

Job creation policies need to reflect role of networks

Gerard Brady

The statistical research I conducted shows who you know makes a substantial difference, although what you know matters too

It's often said it's "not what you know, but who you know" that counts when getting a job. But is there much truth to this conventional wisdom?

On the face of it this seems to be a common experience. Many of us know (or are) someone who found a job because they knew the right person. Large companies such as LinkedIn have made it their business to connect you to your "professional network" with the aim of improving your employability.

Ibec research shows 87 per cent of employers use referrals by staff to fill non-graduate positions and it is seen by the majority of businesses who use this method as very effective. Indeed, international surveys show that about half of people found out about their current job from someone they know, while less than one in 10 found out from private or public employment agencies.

The EU's 2012 European Quality of Life Survey showed that 45 per cent of Irish people indicated they would first ask people they knew for help finding a job, com-

pared to 38 per cent indicating they would go to public or private agencies. This is even more important for young people, with 57 per cent of those under 24 saying they would first turn to people they knew. The question remains, however, do these networks make any difference?

This topic has been the subject of much inquiry. International research has shown that individuals with access to "better" social networks may be able to use their connections to access opportunities and information which would otherwise be unattainable to them.

The most famous research on the subject, Mark Granovetter's *The Strength of Weak Ties*, suggests that it's not your close friends and family that matter when it comes to finding a job, but your "weak ties", in other words your acquaintances. Unlike people close to you, your acquaintances are likely to have access to information about jobs which you do not.

Statistical research* I conducted, using representative data on more than 2,000 Irish adults, showed that who you know does indeed make a substantial difference, although what you know matters too.

Serious implications

The study indicates that participation in social groups such as sports clubs, community organisations and other networks where you are likely to meet people outside your close friends and family, increases significantly your chances of finding a job.

These findings may seem obvious on the face of it, but they are not really reflected in the way in which the State currently assists jobseekers. This may have serious implications for fiscal policy given the fact that we are spending €1.2 billion a year on employment and training supports.

Understanding the way in which people use their social ties to gain information about jobs and use their social influence to



■ Miriam Hederman O'Brien (left) and Colm Kelly (right) present the Foundation for Fiscal Studies research prize for 2013 to Gerard Brady of Ibec

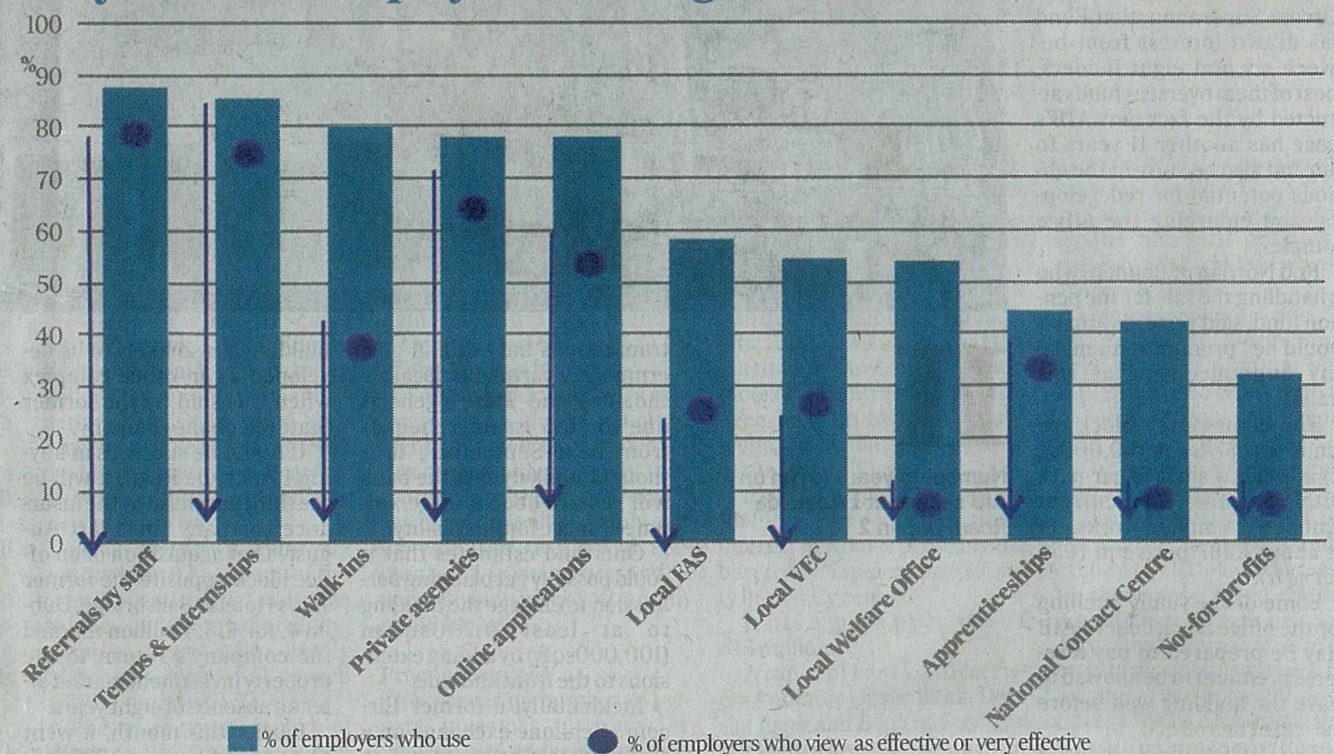


THE IRISH TIMES

The Miriam Hederman O'Brien prize

The Miriam Hederman O'Brien prize is awarded by the Foundation for Fiscal Studies in association with *The Irish*

Ways in which employers fill non-graduate roles



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gain a foothold in the labour market can help us design policy which serves jobseekers that little bit better and makes it easier for them to find work.

This is particularly important for jobseekers with little or no experience, for those who have been out of employment for a long time and for people applying for non-graduate roles. From a policy point of view, this research suggests that promoting workplace elements to education, skills and labour market activation programmes, such as work placements, will benefit jobseekers.

Times to recognise outstanding original work from new contributors in the area of Irish fiscal policy. The aim of the prize is to promote the study and discussion of matters relating to fiscal, economic and social policy, particularly among new contributors to these fields, and to reward those who demonstrate exceptional research promise. The prize forms an important part of the foundation's overall objective of promoting more widely the study and discussion of matters relating to fiscal, economic and social policy.

To some extent this is already happening, in schemes such as JobBridge or training schemes such as Skillnets and Fastrack to IT, where employers and government work together in training networks for employees and jobseekers alike may.

Not only are jobseekers more likely to meet the right people in a work-oriented environment, but crucially these networks also allow employers to communicate their skills needs to jobseekers more effectively. Schemes with these close labour market ties should be prioritised

ahead of those without them.

The effectiveness of the State's spending deserves serious evaluation, even when it reveals some uncomfortable truths. The vast majority of people who are unemployed want to work and job creation is improving. However, Ireland's history in getting people back to work after downturns is poor. This was particularly true in the 1980s where large numbers of people were left unemployed needlessly.

The Government's *Pathways to Work* paper acknowledged this failure. Howev-

er, in the recent past both the OECD and the ESRI have again shown that money the state spends on getting people back to work could be used more productively. This research suggests the same. We need to learn lessons from these insights to avoid repeating old mistakes.

Gerard Brady, an economist with IBEC, is the winner of the inaugural Miriam O'Hederman O'Brien prize, sponsored by the Foundation for Fiscal Studies.

*See <http://iti.ms/1glZEOl> for full paper

What are the factors that make an economy successful?

Colm Kelly

The purpose of the Miriam O'Hederman O'Brien prize is to encourage fresh thinking

By what measure should we consider an economy to be performing successfully? Is it growth? This has been the default assumption for many economies for many years.

The Irish economy grew at

some of the highest rates in the developed world for a number of years not so long ago, and was presented as a model for others. We now know that this growth was unsustainable, and its consequences highly undesirable.

Defining lessons

One significant conclusion to be drawn is that when formulating economic policy, it is neither feasible nor desirable to separate an economy from the societal framework within which it operates – especially when defining appropriate measures of success.

An economy is dependent on a sustainably successful society, just as a society requires a

sustainably successful economy. This, if anything, is one of the defining lessons of the crisis.

Policy formulation in this context has become more complex. We live in a hyper-connected world. Technology is just one of the factors which has accelerated our interdependence in a global sense.

Our economic wellbeing in Ireland will depend on how things are going in Europe, in the US, and increasingly in China, Brazil, India and Africa, to name but a few.

The factors which influence the world on a global basis will influence virtually every society in that global community. Energy, climate change, resource

scarcity, demographics, economic rebalancing.

Policymakers in every country now have to take account of these factors, seeking to ensure that economic policy for a particular country will deliver societal outcomes which reflect global connectivity and interdependence.

Good society

In the last several decades, many governments, especially in the West, retreated from many sectors and spheres, feeling that the "private sector" was better placed to operate in these areas. Perhaps in many cases this was true.

However, we now also know that governments cannot re-

treat completely – they cannot retreat from dealing with major issues when they arise, quite simply because governments have to step in to support their citizenry when the economy doesn't do so.

So does this mean that it is the turn of business to "retreat"? Categorically not. Business must "lean in" to work to deliver on the sustainable societal outcomes which governments must foster.

A good business needs a good economy needs a good society. There cannot only be mutuality of interest – there must also be mutuality of purpose.

There is a need to encourage research to support policymakers to respond to these challeng-

es. A more holistic view is required of the relationships between fiscal policy, economic policy, and sustainable and desirable societal outcomes.

The purpose of the Miriam O'Hederman O'Brien prize, sponsored by the Foundation for Fiscal Studies, is to encourage fresh thinking in these areas.

Challenges

The inaugural prize has been awarded to Gerard Brady, an economist with Ibec, and it reflects the innovative nature of his paper.

His paper is focused on employment activation, and the potential for policymakers to improve the potential for job seek-

ers to find employment based on social networks.

Policymakers in Ireland and elsewhere are not short of challenges and we hope that the Miriam Hederman O'Brien prize will provide further contributions to support their efforts in the coming years.

Colm Kelly is chair of the Foundation for Fiscal Studies, and a vice chair and global operations leader of PricewaterhouseCoopers International Limited. The views expressed are his own.

Details of the Miriam Hederman O'Brien prize for 2014 and how to enter are available at fiscal.ie/activities.php#research

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