



Firm Characteristics and Job Matching in South Africa

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Motivation

- SA government's key policy of job creation to reduce poverty
- Identify distributional effects of job creation
- Paucity of research on matching in SA



How are vacant jobs allocated among job seekers?

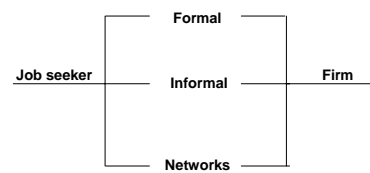
-Hypothesis:

"Firm characteristics determine the matching process which can have distributional effects on job seekers"



Job Matching

Outcome of matching process of search strategies of job seeker and recruitment methods of firm



How are vacant jobs allocated among job seekers?

"Which people are eventually employed is not just a function of skills and individual characteristics but also a matter of the process through which firms and job seekers are matched"

$$P(\text{emp}_i | \text{channel}_i) = \frac{p_{ijk} * F(X_i; Z_i)}{\sum p_{ijk} * F(X_i; Z_i)}$$



Success of methods

- Formal 14-20%
- Informal 14-20%
- Networks around 66% or more

(Source: KMP, CAPS, SAYPS)

Why?

Demand side or supply side?



Data

- SAYPS with firm level information (sample: 1102 young unemployed and employed African respondents)
- Collected by AMERU in 2006 in Gauteng, Limpopo and Durban
- Predominantly manufacturing firms but also services and construction.



How did you find this job?

SAYPS, 2006

Q: "How did you find this job?"	Channel	Male	Female
Advertisement	formal	34	20
Employment agency	formal	9	11
Govt/ NGO employment programme	formal	2	3
Learnership	formal	3	2
Walk-ins	Informal	14	20
Waiting at the street-side	Informal	9	8
Friend and relatives	Networks	91	94
Family	Networks	42	33



Job Search

Unemployed in SAYPS

Search method	Number	%
Pursue no formal methods	126	28
Pursue formal methods	327	72
Pursue no informal methods	167	37
Pursue informal methods	286	63
Pursue no network search	300	67
Pursue network search	153	33



Recruitment by firm size

Table 6: First job observations - by Firm Size and Channel

		Formal	Informal	Network	Total
Large >100	No.	37	19	41	97
	Col %	45	37	16	24
	Row %	38	20	42	100
Medium >20 <100	No.	20	15	88	123
	Col %	24	29	34	31
	Row %	16	12	72	100
Small >1 <20	No.	26	18	132	176
	Col %	31	35	51	44
	Row %	15	10	75	100
Total (number)		83	52	261	396

Source: SAYPS, own calculations



Regression Specification

Method of recruitment

$$= \alpha + \beta x_i + \gamma z_j + \delta f_j$$

x_i = vector of individual characteristics

z_j = vector of job characteristics

f_j = vector of firm characteristics



What affects the matching process?

Base: networks	Formal	Informal	Formal	Informal	Formal	Informal
VARIABLES						
Higher Education (= Matric)	18.97***	0.710	18.65***	0.033	18.29***	-0.005
Higher Education (= Matric)	2.391***	0.500	1.725***	-0.041	1.883***	-0.061
No matric (= High School)	18.31***	1.248	18.43***	0.944	18.24***	1.015
Matric	18.20***	1.190	18.17***	0.771	17.91***	0.717
Medium firm		-0.122		0.020		
Large firm		-0.924**		-0.960**		
Interview		2.009***		1.044***		
Medium firm with interview					1.940***	0.314*
Medium firm no interview					0.363	-0.405
Small firm with interview					2.209***	0.218
Large firm with interview					-3.111***	1.885***
Large firm no interview					1.239*	0.333
Controls for:						
Individual characteristics (other)	Yes	Yes	Yes	Yes	Yes	Yes
Job type	No	No	No	No	Yes	Yes
Sector	No	No	Yes	Yes	Yes	Yes
Province	Yes	Yes	Yes	Yes	Yes	Yes
constant	-16.17	-6.133	-16.59	-7.087*	-17.93	-6.49
Observations	390	390	390	390	390	390

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Conclusions



- 1) Firm characteristics (size) are crucial in the choice of the recruitment methods used (e.g. ability to bear advertising and screening costs)
 - 2) Firm size functions as a proxy for other unobservables (labour regulations, visibility, etc)
 - 3) Job allocation among applicants with identical characteristics can result in different employment probabilities dependent on the search strategy/recruitment overlap
 - 4) Not having access to certain search strategies (particularly social networks) can create a systematic disadvantage (confirms Stovel & Fountain, 2003)
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