate investigation and discussion on the policy of employment law, specifically §4. The seemingly correlation of social capital and higher work quality, supported by findings of this studies' data combined with the research of (Franzen and Hangartner, 2006; Smith, 2010; Trimble, 2013) makes a discussion of the employment laws interesting.

Due to the studies limitation of only 11 informants, future research conducting in-depth interviews with employers could contribute to an even more complete understanding as there are likely to be several interesting additions to the findings. The study formed a connection between social capital, usage of network and higher work quality which to my knowledge has

not been researched before. This is an interesting relationship for future research, and further data is needed. Practically, the study may attract employers interest of the relationship of social capital and higher quality, which may motivate a future building of their network and recruitment through it. For the job seekers and employers alike, findings supporting the significance of social capital in the presence of "the hidden market" may stimulate a growth in networking as employers and employees want to be a part of the exchange of job and competence-information.

7 Bibliography

Aadland (2015). *Over halvparten av oljebedriftene venter nedgang.* Sysla. Obtained from
https://sysla.no/over-halvparten-av-oljebedriftene-venter-nedgang/

Allum, N., R. Patulny, S. Read and P. Sturgis. (2010). *Re-evaluating the links between social trust, political trust and civic association in Europe.* Spatial and Social Disparities: Vol. 2: Understanding Population trends and Processes. London: Springer verlag, pp. 199-216

Andrea Galeotti and Luca Paolo Merlino (2014). *Endogenous Job Contact Networks.* International Economic review, Vol. 55, No. 4, pp. 1201-1226

Anna Zaharieva (2013). *Social contacts and referrals in a labor market with on-the-job search.* Labor Economics, Vol. 32, pp. 27-43

Axel Franzen and Dominik Hangartner (2006). *Social Networks and Labor Market Outcomes: The Non-Monetary Benefit of Social Capital.* European Sociological Review, Vol. 22, No. 4, pp. 353-368

Bailey, Thomas and Waldinger, Roger (1991). *Primary, Secondary, and Enclave Labor Markets: A Training Systems Approach.* American Sociological Review, Vol. 56 (4), pp. 432-445

Baldanova (2014). *Nepotism, beyond good or bad. Exploring recruitment policies in international aid organization in Kyrgyzstan.*

Breaugh, James A. and Mann, Rebecca B. (1984). *Recruiting source effects: A test of two alternative explanations*. Journal of Occupational Psychology, Vol 57, Issue 4, pp. 261-267

Breaugh JA. (1981). *Relationships between recruiting sources and employee performance, absenteeism and work attitudes.* Academy of Management Journal, 24, 142-147

Campbell, Karen E; Marsden, Peter V, Hurlbert, Jeanne S., (1986.) Social resources and socioeconomic status. Social Networks, 1986, Vol. 8, pp. 97-117

Creswell, J.W. (2003). *Research Design, Sage Publications Inc., California, London and New Delhi*

David M. Blau and Philip K. Robins (1990). *Job Search Outcomes for the Employed and Unemployed.* Journal of Political Economy, Vol. 98 (3), pp. 637-655

Decker PJ, Cornelius ET (1979). *A note on recruiting sources and job survival rates.* Journal of Applied psychology, 64, 463-464.

Eriksson, Frida and Sjøkvist, Frida (2016). *Hur ser rekryteringsprocessen ut I familieagda foretag?: En kvalitativ studie av tre familijeadga foretag I Jonkopsregionen*

Federico Cingano and Alfonso Rosolia (2012). *People I know: Job Search and Social Networks.* Journal of Labor Economics, Vol. 30, No.2, pp. 291-332

Furstenberg, Frank F. Jr., and Mary Elizabeth Hughes. (1995). *Social Capital and Successful Development Among At-Risk Youth.* Journal of Marriage and the Family 57:580-92.

Gannon, MJ. (1971). *Sources of referral and employee turnover.* Journal of Applied Psychology, 55, 226-228.

Grønmo, S. (2004). *Samfunnsvitenskapelige metoder,* Fagbokforlaget Vigmostad & Bjørke AS, Bergen.

Granovetter, Mark S. (1973). *The strength of weak ties. The American Journal of Sociology, 78(6), 1360-1380.*

Granovetter, Mark S. (1985). Economic action and social structure: the problem of embedded-ness. *The American Journal of Sociology, 91, 481-50.*

Granovetter, Mark S. (1990). *The old and the new economic sociology: A history and an agenda. In R. Friedland & F. Robertson (Eds.), Beyond the marketplace: Rethinking economy and society. New York: Aldine de Gruyter*

Granovetter, Mark S. (1995). 2nd edition, Getting a Job: A study of Contacts and Careers, University of Chicago Press, Chicago (1995)

Grieco, M (1987). *Keeping it in the Family Social Networks and Employment Chance.* London Tavistock Publications

Hanson, Susan and Geraldine Pratt. (1991). *Job Search and the Occupational Segregation of women.* Annals of the Association of American Geographers 81:229-53

Harry Holzzer (1986). *Search Method Use of Unemployed Youth.* Journal of Labor Economics, Vol 6, pp. 1-20.

Hodak, Mark (2014). The Growing Executive Compensation Advantage of Private Versus Public Companies, Journal of Applied Corporate Finance

Hume, D. (1987). *A treatise of human nature.* Oxford: Oxford University Press (first edition 1740).

Ioannides and Loury (2004). *Job information networks, neighborhood effects, and inequality.* Journal of Economic Literature, Vol 42 (4), pp. 1056-1093

Jacobsen, D. (2005). *Hvordan gjennomføre undersøkelser?* Høyskoleforlaget AS.

Kirnan, J.P, Farley, J. A., & Geisinger, K.F. (1989). *The relationship between recruiting source, applicant quality, and hire performance: An analysis by sex, ethnicity and age. Personnel Psychology,* 42, 293-308.

Lin, Nan. (1999). *Social Networks and Status Attainment*. Annual Review of Sociology 25:467-7.
_____. (2000). *Inequality in Social Capital.* Contemporary Sociology 29:785-95.
_____. (2001a). *Building a Network Theory of Social Capital.* Pp 3-30. Social Capital: Theory and Research. Nan Lin Karen Cook and Ronald S. Burt.
_____. (2001b). *Social Capital: A Theory of Social Structure and Action.* Cambridge University Press.

_____. (2003). *The Invisible Hand of Social Capital.* Academy Colloquium, Creation and Returns of Social Capital. Amsterdam: Royal Netherlands Academy of Arts and Sciences.

Lindsey Trimble O'Connor (2013). *Ask and you shall receive: Social network contacts' provision of help during the job search.* Social networks, Vol 35 (4), pp. 593-603

Madsen and Hulbert, *(1988). Social resources and mobility outcomes: a replication and extension.* Social Forces, Vol. 66 (4), p. 1038 (22)

Marsden and Gorman, (2001). *Social networks, job changes, and recruitment.* Sourcebook of Labor Markets, pp. 467-502

Martén and Whittaker (2015). *Lower, and More Volatile, Oil Prices: What They Mean and How to Respond.* Boston Consulting Group.

Manolis Galenianos (2014). *Hiring through referrals.* Journal of Economic Theory, Vol. 152, pp. 304-323

Marx, K. (1953). (eurvres completes. Le capital: Critique de l'economie politique […] Le proves de l'ensemble de la production capitaliste. Paris: Éditions Sociales.

Michele Pellizzari (2011). *Employers' Search and the Efficiency of Matching.* British Journal of Industrial Relations, Vol. 49, pp. 25-53

Mortensen and Vishwanath (1995). *Personal contacts and earnings: It is who you know!* Labor Economics, Vol. 1, (2), pp. 187-201

Neckerman and Kirschenman (1991). *Hiring Strategies, Racial Bias, and Inner-City Workers.* Social Problems, Vol. 38 (4), p. 433 (15).

NFK (2018). 31 May. *Medlemmer.* Obtained from https://www.kristiansand-chamber.no/medlemmer/

Nikoletta Bika (2016). 14 September. *Recruiting yield ratios, explained.* Obtained from https://resources.workable.com/tutorial/recruiting-yield-ratios-recruiting-metrics

Paxton, P. (1999). *Is Social Capital Declining in the United States? A multiple Indicator Assessment.* American Journal of Sociology 105 (1), 88-127.

Pierre Cahuc and Francois Fontaine (2009). *On the Efficiency of Job Search with Social Networks.* Journal of Public Economic Theory, Vol 11 (3), pp. 411-439

Remenyi, D., B. Williams, A. Money and E. Swartz (2005). *Doing Research and Business in Management,* Sage Publications Ltd, London, California and New Delhi.

Ryen, A. (2002). *Det kvalitative intervjuet: fra vitenskapsteori til feltarbeid,* 1 ed, Fagbokforlaget

Rynes, S.L, Orlitzky, Marc O, Bretz, Robert D. (2006). *Experienced hiring versus college recruiting.* Personnel Psychology, Vol. 50, pp. 309-339.

Rynes, S. L (1991). *Recruitment, job choice, and post-hire consequences.* In M. D. Dunnette & L. M. Hough (Eds.) *Handbook of industrial and organizational psychology* (2nd ed., pp. 399-444). Palo Alto, CA: consulting Psychologist Press

Silverman, D. (2006). *Interpreting Qualitative Data,* Sage Publications Ltd, London, California and New Delhi

Steve McDonald, Glen H. Elder and Jr. (2006). *When Does Social Capital Matter? Non-Searching for Jobs across the Life Course.* Social Forces, Vol. 85, No. 1, pp. 521-549

Smith, A. (1991). Recherches sur la nature et les causes de la richesse des nations. Paris: Flammarion (first edition 1790).

Sørheim, T. I. (2015, September 30). Sørlandet har landest høyeste arbeidsledighet

SSB (2018). Berekna folkevekst og folkemengde. Heile landet og dei ti største kommunane Obtained from: https://www.ssb.no/befolkning/statistikker/folkemengde/aar-berekna

Thomas G. Poder (2011). *What is Really Social Capital? A Critical Review.* The American Sociologist, Vol 42, No. 4, pp. 341-367

Yoske Igarashi (2011). Distributional effects of hiring through network. Review of Economic Dynamics, Vol. 20, pp. 90-110

Wilson, William Julius (1996).*When Work Disappears: The World of New Urban Poor, New York*

8 Appendix

8.1 Interview guide

BEFORE THE INTERVIEW
Presentation and explanation of the reason for the interview
- Master thesis. I want to investigate the influence social capital has on the job process, and the potential benefits a referred applicant has compared to the formal job seeking process.
Information about the length and the anonymity
- The interview will last about half an hour, and possibly 10-15 minutes longer if needed. The information gathered during this interview will treated confidentially and anonymously. The interviewed will be recorded so that it may be transcribed later, is this ok?

THE INTERVIEW
Use questions as guidelines, ask individual follow-up questions as aspects arise

The hiring/recruiting process

1. Are there any regulations/rules you most follow when hiring?
   -terms of public posting of job ads

2. At a job opening, where does the process of looking for the right candidate start? (Formal applications/received referred applications/online ads)
     -Are there some positions that are held inside the company/not posted publicly at least for a while?

3. Is the hiring/finding candidate-process expensive?
   -Does the monetary aspect have any influence on the hiring?
       -Cheaper and more convenient to hire someone who has been referred?

4. How different is the strategy of looking for employees for entry-level positions than manager etc.

5. What would you score the highest when rating potential employees (grades, feeling (where does it come from), reference, extracurricular activity/voluntary work)?

Use of contacts:

6. How are your experiences of interviews granted for referred/formal applicants?

7. What role does the referred person's contact have in the judgement of employing? (High/low status)

8. What is your experience of the performance and match (workers and business) when the

worker is referred/recruited formally**.**

9. In 2015, Sørlandet experienced an all-time high in the unemployment rate. How are your experiences of the usage of personal networks been since?

10. Have you heard about the concept of «Non-Searchers?»
  - What are your experience with this?

The hidden job market myth

11. Do you have any experience of hiring/recruiting outside of Sørlandet?
     - How does it differ from Sørlandet?
12. "The hidden job market myth". Do you have any experience with traditional recruiting of "Sørlendinger"?

Is there anything you would like to add?

AFTER THE INTERVIEW
Say thanks for the interview.
Ask if it is possible to reach them again if something is unclear (E-mail/Phone).

Reflection paper:

The research about social capital and its influence on the job search and employment process is a topic that is yet to be finalized. The last 20-30 years' hype around the benefits of being a referred applicant has contributed to the increasing knowledge about the advantages of using personal networks. However, much of this research lacks in-depth understanding of the social and psychological reasons for the apparent advantages of network use. Likewise, even though there are research on employers' reasons and potential benefits of actively using their network when finding candidates, the field lacks an in-depth view into the understanding. In this thesis I wished to fill the gap where qualitative data about the aspects of social capital in the job search was needed, as well as investigating the myth of "the hidden job market" on Sørlandet.

The study has amongst other findings revealed that there is a correlation between social capital, the usage of networks and higher quality work. My findings, synced together with previous research seems to state that there is a tendency for workers who used their network to find their job to perform higher quality work, which again gives them an opportunity for further referrals. With consideration to my research question, I can conclude that referred workers positively impacts a companies' yield ratio.

International trends

The topic of this thesis relates to broader international trends in the way that all employers and employees can benefit from the knowledge of social capital and benefits of social network usage. As social networking is rapidly expanding internationally, mainly because of the use of social media like Facebook and LinkedIn, people are able easier keep track and in touch with their networks, as well as explore possibilities of expanding. Individuals who are not following this trend might be left out of information regarding job opportunities and competent candidates. This thesis aspects of social capital and job search is highly relevant to this challenge of keeping up with the expansion of networks and its usage.

Innovation

Innovation is viewed as creating a new idea, device or method. It is, however, also regarded as the method of finding better solutions that meet new requirements. My thesis influences the innovation of the topic by pointing out an interesting connection between social capital, the

usage of networks and higher work quality. Within the concept of innovation, a potential gap would be when companies or staffing agencies must

fill a position on short notice, where they usually tended to their network as the process of finding candidates formally would be too time consuming. When these employers or recruiters seek through their network without luck, they might miss out on deadlines regarding the position fill. Secondly, if their network does not have competent workers, they might lower the bar and fill the position with workers who are somewhat less qualified than they would like. Lastly, when they are desperately looking for candidates through their network, a bias may occur where someone recommends a candidate that might not be as qualified as wished for but might be employed after all because of the deadlines.

Right now, social network pages such as LinkedIn exists to search through ones' own and others' network to find candidates. It is also possible to look for CV's that candidates have posted and go through them to find potential workers. This is however time consuming, and there is no guarantee that the workers can start as early as expected. A potential new service that could solve this problem would be an application where companies or staffing agencies can post required competence as well as the required start date. Candidates would then have the possibility to post their competence and "able to start" date, and the applications logarithm would connect this potential relationship. This programming is however out of my current capability but would be a helpful tool for both employers and job seekers alike.

Responsibility

Social capital and the usage of networks relates to responsibility in several ways. As the usage of networks can prove an advantage when searching for work, the ethical challenge of this is the many job seekers that are not able to find information about and apply for the positions that these individuals acquire. Likewise, when employers are recruiting through their network, employee referrals or through headhunting specific individuals, a gap is created between those who are inside these networks and those who are outside. Moreover, recruiters with influence in their network can also contact and make presently employed employees switch to another company. All the informants in the study pointed out their importance of the ethical aspects, and this points to the present relevance regarding this.

The actions that could be undertaken to strengthen the responsibilities of companies who are ethically "supposed" to publicly advertise positions could be to create a system like the one mentioned earlier. Companies and staffing agencies could also put more emphasis on the

aspect of publicly advertising all positions to make all job information open to everyone and not only those inside certain networks. I don't personally, however, think this is something that will be happen in the close future, for example because of the findings regarding a higher work quality when recruited through a network.