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Social Capital as an Explanation for Early Labor Market Inequalities Between Majority and Minority Members in the Netherlands

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Abstract

Previous research has argued that social capital may have a positive influence on labor market success. In the current study, it is tested whether social capital can explain differences in existing early labor market inequalities between majority and minority members. Data from the 'Children of Immigrants Longitudinal Survey' are used (N = 822). Hypotheses are tested with structural equation models and a longitudinal approach. Three different mechanisms are tested: the capital deficit, the return deficit, and differences in the returns to informal job-search methods. None of the mechanisms were found to be affecting early labor market success. Furthermore, no differences in the social capital of majority and minority members were found. The need for more research into the role of social capital is underlined. The current findings implicate that future research should look into other explanations for inequality in the labor market.

Keywords: Social Capital; Immigrants; Labor Market Inequality; Job Search Methods

Introduction

In Europe, second-generation immigrants with non-western origins[1] occupy a disadvantaged position in the labor market. The youth unemployment rate is 8.4% higher than the youth unemployment rate among those who are native-born and have a native background (Eurostat, 2016a). Furthermore, minorities are more likely to have a temporary contract or work part-time (Eurostat, 2016b). Moreover, they less often occupy professional and managerial jobs in several European countries (Heath, Rothon & Kilpi, 2008). Differences in early labor market success are especially influential since such differences may lead to cumulative disadvantages (Arulampalam, Gregg & Gregory, 2001; Gregg, 2001; Petersen, Jung, Yang & Stanley, 2011). A lack of early labor market success among minority members may thus disproportionately affect their careers.

[1] To enhance simplicity and consistency, second-generation immigrants with a non-western immigration background will be described by the term 'minority members' throughout the article. Other groups are described by the term 'majority members'.

Previous research has given several explanations for differences in labor market success between minority and majority members. It has been explained by the lower amount of human, and cultural capital of minorities (Aschaffenburg & Maas, 1997; Corak, 2013; Oaxaca & Ransom, 1994; Van Ours & Veenman, 2004). Another explanation is that majority members more often come from a higher socioeconomic background (Breen & Jonsson, 2005; Boudon, 1974; Van Ours & Veenman, 2003). Lastly, discrimination of minorities may be detrimental to their labor market success (Blommaert, Coenders & Van Tubergen, 2013; Heath et al., 2008; Reimers, 1983).

More recently, the relevance of one's social network in attaining labor market success has been underlined. According to the 1996 Eurobarometer, 38% of the unemployed search for a job through family, and 63% search for a job through friends (Gallie, 1997). Holzer (1987) found that 85% of the unemployed youth in the United States asked friends or relatives about possible job openings. Pellizzari (2010) states that 15% of the currently employed workers in the United States found their current job via personal contacts, the average in fourteen European countries is around 20%.

Furthermore, in several countries, it has been found that there is a positive relationship between knowing people in prestigious occupations and labor market success (Li, Savage & Warde, 2008; Behtoui, 2007; Volker & Flap, 1999). It has previously been argued that a lack of social capital among minority members may explain their disadvantaged labor market position (Lin, 2000). Evidence for a lower level of social capital among minority members has been found in several countries such as Sweden (Behtoui, 2007), the United Kingdom (Li et al., 2008), and the United States (McDonald, 2011). In the Netherlands Van Tubergen and Volker (2015) found evidence for it among people with a Moroccan immigration background, but not among people with a Turkish immigration background. Moreover, Behtoui (2007) and McDonald (2011) found that differences in social capital between minority and majority members can partially explain differences in labor market success.

The current study will build on previous research by investigating via which mechanisms social capital influences labor market success. To date, those mechanisms remain unclear. Do minority members have less social capital than majority members or do they have similar levels of social capital but are they receiving fewer benefits from it? It may also be that majority and minority members differ in the way they employ their social capital while searching for a job. The current study adds to previous research by simultaneously looking into the social capital of majority and minority members, and their job-search methods. Previously, those topics have been studied separately. Several studies found that searching for a job via

acquaintances is less beneficial for minority members than for majority members (Behtoui, 2008; Drever & Hoffmeister, 2008; Falcon, 1995). It has been argued that this may be caused by a lack of social capital among minority members (Forsé, 2004; Mouw, 2002). However, previous research has not been able to test this directly. In the current study, this is possible, studying the two topics simultaneously may help in disentangling underlying mechanisms.

Specifically, the current study aims to test three previously proposed mechanisms about the role of social capital in labor market success (Lin, 2000; Forsé, 2004). First, we will investigate whether minority and majority members have different levels of social capital and whether such differences can explain inequality in early labor market success. Thereafter, we will test whether having social capital is less beneficial for minority members than for majority members. Lastly, we will test whether the effect of informal job-search strategies is dependent on one's social capital. The following overarching research question is proposed: *Can social capital explain differences in the early labor market success of majority and minority members?*

In order to answer this research question, we will be using data from the 'Children of Immigrants Longitudinal Survey in Four European Countries' (CILS4EU) (Kalter et al., 2016a, 2016b, 2016c), and the 'Children of Immigrants Longitudinal Survey in the Netherlands' (CILSNL) (Jaspers & Van Tubergen 2014, 2016, 2017), which is the Dutch continuation of the CILS4EU project. The CILSNL data is especially suitable for the current study because it includes information about job-search methods and social capital. Furthermore, minorities are oversampled in the survey data, therefore enough majority and minority members are included in the sample. Because the respondents were followed from adolescence until adulthood it is possible to study early labor market success. Studying the effect of social capital on early labor market success is a useful study case because possible confounding factors, such as attained human capital during employment, can be excluded.

Theory

The theory section will be structured as follows. First, the relevance of social capital in the labor market is discussed. Thereafter, possible mechanisms behind the capital and return deficit are discussed. Lastly, the possible impact of informal job-search methods is discussed.

Social capital in the labor market

Social capital is a multifaceted concept (see for example Van Oorschot, Arts & Gelissen, 2006). Erickson (2001) defines social capital as an individual's network variety, the number of

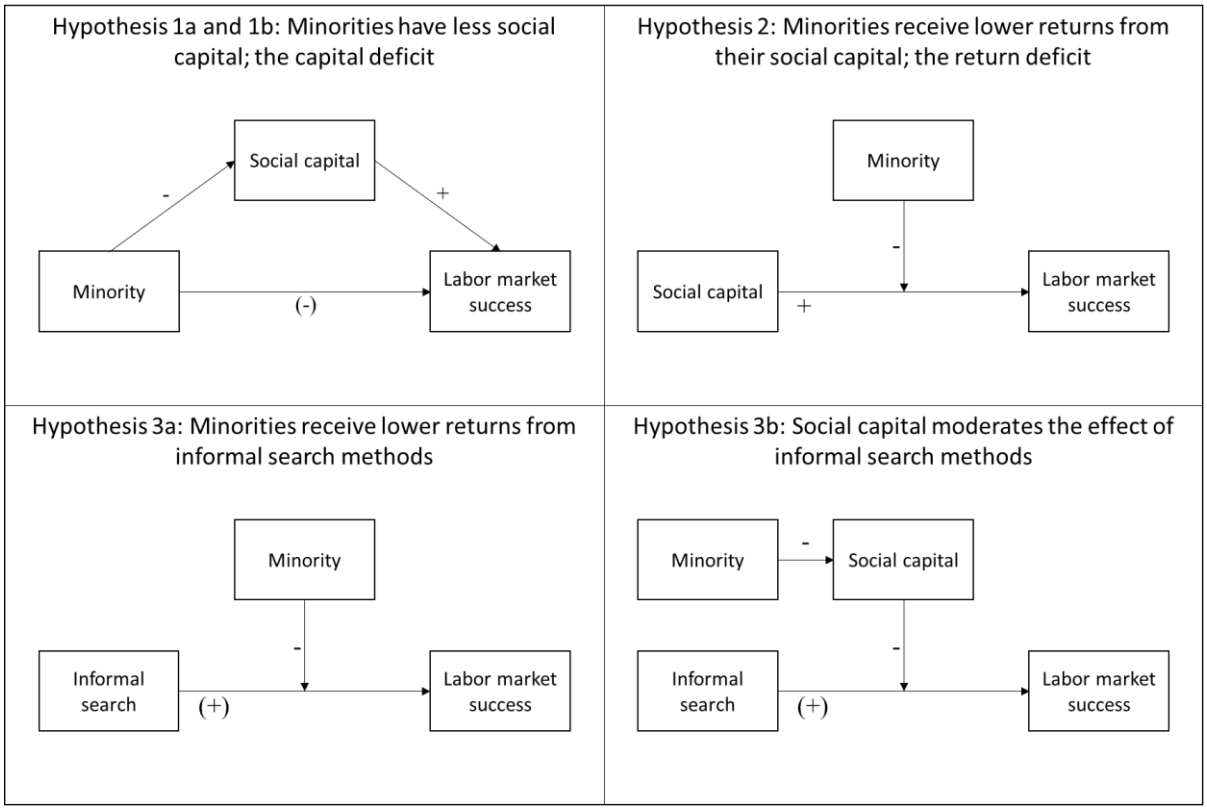
different kinds of people that someone knows. Like other forms of capital (e.g. human capital), higher levels of social capital are expected to lead to higher returns in the labor market. Similarly, Lin (1999a) argues that social capital can be seen as a resource that can be used to gain returns in instrumental actions such as finding a job.

Previous research has focused on access to social capital, and the use of social capital by individuals. It has been argued that social capital may be useful in the labor market in several ways. Lin (1999b) proposes three types of explanations. Firstly, social contacts may provide information, being informed about job-openings may lead to additional opportunities in the labor market (Granovetter, 1973). Secondly, social contacts may influence others in their decision-making, a social contact may vouch for an individual during a hiring process (Marsden, 1994). Thirdly, the social capital of an individual may be a resource for an organization, therefore individuals with more social capital may be more desirable employees (Erickson, 2001).

Lin (2000) argued that social groups, like majority and minority members, may have different amounts of social capital available to them. Or that they may gain different returns from the social capital they have. He described the two mechanisms as the capital deficit and the return deficit. In the current study, these two deficits will be studied simultaneously. More recent research has argued that social capital consists of three components: the people in someone's network, their resources, and their willingness to provide those resources. The resourcefulness of one's network is a combination of the three components (McDonald, Lin & Ao, 2009). Although this definition describes social capital more completely, it hinders us in making a distinction between the capital and return deficit. This is problematic because we agree with Lin (2000); it is useful to test whether minority and majority members gain differential returns from their network, even though their networks are similar in composition and social resources. For that reason, we will exclude the willingness to provide resources by the people in one's network from our definition of social capital. This enables us to test whether the networks of minority and majority members differ in network composition and social resources or whether minority and majority members receive different returns from their network composition and social resources.

Additionally, the returns to informal job-search methods by majority and minority members will be analyzed. Minorities may less often find jobs through their social network because mobilizing their social capital is less often successful for them (Behtoui, 2008; Holzer, 1987). The three mechanisms will be discussed in greater detail below. Figure 1 gives a schematic overview of all hypotheses.

Figure 1: Schematic overview of all hypotheses



The capital deficit

Previous research has investigated whether majority and minority members differ in the amount of social capital they possess. Evidence for a social capital deficit among minority members has been found in several countries (Behtoui, 2007; Li et al., 2008; McDonald, 2011; Van Tubergen & Volker, 2015).

A possible explanation for the capital deficit has been given by Lin (2000). Previous research has shown that people tend to have more contact with people who are similar to them than with people who are dissimilar to them (McPherson, Smith-Lovin & Cook, 2001). This phenomenon is also known as 'homophily'. Homophily along racial lines may impede contact between majority and minority members. This may hinder the social capital of minorities because on average, minorities are lower in socioeconomic status than majority members. While contact with people higher in socioeconomic status may be more beneficial for one's social capital than contact with people lower in socioeconomic status. People higher in socioeconomic status may possess more social resources, which can be employed to provide job-information and exert influence (Lin, Ensel & Vaughn, 1981). Homophily along racial lines may then make it difficult for minorities to maintain contact with people higher in socioeconomic status. Which may subsequently be detrimental for their social capital.

However, previous research has criticized the assumption that being connected to people in higher socioeconomic positions is always most beneficial. Ruiter and De Graaf (2009) argued that being connected to people in similar socioeconomic positions may be more beneficial for an individual than being connected to people in higher socioeconomic positions. Since people in similar occupations may be able to provide more relevant information. A carpenter may, for example, be more likely to receive useful information from a foreman in construction than from a lawyer, even though the latter is in a higher socioeconomic position.

For that reason, only focusing on connections with people in higher socioeconomic positions may be too simplistic. Other research has argued that there are three dimensions of social capital (Behtoui, 2007; Song & Lin, 2009), namely: upper reachability, extensity, and range. Upper reachability indicates the extent to which an individual has access to prestigious occupations. Extensity estimates the quantity of one's social capital. Finally, range reflects the diversity of one's social capital. Differentiating between these dimensions may help in capturing the concept of social capital (Song & Lin, 2009).

It has previously been found that minority members have smaller and less diverse social networks as well (Marsden, 1987; Li et al., 2008). Several explanations for this have been given. Minority members may be embedded in social networks that constrain their opportunities to attain larger and more diverse social networks (Behtoui, 2007). Their opportunities may, for example, be constrained because they more often live in stigmatized neighborhoods, or work in inferior parts of the labor market. This may hinder people from establishing social ties with them (Behtoui, 2007). It may also be that the parents of minorities have less socioeconomic resources, while such resources may also lead to social capital (Lai, Lin & Leung, 1998).

Based on the previous, the following hypothesis is proposed: *Hypothesis 1a: Minority members have less social capital than majority members.* An additional hypothesis is proposed based on the three mechanisms via which social capital may enhance labor market success that were discussed in the previous paragraph: information, influence, and social capital as a resource for an organization (Lin, 2000). The hypothesis reads as follows: *Hypothesis 1b: Minority members have less social capital than majority members, and therefore they have less early labor market success.*

The return deficit

As discussed in the previous paragraph, a capital deficit implies that members of different social groups differ in the amount of social capital they possess. On the other hand, a return deficit implies that members of different social groups may receive different returns from their social

capital. Thus, majority and minority members who have networks similar in composition and social resources may receive different returns from it. Lin (2000) states that such a deficit has only scarcely been tested.

Smith (2005) did, however, find evidence for a return deficit among African-Americans. She found that poor, urban African-Americans were less likely to benefit from their relations, not because they lacked social capital but because their social capital was less likely to be mobilized for assistance.

Three possible causes for a return deficit among minorities in the labor market can be distinguished. Firstly, the social ties of minorities may be more reluctant to provide help than the social ties of majority members. Majority members may view other majority members as more competent, and may for that reason prefer to provide network resources to them instead of minority members (McDonald, 2011). The returns of belonging to a network of majority members high in socioeconomic status may then be smaller for minority members than for majority members.

A related mechanism was discussed by Smith (2005), she argued that the decision to provide job-finding assistance is dependent on one's reputation and the job seekers' reputation. Recommending someone can potentially damage one's reputation, therefore people lower in reputation may be more hesitant to provide referrals. Smith (2005) found that poor urban African-Americans had negative perceptions about the work ethic and motivation of other poor urban African-Americans. Due to those perceptions, they were less willing to provide referrals to them because they did not want to risk their reputation. Minorities may reap fewer returns from their social capital if similar processes would operate for them. Alternatively, the perception that employers are more hesitant to employ minorities may prevail among the contacts of minorities. Therefore, they may be more reluctant to provide help (Lin, 2000). The perception that referring a minority is unlikely to be valued may hinder contacts from referring minorities.

Secondly, employers may respond differently to minority members than to majority members even if they have equal amounts of social capital. It could be that employers discriminate against minorities, and may, therefore, less often hire minorities (Heath et al., 2008). Having social capital may, in that case, be beneficial for majority members, but not for minority members. Another possible mechanism was proposed by Holzer (1987). He argued that employers may have more confidence in the referrals that currently employed majority members give compared to referrals that currently employed minority members give. Due to homophily, the networks of minorities may to a large extent consist of other minorities. They

may, therefore, mainly receive referrals from other minorities. Being connected to an employed person from the same social group may, in that case, be more beneficial for majority members than for minority members.

Thirdly, minorities may not mobilize the appropriate social capital when searching for a job (Lin, 2000). Holzer (1987) found that minority members use informal job-search methods less extensively than majority members. Therefore, they may less often mobilize their social capital. The role of informal job-search methods in explaining differences in labor market success between majority and minority members is discussed in more detail in the next section. The following hypothesis concerning the return deficit is proposed based on the three previously discussed causes: *Hypothesis 2: The returns to social capital are lower for minority members than for majority members, and therefore they have less early labor market success.*

Job-search methods

Previously the capital and return deficit have been discussed. Another useful distinction that can be made considers the way social capital is used in the labor market. Social capital can have an impact on one's career in two ways (Marsden & Gorman, 2001). An individual may find a new job while not actively seeking one, due to information that is flowing through his or her social network. Being embedded in a resource-rich social network may increase the likelihood of receiving such useful information. This mechanism is also known as the 'invisible hand of social capital' (Lin, 2000). A capital or return deficit among minorities may influence their opportunities to find employment via the invisible hand of social capital.

However, social capital can also be actively mobilized while searching for a new job, in which case it can be seen as a specific job-search method. Behtoui (2008) describes such a strategy as an informal job-search method. Informal job-search methods involve personal ties that were not established to find a job, examples are friends or previous co-workers who help with finding a job. Behtoui (2008) distinguishes between two other job-search methods. Formal methods involve an impersonal intermediary such as an employment agency. The last method is called the 'direct approach', which is the case when an individual directly applies to a firm without any intermediaries.

The job-search methods that majority and minority members use can be compared, and it can be tested how beneficial different methods are for members of both groups. In a study about youth unemployment among African-Americans, Holzer (1987) found that both whites and African-Americans most often use direct approaches and informal job-search methods. However, the probability of finding employment via such methods was found to be lower for

African-Americans than for whites. In another American study, it was found that when Latinos use their social network to find employment it has a negative effect on their earnings. This was not found when whites or African-Americans use their social network to find employment (Falcon, 1995).

Similar results have been found in European research. Drever and Hoffmeister (2008) found that minority members are more likely to employ informal job-search methods than majority members. However, finding employment through such methods led to occupations in worse working conditions than occupations found through other methods. In Sweden, Behtoui (2008) found that immigrants less often found their current job using an informal job-search method than majority members. Furthermore, jobs found through informal job-search methods paid better compared to jobs found through other methods for majority members, but worse for minority members. In line with these findings, the following hypothesis is proposed: *Hypothesis 3a: Informal job-search methods are less beneficial for minority members than for majority members.*

A problematic aspect of previous studies that looked into the job-search methods of majority and minority members is that it remains unclear why an employee used a formal method, an informal method, or a direct approach. Mouw (2002) argued that someone's strategy is dependent upon his or her opportunities. A person will choose a particular job-search method based on the expected returns. Minorities may have fewer job-search methods available to them than majority members. Thus, a job-search method should not be seen as an exogenous variable but as an endogenous variable. Therefore, only comparing the job-search methods of majority and minority members is too simplistic. An individual may be forced to use an informal job-search method because there are no other options available, but an informal method could also be preferred if an individual possesses relatively much social capital. An informal method may, in that case, offer higher expected returns than other methods.

In line with this, Behtoui (2008) argues that lower returns to informal job-search methods among minority members may be caused by their lack of social capital. The returns to informal job-search methods are indicative of one's social capital (Forsé, 2004). Thus, fewer returns to informal search methods among minority members may be caused by their lack of social capital. Our data allow us to test this relation directly. Therefore, the following hypothesis is proposed: *Hypothesis 3b: Minority members have less social capital than majority members, and therefore they receive lower returns from informal job-search methods.* Thus, social capital is expected to moderate the effect of informal job-search methods, for minority members and majority members. However, in line with hypothesis 1a, we expect that minority members have

less social capital than majority members. Confirmation of this hypothesis would explain why previous research found that informal job-search methods are less beneficial for minority members than for majority members (Behtoui, 2008; Drever & Hoffmeister, 2008; Falcon, 1995).

Data and method

Data

The role of social capital in the early labor market success of minority and majority members is studied with data from the CILSNL and CILS4EU project. The CILSNL project is the Dutch continuation of the CILS4EU project. The CILS4EU sample was requested to participate in CILSNL as well.

The initial sample of the CILS4EU project was interviewed at age fourteen (CILS4EU, 2016). A three-stage sampling design was used where individuals were selected within schools and school classes. Schools were selected with probability proportionally to size. Furthermore, schools with larger proportions of immigrants were more likely to be selected, this was done to acquire data about a large enough number of students with an immigration background. Schools that refused to participate were replaced by schools with similar characteristics, this resulted in a response rate of 91.7% at the school level. After schools had agreed to participate, two school classes were randomly selected for participation. The response rate at the class level was 94,5%. Within these school classes, 91.1% of the students participated. The sampling procedure aimed to enable inferences for the entire Dutch population of adolescents of around the same age (CILS4EU, 2016). In the current study, the CILS4EU data provides information about the immigration background of respondents, the occupational status of parents, and enables clustering observations within schools.

The CILS4EU project was collected over three waves, the CILSNL project consists of four additional waves, and has been collected between 2013 and 2017. Data from the fourth (2013-2014), sixth (2014-2015), and seventh (2016-2017) wave of CILSNL are used. The respondents were aged 17-18 in the fourth wave, 20-21 in the sixth wave, and 21-22 in the seventh wave. Advantages of the CILSNL data are that they contain multiple measures of social capital, information about job-search methods, and relevant background variables.

Social capital was measured during the fourth and sixth waves of data collection, while early labor market success was measured during the seventh wave. Therefore, there is a time lag between the two measures. An advantage of this is that social capital at time point *t* can be

used to predict labor market success at timepoint *t+1*. This provides a better opportunity to test the direction of the relationship between social capital and labor market success. Social capital may lead to labor market success, but it may also be that labor market success leads to social capital. For that reason, a cross-sectional design would be unable to test the direction of the relationship (Mouw, 2006).

Selection

The dependent variable in the current study is early labor market success. To enable a time lag between our independent variables and early labor market success, we will look into early labor market success at the latest wave of data collection. In total, 3,561 respondents participated in the latest wave of data collection. However, respondents whose main activity was not employment, or unemployment during the latest wave of data collection had to be excluded, since they had not entered the labor market yet (2,711). The main cause of the high amount of excluded respondents is the relatively young age of the respondents at the latest wave of data collection 21.7 (SD = 0.68). For that reason, the majority of the respondents were still studying. Another consequence of the age of the sample is that the amount of respondents with a diploma in higher-education who had entered the labor market is small (26). For that reason, those respondents were also kept out of the analysis. The analysis will be restrained to respondents who finished intermediate vocational education, or less[2]. Lastly, two respondents were left out of the analysis because their school was unknown. The final number of respondents is 822.

A large proportion of the respondents had to be dropped due to their age. However, the age of the sample also has an advantage. It allows us to study early labor market success as opposed to labor market success later in one's career. This is an advantage because individuals attain work-related skills during their careers (Arulampalam et al., 2001; Gregg, 2001). The confounding effect of these skills can be reduced by studying early labor market success. When employed, individuals may, for example, follow additional courses that are relevant for their current occupation, this may subsequently increase their labor market success.

In total, 7,593 respondents participated in at least one of the initial CILS4EU waves. Only 10.8% of those respondents will be analyzed in the current study. The selectivity of our selection affects the generalizability of our findings, and for that reason, our results should be treated with caution. The dropout rate among males was larger than among females. In the

[2] A robustness analysis was conducted where higher educated respondents and respondents who were still studying were not left out (see appendix 2). The analysis yielded similar results.

initial sample, 48.6% was male, while the share of males in the current sample is 43.6%. Furthermore, the dropout rate among minority members was larger than among majority members. In the initial sample, 34.6% was a minority member, in the current sample 25.6%. Even though the share of minority members is smaller, it is still reasonably large.

Measures

Dependent variable

The dependent variable in the current study is occupational status. Occupational status is measured with the International Socio-Economic Index (ISEI) (Ganzeboom, 2010). The ISEI is an index ranging from 10-90 where occupations are indexed based on socioeconomic status.

Independent variables

The current study investigates differences between respondents with, and without a non-western immigration background. Following the initial definition in the CILS4EU sample, persons who are themselves, or have at least one parent, born in a non-Western country are considered as having a non-western immigration background (CILS4EU, 2016). Non-Western countries are countries in Africa, Latin-America, Asia (excluding Indonesia and Japan), and Turkey (CBS, 2016). A dummy variable was constructed based on this definition *(1= minority, 0 = majority).*

A position generator is used to measure social capital. In a position generator, respondents indicate whether they know people who meet particular characteristics (Lin & Dumin, 1986). Previous research has mostly used lists of occupations differing in prestige, respondents were asked whether or not they knew someone in each of the occupations (e.g. Behtoui, 2007; Li et al., 2008; Van Tubergen & Volker, 2015). However, the age of the respondents in the current study would make that approach problematic. Position generators were conducted in wave 4, and wave 6, respondents were at that time respectively between 17-18 and 20-21 years old. At that time, the social world of respondents may to a large extent consist of people who are not yet employed. A different approach was used because people who are not employed may also provide useful social resources (Van der Gaag & Snijders, 2005). Instead of only focusing on occupations, different characteristics were used in the current survey. Prestigious occupations were included, but also, prestigious social positions, different names, and whether they know people who attend different levels of education. Respondents indicated how many people they know who met each of the characteristics. See appendix 1 for an overview of all twelve items. Seven response categories were used about the number of

people they know: 0, 1, 2-5, 6-10, 11-20, 21-50, and more than 50. Mean scores were computed based on the categories.

An exploratory factor analysis is conducted to distinguish between different dimensions of social capital. It has previously been argued that social capital has three dimensions, extensity, upper reachability, and range (Li et al, 2008; Song & Lin, 2009). It will be tested whether a similar distinction can be made with the current position generator. After conducting the exploratory factor analysis, the different dimensions of social capital will be loaded on one second-order reflexive latent variable which will be used as a measure for social capital.

The last independent variable is the job-search method of respondents while searching for a job. Respondents who were employed were asked how they searched for their current job, unemployed respondents were asked how they were currently searching for a job. Respondents could indicate that they searched for a job, via the Employee Insurance Agency, an employment agency, school, advertisements on vacancy websites, advertising on vacancy websites, social networking sites, internal vacancies, writing an open solicitation, or through information or help from acquaintances. An individual is considered as using informal job-search methods if he or she searched for a job via information, or help from an acquaintance. A dummy variable is constructed based on this information *(1 = used an informal job-search method, 0 = did not use an informal job-search method)*.

Control variables

Several control variables are included in the analyses. First, we will control for the highest attained level of education. The variable was recoded into five categories: primary education, lower secondary education, lower vocational education, higher secondary education, and intermediate vocational education. We will also control for the socioeconomic background of respondents. Respondents named the occupations of both their parents. The occupation with the highest ISEI is included. Furthermore, a dummy variable about the gender of respondents *(1 = male)*, and a continuous variable about the age of respondents are included.

Analytical strategy

The sampling of CILS4EU was done at the school level. For that reason, we will account for school-level clustering of variances during the analyses. The hypotheses will be tested using structural equation modeling. All control variables are included in each model. Missing data are handled with full information maximum likelihood. A null model is estimated to assess

model fit improvement, all models are compared to the null model using the Sattora-Bentler likelihood ratio test.

Hypothesis 1a will be tested by predicting the social capital of majority members and minority members. The hypothesis is confirmed if the dummy variable *minority* has a negative effect on social capital. Hypothesis 1b tests whether the early labor market success of minorities is mediated by their social capital. The hypothesis can be confirmed if there is a significant indirect effect from *minority* on early labor market success, through social capital. Hypothesis 2 will be tested with an interaction term between the dummy variable *minority*, and the latent social capital variable. A negative interaction term would confirm the hypothesis.

Hypothesis 3a will be tested by including an interaction term between *minority* and *informal job-search method*. A negative interaction term would confirm that informal job-search methods are less beneficial for minority members than for majority members. Hypothesis 3b can be confirmed if *minority* has a negative effect on social capital and if there is a positive interaction effect between social capital and *informal job-search method*.

Results

Descriptive statistics

Table 1 gives a bivariate overview of all descriptive statistics. Several aspects stand out. There is almost no difference in the level of social capital of majority and minority members. Furthermore, majority members are slightly less successful than minority members. The average ISEI of majority members is 35.56, while the average ISEI of minority members is 35.71. The difference is insignificant (p = .909). However, minority members are significantly more likely to be unemployed (p = <.001). Finally, the share of men in the current sample is smaller among minority members, than among the majority members.

Table 1: Bivariate descriptive statistics

	Majority members (N= 612)		***Minority members (N= 210)***			
	Mean / %	SD	Mean / %	SD	Min	Max
Dependent variable						
ISEI	35.56	(14.46)	35.71	(13.46)	11.74	79.74
Independent variables						
Social capital*	.00	(.00)	.03	(.06)		
Informal search strategy						
Yes	30.39%		30.48%			
No	69.61%		69.52%			
Control variables						
Education						
Primary	0.99%		2.42%			
Lower secondary	9.90%		14.98%			
Lower vocational	31.19%		30.92%			
Higher secondary	12.87%		16.91%			
Intermediate vocational	45.05%		34.78%			
Parental ISEI	48.36	(18.29)	43.86	(19.47)	11.74	88.70
Age	21.72	(.68)	21.79	(.68)	20	24
Gender						
Male	45.10%		39.05%			
Female	54.90%		60.95%			
Main activity						
Work	92.97%		84.76%			
Unemployed	7.03%		15.24%			

*Notes. Percentages, means, standard deviations, minimum values, and maximum values for all items. * Under scalar invariance, the mean of the latent variable is 0 in the first group (majority members), and a free parameter in the second group.*

Exploratory and confirmatory factor analysis

Based on an exploratory factor analysis, three dimensions of social capital are derived, extensity, student range, and adult upper reachability (RMSEA = 0.067, CFI = 0.835, TLI = 0.671, χ^2 = 149.041, df = 33, p = < .001). Table 2 shows the different items with their respective loadings on each factor. The loadings of two items are relatively low: knowing people with the name Mohammed, and knowing people who are attending an MBO program. A sensibility analysis will be conducted where these items are left out of the analysis (see appendix 3).

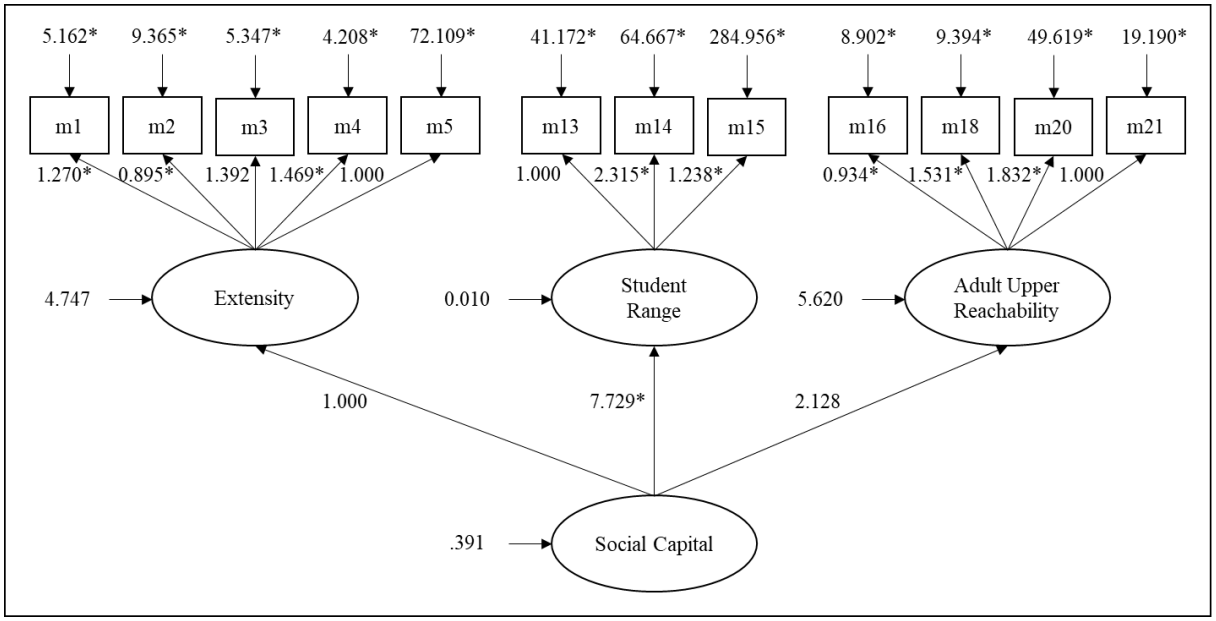
In the next step, a confirmatory factor analysis is conducted where the three dimensions of social capital are loaded on one second-order reflexive latent variable. The residual variance of student range is constrained to 0.010. The second-order latent variable is used as a measure of social capital in the remainder of the analysis. Figure 2 gives an overview of the measurement model. The fit of the measurement model is mediocre (RMSEA = 0.054, CFI = 0.828, TLI = 0.782, χ^2 = 172.829, df = 52, p = < .001).

Table 2: Exploratory factor analysis

Items		**Factor**			**Dimension**
		1	**2**	**3**	
	How many people do you know personally				
m1	with the name: Thomas?	**.81**	-.10	.03	Extensity
m2	with the name: Kevin?	**.54**	-.05	.14	
m3	with the name: Anne?	**.89**	.02	-.26	
m4	with the name: Melissa?	**.90**	-.16	-.01	
m5	with the name: Moham(m)ed?	.20	.04	.23	
m13	who: study at a university?	.02	**.53**	.12	Student range
m14	who: follow an hbo programme?	-.01	**.86**	-.01	
m15	who: follow an mbo programme?	.01	.32	.01	
m16	who: are a lawyer?	.03	.02	**.71**	Adult upper reachability
m18	who: own a villa?	-.03	.18	**.68**	
m20	who: own a company?	.02	.26	**.42**	
m21	who: are a professor?	.04	-.01	**.56**	

Notes. Extraction method; maximum likelihood; Rotation method; Oblimin with Kaiser normalization. Loadings larger than .40 are in bold.

Figure 2: Measurement model



*Notes. * p = < .05. The residual variance of student range is constrained to 0.010.*

Structural equation modeling

Four structural equation models are estimated to test our hypotheses. Table 3 summarizes all the models. Model 0 is used as the baseline model which is compared to the other models (RMSEA = 0.048, CFI = 0.808, TLI = 0.768). The measurement model is included in this model, and ISEI is predicted by all independent, and control variables. The independent, and control variables are allowed to correlate.

The capital deficit

Hypothesis 1a, and 1b, are tested in model 1. Model 1 builds on the baseline model by adding *minority* as a predictor for social capital. Furthermore, an indirect effect of minority on ISEI through social capital is included. No significant differences in the social capital of minority and majority members are found (B = 0.053, SE = 0.079, p = .504). Therefore, hypothesis 1a is rejected. Hypothesis 1b is tested by investigating whether *minority* affects ISEI through social capital. The direct effect of *minority* on ISEI is 1.323 (SE = 1.017, p = .193). The indirect effect of *minority* on ISEI through social capital is 0.058 (SE = 0.090, p = .518). Since both values are insignificant, hypothesis 1b is rejected as well. Most model fit statistics are similar to the baseline model (RMSEA = 0.048, CFI = 0.804, TLI = 0.772). However, the loglikelihood of model 1 is lower than the loglikelihood of the baseline model, thus the fit of the model did not improve ($\chi^2(5) = -9.71$, p = .084). Which is in line with the rejection of both hypotheses.

The return deficit

The second model builds on the baseline model by including an interaction term between *minority* and social capital. It is tested whether minorities receive fewer returns from their social capital. The main effect of social capital (B = 1.353, SE = 1.184, p = .253), and the interaction term between social capital, and *minority* are insignificant (B = -1.000, SE = 3.222, p = .756). Thus, hypothesis 2 is rejected. Not all fit statistics could be computed, because the model was estimated using random slopes. However, the model fit is not significantly better than that of the baseline model since the loglikelihood decreased ($\chi^2(1) = -0.08$, p = .777). This is in line with the rejection of the hypothesis.

Informal job-search methods

The last two hypotheses are tested in the third model. It is tested whether the effect of informal job-search methods on ISEI is different for majority and minority members. Furthermore, it is tested whether minority members have less social capital than majority members and whether the effect of informal job-search methods is moderated by social capital.

The main effect of informal job-search methods is insignificant (B = -2.501, SE = 1.385, p = .071), as well as the interaction term between *informal search method*, and *minority* (B = 3.448, SE = 2.367, p = .145). These findings are not in line with hypothesis 3a, thus the hypothesis is rejected. Employing informal job-search methods is equally beneficial for minority and majority members. Furthermore, in the same model, it was tested whether social capital moderates the effect of informal job-search methods and whether informal job-search methods are less beneficial for minority members because they have less social capital than majority members. The interaction term between social capital and *informal job search method* is insignificant (B = -0.075, SE = 2.290, p = .974), and minority members did not have less social capital than majority members (B = 0.052, SE = 0.078, p = .505).Thus, the null hypothesis of hypothesis 3b cannot be rejected either.

The model was estimated using random slopes. For that reason, not all fit statistics could be computed. The model is nested in the baseline model. The fit of the model is significantly better than the baseline model ($\chi^2(10) = 785.83$, p = < .001).

Table 3: Summary of all structural equation models (N= 822).

	Model 0		Model 1		Model 2		Model 3	
	B	*SE*	B	*SE*	B	*SE*	B	*SE*
Intercept	53.985*	16.699	53.844*	(16.705)	53.816*	(16.717)	53.788*	(16.621)
Independent variables								
Minority	1.320	(1.019)	1.323	(1.017)	1.353	(1.034)	.116	(1.339)
Social capital	1.029	(.928)	1.102	(.914)	1.353	(1.184)	1.116	(1.166)
Informal strategy	-1.710	(1.208)	-1.701	(1.207)	-1.706	(1.208)	-2.501	(1.385)
Social capital × minority					-1.000	(3.222)		
Informal strategy × minority							3.448	(2.367)
Informal strategy × social capital							-.075	(2.290)
Indirect effects								
Minority → social capital			.053	(.079)			.052	(.078)
Minority → social capital → ISEI			.058	(.090)			.058	(.094)
Control variables								
Education	3.343**	(.505)	3.360**	(.506)	3.354**	(.505)	3.391**	(.507)
Parental ISEI	0.097*	(.030)	.097*	(.030)	.096*	(.030)	.098*	(.030)
Age	-1.655*	(.734)	-1.654*	(.735)	-1.647*	(.735)	-1.645*	(.732)
Male	.448	(1.018)	.478	(1.020)	.463	(1.017)	.500	(1.025)
Model fit								
RMSEA	.048		.048					
CFI	.808		.804					
TLI	.768		.772					
BIC	73032.009		73009.136		73038.846		72021.031	
Loglikelihood	-36247.535		-36252.878		-36247.597		-35775.605	
R^2	.115		.113					

Notes. * p < .05, ** p < .001. The dependent variable is ISEI, measured at the latest wave of data collection. All independent, and control variables are allowed to correlate.

Discussion

In Europe, minority members occupy a disadvantaged labor market position (Eurostat, 2016a; Eurostat, 2016b, Heath et al., 2008). Several explanations for this disadvantage among minorities have been proposed. Such as a lack of human or cultural capital (Aschaffenburg & Maas, 1997; Corak, 2013; Oaxaca & Ransom, 1994; Van Ours & Veenman, 2004), a lower socioeconomic background (Breen & Jonsson, 2005; Boudon, 1974; Van Ours & Veenman, 2003), and discrimination in the labor market (Blommaert et al., 2013; Heath et al., 2008; Reimers, 1983). In the current study, it has been investigated whether social capital can explain labor market inequalities between minority and majority members. Three different mechanisms were studied: the capital deficit, the return deficit, and differences in the returns to informal job-search methods.

A main finding of the current study is that minority and majority members were found to have similar levels of social capital. This is in line with previous research in the Netherlands (Van Tubergen & Volker, 2015), but not in line with studies in other countries, such as Sweden (Behtoui, 2007), the United Kingdom, (Li et al, 2008) and the United States (McDonald, 2011). The finding does not support the notion of a capital deficit among minority members, suggesting that a lack of social capital among minority members is not the explanation for their lower level of labor market success. Furthermore, higher levels of social capital were not found to be related to more labor market success.

After testing whether a capital deficit hinders the early labor market success of minorities, it was tested whether they receive different returns from their social capital; the return deficit. No evidence for this mechanism was found either. In the current study social capital was not found to be related to labor market success in either of the groups.

These findings are not in line with most of the previous research into the role of social capital (Behtoui, 2007; Li et al., 2008; Lin, 1999a; McDonald, 2011). However, it is in line with previous research by Mouw (2006). The current study may not have found an effect of social capital because the relationship was tested in a more robust way than previous studies did. We studied early labor market success, this reduces the confounding effect of attained skills during employment (Arulampalam et al., 2001; Gregg, 2001). The role of social capital may have been overestimated in previous studies that looked into the effect of social capital on labor market success at later career stages. Furthermore, a longitudinal method was employed. Social capital was measured at an earlier time point than labor market success. This approach precludes the

possibility of reverse causality, social capital may lead to labor market success, but the reverse may also be true (Mouw, 2006).

However, the lack of a social capital effect may also be caused by the shortcomings of the current study. A shortcoming of the current study is that there were (almost) no differences in the early labor market success of majority and minority members in the current sample. Even though representative data indicate that minorities occupy a disadvantaged labor market position (Heath et al., 2008). The lack of inequality makes it difficult to find differences in the effect of social capital. The amount of overall inequality may be small due to the selectivity of the current sample. Only 10.8% of the initial CILS4EU sample was analyzed in the current study, this was mainly caused by panel attrition. Panel attrition may have led to bias, since individuals lower in socioeconomic status, with more unstable earnings, and with immigration backgrounds are more likely to attrite (Fitzgerald, Gottschalk & Moffit, 1997).

Another cause of selectivity was the age of the sample. Respondents who had not yet entered the labor market were excluded from our analysis. Furthermore, due to the low number of respondents who had finished higher education, higher-educated respondents were excluded as well. The selectivity of our sample affects the generalizability and validity of our results. Another consequence of the selectivity of the sample is that relatively few respondents remained. This may have led to low statistical power, which may have resulted in false-negative results. Thus, future research with a larger and less selective sample is needed.

More research is also needed in constructing a reliable measure of social capital. In the current study, a variant of the position generator was used to construct a measure of social capital. The measure was based on previous research which suggested that social capital consists of three dimensions: extensity, upper reachability, and range (Song & Lin, 2009). However, more research is required to assess whether these dimensions are truly able to capture the social capital of an individual adequately.

The current study adds to previous research by simultaneously looking into the social capital and job-search methods of majority and minority members. This enabled us to investigate whether informal job-search methods are less beneficial for minority members than for majority members. It was also tested whether an individuals' social capital influences the returns to informal job-search methods. Informal job-search methods were not found to be more beneficial for majority members than for minority members. This is not in line with previous research (Behtoui, 2008;

Falcon, 1995). Furthermore, higher levels of social capital did not lead to higher returns from informal job-search methods. This is an unexpected finding since previous research has argued that the returns to informal job-search methods are dependent upon one's social capital (Forsé, 2004).

These findings are counter to our expectations but in line with previous research which argued that individuals may be forced to use informal job-search methods if no other job-search method is available (Mouw, 2002). In the current sample, informal job-search methods may only have been used as a last resort, after all other job-search methods had failed. This would explain why social capital did not positively affect the outcomes of informal job-search methods.

Future research is needed to investigate whether these outcomes are generalizable to other contexts. The high level of regulation in the Dutch labor market (Steijn, Need & Gesthuizen, 2006) may be an explanation for the lack of returns from informal job-search methods. Another explanation may be the lack of higher educated respondents in the current sample, which may have resulted in a relatively small amount of respondents with a prestigious occupation. This may be problematic because previous research found that informal job-search methods may be more beneficial in higher-paying employment contexts (McDonald, 2011). Lastly, the low number of mentioned job-search methods among employed respondents suggests that respondents may have interpreted the question in an unintended way. The question was formulated as follows: *'How did you search for your current job? Tick all the ways that apply to you'*. Because the question asks about one's current job, respondents may only have ticked the method via which they found their current job. For that reason, the job-search methods that were unsuccessful remain unknown. Due to this, the number of respondents using informal job-search methods may be underestimated. This would make it difficult to test whether such methods are more beneficial for majority members than for minority members.

The findings of the current study suggest that social capital is not the explanation for ongoing inequalities in the labor market between minority and majority members. However, more research is needed to assess whether this is truly the case. The ongoing labor market inequalities between both groups make this a necessity.

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Appendix 1

Means, standard deviations, minimum, and maximum values for the used position generator variables (N = 795).

		Majority members (N= 599)		***Minority members (N= 196)***			
Item		*Mean*	*SD*	*Mean*	*SD*	*Min*	*Max*
	How many people do you know personally						
m1	with the name: Thomas?	2.32	3.54	1.86	4.03	0	50
m2	with the name: Kevin?	2.97	3.71	2.53	3.53	0	50
m3	with the name: Anne?	2.69	3.80	2.00	4.22	0	50
m4	with the name: Melissa?	2.40	3.81	2.81	4.21	0	50
m5	with the name: Moham(m)ed	2.12	7.10	6.96	12.02	0	50
m13	who: study at a university?	4.30	7.68	5.68	8.77	0	50
m14	who: follow an hbo programme?	10.98	13.88	10.73	12.63	0	50
m15	who: follow an mbo programme	26.63	17.78	27.90	18.18	0	50
m16	who: are a lawyer?	.89	3.10	1.99	5.72	0	50
m18	who: own a villa?	2.29	4.69	2.53	6.45	0	50
m20	who: own a company?	6.33	8.86	5.38	7.81	0	50
m21	who: are a professor?	.94	4.70	1.62	6.38	0	50

Appendix 2

Robustness analysis which includes higher educated and studying respondents (N= 3,557).

	Model 0		Model 1		Model 2		Model 3	
	B	*SE*	B	*SE*	B	*SE*	B	*SE*
Intercept	57.713**	16.237	57.043**	(16.176)	57.069**	(16.227)	55.933*	(16.081)
Independent variables								
Minority	1.174	(1.077)	1.168	(1.075)	.797	(1.221)	.638	(1.428)
Social capital	1.518	(1.512)	1.859	(1.300)	2.377	(1.664)	1.925	(1.315)
Informal strategy	-2.712*	(1.188)	-2.703*	(1.190)	-2.721*	(1.189)	-3.251*	(1.253)
Social capital × minority					-3.589	(4.878)		
Informal strategy × minority							1.672	(2.280)
Informal strategy × social capital							-1.295	(3.374)
Indirect effects								
Minority → social capital			-.022	(.030)			-.022	(.029)
Minority → social capital → ISEI			-.042	(.063)			-.043	(.064)
Control variables								
Education	2.491**	(.682)	2.554**	(.682)	2.532**	(.690)	2.568**	(.679)
Parental ISEI	.081*	(.031)	.081*	(.031)	.079*	(.032)	.082*	(.031)
Age	-1.572*	(.726)	-1.553*	(.726)	-1.540*	(.034)	-1.541*	(.072)
Male	.068	(1.056)	.033	(1.054)	.088	(1.057)	.052	(1.057)
Model fit								
RMSEA	.055		.058					
CFI	.654		.606					
TLI	.581		.542					
BIC	290165.165		290375.750		290174.481		290169.929	
Loglikelihood	-144755.516		-144881.250		-144756.085		-144733.368	
R^2	.095		.092					

Notes. * p < .05, ** p < .001. The dependent variable is ISEI, measured at the latest wave of data collection. All independent, and control variables are allowed to correlate.

Appendix 3

Robustness analysis with an adjusted measure of social capital, which excludes items m5 and m15 (N= 882).

	Model 0		Model 1		Model 2		Model 3	
	B	*SE*	B	*SE*	B	*SE*	B	*SE*
Intercept	54.437*	16.768	54.117*	(16.748)	54.197*	(16.820)	54.045*	(16.671)
Independent variables								
Minority	1.298	(1.016)	1.303	(1.014)	1.362	(1.038)	.089	(1.333)
Social capital	.779	(.678)	.832	(.656)	1.028	(.706)	.874	(.880)
Informal strategy	-1.723	(1.206)	-1.709	(1.205)	-1.719	(1.208)	-2.509	(1.385)
Social capital × minority					-1.082	(2.000)		
Informal strategy × minority							3.467	(2.362)
Informal strategy × social capital							-.155	(1.761)
Indirect effects								
Minority → social capital			.096	(.104)			.095	(.103)
Minority → social capital → ISEI			.080	(.100)			.083	(.116)
Control variables								
Education	3.342**	(.507)	3.361**	(.506)	3.357**	(.506)	3.391**	(.508)
Parental ISEI	.097*	(.030)	.097*	(.030)	.095*	(.030)	.098*	(.030)
Age	-1.674*	(.736)	-1.666*	(.736)	-1.662*	(.739)	-1.657*	(.734)
Male	.431	(1.022)	.472	(1.022)	.445	(1.022)	.496	(1.028)
Model fit								
RMSEA	.039		.039					
CFI	.886		.880					
TLI	.856		.856					
BIC	61702.221		61680.879		61708.581		60692.758	
Loglikelihood	-30602.776		-30608.885		-30602.600		-30131.603	
R^2	.115		.113					

Notes. * p < .05, ** p < .001. The dependent variable is ISEI, measured at the latest wave of data collection. All independent, and control variables are allowed to correlate.