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The Demand Side of Hiring: Employers in the Labor Market

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Abstract

Sociological research on labor markets has focused most of its attention on the supply side of the labor market, that is, the characteristics of job seekers and job incumbents. Despite its pivotal and we believe primary role in labor market processes, the demand side, in particular the hiring decisions made by employers, has received less attention. The employment relationship, however, comprises both the demand and supply sides, as well as the matching processes that bring these together. We consider the sociology of the demand side by considering three sources of information (human, social, and cultural capital) that employers charged with making hiring decisions seek out, as well as the mechanisms associated with each source. We conceptualize employers as active agents whose hiring behavior is both constrained and enabled by larger social, organizational, and institutional contexts. We call for a program of research that will lead to a fuller empirical and theoretical understanding of employer hiring behavior and its place in the stratifying of labor markets.

INTRODUCTION

How employers collect, interpret, and act upon information about job candidates is crucial to understanding how people get jobs. These jobs are, in turn, crucial to access to labor market rewards—income, benefits, career opportunities, and job security—and the processes by which people get jobs are fundamental to social stratification. Despite the clear importance of the demand side of labor markets, however, sociologists' understanding of employer hiring behavior has been piecemeal relative to our understanding of the characteristics of job seekers and job incumbents.

In our view, the employer or demand side is not simply an additive to more prevalent studies of the worker or supply side. We see the demand side—the recruitment and selection decisions made by employers—as more fundamental as a determinant of inequality, opportunity, and organizational attainments than the supply side. Labor is a derived demand. The creation of an employment relationship begins with an employer's decision to hire and ends with an enactment of that decision. As Jackson has stated, labor market inequalities “are the macrolevel result of a whole range of microlevel decisions by employers and prospective employees, and ultimately employers get the final say about which characteristics of employees are rewarded in the labor market” (Jackson 2007, p. 370).

We proceed as follows. We first establish our conceptualization of the role of employers in labor markets. We then identify three broad sources of information employers rely on when they make hiring decisions, with a focus on the mechanisms that come into play for each of these sources. We start with human capital, focusing in particular but not solely on the centrality of educational credentials in hiring behavior. Second, we review the literature on social capital, especially studies that examine how employers use social networks in their recruitment and screening decisions. Finally, we consider cultural capital, focusing on the apparently nonmeritocratic and less tangible criteria used by employers when staffing positions. Throughout the review, we are attentive to how employer assessments of human, social, and cultural capital vary across occupational, organizational, and institutional contexts. We conclude with some consideration of broad social changes that are likely to transform the way employers hire.

CONCEPTUALIZING EMPLOYER HIRING BEHAVIOR

Studies of employer hiring behavior date back many decades. Both institutional economists (Malm 1955, Rees & Shultz 1971) and community sociologists (Lynd & Lynd 1959, Warner 1963) examined the ecology of hiring within specific geographic boundaries. These studies are rarely read now, and for decades stratification research has been dominated by the use of data drawn from broadly representative samples of job holders (Blau & Duncan 1967, Warren et al. 2002). The ability to estimate statistical associations between occupational placement and ascribed and achieved statuses revolutionized the field of status attainment, but attainment researchers failed to develop a comparable understanding of the hiring behavior of employers. Typically, when researchers thought at all about the demand side, they inferred the preferences and practices of employers from observing the characteristics of job incumbents (i.e., individuals who have already been sorted into jobs) (see Fernandez & Weinberg 1997 for a critical discussion of posthire studies). In analyses that compare outcomes between job incumbents, demand-side and supply-side processes are necessarily conflated.

The new structuralists of the 1980s promised to right this imbalance by drawing attention to the characteristics of the firms, industries, and regions in which workers sought their statuses (Baron & Bielby 1980). In the end, however, the new structuralism never broke sufficiently with status attainment research to permit a rich understanding of the demand side. As two early proponents of



the new structuralism later, somewhat regretfully observed, “the new structuralism for the most part links stratification outcomes to the very same industrial characteristics and organizational dimensions (and invokes largely the same arguments) as are emphasized by economists’ theories of wage determination” (Baron & Pfeffer 1994, p. 191). What was missing from supply-side accounts was any appreciation of employers as active, decision-making agents. In contrast, our conceptualization of employer hiring behavior insists upon employer agency. We refer to a variety of organizational actors with the ability to make, or at least influence, decisions to bring new members into an organization. This is in sharp contrast to a model of workers simply converting their resources into socioeconomic outcomes.

By conceiving of employers as agents, we gain a deeper understanding of the microfoundations of labor market processes. That is, agency offers the link by which we can understand how such macroprocesses as national systems of skill development and certification (Culpepper 2003, Thelen 2004) and such meso-level processes as organizational, bureaucratic, and accountability structures (Dobbin et al. 1993, Reskin & McBrier 2000, Kalev et al. 2006) are enacted at the microfoundational level. These macro and meso levels have been extensively reviewed elsewhere (Reskin et al. 1999, DiTomaso et al. 2007, Stainback et al. 2010). For our purposes, this work provides an important context for understanding the scope conditions within which microfoundations are expressed. Rivera (2011, p. 72, emphasis original) proposed that a focus on the demand side allows us to study “*the process of evaluation itself*,” and specifically how employers receive and assess information about candidates in the recruitment and selection of new hires. Thus, studying employer hiring behavior allows us to analyze the cues and information on candidates that employers trust and consider relevant, the motives underlying employers’ recruitment and screening actions, and how employers’ actions vary across organizational and institutional contexts. Compared to approaches that relate individual characteristics to occupational rewards (status attainment research), our focus on employers’ agency deals explicitly with the gatekeeping role of employers and the decisions they make about who can—and, equally importantly, who cannot—enter the organization. Our focus on the demand side is consistent with a recent research agenda on organizational stratification that stresses the role of workplaces as inequality-generating settings (Stainback et al. 2010, Tomaskovic-Devey & Avent-Holt 2017). We concur with this perspective (which relies mainly on employee data) that the sorting and matching of people to jobs take place at the workplace. Our contribution is that the role of organizational agents in charge of recruitment and selection decisions is key to bringing the firms back in. In other words, occupational rewards and organizational-level outcomes are conditional on employers’ agency during the hiring process.

A richer understanding of employer hiring behavior is also crucial because of emerging changes in how organizations fill vacancies. Following such path-breaking work as Doeringer & Piore (1971), sociologists in the 1980s produced solid research on internal labor markets (ILMs). Such arrangements are now less common. Whereas employers at one time filled vacancies primarily by promoting workers on the ascent from their initial port of entry, hiring is increasingly a transaction between an employer and an external candidate. Relatively few job vacancies are now filled from within. A valuable review by Cappelli & Keller (2014, pp. 312–13) on the “decline of the traditional model” has noted that

Perhaps the most fundamental change has been the expansion of external hiring. With ports of entry no longer restricted to lower-level jobs, employers now hire into almost all kinds of jobs at all levels of the organization Whereas large employers in the United States filled only about 10% of their vacancies from outside in the period from World War II to the 1980s, current estimates suggest that they now fill over 60% of vacancies from outside.



This shift from hierarchy to market (Williamson 1981) makes the understanding of contingent decision making on the part of employers even more important. The trend toward external hiring means that employers will increasingly be required to select among candidates whose performance they have not had the opportunity to observe directly. As a greater share of labor market transactions must rely on proxies for worker skill and competence, assessing how employers make hiring decisions amid this greater uncertainty becomes even more important to understanding the functioning of the labor market.

We necessarily place some boundaries around our review. We focus on research that uses data collected directly from employers about actual or sometimes simulated hiring decisions. Given our emphasis on employer agency, we pay little attention to studies that merely analyze the correlates of employer practices (e.g., research on how characteristics of the last hired employee depend on organizational size or industrial sector). Instead, we give priority to research designs that make employer hiring behavior explicit. We are well aware that, in addition to the three forms of capital reviewed here, gender, race, and social class often play important roles in employer hiring decisions. However, because it has been reviewed capably elsewhere (Pager & Sheperd 2008) and has developed somewhat independently from the research of most interest to us, we mention research on employer discrimination mostly in passing. Where relevant, we signal empirical studies that have found evidence of homophily; double standards; or differential returns to human, social, or cultural capital along gendered, classed, or racial lines. Finally, we draw primarily on the sociological literature but include work from economics and psychology when it intersects with our interests.

HUMAN CAPITAL, SIGNALING, AND CREDENTIALISM

Our discussion of human capital centers on the role of educational credentials during the hiring process. Few analysts, including the founders of human capital, signaling, or credentialist theory (Becker 1964, Arrow 1973, Stiglitz 1975, Collins 1979), would claim that schooling is the only information presented by job seekers and evaluated by employers. Still, educational credentials figure prominently in all theories of job assignment, even as they adduce different mechanisms by which schooling, skills, and hiring are linked. Human capital theory adopts a learning mechanism, in which schooling teaches students something useful and adds value to potential employees. In contrast, signaling theory, which is both an extension of and challenge to human capital theory, holds that schooling merely sorts students based on characteristics that are already present before the start of formal education (a selection mechanism). In this view, schooling serves as a sorting machine, the rationale being that schooling is a signal of unobservable abilities (e.g., willingness to learn, perseverance, motivation) supposedly correlated with job performance. Credentialist theory maintains that employers use educational credentials as a means of social closure, often without regard to the content of what schooling either inculcates or signals.

Human capital, signaling, and credentialist theories all assume that employers have reasons, perhaps not always clearly perceived or articulated, for making the hiring decisions that they do. One cannot, however, adjudicate these theories by appraising the characteristics of job seekers and neglecting the behavior of employers. Jackson et al. (2005, p. 10) note that “education has an effect in this regard only in so far as it is taken into account by employers (or their agents) in the decisions they make about hiring, retaining, promoting, etc.” Still, empirical tests of these theories have been attempted mainly with supply-side data.

Insight into the characteristics of candidates that employers find most valuable is especially important given the increasing expansion and diversification of higher education. The importance of such emerging qualitative differences as college quality, sector, institutional prestige, or field of

specialization—collectively known as the “horizontal dimensions of college education” (Gerber & Cheung 2008)—may well be on the rise in the minds of employers, possibly replacing more traditional markers of ascription such as gender or race or, more pessimistically, creating new avenues for educational stratification based on social class (Lucas 2001, Torche 2011). As Gerber & Cheung (2008, p. 313) noted, “data from employers assessing how they evaluate different types of the same credential might help resolve whether human capital, social capital, or signaling processes are at work.”

SCHOOLING AND THE ACQUISITION OF SKILLS: LEARNING, SELECTION, OR NEITHER?

Theories of job assignment often overemphasize how much weight employers actually give to educational credentials in their hiring decisions, as schooling is but one of the screens that employers use to sort candidates. A series of papers by Bills (1988a,b, 1990, 1992b) examined how employers perceive the link between schooling and the acquisition of skills across six organizations in the United States, focusing on a variety of occupational positions. Bills reported that employers generally recognized a link between schooling and skill requirements on the job, although educational credentials alone were rarely used as the sole indicator of skills. Employers did not explicitly deny the importance of screening based on educational credentials. Nevertheless, they often discounted information obtained from educational credentials when other, more direct indicators of productivity such as job history data were available, suggesting that “perhaps we do live in a credential society, but educational credentials are not the only currency” (Bills 1988b, p. 87).

Miller & Rosenbaum (1997), based on in-depth interviews with a sample of employers of high school graduates in the Chicago area, found that employers consciously chose not to use information received from high schools. In their view, human capital and signaling theories are correct about the information that employers would like to use, but say little about the information that employers are willing to trust. Employers trusted their own judgments more than they trusted educational credentials. They routinely turned to networks, as “they trust those to whom they are connected” (Miller & Rosenbaum 1997, p. 513; see also the section titled Social Capital and Informal Recruiting, below).

More recent studies corroborate this, showing that at the sub-baccalaureate level, employers had only a slight preference for postsecondary credentials relative to high school qualifications and were rather indifferent to the institution attended by associate’s degree holders (Deming et al. 2016, Deterding & Pedulla 2016). In particular, Deterding & Pedulla (2016) reported that employers did not draw meaningful distinctions between credentials earned at community colleges, a more expensive private for-profit institution (the fastest-growing segment of US postsecondary education), or even fictional institutions. The authors argued that this result challenges human capital and signaling theories of hiring and is consistent with Meyer’s (1977) legitimization theory (see also Baker 2014): In an ever-expanding education system, employers rely on the legitimacy of educational credentials per se rather than on the quality of credentials that job candidates hold. Nunley et al. (2016) also questioned the validity of educational credentials as meaningful indicators of skills, based on the finding that employers hiring for business-related jobs did not prefer graduates with business degrees over graduates with other college majors. In sum, this literature does not deny the importance of skills for employers but questions the conditions under which employers use educational credentials as a meaningful indicator of skills, especially when other types of information are readily available [for example, occupational licenses (Deming et al. 2016)].

THE IMPORTANCE OF CONTEXT

The employer studies reviewed so far have been conducted in the United States, a country with a generalist education system (Kerckhoff 1995, Torche 2011). In many European countries, including Germany, Switzerland, and the Netherlands, the education system has a tighter coupling between qualifications and the labor market, which is likely to affect employers' willingness to rely on educational credentials when hiring. Humburg & Van der Velden (2015) found that employers in nine European countries searched mostly for signals of occupation-specific human capital, such as relevant work experience or college major. Di Stasio & Van de Werfhorst (2016) analyzed country differences within Europe in more detail and showed that only Dutch employers relied predominantly on college major to sort applicants. British employers, instead, were more inclined to associate education with future trainability and preferred to rely on grades for their hiring decisions. Thus, common explanations of the informational value of credentials for employers require more specification, both in terms of conceptualization and measurement and in terms of the supply and demand conditions under which they apply (Bills 1992b).

Besides national institutions, within-country variation is also likely. Several studies have analyzed the hiring decisions of elite employers, on the assumption that educational credentials should be more relevant when stakes are high (Jackson 2009, Rivera 2011, Gaddis 2015). In her qualitative study of American investment banks, top-tier law firms, and management consulting firms, Rivera (2011) concluded that what matters to elite employers is not the length or content of education but rather its prestige. Competition is so intense that employers restricted their search to the most prestigious campuses (i.e., top-four superelite institutions), using prestige rankings as a shortcut for applicants' intelligence and ability to learn but also as a signal of their social skills, presentation style, and leadership potential. As Rivera (2011, p. 79) evocatively puts it, "the credential that employers valued was not the education received at a top school but rather a letter of acceptance from one." Using a field experiment with matched pairs of resumes, Jackson (2009) and Gaddis (2015) confirmed the importance of institutional prestige in employers' evaluations. Focusing on race, Gaddis (2015) found that credentials from an elite university increased the chances of a call-back for both white and black candidates, but ultimately, blacks with elite degrees did only as well as whites from less selective institutions, a clear sign of double standards.

Research on the contextual variation of employer hiring is still at an early stage. We hypothesize that differences between national institutions would especially affect hiring practices for lower-level bureaucratic positions, which often require standardized degrees earned in the formal education system (Brown 1995). By contrast, recruitment in professional and managerial labor markets is more likely influenced by professional associations, shared notions of cultural fit, or elite networks, which may vary less across national education systems. An interesting avenue for future research, which could put recent findings on the role of elite credentials in the hiring process (Rivera 2011, 2012a,b) into comparative perspective, would be to analyze elite labor markets in countries that do not have an education system stratified by institutional prestige (e.g., Germany or the Netherlands). Cross-national variation may be equally limited in the low-skilled labor market, where employers are governed mostly by incentives (e.g., wage subsidies for the long-term unemployed) and less by institutions (Bonoli & Hinrichs 2012). The state of the business cycle may also play a role. Indeed, Van Noy & Jacobs (2012) found that employers in Seattle (with a generally robust economy) valued associate degrees more than did employers in the more distressed Detroit economy. Finally, selection criteria may vary even across firms that seek to fill the same type of job. Di Stasio (2014) reports a large variation in the qualifications that were mentioned by employers as minimum entry requirements for jobs in the information technology sector. Coverdill & Finlay (1998, p. 122) reported that headhunters went as far as saying that "it may not be possible to speak of anything



like a single set of criteria that guide the buying and selling of labor even within a narrowly defined labor-market context.”

WHAT EMPLOYERS TRY TO AVOID: THE ROLE OF NEGATIVE OR STIGMATIZING INFORMATION

The focus on educational credentials has directed attention to the reasons why employers want to hire someone, but employers often engage in a search for “negative screens that can hurt but rarely help a candidate” (Bills 1990, p. 30). Employers sometimes seek indicators that serve to stigmatize job seekers, such as past episodes of absenteeism, lateness to work, job hopping, and unexplained gaps in one’s resume (e.g., lengthy spells of unemployment). At times of educational expansion and differentiation, people with a mismatched job history or episodes of skill underutilization may carry a stigma, sometimes as scarring as a year of unemployment (Pedulla 2016; see also Nunley et al. 2016).

Even though job history data are at face value objective evaluation criteria, recalls or interpretation of past events may be biased against members of disadvantaged groups. For example, Pager & Karafin (2009) showed that positive experiences with black employees did not change employers’ beliefs about black men in general. Those employees who did not conform to the stereotypical image of blacks lacking motivation or work ethic were viewed as the exception rather than the norm, leading the authors to coin the term Bayesian bigots.

The use of stigmatizing screens may be particularly prevalent in the low-wage, low-skilled labor market in which employers need quick shortcuts to sift through a pile of applicants (e.g., Pager & Karafin 2009, Bonoli & Hinrichs 2012). However, in these same markets, rejecting applicants based on stigmatizing screens such as a long-term unemployment spell may not be a feasible strategy, as the number of applicants may decrease drastically (Bonoli & Hinrichs 2012). There is also some evidence that employers reject stigma-bearing seekers even when the applicants are otherwise highly qualified. For example, in their comparative study of European college graduates, Humburg & Van der Velden (2015) found that deficiencies in academic, creative, interpersonal, organizational, and commercial skills were penalized to a greater extent than proficiency in these same areas was rewarded.

In general, research on negative screens is scant, other than studies focusing on discrimination on the grounds of gender or race (which fall outside the scope of our review). We note that employers do not always reject candidates with skill deficiencies or with negative or stigmatizing screens. Rosenbaum & Binder (1997) showed that employers took actions, sometimes costly ones, to cope with skill deficiencies. These actions included adjusting jobs to match employees’ skills, investing in supervising new hires and in long-term linkages with schools to prescreen potential recruits. Employers’ actions actively create labor market structures that increase their confidence in the information they receive from schools and teachers. In a related study, Miller & Rosenbaum (1997) reported that, despite the ready availability of school-based indicators of human capital such as grades, coursework, or school transcripts, employers did not use this information during the hiring process. They equally mistrusted information obtained from employment agencies, tests, or former employers or teachers as being potentially self-serving. In general, educational credentials are surprisingly often not the linchpin of labor market success. We develop this point further in the next section.

SOCIAL CAPITAL AND INFORMAL RECRUITING

To understand how social capital operates in the labor market from a demand-side perspective, scholars have looked at informal recruitment and the added value that social networks can bring to



organizations. Research distinguishes between formal and informal methods of recruiting. Formal methods include public and private employment agencies, newspaper or online advertisements, and recruitment from schools and colleges. Informal methods include information from relatives, friends, acquaintances, employees, and other employers (Rees 1966). Sociologists, often influenced by Granovetter (1995), have been attentive to informal methods of recruitment and have considered such factors as loyalty, work ethic, and social skills (see Granovetter & Tilly 1988, Moss & Tilly 1996, Tilly & Tilly 1998, Marsden 2001). Informal recruitment takes place in a web of social networks characterized to a greater or lesser extent by trust, information flows, and reciprocity. In short, recruiting informally requires that employers activate their social networks (i.e., social capital). Lin's (2001, p. 19) understanding of social capital as "an investment in social relations with expected returns" succinctly captures the image of employer recruitment that we want to convey.

THE UNDERLYING MECHANISMS OF SOCIAL CAPITAL IN HIRING

When employers recruit informally, they draw upon different combinations of the social contacts of their incumbent employees along with their own business and professional contacts (Marsden & Gorman 2001). Several sociologists, and more recently economists, conducting organizational field studies have examined employers' reliance on referrals from incumbent employees (e.g., Fernandez & Weinberg 1997, Fernandez et al. 2000, Petersen et al. 2000, Neckerman & Fernandez 2003, Fernandez & Galperin 2014, Burks et al. 2015). They report that referrals increase the chances of candidates being invited for a job interview and lead to higher job offer rates compared to nonreferred applicants. Various mechanisms may explain the referral effect (Fernandez et al. 2000, Castilla et al. 2013): (a) employers activating the social contacts of their own employees tap into a broader pool of candidates that would not be reached otherwise; (b) referrals are a prescreening strategy for the employer, as employees have an incentive to only vouch for friends or acquaintances who will ensure their own reputation protection; (c) referrers can provide their employers with hard-to-observe information about candidates (e.g., regarding soft skills, work ethic, past performance) while providing candidates with realistic information about the job and the organization; (d) social contacts tend to be homophilous and may indirectly signal candidates' competence, trust, status, or identification with the referrers; and (e) the presence of social ties between referrers and referred benefits the organizations directly owing to social processes that occur posthire, such as assistance during training. More recently, Fernandez & Galperin (2014) suggested an additional reason why employers may prefer referrals from incumbent employees, namely because they owe the candidate an extra look out of courtesy to the referrer.

In addition to trying to establish why employers may benefit from recruiting informally, research has also questioned whether the effect of social capital in the labor market is causal or spurious (Mouw 2003, 2006). Fernandez & Galperin (2014) leveraged multiple applications submitted by the same applicant to the same employer and found that employers are more likely to hire applicants when they have been referred than when the same persons apply without a network tie.

Besides employee referrals, other researchers have demonstrated that the social capital accessed via employers' own business and professional contacts is important, too (Petersen et al. 2000, Behrenz 2001, Marsden 2001, Pinkston 2012, Gërxbani & Koster 2015). These contacts are far from simple business transactions and are typically intensely social. Gërxbani & Koster (2015), for instance, showed how contacts can be established and mobilized in gatherings of professional and branch organizations, conferences, and online networks, but also in informal settings, such as while playing golf or at a charity gathering. Studies using laboratory settings to establish the mechanisms

underlying employer hiring behavior (Brandts et al. 2010, Schram et al. 2010, Gërxhani et al. 2013) have consistently found that employers regularly forgo formal recruitment channels and choose to recruit through their own social networks. They do so even when they have to establish costly and anonymous social networks with other employers when sharing information about a candidate's trustworthiness in the past.

The value of social capital is reflected in employer hiring behavior not only as hiring through networks but also as hiring for networks (Erickson 2001). Theoretical and empirical research indicates that employers consider a candidate's networks as social credentials that can be exploited once the candidate is hired (Lin 2001, Marsden 2001). Moreover, a candidate's social capital explains part of the human capital effect on outcomes such as better jobs or occupational achievement (Erickson 2001, Völker & Flap 2004). Finally, in a recent quasi-experimental study on the role of social capital in academic recruitment, Godechot (2016) reported that having a supporter on a recruitment committee increases the chances of one's career advancement in academia. The mechanism underlying this process is held to be influence. As shown by Zinovyeva & Bagues (2015), however, an influential connection may in some cases be willing and able to pull a few strings for less qualified or less productive candidates, thus overshadowing the potential informational advantages that strong ties can deliver. In their study of academic committees in Spain, weak ties were both better informed about candidates and less biased than strong ties.

Network recruitment is often associated with social closure, as it tends to bias recruitment toward those who share a tie with incumbents, thus excluding outsiders. For example, the wrong-network hypothesis posits that minorities are cut off from job opportunities because they belong to impoverished networks. Petersen et al. (2000) showed that the disadvantage of ethnic minorities at point of hire is due to their lack of access to contacts that can vouch for them within the organization. Moreover, owing to the homophilous nature of social ties—referred candidates are often “a carbon copy of the employee referring them” (Waldinger 1997, p. 371)—network recruitment is said to reproduce the demographic characteristics of the existing workforce.

Some scholars have challenged the view that employee referrals, and informal recruitment more generally, are inherently exclusionary. Simulation studies by Rubineau & Fernandez (2015) reported that organizations can increase diversity by encouraging underrepresented groups to participate in referral programs. To the extent that members of ethnic minorities do refer coethnics through homophilous referral chains, employee referrals may even sustain workplace diversity (e.g., Fernandez & Fernandez-Mateo 2006). Of course, homophily in the employee referral process may still increase segregation, as shown by Fernandez & Sosa (2005) for a US call center. Finally, formal recruitment is not, in and of itself, free from bias or necessarily more meritocratic than informal recruitment. In the study of Neckerman & Kirschenman (1991), employers recruited selectively to avoid applications from poor black neighborhoods. By advertising jobs in specific local newspapers, they could target their ethnic population of choice, de facto engaging in address discrimination.

THE IMPORTANCE OF CONTEXT

The relationship between institutions and recruitment channels has received little attention, rarely going beyond the role of formal institutions (e.g., Flap & Boxman 2001, Marsden 2001). Even then, the effect of formal institutions is usually measured indirectly through organizational characteristics such as size or sector (see Marsden & Gorman 2001 for an overview). Two organizational characteristics are particularly important when employers decide which recruitment channels to use. First, choice of recruitment method varies between public and private organizations. Public



organizations are more visible to the broader public and to the environment within which they operate. Because of this, they are more subject to legitimacy issues and civil service regulations than are private organizations (Tolbert & Zucker 1983, Dobbin et al. 1988). As a result, public organizations are less inclined to use informal recruitment channels that typically do not offer equal opportunities to everyone (i.e., informal channels rely on social connections whose accessibility is not equally distributed) (Gërxbani & Koster 2015). Furthermore, larger organizations have more financial resources to invest in more costly recruitment methods (Boxman et al. 1994), as well as a higher likelihood of having a governance structure that aims at bureaucratic control and formalization (Marsden 1994). Small organizations, in contrast, are more likely to use informal, word-of-mouth methods of hiring the right person (Cassell et al. 2002, Gërxbani & Koster 2015).

The few employer studies that have looked at occupational variation in recruitment (Cohen & Pfeffer 1986; Boxman et al. 1994; Marsden 1994, 2001; Flap & Boxman 2001; Gërxbani & Koster 2015) have found that informal recruitment channels are used most often for risky occupations (e.g., with damage potential or training costs) and for managerial jobs. The rationale for employers to do so is that social networks provide them with more accurate information about prospective employees, thus minimizing the costs of hiring errors (see Jacobs 1981 for an important early statement on risky occupations).

Economists, in particular, have found evidence that the labor market situation at the time of recruitment is also important (Russo et al. 2000, 2001). Because in times of excess demand of labor it is more difficult to find candidates, employers activate different forms of social capital by investing in one or multiple recruitment methods, including informal ones. This is less likely in times of excess supply.

Overall, employers' reliance on formal or informal recruitment channels is not based purely on costs and benefits but is also affected by organizational and environmental factors (Marsden, 1994, 2001; Rynes & Cable 2003). For example, Di Stasio & Gërxbani (2015) found that referrals from employers' business contacts are important if formal educational qualifications are perceived by employers as noisy signals. This finding supports the argument that informal recruitment can represent a compensatory strategy that allows employers to rectify poor signaling (Marsden 2001) and illustrates the importance of the institutional context in which recruitment takes place (see also Rosenbaum et al. 1990, Miller & Rosenbaum 1997, Brinton & Kariya 1998). A full specification of these contextual conditions is still needed. In particular, more comparative research across different institutional and organizational contexts, where the focus is not only on formal institutions but also on informal institutions (i.e., social norms), would help clarify how employers contribute to the job match.

Moreover, there is a pressing need for more research on the contextual factors that may limit or enhance employers' discretion in personnel decisions, what Reskin (2000) called "the proximate causes of discrimination." These factors are not limited to recruitment channels but include anonymous application procedures (e.g., Goldin & Rouse 2000, Åslund & Skans 2012), the formalization of personnel practices (Reskin & McBrier 2000; Kmec 2005, 2006), and the presence of accountability structures (Dobbin et al. 1993, Kaley et al. 2006; see Stainback et al. 2010 for an extended review). Employers likely adopt bundles of recruitment and selection practices, freely mixing formal and informal methods (Reskin & McBrier 2000). Kmec (2006) speculates that hiring agents who recruit and hire applicants based on formal practices may, at the same time, also rely on informal recruitment and staffing practices. Recent research also points to the presence of clusters of methods, which transcends the traditional distinction between informal and formal practices (de Larquier & Marchal 2016). Understanding the interplay between formalization practices and informal processes is thus a promising area for future research.

CULTURAL CAPITAL AND OTHER NONCOGNITIVE CRITERIA

Cultural capital—those “institutionalized, i.e., widely shared, high status cultural signals (attitudes, preferences, formal knowledge, behaviors, goods and credentials) used for social and cultural exclusion” (Lamont & Lareau 1988, p. 156)—has been one of sociology’s premier concepts for the past generation. It has, however, made fewer inroads into the empirical analysis of employer hiring behavior than might be expected. Fifteen years ago, Bills’s (2003) review of the extant research on the relationships between schooling and job assignment found little research that examined how employers assess cultural capital when hiring. Fortunately, some recent scholarship has begun to change that. Classical sociological work on class reproduction (Bourdieu & Passeron 1977) has long argued that children from privileged classes develop a variety of social and cultural resources that are valued in the education system as well as in the labor market. Compared to children from less advantaged backgrounds, they have a natural familiarity with the informal codes and cultural experiences and preferences of the dominant classes and can mobilize this cultural capital to gain access to high-status jobs and organizational rewards. Only recently, though, have empirical studies analyzed how cultural capital is translated into occupational gains and particularly how gatekeepers (i.e., employers) rely on cultural capital for their hiring decisions.

CULTURAL CAPITAL AS MATCHMAKER: Highbrow Culture OR OMNIVOROUS TASTE?

Various qualitative studies have pointed to the importance of cultural similarity between applicants and evaluators, although the exact type of cultural resources being valued—whether an interest in arts, literature, sports, or some other leisure pursuit—varies across jobs and occupations (Erickson 1996; Turco 2010; Rivera 2011, 2012a,b). For example, in the leveraged buyout industry, recruiters look for confident and competent alpha males and consider knowledge of sports a highly valued cultural resource that facilitates bonding among predominantly male, white colleagues. Familiarity with football can be crucial to securing elite assignments. Although African American men can capitalize on their knowledge of sports to bond with majority colleagues, women are often disadvantaged by having less access to these cultural resources (Turco 2010).

In a qualitative study of hiring in elite professional services, Rivera (2015) describes hiring as a process of cultural matching. Her interviews and ethnography reveal that employers are not simply seeking competent colleagues but seek “new hires with whom they could envision themselves developing intimate relationships on and off the job” (Rivera 2015, p. 1352). This search for exciting “playmates” is so emotionally charged that Rivera compares it with dating. Evaluators unanimously stress the importance of fit: New hires are expected to blend in socially and culturally with existing employees. Fit is not a substitute for skills but an additional filter used to differentiate between similarly qualified applicants from elite, or even superelite (i.e., top-four), institutions. Managers use different criteria to assess fit, depending on the stage of the hiring process. During resume screening, evaluators measure cultural fit by seeking similarities between themselves and the candidates, which suggests that homophily, or better, “homocultural reproduction,” also plays a role in the evaluation of merit (Rivera 2011, p. 88). In job interviews, fit is assessed by feelings of spark or chemistry that may arise during personal interactions. Extracurricular activities undertaken during college are an additional proxy for fit, particularly time- and resource-intensive activities that resonate with the “concerted cultivation” of white middle classes (Lareau 2003). These extracurricular activities are, de facto, a filter on socioeconomic status that reproduces race- and class-based stratification.

Jackson (2009, p. 687), based on a resume study, found that elite names change the meaning of other signals included in the application so that “two candidates might claim to have an interest in



football, darts and socializing, but the social meaning of that statement will differ depending on whether the candidate is named Edward Acheson-Gray or Gary Roberts.” This indicates another, more complex mechanism of class-based stratification implying different returns to leisure pursuits depending on social background. A more recent resume study conducted with top law firms in the United States revealed that men benefit more than women from displaying traditional signals of social class such as family names and lifestyle markers, possibly because higher-class women are perceived as less committed and unfit for such “intense, all or nothing occupations” (Rivera & Tilcsik 2016, p. 1122).

Although Bourdieu’s work stresses the class dependency of highbrow cultural activities, Erickson (1996) notes that in most private sector organizations, the most widely useful cultural resource is cultural variety (i.e., the possession of a complex and varied cultural repertoire). According to Erickson (p. 219), “familiarity is the most portable and controllable form of culture, always available if needed or suppressible if inappropriate” and can be put to use strategically, for instance, to make a good impression during job interviews. Her study of the private contract security industry also shows that the type of cultural consumption that is considered valuable in such an organizational setting is not the highbrow genre stressed by Bourdieu but rather a specific type of business-related culture, displayed through sports talk, knowledge of good restaurants, and, especially, familiarity with magazines that simultaneously signal competence and businesslike orientation. Likewise, Koppman (2016), in her study of recruitment in advertising agencies, shows that, to enter creative occupations, the basis for cultural matching is omnivorous socialization: When hiring entry-level copywriters and designers, employers looked for signals of shared cultural omnivorousness, which was viewed as an indicator of creative potential and quest for knowledge. An important difference with the studies above is that employers were interested in a specific way of consuming culture (i.e., the possession of culturally omnivorous tastes, interests, and styles) rather than in any specific shared interest. In other words, in creative industries, “omnivorous taste itself is the shared interest” (Koppman 2016, p. 320).

THE IMPORTANCE OF CONTEXT

In sum, these studies show that employers use cultural similarities as a marker of merit in settings where traditional markers of competence such as educational credentials have little relevance (e.g., advertising) or are so widespread that they become a noisy signal (e.g., elite professional services). As noted by Bills (2003, p. 451), though, “it seems unlikely, however, that employers can concentrate only on cultural capital (or its absence) when hiring for very specialized technical positions or that they are overly concerned about it when serving as gatekeepers for applicants of lower-status jobs.” Indeed, employers in the low-wage, low-skilled labor market mentioned social and interpersonal skills among the most important qualities they look for in job applicants (Kirschenman & Neckerman 1991, Moss & Tilly 1996, Waldinger 1997). In particular, people skills such as the ability to interact with customers and coworkers as well as having the right attitude were high in demand by employers. However, Zamudio & Lichter (2008) interpret the fact that employers emphasize social skills even for entry-level, back-of-the-house jobs requiring little customer contact (e.g., housekeeper) as evidence that social skills are mentioned as a shorthand for selecting workers that can more easily be controlled. Thus, whereas elite employers rely on cultural capital as a signal of initiative, drive, and ambition to select future leaders, in the low-wage and low-skilled labor market, employers are concerned with avoiding conflict at the workplace and search for indicators of tractability, often using race or ethnic markers as a shortcut (Waldinger 1997, Zamudio & Lichter 2008).

More work that delves into how employers gather, interpret, and act upon the cultural capital and other intangible attributes presented by job candidates is badly needed, especially given the

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expansion of the service sector in which these qualities are most relevant (Jackson et al. 2005) and the increasing demand for social and personal skills even within occupational groups (Dörfler & Van de Werfhorst 2009). The lack of comparative studies of the role of cultural capital in hiring is particularly severe. We know of no research that examines national differences in how employers evaluate cultural capital when hiring.

THE CHANGING CONTEXT OF EMPLOYER HIRING BEHAVIOR

Hiring behavior is deeply embedded in social structure, much more than a simple bilateral exchange of human, social, or cultural capital between employers and applicants. We have portrayed employers here as agents with some degree of autonomy, but their agency is both constrained and enabled by an array of supply, demand, legal, organizational, institutional, interpersonal, and other social factors that collectively comprise the labor market. The broad ecology in which employer hiring behavior is embedded is changing quite rapidly, sometimes in directions of employers' own choosing but more often in ways beyond the control of even the most monopsonistic employers. These changes are affecting the form of the human, social, and cultural capital on which employers base their hiring decisions. We highlight here a few of the most significant. Each of these transformations opens up promising programs of research.

The Expansion of Education and the Proliferation and Diversification of Credentials

For many years, status attainment research was able to assume that schooling could be measured linearly. With the rapid expansion of higher education virtually everywhere, this assumption eventually became untenable. Researchers then shifted to categorical measures of schooling but still used categories that reflected participation in formal and traditional educational institutions, which were broadly construed as legitimate and chartered markers linking schools and workplaces. Recently, there has been a proliferation of credentials meant to certify skills acquired outside of formal schooling. Bestowed by diverse providers and variously known as certificates, badges, and microcredentials (M.R. Olneck, unpublished manuscript), these emerging signifiers of competence challenge the monopoly of credentials held by formal educational institutions and provide employers with a vast swath of hiring options and strategies. At this point, it is unclear if employers (as well as accreditors, licensure boards, and other labor market participants) will grant these microcredentials the legitimacy long accorded to formal educational credentials, which is why more research is needed in understanding whether and how employers value and select on these new forms of skill authentication.

Triadic Employment Relationships and Labor Market Intermediaries

As ILMs have grown less normative (Cappelli & Keller 2014), an increasing share of hiring is from the outside. The demise of ILMs does not mean that employers now encounter job candidates in any simple unmediated spot market. Rather, the new ecology of employer hiring behavior includes a vast assortment of labor market intermediaries (LMIs) intended to bring demand and supply together. As with many other organizational functions, recruiting, and even to some extent hiring itself, has become outsourced. The growing role of LMIs is producing what some have called triadic employment relationships (Khurana 2002, Bidwell & Fernandez-Mateo 2008, Bonet et al. 2013). Research on triadic employment relationships is still scarce. Future research should concentrate on the role of the different actors involved. For example, Fernandez-Mateo & King (2011) have



shown that the placement consultants of a staffing firm made gender-biased choices in anticipation of a similar behavior by subsequent screeners (a mechanism they label anticipatory gender sorting).

Online Hiring: Beyond Paper People and Word of Mouth

Research on recruitment has traditionally distinguished between formal and informal methods, with information on potential hires either presented in a resume or conveyed through word of mouth. The diffusion of social media and online networking sites, such as LinkedIn, Twitter, and Facebook, raises questions about how information about vacancies is advertised as well as how information about candidates is received, actively sought, or validated. Although some studies have started to look into these issues (e.g., Manant et al. 2014, Baert 2015), more research is needed on this increasingly used channel of recruitment. Popular accounts have described the adoption of hiring algorithms in which individuals are matched to employers (or far more often, not matched) on the basis of the presence or absence of often mysterious keywords in their online resumes. Such algorithm-based hiring may bypass human decision making altogether. Thus, the advent of automated applicant-tracking systems (and the assortment of organizations rushing in to meet the various information needs of both employers and job seekers) potentially shifts the agency of the hiring decision from identifiable individuals to the hyperrationalized use of big data (Bidwell & Fernandez-Mateo 2008). This offers both possibilities to employers and constraints on their autonomy in ways that sociologists have barely begun to investigate. Moreover, as employers and employees increasingly interact on online platforms, the digital footprints of these interactions offer a new source of granular data to understand the interpersonal, relational nature of the hiring process (Ng & Leung 2015).

CONCLUSION: WHERE DO WE GO FROM HERE?

In an earlier review of employer hiring behavior, Bills (1992a) argued that we needed more empirical work on differences in screening across organizations, the interplay between screening and hiring criteria and labor market stringency, and how employers balance the various hiring criteria available to them. He added that we need an integrated theory that considers employers and job seekers simultaneously. Progress on these and other matters has been significant. We now know far more than we did a generation ago about how the hiring decisions of employers across many different contexts influence labor market outcomes. Of course, more work is still needed. We have suggested throughout this review promising avenues for future research.

Studying hiring behavior is difficult. Many employers are reluctant to provide access to curious social scientists. Some may have reasons to be evasive about their hiring behavior. Even well-meaning and accessible employers may be unreflective or uncertain of their own motivations and preferences. Still, we see many scientific benefits to be derived from an aggressive program of research on the strategic role of hiring in the labor market. Employer agency in hiring fills a gatekeeping role that can lead to closure and exclusion as easily as it can to merit and inclusiveness.

We need to learn how to collect and analyze data on the changing landscape on which employers now find themselves. Stratification researchers are not used to incorporating information on big data, social media, and LMIs into their research designs, but a full accounting of the stratifying role of employer hiring behavior is going to require this sort of ingenuity. The field would benefit from the collection of large-scale, representative survey data from employers to map their beliefs and actions. More effort might be expended on methodologies that bring us closer to the ground of employer behavior, such as case studies, (quasi-)experimental studies, the mining of personnel records or the text mining of job ads, and ethnography. Technological progress gives researchers



ample opportunities to be creative in their data gathering efforts. For instance, the availability of crawling software makes it possible to collect data on job ads from multiple countries simultaneously (e.g., Kureková et al. 2015), and online labor markets such as Amazon Mechanical Turk are becoming increasingly acceptable platforms for running laboratory experiments that reach beyond undergraduate students (e.g., Rand 2012).

A hiring transaction is less a discrete event than it is one point on a continuum of events that bring demand and supply together. We need research that illuminates processes throughout this continuum. Attention should be given to data and research designs that can isolate demand-side mechanisms (Fernandez-Mateo & Fernandez 2016) from supply-side ones (Fernandez & Friedrich 2011, Ng & Leung 2015) and reveal whether stratified outcomes are due to the actions of screeners or the self-sorting of applicants (Fernandez & Campero 2016). An important avenue for future research would be to document how the joint actions of employers and job seekers construct applicant pools. We also need a richer understanding of employer behavior that takes place after the point of hire, a series of practices that Cappelli & Keller (2014) have characterized as talent management. Thus, we close with a call for theoretical and methodological innovation in research on employer hiring behavior and hope that our review will contribute to this innovation.

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