Youth Transitions: Skills, Work and Family Formation

Preliminary Findings from the 2016 Young Lives Survey (Round 5): Peru

This fact sheet presents preliminary findings from the fifth round of the Young Lives survey in Peru in 2016. Young Lives is a longitudinal study of childhood poverty that has followed two cohorts of children since 2002, most recently focusing on our Older Cohort (22-year-olds in 2016) to explore issues related to educational attainment and labour market participation.

Our data show striking differences by socio-economic background and by gender in terms of who is able to access higher education, job training, and other forms of human capital investment. Young parents – especially women – are those with the worst prospects in the labour market. These differences will lead to significant income inequalities in the future between the most and least advantaged.

Key Findings

- At age 22, 82.2% of the young adults in the Older Cohort had completed school, 43.5% are or have been enrolled in higher education, and 82.7% had a job in the labour market in the last 12 months.

- There are substantial gender differences in labour market participation in favour of males, and substantial differences across socio-economic backgrounds in terms of the quality of jobs and in terms of who has undertaken tertiary education and is able to continue making this investment in his or her own human capital at the age of 22.

- At age 22, of those that have a job, the majority (72.0%) worked in the non-agricultural sector in waged activities. Only a minority have a formal job (20.6% have a written contract).

- There is little evidence of ethnic disparities in most of these dimensions.

- At age 22, 42.8% of females have had at least one child and 49.5% are married or cohabiting. By comparison, 17.6% males have a child and 23.3% are married or cohabiting.

The policy context in Peru

Peru's economic performance has been impressive over the last 15 years – albeit with a marked deceleration since 2013 – with significant improvements in socio-economic outcomes such as substantial reductions in monetary poverty, and increased access to basic services. Despite this, there has been little improvement in the capacity of the Peruvian economy to create and provide good, stable jobs.

A significant proportion of the population earns a salary below the minimum wage or is self-employed in subsistence activities, and lacks access to benefits such as health insurance and paid holidays (Cespedes and Sánchez, 2014; Jaramillo y Sparrow, 2011; Chacaltana, 2001). An inability to generate high-quality jobs compromises progress in economic and social outcomes. Particularly at risk are the youth (15-24 years old), who represent 50% of the working population. Access to good jobs is particularly challenging for this age group, often due to lack of skills and relevant experience, combined with a lack of active labour market policies operating at a large-scale that can help young people from disadvantaged groups to enter the formal labour market (Chacaltana et al., 2015). Understanding young people's transition from school to work is important *per se*, and also for understanding social and economic outcomes during adulthood and aspects related to the inter-generational transmission of poverty.

Educational attainment

By the age of 22, around 82.2% of the Older Cohort had completed secondary education and 43.5% are or have been in higher education (see Figure 1a and Table 1). In both cases there are important disparities by socio-economic background. Coming from the bottom wealth tercile or from a household where the mother did not complete primary education is associated both with a lower chance of having completed secondary education and with a lower chance of being enrolled in tertiary education (Figure 1b and Table 1). The difference by ethnicity is

sizeable in both cases, but not statistically significant. There is no detectable gender gap either in completed secondary education or in enrolment in tertiary education.

Among those in tertiary education, approximately half attend universities while the other half attend technical or vocational institutions. There is no detectable gender gap in access to tertiary education, but there are gender differences in the fields of study; among males, the most popular career choices include civil engineering, business administration and car mechanics, whereas among females they include nursing, business administration and accounting.

Labour market participation and use of time

82.7% of the cohort had a job in the labour market in the last 12 months, defined as having been engaged in at least one labour activity (paid or unpaid, and excluding household chores) (Table 1). There is no evidence of differences by socio-economic background, however there is a marked disparity in favour of males: 88.8% of males are in work, compared to 76.5% of females. Results are similar when looking at work just in the last week prior to the survey interview.

Young people distribute their time between study and work, being either in formal education or in the labour market, or in both or neither of these categories: 53.4% are exclusively in the labour market, while 18.9% are both in the labour market and in formal education. The proportion of individuals exclusively in formal education is relatively small: 15.8%. Similarly, 11.8% are in neither of these activities. Young adults from the bottom wealth tercile (Figure 2b), from rural areas and whose mothers are poorly educated are more likely to engage exclusively in labour market activities.

The disparity in favour of males seen working in the labour market is mirrored almost exactly in a larger proportion of females (22.7%) in the group that is neither in the labour market nor in formal education. There are almost no males in this situation (Figure 2a). The females in this group are mainly those that have a child or children and are currently

Figure 1. *Educational attainment of 22 year olds*
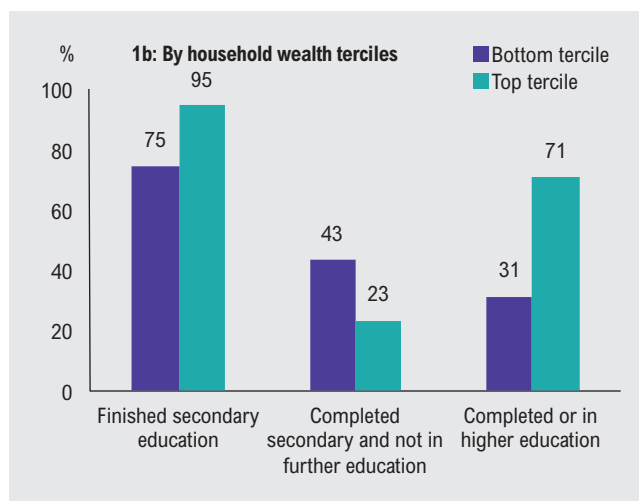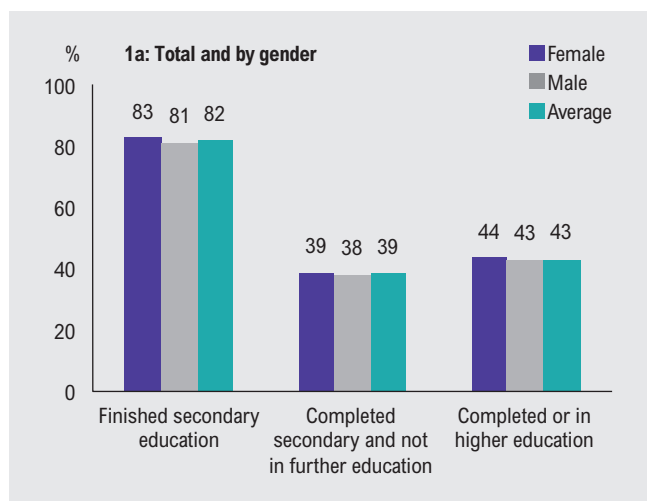
Note: Percentages are weighted to adjust for the sampling frame. In Graph 2b, household wealth terciles are defined according to the position of the household in the wealth distribution in Round 1.

Figure 2. *Distribution of time between labour market and formal education activities of 22 year olds*
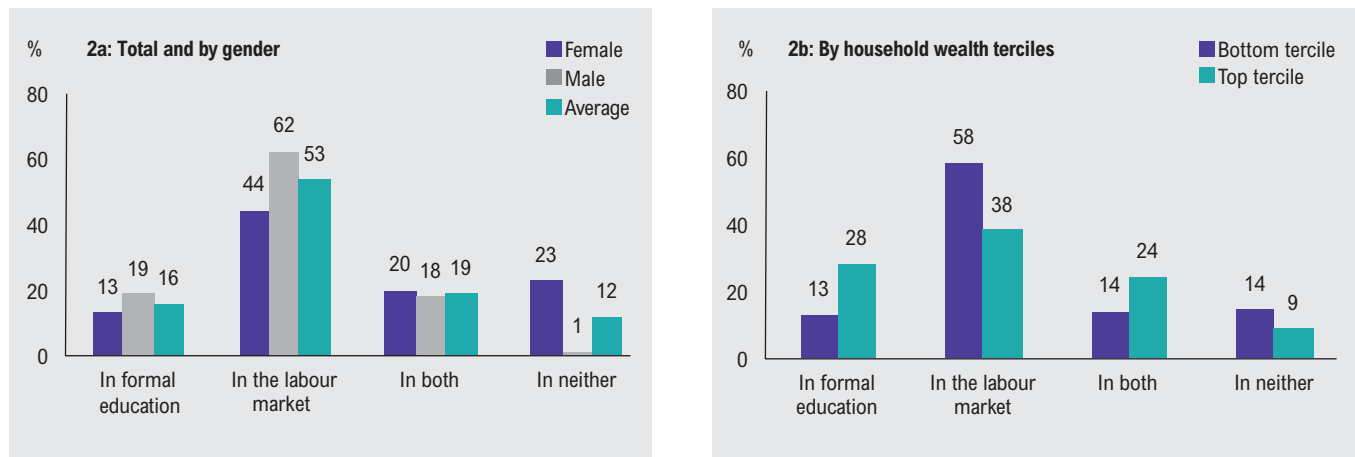
Note: Percentages are weighted to adjust for the sampling frame. In Graph 2b, household wealth terciles are defined according to the position of the household in the wealth distribution in Round 1 (2002).

solely engaged in housework. In this cohort, by the age of 22, many have started to form a family and have had children. Specifically, 42.8% of females have had at least one child and 49.5% are married or are cohabiting; for males the comparative numbers are 17.6% and 23.3%, respectively. This is a substantial increase over the teenage childbearing measured in the previous round of the survey when the cohort was aged 19 (in 2013).

The profile of jobs

Of those who are working, the largest proportion (72.0%) are waged employees in the non-agricultural sector. This job category is by far the most prevalent across all sub-groups, but it is even more prevalent among males, among individuals from urban areas, in the top wealth tercile, or among those whose mothers have high levels of education. The second most prevalent job category is as a waged employee in the agricultural sector; 17.2% of those that have a job. This job category is more prevalent among males, among young adults from rural areas, in the bottom wealth tercile or those whose mothers have low levels of education. The survey does not show any differences in job categories by ethnicity.

Of those in work, 20.6% have a written contract, which would be an indicator of being in the formal sector. The rest are either independent workers (probably working informally) or waged employees in the informal sector. Being in this latter category implies having no access to benefits such as social security or health care. Fewer of those in the lowest wealth tercile or from a rural context have a written contract. Although females and young people from an indigenous background seem to be less likely to have a formal job, these differences are not statistically significant.

Other skills for the labour market

In the Round 5 survey conducted in 2016, we included a number of indicators to measure job training of at least one week and other skills for the labour market, including having a driving license or knowledge of foreign languages

(Table 1). The proportion of young adults that report having received job training or language courses is relatively small (15.0% and 19.1% respectively) and in both cases there is a gradient by socio-economic background. No such gradient is observed in terms of having a driving licence for a car or a three-wheeler (the common means of transportation in peri-urban areas). Interestingly, those in the middle wealth tercile are more likely to have driving licences for a three-wheeler, suggesting skills specialisation for this group.

Conclusions

The data collected in Round 5 show mixed outcomes for the Older Cohort. School completion rates are relatively high, and it seems young Peruvians do not find barriers to entering the labour market from a young age. However, there are important disparities in the characteristics of the jobs they do. Importantly, young adults from lower socio-economic backgrounds are less likely to work in the formal sector, which is a good proxy for job quality. Moreover, there is a socio-economic gradient in terms of who goes into tertiary education and who is therefore still acquiring human capital at the age of 22. Therefore, disparities are likely to increase once those who are still in formal education at the age of 22 enter the labour market to good, stable jobs, leading to substantial differences between incomes. Young women with children constitute a group particularly at risk.

The evidence presented in this fact sheet is consistent with evidence from previous rounds showing similar disparities by family background in child outcomes in Peru at ages 5, 8, 12 and 15. This suggests that actions to reduce these disparities must be taken from the early stages of life, that is, from better early childhood programmes to more inclusive, quality education in schools. In addition, steps in the right direction would be further advancements in the design, evaluation and implementation of cost-effective active labour market policies at the national level to help young people access good quality jobs (see McKenzie, 2017 for a review of the international evidence, and Chacaltana *et al.*, 2015 for an outlook of the current situation in Peru), including specific legislation to facilitate young people in the formal labour market.

Table 1. *Labour market participation, education, training and skills of 22-year-olds in 2016*

	Worked at least one hour in the previous 12 months (%)	Education			Other skills				Sample size
		Finished secondary education (%)	Completed secondary and not in further education (%)	Completed or in higher education (%)	Received training (%)	Studied a language course (%)	Have car driving licence (%)	Have three-wheeler driving licence (%)	
Sex									
Female	76.52	82.85	39.09	43.76	11.36	19.99	1.73	0.19	265
Male	88.75	81.48	38.27	43.21	18.46	18.17	12.44	15.59	288
Differential (%)	12.23***	-1.37	-0.81	-0.55	7.1	-1.82	10.71***	15.39***	
Area of residence in Round 1									
Rural	82.66	77.68	46.80	30.88	12.57	11.30	10.22	4.38	132
Urban	82.74	85.57	32.48	53.09	16.77	24.99	4.80	10.72	421
Differential (%)	0.08	7.89**	-14.32***	22.2***	4.2	13.69***	-5.42	6.35	
HH wealth (thirds of wealth index) in Round 1									
Bottom tercile	80.02	74.84	43.37	31.48	13.18	9.24	6.14	6.29	173
Middle tercile	86.90	86.63	39.99	46.64	12.74	22.92	10.33	10.09	188
Top tercile	82.95	94.70	23.48	71.22	23.60	39.61	4.49	9.03	192
Differential (%)	2.93	19.85***	-19.89***	39.74***	10.41**	30.38***	-1.66	2.74	
Maternal education									
Primary incomplete or less	78.54	72.35	43.31	29.04	10.16	13.10	9.47	5.64	165
Complete primary or secondary	87.59	89.69	37.35	52.34	18.82	20.44	5.03	9.65	338
Higher education	74.45	98.81	10.40	88.41	21.41	58.51	6.23	13.06	50
Differential (%)	-4.09	26.46***	-32.91***	59.38***	11.25*	45.42***	-3.24	7.42	
Mother's first language (ethnicity proxy)									
Indigenous	82.70	82.23	44.30	37.93	12.79	16.52	10.06	4.39	158
Spanish	82.71	82.11	34.74	47.37	16.46	20.85	5.12	10.49	395
Differential (%)	0.01	-0.12	-9.56	9.44	3.67	4.33	-4.94	6.1*	
Average	82.71	82.16	38.67	43.48	14.95	19.07	7.15	7.98	553

Note: Data for children interviewed in all 5 survey rounds. Results are weighted to adjust for the sampling frame. Differences are significant at ***1%, **5% and *10%. Differentials are percentages points. Differentials are calculated using Indigenous, Rural, primary incomplete or less, and Bottom tercile as baseline.

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Young Lives is an international study of childhood poverty, following the lives of 12,000 children in four countries (Ethiopia, India, Peru, and Vietnam). In Peru, Young Lives is known as Niños del Milenio and is a partnership between the Instituto de Investigación Nutricional (IIN), the Grupo de Análisis para el Desarrollo (GRADE), and the University of Oxford.

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