



FRONT PAGE - COMPANIES & MARKETS: Try to get by without a little help from your friends

By David Turner in London

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Beware of your family and friends: they may depress your earnings and harm your career.

Such is the advice from three economists, in a scholarly paper that will make fascinating - and possibly disturbing - reading for everyone who has found a job through their social contacts.

The three Madrid-based academics argue that these contacts distort people's choices when they are looking for a job. Many people will be tempted to take the job that is easiest to find because of the help they got from relatives and chums, rather than the one they will be naturally best at.

And the authors have even worse news. They argue that the greater the "endowment" of social contacts in a country, the more the country's entire economy is damaged. This bodes ill for the world's friendlier nations.

If Samuel Bentolila, Claudio Michelacci and Javier Suárez - who all work at Madrid's Centre for Monetary and Financial Studies - are right, then use of the old boy network should be avoided at all costs.

Using data from across Europe and from three US cities - Boston, Atlanta and Los Angeles - the authors found that people who got their job through social contacts earned about 5 to 7 per cent less than their peers.

The sole consolation was that they did find work more quickly, even if it was worse paid.

The economists, whose paper is published by the Centre for Economic Policy Research, have come up with a practical remedy: subsidies to encourage people to move home "or other policies that weaken the influence of family ties and neighbour networks on occupational choices".

A spokesman for Britain's Fire Brigades Union, many of whose members have long family traditions as firefighters, tried to put the positive case for following whatever career path your mother or father took.

He pointed out that it allowed new recruits "to get help and support from people who've been doing a job for an awfully long time". But he acknowledged that even for firemen, the tradition of sons following their father's trade was breaking down.

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