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**Job Search Methods used by Young Professionals and Recruitment Methods Used
By Employers: What works**

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Abstract: Informal methods are used both by job seekers and firms to find jobs and to fill vacancies. Pellizzari (2004) has shown that personal contacts are among the most important channels that match job seekers and jobs. This study investigates the use of informal methods to find employment at the individual level using the European Community Household Panel (ECHP) data and the use of informal recruitment methods by firms using the Cranfield Network on Comparative Human Resource Management (CRANET) data. In the current study issues such as the impact of gender on the use of informal networks to find employment, the starting pay and the pay after several years of work, the type of jobs (permanent or non permanent), level of job satisfaction and actual voluntary turnover are taken into consideration from the perspective of job seekers. Comparisons between countries and industries are also carried out. Whether informal contacts are more likely to lead to jobs in smaller businesses is also investigated. From the perspective of the firms the prevalence of informal recruitment methods by country, the size of the organizations that prefer informal methods and possible organizational and employee outcomes associated with the use of informal methods are investigated. Managerial and policy implications are made in the light of the findings.

1. Introduction

Recruitment of employees is a critical issue for organizations because much of the human resource activities such as selection and training will depend on the results of the recruitment process. An effective match between jobs and candidates will have an influence not only on the performance of individuals, organizations and the overall economy. Granovetter (1995) notes, “while people are finding jobs, employers are finding people to fill them, and their behaviors, strategies, and purposes play a central but often neglected role in the process of matching people to jobs.” While search behavior of job seekers has been extensively studied, very little is known about how firms look for workers (Pelizzari, 2004). However, in the last decade employee recruitment has been a popular topic among scholars (Breaugh & Starke, 2000). Job search methods of job seekers are of central importance to the job matching process (Huffman & Torres, 2001)

In the literature, recruitment methods such as newspaper advertising and the use of employment agencies are regarded as formal recruitment methods and word of mouth and referrals are regarded as informal recruitment methods (Taylor, 1994). Generally informal recruitment methods are associated with smaller organizations (Tanova, 2003; Barber et al 1999; Carrol et al 1999; Deshpande and Golhar, 1994). However, recent research also shows that at least in certain countries small organizations are also relying more on formal recruitment methods (Tanova and Nadiri, 2005). Informal methods like employee referrals may be more effective in certain organizations because the current employees may be more willing to help to socialize, support and provide mentoring to the new hires that they have helped to recruit. Bon and Forbringer (1992) give examples of the use of informal methods in the hospitality industry where some organizations offer bonuses to employees who bring successful new recruits. On the other hand organizations may feel institutional pressures (mimetic, normative, coercive) to adopt more formal methods.

From the individual perspective literature have addressed issues such as job search behavior and job loss (Eby& Buch, 1994), job search methods, gender and earnings (Huffman and Torres, 2001; van Hooft, Born, Taris and van der Flier, 2005), job search, age and reemployment (Wanberg, Watt and Rumsey, 1996). Pellizzari (2004) draws from the European Community Household Panel data to show that use of informal networks lead to better paid jobs in Austria, Belgium and Netherlands while the opposite is true in Greece, Italy, Portugal and UK.

In the current study issues such as the impact of gender on the use of informal networks to find employment, the starting pay and the pay after several years of work, the type of jobs (permanent or non permanent), level of job satisfaction and actual voluntary turnover are taken into consideration from the perspective of job seekers. Comparisons between countries and industries are also carried out. Whether informal contacts are more likely to lead to jobs in smaller businesses is also investigated. From the perspective of the firms the prevalence of informal recruitment methods by country, the size of the organizations that prefer informal methods and possible organizational and employee outcomes associated with the use of informal methods are investigated. Managerial and policy implications are made in the light of the findings.

2. Research Questions

How prevalent is the use of personal contacts in finding jobs?

Organizations use various methods of recruitment. Formal methods are advertising, use of employment services, working with educational institutions, utilizing the internet (Company web site and specialized web sites), and using consulting firms/recruiters. Informal methods are using personal contacts and referrals by employees.

Findings suggest that those who rely on personal contacts normally receive more offers and find employment more quickly, thus suggesting that informal search is indeed a very efficient way to get a job (Pelizari, 2004).

Does this differ by country?

According to the universalist approach there will be tried and tested HR practices which will be applicable in different settings. Thus, there may not be a need to expect differences in HR practices such as recruitment methods between countries. As countries face similar technological advances and economic models, and as they deal with similar problems, the solutions to these problems given the similar tools at their disposal will be the same. According to this approach there will inevitably be some HR practices that will be necessary to be implemented in any successful enterprise. "These universalist perspectives do not grant national context any analytical significance over and above the configuration of universals that happen to characterize a country at any point in its development" (Child, 2001).

However, Brewster (1995) makes the proposition that European organizations are constrained at the international level and the national level by culture and legislation, at the organizational level by patterns of ownership, and at the human resource management level by trade union involvement and consultative arrangements. Thus, he concludes that there is a need for a model of human resource management that goes beyond the universalist approach of seeing these features as external constraints, and integrates them into the concept of human resource management.

The contextual model shows that the business strategy, human resource strategy and human resource practice of organizations interact within as well as with an external environment of national culture, power systems, legislation, education, and employee representation. The organization and its human resource strategies and practices in turn interact with and are a part of that environment. The model places human resource strategies in close interaction with the relevant organizational strategy and external environment.

Thus, we can expect that cultural, economic, and legal context will lead to use of informal methods to varying extent in different countries. (Pelizari, 2004).

Does gender influence the use of job search methods?

Social network utilization produces greater network returns in salary and promotion for men (Morrison & Von Glinow, 1990). Men who use their social network receive faster and more offers. (Morrison and Von Glinow, 1990; Pelizari, 2004). Female job seekers appeared to use informal networks and to find jobs through roughly as often as men did (Moore, 1990). Women's internal networks may actually hinder both women's awareness

of jobs that are above the “glass ceiling” and their ability to influence selection for such jobs (Leicht & Marx, 1997). Formal job search methods may not be the most effective route to gender equality in outcomes such as earnings. Although the formal methods may be expected to lead to an “identity blind” process of staffing, in reality the selection process is influenced by the employer’s attitudes towards female candidates. Thus, Huffman and Torres find that formal recruitment or job search methods do not result in pay equity (Huffman & Torres, 2001).

Is it more likely to find jobs in small firms using personal contacts?

For large organizations the efficiency imperative (Williamson, 1975) means that the organizations that have repeated transactions will internalize these repeating transactions in order to make them less costly. Large organizations that need to recruit often and for many positions using formal recruitment methods is economically prudent since the cost per applicant of developing the procedures will decrease as the number of hiring decisions increase. In addition according to institutional theory (DiMaggio and Powell, 1983) firms adopt certain practices based on the pressures from their internal or external environments. These may be “coercive” pressures like laws regulating certain employment practices in organisations, “mimetic” pressures like the use of practices that seem to be effective in competitors, or “normative” pressures like practices inspired by shared professional values among HRM professionals. Compared to small firms, larger firms are more prone to institutional isomorphism. They will feel stronger coercive pressures since many laws place extra requirements on organizations employing more than a certain number of people. They will have more mimetic pressures since large organizations will require more accountability from the managers on decisions that they have made and many managers will take the tried and tested methods used by others in the market. They will have more normative pressures since larger organizations are more likely to employ more HRM professionals who will try to bring their professional values to the firm. On the other hand, small firms are not under the same level of pressures as large firms. They develop their own practices that are suitable for their culture and organization. Employing HRM professionals is not seen a necessity within small firms. They allocate responsibilities to other management positions.

Is there a pay difference in jobs found through personal contacts?

Pelizari, (2004) provides explanation for the variation in wage differentials between jobs found through formal and informal channels.

Do you get more long term employees by using referrals instead of formal methods?

From the perspective of the firm some empirical studies have found that informal recruitment methods produce workers who stay with the organization longer than those recruited by other methods (Taylor, 1994; Breugh, 1981). In addition to lower turnover some researchers have investigated the relationship between recruitment methods and job performance of recruits. Taylor and Schmidt (1983) found that employees who were recruited through informal methods received higher appraisals from their supervisors compared to those who were recruited through other methods.

Two alternative explanations attempt to explain why some recruitment methods outperform others (Griffeth, Hom, Fink & Cohen, 1997). The “individual difference” hypothesis (Schwab, 1982; Taylor & Schmidt, 1983) postulates that alternative recruitment methods reach different applicant populations and that recruits from different sources differ in personality, ability, motivation, or some other personal attributes that may impact job performance and attitudes (Griffeth et al, 1997). Informal recruitment methods would draw recruits from acquaintances of present employees and formal methods would bring recruits from different populations of potential employees. These different populations are thought to differ in terms of their abilities. However the variance in job performance may not be real but perceived due to rater errors in performance appraisal.

The "realistic information" hypothesis (Wanous, 1980) state that certain recruitment methods such as employee referrals, act as realistic job previews and thus provide accurate and detailed information about the organization and the job to the potential applicants. With such information new recruits that are attracted through informal recruitment methods have clearer views of what the job requires, can self select themselves to accept or not to accept positions, and can form more realistic expectations about the job (Watson, 1989).

3. Method

This study investigates the use of informal methods to find employment at the individual level using the European Community Household Panel (ECHP) data.

ECHP survey is a harmonized, cross national annual longitudinal survey that focuses on household income and living conditions and provides information on employment and personal demographic characteristics. For researchers an anonymized sub-sample of the original data is available under strict contractual conditions. Further information on the ECHP and discussion on attrition, non-response, and weighing procedures can be found in Peracchi (2002). Some of the variables do not have identical response sets for some countries which limit the analysis that can be carried out using those variables. Data was used for years 2000 and 2001 from the ECHP. We identified the individuals that had a full time job (working at least 30 hours per week) other than self-employment in the year 2000 who were between the ages of 20-59. The age and the working hour limitations were used in order to focus on individuals who had a relatively stronger attachment to the labor market.

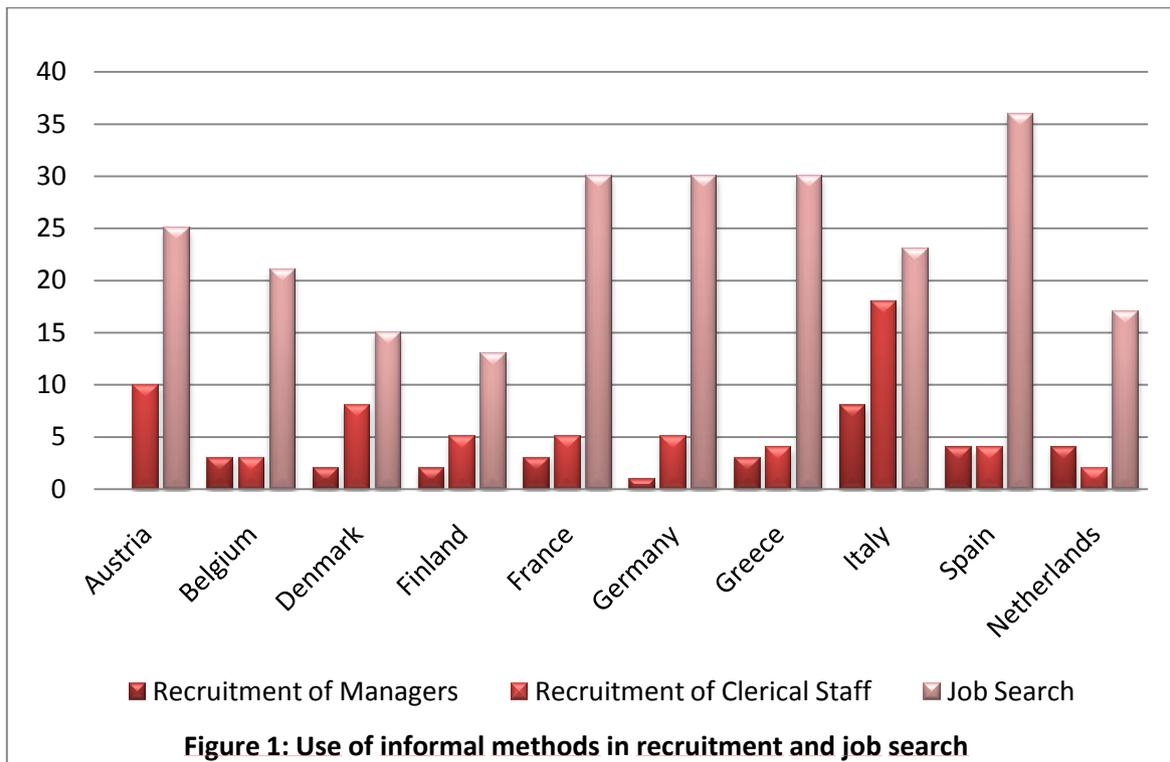
The use of informal recruitment methods by firms was analyzed using the Cranfield Network on Comparative Human Resource Management (CRANET) data. CRANET Network is a group that includes 35 participating countries which aims to collect and provide data on human resource management applications in various countries. This allows the opportunity to make comparisons between countries, organizations and areas. The survey uses a standardized questionnaire that includes detailed questions on HRM. It was originally developed in English and translated into the languages of participating countries. The survey aims to obtain data that is based on facts. It does not ask for information based respondents' opinions, attitudes or perceptions.

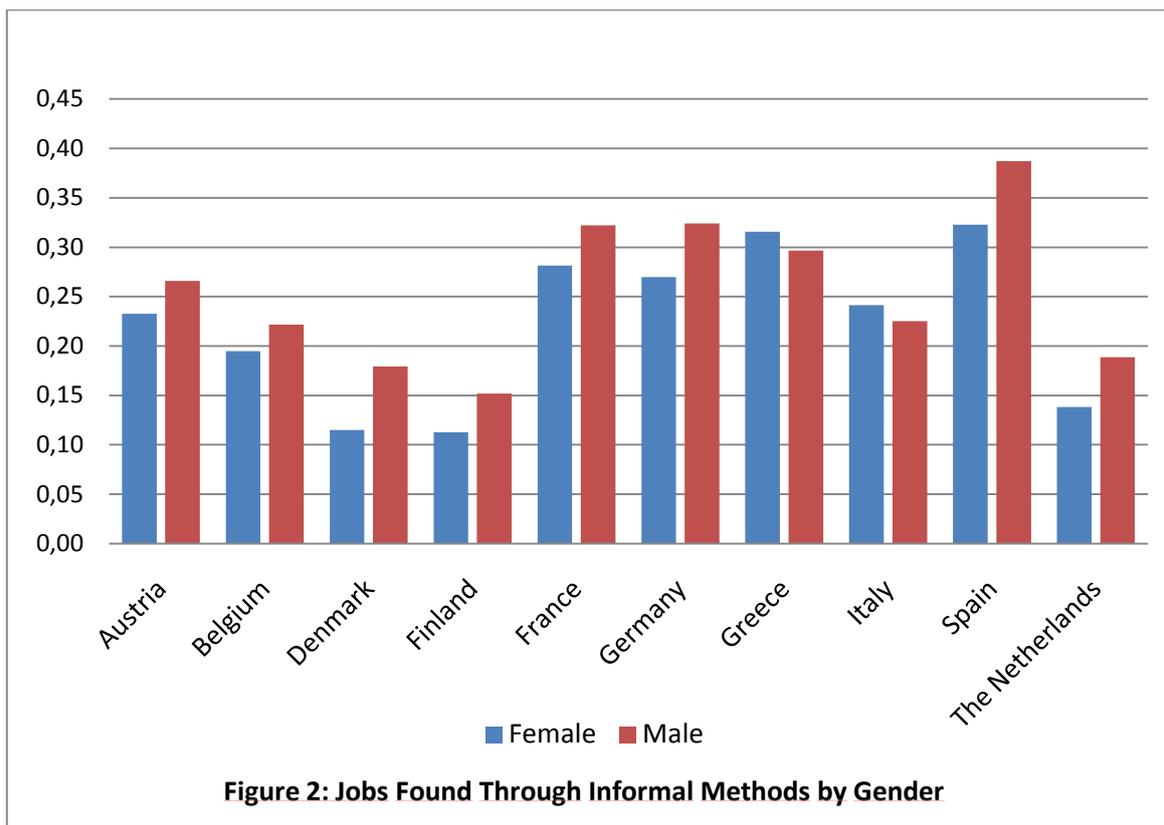
The countries that were in both databases were included in this study. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Spain and the Netherlands.

4. Findings and Discussion

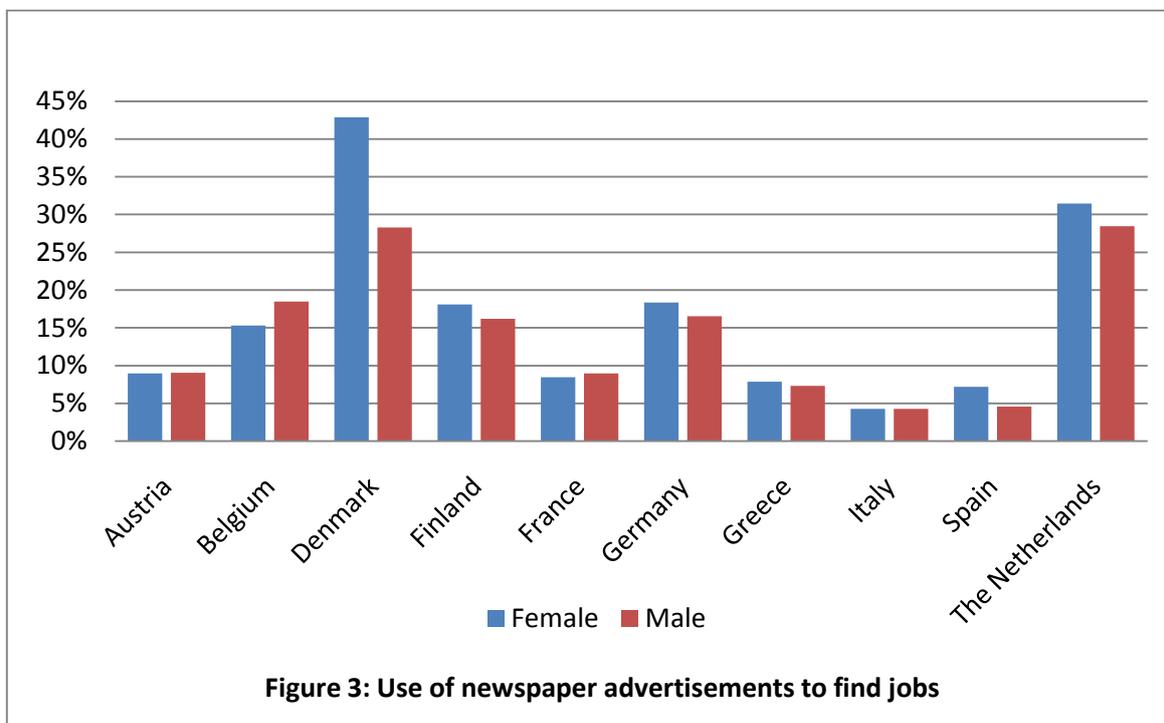
- a. How prevalent is the use of personal contacts in finding jobs?
- b. Does this differ by country?
- c. Does gender influence the use of job search methods?

It was observed that informal methods are used to find jobs mostly in Spain followed by Germany, France and Greece. The lowest rates are found in Denmark and Finland (Figure 1). It is also interesting to note that when companies are asked about the types of recruitment methods they use, they tend to respond that they use informal methods rarely, however at the individual level data show that large portions of the employees have found their jobs through informal methods.





When we compare the gender of job seekers and informal job search methods, we see that with the exception of Italy and Greece, males seem to have used informal methods more in finding their current job. (Figure 2). Figure 3 shows that females are more likely to use formal job search methods such as newspaper advertisements that do not require the use of social networks to find their jobs.



d. Is it more likely to find jobs in small firms using personal contacts?

	Job search method	Large	Small	Chi Square	Significance level
Austria	Formal	450	514	0.463	0.49622
	Informal	146	182		
Belgium	Formal	99	94	2.200	0.13803
	Informal	18	28		
Denmark	Formal	535	556	0.511	0.47452
	Informal	94	109		
Finland	Formal	595	875	1.885	0.16976
	Informal	81	146		
France	Formal	94	90	6.751	0.00937
	Informal	27	53		
Germany	Formal	895	903	46.933	0.00000
	Informal	273	504		
Greece	Formal	410	673	2.068	0.15044
	Informal	161	312		
Italy	Formal	660	1157	31.597	0.00000
	Informal	128	419		
Spain	Formal	698	983	41.404	0.00000
	Informal	278	682		
The Netherlands	Formal	1307	580	4.376	0.03645
	Informal	251	142		

In all the countries in the study it was observed that informal job search methods are likely to lead to jobs in small organizations. As Table 1 shows France, Germany, Italy, Spain and The Netherlands show that there is a statistically significant relationship between use of informal methods and employment in small organizations.

e. Is there a pay difference in jobs found through personal contacts?

When we investigate whether the use of informal methods impact the pay of the individuals, we need to account for the other factors that we know to impact pay. These we know from literature to be administrative responsibility, higher education, being male, year worked in the organization increases pay, and working in smaller organizations have a negative effect on pay. When we put the other factors in our equation, the impact of job search method did not have a significant effect on the pay in most countries. However, in Italy and Belgium use of informal methods seem to have a negative effect on pay.

	Italy		Belgium	
	Impact on Pay(Beta)	p	Impact on Pay(Beta)	p
Admin responsibility	0.16	0.000	0.15	0.019
Higher education	0.11	0.000	0.18	0.005
SME	-0.07	0.000	0.00	0.996
Male	0.12	0.000	0.30	0.000
Tenure	0.30	0.000	0.17	0.005
Age	0.96	0.000	1.43	0.001
Age Squared	-0.90	0.000	-1.20	0.005
Use of informal methods	-0.04	0.047	-0.14	0.017

- f. Do you get more long term employees by using referrals instead of formal methods?

Previous research has shown that personnel found through informal methods are likely to stay longer in the organization (Taylor, 1994). The present study also investigated the factors that influence the decision to quit the organization that one is working for. As Table 3 shows, the job search method did not have a significant impact on the decision to quit. On the other hand we can see that being male and having the intention to leave seems to strengthen the probability of quitting while increase in age, having similar salary to reference group, and having job embeddedness decreases the probability of quitting.

		Exp(B)	p
Male	+	1.401	0.032
Age	-	0.943	0.000
Pay equity with reference group	-	0.474	0.000
Education	Not significant	0.941	0.681
Unemployment rate	Not significant	0.975	0.138
Job satisfaction	Not significant	0.943	0.300
Intention to leave	+	2.804	0.000
Withdrawal behaviors	Not significant	0.977	0.262
Job embeddedness	-	0.568	0.000
Use of informal methods in finding the job	Not significant	0.972	0.832

5. Conclusion

Informal methods seem to be used relatively less in Scandinavian countries. However, there seems to be discrepancies between firms and individuals responses.

In Greece and Italy both men and women use informal methods to a large extent. In other countries in this study men seem to be using informal methods more than women.

When other factors are taken into consideration, in most countries in this study the job search method does not impact pay. (except in Belgium and Italy)

In the current study the job search method does not seem to have an influence on voluntary job quit decisions.

Informal methods are used in job search in many countries.

It would be interesting to see what kind of contacts lead to jobs.

How gender influences the choice of job search method, socioeconomic status, and the identities perceived in the community may impact the social networks. Studying the social networks could lead to interesting findings.

6. Literature

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