

Discussion of
`Intergenerational Mobility around
the World and its Determinants`

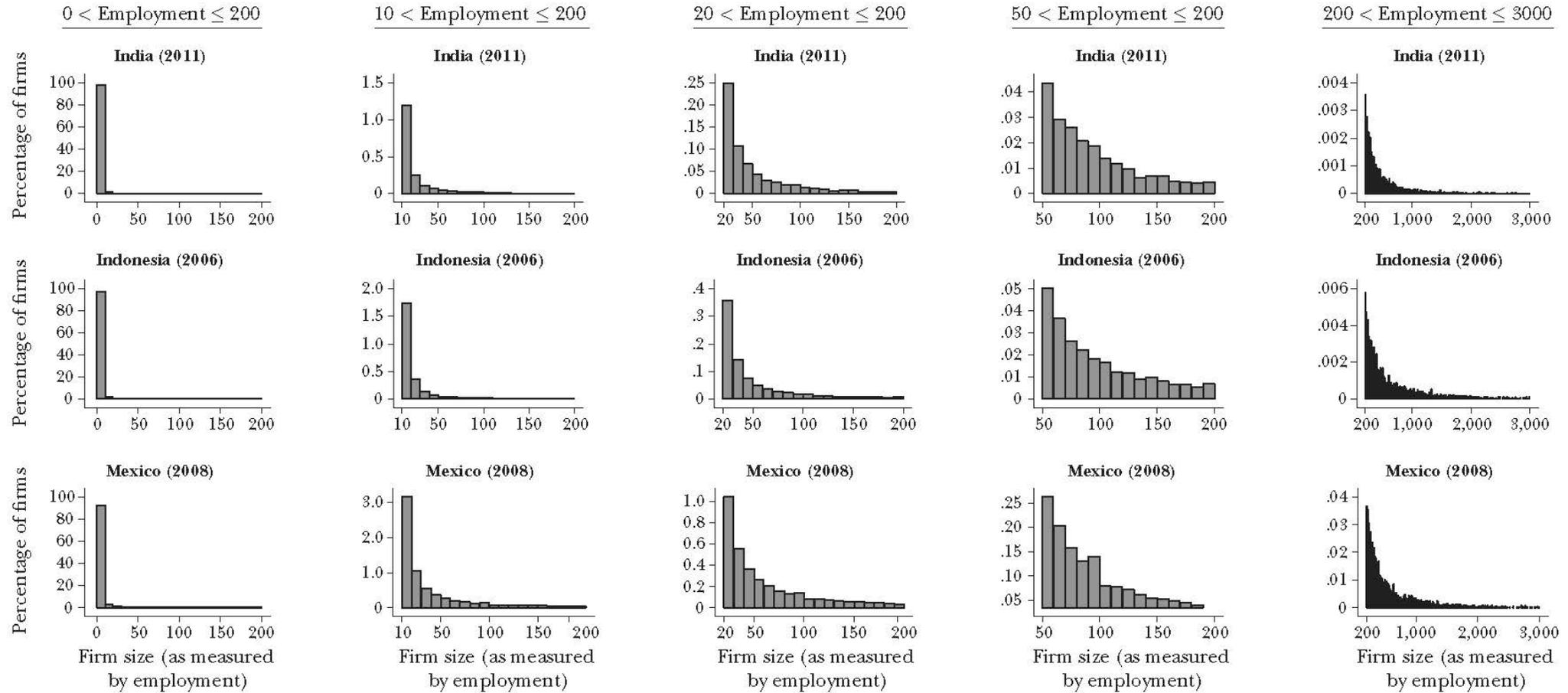
Discussant:
Selim Gulesci
Universita' Bocconi

- Intergenerational mobility and poverty reduction are closely linked; together determine evolution of inequality over time
- The report presents results from the largest set of micro datasets on the topic and yields some astonishing findings.
 1. There is considerable heterogeneity across countries in terms of upwards (or downward) mobility over generations
 2. Intergenerational mobility lower in low-income countries
 3. Lower for girls relative to boys (exceptions...)
 4. Labor market imperfections are among the key factors determining mobility
 5. Aspiration failures may play a significant role in driving human capital investments and intergenerational mobility

Labor Market imperfections

- Developing country labor markets are characterized by:
 - An abundance of very small firms ([figure](#))
 - Very high rates of youth unemployment
- The two are likely interrelated
 - Market imperfections (credit, labor etc) make it harder for firms to grow
 - When firms can't grow, youth have few opportunities (insecure jobs or self-employment in the informal sector maybe their only option)
- Together, this vicious cycle hampers intergenerational mobility
- The role of social networks:
 - Connections play a major role in finding jobs/workers, especially in developing countries.
 - The only way to change this is to understand which market imperfection is filled by networks, and to address that

Distribution of Firm Size as Measured by Number of Workers



How to make small firms grow, and reduce youth unemployment?

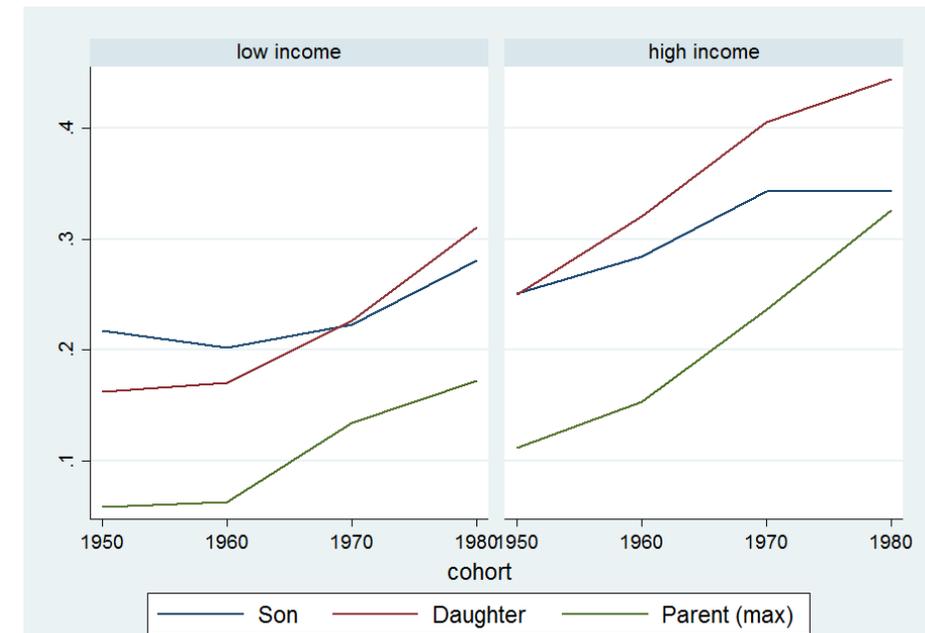
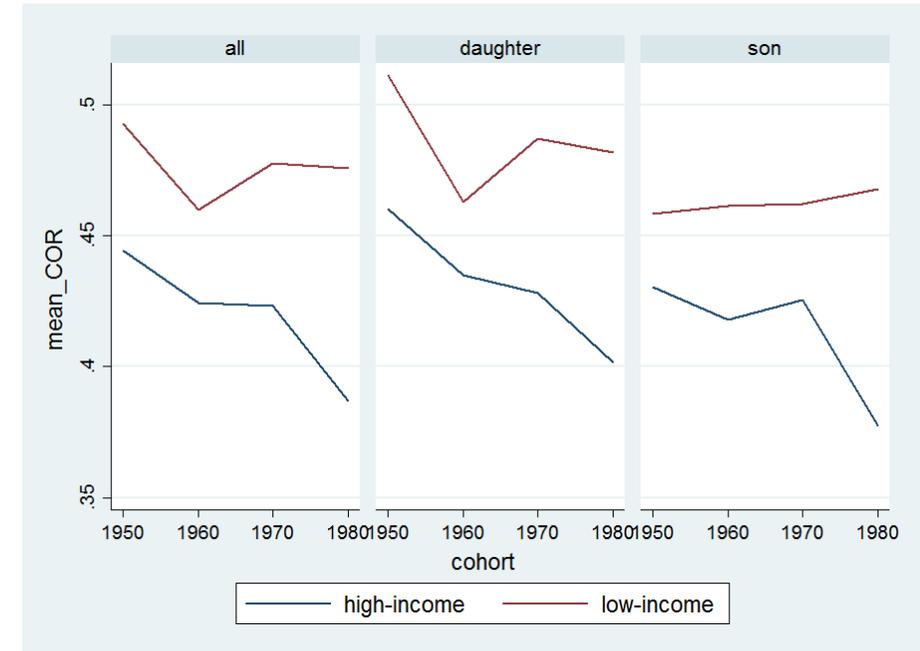
- Hiring a new worker is both costly and risky
 - Training takes time
 - Worker 'type' uncertain, finding the right one is difficult
- If it's only about the cost, alleviating credit constraints for small firms should enable them to hire more workers.
- De Mel et al (2016) in Sri Lanka
 - Providing wage subsidies to firms did not have effects on employment in the long run
- Hardy and Casland (2015) in Ghana
 - In Ghana, low-skilled workers **pay employers** to work as an *apprentice*
 - Firms cite a 'desire to screen workers' as the impetus for the entry fee
 - A worker screening and placement program implemented by the government increased hiring

How to make small firms to grow / reduce youth unemployment

- Gulesci et al (2017) in Uganda and Battaglia et al (2017) in Bangladesh
 - Making the repayment plan of loans given by a microfinance organization enabled firms to hire more workers:
 - In Uganda: SMEs increased their no. of workers
 - In Bangladesh: female-owned microenterprises hired workers
- Findings suggest
 1. Firms face considerable frictions in finding the right workers
 2. Simple interventions that enable firms to identify the “right” (e.g. motivated, trained) workers can make a difference
 3. Getting credit to firms is not enough, they may also need insurance to hire new workers

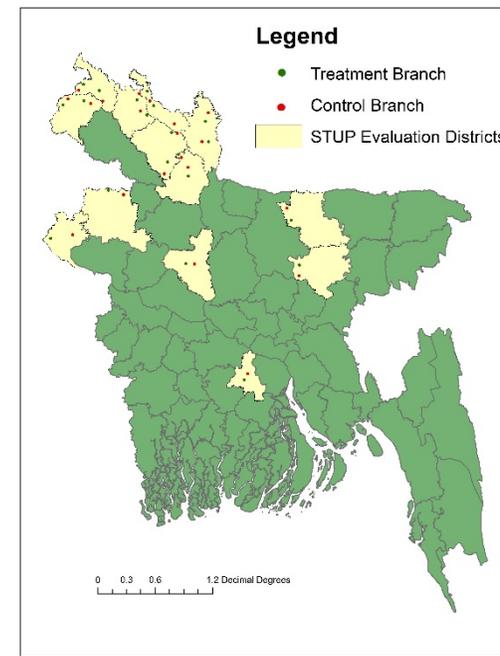
Gender and intergenerational mobility

- Correlation between parent and child schooling higher for girls relative to boys
- share of individuals with no schooling has been falling in low income countries, but at a faster rate for boys than girls;
- Less known fact: more girls with tertiary education than boys in low income countries. Why?



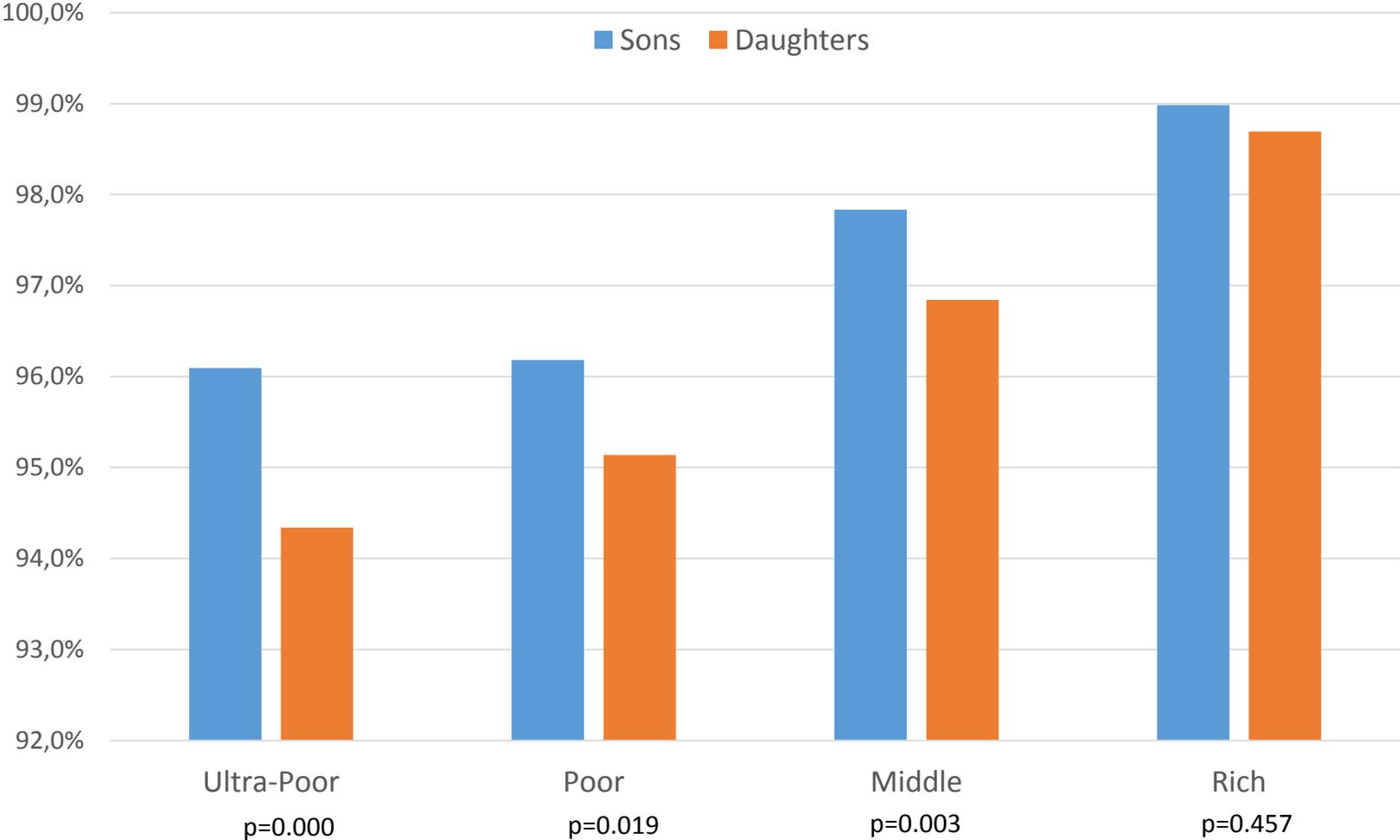
Gender and Aspirations

- Could aspirations partly explain the gender gaps in intergenerational mobility?
- In recent work, we collected data on parents' expectations about their children's future outcomes in rural Bangladesh
- Poorest parts of the country where seasonal hunger is common
- Our goal was to evaluate BRAC's "targeting the ultra poor" program – transfers assets and training to the poorest women in these villages.
- The program is highly successful in alleviating poverty in the long-run: 7 years later targeted women have higher consumption, wealth, health (bmi)

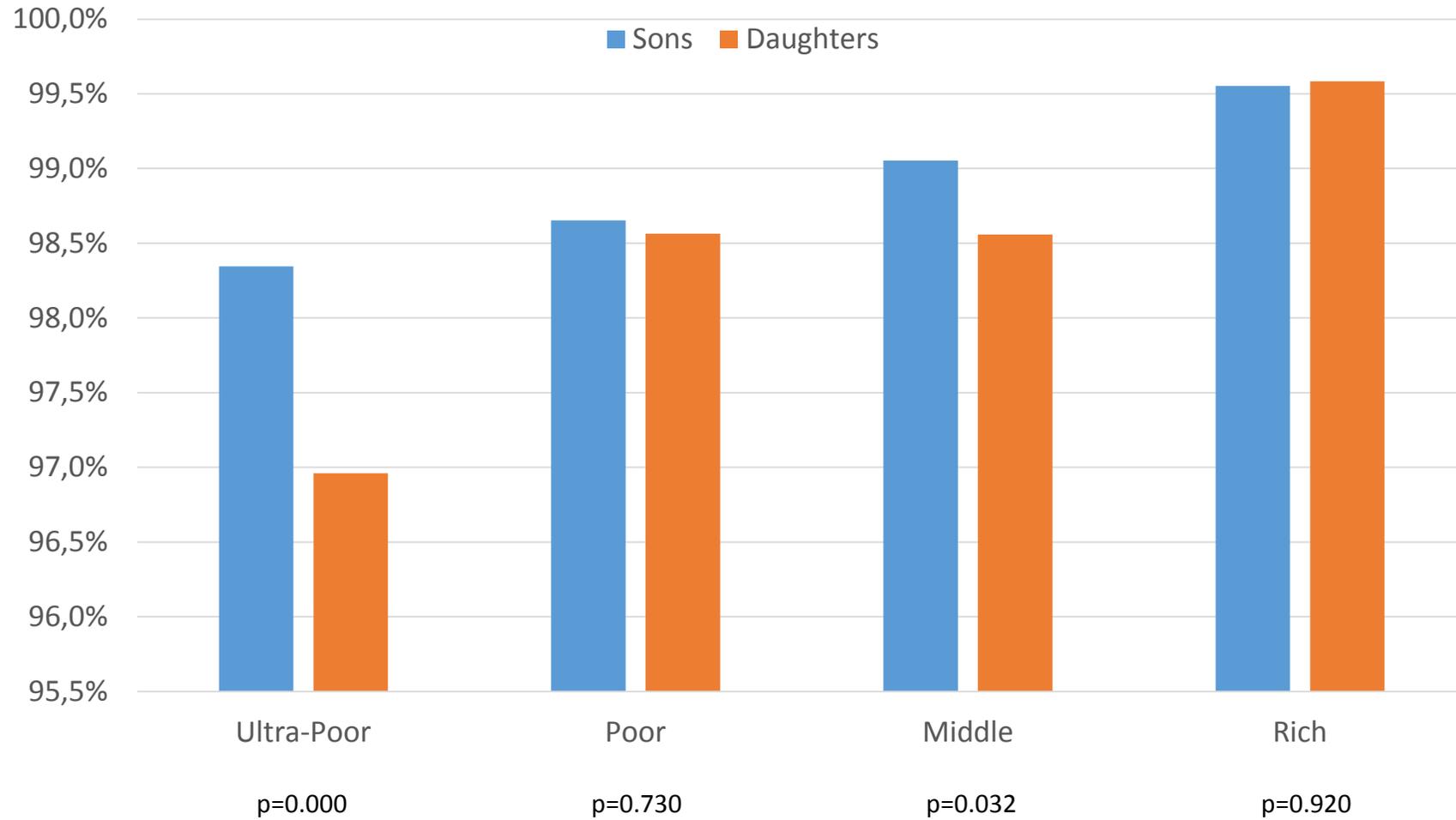


Mothers' expectations about their children's future

Percent of mothers who thought their sons/daughters will have a better future than theirs at BASELINE

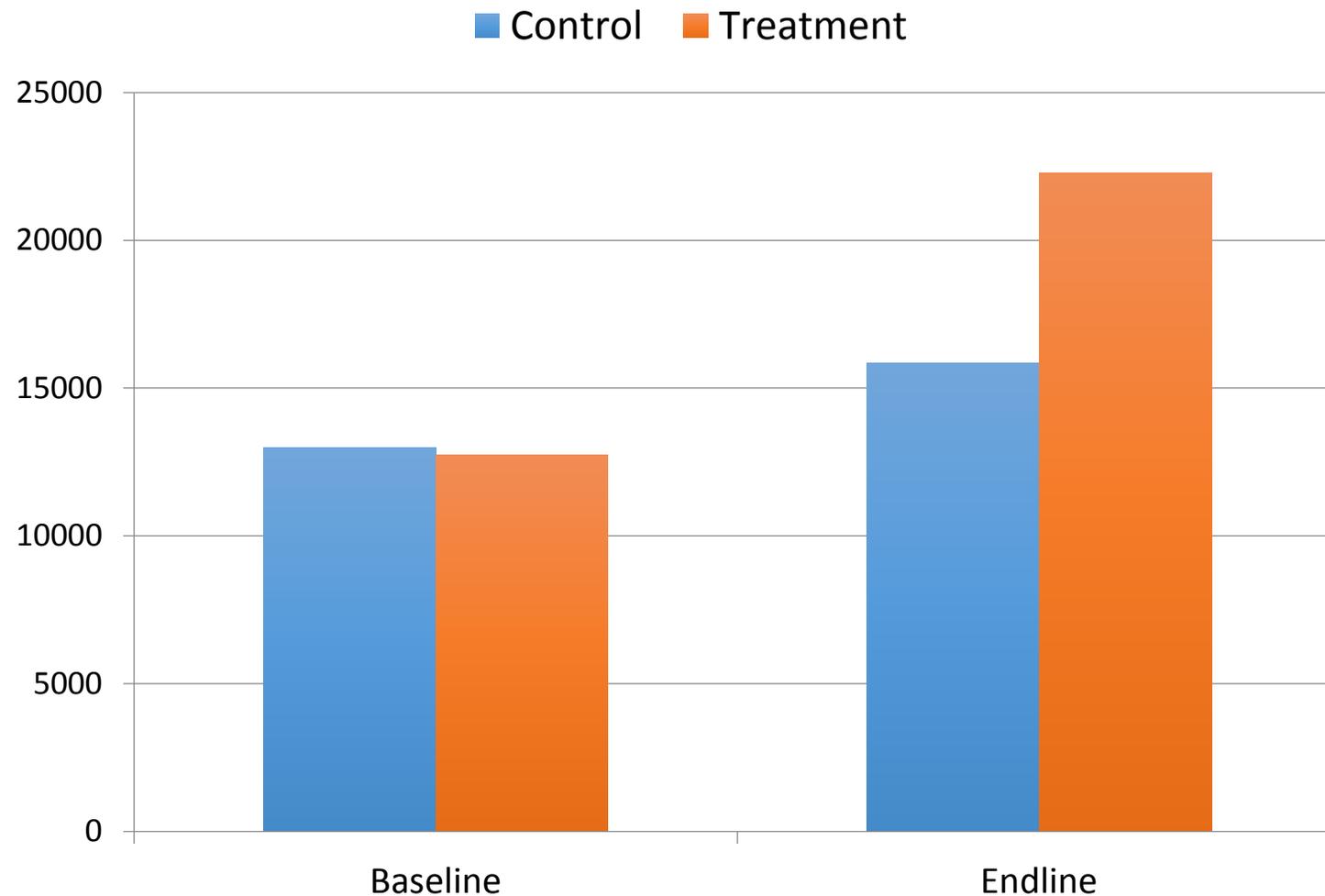


4 years later...



How much dowry mothers expect to pay upon their eldest daughters' wedding

Effect of the program on Ultra-Poor women



The role of social norms

- Informal institutions such as caste, brideprice, dowry... have an important role to play in determining and intergenerational mobility and aspirations
- Effective policies designed to improve intergenerational mobility *must* take 'norms' and 'culture' into account
- Replicating policies that “work” in one country without adjusting them for cultural differences inefficient and may backfire
- The report presented today takes a necessary and decisive step forward in understanding how we can improve intergenerational mobility for all

Thank you!