

## The effect of education on unemployment duration of new entrants to the labor market

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### ABSTRACT

Nowadays, unemployment and particularly the unemployment of educated youth is one of the difficult problems of developing countries including Iran. Since unemployment is costly for households and society from an individual and social perspective and has long-term psychological destructive consequences; hence, understanding of unemployment duration and the factors affecting, can help policymakers in planning to reduce these costs. In this article, in order to evaluate the impact of education, including education levels and fields on unemployment duration of new entrants to the labor market, the common survival analysis models; That is, Kaplan-Meier estimator, Cox proportional hazards model and parametric models were used. The results showed that new entrants to the labor market in the major educational group of engineering, manufacturing and construction compared to the social sciences, journalism, and information; experimental sciences, mathematics and statistics as well as humanities and arts have lower probability of surviving unemployment. The unemployment duration of illiterate and new entrants to the labor market with upper secondary, lower secondary and primary education has been lower than new entrants with other educational levels. Also, we find that the unemployment duration of new entrants to the labor market increases with age.

**Keywords:** unemployment duration, unemployment, education, survival analysis.



## Introduction

The existence of widespread unemployment and the experience of high unemployment rates, especially among the youth, are among the problems in developing countries. So that economic policy makers in developing countries have always been trying to reduce the severity of problems by preparing and implementing special programs for job seekers and provide the possibility of achieving single-digit unemployment rates. The strategies proposed by international organizations, including the International Labour Organization, and the policies applied in different countries with the aim of reducing the unemployment rate, indicate the importance of preparing and implementing educational programs for different age groups. Despite spending a lot of obvious and hidden costs, the problem of unemployment in Iran has always existed, especially for the youth, which has caused the expansion of immigration and the growth of informal jobs and educational mismatch of this group in the society. Many factors affect the unemployment of new entrants to the labor market, including the level and the type of education of individuals at the beginning of entering the labor market. In addition, lack of sufficient job opportunities along with population growth, the problems in the production sector as well as the weakness in the education and skill training system are also considered as other factors affecting the situation of new entrants to the labor market. Undoubtedly, the acceptability of educational fields among individuals has been different in different eras, so that the job prospects of the major educational groups play a vital role in deciding to study in a specific educational group. Investigating the unemployment duration of individuals in different major educational levels and groups not only improves the ability of individuals to make optimal choices, but also provides the possibility of revising the educational policies by the relevant authorities and makes it possible to improve the country's educational system. Therefore, the main issue that is investigated in this research is to know the heterogeneity and the difference in the unemployment duration of new entrants to the labor market in the major educational levels and groups. Also, implicitly, other determinants on unemployment duration of new entrants to the labor market will be examined.

## Methodology

In this research, the information of Labor Force Survey in 2020 to investigate determinants of unemployment duration of new entrants to the labor market, have been used. New entrants to the labor market in this research are defined as individuals who don't have no experience and are looking for a job. Similar to the studies in the literature related to the unemployment duration, the variables of region, gender, education level, marital status, age, major educational groups and unemployment rate will be included as the main factors influencing the unemployment duration of new entrants to the labor market and as explanatory variables in the model. Also, Kaplan-Meier estimator, Cox proportional hazard and parametric methods are used to measure the impact of the variables on the risk of exiting from unemployment.

## Findings

The results show that the risk of employment of new entrants to the labor market with upper secondary, lower secondary, primary education and illiterate was higher than new entrants with short-cycle tertiary and bachelor's education levels, as well as master's and doctoral education levels. Among the major educational groups, the risk of employment of new entrants to the labor market in the major educational groups of services, health, as well as social sciences, journalism, and information has been lower than other major educational groups and new entrants to the labor market without major educational groups and illiterate have the highest risk of employment. The risk of employment of new entrants to the labor market in urban areas has been higher than in rural areas. New entrants to the labor market aged 25 and under were more likely to be employed. the risk of employment of married new

entrants to the labor market has been higher than single new entrants to the labor market. The risk of employment of new entrant males to the labor market is about twice the risk of employment of new entrant females to the labor market. Finally, with the increase in the unemployment rate, the risk of employment of new entrants to the labor market will decrease.

## Conclusion

Undoubtedly, unemployment is one of the problems that Iran's economic has faced in recent years and economic policy makers have always been looking for suitable solutions to reduce the unemployment rate in the country. One of the ways to reduce the unemployment rate is to provide employment opportunities for new entrants to the labor market. In the present study, the effect of factors affecting the unemployment duration of new entrants to the labor market was evaluated using the survival analysis method. Based on the results, there are significant differences between risk of unemployed of new entrants to the labor market in major groups and different educational levels; That is, some people experience a shorter unemployment duration and some experience a longer unemployment duration. For groups that suffer from longer unemployment duration, the possibility of disappointment and exit from the labor market is higher. Also, with the increase in the duration of unemployment, the possibility of depreciation of labor force skills is strengthened. Being male and married has a significant effect on increasing between risk of unemployed of new entrants to the labor market. The intensity of job search is different between the two groups of males and females. Due to the inappropriate conditions of the working environment in most activities, the search and matching process is slower for females than for males. Also, it seems that married individuals have to look for a job more intensively due to financial expenses and more responsibilities towards the family.

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