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# Passive Recruitment in the Russian Urban Labor Market

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About half of the hires made in the Russian city of Samara in 1998 were accomplished without an employer's outreach effort to fill the position. Such passive recruitment is supported primarily by hiring managers' personal ties and the networks of the firm's current and previous employees. The positive effect of a job's attractiveness on the likelihood of passive recruitment is dampened by an increase in the stringency of the job's technical and social requirements. Thus, if necessary, employers actively search for candidates who meet the job requirements, and therefore the cost of search is the primary factor behind passive recruitment.

*Keywords:* labor markets; passive recruitment; social networks; transition economies; Russia

A sociological perspective on matching processes in labor markets originates in Granovetter's (1995) observation of a nonsearch phenomenon. Studying job changes by professional, technical, and managerial workers in Massachusetts, Granovetter finds that 29% of the respondents did not actively search for jobs before being hired (p. 29). Follow-up studies confirm that getting jobs through nonsearch is common, independent of the population, race, or gender group studied (Campbell & Rosenfeld, 1985; Hanson &

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Pratt, 1991; Lin, 2003; Watanabe, 1987). Sociologists therefore begin to question the very basic premise that information in labor markets is accumulated through active search, the cornerstone of the economic theory of matching between employers and workers (for a review, see Mortensen & Pissarides, 1999). At the same time, sociologists do not address the phenomenon of nonsearch *per se* and instead use it to illustrate the central role of social networks.

This article fills the void on the employers' side of the matching process. It argues that nonsearch by employers, or more precisely passive recruitment, is a distinctive institutionalized phenomenon in its own right and explores why employers practice it. I discuss two competing arguments, cost saving and preferential treatment of social contacts, and test them empirically in the context of the Russian urban labor market of the 1990s.

Although it is very different from the U.S. market, the Russian market possesses a few features that make it an attractive testing ground. Its current structure originated in 1988 when the state attempted to reform the ineffectual socialist mechanism of labor allocation by creating the Federal Employment Service to provide, among other functions, unemployment benefits and information about job vacancies. Private employment agencies mushroomed, and the mass media were flooded with ads for jobs and labor (Ohtsu, 1992; Oxenstierna, 1990). The contribution of new labor market intermediaries to the allocation of labor is relatively insignificant, though; jobs are obtained primarily through personal contacts (Clarke, 1999; Gerber & Mayorova, 2003; Gimpelson & Magun, 1994; Yakubovich, 2005; Yakubovich & Koziina, 2000). The social contacts of a firm's current employees enjoy preferential treatment in hiring; as a rule, employers advertise vacancies only if social networks cannot fill them. This pattern is reinforced by line managers who control access to most jobs and use this power as a tool to cultivate loyalty, trust, and political support (Clarke, 1999, pp. 135-136).

To facilitate the formation of a vibrant and open market for labor, the Russian Labor Code of the 1990s explicitly obliged all enterprises to submit a complete monthly report on available job vacancies to the Federal Employment Service (Smirnov, 1996, p. 114). Nevertheless, Russian employers either ignored the Labor Code's requirements altogether or stuck to their old habit of submitting a very limited list of the least attractive jobs that were not sought by candidates linked to them through social networks. One can interpret employers' behavior as an attempt to preserve preferential treatment of social contacts. However, cost saving is an entirely plausible alternative rationale that has similar implications for social welfare but very different causes. Thus, the question raised in the article is directly relevant to our theo-

retical understanding of the Russian postsocialist labor market and policies required to form and sustain it.

An empirical analysis shows that passive recruitment is supported primarily by hiring managers' personal ties and by the extended internal labor market (EILM) composed of the social networks of firms' current and previous employees. Using logit analysis, we learn that employers practice passive recruitment so long as it does not compromise the quality of hires; they do not sacrifice the interests of their firm as a whole for the benefit of individuals. Thus, the results support the cost saving argument. At the same time, social welfare consequences of passive recruitment are still negative because equally qualified candidates who are not connected to the firm through personal and organizational ties have little chance of learning about a substantial portion of the best jobs.

The article is organized in the following way: The next section defines passive recruitment as a theoretical and empirical phenomenon, describes the ways in which it is carried out, and specifies testable hypotheses about the factors that lead to its adoption by employers. After introducing the data and statistical model, I evaluate empirically the scope and forms of passive recruitment in Russia, including the types of social ties it relies on, and test the hypotheses. The final section discusses the results and proposes questions for future research.

## **The Phenomenon of Passive Recruitment**

The existing literature implies the importance of passive recruitment but does not clearly acknowledge it as a distinctive subject of sociological inquiry. Instead, passive recruitment becomes intricately linked to hiring through social networks. Manwaring (1984) coins the term EILM to identify the vast web of social ties that gets involved in hiring whether firms want it or not. By definition, any recruitment through the networks of existing employees takes place in the EILM. However, Manwaring emphasizes that such a market owes its existence to the inaction of the employer who postpones broadcasting new vacancies to give contacts of present employees a head start or to avoid notifying certain agencies altogether even when he or she is obliged to do so (Manwaring, 1984, p. 163). Networks take care of vacancies without employers' apparent intervention and, left to their own devices, close the market to strangers.

Waldinger and Lichter (2003, pp. 94-95) contrast formal recruitment that "occurs when firms take deliberate steps to generate applicants" with informal methods that "involve little expenditure of effort or resources; thus they

are often described as passive.” Newspaper ads, job fairs, and headhunter agencies are primary formal channels, whereas hiring through networks is purely informal.

The accounts presented nicely summarize earlier research on the role of personal contacts in recruitment as an unintended by-product of social life. People help each other with jobs, among other things, simply because such help is an intrinsic part of social relationships. Employers neither resist it nor provide any noticeable organizational support or encode the practice in a firm’s personnel policies; it is completely informal. In this context, hiring through social networks is interpreted as evidence of patronage and labor market closure (Granovetter, 1995; Grieco, 1987; Manwaring, 1984; Petersen, Saporta, & Seidel, 2000; Waldinger, 1996). While expending little effort, employers reap multiple rewards. First, they use “recruitment through the EILM as a ‘fringe benefit’ which may be withdrawn as a disciplinary measure” (Manwaring, 1984, p. 168). Second, they get new workers who are somewhat socialized into the firm and therefore have an easier time acquiring tacit knowledge that is deeply embedded in the social context (Bailey & Waldinger, 1991; Castilla, 2005; Fernandez, Castilla, & Moore, 2000; Manwaring, 1984; Reichers, 1987; Sutton & Louis, 1987). Third, social intermediaries broker information flows between employers and workers and thereby can improve matching (Fernandez et al., 2000; Rees & Shultz, 1970; Simon & Warner, 1992). Last but not the least, employers may benefit from the similarity in characteristics of referrers and referrals, if the former are considered to be good workers (Fernandez et al., 2000; Rees & Shultz, 1970).

Employers’ growing awareness of these advantages, whether supported by empirical evidence or not, turns hiring through social networks into a key component of human resource policies that motivate workers to mobilize their contacts for the benefit of the organization. Social networks become a tool for screening for talent and reaching out to potential job candidates who otherwise would not apply (Breaugh & Mann, 1984; Fernandez et al., 2000; Fernandez & Weinberg, 1997; Petersen et al., 2000). Management textbooks present such an outreach effort toward a larger, more diverse pool of applicants as an economically sound strategy of managing human resources (e.g., Baron & Kreps, 1999, pp. 339-340). The proactive use of network ties by an employer alters the incentives of the workers who are more motivated to represent the interests of their employers than to do favors to their social contacts. Going beyond the immediate circle of family and friends, they assist in opening the labor market rather than closing it. In this regard, social networks complement formal channels such as government-run employment centers, private employment agencies, and mass media. Taken together, they consti-

tute an active mode of recruitment, the opposite of the passive mode described earlier (cf. Marsden & Gorman, 2001, p. 471).

The limited evidence available suggests that passive recruitment is common. In the 1980 Employer Opportunity Survey, 28% of respondents reported that they did not recruit for the position most recently filled (Barron, Bishop, & Dunkelberg, 1985). In Marsden's (1996) study, about 15% to 20% of American employers said that they frequently rely on "direct approaches and unsolicited inquiries by applicants rather than making deliberate efforts to locate prospective workers" (Marsden & Gorman, 2001, p. 472).

When employers do not recruit actively, they rely on preexisting social ties, either their own or those of their workers, that compose the EILM. A hiring manager himself or herself may have candidates in mind to call on directly, or current employees, who continuously monitor and evaluate new vacancies, may inform their former colleagues, friends, and relatives. Sometimes, EILMs are semiformalized as waiting lists (Windolf, 1986). A number of the personnel departments of Samara enterprises maintain lists of the relatives and friends of their workers who are interested in being hired (Clarke, 1999; Yakubovich & Kozina, 2000). Although waiting lists require maintenance, they are essentially a form of passive recruitment because the contact is initiated by job candidates rather than employers, and the pool of candidates remains confined to the EILM.

The conventional concept of the EILM is too narrow, though, because it ignores the fact that in addition to personal networks, the ties between workers and their places of previous employment are common devices for passive recruitment. A few studies of the Russian labor market document the phenomenon of return mobility when workers who left the firm voluntarily or were fired come back.<sup>1</sup> The scope of this phenomenon is still debated. In Clarke's (1999) study of 16 manufacturers in four Russian cities, the extent of return mobility varies from 0% to 34% (p. 235). Brown and Earle (2002) analyze a nationally representative sample of 530 industrial firms and estimate the rate of rehiring at not more than 10.5% of accessions in any year between 1990 and 1999.

Clarke (1999, pp. 236-237) offers a number of reasons for return mobility: General economic uncertainty distorts employers' and workers' expectations regarding their labor market opportunities; employment at new private enterprises turns out to not be as attractive as it appeared from outside, forcing workers to return to their origins; workers' firm-specific skills make them unemployable at other places; newly employed workers quickly discover that in a time of crisis newcomers are laid off first; and their return to the place of previous employment restores their insider status and thereby provides some security.

On the demand side, return mobility can be seen as a substitute for the Western practice of temporary layoffs when a worker is dismissed because of slack business but is then invited back as soon as the firm recovers. A similar practice of Russian firms is known as unpaid leave. The limited data available suggest that between 11% and 16% of employees experienced, on average, 8 weeks of unpaid leave within any given year between 1996 and 1998 (Earle & Sabirianova, 2002). However, the practice stands on a weak legal and institutional foundation because it violates labor contracts (Earle & Sabirianova, 2002). Return mobility addresses this problem while working exactly the same way. For instance, when demand for its product increased in the fall of 1994, the Samara Chocolate Factory took back almost all the pensioners it had dismissed a couple of months earlier (Clarke, 1999, p. 237). My own fieldwork in Samara documents midlevel managers' extensive knowledge of the whereabouts and well-being of their former employees. When the time comes, the managers have a pretty good idea of who may be available to return and therefore avoid an active search for workers altogether. Thus, previous employees remain in the EILM, which is overlooked in the literature.<sup>2</sup>

In theory, passive recruitment is also compatible with hiring off the street, whereby workers contact various companies ad hoc and impersonally. Hiring managers may practice passive recruitment in the belief that any unsolicited applicants, not only those who come from the EILM, are better motivated and qualified (Blau, 1990; Breaugh & Mann, 1984). My interviews during the fieldwork show that some enterprises gradually open their waiting lists to candidates off the street; a cold-calling worker may end up there and be contacted later when a match appears. However, true cold callers among candidates off the street are likely to be in the minority for two reasons. First, direct applicants often hear about the job through a chain of contacts that leads to an employee of the firm (Fevre, 1989; Manwaring, 1984; Wial, 1991). Second, a good match between a firm and an ad hoc, socially unrelated candidate, who stumbles into the personnel department, cannot often happen.

The availability of preexisting personal and organizational ties makes passive recruitment look like a prudent cost saving strategy (Thurow, 1975; Waldinger & Lichter, 2003). Indeed, because the search for workers carries high costs of information processing, employers do not strive to maximize the number of applicants but instead identify a few who meet the organization's basic criteria and are worthy of further in-depth investigation (Barber, 1998, p. 30; Rees, 1966, p. 561). Two arguments follow from this behavioral assumption.

First, if a job is attractive, a significant number of applicants will pursue it. Moreover, such applicants are likely to be better on average because the vacancy will attract the attention of more able workers, and less able applicants will be discouraged to apply, suspecting that their chances of being hired are low (Baron & Kreps, 1999, p. 340). Accordingly, the employer will be less interested in actively promoting the job because it speaks for itself, and a sufficient number of candidates will be attracted through personal networks anyway. A further increase in the number of applicants will make hiring too cumbersome (Rynes & Barber, 1990):

*Hypothesis 1:* The more attractive a job, the more likely it will be filled through passive recruitment.

Second, the only limitation to such an employer's behavior is the shortage of qualified candidates. The fewer acceptable candidates are available, the more proactive the employer has to be to attract them (Malm, 1954; Stigler, 1962). The acceptability should be understood in both technical and social terms because "in many cases a personnel manager's description of the qualities necessary to perform a particular kind of work is also a description of a certain kind of worker" (Holzer, 1996, pp. 57-61; Manwaring, 1984, p. 168). In addition to credentials and skills, employers often expect applicants to satisfy quite specific sociodemographic requirements such as gender, marital status, place of residence, and so on (Barber, 1998, p. 21; Rees, 1966, p. 562; Waldinger & Lichter, 2003, pp. 150-153). Even if employers, driven by legal concerns, avoid naming such attributes explicitly, they often apply them covertly or even subconsciously. Because the institutional foundation of the Russian labor market is weak, Russian employers routinely indicate an age requirement, gender requirement, health requirement, physical appearance requirement, or other ascriptive characteristics in job ads. From the content analysis of employment ads published in Samara newspapers in June and December 1998, Alashev (1998) found that 18.6% of the ads published in June and 23.8% in December contained an explicit gender requirement. By comparison, only 9.4% of ads in June and 9.2% in December contained any explicit references to a potential candidate's qualifications.

This does not necessarily imply rampant discrimination. Some social groups may be more likely to lack specific skills, in particular cognitive and social ones, required by employers (e.g., Holzer, 1996, pp. 80-85). Emphasis on gender and age, not just stereotyping, may have something to do with the job's physical challenges. Technical and social attributes employers look for may be bound together because "personality attributes are only relevant to the extent that they are exercised through the application of the specific com-

petences required for the job” (Manwaring, 1984, p. 167; see also Waldinger & Lichter, 2003, p. 150). The American labor law permits hiring decisions based on gender, nationality, or other social characteristics when they are “reasonably necessary to the normal operation of that particular business or enterprise” or essential for reaching “some overriding business purpose” (Baron & Kreps, 1999, p. 358; England, 1992, p. 230). My field observations and unstructured interviews for this project show that Russian employers and employees take such assessments for granted and, when asked, often justify them in terms of the job’s demands. For the purpose of this article, the distinction between discriminatory and nondiscriminatory uses of social traits is immaterial. Whatever an employer’s motivation behind the hiring criteria, they narrow down the pool of acceptable candidates. Thus, passive recruitment is likely to succeed only when an employer’s criteria are general enough to ensure a large population of potential applicants.

*Hypothesis 2:* The less specific the job requirements, the more likely the job will be filled through passive recruitment.

The two hypotheses above are also compatible with employers’ intrinsic preferences toward job candidates from the EILM. In a carefully designed study of hiring at one firm, Fernandez and Weinberg (1997) find strong evidence of the employers’ preferences for referrals vis-à-vis other candidates after the quality of résumés, including relevant sociotechnical characteristics, are taken into account. The authors speculate that by doing so the employer rewards the loyalty of its workers and capitalizes on the social support new hires receive from their referrers. The firm does not protect referrals from competition from outsiders. On the contrary, it appears that the formal referral policy is a part of the firm’s outreach effort. Nevertheless, even in that case, the preference toward the EILM is evident.

In the absence of formal restraints, containing social influences on hiring is more difficult in part because the EILM enjoys the inherent advantage of timing (Roth & Xing, 1994; Waldinger & Lichter, 2003, pp. 112-114). Whether an employer intends to broadcast a vacancy or not, the firm’s insiders can provide candidates faster. When insiders share a common identity, this can lead to a particular social group gaining control over hiring (Grieco, 1987; Waldinger, 1996). If so, it is reasonable to suggest that more attractive jobs will be taken over faster, which leads to Hypothesis 1, and that a strong competitive threat from a large pool of outsiders who meet job requirements makes the closure even more urgent, which is consistent with Hypothesis 2.

One way to separate the two competing explanations is by exploring whether an employer persists in passive recruitment even when it is increas-

ingly difficult to find a candidate in the EILM who meets the hiring criteria. The available anecdotal evidence suggests that in such circumstances, by and large, Russian employers enforce the criteria. Clarke (1999, p. 149) describes how firms set up competitive hiring for well-paid jobs that require rare skills. In the in-depth interviews during my fieldwork in Russia, the manager of one successful new private enterprise acknowledged that he does not search for workers if he or his employees know appropriate people. Well-paid administrative positions in the firm are always filled through passive recruitment. However, he would never change job requirements to accommodate his network and would search for the right candidate instead. As he put it, "Friendship is friendship, but work is work" (*druzhba druzhboy—sluzhba sluzhboy*).

I submit this assertion to a statistical test. As increasing specificity of job requirements restricts the pool of qualified candidates, the employer will become less likely to find a good hire among the applicants readily available in the EILM. If his or her intention is to enforce the requirements, passive recruitment has to be abandoned in favor of a sustained outreach effort despite the job's attractiveness:

*Hypothesis 3:* As job requirements become more specific, the positive effect of the job's attractiveness on the probability of passive recruitment diminishes.

## Data and Method

### The Data Source

The analysis presented in this article uses a unique data set from a large-scale survey of external hires that took place in 1998 in the local labor market in Samara, a large industrial city of 1.25 million situated on the Volga river about 700 miles southeast of Moscow. The level of registered unemployment in Samara in 1998 remained stable at about 3.7% (Samara Goskomstat, 1999b, p. 23), whereas the unemployment rate, estimated according to the methodology of the International Labor Organization, was about 12% (Samara Goskomstat, 1999a, p. 1). The annual hiring rate at Samara's large and medium enterprises was about 22%, according to my estimate based on Goskomstat data (Samara Goskomstat, 1999a, pp. 103, 125). Similar statistics for small organizations during the same year are unavailable.

Information about workers, their organizations, and matching processes was accumulated using three questionnaires. A firm-level, structured questionnaire was designed to elicit information about the organization's structure, employment conditions, use of market intermediaries (ads, direct appli-

cations, state and private employment agencies), and personal contacts in hiring. The interviews were carried out in personnel departments at the same time that the sample of hires was drawn. The information collected was combined in a firm-level data file.

Two structured questionnaires were designed on the individual level. The employee's questionnaire was administered first. It contained 10 modules: sociodemographic characteristics of the respondent, job characteristics, job search process, employer, first contact, other intermediaries, hiring process, job satisfaction, work experience, and social resources. The interviews were administered in the respondents' homes by trained interviewers from the Samara branch of the Institute for Comparative Labour Relations Research. When answering questions from the employer module, a respondent had to identify the person who made the decision regarding the hire. That person was later interviewed using the employer's questionnaire, which included 7 modules: job characteristics, worker search process, intermediary, hiring process, satisfaction with the worker hired, work experience, and personal information.

Linked employer-employee data, formed by merging firms' and hiring decision makers' data on one side and workers' data on the other side, allow me to closely and reliably track the ties that linked the two sides before hiring and relate those ties to passive recruitment. Such data are still pretty rare (for a review, see Haltiwanger, Lane, Spletzer, & Troske, 1999; Hamermesh, 1999) and virtually unknown in the literature on the role of social networks in hiring.

## Sample Design

I drew a two-stage, stratified, clustered sample of the hires that took place in Samara organizations in 1998 from all the economic branches except for state administration and finance. The recruitment into state administration is a political process whose study requires substantially different theoretical and methodological tools. The finance sector presents an interesting case for the project, but at the time of the fieldwork, it was completely closed to outsiders in general and researchers in particular. A total of 12 large manufacturing enterprises belonging to the military-industrial complex have secret status and, consequently, are also beyond the reach of researchers. Economic stagnation, severe downsizing, and high turnover make these firms similar to other large manufacturing enterprises, and, therefore, their exclusion from the target population is unlikely to limit the representativeness of the study.

Since 1998, the state statistical committee (Goskomstat) regularly solicits from firms' personnel departments statistical forms (P-4) that include the number of hires during the reported period. All large and medium firms and a

7% representative sample of small firms report this information on a regular basis,<sup>3</sup> but not all the large and medium enterprises report these statistics as independent entities. For example, all state schools in the Samara region are subordinated to the Department of Education of the Regional Administration. The department reports to the statistical committee on behalf of all the schools. To draw the sample properly, I combined such aggregate entities in a separate stratum and disaggregated them (i.e., found out the number of hires for each organization separately).

The target population was split among three strata: large and medium organizations that report to the state statistical committee (Goskomstat) as independent entities, large and medium organizations aggregated for the purpose of statistical reporting, and small organizations represented by the 7% representative master sample. Stratification allowed me to vary the likelihood of being drawn into the sample across strata in such a way that strata with a larger variation in the number of hires are allocated a larger number of sample units (Scheaffer, Mendenhall, & Ott, 1996).

Overall, 154 organizations were drawn into the sample with the probability proportional to the number of hires in 1998. Trained interviewers visited these organizations and presented a letter from the state statistical committee inviting them to participate in the survey and explaining its goals. A total of 93 organizations agreed to interviews with their recent hires, yielding a response rate of 60.4%. Three firms refused access to their managers, and only the data from 90 organizations are used in this article.

The sampling frame for the second stage was obtained from the personnel departments of the organizations, sampled on Stage 1 by trained samplers. The population studied on the individual level was limited to those hires which lasted for at least 2 months. Such hires were ordered by the date when they occurred or alphabetically and then systematically selected into the sample. In all, 20 hires had to be drawn into the sample from Strata 1 and 3 and 15 hires from Stratum 2. If the actual number of hires at an enterprise in 1998 was less than the sample size assigned, all of them were drawn. As a result, I obtained a two-stage, stratified, cluster sample with enterprises as clusters and a total sample size of 1,434 hires, of which 1,143 actually participated in the survey, yielding a 71.9% response rate on the individual level. Out of the 1,143 participating hires from 93 organizations, the hiring decision makers were interviewed in 922 cases from 90 organizations, which yields a 64.3% response rate on the employer side. After cases with missing data are excluded, 894 cases from 90 organizations constitute the sample analyzed in this article. A preliminary analysis revealed no systematic pattern of nonresponse on the employer side.

## Operationalization of Theoretical Concepts

### Dependent Variable

Establishing the fact of passive recruitment is difficult because, generally speaking, the employer is not a physical person but an organization (i.e., a single hire usually involves the effort of a number of people). The reliability of a report from one informant within the organization is limited. In particular, actions of a personnel department are as important as actions of the hiring manager. Taking a conservative approach, I treat as passive recruitment any instance in which the hiring manager does not actively search for job candidates through either formal channels or networks and does not report the vacancy to the personnel department. To identify such instances, I asked the hiring manager of each position in the sample the following closed-ended question: "Was there a time period when you actively searched for a worker to fill this position? If so, how did you search for a worker?" The respondent chose among nine options: applied to the personnel office of the firm or superior organization, applied to the state employment service, applied to private employment agencies, looked through ads in mass media, posted ads in mass media, applied to educational institutions, contacted other firms or professional organizations, used contacts of the firm's employees, through acquaintances. The respondent was allowed to pick multiple answers. If none of the options was named, the dependent dummy variable passive recruitment is equal to 1; otherwise, it is 0.

### Independent Variables

Job attractiveness is a multidimensional concept; the list of potential factors includes a job's remuneration, wage arrears, in-kind benefits, proximity to the place of residence, and other characteristics. In postsocialist Russia, the dramatic decline in real incomes and the collapse of the welfare system built around firms made salient the importance of wages and wage arrears, whereas the other factors fell in the background. Ideally, I would like to use a job's wage measured relatively to the wages of the candidate's other opportunities and adjusted for the likelihood of wage arrears. However, neither the opportunities nor the likelihood of wage arrears are easy to estimate for either a researcher or worker in a labor market in transition and under duress.

As a proxy for job attractiveness, I use the variable job salary, measured in rubles per month and included in the analysis below in logarithmic form. The measure relies on the assumption that salary is exogenous to hiring. A number of considerations suggest that this is indeed so. First, wage differentials in

the Russian economy are much better explained by organizational characteristics than human capital characteristics (Clarke, 2002; Kapelyushnikov, 2003). Second, in the survey I asked both employers and employees how the job reward was determined. They could choose among three alternatives: (a) the employer informed the employee, (b) the employer asked the employee for a suggestion and agreed with it, (c) the employer and employee exchanged offers and came to an agreement. Assuming that the second and third alternatives indicate bargaining, only 4.8% of workers and 6.0% of employers claimed that it took place, and only in 20 cases, which compose 2.2% of the matched sample, did both sides agree that negotiations took place. Thus, the role of bargaining is negligible, and its occurrence does not alter the hierarchy of jobs according to their attractiveness.

The variable number of job requirements measures the specificity of a manager's hiring criteria. In the survey, hiring managers had to identify the individual characteristics that the candidates for a job were expected to possess. The list of possible characteristics was compiled from prior ethnographic studies of the Russian labor market and content analysis of job ads in Russian mass media. In all, 14 essential parameters of a job description were identified: gender, age, ethnicity, health, education, qualifications (basic skills and knowledge), experience, auxiliary skills, certifications, army and law enforcement service, physical fitness, physical appearance, communication skills, and family status. I use the total number of the parameters mentioned as a proxy for the scarcity of candidates.

The measure raises two issues that merit discussion. First, it is a mixture of technical competencies and social characteristics, whereas job requirements typically refer only to technical competencies such as education and experience. As I discuss in the theoretical section, in reality, employers do judge candidates by both technical and social criteria, and separating the former from the latter is virtually impossible either substantively or analytically. Second, because the information about employers' requirements of job candidates was collected after the hires took place, one may be concerned that the number of job requirements is based on the actual traits of the people hired and that this problem is more severe in the case of passive recruitment. Those employers who actively searched for job candidates had a chance to articulate their hiring criteria in advance and therefore can separate them from the job's holder. On the other hand, employers who recruited passively did not need to articulate their hiring criteria as clearly and therefore are more likely to derive their answers in the survey from the observed characteristics of the workers hired. I cannot rule out such a possibility completely, but it appears remote and is unlikely to affect the analysis below in any systematic

way. First, ethnographic research suggests that “most personnel managers have an ‘ideal’ in mind of the kind of candidate they are looking for when recruiting,” which often encompasses “the characteristics of the previous job holder” (Manwaring, 1984, pp. 167-168). Because I analyze recent hires, in the minds of the managers from the sample, the influence of the previous job holder should be more salient than the influence of the new hire. Second, worker profile specificity measures the number of requirements rather than their content. So, it is not important whether a job holder meets a requirement but whether that particular requirement is relevant at all. Third, if passive recruiters were likely to mention more requirements simply because they fully identify them with the personal traits of the job holder, we would observe a positive association between worker profile specificity and probability of passive recruitment across all jobs in the sample. Because the actual findings are inconsistent with this prediction (see below), the concern is unfounded.

### **Control Variables**

Ownership form is captured by three dummy variables, including the omitted state owned as the reference category. Privatized is equal to 1 if the firm is a formerly state-owned enterprise privatized in the 1990s. Private is equal to 1 if the organization was created from scratch as a private entity.

In the original data, economic branches are coded according to the four-digit classification scheme of the state statistics committee, which is commonly used in Russian large-scale surveys. To create the control variable economic branch, I aggregate the codes into four large groups: Manufacturing includes manufacturing, extractive industry, and construction. Services includes trade and catering, housing, health, and social services. Transport and communications encompasses all types of land, water, and air transport and postal, phone, radio, and TV services. Keeping this group separate from services, I follow the conventional practice of the state statistics committee. Finally, the group health, education, culture combines health care, educational, scientific, cultural, and sport organizations.

The occupation variable refers to the position for which the worker was hired and contains six categories: upper-level manager, lower-level manager, professional, technical and clerical, skilled worker, and unskilled worker. Accordingly, it is represented in the analysis by five dummy variables with skilled worker as the omitted reference group. A person is classified as a manager if he or she has subordinates. Heads of low-level units (sectors, groups, shops) occupy lower-level managerial positions; heads of departments and higher divisions are classified as upper-level managers.

## Statistical Model

I use logit regression as a modeling technique to estimate the effects of the number of job requirements and job salary on the likelihood of passive recruitment. Additional adjustments are required to account for the complexities of the survey design such as stratification and clustering that make observations statistically dependent. Conventional regression models are estimated using the maximum-likelihood procedure that assumes statistical independence among observations. Because this study employs a stratified and clustered sample, I utilize survey regressions estimated by the pseudo-maximum-likelihood method as it is implemented in version 8 of Stata, a general statistical software package (StataCorp, 2003).

## Results

### Descriptive Analysis

The descriptive statistics in Table 1 highlight the extent of passive recruitment in the Samara labor market; 46.8% of hires took place without active search by employers.

Comparable empirical evidence is absent because the small number of available studies do not scrutinize recruitment methods involved in a specific hire. Barron et al. (1985) report that 28% of the most recent hires by the employers in their sample were accomplished without any recruitment effort. Otherwise, we can only rely on employers' general descriptions of their hiring practices. For instance, Marsden (1996) derives his 15% to 20% estimate of U.S. employers who frequently hire workers without any deliberate effort from informants' answers to the question of whether their establishments use specific hiring methods frequently, sometimes, or never.

As Table 1 shows, on average, organizations in this study make about 47% of hires through passive recruitment. Only 5 organizations, or 5% of the sample, did not make any hires without search in 1998. Marsden's (1996) threshold of 20% is met if one defines frequent use of a recruitment method at 75% of the total number of hires, which is too conservative. Under the equally arbitrary but more liberal and realistic assumption that frequently means more than one fourth of hires, about 79% of organizations in the sample can be qualified as frequent users of passive recruitment. Thus, at the aggregate level, passive recruitment appears to be much more common in Russia than in the U.S. Although larger-scale and more directly comparable data are necessary to verify this conclusion with reasonable certainty, these findings are

**Table 1**  
**Descriptive Statistics**

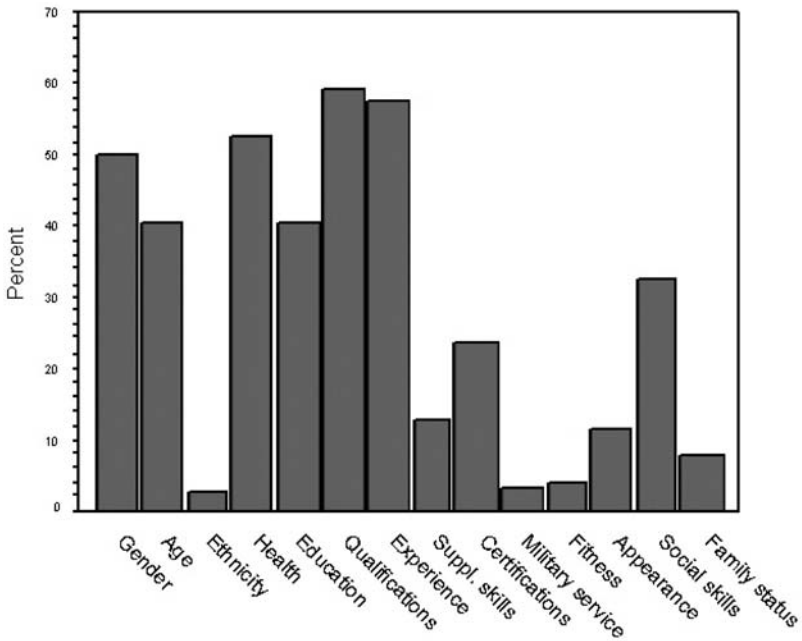
Organizational Characteristic	# of Organizations		% of the Sample	
Economic branch				
Manufacturing	29		31	
Services	31		33	
Transportation and communication	12		13	
Health, education, culture	21		23	
Ownership form				
State, budget	43		46	
Privatized	39		42	
New private	11		12	
% of passively recruited hires				
0	5		5	
0-25	14		16	
26-50	35		39	
51-75	21		23	
76-100	8		9	
100	7		8	
	<i>M</i>	<i>SD</i>	Min	Max
% of passively recruited hires	47	28	0	100
Firm size	771	1,493	9	10,800
Average salary	853	454	170	3,100
Hires' Characteristics	Frequency		%	
Occupation				
Top-level managers	38		4.3	
Low-level managers	60		6.7	
Professional	152		17.0	
Technician, clerk	135		15.1	
Skilled workers	340		38.0	
Unskilled workers	169		18.9	
Passive recruitment	418		46.8	
	<i>M</i>	<i>SD</i>	Min	Max
Job salary (in rubles)	575.0	393.0	58	4,000
Log (job salary)	6.1	0.7	4.1	8.3
# of job requirements	4.0	2.3	0	12

Note: Sample = 90 organizations, 894 hires.

consistent with a high degree of closure of the Russian labor market in the 1990s (Clarke, 1999; Yakubovich & Koziina, 2000).

The argument presented above relies first of all on the shortage of qualified workers as a key determinant of recruitment effort. Figure 1 shows the

**Figure 1**  
**Employers' Job Requirements**



distributions of various job requirements that limit the pool of candidates. As one would expect, technical requirements such as qualifications (basic skills and knowledge) and experience dominate; about 60.0% of employers look for them. However, education at about 40.0% is bypassed by health at more than 50.0%. Most interestingly, the prevalence of gender at 50.0% and age at 40.0% is comparable with technical requirements. Among the other non-technical skills, social skills and physical appearance contribute a nontrivial 32.9% and 11.6%, respectively.

The total number of requirements presented in Table 1 varies from 0 to 12, with 4 requirements on average.

Table 2 presents the correlation coefficients among the variables of interest. Passive recruitment is more common for low-level managerial and unskilled positions, in privatized firms and service industries, and is less common for technical and clerical jobs. The statistically significant negative association of passive recruitment with the number of job requirements is consistent with Hypothesis 2, although any conclusions at such a descriptive level of analysis would be premature.

**Table 2**  
**Correlation Coefficients for Selected Variables**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Passive recruitment	1.00															
2. Top-level managers	-.04	1.00														
3. Low-level managers	.08*	-.06	1.00													
4. Professional	-.05	-.07*	.08*	1.00												
5. Technician, clerk	-.11*	.00	.09*	-.19*	1.00											
6. Unskilled workers	.12*	-.10*	-.06	-.22*	-.20*	1.00										
7. Privatized	.11*	-.00	-.09*	-.17*	-.27*	.07*	1.00									
8. New private	-.03	.02	.08*	.17*	-.04	-.10*	-.23*	1.00								
9. Services	.11*	-.06	-.02	-.13*	-.21*	.26*	.16*	.05	1.00							
10. Transportation and communication	-.03	-.05	-.08*	-.13*	.12*	-.10*	-.11*	-.10*	-.27*	1.00						
11. Health, education, culture	.02	.00	.09*	.19*	.31*	-.00	-.43*	-.14*	-.37*	-.22*	1.00					
12. Firm size	-.02	-.06	.00	.05	.02	-.05	-.06	-.13*	-.21*	.19*	-.10*	1.00				
13. Boss does hiring	.06	.06	.00	.07*	.04	.05	-.12*	.19*	.08*	-.20*	.17*	-.54*	1.00			
14. # of job requirements	-.15*	.11*	.10*	.20*	-.02	-.40*	-.01	.16*	-.15*	.09*	-.01	-.07*	.04	1.00		
15. Log (salary)	-.01	.19*	.08*	.06	-.16*	-.28*	.21*	.06	-.02	.07*	-.36*	.01	-.06	.21*	1.00	
16. Requirements log (salary)	-.15*	.15*	.11*	.20*	-.06	-.41*	.03	.16*	-.14*	.10*	-.08*	-.06	.03	.98*	.38*	1.00

Note: Sample = 90 organizations, 894 workers.

\*Coefficient is significant at the .05 level.

In discussing the phenomenon of passive recruitment earlier in the article, I distinguish between two kinds of ties: personal ties between workers and employers and workers' prior affiliations with the same organizations. The data in Table 3 show that in 27.3% of instances of passive recruitment, the employer and worker knew each other personally prior to the hire, which is about 6.0% more than in the case of active recruitment. The corresponding partial correlation coefficient from the logit regression of passive recruitment on the set of dummies for the types of personal ties (not shown) is statistically significant, which suggests that personal ties between workers and employers are positively associated with passive recruitment.

The same is true for mediated ties in which only the worker is aware of the intermediary while the employer believes that no contact was involved in hiring. A total of 20.1% of cases of passive recruitment involve such a tie, and the percentage for active recruitment is only 14.5%. Mediated ties with one intermediary known to both sides, different intermediaries on different sides, and with only an employer aware of the intermediary are not exclusive for either passive or active recruitment. These findings for mediated ties demonstrate the mechanism of passive matching in the EILM: An employer's only contribution is abstaining from promoting the job; the rest is done by the firm's social milieu, which constantly monitors the market and generates job candidates for attractive vacancies. The employer may believe that the applicant is unsolicited, while in practice he or she contacts a firm after receiving a tip from someone who works there (Manwaring, 1984, p. 163).

Return mobility, when a worker comes back to a firm he or she previously worked for, is somewhat more common in the context of passive recruitment: 23.5% versus 19.5%. However, the difference is statistically insignificant, according to the coefficient from the logit regression of passive recruitment on the organizational tie. Thus, although the extent of return mobility at 21.4% appears substantial and higher than the 10.5% reported in the only study representative of the Russian labor market as a whole (Brown & Earle, 2002),<sup>4</sup> it is largely inconsequential for passive recruitment. In other words, return mobility is not a distinctively passive recruitment method from the employers' standpoint.

If we aggregate all the types of social ties, it turns out that 88.3% of cases of passive recruitment involve either personal or organizational contacts, which is significantly higher than 79.6% for active recruitment. Still, about 12.0% of hires, for which employers do not actively seek candidates, take place without any involvement of social relationships. As additional calculations show, 35.0% of them, or about 4.0% of all the passive hires, involve spontaneous impersonal encounters between employers and workers in various social settings (Granovetter, 1995, p. 33; Lin, 2003; Marsden & Gorman,

**Table 3**  
**Social Ties Between Employers and Workers by the Type of Recruitment**

	Passive Recruitment		Active Recruitment		Total	
	Frequency	%	Frequency	%	Frequency	%
Personal tie between hiring manager and worker						
Direct <sup>a</sup>	114	27.3	101	21.2	215	24.0
Manager's and worker's intermediary is the same person	110	26.3	128	26.9	238	26.6
Manager's and worker's intermediary is not the same	36	8.6	45	9.5	81	9.1
Only manager aware of intermediary	16	3.8	29	6.1	45	5.0
Only worker aware of intermediary <sup>a</sup>	84	20.1	69	14.5	153	17.1
No link	58	13.9	103	21.6	161	18.0
Worker's prior employment with the same organization	98	23.5	93	19.5	191	21.4
Personal tie or prior employment	369	88.3	379	79.6	748	83.7
Total # of cases	418	100.0	476	100.0	894	100.0

Note: Sample = 90 organizations, 894 hires.

a. These types of ties between an employer and worker are more likely to be associated with passive recruitment, that is, the corresponding partial correlation coefficient from the survey logit regression of passive recruitment on the types of personal ties (for the variable personal tie) or on the dummy for a worker's prior employment with the same organization is statistically significant at a .05 level.

2001, p. 470). Only 11.0%, or about 1.0% of the passive hires, are cases of cold calling, when a vacancy is filled by someone off the street. Thus, as I speculate in the theoretical discussion of passive recruitment above, cold calling is a negligible part of it.

The remaining 54.1% of the unconnected hires rely on preexisting organizational ties between employers and formal labor market intermediaries. The intermediaries refer workers to employers whom they regularly provide with job candidates, even if the employers do not ask to fill any opening at the time.

### **Hypothesis Testing**

Table 4 reports the results from logit regression of the likelihood of passive recruitment on organizational and individual characteristics.

The baseline Model 1 shows that passive recruitment is particularly common in privatized enterprises, in service and nonprofit sectors, and for lower-level managerial positions. After the inclusion of the two major independent variables, the number of job requirements and job salary, Model 2 shows a statistically significant improvement in comparison to Model 1. However, the improvement comes mainly from the number of job requirements, whose effect is statistically significant at a .01 level. Jobs with more requirements are more difficult to fill without an active effort, and the odds ratio decreases by a factor of .87,  $\exp(-.142)$ , with each additional requirement. A higher value of this variable implies a smaller pool of qualified job candidates, and as a result, the need to resort to active search. On the contrary, when the pool is relatively large, which is indicated by smaller numbers of job requirements, passive recruitment is a viable alternative that protects an employer from being overwhelmed by applicants. Thus, Hypothesis 1 is confirmed. The positive sign of the effect of job salary is consistent with Hypothesis 2, but the effect is insignificant.

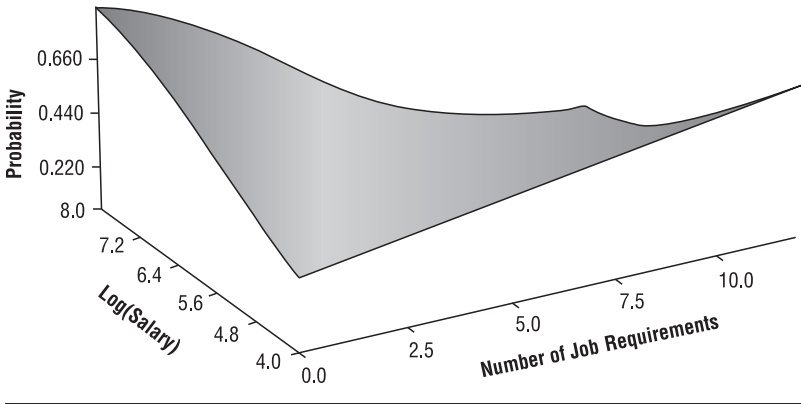
Model 3 includes the interaction between the job salary and the number of job requirements that is negative and significant, as Hypothesis 3 predicts. When a needed worker is hard to find, employers actively search even if the job is attractive. To show the substantive significance of the interaction effect, we should move to three-dimensional space. Figure 2 presents simulated probabilities of matching through passive recruitment for all possible combinations of the two variables of interest within the sample's ranges, when all the other variables are kept constant at their original values. In other words, predicted probabilities are obtained for each individual in the sample and each combination of the number of job requirements and salary. Next, they are averaged across the respondents for each combination of the values of these two variables.

**Table 4**  
**The Probability of Passive Recruitment: Pseudomaximum Likelihood Estimates of the Survey Logit Model**

Independent variables	Model 1	Model 2	Model 3
Intercept	-0.963 (.345)**	-1.339 (.981)	-6.270 (1.741)***
Log (firm size)	0.054 (.073)	0.037 (.072)	0.032 (.070)
Ownership form (state)			
Privatized	0.702 (.288)*	0.763 (.289)**	0.731 (.290)*
New private	0.429 (.429)	0.625 (.422)	0.650 (.418)
Economic branch (manufacturing)			
Service	0.681 (.320)*	0.695 (.313)*	0.638 (.316)*
Transportation and communication	0.567 (.367)	0.730 (.384)	0.731 (.392)
Health, education, culture	1.089 (.379)**	1.245 (.375)***	1.223 (.363)***
Occupation (skilled worker)			
Upper-level manager	-0.227 (.403)	-0.184 (.424)	0.004 (.441)
Lower-level manager	0.866 (.307)**	0.942 (.305)**	1.004 (.311)**
Professional	-0.384 (.291)	-0.314 (.297)	-0.306 (.295)
Technical, clerical	-0.720 (.281)*	-0.799 (.292)**	-0.887 (.284)**
Unskilled worker	0.270 (.273)	0.022 (.290)	0.197 (.301)
# of job requirements		-0.142 (.051)**	1.076 (.348)**
Log (Salary)		0.144 (.152)	0.967 (.285)***
# of job requirements $\times$ log (salary)			-0.201 (.057)***
F test (# vars, # PSU - # Strata - # vars + 1)	2.80 (11.77)**	3.29 (13.75)***	3.94 (14.74)***
Model improvement F test		4.00 (2.87)*	12.51 (1.87)***

Note: Sample = 90 organizations, 894 hires. Reference categories and standard errors are given in parentheses. \* $p < .05$ , two-tailed. \*\* $p < .01$ , two-tailed. \*\*\* $p < .001$ , two-tailed.

**Figure 2**  
**The Probability of Passive Recruitment as a Function of Worker Profile Specificity and Salary**



Overall, the graph is saddle shaped, albeit not symmetrically. High-paid jobs with few requirements to prospective candidates are concentrated in the upper left corner. Consistent with the core argument of this article, the likelihood of passive recruitment to such positions is the highest. At the same time, a relatively high likelihood of passive recruitment to jobs in the lower right corner is somewhat unexpected. These are low-paid jobs with a significant number of requirements, an unlikely combination. Indeed, the sample contains only six jobs that have at least seven requirements, that pay less than the average, and that have more than a 60% chance of being filled through passive recruitment; four of them are for drivers. Thus, the subsample is too small to draw any robust conclusions. One can speculate that these jobs are hard to fill, and therefore employers abandon the outreach effort and wait for a desperate qualified candidate to appear.

## Conclusion

The article addresses two questions: (a) Is passive recruitment a distinctive labor market phenomenon; and (b) If so, why do employers practice it? The current sociological literature treats passive recruitment as a manifestation of the power of social networks and does not give it much credit as a distinctive phenomenon. I argue that the distinction between passive and active uses of social networks by employers is crucial. When hiring managers actively engage networks, they turn them into semiformal hiring channels for

disseminating information about vacancies with the goal of enriching the pool of job applicants. This goal brings active recruitment through networks close to formal channels; both serve as a tool for employers to use to open the labor market. On the other hand, passive recruitment is a tool for keeping the market closed for all but the networks of a firm's current and recent workers.

The rich data allow me to gain a deeper insight into the relationships that distinguish passive recruitment. On one hand, hiring managers recruit extensively among their own contacts. On the other hand, significantly more often than in cases of active recruitment, hiring managers are not aware of an existing intermediary who brings the job candidate. They simply yield initiative to an EILM where current and former employees constantly monitor available vacancies and alert their contacts when a job opportunity arises. The boundaries of an EILM are blurred to the degree in which personal and organizational ties are intertwined with formal labor market intermediaries. For instance, a number of human resources departments in Samara initiated waiting lists exclusively for the relatives and friends of their organization's employees but then gradually opened them to cold callers. If the Federal Employment Service and private employment agencies enjoy good rapport with employers, they refer workers even when the employers do not submit specific vacancies.

Overall, the empirical findings are consistent with the argument that low costs rather than the preference toward the EILM motivates employers to practice passive recruitment. By and large, insiders and their contacts enjoy the right of the first job refusal to the degree in which it does not undermine the employer's hiring criteria. A simple behavioral model shows how an employer's desire to contain costs of search leads to hiring through passive recruitment: The EILM learns about a vacancy as soon as it becomes available. If the EILM finds the vacancy attractive, it can provide applicants before the employer broadcasts the job, even if he or she intended to do so. If the applicants are qualified, the hiring manager has no incentive to proceed with an open search. High-paid jobs with relatively few sociotechnical requirements are filled at this stage. If the vacancy does not spark enough interest or qualified candidates are not found, the job is advertised in the open labor market where outsiders get their chance. Thus, the intermediate link between costs of search and passive recruitment is the EILM's inherent advantage in timing; employers' intentions to close the market to outsiders are largely irrelevant.

The logic of cost saving offers little comfort to outsiders locked out of the EILM because it implies that the principle of equal employment opportunities cannot spread spontaneously driven by market demands but has to be instituted externally. In the United States, it has been institutionalized

through the coercive mechanism of state antidiscriminatory regulations and through mimetic adoption by organizations themselves concerned about their legitimacy (Herman, 1994). The attempt to activate the coercive mechanism in the first edition of the Russian Labor Code failed because of the lack of enforcement and was abandoned completely in the code's new edition. The next attempt, which will take place sooner or later, should include a variety of creative approaches that encompass coercive, normative, and mimetic mechanisms of institutionalization (DiMaggio & Powell, 1983). Particular attention will have to be paid to institutional arrangements that control the timing of hires to compensate for the advantage in this regard of EILMs. More generally, the findings indicate that an open labor market may not materialize because of the lack of effective institutional arrangements that make the cost-benefit ratio of active recruitment comparable to the cost-benefit ratio of passive recruitment.

The article leaves as a subject for future research organizational characteristics that affect passive recruitment. In particular, I would like to explore how the organizational context alters hiring managers' applications of passive and active recruitment methods to specific jobs. The unique two-sided hierarchical data used in this article provide rich information and readily submit themselves to such an analysis.

The distinction between passive and active modes of recruitment is relevant to many contexts beyond the Russian labor market, in particular, as traditional recruitment methods undergo major changes. For example, the Internet offers a new setting where employers and workers find each other. At the same time, it pushes the costs of workers' search for jobs so low that employers are inundated with job applications from candidates who are often poorly qualified (Autor, 2001). Employers respond to this challenge by ignoring such applications, further strengthening their referral policies, and targeting passive job seekers who post their profiles online but do not apply for jobs. These responses proactively engage social networks, as an alternative to anonymous formal channels, to reach qualified candidates, wherever they are, rather than to close the labor market to outsiders. These new developments call for a thorough review of recruitment practices that lead to the openness or closure of a labor market. This article is the first step in that direction.

## Notes

1. Clarke (1999, pp. 234-235) traces the origins of repeated hiring to idiosyncrasies of the Soviet welfare system. Under that system, distribution of the most valuable goods such as housing and cars was accomplished primarily through workplaces and organizations, which varied

widely in their ability to actually deliver them. Accordingly, workers would take a job in a more promising firm to obtain housing and then would switch back to the previous employment. Surveys carried out in industrial enterprises in 19 cities in the Soviet period estimate the level of return mobility at 15% of all interfactory transfers and 20% to 27% of all separations for particular enterprises. Overall, 12% of quitters later returned to their former place of work (Ohtsu, 1992, p. 281).

2. I am grateful to one of the anonymous reviewers for pointing to this omission in the literature.

3. The classification of Russian firms into large, medium, and small ones is not based only on size but on ownership structure as well. According to the 1995 federal law 88-f3, The State Support of Small Entrepreneurship in the Russian Federation, the small firm is a judicial entity that satisfies two conditions: (a) It is not more than 25% owned by the state, municipalities, public and religious organizations, charities and other foundations, and the property belonging to one or more judicial entities, which are not subjects of small entrepreneurship themselves, must not exceed 25%; (b) The average annual number of workers must not exceed 100 people in manufacturing, construction, and transportation, 60 in agriculture and science, 50 in whole sale, 30 in retail sale and consumer services, 50 in other branches. Any other firm is defined as large or medium. I do not distinguish between large and medium firms because they are sampled simultaneously from the same sampling frames.

4. The numbers are difficult to compare because Brown and Earle's (2002) study is based on self-reports of personnel departments rather than observations of individual hires. It is possible that personnel departments themselves underestimate how widespread return mobility is.

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