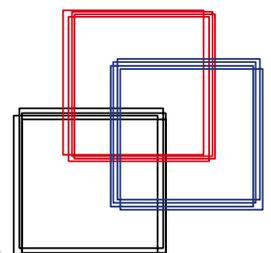




Do working conditions in young people's first jobs affect their employment trajectories? The case of Peru

Denice Caverro and Claudia Ruiz

January 2016



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Preface

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society. The global jobs crisis has exacerbated the vulnerability of young people in terms of: (i) higher unemployment, (ii) lower quality jobs for those who find work, (iii) greater labour market inequalities among different groups of young people, (iv) longer and more insecure school-to-work transitions, and (v) increased detachment from the labour market.

In June 2012, the International Labour Conference of the ILO resolved to take urgent action to tackle the unprecedented youth employment crisis through a multi-pronged approach geared towards pro-employment growth and decent job creation. The resolution “The youth employment crisis: A call for action” contains a set of conclusions that constitute a blueprint for shaping national strategies for youth employment.¹ It calls for increased coherence of policies and action on youth employment across the multilateral system. In parallel, the UN Secretary-General highlighted youth as one of the five generational imperatives to be addressed through the mobilization of all the human, financial and political resources available to the United Nations (UN). As part of this agenda, the UN has developed a System-wide Action Plan on Youth, with youth employment as one of the main priorities, to strengthen youth programmes across the UN system.

The ILO supports governments and social partners in designing and implementing integrated employment policy responses. As part of this work, the ILO seeks to enhance the capacity of national and local-level institutions to undertake evidence-based analysis that feeds social dialogue and the policy-making process. To assist member States in building a knowledge base on youth employment, the ILO has designed the “school-to-work transition survey” (SWTS). The current report uses the dataset of the SWTS implemented in Peru to explore how the characteristics of a young person’s first job affect the quality of job(s) later in life. The survey and analysis is a product of the “Work4Youth” (W4Y) partnership between the ILO and The MasterCard Foundation. The paper was selected for presentation at the first W4Y Global Research Symposium on “Labour market transitions of young women and men: Innovative research from 28 school-to-work transition surveys” held in Geneva in March 2015.

It is not an easy time to be a young person in the labour market today. The hope is that, with leadership from the UN system, with the commitment of governments, trade unions and employers’ organizations and through the active participation of donors such as The MasterCard Foundation, the international community can provide the effective assistance needed to help young women and men make a good start in the world of work. If we can get this right, it will positively affect young people’s professional and personal success in all future stages of life.

Azita Berar Awad
Director
Employment Policy Department

¹ The full text of the 2012 resolution “The youth employment crisis: A call for action” can be found on the ILO website at: www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm.

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In addition, the ILO would like to acknowledge the support of The MasterCard Foundation in allowing the research to move forward, under the scope of the Work4Youth partnership.

1. Introduction

Young people living in Peru today were born and raised during the 1980s and 1990s, decades characterized by social crisis, high inflation and volatile economic growth. However, their entry into the labour market has taken place during a recent period of high and stable economic growth. Peru is one of the countries in Latin America with the highest annual average growth rates over the past decade (6 per cent between 2001 and 2010). This strong growth allowed per capita gross domestic product (GDP) to recover to the levels experienced at the beginning of the 1980s and some improvements in labour market indicators to be achieved, such as an unemployment rate of 4 per cent in 2013.

Despite this recent socio-economic development, the establishment of effective policies to promote decent school-to-work transitions for young people still presents a major challenge to policy-makers. In fact, the labour market indicators of young Peruvians aged between 15 and 29 are significantly worse than those of adults. The unemployment rate for young people is four times the adult rate and the employment-to-population ratio is lower for youth than for adults. Despite the fact that most young people are employees in private firms, according to data from the school-to-work transition survey (SWTS), around 75 per cent of them are employed on an informal basis. Informal employment impacts most severely those people with low levels of education, the youngest group (15–19-year-olds) of workers in micro-enterprises, own-account workers and domestic workers. Information regarding contracts, benefits, wages, training, hours worked or union affiliation shows that finding a decent job has become a challenge for the youth in Peru, thus making them a disadvantaged group in the labour market.

Factors affecting the school-to-work transition are a relevant topic of research. Young people constitute a group that faces major obstacles when starting their employment trajectories, in particular due to their lack of experience and, in many cases, incomplete education. Analysis of the SWTS implemented in Peru in 2013 show that youth are more likely to start working in precarious labour conditions (jobs with wages below the legal minimum wage, poor working conditions, lack of social benefits, limited skills development possibilities and no union representation, among other characteristics). As a consequence, they are more likely to miss future labour market opportunities of obtaining decent jobs. The impact of precarious labour conditions in the first job on the quality of future employment opportunities has not yet been studied in any depth due to data limitations and lack of information regarding employment history, among other reasons. Using information from the SWTS, this report addresses issues in the quality of the first job and its relationship to the wider working conditions of Peruvian urban young people.

The objectives of this report are twofold. First, we aim to explore youth employment history. In particular, we focus on the characteristics of the first job of Peruvian urban youth between 15 and 29 years old (taking into consideration age at first job, first occupation, whether or not there was a written contract and job satisfaction). Then, as our second objective, we study how these first job characteristics affect the quality of other jobs that young people can find later in life.

For the first objective, we analysed the survey module concerning employment history from the SWTS. We found that almost half of surveyed urban young people between 15 and 29 years old had no labour experience at all. Also, among the group of young people with at least one labour market experience, two out of three reported that they had never signed a contract in any previous job. With regard to the first job, this usually starts at the age of 19 and, in most

cases, lacks a written contract. This provides evidence of the precarious working conditions and low-quality jobs that young people encounter, especially as their first job.

For the second objective, we initially explored the relationship between first job working conditions and current working conditions and then we estimated a Heckman probit model in order to test this correlation by controlling for individual socio-economic characteristics and by correcting sample selection bias. We observed that young people who had a high-quality first job were better off than those who had a low-quality first job, indicating that young people's employment trajectory is affected by the quality of the first job.

The promotion of decent labour conditions is a relevant topic for policy intervention, particularly in the current context of demand for more decent jobs for young people. Some strategies have been implemented in Peru to promote high-quality first jobs, such as skills training programmes, workplace training and internships, subsidized employment policies and reforms of labour market regulations. Most of these policies still lack any kind of formal evaluation to show which are more effective than others in helping young people to accumulate working experience and knowledge that will allow them to increase their employability and find decent first jobs.

A decent job will allow young citizens to improve their living conditions and actively participate in society, as well as enabling them to contribute to the economic development of the country. To implement policies aimed at achieving decent work for youth, governments should consider the promotion of a decent school-to-work transition, in recognition of the fact that entry into the labour market is neither swift nor easy for young people.

2. Conceptual framework and literature review

2.1 Considering the concept of quality of employment

In 2000, world leaders committed to helping to achieve a set of eight goals, to be reached by 2015: the Millennium Development Goals (MDG). The first goal, MDG 1, “to eradicate extreme poverty and hunger”, included as a target “to achieve full and productive employment and decent work for all, including women and youth”. As the MDG deadline passes, the implementation of policies to promote decent work, including for young people, is still a critical topic within the SDG agenda. The global economic crisis has increased youth unemployment throughout the world. Even when young people are able to find jobs, a significant number of them may face precarious conditions and earn low wages.²

The issue is also a priority for the International Labour Organization (ILO). In its 101st International Labour Conference, the ILO adopted a Resolution to call for “immediate, targeted and renewed action to tackle the youth employment crisis”. The first conclusion of this Conference was that “there are not enough jobs for young people. Millions are also not transitioning into decent work and are at risk of social exclusion”.

According to the ILO, “decent work” is a concept that not only involves productive working conditions with fair pay, safety benefits at work and social protection for workers and

² See http://issuu.com/undp/docs/final_report_growth_employment_post [10 Sep. 2015].

their families; it also includes better prospects for personal and social development, freedom to express their concerns and freedom to organize and participate in decisions that may affect their future.³ In addition, decent work also promotes equality of opportunity for all women and men (ILO, 2014a).

It is noteworthy that the measurement of quality of employment (as a proxy of decent work) is a topic much discussed in the literature, as it requires a wide framework. On this subject, among the authors that studied this concept, Weller and Roethlisberger (2011) proposed six measurable criteria to apply to the concept of quality of employment, including the following:

- income (monetary and non-monetary benefits);
- duration (type of contract and type of payment);
- social protection (health, maternity, disability and unemployment protection);
- work organization (workday duration, work intensity, occupational hazards, physical and social environment at work); and
- personal development (training received).

For the Peruvian case, Lavado and Martinez (2014) proposed an indicator of an “adequate job” for employees based on the following criteria:

- (1) it provides adequate remuneration: income above the minimum legal wage set at 750 Soles (S/.);⁴
- (2) it is carried out under a formal contract of employment with access to a system of health benefits (social insurance);
- (3) it is undertaken with a written agreement or contract.

The advantage of this approach is that it permits the use of available data using observable characteristics gathered through labour force or household surveys; however, it focuses solely on employees and excludes self-employed workers.

Gamero (2012) proposed a measure of quality of employment for the Peruvian context based on similar indicators. The interesting aspect of this classification is that Gamero (2012) introduces the criterion of taking into account the differences between two groups of workers: employees (wage and salaried workers in firms and households) and self-employed (employers and own-account workers).

Quality of employment in the case of employees requires the following criteria to be identified: the type of contract, the income received, the workday duration, social security contributions and affiliation to a pension system. Additionally, to measure the quality of employment for self-employed workers, it is necessary to consider the characteristics of the

³ See <http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm> [10 Sep. 2015].

⁴ According to the Banco Central de Reserva del Perú (2014).

productive units they own; for example, the record of activities held by the Tax Collection Agency instead of information regarding type of contract, since a self-employed worker does not depend on any contract to operate. These indicators are summarized in table 2.1.

Table 2.1 Key indicators to measure quality of employment

Indicator	Employees	Self-employed
1	Type of contract	Record of activity (RUC, RUS, etc.)
2	Income	Income
3	Workday duration	Workday duration
4	Social security	Social security
5	Pension system	Pension system

Source: Authors' elaboration based on Gamero (2012).

Notes: RUC (Registro único del contribuyente, Unique taxpayer number) is an identification number for taxpayers. RUS (Régimen Único Simplificado, Simplified regime) is a simplified regimen for own-account workers. Registration – or lack of registration – under any of these systems at the Tax Collection Agency (SUNAT) indicates a criterion for formality.

Measuring the quality of job for self-employment still presents a challenge. There are studies (Garcia, 2002; Marrul, 2010) that suggest a list of indicators such as: access to credit, training and use of appropriate technologies, asset availability and access to market information. However, these indicators have been criticized due to the fact that they relate to the conditions required for entrepreneurship, rather than to working conditions. Another way to proxy the concept of quality of employment is to use the informal employment definition. It applies to all employment statuses, combining the characteristics of the production unit and the characteristics of the job. The informal characteristics are closely related to quality of employment since informal jobs are exposed to:

- conditions of inadequate and insecure work;
- low skill requirements and scarce training opportunities;
- uncertain and lower incomes than in the formal economy;
- longer working hours;
- a lack of collective bargaining rights or representation;
- ambiguous or disguised employment status;
- a lack of social security schemes.

According to the International Labour Office (ILO, 2013), informal employment includes all those labour relations that lack protection standards – established either by fact or by law. It is important to mention, however, that informal employment is also difficult to measure. The 17th International Conference on Labour Statistics (ICLS) provided guidelines to measure informality, focusing on both production unit characteristics and job characteristics.⁵

⁵ The 15th ICLS defined “employment in the informal sector of the economy” (enterprise approach) but this definition did not consider precarious jobs that exist within the formal sector of the economy. The 17th ICLS defined “informal employment” based on jobs characteristics (labour approach).

Production units are classified as informal sector enterprises, formal sector enterprises or households (ILO, 2013):

- The informal sector includes a subset of “household unincorporated enterprises” with at least some level of market production.⁶ Statistically, it includes informal own-account enterprises (not registered with the tax authority, commercial authority or other authority specified by legislation) and enterprises of informal employers (enterprises of small size, not registered with the authorities and with unregistered employees).
- The formal sector of the economy includes corporations (including quasi-corporate enterprises), non-profit institutions, unincorporated enterprises owned by government units and those private unincorporated enterprises producing goods or services for sale or barter that do not form part of the informal sector.
- Households classified as production units are those that produce goods exclusively for their own final use as well as households employing paid domestic workers. Households producing unpaid domestic or personal services for their own final consumption are excluded.

According to the 17th ICLS, jobs are distinguished according to status-in-employment categories. Those that meet the following characteristics are considered to be informal:

- Own-account workers and employers have informal jobs if they work at their own informal sector enterprises.
- Employees have informal jobs if these lack social protection, income taxation, legal protection or have other characteristics that indicate that the job does not comply with labour legislation. They can hold informal jobs whether employed by formal sector enterprises, by informal sector enterprises or by households as domestic workers.
- Contributing family workers are all classified as informal employees, irrespective of the type of production unit.

In addition, we consider that using the informality rate as a proxy for quality of employment is relevant in the Peruvian context, since the Peruvian labour market is highly informal.⁷ According to official country data, in the year 2013 almost 70 per cent of the labour force in non-agricultural activities was informal (ILO, 2014a).

Finally, as highlighted by the literature, the quality of a job can also be measured by using subjective criteria. Following Weller and Roethlisberger (2011) and Lora (2008), individuals’ satisfaction with the work they carry out can be equated with people’s welfare at work and, in turn, their life expectations. However, job satisfaction is still a difficult variable to measure, due to its subjective nature.

⁶ A household unincorporated enterprise is a production unit that is not constituted as a separate legal entity independent of the household member or members who own it. It has no complete set of accounts that would provide a means of identifying flows of income and capital between the enterprise and the owner(s). Household unincorporated enterprises include unincorporated enterprises owned and operated by individual household members or by several members of the same household, as well as unincorporated partnerships formed by members of different households that do not maintain a complete set of accounts (ILO, 2013, p. 16).

⁷ See section 3.

With the available data from the SWTS, we explore the quality of employment in section 3 by using information on wages, hours worked, social benefit, contracts' characteristics, informality, union affiliation and satisfaction with job. In section 4 we examine the effect of the quality of the first job on later working conditions. For our empirical estimation we considered two different measures of job quality:

- *For the first employment:* To characterize a low-quality or high-quality job, we use the existence or lack of a written contract, as the data prevent more detailed information being captured from employment records.
- *For current employment:* To characterize a low-quality or high-quality current job, we use the concept of informal employment that applies to all statuses of employment.⁸

Finally, as pointed out by the literature, we also acknowledge the fact that a job quality definition and measurement should also incorporate indicators for better prospects for personal and social development, freedom to express concerns and freedom to organize and participate in decisions that may affect the future of young workers. However, due to data limitations, these aspects are beyond the scope of the present study.

2.2 Factors affecting quality of employment: Evidence from literature

School-to-work transition is understood to be the transit between the end of the educational stage (secondary, post-secondary or tertiary; complete or incomplete) and the stage where the young person finds a decent and stable job. Most of the literature about school-to-work transitions has documented how difficult and prolonged these transitions can be if a young person does not meet the labour market requirements. According to the literature, young people usually start their transition at the age of 15 (or, in some cases, even earlier) and this transition can be facilitated by combining work and education.⁹

The literature on school-to-work transitions has documented the disadvantaged position of young people in comparison to adults when they make the decision to participate in the labour market because of their lack of labour market experience or qualifications, and how some are being discouraged from pursuing formal or decent jobs. Lack of work experience is considered to be one of the determinants for the inferior initial working conditions of youth when starting in the labour market in comparison to adults. First jobs for young people are usually temporary, of short duration and do not have the quality of a decent job (lacking social security provisions or a formal contractual arrangement).

The relationship between a starting point in employment and later labour opportunities for youth has not yet been properly studied in Peru. This topic is crucial because the way in which school-to-work transition occurs may significantly affect the rest of an individual's working life, with wider knock-on effects on socio-economic conditions. There is evidence by Cruces et al. (2012) that starting to work within the informal economy could perpetuate low productivity and low incomes for the rest of a person's working life. Additionally, Verd and Lopez-Andreu

⁸ We replicate ILO (2014a) methodology to measure informal employment according to the 17th ICLS guidelines.

⁹ See Chacaltana (2012).

(2012) discuss the existence of negative impacts from unstable jobs on labour trajectories in Spain and Fuller (2011) provides evidence about the existence of certain patterns within labour trajectories determined by type of occupation in Canada.

This disadvantaged situation can be further exacerbated when a young person has started to work at an early age, having reduced the time available to them to complete even elementary schooling. Based on the human capital theory developed by Becker (1965), **education** is a necessary asset to secure higher productive capacity and greater control over future labour market opportunities. In accordance with this theory, working at an early age can reduce the capacity and time for human capital accumulation, which in turn may foster social vulnerability and social exclusion in the future, permanently undermining personal and productive potential. As Tostes (2010) showed, Peruvian urban young people who started to work during childhood received, on average, less income, compared to the group that started to work after the legal age (14 years old). Moreover, those who began to work during childhood remained in less skilled jobs.

Another factor concerning the school-to-work transition is the **training** opportunities open to youth. On this subject, Lavado and Martinez (2014) found evidence, using data from the SWTS, that young Peruvians who received job training are four times more likely to obtain an “adequate job” in terms of pay, satisfactory contracts and health insurance.

Regarding **gender**, Peruvian labour market studies point to the fact that youth labour opportunities differ markedly between women and men. In general, young women face more disadvantages in connecting to labour markets due to household chores and family responsibilities at all ages. This issue might be most critical during the early years of youth because it interferes with basic education. Additionally, the literature documented gender discrimination and segregation in Latin American markets (Maurizio, 2010).

Finally, following Lavado and Martinez (2014), other factors that might affect the school-to-work transitions are:

- (1) difficulties concerning certification, and
- (2) lack of information about employment opportunities.

The first restriction refers to the difficulties involved in proving a young jobseeker’s acquired skills to a potential employer if the previous employer did not provide any certification or if the contract duration was too short (which is mainly the case within informal markets), a situation which is more likely if the young person was employed in a low-quality job without any written contract. Therefore, a precarious job may sometimes not be valid for providing accreditation of working experience relevant to a future job search, therefore affecting future job trajectories of youth.

The other restriction mentioned is the lack of access to information regarding job opportunities. Lavado and Martinez (2014) shows that young people mainly rely on informal channels to connect to labour markets (through family recommendations as opposed to making formal job applications).

3. Stylized facts about Peruvian urban youth

3.1 A decade of growth in Peru

Young people currently living in Peru were born and raised during the 1980s and 1990s, decades characterized by social crisis, high inflation and volatile economic growth. However, their labour market entry has taken place during a recent period of high and stable economic growth with an annual average growth rate of 6 per cent between 2001 and 2010. During this remarkable growth period, labour market indicators have improved. Since 2002, the unemployment rate has decreased from 6 per cent to 4 per cent at the national level and from 8 per cent to 5 per cent in urban areas. Social improvements have also been observed. Ten years ago, the percentage of people living in poverty stood at 59 per cent. At the end 2013, this figure had fallen to 24 per cent. There have also been improvements – albeit modest – in terms of the distribution of income during the same period: the GINI index reduced from 48.7 to 45.3.

However, the recent socio-economic developments in Peru have not succeeded in tackling one of the main issues of the labour market. Peru is still among the countries with the highest rate of informal employment in Latin America, with two out of every three workers in informal employment. So, to find formal jobs has become a huge challenge for the Peruvian labour force, in particular for vulnerable groups such as young people, women and people with low levels of education.

3.2 Overview of Peruvian population and labour market during 2013

According to the National Institute of Statistics and Informatics, in 2013 there were around 30.5 million people living in Peru. Some 8.3 million were young people aged between 15 and 29 years old (27 per cent of the population) and four out of five lived in urban areas – the sample covered by the SWTS. Regarding the labour market, more than 16 million people were part of the labour force (employed and unemployed people). Of these, 5.2 million were young people between 15 and 29 years old: 4.8 million were employed and 400,000 were unemployed. A total of 2.7 million youth were outside the labour force (not employed and not looking for work).

Table 3.1 Labour market indicators by age group, 2013 (%)

	Urban		Rural		Total	
	Youth (15–29)	Adult (30+)	Youth (15–29)	Adult (30+)	Youth (15–29)	Adult (30+)
Participation rate	64	78	70	88	65	80
Employment-to-population ratio	58	75	68	88	60	78
Unemployment rate	9	3	3	1	8	2

Source: Authors' calculations based on the National Household Survey (known as ENAHO).

When comparing the labour market indicators of youth and adults, we observe significant differences (see table 3.1). First, labour force participation rates for youth are considerably lower than those for adults (65 per cent and 80 per cent, respectively). Additionally, the employment-to-population ratio is lower for young people compared to adults (60 per cent and 78 per cent, respectively).

This does not necessarily signify a disadvantage for young people. Usually, young people are non-participants in the labour market because they are full-time students. When they do participate later in life they are then hopefully prepared to engage in productive employment. However, there is also a percentage of youth who are neither studying nor participating in the labour market because they feel discouraged and prefer not to look for jobs, as will be analysed later in this section.

Finally, the unemployment rate for young people is four times the rate for adults. These rates were, respectively, 8 per cent and 2 per cent in 2013.¹⁰ While unemployment rates are relatively low in Peru in comparison to other countries, it should be pointed out that young people face multiple challenges concerning their education and their employment conditions, which are analysed in the following sections. Additionally, for those who are employed there is an issue relating to the quality of the jobs they can obtain.

3.3 Education and employment status

Using the SWTS data, we examine urban young people's employment and enrolment in education status. These data focus on young people between the ages of 15 and 29 living in urban areas during the period 2012–2013.¹¹ According to the SWTS, there are around 7 million young people in urban areas (see table 3.2). Among them, 54 per cent were employed, 6 per cent were unemployed and 40 per cent were inactive (not part of the labour force). If we disaggregate the employment status by enrolment status in education, we can gain a more complete overview of the issues affecting young people. A significant percentage of young people were employed while enrolled in education (17 per cent).

Additionally, we observe that 25 per cent of the 40 per cent of inactive people were not participating in the labour market but were enrolled in education, which is not a disadvantageous situation. However, we still observe that the remaining 15 per cent of inactive people were youth who were not enrolled in education and were inactive at the same time (not even looking for a job). These percentages are heterogeneous if we disaggregate them by sex. As expected, this percentage is higher for young women (22 per cent) than for young men (7 per cent) as women traditionally dedicate more time to household activities outside the labour market.

The disaggregation by age groups shows that inactivity represents the largest share of employment status for the youngest group aged 15–19 (61 per cent) and that this share decreases for the 20–24 and 25–29 cohorts (30 per cent and 20 per cent, respectively). In contrast, the share of employed youth is smaller for the youngest group compared to the oldest one (34 per cent and 76 per cent, respectively). The fact that inactivity is more common among the youngest group confirms the fact that most of them are supposed to be enrolled in secondary education until they are 17 years old. As can be observed, 66 per cent of youth in this age group were enrolled in education, in contrast to the 18 per cent of enrolled youth among the oldest group, who would normally have completed their studies. Being inactive is not a problem in itself if people are enrolled in education. However, across all the age groups there is a significant percentage of inactive and not enrolled in education (between 12 per cent and 16 per cent).

¹⁰ The unemployment rate is the percentage of unemployed people over total labour force.

¹¹ Specific technical details on the survey are given in section 4.

Table 3.2 Enrolment and employment status of urban youth, 15 to 29 years old¹² (%)

	Employed	Unemployed	Inactive	Total
All youth (thousands)	3 777	447	2 764	6 988
Not enrolled	37	3	15	55
Enrolled	17	3	25	45
Total	54	6	40	100
Men (thousands)	2,107	207	1 137	3 451
Not enrolled	42	3	7	52
Enrolled	19	3	26	48
Total	61	6	33	100
Women (thousands)	1 670	240	1 627	3 537
Not enrolled	33	4	22	59
Enrolled	14	3	24	41
Total	47	7	46	100
15–19-year-olds (thousands)	928	139	1 689	2 756
Not enrolled	16	2	16	34
Enrolled	18	3	45	66
Total	34	5	61	100
20–24-year-olds (thousands)	1 431	219	707	2 357
Not enrolled	43	5	12	60
Enrolled	18	4	18	40
Total	61	9	30	100
25–29-year-olds	1 418	88	369	1 875
Not enrolled	63	4	16	82
Enrolled	13	1	4	18
Total	76	5	20	100

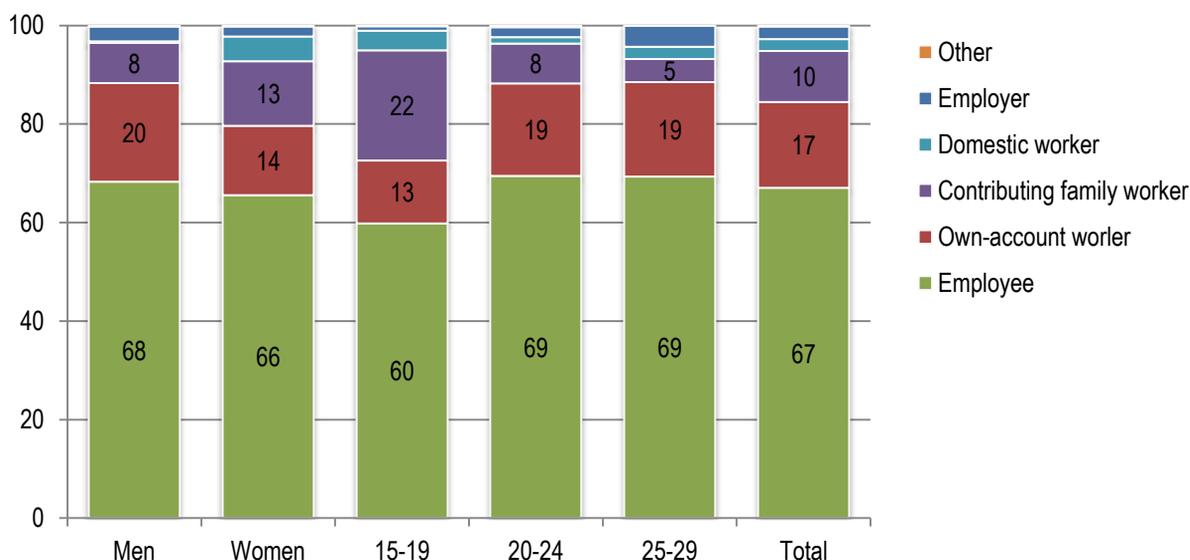
Source: Authors' calculations based on SWTS data.

In terms of educational level, there are two main groups of young people: those who are enrolled in education (45 per cent) and those who are no longer enrolled (55 per cent).¹³ These percentages differ by sex: almost half of men were enrolled in education (48.6 per cent) while only 41 per cent of women were in the same situation. These differences are more marked when each age group is considered separately: two out of three youth aged between 15 and 19 years old were enrolled in education while only one out of five was studying in the oldest group (18 per cent), as might be expected. Most people who were enrolled in education at the time of the survey were studying at the tertiary level – except for the group of 15–19-year-olds – and continuing to gain more years of education, while most people who were not studying only achieved the secondary level. A small percentage of youth not enrolled in education achieved the tertiary level and youth with postgraduate qualifications represents an even smaller percentage. As educational level is an important determinant of labour market trajectory, a large group of youth may face challenges in securing a smooth transition.

¹² Data from the National Household Survey 2013 differ slightly from the SWTS due to sampling.

¹³ Ferrer Guevara (2014) describes in more detail the information related to enrolment and employment characteristics.

Figure 3.1 Youth employment by occupational category 2012–13 (%)



Source: Authors' calculations based on SWTS data.

Regarding the characteristics of the employed youth population in urban Peru, two out of every three young workers are employees in private or public firms with similar percentages for men and for women (68 per cent and 66 per cent, respectively) (see figure 1). We observe that the middle age group (20–24) also has a higher percentage of employees in firms than the oldest group (at 70 per cent and 69 per cent, respectively). The total percentage of young own-account workers is still very low (at only 17 per cent). It is interesting to note how the percentage of self-employment (own-account workers and employers) increases with age. Apparently, people start their labour market trajectories in a dependent job relation, as employees in firms, but they transit to self-employment as they grow older.

The occupational categories with higher probabilities of being precarious still account for a significant percentage of young workers: 10 per cent are contributing family workers, 2 per cent are domestic workers (employees in households) and a small number belong to other categories of workers (for example, interns). In particular, there is a significant percentage of contributing family workers among the youngest workers (22 per cent) and the women (13 per cent). Another important factor is that the percentage of domestic workers is higher among women than among men (5 per cent and less than 1 per cent, respectively). As we will explore in the next section, working for a formal registered enterprise does not necessarily imply that the job obtained is a formal one.

3.4 Urban young workers: Working conditions

Despite its significant economic growth, Peru is one of the countries with the highest rate of informality in Latin America (ILO, 2014a). During the recent decade of growth, attention switched from the creation of jobs to a concern about the quality of the jobs created. Informal employment has therefore become one of the most important issues in the Peruvian labour market. Several measurements of informal employment point to the fact that there has been a reduction in this indicator; however, this improvement has been small in comparison to those observed for social and labour indicators. According to ILO (2014a), non-agricultural informal

employment fell in Peru from 70 per cent in 2009 to 64 per cent in 2013.¹⁴ For young people aged 15 to 24 years old these rates were even higher but an improvement was also observed for this group: from 86 per cent to 82 per cent over the same period. The National Institute of Statistics and Informatics (2013) estimated a reduction from 77 per cent to 74 per cent during the same period for total informal employment (including the agriculture sector).¹⁵

Using data from the SWTS,¹⁶ our estimates show that around three out of every four young workers have informal employments in urban areas, with similar percentages for men and women (table 3.3). Men have a larger share than women of total informal employment but this is true because they also represent the majority of the total workers in the survey. Differences are more marked when considering different age groups separately. It is apparent that the younger the person, the more likely they are to be an informal worker. Among the youngest group, almost 90 per cent of worker were in informal employments. For the oldest group, this percentage is lower but still very high (at 69 per cent). Disaggregation by occupational category also reveals that employees in firms are relatively less likely to be engaged as informal workers (65 per cent), especially in large firms (48 per cent), while the categories of self-employment (employers and own-account workers) are highly informal. Also, the survey did not capture any formal domestic workers (employees in households). All contributing family workers are considered to be informal regardless of the characteristics of the family firm.¹⁷

Table 3.3 Informal employment rates and composition 2012–13 (%)

	Informal employment	Composition		Informal employment	Composition
Total	76	100	Age group		
			15–19	90	29
Sex			20–24	73	37
Men	75	55	25–29	69	34
Women	76	45	Educational level		
Occupational category			Pre-primary/no education	91	1
Employer	88	3	Primary education	90	4
Own-account worker	99	23	Secondary	84	45
Employee	65	57	Post-secondary	70	28
<i>Less than 10 workers</i>	89	31	Tertiary	68	22
<i>10 or more workers</i>	48	26	Training during last year		
Domestic worker	100	3	No	83	89
Contributing family worker	100	14	Yes	44	11

Source: Authors' calculations based on SWTS data.

¹⁴ Non-agricultural informal employment data can be a proxy variable for urban informal employment. However, the match is not fully accurate due to the existence of agricultural activities in urban areas.

¹⁵ See National Institute of Statistics and Informatics (2013).

¹⁶ Our calculations follow the recommendations of the 17th ICLS on measuring informal employment. ILO includes only non-agricultural employment, while we consider all sectors in urban areas.

¹⁷ By definition, contributing family workers are all classified as informal.

Employees in firms with fewer than ten workers represent the single largest share in informal employment (31 per cent). The second largest is constituted by employees in larger firms (26 per cent). These two also represent the largest shares of total employment. This result differs from estimates that include all age groups in Peru (ILO, 2014a). According to data from ILO (2014a), the three occupational categories with higher rates of informal employment (own-account workers, employees in firms with fewer than ten workers and contributing family workers) represented 80 per cent of total informal employment for the year 2013. According to our estimates, the two categories of employees in firms and own-account workers alone already represent 80 per cent of total informal employment.

The educational level is negatively correlated with the probability of having an informal job. We observe that, among the group of young people with no education or with a maximum of pre-primary level of education, 91 per cent have informal jobs. This percentage decreases as the level of education rises. So youth with post-secondary (technical) education and tertiary education represent the group with the lowest informal employment rates (70 per cent). However, these rates are still high. Workers who only achieved secondary level education represent around 45 per cent of total informal workers.

Finally, the group of workers with recent training (during the past 12 months) shows a lower percentage of informal employment than the group of non-trained workers: only 44 per cent of the group with training is in informal employment. Among the group of non-trained workers, the percentage of informal employment stands at 83 per cent. The data does not allow any differentiation between those workers who were trained by their current employers and those who received their training before finding their current jobs. Other dimensions of working conditions can be explored with the SWTS. Information concerning characteristics of contracts, benefits at work, wages, training, union affiliation, hours worked and job satisfaction is available, particularly for employees (in firms and households) because of the existence of a dependent relationship between employer and employee. This information is valuable for providing a greater insight into young people's working conditions.¹⁸

Concerning **contracts**, table 3.4 shows that only 42 per cent of young workers had a written contract: 27 per cent a fixed-term contract of less than one year's duration, 8 per cent a fixed term contract with a duration longer than one year, and 7 per cent a contract with indefinite duration. The rest worked under oral agreement or had no contract at all. For domestic workers, almost all of them worked without signing a contract. Among informal workers, only 3 per cent of them had a written contract with indefinite duration and more than 80 per cent had no written contract of any kind. Even among the group of formal workers, most had signed contracts of less than 12 months' duration (57 per cent) and 11 per cent had not signed a contract.

¹⁸ The SWTS also contains a questionnaire for the self-employed, concerning reasons for choosing this type of work, challenges they face and their enterprises' characteristics. It is beyond the scope of this report to explore this group in detail. For more information see Ferrer Guevara (2014), section 3.7.5.

Table 3.4 Working conditions for young employees 2012–13 (%)

	Men	Women	Total	Domestic worker	Formal	Informal	Total
Total (thousand)	1 446	1 178	2 533	91	897	1 728	2 625
Contract							
No written contract	59	57	57	98	11	82	58
Written contract	41	43	44	2	89	18	42
Non-fixed term	7	8	7	0	16	3	7
Fixed term	34	36	36	2	73	15	35
Less than 12 months	28	26	28	2	57	12	27
12 months or more	6	9	8	0	16	3	8
Benefits							
Food	32	33	31	80	30	33	32
Extra hours payment	35	29	33	15	57	19	32
ESSALUD*	32	32	33	0	94	0	32
Paid annual leave	28	28	28	14	67	7	28
Occupational safety	33	20	28	2	54	13	27
Sick leave	28	26	27	8	64	7	27
Productivity bonus	21	21	22	3	42	10	21
Transport	22	19	21	29	30	16	21
Training	20	19	20	0	44	7	18
Old age benefit	20	17	19	7	50	2	18
Maternity leave	15	23	19	0	49	2	18
Unfair dismissal compensation	19	16	18	7	47	2	18
Private health insurance	14	7	11	0	32	0	11
Other	4	2	3	2	5	2	3
Child care	2	2	2	0	5	1	2
<i>Mean of total benefits</i>	3	3	3	2	7	1	3
Wage over minimum (S/. 750)	76	58	68	0	87	58	68
<i>Mean wage</i>	1 224	813	1 060	585	1 310	917	1 042

Source: Authors' calculations based on SWTS data.

Note: * ESSALUD is the public social security system for workers in Peru.

Among the **benefits** that employees receive through their jobs, the most common are food or extra payments for food (32 per cent, especially for domestic workers in households), extra hours payments (32 per cent), affiliation to the social security system – ESSALUD – (32 per cent), paid annual leave (28 per cent), occupational safety (27 per cent) and sick leave (27 per cent). Around one in five workers receive an old age pension benefit or training and one in ten benefits from private health insurance paid by their employees. On average, employees receive three benefits, which differ depending on whether they are formal (seven benefits) or informal (one benefit) workers. In the case of formal workers, the most common benefits are ESSALUD affiliation, paid annual leave, sick leave and extra hours payments. It is worth mentioning the heterogeneity of informal employment in Peru and the fact that even some informal workers have access to specific benefits – with the exception of health insurance as we have defined this indicator – such as extra payments for food and transport, and extra hours payments; this package of benefits is characteristic of jobs associated with the informal sector of the economy (for example, jobs related to the services sector).

Regarding **net income**, 68 per cent of employees earn wages over the legal minimum wage (S/. 750) and the average monthly wage is S/. 1,042.¹⁹ A gap of S/. 400 is observed between formal and informal workers, and between employees in firms and domestic workers (S/. 1,060 and S/. 585). The survey did not include any domestic worker who earned more than a minimum wage.

Hours of work is another indicator of the quality of a job. Legislation specifies no more than eight hours of work per day (no more than 48 hours per week). We have observed that young people do not exceed this number of hours per week and that differences are not as large as expected (even for domestic workers). On average, young people work 45 hours per week and only informal workers work less than 39. When people were asked if they would like to work more hours per week, almost half of the sample indicated that they would not, with small differences between categories.

Almost nine out ten workers are **satisfied with their current job**. The survey does not allow analysis of whether people are satisfied with the wage, the benefits or simply with the opportunity to have a job. These percentages are even high for domestic workers (63 per cent) and informal workers (85 per cent) despite the lack of benefits and the low wages. Despite the high level of satisfaction, 61 per cent of them **would like to change their employment situation**. The main reason given for wanting to do so is to find a job with a higher hourly remuneration. An additional reason is to look for better working conditions.

The young workers' **perception of the future** gives an insight into individuals' perception of the stability of their jobs. Some 48 per cent of young people think it is very likely that they will keep their jobs throughout the following 12 months. The perception is more pessimistic among informal young workers and particularly among domestic workers.

Finally, we observe that the percentage of young people who are **union members** is quite low, even for formal workers (at only 4 per cent). On average, only 3 per cent of young workers are affiliated. The main reason given by workers for not being part of a union is a basic lack of information on accessing union membership (40 per cent).

3.5 Employment history and first job working conditions

The relationship between first job conditions and job trajectories for young people is a topic that has not yet been properly addressed for the Peruvian labour market due to data limitations. Household surveys in Peru usually lack questions regarding employment history or first job characteristics.²⁰ The SWTS is one of the few databases that has gathered such

¹⁹ Approximately US\$ 336.

²⁰ To analyse this topic it is possible to use two sources of information. The first is the Household Survey Panel Data (2001–05 and 2007–12) although the data sets cover only five years rather than being a complete record of activities for people. The second source is a Youth Survey (ENJUV) for the year 2009, which was carried out in four cities of Peru. This survey contains information regarding first job characteristics, although it does not cover the whole employment history for young people.

information. The SWTS therefore makes it possible to obtain information for a subsample of the surveyed youth concerning their past activities covering the following areas:²¹

- if they ever worked as employees, own-account workers, contributing family workers or were interns (i.e. in employment);
- if they were unemployed (and actively looking for a job);
- if they were enrolled in a training programme;
- if they were carrying out domestic activities outside the labour market;
- if they were inactive.

For the purposes of this report, we focus on employment prior to the activities being carried out at the time of the survey by young people and, in particular, on first job characteristics which might determine future job characteristics.

The available data highlight the fact that most young people have only limited labour market experience, measured by the number of jobs. Almost half of the subsample reported that they had no labour market experience at all (45 per cent), 26 per cent reported that they had only had one job in the past, 24 per cent between two and four jobs and only 5 per cent five jobs or more (table 3.5). When data is disaggregated by sex, it shows that men have less labour market experience than women (47 per cent and 43 per cent without any previous job). Disaggregating by age group, the 15–19-year-olds have less experience than the 20–24 and 25–29-year-old groups (71 per cent, 42 per cent and 32 per cent respectively have no job experience), as might be expected. Among the youngest group, 21 per cent had had at least one job while in the oldest group, 30 per cent had already had one job experience and another 30 per cent had had between two and four jobs. For young people who were employed at the time of the survey, 39 per cent had no experience in contrast to 57 per cent of the group of non-employed people (unemployed or inactive youth). The percentage of people with no labour experience who are currently not employed is larger than the group of people with no labour experience who are currently employed, suggesting that young people with labour experience are more likely to be employed.

Regarding the quality of these former jobs, available data are scarce. One option is to use the type of contract under which the young worker was employed to determine whether they had a **low-quality or a high-quality job**. The difficulty lies in the fact that own-account workers and contributing family workers have no contracts due to the nature of their occupations (table 3.5).²²

²¹ The subsample only includes people who were not enrolled at educational institutions at the time of the survey because they already completed their education or because they had left education before completion.

²² Although a contributing family worker clearly has a “low-quality job”, it is harder to make an assessment of job quality for own-account workers and employers as we lack information on their production units (for example, whether their business was registered or the size of their enterprise). Because of the lack of an indicator of the quality of their jobs for this group and the high probability that these former jobs as self-employed were “low-quality” jobs, we classify them in the group of “workers with no written contract”.

Table 3.5 Total number of previous jobs, previous jobs with written contracts and duration of contracts (2012–13) (%)

	Sex		Age groups			Currently employed		Total
	Men	Women	15–19	20–24	25–29	No	Yes	
Previous jobs								
None	47	43	71	42	32	57	39	45
1 job	22	30	21	26	30	25	27	26
2–4 jobs	25	23	7	28	30	16	28	24
5 or more jobs	6	4	1	4	9	3	6	5
Percentage of previous jobs with written contracts								
None	58	67	81	64	58	71	60	63
1 contract	24	24	17	24	26	19	26	24
2 contracts	10	7	1	8	9	5	9	8
3 or more contracts	8	3	1	5	6	5	5	5
Written contracts by duration								
Only fixed term contracts	93	88	94	91	90	83	92	90
Fixed and non-fixed term contracts	7	12	6	9	10	17	8	10

Source: Authors' calculations based on SWTS data.

Note: it includes paid employees, own-account workers, contributing family workers and interns.

Among young people who had one or more previous jobs, almost two-thirds they had never signed a contract for these jobs. Instead, they worked under an oral agreement or without any kind of agreement. Some 24 per cent reported that they had signed at least one written contract and the remaining 13 per cent had had two written contracts or more over the course of their employment history. The percentage of young workers with no contract in their previous jobs is larger among young women (67 per cent) in comparison to young men (58 per cent). This unequal situation is also observed when disaggregating by age groups, with the youngest having the greater probability of not having signed contracts in former jobs (81 per cent).

Among the group of people who signed at least one working contract, 90 per cent indicated that these were always fixed-term contracts, most of them for less than a year of work. Only one in ten had signed both kinds of contract (fixed and non-fixed term) in their former job experiences.

These data show the difficulties facing young people in stable finding jobs. We observe a pattern of slightly better working conditions for men and for the oldest group age (25–29-year-olds). This is evidence of how precarious labour market entry can be for those youth who do get jobs. With the available data, we can look in more detail at the characteristics of the first job for the group of people who already have experience in the labour market (table 3.6). One of the main factors concerning first jobs is that most of the people surveyed began their path into the labour market as employees (73 per cent), while a very low percentage started as own-account workers (12 per cent). Usually entrepreneurs are more common among adults, who have spent some years as employees and acquired experience. As a consequence, entrepreneurs represent a large percentage of the total workers in Peru.²³

²³ There are important differences between those entrepreneurs who decided to start their own business in a planned way and those who had no intention of starting a business but who were unable to find a dependent job.

Another important characteristic is the age at which people start to work. Some young workers started very young, when they were still children under 14 years old (7 per cent); this trend is particularly prevalent among women (9 per cent), who may have started working within households. There is an important group who entered the labour market between 15 and 17, still below the legal age (31 per cent). There are risks associated with starting work at a very early stage in life, as time that is supposed to be dedicated to study is interrupted, which may harm people's trajectories in the future.

The most common age to start working in Peru is 18 to 21 for both women and men (38 per cent), although a larger group of women start after the age of 22 than men (28 and 20 per cent, respectively). This factor is reflected in the mean age at first job: under 19 for men and 19 years old for women. Although women have, on average, more labour market experience (measured by the number of previous jobs), they start to work slightly later than men.

Finally, we analyse the quality of this first job experience, measured by two available indicators in the SWTS. A written signed contract can be used as a proxy of the job quality to establish whether the person was engaged in a job that provided them with stability (a high-quality first job) or in a low-quality first job. It is worth pointing out the limitations of using this indicator as it does not imply that the contract included benefits, such as paid health insurance or affiliation to a pension system, among others.

According to this indicator, only 24 per cent reported that they signed a contract in their first job. These percentages are similar for both men and women. It is therefore apparent that three out of four youth started their job trajectories in low-quality jobs with high probabilities of negative effects on their future employment opportunities.

Table 3.6 First job characteristics 2012–13 (%)

	Men	Women	Total
First occupation			
Employee	68	78	73
Own-account worker/Employer	16	9	12
Contributing family worker	10	7	8
Intern	6	7	6
Age at first job			
8–14	5	9	7
15–17	34	28	31
18–21	41	36	38
22 and over	20	28	24
Mean (years)	19	19	19
Written contract at first job			
No	77	75	76
Yes	23	25	24
First job satisfaction			
Very satisfied	25	27	26
Satisfied	57	53	55
Unsatisfied	14	11	12
Very unsatisfied	4	9	7

Source: Authors' calculations based on SWTS data.

Note: it includes employees, own-account workers, contributing family workers and interns.

Using a subjective indicator to establish satisfaction with the job offers a different picture. When people were asked about their degree of satisfaction with their first job, most of them indicated that they were satisfied (81 per cent) and 26 per cent declared themselves to be very

satisfied. It is hard to explain this result, which contradicts with the analysis of the lack of quality of the jobs as measured by the contract characteristics. It could be related to people's expectations of a first job experience, which might have been very low. For example, they could be satisfied with the wage received or the fact that they were offered the job opportunity without any relevant experience, rather than being satisfied with the working conditions. So, according to this indicator, a satisfactory job is not necessarily a quality job.

3.6 Correlations between first job working conditions and current working conditions

The analysis in previous sections shows that most young people are informal workers, have no access to the benefits that labour legislation specifies, their wages are slightly over the minimum legal wage, they have no union representation at work, usually do not sign contracts and they accumulate labour market experience in low-quality jobs. There are several explanations for this outcome, such as a low educational level and few years of labour experience compared to adults. We explore a further factor: determining whether first job working conditions are related to current working conditions.²⁴

Our quality indicator for the first job is a signed written contract. This indicator does have certain limitations, as explained in the previous section. However, a written contract is positively correlated to a formal job (table 3.4). It can therefore be used to divide the sample into two groups: those with a low-quality first job (without a written contract) and those with a high-quality first job (with a written contract).

We observe that, despite having a low-quality first job or a high-quality first job, three out of four young people are currently employed (table 3.7). There is a minor difference between the percentages of inactive young people for both groups: this percentage is larger for the group with a low-quality first job (20 per cent) than for the group with a high-quality first job (17 per cent).

Comparing the status in employment of both groups, the largest difference is observed for the group of employees in firms: 66 per cent of people with a low-quality first job were employees in firms while 76 per cent of people with a high-quality first job were in the same situation. The analysis shows that people with a low-quality first job are currently employed in occupational categories that usually offer smaller sets of social benefits and have higher percentages of informal employment.

If we focus on the group of employees in firms and households, young employees with a high-quality first job receive different sets of benefits compared to those with a low-quality first job. On average, the first group receives five benefits while the second receives only three different benefits (particularly extra payments for food and transport). Figure 3.2 details the percentage of people who receive the benefits specified.

²⁴ We will use “current working conditions” to refer to “working conditions at the time of the survey”.

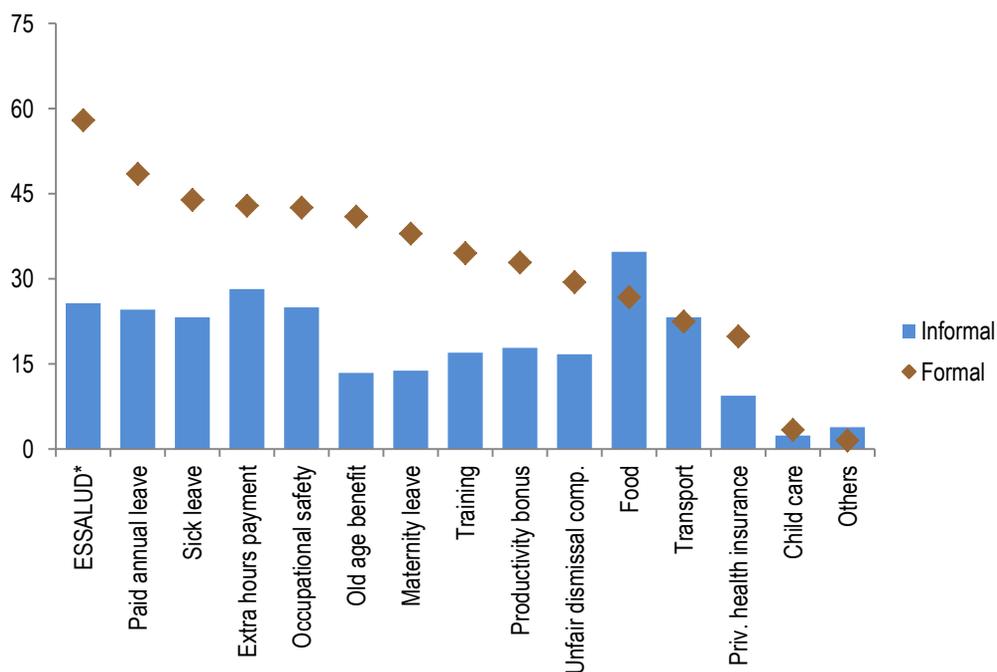
Table 3.7 Current employment status of people with low-quality and high-quality first jobs (%)

	Low quality	High quality	Total
Total	100	100	100
Unemployed	5	9	6
Inactive	20	17	19
Employed	75	74	75
Employed	100	100	100
Employer	4	5	4
Own-account worker	21	14	19
Employee	66	76	69
Contributing family worker	6	5	6
Domestic worker	3	0	2

Source: Authors' calculations based on SWTS data.

There is a clear gap between the two groups. This gap is most noticeable for benefits such as insurance affiliation paid by the employer (ESSALUD). While 58 per cent of young people who had a high-quality first job receive this benefit, only 26 per cent of those with a low-quality first job receive this benefit in their current job. Similar differences can be observed for paid annual leave (49 per cent and 25 per cent, respectively), sick leave (44 per cent and 23 per cent, respectively) and overtime payments (43 per cent and 28 per cent, respectively), etc. This gap is pervasive as we observe it for almost all the benefits specified (except extra payments for food and transport).

Figure 3.2 Differences in benefits for people with low-quality (informal) and high-quality (formal) first jobs (%)



Source: Authors' calculations based on SWTS data.

Additionally, if we compare monthly incomes for both groups with different first job quality, we also observe a difference that favours the group with a high-quality first job (see figure 3). That group reports a mean wage that is S/. 233 (approximately US\$80) higher than that of the group with a low-quality first job. Also, they have higher probability of receiving a wage above the legal minimum wage. Even for self-employed workers (own-account and employers), net profits tend to be higher for the group which had a high-quality first job.

Regarding other dimensions of quality of employment, we also explore such indicators as satisfaction at work, future prospects and union membership (see table 3.8). As observed above, satisfaction with current job is very high for the group analysed and slightly higher for those with a high-quality first job compared to those who had a low-quality first job. Among the number of people who would like to change their employment situation, the percentage is higher for the group with a low-quality first job.

Table 3.8 Satisfaction and perception of young people with low-quality and high-quality first jobs (%)

	Low quality	High quality	Total
Satisfied with current job?			
Yes	89	91	89
No	11	9	11
Share who would like to change their employment situation	61	59	60
For better remuneration	26	29	27
For better working conditions	18	13	17
Other reasons	17	17	17
Share who thinks they will likely keep current job for the next year	51	55	52
Union member	4	3	3

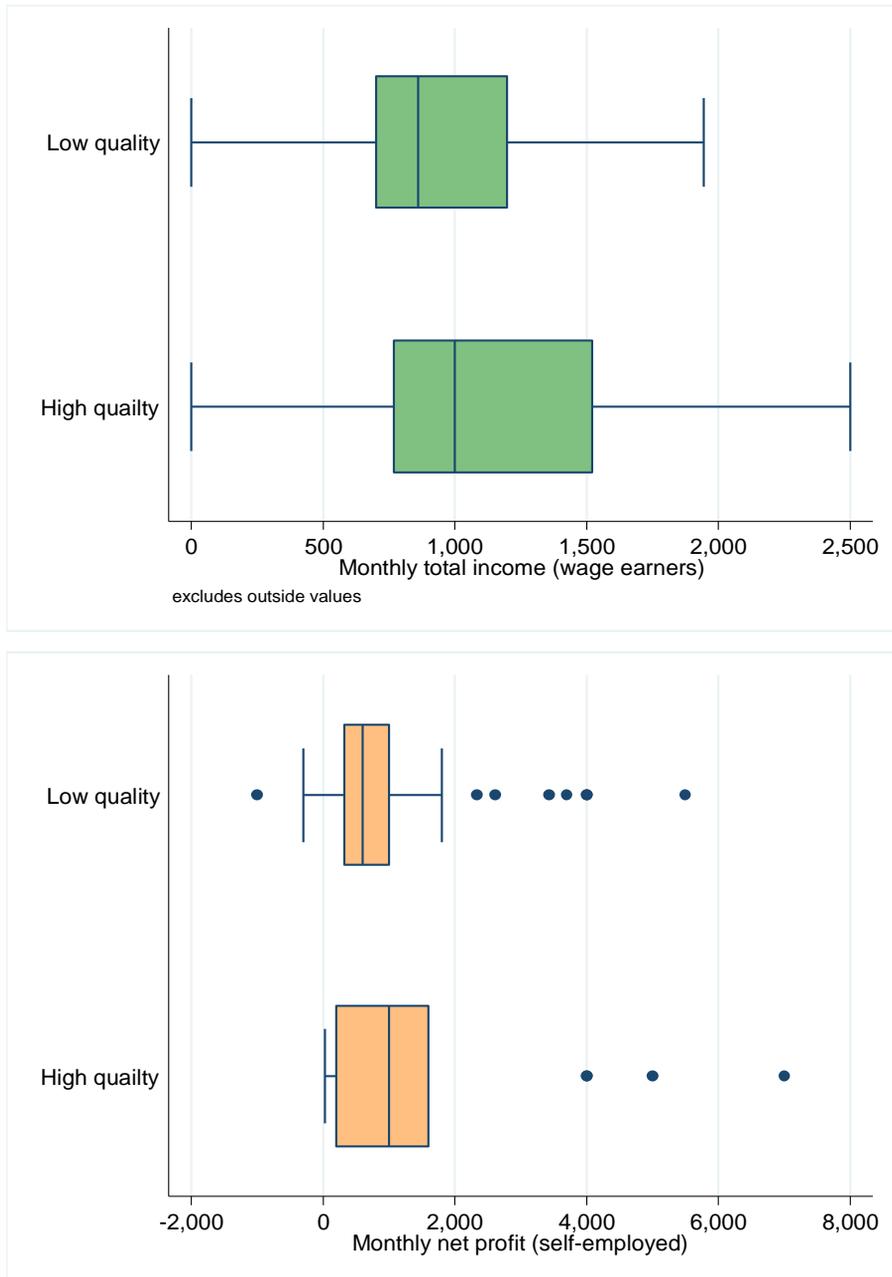
Source: Authors' calculations based on SWTS data.

Among them, 26 per cent would like to have a better rate of remuneration per hour and 18 per cent better working conditions. Also, those with a low-quality first job think it less likely that they will keep their jobs than those with a high-quality first job (51 per cent compared to 55 per cent). Finally, union membership is higher for the group with a low-quality first job, which is an unexpected outcome.

In conclusion, we observe that young people who had a high-quality first job are currently better off than those who had a low-quality first job. They are usually entitled to more benefits at work, receive better wages, are more satisfied with their jobs and feel more stable regarding their labour situation. There is therefore a clear relationship between first job working conditions and current working conditions.

As the objective of our report is to explore whether the particular characteristics of the first job had an effect on current working conditions – besides the abovementioned characteristics – we need more than a statistical analysis. In the next section we use an econometric model to test for the importance of different factors on current working conditions, and specifically to test whether the quality of the first job is a determinant of future working conditions in subsequent jobs.

Figure 3.3 Incomes and profits for people with low-quality and high-quality first jobs (S/.)



Note: The results shown exclude outlying values.
Source: Authors' calculations based on SWTS data.

4. Empirical evidence

For the purpose of our study, we implemented a sample selection Heckman probit model in order to test whether the quality of the first job is a determinant of the probability of having a high-quality job later in life. As an initial stage, we estimated a Heckman model to control for factors determining the probability of being currently employed with at least one previous labour market experience, not enrolled in education at the time of the survey, and with available information about history of first employment (see section 4.1 below). Subsequently, at the second stage, we estimated a binary response model on the probability of having a high-quality job. At this stage, we took into account the fact that it is not only socio-economic characteristics which are drivers of the probability of finding a high-quality job; other variables, such as the quality of the first job and accumulated work experience, are also considered.

4.1 Sample selection bias specification

This study focuses on a subpopulation of individuals that meet the following conditions:

- (1) currently employed with at least one previous labour market experience;
- (2) not enrolled in education at the time of the survey;²⁵
- (3) available information about the history of first employment, particularly concerning the type of contract for the first job.

These criteria were used to select the 23 per cent of individuals considered in the sample, which is not randomly drawn. From these selection criteria a sample selection bias might arise for two reasons: first, there is a degree of self-selection by individuals, in that they chose to participate in the labour market at the time of the interview. Second, the design of the survey imposed the constraint that the quality of the first job could only be observed for people who were not enrolled in education. Finally, we imposed as an additional criterion the requirement for at least one previous job experience.

Factors determining the abovementioned criteria could bias our estimates if there were any unobservable variable affecting the selection and the subsequent outcome of interest. In this case, simple binary outcome regression models would not provide accurate estimates of the probability of finding a high-quality job. We used a Heckman-type econometric model with two stages in order to obtain unbiased estimates for our outcome of interest: the quality of the current job (at the time of the survey) (Heckman, 1976; Heckman, 1979; Van de Ven and Van Praag, 1981). Furthermore, when the survey data contains two subsets of observations (one that meets the selection criteria and one that does not), the probabilities for the responses consist of two sets: one set of probabilities corresponds to the observed responses and a second subset to

²⁵ One of the major filters that substantially shrank the data available for estimation was the exclusion in the questionnaire of people who are studying at the time of the survey. According to the questionnaire, an interviewee is only requested to report the history of past activities (including previous employments) if he or she is no longer enrolled in education. Our analysis excludes those young people who are currently working and studying at the same time.

the unobserved responses. If we ignore characteristics of the unobserved subsample, we encounter sample selection bias (Lee and Marsh, 2000).

In order to correct for sample selection bias, we estimated a binary model of the probability of having a “High-quality job”, using a selection equation as a first stage. Following the seminal empirical strategy of Van den Ven and Van Praag (1981), we estimated a probability model, shown in equation (1), given the selection criteria (equation 2)

$$HQJ_i^* = (x_i\beta + \mu_{1i} > 0) \quad (1)$$

Equation 1 indicates that the probability for an individual “i” of having a high-quality job is a function of idiosyncratic characteristics that are exogenous to this model, where:

HQJ_i^* is the latent categorical variable with an observed binomial variable HQJ_i ($HQJ_i^* > 0$) having two possible outcomes: $HQJ_i^* = 1$ if the individual has a high-quality job and $HQJ_i = 0$ if the individual has a low-quality job at the time of the survey.

X_k is a matrix that contains idiosyncratic and location characteristics to explain the outcome of HQJ .

However, any individual response HQJ is only observed if the abovementioned criteria are met. Therefore, an observation of the quality of the current job is possible only if the young person meets the following criterion (equation 2):

$$Sel_i^* = (z_i\gamma + \mu_{2i} > 0) \quad (2)$$

Where:

$$\mu_{1i} \sim N(0,1) \quad (3)$$

$$\mu_{2i} \sim N(0,1) \quad (4)$$

$$corr(\mu_1, \mu_2) = \rho \quad (5)$$

Sel_i^* is a latent endogenous variable with Sel , the selection variable, equal to 1 when the person “i” is selected, 0 otherwise ($Sel_i^* > 0$);

z_i is a set of exogenous variables determining the selection process of the outcome of Sel_i^* ;

ρ is the correlation factor measuring the relationship between unobservables from the “High-quality jobs” equation and the “Selection” equation. If there is correlation between these terms ($\rho \neq 0$) standard probit techniques applied to equation (1) yield biased results.

From equations (1) and (2), we can only observe the i th individual’s job quality if he or she chooses to (i) have an employment, (ii) be non-enrolled in education and, (iii) have at least one previous working experience. Therefore, we assume $\rho \neq 0$ and implement a sample selection bias correction model. We estimated this by using a maximum likelihood Heckman probit model with sample selection bias correction that incorporates the joint density function of (HQJ_i^* , Sel_i) in order to estimate consistent, asymptotically efficient estimates for all the β parameters from equation (1) (see Van den Ven and Van Praag, 1981). This Heckman probit model is estimated by using the *heckprobit* command implemented in the Stata software.

4.2 Heckman probit model on the probability of finding a quality job

Following equations (1)–(5), we estimate a Heckman probit model, defined as:

$$\begin{aligned} \text{Prob}(HQuality Job_i = 1 | Sel_i = 1) = \\ \beta_0 + \beta_1 \text{quality_job_t1}_i + \beta_2 \text{SOCIOECONOMIC}_i + \beta_3 \text{DEMOGRAPHIC}_i + \\ \beta_4 \text{FJSKILLS}_i + \varepsilon \end{aligned} \quad (6)$$

Conditioned on the selection equation:

$$\text{Prob}(Sel = 1 | Z) = \phi(Z\gamma) \quad (7)$$

The detailed information regarding variables in the equation (6) is presented below:

HQuality Job_i: Bivariate endogenous variable indicating if an individual “i” has a high-quality job (yes = 1, 0 otherwise). We approached the concept of High-Quality Job by using the ILO’s definition of formal employment²⁶. This definition varies with the employment status: For employees (wage and salary workers) and domestic workers: Having health insurance, paid by their employers constitutes being in a formal job.

- For employers and own-account workers: Having (i) registered the company at the Tax Collection Authority (SUNAT), and (ii) a firm size of five workers or more.
- For contributing family workers: All of these workers are considered to be in informal employment, regardless of the characteristics of the family firm.

Quality_job_t1_i: Dummy variable that indicates if an individual had a high-quality job as their first job (1 if yes, 0 if otherwise). It is categorized for all types of workers by having a signed contract during the first employment. We want to test whether this variable has an effect on the probability of finding a high-quality job later in life.²⁷

SOCIOECONOMIC_i: According to our conceptual model, we consider that the quality of employment is, among other factors, determined by socio-economic characteristics:

- *School*: Years of schooling of the youth categorized by the maximum educational level attained. This variable is a proxy for income generation opportunities.
- *Education level of the mother*: Dummy variable equal to 1 if the mother has attained primary educational level or below.

²⁶ We have estimated this variable following the 17th ICLS guidelines, as a complement of the “employment in the informal sector of the economy” (definition from the 15th ICLS). The new guidelines consider not only the production unit, but also the characteristics of the job. Alternatively, production units can be classified as informal sector enterprises, formal sector enterprises or households. According to the 17th ICLS, jobs are distinguished according to status-in-employment categories.

²⁷ There is an important limitation for this variable. The history of employment statuses can be grouped into two main categories: employee/intern and own-account worker/contributing family worker. The first group has information available concerning their contracts while the second group does not. Following the definition of own-account and contributing family workers, all young people who belonged to the second group at their first job were classified as having a low-quality job.

- *Educational level of the father*: Dummy variable equal to 1 if the father has attained secondary education level or higher.
- *Lima*: Dummy variable equal to 1 if the young person lives in the capital city (Lima Metropolitana or Callao) and 0 otherwise. This variable accounts for geographical differences across the capital city and the rest of the urban areas.

DEMOGRAPHIC_i: We control for the following demographic characteristics:

- *Head of household*: Dummy variable that indicates whether the young person is head of the household (yes = 1, 0 otherwise);
- *Age*: Proxy of experience, which is a continuous variable from 15 to 29;
- *Sex*: Dummy variable that indicates female sex (yes = 1, 0 otherwise).

SKILLS_i: We consider that accumulated training is an important factor in estimating the probability of finding a high-quality job. This variable indicates whether the young person has received any kind of training over the past 12 months (1 = yes, 0 otherwise). Training is a crucial variable in determining the probability of finding a high-quality job. Several studies have pointed to the necessity of additional training, beyond regular education, in preparing new labour market participants for the world of work. It is important to mention, however, that this variable lacks information regarding the time of acquisition of the training.

Regarding the selection equation (7):

Sel_i is the selection variable that indicates if an individual “i” is observed;

Z_i is a vector of explanatory variables on the probability of being observed.

- *Head of household*: Dummy variable that indicates whether the young person is head of the household (yes = 1, 0 otherwise);
- *Age*: Proxy of experience, which is a continuous variable from 15 to 29;
- *Sex*: Dummy variable that indicates female sex (yes = 1, 0 otherwise);
- *Children*: Dummy variable that indicates whether the young person has at least one child (yes = 1, 0 otherwise).

4.3 Data set and sample characteristics

Our empirical estimation uses the SWTS data gathered by the National Institute of Statistics and Informatics, Peru in collaboration with the “Work4Youth” project of the ILO and The MasterCard Foundation. The SWTS was undertaken in Peru between December 2012 and January 2013 and covered urban areas at the national level (24 departments and the Constitutional Province of Callao). The sample size in total consists of 2,455 young persons

aged between 15 and 29 years old. The methodology of this survey is comparable with the other 28 SWTS around the world for the countries that are part of the project.²⁸

The information contained in this survey reports not only socio-economic information but also detailed information on labour conditions of young women and men. Specifically, it provides information about young people's school-to-work transitions. Topics of research are: (a) housing characteristics (13 questions); (b) characteristics of household members (13 questions); (c) characteristics of the family and home (17 questions); (d) education, training and a historical review of activities and aspirations (44 questions); (e) youth employment (58 questions); (f) youth unemployment (29 questions); (g) young people who are not in the labour force (three questions). Thus, by using information from the SWTS, we were able to examine the employment history prior to the time of the survey, including history of previous employment, previous occupational categories, the start and end dates of prior labour experiences, the existence of contractual arrangements, type of contractual scheme (fixed term or indefinite duration) and satisfaction with previous jobs.

Table 4.1 reports descriptive statistics of the variables used in the model, both for the overall population as well as for the subpopulation that satisfies the selection criteria. Compared to the full sample, the subsample consisted, on average, of the older age group (25–29-year-olds rather than 20–24-year-olds). This might be explained by the fact that our selected subsample excluded young people who were not enrolled in education, these being more likely to have graduated than to have dropped out of school. On the other hand, the subsample also retained a lower share of women than men (42 per cent compared to 47 per cent). One possible reason for this disparity is that women, on average, combine work and study long after their first entry into the labour market. As mentioned above, our subsample excluded people who were enrolled in education (at the time of the survey).

Table 4.1. Summary statistics

Variable	Description	Full sample: <i>N</i> = 2 455		Selected subsample: <i>N</i> = 508	
		Mean	SD	Mean	SD
highqualityjob	Has a high-quality job (1 = yes)	0.16	0.37	0.31	0.46
head	Head of household (1 = yes)	0.05	0.21	0.11	0.31
yschool	Years of education	11.49	2.48	11.71	2.52
age	Age	21.21	4.19	24.09	3.35
age2	Squared age	467.5	182.50	591.40	157.70
woman	Sex= woman (1 = yes)	0.47	0.50	0.43	0.50
m_primless	Mother has incomplete primary level education or below (1 = yes)	0.31	0.46	0.39	0.49
f_supmore	Father has secondary level education or above (1 = yes)	0.28	0.45	0.21	0.41
training	Has received training (1 = yes)	–	–	0.27	0.44
quality_job_t1	Had a high-quality first job (1 = yes)	–	–	0.27	0.45
lima	Lives in Lima (capital city of Peru) (1 = yes)	0.68	0.47	0.69	0.46

Source: Authors' calculations based on SWTS data.

Regarding the main characteristics of the subsample (columns 3 and 4 of table 10), about one-third of the group met the conditions of having a high-quality job. Heads of households were in the minority in the sample (11 per cent) with an average age of 24. The average

²⁸ Available on the Work4Youth website at www.ilo.org/w4y.

number of years of schooling was equivalent to secondary level (11 years), meaning that, on average, our subsample had only attained secondary education level. Finally, regarding socio-economic assets, there was, on average, a large share of young people (40 per cent) whose mother had only primary level education or below. Also, there was a small population (15 per cent) whose father had attained secondary education.

4.4 Estimation results

This section presents the results of the Heckman probit model to test whether a high-quality first job increases the probability of obtaining a high-quality job later in life. We controlled for differences in terms of skills, demographic, socio-economic and geographic characteristics. We estimated three different models, the results of which are presented in table 4.2. The first column shows the results of a linear probability model estimated by ordinary least squares; the second column shows a probit model estimated by maximum likelihood; finally, the last column shows a Heckman probit model. We observe that the signs of the coefficients are identical across the different specifications, and the statistical significance is comparable. This is an interesting result of robustness in our model. Qualitatively, the different models provide the same direction of results. Finally, table 4.2 reports impacts of the probit and Heckman probit models by using marginal effects, to correctly quantify the impacts. The marginal effects are estimated by using partial derivatives of the probability that an individual has a high-quality job ($HQJ_i = 1$), considering the characteristics of an average young person in the subsample with mean values over the set of explanatory variables and conditioned on the probability of being selected. A formal representation of partial derivatives used can be expressed as:

$$\frac{\partial F(x_i'\beta)}{\partial x_{ik}} | (Sel_i = 1) = f'(x_i'\beta)\beta_k$$

where x_i is the set of explanatory variables and β the coefficients. The sign of the effect of a change in x_i is the same as the sign of the coefficient β on regression results. Comparing results, we can see that the direction of impacts of the variable “high-quality first job” is always positive despite differences in impacts across the models. The linear probability model and probit models report higher values compared to the Heckman probit model, which is our consistent and efficient estimator. Model (2) corrects for heteroskedasticity present in model (1) due to the fact that probabilities are always between 0 and 1. However, it does not take into account the sample selection bias due to the fact that the probability of a high-quality job is only observed in a subsample of young people. In this case, where unobservable factors are correlated between the probability of being selected and the probability of having a high-quality job, given that $\rho \neq 0$ ($\rho = -0.84$), a sample selection bias correction model is the more efficient estimator.

Table 4.2 confirms our argument that a high-quality first job may be a driver for a high-quality current job. This variable is not only significant but also reports a large and positive marginal effect. According to these estimates, all other variables remaining constant, a change in the high-quality first job variable (from low to high quality) increases by 12 per cent the probability of having a high-quality job later in life.

Regarding socio-economic characteristics, we found that for the educational level attained variable, the direction and significance is also as expected. Accumulated human capital is an asset for young people who are in transit to a stable and decent job. We found that an increase of one year of education raises the probability of obtaining a high-quality job by 2.3 per cent.

With regard to other socio-economic factors, we used the educational level of both parents to proxy household characteristics and to control for certain initial conditions (health, quality and quantity of education received in the past, etc.) in the location where the young person was born and raised.

Table 4.2 Marginal effects on probability of having a high-quality job

Variables	(1) LPM	(2) Probit	(3) Heckman probit
Head of household	-0.071 (0.067)	-0.064 (0.071)	-0.050 (0.054)
Years of education	0.019** (0.008)	0.027** (0.012)	0.025** (0.011)
Age	0.015 (0.078)	0.057 (0.104)	0.035 (0.080)
Squared age	0.000 (0.002)	-0.001 (0.002)	-0.000 (0.002)
Woman	0.014 (0.039)	0.004 (0.044)	-0.010 (0.037)
Mother has primary education or below	-0.101** (0.041)	-0.109** (0.046)	-0.099** (0.045)
Father has secondary education or above	-0.015 (0.054)	-0.024 (0.052)	-0.025 (0.046)
First job was a high-quality job	0.171*** (0.054)	0.156*** (0.055)	0.120*** (0.043)
Received training	0.265*** (0.057)	0.274*** (0.060)	0.197*** (0.052)
Lima Metropolitana	0.122*** (0.038)	0.144*** (0.043)	0.137*** (0.042)
Constant	-0.452 (0.868)		
Observations	509	509	2,455
R-squared	0.220	0.199	
athrho			-1.23**
rho			-0.840

Notes: LPM = linear probability model.

Wald test of independent equations ($\rho = 0$): $\chi^2(1) = 5.68$; Prob $> \chi^2 = 0.0172$. ** $p < 0.01$, *** $p < 0.001$.

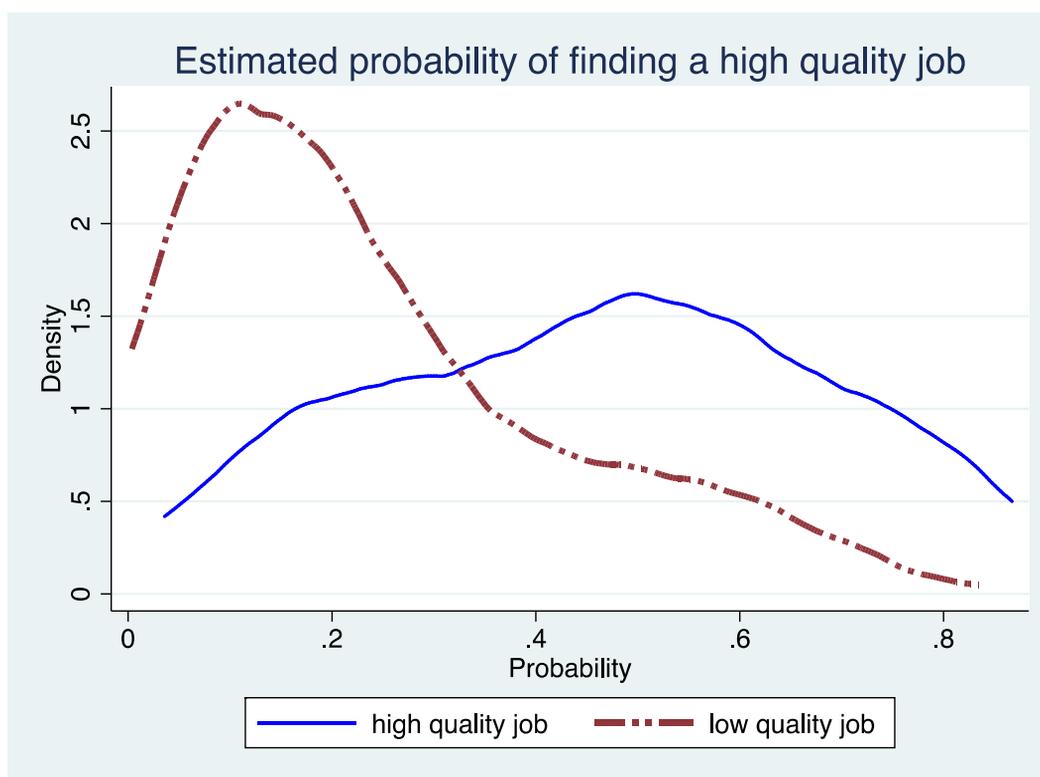
As documented by other studies (e.g. Escobal et al., 2012), two variables of educational level attained by mother and father were also incorporated into the model as proxies for youth's socio-economic context. The results show that having lived in a household where the mother has only attained primary education level reduces the probability of a young worker securing a high-quality job by 9 per cent. It implies that young people who were born and raised in low-income households are less likely to find a high-quality job, especially in the current highly competitive labour market. However, we did not find significant evidence regarding the effects of the educational level of the father.

In addition, our proxy of skills also reported a significant marginal effect. Having received training increases the probability of finding a high-quality job by 20 per cent.²⁹ Despite the data limitations for this variable, these results are in line with evidence presented by Lavado and Martinez (2014).

Another interesting result found is the location effect. In order to control for geographic characteristics, we incorporated a dummy variable with value of 1 if the young person lives in Lima, the capital city of Peru, 0 otherwise. Lima is Peru's biggest city in terms of population (markets) and economic production (GDP), which might be expected to offer more labour opportunities. We found that living in Lima raises the probability of securing a high-quality job by 14 per cent.

In addition, regarding model specification, our estimation reported a $\text{Prob} > \chi^2 = 0.0214$ on the Wald test of independent equations, indicating the existence of joint significance of unobservable factors in our model. We rejected the null hypothesis of independent equations at 95 per cent of significance. Also, regarding the power of prediction from our estimates, we computed the specificity and sensitivity of our fitted values to be 77 per cent of correctly classified fitted values. Figure 4 shows the distribution of the fitted values. We found that those young people with high-quality jobs are at the right-hand side of the distribution compared to those who do not have a high-quality job.

Figure 3.4 Distribution of predicted probabilities, after Heckman probit



²⁹ The data does not allow us to distinguish between those trained workers who received their training from their current employers and those who received training before finding their current jobs.

5. Policy discussion

As we have explored in sections 3 and 4, the subject of the first job working conditions is particularly relevant in determining the employment trajectory, as having a high-quality first job can increase the probability of securing high-quality jobs later in life. Usually low-quality first jobs do not equip young people with skills that will help them in their future job search. Also, such jobs usually do not offer training and any experience gained might be difficult to certify in order to be considered relevant labour market experience. To overcome the first job problem, some strategies have been put in place in Peru and other countries in Latin America, which aim to provide a first working experience for young people. This set of policies can be classified into at least four different categories:³⁰

- skills training programmes;
- workplace training and internships;
- subsidized employment;
- reforms of labour market regulations and legislation.

The first of these instruments, **the skills training programmes**, proved very popular in Latin America during the 1990s. They consisted of vocational education or in-classroom technical education provided for young people – usually those in vulnerable situations – in order to equip them with the skills they lacked and were unable to acquire within the standard education system. The aim of these programmes was to help the young person in their job search and provide opportunities to access an internship. In Peru, “Jóvenes a la obra” (formerly “Projovent”) has been in existence since 1996. The multiple evaluations of each iteration of the programme indicate that it has positive effects on employability and incomes, but that these are short-term effects. Additionally, it was also found that, in the absence of the programme, trainees with no work experience are more likely to be unemployed. It seems that trainees with no prior experience in the labour market are those who benefit most from participating in the programme.³¹ The programme was relaunched in 2011 and now includes a module for young entrepreneurs.

Workplace training and internships were also initiatives to promote combined education and on-the-job training. These services were oriented to the demands of specific sectors, as opposed to standard education. Although, originally, their main objective was to provide training to young people, nowadays they are also used as a way of promoting young employment. In Peru, there exist special contracts for young people who are still in tertiary education, those who have completed tertiary education, those who only completed secondary education (from 16 to 23 years old) and young people (from 14 to 24 years old) who have only primary level education.³²

One way to overcome labour demand barriers for youth is to **subsidize the employment of young people**. The subsidies usually reduce non-wage labour costs for employers. For

³⁰ This section is based on ILO (2015).

³¹ See Espinoza (2010).

³² Several initiatives have existed in Latin America for decades; for example, SENA in Colombia, SENAI and SENAC in Brazil and SENATI in Peru, among others.

example, the government assumes the cost of the health insurance for young workers or they offer tax reductions for firms who hire young people. Some programmes include wage subsidies as well (in Colombia, the government subsidizes the young person's monthly wage for six months under certain conditions).³³ Usually, the subsidies are temporary and include specific conditions, such as the requirement that the young people have no previous labour market experience. As hiring subsidies are relatively new in the region, evaluation of their effects and sustainability are still pending.³⁴

Finally, it is worth mentioning the **reforms of labour market regulations** that also have the objective of stimulating labour demand for young people. The reforms apply the same logic as hiring subsidies but, in this case, the reduction of non-wage labour costs is not subsidized by the government. In practice, these regimes have not been applied because of the controversy they generate since they are effectively offering a set of social benefits to young people only. In Peru, in December 2014, a new labour regime for young people aged between 18 and 24 was created by Law No. 30288. This was derogated after a few months following several protests. One of the primary objectives of the regime was to reduce informal employment among young people, so it proposed a reduction in non-wage labour costs from 54 per cent of the wage to 14 per cent.

6. Conclusions

Concern over youth employment trajectories is increasingly being expressed in public policy debate. Policy-makers recognize that young people face multiple obstacles to achieving decent work. In Peru, in particular, the strategy has switched from a focus on specific and disconnected policies to a more integrated approach to addressing these multifaceted problems (Chacaltana and Ruiz, 2012).

The beginning of the employment trajectory for young people can be difficult and full of challenges. Even in a context of strong economic growth, Peru has not succeeded in tackling the main issues concerning the school-to-work transition for youth. Despite this fact, the relationship between first job working conditions and school-to-work transition by young people is a topic that has not yet been properly addressed.

Using recent data from the SWTS, we aimed to contribute to the empirical evidence on employment conditions for youth. First, we focused on exploring employment history; in particular, first job characteristics of Peruvian urban youth between 15 and 29 years old. In addition, we wanted to test whether the quality of the entry into the labour market has an effect on the quality of jobs young people can subsequently access.

To satisfy the first objective, we analysed the survey module concerning employment history. The available data provides evidence that Peruvian youth in general have accumulated little experience in the labour market. Almost half of our sample reported that they had no labour experience at all. Also, among young people who had had some labour experience, two out of three reported that they had never signed a contract at any previous job. This first job is, in most of the cases, a low-quality job without a signed contract, which the young person started at around 19 years old.

³³ Programa "40,000 primeros empleos" ("40,000 first jobs" Programme).

³⁴ An evaluation of the experience in Chile shows positive effects on employment levels.

Additionally, the analysis concerning labour market status and enrolment in education for urban youth showed that 54 per cent were employed, 6 per cent were unemployed and 40 per cent were inactive (outside of the labour force). Most of the youth were no longer enrolled in education (55 per cent) and the maximum educational level attained by most of them was secondary level. For those youth still enrolled in education (45 per cent), the majority were enrolled at the tertiary level (undergraduate studies). What is deeply concerning is the fact that 14 per cent of young people were neither enrolled in education nor working, and were not looking for a job.

Regarding the quality of youth employment, three out of four young workers have informal jobs, with a higher incidence of informality among the youngest group (15–19-year-olds). An analysis of other dimensions of quality of employment shows that, among paid workers, only 42 per cent had a written contract and, on average, workers had only three out of 15 potential benefits as employees. One of the three most common benefits was affiliation to the social security system (ESSALUD). Finally, 68 per cent earned wages over the legal minimum wage.

For the second objective, which was to test whether the quality of the entry into the labour market has an effect on the quality of jobs young people can subsequently access, first we explored correlations between first job working conditions and working conditions at the time of the survey. We observed that young people who had had a high-quality first job were currently better off than those who had had a low-quality one: there was a clear relationship between first job working conditions and current working conditions. To formalize this analysis, we estimated the effect of the quality of the first job on the probability of finding a high-quality job later in life. In particular, we tested the existence of a significant effect from the quality of first job, controlling by a set of demographic, socio-economic and regional variables and training received by young people.

For this estimation we measured the probability of finding a high-quality job over a subpopulation in our sample who were: employed at the time of the survey, not enrolled in education and who had available information on their previous employment history. These criteria imposed a non-random selection effect that was corrected by using a two-stage Heckman probit model in order to obtain unbiased estimates for our outcome of interest.

Our empirical estimation provided strong evidence about the effects of the quality of first jobs on school-to-work transitions. We found that starting a labour market trajectory in a high-quality job that offers decent conditions increases by 12 per cent the probability of getting a high-quality job later in life in comparison to the case of a young person who starts their transition in a low-quality job.

Furthermore, in line with the specialized literature, we also showed evidence of certain other socio-economic characteristics that positively affect the probability of having a high-quality job: educational level attained by the youth, educational level attained by the mother or training received and age of the youth (as a proxy of experience).

Among the possible explanations of our main findings are the limited opportunities for human capital accumulation available to youth due to the time and income constraints that young people face when making choices between education and work. Another reason might be the lack of opportunities to specialize and be promoted in a low-quality job due to the low level of training incentives offered by employers. In other cases, a young person's accumulated experience within low-quality jobs might not be relevant when looking for higher skilled or

high-quality jobs. These are relevant topics for further investigation but research possibilities are still constrained due to limited data availability.

Finally, we considered that policies supporting school-to-work trajectories are necessary in order to promote decent work opportunities, especially targeting a high-quality job when first entering the labour market. Some strategies have been implemented in Peru to promote high-quality first jobs, such as skills training programmes, workplace training and internships, subsidized employment policies and reforms of labour market regulations. Most of these policies still lack any form of formal evaluation to determine which ones could be more effective than others in helping young people to accumulate the work experience and knowledge that will allow them to increase their employability and find decent first jobs. Addressing this challenge would help young women and men to avoid a future of informal working conditions, vulnerability and poverty.

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This report analyses labour market transitions in Peru to explore how the characteristics of a young person's first job affect the quality of employment later in life. Based on the school-to-work transition survey (SWTS) run in 2012, the analysis concludes that having a high-quality first job (for example, with a written contract) significantly increases the probability of getting other high-quality jobs later in life. Educational attainment and training are among the factors that can positively influence first jobs and set young people on a positive trajectory of quality employment.

The SWTSs are made available through the ILO "Work4Youth" (W4Y) Project. This Project is a five-year partnership between the ILO and The MasterCard Foundation that aims to promote decent work opportunities for young men and women through knowledge and action. The SWTS is a unique survey instrument that generates relevant labour market information on young people aged 15 to 29 years. The survey captures longitudinal information on transitions within the labour market, thus providing evidence of the increasingly tentative and indirect paths to decent and productive employment that today's young men and women face.

The W4Y Publication Series covers national reports, with main survey findings and details on current national policy interventions in the area of youth employment, regional synthesis reports that highlight regional patterns in youth labour market transitions and thematic explorations of the datasets.

Work4Youth



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