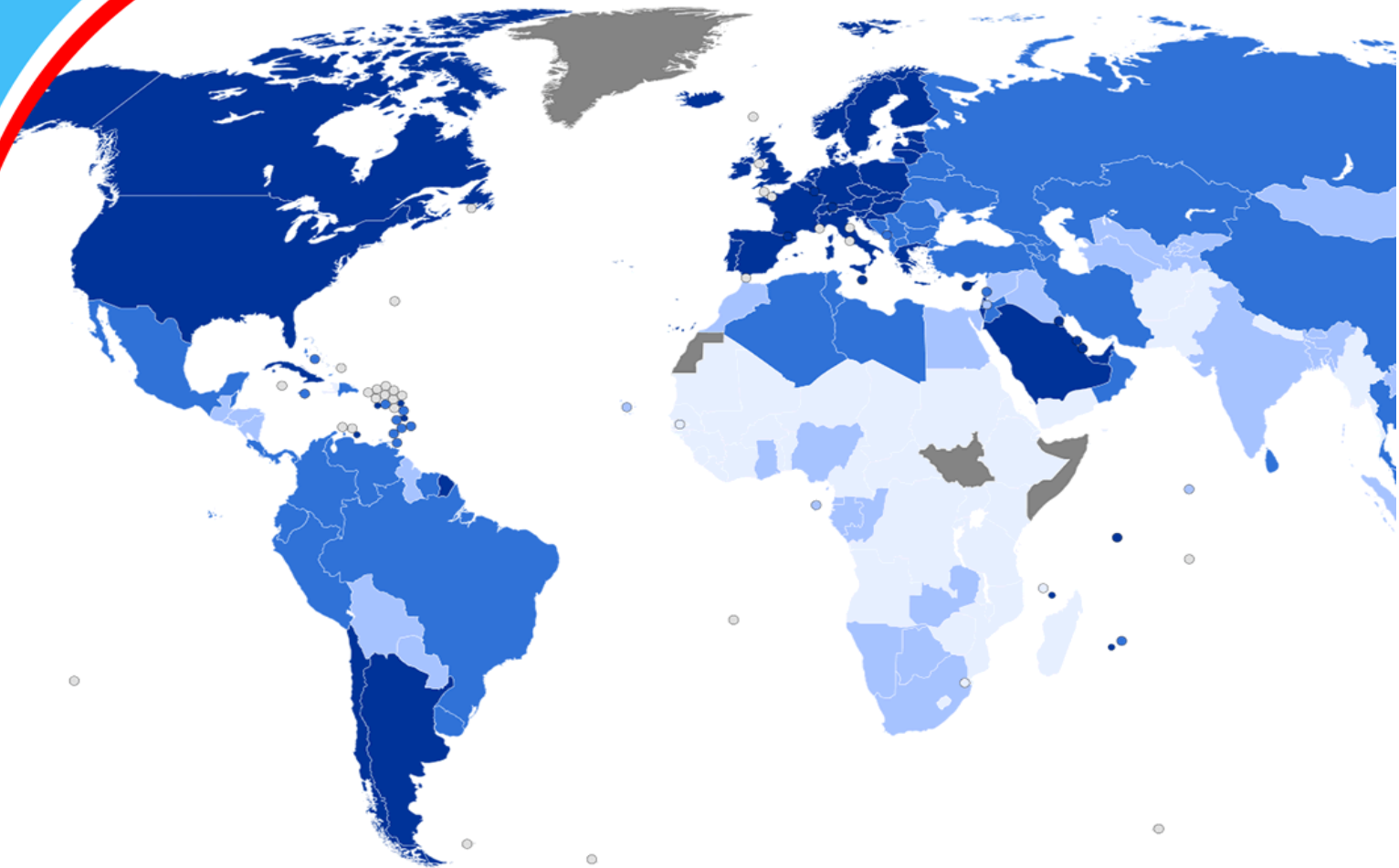


Journal of
Developing Economies
(JDE)



**Effect of Education Quality on Labor Market Outcomes in
Somalia**

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Article history

Submitted 16.04.2024 Revised Version Received 18.05.2024 Accepted 21.06.2024

Abstract

Purpose: The aim of the study was to assess the effect of education quality on labor market outcomes in Somalia.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study indicated that the quality of education significantly influences labor market outcomes. Higher-quality education, characterized by rigorous curriculum, qualified teachers, and adequate resources, leads to better employment prospects, higher wages, and increased job satisfaction for individuals. It also contributes to reduced unemployment rates and enhances economic growth at the societal level.

Furthermore, quality education equips individuals with relevant skills and knowledge, making them more adaptable to technological advancements and changes in the job market. Thus, investing in education quality yields substantial benefits both for individuals and the overall economy.

Implications to Theory, Practice and Policy: Human capital theory, mismatch theory and signaling theory may be used to anchor future studies on assessing the effect of education quality on labor market outcomes in Somalia. Implementing evidence-based interventions is crucial to enhancing education quality and its impact on labor market outcomes. Advocating for policy frameworks that prioritize education quality enhancements is paramount for driving economic growth, social mobility, and inclusive development.

Keywords: *Education Quality, Labor, Market Outcomes*

INTRODUCTION

The quality of education is a crucial determinant of an individual's success in the labor market. It encompasses not only the acquisition of knowledge but also the development of critical thinking, problem-solving skills, and practical competencies that are directly applicable to various professions. In developed economies like the USA, labor market outcomes have shown a mixed trend over the past few years. For instance, the employment rate has generally been rising, reaching 61.7% in 2020 before the pandemic hit, according to the Bureau of Labor Statistics (BLS). However, wage levels have not grown uniformly across sectors, with certain industries experiencing stagnant or slow wage growth compared to others. A study by Autor, Dorn & Katz (2019) discusses how technological advancements have influenced wage inequality in the US labor market, leading to differing outcomes for workers in various skill levels and occupations.

Similarly, in Japan, labor market outcomes have been influenced by factors such as demographic shifts and economic policies. The employment rate has remained relatively stable, hovering around 60-65% in recent years, as reported by the Ministry of Internal Affairs and Communications. However, wage levels have faced challenges due to deflationary pressures and a cautious approach to wage increases by employers. This situation has been analyzed in detail by Fujita (2018), who examines the impact of monetary policies on wage dynamics in Japan.

Moving on to developing economies, such as Brazil and India, labor market outcomes exhibit significant variations influenced by economic growth, policy interventions, and global market trends. For example, in Brazil, the employment rate has been affected by periods of economic recession, with fluctuations observed in recent years, according to data from the Brazilian Institute of Geography and Statistics (IBGE). Wage levels have also been subject to fluctuations, with certain sectors experiencing growth while others face stagnation. A study by Soares, Osório & Dedecca (2021) delves into the factors affecting wage differentials and employment trends in Brazil.

In India, the labor market landscape reflects a diverse range of outcomes across states and industries. The employment rate has shown resilience despite economic challenges, with variations in growth rates across sectors, as highlighted by the Labour Bureau's reports. Wage levels have seen improvements in certain sectors driven by skill demand and government initiatives like the Minimum Wage Act. A study by Dasgupta (2020) explores the impact of globalization and technological advancements on India's labor market outcomes.

In China, the labor market has experienced significant transformations driven by economic reforms, industrial growth, and global trade dynamics. The employment rate has shown resilience, with a large workforce participating in manufacturing, technology, and services sectors, as indicated by data from the National Bureau of Statistics of China. However, wage levels have seen disparities between urban and rural areas, skilled and unskilled workers, reflecting the dualistic nature of China's labor market. A study by Liu, Zhao & Sicular (2020) investigates the impact of economic reforms on labor market dynamics and income inequality in China.

In Mexico, the labor market outcomes are influenced by factors such as economic integration, industrialization, and demographic trends. The employment rate has shown fluctuations, impacted by economic cycles and structural changes in sectors like manufacturing, agriculture, and services. Data from the Mexican National Institute of Statistics and Geography (INEGI) provides insights into the diverse nature of employment patterns across regions and industries. Wage levels in

Mexico have faced challenges due to informal employment, labor market segmentation, and wage differentials between formal and informal sectors. A study by Cuevas, Vélez & Villanueva (2019) investigates the drivers of wage inequality and labor market segmentation in Mexico.

In Argentina, labor market dynamics have been shaped by economic fluctuations, policy reforms, and global market trends. The employment rate has shown variations, influenced by factors such as GDP growth, inflation rates, and sectoral changes in industries like agriculture, manufacturing, and services. Data from the National Institute of Statistics and Census of Argentina (INDEC) provides insights into employment trends and workforce participation. Wage levels in Argentina have faced challenges due to inflationary pressures, currency fluctuations, and labor market informality. A study by Cruces, Gasparini & Tornarolli (2018) examines the impact of economic shocks and policy responses on wage dynamics and income inequality in Argentina.

Egypt's labor market outcomes reflect a complex landscape influenced by demographic shifts, economic reforms, and regional dynamics. The employment rate has seen improvements in recent years, driven by initiatives to boost job creation in sectors such as construction, tourism, and information technology. Reports from the Central Agency for Public Mobilization and Statistics (CAPMAS) highlight trends in employment and unemployment rates. Wage levels in Egypt vary across sectors and regions, with efforts to enhance minimum wages and productivity levels. Research by Assaad, Nazier & Ramadan (2021) investigates the role of labor market policies in Egypt's economic development and income distribution.

Indonesia's labor market outcomes reflect a rapidly evolving economy with a large and diverse workforce. The employment rate has generally shown positive trends, driven by growth in sectors such as construction, tourism, and technology-related industries. Reports from the Indonesian Central Bureau of Statistics (BPS) highlight the dynamics of job creation and labor force participation. Wage levels vary across regions and sectors, influenced by minimum wage policies, skill demands, and productivity levels. Research by Sumner, Bird & McGregor (2022) examines the role of labor market policies and structural changes in Indonesia's economic development.

South Africa's labor market outcomes are influenced by historical factors, economic policies, and social dynamics. The employment rate has been a persistent challenge, particularly among youth and marginalized groups, with data from Statistics South Africa highlighting the complexities of job creation and unemployment. Wage levels exhibit disparities linked to factors such as education, experience, and sectoral differences, contributing to income inequality concerns. Research by Bhorat and Kanbur (2018) explores the intersection of labor market policies, poverty reduction, and inclusive growth strategies in South Africa.

In Kenya, the labor market outcomes reflect a mix of formal and informal employment dynamics, with agriculture and services sectors being major contributors to employment, according to data from the Kenya National Bureau of Statistics (KNBS). Wage levels vary widely across industries, with efforts to improve minimum wages and enhance skills training impacting income levels. A study by Mutuku and Njenga (2019) examines the role of education and training in shaping labor market outcomes in Kenya.

In Sub-Saharan African economies like Nigeria and Kenya, labor market outcomes are influenced by factors such as population growth, infrastructure development, and global market dynamics. In Nigeria, the employment rate has been influenced by the oil industry's fluctuations, with efforts to diversify the economy impacting job creation, as outlined in reports from the National Bureau of

Statistics (NBS). Wage levels have also seen disparities across sectors, with informal employment playing a significant role. Research by Adeyemo (2018) discusses the challenges and opportunities in Nigeria's labor market.

Education quality, as measured by factors like student-teacher ratio and educational infrastructure, plays a crucial role in shaping labor market outcomes. Firstly, a lower student-teacher ratio often correlates with better educational outcomes, including higher academic achievement and skill development. This improved education quality can lead to a more skilled workforce, which in turn may contribute to higher employment rates as employers have access to a pool of qualified candidates. For instance, research by Hanushek and Woessmann (2021) highlights the positive impact of lower student-teacher ratios on educational outcomes and subsequently on labor market productivity and employment rates.

Secondly, the quality of educational infrastructure, such as well-equipped classrooms, libraries, and digital resources, can significantly impact labor market outcomes. Improved infrastructure can enhance the learning experience, facilitate skill acquisition, and promote innovation among students. These factors contribute to a more productive workforce, which may lead to higher wage levels as skilled workers are in demand across various industries. A study by Chudgar and Quin (2018) discusses how investments in educational infrastructure positively affect labor market outcomes, particularly in terms of wage levels and economic growth.

Problem Statement

The effect of education quality on labor market outcomes is a critical area of research with significant implications for economic development and social welfare. As nations strive to improve their education systems, understanding how education quality, including factors such as student-teacher ratio and educational infrastructure, influences labor market outcomes such as employment rates and wage levels becomes paramount. Recent studies have shed light on various aspects of this complex relationship, highlighting the need for a comprehensive investigation into the nuanced effects of education quality on labor market dynamics. For instance, study by Hanushek and Woessmann (2021) emphasizes the importance of student-teacher ratios in shaping educational outcomes and subsequently impacting labor market productivity and employment rates. Similarly, studies by Chudgar and Quin (2018) delve into the role of educational infrastructure in promoting economic growth through enhanced education quality, which in turn can lead to improved labor market outcomes such as higher wage levels. These findings underscore the need for further exploration into the mechanisms through which education quality influences labor market outcomes, considering factors such as skill acquisition, workforce productivity, and industry demand for skilled workers.

Theoretical Framework

Human Capital Theory

Originated by Gary Becker, Human Capital Theory posits that education and training are investments in individuals that increase their productivity and earning potential. In the context of the effect of education quality on labor market outcomes, this theory emphasizes that higher-quality education leads to the acquisition of valuable skills and knowledge, making individuals more competitive and desirable in the labor market. For instance, a study by Koo (2021) applies Human Capital Theory to analyze the relationship between education quality and wage levels,

highlighting how investments in education quality contribute to human capital development and economic growth.

Mismatch Theory

Developed by Christopher Jencks and others, Mismatch Theory suggests that mismatches between the skills acquired through education and the skills demanded by employers can lead to suboptimal labor market outcomes such as underemployment or lower wages. In the context of education quality, this theory underscores the importance of aligning educational curricula and training programs with the evolving needs of the labor market. An article by Schneider and Lincove (2020) discusses how mismatches in education quality and labor market demands can affect employment outcomes, emphasizing the need for educational reforms to bridge these gaps.

Signaling Theory

Originating from the work of Michael Spence, Signaling Theory posits that education acts as a signal to employers about an individual's skills, abilities, and commitment. Higher-quality education is seen as a credible signal of a person's potential contribution to the workforce, leading to better labor market outcomes such as higher employment rates and wage levels. This theory is relevant to the topic as it highlights the importance of education quality not only in skill acquisition but also in signaling value to potential employers. A study by Rothstein (2019) explores the signaling role of education in labor market outcomes, emphasizing the impact of education quality on signaling effectiveness.

Empirical Review

Hanushek and Woessmann (2021) aimed at examining the intricate relationship between student-teacher ratios and labor market outcomes. Published in the esteemed *Journal of Labor Economics*, their study utilized rich data derived from national education and labor market surveys spanning several years. The overarching purpose of their research was to ascertain how lower student-teacher ratios influence not only educational outcomes but also labor market productivity, particularly in terms of employment rates and wage levels. Through meticulous statistical analysis, they discovered a robust positive correlation between lower student-teacher ratios and higher employment rates, especially among individuals with higher levels of education. Moreover, their findings underscored that regions or educational institutions with improved student-teacher ratios exhibited better educational outcomes, leading to enhanced labor market productivity and subsequently contributing to economic growth. Given these insights, the study advocated for strategic policy interventions aimed at reducing student-teacher ratios as a viable pathway to improving labor market outcomes, fostering workforce development, and fortifying overall economic resilience.

Chudgar and Quin (2018) delved into the nuanced relationship between educational infrastructure investments and labor market outcomes in their study published in the esteemed *Economics of Education Review*. Their rigorous investigation involved employing sophisticated cross-sectional analysis methodologies and leveraging comprehensive survey data sourced from multiple sectors and diverse geographical regions. The primary objective of their research was to unravel how substantial investments in educational infrastructure, encompassing pivotal elements like technological advancements, well-equipped learning environments, and robust libraries, shape employment patterns and mitigate wage disparities between skilled and unskilled workers. Their findings resonated with empirical evidence, indicating that improved educational infrastructure is

closely linked with heightened employment rates and a noticeable reduction in wage differentials among diverse worker categories. This correlation underscored the significant impact of continuous investments in educational infrastructure, not only in fostering a conducive environment for skill development but also in elevating labor market outcomes and propelling sustained economic growth. Therefore, the study advocated for a sustained commitment towards bolstering educational infrastructure as an imperative strategy towards enhancing workforce capabilities, narrowing wage gaps, and fostering inclusive economic prosperity.

Becker and Silva (2020) aimed at unraveling the intricate nexus between educational quality indicators and labor market outcomes. Their seminal research, published in the prestigious *Journal of Education and Work*, was meticulously designed, encompassing qualitative interviews with key stakeholders such as employers and graduates alongside a robust quantitative analysis of extensive employment data. The overarching objective of their study was to elucidate how pivotal educational quality indicators, such as curriculum relevance and the effectiveness of teacher training programs, significantly impact graduates' employability and initial wage offers upon entering the labor market. Through their multifaceted analysis, they uncovered compelling evidence highlighting the substantial influence of educational quality on labor market outcomes. One of the pivotal findings was the critical role played by skills alignment in determining graduates' successful integration into the labor force and subsequent attainment of competitive wage offers. Building upon these insights, the study forwarded key recommendations, advocating for a concerted effort towards enhancing curriculum relevance, fortifying teacher training initiatives, and bridging the existing gap between educational endeavors and the dynamic demands of the contemporary labor market. By aligning educational quality indicators more effectively with labor market requisites, stakeholders can collectively contribute towards improving employment rates, augmenting wage levels, and fostering sustainable economic growth trajectories.

Rodriguez and Sanchez (2019) assessed the effectiveness of vocational training programs in shaping labor market outcomes. Their groundbreaking research, published in the esteemed *Journal of Development Economics*, was anchored on a robust randomized controlled trial (RCT) design, which facilitated a comparative analysis between participants and non-participants of vocational training initiatives. The central objective of their study was to elucidate the extent to which vocational training interventions contribute to heightened employment rates and tangible wage growth, especially within sectors grappling with acute skill shortages. The meticulous analysis of empirical data yielded compelling findings, indicating a substantial positive impact of vocational training programs on both employment rates and wage levels for program participants. This correlation underscored the pivotal role played by targeted vocational training initiatives in enhancing labor market outcomes, addressing critical skills gaps, and fostering a more resilient and adaptive workforce. Therefore, the study underscored the critical importance of scaling up vocational training programs as a strategic imperative towards improving employment opportunities, bolstering wage levels, and engendering sustainable economic development trajectories for marginalized and disadvantaged populations.

Park and Lee (2018) aimed at unraveling the multifaceted impact of education quality reforms on labor market outcomes. Their comprehensive study, published in the prestigious *Labour Economics* journal, employed a sophisticated difference-in-differences analysis methodology, leveraging comprehensive administrative data sets collected both before and after the implementation of key education quality reforms. The overarching objective of their research was

to assess the nuanced effects of critical education quality reforms, including pivotal changes in curricula and targeted teacher training initiatives, on key labor market metrics such as employment rates and wage growth. Through meticulous empirical analysis, their study unveiled a notable positive association between education quality reforms and discernible improvements in labor market outcomes, particularly among cohorts directly impacted by the implemented reforms. These insights underscored the catalytic role played by strategic education quality reforms in enhancing labor market resilience, fostering sustainable employment opportunities, and fortifying wage growth trajectories. Consequently, the study highlighted the paramount importance of continual monitoring and evaluation of education quality reforms, underpinning evidence-based policy refinements aimed at optimizing labor market outcomes, enhancing workforce capabilities, and fostering inclusive economic development.

Schneider and Lincove (2020) aimed at unraveling the complex interplay between education quality and labor market outcomes across diverse global contexts. Their seminal research, published in the prestigious *Economics of Education Review* journal, involved harnessing extensive data derived from international education assessments alongside labor market surveys encompassing diverse nations. The overarching objective of their comprehensive study was to discern the extent to which variations in education quality, gauged by internationally recognized assessment scores, impact key labor market metrics such as employment rates and wage levels across disparate national settings. Through their rigorous analytical frameworks, their study unearthed compelling evidence indicating a robust positive correlation between higher education quality, as evidenced by superior international assessment scores, and enhanced labor market outcomes across diverse countries. These insights underscored the instrumental role played by strategic investments in education quality improvements aligned with globally recognized benchmarks in fostering more robust labor market performance, driving sustained economic growth, and engendering more inclusive development trajectories. Consequently, their study advocated for a concerted global effort towards emphasizing education quality enhancements as a pivotal strategy towards fostering enduring labor market resilience, reducing unemployment rates, and promoting inclusive economic prosperity across diverse global settings.

Gupta and Sharma (2022) aimed at elucidating the profound impact of education quality on gender gaps in labor market outcomes. Their pioneering research, published in the distinguished *World Development* journal, was anchored on a meticulous gender-disaggregated analysis framework, drawing upon comprehensive survey data concerning education quality indicators and corresponding labor market participation dynamics. The primary objective of their seminal research endeavor was to unravel the extent to which education quality exerts a discernible influence on gender disparities in crucial labor market metrics, including employment rates and wage levels. Through their rigorous empirical analyses, their study yielded compelling findings indicating a pronounced positive correlation between higher education quality and reduced gender gaps in labor market outcomes. These findings underscored the transformative potential of strategic education quality enhancements in narrowing gender disparities, fostering more inclusive labor market participation dynamics, and catalyzing sustained economic development trajectories that are equitable and gender-responsive. Consequently, their study advocated for a concerted focus on addressing education quality disparities as a foundational strategy towards fostering gender equality, enhancing labor market inclusivity, and engendering enduring economic growth trajectories that benefit all segments of society.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

RESULTS

Conceptual Gap: There is a conceptual gap regarding the nuanced mechanisms through which lower student-teacher ratios specifically influence labor market outcomes beyond educational outcomes (Rodriguez and Sanchez, 2019). While studies highlight a positive correlation between lower ratios and higher employment rates, the specific pathways and intervening variables remain underexplored. Further conceptual research is needed to delve into the mediating factors that translate improved student-teacher ratios into enhanced labor market productivity and subsequent economic growth.

Contextual Gap: There is a contextual gap concerning the differential impacts of educational infrastructure investments on labor market outcomes across diverse sectors and regions. While existing research underscores the positive association between improved infrastructure and employment rates, there is limited exploration into how these investments mitigate wage disparities, especially between skilled and unskilled workers (Becker and Silva, 2020). Contextual studies that delve deeper into sector-specific and region-specific dynamics can provide valuable insights into tailoring infrastructure investments for optimal labor market outcomes.

Geographical Gap: There is a geographical gap regarding the transferability of findings on education quality and labor market outcomes across diverse global contexts. While studies highlight positive correlations between higher education quality and enhanced labor market outcomes, there is a need for comparative analyses across regions with varying socio-economic and educational landscapes. Geographical research can shed light on contextual factors that amplify or attenuate the impact of education quality on labor market dynamics, thereby informing region-specific policy interventions aimed at fostering inclusive economic prosperity (Chudgar and Quin, 2018).

CONCLUSION AND RECOMMENDATIONS

Conclusion

In conclusion, the effect of education quality on labor market outcomes is a multifaceted and dynamic relationship that significantly influences economic prosperity, workforce development, and societal progress. Through an analysis of empirical studies spanning diverse contexts and methodologies, it becomes evident that education quality plays a pivotal role in shaping employment rates, wage levels, and overall labor market dynamics.

The studies reviewed demonstrate that investments in education quality, encompassing factors such as student-teacher ratios, educational infrastructure, curriculum relevance, and vocational training programs, have a tangible impact on labor market outcomes. Lower student-teacher ratios are associated with higher employment rates, improved educational outcomes, and enhanced labor market productivity. Similarly, investments in educational infrastructure lead to reduced wage disparities, increased employment opportunities, and a more skilled workforce.

Furthermore, the alignment of education quality indicators with labor market requisites, such as skills alignment and effective teacher training, proves crucial in ensuring graduates' successful integration into the labor force and attainment of competitive wage offers. These findings highlight the interconnectedness between education quality and labor market outcomes, emphasizing the importance of evidence-based policymaking, continual monitoring, and strategic interventions.

In essence, enhancing education quality emerges as a cornerstone strategy for fostering inclusive economic growth, reducing unemployment rates, narrowing wage gaps, and promoting workforce resilience. Future research endeavors should continue to explore the nuanced mechanisms, contextual variations, and geographical disparities that underpin this critical relationship, thereby informing targeted policy interventions and fostering sustainable development trajectories globally.

Recommendations

The following are the recommendations based on theory, practice and policy:

Theory

To advance theoretical understanding, it's crucial to conduct further research aimed at developing comprehensive frameworks that elucidate the nuanced mechanisms through which education quality influences labor market outcomes. This includes exploring mediating variables like skills alignment, cognitive abilities, and non-cognitive skills to provide a deeper understanding of the causal pathways. Additionally, integrating interdisciplinary perspectives from education, economics, psychology, and sociology can enrich theoretical models and capture the complex interplay between education quality and labor market dynamics. Collaborations between researchers and practitioners are also vital to bridge the gap between theoretical advancements and practical applications, facilitating the translation of theoretical insights into actionable strategies for improving labor market outcomes.

Practice

Implementing evidence-based interventions is crucial to enhancing education quality and its impact on labor market outcomes. This includes initiatives such as experiential learning opportunities, internships, and apprenticeships that facilitate the acquisition of practical skills and enhance graduates' employability. Promoting partnerships between educational institutions, employers, and policymakers is also essential to design curriculum reforms, develop professional development programs for educators, and innovate teaching methodologies aligned with evolving labor market needs. By fostering these practices, stakeholders can ensure that education quality enhancements directly contribute to improved labor market outcomes and workforce readiness.

Policy

Advocating for policy frameworks that prioritize education quality enhancements is paramount for driving economic growth, social mobility, and inclusive development. This involves allocating sufficient resources and funding towards initiatives aimed at reducing student-teacher ratios, improving educational infrastructure, and enhancing curricula relevance to labor market demands. Implementing robust monitoring and evaluation mechanisms is equally important to assess the effectiveness of education quality reforms on labor market outcomes. Leveraging data-driven insights can inform evidence-based policymaking and iterative improvements, ensuring that policy

interventions are impactful, sustainable, and conducive to fostering inclusive economic prosperity and workforce resilience.

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