

UNDERSTANDING LABOR MARKET FRICTIONS IN DEVELOPING COUNTRIES

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Motivation

- 420 million young people in Africa today
 - 140 million are unemployed; 130 million are underemployed [AfDB 2018]
 - efficient allocation of human capital is critical for:
 - individual well-being
 - economy-wide process of economic development
 - various frictions in labor markets create barriers to:
 - productive efficiency (employment)
 - allocative efficiency (worker-firm sorting)
-

Labor Market Frictions

- skills mismatch: entrants lack skills demanded by firms
 - race between education and technology [Goldin and Katz 2009]
 - credit constraints:
 - firms lack resources to train workers
 - workers unable to invest in HK post labor market entry
 - information:
 - firms lack information to screen workers (certification)
 - workers misattribution of signals during job search
-

A 10-Year Study Project

- a two-sided labor market experiment to study these frictions
 - workers: young entrants into the labor market
 - firms: SMEs in eight sectors [manufacturing, services]
 - study context: Uganda
 - majority of popn aged below 25, youth represent 60% of the unemployed
 - youth unemployment and underemployment are key policy challenges
 - upon labor market entry, youth rely on casual jobs
 - slow transition up the job ladder towards regular work
-

Project 1: Training [Alfonsi et al. 2020]

- RCT to measure causal impacts **on workers** of training:
 - vocationally training workers before they enter the labor market [**VT**]
 - incentivising firms to hire and train workers on-the-job [**FT**]
 - compare and contrast demand vs. supply-side training provision
-

Workers and Firms in the Study

- panel of 1714 workers tracked from baseline over three follow-ups
 - targeted to poorest/disadvantaged youth
 - panel of 1500 SMEs from across 15 urban labor markets throughout Uganda
 - $L \in [1, 15]$, $\bar{L} = 3$, operating in eight sectors:
 - welding, motor mechanics, construction,...,hairdressing
 - [Table 1: C-group Worker Labor Market Outcomes]
 - [Table 2: Mincerian Returns to Vocational Training]
-

Table 1: Baseline Balance on Worker Labor Market Outcomes

Means, robust standard errors from OLS regressions in parentheses

| | Number of workers | Currently working | Has worked in the last month | Has done any wage employment in the last month | Any self employment in the last month | Has done any casual work in the last month | Total earnings in the last month [USD] |
|--------------------|-------------------|------------------------------|------------------------------|--|---------------------------------------|--|--|
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| T1: Control | 451 | .381 (.049) | .401 (.048) | .120 (.025) | .038 (.015) | .296 (.047) | 5.11 (1.27) |

Table 2: Mincerian Returns to Vocational Training, by Sector

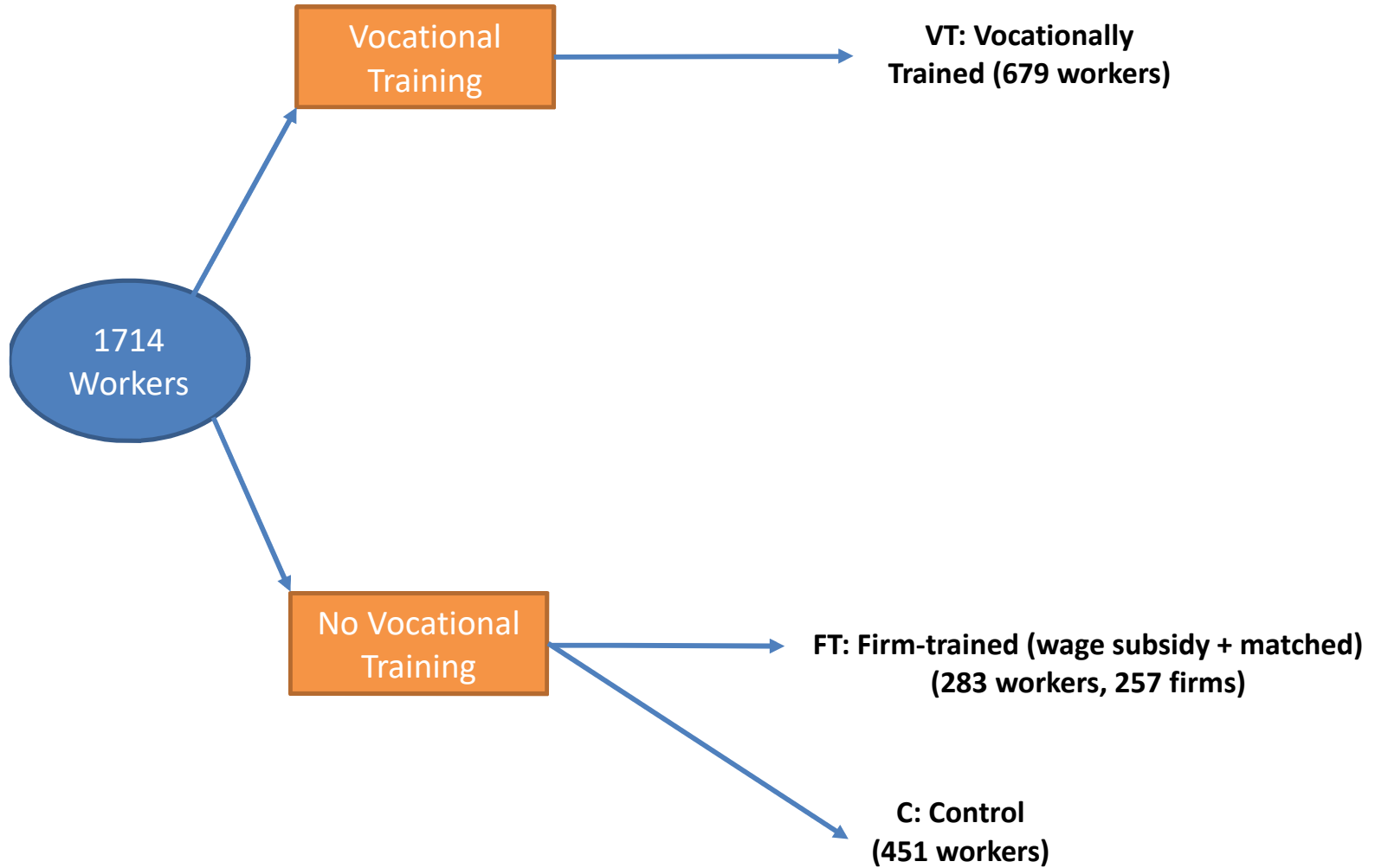
Worker is skilled: self-reported VTI attendance

| | Share of firms in sector | % workers skilled in sector | Coefficient and SE from worker wage regressions [USD] | Coefficient and SE from worker log(wage) regressions [USD] |
|----------------------|-----------------------------|--------------------------------|---|--|
| | (1) | (2) | (3) | (4) |
| All Sectors | | 31.0% | 26.2 (3.15) | .515 (.045) |
| Manufacturing | | | | |
| <i>Welding</i> | 14.57% | 24.9% | 34.5 (6.40) | .381 (.084) |
| Services | | | | |
| <i>Hairdressing</i> | 39.64% | 29.2% | 22.9 (5.97) | .444 (.069) |

2.Design

[Figure 1: Experimental Design]

Figure 1: Experimental Design



Vocational Training in VTIs [VT]

- 6 months sector-specific training
 - we covered total cost \$470 per trainee
 - VTI (\$400) + worker's out-of-pocket costs (\$70)
-

Firm Training [FT]

- firm paid 120K UGX/month = \$50 (for 6 months) to hire an untrained worker
 - inflexible wage subsidy with designated split: \$12.5 to owner, \$38 to worker
 - anchor for this split: for those reporting to be an apprentice with a wage, mean wage is \$39
 - subsidy rate for unskilled workers (subsidy/average wage): 63%
[de Mel *et al.* 2010, SR=50%]
-

Certification and Skills Composition

- certification:
 - VT workers can signal their skills to employers
 - value of certification [Pallais 2014, Bassi and Nansamba 2017]
 - incentives for firms to train workers depends on labor market frictions [Acemoglu and Pischke 1998, 1999]
 - UJ and JJ transitions
 - VT workers more likely to be poached than FT → tilts to balance towards latter having relatively more firm specific skills
 - skills, wages, productivity, UJ and JJ transitions
-

Timing of Treatments

- workers are observationally equivalent at point of application to VTI
 - selection into FT also depends on firm's willingness to accept trainee
 - no such **supply-side selection** for vocational training
 - present ITT and ATE estimates
-

3. Treatment Effects on Skills, Employment

[Table 4: ATE Skills]

[Table 5: ATE Employment, Earnings, Sectoral Allocation]

Table 4: ATE Estimates, Training and Skills

2SLS regression coefficients, bootstrapped standard errors in parentheses

Bootstrap p-values in braces: unadjusted p-values (left) and Romano and Wolf [2016] adjusted p-values (right)

| Treatment effects on: | ing Trained by Firm | Sector-Specific Skills | | Skills |
|--|--|--|---------------------------------|---|
| | Received On the Job Training | Any Skills (0/1) | Test Score (0-100) | Transferability |
| Measured at: | First Job | Two-Three Years after Training | Two-Three Years after Training | Three Years after Training, Conditional on Employment |
| | (1) | (3) | (4) | (5) |
| Firm Trained | .570 (.179) {.001 ; .022} | .422 (.100) {.001 ; .011} | 9.67 (5.29) {.087 ; .292} | -.072 (.341) {.831 ; .841} |
| Vocationally Trained | -.048 (.056) {.426 ; .815} | .407 (.032) {.001 ; .001} | 10.3 (1.70) {.001 ; .002} | .253 (.104) {.049 ; .136} |
| Mean (SD) Outcome in Control Group | .402 | .596 | 30.1 (22.9) | - |
| P-values on tests of equality: | | | | |
| Firm Trained = Vocationally Trained | [.000] | [.863] | [.902] | [.264] |
| N. of observations | 789 | 1,818 | 1,818 | 650 |

Table 5: ATE Estimates, Labor Market Outcomes

2SLS regression coefficients, bootstrapped standard errors in parentheses
 Bootstrap p-values in braces: unadjusted p-values (left) and Romano and Wolf [2016] adjusted p-values (right)

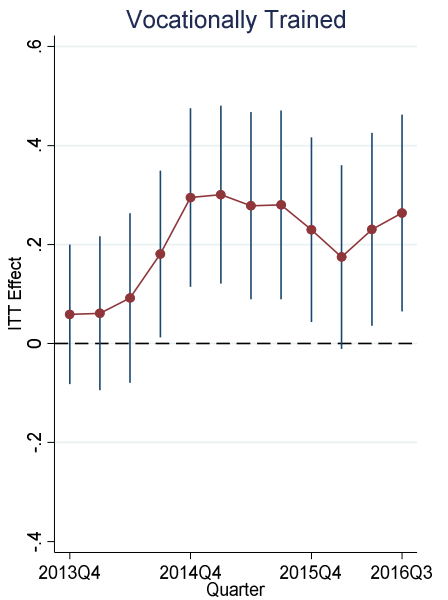
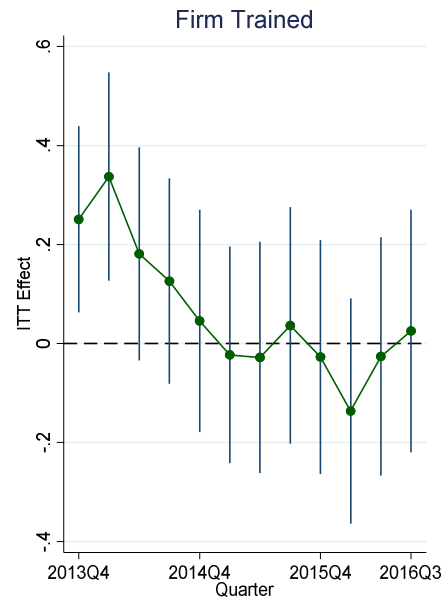
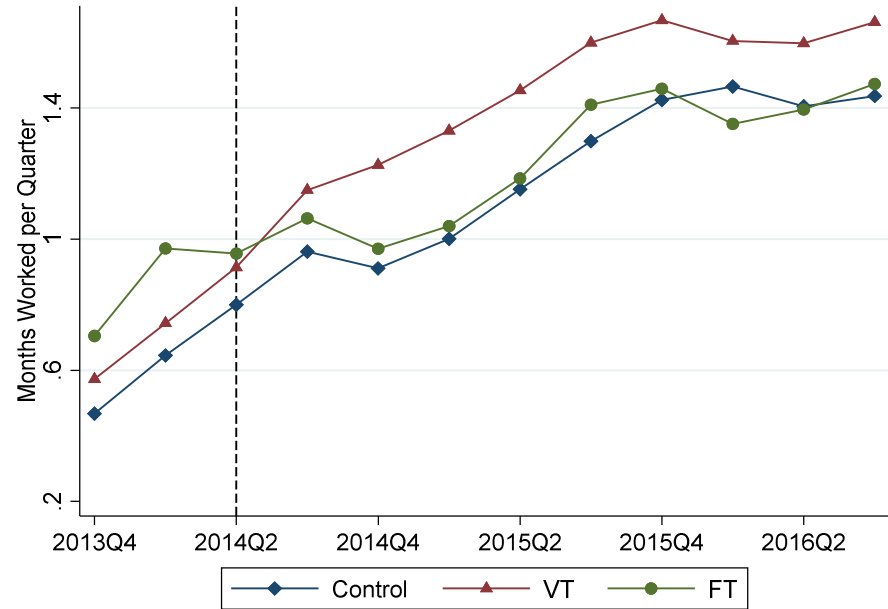
| | Any paid work in the last month | Total earnings in the last month [USD] | Labor market index |
|--|------------------------------------|--|---------------------------------|
| | (1) | (4) | (5) |
| Firm Trained | .246 (.085) {.004 ; .023} | 11.9 (8.08) {.145 ; .241} | .473 (.176) {.009 ; .009} |
| Vocationally Trained | .135 (.028) {.001 ; .001} | 10.3 (2.65) {.001 ; .001} | .272 (.059) {.001 ; .001} |
| Mean Outcome in Control Group | .438 | 24.7 | .003 |
| Control for Baseline Value | Yes | Yes | Yes |
| P-values on tests of equality: | | | |
| Firm Trained = Vocationally Trained | [.141] | [.830] | [.202] |
| N. of observations | 3,256 | 3,115 | 3,256 |

Frictions

- with such high returns from VT/FT, why do workers not self-invest in HK?
 - credit constraints likely bind in this sample
 - total cost: \$470 per trainee
 - credit constraints on firms prevent them paying up front hiring/screening costs of employing youth
 - only induced to do so with wage subsidy
 - [Figure 2: Dynamics]
-

Figure 2: Dynamics of Employment

Panel A: Number of Months Worked per Quarter



4. Job Ladder Model of Worker Search

Value Functions

- value function for an unemployed worker is:

$$V^n(t) = -\varphi(c) + \beta \left[\lambda_0(c, t) \max \{ \int V(w, t) dF(w|t), V^n(t) \} + (1 - \lambda_0(c, t)) V^n(t) \right]$$

- value function for an employed worker with wage w is:

$$V(w, t) = w - \varphi(c) + \beta \left[\delta V^n(t) + \lambda_1(c, t) \max \{ \int V(w, t) dF(w|t), V(w, t) \} + (1 - \delta - \lambda_1(c, t)) V(w, t) \right]$$

- [Table 6: Model Estimates]

Table 6: Baseline Estimates of the Job Ladder Search Model

| | | Compliers | |
|---|----------------|------------------------------|------------------------------|
| | Control | Firm Trained | Vocationally Trained |
| <i>Panel A: Parameter Estimates (Monthly)</i> | (1) | (4) | (5) |
| Job destruction rate, δ | .027 (.003) | .023 (.007) | .023 (.004) |
| Arrival rate of job offers if UNEMPLOYED, λ_0 | .019 (.002) | .020 (.005) | .028 (.003) |
| Arrival rate of job offers if EMPLOYED, λ_1 | .038 (.010) | .032 (.022) | .039 (.013) |
| <i>Panel B: Unemployment (% impacts)</i> | | | |
| Unemployment rate | | -9.9% | -23% |
| Unemployment duration (months) | | -5.2% | -32% |
| Employment duration (months) | | 20% | 17% |
| <i>Panel C: Earnings (% impacts)</i> | | | |
| Impact on annual earnings [USD] | | 31% | 55% |

5. Discussion

[IRR, External Validity]

IRR

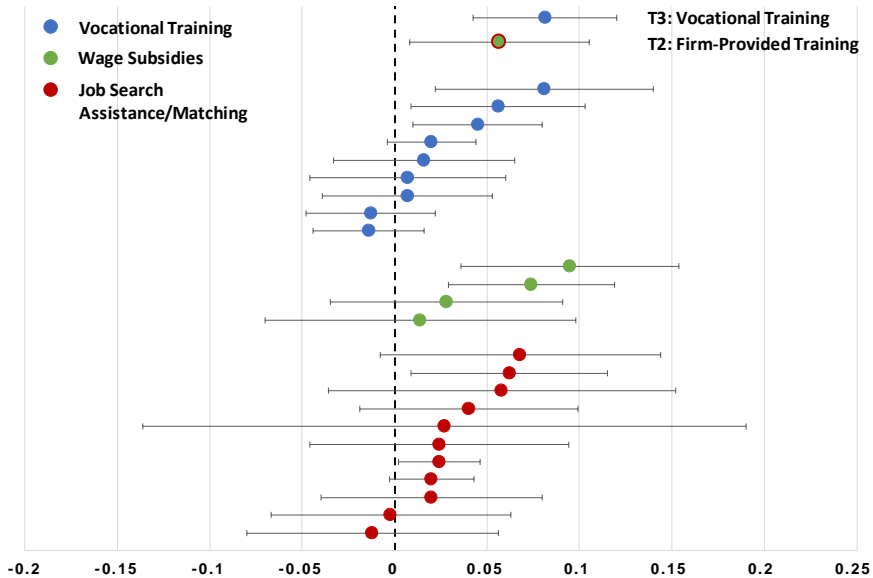
- VT cost: \$470 per trainee split as VTI (\$400) + out-of-pocket costs (\$70)
 - FT cost: $\$50.3 \times 6 \text{ months} = \302 per trainee
 - SS earnings impact 3 times larger for vocational training: \$107 versus \$37
 - opportunity costs: foregone earnings while being trained
 - [Table 7: IRR]
 - [Figure 3: McKenzie 2017 Meta-analysis]
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Table 7: Internal Rate of Return

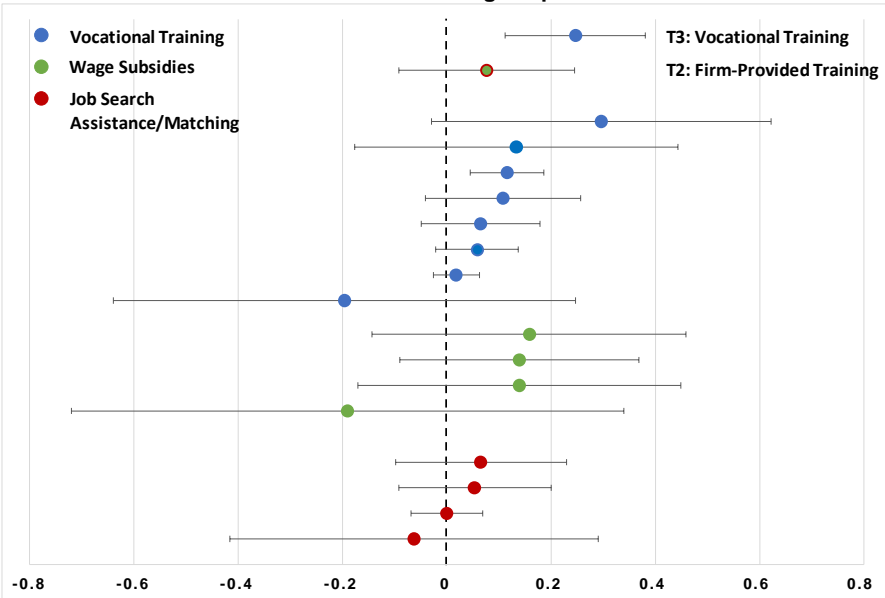
| | All Workers | | Compliers | |
|--|--------------|----------------------|--------------|----------------------|
| | Firm Trained | Vocationally Trained | Firm Trained | Vocationally Trained |
| | (1) | (2) | (3) | (4) |
| Social discount rate = 5% | | | | |
| Remaining expected productive life of beneficiaries | 15 years | 15 years | 15 years | 15 years |
| Panel A. External parameters | | | | |
| Total cost per individual at year 0 [USD]: | 368 | 510 | 368 | 510 |
| (i) Training costs (for 6 months) | 302 | 470 | 302 | 470 |
| (ii) Program overheads costs | 31 | 4 | 31 | 4 |
| (iii) Foregone earnings (for 6 months) - average at baseline | 36 | 36 | 36 | 36 |
| Panel B. Estimated total earnings benefits | | | | |
| 1 NPV change in steady state earnings (from model estimates) | 222 | 1246 | 990 | 1753 |
| 2 Benefits/cost ratio | .604 | 2.44 | 2.69 | 3.44 |
| 3 Internal Rate of Return (IRR) | -.017 | .224 | .250 | .327 |
| Panel D. Program Costs for IRR to equate social discount rate | | | | |
| 5 Total cost per individual at year 0 [USD] | - | 1246 | 990 | 1753 |

Figure 3: Comparison of Treatment Impacts to Meta-analysis of McKenzie [2017]

Panel A: Employment impacts



Panel B: Earnings impacts



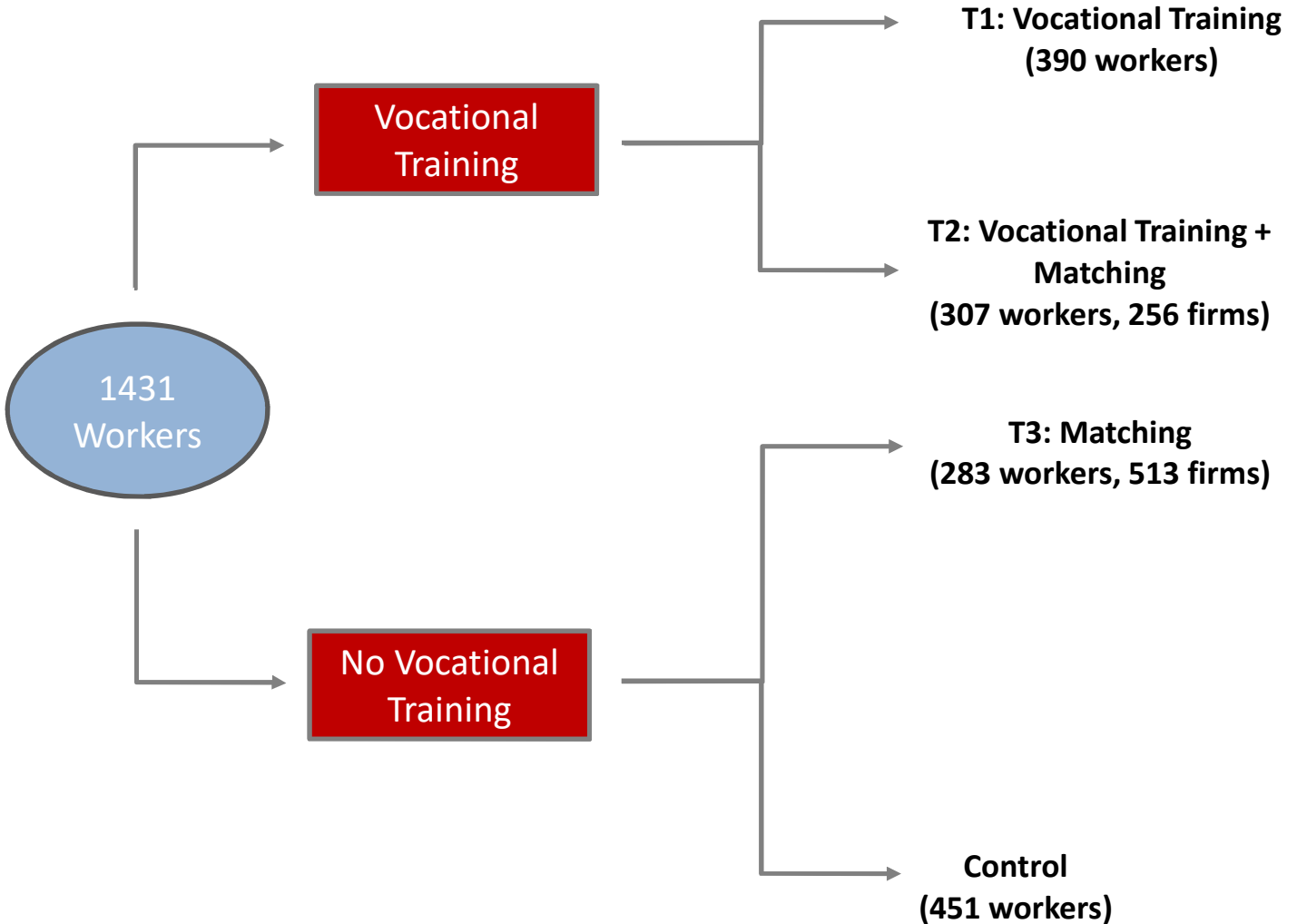
External Validity

- we have documented large impacts of training relative to studies in middle- and high-income countries: **why?**
 - sectoral focus: reduced mismatch
 - worker selection into evaluation sample, low attrition
 - treatment intensity
 - VTI quality (interacting with information frictions of workers)
-

Project 2: Job Search [Bandiera et al. 2022]

- how do workers search for 'good' jobs in urban labor markets?
 - understand the job search process through the randomized provision of two standard labor market interventions:
 - offer of vocational training
 - offer of vocational training + offer of matching workers to firms
 - match offers only
-

Figure 4: Experimental Design



Match Offers

- *offer* to match workers to firms [scripted]
 - matches offered to those with/without earlier offer of vocational training
 - near 100% take-up by workers
 - firms: profitable, established SMEs in high-wage sectors
[manufacturing, service sectors]
 - each firm matched to two workers
 - either both skilled or both unskilled
 - each worker matched to one or two firms
 - start-to-finish of match offer process: two weeks
 - controls: walk-ins, informal contacts, 4-8 job applications per year
-

7. Expectations

[Figures 5A, 5B: Baseline Expectations Among Controls]

[Figure 6B: Evolution of Expectations]

Figure 5: Expectations Among Controls

10th, 25th, 50th, 75th and 90th percentiles

Panel A: Expected and Actual Job Offer Arrival Rates

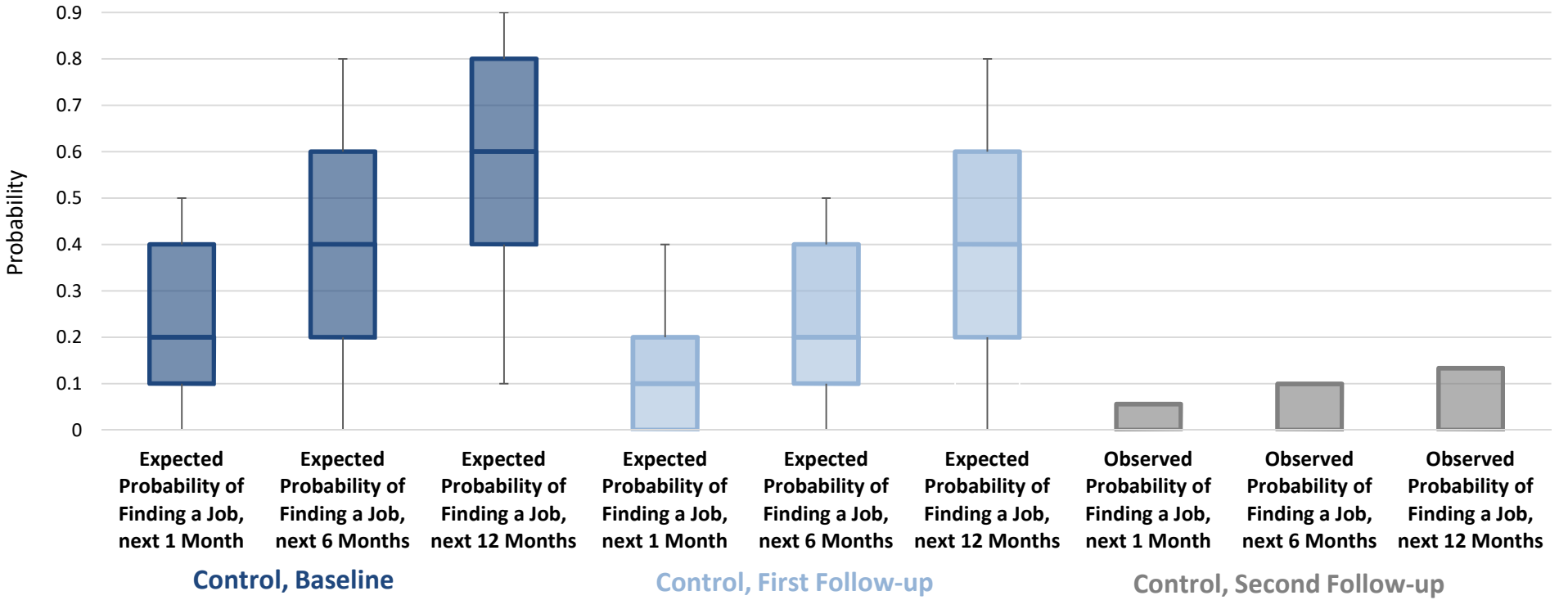
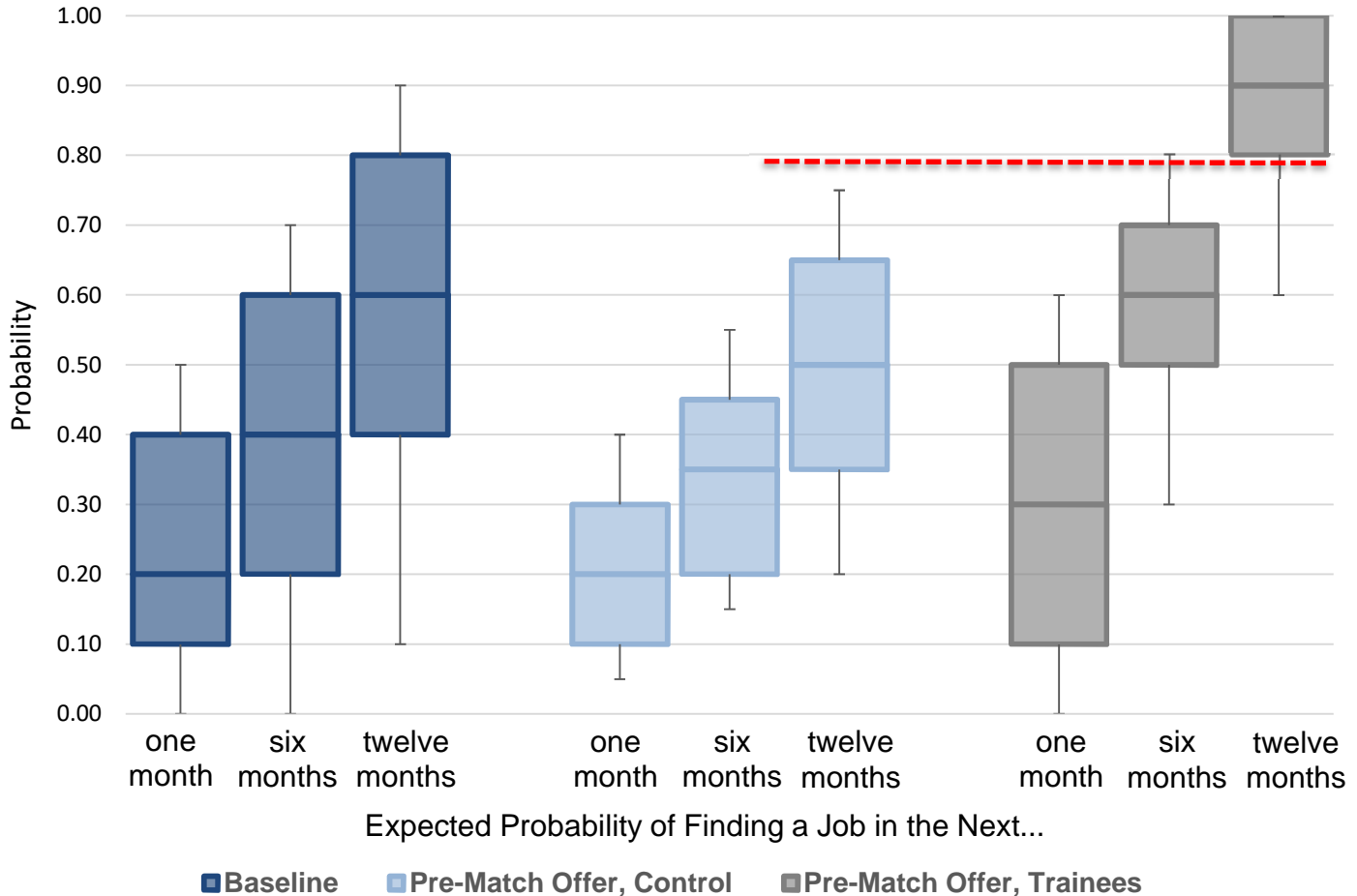


Figure 6: The Evolution of Expectations Until Match Offers are Announced

10th, 25th, 50th, 75th and 90th percentiles

A: Expectations over Job Offer Arrival Rates



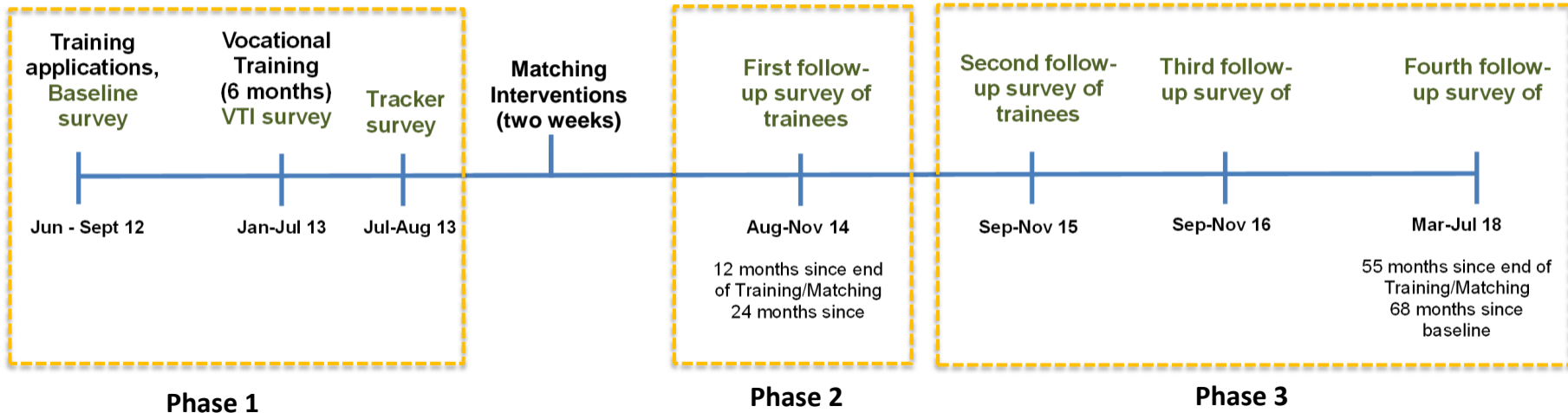
Match Offers and Call Backs

- on eve of match offers: increasingly realistic controls vs euphoric trainees
 - key outcome for worker from match offers: **call back**
 - **expected** versus **actual** call back rates:
 - skilled: 30% vs 13%
 - unskilled: median = 15% vs 19%
 - why are call back rates so low?
 - lack of vacancies/firm characteristics
 - **not** due to worker chars (almost by design)
-

Response to (Lack of) Call Backs

- null: workers perfectly informed → no reason to update based on few draws from a large pool of firms ($\simeq 40$)
 - alternative: workers imperfectly informed → misattribute lack of call back as informative of their job prospects
 - biased beliefs to begin with
 - match offer is salient to youth: no market substitutes
 - for those offered VT: 30% vs 13% → bad news on average
 - for those randomized out of VT: 15% vs 19% → confirmation
 - treatment arms: exuberant vs discouraged vs confirmation
- [Figure 7: Timeline]
-

Figure 7: Timeline of Worker Surveys and Interventions



8.Results

[Table 8: Expectations]

[Table 9: Expectations Over Labor Market Conditions]

Table 8: Expectations Over Own Job Prospects

OLS regression coefficients, robust standard errors in parentheses

Randomization inference and Romano-Wolf adjusted p-values in braces

| | Job Offer Arrival Rate | Expected Earnings Conditional on Employment [USD] | | |
|---------------------------------------|---|---|-----------------------------------|-----------------------------------|
| | Exp. prob of finding a job in the next year (0 to 10 scale) | Minimum | Maximum | Mean |
| | (1) | (2) | (3) | (4) |
| Vocational Training | 1.84*** (.205) {.000, .001} | 17.7*** (3.06) {.000, .001} | 31.8*** (4.85) {.000, .001} | 25.4*** (4.37) {.000, .001} |
| Vocational Training + Matching | 1.45*** (.217) {.000, .001} | 12.0*** (3.28) {.000, .002} | 23.6*** (5.37) {.000, .001} | 17.9*** (4.67) {.000, .001} |
| Matching | .242 (.216) {.261, .286} | 3.21 (3.05) {.327, .297} | 6.04 (4.97) {.222, .236} | 3.47 (4.44) {.414, .449} |
| <i>P-value: VT = VT + Matching</i> | [.082] | [.095] | [.129] | [.105] |
| Mean in Control Group | 4.19 | 42.9 | 72.5 | 57.8 |
| N. of observations | 1,171 | 952 | 946 | 801 |

Table 9: Expectations Over Labor Market Conditions

OLS regression coefficients, robust standard errors in parentheses

Randomization inference and Romano-Wolf adjusted p-values in braces

| | Lack of firms is a serious problem | Job opportunities not being advertised is a serious problem | Difficulty to show possession of practical skills is a serious problem | Difficulty to show possession of soft skills is a serious problem | Market beliefs index |
|---------------------------------------|------------------------------------|---|--|---|---------------------------------|
| | (1) | (2) | (3) | (4) | (5) |
| Vocational Training | -0.045 (.037) {.201, .398} | .014 (.036) {.698, .886} | -.016 (.037) {.690, .883} | -.038 (.036) {.297, .496} | -.048 (.046) {.305, .603} |
| Vocational Training + Matching | -.058 (.041) {.141, .398} | .027 (.040) {.500, .850} | -.039 (.040) {.313, .665} | -.031 (.040) {.430, .496} | -.054 (.052) {.301, .603} |
| Match Offer | -.026 (.041) {.505, .539} | .017 (.041) {.673, .886} | -.004 (.041) {.918, .926} | -.054 (.040) {.181, .414} | -.039 (.053) {.441, .603} |
| <i>P-value: VT = VT + Matching</i> | [.749] | [.752] | [.569] | [.873] | [.907] |
| Mean in Control Group | .581 | .592 | .441 | .438 | .028 |
| N. of observations | 1,227 | 1,228 | 1,229 | 1,228 | 1,231 |

Underpinning Changes in Search Behavior

- from Δ expectations \rightarrow Δ search behavior
 - can link directly rather than infer one from the other
[Mueller and Spinnewijn 2021]
 - two dimensions of search behavior:
 - search intensity
 - desired sorting/directed search
 - [Table 10: Search Intensity]
 - [Table 11: Desired Sorting/Directed Search]
-

Table 10: Search Intensity

OLS regression coefficients, robust standard errors in parentheses

Randomization inference and Romano-Wolf adjusted p-values in braces

| | Has actively looked for a job in the last year | Has attempted to migrate to find a job | Main channel through which looked for a job is by walking into firms and asking for a job |
|---------------------------------------|--|--|--|
| | (1) | (3) | (5) |
| Vocational Training | .175*** (.036) {.000, .001} | .084** (.033) {.012, .026} | .088*** (.028) {.003, .010} |
| Vocational Training + Matching | .097** (.040) {.021, .030} | .060* (.036) {.101, .167} | .056* (.030) {.072, .121} |
| Matching | -.036 (.041) {.385, .372} | -.036 (.033) {.270, .251} | -.004 (.028) {.899, .889} |
| <i>P-value: VT = VT + Matching</i> | [.053] | [.523] | [.338] |
| Mean in Control Group | .490 | .217 | .139 |
| N. of observations | 1,231 | 1,231 | 1,231 |

Skills and search intensity are complements on extensive margin

Weaker complementarity for those additionally offered matching

Table 11: Desired Sorting and Directed Search

OLS regression coefficients, robust standard errors in parentheses
 Randomization inference and Romano-Wolf adjusted p-values in braces

| | Wages Important (1) | Ideal Firm Searched For (2) | Ideal Job Searched For (3) |
|------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| Vocational Training | .110*** (.036) {.000, .005} | .103*** (.036) {.004, .013} | -.054 (.040) {.169, .313} |
| Vocational Training + Matching | .030 (.039) {.412, .424} | .030 (.039) {.454, .480} | -.022 (.041) {.605, .593} |
| Matching | -.048 (.037) {.231, .347} | .042 (.039) {.311, .480} | -.064 (.042) {.139, .303} |
| <i>P-value: VT = VT + Matching</i> | [.050] | [.102] | [.465] |
| Mean in Control Group | .338 | -.046 | .020 |
| N. of observations | 1,213 | 1,215 | 1,231 |

DESIRED SORTING: Driven by VT workers searching over larger more formal firms

Does Any of This Matter for Long Run Labor Market Outcomes?

- null: in frictionless labor markets, initial conditions will not matter
 - certified skills increase job mobility (JJ, UJ transitions)
[Project 1: Alfonsi et al. 2020]
 - [Table 12: First Job]
 - [Table 13: Employment and Earnings]
 - [Table 14: Realized Sorting]
-

Table 12: First Jobs

OLS regression coefficients, robust standard errors in parentheses

Randomization inference and Romano-Wolf adjusted p-values in braces

| | Months between intervention and first job | First job in one of eight good sectors | Formal contract in first job | Monthly earnings in first job |
|---------------------------------------|---|--|--|---|
| | (1) | (2) | (3) | (4) |
| Vocational Training | -1.74*** (.605) {.004, .016} | .227*** (.039) {.000, .001} | .059* (.034) {.089, .193} | 8.32** (3.88) {.036, .089} |
| Vocational Training + Matching | -1.61** (.696) {.022, .045} | .222*** (.044) {.000, .001} | -.020 (.033) {.543, .553} | -4.88 (3.99) {.224, .350} |
| Matching | -.719 (.702) {.306, .312} | .013 (.043) {.759, .797} | -.030 (.034) {.376, .553} | -3.40 (3.80) {.374, .358} |
| <i>P-value: VT = VT + Matching</i> | <i>[.847]</i> | <i>[.917]</i> | <i>[.022]</i> | <i>[.001]</i> |
| Mean in Control Group | 13.6 | .313 | .118 | 60.2 |
| N. of observations | 1,037 | 1,051 | 722 | 974 |

Table 13: Employment and Earnings

OLS regression coefficients, robust standard errors in parentheses
Randomization inference and Romano-Wolf adjusted p-values in braces

| | Has done any work in the last month | Has done any casual work in the last month | Has done any regular work in the last month | Earnings in the last month [USD] |
|---------------------------------------|---|--|---|---|
| | (1) | (2) | (3) | (6) |
| Vocational Training | .094*** (.021) {.000, .001} | .000 (.015) {.993, .992} | .113*** (.022) {.000, .001} | 11.0*** (2.52) {.000, .001} |
| Vocational Training + Matching | .063*** (.023) {.011, .010} | .005 (.017) {.758, .983} | .066*** (.024) {.009, .013} | 6.11** (2.89) {.024, .074} |
| Matching | .051** (.022) {.024, .019} | -.003 (.017) {.826, .983} | .054** (.023) {.018, .015} | 3.27 (2.71) {.225, .224} |
| <i>P-value: VT = VT + Matching</i> | [.152] | [.765] | [.043] | [.099] |
| Mean in Control Group | .623 | .169 | .524 | 43.3 |
| N. of observations | 3,703 | 3,699 | 3,700 | 3,125 |

Those offered vocational training + matching make a slower progression from casual work into regular jobs

Table 14: Realized Sorting

OLS regression coefficients, robust standard errors in parentheses
Randomization inference and Romano-Wolf adjusted p-values in braces

| | Realized Firm | Realized Job | Length of last employment spell (months) |
|---------------------------------------|-----------------------------------|-----------------------------------|--|
| | (1) | (2) | (3) |
| Vocational Training | .003 (.028) {.916, .910} | .096*** (.029) {.000, .002} | 1.24*** (.234) {.000, .001} |
| Vocational Training + Matching | -.058* (.031) {.069, .106} | .042 (.032) {.202, .349} | .619** (.258) {.020, .029} |
| Matching | -.067** (.031) {.021, .079} | -.013 (.030) {.683, .672} | .452* (.248) {.054, .063} |
| <i>P-value: VT = VT + Matching</i> | [.035] | [.077] | [.015] |
| Mean in Control Group | .045 | -.025 | 5.63 |
| N. of observations | 2,504 | 2,429 | 3,693 |

Differential sorting into firms and jobs based on initial expectations

Summary

- initial conditions matter
 - skills and expectations at labor market entry have persistent impacts on workers outcomes six years later
 - friction: misattribution of news as a form of scarring
 - skilled workers move up the job ladder relative to equally skilled workers with match offers:
 - speedier transition from casual to regular work/wage employment
 - better jobs in better firms
 - [Table 15: Labor Market Success]
-

Table 15: Labor Market Success

OLS regression coefficients, robust standard errors in parentheses
Randomization inference and Romano-Wolf adjusted p-values in braces

| | Labor Outcomes Index |
|------------------------------------|--|
| | (5) |
| Vocational Training | .115*** (.018) {.000, .001} |
| Vocational Training + Matching | .051*** (.020) {.014, .021} |
| Matching | .020 (.018) {.288, .273} |
| <i>P-value: VT = VT + Matching</i> | [.001] |
| Mean in Control Group | -.042 |
| N. of observations | 3,725 |

Matching undoes around half the impact of vocational training

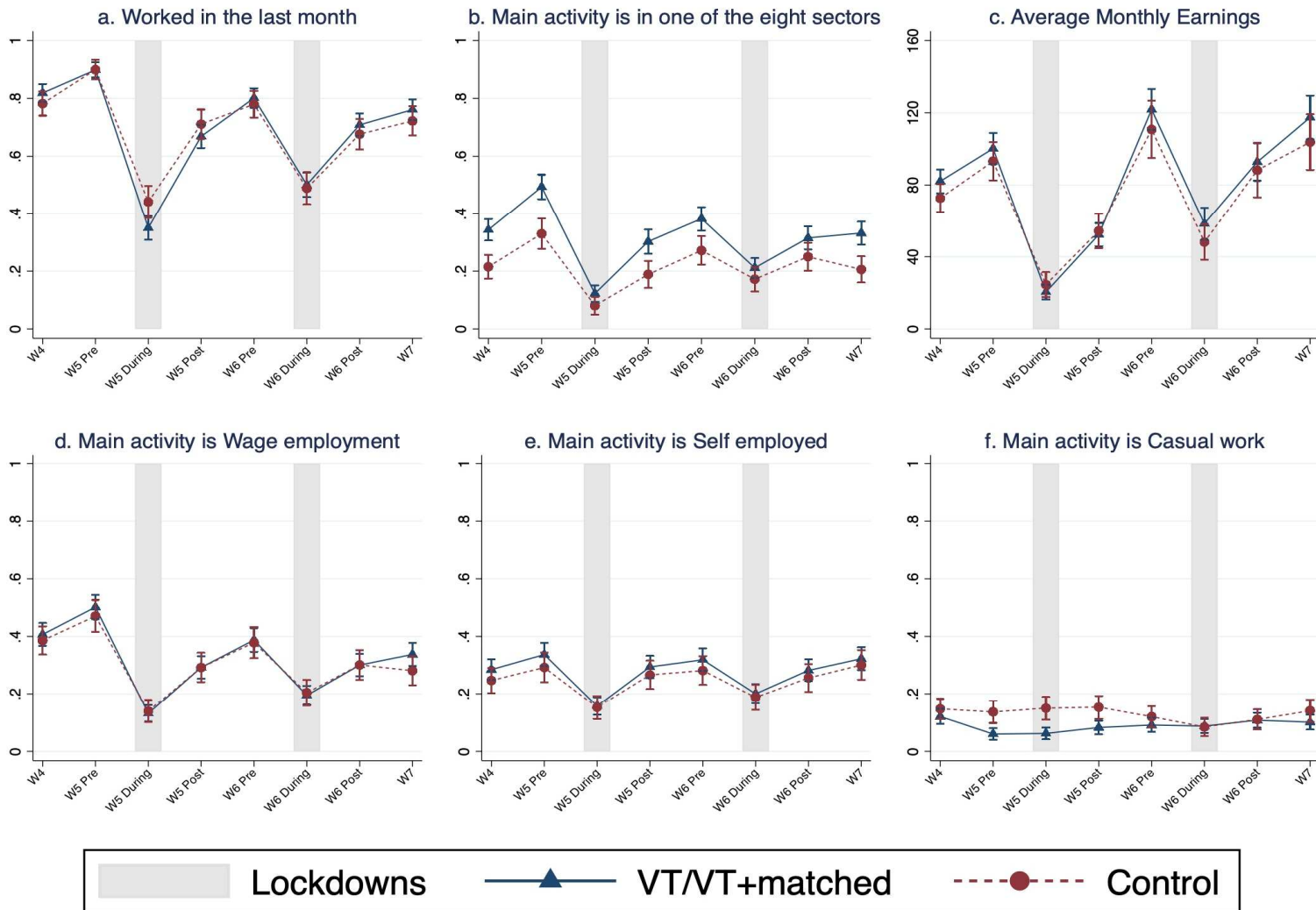
Implications for Job Assistance Policies: Debiasing Beliefs

- labor market entrants have biased beliefs
 - increasingly realistic controls vs euphoric trainees
 - should policy makers try to debias beliefs via matching workers to firms?
 - theory of the second best: danger of misattribution
 - backfires for skilled workers
 - opposite for low skilled workers: info \succ credit
-

Project 3: COVID-19 [Alfonsi et al. 2022]

- continued to track workers over the course of the pandemic
 - do skills enable workers to become resilient to such aggregate shocks?
 - [Figure 10: Skills and Labor Market Outcomes through the Covid-19 Pandemic]
 - [Table 16: Cumulative Impacts the Covid-19 Pandemic]
-

Figure 10: Labor Market Outcomes Over the Pandemic



Skilled workers impacted relatively more during lockdowns, but more speedy bounce back

No role for casual employment as buffer to the shock

Table 16: Cumulative Labor Market Outcomes Over the Pandemic-period

OLS regression coefficients, robust standard errors in parentheses

| | Has done any work in the last month | Main activity in last month is work in any of the eight sectors | Earnings in last month (USD) TOTAL | Earnings in last month (USD) WAGE/SELF EMPLOYMENT |
|---------------------------------------|--|--|--|--|
| | (1) | (2) | (3) | (4) |
| Vocationally Trained | -0.152 (.270) | 1.171*** (.325) | 110.997* (63.203) | 120.256* (63.780) |
| Mean in Control Group | 8.685 | 2.726 | 895.988 | 747.674 |
| Imputed effects over 24 months | | | | |
| <i>Constant imputation</i> | -0.210 (.523) | 2.235*** (.645) | 223.765* (122.420) | 234.495* (124.282) |
| <i>Mean in Control Group</i> | 16.701 | 5.269 | 1687.065 | 1408.287 |
| <i>Implied Treatment Effect (%)</i> | | 42% | 13.2% | 16.6% |
| N. of observations | 708 | 607 | 662 | 662 |

Potential Mechanisms

- less impacted by firm closures
 - reallocation across firms/sectors (skills certification)
 - labor market attachment (search capital)
 - savings/wealth
-

10. Conclusion

Labor Market Frictions

- various frictions in labor markets:
 - skills mismatch, credit, information, psychology
 - future projects: firm side of the labor market
 - response to treatments [Project 4]
 - survival and behavior over the pandemic [Project 5]
 - anticipated (and unanticipated) returns to engaging in a long run study project!
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THANK YOU!

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