

# “The Influence of COVID-19 on Young Women’s Labor Market Aspirations and Expectations in India”

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# Paper overview

- Paper uses novel survey data collected in the summer of 2022 to relate variation in prior intensity of exposure to COVID-19 economic shock to variation in:
- Post-COVID-19 wage expectations and reservation wages
- And 4 variables that are based on comparisons between these two measures: the within-person gap, and 3 indicators for positive, zero and negative gaps
- Paper also relates variation in COVID-19 shock exposure to reported willingness to migrate for work (for a fixed pay increase of 5K INR)

# Context

- The sample and data collection are quite interesting and promising
- Drawn from a novel data collection effort using in-person surveys in June-August 2022
- Includes 3180 female students at vocational training institutes (ITIs) in districts across the state of Haryana, India
- Along with main outcomes, survey includes individual factors used as controls: age, program, marital status, protected minority status, rural residence, class 12 graduate, maternal literacy, prior work experience
- Part of baseline data collection for a large-scale RCT on this population

# Two measures of COVID-19 shock intensity

- Share of *other* students at the *same* institute who reported being negatively affected by the pandemic (using leave-one-out approach in Bau et al. *JDE*, 2022)
- District level population-adjusted cumulative death rate from COVID-19 between 1/30/2020 and 10/31/2021

# Main findings

- Greater exposure to local area COVID-19 shock:
- Lowers reservation wages by twice as much as (the statistically insignificant drop in) expected wages
- This is reflected in a significant narrowing of the gap, and drop in the proportion of observations where the reservation wage exceeds the expected wage
- There is also a statistically significant drop in reported willingness to migrate for a fixed dollar amount
- *Conclusion:* COVID-19 appears to have persistent effects on labor supply of young women in India

# Reservation wages and migration

- A lower reservation wage suggests increased labor supply
- At first, this seems to go against the lower willingness to migrate for work
- But I think they are consistent
- The migration question is about willingness to migrate for a different job that pays more
- It could be that the lower reservation wage itself comes from the greater value of proximity to these workers, which is understood (for rural women) to mean being willing to take a lower-paying local job

# Reservation wages are not wage aspirations

- My biggest challenge with the paper was understanding the idea of reservation wage as a “wage aspiration”

*Reservation wage: the absolute minimum take-home salary (in INR per month) that a respondent would accept for any permanent, full-time job when she graduates from her ITI.*

- Given this definition, I don't see the match with the concept of an aspiration (a strong desire for high achievement, or an ambition)
- It is also not the same as an expectation about wage offers
- While related to expectations, it also accounts for opportunity costs. A high threshold can be unrealistic or just reflect high costs.

# Why do reservation wages exceed expected wages?

- Given the definition of reservation wages, it is puzzling to me why over half of the sample has a lower wage expectation

*Expected starting salary: the salary (in INR per month) that a respondent expects to earn when she starts working.*

- Based on these descriptions, the individual is reporting an expected wage for a job that is accepted (because “she starts working”)
- As a conditional expectation, it should be higher than the floor
- My best guess is from the wording -- the reservation wage is for a permanent full-time job after graduation. Could part-time or temporary work explain the difference? Or work without graduation?



Thank you