

# Does first job affect current youth working status in developing countries?

## Evidence from South-East Asia

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### Abstract

This study offers a novel analysis of the role of first job of youth when entering the labour market on the probability of being currently employed in formal or informal activities. We account for selection of youth who made their first labour market entry by estimating a two-equation system model with correlated error terms. The data used are from the ILO School to Work Transition Surveys. The analysis focus on Bangladesh, Cambodia and Vietnam. Estimates suggest that first job matters for later work outcomes, and that the impact diverges across the Asian countries explored. Emerging evidence denotes the existence of persistence in less desirable employment status, since having entered the labour market in a vulnerable employment, such as contributing family worker or self-employed, increases both the probability of being not employed and the probability of being in vulnerable employment.

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## **Introduction**

Work status is a crucial condition in the individual's life which may affect many socioeconomic outcomes, including income, social inclusion, health and psychological aspects and well-being. Even though having a job which guarantees income and employment stability, as well as individuals' rights, is a desirable workers' achievement, it represents a goal far from being reached for many individuals especially in developing countries.

These issues appear particularly relevant when focusing on young people. Despite the increase of educational level of young people, the raise of good job opportunities is slower than the expansion of youth population in developing countries (e.g. McKay et al. 2018), relegating many young people in disadvantaged positions in the labour market. In addition, work status in the early ages also affects marriage and childbearing behaviors and produces spillover effects across society, by affecting social and political stability and future generations (Pieters, 2013).

Unsatisfactory working conditions, however, are not confined to unemployment and inactivity but include a wide range of employment status characterized by vulnerability and informality. Vulnerability, as defined by the International Labour Organization (ILO), is associated to self-employment and contributing family business, which are usually characterized, by lack of formal work arrangements, employment protection, access to adequate social security, low productivity and earnings. The literature, however, stressed that also a significant share of paid work is characterized by informality and, therefore, the concept of informality would be even more relevant than vulnerability when identifying disadvantaged positions in the labour market (Pieters, 2013).

A major strand of literature, analyzing both developing and emerging countries, has paid attention to informal sector employment and, particularly, to the debate whether the labour markets are segmented or integrated (e.g. Gunther and Launov 2012, Lehmann and Pignatti 2018, Gutierrez et al. 2019). The traditional analysis introduced by Lewis (1954) supported the view of labour market segmentation, according to which individuals escaping from unemployment turn to informal employment once they are unable to find a job in the formal sector. More recently, it has been suggested (e.g. Maloney 2004,

Fajnzylber et al. 2006), that informal employment may result from a rational choice of individuals who gather comparative advantages being employed in the informal sector rather than in the formal one. Some authors (e.g. Fields, 2005, Paulson and Townsend, 2005), however, suggested that the informal sector is heterogeneous and combines upper-tier and lower tier activities, for which competitive and segmented labor market views may co-exist.

This article contributes to the study of youth employment in developing countries by offering a novel analysis of the role of first job of the individual when entering the labour market on the probability of currently working in formal or informal activities. Existing evidence, which are mainly based on developed countries, suggests that first job may significantly affect later work patterns; labour market status, in fact, are usually characterized by persistence (e.g. Arulampalam et al 2000, Millan et al. 2014), which may generate lock-in effects into undesirable work positions. This can take place through different mechanisms. First job *per se* is relevant for the acquisition of on-the-job skills to be used in later employment relationships (Green and Montgomery, 1998). Therefore, an individual starting his working pattern with a job characterized by poor on-the-job training contents possibly sends a signal of low productivity to employers and reduces his/her chances of being employed in good jobs in the future. The type of first job also contributes to exacerbate labour market inequality by interacting with educational achievements (Verhaest and Omey, 2013). In addition, Baert et al. (2013) found that accepting a job for which a graduate entering the labour market is overeducated, is detrimental for subsequent transition rates into adequate employment. Manacorda et al. (2017), investigating the school-to-work transitions in developing countries, suggest that difficult transitions from school to the first job lead to worse job matches, which might even translate into worse labour market outcomes in the long-run.

Uncovering whether and how first job affects later work status is, therefore, important for many reasons; nevertheless, the topic has been little or nothing explored in developing countries, where low quality jobs are widespread especially among young workers. Understanding the role of first job would be helpful to figure out how achieving an adequate endpoint in the school-to-work transition

process is relevant for later work outcomes and, therefore, for many lasting economic and social results, both at micro and macro levels. In addition, it allows to bring new evidence about the medium and long-run transitions between formal and informal employment.

The analysis is conducted by exploiting the School-to-Work Transition Survey, which provides homogenous data on individuals aged 15-29 in many developing and emerging countries and retrospective information about previous work activities, which allows us to identify the first job of the individual and to investigate its effects on current work status.

We focus on individuals living in three countries of South-East Asia, i.e. Bangladesh, Cambodia and Vietnam<sup>1</sup>, who entered the labour market employing a job position in unpaid family business, self-employment or paid employment. South-East Asia, together with Sub-Saharan Africa, presents the highest rates of informal and vulnerable employment. According to the ILO statistics (Pieters, 2013), vulnerable employment share of total employment is 60%, while informal employment as a percentage of total employment is 71% according to the ILO statistics (2018a). Informal employment is common among low and middle educated individuals and young workers. Among self-employed, own-account workers, which is associated to poorer working conditions, largely predominate over employers (ILO 2018a).

In addition, contrary to what happens in many developing regions, informal employment in South-East Asia is more widespread among women, mainly because of the high proportion of contributing to family workers in this world region. Together with social norms, educational attainment, care responsibilities and the lack of employment opportunities (e.g. Sarkar et al. 2019), activities developed in family business may contribute to marginalize women in the informal sector fostering gender inequality (ILO 2018b). Uncovering the later effects of entering the labour market through contributing to family business is, therefore, important to understand the mechanisms leading women

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<sup>1</sup> Despite the analysed countries have recently displayed a successful record of economic performance, the Bengali labour market has remained weaker than the Cambodian and the Vietnamese ones. The labour market participation is below 60% in Bangladesh and approximatively 80% in both Cambodia and Vietnam. In addition, gender inequality is much greater in Bangladesh, in terms of both labour force participation gap and involvement in contributing family workers activities (World Bank, 2018).

to disadvantaged positions in the labour market and preventing their empowerment. Women empowerment, as well as their autonomy and participation in economic and social life, has been recognized as crucial for both their own well-being and for the achievement of sustainable development (World Bank Sustainable Development Goal 5).<sup>2</sup>

When investigating the impact of first job on current work status, one has to deal with a potential selectivity problem. The analysis, in fact, is just focused on individuals who entered the labour market at a certain point in time of their young lives. Because labour market entry may be guided by unobservable factors, randomization may be not achieved, and the resulting partial observability possibly leads to selection bias.

We account for selectivity by running a two-equation model, where the main equation and the selection equation are assumed to follow a bivariate distribution and the error terms of both equations to be correlated. The model is jointly estimated by using a full maximum likelihood.

With the aim of uncovering more about gender differences, we run an augmented model specification, which include additional explanatory variables accounting for interacted effects of first job and gender dummy variable.

The paper is structured as follows. Section 2 describes the empirical approach; Section 3 introduces the data and provides a descriptive analysis; Section 4 presents the estimation results, while Section 5 offers a discussion of them. Section 6 concludes.

## **2. Econometric Analysis**

This section presents the empirical strategy adopted to analyze how the job filled when an individual entered the labour market affects current work status of young people.

When estimating the impact of first job on current work status, we focus on individuals who entered the labour market at a certain point of their lives. Thus, because of partial observability, one has to

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<sup>2</sup> For details, see <http://datatopics.worldbank.org/sdgs/sdg-goals-targets.html>.

account for potential endogenous selection to avoid not consistent estimates. The presence of uncontrolled confounding factors, in fact, may prevent the randomization of labour market entry is achieved and this may result in endogenous sample selection if those confounding factors contemporary affect current work outcomes.

We account for selectivity by running a two-equation model, where the selection equation and the work status equation are assumed to follow a bivariate distribution and correlation among error terms is accounted for. The model is jointly estimated by using a full-information maximum likelihood,<sup>3</sup> which produce consistent and fully efficient estimates (Reize, 2001). The advantage of using this model, compared to the standard Heckman approach to selection bias, relies on its flexibility about the distributional forms the outcomes may assume.

In particular, the work status equation models the probability an individual employs one of the five work status, i.e. not employment, working in a family business, self-employment, informal paid work and formal paid work. We assume it follows a multinomial distribution, which means individuals were allowed to choose among alternatives that are not inherently ordered. The advantage of assuming the categorical variable follows a multinomial distribution rather than an ordered one, is that the former avoids *a priori* assumptions about the level of individual's utility associated to each work status. This strategy, therefore, avoids an *ex-ante* embrace of labour market segmentation or rational informality thesis.

The work status equation includes on its right side a set of retrospective binary variables, indicating the individual has entered the labour market as a business family worker, self-employed or paid worker, which allows us to measure the impact of first job on later work outcomes. Because labour market entry is subjected to selectivity we model a selection equation to account for it.

The selection equation, indeed, has a binary outcome, which takes value one if the individual has entered to the labour market and zero otherwise.

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<sup>3</sup> Our model is estimated using the routine “*cmp*” written in STATA by Roodman (2011).

Both equations derive from latent continuous variables and assume normally distributed errors.

The specification we adopt to estimate labour market entry is, therefore, derived from a latent continuous variable ( $y_{1i}^*$ ), which is defined at time  $t-k$  and is related to a vector of explanatory variables  $z$  and an additional variable,  $q$ , introduced for identification purposes. The corresponding standard linear model that can be represented as follows:

$$y_{1i}^* = \mathbf{z}_i' \alpha + \delta q_i + v_i \quad (1)$$

where,  $\alpha$  is a vector of associated parameters to  $z$ ,  $\delta$  is a parameter associated to the instrument and  $v$  is an error term.

While  $y_{1i}^*$  is unobserved,  $y_{1i}$  is observed and related to  $y_{1i}^*$  through the following relationship:

$$y_{1i} = \begin{cases} 1 & \text{if } y_{1i}^* > 0 \\ 0 & \text{otherwise} \end{cases} \quad (2)$$

Under the normality assumption of the residual  $v$ , the selection equation is modeled as a probit specification.

The latent continuous variable representing the current work outcome propensity ( $y_{2i}^*$ ) is defined at time  $t$  and it is related to a set of current explanatory variables  $x$  and a set of retrospective binary labour market entry variables  $e_i$  defined at time  $t-k$ . The corresponding standard linear model reads:

$$y_{2i}^* = \mathbf{x}_i' \beta + \gamma e_i + u_i \quad (3)$$

$\gamma$  is a set of associated coefficients measuring the impact of first job at time  $t-k$  on current work status at time  $t$ .  $\beta$  is a vector of associated parameters to  $x$  and  $u$  is an error term.<sup>4</sup>

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<sup>4</sup> We also run an augmented specification to account for specific gender effects. In particular we interact the set of retrospective entry variables with the gender dummy variable. The augmented work status equation in its latent form reads:  $y_{2i}^* = \mathbf{x}_i' \beta + \gamma e_i + \varphi female_i + u_i$

While  $y_2^*$  is unobserved,  $y_2$  is observed, conditional on  $y_{1i} = 1$ , and it is related to  $y_2^*$  through the following general relationship:

$$y_{2i} = \begin{cases} j & \text{if } y_{2ij}^* = \max(y_{2i1}^*, y_{2i2}^*, y_{2i3}^*, y_{2i4}^*, y_{2i5}^*) \\ 0 & \text{otherwise} \end{cases} \quad (4)$$

The probability of choosing the category  $j$  can be written as:

$$\begin{aligned} \Pr(y_{2i} = j | x_i, e_i) &= \Pr(y_{2ij}^* > y_{2i1}^*, \dots, y_{2ij}^* > y_{2i5}^*) = \\ &= \Pr\left((u_{ij} - u_{i1}) > x_i'(\beta_1 - \beta_j) + e_i'(\gamma_1 - \gamma_j), \dots, (u_{ij} - u_{i5}) > x_i'(\beta_5 - \beta_j) + e_i'(\gamma_5 - \gamma_j)\right) \end{aligned} \quad (5)$$

Under the normality assumption of the residual  $u$ , the corresponding model is a multinomial probit specification.

The two-equation system model allows the error terms of equations (1) and (3) to be correlated.

Accordingly, we also estimated four correlation terms,  $\rho_{vu2}$ ,  $\rho_{vu3}$ ,  $\rho_{vu4}$  and  $\rho_{vu5}$ , which measure the correlation between the selection equation and the outcomes of the work status equation and informs about selectivity process at work in the investigated issues.

Finally, we note that for each model, we complement the parameters' estimation with estimations of the average marginal effects (AMEs), which would be helpful when interpreting the impact of explanatory variables on outcomes of interest.

### 3. Data

The data used in this paper are from the School to Work Transition Surveys (SWTS).<sup>5</sup> This source covers a representative sample of young people working in all types of activities.

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<sup>5</sup> For details on the SWTS, see [http://www.ilo.org/employment/areas/youth-employment/work-for-youth/WCMS\\_191853/lang--en/index.htm](http://www.ilo.org/employment/areas/youth-employment/work-for-youth/WCMS_191853/lang--en/index.htm).



The SWTS survey was conducted, on a largely comparable basis, in 36 countries from 2012 to 2015 as part of the Work4Youth Programme, coordinated by the ILO and Mastercard Foundation. Over this period, the survey was conducted in two waves in some countries. It focuses on young people aged from 15 to 29, and collect information on many aspects, that include personal characteristics, educational status, and very detailed information not just on current employment but also on the past working history of the individual, and this is a value added of this survey. Current and past working history is detailed by information on the characteristics of the jobs, that are nature of work, type of contract, sector, payment, working conditions, job satisfaction, and so on. In almost all countries, the SWTS is being implemented through the National Statistics Offices, thus offering an important opportunity for building national capacity on the area of labour market information on youth and attempting to ensure some sustainability of the survey within the national statistical agenda. Most surveys are nationally representative.

From the SWTS, we select data on the three South-East Asian countries we explore, that are Bangladesh, Cambodia and Vietnam. In Cambodia and Vietnam two rounds of the surveys were conducted. In this paper, we focus on the later round in these countries. The questionnaires were broadly similar across the four countries, though the survey conducted in Bangladesh was more different from the others.

### **3.1 Descriptive analysis**

We adopted a two-equation model which included a selection equation and a current labour market status equation.

Selection, as explained above, is an important issue in this analysis, and therefore, we take the process into account using valid identifiable variables. The exclusion restrictions used have been based on mother being employed. This variable indeed affect the entry of youth into the labour market, but not the current labour market status. The choice of the instrument was suggested by the existing literature and evidence on developing countries. It was found that it is the employment of the mother that more

strongly affects the labour market entry (selection) of the son/daughter compared to employment of the father. This is partly because, even if employed, the mother spends more time at home, and this affect/influence the behavior of the cohabiting son/daughter (Alam and Zanariah, 2012).

Table 1 reports the descriptive statistics of the variables used in the selection and current status equations by country.

**Table 1: Descriptive statistics by country and equation**

	<b>BANGLADESH</b>		<b>CAMBODIA</b>		<b>VIETNAM</b>	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
<i>Selection equation</i>						
Dependent variable: select	0.380	0.485	0.717	0.450	0.574	0.495
Age first participation < 15	0.361	0.480	0.644	0.479	0.492	0.500
Age first participation [15, 19]	0.463	0.499	0.295	0.456	0.281	0.450
Age first participation > 19	0.177	0.381	0.061	0.239	0.227	0.419
Female	0.546	0.498	0.558	0.497	0.468	0.499
Up to primary education	0.375	0.484	0.337	0.473	0.111	0.315
Up to secondary education	0.591	0.492	0.351	0.477	0.273	0.446
Tertiary education	0.034	0.182	0.043	0.202	0.172	0.377
Working during education	0.103	0.304	0.797	0.402	0.171	0.377
Mother with no education	0.551	0.497	0.312	0.463	0.277	0.447
Father with no education	0.442	0.497	0.176	0.381	0.257	0.437
Mother employed	0.081	0.273	0.889	0.314	0.881	0.323
Observations	9,197		3,396		2,345	
<i>Current status equation</i>						
Contributing family worker	0.179	0.384	0.847	0.360	0.359	0.480
Self-employed	0.275	0.447	0.025	0.155	0.057	0.233
Paid work	0.546	0.498	0.129	0.335	0.584	0.493
Aged 15-19	0.217	0.413	0.253	0.435	0.159	0.366
Aged 20-24	0.351	0.477	0.384	0.486	0.376	0.485
Aged 25-29	0.432	0.495	0.363	0.481	0.465	0.499
Female	0.269	0.443	0.587	0.492	0.500	0.500
Up to primary education	0.548	0.498	0.464	0.499	0.175	0.380
Up to secondary education	0.421	0.494	0.478	0.500	0.455	0.498
Tertiary education	0.030	0.172	0.058	0.234	0.282	0.450
Working during education	0.131	0.338	0.820	0.384	0.184	0.387
Married	0.541	0.498	0.498	0.500	0.493	0.500
Bad health	0.043	0.202	0.092	0.289	0.062	0.242
Rural area	0.538	0.499	0.809	0.393	0.565	0.496
Years from entering the labour market	7,401	4,286	9,380	4,735	6,246	4,194
Non-employment spell	0.062	0.241	0.167	0.373	0.151	0.358
Persist in the entry status	0.610	0.488	0.261	0.440	0.380	0.485
Observations	3,495		2,436		1,346	

Note: Authors' calculations from ILO SWTS data

The dependent variable for the selection equation was a dummy that equals 1 if the youth entered into the labour market/made her/his first labour market entry, and 0 otherwise. On the selected sample, we estimate the equation for the determinants of the current labour market status that we describe below.

Interestingly, from the first row of Table 1, we learn that the labour market entry of youth aged from 15 to 29 years is mixed across the countries explored. We note that the percentages range from around 38% of total youth in Bangladesh to 57.4% in Vietnam, to a highest 71.7% in Cambodia. These differences might be partly due to different cultures, social norms, attitudes that shape the entry of youth into the labour market in those countries.

We consider three dummies for the age of first labour market entry of the youth, and these reflect the discrepancies emerged across countries for the first labour market entry. In Bangladesh, indeed, where we find a relatively low entry of youth, we find that the most frequent age range of entry is between 15 and 19 years (46.3%). In Vietnam, and especially in Cambodia, where the entry of youth is at its highest, the age of first entry is lower with respect to Bangladesh. We note that almost a half of the youth enter into the labour market before 15 years of age in Vietnam, and the percentage reaches 64.4% of youth in Cambodia.

We control for gender as well as for education. We find a slight prevalence of female entering in Bangladesh and Nepal (54.6% and 55.8%, respectively), while the opposite is true in Vietnam (46.8%). We distinguish among three educational attainment levels, that are up to primary education, up to secondary education, and tertiary education. Up to secondary education is the most common educational attainment level of the youth entering the labour market, especially in Bangladesh (59.1%). We also control whether the youth worked while studying and the percentages are mixed across countries. While 10.3% and 17.1 % of the youth worked during education in Bangladesh and Vietnam, respectively, the percentage increases up to 79.7% in Cambodia. These statistics confirm the highest entry of Cambodian youth into the labour market noted above.

We included dummies for parental attitudes towards education. The dummies for education are one if the father and mother have no education and zero for higher educational levels; they capture the impacts of no parental education on the labour market entry of youth. The dummy for mother employment is one if she works. The mother employment, as explained above, is used for identification purposes, since this affects the labour market entry but not the type of labour market outcome.

The dependent variable for the current (employment) status equation was the current activity status of the youth. We had five outcomes: not employed (unemployed and out of labour force, including those engaged in domestic work), contributing family business, self-employment (essentially own-account worker), informal paid employee and formal paid employee.

First, we focus our attention on the impact of the type of first job on current work status. We indeed control for the entry status of the youth by distinguishing among three types of job, that are contributing family worker, self-employed, and paid work

The percentages are mixed across the countries explored pinpointing the importance of the disaggregation adopted.

From the bottom panel of Table 1, we note that there are marked differences in the relative percentages pertaining to the three entry outcomes across countries. Paid employment is the most important entry status for youth in Bangladesh (54.6% of the sample) and Vietnam (58.4%). In Cambodia, instead, more than 80% of youth enter the labour market with an unpaid contributing family business status. Finally, while the entry by self-employment is negligible in Cambodia and Vietnam (2.5% of the youth and 5.7%, respectively), 27.5% of youth in Vietnam entered the labour market as self-employed.

We split the overall bracket into three dummies corresponding to the three age ranges: [15,19], [20,24], and [25,29]. As in the selection equation, we included dummies for gender and education (up to primary, secondary, tertiary level).

We control for the labour market history of the youth by including the number of years since the start of the first job, a dummy for the presence of non-employment spells/interruptions of the working career, and a dummy to account whether she/he worked while studying. Finally, we included dummy for marital status, health status, and for living in a rural area.

## 4. Results

### 4.1. What affects the selection of youth into the labour market?

The process of labour market entry of youth, as explained above, might be guided by unobservable factors and this selection might not be random. For this reason, estimates would be affected by selection bias. We avoid this bias by estimating a specific equation for the selection of youth into the labour market that is measured by the labour market entry of youth.

Table 2 displays the AME for the determinants of the selection or labour market entry by country.

The dummies for the age of first labour market entry of the youth are negatively correlated to the labour market entry of youth in Bangladesh, while they are positively correlated to the entry of Vietnamese youth. These findings confirm the labour market indicators for youth. We find a relatively low entry of youth in Bangladesh (official statistics and Table 1), while the percentage of youth accessing the labour market in Vietnam is relatively high. This is mainly due to the relatively high labour force participation of Vietnamese youth to the labour market

**Table 2. Selection equation by country. Total sample**

	Bangladesh			Cambodia			Vietnam		
	AME	s.e.		AME	s.e.		AME	s.e.	
Age first participation < 15	base-category								
Age first participation [15,19]	-0.123	0.011	***	0.012	0.012		0.219	0.018	***
Age first participation > 19	-0.223	0.014	***	-0.027	0.011	**	0.355	0.015	***
Female	-0.389	0.007	***	0.008	0.009		0.019	0.014	
Up to primary education	0.005	0.026		0.321	0.016	***	0.437	0.019	***
Up to secondary education	-0.159	0.024	***	0.299	0.012	***	0.448	0.015	***
Tertiary education	base-category								
Working during education	0.087	0.014	***	0.033	0.011	***	-0.002	0.018	
Mother with no education	0.080	0.012	***	-0.015	0.011		0.052	0.018	***
Father with no education	0.021	0.012	*	0.015	0.014		0.035	0.019	*
Mother employed	0.062	0.016	***	-0.026	0.010	**	0.257	0.018	***

Note: Authors' calculations from ILO SWTS data

From the estimates in Table 2, we learn that the entry opportunities differ by gender only in Bangladesh, while there is no gender gap in Cambodia and Vietnam.

The role of education is mixed across countries. In Cambodia and Vietnam, low education helps the labour market entry. Completing a step of education, even if it is up to primary or up to secondary level, helps entering the labour market (Manacorda et al., 2017). Here, indeed, we do not distinguish among the labour market outcomes, and these might include not employment. In Bangladesh, education does not play a clear role on the entry opportunities of youth.

Working during education is positively associated with the probability of entering the labour market in Bangladesh and Cambodia. In general, working while studying is important for labour market entry, as it increases both the likelihood of being engaged in the labour market, as well as the speed of the school-to-work transition (Quintini and Martin, 2014).

The effect of parental education is similar in Bangladesh and Vietnam. The presence of a father, and especially of a mother, without education is positively associated with labour market entry. This is in line with expectations. Living in a household where the parents have no education might reduce the attitudes of daughter/son to education and simultaneously increase their propensity to enter the labour market. This might be due to the fact that the presence of parents with no education positively affect the (almost immediate) labor market entry of their son/daughters. In Cambodia, instead, parental education does not exert a role on youth labor market entry.

The presence of a mother employed is positively associated with the probability of entering the labour market in Bangladesh and Vietnam, while it is negatively associated with youth labour market entry in Cambodia.

#### ***4.2. Entry employment and current work status***

Table 3 reports the average marginal effects that quantifies the impact of first job on current work status. Not working status is the base-category, therefore average marginal effects should be interpreted relatively to not working status.

Our estimates suggest that first job matters for later work outcomes. Emerging evidence denotes the existence of persistence in less desirable employment status, since having entered the labour market in a vulnerable employment (i.e. contributing family worker or self-employed) increases the probability of being in vulnerable employment, with few exceptions. Persistence, however, is more marked for each entering status itself, as an individual having entered the labour market as a contributing family worker is more likely to remain a contributing family worker, while who entered as self-employed is more likely to remain self-employed. This finding is partly explained by the persistence in the original status, i.e. the case of individuals who haven't ever changed work status since the entry one.

In addition, we find that the probability of being currently employed in both formal and informal paid work is negatively affected by entering the labour market in vulnerable employment.

In particular, having entered the labour market as contributing family workers appears to be detrimental for work prospects of individuals, as it decreases the probability of accessing better working conditions in the labour market. The impact, however, diverges across countries.

**Table 3. The impact of employment entry on current work outcomes**

		Contributing family business		Self-employed		Informal paid work		Formal paid work	
		AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.
Bangladesh	Contributing family workers	0.662	0.036 ***	0.068	0.041 *	-0.318	0.045 ***	-0.434	0.057 ***
	Self-employed	0.288	0.059 ***	0.451	0.030 ***	-0.291	0.042 ***	-0.344	0.053 ***
	Paid work	base-category							
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		Contributing family business		Self-employed		Informal paid work		Formal paid work	
		AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.
Cambodia	Contributing family workers	0.055	0.025 **	0.038	0.043	-0.031	0.023	-0.022	0.034
	Self-employed	-0.181	0.118	0.149	0.059 **	-0.277	0.129 **	-0.367	0.161 **
	Paid work	base-category							
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		Contributing family business		Self-employed		Informal paid work		Formal paid work	
		AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.
Vietnam	Contributing family workers	0.174	0.058 ***	-0.134	0.062 *	-0.192	0.055 ***	-0.200	0.038 ***
	Self-employed	-0.096	0.160	0.404	0.058 ***	-0.084	0.129	-0.273	0.113 *
	Paid work	base-category							

Note: Authors' calculations from ILO SWTS data



If first job is contributing family work, we learn that the probability of being employed in formal paid work decreases by 43.4% in Bangladesh and by 20% in Vietnam, while the impact is not statistically significant for Cambodia (-2.2%). The impact of having entered the labour market as contributing family workers also affects the probability of filling other work status, even though the related magnitude is smaller than the previous ones. First, our findings reveal that persistence in contributing family worker status exists, i.e. having entered the labour market in such status increases the probability of being currently employed in own family business. The impact is very large for Bangladesh (+66.2%), but it decreases to 17.4% for Vietnam and to 5.5% for Cambodia. The probability of being currently self-employed is affected by entering the labour market as contributing family workers; the impact, however, is mixed across analyzed countries. In Cambodia and Bangladesh, the impact is positive, but relatively small and small (6.8% and 3.8% but not significant, respectively), while it is negative and larger in Vietnam (-13.4%). Finally, entering the labour market as contributing family workers decreases the probability of being informal paid workers. The negative impact, however, is a little smaller than for formal paid work, suggesting that entering the labour market by working in the family business is generally harmful for paid work perspectives. Looking at estimates by country, we find greater negative impacts in Bangladesh and Vietnam (-31.8% and -19.2%, respectively), and a smaller and not statistically significant one in Cambodia (-3.1%).

The pattern of individuals entering the labour market as self-employed is relatively similar to that displayed by individuals entering the labour market as contributing family workers. This is not surprising, as own-account workers, which share with contributing family workers vulnerable positions in the labour market, constitute the large majority of self-employed in the analyzed countries.

Nevertheless, the magnitude related to self-employment is smaller than for contributing family workers, suggesting that the latter is more detrimental than self-employment for later work perspectives. This finding does not hold for Cambodia, where having entered the labour market as

self-employed strongly lessen the probability of being currently employed in both formal and informal paid work.

Our estimates indicate that, when significant, entering the labour market as a self-employed increases the probability of being currently employed in a family business. In Bangladesh, the positive impact sizes +28.8%, while in Cambodia and Vietnam the impact is negative but not statistically significant. Our results also suggest that persistence in self-employment is particularly strong in Bangladesh (+45.1%) and Vietnam (+40.4%), while it is smaller in Cambodia (+14.9%). As mentioned above, entering the labour market as self-employed decreases the probability of being in informal paid work, and the magnitude ranges between -8.4% in Vietnam and -29.1% in Cambodia, while it is -27.7% in Cambodia. Finally, entering the labour market as a self-employed decrease the probability of being in formal paid work. The impact is relatively homogenous across countries, and it is always greater than the impact we find for informal paid work. In particular, having entered the labour market as self-employed, decreases by 34.4% the probability of being currently a formal paid worker, while it corresponds to 36.7% in Cambodia and 27.3% in Vietnam.

These results, combined with the previous ones, indicate that, especially in Bangladesh, vulnerable employment, and particularly contributing family business, may represent a harmful experience at the beginning of working career, as it is associated to persistence in vulnerable employment and it decreases the chances of being employed in formal paid work. In addition, we do not find evidence of segmentation between formal and informal paid work.

Table 4 reports estimation results related the augmented work status equation, which account for specific gender effects. Gender differences are investigated by interacting the labour market entry variables with a gender dummy variable. This allows us to decompose the impact of first job on current work status at gender level. In particular, estimated parameters  $\gamma$  represent the impact for males, while  $(\gamma + \varphi)$  represent the impact for females. This means the set of parameters  $\varphi$  single-out gender-differences in the impact of first job.

Accounting for gender differences in employment paths during youth is relevant to improve knowledge of mechanisms leading to disadvantaged conditions of women in the labour market, which may foster gender inequality and prevent women empowerment. Our results suggest that gender duality emerges for Bangladesh, and particularly for women having entered the labour market as contributing family workers, while it is almost negligible for both Cambodia and Vietnam. Focusing on Bangladesh, indeed, being female reduces the probability of persisting in contributing family business (-22.5%), while the probability of moving into self-employment is positive for males (+13.9%) and slightly negative for females (-1.3%). No gender differences emerged about the impact of entering the labour market as contributing family workers on the probability of being an informal paid worker, while the negative impact on the probability of being a formal paid worker, strongly decreases (-20.7%). Thus, entering the labour market as a contributing family worker is particularly detrimental for females, which see decreased their opportunities of remaining in any employment positions, while the probability of being currently not employed increases. In addition, entering the labour market as a self-employed is penalizing for females in terms of later prospects of being employed in formal paid work. In sum, females entering the labour market in a vulnerable employment position, see significantly decreased their chances of being employed in a formal paid relationship. These findings are not confirmed for other countries. The unique exception is represented by Vietnamese females entering the labour market as contributing family workers, which are more likely to move into formal paid work than comparable males. These results go along with evidence emerged from the estimates of selection equations, which indicate that gender duality is relevant in Bangladesh and negligible for Cambodia and Vietnam.

#### ***4.3 Other covariates***

Tables A1-A3 report average marginal effects related to additional covariates we included in our estimation model to control for observable variability in current work outcomes.

For the sake of brevity, we just provide a general description of estimation results and focus on findings that are meaningful from an economic point of view.

Despite the effects vary across countries by magnitude and sometimes by direction, we find some relevant regularities. As age increases the probability of being employed in both formal paid work and self-employment, also increases. Being female reduces the probability of being employed in any work status in both Bangladesh and Cambodia, suggesting females are more likely to be marginalized into not working activities. The conditions is particularly difficult in Bangladesh, where up to 80% of females, possibly those with lower skills, do not enter the labour market and, once they entered, are less likely to be employed. Vietnam displays a different pattern, as females are more likely to be self-employed and in informal paid work rather than in not working conditions.

The educational level of the individual is important for current work outcomes. Individuals with educational levels up to primary are less likely to be currently employed in formal paid work. This finding holds in all analyzed countries, and suggests that having low skills prevents the access to better labour market conditions. We find a similar effect on the probability of being in formal paid work for individuals having up to a secondary education, but the magnitude is smaller and confined to Cambodia and Vietnam. In latter countries, having up to primary and secondary education also reduces the probability of being self-employed, while in Bangladesh they increase the probability of being in informal paid work.

Having experienced at least a non-employment spell from entering the labour market strongly decreases the probability of being in any working status; in particular, the impact on the probability of being in formal paid work ranges from -28.4% (for Vietnam) to -48.8% (for Bangladesh). Having worked during education decreases the probability of being currently employed in both formal and informal paid work in Bangladesh. The years passed from entering the labour market positively affect the probability of being employed in self-employment and informal paid work in Bangladesh and Cambodia, while it slightly decreases the probability of being in formal paid work in Bangladesh. Being married, when significant, reduces the probability of being employed in formal paid work in

Cambodia and Vietnam, while the impact is positive in Bangladesh. Bad health does not significantly affect working status of analyzed individuals. Finally, living in a rural area reduces the probability of being employed in formal paid work in Bangladesh and Vietnam.

## **5. Discussion**

In this work, we explored the role of first job on current work outcomes of youth in Bangladesh, Cambodia and Vietnam.

The existing economic literature suggest that first job affects later work and, more in general, labour market individual history through different and important mechanisms. The first job *per se* is relevant for the acquisition of on-the-job skills to be used in later employment relationships (Green and Montgomery, 1998). An individual starting his working pattern with a job characterized by poor on-the-job training contents possibly sends a bad signal of low productivity to employers and reduces his/her chances of being employed in good jobs in the future. The type of first job is importantly related also to individual educational achievement, as a positive correlation between high education and the probability of a good first job match emerged (Verhaest and Omey, 2013).

The importance of a good job match is especially important in the developing countries explored, where still a high share of total employment is vulnerable and informal, that means contributing family workers, self-employed and informal paid workers. Even more important this is for women, because a high proportion of them works as contributing family business worker in South-East Asia. Our findings confirm the existing evidence emerged from developed countries, as first job matters for later working history. Interestingly, we find evidence of persistence in the (initial) labour market status (see, for instance, Arulampalam, 2000; Millan et al., 2014), especially in less desirable or vulnerable employment positions like contributing family worker and self-employed. The debate on the importance of the first job is alimented also by the literature on school-to-work transitions that pinpoints how difficult transitions from school to work might result in bad job matches (Manacorda

et al., 2017). Entering in a not satisfactory job might be a trap or detrimental for subsequent transitions in decent or adequate employment (Baert et al., 2013).

We also find that both the magnitude and the effect of entry status on later working outcomes diverge across the countries explored. We find that in Bangladesh it prevails the role of first job on current work outcome, while in Vietnam and especially in Cambodia the role of entry is more limited. Especially in Bangladesh, indeed, vulnerable employment and particularly contributing family worker may represent a harmful experience at the beginning of working career, as it increases both the probability of being not employed and the likelihood of being trapped in vulnerable employment positions. This finding might partly reflect the fact that, as suggested by the ILO (2018c), structural transformation processes, whereby capital and workers transfer from low to higher value-added sectors, are still lagging behind in many regions of Bangladesh. Despite global unemployment has stabilized, decent work deficits remain widespread in Bangladesh. The economy is not creating enough jobs, and for those existing additional efforts are needed to improve the quality.

Moreover, we note that gender duality matters only in Bangladesh. This is shown both by our base model and by the augmented work status equation estimates. In sum, we find that up to 80% of females in Bangladesh do not enter the labour market and, those who enter, are less likely to be employed or trapped vulnerable employment positions. The disadvantage of females is also suggested by the literature. Elder and Kring (2016), for instance, suggest that the regional decline in young female labour force participation rate in South Asia since the nineties was driven by trends in Bangladesh, India and Sri Lanka, countries where the barriers to labour market entry for young women are known for being particularly high and persistent (Kapsos et al., 2014). The negligible gender gap in Cambodia and Vietnam, instead, is due to the relatively high participation of women in the labor market, especially in Vietnam (i.e. Alam and Zanariah, 2012; IMF, 2018).

Among the determinants of the current work status, we find interesting results in opposite directions. On the one hand, we note that education plays a role on youth working outcomes, as it increases the probability of being employed in a decent or quality work. On the other hand, having experienced

interruptions of employment (non-employment spells) strongly decreases the probability of being in any working status, especially in formal paid work. These findings are in line with expectations and confirmed by the existing literature.

Elder and Kring (2016) and Manacorda et al. (2017), for instance, find that those youth with higher levels of education show relatively fast transitions from school to work and are relatively more likely to ever find employment than those with low skills and early school leavers. This possibly pinpoints the role of early human capital accumulation and education in shaping the quality and direction of school-to-work transitions. Moreover, the authors suggest that high education reduces the risk of career interruptions, which would be detrimental for youth working perspectives.

To sum up, from our findings we learn the importance of analyzing separately by country the effect of first job on the current labour market outcome of youth and what are its main determinants. It is important to stress that the findings for the impact of first job on current youth labour market outcomes, as suggested by the existing evidence (see, for instance, Sparreboom and Staneva, 2014), underline the presence of labour market segmentation in developing economies explored, in particular between workers in non-vulnerable employment and those in vulnerable employment, particularly contributing family workers. Entering as vulnerable employed might be the cause and a trap in future vulnerable employment prospects.

Moreover, we find a role for education and its quality, as those with low education/skills are often employed in vulnerable positions. Education might therefore be one of the keys for avoiding vulnerable employment positions. Summing up our results, it clearly emerges that investments in both quality and quantity of education might be an arm against vulnerable employment positions and/or bad job matches for young people in developing countries.

## Conclusions

This work contributes to the study of youth employment in developing countries by offering a novel analysis of the role of first job of youth when entering the labour market on the probability of currently working in formal or informal activities. The analysis explores Bangladesh, Cambodia, and Vietnam. Existing evidence, which is primarily based on developed countries, suggests that first job may significantly affect later work outcomes. Labour market status, indeed, are usually characterized by persistence, which may generate lock-in effects into undesirable work positions. The empirical strategy adopted account for selection, as we analyse youth that made their first entry into the labour market.

Estimates suggest that first job matters for later work outcomes, and that the impact diverges across analyzed countries. Emerging evidence denotes the existence of persistence in less desirable employment status, since having entered the labour market in a vulnerable employment, particularly as contributing family worker, increases both the probability of being not employed and the probability of being employed in vulnerable job positions. This is especially true for women in Bangladesh.

Our findings offer interesting suggestions for the improvement of the first job match of youth developing countries. Interestingly, we find a role for the quality of the first job match, which is at least twofold, over both the speed of this process and the quantity of available employment.

First, our results suggest the importance of improving the quality of school-to-work transitions, since it is not only the speed of the transition process from school to the first job match that matters, but especially the quality of this match. This exerts an important role on future employment prospects and produces spillover effects across society, affecting social and political stability and future generations.

The challenge for the majority of youth in developing countries, indeed, is to improve the quality of employment, besides the quantity. Quite often indeed youth, especially women, are overrepresented in vulnerable employment.



This possibly suggests a role for education policies in smoothing and increasing the quality of the (first) transition from school to work that is in particular to decent, quality formal employment.

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## Appendix

**Table A1. Other covariates: Bangladesh**

	Contributing family business		Self-employed		Informal paid work			Formal paid work			
	AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.	
Aged 15-19	base category										
Aged 20-24	-0.014	0.041	0.042	0.034	-0.008	0.035	0.038	0.034			
Aged 25-29	-0.030	0.051	0.139	0.038	***	0.013	0.042	0.108	0.037	***	
Female	-0.093	0.056	*	-0.301	0.047	***	-0.353	0.063	***	-0.067	0.055
Up to primary education	-0.052	0.149		0.017	0.096		0.180	0.102	*	-0.208	0.075
Up to secondary education	0.079	0.146		0.100	0.094		0.191	0.101	*	-0.057	0.074
Tertiary education	base category										
Non-employment spell	-0.544	0.075	***	-0.390	0.047	***	-0.422	0.055	***	-0.488	0.062
Working during education	-0.014	0.042		-0.053	0.035		-0.072	0.041	*	-0.105	0.038
Years from entering the labour market	-0.003	0.005		0.010	0.003	***	0.007	0.004	*	-0.008	0.003
Married	0.031	0.039		0.056	0.026	**	-0.008	0.030		0.063	0.027
Bad health	-0.032	0.070		-0.005	0.054		-0.094	0.063		-0.059	0.060
Rural	0.043	0.032		0.057	0.023	**	-0.014	0.027		-0.064	0.024

Note: Authors' calculations from ILO SWTS data

**Table A2. Other covariates: Cambodia**

	Contributing family business		Self-employed		Informal paid work			Formal paid work			
	AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.	AME	s.e.	
Aged 15-19	base category										
Aged 20-24	-0.017	0.016	0.038	0.041	-0.028	0.025	-0.004	0.034			
Aged 25-29	-0.004	0.022		0.116	0.057	**	-0.006	0.033		0.049	0.046
Female	-0.035	0.015	**	-0.125	0.037	***	-0.114	0.027	***	-0.040	0.028
Up to primary education	-0.057	0.059		-0.159	0.090	*	-0.082	0.078		-0.218	0.098
Up to secondary education	-0.067	0.058		-0.159	0.087	*	-0.089	0.076		-0.186	0.098
Tertiary education	base category										
Non-employment spell	-0.229	0.019	***	-0.420	0.071	***	-0.299	0.037	***	-0.389	0.035
Working during education	0.010	0.016		-0.010	0.035		-0.006	0.024		0.001	0.033
Years from entering the labour market	0.001	0.002		0.011	0.005	**	0.007	0.003	**	0.006	0.004

Married	-0.049	0.016	***	0.091	0.038	**	-0.055	0.023	**	-0.108	0.032	***
Bad health	0.019	0.019		0.037	0.042		0.032	0.029		-0.026	0.042	
Rural	0.055	0.014	***	-0.007	0.028		0.013	0.019		-0.017	0.027	

Note: Authors' calculations from ILO SWTS data

**Table A3. Other covariates: Vietnam**

	Contributing family business			Self-employed			Informal paid work			Formal paid work		
	AME	s.e.		AME	s.e.		AME	s.e.		AME	s.e.	
Aged 15-19	base category											
Aged 20-24	0.124	0.077		0.175	0.094	*	-0.007	0.071		0.090	0.046	*
Aged 25-29	0.166	0.096	*	0.320	0.105	***	0.060	0.093		0.175	0.062	***
Female	0.056	0.058		0.119	0.054	*	0.285	0.047	***	-0.010	0.031	
Up to primary education	0.079	0.115		-0.183	0.104	*	0.143	0.090		-0.163	0.050	***
Up to secondary education	0.109	0.108		-0.002	0.092		0.117	0.085		-0.108	0.048	*
Tertiary education	base category											
Non-employment spell	-0.365	0.065	***	-0.318	0.059	***	-0.397	0.064	***	-0.284	0.032	***
Working during education	-0.034	0.068		0.068	0.064		-0.039	0.065		0.007	0.036	
Years from entering the labour market	-0.020	0.009	*	0.006	0.009		0.004	0.009		-0.004	0.005	
Married	-0.060	0.061		0.082	0.058		-0.080	0.056		-0.100	0.033	***
Bad health	-0.116	0.114		-0.123	0.100		-0.117	0.099		-0.067	0.059	
Rural	0.014	0.060		-0.045	0.056		0.045	0.054		-0.072	0.031	*

Note: Authors' calculations from ILO SWTS data