

Meet Your Future: Job Search Effort and Aspirations of Young Jobseekers

Oral Examination

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Motivation

- Youth around the world are struggling to find a job
 - ▶ SSA: fastest-growing and youngest population in the world but 60% of unemployed are youth
- How do young job seekers look for jobs in developing contexts?
 - ▶ Focus on the *transition* from training programs into the labor market
 - ▶ Avoid falling in the *casual occupation trap* (the student spends time performing casual occupations and decreases time devoted to job search reducing the probabilities of securing a good job)

This Project

- We work with students in vocational training institutes (VTIs) in Uganda ready to graduate in Dec 2020
- We randomize the provision of information on labor market conditions to study how information frictions and distorted beliefs affect their job search (T1)
- We randomize the addition of a valuable network member (successful alumnus) in addition to the info treatment to students to analyze its role in shaping beliefs and search strategies (T2)

Barriers to Quality Employment: Where do We Fit?

The most popular hypotheses:

- Liquidity constraints [Abebe et al. 2017, Franklin 2016]
- Lack of skills [Card et al. 2010, McKenzie et al. 2015, Alfonsi et al. 2020]
- Frictions during job search
 - ▶ Matching with specific vacancies [Beam 2016, Groh et al. 2015, [this study](#)]
 - ▶ Skills certification [Pallais 2014, Bassi and Nansamba 2017]
 - ▶ Job search skills [Bertrand et al. 2017, [this study](#)]
 - ▶ **Biased expectations about labor market conditions** [[this study](#)]

Context

- Ugandan urban labor markets
- Panel data of 1415 students enrolled in a 2 years vocational training, full population
- We collected baseline data at the beginning of the training, the intervention will take place in the second half of year 2, the students will graduate at the end of year 2 (Dec 2020)
- Some demographics:
 - ▶ 19.8 years old, 60% male, 99% single and with no kids
 - ▶ 31% has worked pre-VTI but 2/3 in casual occupation
 - ▶ Relatively educated families, but with some heterogeneity
 - ▶ Heterogeneity in main source of hh income



- 6 Vocational Training Institutes, 13 occupations
- Well established sector
- Common tool used by NGOs to support students by providing them with skills
 - ▶ ~30% of our sample is on a need-based scholarship
- During transition into the labor market no career service

Research Questions

RQ1: How does providing information about the labor market change youth beliefs about their prospects and their job search strategies?

- ▶ Is there heterogeneity in beliefs updating based on students' background and network quality?

RQ2: Does adding to the information treatment a role model in the network affect beliefs and search strategy?

- ▶ What are other potential mechanisms through which such network shock influences job search?

RQ3: Are new information and new network member a complement or substitute to students' background?

Research Questions

RQ1: How does providing information about the labor market change youth beliefs about their prospects and their job search strategies? **T1**

- ▶ Is there heterogeneity in beliefs updating based on students' background and network quality?

RQ2: Does adding to the information treatment a role model in the network affect beliefs and search strategy? **T2**

- ▶ What are other potential mechanisms through which such network shock influences job search?

RQ3: Are new information and new network member a complement or substitute to students' background? **HET**

T1: Pure Information

RQ1: How does providing labor market info change beliefs about own prospects and search strategy?

- Structured interaction between a BRAC officer and small groups of students (N=284)
- We leverage detailed information collected as part of a previous project [Alfonsi et al. 2020] as well as from an alumni survey
- Using a slide show prepared by the research team the BRAC officer will:
 - ▶ Provide concise occupation-specific information about the returns to training, the distribution of wages and objective probabilities of finding a job

T1: Pure Information - cont'd

RQ1: How does providing labor market info change beliefs about own prospects and search strategy?

- Following T1, students fill in a short questionnaire designed to measure comprehension and retention of the information presented
- To address RQ1 we first test if and how students update their labor market expectations in response to T1
- We elicit expectations over students' own labor-market prospects as well as that of their peers twice pre- and twice post-intervention
- Then, we investigate if and how search behavior responds to these updates in beliefs
 - ▶ Evidence that expectations affect outcomes exists [Stephens 2004; Mueller, Spinnerwiln & Topa 2019]

T2: Information + Employment Network Shock

RQ2: Does adding to the information treatment a role model in the network affect beliefs and search strategy?

- Students receive the information treatment as in T1
- Students ($N_a=N_b=424$) are paired with “the future you” for one-to-one coaching sessions
- During the first interaction, supervised and recorded by the research team, the alumnus will
 - ▶ Share his personal history
 - ▶ Encourage active search for good employment
 - ▶ Welcome questions from the students
- Then, alumnus commits to be responsive and available for at least three months post training
- Contact will have to be initiated by the students

T2: Information + Employment Network Shock - Channels

RQ2: Does adding to the information treatment a role model in the network affect beliefs and search strategy?

Potential channels:

- ▶ Matching facilitation (info about vacancies or referral/job)
- ▶ Search skills
- ▶ Role model (boost in aspirations/expectations)

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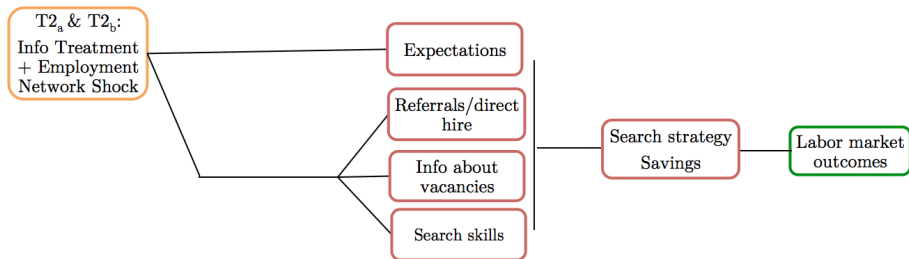
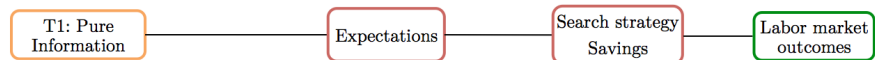
We experimentally vary the potential degree of personal identification:

- T2a: alumnus and student share vti, occupation, district of origin, tribe, language and scholarship status
- T2b: alumnus and student only share vti and occupation

Being paired with an alumnus with whom the student can easily identify is more likely to switch on the role model effect

- ▶ Identification makes individuals more receptive to information and more likely to model behavior [Banerjee et al. 2019]

Causal Chain



Mechanisms and Indicators

T1 & T2

- Expectations
 - ▶ Own and classroom's expected earnings
 - ▶ Own and classroom's probability of finding a job
- Forward-looking behavior
 - ▶ Savings (dummy and purpose)
- Search behavior
 - ▶ Intensity (hours per day, days per week and # of applications)
 - ▶ Broadness (whether student searches in occupation of training)

Only T2

- Employment Network Additional Mechanisms
 - ▶ # referrals/direct hires
 - ▶ Practical tips on how to best search
 - ▶ Info about specific openings took place

Main Outcomes of Interest

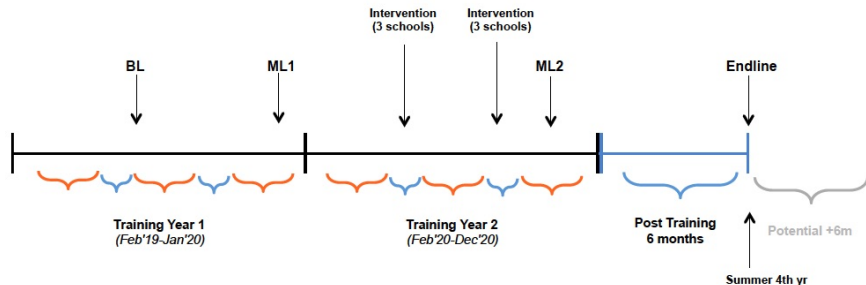
- Employment, time to employment, earnings for all
- Outcomes correspond to what student aspired to (wage vs. self-emp., occupation)
- Wages for wage-employed; operational status and profits for self-employed
- Index for quality of job landed: permanent, formal, with career prospects
- Matching quality (for wage employed):
 - ▶ Spell duration
 - ▶ Employee and employer measures of satisfaction and career prospects

HET by Socioeconomic Background

RQ3: Are new information and a new member a complement or substitute of students background?

- Employment Network is crucial in determining who gets what job
 - ▶ Poorer economic background at baseline (assets, caretakers edu, hh income source is subsistence ag) is associated to lower network quality (employed network members, network members earnings)
 - ▶ Risk: disadvantaged students likely to face additional info frictions with respect to the average student
- We elicit network quality pre and post intervention by collecting info on labor market outcomes as well as type and frequency of interactions of the first 4 people each student would ask for *help* post training

Timeline



Funding secured: 105.680\$

Notes: orange = term, blue = out of school/break, gray = conditional on funding.

“Summer 4th yr” refers to my PhD.

Power Calculations

- We used midline data for expectations and savings behavior and alumni data for search time and labor market outcomes
- We carried out parametric power calculations using $C=20\%$, $T1=20\%$, $T2a=30\%$, $T2b=30\%$ as shares

	Mean	Sd	MDE T1/C	MDE T2a/T1	MDE T2b/T2a
Mechanisms: expectations, savings, search strategy					
Average expected monthly wage	UGX 432.911	UGX 204.766	11%	10%	9%
Probability of being employed (6m)	6,9	1,9	7%	6%	5%
Savings (amount)	2,3	1,7	17%	16%	14%
Search time	12,4	17,8	34%	31%	28%
Labor market outcomes					
Business ever fully operative	0,9	0,4	9%	8%	7%
Ever employed after graduating	0,9	0,3	8%	7%	6%
Monthly wage in first job	UGX 244.816	UGX 132.472	13%	12%	10%
Profits in typical month	UGX 295.455	UGX 176.107	14%	13%	11%

Thank you!

Other ongoing work-1

- 1 Long-term impacts of youth investments on economic preferences** (joint with M. Bauer, J. Chytilová, E. Miguel and M. Walker)
 - ▶ We try to understand the potential causal determinants of the large heterogeneity in preferences across individuals and societies
Analysis stage

- 2 Farmers' mechanization, prices' fairness and access to private service providers** (joint with M. Suandi)
 - ▶ We are investigating how social norms over prices' fairness affect PSP's pricing scheme and quantity rationing. In Eastern Uganda demand for these services far exceeds supply. Yet, prices are sticky
Exploratory stage

Other ongoing work - 2

3 **No tax break is like home's? Evaluating Italian brain gain policies** (joint with M. Suandi and M. Tranchero)

- ▶ We ask whether these tax relief measures reduced outflows of workers and encouraged return, we study returnees' characteristics and effects on productivity
Exploratory/ dataset creation

4 **Economic Factors and Religious Identity**

(joint with M. Bauer, J. Chytilová and E. Miguel)

- ▶ We analyze rich data on religious identity to test the secularization hypothesis, i.e. the theory that as individuals and societies progress by advancing in terms of education, health and economic security, religious ideology lose its authority
Analysis stage

Employment Network Shock

We define a student's **employment network** as the set of people

- 1 She can reach out to (via phone or in person)
- 2 That are prone to provide help:
 - ▶ Info about vacancies
 - ▶ Search skills
 - ▶ Referral/job
 - ▶ Role model/Aspirations boost

Employment network at baseline

- WHO: 2.4 M, 32% parents, 30% VTI people, 3.2 working, 2.6 full time, 28% have member working in occupation of training
- HELP: info about jobs, referral in the business where she works; provides resources while searching; provide w job

Alumni Selection

- We digitized and collected contacts for over 1350 alumni and help the schools to keep records
- We successfully interviewed 740 alumni
- Selection will be based on alumni's:
 - ▶ School performance
 - ▶ Quality of the first job landed
 - ▶ Quality of their current occupation (if different)
 - ▶ Self made
 - ▶ Age and time passed from graduation year
 - ▶ Soft skills
- We contacted alumni that have been in the labor market for enough time to gain some experience and professionalism
- At the same time, we wanted alumni to be relatively close in age to students to (i) allow for identification (ii) have faced a similar job market

Conceptual Framework

- Directed search with single agent in PE
- No heterogeneity
- Time allocated between search (e_1, e_2) and other activities (O)
- $U^e(e_i, f_i), U_i^o(O)$
- $f_i = f(P(e_i), F(w))$
- HP: $P(e_1)|_w < P(e_2)|_w \rightarrow (f_1 > f_2)|_w$

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- Full info: agent chooses $e_{1,2}^*$ and O^* to equate MR_{e_1}, MR_{e_2}, MR_O
- Subjective beliefs: $E[P(e_i)]$ and $E[F(w)]$ therefore $E[f_i]$
- Misaligned beliefs in this setting: $E[P(e_1)] > P(e_1)$ and $E[F(w)] > F(w)$

Conceptual Framework - cont'd

- $T1$ is expected to lower $E[P(e_1)]$ and $E[F(w)]$ consequently to lower $E[f_1]$
- Three scenarios could take place:
 - ① $E[f_1] \downarrow$ and $E'[f_1] > E[f_2] \rightarrow e^* \downarrow$
 - ② $E[f_1] \downarrow$ and $E'[f_1] < E[f_2] \rightarrow e^*$ does not change but $e_1^* \downarrow$ and $e_2^* \uparrow$
 - ③ $E[f_1] \uparrow$ and $E[f_2] \uparrow \rightarrow e^* \uparrow$
- $T2_a$ (high identification) is expected to counteract $T1$ by raising $E[f_1]$
- $T2_b$ (no identification) may exacerbate the effect of $T1$ by further lowering $E[f_1]$
- Additionally, we expect $T2_{a,b}$ to increase labor market outcomes through the referrals, direct hire and search tips channels which we track ex-post

VOC paper - some facts

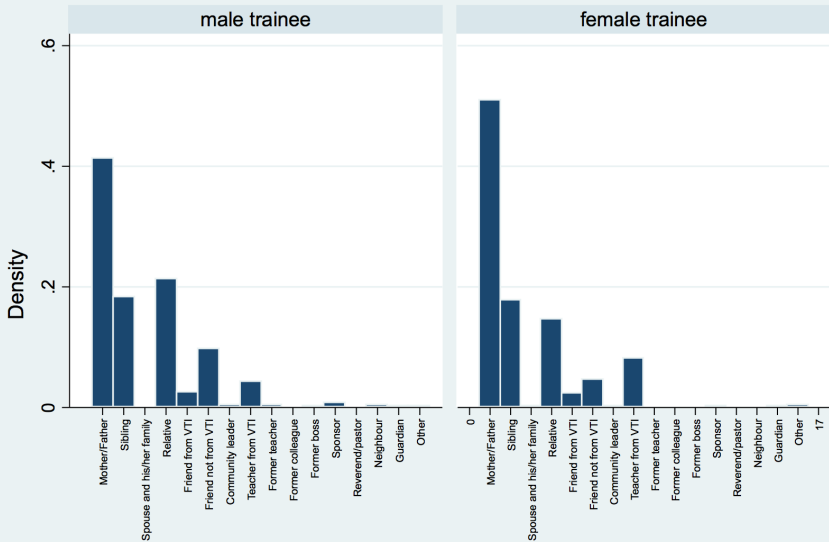
- VT vs. OJT
- Experiment that tracked 1700 workers and 1500 firms over 4 yrs
- Census of 2309 firms and 6306 workers

(Some) Results:

- 1 Mincerian wage returns to vocational training are over 50%
- 2 Experimental results shed light on causal impact of VT: higher employment (+21%) and total earnings (34%)

Network Characteristics

Who	Mean/%
Network size	3,9
Number of people with which trainee interacts once a week or more	2,9
Both parents in network	32%
Network is made of only VTI people	0%
Network has less than 4 and some are VTI people	2%
Network has some VTI people	30%
Number of male network members	2,4
Number of female network members	1,5
Number of male network members if female	1,9
Number of male network members if male	2,8
Number of female network members if female	2,1
Number of female network members if male	1,1
Percentage of male network members	0,6
Percentage of female network members	0,4
Network members' mean age	37,3
Edu	#
Average years of education of trainee's network members	11,36
Number of trainees' network members who completed primary edu	3,80
Number of trainees' network members who completed secondary edu	3,41



relationship with person 1

Network Characteristics

Labor market outcomes	#	SD
Number of network members currently working	3,23	0,90
Network members' mean months worked	9,30	2,74
Number of network members working part-time	0,38	0,70
Number of network members working full-time	2,64	1,15
Percentage of network members earning below 100 K	2%	0,08
Percentage of network members earning between 100 and 300 K	7%	0,16
Percentage of network members earning between 300 and 500 K	13%	0,20
Percentage of network members earning above 500 K	23%	0,30
At least one network member works in same trade	0,28	0,45
Number of network members working in same trade	0,37	0,70
Help type: network members providing...		#
Information about potential jobs	2,86	
Finances job search/provides resources while looking for a job	2,52	
Referral in the business/or similar where he/she works with potential em	2,42	
A job	1,52	
Information about training	1,32	
Facilitates in getting a job in the public sector	1,00	
Skills training in his/her business useful to get a job	0,90	
advice, help with life challenges, guidance	0,17	
capital/support to start up a business	0,10	



last month, what were network1 total earnings from this job