Social Capital at Work

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Abstract

A great deal of the research into the determinants of labour market outcomes has focussed on the role of human capital and the structure of the labour market. Relatively little attention has been paid to the role of social capital. This paper investigates the extent to which an individual's social capital relates to their labour market outcomes. The relationships between social capital and labour force status and social capital and job search method are explored using data collected from a national random sample of Australians. Both a network and typology approach to measuring social capital are used.

1. Introduction

In Australia, as in other market economies, paid employment is central to increasing incomes and achieving economic self-sufficiency. It is also important to achieving full participation in society for many Australians of working age. In recent times changes have been made to the income support system, regulation of the labour market, education and training

systems, that are designed to increase rates of paid employment. Much of the policy focus has been on improving levels of human capital and ensuring that the financial incentives to be in paid employment are adequate (McClure 2000). The importance of social relationships in facilitating a range of outcomes for both individuals and communities, including in the labour market, has received increased attention, both in Australia and internationally. In the Australian context, the concept of 'social capital' has been influential (Cox 1995; Onyx and Bullen 2000).

While the term 'social capital' has been used in varied ways, it can be defined as networks of social relations which are characterised by norms of trust and reciprocity and which lead to outcomes of mutual benefit (Bourdieu 1993; Coleman 1988; Putnam 1993). Thus, social capital can be understood as a resource to collective action. For individuals, this is access to social connections that help the processes of getting by or getting ahead. For communities, social capital reflects the ability of community members to participate, cooperate, organise and interact (Putnam 2000). The concept emphasises both the structure and quality of social relationships.

It has long been recognised that social relationships and social context are important in determining labour market success. Much of the research in this area has focussed on the role of social connections in the job search process. Early work by Granovetter (1973) developed the strength of weak ties theory, which argues that having ties with persons in networks distant from oneself enables a person to access the resources of that network, for personal gain. Another branch of the literature has focused upon the role of social resources within networks in determining labour market outcomes (Lin 1999). Yet, the link between social relationships, conceptualised as social capital, and labour market outcomes has received relatively little attention, particularly in the Australian context.

This paper explores the links between an individual's social capital and the nature of their engagement with the labour market. The relationship between an individual's social capital and their employment status and between social capital and the job search method used to find employment are explored.

2. Social capital and the labour market

Social relationships may affect labour force status in a number of ways. First, a person's networks may affect the value they place upon non-market time as compared to market time. Second, having support networks may make it possible to sustain being employed for people who have significant caring responsibilities. Third, where individuals are em-

bedded within networks that support the normative aspects of work, these are likely to reinforce the value of work for that individual, thereby acting to increase a person's likelihood of being employed. Some authors have emphasised the possible 'negative' consequences of some types of social capital (Portes 1998). For example, some networks may be governed by norms of behaviour that are inconsistent with maintaining employment. From a labour demand perspective, the types of relationships and networks of a potential employee may influence the employees' productivity, which affects their likelihood of finding employment.

Perhaps the most direct mechanism through which social capital may affect labour market outcomes is via its effect on the efficiency and effectiveness of job search. Social networks can be an important source of information. Clearly, the nature of an individual's networks and their level of social capital may impact on the process of job search and the ways in which they find employment. There is empirical evidence to support the hypothesis that the nature of a jobseeker's networks is an important determinant of the effectiveness of the network in finding employment and the quality of any jobs found (Holzer 1987, 1988). In a British study, McGregor (1983) finds that the information about job opportunities provided by friends and relatives is local in nature. This suggests that jobseekers, who live in depressed local labour market regions, are likely to have particular trouble in finding a suitable job. There is evidence that the resources of one's networks also matter. Specifically, status attainment research in the US finds the employment and occupational status of the people in an individual's informal network affect the quality of a job found through informal channels (Lin 1999).

Employers will often regard referrals from employees as more informative and reliable than direct applications and use them as a relatively cheap screening and signalling mechanism (Holzer 1988). Rees (1966) argues that employees only refer capable workers to ensure that their own reputation with their employer is not tarnished, and suggests that good jobs are usually found through informal networks and personal contacts. Montgomery (1991) develops a search model in which employers use informal information recruitment methods (for example, via friends and relatives) as a way of screening potential employees to ensure that they are of high productivity, suited to the job and are reliable.

While there are good reasons for expecting social norms and networks to affect engagement with the labour market, there are also reasons for expecting labour force status to affect an individual's social capital. For example, it is plausible that being in paid work might increase the extent of a persons social connections. At the other end of the continuum of social and labour market attachment, the experience of

unemployment, particularly long term unemployment, can cause the social networks of a person experiencing unemployment to decline (Paugam and Russell 2000).

We therefore expect the relationship between social capital and paid work to have a reinforcing effect under some circumstances, whereby having access to social capital might facilitate labour market outcomes, as well as leading to increased (or at least diversified) social capital by virtue of being at work.

3. Data and measures of social capital

The concept of social capital can be readily incorporated into microeconomic models of labour force status since it has often been operationalised as an individual actor, rational choice approach (Coleman 1988). The social capital approach also explicitly recognises that individuals do not exist in isolation, but are embedded within a series of social relationships and networks that shape and are shaped by the experiences of that individual. Social relationships can be categorised into three broad types. First, 'informal ties' which include relationships with members of household, family and family in-law, friends, neighbours, and workmates. Second, 'generalised relationships' which are community based and include civic groups, as well as 'societal' relationships people have with people they do not know personally including local people and people in general. Third, 'institutional relationships' which are the ties individuals have with institutions including the legal system, the police, the media, unions, governments, political parties, universities, and the corporate world.[1]

Both the structure and quality of relationships are thought to be important in determining the ability of social capital to be used to achieve outcomes of benefit. The quality of social relationships is determined by the extent to which they are characterised by norms of trust and reciprocity. Structural characteristics of networks include network size, network density, and the diversity of the backgrounds and social situations of the network members. Dense, closed networks are argued to better facilitate the enforcement of group norms and sanctions (Coleman 1988). Heterogeneity of social ties may promote linkages with a diverse range of networks and hence access to a greater range of resources or opportunities.

One influential classification of social capital identifies three types of social capital: bonding; bridging; and linking (Woolcock 2000). Bonding social capital is argued to exist in dense or closed networks, and helps people to 'get by' on a daily basis. Bridging social capital involves overlapping networks that may make accessible the resources and opportuni-

ties that exist in one network to a member of another network. Finally, linking social capital involves social relationships with those in authority or positions of power and is useful for garnering resources.

The analysis presented in this paper is based upon data from the Families, Social Capital and Citizenship (FSAC) survey of 1,506 Australians conducted in 2001. The data were collected using Computer Aided Telephone Interviewing. Respondents to the survey were selected using a national random sample of households (with at least one person aged 18 years or over) who are included in the residential phone books. The survey was conducted in English so non-English speakers are excluded.[2] The distribution of labour force status in the FSAC data is broadly consistent with estimates from the Australian Bureau of Statistics (ABS) *Labour Force Survey* (LFS) (ABS 2001). The main differences are that the proportion of the sample unemployed is a little lower in the FSAC data than the LFS (3.9 compared to 4.7 per cent), the proportion not-in-the-labour force is lower in the FSAC data (32.4 per cent compared to 36.2 per cent) and the proportion employed in the FSAC data is higher (63.7 per cent compared to 59.1 per cent).

The detailed measures of social capital contained in the FSAC survey allow the effects of various aspects of social capital (including trust, network size, network density) in a range of types of networks (including relationships with family, friends and neighbours, civic groups and institutional ties) on labour force status and job search method used to find employment to be estimated. This multidimensional and multiple level approach represents an advance on much empirical research which has been limited by surveys which contain either too few measures or measures designed for other purposes. (Critiques of previous empirical social capital research include Durlauf (2002), Paxton (1999), Portes (1998) and Stone (2001))

There are a various approaches that can be taken to constructing measures of an individual's social capital. We use two approaches. The first approach is to measure each of the dimensions of social capital separately for informal networks, generalised relationships and institutional relationships ('core measures' approach). The second approach is based upon the idea that individuals can be categorised into a discrete number of social capital types based upon the combination of the characteristics of their social networks ('social capital type' approach).

Informal networks consist of relationships with family and kin, friends, neighbours, work colleagues and work contacts. The extent to which these relationships are characterised by trust and reciprocity are measured using an index derived from a series of questions about the extent to which the respondent trusts their friends and family to act in their best

interest and the extent to which the respondents friends and family are willing to help each other out.[3] In general trust and reciprocity within networks are measured using an index that takes values in the range of zero to ten, with a higher value indicating a greater level of trust and reciprocity. The size of the informal network is measured by the number of friends, relatives and in-laws. The density of the respondent's informal networks is measured by the extent to which respondents report their friends know one another.[4] Network diversity is measured by the variation in the educational attainment and languages spoken of the respondent's three close friends.[5]

Generalised relationships. Within the generalised realm social capital relates to the sense of trust and reciprocity that exists between people within a local area, and among people in general. The extent to which the respondent perceives this realm to be characterised by reciprocity is measured using the question, 'People around here are really willing to help each other out'. The extent to which the respondent trusts people in their neighbourhood is based upon answers to the question 'Most people in my neighbourhood can be trusted'. Perceptions of more general forms of trust and reciprocity were also sought, with respondents being asked the extent to which they agreed that, 'Generally speaking, most people can be trusted' and that 'Generally speaking, most people are really willing to help each other out'. The size of networks in the generalised realm is measured by the number of different groups the respondent is a member of.

Institutional relationships include both the relationships people have with various institutions as well as the extent to which people personally know people within a range of institutional settings. The data include ten items measuring trust in institutions. These have been combined into a composite index of trust in institutions.[6] The extent to which the respondent has links to different institutions is measured by the number of different institutions the respondent has personal ties with. This variable reflects the breadth of institutional ties as well as the actual number of links.

Our second approach is based on a social capital typology that reflects individuals' profiles across the core social capital measures. This approach enables us to combine the core measures of social capital into a single measure. A statistical technique that can be used to classify respondents into groups with similar profiles is cluster analysis. The cluster-based typology of social capital we use was developed by Stone and Hughes (2002). The variables included in the derivation of the social

capital clusters are: trust and reciprocity in informal networks; general-
ised trust and reciprocity; institutional confidence; number of informal
ties; number of group memberships; breadth of institutional ties; density
of friendship network; educational diversity of friendship network; lin-
guistic diversity of friendship network; and density of values in
neighbourhood. Four clusters were identified, described as follows.

- *Social capital rich:* High levels of connectedness across the board –
  to informal networks, organizations and institutions, as well as high
  levels of generalised trust and reciprocity.

- *Strong norms and civic connections:* High levels of trust and recip-
  rocity across all types of networks, a high level of civic and commu-
  nity group membership, but a relatively small informal network of
  family, friends, neighbours and work-mates.

- *Informal emphasised:* Small but dense informal networks. High lev-
  els of trust and reciprocity within informal networks. Few connec-
  tions and low levels of trust and reciprocity at the neighbourhood
  level, with community groups, organizations or institutions.

- *Social capital poor:* Small informal networks, few connections with
  the wider community or with institutions. Low levels of trust and re-
  ciprocity across the board. Informal networks are also sparse and an
  individual's friends tend not to know one another.

4. Social capital and labour force status

This section presents an analysis of the relationship between an individ-
ual's social capital and their labour force status: part-time employment;
full-time employment; and non-employment. Full-time employment is
defined as working more than 30 hours per week. Full-time and part-
time employment are distinguished because it is expected that social
capital may be related to working hours.[7] In this section the statistical
model used and specification estimated are described.

4.1 Analytic approach and empirical model

Given that we are modelling which, of three labour force states, a re-
spondent is in, an appropriate statistical technique is the multinomial
logit model. A range of variables which economic and sociological the-
ory or previous empirical studies suggest are important determinants of
labour force status are included as explanatory variables.[8] These include
age, gender, educational attainment, whether the respondent has a part-
ner, partner's employment status, number of children aged 15 years or

younger, the proportion of three closest friends who are employed, health status and migrant status. Region of residence (rural versus non-rural areas). The relative socio-economic advantage of the postcode in which the respondent lives (captured using the ABS SEIFA index (derived from the 1996 Census)) are included to control for differences in labour market opportunities.

As discussed above, the model of the determinants of labour force status is estimated using two specifications of the social capital variables: the 'core' measures specification and the social capital type specification. Social capital type is captured using a set of dummy variables. The omitted social capital type is 'strong norms and civic connections'. In the core measures specification the individual measures of social capital for the three domains are included. In this paper we present in detail the results for the social capital type specification. As shown below, it is the combination of social capital measures using the typology approach that is most strongly related to individuals' labour market outcomes. The results for the core measures specification are summarised. Detailed results are available from the authors.

A key issue in interpreting the estimated effects of social capital upon labour force status is the direction of causality. That is, access to social capital and ability to generate social capital and labour force status are likely to be interrelated within a dynamic cycle of feedback effects. This means that interpreting any relationship between social capital and labour force status as meaning that higher levels of social capital lead to improved labour market outcomes is not possible.

4.2 Social capital type and labour force status

This section presents the results of the estimates of the relationship between social capital type and labour force status. The estimated effects of the non-social capital variables are broadly consistent with the findings of other empirical studies. These results are well known and are not discussed in this paper. The summary statistics and coefficient estimates are presented in Appendix Tables A1 and A2 respectively.

The non-linear nature of the multinomial logit model makes the coefficients difficult to interpret. An alternative way of illustrating the relationship between social capital type and labour force status is to present the predicted probability of being in each labour force state, holding constant all non-social capital variables at the sample average.

Table 1. Predicted labour force status by social capital type

| | Social capital rich | Social capital type | | |
		Strong norms and civic connections	Informal emphasised*	Social capital poor
		Per cent		
Labour force status				
Part-time	21.9	23.4	15.7	28.2
Full-time	57.9	54.7	65.4	44.8
Not employed	20.3	21.9	19.0	27.0

Notes: The predicted probability of being in each labour force state is calculated by varying the social capital group while holding constant the non-social capital variables at their sample average. * denotes that underlying coefficient is significant for at least one of the job search methods at the 5 per cent significance level.

Source: FSAC 2001.

These probabilities are presented in Table 1. These results show that social capital type is strongly related to labour force status (and the coefficient for informal emphasised is statistically significant). The social capital poor have a predicted rate of full-time employment of 44.8 per cent, which is much lower than for any of the other social capital types, with the social capital rich, strong norms and civic connections and informal emphasised groups having predicted probabilities of full-time employment of 57.9, 54.7 and 65.4 per cent respectively.

The social capital poor are more likely to be part-time employed than any other group (28.2 per cent) but the net effect is that the social capital poor are less likely to be employed than any other group (27.0 per cent). Amongst the other social capital groups there is little difference in the probability of being not employed, but there are some differences between the probability of being part-time as compared to full-time employed, with the social capital informal emphasised group being more likely to be full-time employed than either of the social capital rich groups. This pattern is probably the result of the full-time employed having less time to spend in extensive civic engagement and neighbourhood events or perhaps the result of having less interest in the activities that lead to the development of these types of linkages.

4.3 Core measures of social capital and labour force status

In this section, the findings for the core measures of social capital are briefly summarised. Detailed results are available from the authors. The majority of the measures of social capital are not statistically significantly related to labour force status. However there are several exceptions. Within the informal realm, the extent to which the respondent's

informal networks are characterised as having trust and reciprocity is significantly related to labour force status. Higher levels of trust and reciprocity in informal networks increase the probability of being employed (both full and part-time employment).

Turning to the size of informal networks, the only significant relationship is that having a larger number of friends is estimated to increase the probability of being not employed and decrease the probability of being full-time employed. The effect however is small.

Within the generalised realm, perception of generalised reciprocity and generalised trust are not related to labour force status. The extent to which the respondent reports trust of people in the neighbourhood and perception of reciprocity among people in the neighbourhood is statistically significant. Having a perception of a higher level of reciprocity among people in the neighbourhood is estimated to increase the probability of being not employed and to decrease the probability of being part-time and full-time employed. This may simply reflect the fact that those who are not employed spend more time in the local neighbourhood and hence are more aware of the extent to which people help each other out. The number of groups an individual is a member of is not related to labour force status.

Within the institutional realm, there is no relationship between confidence in institutions and labour force status. However, the breadth of institutional ties – having ties to a range of types of institutions – is related to labour force status, with individuals with a greater breadth of institutional ties being more likely to be full-time employed and less likely to be not employed. It is difficult to determine the nature of the causal relationship in this case. It is likely that having institutional ties leads to increased probability of employment, which in turn leads to an increase in the range and number of institutional ties accessible by any individual.

The proportion of respondents' three close friends who are employed is strongly related to labour force status. An increase in this proportion is estimated to decrease the probability of being not employed and to increase the probability of being full-time employed. There is virtually no impact on the probability of being part-time employed. This finding is particularly interesting given that this variable is a measure of both the social context the respondent lives in as well as the level of resources in their friendship network.

5. Social capital and job search
As outlined in Section 2, one of the most direct ways in which social capital is expected to impact upon an individual's labour market out-

comes is via the job search process. In this section estimates of the determinants of the job search method used to find employment are presented. Given the focus upon successful job search, the analysis is based upon respondents who were employed at the time of the survey.[9]

While multiple job search methods could be reported, only a small number of respondents reported using more than one search method. The job search methods named by respondents were categorised into five types of search method:

- Advertisement (newspaper or other advertisement and through the internet);

- Direct approach to an employer (either through employment agency or personal contact);

- Family and friends;

- Professional contacts; and

- Other (which is primarily comprised of direct approach from an employer and internal promotion).

Overall, the most common way in which employment was found was via an advertisement (29.3 per cent), closely followed by directly contacting the employer (26.8 per cent). Personal contacts were also important with 25.5 per cent reporting using professional contacts and 18.4 per cent reporting having found their job through family or friends.[10]

Given that there are four job search methods, as for labour force status the appropriate statistical model is the multinomial logit model.[11] While the specification used to estimate the determinants of job search method are similar to those included in the models of the determinants of labour force status there are some differences. The measures of family structure and partner's employment status are excluded since there is no reason to expect them to be related to job search method used. The specification includes an additional variable – whether been unemployed in the previous two years. As for the models of labour force status two models are estimated. The first includes the core social capital measures and the second, social capital type.[12] The summary statistics and coefficient estimates for the social capital type specification are presented in Appendix Tables A1 and A3 respectively.

5.1 Social capital type and job search method
The effects of the non-social capital variables are broadly consistent with expectations. Educational attainment is related to job search

method used. Having a degree or higher level of qualification is estimated to increase the probability of using professional contacts and the probability of having used a job advertisement. There are corresponding decreases in the probability of having found their job through family or friends.

Living in a rural area is estimated to decrease the probability of respondents having found their current job through family and friends or through an advertisement and to increase the probability of having found it through direct contact with employers and professional contacts. This finding is probably explained by the smaller populations in rural areas meaning that jobseekers and employers are more likely to personally know one another than is the case in urban areas. Employers may therefore be less likely to go to the expense of advertising. Perhaps, family and friends are less likely to be used because the jobseeker personally knows the employer.

Having been unemployed in the last two years is found to decrease the probability of using professional contacts and to increase the probability of respondents having found their job via direct contact with the employer and via an advertisement (although the coefficient for professional contacts is significant only at the 10 per cent confidence level).

As for the estimates of the determinants of labour force status, a useful way of illustrating the results is to present the predicted job search method used for each of the social types, holding constant all non-social capital variables at the sample average. These probabilities are presented in Table 2. These results show that social capital type is strongly related to job search method used to find employment (and the coefficient for informal emphasised is statistically significant). The social capital poor are by far the least likely to have used workmates or professional contacts with 10.9 per cent having found their current job in this way. This compares to rates of use of workmates or professional contacts of 24.8 per cent amongst those with strong norms and civic connections, 27.1 per cent among the social capital rich and 35.3 per cent among the informal emphasised social capital group. The social capital poor are also less likely to have obtained their job via direct approach to employers. The social capital poor are much more likely to have used family and friends (27.4 per cent) and responding to a job advertisement (37.9 per cent) than are the other social capital groups.

Table 2. Predicted job search method by social capital type

| | Social capital type | | | |
	Social capital rich	Strong norms and civic connections	Informal emphasised*	Social capital poor
	Per cent			
Advertisement	27.8	32.1	24.7	37.9
Direct approach to employers	33.6	27.4	25.8	23.8
Family and friends	11.4	15.7	14.1	27.4
Workmates or professional contacts	27.1	24.8	35.3	10.9

Notes: The predicted probability of being in each labour force state is calculated by varying the social capital group while holding constant the non-social capital variables at their sample average. * denotes that underlying coefficient is significant for at least one of the job search methods at the 5 per cent significance level.

Source: FSAC 2001.

Amongst the other groups, the job search methods used are broadly similar. The social capital rich are the least likely to have used family and friends and the most likely to have used a direct approach to employers. This is presumably because the social capital rich have other options.

These findings are significant as they suggest that while weak ties are important for some groups, closer ties are of more importance for job search among those with limited social capital. It is important to note these estimates control for having been unemployed in the previous two years and so cannot be explained simply by those who have not been employed having fewer professional contacts.

5.2 Core measures of social capital and labour force status

In this section, the findings for the core measures of social capital are briefly summarised. Detailed results are available from the authors. There is no relationship between trust and reciprocity in informal networks and job search method used. Furthermore there is no relationship found between the size of informal networks and job search method. Interestingly, density of friendship networks is not related to job search method either. However, the educational diversity of friendship networks is an important determinant. Having diversity in educational attainment of friendship networks is estimated to increase the probability of finding employment through family and friends and to reduce the probability of having found work via an advertisement. This finding lends support to the idea that network diversity acts to increase the resources a person can access, by connecting them to a greater range of

network types.

The estimates reveal that there is no significant relationship between the extent of employment among one's friends and job search method used to find current job. This finding is surprising given that it is expected that having a job will increase a person's ability to help some one else find employment. The explanation may lie in that friends being employed is not highly correlated with the labour force status of a person's broader network. This is consistent with the theory of the importance of 'weak ties' in the job search process (Granovetter 1973). Within the generalised realm, none of the dimensions of social capital are statistically significant. Within the institutional realm, an increase in breadth of institutional ties is estimated to increase the probability of having used professional contacts.

Perhaps the most significant finding is that that trust and reciprocity in informal networks are not related to job search method used to find employment. Nor is trust and reciprocity in the generalised or formal realms related to job search method used to find employment.

There is some evidence that the density of friendship networks is important, although the effects are only significant at the 10 per cent confidence level and so caution is needed in interpreting this result. Having denser networks of friends is associated with an increased likelihood of having used professional contacts and a decreased likelihood of having used direct contact with the employer or family or friends. This finding is again consistent with the strength of weak ties theory developed by Granovetter (1973).

6. Concluding comments

This paper has explored how social capital relates to individuals' labour force status and search method used to find employment. Two approaches to measuring social capital have been used: a core network based approach that measures the quality and structure of networks; and a social capital typology approach which groups individuals into four groups who have similar social capital profiles.

Social capital type is found to be strongly and statistically significantly related to labour force status. The social capital poor are more likely than any of the other social capital groups to be not employed, and if employed to be much more likely to be employed part-time. The informal emphasised social capital group are the most likely to be employed and if employed are substantially more likely to be full-time employed than the other groups.

In contrast, there are few relationships found between the quality of social relationships as measured by the extent to which networks are

characterised by trust and reciprocity and labour force status. The only exception is perception of reciprocity among people in neighbourhood is statistically significantly related to labour force status. However, several aspects of the structure of social networks are found to be related to labour force status. In particular, the size of friendship networks and the proportion of close friends. Within the institutional realm, having extensive or broad ties with institutions was significantly associated with labour force status.

While we found significant relationships between social capital and labour force status, it is impossible to determine to what extent the relationship is causal. Analysis of the relationship between social capital and job search method allows us to comment more confidently about the causal relationship between social capital and labour market outcomes at the individual level. Overall, consistent with other literature we find both informal and formal channels are important for successful job search. Additionally, our findings suggest that while it is customary to divide the channels through which information about job opportunities is obtained into two categories, formal and informal (see for example Norris 1996), a more fine grained classification of network types according to their role in successful job search that includes 'professional contacts' as a category is useful.

Measures of social capital type, that describe an individual's profile of relationships, are strongly and statistically significantly related to job search method, pointing to the usefulness of the typology approach for explaining outcomes at the individual level. The differences found are striking, particularly in the differential likelihood of finding jobs through professional contacts and family and friends. For example, the social capital poor rely on informal channels to a far greater extent than any other social capital type and are considerably less likely to gain employment through professional contacts.

In terms of network characteristics and relationship quality, we find few significant relationships between the measures of social capital in the informal realm and job search, the exception being network diversity. Similarly we find few relationships between generalised or institutional social capital variables and job search method – with the important exception that having a wide breadth of institutional connections increases the probability that jobs will be found through professional contacts.

Combined, these findings point to several key conclusions. First, social capital does have some role to play in determining labour force status, but perhaps not in ways that might be expected. For example, while many social capital theorists argue that having high levels of trust is critical to achieving a range of outcomes, we find it is the characteris-

tics of networks that are more important in predicting labour force status and job search method used to find employment. In particular, that it is the combination of various types of social capital that is important in determining labour market outcomes.

These findings are consistent with the 'strength of weak ties' theory (Granovetter 1973). Interestingly, the 'strength of close ties' is particularly important for those with limited social capital and more tenuous ties to the labour market, where friends and family were relatively important in finding employment. Restated in terms of the bonding, bridging and linking social capital classification, these findings point to the important role both bonding and bridging social capital play in determining labour force outcomes. Bonding ties appear more important in finding employment for those with limited connections, whereas for others bridging ties (such as professional ties) are more often used to find employment. At the same time having informal networks comprised of members with diverse levels of educational qualifications (argued to increase their 'bridging' capabilities) appears to increase the likelihood of successful job search through friends and family.

While social capital does relate to both labour force status and the job search methods used, it does this unevenly. Social capital may act to mirror or exacerbate existing inequalities or differences between people from higher and lower socio-economic circumstances. It is likely that the use of friends and family connections by those from lower socio-economic backgrounds is likely to result in 'lesser' quality jobs, than for those from higher socio-economic circumstances. Similarly, those out of the labour force are less likely to have links with people in paid employment who are in a position to help them find paid work. The extent and nature of these differences and inequalities is a topic worthy of further research and should be a focus of policies aimed at assisting those without employment into paid work.

Notes

[1] See Stone (2001) and Stone and Hughes (2002) for a detailed discussion of the concept of social capital and its measurement.

[2] Further details on the conduct of the fieldwork and representativeness of the sample can be found in Stone and Hughes (2002) and Hughes and Stone (2002).

[3] While respondents were asked about trust and reciprocity within their household, these questions were excluded because responses were in a very narrow range of high levels of trust and reciprocity and thus the variables have very little capacity to distinguish between respondents. Therefore only measures of trust and reciprocity within extended family are included.

4   A very small number of respondents reported having no friends. Variables such as the extent to which the respondent reports that their friends know one another cannot be constructed for these respondents. These respondents are excluded from the analysis.

5   These measures are based upon the assumption that the diversity reflected in three close friends is representative of the diversity of the respondent's entire network.

6   For details of the construction of this index see Stone and Hughes (2002).

7   There are too few unemployed respondents to allow a reliable analysis of the determinants of unemployment.

8   See Ehrenberg and Smith (1997) for a discussion of the theoretical literature. Relevant empirical studies include Beggs and Chapman (1990) and Le and Miller (2000).

9   The self-employed are excluded from the analysis since the process of establishing or purchasing a business is likely to be very different to that involved in finding a job with an employer.

10 The relative importance of the search methods used by the FSAC sample are broadly consistent with estimates from the *Labour Force Survey* (ABS 2000).

11 Thirty-nine respondents reported having found their job through an 'other search method'. Given the small number using this search method, they are excluded from the statistical modelling.

12 The models that use social capital type exclude the measure of health status. There are very few social capital rich with poor health making estimates of this variable unreliable.

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Appendix Table A1. Summary statistics for estimates of determinants of labour force status and job search method, social capital type model

	Labour force status model		Job search method used model	
	Mean	Standard deviation	Mean	Standard deviation
Age	42.1	11.4	39.9	10.4
Age squared	(1900.4)	(966.8)	(1704.2)	(846.7)
Female	0.695	(0.461)	0.660	(0.474)
Less than year 12	0.252	(0.435)	0.213	(0.410)
Trade qualification	0.201	(0.401)	0.187	(0.390)
Degree qualification	0.405	(0.491)	0.466	(0.499)
Rural area	0.211	(0.408)	0.152	(0.359)
Fair or poor health	0.034	(0.183)		
Migrant from NESB country	0.115	(0.319)	0.124	(0.330)
Migrant from ESB country	0.130	(0.336)	0.139	(0.346)
Has partner	0.704	(0.457)		
Employed partner	0.640	(0.480)		
Number of children	0.723	(1.059)		
Unemployed in previous two years			0.129	(0.336)
Percentile of socio-economic disadvantage (least to most disadvantaged)				
76 to 90 percentile	0.242	(0.429)	0.261	(0.440)
51 to 75 percentile	0.215	(0.411)	0.219	(0.414)
26 to 50 percentile	0.157	(0.364)	0.126	(0.332)
11 to 25 percentile	0.117	(0.322)	0.115	(0.319)
1 to 10 percentile	0.068	(0.252)	0.060	(0.237)
Social capital rich	0.200	(0.400)	0.194	(0.395)
Informal emphasised	0.186	(0.389)	0.205	(0.404)
Social capital poor	0.069	(0.254)	0.065	(0.246)
Friends employed	0.774	(0.287)	0.839	(0.231)
Number of observations	1102		620	

Appendix Table A2. Determinants of labour force status,
social capital type model

| | Part-time employed | | Full-time employed | |
	Coef	T-statistic	Coef	T-statistic
Age	0.1519	2.27	-0.2594	-3.67
Age squared	-0.0021	-2.54	0.0033	3.86
Female	-0.4158	-1.09	-0.3684	-0.82
Less than year 12	-0.4971	-1.67	-0.4529	-1.51
Year 12 (omitted category)				
Trade qualification	-0.1588	-0.52	-0.7230	-2.27
Degree qualification	0.2591	0.93	-0.7632	-2.54
Non-rural area (omitted category)				
Rural area	-0.0836	-0.34	0.2118	0.83
Fair or poor health	-0.0916	-0.14	1.2639	2.17
Migrant from NESB country	-0.0054	-0.02	-0.0446	-0.14
Migrant from ESB country	-0.1563	-0.60	-0.2948	-1.01
Born in Australia				
Has partner	0.0580	0.11	0.3113	0.51
Has partner * female	-0.4450	-0.72	0.5666	0.82
Employed partner	1.4028	2.46	-0.0995	-0.15
Employed partner * female	-1.1580	-1.78	-1.0962	-1.47
Number of children	0.4855	1.30	0.2950	0.68
Number of children * female	-1.3405	-3.51	-0.0724	-0.16
Percentile of socio-economic disadvantage (least to most disadvantaged)				
76 to 90 percentile	0.1141	0.43	0.5145	1.67
51 to 75 percentile	0.2317	0.83	0.2694	0.82
26 to 50 percentile	0.2164	0.68	0.3454	0.96
11 to 25 percentile	0.0332	0.10	0.1457	0.39
1 to 10 percentile	-0.3010	-0.69	0.8570	1.93
Strong norms and civic connections (omitted category)				
Social capital rich	0.1240	0.54	-0.0089	-0.03
Informal emphasised	0.5799	2.24	0.2586	0.90
Social capital poor	-0.3843	-1.16	0.0265	0.07
Friends employed	0.6257	1.76	-1.5763	-4.52
Constant	-1.5423	-1.15	6.1974	4.42
Number of observations	1102			
Pseudo R2	0.2546			

Note: Estimates are restricted to the working age population (18 to 65 years).

Appendix Table A3. Determinants of job search method, social capital type model

	Direct contact with employer		Family or friends		Professional contact	
	Coefficient	T-stat	Coefficient	T-stat	Coefficient	T-stat
Age	-0.0772	-1.01	-0.1309	-1.53	0.0145	0.18
Age squared	0.0006	0.61	0.0014	1.34	0.0001	0.06
Female	-0.3800	-1.54	-0.1497	-0.52	-0.0449	-0.18
Less than year 12	0.4956	1.21	-0.0736	-0.17	-0.1485	-0.33
Year 12 (omitted category)						
Trade qualification	0.1504	0.36	0.0228	0.05	0.2585	0.58
Degree qualification	-0.2788	-0.77	-1.6423	-4.14	0.4251	1.14
Non-rural area (omitted category)						
Rural area	0.7680	2.23	-0.6742	-1.46	0.5079	1.43
Migrant from NESB country	-0.4153	-1.21	-0.5305	-1.35	-0.5966	-1.73
Migrant from ESB country	0.4146	1.3	-0.3753	-0.95	-0.3894	-1.11
Born in Australia						
Unemployed in previous two years	0.2737	0.84	0.1741	0.47	-0.6951	-1.7
Percentile of socio-economic disadvantage (least to most disadvantaged)						
76 to 90 percentile	0.3644	1.1	-0.2041	-0.54	0.0491	0.15
51 to 75 percentile	0.5121	1.41	0.4643	1.19	0.1347	0.37
26 to 50 percentile	-0.3871	-0.9	-0.1921	-0.42	-0.3524	-0.83
11 to 25 percentile	-0.0027	-0.01	-0.8334	-1.55	0.1228	0.3
1 to 10 percentile	-0.3459	-0.68	-1.2080	-1.85	-0.4923	-0.95
Strong norms and civic connections (omitted category)						
Social capital rich	0.3462	1.17	-0.1763	-0.48	0.2326	0.8
Informal emphasised	0.2002	0.65	0.1502	0.43	0.6162	2.05
Social capital poor	-0.3080	-0.65	0.3889	0.86	-0.9871	-1.65
Friends employed	-0.2414	-0.49	0.3468	0.58	-0.0582	-0.12
Constant	2.0944	1.33	3.0322	1.75	-0.9204	-0.55
Number of observations	620					
Pseudo R2	0.0836					

Notes: Estimates are restricted to the employed respondents.