

THE ROLE OF SOCIAL NETWORKS AND SOCIAL CAPITAL IN THE LABOUR MARKET

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Abstract

Nowadays, the role of social networks and social capital is extremely important in job search and in the world of work. To determine the significance of this role, we conducted primary research, which involved a total of one hundred and fifty people. Because at the time of the research, the coronavirus pandemic only allowed for online research, we conducted our questionnaire online using the Survio online survey-software. We used the snowball method to distribute our questionnaire. In our study, we first clarify the concepts related to the topic and describe each type of social capital, and then present the results of the research. When analyzing the data, our goal is to determine how important social capital is during a job search, job interview, or wage negotiation. An important part of the analysis is also to determine if there is a difference in the attitudes of female and male respondents towards social capital.

Key words: social capital, labour market, job search

JEL Code: J20, J21, J24

Introduction

When talking about capital, most people will most likely think of money first, but capital as a term is actually much more than that. According to Dinga (2014), capital is any entity that confers any advantage on the holder of the entity. Whether this advantage is current or future is irrelevant. The literature distinguishes various forms of capital. Halpern (2005) identified the following types (Tab. 1):

Tab. 1: Forms of capital

capital (general use)	any form of material wealth used, or available for use, in the production of more wealth; the remaining assets of a business or person after all liabilities have been deducted, net worth
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financial capital	money and paper assets; does not directly produce goods and services, but can be used to purchase factors of production which can produce goods and services
physical capital	stock of produced goods that contribute to the production of other goods and services
other tangible assets	factors of production that nature supplies, for example land
human capital	stock of enterprise accumulated by a worker – knowing how to do something; it is valued for its income earning in the future
social capital	social networks and the norms and sanctions that govern their character; it is valued for its potential to facilitate individual and community action, especially through the solution of collective problems

Source: Berzina, 2011 based on Halpern, 2005, p. 4.

Bourdieu (2010), in contrast, identified three forms of capital. The exact form in which capital appears depends on the current area of its use and the more or less high transformation costs that are essential for its efficient operation. According to the author, economic capital is capital that can be directly converted into money and is particularly prone to institutionalization in the form of ownership. He has identified cultural capital as capital that can be converted into economic capital under certain conditions and is particularly prone to institutionalization in the form of educational titles. The third type is social capital, which arises from social obligations or “relationships” and can also be converted into economic capital under certain conditions. This type is particularly prone to institutionalization in the form of noble titles (Bourdieu, 2010).

Pavluska (2017) sees the similarity between cultural capital (also known as human capital) and social capital in the fact that both are the result of some kind of learning process, so we are not born with us. However, when examining the differences, she emphasizes that human capital accumulates primarily in formal and non-formal educational and learning processes, and social capital accumulates in the process of informal learning (socialization, social relations). The demand-influencing role of human capital can be expressed most in the differences in consumption according to education, and the demand-influencing effect of social capital can be reflected in the differences in consumption according to the occupational hierarchy and social status, although they partly reflect educational attainment.

1 Theoretical background

Despite the dramatic increase in the literature on social capital in recent years, there have been concerns about the expansion of applications of the term, diversity of constructs, definitions, and variety of analyzes (Anderson et al., 2007). These concerns are, in fact, so great that there is not even a consensus on whether social capital really qualifies as capital. According to Tittenbrun (2015), the term does not deserve its name because it does not refer to any real, i.e. economic capital at all, and the social orientation of the definition captures only some of the possible social relations, omitting the remaining, at least equally important ones. Anderson et al. (2007), on the other hand, believe that the idea of social capital has found a solid support in the social sciences, while emphasizing that the definition of social capital is problematic because conceptualization is fuzzy. Previous experiments aimed at defining the concept have led to a confusing assortment of definitions (Anderson et al., 2007). The result of this may be that there is no generally accepted definition of social capital (Berzina, 2011).

The concept of social capital first appeared in the literature in the early twentieth century thanks to Hanifan, but the major definitional experiments and analyzes cited by many to this day were made in the 1970s and 1980s. In the sociological literature, the concept of social capital has spread mainly due to the work of Bourdieu and Coleman (Kisfalusi, 2012). Social capital, in short, encompasses the totality of the social abilities of a given individual or group (Farkas, 2013). Social capital in a broader sense means a complex system of relations between members of society, such as constructive conflict management, cooperation essential in difficult situations, and cohesion that unites members of society (Borgulya, 2017). According to Tóth Biskuné Orosz (2016), social capital is an existing resource in relationships between people, which depends on the quantity, quality and structure of the relationships. The energy flowing in human relationships can promote the well-being of the individual, but it can also help to take collective action and thereby maintain a healthy and prosperous society. Sociologists and anthropologists have long been concerned with the issue of social networks, that is, how social relations systems serve as tools for performing various tasks (Biskuné Orosz Tóth, 2016).

Based on Lin (2001), Sik (2012) substantiates that social capital is indeed capital for the following reasons:

- in an imperfectly functioning market, it puts capitalists in a strategically good position, makes companies more “visible” to each other and to state, and thus reduces transaction costs for search,
- makes the flow of information cheaper and makes information more reliable,

- in the form of fame, esteem, common knowledge, the holder of capital acquires prestige and influence in the circles important to him,
- the influence of the holder of relational capital increases, making it easier to obtain any other type of capital and transform it into any other resource,
- strengthens the self-confidence of the holder, the awareness of belonging to a group important to him or her, which improves the chances of access to capital.

In the typology of social capital, Dinga (2014) identified two categories of criteria: the criterion of socialization (by socialization we mean the process of an individual's integration into society) and the criterion of individualization (by individualization we mean the process of the autonomy of the individual with society).

The two categories further classify social capital in Dinga's theory. Based on the criterion of socialization, social capital is divided as follows:

- communication - the extent and quality of people's ability to communicate, live and act with other people,
- mutualization - the extent and quality of the creation of common goals and common tools through harmonization between individuals (either cooperation or competition),
- participation - the extent and quality of people's opportunities to participate in public decision-making.

Social capital can be based on the criterion of individualization:

- liberty - the extent to which people can use their free will,
- symmetry - the extent to which individuals have the same access as any other person to social, public or private, anthropic or natural (education, justice, neighborhood) opportunities,
- trust - the extent to which individuals are free to transfer their own rights or interests to another person (including the state or a supranational state) (Dinga, 2014).

The last element in the grouping, trust, is also interesting because Son and Feng (2019) also point out that the positive relationship between trust and social capital is widely assumed in the literature, and even that the two concepts are not only related to each other, but they also match. Between social capital and personality, Tulin et al. (2018) drew parallels. Their research highlighted that people's position in social structure is related to differences in their social capital. According to the authors, personality differences explain why some people have more social capital than others, regardless of their social background. It is believed that regardless of social background, open and conscientious individuals are more likely to have instrumental

social capital. Emotionally stable individuals are more likely to have expressive social capital. And the authors say extraverted individuals are more likely to have both types of social capital (Tulin et al., 2018).

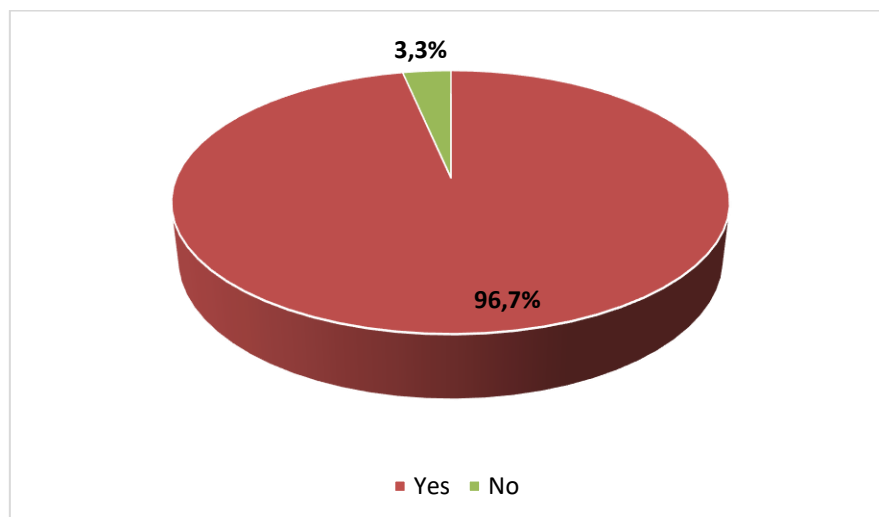
2 Methodology

Our primary research examines the role of social capital in job search and the world of work. Our goal is to determine how important extensive social capital is to bring us benefits in the labor market. To meet this goal, we conducted primary research in February and March 2020. Because at the time of the research, the coronavirus pandemic only allowed for online research, we conducted our questionnaire online using the Survio online survey-software. The questionnaire was distributed online using the snowball method. Most of the questions we asked were questions measured on a four-point Likert scale in which respondents had to express their agreement. A total of 150 individuals were involved in the research, of which 90 were female (60%) and 60 were male (40%).

3 Results

Our first question examined whether respondents had ever experienced in their careers that someone had obtained a job through their relationships with other people.

Fig. 1: Respondents' experiences of the role of social capital in job search



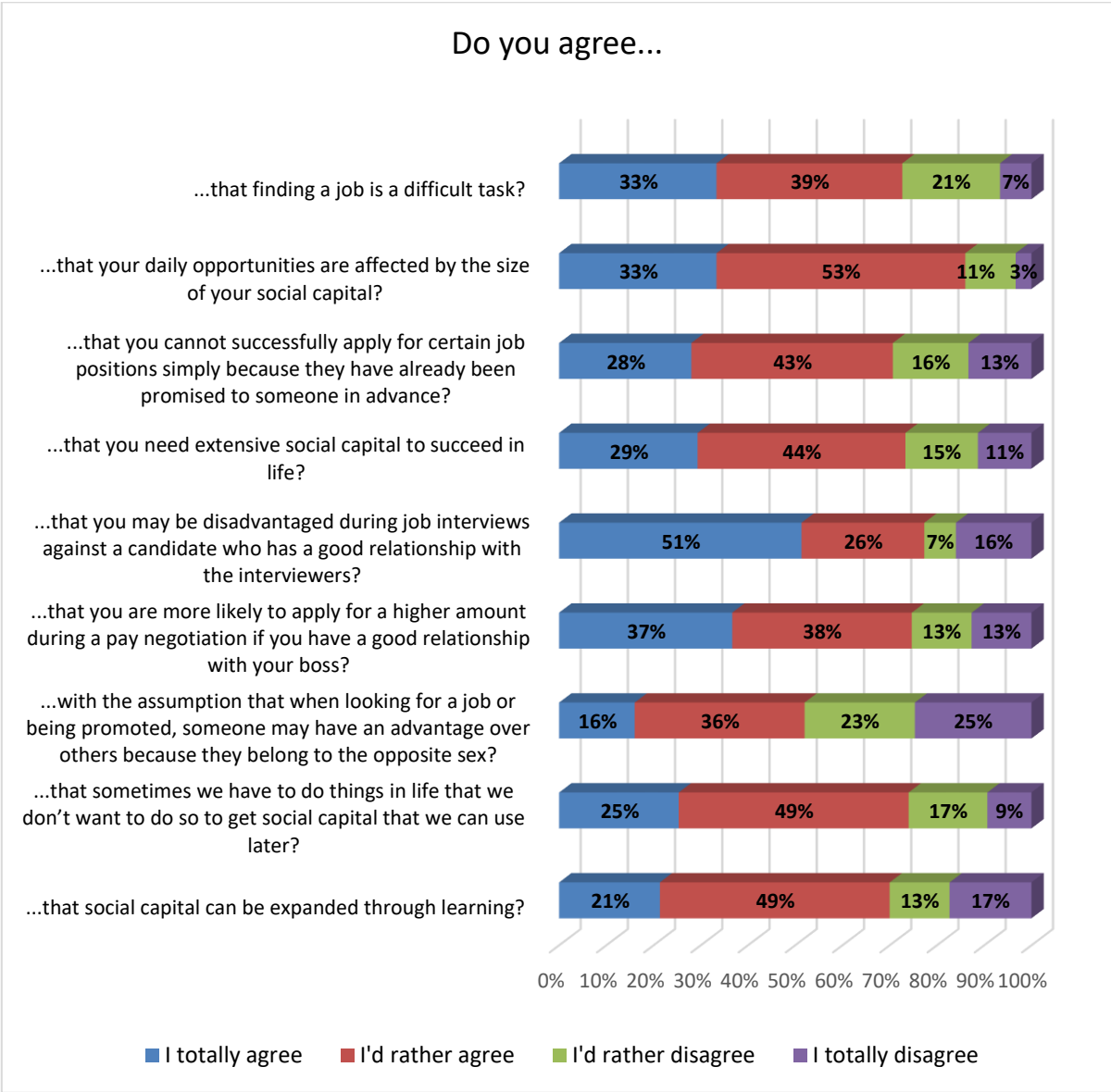
Source: own editing based on primary data

Based on the responses shown in Fig. 1, 96.67% of respondents have already encountered this phenomenon. The extremely high rate confirms that social capital is indeed of great importance in the labor market, as gaining or even losing a job can be an event that can affect an individual's entire life. Because one of our goals is to compare the responses to the

questions by gender, we examined how men and women view this question. When asked if they had experienced in their careers that someone had got a job through their relationships with other people, 97.67% of female respondents and 95.16% of male respondents answered yes.

Our next nine questions are summarized in Fig. 2. The first of these examined whether the respondent agreed that finding a job was a difficult task.

Fig. 2: The degree of agreement of the respondents to the questions we asked



Source: own editing based on primary data

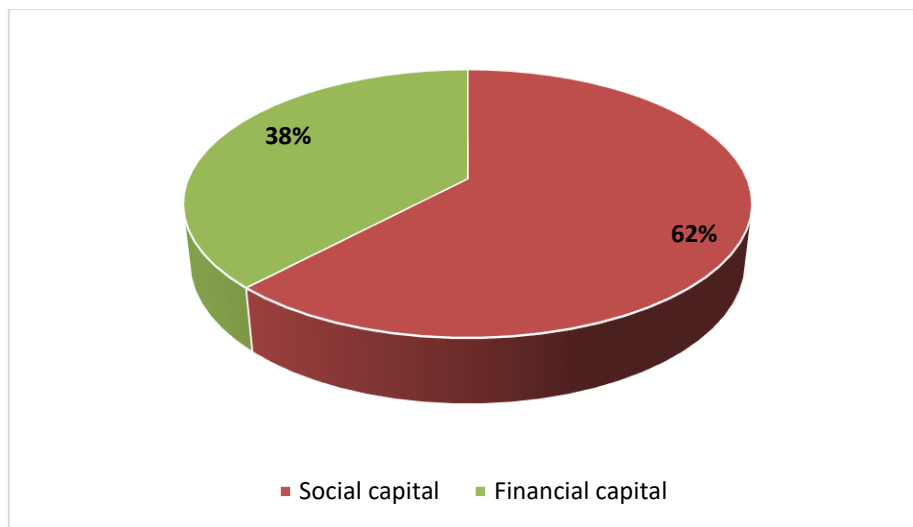
The majority of respondents agree with this statement. Based on gender, women are the ones who find it difficult to find a job (81.8%) compared to men (64.51%). The second question was whether respondents agree that their day-to-day opportunities are influenced by the size of their social capital. The proportion of respondents who fully or rather agree in this case reaches

86%. There was no remarkable difference in the proportions based on gender. In the third question, we asked whether the respondent agreed that certain job positions could not be applied for successfully simply because they had already been promised to someone in advance. In this case, too, there were a majority of those who agreed with this statement in part or in full. As in the second question, the proportions here suggest that the role of social capital in the labor market is remarkable and worth examining. We also examined this issue by gender, during which we found that the proportion of women who partially or completely agreed with the statement was 11.5% lower compared to men. Based on this, it is more common in the case of jobs advertised for men that the position is already filled by a person nominated by the employer at the time of the advertisement. In the fourth question, we addressed whether the respondent agrees that he or she absolutely needs extensive social capital to become successful in life. As with the previous question, this question also has a higher proportion of those who partially (44%) or fully (29%) agree with the statement. When comparing men and women, we did not perceive a difference of more than a few percent on this question. In the next question, we examined whether, in the opinion of the respondent, the respondent may be disadvantaged if, during job interviews, he or she is confronted with a candidate who maintains a good relationship with the interviewers. More than half of the respondents fully agree that this could be a disadvantage for them, and a further 26% rather agree. Overall, 71.27% of women and 82.25% think that the good relationship between the interviewer and another candidate is partly or fully a disadvantage for them. Even on this basis, it is more difficult for men to assert themselves in the world of work in the light of social capital. The sixth question concerned the wage negotiation. Even on this issue, the proportion of those who agree in part or in full that it is easier to get a salary increase if they have a good relationship with their boss is over 70%. We could identify an important difference between women and men. Summarizing the proportions of those who agree, 65.31% of women consider a good relationship with their boss to be important in wage negotiations, compared to 87.09% of men. The seventh question was whether, according to the respondent, someone could gain an advantage over others when looking for a job or when they were promoted because they belonged to the opposite sex. The proportion of respondents who partially (36%) or fully (16%) agreed was the lowest for this question. If we also look at the question by gender, we can see that 55.81% of women and 61.29% of men agree, in part or in full, that people of the opposite sex may be given preference when looking for a job or being promoted. In the eighth question, we wondered whether respondents agreed that sometimes in life we have to do things we don't want to do so in order to get social capital that we can use later. Nearly three-quarters of respondents partly or fully

agree with this. This proportion was higher for men (79%) than for female respondents (71.26%). The last of the questions measured on the Likert scale assessed whether respondents agree that social capital can be expanded through learning. 70% of respondents agreed with this issue. There was no significant difference in the proportions between the men and women.

In our last question (Fig. 3), we examined what respondents consider more important when starting a business: extensive social capital or large financial capital?

Fig. 3: Choice of respondents from capital types based on their importance when starting a business



Source: own editing based on primary data

The results speak for themselves. Almost two-thirds of respondents (62%) consider social capital to be more important than financial capital. We find this surprising because there is not really an activity that would not require financial capital if we wanted to do it as an entrepreneur. Of course, here we can also take into account that it is important for the start-up company to have customers, suppliers and business partners, which in turn are connected to social capital. In this case, too, it is interesting to observe a classification by gender, but when examining the proportions, we can see that there is no big difference, as 37.45% of men and 39.36% of women consider financial capital to be more important than social capital when starting a business.

Conclusion

In the present paper, we examined the role of social capital in the labor market, in which we covered the perceptions of individuals involved in research about the importance of social

capital in everyday life and in job search and wage negotiations. Based on our results, the role of social capital in the labor market is remarkable. 96.7% of respondents have already experienced in their careers that someone got a job because of their relationships with other people. Based on the questions in Fig. 2, the majority of respondents agree in part or in full that:

- their daily opportunities are influenced by the size of their social capital,
- they need extensive social capital to succeed in life,
- they are disadvantaged in the job interview if another candidate has a good relationship with the interviewer,
- they can be more successful in negotiating a salary if they have a good relationship with their boss,
- sometimes they have to do things in life that they don't want in order to get social capital that they can use later.

The main limitation of the research was that due to the coronavirus epidemic, we were only able to distribute our questionnaire online. The future direction of the research may be to increase the number of respondents, or to examine the role of social capital within a specific industry, as we assume that the importance of extensive social capital, for example, in gaining new positions, may vary depending on the industry.

Acknowledgment

This work was supported by the Collegium Talentum 2021 Programme of Hungary.

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