

## "Village Social structure and Labor Market Performance"

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### Abstract:

This paper studies how social structure affects the functioning of labor market in a developing country. We take as a starting point the idea that there is tendency for employers to hire within their networks . The cost of doing so increases when social structure becomes more fragmented and employers thus start hiring individuals outside of their own network. This improves the performance of local labor markets. We use data on the names of 20 million individuals to measure the structure of marriage networks in 15,000 villages of the Philippines and combine them with detailed labor force surveys data to test those hypotheses. Individuals living in more socially fragmented villages are less likely to work in family firms, more likely to use formal job search strategies, earn higher wages and work in a more diverse set of sectors and occupations. More socially fragmented villages are also richer. Those results survive a large number of robustness checks, including controlling for recent migration and an instrumental variable strategy.