

# **JOB ALLOCATION IN TRANSITION SOCIETY: THE ROLE OF SOCIAL NETWORKS IN ESTONIA<sup>1</sup>**

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## **INTRODUCTION**

Social stratification refers to social inequalities that may be attributed to the way a society is organised, to its socio-economic structure. Individuals' life-chances are largely determined by their position in the labour market and occupation is taken to be its central indicator. This way, the occupational structure is viewed as the backbone of the stratification system. The process of allocating and obtaining jobs is crucial for labour markets to function in a market economy. In the Soviet planned economy, different from the post-socialist market-oriented Estonian economy, working was compulsory on ideological grounds and the right to work was guaranteed and mandatory to use. The change of the ways that labour markets function has been one of major shifts in society, and we want to see how do individuals obtain their jobs, and how often social networks are used to find a job. We are also interested in the role which individual characteristics play in using these networks.

Contributions of social network analysis to status attainment can be traced to a study conducted by M. Granovetter (1995). Old-established theoretical developments (Lin, Ensel, and Vaughn, 1981; Bourdieu, 1986, 1987; Coleman, 1988; Granovetter, 1995; Lin, 1999; Putnam, 2000; Burt, 2001; Beugelsdijk and Smulders, 2003) and more recent sociological research argue that social capital is one of the significant aspects in achieving the desirable status in the labour market (Korpi, 2001; Lin, 2001), and sometimes it is even considered to be a crucial factor in getting a desired job (Barbieri, Paugam and Russell, 2000).

A number of studies on the impact of social networks have been conducted in Estonia as well. Researchers confirm (Hansson, 2001; Kazjulja, 2002) that informal networks played an important role in getting a job in Estonia in the 1990s. Before Estonia's economic restructuring personal networks have helped to acquire a good job, but in the following periods their role in obtaining any job has become crucial (Kazjulja, 2002). Leeni Hansson (2001) noticed that usefulness of one's social network in Estonia depended not only on the size and spread of the network that the individual is a part of, but also what resources it encompasses through its members, and to what extent the individual has access to those resources.

The aim of this paper is to reveal if and how structural changes in society have affected the role that individual network capital has had in allocating jobs in Estonian labour market for the period 1989–2007. We use the concept of network

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capital (Wong and Salaff, 1998; Wellman and Frank, 2001) to capture the social networks of family and friends whom people may consult when looking for a (new) job. Key questions in this paper evolve around the extent to which rational markets prove to be embedded in social structure. We wonder about the role social ties and social networks play, in wider sense —the social capital's part in a process of acquiring a job over time, considering the different societal settings. We believe that the new crystallisation of institutions resulting from the societal changes was more favourable to some groups.

We will analyse the changes in the context of societal change, assuming systemic differences based on the level of development of labour market institutions and expecting that the usefulness of social network capital is dependent on the economic cycle in a given society. This paper explores quantitative datasets of nationally representative Estonian Labour Force Survey, with data from 1989 to 2007. We limit our interest to those who changed their jobs during the given year, so we can be sure the importance given to the indicators under consideration actually reflects the labour market activities at that specific point in time.

In order to capture inequalities of this kind of network capital, we compare the likelihood of different social groups to obtain their jobs with the help of social networks. We suggest that the efficiency of one's network capital depends on the level of other types of resources valued at labour market, especially education, but in the case of Estonia also belonging to titular ethnicity may work as an important differentiator of the nature of social networks and thus the usefulness of network capital.

We limit the analysis here to one country, as we hope to keep to minimum variation in culture. However, we do not deny the explanatory power of cultural beliefs and ideologies for the differences to be found. Still we hope to provoke a wider discussion on the role that social network capital plays in post-socialist economy and its labour markets. We see researching social networks as an indicator of the possibility, viability and importance of social life outside of markets.

## **SOCIAL NETWORKS AS A FORM OF CAPITAL**

A fundamental claim of the network-based theory of social capital is that life chances depend not only on individual resources but also on network characteristics reflecting the resources of network members (Flap, 1999; Lin, 1999). Sociologists have conducted more detailed studies of the role of networks on the labour market. A social network has been considered a crucial factor in getting a desired job (Barbieri *et al.*, 2000). Several studies suggest that the social network may be as important as or even more important than human capital (education and work experience) in status attainment (e.g. Lin *et al.*, 1981; Marsden and Hurlbert, 1988; Flap and Boxman, 2001).

Contributions of social network analysis to status attainment can be traced to the study conducted by M. Granovetter (1995). He analysed the social ties used by a person in the process of finding a job and showed that weak ties (that is, not emotionally intense, infrequent, and restricted to one narrow type of relationship) were much more effective than strong ties (defined as emotionally intense, frequent, and involving multiple types of relationships). For example, weak ties were more likely than strong ties to have been the source of information about job openings. This effect he named „the strength of weak ties“.