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# The Role of Social Capital in Supporting Economic Mobility

Project Officers: Amanda Benton, Laura Erickson, Susan Hauan, Kaitlyn Jones, and Sofi Martinez

Authors: Marissa Abbott and Aaron Reilly



## KEY FINDINGS

- Social capital is composed of networks of relationships characterized by trust and reciprocity.
- Social capital can be conceptualized many ways, such as by social network size as well as strength and types of relationships.
- Building social capital includes both creating and strengthening existing relationships.
- Social capital can help people learn about jobs and get hired.

Social capital refers to the connections, networks, or relationships among people and the value that arises from them and can be accessed or mobilized to help individuals succeed in life. It produces information, emotional and financial support, and/or other resources.<sup>1</sup> This brief provides an overview of research on the positive aspects of social capital, focusing on how different dimensions of social capital matter for employment, self-sufficiency, and economic mobility. It did not identify research on the potential negative effects of social capital. It also highlights select strategies that build social capital for poverty alleviation. Finally, it describes research gaps surrounding social capital formation as a means of economic mobility.

## Importance of Social Capital

**Social capital can be conceptualized in multiple ways, including by the number of connections an individual has, the strength of relationships, and the nature of who is connected.** Network size signals the resources an individual can potentially draw upon.

However, the types of relational ties that an individual has may also matter.

- *Bonding social capital* refers to ties that exist between family members and friends within an individual's immediate network ("people like me").
- *Bridging social capital* refers to ties that exist across community members ("people different from me") (Burton & Welsh, 2015; Woolcock, 2001).

<sup>1</sup> Examples of social capital include, but are not limited to: peer or group supports, mentoring, family strengthening efforts, faith-based supports, assistance navigating systems, and connections with others. Social capital is sometimes referred to by other terms, such as relational capital or [associational life](#).

Scholars suggest that bonding social capital often results in stronger ties than bridging social capital, which is often weaker. Compared to bridging ties, low-income individuals may be able to most easily and frequently access these stronger, bonding ties to help them foster employment and self-sufficiency (Gee, Jones, & Burke, 2017; Smith, 2016). However, as explained below, connections to higher-status individuals and organizations – to the extent they are available to lower-income individuals – may be able to provide more advantages and opportunities than connections to lower-status individuals and organizations.

**Social capital is generally unevenly distributed throughout society.** Social networks may be smaller or weaker for low-income individuals because they lack family or other social connections to institutions, such as higher education, that are critical for upward economic mobility (Small, 2007).

Furthermore, relationships with family members, friends, or others may be limited by a lack of ability to fully reciprocate. Relationships that are used for social networking often implicitly require reciprocity, which can be risky if the other party in the relationship also faces many challenges (e.g., lack of money, housing needs, unstable employment, criminal involvement) (Dominguez & Watkins, 2003; Hogan, Eggebeen, & Clogg, 1993; Mazelis, 2017; Smith & Broege, 2012). For example, formerly incarcerated individuals may attempt to use their social network to search for jobs, but friends and relatives may not be willing to make referrals due to their criminal justice history (Smith & Broege, 2012). Low-income individuals may also have few connections to high-status individuals or institutions that can help provide valuable economic opportunities because of factors such as unemployment, incarceration, neighborhood and spatial segregation, limited economic mobility, and generational poverty (Putnam & Sander, 2009; Smith & Broege, 2012).

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## Types of Social Capital

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*Bonding social capital* refers to strong ties that exist between family members and friends within an individual's immediate network.

*Bridging social capital* refers to weaker ties that exist across community members.

## Social Capital for Economic Mobility

**Social capital may be associated with particular types of economic outcomes.** For example, social contacts may be particularly important for providing job referrals, and the evidence suggests that candidates with referrals are more likely to be hired and remain in their positions longer (Brown, Setren, & Topa, 2016). Moreover, even poorly developed social networks can provide opportunities for lateral mobility, which can help to avoid unemployment (Smith, 2016). Social capital is also an important determinant of job productivity, although findings regarding the impact of social capital on wages are mixed (Greve, Benassi, & Sti, 2010). Greve, Benassi, and Sti (2010) investigated the influence of social capital on job productivity and found that it was an essential component, as having a network can help with teamwork-based projects, and the acquisition of professional knowledge. Some studies suggest that social capital has no impact on wages for workers (Mouw, 2003; Pellizzari, 2010). However, McDonald (2015) analyzed data from the National Longitudinal Survey of Youth and found that workers who used their social networks to search for jobs experienced significant wage returns, in comparison to workers who found jobs through other means. The lack of a network may even hurt one's ability to meet pre-existing financial obligations. For example, low-income noncustodial fathers may struggle with unemployment, since they are unable to obtain information about job opportunities from social contacts, and thus are unable to pay child support, which can sometimes lead to incarceration (Pate, 2016).

**Research also suggests that the strength of social ties are important, with strong ties being more beneficial to fostering employment and self-sufficiency than weak ties** (Gee, Jones, & Burke, 2017; Smith, 2016). The quality of one's social network is essential in connecting to economic opportunities, considering that informal job searching is the most common strategy for workers seeking blue collar occupations (Holzer, 1996; Smith, 2000). Kramarz and Skans (2014) found that strong social ties are essential for helping young workers

to find their first job. Furthermore, strong ties are essential during times of unemployment and when information about open jobs is limited (Kramarz & Skans, 2014). Strong social contacts can help provide access to exclusive information about job openings, which helps to reduce competition in the labor market (DiTomaso, 2013). Job turnover is also lower for individuals with strong neighborhood ties, which may produce better employment matches for job seekers (Hellerstein, Kutzbach, & Neumark, 2014).

**While a large social network may be beneficial, social contacts with higher status individuals may matter more in the search for employment opportunities** (Kmec & Trimble, 2009; Lin, 1999). High-status job contacts can help individuals to achieve upward mobility through status attainment (Lin, 1999). Marsden and Hurlbert (1988) looked at job transitions for men in the Detroit Area Study and found that the status of a contact had a strong effect on occupational prestige and job sector. Lin (1999) confirms this result by summarizing research that explores the relationship between contact status and employment outcomes, finding that high-status contacts lead to better pay for individuals who access their social network as a job search strategy. However, low-income workers may not have access to the social networks with high-influence contacts (McDonald, 2011). In return, their networks might not lead to finding stable employment.

**Many low-income individuals work in flexible jobs, such as through the sharing economy, via self-employment, or during off-hours, which often create social isolation from which it may be difficult to build a strong social network** (Seefeldt, 2016). Seefeldt (2016) presents qualitative information describing how low-wage workers often feel isolated from their co-workers and supervisors, partially due to the unpredictable schedules associated with their jobs. For example, she presents the narrative of an overnight home health aide who interacts with her clients only during breakfast time, and has no other social interactions during the shift. The number of employees working in these employment structures is increasing. Katz and Krueger (2016) estimate that from 2005 to 2015, 94 percent of net employment growth for the U.S. economy was due to alternative work arrangements. Jobs with nontraditional employment structures or work hours offer some advantages for low-wage workers. They can offer flexible hours, better wages, or limited time in an office environment, helping to create better work-life balance (McMenamin, 2007). However, working as an independent contractor, working from home, or working a non-standard shift may have limitations that a standard job would not have. Many of these positions do not provide workers the opportunity to engage with co-workers or to receive support and coaching from a supervisor, both of which could serve to expand the individual's social network. Further, many of these jobs offer little to no room for advancement, as the organizations tend to be flat with most positions at the same level (Seefeldt, 2016).

## Building Social Capital

**Social capital building relies on creating and strengthening relationships at the individual and community levels.** At the individual level, families and friends play a role in building strong ties that connect individuals to opportunities (Smith, 2016). At the community level, neighborhoods help to bring people together through both formal and informal events, strengthening both bonding and bridging social capital. Community organizations, thus, play a key role in promoting social capital by enhancing social networks. Organizations can help to foster positive relationships as a byproduct of the services they provide (Smith, 2016). In other words, if individuals are already involved with a community organization for other reasons, they will likely accrue social capital through their involvement. Organizations can also provide access to opportunities, such as providing participants information about job openings (Greenberg et al., 2017). Local partnerships help to further enhance social networks through involvement in the local community and affiliated institutions.

**Building trust and fostering a quality relationship with reciprocity require different strategies** (Sander & Lowney, 2006). If individuals are motivated to form relationships, activities such as one-on-one or group work at community events can help to foster the formation of social

capital (Sander & Lowney, 2006). Bringing community members together for a discussion of local challenges can further help to improve community-level social capital. If participants identify a shared goal for the community to accomplish during the meeting, it helps to build relationships that can exist outside of the context of the meeting itself (Sander & Lowney, 2006). While these strategies may seem relatively simplistic, they all share the common theme of bringing people together under shared interests to foster relationships. True social capital accrual takes time and deliberate investment in social networks.

**Mentor-mentee relationships are also beneficial in helping to provide low-income individuals with access to job opportunities** (DeJesus, 2018). These relationships can help youth in job training and apprenticeship programs to connect with potential mentors in their occupation of interest. Mentor-mentee relationships are of particular importance for youth who are socially isolated. Social skills are an important component of how an individual interacts in the labor market and have been associated with increased employment and higher wages (e.g. Deming, 2017). Mentor-mentee relationships can help to foster the development of social skills (Karcher, 2005). Mentors can also help to transfer information about tasks required for a specific job (Moore, 2001). Furthermore, formalized mentor-mentee relationships can help to broaden individual social networks through the sharing of social capital, thereby connecting mentees to high-status individuals or institutions (Moore, 2001). Thus, these relationships can help low-income individuals to start building connections that will help them in the labor market.

**The government can play a role in social capital formation through existing federal initiatives and policies.** Governmental organizations and welfare programs can connect low-income individuals to resources within the community, and that may help to foster relationships (Smith, 2016). Federal initiatives that are designed to enhance low-income families' social networks, such as those that focus on encouraging family stability, could be improved to better target social capital formation (Desmond & An, 2015). These programs could further emphasize the importance of connections within and outside of the family for obtaining economic resources.

## Conclusion

Social capital can be helpful for low-income individuals in gaining access to economic mobility and employment self-sufficiency. However, social capital formation is contingent on building social networks. The number of connections, the strength of relationship, and the nature of who is connected all matter. Additional work is needed to determine how to build social capital for individuals who do not have a network or are disconnected from their social network. Future research could also clarify the benefits of social capital on economic opportunities, such as job search and wage returns. Moreover, because social capital can be defined in many ways, it is often difficult to determine conclusively the paths through which social capital contributes to employment, self-sufficiency, and mobility.

Looking forward, researchers could help programs on the ground explore a variety of ways to help low-income individuals build and leverage social capital. For example, a social capital program that is focused on economic mobility could include a peer networking component comprising engagement with peers that hold each other accountable in achieving employment goals, as well as engagement with local companies to offer job training and support outside of the context of the program. This is one such strategy that may help to foster social networks that are sustained in the long-run to help to improve economic stability.

While many programs already exist at the local level that build or leverage social capital, few are theory-driven and have been rigorously evaluated. Future work is needed to create a strong theoretical grounding for social capital programs that focus on economic mobility and employment self-sufficiency. Furthermore, rigorous evaluations of existing programs are needed to determine the impact of these programs on building strong relationships and lasting social capital. However, despite these limitations, the potential for social capital to improve the lives and economic mobility of low-income individuals is vast.



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