

Connecting Employers and Workers: Can Recommendations from the Public Employment Service Act as a Substitute for Social Contacts?

Work, Employment and Society
1–18

© The Author(s) 2019

Article reuse guidelines:

sagepub.com/journals-permissions

DOI: 10.1177/0950017019836888

journals.sagepub.com/home/wes



Fabienne Liechti 

University of Lausanne, Switzerland

Abstract

This article investigates how employers value recommendations from the public employment service (PES) compared to recommendations from a social contact for their hiring decision. The importance of social contacts in the labour market creates inequality by putting those with a weak social network at a disadvantage. It is therefore important to know if public agencies acting as labour market intermediaries (LMI) can compensate for this disadvantage. This question is investigated by means of a factorial survey experiment conducted among Swiss human resources professionals. The results demonstrate that employers value recommendations from social contacts as well as the PES. However, the latter is not able to fully substitute for the effect of social networks.

Keywords

employers, public employment service, social networks, unemployment

Introduction

Social networks have been proven to be an important determinant of individual labour market outcomes (Castilla et al., 2013; Granovetter, 1995; Oesch and von Ow, 2017; Rubineau and Fernandez, 2015). This is because they reduce uncertainty (Castilla et al., 2013) and connect otherwise disconnected actors (Burt, 1992). While social networks yield many advantages, it is claimed that their importance in the hiring process causes

Corresponding author:

Fabienne Liechti, IDHEAP, University of Lausanne, CH-1015 Lausanne, Switzerland.

Email: fabienne.liechti@unil.ch

job segregation and labour market inequality, since social capital is distributed unequally (Behtoui and Neergaard, 2010; Castilla et al., 2013; Marsden and Gorman, 2001).

Against this background, this article considers whether public agencies, such as the public employment service (PES), can provide a substitute to network contacts for jobseekers, especially those who are poorly connected. Some scholars argue that social policy should focus on 'creating connections' between disadvantaged jobseekers and employers to remediate network deficits (Fernandez, 2010; Holzer, 2009; Ingold and Valizade, 2017). Active labour market policies (ALMPs) delivered by private or public agencies, either with a for-profit or non-profit purpose, could potentially act as a labour market intermediary (LMI) when they stand between jobseekers and employers. Such agencies, including the PES, can play an important role in ameliorating the labour market prospects of disadvantaged groups and creating equal employment opportunities. While research confirms that employers value recommendations from social contacts (Di Stasio and Gërxhani, 2015; Fernandez et al., 2000; Neckerman and Fernandez, 2003), little is known about what they think of recommendations by the PES or other agencies standing between unemployed jobseekers and employers. In other words, it is not known whether connections created by such agencies acting as LMIs are an effective substitute for social contacts in the labour market.

By addressing this issue, this article relates to several strands of the sociological and labour market literature. First, it connects to the literature on social networks, by investigating whether formally created connections can act as a substitute for social contacts. Little is known about how the type of connector (i.e. the agent standing between jobseeker and employer) influences the value of a recommendation. The knowledge of whether social contacts can be replaced by other types of connections is especially relevant for groups suffering from labour market disadvantage due to a weak social network. Second, it relates to the literature on the PES and LMI, by investigating the demand-side's view of such services. This is important to know, because more recently many countries have made attempts to adapt activation policies and services to the needs of employers, with some countries having contracted out these services to private or third-sector providers. There is growing scholarly and practical interest in the recruitment of disadvantaged groups and how public services can be made attractive to employers (Bunt et al., 2007; van Berkel et al., 2017; van der Aa and van Berkel, 2014). Therefore, employers' perception is important for the overall effectiveness of these services. Third, it contributes to the literature on activation, which so far has paid little attention to the potential of social networks and their substitute for the labour market reintegration of unemployed jobseekers.

This article investigates how employers value recommendations from the PES for their hiring decisions and whether such recommendations can act as a substitute for social contacts. While it is expected that social contacts influence employers' hiring behaviour positively, neither theory nor the results of previous research allow drawing clear expectations about the influence of the PES on employers' hiring decisions. This research gap is addressed by means of a factorial survey experiment among human resource (HR) professionals in Switzerland.

Connections in the labour market

The labour market is characterized by uncertainty and structural holes, meaning that employer and jobseekers are not directly connected to each other (Burt, 1992). Third parties that stand between jobseekers and employers can solve these problems by providing information and connecting these actors. The benefit of social networks is that they convey the rich and trustworthy information that employers seek (Marsden and Gorman, 2001) and eventually reduce the cost of selection errors (Di Stasio and Gërxhani, 2015). While the benefits of social contacts in the labour market are well known, their importance also leads to inequalities, since those without or with only a weak social network are put at a disadvantage (Behtoui and Neergaard, 2010). Moreover, social networks leave employers vulnerable to stereotypes and favouritism (Marsden and Gorman, 2001). Here, public institutions can play an important role by creating agencies that take over the role of connecting jobseekers and employers and thereby act as an LMI. The presence of public LMIs might reduce the importance of social networks, since they fulfil similar functions by providing information and acting as matchmakers (Bonet et al., 2013; Lee, 2009). Harsløf (2006), for example, demonstrates that in countries with encompassing welfare state arrangements, social networks are less important for job searches, as the former facilitates job-matching processes. The question arises of how employers value information provided by such agencies for their hiring decisions. The following section outlines the theoretical mechanism of how social contacts and the PES influence employers' hiring decisions and how expectations are formulated on their basis.

Social contacts

Informal search via other people is a successful search channel not only for jobseekers but also for employers. According to Fernandez et al. (2000), there are several mechanisms through which social contacts can reduce uncertainty with regard to employers' hiring decisions. First, since individuals who recommend someone are concerned about their reputation, they will only recommend suitable applicants. This ensures that recommendations are perceived as trustworthy. Second, social networks are characterized by homophily – the tendency of similar people to befriend each other – which allows the employer to infer the characteristics of the recommended person. Third, recommendations can pass on information that is hard to observe. Moreover, social networks provide signals about a candidate's productivity; an employer may not only consider the content of a recommendation but also the connectors' reputation and thereby draw inferences about the jobseeker's ability or status depending on who the connector is (Castilla et al., 2013). Since connectors are assumed to be concerned with their reputation, they are highly selective in who they refer. To the extent that information is shared selectively, based on assumed productivity-related characteristics, connectors implicitly provide signals that are valued by employers (Fernandez et al., 2000; Rubineau and Fernandez, 2015). The results of several studies, drawing on data from a pool of applicants, document clear advantages for jobseekers referred by an incumbent employee compared to those who are not referred (e.g. Fernandez et al., 2000; Neckerman and Fernandez,

2003). Overall, recommendations from a social contact should have a positive impact on an employer's evaluation of a candidate.

The role of the PES

Historically, the PES plays an important role in coordinating the workforce and can be seen as an early form of LMI. Most countries established such institutions in the early 1900s with the purpose of reducing job-search cost and informational asymmetries (Bonet et al., 2013; Lee, 2009). The PES also plays an important role in governing and delivering labour market services. Recently, the PES has been subject to substantial reforms and deregulations. The contracting out of services and the establishment of a quasi-market seems to be a major trend, with Australia, the Netherlands and Great Britain as forerunner countries (Finn, 2005; Sol, 2005). The role of the PES and other similar providers is not only to connect unemployed jobseekers to employers but also to provide other services, such as counselling or training, to facilitate labour market reintegration. This article, however, focuses solely on how information (recommendations) provided by the PES are interpreted by employers and therefore focuses on the PES's role as information or matching provider (Bonet et al., 2013). It can be expected that the mechanisms explored here also hold for public or private agencies contracted, either on a profit or non-profit basis, to deliver services to the unemployed, as far as their matching function is concerned.

The PES as a connector

Surprisingly, little is known about how employers perceive the PES or similar agencies that potentially reduce disadvantage and offer hiring opportunities for vulnerable individuals. The PES could provide important information to both sides of the labour market. Since caseworkers have to evaluate their clients and meet with them several times in order to deliver the right service (Duell et al., 2010), they often know the capabilities of their clients. Moreover, in many countries, the PES has made attempts to provide a valuable service to employers and position itself as the main source for labour (Behncke et al., 2008; Bunt et al., 2007). For such a strategy to work, caseworkers must be concerned with their reputation and only recommend suitable candidates, as otherwise they would not be able to place clients in the future. Obviously, the extent to which this strategy can equalize chances is limited, as candidates further away from the labour market are less likely to be recommended, which excludes the most disadvantaged (Bonoli and Liechti, 2018). However, there are reasons to believe that employers might draw negative inferences about candidates referred by actors that are associated with low-performing workers (see also Castilla et al., 2013). As Larsen and Vesan (2012) argue, employers perceive candidates sent by the PES negatively. According to the authors, the PES is caught in a low-end equilibrium of the market because it is obliged to help all workers, including the less productive ones. Therefore, employers cannot trust the quality of the referred workers. This reasoning is reinforced by the fact that the unemployed are often perceived as the most unproductive workers, since it is assumed that they have been laid off first. As most countries require unemployed jobseekers to

register at the PES in order to obtain benefits, the employer knows that the PES has many potentially unproductive candidates in their database. Knowing that the PES is obliged to also help the least suitable worker, employers therefore avoid hiring through it. The authors support their theoretical argument by data from qualitative interviews illustrating that employers are reluctant to hire candidates sent by the PES, as these candidates are assessed as unsuitable. A similar finding is provided by Bonoli and Hinrichs (2012), who present evidence from qualitative interviews showing that employers consider candidates sent by the PES as less motivated. However, these studies do not directly ask about recommendations from the PES but rather ask about employers' impressions of candidates who apply through it. It is possible that the negative evaluation of the PES is in fact a negative assessment of unemployed candidates and not of the PES per se. Other studies more closely examine how employers' actual hiring behaviour is influenced by agencies that stand between (unemployed) jobseekers and employers. Ingold and Valizade (2017) conceptualize agencies delivering active labour market policies (ALMPs) as LMI, and test whether these influence employers' likelihood to hire from disadvantaged groups. Their results indicate that compared to employers' selection criteria and firm size, ALMPs play a negligible role in the hiring of disadvantaged groups. Other studies suggest that social policy interventions focusing on creating contacts between jobseekers and employers are actually effective. Holzer (2009) summarizes that intermediaries, which bring together workers and employers, can overcome employers' resistance to hiring disadvantaged workers. Relying on data from a pool of applicants, Fernandez (2010) establishes that applicants with institutional connections are more likely to be offered jobs and to be hired than other applicants. Research shows that caseworkers at the PES are aware of the importance of employers and that direct contact with them is an effective strategy to place their clients in employment. This is the case for local employment partnerships developed by Jobcentre Plus in the UK. In their evaluation, Bellis et al. (2011) find that employers perceive these partnerships as effective due to the word-of-mouth and their direct contact to the Jobcentre Plus staff. Similarly, Behncke et al. (2008) demonstrate that caseworkers in Switzerland that maintain direct contact with firms achieve higher reintegration rates than their colleagues. These findings indicate that the PES seems to be able to create valuable contacts with employers in different country contexts.

Heterogeneous effects of recommendations

The reason why the results from previous research do not lead to a clear conclusion of how employers perceive candidates coming through the PES might be because the effect of recommendations is heterogeneous and depends on other factors that affect employers' evaluation of a candidate. It can be assumed that the influence of recommendations on the evaluation of a candidate depends on the uncertainty associated with the candidate. First, reducing uncertainty is especially important when the costs of making a poor decision are high. In terms of hiring, this means when salaries and turnover costs are high and when the position entails responsibilities where mistakes are costly (Di Stasio and Gërxhani, 2015; Marsden and Gorman, 2001). This situation is usually the case in higher-skilled occupations. For these positions, the importance of recommendations from a

current employee might be reinforced by the fact that higher-skilled employees might be perceived as delivering more trustworthy information. This is the case because these employees anticipate that wrong hiring decisions are costly; since they are concerned about their reputation, they will only recommend suitable candidates. For the PES, in turn, the negative signalling effect described above might be especially pronounced for these positions since the unemployment rate of high-skilled individuals is lower than that of low-skilled individuals (Eurostat, 2017). For low-skilled positions, it is more common to register with the PES, and such recommendations, therefore, might not entail a strong negative signal.

Second, the influence of recommendations depends on how precisely other information provided by the candidate signals his or her capabilities (Spence, 1973). The less precise these other signals are, the more weight should be given to recommendations. Müller and Shavit (1998) describe education as the single most important determinant employers rely on when hiring new employees. Di Stasio and Gërxhani (2015), for example, find that referrals from business partners matter when education is seen as a noisy signal, that is when employers have less trust in the information provided by educational credentials. Switzerland provides a good case for testing how the value of a recommendation varies depending on the precision of the signal. The Swiss educational system has a strong focus on vocational education and training (VET). Most adolescents follow a dual track programme that combines practical training in a specific occupation in a company with theoretical classes. Employers are thus involved in training and educating these young people; as a consequence, they are well informed about their skills and competencies. The VET track signals high competencies in relevant occupational skills and a strong connection to the labour market at a relatively young age (Levels et al., 2014). The other path is to obtain a baccalaureate diploma in general education that provides access to a university education. Although following this second track requires good school performance, the skills are less specific to a certain occupation, and students are less connected to the labour market. Since employers are less certain about the competencies of these candidates, it is assumed that recommendations from both types of connectors, a current employee and the PES, are more important for candidates who have followed the general track.

Finally, research demonstrates that a group that particularly suffers from labour market disadvantage are non-native candidates (Brekke and Mastekaasa, 2008; McGinnity and Lunn, 2011; Wiborg and Moberg, 2010). Some of this disadvantage arises due to employers' discriminatory hiring behaviour because of stereotypical beliefs or statistical discrimination (Auer et al., 2019; Kingston et al., 2015) but also from unequal access to and lower returns from social capital (Behtoui and Neergaard, 2010; Bonoli and Turtschi, 2015). The recommendations from current employees and the PES could potentially play an important role in counteracting negative stereotypical beliefs associated with a foreign background and the PES might be helpful in compensating for the network disadvantage of non-natives. For natives, however, PES recommendations might have a stigmatizing effect, as they are expected to find employment more easily on their own.

Overall, it is expected that recommendations from a social contact have a positive influence and are especially relevant for applicants to higher-skilled positions, for those

with general education and for non-natives. Expectations with regard to the PES are less straightforward; positive and negative effects are both possible.

The PES in Switzerland

This study relies on data from Switzerland, which is a suitable case country to study these questions because, first, social networks are important for obtaining employment. Bonoli and Turtshi (2015) find that 44% of a sample of previously unemployed people found their job through social networks. Second, since unemployed persons have to register at the PES in order to access unemployment benefits, the PES plays an important role in reintegrating jobless people into the labour market (Duell et al., 2010). The service is decentralized at the cantonal level, where each canton has several regional placement offices; in total there are approximately 110 offices (Behncke et al., 2008). Compared to other OECD countries, the benefit system is generous but with a strong emphasis on job-search requirements and incentives to move into jobs. Caseworkers play an important role in placing individuals in ALMPs but also in supporting them in their job search. Besides monitoring job-search efforts, the PES provides job brokering services. Employers can report vacancies directly to the PES, which can then either transmit information about the job to suitable candidates or directly refer specific candidates to the job. In contrast to other countries, the placement service of the PES has not been outsourced but remains among its key competences (Duell et al., 2010). However, since employers are not obliged to register open vacancies to the PES, the PES has to aim for an active placement strategy if employers are to perceive it as a useful recruitment channel (Behncke et al., 2008). Caseworkers' performance is monitored at an individual level using a benchmarking system;¹ therefore, they have incentives to invest and maintain a good relationship with employers in their regions in order to successfully place clients in the future. Kaltenborn und Kaps (2013) demonstrate that the majority of caseworkers are aware of the benchmarking system and that it influences their reintegration strategies. Moreover, the authors reveal that caseworkers consider cooperation with employers as a high priority, and Behncke et al. (2008) find that the unemployed counselled by caseworkers who maintain direct contact with employers have higher employment probabilities. Switzerland has a strong labour market; at the time of the experiment, in June 2016, the unemployment rate had reached merely 3.4% (State Secretariat for Economic Affairs (SECO), 2016). This low rate allows caseworkers to work more closely with their clients and recommend them only for suitable jobs. However, given the low overall unemployment rate, being unemployed might be more stigmatizing than in other countries, since employers might think that productive jobseekers would not become unemployed in the first place.

Data and method

Data on recruitment processes are difficult to obtain. Usually, it is not possible to observe who applies for a job and it is difficult to control for all confounding factors. As suggested in the literature (Di Stasio and Gërkhani, 2015), this article relies on an experimental setting, more specifically, on a factorial survey (FS) experiment, to overcome this difficulty. In such experiments, respondents are asked to evaluate descriptions of hypothetical situations

(vignettes). These descriptions consist of different dimensions that can take on different values and are varied randomly. FS are widely applied in social sciences and are increasingly popular for investigating employers' behaviour (Damelang and Abraham, 2016; Di Stasio and Gërxhani, 2015; Liechti et al., 2017). This method captures a stated preference for a candidate rather than a real behaviour of an employer. However, Hainmueller et al. (2015) demonstrate that stated preferences in experimental settings are close to real behaviour. At the same time, the advantage of a FS-experiment is that it reduces the risk of endogeneity and enables the testing of the influence of several dimensions simultaneously. Overall, FS deliver a more valid measurement of attitudes and are less biased by social desirability than item-based techniques in standard surveys (Auspurg et al., 2014).

The experiment

The experiment consisted of a number of vignettes presenting descriptions that approximate schematic CVs of fictional job applicants, entailing information usually disclosed in a standard CV in Switzerland. These vignettes were submitted to HR professionals via an online survey. The regional association of the HR organization sent out the survey link to all their members (approximately 4500 individuals) and asked them to participate in the survey. For three jobs at different skill levels (high, mid and low skilled), participants were asked to evaluate a set of four vignettes for each job (12 vignettes in total) and indicate on an 11-point Likert scale from 0 to 10 (not at all likely – very likely) how likely they are to invite the candidate for a job interview.

The candidates' descriptions consisted of 11 different dimensions, from which the main variable of interest is the type of recommendation (see the Appendix in the supplement material online for all dimensions and examples of vignettes). The values of the dimensions were varied randomly. Since the number of possible combinations yields a larger number than the number of respondents, a D-efficient subsample that minimizes the correlation between the different dimensions was drawn from the vignette universe (Auspurg and Hinz, 2015).² From this subsample, vignettes were randomly assigned to the respondents.

The main variable of interest was manipulated in the following way:

No recommendation (written application): 'You received the written application from [Name of candidate] by post'.

Employee recommendation: '[Name of candidate] was recommended to you by one of your current employees'.

PES recommendation: '[Name of the candidate] was recommended to you by the local PES'.

Before introducing the vignettes, a general description of the situation was presented in which all candidates were described as having been unemployed for the last six months due to the closure of the firm where they previously worked and as having completed compulsory schooling in Switzerland (see the Appendix). Participants were asked to imagine that they have an open position for an accountant, HR assistant and caretaker,

and were given a description of the tasks for each position. These occupations were chosen since they reflect different skill levels according to the ISCO-08 classification of occupations and because they are found in most companies, meaning that it is likely that the respondents are familiar with these job profiles.

The order of the jobs and the order of the vignettes within each job were randomized. The study was framed as a project about hiring needs and could either be taken in German or French, the two main national languages. Questions regarding participants' hiring experience, position in the firm and socio-economic variables were also covered. The data were collected between June and November 2016.

Data and estimation strategy

In total, 712 respondents rated a total of 5674 vignettes, which yielded a response rate of approximately 15%. This low response rate is similar to those of other vignette studies with employers (Damelang and Abraham, 2016) and seems to be unavoidable when surveying this type of population. Since the sample is a homogenous group of specialized HR professionals, the low response rate still enables meaningful conclusions to be drawn as long as every vignette was rated by several respondents, which is the case here. To test how well the firms the respondents worked in represent the Swiss firm structure, the data obtained were compared with statistics on the Swiss firm structure (Federal Office for Statistics, 2015). This comparison revealed that in the study sample, medium and large firms with up to 250 employees and more were overrepresented. While the majority of Swiss firms have zero to nine employees, in the study sample, the majority of respondents worked in a firm with more than 250 employees. This result is not surprising, since most medium and large firms have a professional HR service. Since these firms employ approximately 42% of the Swiss workforce (Federal Office for Statistics, 2015), their screening and evaluation techniques for applicants are relevant to a large share of jobseekers in Switzerland. Another source of bias could result from the overrepresentation of HR professionals working in the public sector; compared to their share (9%) in the total labour force, they were overrepresented in the sample (14%). Employees in the public sector might be more favourable towards applicants from the PES. Models with fixed effects for the respondent were run as a sensitivity analysis to control for this fact. These models did not yield different results. A majority of the respondents were female (63%), Swiss nationals (87%) and had received tertiary education (54%) (see the Appendix).

To consider the nested data structure, linear models with random intercepts for the respondents and clustered standard errors at the respondent level were estimated³ (Auspurg and Hinz, 2015; Rabe-Hesketh and Skrondal, 2012). To test the effects for different groups, models with interactions between the recommendation variable and the vignette variables of education, skill level of the job applied to, and nationality, respectively, were estimated.

Results

This section presents and interprets the results from the FS-experiment. First, the main effects of recommendations from social networks and the PES are presented, followed

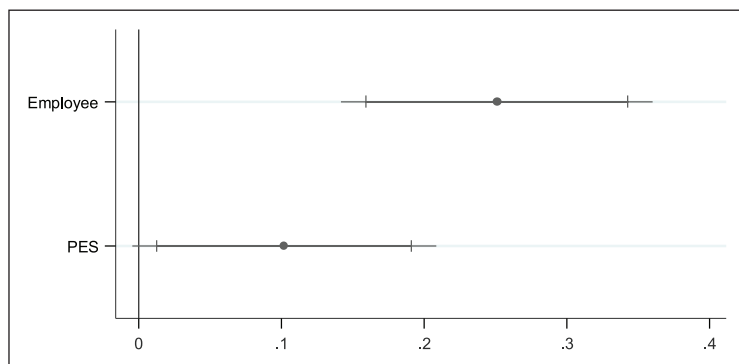


Figure 1. Effect of recommendations.^a

Notes: Plotted coefficient from model 1 in the Appendix (Table A6). Dots represent the difference in the rating compared to the reference category (i.e. no recommendation). Horizontal bars represent the 95% confidence intervals; the vertical segments represent the 90% confidence intervals.

^aDependent variable: likelihood of inviting the candidate for an interview on an 11-point Likert scale.

by the interaction effects. Although not all the interaction effects were statistically significant, the contrasts of the predictive margins,⁴ as displayed in Figures 2–4, demonstrate that recommendations influenced the rating of some groups (see Table A8 in the Appendix). Figure 1 plots the effects of the two types of recommendations on the employers' stated likelihood to invite the candidate for a job interview. In all the figures, the vertical line represents the reference category (candidates without recommendation) and the symbol represents the difference in the predicted ratings between candidates with and without recommendation (estimated models can be found in Table A6 in the Appendix). It is evident that employers valued both types of recommendations: those by a current employee (rating 7.00) and those by the PES (rating 6.85). Recommended candidates received significantly higher ratings than those without recommendation (rating 6.75). Employers valued recommendations from the PES, although this effect was smaller than recommendations from a social contact. Next, the results from the interaction effects are presented to observe whether recommendations are more important for certain groups.

First, the effects of recommendations are presented for the three different types of occupations. The baseline model (Table A6 in the Appendix) indicates that, compared to candidates applying to the high-skilled position, those applying to the mid-skilled position received significantly lower ratings, while those for the low-skilled position received significantly higher ratings. It was assumed that recommendations should matter more for candidates applying to the high-skilled position, as the cost of wrong hiring is higher and therefore reduction of uncertainty is more important. As demonstrated by Figure 2, this was not the case for recommendations from social contacts. Employers valued these recommendations for candidates to the low- as well as to the high-skilled positions. The picture changes for recommendations by the PES; here, only candidates applying to the high(er)-skilled occupation received significantly higher ratings.

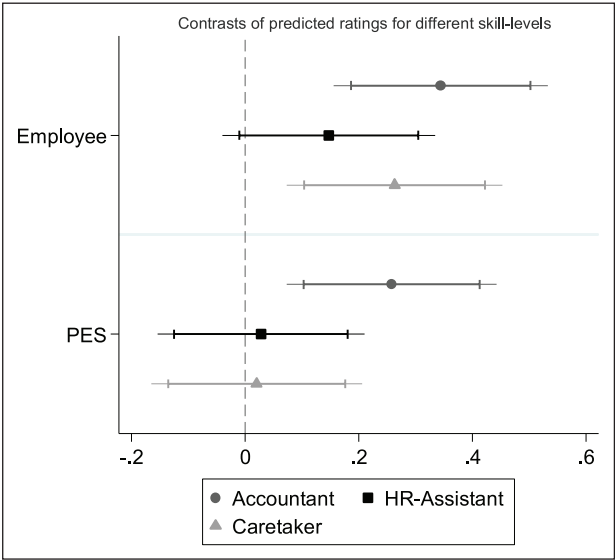


Figure 2. Interaction recommendations and occupation.
Notes: Based on model 2 in the Appendix. Horizontal bars represent the 95% confidence intervals; the vertical segments represent the 90% confidence intervals.

Next, the results for the interaction between the type of recommendation and education are presented. For this purpose, only the vignettes of the high- and mid-skilled positions were analysed, since there was no division in general and vocational education in the vignettes for the low-skilled occupation. The baseline model (model 1) illustrates that candidates with a general education were evaluated more positively than those with a vocational education. It was expected that the effects of a recommendation would be bigger for candidates with a general education than for those with a vocational education. Turning now to the model with the interaction, the coefficient for general education is negative (model 2), meaning that among candidates with no recommendations, those with a general education were evaluated significantly worse than candidates with a vocational one. The contrasts of the predicted margins in Figure 3 demonstrate that recommendations by a current employee led to higher ratings for both candidates, those with a general and a vocational education. Moreover, the effect of a recommendation did not differ between the two candidates. However, since the effect was smaller for candidates with a vocational education, the difference between candidates with a vocational and a general education became insignificant among those with a recommendation from a social contact. Similarly, recommendations by the PES only increased the rating for candidates with a general education, and not those with a vocational education, leading again to an insignificant difference in the rating between the two candidates when both were recommended by the PES.

Finally, whether recommendations can compensate for the disadvantage non-natives face in the labour market was tested for. The main effect of nationality (model

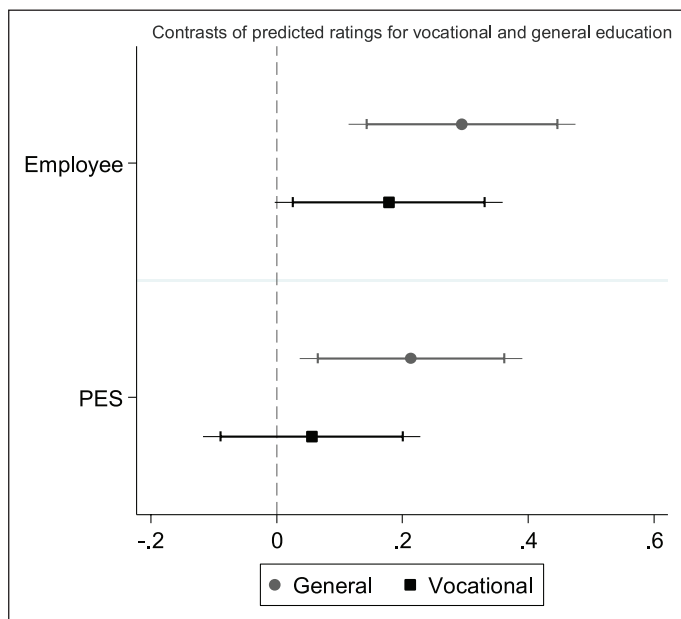


Figure 3. Interaction recommendations and education.

Notes: Based on model 3 in the Appendix. Horizontal bars represent the 95% confidence intervals; the vertical segments represent the 90% confidence intervals.

1) indicates that candidates with a foreign background received significantly lower ratings than Swiss candidates. Although both candidates, natives and non-natives, profited from a recommendation from a social contact, and the effect of a recommendation did not vary significantly between the two groups, recommendations widened the gap between natives and non-natives, as illustrated in Figure 4. Employee recommendations thus reinforced the disadvantage of non-natives. When examining the effect of a recommendation from the PES, such a recommendation slightly increased the rating of non-natives but not those of natives, thus the difference between the two groups became insignificant.

Discussion

Overall, the expected positive influence of recommendation from a current employee is confirmed. The expectations with regard to recommendations from the PES were more ambiguous; from a theoretical perspective and previous research, positive and negative effects could be expected. The results of this article demonstrate that, although smaller than the effect of social contacts, PES recommendations had a positive influence on employers' rating of candidates. This finding contradicts that of Bonoli and Hinrichs (2012) and Larsen and Vesan (2012), who conclude that employers have a negative view of candidates coming through the PES. The negative effect in these studies might arise

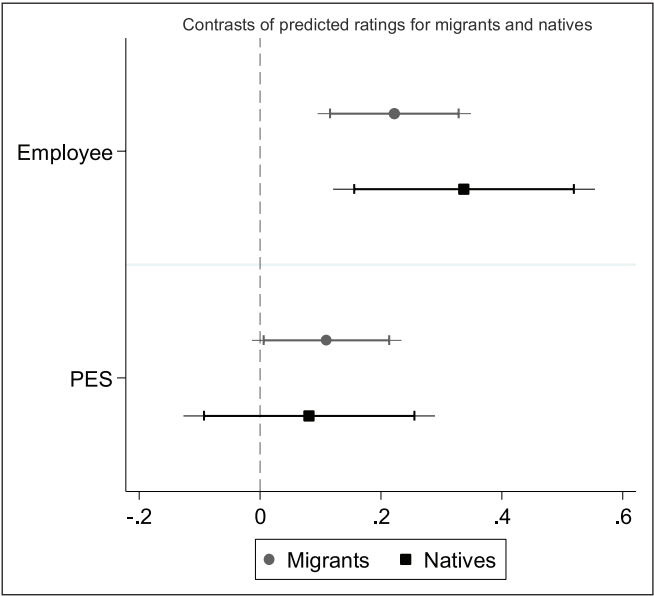


Figure 4. Interaction recommendation and origin.
Notes: Based on model 4 in the Appendix. Horizontal bars represent the 95% confidence intervals; the vertical segments represent the 90% confidence intervals.

due to the negative effect of being unemployed per se. In reality, unemployed people compete with employed jobseekers, and the former might be disadvantaged compared to the latter. The experimental method allows these two effects to be disentangled. Once a person is unemployed, the information delivered by the PES is valued by employers. This is also supported by the findings of Fernandez (2010) and Holzer (2009), who conclude that intermediaries can overcome employers’ resistance to hiring disadvantaged workers. The contradictory result from previous studies might also illustrate that the effects of recommendations are not the same for all individuals, but are shaped by other characteristics of the job or the applicant.

This article has accounted for these differences by examining the effects of recommendations for different subgroups that are expected to have different labour market outcomes. It was expected that for candidates whose productivity was associated with higher uncertainty or in situations where wrong hiring decisions were more costly, employers value recommendations more. Such a heterogeneous effect was found primarily for recommendations by the PES but not for recommendations from a current employee. Overall, recommendations decreased the differences between groups, such as between candidates with vocational and general education or natives and non-natives (in the case of PES recommendations). In other words, while the differences between these groups were significant among those with no recommendations, these differences became non-significant among candidates with recommendations (see contrast of predictive margins in Table A9 in the Appendix). What is concerning from an inequality

perspective, is that recommendations for a social contact widened the gap between natives and non-natives compared to a situation with no recommendation. This result might be explained by the fact that employers were aware of homophily and imagined a Swiss referrer for the Swiss applicants and a foreign referrer for the foreign applicants. It might be the case that a recommendation by a Swiss worker was valued more than one made by a foreign employee. Recommendations from the PES instead were slightly more beneficial for non-natives and, therefore, the difference between the two groups became insignificant among those recommended by the PES.

Recommendations from the PES were only relevant for selective groups, such as applicants to higher-skilled occupations and those with a general education. In these two cases, recommendations from the PES seemed able to reduce the uncertainty associated with a higher-skilled job (in the form of higher turnover cost) and a general education (in terms of specific skills). Recommendations from the PES indeed increased the rating of migrant candidates and narrowed the gap between natives and migrants. However, when considering that natives can rely more on social networks and migrants are more likely to rely on the PES as they do not have the same beneficial social ties, the PES cannot compensate for the overall labour market disadvantage of migrants. Overall, recommendations from a current employee had a positive influence on employers' evaluation of candidates, and recommendations from the PES could only partially act as substitutes. Moreover, some employers might use the PES for solving recruitment problems and as a source for 'cheap labour' (e.g. Gore, 2005). This is more likely to be the case in low-skilled occupations, where hiring through social networks might also be more common.

Conclusion

This article investigates whether recommendations from the PES are a valuable strategy to connect employers and jobseekers and can act as a substitute for social contacts in the labour market, and therefore help to integrate disadvantaged individuals into the labour market. The results indicate that the PES is partly able to act as a substitute. The findings contribute to a better understanding of whether agencies delivering ALMP – that are conceptualized as LMI – can successfully fulfil the matching function between unemployed jobseekers and employers. As many countries have oriented their services to the needs of employers, it is important to understand how employers perceive candidates coming through such services. Concerns raised by previous research were that employers have a negative image of candidates coming through the PES (Larsen and Vesan, 2012). The results of this study demonstrate instead that when the PES is proactive and recommends a candidate, it is able to improve the hiring chances for selected groups, although to a lesser extent than social contacts. It is therefore a promising strategy for agencies who deliver social policies to focus on creating connections between the unemployed and employers. As a result, it can be argued that, for caseworkers at the PES or similar services, it is worthwhile to invest in establishing and maintaining a good relationship with employers to successfully help their clients into employment. In the experimental setting applied here, it could only be tested how a recommendation by a caseworker who is

unknown to the employer influences the employer's evaluation of a candidate. In reality, the effect of a recommendation might be even stronger when caseworkers and employers know each other personally and have established a trustful relationship.

To what extent can these results be generalized beyond the setting of this study? Although this study focuses on recommendations from the public PES, it can be assumed that the results would also hold for similar public or private service providers as long as they are concerned with the placement of unemployed individuals. In fact, similar to countries that have contracted out placement services, the Swiss PES is subject to strict evaluation criteria, which places a large emphasis on swift labour market integration; therefore, the aims and challenges for the two providers are similar. Other factors that could influence the findings of the study are the low unemployment rate and the study's specific features. In countries with a higher unemployment rate, the PES might play a more important role in placing unemployed individuals into the labour market, and being unemployed might be less stigmatizing than in the context of an overall good labour market situation. Given the general trend towards activation and liberalization of the labour market (Bonoli, 2013), it can be assumed that the effects found here, in a country with a relatively liberal labour market and strong activation tendencies, are valid beyond the case of Switzerland.

Regarding the specificities of the study, the results might be affected by the unemployment duration, the chosen occupations and the experimental setting. The unemployment duration of candidates in this study was rather short; for long-term unemployed individuals, contact with employers generated through the PES might become even more important, as their connections to the labour market deteriorate with elapsed unemployment duration and employers become less sure about their productivity. Similarly, other reasons for unemployment than the closure of the firm might have a more stigmatizing effect, making recommendations and contacts to employers even more important. Moreover, the different skill levels were operationalized using different occupations. Therefore, it cannot be ruled out that the effects found here are specific to the chosen occupations instead of the skill level. Finally, as the results stem from an experimental setting, employers were aware that these are not real but hypothetical decisions and so it must be kept in mind that the results reflect what employers intend to do, not what they are actually doing. In reality, bias against certain groups might be even higher as they combine several disadvantageous characteristics. Owing to these considerations, it is assumed that the effects found here represent conservative estimates for the effect of social networks and the PES, but more research is needed to fully understand how different organizational structures of the PES play out for different groups and in different contexts.

Acknowledgements

I would like to thank the three anonymous reviewers for their detailed comments and suggestions. Thank you also to Laure Athias, Daniel Auer, Giuliano Bonoli, Marlis Buchmann, Benita Combet, Valentina di Stasio, Flavia Fossati, Klarita Gërxhani, Maïlys Korber, Delia Pisoni, Leen Vandecasteele and Anna Wilson for their valuable feedback on previous versions of this article.

Funding

The author disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: this work was supported by the National Centers of Competence in Research (NCCR) LIVES, which is financed by the Swiss National Science Foundation (Grant number: 51NF40-160590).

Supplemental material

Supplemental material including the appendix for this article is available online.

Notes

1. Speed of reintegration (50%), prevention of long-term unemployment (20%), prevention of benefit exhaustion (20%), prevention of repeated registration (10%).
2. The correlation matrix for the vignette dimensions can be found in the Appendix (Table A2).
3. A Hausman test for endogeneity was run between a fixed and a random-effects model, indicating that the coefficients of the two models are not statistically significantly different (Table A7 in the Appendix).
4. Predictive margins compute the average response when certain variables are fixed at a certain value, while the other variables are left as they are (see Jann, 2013). Contrasts show the difference in these predicted margins.

ORCID iD

Fabienne Liechti  <https://orcid.org/0000-0001-5509-3353>

References

- Auer D, Bonoli G, Fossati F, et al. (2019) The matching hierarchies' model: Evidence from a survey experiment on employers' hiring intent of immigrant applicants. *International Migration Review* 53(1): 90–121.
- Auspurg K and Hinz T (2015) *Factorial Survey Experiments*. Los Angeles, CA: SAGE.
- Auspurg K, Hinz T, Liebig S, et al. (2014) The factorial survey as a method for measuring sensitive issues. In: Engel U, Jann B, Lynn P, et al. (eds) *Improving Survey Methods: Lessons from Recent Research*. New York: Routledge, 137–149.
- Behncke S, Froelich M and Lechner M (2008) Public employment services and employers: How important are networks with firms? *Zeitschrift für Betriebswirtschaft* 1: 151–178.
- Behtoui A and Neergaard A (2010) Social capital and wage disadvantages among immigrant workers. *Work, Employment and Society* 24(4): 761–779.
- Bellis A, Sigala M and Dewson S (2011) *Employer Engagement and Jobcentre Plus*. London: Department for Work and Pensions.
- Bonet R, Cappelli P and Hamori M (2013) Labor market intermediaries and the new paradigm for human resources. *The Academy of Management Annals* 7(1): 341–392.
- Bonoli G (2013) *The Origins of Active Social Policy. Labour Market and Childcare Policies in a Comparative Perspective*. Oxford: Oxford University Press.
- Bonoli G and Hinrichs K (2012) Statistical discrimination and employers' recruitment. *European Societies* 14(3): 338–361.
- Bonoli G and Liechti F (2018) Good intentions and Matthew effects: Access biases in participation in active labour market policies. *Journal of European Public Policy* 25(6): 894–911.
- Bonoli G and Turttschi N (2015) Inequality in social capital and labour market re-entry among unemployed people. *Research in Social Stratification and Mobility* 42: 87–95.

- Brekke I and Mastekaasa A (2008) Highly educated immigrants in the Norwegian labour market: Permanent disadvantage? *Work, Employment and Society* 22(3): 507–526.
- Bunt K, McAndrew F and Kuechel A (2007) *Jobcentre Plus Employer (Market View) Survey 2006–07*. Leeds: Department for Work and Pensions.
- Burt RS (1992) *Structural Holes. The Social Structure of Competition*. Cambridge, MA: Harvard University Press.
- Castilla EJ, Lan GJ and Rissing BA (2013) Social networks and employment: Mechanisms (part 1). *Sociology Compass* 7(12): 1013–1026.
- Damelang A and Abraham M (2016) You can take some of it with you! *Zeitschrift für Soziologie* 45(2): 91–106.
- Di Stasio V and Gërkhani K (2015) Employers' social contacts and their hiring behavior in a factorial survey. *Social Science Research* 51: 93–107.
- Duell N, Tergeist P, Bazant U, et al. (2010) *Activation policies in Switzerland*. OECD Social Employment and Migration Working Papers, No. 112. Paris: OECD.
- Eurostat (2017) Unemployment statistics 2017. Available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics (accessed 10 April 2017).
- Federal Office for Statistics (2015) STATENT Statistik der Unternehmensstruktur 2014. Available at: <https://www.bfs.admin.ch/bfs/de/home/statistiken/industrie-dienstleistungen/erhebungen/statent.htm> (accessed 9 February 2017).
- Fernandez RM (2010) *Creating connections for the disadvantaged: Networks and labor market intermediaries at the hiring interface*. MIT Sloan School Working Paper No. 4778-10. Cambridge, MA: MIT Sloan School of Management.
- Fernandez RM, Castilla EJ and Moore P (2000) Social capital at work: Networks and employment at a phone center. *American Journal of Sociology* 105(5): 1288–1356.
- Finn D (2005) The role of contracts and the private sector in delivering Britain's 'employment first' welfare state. In: Sol E and Westerveld M (eds) *Contractualism in Employment Services: A New Form of Welfare State Governance*. The Hague: Kluwer Academic Publishers, 101–117.
- Gore T (2005) Extending employability or solving employers' recruitment problems? Demand-led approaches as an instrument of labour market policy. *Urban Studies* 42(2): 341–353.
- Granovetter MS (1995) *Getting a Job: A Study of Contacts and Careers*. Chicago, IL: The University of Chicago Press.
- Hainmueller J, Hangartner D and Yamamoto T (2015) Validating vignette and conjoint survey experiments against real-world behaviour. *Proceedings of the National Academy of Sciences of the United States of America* 112(8): 2395–2400.
- Harsløf I (2006) The impact of welfare and labour market institutions on informal recruitment in European youth labour markets. *European Societies* 8(4): 555–576.
- Holzer HJ (2009) Workforce development as an antipoverty strategy: What do we know? What should we do? *Focus* 26(2): 62–68.
- Ingold J and Valizade D (2017) Employers' recruitment of disadvantaged groups: Exploring the effect of active labour market programme agencies as labour market intermediaries. *Human Resource Management Journal* 27(4): 530–547.
- Jann B (2013) Predictive margins and marginal effects in Stata. In: *11th Stata Users Group meeting*, 7 June 2013, Potsdam.
- Kaltenborn B and Kaps P (2013) Steuerung der öffentlichen Arbeitsvermittlung. *SECO Publikationen Arbeitsmarktpolitik* 35: 1–544.
- Kingston G, McGinnity F and O'Connell PJ (2015) Discrimination in the labour market: Nationality, ethnicity and the recession. *Work, Employment and Society* 29(2): 213–232.
- Larsen CA and Vesan P (2012) Why public employment services always fail. Double-sided asymmetric information and the placement of low-skilled workers in six European countries. *Public Administration* 90(2): 466–479.

- Lee W (2009) Private deception and the rise of public employment offices in the United States, 1890–1930. In: Autor DH (ed.) *Studies of Labor Market Intermediation*. Chicago, IL: Chicago University Press, 155–182.
- Levels M, van der Velden R and Di Stasio V (2014) From school to fitting work: How education-to-job matching of European school leavers is related to educational system characteristics. *Acta Sociologica* 57(4): 341–361.
- Liechti F, Fossati F, Bonoli G, et al. (2017) The signalling value of labour market programmes. *European Sociological Review* 33(2): 257–274.
- McGinnity F and Lunn PD (2011) Measuring discrimination facing ethnic minority job applicants: An Irish experiment. *Work, Employment and Society* 25(4): 693–708.
- Marsden PV and Gorman EH (2001) Social networks, job changes, and recruitment. In: Berg I and Kalleberg AL (eds) *Sourcebook of Labour Markets: Evolving Structures and Processes*. New York: Kluwer Academic/Plenum Publishers, 467–502.
- Müller W and Shavit Y (1998) The institutional embeddedness of the stratification process. In: Müller W and Shavit Y (eds) *From School to Work: A Comparative Study of Educational Qualifications and Occupational Destinations*. Oxford: Clarendon Press, 1–48.
- Neckerman KM and Fernandez RM (2003) Keeping a job: Network hiring and turnover in a retail bank. *The Governance of Relations in Markets and Organizations* 20: 299–318.
- Oesch D and von Ow A (2017) Social networks and job access for the unemployed: Work ties for the upper-middle class, communal ties for the working class. *European Sociological Review* 33(2): 275–291.
- Rabe-Hesketh S and Skrondal A (2012) *Multilevel and Longitudinal Modeling Using Stata*. College Station, TX: Stata Press.
- Rubineau B and Fernandez RM (2015) How do labor market networks work? In: Scott RA, Buchmann MC and Kosslyn S (eds) *Emerging Trends in the Social and Behavioral Sciences: An Interdisciplinary, Searchable, and Linkable Resource*. Hoboken, NJ: John Wiley & Sons, 1–15.
- Sol E (2005) Contracting out of public employment systems from a governance perspective. In: Bredgaard T and Larsen F (eds) *Employment Policy from Different Angles*. Copenhagen: DJOF Publishing, 155–174.
- Spence M (1973) Job market signaling. *The Quarterly Journal of Economics* 87(3): 355–374.
- State Secretariat for Economic Affairs (SECO) (2016) *Die Lage Auf Dem Arbeitsmarkt Juni 2016*. Neuchâtel: SECO.
- Van Berkel R, Ingold J, McGurk P, et al. (2017) Editorial introduction: An introduction to employer engagement in the field of HRM. Blending social policy and HRM research in promoting vulnerable groups' labour market participation. *Human Resource Management Journal* 27(4): 503–513.
- Van der Aa P and van Berkel R (2014) Innovating job activation by involving employers. *International Social Security Review* 67(2): 11–27.
- Wiborg ØN and Moberg RJ (2010) Social origin and the risks of disadvantage in Denmark and Norway: The early life course of young adults. *Work, Employment and Society* 24(1): 105–125.

Fabienne Liechti is a postdoctoral researcher at the chair of social policy at the University of Lausanne. She holds a PhD in Public Administration from the University of Lausanne. Her research interests include labour market policies and activation, unemployment, and comparative and welfare state research. In her thesis she examined how employers value participation in activation measures when taking hiring decision.

Date submitted January 2018

Date accepted February 2019