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## Social contracts;

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### Abstract (Summary)

When it comes to online networking, cyberspace often mimics the real world. There are networks such as Facebook and MySpace that are mainly for socialising with friends, and there are others such as LinkedIn, France's Viadeo and Germany's Xing that concentrate on work-related matters. The sites aimed at professionals, although much smaller than the ones for hanging out with friends, are already having a big effect on labour markets. Online networks have attracted plenty of attention from corporate recruiters too. But perhaps the biggest attraction is that the networks help firms to cut search costs. Don Cooper, a recruiter at Intel, reckons that the chipmaker saves millions of dollars a year in fees by recruiting senior managers through LinkedIn rather than using headhunters.

### Full Text (628 words)

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#### The smart way to hire workers

WHEN it comes to online networking, cyberspace often mimics the real world. There are networks such as Facebook and MySpace that are mainly for socialising with friends, and there are others such as LinkedIn, France's Viadeo and Germany's Xing that concentrate on work-related matters. The sites aimed at professionals, although much smaller than the ones for hanging out with friends, are already having a big effect on labour markets.

In many ways the world of commerce is a perfect place for a social network to flourish. Doing business, after all, boils down to managing a complex web of relationships with customers, suppliers and others. Professional networks make it easier for people to maintain such relationships and to forge new ones. LinkedIn, for instance, has over 500,000 groups--some better than others--on specialised subjects that people can join to share ideas and make new contacts.

Such connections may prove useful later on: research has shown that the more distant members of people's networks are often the best source of new job leads. Job-hunters can also use their networks to gather intelligence about prospective employers and to solicit recommendations that strengthen their candidacies, and they can benefit from some of the career tools that networks provide. LinkedIn, for example, is developing a service that aggregates data it holds to show career paths for certain professions. So someone who wants to become, say, head of software engineering at a large company in ten years' time can see what sort of jobs have led on to such roles for others.

Online networks have attracted plenty of attention from corporate recruiters too. Olivier Fecherolle, the head of Viadeo's French operations, says that for an employer the networks have several advantages over online job boards. One is that people visit them frequently, so profiles on the sites tend to be more up-to-date than those on job boards. Another benefit, he says, is that the networks' rich profiles help recruiters get a good feel for a candidate without having to delve into a detailed curriculum vitae. Bargain hunting

But perhaps the biggest attraction is that the networks help firms to cut search costs. Don Cooper, a recruiter at

Intel, reckons that the chipmaker saves millions of dollars a year in fees by recruiting senior managers through LinkedIn rather than using headhunters. US Cellular, a telecoms company, says it saved over \$1m last year by using a LinkedIn system that produced good candidates for its jobs faster than traditional recruitment channels.

Mr Piskorski of the Harvard Business School thinks professional networks have been so successful because they offer a way for people to participate passively in the job market yet still claim plausibly that they are seeking out information to do their current job better. Companies put up with this, he says, because the benefit they get from better-informed workers more than offsets the cost of losing them if they are poached.

All this makes labour markets more efficient. By cutting out middlemen such as headhunters, firms save money. And by looking at rich online profiles of candidates, they can cut the time it takes to get the right people into jobs. Network users, for their part, get what Reid Hoffman, LinkedIn's chairman, calls an "active sonar" system that publicises their skills to a broad marketplace with minimal effort and collects the responses that ping back.

Social networks have made the labour market more transparent in another way too. A survey by CareerBuilder.com of about 2,700 executives in America last year found that 45% of them looked at job candidates' social-network pages as part of their research, and more than a third of those had unearthed information there that put them off hiring someone. Time to turn up those privacy settings?

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