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K Jafar

National Institute of Advanced Studies, Bangalore

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**Social Networks and Labour Market:**  
*The Experience of Malayalee Workers in Bangalore, India*

**K. Jafar**

Research Scholar, School of Social Sciences,  
National Institute of Advanced Studies, Bangalore,  
E Mail: [jafkizha@gmail.com](mailto:jafkizha@gmail.com)

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**Abstract**

The advance of globalisation has strengthened the role of social networks in almost all spheres of life. By strengthening the link between people or organizations, social networks play a critical role in the present-day labour markets; job-seekers' access to social networks and contacts tends to have a positively impact on their job search and nature of recruitment. It becomes interesting to investigate the impact of these networks on the functioning of labour markets and its transition. The nature and effectiveness of informal contacts found varying in formal and informal sectors and therefore it may be expected that the role of social network varies according to the nature labour markets. Based on a case-study conducted among the Malayalee workers in Bangalore city, this paper tries to trace factors that define the structure and working of Malayalee social networks. The findings suggest that these factors are strong enough to keep informal contacts and the social networks are widespread in both sides of the labour markets- i.e. in employer's recruiting and in workers' job seeking.

*Key Words: social networks, labour market, Malayalees, informal ties, education*

**Social Networks and Labour Market:**  
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**1. Introduction**

It is generally believed that most of the social interactions and contacts are derived identities like family, language, religion, and friendship and the results shows the way these factors help one person to get a job in the labour market and his or her contribution towards strengthening these links further. Social networks<sup>2</sup>, be they personal, professional, or family-based, play an important role in linking people or organizations. The literature tends to concentrate on characterizing who has such contacts, how the contacts affect the members, and how their participation influences the network itself (Mizruchi, 1994; Wasserman, & Faust, 1994). Like elsewhere, they affect the structure and dynamics of labour markets in different ways.

Based on a micro study conducted in Bangalore city in India, the paper tries to trace various factors that define the structure and working of social networks. It is generally believed that most of the social interactions and contacts are derived identities like family, language, religion, and friendship and so on. The paper tries to link an individual's personal contacts formed within these identities to his access into the labour markets and gives an idea about the extend these factors help one person to get a job in the labour market and what he/she do with these networks.

**2. Method and Study Area**

It is generally believed that most of the social interactions and contacts are derived identities like family, language, religion, and friendship and so on. The study makes an attempt to trace the factors that define the structure and working of social networks among the Malayalee

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<sup>2</sup> A formal or informal structure that link actors (individuals or organizations) who share a common interest on a specific issue or a general set of values (Perkin & Court, 2005).

workers in Bangalore. Here a possible approach is to link an individual's personal contacts - formed within these identities- with his/her access into the labour markets and the way he/she strengthen or leave them.

The paper is based on primary data collected through a micro level study conducted in Bangalore city (during 2007-2008). The study used scheduled questionnaire and interview method to gather primary information from hundred Malayalee workers living in Bangalore city. Based on the nature of work and work place, the study classified the worker into two categories – professional workers and non-professional workers and drawn fifty sample from each categories. The study identified professional workers as those working in advanced service areas like IT, BPO, banking and finance, insurance, accounting, research and development, hospitality and high-tech-Engineering and construction service providers and manufacturers. While workers engaged in lower or middle level services like hotel, backers, grocery, supermarket, retailers, and stationary shops. The second group of workers covered under the study was mostly located in Bangalore North while the first group of workers is distributed across different parts of the city.

### **3. The Background**

Access to information is heavily influenced by social structure; formal sources of information include state and private employment agencies, newspaper advertisements, union hiring halls, school and college placement services and, more recently, the internet (Kuhn, & Skuterud, 2000). The personal, professional, or family-based, networks are strong enough to keep informal contacts to play critical roles in affecting both demand and supply movements in the labour markets. It helps the employers in recruiting the worker and in workers' to find the right jobs suit their skills and qualifications. The advance of globalisation and progress in communications transformed these networks significantly. Individuals use connections with others, such as friends and social and professional acquaintances, to maintain information networks and mediate propagation of rich and reliable information among individuals.

It is assumed that there are various factors that are strong enough to keep informal contacts. Studies have identified several stylized factors about labour market networks and job information networks. The first stylized fact is that there is widespread use of friends, relatives, and other acquaintances in job search, and it has increased over time. The second stylized fact about job information networks is that the use of friends and relatives in job

search often varies by location and by demographic characteristics. The third stylized fact about job information networks is that job search through friends and relatives are generally productive. The fourth stylized fact about job information networks is that part of the variation in the productivity of job search through networks by demographic group simply reflects differences in usage. In particular, US data suggest that almost one-fifth of the total difference in the probability of gaining employment between black and white youth resulted from racial differences in the use of social contacts (Calvó-Armengol, & Ioannides 2005).

Studies on the labour market outcomes of different ethnic groups in the United States show how employment rates between social groups vary as a function of the social network structure of the group. In the case of referral hiring, a group with a more random social network does better than a group with a non-random social network if job information in the population is spread uniformly due to random connections between jobs and a non-segregated population. At the same time, this result depends on assumptions about social integration and the origin of information about jobs. If social networks are highly segregated and information about jobs arrives in a non-random fashion then a group with a non-random social network can do better than a group with a random social network. If we consider the network structure of various types of jobs it is possible that the job networks for high skill jobs may be less random than those for low skill jobs. Since minority groups tend to have more overlap and structure in their social networks, their model predicts that individuals in a minority group should do well if they qualify for high skill jobs; however their network may be a poor fit for a low skill labour market. Additionally, their results suggest that minority groups are most likely to be adversely affected by referral hiring practices as common wisdom suggests. Overall these results suggest that groups with more overlap in social networks should do well if the job network is non-random and do worse if the job network is random (Tassier, & Menczer, (2008).

Studies present strong evidence on the importance of ethnic networks in facilitating access to local labour markets for refugees recently resettled in the U.S. and hypothesize that an increase in network size will improve the labour market outcomes of certain members while negatively impacting others. The empirical results support a model of job-related information flows within a social network. Both the size and the structure of the network, as measured by length of tenure of network members in the U.S., influence the labour market outcomes of newly arrived refugees. This provides an important insight into the functioning of social

networks and provides empirical evidence that within-network competition over job information can lead to an economically sizable negative impact on labour market outcomes (Beaman, 2006).

The experience of Singapore has been identified as a labour market located at one ideal - typical extreme of a distribution of meritocracy; with meritocratic selection of talent via educational credentials, personal contacts also function as a means to job success. An elitist paradox, where 'high-status' contacts increase job earnings for many people, but a majority, those at the lower end of the social structure remain inaccessible to the same. It has been argued that the difference in the use of personal contacts for job searches in the United States versus Singapore are rooted in differences in how labour supply and demand are linked in each country's labour market (Chua, 2007).

Studies have highlighted who has such contacts, how the contacts affect the members, and how their participation influences the network itself. It has been assumed that the probability of formation of a new tie is greater between two employed individuals than between an employed and an unemployed individual and this generates negative duration dependence of exit rates from unemployment. Workers accumulate social capital (as defined by the stock of ties with employed workers) during employment; this stock is depleted during unemployment, and that social capital increases the likelihood of finding a job. The likelihood of formation of a new ties between two unemployed workers and suggests that an increase in the connectivity of the unemployed reduces duration dependence. Due to the greater connectivity between two employed workers as compared to between an employed and an unemployed, the exit rates positively depend on the duration of the last job held by the unemployed worker. People who have been employed longer have more ties with employed workers than those who have been employed for a shorter time. Hence, the former will find jobs more easily than the latter if they become unemployed (Bramoullé, & Saint-Paul, 2004). Overall, the labour status affects the evolution of ties which in turn increase the likelihood of finding new jobs.

The educational track (technical or professional, as opposed to general) often provides individuals with networks that are useful in the labor market; it functions as a means by which individuals find employment. The time it takes to find their first stable job and their earnings once the school-to-work transition is well established. A study on French school leavers from 1969-1992 suggests that the educational track significantly influences the means

by which jobs are found, as networks have an independent direct effect on the speed of transition into the labor market and later earnings. It has been suggested that technical and professional educational tracks, perhaps because they involve relatively fewer students studying relatively narrow subjects in an externally identifiable setting that favors frequent repeated contact with a stable group of peers, allow individuals to develop networks of contacts upon which they will be able to rely later in their careers. It is observed that those who followed a technical or professional education path were significantly more likely to have found their first stable jobs through networks of contacts than others (Margolis, D.N. & Simmonet, 2003).

The patterns of labour market entry among school-leavers in eleven European countries show that apart from labour market regulation, the structure of the education and training system has an important effect on the labour market entry process of school-leavers as the extent to which there is an institutional linkage between the education/training system and the labour market. The study also indicates that national institutional differences regarding employment protection legislation and the vocational specificity of the education system affect cross-national differences in labour market entry patterns (Wolbers, 2007). The existing literature especially studies based on western countries, the ethnic and racial specificities are being observed, while many other factors were treated as neutral.

Given this background, the study tried to understand the factors determining the form of social networks among the Malayalee workers in Bangalore and explore the implications of such social networks in the labour market. The specific nature of Bangalore city and Kerala's image as migration-prone state in the country will help us with new insights on global and local networks related to the respective labour markets. In this specific case, for a state like Kerala with a high rate of unemployment especially among the educated people, such social networks play a vital role in locating the new opportunities and facilitate the transition of labour market within the state and out-side.

#### **4. Malayalee Social Networks and Labour Market in Bangalore**

The scope and effectiveness of social networks will increase as long as the number of people makes use of these networks to get into new job and keep these contacts with their unemployed friends. The network may be continued by passing the new job information, introduce or recommend for others. To some extent, the form of reference depends on the

nature of job and organization; in the case of information technology or financial service providing firm, recommendation may not be easy as in the case of a retailer or a hotel. This flow of information or reference may be regulated by various factors such as family, language/region, religion, friendship and so on. As long as these identity factor or socio-economic status affects the social contact between employed and unemployed individuals, the social networks can explain substantial dependence in unemployment.

It is quite natural to see that professional workers have better educational qualification compared to the non-professional group. It was found that 58 percent of them are graduates while remaining 42 have finished their post-graduation or courses above. Among the non-professional workers, 88 percent have not studied after their high school education while remaining 12 percent have completed graduation. As a reflection this, majority of them receive low salary compared to the highly educated professional workers. It was found that around 65 percent of the non-professional workers receive a monthly salary of 6,000 rupees or below and another 20 percent receives a monthly salary between 6,000 rupees and 15,000 rupees (followed by 10% who receive above that amount). In the case of professional workers, only 2 percentage of them receive 6,000 rupees monthly salary while 62 percent receive monthly salary between 6,000 rupees and 15,000 rupees and remaining 36 percent receive monthly salary as 15,000 rupees and above.

The religious affiliation of the workers shows that most of the professional workers are Hindus while Muslims constitute a larger share in the non-professional workers (Table: 1). To some extent, this pattern including the difference in the salary and educational status of workers can be compared with the larger pattern exist in the migration trends in Kerala. In the case of international migration, a global level social network approach can be used for tracing the factors function behind the formation of social networks. For instance, the distribution of non-professional and professional workers covered under this study can be compared with international migration pattern of Kerala.

Table: 1  
Distribution of Workers and Religious Affiliation

Religion	Professional	Non-Professional	Total
Hindu	66	24	45
Muslim	10	66	38
Christian	24	10	17

Source: Primary Survey



Here, the non-professional workers seem to have some close similarity with those workers migrated to the Gulf countries- with basic education and skill sets while the professional workers share the features of those migrate to the developed countries in the West-with higher and professional education. The distribution of these migrants according to their cultural and regional affiliation suggests that more Muslims from Malabar region account for the larger share among the Keralites migrated into Gulf countries while other communities and regions take a lead role in professional migration.

Table: 2  
Source of Job Information (Share in %)

	Professional	Non-Professional	Total
Friends	30	38	34
Family/Relatives	16	40	28
Neighbours/Natives	0	22	11
Direct/Campus Placement	26	0	13
Web/ News Advertisement	16	0	8
Consultancy	8	0	4
Direct/Self Search	4	0	2

Source: Primary Survey

It has been found that friendship is the basic source of job information both for professional and non-professional workers (34%). But in the case of non-professional workers, the family/or relatives are the major source (40%). The data shows that all non-professional workers found their job through their social contacts- based on friendship, family, place of origin – (against 46% among the professionals) while majority of the professional workers reported to find their job through direct recruitment (26%), and other advertisements or consulting agencies (Table: 2).

Table: 3  
Social Network: Nature of Participation (Reference Received and Given)

	Reference Received (Share in%)	Reference Given (Share in%)
Professional	46	30
Non Professional	100	60
Total	73	45

Source: Primary Survey

Regarding the continuation of these social ties, the overall reference rate i.e. a person ever became as a referee for his friend, family and neighbor, is also very high among the non-professional workers. It has been found that that, the entire non-professional workers received some kind of reference from others and 60 percent of them reported that they have helped

someone else by giving their reference to find jobs. Compared to this, 46 percent of professional workers received some reference to get their job and in return 30 percent of them have helped others to find their jobs. These differences reflect on can be seen as a reflection of the strength and nature in which they use their network for labour market entry (Table: 3).

Table: 4  
Types of Social Networks and Effectiveness (Share in %).

	Relation	Professional	Non-Professional	Total
Reference received from	Friends	30	38	34
	Family/Relatives	16	40	28
	Neighbours/Natives	0	22	11
Reference given for	Friends	26	34	30
	Family/Relatives	0	14	7
	Neighbors/Natives	0	30	15

Source: Primary Survey

Among the workers who received reference from friends<sup>3</sup> (30% and 38% respectively among professional and non-professional workers), most of them have strengthen their ties by providing some kind of help or reference to their own friends (26% and 34% respectively). In the case of non-professional workers it was found that 40 percent of them got reference from their family or relatives while only 14 percent of them gave reference for their own family or relatives. At the same time, many of them (30%) have given reference for people from their place of origin (compared to 22% of them got reference from such people) and strengthen their networks (Table: 4).

The study also looked into the language proficiency, place of origin and other factors related to their participation in different social networks. We found that knowledge of English and Hindi language is very weak (24%) among the no professional workers. Knowledge of Kannada (the local language) and Tamil knowledge is poor among both categories (12% and 14% respectively). The majority of non-professional workers are from Northern Kerala, while the professional workers are mostly from Central Kerala (66% and 74% respectively). We also found that 44 percent of the non-professional and 22 percent of professional workers have families with at least one member migrated to other countries (32% and 28% respectively with family member migrated to other Indian states). As a reflection of the general trend exist in Kerala, only few families are engaged in agriculture (24% for each) and

<sup>3</sup> In the case of professional workers, most of this reference was from friends those studied in the same class or college (28%), while the friends of non professional workers mostly overlap with their neighbors or relatives.

most of them have self employed family members (66% and 46% for professional and non professional workers respectively).

Workers from both groups are keeping regular contact with their family back in Kerala. Data shows that 60 percent of professional workers visit their native place once in a month while the 74 percent of non-professional workers visit once in two to four months. It was reported that 80 percent of the non-professional workers have access to or subscribed Malayalam news papers while this is very low among the professional workers (16%), most of them reported as accessing the online news portals of these new news papers. In the case of television programmes, more professional workers reported as watching Malayalam TV programmes regularly (52% against 30% of non-professional workers).

Table: 5  
Relationship with Employer (Share in %)

	Professional	Non Professional	Total
Same Language	2	78	40
Same Religion	10	60	35
Same Caste	8	54	31
Same Family/Relatives	8	14	11
Same Place of origin	18	80	40

Source: Primary Survey

The data on the relationship between employee and employer may be used as an indicator for the working of socio-cultural factors in the labour market. It was found that compared to professional workers, a larger share of non-professional workers works under employers belonging to their region, religion, caste, and family (Table: 5). This trend suggests that, identities based on language, region, religion and caste have a clear role and the same varies across these two groups. Broadly, these patterns suggest that the working of social networks – formed by friendship, family, religion, place of origin – function as an important source of job information and it is relatively stronger among the non-professional workers than the professionals.

When the market clearing wage rate (the wage rate at a point of long run market equilibrium i.e. supply equate with demand) is disturbed, the person who has access to a strong and wide network can easily control the demand or supply factors than those who do not. The scope and effectiveness of social network can be read in the context of ‘Insider-Outsider Model’ again. According to the model the employed workers always keep their position and wage rate as

safe and fair. In contrast to this, most of the employed people covered under this study help their unemployed friends to enter the labour market by providing job information and reference, and hence suggests that functioning of multiple factors strengthen the social network strengthens but through different ways.

Generally it is observed that job seekers and employers use their contacts with already employed people and educational or training institute to reduce the adverse selection from both sides. The present study shows that 26 percent of the professional workers got their job through direct campus placement or recruitment. On the other hand, the employers from informal sector use their direct network- region, family, and religion -to recruit non-professional workers. One of the employers who has been running his hotel for last 15 years in Bangalore has recruited nearly 50 workers from his native place and clearly reported that he always prefer recruiting new employees from his native place. His hotel being a common meeting place for Malayalees residing in the premises, he has helped many more job seekers from Kerala to get the reference or information about the job openings from others working in different companies. There are many such instances where the backers, grocers, or hotel/teashop owners function as a supporter or middlemen for them and involved in travel service, real estate, and other activities.

The structure and working of these networks can be approached through different ways especially in the context of globalisation. Globalisation is much more than an economic phenomenon and has non-economic consequences. Many of the globalisation indices are based on a number of external economic factors, typically trade, and foreign direct investment, while little attention has been given to the internal factors. Globalisation implies that firms and individuals are interrelated in a multilevel network i.e. at production level, firms look for partners, but they also look for workers, at the distribution and resource level firms look for customer while workers look for work (Salzano 2009). In some sense, the labour market in a city like Bangalore, especially for the skilled and professional workers is directly linked to the international markets. Whereas the unskilled/semi-skilled workers engaged in various kinds of supporting services that make life possible in the city and come under the informal sector are still functioning with local forces and networks. Once the growth of the city is backed by achievements in providing global city functions and producer services, these networks also may go through transformation.

## 5. Conclusion

The present study was a preliminary attempt to understand the dynamics of social network among the Malayalee workers in Bangalore. The explorative results show that the informal contacts based on as friendship, family, region/language, religion play an important role in the transition of labour market. It is observed that friendship is the most common factor of social network among professional and non-professional workers; which remains consistent with some of the existing studies. However, factors like family or relation and place of origin or language are relatively stronger among the non-professional workers. The continuation of these networks by providing reference and passing information is also stronger among the non-professional workers. Thus, the effectiveness of these factors on labour markets also varies accordingly with the nature of job and organization.

In the case of professional workers, the educational track affects student's access to labour market through friend's referral and direct placement; but in a labour market based on 'meritocracy', many have no access to high status referral hiring and job information. In the case of non-professional workers, the only source of job information and reference is their social contacts. In this specific case, the social network among the non-professional workers is unique one for several reasons. Some of the small shops have branches located in other parts of the city; they do not depend on advertisement for workers' recruitment but relay on personal contacts. Some of professionals reported that they never received any support from their social network, especially from the Malayalee factor and shared their discomfort in strengthening such networks. The workers with relatively low educational and language skills engaged in sales gradually improve their skills; some of the Malayalee shops have recruited non-Malayalee workers for cleaning and other supporting jobs at lower wage rates that Malayalee workers may not accept.

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