



Local governance and occupational choice among young people: First evidence from Vietnam



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ABSTRACT

Using data from the School-to-Work Transition Surveys 2015 (SWTS 2015), the Enterprise Census data in 2014 (ECD 2014), and the Provincial Competitiveness Index 2014 (PCI 2014), this paper examines for the first time the effect of individual and family characteristics, firm agglomeration, and the quality of labour training (provided by provincial governments) on occupational choice among young people in Vietnam. Interestingly, we find that women were more likely than men to have better jobs, even after controlling for all other variables in the models. Higher levels of education were the most important factor in choosing non-manual jobs, while family background (as measured by the father's occupation) plays a significant role in explaining young people's occupational choice. More importantly, it was found that the quality of labour training increases young people's chances of gaining better jobs. In addition, living in urban areas, the provincial GDP per capita, and firm agglomeration were also found to improve the probability of youth choosing better jobs.

1. Introduction

Every year in Vietnam, hundreds of thousands of young people join the labour market, including about 80,000–90,000 college graduates and over 150,000 university graduates (Nguyen, Nguyen, Nguyen, Trinh, & Nguyen, 2015). These young workers offer a great potential source of economic development in Vietnam because a better-educated labour force is a prerequisite for a country wishing to attract increased investment and stimulate economic growth (The United Nations Economic and Social Commission for Asia and the Pacific [ESCAP], 2006). While the shift from a centrally planned economy to a market-oriented one has created new and more numerous job opportunities in Vietnam (Reerink & Lim, 2013), the country still faces challenges in supplying an adequate number of suitable jobs for its increasingly educated workforce (Nguyen et al., 2015).

Official data show that the 15–24 age group has always had the highest unemployment rate in Vietnam (Youth Career Initiative, 2014). The youth unemployment rate (for people aged from 15 to 24) increased from about 6% in 2013 to about 7.30% in the first quarter of 2017, more than three times the general unemployment rate (2.10%) (General Statistical Office [GSO], 2017). In addition, the number of

unemployed youth made up about 48.0% of the total unemployed population (GSO, 2017). Of these, the urban share was found to be lower than that in rural areas (45.3% versus 54.7%). The number of under-employed youth made up 21% of the total under-employed population (GSO, 2017). Youth unemployment and underemployment have resulted in substantial costs to Vietnamese society *economically, politically, and socially* (Doan, Le, & Tran, 2017; Nguyen et al., 2015). The higher unemployment and underemployment rate among young, better educated workers in Vietnam can be attributed to the oversupply of educated workers, a lower demand for educated workers due to slowing economic growth, distortion in the labour market, and mismatched, poor quality training (Doan et al., 2017; Nguyen et al., 2015).

The quality of employment among young people raises another concern. The 2013 data show that a major proportion (76%) of employed youth worked in the informal sector and nearly one-half of these young people were wage workers without a written contract (45%). Many were engaged in manual occupations, contributing about 36% of total employed youth, while jobs requiring sophisticated skills, such as legislators, senior officials and managers, professionals and technicians and associate professionals together accounted for only 12% of overall youth employment (Nguyen et al., 2015). To date, there has been no

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study investigating factors influencing the choice of occupation among young people in Vietnam. Thus, a thorough understanding of what barriers hinder youth from obtaining better jobs is very important when designing policy interventions for this group. The current study was conducted to fill this gap in the literature.

How to provide the best training for young people and the necessity of improving the linkages between education and industry are the subject of policy debate in Vietnam (Centre for Labour Market Studies, 2009). In order to ensure all Vietnamese young people, have gainful employment, education and training systems must equip youth with the skills to match the labour demands of local enterprises (Centre for Labour Market Studies, 2009; Nguyen et al., 2015). Over the past decades, in an attempt to satisfy the labour demand of local firms, provincial governments have promoted vocational training and skills development for local industries and have assisted in the placement of local labour.¹ This suggests that the quality of labour training (provided by provincial authorities) may have a significant effect on occupational choice among young people in Vietnam. Thus, among potential factors associated with occupational choice, the quality of labour training is the focus of the current study.

The current research has two main merits. First, we provide the first econometric evidence on factors associated with occupational choice among young people in Vietnam. Second, while this study examines what individual and household characteristics are associated with job choice, it also takes into account a number of contextual factors, such as the quality of labour training (provided by provincial governments), the provincial gross domestic product (GDP) per capita, firm agglomeration at the district level, and the regional variable. Interestingly, we find that women are more likely than men to have better jobs, even after controlling for all other variables in the models. Higher levels of education were the most important factor for non-manual jobs while family background (as measured by the father's occupation) plays a significant role in explaining the occupational choices of Vietnamese youth. More importantly, the study finds that the quality of labour training increases young people's chances of securing better jobs. In addition, living in urban areas, the provincial GDP per capita and firm agglomeration are also found to improve the probability of youth obtaining better jobs.

The structure of this paper is as follows: Section 2 gives a literature review. Details of the data and methods used are reported in Section 3. Section 4 discusses the empirical results, and Section 5 contains a brief conclusion and policy implications.

2. Literature review

There have been many attempts to classify and analyze the various occupations that exist in the labour market (Ham, Junankar, & Wells, 2009). Occupations can be classified by social status (Jones & McMillan, 2001; Le & Miller, 2001), Holland's six occupational types (Rosenbloom, Ash, Dupont, & Coder, 2008), ranking occupations according to whether they are skilled, unskilled, semi-skilled, etc. (Darden, 2005), attempting both objectively and subjectively to define good jobs and bad jobs (Junankar & Mahuteau, 2005), by the quality of employment as measured by formal or informal agreements (work with or without a written employment contract) (Nguyen et al., 2015), and by distinguishing the farm and nonfarm economic sectors (Tran, Lim, Cameron, & Vu, 2014b).

Economic theory confirms that individuals differ in both their working capabilities and their career preferences for the varieties of utility and disutility in the labour supply. As a result, individuals are not equally suited to all roles and these differences are expected to be major determinants of an individual's occupational choice (Ham et al., 2009). The role of education, experience and individuals' innate ability in their choice of occupation is explained by human capital theory (Becker,

1996). Better education is found to increase the likelihood of an individual having a white-collar job (Bjerk, 2007). In addition, an individual with more years of schooling is more likely to have a professional or clerical job and less likely to become a production or service worker (Tsukahara, 2007). Individuals with better educational attainments tend to be professionals, and technicians, while those with manual work experience tend to be craft and plant workers (Klimova, 2012).

A number of studies have found that an individual's occupational choice is largely determined by his or her family background (Tsukahara, 2007) or the status of his or her parents within a society (Agarwala, 2008; Ham et al., 2009). Using a sample comprised of 851 engineering and architecture students in Spain, Pablo-Lerchundi, Morales-Alonso, and González-Tirados (2015) found that students with self-employed parents are more likely to choose professional jobs. Male children tend to choose the same job as their father in Japan (Tsukahara, 2007), and in India, for both men and women, the choice of a career in management was largely determined by their fathers' careers (Agarwala, 2008). When examining the occupational choice of young people in the UK, Croll (2008) found that children from more occupationally advantaged families were more likely to choose better occupations (professional, managerial, or technical jobs) than those without this advantage.

In numerous studies, other individual and household characteristics, such as age, gender and assets, are also found to significantly affect occupational choice. Klimova's (2012) study in Russia for the period 1994–2001 reveals that gender has a significant influence on job choice, even after controlling for human capital and other characteristics. Specifically, the likelihood of men becoming craft and plant workers is higher than it is for women. By contrast, over the study period women were more likely than men to become professionals, technicians, clerks, and service and sales workers. Using the US data for 1970 and 1990, Soopramanien and Johnes (2001) examined gender effects on occupational choice and found that given the same characteristics, men were more likely than women to engage in manual work. Also, men were more likely than women to choose full-time managerial and professional occupations but less likely to have full-time jobs in services. Evidence from China, Bangladesh and Vietnam shows that older household heads were less likely to participate in nonfarm activities while household heads with less farmland are more likely to take up nonfarm jobs (Tran, 2013).

The pattern and availability of jobs may vary considerably across regions because of geographic location and accompanying differences in labour market opportunities. For example, large urban regions tend to provide greater job opportunities, and some regions may offer better opportunities for either men or women, depending on their specialization (Klimova, 2012). Evidence from many developing countries confirms that residents living in cities or urbanizing areas have greater opportunities to choose nonfarm jobs, both wage-paying and in self-employment (Rigg, 2006; Tran, 2014). In addition, many studies find that firm agglomeration offers more job opportunities for local people (Duranton, 2012; Niu, Ding, & Knaap, 2015).

3. Data and methods

3.1. Data

The current study utilizes the unique data from the School-to-Work Transition Surveys 2015 (SWTS 2015) which were designed to be nationally representative of all young people (individuals aged between 15 and 29 years) in selected households. The SWTS required disaggregation by gender and by general geographic regions (rural/urban) and to the extent possible, aimed to provide reliable calculations of youth labour statistics, including stages of transition.

The sample used for the SWTS 2015 is a sub-sample of the Vietnam Household Living Standard Survey 2015 (VHLSS 2015), which in turn

¹ For greater detail, see <http://eng.pcvietnam.org/phuong-phap-c9.html>

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