

Three Essays on Labour Market Outcomes of Youth

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Sweta Lahiri

Centre for Studies in Social Sciences, Calcutta (CSSSC)

Jadavpur University

Kolkata – 700032

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Abstract

Developing regions are on the verge of unveiling the potentials of demographic dividend and this is crucially related to successful transition of youth to the labour market. Literature finds youth transitions in the labour market are markedly different and debatable issue in the outset of this recent demographic transition in these regions. These are also the economies identified with immense poverty and persistent socio economic inequality. With a concern that labour market in these economies has disproportionately favoured skilled workers we ask ‘what makes the youth’s transition in the labour market more difficult than adult with respect to high occupational persistence and lack of stability among this group’. Is it education or family background that matters at the time of labour market entry? Further a youth focus in employment-development discourse gains prominence since such factor has spill over effects in the society’s economic and political stability. Besides inability to prove oneself productive member of the society can overshadow youth’s career prospect in the long run. They often continue to be plagued by working poverty streaming from their irregularity of work, lack of formal employment and social protection (Global Employment Trends for Youth – Geneva: ILO 2015). Undoubtedly skill mismatch, high unemployment and dearth of education are the major challenges associated with youth’s successful labour market transition (Global Employment Trends for Youth -Geneva: ILO 2013). However, any attempt directed towards skill formation and creation of employable opportunity will not be enough to ensure labour market stability among the youth unless the labour market provides equal space to all its eligible performers. The idea is that those who work hard should be able to succeed regardless of his/her family background.

Under this backdrop we analyze one of the dimensions of inequality in the youth labour market, namely intergenerational persistence in the industry. Literature maintains that persistence is a strong channel of transmission and perpetuation of inequality from one to other generation. Following the three NSSO employment unemployment survey rounds (61st, 66th and 68th respectively) we observe intergenerational persistence of occupation among the youth aged between 15-24 is very high. In other words we observed that more than sixty percent of the employed youth are likely to be concentrated in their father’s industry. Using a probit model we estimated the relative strength of human capital and family background in explaining the probability of such incidence. We find that education significantly reduces the probability of persistence. However, such significant impact in ensuring occupational mobility is observed only at a higher level that too in urban area. This is indicative of the fact

that unless the household ensures sufficient financial investment toward capital formation of the offspring, labour market may not appear level playing field for its participants. On the other hand ownership of productive assets has played a decisive role in the occupational outcome across the generations. The results in the rural area is suggestive of the ‘weightier credit constraint’ among the poorer households. This effect indicates that wealthier households invest in their children’s human capital, subsequently increasing the probability of their accessibility to different industries of the economy. Occupational hierarchy of the father is another significant factor, especially in urban area, which strongly affects the likelihood of the son to be employed in the same industry as his father. In rural area however, we find such influence to be reversed. Mobility is significantly less among low skilled workers. The reason behind this may be countercyclical. That is returns from low-skilled occupations are so meager to ensure sufficient skill formation among the offspring making them less skilled. The sons continue to be plagued into the vicious circle of less skilled and less paid occupations across the generations. Therefore having educational levels higher than the earlier generations is expected to reduce the possibility of such persistence. We have witnessed such educational mobility to transmit into occupational mobility only at higher levels that too in urban area. The implication of our results is significant from policy perspective. Though education can enhance opportunity in labour market strong and positive association between asset ownership, father’s occupation and intergenerational persistence may be an indication of the difficulties faced by young individuals with poor family background.

We also enquire into the diverse effect of internal migration of working age family members in determining the labour market choice of the left behind youth from the same household using a simple empirical framework (Using 64th round of NSSO data). We find that the short-term internal migration by the male member of the household significantly decreases such probability in both the areas while long-term absence of the working age member makes the youth more likely to be in the labour force. Further we observed short-term absence of the father in rural area to exert a stronger impact on the left behind youth’s probability to continue their education compared to that by any other male member. In case of long-term absence however, we find any other male member’s absence to increase such probability. In contrast we also observe the incidence where father’s migration for long-term to any other state increases the probability of labour force participation by the youth in the household. Our results help to resolve the ambiguity in the relationship between migration and wellbeing of

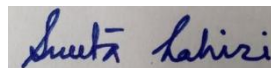
family members left behind that observed at the beginning of our study. In India the intermittent flow from the temporary migration has the potential to ease the credit constraint on the part of migrant sending households. However, this also indicates strong inter-regional inequality of the economic opportunities youth are indirectly victims of. Adding to this the rise in the labour force participation among the left behind youth for long-term migration of the father from the household to any other state is alarming in the sense that such migration often requires the son to join the labour force early as well. The disparity of economic opportunities along with the long-term absence of the family member from the household may make the youth's labour market condition even deplorable.

Along with the study of other youth labour market indices, study of labour market instability with respect to their quasi-employment status and being in the group of NEET appears alarming in the context of developing regions. Using the school to work transition survey (carried out between 2012-2016) data from the Work for Youth project of the International Labour Office (ILO) for Madagascar, Tanzania, Zambia, Nepal, Cambodia, Bangladesh, Kyrgyzstan, El Salvador, Palestine and Egypt, we address the unique issue of transition. Here our dissertation provides an extended cross national analysis of the stated incidence among the employed male youth (15-29). Only 40% of the youth in the sample from most of these countries are likely to be transited in the labour market with their current job. Using probit model we estimate the impact of education, experience and financial status of the family on the probability of transition after controlling for current enrolment status and area of residence. Results show that with improvement in educational level, rate of transition significantly falls. This is indicative of larger incidence of skill-mismatch among the employed. It is a situation where the skill acquired is often different from what is required or it may also be attributed to dearth of information. This may be a result of lack of well-functioning labour market institutions or productive opportunity in the economy as a whole. Belonging to poor families has a negative impact on the probability of transition. Apart from these we also provide the descriptive analysis where we find a negative association between the spells of unemployment and rate of transition. Skilled and salaried workers are more likely to be transited compared to unskilled and unpaid counterparts. We observed strong association of transition of the son with father either being in agriculture or in high-skilled occupation where there is a larger possibility of transmission of active social network. Therefore, increasing the level of education in isolation is insufficient in presence of strong

background factors like financial status, parents' occupation etc. In absence of well-functioning credit and labour market institutions the problem accentuates further.

Our findings emphasise- in presence of strong unequal socio economic background and intergenerational linkages any attempts directed toward enhancing vocational educational training or employer specific skill formation fails to mitigate youth's labour market destitution in general. With almost non-existent unemployment benefit, job search subsidies youth often end up with the job that fails to match their skills and aspiration. Therefore, the initiatives must be directed towards some target group specially the economically vulnerable one.

Candidate: Sweta Lahiri

Signature: 

Date: 23/04/2021

Supervisor: Dr. Tushar Kanti Nandi (Associate Professor, IISER, Kolkata)
(Former Assistant professor, Centre for Studies in Social Sciences, Calcutta (2012-2019))

Signature: 

Date: 23-04-2021

Assistant Professor (Former)
CENTRE FOR STUDIES IN
SOCIAL SCIENCES, CALCUTTA