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Valuation and Matching: A Conventionalist Explanation of Labor Markets by Firms’ Recruitment Channels

Guillemette de Larquier & Géraldine Rieucau

Abstract: »Valuation und Matching: Eine konventionentheoretische Erklärung der Arbeitsmärkte durch die Rekrutierungskanäle der Unternehmen.« In line with the conventionalist works on recruitment and intermediation in the labor market, this article argues that, in order to shape uncertainty about the quality of matching, recruitment channels used by firms rely on "investments in forms." The first investment corresponds to the definition of the boundaries of the labor market (i.e., the outline of the labor supply from the firm’s point of view); the second one corresponds to the format of information (i.e., the “standard” or “personalized” language used by channels to convey information). The firm's resort to a given channel is explained by its internal organization and its valuation of what is a good applicant (depending on its “labor quality convention”). By crossing-over the two types of investment in forms, we distinguish four matching dynamics. Each type of dynamics is illustrated by examples coming from a qualitative survey of recruitment practices in four French service oriented sectors.

Keywords: Economics of convention, investment in forms, labor quality convention, valuation, recruitment channel, job matching, French labor market, service oriented sectors, case studies.

1. Introduction

By analyzing the diversity of recruitment channels in France, our aim is to explain the matching dynamics of labor markets. Our approach, based on the economics of convention (Eymard-Duvernay et al. 2005; Latsis, de Larquier and Bessis 2010; Diaz-Bone and Salais 2011), uses the concept of “investment in forms” (Thévenot 1984) and the concept of “valuation” – and its power –
(Eymard-Duvernay 2012) to understand how firms by choosing their recruitment channels induce the dynamics of their labor markets.

Doeringer and Piore (1971) popularized the opposition between external and internal labor markets. The aim of institutionalist economists is to highlight the administrative rules and procedures within internal labor market (i.e., organizations) but this literature quite neglects the study of the functioning and dynamics of external labor markets. In the present article, organizations (firms) and markets are not regarded as two opposed modes of coordination. The firm has to achieve a balance between its different markets (goods, capital, and labor markets); as a result it is a mode of coordination of different markets (Eymard-Duvernay et al. 2005). The intervention of a firm in a given market is the extension of its internal coordination. In our case, we point out the ways the dynamics and the boundaries of the external labor market are constructed by the firms’ decisions about recruitment channels: the choice of recruitment channels is driven by the operative labor quality convention in the internal labor market, that is to say the way of evaluating the quality of labor within the organization. Employers’ decisions on recruitment channels, criteria and tools play a role in delimiting who is employable and who is not (Eymard-Duvernay and Marchal 1997; Lendaro and Imdorf 2012; Rieucau and Salognon 2014; Larquier and Marchal 2016; Imdorf 2017; Ali and Brandl 2018; Nadai, Gonon and Rotzetter 2018), that means who is valuable and who is not, hence the power of valuation. Thus, external and internal labor markets’ dynamics are linked by the way firms judge the quality of labor and by the way channels convey firms’ valuations.

Matching dynamics vary according to the ways the channels operate. In order to shape uncertainty about the quality of matching, channels rely on “investments in forms” (Thévenot 1984). Investments in forms are rules, tools, contracts implemented by firms, labor institutions and channels to stabilize labor market interactions and selection: diploma, vocational qualifications, nomenclatures, applications forms, input fields and keywords in websites, etc.

First, investments in forms are needed to delimit the outlines of the labor supply the firm is looking for (i.e., the boundaries of the external labor market). If boundaries are well defined and stabilized (by diploma for example), the firm knows the place to meet applicants and the recruitment channel – as online job advertisements – can be routinely or mechanically used to reach them. If labor market boundaries are not stabilized by investments in forms, the existence of labor supply itself is questioned by the uncertainty about its quality. What are the critical qualities needed to be considered as employable, i.e., as a potential applicant? In this case, the recruitment channel plays a critical role in designing the relevant labor supply and it is expected to be an intermediary specifically delegated by the firm.

The second type of investment in forms concerns the information produced and conveyed by the channel. The “format” in which information circulates in the labor market (Thévenot 1997, 2007) may be standardized (CVs, diploma,
etc.) or personalized (informal discussion). Each type of channel has its proper way to shape and convey information about the applicant’s qualities and employer’s requirements.

Finally, the diversity of investments in forms that stabilize the process of matching via channels induces different types of labor markets dynamics. By crossing-over the two types of investment in forms, four matching dynamics are characterized (Larquier and Rieucau 2014). These dynamics rely alternatively on (1) the circulation of already stabilized information (2) the creation of a labor supply concomitant with (and not prior to) matching (3) trust shown by acquaintances and (4) referrals conveyed by professional networks. In the first case, the matching dynamics are conveyed by tools, in the second by institutional partnerships and in the other two cases by people, who may be either close acquaintances or members of the professional sphere. We develop this argument by drawing on a qualitative survey of recruitment practices in four service sectors: information technology (IT), banking, catering, and retailing.

**Methodology**

The research reported is a part of a project regarding recruitment practices and selectivity supported by the French Ministry of Labor and Social Welfare (Dares) and the Défenseur des droits (Human Rights Defender). The research was conducted in 2010-2011 and was coordinated by the Centre d'études de l'emploi (Centre for Employment Studies). The empirical and sector-based approach adopted allows us to emphasis connections between internal organizations and recruitment practices. The four sectors studied were Information Technology (IT) (Fondeur 2013), banking (Larquier and Tuchszirer 2013), catering (Forté and Monchatre 2013), and retailing (Rieucau and Salognon 2013). Despite the crisis, there were many job opportunities in these sectors. A total of 99 semi-structured interviews were conducted with recruiters (Human Resources (HR) personnel, managers, or employees involved in recruitment), employees, and labor market intermediaries (the public employment agency: Pôle emploi, and private agencies) in about 10 firms in each sector. The interviews were conducted in Greater Paris except for those in catering conducted in the city of Strasbourg and its surrounding area. The face-to-face interviews were based on guidelines adapted to the type of the respondent (recruiter, employee, intermediary); they were taped, transcribed verbatim, and interpreted after being read through many times and compared. A team of two researchers conducted the interviews for each of the four sector-based monographs.
2. How Firms' Recruitment Channels Shape Labor Markets

Ever since George Stigler’s article (1962), mainstream economists have considered that the labor market presents high transaction costs for workers and employers. Interactions in the labor market are subject to uncertainty because it is impossible to ascertain the quality of a match before experiencing it. In this context, employers choose their recruitment channels (including institutional intermediaries, job advertisements, social networks, and unsolicited applications) as means to collect information and to reduce the risk of a bad match. There is a trade-off between the cost of more information about the quality of applicants and the benefits of selecting the perfect or best candidate. Firms may be committed in sub-optimal hiring procedures, but, from the economic rational point of view, learning over time should move them toward adopting more efficient methods (Holzer 1987).

Thus, in mainstream economics, recruitment channels reduce transactions cost by conveying information about applicants and jobs (DeVaro 2008). We do not deny this dimension of their function, but from our point of view, this is only true in specific situations. Channels just convey information between applicants and firms only when a definition of the relevant quality (the object of the information) has been well established for all actors in the labor market. Actually, it is the case in mainstream economics where quality is given, i.e., exogenous. According to our conventionalist approach – regarding quality as relying on conventions – recruitment channels used by firms not only collect information about the labor supply that firms are looking for, they also shape the firms’ (external) labor markets by delimiting and qualifying the relevant labor supply that firms are able to value. This part explains this last assertion in three sections.

2.1 The Uncertainties of Recruiters and the Needs for Investments in Forms

According to the approach of economics of convention (EC), qualities of goods and persons are not given and objective facts. Their values do not depend on the subjective and given preferences of rational individuals (Eymard-Duverny et al. 2005). EC regards qualities and rationalities not as given but as endogenous; they depend on conventions (Diaz-Bone and Salais 2011, 9). Conventions are ranges of “consistent interpretations and practices that agents assume to be shared (to some degree) by the other participants in the interaction” (Latsis, de Larquier and Bessis 2010, 554). Conventions have to be distinguished from subjective representations because they are hypothetically shared. Moreover, conventions rely on normative judgments about the correct or acceptable collective functioning, implying a specific conception of justice and vision of the common good (Boltanski and Thévenot 2006). Thus, EC consid-
ers that conventions allow individuals to identify the appropriate action in a social situation but the uncertainty of the coordination is only “shaped” and never “resolved” since the effective share of the same representation cannot be guaranteed (Latsis, de Larquier and Bessis 2010, 558). In particular, the quality of goods and persons is not a resolved issue because there are several orders of “worth” (grandeur in French) that people can justify (Boltanski and Thévenot 2006). In this pragmatic perspective developed by Luc Boltanski and Laurent Thévenot, it is not only a cognitive issue: “worth” can be tested and proved by cognitive formats, procedures, and tools that equip social situations (Diaz-Bone and Salais 2011, 22).

In the labor market, EC regards hiring as such an uncertain situation where recruiters have to “qualify” labor and workers who do not have worth per se (Eymard-Duvernay and Marchal 1997; Salognon, 2007; Marchal 2013; Larquier and Marchal 2016; Larquier 2016; Nadai, Gonon and Rotzetter 2018). The ways recruiters define, interpret and assess applicants’ qualities rely on a “labor quality convention”: they imply conventional judgments of what makes a “good candidate.” Consequently, the applicants’ worth depends on the choice of recruitment and assessment methods, on the way of using them, and on the type of actors involved in the process (Larquier and Marchal 2016; Ali and Brandl 2018). Typically, the hiring process is a “trial” (Boltanski and Chiapello 2005), that is to say a social arrangement organizing the test of people’s abilities resulting in their ranking. In fact, it is an “institutionalized trial” because this trial justifies the distribution of social goods (in our case, jobs) to people according to their ranking. Thus, the hiring process needs to be a legitimate trial to “confer legitimacy on the social system instituted by it” (Bourguignon and Chiapello 2005, 669): who gets a job and who remains unemployed. The selected candidates have to be “credible and legitimate in the eyes of others” (Imdorf 2017, 410): employees, hierarchy, customers, business and public partners and… researchers! Recruiters and employers have to explain themselves to ensure coordination and cooperation inside and outside the firm.

The regularity of hiring practices is not the result of an optimal trade-off as mainstream economics explains it. As long as hiring practices seem to be efficient in the coordination (they avoid serious hiring failures from recruiters’ interpretation) and legitimate (there is no strong critics about their organization and their outcome), recruiters have no reason to change their way of valuing applicants. Finally, given these conditions – no failure of efficiency and of legitimacy – recruiters in firms have the power of valuation (Eymard-Duvernay

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1 The need for legitimacy may explain the relative ease of recruiters when they justify their practices to researchers in surveys.

2 If a trial considered as legitimate is criticized, the organisers of the trial cannot be unreactive, because the trial itself has to justify the (unequal) distribution of social goods (Bourguignon and Chiapello 2005, 675).
in the labor markets, actors accept that employers can decide who is valuable and who is not. Their labor quality conventions are diffused in the labor market and the applicants have to adjust themselves to these quality conventions. How? It is the function of recruitment channels.

How recruiters organize inside the firm the valuation process of candidates who have applied is the research issue of Guillemette de Larquier and Emmanuel Marchal (2016). The aim of this article is to provide light about the way recruiters organize the recruitment phase outside the firm. How do they reach the labor supply they are looking for? How do they meet the labor supply corresponding to their labor quality conventions? How do they avoid the people they consider unemployable? Obviously, it depends on the recruitment channels. From a firm’s point of view, the labor market has the characteristics given by the recruitment channels that the firm uses. The boundaries of the labor market coincide with the limits of the labor supply reached by channels and the quality of demands and supplies is described by the information formatted by channels. The labor market – in other words, the uncertainty outside the firms – is shaped by the recruitment channels. In this perspective, the regular use of a given channel can be explained by the coherence between the labor quality convention of the firm and the shape of labor market by the channel.

According to EC, in order to stabilize their coordination, actors shape uncertainty by relying on investments in forms (Thévenot 1984, 2007, 2016). Investment is defined in economics as a detour of production (a present cost) that increases capital (material, financial, and human) with the expectation of a future benefit. Laurent Thévenot (1984) suggested extending the idea of productive investment to rules, norms, contracts, and brands implemented by firms and institutions. These shaping operations and these tools are detours of production that secure greater stability and generality in trade and production, making them less dependent on individual thought and action. The Rome code (Répertoire opérationnel des métiers et des emplois – operational repertory of occupations and jobs) used by the French public employment agency is a good illustration of investment in forms. It produces equivalence between jobs across time and space to stabilize the nomenclature of jobs used by caseworkers, firms, and applicants in their interactions. The Rome code is regularly the object of critiques by its users (recruiters and unemployed workers) and it has been revised several times according to different logics of competencies, but it remains the public and free-of-charge repertory of jobs in France.

Finally, by using a given channel, employers and workers base their decisions and actions on the investments in forms embedded in that channel. The functioning of each channel needs preliminary investments in material and socio-cognitive forms, then the actors have to bring the relevant information into those investments in forms (to “in-form”) (Diaz-Bone 2015, 28). The objective is to coordinate the representations of the labor market and to make possible the formation of matches between firms and workers. Given the power of valu-
ation of the firms, investments in forms embedded in channels are expected to be coherent with the employers’ labor quality conventions, even if channels as “gatekeepers” can negotiate hiring criteria with employers (Lendaro and Imdorf 2012). Hence, recruitment channels as intermediaries contribute to expand the firms’ equivalences and conventions from situation to situation in the labor market (Bessy and Chauvin 2013, 99; Diaz-Bone 2016, 59).

The next sections highlight two investments in form that the channel needs to shape uncertainty: (1) the market boundaries – which are jointly produced by workers, firms, education and training systems, and channels – and (2) the format of information used by the channels.

2.2 Delimiting the Labor Supply: The Boundaries of the (External) Labor Market

When firms have to hire, either they know in what market the labor supply is located or they have to search where relevant applicants are. In the first case, the investments in forms made by firms, education and training systems, workers and recruitment channels have already stabilized the market boundaries. The firm deals with a ready-made labor supply. In the second case, the market boundaries are poorly defined and the issue is to attract or even to create a supply that is not already there. This involves shaping the labor supply, an operation in which the recruitment channels play a major part.

While the concept of internal labor market is well defined by Doeringer and Piore (1971), this is far for being the case for the concept of external labor market. From the first lines of their book, Doeringer and Piore specify that a distinction must be drawn between the internal labor market governed by a “set of administrative rules and procedures” and the external market of “conventional economic theory” governed by economic variables, the two markets being interconnected by ports of entry and exit. This opposition is similar to the classic opposition, since Ronald Coase’s article (1937), between market and organization as two distinct modes of coordination. As an internal labor market, a firm is an “anti-market organization” (Favereau 1989), and it is hardly satisfactory to consider that its port of entry are open in a market as modeled by mainstream economists, that is, a market more or less governed by the laws of perfect competition. Actually, the vacancies (their number and their qualities)

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3 Other investments in forms are critical for the recruiters’ activity: the law asserting the principles of specialty, good faith, transparency, and relevancy of the hiring methods and the anti-discrimination law. EC considers law not only as constraint; law is an incomplete institution that has to be interpreted in situations (Diaz-Bone 2015). Moreover, the respect of law is not sufficient to make the hiring trial legitimate (Marchal 2013). Thus, there are indeed illegal ways of valuating applicants but there is a plurality of legitimate interpretations of law depending on the firms’ power of valuation.
open in the external market reflect the decisions of the internal market (Dunlop 1966, 36).

Our objective is to understand the functioning of external labor markets as an extension of the firm’s internal organization. A firm is not only another mode of coordination than a market (hierarchy and rules versus price system): “[…] the firm organizes the articulation between goods, labor and capital markets” (Eymard-Duvernay et al. 2005, 25). Depending on the firm’s internal organization of the activity, the labor market boundaries – that is, the outlines of the labor supply – may be either narrowly defined or permeable or even non-existent. These three cases correspond to the three markets identified by Marsden (1991): occupational labor market, internal labor market, and non-organized market.4

In occupational markets where qualifications can be transferred from one firm to another regardless of the position (Eyraud, Marsden and Silvestre 1990), the labor supply is clearly delimited by investments in forms in qualifications or certified diplomas previously put in place and negotiated by workers, firms, and authorities. For hiring, the channel or the intermediary is therefore mobilized to reach a well-targeted audience. Either the audience is large and the channel is able to advertise the job offers over the media read or visited by the professionals being sought, or the audience is smaller and the channel like professional networks or head-hunters reach the wanted candidate.

Firms organized into internal labor markets that enhance qualifications through training and internal mobility recruit via specific ports of entry and draw on a market with more permeable boundaries (Eyraud, Marsden and Silvestre 1990). To join an internal market the level of education (as a marker of potential career) is more relevant than the specific type of diploma. The major companies in the four sectors of the survey will regularly draw on a ready-made labor supply but they are also prepared to move away from their usual external market. This is the case of retail banks that extend their market to all type of undergraduates (2-3 years after the Baccalauréat) with some commercial background without confining themselves to banking curriculum (Larquier and Tuchszirer 2013). To achieve this, they activate numerous channels that open up the market, such as Pôle emploi,5 or they organize special “open day” type operations. In this case, firms open up to a labor force that is not qualified by holding some specific title or diploma but one that they will train up themselves once recruited.

4 In 1954, Clark Kerr had already opposed labor markets “indefinite in their specification of the sellers and the buyers” (Kerr 1954, 93) and “institutional markets”: “their dimensions are set not by the whims of workers and employers but by rules” (ibid, 93). And among these structured labor markets, he distinguished craft and production systems that correspond roughly to the occupational and internal labor markets described by David Marsden.

5 Pôle emploi (previously ANPE, Agence Nationale pour l’Emploi) is the French public employment agency. Website: <pole-emploi.fr>. 
Last, the non-organized market, is one on which no investment in forms has been made to qualify workers and these ones *a priori* are entirely interchangeable. Firms are prepared to tap into any workforce and judge it on skills (for example, interpersonal skills or uptime) which do not matter as qualifications for delimiting a market. Actually, it is the market of “unskilled” labor (Marsden 1991). The recruitment channel must therefore define, create, and shape the quality of the applicants to be presented to firms. This is the case when the company relies on public programs designed to assist low-skilled or long-term unemployed people to get a job. These programs rearrange the employer’s requirements and the selection process in order to reveal abilities needed to hold the job. This is also the case of the restaurant employee who recommends a family member for seasonal work.

2.3 Qualifying the Labor Supply: The Format of Information

The second type of investment in forms concerns the information formatted and used by the channel, which may be standardized or personalized. Each type of channel has a way to shape and conveys information about the candidate’s abilities and employer’s requirements.

Albert Rees (1966) differentiated channels in terms of the scope and the quality of the information supplied. He drew a distinction between “extensive” and “intensive” search channels. In the first case, the channels like job advertisements provide a large number of applications but limited information on each applicant. In the second case, channels like social networks supply in-depth and detailed information about a small number of applicants. Extensive and intensive searches may be combined, for example when recruitment is built around a relation of trust between a job center and a firm. This first distinction by Rees is fruitful; it is a first step to overcome the common approach of information only in terms of diffusion. Here we propose to add a dimension by focusing on the format in which information circulates in the labor market (Thévenot 1997, 2007). Coordination markers between the market actors differ depending on whether they circulate in a standard format (for example, CVs, applications forms, and job classifications) or in a personalized format (for example, narrative recommendation and non-standard written forms conveyed by networks; see Eymard-Duvernay and Marchal 1997; Marchal, Mellet and Rieucau 2007). To value the quality of the applicants, recruiters have to use the same format of information than the channels; they have to share the same language, the same way of communicating – with its original meaning of taking part in a common matter (Thévenot 2007). Thus, the firm’s choice of any particular channel and information format depends on the human resources (personnel, tools, etc.) that are available for the phase of screening inside the firm (Larquier and Marchal 2016) in conformity with its labor quality convention.
Because they have substantial HR facilities and services, banks can easily use channels that provide a large number of applications in the form of written résumés, typically CVs and forms that directly transmit the diploma information. Bank recruiters can then add more detailed information about the quality of applicants, since their selection process based on tests and interviews only begins at this stage. For IT companies, CV libraries and job boards convey information about diplomas and competencies with computer tools in standard format. In addition, the language used on such sites, whether for consulting CV libraries or advertising job vacancies is familiar to computer scientists, applicants and recruiters: posting a CV, regularly refreshing a page, creating alerts and so on.

On the contrary, employees are hired for retailing and catering positions rather via channels that reduce the impact of CVs and give precedence to a personalized information format. This is the case when applications are handed in personally by applicants to the extent that this often provides an opportunity for an informal discussion. The personalized format also prevails when an existing employee recommends an acquaintance, which is common practice in these sectors where recruitment is often a matter of some urgency. Unsolicited applications and networks enable firms to recruit quickly and cheaply. The personalized information format is typical of informal organizations, where recruitment is done by branch managers or their deputies, who are on the workplace every day and know their local labor market well although they are not specialists in human resources (Lockyer and Scholarios 2004; Nickson et al. 2012).

3. Four Matching Dynamics

In this part, we characterize four matching dynamics by crossing-over the two types of investment in forms embedded in recruitment channels (cf. Table 1). These dynamics rely alternatively on (1) the circulation of already (i.e., prior to the match) stabilized information about applicants (2) the construction of the labor supply’s boundaries concomitant with matching (and not prior to matching) (3) personal information conveyed by walk-in applications and local social networks in a non-organized and open market and (4) trusted information conveyed by referrals and professional networks in a closed market. In the first case, the matching dynamics are conveyed by tools, in the second by institutional partnerships, and in the other two cases by individuals who may be the applicant him/herself, close relationships (strong ties), or people from occupational sphere. The resort to a given type of recruitment channel is explained by the firm’s internal organization: the way of coordinating its production and trade and the way of valuing and judging the workforce.
### Table 1: Types of Recruitment Channels according to the Investments in Form

<table>
<thead>
<tr>
<th>Standardized information</th>
<th>Personalized information</th>
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<tbody>
<tr>
<td>Well-defined/stabilized labor market outlines</td>
<td>Corporate websites; online job advertisements</td>
</tr>
<tr>
<td>Not stabilized labor market outlines</td>
<td>Institutional partnerships with Pôle emploi and schools</td>
</tr>
</tbody>
</table>

#### 3.1 Matching of Labor Demands and Supplies on Stabilized Criteria

When a firm uses a channel in order to attract a labor supply that is already formed and defined by standard criteria, the market is conceived as a stabilized space – its boundaries are well-defined – in which standardized information circulates about quite generic supplies and demands. In this case, the firm expects the channel to be a “pipe” which just conveys information flows. The channel (for instance the job board) shapes and distorts the information in order to give it a format able to fit with the pipe but when the firm chooses to use the channel, the distortion is already made by stabilized investment in forms. Then, the selection process relies on stabilized, even hard-and-fast criteria, such as the diploma and/or experience, which may be eliminatory pre-requisites.

The characteristics of a “suitable applicant” are described by marker posts that derive their legitimacy from being constructed within a professional or academic world. To apply, one must share the language of the world to which he/she tries to belong and must know its codes: for instance, the applicant is required to be fluent in English, to know specific job titles in banking sector, to be familiar with IT languages and tools used by IT job boards, or to have the diploma or the experience required to work in retailing and catering. The objective of the firm is to reach and select a “ready-made supply” with boundaries and characteristics well-defined by qualifications and diploma. These “markers” are those hold by workers in the sector and are written in job advertisements and CVs. These markers have particularly rigid forms when they are written in job advertisements posted on the Internet, and online recruitment can be very tool-dependent. Indeed, on job boards and corporate websites, information available to applicants is subject to a high degree of codification achieved through keywords, input fields, or predefined lists. According to an IT company’s manager, “keywords act as the recruiting agents.” The presence of predetermined fields and lists may encourage advertisements writers (the recruiters) to automatically fill them in.

Evidence suggests that the Internet (compared to print media) contributes to increased requirements, standardization and quantification of the criteria in job advertisements (Marchal, Mellet and Rieucau 2007). As a result, exclusion may be very pronounced through these channels. Screening based on CV – especially when they are posted on websites – requires the job seeker to adapt
him/herself to the way the site is structured and to send the right signals in order to be matched to the advertisement requirements. People who are not computer literate and who have not the required standards are not able to apply and there is no room to avoid the rules and the tools. The Internet enhances the number of candidates and reinforces the competition. When solicited, intermediaries (job center and even the Apec – Association pour l’emploi des cadres, the French employment agency for managers) act merely as “information providers” (Bessy and Larquier 2010; Bonet, Cappelli and Hamori 2013), but they do not call the practices into question. They cannot shift the lines and the outlines of the profiles sought.

In some respects, this type of matching dynamics can be regarded as standard, close to that described in mainstream economics. Information is conveyed by “signals” (Spence 1973) from applicants’ CVs, which are supposed to inform firms about their productivity. The objectives of the intermediaries and websites are to provide instant access to important flows of information, to increase the number and the pace of matches between firms and job seekers and therefore to reduce frictional unemployment (Autor 2009). However, in the standard dynamics, firms (in particular, small ones) and people (in particular, low-skilled ones) may have difficulties to qualify their vacancies or abilities in the required stabilized language.

3.2 Creation of a Labor Supply in Partnership with an Institutional Intermediary

The second type of matching dynamics also relies on standardized information but the outlines of the labor supply are poorly defined. This is the case when a firm, claiming to face difficulties in attracting and retaining workers, enters into a partnership with an institutional intermediary to select a workforce. This workforce is not regarded as immediately able to hold the job but applicants would become “employable” through the guarantee provided by the intermediary. The language spoken by the firm and the channel remains in a standard form because the firm mandates the channels, which are institutions (Pôle emploi or schools), to produce standardized information about applicants and vacancies.

In one of our case studies, to attract suitable sales representatives who do not especially think to work in a bank nor apply to bank corporate websites, a Parisian retail bank turns away from its “natural market” (recent graduates from banking courses) by soliciting Pôle emploi. Pôle emploi’s “coded” language is regarded as relevant to screen applications for receptionists and to send them to the bank’s HR department in order to be screened. In addition, according to the staff in charge of recruitment in the bank, the agent of Pôle emploi is highly competent because she knows very well the world of the bank, thanks to her 20 years of experience in connecting demands and supplies in this sector in Greater Paris. The CVs she sends to the bank are suited to its expecta-
tions for finding sales representatives who do not come from their usual channels. She even takes up the CVs and letters of motivation of applicants to compare them with recruiters’ expectations, changing for example a general CV job title and acting as an interpreter between a labor supply, that is a priori not entirely fitted, and the bank’s demand. As a result, she opens up the market to profiles that, according to her, would not be chosen through the corporate website. By contrast to the prior case, the characteristics and outlines of the profiles are subject of discussions and negotiation between the firm and the intermediary.

Another example comes from retail and catering firms which rely on Pôle emploi, on apprentice training schools or other vocational schools, in order to reach a labor supply that is not already existent. This can be done through the recruitment by simulation method (Méthode de Recrutement par Simulation: MRS). This innovative program has been created by Pôle emploi with two objectives: on the one hand, to discourage discriminatory practices and to help the low-skilled and unemployed people to access to jobs without required experience and on the other hand, to help firms that face difficulties in recruiting or have no time to devote to recruitment to fill vacancies. In several companies surveyed, the MRS emerged as a current way of recruiting people for low-wage positions especially for a shop/restaurant opening. The core issue of the program is to select through the “abilities” needed to perform the job. Applicants have to pass practical exercises. For example, candidates for general assistant positions in a store have to fill shelves within a limited time, whereas candidates for cashier positions have to complete exercises simulating the check-out process in a simulated store environment (sound atmosphere and interruptions by fictitious customers or colleagues). Both technical and communicational skills are assessed. The successful candidates then attend a job interview at the workplace, conducted in theory without CV as the recruiter is supposed to only comment exercise scores and to assess the applicant’s commitment. In practice, the CV is often used but such a use strongly differs from the case exposed in the prior dynamics: it only serves to start the discussion and it is read in presence of the applicant. A success in the exercises – often called “tests” by the recruiters rather than “exercises” – acts as a guarantee that the job seeker has the skills to perform the job; passing the tests is thus a form of certification (Rieucau and Salognon 2014). In this case, the risks of CV-based selection led Pôle emploi to enhance such a demand-side oriented program (Salognon 2007). The key success is a partnership with employers in order to overcome the classic selection based on CVs, which disadvantages long-term unemployed people (Manning 2000).

Vocational schools and colleges, as obvious actors in workforce education and training, may also contribute directly to open the market. The catering positions (cooks, pastry cooks, wine waiters, and so on) are regarded as difficult to fill and the industry then enhances close ties between employers and apprentice training centers, schools and vocational colleges. By hiring and
training up young apprentices and trainees, independent establishments, hotel
and catering chains help to form a pool of professionals. In this tight labor
market, employers cannot activate a channel that would connect them to a large
market of ready-made and qualified workforce, as in the previous standard
dynamics. Hiring therefore needs to involve a partner to train the labor supply.
In this dynamics, matching consists in creating and training a pool of appli-
cants that does not already exist. Employers’ hiring practices are more flexible
than in the previous case. Resorting to a channel necessarily takes the form of a
partnership, of mounting an operation that takes time and may involve various
types of actors: firms, public-sector intermediaries, local authorities, training
centers. They are not only “matchmakers” (Bonet, Cappelli and Hamori 2013);
firms ask them to train the profiles they need, and to discard routines so as to
open up to new profiles. Acquiring a common language and cooperation may
be, however, a long and complicated process. There is a risk that recruiters and
intermediaries fail to understand each other and to succeed in working together.

3.3 Reliance upon a Non-Organized and Open Labor Market

In the third type of matching dynamics, the market’s boundaries are poorly
defined and the information is personalized. Channels capture a workforce with
undefined outlines because their markets have never been “organized” in
Marsden (1991) signification. Here institutional intermediaries are not solicited
in order to formalize connections and evaluations, as in the prior case. The
personalized information is conveyed by narrative during face-to-face interac-
tions and the intermediary, if required, is a person who introduces the appli-
cant. Two main channels involved are walk-in applications and local and per-
sonal networks. The likelihood of a match relies on the confidence the
employer accords to the employee or the acquaintance who recommends an
applicant (personal networks) or to his/her feeling during the first interaction
with the applicant who comes straight to him/her at the workplace (hand-
delivered application).

In retailing and catering, recruiters are accustomed to using word-of-mouth,
soliciting their own employees, displaying announcements in the shop windows
and receiving walk-in applications. These popular channels are inexpensive and
target applicants who live close to the restaurant/the store, who do not face
commuting delays and will likely accept the non-standard working times of
these sectors (Forté and Monchatre 2013; Rieucau 2015). In addition, these
channels are adapted to staff turnover, which is especially high in retail and
catering. Indeed, they provide continuous candidates and the selection, under-
taken by a manager in the store or the restaurant requires limited time. These
channels (word-of-mouth or face-to-face interactions) mostly conform to the
personalized format of narrative. CVs are not critical and when it is hand-
delivered, the applicant has the opportunity to enhance his/her application
during an informal discussion with a person in charge of the recruitment. During this short interaction, critical information from the employer’s perspective is gathered (applicant’s availability and experience). For low-skilled positions in service oriented sectors, communication skills, attitude, and physical appearance matter and are evaluated during the face-to-face interactions (Nickson et al. 2012). The words used by the employee who gives a CV to the person in charge of recruiting in a hypermarket are instructive: “Here, a student – a nice young girl – just gave me her CV this morning; she’s free on Mondays and Tuesdays.” In a few words, everything has been said: the incidental “nice young girl” attests that the look of the candidate is judged suitable, her availability is known, and it is imaginable she may be flexible, as she is a student (Rieucau and Salognon 2013).

Catering chains especially rely on strong ties who are family, friends, and relatives (Granovetter 1973) because they need to broaden their labor “pool” and to vary the potential candidates. Their difficulties to recruit are due to the tight labor market and poor resources devoted to recruitment. However, as the literature pointed out (Ioannides and Datcher Loury 2004), local networks work only if they provide reliable information from trusted referrals. The interviews reveal that unlike professional networks (see below), local networks provide little guarantee about the quality of candidates. Employers might have doubts about the future working relationship if their employees belong to the same family and they might reject applicants suspected of being recommended by their “gang of mates” from some difficult inner-city areas. Anyone can help in making a match but the absence of “quality” proximity networks thwarts any matching.

3.4 Recommendation in a Professional Sphere

In the final case, the firm approaches a market with well-stabilized boundaries, as in the standard dynamics but using a personalized format of information. The firm already knows what kind of workforce it is looking for, however, to reach this labor supply, the firm does not go through the channel of the standard dynamics, which would make its search public, but solicits its professional networks. This channel differs from local networks, there is no doubt about the fact that the person who recommends is a trusted advisor. The decision about matching also depends on personalized information but the professional language is shared and well-understood by the firms and the intermediary (the person who recommends). The latter provides their guarantee as a professional to the former. These professional networks (in catering, merchant banking, and the IT sector) work in an occupational market (Marsden 1991) in which qualified labor can be transferred from one firm to another. Recruiters draw on a closed market that is already formed and above all familiar: everyone knows everyone else in the “small world” of banking or within the regional networks.
of hotels and catering, and alumni of the same schools or computer science colleagues recognize each other.

The catering sector is characterized by marked mobility of employees from one restaurant to another and these employees form a supply from which the firms can draw. Professional networks are an original way to select from this supply. Restaurant managers who are independent (they do not work for restaurant chains) regularly exchange information about particular applications, during more or less formal meetings. As a result, this channel is quite organized and relies on shared codes (diploma, school where it was obtained, place in which the person worked, etc.). Through information transmitted by narrative, one can explain the career path of workers, whereas it is not the case with a CV posted on a website or through an employment agency counselor.

For sales executives in corporate and investment banking, network contacts (the “small world” of the profession) are able to bring to light a specific profile, which might appear trivial in a résumé. Even if the firm solicits and pays a head-hunter, this one does not find out an original profile but tries to discreetly hire a manager who works in a similar competing company (Gautié, Godechot and Sorignet 2005; Larquier and Tuchszirer 2013). The bank asks the head-hunter to mobilize professional networks. In IT companies, the co-optation channel (current employees are paid when they recommend suitable applicants) relies on professional contacts as in the small world of corporate and investment banks, where evaluations are made among peers. However, IT companies are a less prestigious work environment. The programmer who recommends another one shares the same technical language and can also, in a more everyday language, persuade him/her to work in one company rather than another, as all “small” IT companies look alike from applicants’ point of view (Fondeur 2013, 117):

They bring us people who match with the company culture because of close proximity between them; they had prior discussions and entrants have a good knowledge of the company when they come (Recruitment manager, IT firm).

This final matching dynamics is potentially highly selective because it excludes all those who do not belong to professional networks. Adopting the right language also supposes to be introduced or referred by one of the members of this “small world.” It is the professionals themselves who are the relevant intermediaries for matching. Knowing codes and language (as in the first standard dynamics) is a necessary albeit not sufficient condition to get a job. However, the applicant’s profile varies according to the definition of a good match, which is not set within standard formats.
4. Conclusion

In this article we have tried to define what external labor markets are, not in opposition to the internal labor market functioning, but as the matching dynamics shaped by four types of recruitment channels. The specificities of the four matching dynamics, related to the needs of firms, imply that these dynamics cannot be classed according to a single dimension. In particular, it would be damaging to consider that the last three cases are less efficient than the first standard one (close to the representation of labor market as modeled by mainstream economics), because their channels convey flows of information in a less massive and extended way. Switching from one type of dynamics to another requires qualitative and not quantitative leaps. Actually, the link between a firm and a type of external labor market is not fixed and might evolve. In particular, a firm can change its channels because of coordination failures or critiques.

In large firms, human resources staff may criticize the traditional channels and implement online recruitment practices, which are regarded as a better and more efficient way to match vacancies and applicants. For example, food retail chains traditionally use channels based on reliance in a non-organized market. Walk-ins enable job seekers to enhance their qualities and to submit their CV at the right time and to the right person. But there is a risk that unfair and discriminatory judgment occurs at a very early stage during the informal meeting with the store manager. By implementing formal and standard channels (online applications) and by decreasing the weight of “feeling” and “first impression,” the selection performed by human resources reduces unfair and discriminatory judgment. Nevertheless, the standard channels prioritize signals such as experience and often requires computer literacy; the online recruitment scheme may be interpreted as a way to target students and a younger workforce in supermarkets and superstores (Rieucau 2015). Unemployed and unqualified job seekers may be excluded but the labor supply of part-time working students seem to constitute the perfect candidates that food retail chains value in their work organization and the Internet is the relevant channel to reach them.

To conclude, let us consider the case of change because of workforce shortage. This is an important issue for the public employment agency faced with firms suffering from recruitment difficulties. When firms resort to channels of the standard dynamics and fail to find the labor supply they are looking for, it is pointless to put into question the capacity of Pôle emploi’s website to disseminate information (Bessy and Larquier 2010). Other operations must be encouraged involving more costly partnerships to create a labor supply to match the firms’ demands. In other cases of coordination failures, when small firms are used to hiring by word-of-mouth but have no more networks to contact, they also might engage in such partnerships. But this involves bringing closer together their personalized language and the standardized language of the institu-
tional intermediaries like Pôle emploi or schools. As the change of recruitment channel implies the change of the way of qualifying workforce, switching from a type of dynamics based on personalized language to another type based on standardized codes, like the Rome code of Pôle emploi, has an impact on the profile of applicants presented by the channels. Depending on their capacity to adjust their labor quality conventions, firms can value or not these new applicants. Small firms often criticize Pôle emploi for its irrelevant Rome code and the low quality of the applicants that the public employment agency sends (Salognon and Rieucau 2014). For instance, these applicants are valued by Pôle emploi on the base of “industrial” qualities whereas the social skills, which employers value in non-organized markets, are ignored (Lendaro and Imdorf 2012); there is a risk of no common definition of quality between these employers and Pôle emploi. The public employment agency can enable firms to reach a labor supply that they value only if caseworkers and recruiters share the same language to delimit and qualify the labor market. Paradoxically, it is the case with recruiters in large firms that have no such need of a free-of-charge way of recruiting, unlike employers in small firms.

As these examples point out, by assuming that the functioning of labor markets and their related coordination failures are derived from the recruitment channels that firms choose, the conventionalist approach is a fruitful framework to renew the understanding of matching dynamics and the employment policies for improving their efficiency.

References


