Problems that workers face to access wage employment?
An age-based approach

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Why should we care?

• Introduce section of the course focusing on wage employment

• Examine problems people face with respect to the labor market and how they change with age

• The labor market treats youth, adults and seniors differently, and they behave differently when faced with similar challenges

• Designing policies to help people find wage employment will thus need to account for the different stages of the life cycle
What we will not talk about

• **How** to promote wage and salary employment with regulatory reforms
  – That will come later in the course

• **What** happens to people while employed

• **Why** particular policies work better than others
  – There will be a series of talks about different types of interventions
  – Those talks will discuss how the interventions work and why they are the most appropriate tools

• **Whether** the differences in the way labor markets deal with people of different ages are discriminatory or “fair”
The outline of the talk

• How the labor market situation changes over the life cycle

• Differences in how people of different ages and sexes enter different labor market states, and how long they stay

• Constraints to accessing wage employment
Labor market status evolves differently over the life cycle for men and women.

**Men, Brazil**

**Men, Mexico**

**Women, Brazil**

**Women, Mexico**
Education also affects the evolution of labor market status with age.

- **No Education**
- **Primary Education**
- **Secondary education**
- **Tertiary education**
Labor market status varies more by age than country’s income level.

- **All Adults**
  - Low income: 85% Employed, 5% School, 10% NEET, 0% Unemployed
  - Lower middle income: 80% Employed, 10% School, 10% NEET, 0% Unemployed
  - Upper middle income: 90% Employed, 5% School, 5% NEET, 0% Unemployed
  - High income: 95% Employed, 5% School, 0% NEET, 0% Unemployed

- **Youth**
  - Low income: 90% Employed, 0% School, 5% NEET, 5% Unemployed
  - Lower middle income: 95% Employed, 0% School, 0% NEET, 5% Unemployed
  - Upper middle income: 100% Employed, 0% School, 0% NEET, 0% Unemployed
  - High income: 95% Employed, 5% School, 0% NEET, 0% Unemployed

- **Seniors**
  - Low income: 80% Employed, 10% School, 10% NEET, 0% Unemployed
  - Lower middle income: 85% Employed, 5% School, 10% NEET, 0% Unemployed
  - Upper middle income: 95% Employed, 5% School, 0% NEET, 0% Unemployed
  - High income: 90% Employed, 10% School, 0% NEET, 0% Unemployed
Age also matters more than region
Sector of activity also changes with age, but not much.
People of different ages face different issues

• The young:
  – More often in school, less often employed than others
  – Takes a while to get into formal wage employment, self employment, employer
  – The least educated almost never become formal wage employees or employers as they age
  – More often in agriculture and retail

• The seniors
  – Retirements come from formal wage work
  – Relatively few unpaid workers, more employers
  – More educated are less likely to retire from formal employment by age 65
  – More likely to be back in agriculture, doing “communal services”
How do people transition between labor market states?

School to work transition is easier for more educated

Source: Mexican labor force survey
Once you have entered the labor market...

**Mexico**

Self Employed

Formal Wage Worker

Informal Wage Worker
Even the dynamics differ over the life cycle

• The school to work transition is faster for the more educated
• Young (mexican) women are fairly unlikely to enter self employment (less than 3 percent per quarter) but once there, they stay on average over 12 years.
• At any age group, men leave their jobs after a shorter time than women.
• It’s harder to enter into formal employment, but once there people stay longer than informal employment.
• Adults and seniors stay in their jobs about the same length, regardless of type. Young workers leave informal work rapidly, stay slightly longer in formal work and much longer in self employment.
What constraints hinder access to wage employment?

- **Job-relevant skills constraints**, including insufficient basic skills, technical skills mismatch, behavioral skills mismatch, or insufficient entrepreneurial skills
- **Lack of labor demand**, both at the macro-level through slow job growth and at the micro-level through employer discrimination
- **Job search constraints** such as information about job openings or being able to communicate skills to potential employers
- **Firm start-up constraints** including lack of access to financial capital or business networks
- **Social constraints** on the supply side, such as social norms that limit skills development or labor market entry
Which programs address the different constraints?

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<th>Possible ALMP Interventions</th>
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<td>Insufficient basic skills</td>
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<td>Technical skills mismatch</td>
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<td>• Information on returns to technical specialties</td>
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<td>Slow job-growth economy</td>
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<td>Firm start-up constraints</td>
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<tr>
<td>Lack of access to financial or social capital</td>
<td>• Comprehensive entrepreneurship programs</td>
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<td>Social constraints on the supply side</td>
<td>• Target excluded-group’s participation in programs</td>
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Job-Relevant Skills Constraints

• Basic skills—literacy and numeracy
  – Information about the value of education
  – Second chance programs

• Technical skills
  – Training “plus”/comprehensive programs
  – Information on returns to technical specialties
  – On-the-job training

• Behavioral/noncognitive skills
  – Behavioral skills training

• Entrepreneurial skills
  – Behavioral skills training
Lack of Labor Demand

• Slow job-growth economy
  – Wage or training subsidies
  – Public service programs
  – Labor-intensive public works programs

• Employer Discrimination
  – Affirmative action programs
  – Subsidies to employers who hire target groups
  – Employee mentoring
Job Search Constraints

• Job Matching
  – Employment services
  – Technology-based information sharing

• Signaling Competencies
  – Skills certification
  – Training center accreditation
Firm start-up constraints

• Comprehensive entrepreneurship programs
• Microfinance
Social Constraints

• Target young women’s (effective) participation in programs
• Non-traditional skills training
• Safe training/employment spaces for girls
• Adjustment of program content and design to account for time use constraints and other gender specific needs
The rest of the wage employment sessions look at interventions

• Today
  – Activation Policies
  – Wage subsidies
  – Labor intermediation and access to new technologies

• Wednesday
  – Training programs
  – Skills certification
  – Public works

• Thursday afternoon: Field trip to an employment agency to look at integrated employment service delivery