The influence of social interactions on labour market outcomes in Spain

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Abstract

The economic literature has found hard evidence on the great significance of general and specific human capital to participate in the labour market, get an employment and have a career success characterised by higher wages and more options of getting an upward labour mobility through promotions or better jobs in other firms. Recently, additional factors integrated in the concept of social participation have emerged as key determinants on the labour market success. This article contributes to the increasing literature about social capital and its economic effects in Spain by analysing some aspects related to the labour market from a micro-econometric approach, which overcomes some drawbacks associated with the analysis of social capital from an aggregated perspective. In particular, this paper analyses to what extent the social participation (considered as a relational good), and other aspects of the social capital, influence on the individuals’ labour market status and their wages. Data used corresponds to the Living Condition Survey (INE, 2015), and the methodological approach consists in performing discrete choice models to explain the labour market status, and specifying wage models. In both cases, different measures of social capital obtained by applying categorical principal component analysis (CATPCA) are included as regressors.

Keywords: Social capital, labour market status, wages.
JEL classifications: C10, J24.