Social networking pays off more in the US than Germany

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New research from North Carolina State University shows that informal social networks play an important role when it comes to finding jobs in both the United States and Germany, but those networks are significantly more important for high-paying jobs in the United States – which may contribute to economic inequality.

"It is interesting to note that the open market system in the United States, with minimal labor regulations, actually sees people benefiting more from patronage – despite the expectation that open markets would value merit over social connections," says Richard Benton, a Ph.D. student at NC State who co-authored the research.

The researchers looked at nationally representative survey data from the United States and Germany to compare the extent to which people find new jobs through "informal recruitment." Informal recruitment occurs when a person who is not looking for a new job is approached with a job opportunity through social connections.

The study shows that, on average, informal recruitment is significantly more common in Germany, where approximately 40 percent of jobs are filled through informal recruitment – as opposed to approximately 27 percent of jobs in the United States.

However, the jobs people find through informal recruitment in the United States. are much more likely to be high-wage managerial positions. Specifically, in the United States, the odds that a job will be

filled via informal recruitment increase by two percent for every dollar of hourly wage that the job pays.

For example, the odds that jobs paying $40 per hour ($80,000 per year) will be filled through informal recruitment are about 66 percent better than the odds that a minimum-wage job ($7.25 per hour) will be filled through informal recruitment.

By comparison, the researchers found that wages in Germany did not appear to be linked to how workers found their jobs.

"Ultimately, this suggests that U.S. economic institutions offer greater rewards to sponsorship and nepotism than what we see elsewhere, which could help to explain why inequality is so extreme here." says Dr. Steve McDonald, an associate professor of sociology at NC State and lead author of the paper.

More information: The paper, "Dual Embeddedness: Informal Job Matching and Labor Market Institutions in the United States and Germany," was published online July 19 in the journal *Social Forces*.

Provided by North Carolina State University

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