

Self-Employment Intention of Rural Youth: A Study in Thai Nguyen Province – Viet Nam

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Abstract: *This study investigates the factors affecting the self-employment intentions of rural youth in Thai Nguyen province - Vietnam. This paper uses the theory of planned action of Ajzen (1991) to specify the probit model and survey data to investigate the factors affecting self-employment of rural youth. The estimation results show that the intention of rural of rural youth labours in Thai Nguyen is influenced by the: Individual characteristics, Attitude, Behavioral Control Awareness, Financial mobilization ability, Opinions of others; Support from family and friends; Support from organizations and unions; Support from State policies. From the results of this research, based on the relationship between self-employment intention and self-employment decision.*

Keywords: *self-employment, probit model, attitude, individual characteristics*

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I. Introduction

Thai Nguyen is a mountainous province, acting as a political and economic center of the Viet Bac area, and a gateway for socio-economic exchanges between the Northern Midlands and Mountains region and the Northern Delta region. With about 64.7% citizens are living in rural areas (Thai Nguyen Statistical Office, 2019). In recent years, the economic restructuring towards industrialization and modernization have been taken place strongly in Thai Nguyen province. Thai Nguyen has developed and constructed many industrial areas such as Song Cong, Diem Thuy and Yen Binh. Besides benefits such as developing infrastructure, creating jobs for more workers ... the livelihoods of many rural workers have also affected. Many households lost their land, many traditional occupations were disappeared. Industrial production has many potential hazards affecting workers' health, the risk of losing exit jobs when enterprises leave their company to of to another province when the preferential tax time for these enterprises karma is over. The instability of employment in the industrial sector, low wage... have driven rural youth in doing self-employment in Thai Nguyen province. This trend will contribute to resolving employment and developing economic for Thai Nguyen, so that it needs to be encouraged, scaled up and maintained.

Thai Nguyen is the third largest education and training center in Vietnam (after Hanoi and Ho Chi Minh City). Every year, a number of people enter the labor force, including workers, engineers, bachelor of economics, doctors... but the ability to accept workers of the business sector and the government sector are limited, so number of these graduated labours have been became redundant. Creating employment for Youth can not only depend on state programs, but each Youth must take initiative, directly and firstly to find jobs or create jobs for themselves yourself. Self-employment not only helps to create jobs for workers themselves, but also contributes to creating a startup ecosystem, promoting self-reliance and promoting the special creativity of the current generation of young people.

This article is organized as follows: Section 2 provides an analytical framework in which the theory of rural youth's self-employment intention is addressed. Section 3 describes the data collection and methods used to investigate the factors affecting rural youth's self-employment intention. Section 4 provides results and empirical discussions. Section 5 provides recommendations and conclusions of the paper.

II. Research Framework Of Factors Affecting Self-Employment Intention

The intended behavioral theory (Ajzen, 1991) is an improved development of rational action theory. According to Ajzen, the introduction of TPB's theory of behavior stems from the limit of behavior which people have little control, even though the motivation of the subject, in some case they still do not act because of the effects of external conditions on the intention of behavior. This theory has been supplemented by Ajzen since 1991 by introducing additional factors to control cognitive behavior (Perceived Behavioral Control). Behavioral control awareness reflects how easy or difficult it is to just conduct a behavior and whether its behavior is controlled or limited (Ajzen, 1991, p.183). According to the TPB model, motivation or intention is the basic

motivating factor for consumers' behavior. The motives or intentions are guided by three basic prefixes: attitude, subjective norm and control of cognitive behavior.

Self-employment decisions can be understood as a kind of personal behavior. This decision based on the capabilities and needs of people, exploit and take advantage of market opportunities. Before a self-employment decision is made, an individual has to think about and intend to (create) self-employment, thereby seeking opportunities, finances and partners for implementation. A strong intention will always lead to an effort to start a new job. Thus, self-employment planning is capable of accurately predicting future self-employment decisions. Self-employment intention is the result of human awareness, whether self-employment can be done or not, fast or slow due to the surrounding environmental conditions.

Ngo Quynh An (2012), through a micro approach, examined the role of human capital and social capital with self-employment capacity of Vietnamese youth. In which the dependent variable is "Self-creating jobs"; explanatory variables are "human capital" (Experience in labor market, Education level, Training) and "social capital" (Percentage of female members over 15 years of age in the household; occupations of the household head, Potential material resources of the household...). Ngo Quynh An also uses qualitative methods, through the analysis of typical self-employment cases, to build in-depth concepts of self-employment, identify influencing factors, and learn about the degree of youth's desire to create self-employment, their own self-employment process and what they need to support in the self-employment process. The author has provided evidence that social capital is linked through the supporting of agencies, mass organizations, the Government and socio-economic development programs, development levels of regions and localities have had a great effect on the youth group that owns and operates businesses. The author also pointed out that family support is an important source of both material and spiritual support for young people to create jobs themselves. In addition, factors such as family tradition in self-employment, experience and support from other family members also play an important role in choosing to create jobs and own production business. Thus, Ngo Quynh An (2012) studied the youth's ability to create jobs through two groups of factors: human capital and social capital. However, in the characteristics of human capital, factors such as health, marital status, age and attitude of individuals towards self-employment have not been taken into consideration.

Phan Anh Tu and Giang Thi Cam Tien (2014) based on data collected from 180 youths living in Can Tho city and regression analysis, found that the factors that influence the intention to start a business are: motivation to become entrepreneur, family background, government and local policies, entrepreneurship, financial ability, personal characteristics.

Financial capital or wealth has a positive relationship with workers' self-employment (Evans and Jovanovic, 1989; Evans and Leighton, 1989a; Meyer, 1990). The importance of this relationship stems from two reasons, both related to the fact that some activities require a significant initial investment: (i) financial capital can be used to start an autonomy activity; (ii) more assets means more collateral increases the likelihood of external financing. The more financial capacity, the richer individuals, the easier to create jobs themselves (Nykqvist, 2008).

Regarding supporting policies for self-employment creation, Tran Viet Tien (2012) has summarized nearly 20 preferential credit policies, using credit lending mechanism through programs, organizations and unions to support capital for production and business of disadvantaged groups such as poor laborers, laborers going to work abroad for a definite time, laborers in areas where agricultural land is converted. Thereby, it can be seen that the policies of the State and localities will be one of the significant factors affecting the self-employment of young people in the area of agricultural land acquisition. Research by Le Xuan Ba et al (2006) has shown that local authorities need to create policies for workers can easily transfer, change occupations or move to work in other localities, or create jobs locally.

Many empirical studies have analyzed the relationship between gender and self-employment. Most of the results are that women are less likely to engage in self-employment than men (Wang and Wong, 2004; Parker and Robson, 2004; Moog and Backes-Gellner, 2009; Leoni and Falk, 2010; Tervo and Haapanen, 2010; Verheul et al., 2012; Fritsch and Sorgner, 2013; Klyver et al., 2013; Koellinger et al, 2013). Women are more at risk than men (Sexton and Bowman-Upton, 1990; Verheul and Thurik, 2001; Croson and Gneezy, 2009; Parker, 2009; Dohmen et al., 2011), so women are less likely to self-employment, and if female workers create jobs themselves, it will be very deliberate and careful when decide the size of the investment and the selected job kind.

Holtz-Eakine (1994) argues that attitudes towards risks of self-employment are correlated with age, so a concave relationship between age and self-employment of older people is less likely to occur. For older people, a higher level of risk aversion, reduced physical and mental capacity for long working weeks and stressful situations and less time to recover the initial investment made when participating in self-employment (Hintermaier and Steinberger, 2005). Ishaque Mahama and Motin Bashiru (2014), showed that: "people aged 34 and under have a higher probability of choosing to create jobs than workers aged over 34". Explaining this, the authors given that young people are often characterized by a risk-loving attitude and

willingness to take advantage of available opportunities, so they are more likely to be self-employed.

IshaqueMahama and Motin Bashiru (2014), the impact factor of the educational factor is negative. This suggests that the higher the number of years a person attends school, the less likely he or she do self-employed. Explaining this observation, individuals who have high education level believe they can make more money in paid employment and for that reason, self-employment is not a good option. Similarly, Clark and Drinkwater (2000) argue that their ability to work on their own is lower for those with higher levels of education.

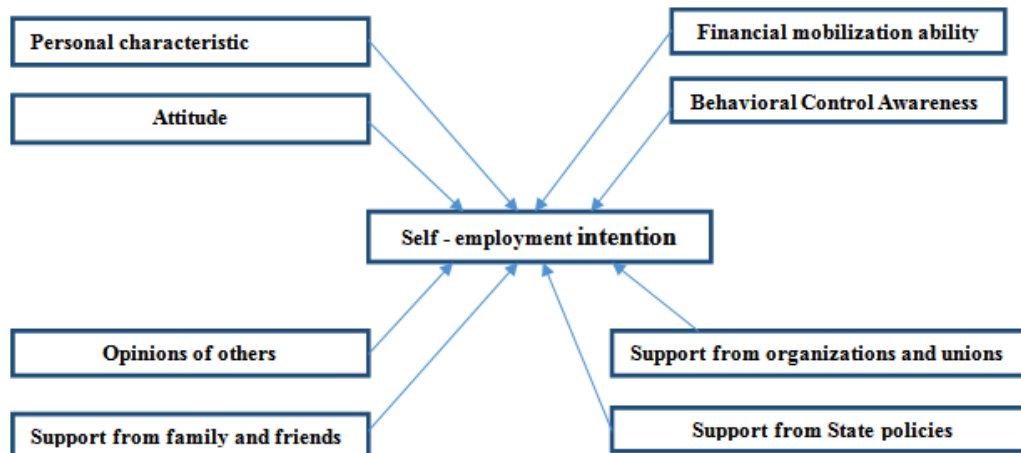
Marital status affects labor market outcomes (Verbakel and de Graaf, 2008, 2009). Regarding the case of self-employment, a number of results have been found. First, if an individual is married, the wealth (wealth) has the potential to increase, which not only directly increases the likelihood of self-employment (Budig, 2006), but also ensures that if having financial difficulties, the wealth of both parties (spouses) will allow the operation to exist for a longer period. Second, the other person can enter the business, becoming a worker pursuing the best interests of the business (Borjas, 1986) (Lin et al., 2000). Third, the husband (wife) will be a great support and sharing of emotions in the ups and downs of self-employment (Bosma et al., 2004). On the other hand, Fairchil (2009) argues that the situation of getting married, especially when having children, they need to spend time on parenting, so it is difficult to have time to create jobs by themselves. More family responsibilities can increase the risk of self-employment. However, the results found in Cowling (2000) are an important exception to this panorama, showing that for the majority of the 13 countries analyzed in Cowling's study, Marriage does not have a positive effect on the probability of becoming self-employed.

Several studies have found an inverse relationship between the health and self-employment. Individuals in a situation of illness or disability tend to choose or switch to self-employment to reduce stress levels as well as time constraints (Rees and Shah, 1986; Gorgievski et al., 2010).

Using psychological data for research in Finland, Ekelund et al. (2005) confirm that risk aversion has a negative effect on self-employment options. Using the same psychological data, but research in young male samples, Ahn (2009) concludes that risk tolerance plays an important role in explaining decisions about self-employment. Similar results were found in many empirical studies, for example, Colombier et al. (2008), Macko and Tyszka (2009), Wang et al. (2010), Brown et al. (2011b), and Fritsch and Sorgner (2013).

Based on Ajzen's planned behavioral theory (1991), inheriting the results of the studies that have reviewed the impact of factors on self-employment, the research framework was developed as follows.

Figure 1: Framework Factors affecting rural youth's self-employment intention



Source: Author synthesized and proposed

III. Methodology and data

Methodology

The theoretical framework indicates that the intention of self-employment of rural youth is influenced by many groups of factors, so the Probit model is used to estimate the parameters of the self-employment intention model. The Probit model has its forms as follows:

$$\text{Pro}(Y_1 = 1|X_{1i}) = \Phi(\alpha + X_{1i}\beta_{1i} + u) (*)$$

In this model, if a rural youth intends to create a job on his own, he will choose the answer with the value "1", if he does not plan to create a job on his own, get the value "0". In particular, Y_1 is a dependent variable reflecting the self-employment plan of rural youth in Thai Nguyen province. $Y_1 = 1$ when rural youth confirm that they intend to create jobs themselves and $Y_1 = 0$ when rural youth confirm that they do not plan to create jobs in the future;

Φ is the cumulative probability distribution function;

X_{1i} ($i = 1, 2, 3, 4$) are vectors that reflect the characteristics of rural youth in Thai Nguyen province such as: personal characteristics, attitudes, awareness of behavior control, ability to mobilize talents. Mainly, opinions of other people, support from family and friends, support from mass organizations, support from State policies in the model (*)

β_{1i} ($i = 1, 2, 3, 4$) is the estimated parameter vector in the model (*)

u is the random error of the model (*)

Next, calculate the marginal influence of the factors that affect X_i on the probability of self-employment in rural youth in Thai Nguyen province

$$\text{Marginal influence} = \frac{\partial \text{Prob}(Y_1 = 1|X_i)}{\partial Y_1} \frac{\partial Y_1}{\partial X_i} = \frac{\partial \Phi(\alpha + X_{1i}\beta_{1i} + u)}{\partial Y_1} \frac{\partial Y_1}{\partial X_i}$$

Data and variables

Table 1: Definition of variables used in the estimated models

Variables	Definition
Gender	equals "1" for male employees, and "0" for female employees
Age	the value is equal to "1" if the age is between 16 and 20; Value is "2" if age is between 21-25 years; Value is "3" if age is between 26 - 30.
Marital status	equal to "1" if the employee is married, equal to "0" if the employee is unmarried
Healthy	equal to "1" if the employee is in bad health, equal to "2" if normal health, equal to "3" if good health
Education	equal to "1" if the employee has a vocational training or an intermediate or higher degree, equal "0" if the employee only goes to high school
Attitude	5-level likert scale.
Financial mobilization ability	5-level likert scale
Behavioral control awareness	5-level likert scale
Support from family and friends	5-level likert scale
Opinions of others	equals to "1" if it is affected, equal to "0" if it is not affected.
Support from organizations and unions	equal to "1" if receiving support; equals "0" if no assistance is received.
Support from State policies	equal to "1" if received support; equals "0" if no assistance is received; Access level, completeness, rationality, and policy are measured by 5-level likert scale.

Source: Author synthesized

From the 600 questionnaires forms were sent via email, online survey and direct questions, 470 collected, the response rate was about 78%. After checking, collating, the thesis has discarded the invalid replies, finally, 398 votes were used. Regarding gender structure, the total number of surveys was 398, of which 230 were male for 58%, for female was 168 for 42%, the difference was not too large, indicating the need for self-employment. Doing in both gender is relatively balanced. However, men still account for a higher proportion of those who are healthy, strong traits, self-determination in self-employment, and willing to cope the difficulties in compared with female. The ethnic structure shows that the majority of Kinh people is nearly 90% of the respondents, the rest are other ethnic groups.

4. Regression results

The data used in the probit model are tested for multicollinearity. The correlation matrix shows that there is no evidence of strong correlation between these independent variables, thus those independent variables are exogenous.

Table 2: Factors affecting the self-employment intentions of rural youth in Thai Nguyen province

	$\Phi (Y=1 X)$	Marginal effect(dy/dx)
Gender	0.3449**(0.1611)	0.1225**(0.0575)
Age	-0.3196**(0.1077)	-0.1125**(0.0376)
Marital status	0.2913(0.1918)	0.0992(0.0628)
Healthy	-0.2570*(0.1385)	-0.0904*(0.0486)
Education	-0.3503**(0.1562)	-0.1239**(0.0552)
Attitude	0.3388***(0.0833)	0.1192***(0.0297)
Financial mobilization ability	0.3946***(0.0988)	0.1389***(0.0346)
Behavioral control awareness	0.2790***(0.0771)	0.0982*** (0.0272)
Support from family and friends	0.1632**(0.0795)	0.0574**(0.0279)
Opinions of others	-0.0481(0.1480)	-0.0169(0.0519)
Support from organizations and unions	0.4244*(0.2165)	0.1588*(0.0842)
Support from State policies	-0.1391(0.1537)	-0.0486(0.0533)
Constant	1.8460(0.5805)	

Observations	398	398
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Note: *t* statistics are in parentheses; *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author synthesized

Age, gender, education level, health affect the self-employment plan of rural youth in Thai Nguyen province. At the 5% significance level, empirical results show that the age, gender and education level have a positive impact on rural youth's intention to create jobs. Specifically, if the gender score increases, then the intention to create jobs by 12.25%, it shows that if the youth are male, the trend of self-employment is more than women. Thus, this result also supports the assertion of previous studies (Wang and Wong, 2004; Parker and Robson, 2004; Moog and Backes-Gellner, 2009; Leoni and Falk, 2010; Tervo and Haapanen, 2010; Verheul et al., 2012; Fritsch and Sorgner, 2013; Klyver et al., 2013; Koellinger et al., 2013) which suggest women are less likely to engage in self-employment. The effect of age on self-employment is reversed (negative sign); when the age increases, youth's intention to create jobs by 11.25%. The finding in the study of Holtz-Eakine (1994) also supports this result, meaning that young people will have a higher probability of self-employment than older people. Older people often want to look for safer and less risky jobs than Youngers. In addition, the estimated results from the model also show the opposite effect of the educational level to create self-employment, when the educational level increases, the intention to create jobs for rural youth reduce of 12.39%. It can be understood that rural youth who have been trained in high education level are less likely to create jobs by themselves than who are lower trained. In fact, a trained worker has a better chance of finding a job with a stable income which may be the reason for the low proportion of plan to create self-employment. The results of the impact of educational level in the thesis also agree with the studies of Ishaque Mahama and Motin Bashiru (2014), Clark and Drinkwater (2000).

A positive attitude and confidence in ability to succeed have made rural youth plan to create jobs for themselves, at the meaningful level of 1%. Empirical results show that when increase one person has positive attitude compared with the average, this drive in the probability increase the intention of creating jobs of rural youth increase by 11.92%.

Awareness of self-employment expresses an individual's thoughts on the attractiveness of self-employment, and self-assessment of whether or not they are capable of self-employment. Estimated results from the model show that, at the average value, when awareness is increased one point, the probability of self-employment planning of rural youth increases by 9.82% at significance level 1%.

Individual financial viability has the most positive impact on rural youth's self-employment intention. When an individual's ability to raise money increased from the average level, the probability of rural youth planning to create jobs themselves increased by 13.89%. This result also supports the conclusions of previous studies (Evans and Jovanovic, 1989; Evans and Leighton, 1989a; Meyer, 1990; Elston and Audretsch, 2011); Kerr and Nanda, 2011). Self-employment also requires a finance for initial investment, so if an individual has good financial mobilization ability, that individual is also easier to create jobs than others.

Support from family, friends or relatives around individuals are always the source of encouragement and motivation for rural youth to carry out a job or activity. The results from the model show that at the 5% significance level, when the support of family and friends increases, the probability for young people planning to create jobs increase 5.74%.

IV. Conclusions

Probit regression analysis of factors affecting the intention of self-employment of rural youth in Thai Nguyen province. The estimation results show that the intention of creating jobs for young people in rural areas is influenced by the following factors: Individual inside (Personal characteristics, Attitude, Behavioral control awareness, Ability financial mobilization) Outside (environment) (Opinions of people around; Assistance from family and friends; Support from organizations and unions; Assistance from State policies).

From the results of this research, based on the relationship between self-employment intention and self-employment decision, factors influencing self-employment decision will continue to be studied and presented in the next article of the author group.

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