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Who Do You Know & Who Knows You? Networks, Labor Markets, and Exclusion

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Who do you know & who knows you? Networks, Labor Markets, and Exclusion

Senior Project submitted to

**The Division of Social Studies
of Bard College**

By Tabias Wimby

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Abstract

This thesis takes an in depth look at one of the characteristics of the labor market that is frequently used but is not often discussed, social networks. The paper explains the way social networks are defined and built on an individual level, and how those networks are specifically utilized by agents of the market. This leads to the investigation into the exclusion of minorities in the market. This paper discusses the reasons that minorities are excluded from either the labor market or from better labor market opportunities, mainly because of cultural differences amongst groups. The final analysis of this paper is to look at the positive qualities of minorities that keeps them afloat and present policy recommendations to prevent minority labor market exclusion. The purpose of this is to ultimately help minorities in underserved communities obtain key information on insights that can help them gain advantage in the labor market. The most important function of this paper is to show that labor market entrance and mobility are attainable for minorities.

Key words: Labor market, exclusion, market entrance, labor market mobility, minorities, social networks, job referrals, culture, nepotism, policy.

Introduction

Thinking about the amount of people that are unskilled or unqualified in my community and communities like mine, for jobs in sectors that are more technical or professional has guided my attention more to the way that inequality takes form. I say this because in most neoclassical theory, we have learned about the influence and correlation that human capital attribute has on mobility in the labor market and outcomes (in terms of wages). I do not want to argue that this theorem does not exist or is incorrect, but I think it undermines ways of generating mobility and creating development for individuals that may have low skill or are underqualified for quality positions. This paper is looking to explain a critical method that looks away from human capital accumulation that will allow for this progress.

A decent amount of literature that attempts to look past the human capital influence on the labor market and looks at the accumulation of social capital. The highest frequency of journal articles and research that revolves this idea are written in the sociology realm and does not often get seen as credible in the economic realm. This is because some of economics theory arguably is inconsiderate to the depths that factors outside of human capital investment, utility maximization, and rational theory have on economic opportunity and labor market outcomes. These ideals sometimes overlook some socioeconomic differences amongst groups that have historically placed people behind. In that same token, some sociological literature overlooks the economic

implications that make up the labor market and some influences that have large weight. So often they target policy and literature that only attacks economic models and does not quite look at the importance of using some practices that utilize current socioeconomic conditions in the most efficient way. In other words, it does not show people how to utilize what/who they have in their communities, in their schools, in their churches, etc. This paper serves as a connector of an economic view that also includes sociological factors and influences that change labor market outcomes.

Chapter 1: “The Run Down”; Labor Markets are Networked

Introduction

In this chapter, I will focus on a factor of the labor market that often is overlooked but can be a very influential tool for those who have low labor market mobility (worse outcomes). This factor is the investment in social networks and personal connections/relationships. This is a factor that once explained on what it is and how it works, can give insight to people on how to use their personal connections. In this paper, I will argue that the current labor market is socially networked, which means individuals and firms utilize a system of “referral” in the market. In this, I will discuss what social networks are, in terms of what the model is for individuals and for firms, because they are slightly different. I will utilize evidence from authors that look specifically what social networks are and how they can be conceptualized in terms of the labor market. I look at authors like: Mark Granovetter, and James Montgomery, who provide explanation of what social networks are, and how useful they are. By looking at how often social networks are used, these provides evidence for the idea that labor markets are socially networked. To provide a more modern perspective on this I utilize some economics blogs and newspapers like the New York Times, to look at how they conceptualize social networks and the use of personal connections in the labor market.

After defining what social networks are, I intend on explaining how networks are developed and essentially work for individuals and firms. This is important, because it will expose the simplicity of the process of utilizing your network. This process helps individuals because they can just turn to the people that they know, or that knows about them, as vouchers of their skills and abilities in the labor market. This is because they have leverage to influence your outcome with the proper advertisement of you. In this section, I will look at more literature from James Montgomery and Mark Granovetter to look at how those social network work for individuals. I also show that for individual the process of social networking in the labor market is cyclical and the more individuals utilize this cycle, the better the outcomes they will be able to choose from.

I also will look at how social networks work for firms as a cost-efficient solution to attract, retain, develop, and train talent. Not only is there a simplicity in the way that individuals utilize networks, but for firms as well. They utilize the employees of their firms, because they have an established relationship with those employees. I refer to some international recruiting agencies and recruiting profiles to analyze the costs of hiring new employees on average in the US. I try to show that there is a cyclical nature of network utilization for firms as well, which offers some great benefits to candidates, employees, and employers. These impacts are direct impacts from the strength of relationships and connections that individuals have with others. This chapter will ultimately show that this process is not something that is difficult and is stimulated daily and can

have an exponential effect on people's outcomes. Even if the effect is not a huge as people may want, these effects are crucial in sparking labor market mobility.

My goal for this chapter is to present a simple model from Mark Granovetter and provide some evidence on how individuals who may not have the best outcomes or high skill, to be able to spark changes. This is where my personal anecdotes and reflections become relevant, because I want to be able to provide closer evidence for people who have similar or worse outcomes and opportunities than me. By providing these examples and exaggerating the importance of social networks and their usefulness, people in communities like mine or lower will be able to understand these academic terms in a perspective closer to theirs. In that same note, I also want to present a new way of looking at economics models, and what factors influence mobility and outcomes. In the next section of this chapter, I will focus on the defining of what social networks are, and how networks are built/designed for individuals and firms. In the following section, I will look at how those networks work for individuals and firms and try to show how this process is useful.

What are social networks?

In the labor market we have in the United States, there is a famous saying, that it is not “*who you know*, it’s *who knows you*”. Though this saying does hold some weight in determining outcomes for some in the labor market, I think that the focus should be shifted. In fact, the focus should be **IT IS** “*who you know, AND who knows you*”. This is because today especially, we have utilized a system of referring people that we know to different opportunities. As small as it may sound, this system has become a large part of people’s mobility and ability to obtain different types of work. I know that this makes labor markets networked, because this system has been adopted by individuals and firms.

In James Montgomery’s “Social networks and labor market outcomes” (1991), Montgomery shows how he analyzes different data sources to determine the percentage of jobs found using a certain type of method. ¹The Table Montgomery reported is shown below:

¹ Montgomery, James “Social Networks and Labor Market Outcomes” (Published by American Economic Association) pp. 1409.

TABLE 1—JOB-FINDING METHODS USED BY WORKERS

Source/data	Percentage of jobs found using each method					Sample size
	Friends/relatives	Gate application	Employment agency	Ads	Other	
Myers and Shultz (1951)/sample of displaced textile workers:						
First job	62	23	6	2	7	144
Mill job	56	37	3	2	2	144
Present job	36	14	4	0	46 ^a	144
Rees and Shultz (1970)/Chicago labor-market study, 12 occupations: ^b						
Typist	37.3	5.5	34.7	16.4	6.1	343
Keypunch operator	35.3	10.7	13.2	21.4	19.4	280
Accountant	23.5	6.4	25.9	26.4	17.8	170
Tab operator	37.9	3.2	22.2	22.2	14.5	126
Material handler	73.8	6.9	8.1	3.8	7.4	286
Janitor	65.5	13.1	7.3	4.8	9.3	246
Janitress	63.6	7.5	5.2	11.2	12.5	80
Fork-lift operator	66.7	7.9	4.7	7.5	13.2	175
Punch-press operator	65.4	5.9	7.7	15.0	6.0	133
Truck driver	56.8	14.9	1.5	1.5	25.3	67
Maintenance electrician	57.4	17.1	3.2	11.7	10.6	129
Tool and die maker	53.6	18.2	1.5	17.3	9.4	127
Granovetter (1974)/sample of residents of Newton, MA:						
Professional	56.1	18.2	15.9 ^c	— ^c	9.8	132
Technical	43.5	24.6	30.4	—	1.4	69
Managerial	65.4	14.8	13.6	—	6.2	81
Corcoran et al. (1980)/Panel Study of Income Dynamics, 11th wave:						
White males	52.0	— ^d	5.8	9.4	33.8 ^d	1,499
White females	47.1	—	5.8	14.2	33.1	988
Black males	58.5	—	7.0	6.9	37.6	667
Black females	43.0	—	15.2	11.0	30.8	605

^aMost of these workers were rehired at a previous mill job or hired at a new mill established in one of the vacated mills.

^bIn computing the percentages, workers rehired by previous employers and those not reporting the job-finding source are excluded from the denominator and subtracted from the sample size.

^cAgencies and ads are combined under the heading "formal means."

^dGate applications are included under "other."

Figure 1 James Montgomery "Job Finding Methods used by Workers"

This source models as a good representation for the existence of social networks, because all the different data sources show large percentages of people that used their social networks to obtain jobs. The table looks at different occupation types, specific occupations, displaced work, and offers a racial data source. These sources help to indicate the use of social networks within society. No matter which category one decides to analyze, they will still find a large percentage of

those respondents to have found opportunities from their family and friends. This helps set the basis for a model that analyses labor market outcomes. In each of the sources provided above, here is a high percentage of individuals that received their job. In most cases, as we can see above, it was from a family member or a friend. The frequency of this trend is what leads me to believe that the labor market utilized this system of referrals.

Given the different models for labor market outcomes, there are a vast number of categories that can determine outcomes for individuals from job type to wage level. Most models tend to focus on the impact that different human capital characteristics can determine those outcomes, which I feel do not account for a certain factor separate from human capital that can also determine those outcomes. The component that often goes unaccounted for is the referral component. This comes from individual's different *social networks*. Social networks are the structure of individuals that are linked to one individual that can offer that individual several opportunities with many wage differences. The image below is a representation of a social network:

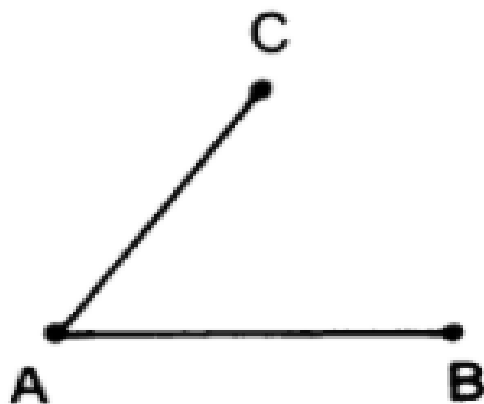


FIG. 1.—Forbidden triad

²I referenced a figure used by Mark S. Granovetter in his article “The Strength of Weak Ties” (pp. 1363). Based on the idea that social networks create opportunity, this individual has increased their opportunities because they have 2 other individuals linked to their network. The more individuals increase the number of people in their network the greater the increase they will see in opportunity. In terms of the image the more connections “A” has, the more opportunity you are presumed to be offered to “A”. It is also assumed that the more people in the person’s network, the better the chance of variety in opportunity. This means “A” could have individuals in their network from different career fields. The model does not exclude the chance of individuals having multiple sources with the same or similar opportunities.

The reason Granovetter refers to this model as the “forbidden triad”, because there is an established connection between B-C that can either be strong or weak, depending on the degree of strength in the relationship. ³The following excerpt is from the “Strength of weak ties” paper:

I will exaggerate it in what follows by supposing that the triad shown *never* occurs—that is, that the *B-C* tie is always present (whether weak or strong), given the other two strong ties. Whatever results are inferred from this supposition should tend to occur in the degree that the triad in question tends to be absent.

I think that Granovetter was correct to say that he was exaggerating the existence or nonexistence of the connection of people within your network. Although it is exaggerated, he is correct in the idea that either the connection between B-C will or will not exist. If the connection is not established, then one can look at it as different opportunities. Otherwise if the connection

² Granovetter, Mark “The Strength of Weak Ties” (Chicago, University of Chicago Press, 1973) pp.1363.

³ Ibid pp. 1364.

does exist, then there are degrees to which it is strong or not. This is dependent on the strength of that relationship, which is what makes it forbidden, because it is difficult to precisely measure the degree to which the relationship works without referring to simple terms. I think it can be measured just by looking at how many opportunities may come from that relationship, if it does exist. I explain how this works for individuals through later sections of this chapter. The basic takeaway for now, is that these networks exist, and sometimes your connections can be connected.

This also shows that we can measure the degree to which these relationships work based on the amount of opportunities that are coming from these connections. I am arguing that this is what can create better outcomes for individuals because any increase in the number of opportunity is assumed to be better for that individual. This is because they can leverage tactics like bargaining wages, opening different tracks from work experience, and even looking to gain better connections from work experience. This is all what creates better opportunity for the individual.

Seeing that labor markets are networked, and that social networks help to create better outcomes for individuals, we can use a graphical representation to show the correlation between the amount of people in one's network and the number of opportunity. By this I mean given the number of people in someone's network, there could be changes in the number of opportunities that they receive from those people. I am assuming that each different additional individual in the network can refer the given person to a single opportunity. This assumption will only hold in theory, because in practice one individual within a person's network can bring more than one opportunity to that individual. For purposes of explaining what social networks are, I make this assumption hold, because I also want to show the significance that one additional individual has on that person. The more people you add to your network, theoretically there will be more

opportunity for the individual to be presented from their network. So, for individuals to have a stronger network with stronger opportunities they must select the most qualified or best people to add to their network. When engaging in this filtering process, they can build their network.

It is easy for individuals to build a network because networks are designed on a “like me” basis. This does not necessarily mean that every person in your network will be the exact same as each other, but there will be certain characteristics or experiences that connects individuals to their network. ⁴The New York Times says: “Help is typically reserved for people who are “like me”: the people who live in my neighborhood, those who attend my church or school, or those whom I have worked with in the past” (DiTomaso, 2013). This is important because most times an individual does not have to work as hard to develop a proper social network because they find people who are like them in as many institutions as they can.

This building process is sometimes quick and easy, and in other cases may be a little more difficult based on the personality of those people. Of course, if there is an individual who is very shy and does shy away from people at times, they will have a harder time developing a good network, because they will not be as willing to get themselves out there. On another note, some people will choose to not be a part of your network based upon what they know about you and how compatible you are on the “like me” basis.

You can use the above image to show any given individual and how that individual’s network can have variety in opportunity type. Take someone named Bob who is currently unemployed. In his network is Susy, Bryan, Max, Amos, and Raymond. Susy is a refrigerator technician, Bryan works at a local Colgate factory, Max manages a chain of stores in a strip mall,

⁴ DiTomaso, Nancy “How Social Networks Drive Black Unemployment” (New York, New York Times, 2013)

Amos is a bank teller, and Raymond works as a cable technician. Although some of these careers may overlap in the type of opportunities, they each offer unique opportunities for Bob. Having these different people with different types of opportunities to offer helps increase Bob's opportunity open and available for him.

What makes this model unique is that it does not exclude family and informal friends from those social networks. This is a key element in the quick and ease of information travel and the many channels that information travels through. This is because family and friends have more of a presence in the individual's life, so they will always be able to hear about different opportunities from them. This gives them a better chance to hear about these opportunities in the first place, because family and friends will always be there. The employee/ individual aspect of social networks is not the only component to information channels that help trigger labor market outcomes. There is also an employer-based aspect that is key in defining how social networks cause labor market mobility.

Although this model is somewhat consistent in definition for employers and employees, there is a slight difference in how employers define social networks. For employers, the focus of social networks is defined as the candidates linked to the firm/employer by individuals that already have value in the firm from their experience. The information channels are the same there is just a deeper depth to the amount of information channels needed to initiate the change in mobility. Overall, the way that networks are designed, with the different conversations and referrals that the individual will have a better chance at obtaining opportunities because they have information about it. To further understand social networks, you must understand how the mechanisms at play work alongside one another to ignite the fire.

In my own experience, my network has mostly consisted of mostly educators and school counselors. I come from a very impoverished neighborhood in Atlanta, that at the time, was infested with crime, poverty, and filth. This caused me to be behind in terms of resources, because there was not much hope that my network would change or become any better. In my early education, I had a few educators and administrators that wanted to invest in my future and expose me to more opportunity. They found themselves in situations where they could not help as much as they would like because there were not many resources allocated for the students at my school. When they finally found the opportunity, they reached out to a small number of students and parents of students in the school.

Since my neighborhood was so underfunded, it was easier for those educators to convince my mother and some of my friend's parents to send us to a school outside of our district, where we could focus on academics and designing a good career path. I went to a predominately black school, but I was still able to be exposed to people within the business and economics world. This is what caused my own personal network to change, because I was not only connected to those individuals in my community that had similar experiences and values as me. I was able to connect to people in a totally different atmosphere that had similar business, political, or educational interests as me. This did not destroy my personal network from my community, rather it enhanced my network creating a situation where there was diversity and depth to my personal network. In some cases, it was very easy to obtain connections in the business world, because my personality helped show similar beliefs and interests that some more credible people had with me. This also helped my network to be able to work very differently for me, compared to what I saw other people's networks work for them.

How do social networks work?

Let's start the analysis of how social networks work with a focus on the side of the individual. In short, social networks begin with family and everyday friends/ associates and end with offering opportunities and actual employment for that individual. Given an individual is born with or without siblings, that person will in theory gain friends and connections as they move along throughout life. The way social network conducts their magic is as simple as a conversation with a parent, a friend, a principal, a mailperson, etc. In modern society, things like conversations happen at rates that don't have to be computed because it happens too frequently. If you take this way of thinking into terms that reflect the labor market, you can take any individual that hears about a job opening from their mother's job. These different conversations can go on with family, friends, educators, mentors, etc. Once these conversations happen, that individual can use the "referral system" to squeeze into opportunities.

Mark Granovetter, in his book "Getting a Job" depicts the process described above. The representation below shows the job finding method, by age group of the respondents (Granovetter, pp.18).⁵

⁵ Granovetter "Getting a Job" pp. 18

Table 5. Job-finding method, by age of respondent.

Method used	Age		Total
	Under 34	Over 34	
Formal means	25.3%	11.9%	18.9%
Personal contacts	47.9%	64.2%	55.7%
Direct application	22.6%	14.9%	18.9%
Other	4.1%	9.0%	6.4%
<i>N</i>	146	134	280

$p = 0.002$

Figure 3 Granovetter "Job Finding Method by age of Respondent"

From this you can see that no matter the age group, the highest percentage of job finding came from personal contacts. This goes to show that it is true information travels through different channels constantly and is always working for individuals. In the "Over 34" subgroup, 64.2% of respondents said that they found their job through personal contacts as well as 47.9% in the "Under 34" subgroup. The reason this is important is because it helps you to visualize how easy and useful the process of using social networks is. Granovetter says:

⁶"Individuals clearly do not seize every job offer that reaches them; cultural and personality factors do not doubt have their impact on which job one chooses to accept. A separate study would be required to do justice to this issue. The point is that if we confine ourselves to looking at jobs that people do accept, however the choice is made, structural factors have the largest influence on the method of uncovering those jobs. By 'structural forces' I mean the properties of one's social situation that shape his contact network; one typically has little control over these factors" (Granovetter, pp.19).

This excerpt helps to portray the mechanism that initiates everything, the community. For individuals, their communities have the most influence on their networks set up and how it works for them. When I say community, it does not just mean the people, infrastructure, etc. A person's

⁶ Ibid pp.19.

community has a lot of influence on their values, beliefs, attitudes, and more things that factor in someone's personal connections. This is where sociological factors start to affect the strength of people's networks.

Since we know that the community sets the foundation for someone's social network, over time they will gain more connections. Again, this process is on a "like me" basis, so individuals will be more likely to add people in their network that have similar interests, beliefs, or values as others. If you know that these social networks are on a like me basis, then it will be easy to understand how the network will work for you when you cannot fully articulate or are not present to showcase your talents and skills. The universal way that your network will work for you is when people in your network have new opportunities that they know about, they will transfer that information. Of course, since they are a part of your network, they will know your interests, what you want to do, and new ways of getting to your goals quicker. Therefore, it will take no time for the individuals in your network, to talk about those opportunities. They transfer information by initially letting you know about that opportunity. This opportunity may not be one that you accept, but it is usually one that you could get because the other person(s) in your network has the power to push your information into the hiring system. From this, individuals can construct their own analysis of which jobs or careers interest them the most. They can base this on a range of options depending upon the number of opportunities that they see from their personal network. So far, the different phases that I have explained are: Build network, transfer information, analyze opportunity, and strengthen network.

In this process, we build our networks based on our community, values, interests, and personality. As we transfer information between the individuals in the network and the person, the

opportunities will present themselves accordingly. Once those opportunities are presented and are fully analyzed, that person will try to ensure they get the job. This is where the model sees a limitation, the people with strong networks, that do not have the necessary skills for positions that their network can offer may hurt them.

This limitation is not one that cannot be answered, it is one that holds small weight. I say this because, yes there may be some people who have networks that have career opportunities that certain individuals may be under-qualified for, but since they have that person in their network, they will be able to learn the job easier and quicker. This is because that person has the inside advantage, so before they just jump into applying to an opportunity, they will hear about some inside advantages they can take to work well in the job. This helps them as a candidate, because that person in your network can help advocate for how you have other skills that may allow you to bring a different but uplifting perspective to the company.

This is something that I saw affect my experience within the business world, because I was very underqualified for certain opportunities compared to some of the other students that came from totally different backgrounds. In so many ways my networked helped me to create new and better opportunities for myself with but the biggest advantage being how much my network had broadcasted my skills and talents. It is so interesting, because most of the skills that were being broadcasted weren't ones that I developed in business or economics class, it came from my personality.

For example, I was referred to the Bank of America Scholars program in High School by a school business education teacher. I was not able to show any experience in the field, and I knew little about the banking industry. I was able to obtain the opportunity because my school teacher

really advocated to the adviser of the program how outspoken I was and that I was a “people’s person”. This was not something that was taught in my school or something I could say gave me more qualification for the position than students who went to better schools and took banking courses. If it was not for my teacher telling the adviser about my skills, I probably would not have been able to be a part of the BOA Scholars program. This outcome would have changed the scope of my entire future, because future internships developed from that experience. It is important, for those that are less qualified to have those advocates of their other personality traits or softer skills that allow that individual to become a better candidate for different positions.

Not only does having a social network help with pre-hire endorsement for individuals, but for on the job mentorship, training, skill development, personal development, and professional development. Having someone you know with you at work makes it easier to obtain goals for these developments. For those individuals that do have someone that is a personal connection on the job, it will make it easier for them to understand job goals and progress. This is much incentive for individuals to utilize their personal connections to obtain opportunities. For those that do not have personal connections on the job, in my next chapter I will further analyze how this creates inequality. For this chapter, I will say that those individuals can still utilize mentorship and development opportunities through their personal connections because that connection will still help the individual obtain a mentor. That connections expertise in that given field will still help give insight to how to successfully obtain a mentor in that field.

We can take information we know about what social networks are for firms and analyze how they work for firms. We can also take what we know about how networks work for individuals to understand how networks work for those firms in the short and long run. From a firm’s

perspective, a social network is useful because it allows them to utilize employees that they trust to recruit talent to that firm. They utilize this because it is a cost-effective way to bring in good talent without the hassle of advertising costs, and the loss of time used for business operations due to interviews, background checks, looking for candidates, etc.

To give some background on some of the costs of firms to hire, I will refer to an image created by RecruiterBox. RecruiterBox helps companies hire people as simply and as predictably as possible. They look at industries with high hire costs and industries with low hire cost. ⁷In the image below, you can first see that no matter if it was a high or low hire cost industry, hiring costs total over at least \$20,000 on average per year.

⁷ RecruiterBox (2012)

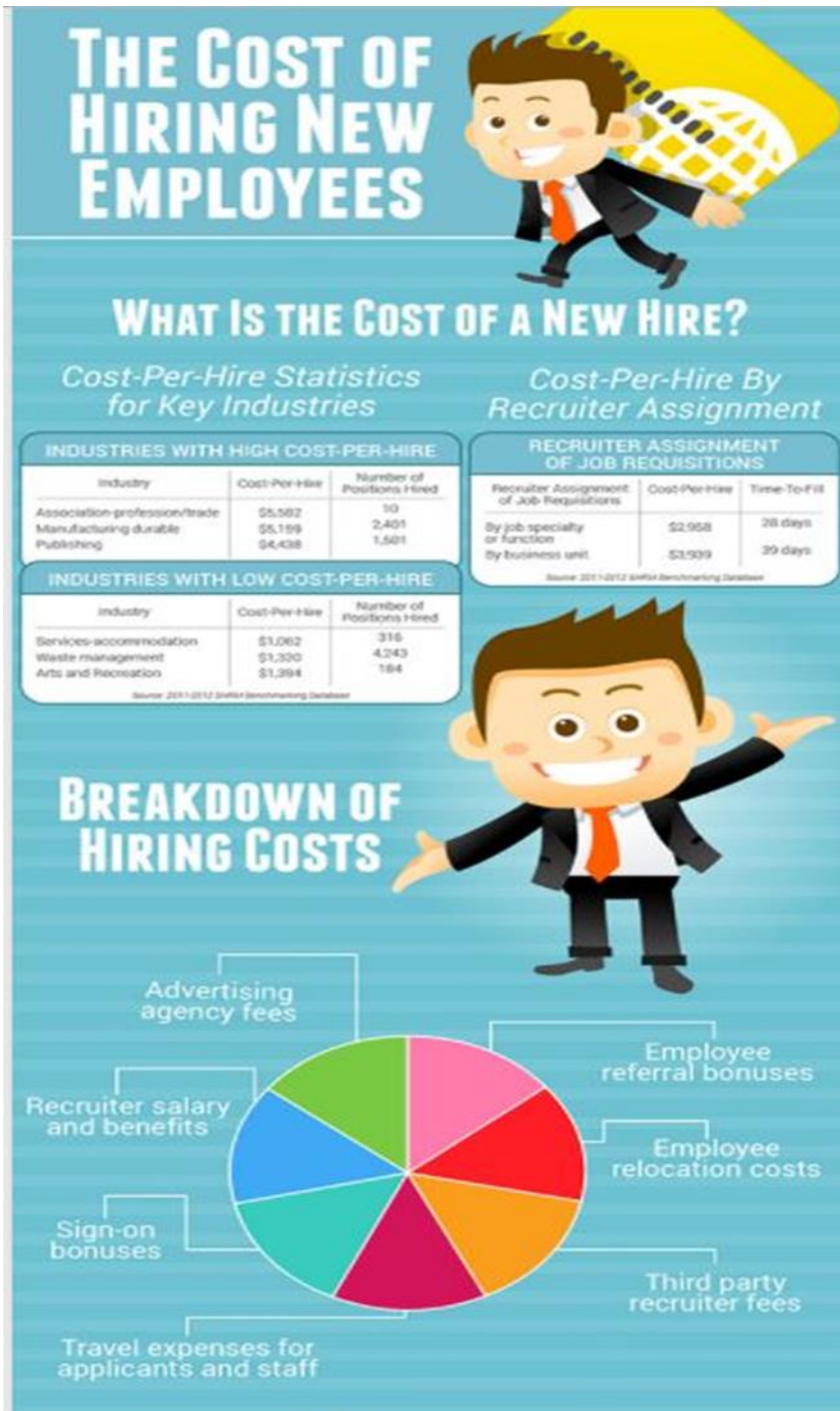


Figure 4 RecruiterBox "Cost of Hiring New Employees"

You can also see that the both industries hire numerous positions. In this case, Professional trades are an outlier because those industries require higher skill and are very competitive. Even in their case, those high skill jobs and careers still must pay high costs.

The cost of firms hiring an individual (wage) is not the only cost for firms. If you go back and look at the ⁸RecruiterBox image, you can see that firms have to spend money on Advertising agency fees, recruiter salary and benefits, employee referral bonuses, and third-party fees to be able to recruit those candidates for the position. Before the wages are even set, firms must pay a cost to find the right or wrong applicants for the position. Even after finding candidates, the firm still has the burden of employee relocation fees, and travel expenses for applicants and staff within the interview process. After properly drafting and recruiting persons for positions those firms then pay the designated wages for that worker.

This is where having good social networks provides a simple solution for firms. This solution will enable firms to avoid the depth of some of these costs. In most cases, they can avoid all costs outside of wages and a recruiting fee for the employees that recruit for them. For firms to avoid these costs they must utilize a well-designed referral system, because with a weak system they will still find themselves spending tremendously in the hiring process. This is what causes firms to become skeptical within this process, because they do not want to overload on costs of hiring without knowing much about people's productivity. Ultimately the goal of firms is to hire the best candidates/ who they expect to be the most productive, at the least cost available. Since wages are almost a set thing, based on position type, firms are more worried about lowering the

⁸ Ibid (2012)

costs from recruiting fees and candidate expenses. They can do this extensively if they utilize who is being referred to that firm.

In terms of productivity, firms do not have real perspective on how productive their candidates will be. This is another reason social networks work well for firms, because it gives them a little bit of relief knowing they will hire someone that they can somewhat trust. Since social networks are on a like me basis, people in firms that have built trust and expanded their own brand within the firm, will have the ability to influence others hiring percentage. A firm's employees are a critical part of the recruitment team, because they can help bring candidates to the firm at a smaller cost, and at a quicker pace.

Since those employees know their own friends and family, they can easily refer people to the position. If they are trusted, hardworking employees, then the candidates that employees bring will have some credibility behind them because the employee who referred that person is already trusted and has maintained a good reputation to the point of referral. This helps make it a no brainer for firms to hire that person, and it will be easier to design wages and benefits. I say this because the candidate will already have some levels of trust from the company which will give them more power to bargain and ask for a nice wage. Cost efficiency is not the only way that social networks and trust help to empower the company.

The final reason a firm's social network is important to them is because it works in terms of creating a more productive atmosphere for those new hires to learn the ropes. This especially helps those employers that hire a lot of under-skilled/ underqualified workers. Since the people they hire have lower skill needed for the required position, they must find an efficient way to mentor, train, develop, and incentivize them to work hard. This is where the social network begins

to work again. The firm's employer can utilize their employees as mentors and trainers for those positions. They can easily utilize the people that referred those candidates because they already have an established relationship with that candidate. In this case, it is just a win-win for the firm because they don't have to spend so much money or time in the hiring and recruiting process, and they have already established mentors and trainers to help develop the new workers coming in. This ease in the process helps for firms to continue to grow and develop at a good rate. There is not much empirical evidence as to the percentage of referrers that eventually become mentors in the workplace, but theoretically this model holds. This model holds theoretically, because firms look to minimize cost in the most efficient ways.

In this case, money of course is money, but time is also money so minimizing cost is only one part of the process. This is the mindset that employers have towards their investments and where they divvy their time. This mindset in employers also causes a reduction in the required amount of time it would take to get the new hire acquainted to the working field, because they will work with someone they are very comfortable with to learn the ropes. This is not something that only benefits the employers.

Employees benefit from utilizing their friends and relatives because they will have an easier time becoming familiar with the work environment, and they will find ease going up the promotion ladder. This is because they will quickly pick up the ways of becoming a more trusted employee like their connection to that firm. This process is very simple, and makes sense, because there is not much extra work, time, or investment needed to make this work. This is what is so appealing to firms and individuals, the ease of going through this process. This also assists both firms and individuals in building and maintaining a successful and healthy relationship with one another.

Allowing your social network to work for you is something that firms and individuals have utilized over time, especially in the age we live in today.

In summary, individuals and firms can utilize what is known as their social network to initiate labor market mobility. In this, we have defined social networks for individuals as their friends and relatives, which does not exclude immediate family or extended family, and friends can also be interpreted as business contacts/connections. I show the construction of a social network in a simplified model and helped to define what social networks are. I also explained how firms slightly define social networks differently from individuals. This affects how social networks do work for individuals and firms. I show these differences and utilize some evidence to show that social networks are working for individuals and firms. For individual's networks specifically work because they can utilize others within their network, without many exclusions. This is something that works for firms as well because they save time and money in the recruitment, development, training, and mentoring for firms. I utilize my personal experiences to help explain some of these ideas and how they have particularly affected my life. In this chapter I also wanted to express how networks work on a like me basis. In my next chapter, I will show that this allows for minorities to be excluded from better opportunities because they do not have strong networks.

Chapter 2: “The Get Down”; Existing ‘Job Referral’ Networks

Exclude Minorities

Introduction

In the previous chapter, I introduced an important mechanism in the U.S. labor market. Social networks are an important mechanism that dictate labor market outcomes and mobility for many people. In introducing social networks, I was able to define what they are and their makeup, as well as analyze the way social networks particularly work in the labor market. In this analysis, an important theoretical and practical finding was presented, which is that there will be a nature to exclude minorities from certain types of jobs and professions. This is because of the use of social networks, and the use of nepotism for whites. In this chapter, I will begin with an examination of this exclusion and will follow up in detail with why this exclusion exists. I will utilize data from the Bureau of Labor Statistics to analyze the existence of minorities within different labor industries.

I will further this by arguing that there is a factor that is often overlooked but has deep significance in the outcomes and mobility for people in the labor market. This factor is affected by different characteristics of individual’s personal lives. Some of these characteristics they have no control over, because they were born into them (socioeconomic status, neighborhood, etc.). These factors help to generate and perpetuate the inequality that exists because of social networks. This creates a bad cycle for minorities because they will continue to produce the same identity that led them to bad opportunity. This is furthered using nepotism by the majority and people in power. I will utilize more modern sources here like The Atlantic, the Economic of Education Review, and

other articles, because it helps to give a representation of how that looks today. I will try to disregard many of the debates over whether it is a problem or not. I will just argue that it is present, and that the abundance and quality of opportunity, taken or not, can bolster that individual. Not only does this give advantage to the individual, but it presents the advantage and hidden practices that employers may utilize through nepotism. I will lastly look at how nepotism works alongside the innate nature of social networks to exclude minorities from either professions or jobs. In this exclusion, there are going to be overlaps where gender, and other social constructs may also be affected by the utilization of nepotism. The focus here is to look at how minorities are being excluded from the labor market because of this, so although it is a problem that needs to be changed, the focus is strictly on the minority experience, not the male or woman experience. To conclude, I will outline the importance of the combination of these cycles in terms of longevity. This will help me to transition into the final chapter where I will discuss ways that minorities can maneuver through these vicious cycles and create labor market opportunities and mobility. It will also help to develop some policy recommendations that will also assist minorities.

Minorities are excluded from blue and white-collar jobs.

It is no secret, that minorities are being excluded from “good” opportunities within the labor market. This is something that has been a historic trend for the U.S. This exclusion has had different acting factors that help to perpetuate them. To help represent this exclusion, I will refer to the United States Bureau of Labor Statistics “Labor force characteristics by race and ethnicity, 2015” (2016), which shows the percentage of workers by race in each industry category (work type). ⁹This is what was reported:

⁹ U.S. Bureau of Labor Statistics “Labor force characteristics by race and ethnicity, 2015” (2016)

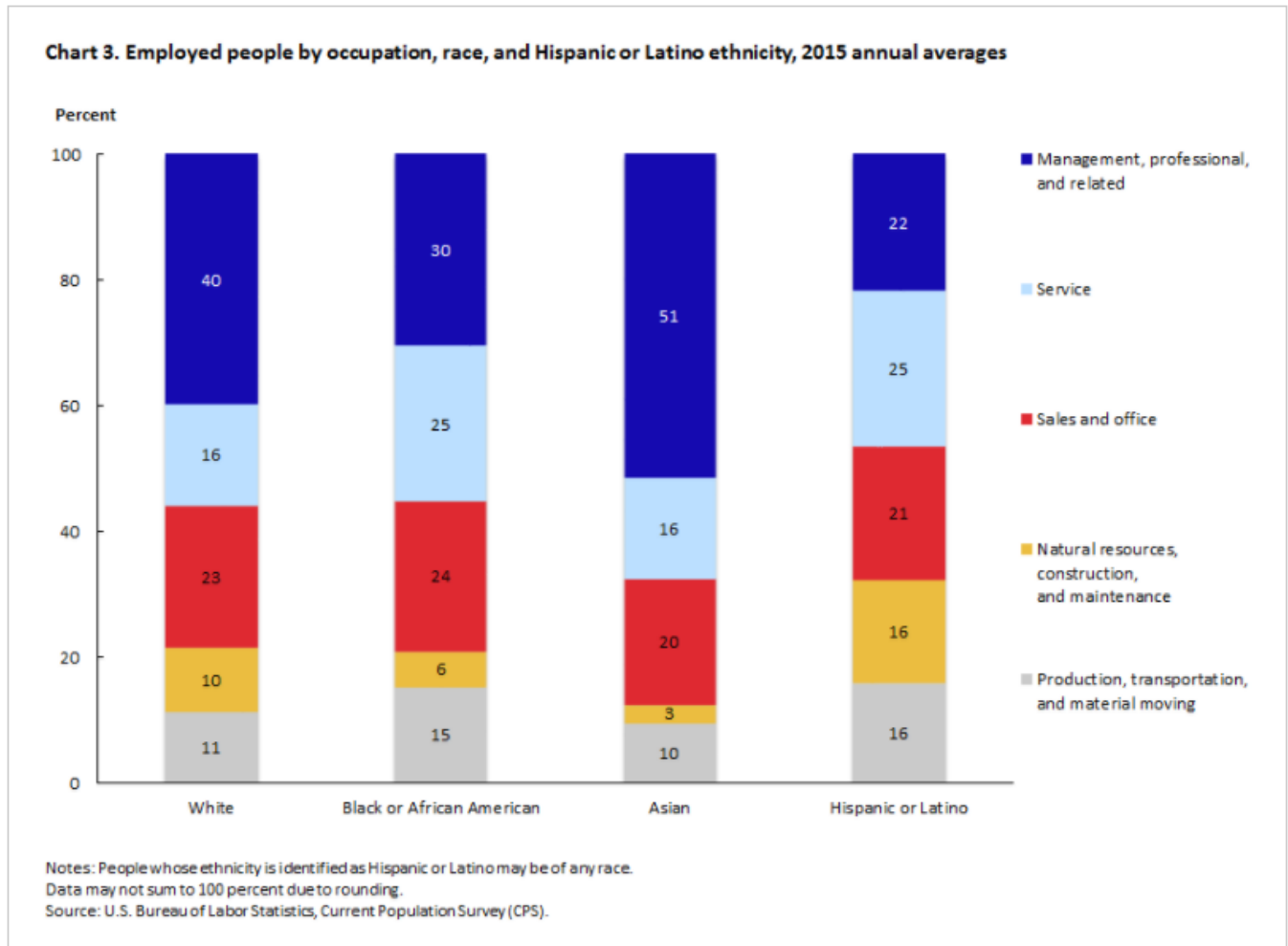


Figure 5 U.S. BLS "Employed people by occupation, race, etc."

In this chart, we see in that “Management, professional and related” jobs are being dominated by Whites and Asians. Whites have 40 percent of their population in this field, and Asians have 51 percent of their population in the field. This is significantly higher than the 30 and 22 percent of the Blacks and Hispanics, percentages of their respective racial groups, that are in the field. Some of these jobs include: doctors, physicians, lawyers, CEO’s, etc. These are the more administrative and professional jobs, or jobs in the primary sector of the labor market. These are the jobs that generally require higher skill levels and certifications/requirements that are demanded

when applying for that job. These are the jobs that do the most weeding out, because they have so many requirements that are not always shared or known, that filter people out. Though there is a good percentage of minorities within this category, they do not hold the jobs that are of high standing. So, there may be minorities working in the hospital, but not as the surgeons and doctors, but as nurses and clerks. Minorities are not the dentists and lawyers, they are secretaries and receptionists. In this case, there is a presence of minorities, but they are held to a very low status within the field. This does not mean there are no minorities within these better positions, there is just a very small percentage of them in those roles.

This identity (percentage of people) is different from the “Service” sector where Blacks and Hispanics seem to have an advantage over Asians and Whites, but the gap is not as significant. In this sector, some of the jobs are more of the secondary sector type jobs. These are jobs that require a lot less skill than the management sector and offer a lot less compensation and benefits compared to the workload. Some of these jobs include: Security guards, housekeepers, maids, small construction, etc. This sector has a similar identity as the “Sales and office” sector, which does have some skill level requirements, but are also very much lower than those of the primary sector. The jobs that the Blacks and Hispanics acquire in this sector include retail store clerks, grocery store assistants, telephone operators, translators, etc. Some of these jobs do require some skills, but still lack the benefits and compensation compared to the workload.

The most striking identity that I found, was that of the “Natural resources, construction, and maintenance” sector, and the “Production, transportation, and material moving” sector. The natural resources sector was so striking because it supported the stereotype developed by right-winged politicians in America. This stereotype is that “Hispanics are taking all the jobs”. In this

stereotype, the typical Hispanic experience is in the field of construction, or some type of field-service work (lawn care, gardening, farming, etc.). In this same instance, the production sector was also striking because it had the smallest gap between racial groups. Though this category does have this identity, there is a big difference in the job types that certain racial groups were a part of. The difference in job types also helps to understand the income gap between racial groups, even within the same occupation category. The largest takeaway from this data is that minorities are either being excluded from industries or are being offered the lowest positions available in the industry. The key question is; why does this exclusion and inequality exist?

The simple answer to the question of why exclusion and inequality exists can be based on the component of the market you are targeting. For example, if there is corruption in the politics, then the answer would be to focus on the government. In the broader answer, there is not one specific answer to this inequality. Since there are so many factors affecting this inequality, it is not easy to measure the extent to which these factors generate inequality. I want to challenge the broader answer, because I think there is one factor that is often overlooked. In the next section, I will argue that this factor is cultural, and that the focus for disadvantaged individuals should be to accumulate as much “culture” as they can.

The Cultural Impact

Imagine two students, one in public school and the other in private school. The public-school student maintains a competitive GPA with the private school student and participates in as many activities but lives in a community where the demographics are different. The difference is that in the public-school student's community there is a large presence of violence, gangs, and drugs. These circumstances change the reality that this student faces, and the exposures that are extended to this student. Although this student has competitive intelligence, and participates in many extra-curricular activities, the student is not exposed to the number of things the private school student is exposed to. For example, at the private school, they take monthly trips to the museum to experience the different historic art exhibitions. On the other hand, the public-school student is only able to see a few historic artifacts in an old art history book provided by the school library. These differences in exposures can alter long term plans and goals, especially in post-secondary education, which seems to be the dividing factor in qualified and unqualified workers in most cases. This difference in experience can help to explain why this inequality is so persistent. In short, it is fueled by the difference in the levels of "cultural capital" that people possess.

The term "cultural capital" is one that has been discussed by many different opposing sides and has been defined by many different terms. For the sake of this paper, I am describing cultural capital as the accumulation of experiences an individual has that helps them to assimilate with a specific culture. This culture can be fueled by many things, like: race, gender, political affiliation, hometown, age, etc. These are some things that do not necessarily affect your accumulation of human capital because cultural capital focuses on experiences and what people have been exposed to that helps them to acquire not only other people to connect to, but lingo that shows they have

learned that culture. While human capital may focus on the number of years educated, cultural capital dives into how experiences within those years have formed some type of “culture” for individuals. This “culture” also gives some individuals comparative advantages over others which is where capital becomes relevant. When someone can successfully utilize their “culture” for economic gains, they have utilized their cultural capital.

The way that cultural capital affects the existence of exclusion and inequality, is that it forces people to attract a social network that reflect themselves, which leave people who have different cultural experiences out. As stated before, social networks are designed on a “like me” basis, so the people who are a part of an individual’s network will reflect this. For those individuals that are raised in a culture that reflects what is being demanded in the labor market, they will have better outcomes. For those not being raised in that culture, they lose out in the future because they will have less opportunity and mobility. This is not to say that one culture is right or wrong/ appropriate or inappropriate, it is just what is being demanded.

I want to refer to a piece from the New York Times’ “How Social Networks Drive Black Unemployment” article, to help emphasize that this inequality comes from these cultural factors.

It says:

¹⁰“Help is not just given to anyone, nor is it available from everyone. Inequality reproduces itself because help is typically reserves for people who are “like me”: the people who live in my neighborhood, those who attend my church or school, or those with whom I have worked in the past. It is only natural that when there are jobs to be had, people who know about them will tell the people who are close to them, those with whom they identify, and those who at some point can reciprocate the favor.” (DiTomaso, 2013).

I think that it is important to stress these different factors, because they deeply influence individual’s beliefs, values, and ideals. This is what helps to determine who will be a part of

¹⁰ Nancy DiTomaso of the New York Times “How Social Networks Drive Black Unemployment” (2013)

someone's network. I also think that the neighborhood experience is something that should deeply be evaluated, because it has the most immediate impact on an individual. Though people spend a good amount of time engaged in other spaces and activities that influence culture, it all starts at home. A neighborhood experience is not only defined as what is seen outside of the home, it also entails what happens inside the home. This is important, because the first connections in someone's social network would ideally be their parents. I know this because:

¹¹“Starting with their first jobs as teenagers, Americans' professional lives have a lot to do with those of their parents: According to U.S. Census data, 22 percent of working American men whose fathers were present during their teenage years will, by time they turn 30, have worked for the same employer, at the same time, as their dads. For women that figure is 13 percent.” (Pinsker, 2015)

The reason for this is because an individual's parent's help to initiate the understanding and foundation of your given culture. This is what includes them into that individual's network, because they taught that individual all the language, practices, connections, beliefs, and norms they know. Once they can complete a cultural transmission, the individual will be considered a qualified candidate for better positions quickly. Not only this, but depending on the parents' occupations, their tendencies will be picked up by the child. Joe Pinsker says: ¹²“An auto mechanic will instill different interests in her children than will an architect, and a child exposed to, say, tinkering, might be more prone to spending time in the garage than at the drafting table.” (Pinsker, 2015)

Along with the culture transferred over, if the individual's father/mother is known as a hard worker or maintains a good status within the entity, then they stand a better chance of receiving employment. Their reputation automatically helps to qualify their children, because they will more than likely maintain the same if not similar qualities as their parents. Chris Bodenner of The

¹¹ Joe Pinsker “Like father like son; how much nepotism can we take?” (2015)

¹² Ibid, Pinsker

Atlantic says: ¹³“Many employers don’t want to hire a stranger. And they often figure that if “John or Jane Doe” is a good worker, then a relative of theirs or friend of theirs has a good chance of also being a good worker.” (Bodenner, 2015). Even if the percentage is not that high, it still makes a difference for those that have an abundance of opportunity, because of the pre-existing conditions they are born into.

Pre-existing conditions, like the inequality, have a significant effect on the practice of parents employing their children because Pinsker also mentions:

“Even though more than one-fifth of those working American men under 30 have worked alongside their fathers, that percentage varies depending on income. If a man’s father is in the highest 10 percent of American earners, he’s more than 1.5 times as likely to share an employer than if his father is in the lowest 10 percent. When it comes to the likelihood that a father will work with his son, there’s a significant earnings gap.” (Pinsker, 2015)

It is important to know that even while this similarity in employment patterns (Working with children) exists, there is still a different rate of success depending on class status. You can see above that if someone’s father is in the top 10% he has a larger chance to share an employer with his father than someone of a lower status. This is important, because this tells us that there is some type of cultural transfer/transmission from the parent to child that helped them to get the job, otherwise they would be unqualified. The excerpt above proves that there must be some type of transfer of culture, because it is the best way to become acclimated with the industry, learning from a parent or two.

Aside from the fact that the experience in a neighborhood can alter an individual’s culture, it also sets the basis for a separation of cultures. Since different neighborhoods have people that have different values and beliefs, the way those people interact with one another will vary based

¹³ Chris Bodenner “What’s so bad about Nepotism?” (2015)

on location. Therefore, the actual location is important, because most institutions that are “white” usually have a certain culture that other whites can connect to. If the average black cannot afford the same neighborhood experience as the whites, they will be less able to connect to the culture, mainly because they have never had exposure to it. On one hand, a difference in upbringing works in two ways: an individual can learn a type of culture from their neighborhood experience, and that may cause them to be ignorant to other cultures. The second point is important as well, because if people are ignorant to other cultures, then the people who have not been exposed will lose out on opportunities. This loss of opportunity is enforced by whatever things are learned directly outside of the home, which does include other institutions like school and church for example, because these spaces also help individuals shape their culture.

In other institutions that are also a part of the neighborhood experience, like church and school, people must utilize tactics to help them to maneuver through that institution. This is different from the home experience, because there will be more chances for that person’s culture to either be approved or challenged by others. This process happens in a way that cannot happen at home, because outside of home there is more exposure to other cultures. To support the idea that an ecological change can alter culture, I will refer to an excerpt from John Ogbu’s “Acting White” (1986), which just outlines the idea that there are these changes in setting that may cause this altering. Ogbu offers:

¹⁴“In the case of Black Americans, we suggested that the disproportionately high rate of low school performance is a kind of adaptation to their limited social and economic opportunities in adult life. That is, the low school performance is an adaptive response to the requirements of cultural imperatives within their ecological structure” (Ogbu, pp.178).

¹⁴ John Ogbu “Acting White” (1986)

Though this excerpt is attempting to justify black's poor performance in school, I am utilizing this excerpt to show that this cultural clashing happens. This does not have to be a very intense process for every person, but it does cause some type of changes. In some cases, the clashing of cultures, start to cause people to either adapt or not to the environment's cultural demands which in turn also effects their status in the labor market. Which is what Ogbu is explaining, that there are cultural norms and practices that are a part of ecological structures that demand these qualities in people, and if it is not present, the person will not succeed. When I say succeed, I mean if a person does not develop or adapt to the demanded qualities, they will be viewed as "different" in a wrong way and be overlooked by others for that purpose. This is also combined with the given social, economic, and political climates of those communities as well. The person overlooked can be overlooked by either a person building their network, or even an employer. For example, Ogbu writes:

¹⁵“We suggested how these ecological factors might enter into the schooling of black children and adversely affect their academic performance. The job ceiling, for example, tends to give rise to the disillusionment about the real value of schooling, especially among older children, and thereby discourages them from working hard in school. Frustrations over the job ceiling and substandard schooling create conflicts and distrust between black Americans and the public schools, making it more difficult for black Americans than for white Americans to believe what the schools say and to behave according to school norms. Survival strategies, such as collective struggle, uncle tommying, and hustling, may encourage black Americans to develop attitudes, perceptions, behaviors, and competencies that are not necessarily congruent with those required to do well in school.” (Ogbu, pp.179)

The piece that Ogbu left missing is that this does not only affect an individual's performance in school, it will lead to further labor market filtering, leading to either low value outcomes or unemployment. When an individual is faced with this type of dilemma, being told that they will result to nothing, they will either enforce it or just do what they can to get out of the dilemma. This excerpt offers an example of how blacks tend to deal with a type of cultural clash,

¹⁵ Ibid, 179

and it still results in loss of opportunity. Given the example, you could see that not only does the institution affect that individuals social network, it can also influence how these people are seen by employers. We know that these different institutions influence culture which in turn has a large influence on the development of social networks and labor market outcomes, and we also know that this can look very different depending on which qualities are being demanded. In this case, blacks are faced with very harder institutional, political, and social barriers that cause them to lose out on some of the kinds of cultural exposures that are needed for future success.

This form of geographical segregation directly affects the way that individuals can expose themselves to the demanded traits within the labor market. A good example of this is golfing, a ritual that is generally found in high skilled jobs. If the nearest golf course is in a town or two away from an individual, and their budget is very constrained, then that individual does not have the extra money to afford the trip. Without the exposure to golfing, this individual forfeits a simple way for them to connect to their potential employers. Though this is a very small thing (golfing), it really does make a difference when trying to connect to employers. Differences in exposure the golfing and other activities that help give an inside look at what may be demanded in the labor market can lead to the exclusion of minorities. The less access that individuals have to the exposures needed, the lower their ability to connect to employers, furthering their exclusion in the market.

With all these factors (institutional, social, political, etc.) acting against minorities, it only makes sense that this would create a very devastating cycle for those minorities. I say that because once an individual that has been overlooked or employed into a low paying job has a child, they will raise that child/children under the same way that they are raised. Which will ultimately land

that child/children in the same spot as their parents. Again, parents are the first ones in an individual's social network and will function as an immediate source for opportunity. If they lack the proper opportunity to offer, then it will result in less opportunity and exposure for that child/those children as well. This will be a trend that will continue for those who are disadvantaged. This does not assume that there will not be outliers and people that come from "bad" backgrounds that land good opportunities, it just means that there will be more of a chance that the child will also be disadvantaged. This cycle will continue to place minorities behind, because they lack the support to aid the children, and these trends will continue if the support is not there. This type of cycle structure looks very different for whites and majorities, because they are benefiting from being exposed to various types of culture, that help to shape what they in turn demand in the labor market.

Nepotism

¹⁶“According to U.S. Census data, 22 percent of working American men whose fathers were present during their teenage years will, by time they turn 30, have worked for the same employer, at the same time, as their dads.” (Pinsker, 2015).

I wanted to return to this statistic quoted from Joe Pinsker, because it will help to give some insight as to the capacity that nepotism works within the labor market. Recently, there has been much debate and speculation from different representatives of social, political, and economic groups (whites/blacks, democrats/republicans, wealthy/poor people). These debates and speculations have clouded the realm of nepotism. I say this because there is less of a focus on the definition of the word and mechanisms, and a focus on agenda, and how nepotism corresponds to a groups certain agenda. A lot of the debate is also very personal and causes people to miss the real problem with nepotism, which is that it excludes minorities from being able to hold certain positions within a company/firm. Before diving into the debate about nepotism and how it affects the labor market, I would first like to provide a concrete definition for nepotism.

The Merriam-Webster dictionary defines nepotism as: ¹⁷ *“favoritism (as in appointment to a job) based on kinship.”* This is somewhat different than how it is defined by the business dictionary, which is supposed to provide the more business-oriented definition of words. The Business dictionary defines nepotism as: ¹⁸ *“Practice of appointing relatives and friends in one's organization to positions for which outsiders might be better qualified.”* (Business Dictionary). The reason these definitions are different, is because one provides a more specific definition, that cannot be interpreted multiple ways.

¹⁶ Joe Pinsker “Like father like son; how much nepotism can we take?” (2015)

¹⁷ Merriam-Webster Dictionary

¹⁸ Business Dictionary

The reason the multiple definitions are important, are because they help to dictate how people interpret the practice, and the position they hold in the debate. This makes the definition even more important, because to argue for or against this practice, you must know how to define it and understand how it exists. I think that the first definition leaves it up for grabs, because the favoritism aspect is not addressed well enough. The business dictionary definition specifically states that these are positions that outsiders might be better qualified, which immediately shows where the exclusion exists. From the definition alone, we can see that the exclusion comes from people in positions of hiring power, they will ensure to save a seat for their child. Based on the definition, their child does not always have to be the most qualified candidate to land these positions, because their connection to the employer dominates the qualification process. This is detrimental to those fathers and parents that hire their children for experience or because they lack employment, because it makes them seem like they are trying to exclude applicants.

The business dictionary also points out a specific counter-definition that does not only make this practice bad. It says: ¹⁹ *“Despite its negative connotations, nepotism (if applied sensibly) is an important and positive practice in the startup and formative years of a firm where complete trust and willingness to work hard (for little or no immediate reward) are critical for its survival.”* (*Business Dictionary*). In my opinion, I think nepotism can have some positive connotations, but they will continue to be overlooked because of its negative connotations. I say this because there are not many situations where an employer should choose an underqualified applicant over a more qualified candidate. Ultimately, nepotism works on two separate levels, it is utilized by

¹⁹ Business Dictionary

employers/person in power always, but is also a very useful tool, especially in the cultural capital sphere for individuals that are born into these resourceful families.

Employers are faced with many different decisions daily. This can become overwhelming, because they must make operational, hiring, financial, and other decisions often. These decisions are what sometimes hinder the hiring process, because alone ²⁰the hiring/interview process takes about 23.8 days alone. This is what creates a positive for practicing a form of nepotism, because this gives those employers that must deal with extreme hiring conditions, an easier option and reliable candidate for various positions to choose from. In this way, employers save time and money, like we learned in the chapter before, and they maintain a level of trust and work ethic. This does not restrict employers to just family, it extends to friends and other informal relationships as well. This provides for there to be somewhat a better applicant pool to choose from, because the potential risks that came with new hires seem to be extinguished.

In the theoretical sense, nepotism is something that could provide some positives for employers, if utilized correctly. For example, it could serve as a way for employers to already have some trusted help around the firm, or even knowing their family/friends' weaknesses which helps take more of the potential risk away. Some employers even feel as though by hiring family and friends, they will have someone who will be willing to sacrifice more of their work ethic or time to help the business grow. These are some of the advantages that employers have discussed when talking about how they utilize nepotism. While these advantages do provide good strategies for employers, I think this is a bit different from nepotism, because the same trust and work ethic should be found in the more qualified candidate. This is the portion of the definition that is most

²⁰ Glassdoor Economic Research "How Long Does it Take to Hire? Interview Duration in 25 Countries" (2015)

important and is the most overlooked. As I read the Chris Bodenner article “What's So Bad About Nepotism? Your Thoughts”, he provides commentators the chance to express their thoughts on nepotism and how it plays a role today. One of the responses included:

²¹“I actually think nepotism is more common in low-wage jobs than in high-wage, white-collar jobs. I’ve worked in low-end retail stores, bars/restaurants and in construction, and a huge percentage of my fellow employees got their jobs because they were related to, or friends with, another employee. And I don’t see why some think it’s somehow sinister. I own my own construction company and often have employees asking me to hire relatives or friends. (Sometimes it works out, other times it doesn’t.) Lower-income workers also “network.” They just don’t use that term usually. I’ve rarely worked at a construction job where no one is related, and I’ve worked on some job sites where three or more employees have the same last name. Many employers don’t want to hire a complete stranger. And they often figure that if “John or Jane Doe” is a good worker, then a relative of theirs or friend of theirs has a good chance of also being a good worker.” (Peter, 2015)

Though this anecdote does represent someone’s personal life, they are still ignoring the fact that nepotism is not just the hiring of a family member or friend. It is hiring that person while denying someone who is more qualified for the job than them. This is what gives nepotism its dark nature, is because you cannot overlook the fact that in this process a more qualified employee will be overlooked for a relative or friend who may not be as qualified. It would be easy to illuminate the advantages of nepotism, but by doing so you have to overlook the fact that the person being denied from the position is more qualified than the person hired. This aspect is extremely important, and without it, nepotism is just the practice of favoring family and friends in the hiring process. It is because of this nature of people who are for the use of nepotism (to overlook the qualified section), that I feel that the real utilization of nepotism is for employers to hide their discriminatory practices. Again, I think that nepotism is utilized so employers can disguise their prejudice. It only makes sense, because it would seem counter-intuitive to hire someone who lacks

²¹ Response by Peter

the qualifications for the job over someone who does. I think that the only solution is to say that it helps those employers that are discriminatory to continue to practice this.

In his paper “Discrimination, nepotism, and long-run wage differentials” (1982), Matthew Goldberg attempted to show that the use of nepotism to explain how these prejudice firms can survive in the long-run by earning less actual money profits and pay less in non-pecuniary costs. By doing this, these prejudiced employees can keep their discriminatory mindset, but can still thrive in business for a long time, because they could utilize nepotism or favoritism to whites. Goldberg writes:

²²“It only remains to resolve the asymmetry between the model of nepotism and the model of discrimination presented earlier. Both discriminatory and nepotistic firms distort their input choices by hiring expensive white workers rather than cheap black workers. Therefore, both of these firms earn lower profits than a neutral firm. Moreover, the discriminatory firm suffers a nonpecuniary loss as well, which can be avoided only by going out of business. On the contrary, the nepotistic firm enjoys a nonpecuniary gain by remaining in business. Therefore, although discriminatory firms tend to disappear, nepotistic firms can coexist alongside neutral firms in the long run. The neutral firms extract their utility in the form of money income, while the nepotistic firms reduce money income toward zero in order to earn nonpecuniary income.” (Goldberg, pp.318)

Though this is a dated argument, it still applies to today, because Goldberg is just showing how nepotism is filled with innate prejudice. By reframing the discrimination of black to the favoritism for whites, Goldberg can convey this hidden nature to for employers to utilize their “love” for whites and white culture to discriminate against blacks. In this way, they face very little legal trouble, because it is not labeled as discrimination, and it keeps the culture of the company intact. Just as employers try to convince people that they utilize nepotism to generate business growth, they can easily disguise discrimination under the camouflage of nepotism. I also am leaning towards the covering of discrimination, because there are countries with higher levels of

²² Matthew S. Goldberg “Discrimination, Nepotism, and Long-Run wage differentials” (1982)

nepotism in other countries that have much lower income inequality. This was discussed in the Bodenner article, it says:

²³“Interesting that Canada has almost twice the level of nepotism [40 percent] as America [22 percent] but has a lower income inequality rating and a higher social mobility rating. Canada also has a lower proportion of its population who are disadvantaged minorities—blacks and Hispanics.” (Bodenner, 2015)

This quote indirectly hints towards some other factor within the labor market that is still causing income inequality in the U.S. This means even if there is a small presence of nepotism compared to other countries, the U.S. is still struggling to get past these prejudicial tendencies that cause income inequality. Therefore, I say that nepotism is a great way disguise for discrimination, because there is still a high level of income inequality, which means these minorities are being placed either in low-skilled and low-paying jobs.

Ultimately, nepotism is something that could theoretically work for employers, especially as a mechanism to ease the hiring process which can sometimes be frustrating and difficult. This is just not the way that they are being used today, if this were the case, we would see a lot less income inequality and racial wage gaps within the U.S. No nepotism is not the only source to blame for this inequality, but historically nepotism has helped to create a disguise for discrimination. *“It’s not about whether nepotism should be treated as a dirty word. It’s about greater equal fairness that is missing in our society regarding economic opportunities for those who never came from wealth or privilege.”* (Bodenner, 2015). This quote tells it all in such few words, people who do not come from wealth or privilege are the ones being left out in the hiring process, because employers are utilizing nepotism.

²³ Bodenner (2015)

To completely understand the depth to which nepotism helps to exclude minorities from the labor market, we must also understand how it affects individuals and their cultural capital accumulation. This means going deeper than just the hiring of sons and daughters over other qualified people in an industry. I say this because nepotism is something that works before entering the labor market. We have seen how nepotism takes its form and works within the labor market, but the extent to which nepotism works come before the working part of an individual's life. There is evidence that in things like schooling and youth activities, the children of those in power are prioritized. For example, if a wealthy CEO that graduated from Harvard University has children (especially a son), he will have a higher percentage of getting into the school because of the father's reputation and status within and outside the institution. This favoritism shown to these students is known as legacy admissions or legacy preference.

Legacy admissions are the practice of elite universities and colleges to admit students based on the credentials and reputation of their parents. This especially happens if the student's parents are wealthy and well off. An article in the New York Times called this practice "white affirmative-action" and in the article it provides the following anecdote:

²⁴“There is also one deliberate and robust admissions policy used at many colleges that in effect constitutes white affirmative action: That is the preference given in admissions decisions to the children of alumni of the college. In a previous life, I was an admissions officer at Princeton. That college and others like it openly acknowledged that there was a separate pool for so-called legacies. That remains true today. Being a legacy was no guarantee of admission. All the legacies I saw admitted were notably successful high school students and were fully capable of succeeding at a demanding college. But a significant percentage of the class was reserved for these legacies. I would say 5 to 10 percent of the admitted students were legacies who would not otherwise have been admitted.” (Rawls, 2017)

There are many takeaways from this personal anecdote, and they are: 1. This is not something that is hidden, it is integrated within the admissions process, 2. Spots are being held for

²⁴ New York Times "College Legacy Admissions: Affirmative Action for Whites" (2017)

people who may not have been admitted, 3. This is a way to help facilitate the exclusion of minorities and include whites. The first issue is that this practice is one that is very famous and is fully integrated within the admissions process. As Rawls noted, in his time working in the admissions office at Princeton, that the inclusion of legacy admissions was prevalent throughout the post-secondary experience. Not only is it very integrated, but it works in a similar way as nepotism would within the labor market. It serves to discriminate, because these colleges and universities are mostly choosing students who would not have been admitted without the recognitions of their parent's contribution to the school. Once the individual is admitted into the school and some minorities lose out, this widens the gap for those trying to get labor market mobility.

In the exclusion of minorities from these elite institutions, those minorities will lack the qualities necessary for what is demanded in the labor market. Since social mobility and labor market mobility and directly connected to the post-secondary experience.²⁵“Inequality in access to colleges – particularly those that offer the best chances of success – could limit or even reverse colleges’ ability to promote intergenerational mobility” (Chetty, 2017). This is because in these colleges and institutions one learns what characteristics/ qualities are needed to be properly prepared for the work environment, given preference and taste (job type). In the post-secondary experience, one learns everything necessary to survive in their field, and learn ways to enhance what has already been done in the field, so anything from how to dress to how to utilize correct software. These are just some of the things that are what helps people to become qualified for certain positions and in this case, this helps to keep minorities out of these elite colleges and

²⁵ Raj Chetty “Mobility Report Cards: The Role of Colleges in Intergenerational Mobility” (2017)

universities. Without the proper exposure in post-secondary education minorities will be fed back into the intense cycle of no intergenerational mobility, keeping generations of families disadvantaged.

With nepotism being present in the labor market and in the cultural accumulation process, I see a very different cycle that is continuing to push whites into positions of power and better opportunity. I say this because from what we have seen throughout this section, all these practices and norms are being utilized so that blacks can be pushed out and whites can be favored more. The difference in this cycle is that nepotism is being utilized to hide other more discriminatory characteristics about the employer, which will help to perpetuate this exclusion and keep the cycle for whites healthy and for minorities the cycle is very devastating and vicious.

To conclude, in this chapter, I opened with a claim that minorities are being excluded from the labor market and from certain jobs because of the use of social networks. To show why this exclusion appears, I dove into the impact that culture has on labor market mobility. In doing so, I found that there are many factors that may go into how much mobility one has in their childhood and the idea of the neighborhood experience helping to shape that culture. In this neighborhood experience things like home life, school, church, and other institutions help to either establish, change, or redefine the cultural traits individuals have. If there is not enough access to institutions that offer more exposure to the qualities demanded for the labor market. In discussing the impact culture has on labor market mobility, I concluded that minorities are forced into a vicious cycle, because if they lack resources to create this mobility, their children will most likely also be forced into the cycle.

The exclusion of minorities gets further vicious when the idea of nepotism is brought into question. The reason is because nepotism gives employers the power to overlook qualified applicants to give their relatives or friends, who are less qualified, the position. This becomes cloudy, because nepotism serves as a great disguise for prejudice and discriminatory mindsets. Which gives employers more power and hurts minorities that may be better qualified for the job. Often this aspect of the definition is overlooked, so employers are also able to utilize various excuses to keep their prejudice hidden. For example, the trust and risk argument seem to be very valid, in terms of hiring family, but it still overlooks the fact that an experienced employer would hire someone less qualified for the position just because they are family.

As I explained, nepotism does not only take form in the labor market, it is a useful tool used for the children of individuals that maintained good reputations at their respective colleges and universities. Just as employers would in the labor market, admissions officers at various elite colleges and universities help to keep minorities from receiving the exposure needed to create labor market mobility for themselves or intergenerational mobility for their family. This factor of nepotism helps to build on the cycle that whites are utilizing to gain advantage in the labor market. This cycle works alongside the cycle that is forcing minorities away from the labor market or better outcomes. At this point, since we know that these factors and mechanisms exist, the question remains: How can minorities maneuver through these barricades to create the labor market mobility needed? In the next chapter, I will discuss some strategies that worked historically to get around these devastating cycles. I will also look at other tactics (some academic, some informal/personal) that minorities utilize to take advantage of nepotism and other favoritism, and discriminatory employers. I will offer some policies that could be put in place that will help erase some of the exclusion from good jobs and the labor market.

Chapter 3: “The Lay Down”; Policy Recommendations

Introduction/What Works for Minorities

In my previous chapter, I discussed the reasons minorities are being excluded from the labor market and from having mobility within the market. Some of these reasons included: the lack of cultural traits demanded and presence of nepotism within the labor market, neighborhood experiences and exposure/ geographical segregation, and the ease of exclusion for firms and employers. In this chapter, I will explore a few policies that can be put in place to help alleviate the exclusion of minorities. These policies will help to provide more exposure to disadvantaged individuals and provide a more equal share of competition, rather than being excluded from a given spot. Before exploring these policies, I want to spend a bit of this section talking about some of the qualities that minorities have that can be utilized to strengthen their given network and create some labor market mobility. I think this is important, because even if the policies seem to be ones that cannot be put into place, the exaggeration of these qualities will help extinguish the exclusion of minorities. In the next section, I will talk about some of the different tactics that are either already used, or that are inherited in minorities that can help to create labor market access and mobility. Then, I will go on to discuss the policy/initiative ideas I have thought about that could alter the degree of exclusion within the labor market.

Though many minorities face the risk of being excluded from the labor market or from greater mobility, there are some characteristics and practices that if utilized correctly, can give an advantage to minorities in the labor market. The first, and most important characteristic/practice is minorities ability to create relationships with people that do not share the same family line,

known as fictive kinship. ²⁶John Ogbu defines fictive kinship as: “a kinshiplike relationship between persons not related by blood or marriage in a society, but who have some reciprocal social or economic relationship” (Ogbu, 183). These kinshiplike relationships as stated by Ogbu, provide a reciprocal social or economic relationship, so one can see the parallel between these fictive kinships and the building of social networks. One interesting aspect that Ogbu offers though is that this relationship is somewhat enhanced for African Americans. Ogbu offers:

²⁷But there is a much wider meaning of fictive kinship among black Americans. In this latter sense the term conveys the idea of “brotherhood” and “sisterhood” of all black Americans. This sense of peoplehood or collective social identity is evident in numerous kinship and psuedokinship terms that black Americans use to refer to one another. The following are examples of the kinship and psuedokinship terms most commonly used by adolescents and adults: “brother”, “sister”, “soul brother”, “soul sister”, “blood”, “bleed”, “folk”, “members”, “the people”, “my people”. (Ogbu, pp.184)

These relationships amongst the African American community can be a way that labor market mobility can be sparked. The first reason is that this innate feature of minorities can help start the development of a network. Since minorities can create these relationships through collective social identity, they can help build and strengthen their network. In terms of numbers, the more individuals that are within that network the more possibilities of employment. To strengthen those networks, minorities can utilize two practices that allow them to maneuver through the labor market and various institutions. The practices that I am alluding to are “acting white” and “code-switching”. These practices work alongside minorities ability to create these kinshiplike relationships. In the definition of fictive kinship for “black Americans”, the collective social identity is what would bring these individuals together, so that leaves a major blank spot in the option to really strengthen their networks. This is because they must have some type of connection to someone in a position of power, in the labor market that person is probably white.

²⁶ Ogbu, John “Acting White” (1986) pp.183

²⁷ Ibid, pp.184

The question becomes; How does a minority obtain racial diversity in their social network? This is where “acting white” and “code-switching” come into action. These are ways in which minorities emphasize certain practices and characteristics to be able to connect to their white/majority counterparts. The first practice I will discuss is “acting white”.

“Acting white” is a phrase that was thought about as early as the 1920’s and 1930’s. “Acting white” is when minorities start to engage with cultural or social rituals that are typically stereotyped to the white community. A very convenient example is speech, if a minority speaks well frequently and generally practices speaking well, that individual will be “acting white” by other minorities. John Ogbu provides a great example of what “acting white” would look like, Ogbu says:

²⁸“Among the attitudes and behaviors that black students at Capital High identify as “acting white” and therefore unacceptable are: (1) speaking standard English; (2) listening to white music and white radio stations; (3) going to the opera or ballet; (4) spending a lot of time in the library studying; (5) working hard to get good grades in school; (6) getting good grades in school; (7) going to the Smithsonian; (8) going to a Rolling Stones concert at the Capital Center; (9) doing volunteer work; (10) going camping, hiking, or mountain climbing; (11) having cocktails or a cocktail party; (12) going to a symphony orchestra concert; (13) having a party with no music; (14) listening to classical music; (15) being on time; (16) reading and writing poetry; and (17) putting on “airs” and so forth. This list is not exhaustive but indicates kinds of attitudes and behaviors likely to be negatively sanctioned and therefore avoided by a large number of students.” (Ogbu, pp.186)

In modern society, some of these practices seem to be a bit dramatic to be specific to whites, but for the most part these practices represent the same stereotypes that society has developed amongst racial groups. Though the practices have changed a bit because of social transitions, the perception of “acting white” for minorities has stayed the same. The perception of “acting white” amongst African Americans has also been negative, because it represents a challenge to existing stereotyped culture and traits. To help understand this, I will refer to the following visual which

²⁸ Ibid, 186

shows the results of the popularity of over 90,000 students in the Black, White, and Hispanic races amongst their GPA level:²⁹

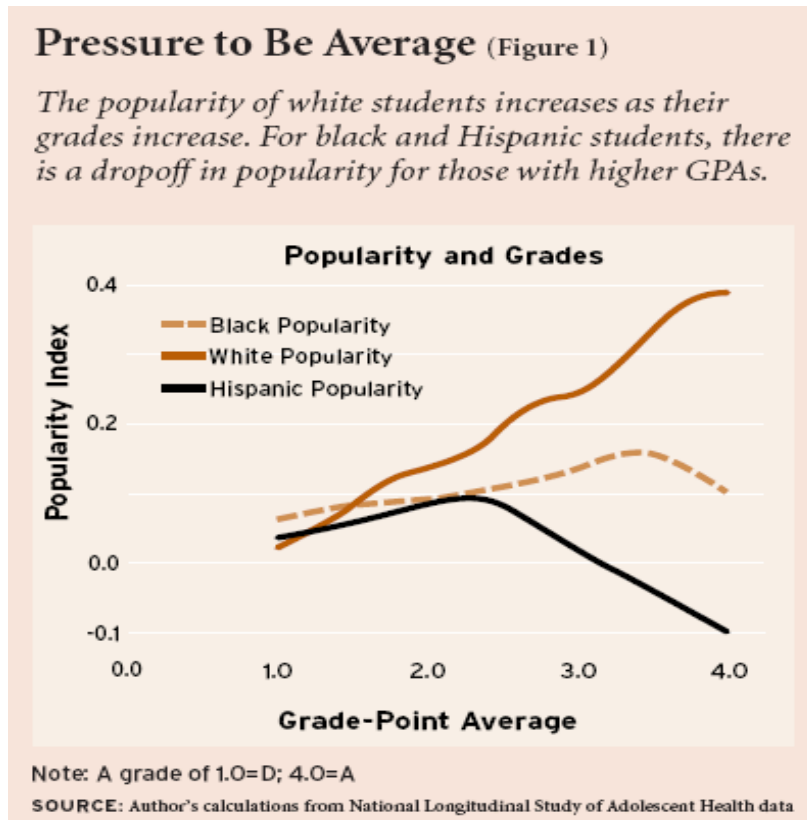


Figure 6 Roland Fryer "Pressure to be Average"

In the visual we can see two main findings; (1) As White students' GPA increases, so does their popularity, which speaks to the perception of academic success and achievement. (2) Blacks and Hispanics, especially Hispanics, face a dramatic decrease in their level popularity as their GPA levels increases. For White students, it seems that they highly appreciate and value academic achievement and success. This cannot be said for the Black and Hispanic students, because their decreases are so dramatic. The Hispanic students face a very dramatic drop in their popularity at earlier stages of academic success, which suggests that achievement is not very valued amongst

²⁹ Fryer, Roland "Acting White" (2006)

students. For the Black students, they face less of a dramatic decrease, at a higher level of academic success. Though it is somewhat looked down upon for students to be overachievers and get very good grades, it is not as drastic as it is for Hispanic students. All of this tells me that the perception of those high achievers exists, but it may not be as bad as depicted above.

The interesting thing about the criticism of those individuals “acting white” is that it is usually of those who are successful or headed towards successful futures from their ethnic and culture. You can see this theoretically, because by “acting white” academic success and achievement are essential role players in those individual’s development. I do know that this “out-grouping” exists in some institutions and neighborhoods that are predominantly minority, but not to the extent to which students who want to succeed cannot succeed. In some cases, “acting white” is looked down upon, but those students still do well within the academic setting. I say this because the value of academic success has increased amongst the Black student group. I get a sense of this from the increase in Black student degree attainment within the various colleges and universities, or other types of post-secondary education over the past 30 years. ³⁰A visual of this increase is below:

³⁰ U.S. Census Bureau, “Percentage of the Population 25 years and older with a bachelor’s Degree or Higher by Race and Hispanic Origin: 1988 to 2015” (2016)

Figure 3.
Percentage of the Population 25 Years and Older With a Bachelor's Degree or Higher by Race and Hispanic Origin: 1988 to 2015

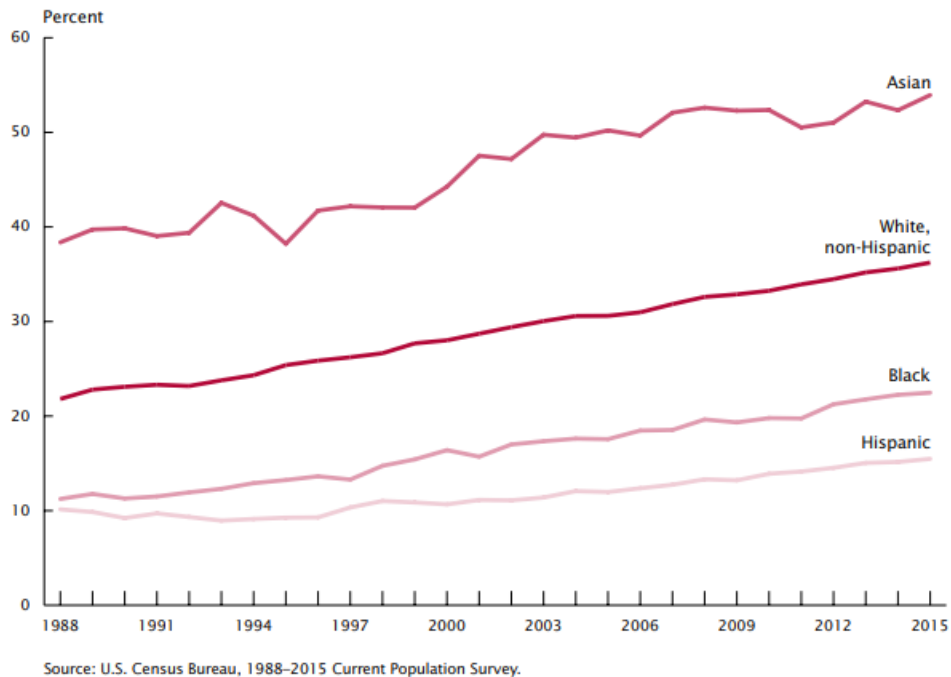


Figure 7 U.S. Census Bureau "Percentage of Population 25+ with bachelor's Degree or Higher"

In the visual, though the increase may not seem like much, but this steady increase represents a greater number of students that have obtained their bachelor's degrees. I think this is good evidence for how the perception about academic success changes, because more Black students are obtaining them, or higher. The reason I wanted to show the perception change, is because it helps to show that maybe "acting white" may not be as bad as perceived. "Acting white" could possibly be a useful tool to utilize in necessary cases. Not to say that the stereotypes that have been developed are true, I just wanted to shed light on the fact that in society, "acting white" is still a term that is used and looked down upon, but those individuals who act white are the ones who gain the most success.

Since “acting white” is looked down upon by members of the minority racial groups, there is a practice that is perceived less negatively in the minority community. This practice is known as “code-switching”, which is the practice of changing language, language patterns, social tendencies, etc. to satisfy the standards of the setting. For example, take an individual currently in conversation with their parents, they would probably speak with manners, and make conscious efforts not to direct any form of disrespect to their parents. On the other hand, when they are only around their friends from the neighborhood, their language is a bit more relaxed and less censored. Both settings require a different language than what is required in school or in the workplace. There are several reasons that “code-switching” could be a useful tool to individuals, but it has a specific role in the minority experience. In the minority experience, we see that the qualities usually learned in the white community are not accepted or perceived well in minority dominated spaces.

Code switching allows those minorities to engage with their “white” side without challenging the cultural traits learned within their minority community. This is important, because minorities desperately need the access into the labor market, and this is a particularly easy way to obtaining a slot. Comedian Dave Chappelle once said:³¹ “Every black American is bilingual. We speak street vernacular and we speak job interview. There's a certain way I gotta speak to have access.” (Guerra, 2014). For minorities, the main importance of “code-switching” is an attempt to obtain a position in the workplace, and the added perk is that they never have to leave their cultural or ethnic identity, because the persona(s) that does not fit the minority setting will not be interacted with. This serves as a great tool for those minority individuals that do not want to necessarily

³¹ Guerra, Jennifer “Teaching students how to switch between Black English and Standard English can help them get ahead” (2014)

actively practice “acting white”. There is not much to code switching, mainly because it is something that we as people practice and engage with daily, because of our personal ideals and values. This just gets deepened, because minorities rely on this practice to gain access to the labor market and to other opportunities.

So far, we have seen that minorities have a few innate characteristics and historically successful practices that help them to engage with the labor market in ways that are unique to the majority experience. The first is that minorities have an extended feature of “fictive kinship” which allows them to connect to multiple people, through collective social identity. This helps with building a network and added many individuals. To strengthen those networks, minorities can engage in multiple practices that not only help strengthen networks but also provide some opportunity/access into the labor market. “acting white” and “code-switching” both allow minorities to better connect with ethnic groups and social identities not usually connected to minorities. In the next section of this chapter, I will discuss some policies that could be put in place that will also help individuals build success networks, to gain access to the labor market and gain mobility.

Policy

In the last chapter, I discussed the fact that minorities are being excluded from the labor market and from mobility within the labor market for various reasons. The reasons I detailed are the following: (1) Minorities are already poor, so they lack the ability to invest that much into their human and cultural capital; (2) minorities lack the cultural traits demanded in the labor market; (3) spots are held for the family of individuals in power; (4) it is cheaper and less risky to utilize the employees already available in the firm to recruit individuals. Given the following reasons, in this section, I am going to talk about some possible policy proposals that could directly combat the problem of exclusion for minorities. The policies I am recommending are: (1) Create a universal education fund; (2) provide more extra-curricular exposure for students in schools; (3) Enhance neighborhood intervention programs that already exist; (4) hold employers accountable for their hiring processes, through observation. For the most part, these policy recommendations go hand in hand, in terms of how they will help individuals of the minority community.

Universal Education Funding

Funding for American schools has always been something that has been unfair. I say this because the sources of funding for most schools are very unreliable and do not provide substance, in terms of exposure or education to the students. For predominantly minority communities, this sense of unfairness can be seen in the early stages of education, and transfers to their high school experience. For example, most school districts are funded by their local communities, and if a school is in a predominantly poor neighborhood, those students will lose out because there is not a good enough source to fund the schools. This is even with the help of the federal government.

³²I know this exists, because in places like Ohio, New Jersey, Massachusetts, and Connecticut, the federal government forced those states to devise more progressive funding policies. These progressive funding policies are ones that give aid to poor students just as much as they do to nonpoor students. The policy proposal that I am making here is to create a universal funding source, that would ensure that students receive their fair share of education. This is something that could very well be accomplished using Weighted student funding or (WSF). This is something that has already been adopted and talked about within some states of the United States. WSF has also been adopted in other countries around the world. For example, in the Netherlands, they have adopted a system that utilized weights for student funding, and the result; ranking number one in children's wellbeing by UNICEF.

United States school systems and governments could follow the same track that was started in the Netherlands. The funding itself comes from the federal government (90%) and local municipal governments and other entities (10%). By centralizing the funding for schools, there can be more of an assessment/provision over where the money is being spent, and how it is being spent. Not only does centralized funding help to better keep track of where funding is going, it also levels the playing field for disadvantaged students. The way it works in the Netherlands, is funding or weights are determined by the student's socioeconomic status, as well as their parent's education levels. As an example of how the weights are determined, I will utilize Edward Fiske's "The Dutch Experience with Weighted Student Funding", where Fiske says: ³³"Dutch pupils whose parents had low education were funded at 1.25 times the rate of more advantaged students. Children of poorly educated immigrant parents were funded at 1.9 times, or nearly double, the standard rate."

³² Tilsley, Alexandra "School funding: do poor kids get their fair share?" (2017)

³³ Fiske, Edward "The Dutch Experience with Weighted Student Funding" (2010)

(Fiske, 50). The idea is the more disadvantaged an individual is the more they deserve to have school and education funded. By doing so, this again levels the playing field for all students. By accessing this system of weights, depending on student's needs, I think there could successfully be a centralized funding source for school districts within the U.S. By creating a centralized funding source, that does not outsource the funding sources that are already being utilized, it just helps to not exhaust them so much, and gives the proper resources to the individuals that need it the most.

Develop Extra-Curricular Exposure

As we saw in the previous chapter, it is not just the “in classroom” experience in school that translates into labor market entry and mobility. The often-overlooked thing is the extra-curricular activities offered to those students. In an earlier example, I talked about how if two students, one from a public school and one from a private school are both taking a similar art history class. Now, the private school student can visit the MET museum where the artwork being discussed is displayed. On the other hand, the public-school student can only see what is visible in the barely put together (ripped and torn) in a hand me down textbook. This qualifies as extra-curricular exposure, because it is an addition to the normal course of study. In this policy theme, I recommend that school adopt and strengthen their after-school programs, to encourage more students to learn and expose themselves to new cultural practices and traits. According to the Washington Post:

³⁴“Students need more than a strong curriculum, good teachers, and time in the classroom to succeed. Afterschool programs have long known that they can embrace the hours between the time school closes and parents return from work to provide children, especially those who don't have access to other activities, with exciting, engaging experiences that will help them learn academic, social and professional

³⁴ Strauss, Valerie “Why strong afterschool programs matter” (2011)

skills. The research is clear: children in quality afterschool programs are more likely to come to school and stay in school, more likely to hand in their work and get better grades.” (Washington Post, 2011)

This excerpt from Washington Post, helps to give a bit of insight into how exactly these programs may affect a student’s life even after school. The portion I want to emphasize right now, is that “Especially those who don’t have access to other activities, with exciting, engaging experiences that will help them learn academic, social, and professional skills.” This is particularly important for several reasons; (1) we know minorities are losing out because they do not have proper access to exposures needed for labor market success. Just by offering some type of extra-curricular exposure, the access to those networks exist. (2) Alongside the in-school learning experience, after school programs help to ensure there are other personal and professional development skills that are learned. This means students will be able to learn some of the techniques that are generally labeled under “acting white” without having to have backlash or disapproval from their community. They will not face that disapproval, because all the students should have the ability to participate, so many students will have the proper professional and personal development skills to land them in the labor market, and possibly in a position of power. Not only will students can learn professional and personal development, but they will also be exposed to some of the activities they would not normally engage with. For example, golfing and tennis are two very important sports in most after-school programs, as well as a big activity for adults in corporate America. If these students have the exposure to these activities, then they may be able to better connect with their employers. Thus, the inclusion and development/expansion of after school programs would give support to those students who really need it.

Develop Neighborhood ‘Intervention’ Initiatives

Both the neighborhood intervention policy and the extra-curricular policy share the same goal: exposure disadvantaged youth to the proper cultural and social artifacts and practices, so that way they are no longer as disadvantaged as other students. With extra-curricular activities, they are directly in conjunction with the education system and school districts, whereas my neighborhood intervention policy recommendation will focus on some of the support networks that are available in various communities, and how they may help disadvantaged youth gain proper exposure to these cultural and social artifacts. Under the neighborhood intervention policy, I recommend that the government also place funding, or help to gain more donors to these neighborhood institutions like boys and girls clubs to better serve the youth of the community.

First, in the same way that after school programs work for students, so does the local Boys and girls club, as well as the local YMCA (essentially a boys and girls club) which serves similar purposes as after school programs but are for the residents of the surrounding neighborhood. These institutions are designed to exposed youth to cultural norms, artifacts, and practices that can help them in their future endeavors. They are also able to benefit from the support networks that are either from partnerships or sponsors with the Boys and girls club. Education and health/wellness are two of the biggest drivers in the boys and girls club success. Through the networks and partnerships, they have, students are better able to be exposed to these different forms of culture.

This also helps with the geographical segregation problem, because boys and girl’s clubs usually provide transportation for these students to have that exposure and help needed. Going back to the golf example in the previous chapter, if the student was a part of a good boys and girls club, then finding a way to the golf course to learn how to golf would not be an issue at all. At these boys

and girl's clubs they force students to engage in various activities alongside other students, which helps to deteriorate some of the negative perceptions about student success and achievement.

Another way that boys and girl's clubs work for youth, is that they provide exposure to different parts of the workforce as well. It starts with the career development and career path development. In boys' and girl's clubs they require students to map out their future and think about what they would like to do when they are older. ³⁵According to the Boys and girls club annual "Youth Outcomes Report":

"The NYOI data shows that 22 percent of 12th graders have taken no action to pursue additional education upon completion of high school. For this population, there is likely a great need for and an interest in building workforce readiness skills. In 2017, BGCA released a guiding framework for workforce development and postsecondary readiness. It articulates the critical strategies and opportunities that Clubs can employ to help teen members determine and achieve their plans for the future. Through programs such as CareerLaunch, Money Matters, Diplomas to Degrees and Junior Staff, members can engage in activities to identify the career that best suits them, develop the educational pathway needed to reach their goals, and participate in real-world learning opportunities." (BAGC, pp.16).

The investment in the youth is already there, and these neighborhood institutions are for the betterment of the children and helping them develop. The boys and girls club, as we see, has arranged a curriculum that helps students figure out what they want to do. Not only do they get the students to map out what is necessary, they take intermediate steps before applying for jobs and careers that help develop and highlight the skills that those individuals have. There are numerous programs that have been initiated to assist in the development of those skills with specialized training dependent on the individuals career preference. Since these institutions already utilize these programs, activities, and facilities to help develop youth's skills. Therefore, there needs to be more funding placed into these institutions so that they can reach more disadvantaged

³⁵ Boys and Girls Club "2017 Youth Outcomes Report" (2018)

neighborhoods. By providing more access to these youth, and exposing them to more, they will have more of a chance to find success.

Improve the Hiring/Interview Process

Is it wrong for firms to look for cheaper, less risky ways to interview and hire workers? I do not think so, but when firms start to cheat the system and hire less qualified individuals because of their family or friend ties, it becomes an issue. It is not fair to strip away the ability for firms to find quality workers at easier ways, but it is also not fair to utilize family members to discriminate against and exclude other individuals. I think the best policy recommendation is for the government to start a committee that regularly evaluates the hiring tendencies and methods of firms. With a proper system of evaluation, they can enforce a bit of regulation to help level the playing field. This is not to say that family members and friends are not fit for these positions, it is just that with this committee employers would have to justify their hiring choices. This will ensure that the competitive field is a bit more “fair” for those individuals formerly disadvantaged.

Currently there is an existing entity that enforces some regulations and laws against discrimination in the hiring process for firms, which is the Equal Employment Opportunity Commission (EEOC). ³⁶“The U.S. Equal Employment Opportunity Commission (EEOC) is responsible for enforcing federal laws that make it illegal to discriminate against a job applicant or an employee because of the person's race, color, religion, sex (including pregnancy, gender identity, and sexual orientation), national origin, age (40 or older), disability or genetic information” (EEOC). Since their role is specifically designed to target discrimination and discriminatory practices, they are somewhat overlooking the power of nepotism, and the hiring of

³⁶ U.S. Equal Employment Opportunity Commission “Overview Page” <https://www.eeoc.gov/eeoc/>

less qualified individuals. This may mean an expansion of the roles and responsibilities of the EEOC, to ensure that they look for different practices employers engage in that may not be defined as discrimination but could just be a cover-up for it. I think a good way of doing this is to utilize their staff as the evaluators for the firms hiring choices and tendencies. This will give employers, and any other parties involved, the opportunity to justify their hiring methods, and in some ways find the room to improve. The objective, is to create a more leveled field of competition, so that individuals who were once disadvantaged have greater chances to obtain labor market entrance and mobility.

In addition to their enforcement, the EEOC also has some discrimination prevention courses, trainings, and programs that they provide for firms. Their website offers the following:

³⁷“We also work to prevent discrimination before it occurs through outreach, education and technical assistance programs. The EEOC provides leadership and guidance to federal agencies on all aspects of the federal government's equal employment opportunity program. EEOC assures federal agency and department compliance with EEOC regulations, provides technical assistance to federal agencies concerning EEO complaint adjudication, monitors and evaluates federal agencies' affirmative employment programs, develops and distributes federal sector educational materials and conducts training for stakeholders, provides guidance and assistance to our Administrative Judges who conduct hearings on EEO complaints, and adjudicates appeals from administrative decisions made by federal agencies on EEO complaints.” (EEOC)

This makes the expansion seem even more reasonable, because the transition would not necessarily drastically change the role of the committee. It will just add more cautionary measures to ensure that individuals are not being excluded for individuals who are less qualified. BY enforcing these rules and regulations, minorities and other qualified workers will benefit because the competitive field will be a bit fairer. This will not hurt social networks, because firms can still

³⁷ Ibid

utilize their employees to attract new employees, but there must be some enforcement to ensure that the hiring is justified and not irrational (hiring someone less qualified).

Minorities already have innate characteristics and practices that if utilized correctly may lead to success. We have retained the ability to connect to others and build relationships through collective social identities, so building a network is something that has been instilled in minorities for centuries. Though this collective social identity restricts the majority from being a part of these networks, minorities also utilize two practices that help them to find success in connecting to majority individuals. “Acting white”, though looked down upon by some minorities, is a successful tool that has brought many minorities much success. For those minority individuals that do not always want to express their “white side”, they can always “code-switch”, which allows minorities the ability to portray different personas that match the setting. Along with these practices, there are a few policies that could help to counter the problem of minority exclusion from the labor market. The first involves education funding, and trying to create a universal funder for education, that could be modeled after the Dutch’s weighted funding model. This along with policies to create better afterschool programs, better extra-curricular programs, and access to better neighborhood intervention programs, the success of minorities would completely change. This is because most of the cultural and social differences minorities face with other groups comes from their lack of exposure to these cultures and identities. The final policy recommendation is to enhance the role or create a committee that evaluates the hiring choices and tendencies of employers to create a form of competitive fairness.

Conclusion

In the first chapter, I opened with the argument that the U.S. labor market is “socially networked”. In this, I discuss my understanding of the different types of networks that exist, but I focus on job referral networks. These networks are the ones where individuals utilize their family and friends (both informal and formal friendships) to obtain high quality labor market opportunities or entrance. I utilized writing from several authors to help provide evidence for defining social networks and thinking about how they work. James Montgomery and Mark Granovetter’s articles helped to provide evidence for the existence of social networks, and the ways that they are defined. I also utilize several businesses “insider” articles that helped to show the way that these networks work either to help individuals or firms. After looking at the ways social networks work, I still noticed that these functions are not necessarily helpful to minorities. Thus, their entrance to the labor market and exposure to “better” opportunities is being prevented.

In the second chapter, I showed minorities are not getting access to jobs in the labor that are considered “high quality”, and some are not getting access to the labor market, which stems from the use of social networks. In this chapter, the focus was to evaluate why this exclusion exists. The reasons exclusions exist for minorities are: (1) minorities have already been institutionally disadvantaged, so they lack the ability to afford human capital investments. This makes it more difficult for them to join the labor market. (2) minorities lack the demanded cultural traits that are represented in the labor market. (3) employers in power utilize nepotism to hold positions for their family and friends over individuals that are more qualified. (4) utilizing social networks provides the incentive of less risk and cost for firms. What we are left with, is what can be done to combat

this exclusion, and what has been done already to create successful outcomes and entrance into the labor market.

In the final chapter, I begin with a brief synopsis of the traits and practices that minorities already utilize to help create the demanded success in the labor market. I start with the idea of fictive kinship, which is individual's ability to create relationships with others who are not blood or married. For minorities this ability is enhanced, because of a history of oppression, minorities can create relationships through collective social identity, which could allow minorities the ability to connect to more people. After discussing fictive kinship, I talked about two practices that have given minorities the leverage to expose themselves to better opportunities and labor market entrance; "acting white" and "code-switching". Though "acting white" is looked down on within the minority community, I argue that it is a useful tool in helping minorities navigate through a variety of institutions. For those who do not see "acting white" as a quality resolution for the issue, then they can engage in "code-switching", which is a practice done by practically everyone, but is mostly utilized in the minority community. After discussing the two practices, I leave policy recommendations that I think would help create exposure for minority individuals. The policy recommendations include: (1) establish a centralized funding source for education and base the funding on the weighted funding system. (2) increase support and aid of after school programs to help create more academic exposure. (3) increase support and aid of community-based programs (boys and girls club) for more exposure and intervention. (4) increase the role of the EEOC or establish a committee that is responsible for evaluating the hiring choices and tendencies of employers. I think that these recommendations or reasonable and could create positive change for minorities and other underserved individuals.

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