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LERA Session Title: Navigating the Dynamics of Internal and External Labor Markets

Paper Title: Can They or Should They? External and Internal Influences on Human Capital Acquisition Strategies

Paper Abstract:

Much has been written about changes in the employment relationship: the lack of loyalty between firms and workers, decreasing firm tenure, increasing market pressures and the shift away from internal to external labor market strategies. While the tenor of much of this writing is one of inevitability, all firms are moving in this direction and evidence suggests that there has always been great heterogeneity among firms in terms of the extent to which they rely on internal versus external labor markets. Thus, an important question is what determines this heterogeneity. This study examines firm and regional factors that are associated with firms human capital acquisition strategies to better understand whether variation is the product of choice or constraint at both the firm and region level. Building on the idea that organizational structures or practices are the results of the interaction between internal and external pressures impinging on the organization, this study tests how firms hiring strategies are influenced by internal firm-level factors such as firm size, status and having a rotational development program, as well as external region-level contingencies such as local labor market competition. Initial results show that firms hiring pattern is influenced not only by firms internal factors but also external labor market conditions. It seems that firms choose different human capital acquisition strategies based on the structural factors of the firm as well as their motivation to develop within. It is interesting that different human capital is developed through different programs: training for entry-level hires whereas mentoring for lateral hires. Finally, lateral hiring is more likely to be influenced by external labor market and business conditions