



Private Enterprise Development in Low-Income Countries

Understanding the Employment Preferences of Low-income skilled Labour in India

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Preliminary results indicate that trainees have strong preferences over salary and job locations and their placement officers (who are solely responsible for trainee placements) have poor knowledge of these preferences. Providing placement officers with information on these preferences improves the quality of matches and potentially improves job retention three months later.

Background

With 756 million persons in the working age group of 15-59 years and the secondary and tertiary sectors contributing to over 43% of GDP, India has recognised the unique opportunity to harness this favourable labour market dynamics to its socio-economic advantage. As a result, 20 ministries, 35 state governments and private organisations initiated workers skill development efforts. In 2008, a National Council on Skill Development (NCSO) was setup to develop a strategy for skill development and reduce the skill mismatch in the labour market by strengthening an individual's ability to adapt to a changing labour market and technology environment. The experience of such vocational training programmes across the world has been diverse. Furthermore, with a lack of any rigorous understanding of the low-skilled labour market in India, this has raised pertinent policy-relevant questions with regard to the design and implementation of these training programmes as well as their potential impact on the subsequent labour market outcomes of trainees who complete them. The study aims to gain a preliminary understanding of the low-skilled labour market in India.

Objectives

The main objectives of the evaluation are:

- To examine the aspirations of participants in vocational training programmes, their career progression and labour market decisions in the context of their diverse socio-economic backgrounds.
- To elicit true, unbiased preferences of trainees across job characteristics and use them to:
 - examine the lack of knowledge of these preferences by placement officers who are responsible for matching these trainees to jobs.
 - implement a field experiment to mitigate mismatch to jobs by providing placement officers with information on these preferences.
 - understand the impact of this intervention on labour market choices and outcomes of trainees in the short run (two-three months after the completion of the trainee programme).

Methodology

Survey Data

The project implemented two surveys, namely:

- i. A baseline survey of trainees that was implemented at the training centre within the first week of the training programme to capture the socio-economic demographic background, career aspirations, expectations from the programme and the employment preferences of trainees.
- ii. Two rounds of follow-up surveys that were implemented telephonically at two-three months and five-six months after the completion of the training programme. The follow up surveys captured information on the labour market choices and outcomes of the trainees after the completion of the training programme.



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Project Design

The design of the study consisted of three components: the first part focused on eliciting true, unbiased preferences of trainees over different job characteristics. To do this, we created a list of 11 jobs with varying combinations of salary, designation and location that resembled the jobs that the trainees would get on completion of the training programme. Trainees were then presented with this list of 11 jobs and were asked to rank them in order of preference. Given the underlying variation of job characteristics, this preference ranking allows us to estimate the importance of different job characteristics for trainees. However, given the stochastic nature of the placement process, a natural concern was to examine whether trainees strategized the revelation of their true preferences to have better (for example) employment prospects. To test this, we conducted a randomized experiment where within each batch, a random group of trainees was told that their job rankings would be crucial in determining their placement outcomes, while the second group was told that their job orderings were not important for placements and were only required for our research purposes. Since trainees were randomly allocated to one group or the other, under the assumption that preferences across jobs is the same across trainees on average, any statistically significant difference in job ranking can be attributed to the differential salience of the lists and thus, strategic behaviour by participants. Preliminary results (discussed later) indicate no strategic revelation of preferences.

Having thus elicited unbiased preferences, the second component of the study aimed at examining how well placement officers knew the preferences of the trainees that they were responsible for matching to jobs. To do this, we asked placement officers to pick (from the same set of 11 jobs that the trainees ranked above) the three best jobs from the trainee's point of view. Comparing the preferences of the placement officer and trainees allows us to measure the extent of information asymmetry¹ of preferences. Having established the asymmetry of information on preferences (discussed later), the last part of the project aims to examine if provision of information on trainee preferences to their placement officers can improve job outcomes. To do this, within every batch, we provide placement officers with the preferences of a randomly chosen set of trainees and not for others. By comparing the placement outcomes of these two groups of trainees thus enables us to examine the role of this information in improving labour market outcomes.

Sample characteristics

Our final sample in the baseline survey² consisted of 538 trainees enrolled over 23 batches in 10 centres across Uttar Pradesh and Delhi. 91.26% of the sample is enrolled in three training programmes designed by the National Skills Development Council (NSDC)³ and 83.7% of the sample is enrolled in training programmes focusing on healthcare hospitality and retail trades. Trainees have an average age of 21 years, have completed high school education and come from backward caste backgrounds. 48% of the sample of trainees was female. 96% could read/write Hindi, while only 54% could read and write English.

With regard to labour market aspirations, newspapers and the internet were the most common ways to seek information on jobs. Over 86% of trainees reported that they consult their family before making any labour market decisions. Salary, location and designation were the most important characteristics in a job and twice as important as other characteristics of the job.

¹ In economics, information asymmetry generally denotes a situation in which different parties that are involved in a (economic) transaction have scarce or partial information on the other party. A classical field of economics that largely studies information asymmetries is, for example, health economics, where moral hazard and adverse selection (direct consequences of information asymmetries) play a major role.

² The baseline survey is collected in the first week of the training programme and prior to intervention.

³ <https://www.nsdcindia.org/>.

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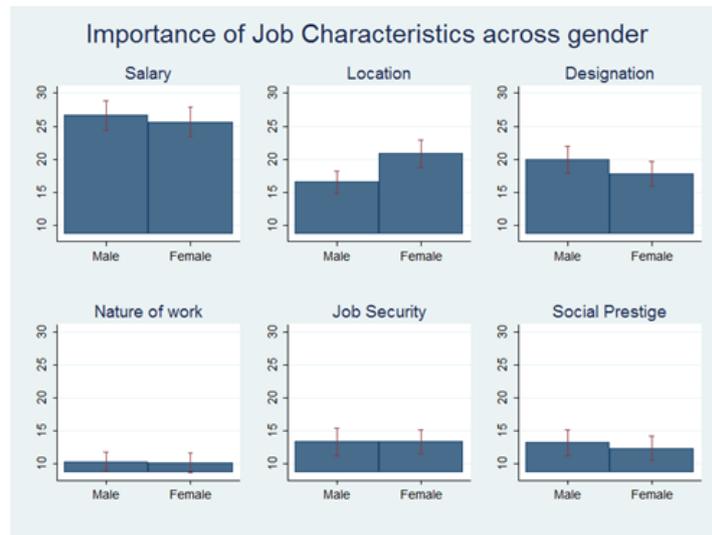


Figure 1: Importance of job characteristics as reported at baseline

Main findings

Preliminary results from the first intervention that randomized the salience of the job ranking exercise finds no statistically significant difference between the rankings across the two groups, thus giving us confidence that: (i) we do not need strong incentive to elicit true preferences; (ii) these are their true, unbiased preferences rather than what they would report strategically to improve their chance of getting a job. Furthermore, these rankings reveal strong preferences of trainees against relocation: while trainees are indifferent to move to locations within the state, both males and females wish a huge increase in salary (42% for males and 106% for females) to compensate for moving to a big metropolitan city (like Delhi or Mumbai) outside the state.

We also find strong asymmetries of information on preferences: placement officers have lots of information about some trainees and not about others. The second intervention that provides preference information to placement officers for some trainees finds that knowing these preferences enables them to match trainees to jobs that they prefer.

Furthermore, we also find that this has a large increase in the probability of a trainee being employed three months later, though this impact is not statistically significant.

Lastly, the follow up survey⁴ gives us a snapshot of the labour market activities of the trainees after the completion of the training programme. Of the 479 candidates that we were able to follow up with (89%

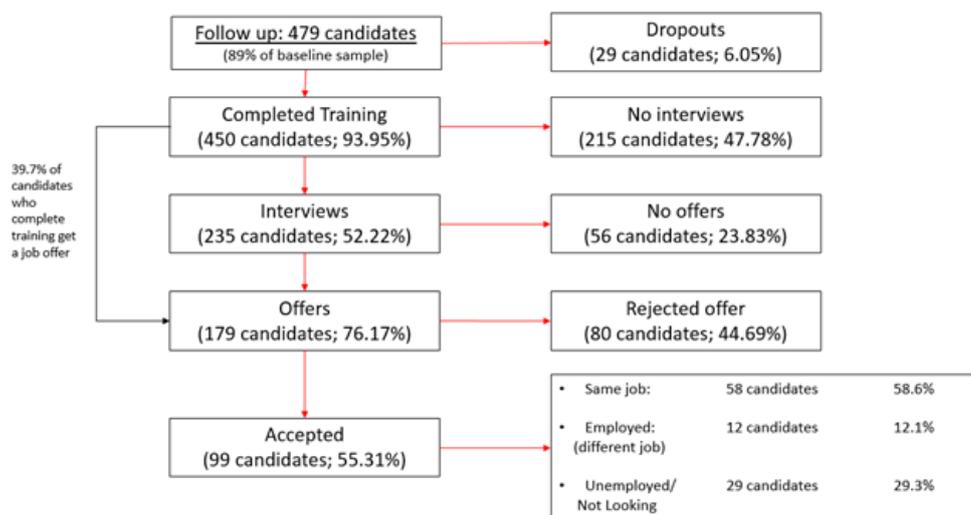


Figure 2: What happened to those who started training?

⁴ The follow-up survey was conducted two-three months after the completion of the training programme.



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of the baseline sample), 28.6% are currently employed, 33.61% are unemployed and 37.79% are not looking for a job. Some of the key trends that emerge from the follow up survey are summarized in Figure 2.

These results present two positive aspects: first that contrary to popular belief, dropouts in these training programmes are quite low. Second, conditional on getting an interview, trainees are very likely to get a job offer.

However, there are two issues of concern and policy relevance: first, there is an inadequate availability of interviews for trainees to begin with (which could point towards potential labour demand constraints or search/information costs) and second, conditional on getting a job offer, a large fraction of trainees reject them. Given this, we investigated further to understand why trainees rejected job offers. While enrolling for the training programme, 94.5% of the trainees report that they want to work after the completing the training programme. However, post placement, when asked why they reject a job offer, 37% report rejecting because the location was too far, 22% because of unsatisfactory nature of work and 22% because of low salary. This indicates dissatisfaction with regard to the type of jobs that they are matched with.

Policy implications

The project was planned as an exploratory study to understand the landscape of skills training programmes in India as well as examine the preferences, placements and labour market trajectories of trainees in low-skilled occupations. The project did not focus on the content of the training but, rather, on examining the placement process and labour market decisions made by trainees after the completion of the training programme. Though more nuanced analysis is underway, the preliminary results throw some light on policy relevant issues. First, it appears that men and women have distinctly different preferences, especially in terms of relocating to distant locations (which is not surprising in a context like India). This imposes significant and important constraints on the set of jobs that they are willing to take up. Secondly, eliciting preferences over jobs is quite simple and inexpensive, as shown through the job choice tool developed in the project. Moreover, contrary to the popular discourse, dropouts seem to be quite low and there seem to be a greater need for the provision of interviews as well as greater focus on matching of trainees to better jobs to improve subsequent labour market outcomes.

Moving Forward...

A detailed analysis of the data is already underway and discussions with policymakers through conferences and meetings has begun. We are in the process of writing an academic paper to illustrate the learnings of the project along with other policy dissemination activities.

However, the findings of the project open new directions for future research both on the job seeker front as well as the placement process itself. For job seekers, there appears to be a diversity in job preferences and these preferences seem to be crucial in affecting their labour market decisions. Future research could focus on eliciting these preferences better and also examining the factors that shape these preferences and how they change over time like for example: (i) the influence of family, peer and social groups in shaping job aspirations; (ii) perceptions and expectations about careers and jobs; (iii) impact of non-economic factors like marriage on labour market decisions. Secondly, since intermediary agents (like placement officers) are common and play an important role in matching job seekers to jobs, future research could study the role of these agents in greater detail. In particular, research could be undertaken to examine the cost, resource and information constraints faced by these agents, how they process these constraints and information in matching trainees to jobs.