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Youth employment programmes

What can be learnt from international experience with youth
employment programmes?

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1 Introduction

1.1 Background

This report presents the result of a literature review on best practice in and learning from youth employment programmes in developing countries. The review focuses on understanding the private sector led or driven youth employment programmes that contain or are supported through employer placement/temporary employment, and not especially in solely training.

Where relevant, evidence from outside developing countries was used. The response therefore draws on evidence collected from a literature review of available sources from around the world. This does not claim to be an exhaustive review of the evidence, but tries to answer the question as clearly as possible.

1.2 Summary

Growing the share of the population in employment is a challenge that is rising up the international agenda. For example, *Jobs* was the title and core focus of the World Bank's World Development Report 2013 (WDR 2013). The WDR 2013 estimates that there are 200 million unemployed worldwide and that over the next 15 years an additional 600 million new jobs will be needed to absorb young people entering the labour market¹. The WDR 2013 also frames the strategies available to address this challenge very widely, encompassing many policies that might be seen as oriented to economic growth such as macroeconomic and investment climate policies.

The definition of *youth employment programmes* is also often defined to encompass a broad array of interventions in the labour market and in education. A report by the Independent Evaluation Group (IEG) at the World Bank² includes labour market regulations among other interventions, stating:

The international literature on youth employment programmes suggests a comprehensive approach works best. A "comprehensive approach" is a multipronged strategy that includes complementary interventions aimed at removing key constraints to youth employment across multiple elements of the youth employment spectrum, namely: influencing the job creation and work opportunities for youth (both demand for youth by firms and self-employment), labour markets characteristics, and labour supply (skills and labour attributes).

There are a number of market failures in the labour market itself, which can be used to justify government intervention. This includes the fact that employers may be reluctant to train staff to improve their skills, since workers are free to leave and take these skills to other employers ('poaching externalities') – as a result there can be an underinvestment in skills development and therefore of employment opportunities available. In addition, young people may have imperfect information on the types of skills required when they enter the labour market. Young people may therefore be acquiring the wrong skills. Improving the training system, in particular through private sector involvement in developing curricula or even in the provision of technical, vocational education and training (TVET) may be one solution to this.

Youth employment programmes have evolved over the years. Over time, there has been a transition from 'in-classroom only' towards combined measures of in-classroom, workplace training, and other supplementary services³. A World Bank database of studies on international youth employment interventions in recent years, found that 39 per cent of interventions solely consist of skills training, while a further 32 per cent combine vocational and on-the-job training (OJT) with wage subsidies and public works,

¹ World Bank (2012) World Development Report 2013 (WDR 2013)

² World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

³ Jean Fares and Susana Puerto (2009) "Towards Comprehensive Training." Social Protection Discussion Papers 52188. World Bank.

or classroom and OJT with paid work experience and job search assistance. Wage subsidies and entrepreneurship interventions account for a further 12 per cent each.⁴

Evidence on the impact of youth employment programmes can suffer from weak evaluation, particularly for programmes in developing countries such as in sub-Saharan Africa. Only one in ten programmes reviewed by a World Bank team included an evaluation measuring the net impact using robust methodology and a control group. *“The absence of rigorous evaluations almost certainly leads to an overestimation of the programme impacts by policy-makers”*.⁵

Where impacts are measured, the majority of youth employment programmes find them to be positive, with post-programme employment and earnings analysed to constitute “impact”. Where an assessment had been made, 78 per cent had a positive impact. Those programmes that were properly evaluated are less likely to lead to positive assessments of impact and effectiveness. Considering only those programmes with more rigorous net impact evaluations – just 60 per cent had positive labour market impacts for participants. Once cost-effectiveness is taken into account, less than half of the programmes could be judged as successful – where just 44 per cent of the sample had a positive net impact and were cost effective.⁶

Analysis of a larger dataset by another World Bank team⁷ indicates that programmes that combine different training approaches have a higher probability of positive labour market impacts on employment and/or earnings outcomes of trainees. In particular, the interaction of in-classroom and workplace training increases the likelihood of positive labour market impacts by 30 percentage points, as compared to in-classroom training alone. When this interaction is combined with other services⁸, the probability of a positive impact increases by 53 percentage points, with respect to classroom training only.

This overall evidence on employment programmes in this paper is supplemented by evidence on specific types of intervention. This includes the following:

- **On-the-job Training (OJT).** Empirical evidence typically finds positive returns to earnings and productivity from OJT, with particularly strong returns in developing and middle-income countries. For example in Kenya and Zambia, Rosholm, Nielsen and Dabalen (2007) using matching estimation based on cross-sectional data from the Regional Programme on Enterprise Development, find that formal training leads to 20 per cent wage increase⁹. The programme Jóvenes en Acción (Youth in Action) in Colombia from 2001 and 2005 provided three months of in-classroom training and three months of OJT to young people between the ages of 18 and 25 in the two lowest socioeconomic strata of the population. Following participation, male and female participants were 5.8 and 6.9 percentage points more likely to have a formal sector job, respectively. Women offered training earn 19.6 per cent more than those not offered training, mainly in formal-sector jobs, although no such impact was found for men¹⁰.
- **Wage subsidies.** In a review of European countries Kluve (2006)¹¹ finds that there are significantly higher returns from private sector incentive programmes and they increase the likelihood of positive labour market impacts by 40 to 50 percentage points more than training programmes. A programme in Sri Lanka reports positive results from a wage subsidy paid to 22 per cent of micro-

⁴ Gordon Betcherman, Martin Godfrey, Susana Puerto, Friederike Rother, and Antoneta Stavreska (2007) “A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory.” SP Discussion Paper No. 0715. Washington, DC: World Bank.

⁵ Ibid.

⁶ Ibid.

⁷ Jean Fares and Susana Puerto (2009) “Towards Comprehensive Training.” Social Protection Discussion Papers 52188. World Bank.

⁸ These services include counselling, mentoring and monitoring, job search and placement assistance, training on soft and life skills, and financial incentives such as stipends, reimbursement, and transportation vouchers.

⁹ Michael Rosholm, Helena Skyt Nielsen and Andrew Dabalen (2007) “Evaluation of training in African enterprises”. *Journal of Development Economics* 84(1): 310-329

¹⁰ Orazio Attanasio, Adriana Kugler, and Costas Meghir (2011) “Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial.” *American Economic Journal: Applied Economics* 3(3): 188-220.

¹¹ Jochen Kluve (2006) “The Effectiveness of European Active Labor Market Policy.” Discussion Paper No. 2018. Institute for the Study of Labor.

entrepreneurs who were willing to hire low-skilled workers, mostly youth. After the subsidy expires, 86 per cent of the firms plan to keep the worker¹².

- **Formal TVET reforms.** There has been a recent move by donors, particularly by the World Bank, to support TVET reforms through private sector involvement in management and governance boards in several countries, including India, Ghana, and Zambia. The evidence for these reforms however is mixed. For example in Zambia, a project aiming to improve private sector involvement in TVET, was found to be performing poorly due to weak management and financial obstacles.¹³
- **Short-term skills building programmes.** There is little evidence on these interventions although the evidence that does exist suggests that women are often benefiting more than men. Short-term training programmes generally report higher employment rates for women, better earnings, and shorter cost-recovery times¹⁴.
- **Entrepreneurship training.** There is mixed evidence on interventions involving entrepreneurship training. Benefits may accrue to participants although business performance generally does not improve. Bandiera et al. (2012)¹⁵ conducted a randomised evaluation of an entrepreneurship programme that provides assets and training to the poorest women in rural Bangladesh. They find that the programme led to a 36 per cent increase in annual income on average. Mexico's training programme, *Probecat*, provides a scholarship equivalent to the minimum salary to young beneficiaries to participate in a three-month training course for self-employment. An impact evaluation¹⁶ found no clear effect on employment or wages for the self-employed.
- **Job placement assistance programmes.** These are popular in many industrialised countries. Studies tend to find a significant and positive impact of this form of counselling, especially for job seekers with a low risk of long-duration unemployment¹⁷. However Esther Duflo et al. (2012)¹⁸ assessing job placement assistance in France found that gains were found to be transitory, and they appear to have come partly at the expense of eligible workers who did not benefit from the programme, particularly in labour markets where they compete mainly with other educated workers, and in weak labour markets. The applicability of job search may be limited in developing countries with a large informal sector.¹⁹

The evidence available suggests that youth employment programmes are most effective when combining various different elements. The most effective programmes involve the private sector, for example Jóvenes en Acción (Youth in Action) in Colombia, with training provided both in the classroom and in work placements. The majority of interventions worldwide include a large element of such training initiatives. For other types of interventions such as in entrepreneurship and in job placement assistance, the evidence can be more mixed. Wage subsidies have some incidences of fairly strong impacts.

1.3 Structure of the paper

Following the literature review undertaken, this paper has been structured as follows:

- Chapter 2 presents employment programmes in their theoretical and broader economic context, before narrowing down to a typology of programmes, and in particular active labour market programmes (ALMPs).

¹² Suresh de Mel, David McKenzie, and Christopher Woodruff. (2010). "Wage Subsidies for Microenterprises." *American Economic Review: Papers & Proceedings* 100 (2): 614-18. As reported in World Bank (2013).

¹³ Independent Evaluation Group (2011) "Project Performance Assessment Report on Technical Education Vocational and Entrepreneurship Training Development Support Program (TEVET) in Zambia." Report No. 62585. Washington, DC: World Bank.

¹⁴ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

¹⁵ Oriana Bandiera, Robin Burgess, Narayan C Das, Selim Gulesci, Imran Rasul, Raniya Shams and Munshi Sulaiman (2012) "Asset Transfer Programme for the Ultra Poor: A Randomized Control Trial Evaluation" CFPR Working Paper No. 22

¹⁶ Marcelo Delajara, Samuel Freije, and Isidro Soloaga (2006) "An Evaluation of Training for the Unemployed in Mexico." Working Paper: OVE/WP-09/06. Inter-American Development Bank, Office of Evaluation and Oversight. As reported in World Bank (2013).

¹⁷ Jochen Kluge (2006) "The Effectiveness of European Active Labor Market Policy." Discussion Paper No. 2018. Institute for the Study of Labor.

¹⁸ Esther Duflo, Bruno Crepon, Marc Gurgand Roland Rathelot, Philippe Zamora (2012) "Do labor market policies have displacement effects? Evidence from a clustered randomized experiment"

¹⁹ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

- Chapter 3 begins by looking at the overall evidence for youth employment programmes. It then looks at the evidence for specific intervention types of employment programme – in particular training, wage subsidies, formal TVET, short-term skills programmes and entrepreneurship training.

2 Youth employment programmes

2.1 Employment and theory

Alongside increasing incomes, gross domestic product (GDP) and reducing poverty, addressing employment is one of the core goals for all countries and their governments. However, as recognised in the World Bank's World Development Report 2013 (WDR 2013), the nature of the '*jobs challenge*' differs depending on a country's stage of economic development. For example, agrarian economies face the challenge of the transition and migration from rural-dominated employment to urban-dominated employment; conflict-affected countries face the challenge of demobilising combatants and reintegrating displaced populations; and formalising economies may face the challenge of integrating women into the labour force, and changes to the employment mix due to growing technological sophistication of production²⁰.

The so-called MILES framework developed by Holzmann (2007)²¹, provides one way of structuring the employment challenge in which strategies to address job creation must identify constraints in five key components:

- **Macroeconomics** (economic growth and net job creation);
- **Investment climate** (incentives for employers to invest and create jobs);
- **Labour market** (regulations affecting job search, hiring processes and cost);
- **Education** (individual education, socioeconomics and demographics); and
- **Social protection** (security against loss of earnings, unemployment insurance).

Action to address the jobs challenge should then target particular or multiple of these components through policies and interventions. This will include creating macroeconomic policy that facilitates stability and growth, for example in fiscal and monetary policies, generating investment while keeping price inflation under control; developing an enabling business environment and investment climate – including all the factors that facilitate the growth of enterprise such as regulations, infrastructure and financial services; and developing human capital through primary, secondary and tertiary education – including the early development of cognitive capacities, which have been found to be so crucial in developing other skills later in life²².

Policies affecting the macroeconomy, infrastructure, investment climate and human capital can be deemed as economic policies for the facilitation of investment and economic growth – which in turn are expected to create employment as an outcome. One measure of the likely effectiveness of this strategy is the growth elasticity of employment – the association between the percentage change in gross domestic product (GDP) and percentage change in employment, with implied causality between the two. According to the WDR 2013, evidence suggest that these elasticities show great variability over time and in different geographies – for example in Tanzania, growth elasticities of employment reduced from 1.04 in the period 1992-1996 to 0.27 from 2004-2008, with similar trends in Ethiopia, Ghana and Mozambique.²³

2.2 Market failures in the labour market

Economists treat the labour market like any other, in dividing it between demand and supply. Labour demand is the requirement for workers by employers, whether in the public or private sectors – this will be a requirement for people with skills of various levels and specific technical expertise or qualifications, at a particular price in terms of wages. Labour supply is the pool of workers available looking to work at a point

²⁰ World Bank (2012) World Development Report 2013 (WDR 2013)

²¹ Robert Holzmann (2007) MILES: Identifying Binding Constraints to Job Creation and Productivity Growth. An Introduction. Washington, DC: World Bank.

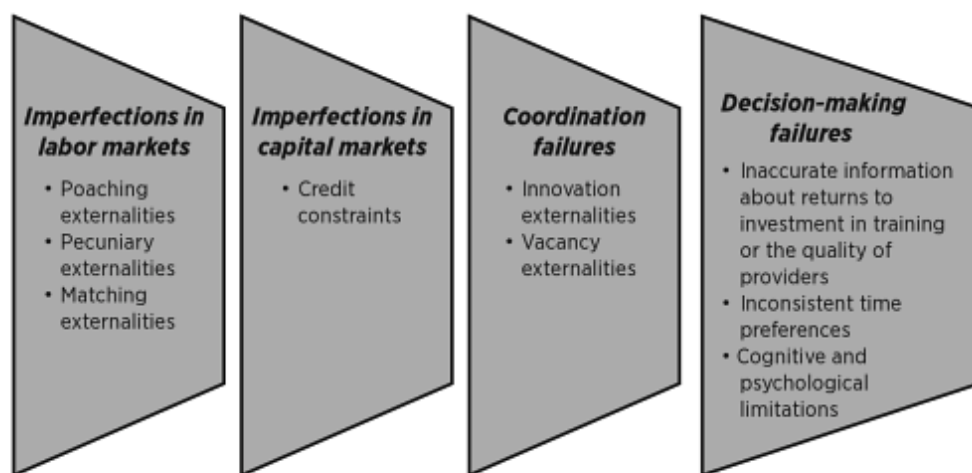
²² WDR 2013

²³ Ibid.

in time, again at various levels of skills, where people will work for a certain wage. In ‘perfect equilibrium’, there would be enough jobs for those that want them; labour demand and labour supply would be more or less equal at the given set of wages and prices.

Labour market interventions could therefore not be justified in markets working perfectly. However, in reality, markets have a number of imperfections. Labour markets in particular face many imperfections since they are markets in people rather than goods or services. As shown in Figure 1, there are a number of failures that can justify employment programmes. In addition to failures in labour markets, failures in capital markets, coordination failures and decision-making can all justify youth employment programmes.

Figure 1: Market failures justifying youth employment programmes²⁴



Source: World Bank.

2.3 Typologies of labour market programmes

In addition to the broad areas of government policy that can be deemed to be broadly growth-oriented, there are a wider set of intervention areas that relate more directly to the labour market – a combination of the **L** (Labour market), the **E** (Education) and **S** (Social protection) in the MILES framework. These are measures to address the market failures mentioned above and can be further split into a number of key areas:

1. **Labour regulations:** The regulation of the labour market determines the framework for how firms hire workers in a given country. This includes employment protection legislation (EPL) and minimum wages – the latter being self-explanatory, while EPL includes the rules and regulations on how workers can be hired and fired. Where EPL is restrictive, it has often been held that employers will be reluctant to hire workers due to the potential risks given changes in demand and output, and therefore employment will be sub-optimal. While the availability of temporary contracts, part-time working arrangements and apprenticeships are all deemed to make EPL more flexible, and hence raise employment levels.
2. **Collective representation:** Labour regulations occur in a context of power relationships between employers and workforces. Union membership and the relations between unions and employers can be a big factor in determining pay and working conditions. Collective bargaining is seen as particularly beneficial in cases where firms or industries have a ‘monopsony’ buyer relationship with their workforce, i.e. employees find it difficult or impossible to find jobs using their skills elsewhere. In such cases workers may be paid less than what they contribute in marginal

²⁴ Rita Almeida, Jere Behrman, David Robalino (eds.) (2012) The right skills for the job? Rethinking Training Policies for Workers. World Bank.

productivity, and bargaining can help then to redress the balance of power²⁵. On the downside, unions can be seen as a means to provide too much protection to 'insiders', meaning that the unemployed and particularly the young unemployed find it very difficult to enter the labour market.

3. **Social insurance:** The provision of social insurance or welfare is one of the hallmarks of many more developed economies; and has also been one of the principle means for protecting the unemployed, particularly the short-term unemployed who are between jobs. Social insurance tends to be centred in OECD countries and some middle-income countries and is almost entirely absent for the majority of the population of developing countries²⁶. Principally this is because of the high cost of providing social insurance schemes, which generally are funded out of the taxation. When large shares of the population work informally, it is unlikely that the necessary taxation revenues will be available to sustain substantial social insurance programmes.
4. **Active labour market programmes (ALMPs):** These are the programmes that are the principle subject of this paper. They can vary enormously from public works programmes, in which government directly provides employment for the unemployed, to wage subsidies to incentivise the private sector to employ people, to job search assistance and other activities. ALMPs are often targeted at particular groups, in particular the unemployed, young or disadvantage people,
5. **Technical, vocational education and training (TVET):** The formal provision of TVET is a principle means for trying to ensure that the skills of young people accord to those required in the labour market at a given point in time. TVET has often been seen as the poorer neighbour to tertiary education. However in countries such as Germany, where TVET institutions have been prioritised, well-designed with links with employers' needs and apprenticeship schemes, TVET has been credited with creating the jobs required for economic development.
6. **On-the-job training (OJT):** Training by the private sector is often seen as the best means for ensuring a workforce has the adequate skills required. OJT is therefore often seen as the best option for improving skills. Means to incentivise the private sector to provide OJT include voucher-based systems, as well as training levies, in which subsidies are provided through a combination of government and private sector cooperation.

²⁵ WDR 2013

²⁶ Ibid.

3 Results and impact evaluations

A significant amount of research has been carried out for a range of labour interventions and youth employment programmes. This Chapter looks at some of the results, as well as at the quality of evaluations that have been carried out. This begins by looking at the overall evidence for programmes. It then looks at the evidence for specific intervention types of employment programme – in particular training, wage subsidies, formal TVET, short-term skills programmes and entrepreneurship training.

3.1 Youth employment programmes

World Bank evidence from 2007

Betcherman et al. (2007)²⁷ from the World Bank developed the Youth Employment Inventory, constituting evidence from 289 studies of youth employment interventions from 84 countries. This evidence provides an overview of the types of programmes carried out, and how this differs across regions.

The most popular type of programme is skills training, accounting for 39 per cent of all interventions, while this share is much higher in some regions, for example at 56 per cent in Latin America and the Caribbean. Comprehensive multiple-service interventions – combining classroom and on-the-job training (OJT) with wage subsidies and public works, or classroom and OJT with paid work experience and job search assistance – account for 32 per cent of the total (one-half of which are in OECD countries). *‘Making the labour market work better for young people’*, particularly through wage subsidies account for 12 per cent, while improving chances for young entrepreneurs also account for 12 per cent.

The evidence is from across the world, but principally from the OECD, with 42 per cent of database programmes; Latin America with 24 per cent; Eastern Europe and Central Asia with 14 per cent; while 10 per cent of programmes were in sub-Saharan Africa (SSA). In terms of target groups – 51 per cent of programmes were oriented toward young people with low incomes or in low-income families; 16 per cent targeted at young women, 2 per cent at young men, and 11 per cent at young people with disabilities.

Overall, Betcherman et al. (2007) find that the level of programme evaluation has been weak, especially in developing countries. For around 40 per cent of programmes, no evaluation information at all on outcomes or impact could be found, 35 per cent had studies covering only gross outcomes without a methodology using a comparator group; and only one in ten programmes included an evaluation measuring both the net impact and cost of a programme. Outside OECD area, rigorous evaluations are quite rare, and the authors note: *“the absence of rigorous evaluations almost certainly leads to an overestimation of the programme impacts by policy-makers”*.

Where impacts are measured, the majority of youth employment programmes had positive returns, with post-programme employment and earnings analysed to constitute “impact”. Where an assessment had been made, 78 per cent had a positive impact. Those programmes that were properly evaluated were less likely to lead to positive assessments of impact and effectiveness. Considering only those programmes with more rigorous net impact evaluations – just 60 per cent had positive labour market impacts for participants. Once cost-effectiveness is taken into account, less than half of the programmes could be judged as successful – just 44 per cent of these were cost effective.

Betcherman et al. (2007) find that there are *“no major differences across categories of interventions in terms of impact or cost-effectiveness”*. However, they do find that the probability that programmes will help young people in the labour market is greater in developing and transition countries than in industrialised countries – even after quality of evidence taken into account. Possibly explaining this finding, they also find that youth programmes have a lower likelihood of having a positive impact in countries where labour markets are not flexible, although the magnitude of the effect is not large.

²⁷ Gordon Betcherman, Martin Godfrey, Susana Puerto, Friederike Rother, and Antoneta Stavreska (2007) “A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory.” SP Discussion Paper No. 0715. World Bank.

World Bank evidence from 2009

Fares and Puerto (2009)²⁸ look in detail at different types of interventions, based on a dataset of 345 studies across 90 countries – a larger data set than that of Betcherman et al. (2007). The majority of these, 61 per cent, are Government programmes, the rest a mixture between employers, NGOs and donors. Fares and Puerto develop a typology of youth employment programmes, in order to measure the impacts of different types of programmes. The typology consists of four programme types:

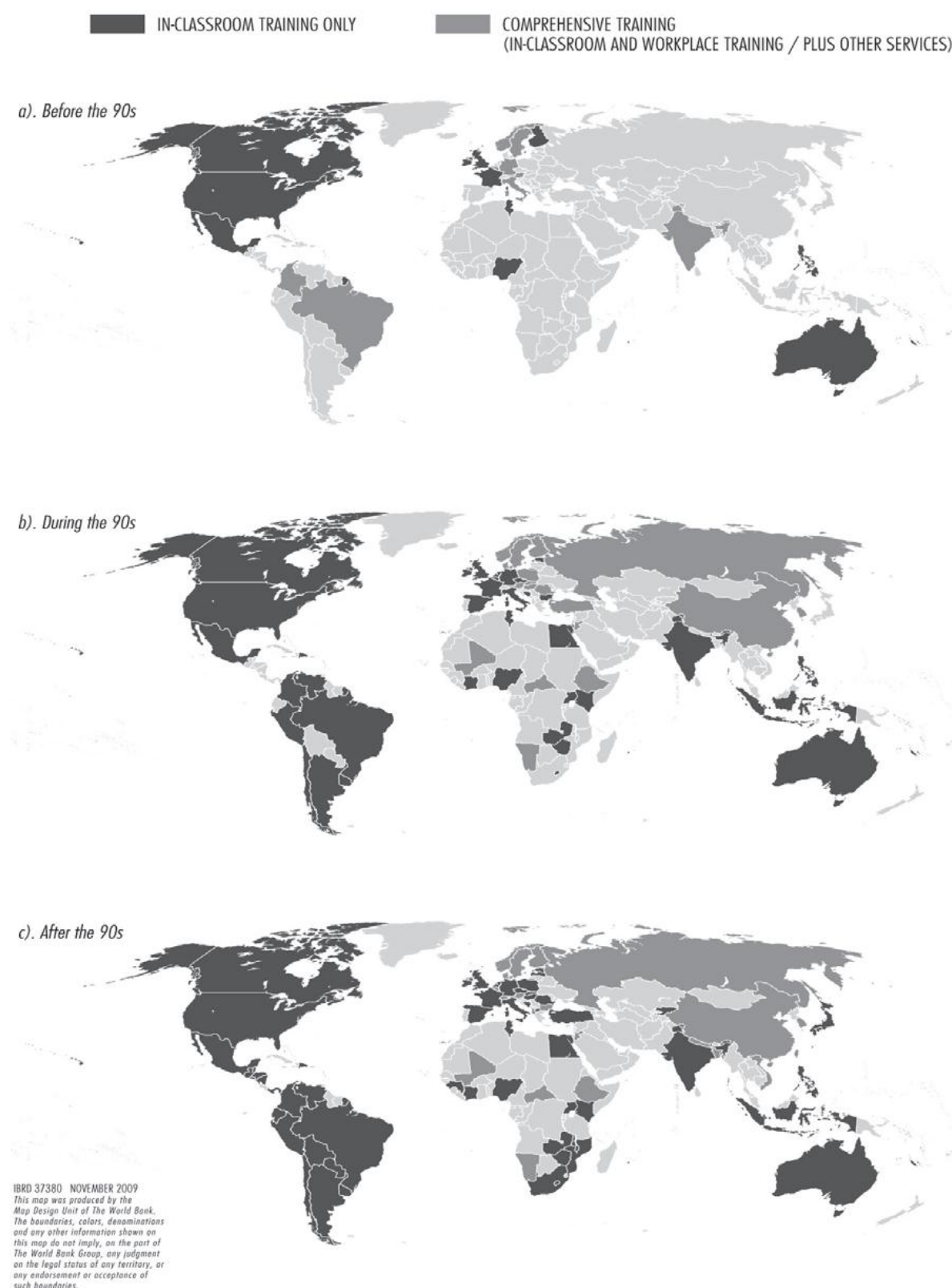
- Type 1 comprises in-classroom training programmes that deliver vocational and occupational skills on different trades.
- Type 2 depicts workplace training programmes such as internships, on-the-job training, and work experience programmes. Type 2 training may also include apprenticeship systems, where trainees work directly with employers or master craftsmen and public works programmes that provide training-by-doing opportunities.
- Type 3 consists of the interaction of the previous two types, i.e., programmes that provide training both in the classroom and in the workplace as a theory-plus-practice approach.
- Type 4 includes programmes that add up to the theory-plus-practice approach of Type 3 by providing other supplementary services. These can include counselling, mentoring and monitoring, job search and placement assistance, training on soft and life skills, and financial incentives.

The distribution of training types in the sample of 345 studies is uneven. The most popular training type is in-classroom (Type 1) with 37 per cent followed by the comprehensive interaction of in-classroom, workplace training, and other services (Type 4) with 29 per cent. The other two types have a lower incidence, although are fairly well represented in the sample with 15 and 19 per cent for Types 2 and 3 respectively.

Over time, the data shows a general pattern of transition from ‘in-classroom only’ towards combined measures of in-classroom, workplace training, and other supplementary services. This transition towards a comprehensive type of training is particularly pronounced in Latin America and the Caribbean, where there has been a clear trend from a supply-driven training provided by public institutions in a classroom setting to a modern demand-driven training that combines in-classroom with other training types and support services. However the trend is also evident elsewhere, in particular in East and Southern Africa as shown in Figure 2.

²⁸ Jean Fares and Susana Puerto (2009) “Towards Comprehensive Training.” Social Protection Discussion Papers 52188. World Bank.

Figure 2: Training interventions, evolution over time across the world



Again the data available is weak. Of the total 345 interventions in Fares and Puerto's (2009) dataset, about 18 per cent were found to have negative or no impact on labour market outcomes; about 41 per cent have positive impact, but with no evidence on cost effectiveness; and, only 5 per cent of the

interventions have positive impact and are cost effective. The remaining 34 per cent did not have enough evidence to make an assessment.

The meta-analysis of the Fares and Puerto (2009) dataset indicates that programmes that combine different training approaches have a higher probability of positive labour market impacts on employment and/or earnings outcomes of trainees. In particular, the interaction of in-classroom and workplace training increases the likelihood of positive labour market impacts by 30 percentage points, as compared to in-classroom training alone. When this interaction is combined with other services, the probability of a positive impact increases by 53 percentage points, with respect to classroom training only²⁹.

Private participation

Another category of private training provision is in-service (or workplace) training. In-service training initiatives, such as internships, on-the-job training, and apprenticeship systems, encourage employers to participate as direct trainers. Their involvement ensures a demand-driven approach and provides greater chances for trainees to be employed upon programme completion. For instance, most training services of the Projoven Programme in Peru were provided by enterprises that agreed to hire 80 per cent of the training participants after a period of on-the-job training.

Another area of private sector participation is the financing of training programmes. Some governments have relied on payroll levies as a way to obtain private resources to finance training programmes. Dar et al. (2003)³⁰ discuss the evidence on two types of payroll levies for training financing: the revenue-generating scheme (in which firms are taxed to generate revenues to finance training provided by the public sector) and the levy-grant or levy-rebate scheme where in-plant training provision is encouraged by providing firms with training incentives such as tax exemptions, training cost reimbursement, or conditional grants. Dar finds that successful initiatives to encourage workplace training recognise that financial incentives, such as levy-rebate schemes or tax incentives, have limited impact on increasing training quantity and that it is important to involve employers in the design of these schemes and ensure administrative transparency.

3.2 Evidence for training

At the heart of the majority of labour market interventions and youth employment programmes is the idea that training will improve the productivity of the workforce, manifesting itself in better outcomes in employment, wages and profits. The private sector is providing a greater role in training than ever before, particularly in training its own workforce, but also in the provision of TVET and other services.

Martin and Grubb (2001) in a review of evidence from OECD countries, find that training can be effective, but that it *“Must directly meet labour market needs. Hence, need to establish strong links with local employers, but this increases the risk of displacement.”*³¹

Despite the proliferation of training interventions, it can be difficult to measure whether training has net benefits. Almeida and Cho (2012)³² cite several difficulties in measuring returns to investments in on-the-job training and that few surveys have accurately measured the cost of training. These difficulties include:

- measuring the total costs of training including the opportunity cost of foregone earnings, as well as direct costs such as advisors, design, and material;
- information on timing, duration and type of training is difficult to find;
- outcomes of training over time difficult to quantify – productivity, earnings, profit etc.; and

²⁹ Susana Puerto (2007) “Labor Market Impact on Youth: A Meta-analysis of the Youth Employment Inventory.” World Bank. – finds no statistical relationship between type of programme and impact on YEI dataset

³⁰ Amit Dar, Sudharshan Canagarajah, and Paud Murphy. (2003) Training Levies: Rationale and Evidence from Evaluations. World Bank.

³¹ J.P. Martin and D. Grubb (2001) “What Works and for Whom: A Review of OECD Countries’ Experiences with Active Labour Market Policies”, IFAU Working Paper 2001:14.

³² Rita Almeida and Yoonyoung Cho (2012) “Employer-provided training: patterns and incentives for building skills for higher productivity” in Rita Almeida, Jere Behrman, David Robalino (eds.) (2012) The right skills for the job? Rethinking Training Policies for Workers. The World Bank

- obtaining unbiased estimates that factor in selection issues is difficult – training participants who opt in to it are likely to differ from non-participants who do not partake in it; and firms that offer training are also likely to be different in observable and unobservable ways from those that do not offer training.

Despite this challenge, there is some good evidence. For example, an intervention in Colombia, combined with a randomised experiment, gives “an almost unique opportunity to offer reliable evidence on the value of training in middle-income countries”³³. The programme Jóvenes en Acción (Youth in Action) was introduced between 2001 and 2005 and provided three months of in-classroom training and three months of on-the-job training (OJT) to young people between the ages of 18 and 25 in the two lowest socioeconomic strata of the population. OJT consisted of unpaid internships with companies that specialised in manufacturing, retail and trade, or services. On average, the internship consisted of 5.2 hours of work per day. Training institutions in the seven largest cities of the country chose the courses to be taught as part of the programme and received applications. Each institution was then asked to select more individuals than they had capacity for in each of the classes it offered. The programme then randomly offered training to as many people as there were slots available and the remaining youths were then used as a control group not selected into training. Following participation, male and female participants were 5.8 and 6.9 percentage points more likely to have a formal sector job, respectively. However, the programme raised earnings for women only. Women offered training earn 19.6 per cent more than those not offered training, mainly in formal-sector jobs. The researchers note that employment effects observed could be due to signalling effect of programme participation in which workers are seen to have been screened for basic skills and honesty.

In a similar programme to Jóvenes en Acción, DFID in 2010-2011 developed a Youth Employment Pilot Programme in Iraq working on strengthening vocational skills and reducing unemployment among 15-to-30 year-olds in Iraq’s Basra region. The Programme placed trainees on two-month vocational training courses at government colleges, and during training matched them to local businesses for ten-month work placements. The skills taught ranged from welding, construction and car mechanics to carpentry, sewing and computing. The Pilot claims to have resulted in 399 young people completing a year-long training programme and 227 securing permanent paid employment³⁴, although there is no robust evaluation yet available using a control group methodology to ensure these figures are rigorous.

3.3 Wage subsidies

Wage subsidies as private sector incentives often form a component of youth employment programmes, particularly as a part of ALMP. The objective of subsidies is to encourage employers to hire new workers or maintain jobs that would otherwise not exist. Subsidies can either be direct wage subsidies to employers or financial incentives to workers for a limited period of time. They are frequently targeted on long-term unemployed and more disadvantaged individuals. Kluve (2006)³⁵, in a review of European countries, found that there are significantly higher returns from private sector incentive programmes and they increase the likelihood of positive labour market impacts by 40 to 50 percentage points more than training programmes. However, Kluve also found that public sector employment programmes are 30 to 40 per cent less likely to yield positive impacts than training programmes. On specific target groups, the research indicated that youths are still the hardest population to assist, reducing the probability of positive employment impacts by 40 to 60 percentage points.

World Bank (2013)³⁶ reports a range of evidence on the impacts of wage subsidies, this includes:

- The Swedish Youth Practice Programme subsidised wages of unemployed youth hired for six months in the private and public sectors. Subsidised participants were less likely to find

³³ Orazio Attanasio, Adriana Kugler, and Costas Meghir (2011) “Subsidizing Vocational Training for Disadvantaged Youth in Colombia: Evidence from a Randomized Trial.” *American Economic Journal: Applied Economics* 3(3): 188-220.

³⁴ <http://www.coffey.com/Projects/BusinessProject.aspx?aProjId=348>

³⁵ Jochen Kluve (2006) “The Effectiveness of European Active Labor Market Policy.” Discussion Paper No. 2018. Institute for the Study of Labor.

³⁶ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

employment compared to youth who received job search assistance, according to an evaluation because there was insufficient planning and follow-up, as well as low-quality tasks without building any higher-level skills³⁷.

- A programme in Sri Lanka reports positive results from a wage subsidy paid to 22 per cent of micro-entrepreneurs who were willing to hire low-skilled workers, mostly youth. The median firm reported a sales increase of 25 per cent as a result of the hiring. After the subsidy expires, 86 per cent of the firms plan to keep the worker³⁸.
- The U.K.'s New Deal wage subsidies programme includes one day of training per week and positively affects youth employment, but it suffers from low uptake among employers³⁹.
- The governments of Rwanda and Tunisia are currently subsidising internships in both the public and private sectors, for tertiary students. No evaluations for these interventions are available at present.

3.4 Formal TVET

Formal technical vocational education and training (TVET) has often been neglected due to the emphasis on tertiary education⁴⁰. However, in recent years it has had greater emphasis in developing countries, in an effort to improve skills and labour market outcomes.

Many of the efforts of donors, particularly by the World Bank, are around reforms to TVET systems. In particular, interventions seek greater private sector involvement in three ways⁴¹: private sector representation on governance boards; private sector involvement in making curriculum more labour market-relevant; and private sector provision of work-based training.

The World Bank supported TVET reforms through private sector involvement in management and governance boards in several countries, including India, Ghana, and Zambia. The five TVET projects that tracked employment outcomes all demonstrated improvement; however, the causal chain is difficult to establish without trend and comparison group data. World Bank (2013) provides more evidence following TVET reforms:

- The Honduras training programme EPEM (Entrenamiento para el Empleo) provides workplace training for unemployed youth that is designed and delivered by employers. An impact evaluation found that participation in EPEM increased post-training wages, the probability of employment, and the likelihood of a formal sector job with social security and benefits⁴².
- An IEG project performance evaluation in India found an increase in employment rates for polytechnic graduates from 37 to 70 per cent over six years⁴³.
- In Mauritania, the employment rate for TVET graduates increased from 60 to 80 per cent.
- IFC support to TVET in Latin America increased student enrolment and the student earnings potential⁴⁴.
- Unrestricted vouchers in Kenya have increased TVET training uptake in the private sector. Kenya's Technical and Vocational Voucher Programme supported by the World Bank⁴⁵ randomly awarded

³⁷ Laura Larsson (2003) "Evaluation of Swedish Youth Labor Market Programs." *The Journal of Human Resources* 38(4): 891–927. As reported in World Bank (2013).

³⁸ Suresh de Mel, David McKenzie, and Christopher Woodruff. (2010). "Wage Subsidies for Microenterprises." *American Economic Review: Papers & Proceedings* 100 (2): 614–18. As reported in World Bank (2013).

³⁹ John Van Reenen (2003) "Active Labour Market Policies and the British New Deal for the Young Unemployed in Context." NBER Working Paper Series. Working Paper 9576. As reported in World Bank (2013).

⁴⁰ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

⁴¹ Ibid.

⁴² Martin-Gonzalez Rozada (2011) "Evaluación de impacto del programa EPEM y Análisis Costo-Beneficio." Draft paper. Inter-American Development Bank. As reported in World Bank (2013).

⁴³ IEG (2011) "Project Performance Assessment Report on India's Third Technician Education Project (TTEP) and Technical/Engineering Education Quality Improvement Project I (TEQIP I)." Report No. 66056. Washington, DC: World Bank.

⁴⁴ IFC's inclusive business case study. 2011. http://www1.ifc.org/wps/wcm/connect/c70543804a7cceb8c1efdf998895a12/IFC_2011_Case+Studies.pdf?MOD=AJPERES

vouchers to about 1,000 out-of-school youth for technical and vocational training. Among voucher winners, a random half were awarded a voucher that could only be used in public vocational institutions, whereas the voucher for the other half could be used in both private and public schools. The unrestricted group had a significantly higher training uptake of 79 per cent compared to 69 per cent in the public institution-only group. Students in private sector training reported lower dropout rates. Females have higher returns to training than males do, but males report higher returns for self-employment.

Donors are moving into matching funds for TVET providers. For example, the Ghana Skills Development Fund of the Council for Technical and Vocational Education and Training (COTVET) creates a coordinated approach in skills building among the World Bank, the African Development Bank (ADB), the Danish International Development Agency (DANIDA), and the Gesellschaft fuer Internationale Zusammenarbeit/Society for International Cooperation, Germany (GIZ). Donors co-finance the Ghana Skills Development Fund. Employers define the content and duration of the training and provide matching funds (larger formal sector employers are expected to pay 20–25 per cent of the total training costs while informal sector employers or master craftspeople provide 10 per cent in-kind contributions).

Zambia's Technical Education Vocational and Entrepreneurship Training Development Support Programme (TEVET) envisaged strengthening the influence of the private sector through local management boards of training institutions, and the channelling of government and private finance for training through the TEVET Fund. An IEG Project Performance Assessment Report in Zambia⁴⁶ found that weak management and financial obstacles affected the project's sustainability. The TEVET Fund was only briefly piloted with donor funding, and was not sustainable after funding closed without contributions from the government and private sector.

3.5 Short term skills building programmes

There is relatively little evidence on the impacts of short-term skills building programmes. The evidence that does exist suggests that women are often benefiting more than men are from non-formal, short-term skills training. Latin America has several short-term training programmes that are part of ALMPs. These courses provide basic job readiness skills for unemployed and disadvantaged youth. For example, the Mexican Probecat offers short-term, on-the-job training complemented by internships in the private sector⁴⁷. El Salvador and Honduras have introduced such programmes as well. These short-term training programmes generally report higher employment rates for women, better earnings, and shorter cost-recovery times⁴⁸.

Findings from low- and middle-income countries suggest that skills building projects (short-term training and formal TVET) are more effective when the following features are present: (i) private sector involvement in training; (ii) classroom instruction combined with industry/employer attachment (internship, apprenticeship); and (iii) a comprehensive approach, combining training with other services, such as job counselling.⁴⁹

⁴⁵ Joan Hamory Hicks, Michael Kremer, Isaac Mbiti, and Edward Miguel (2011) "Vocational Education Voucher Delivery and Labor Market Returns: A Randomized Evaluation among Kenyan Youth, Report for Spanish Impact Evaluation Fund (SIEF) Phase II." Policy Note Human Development Network. World Bank. As reported in World Bank (2013).

⁴⁶ Independent Evaluation Group (2011) "Project Performance Assessment Report on Technical Education Vocational and Entrepreneurship Training Development Support Program (TEVET) in Zambia." Report No. 62585. Washington, DC: World Bank.

⁴⁷ Marcelo Delajara, Samuel Freije, and Isidro Soloaga (2006) "An Evaluation of Training for the Unemployed in Mexico." Working Paper: OVE/WP-09/06. Inter-American Development Bank, Office of Evaluation and Oversight. As reported in World Bank (2013).

⁴⁸ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

⁴⁹ Ibid.

3.6 Entrepreneurship training

Entrepreneurship training has demonstrated positive impacts for some groups. Bandiera et al. (2012)⁵⁰ conducted a randomised evaluation of an entrepreneurship programme that provides assets and training to the poorest women in rural Bangladesh. They find that the programme transforms the occupational choices of the poor women who participated in the programme by inducing them to spend more time in self-employment, less in wage labour and increases their labour market participation, leading to a 36 per cent increase in annual income on average. Moreover, the programme leads to an increase in wages at the village level and its effects spill over to other poor women who experience an increase in labour supply and income.

World Bank (2013) provides a good summary of evidence on programmes using entrepreneurship training to improve outcomes for young people. This includes a variety of evidence across countries:

- In the United States, the Growing America through Entrepreneurship (GATE) project provides training and business counselling. GATE increased the likelihood of starting a business by 3 to 5 percentage points, with significantly lower effects for women, but no impact on income and business performance.⁵¹
- Mexico's training programme, *Probecat*, provides a scholarship equivalent to the minimum salary to young beneficiaries to participate in a three-month training course for self-employment. An impact evaluation⁵² found no clear effect on employment or wages for the self-employed. However, they find on-the-job training in larger firms of unemployed youth leads to better employment and income outcomes than entrepreneurship training. Young women were found to have benefited most from the entrepreneurship programme.
- Comprehensive entrepreneurship programmes comprising training, mentoring, networking, and microcredit are more likely to be effective. Karlan and Valdivia (2007)⁵³ conducted a randomised study offering female clients of a microfinance institute in Peru entrepreneurship training in addition to weekly or monthly banking meetings. The group that got entrepreneurship training improved business practices and revenues and had greater repayment rates, suggesting that client outcomes could be improved by combining entrepreneurial training and coaching with access to credit.
- The World Bank has supported entrepreneurship training in a number of countries. Early results from impact evaluations suggest negligible effects in Tunisia but positive effects for young entrepreneurs in rural areas in Uganda and Colombia. The Tunisia "*Turning Thesis into Enterprise*" programme offers business training and coaching to undergraduate students who graduate with a business plan and submit their plan to a competition. Participants report a 3 percentage point increase in their probability to be self-employed from a low baseline of 4 per cent. The result was stronger for men than for women. The training did not affect students' probability of finding a job or increasing their earnings⁵⁴.

Cash grants

Uganda's Youth Opportunity Programme provides unconditional cash grants to youth groups for investment in training or self-employment. Groups of 20 to 30 youth are asked to submit a proposal for purchasing skills training, tools, and other materials required to start an enterprise. Nearly 80 per cent of participants

⁵⁰ Oriana Bandiera, Robin Burgess, Narayan C Das, Selim Gulesci, Imran Rasul, Raniya Shams and Munshi Sulaiman (2012) "Asset Transfer Programme for the Ultra Poor: A Randomized Control Trial Evaluation" CFPR Working Paper No. 22

⁵¹ Robert W. Fairlie, Dean Karlan, and Jonathan Zinman (2012) "Behind the GATE Experiment: Evidence on Effects of and Rationales for Subsidized Entrepreneurship Training." NBER Working Paper No. 17804. As reported in World Bank (2013).

⁵² Marcelo Delajara, Samuel Freije, and Isidro Soloaga (2006) "An Evaluation of Training for the Unemployed in Mexico." Working Paper: OVE/WP-09/06. Inter-American Development Bank, Office of Evaluation and Oversight. As reported in World Bank (2013).

⁵³ Karlan and Valdivia (2006) "Teaching Entrepreneurship: Impact of Business Training on Microfinance Clients and Institutions." Yale University. As reported in World Bank (2013).

⁵⁴ Patrick Premand, Stefanie Brodmann, Rita Almeida, Rebekka Grun, and Mahdi Barouni. 2012. "Entrepreneurship training and self-employment among university graduates: Evidence from a randomized trial in Tunisia." World Bank Impact Evaluation Report. Washington, DC: World Bank. As reported in World Bank (2013).

enrolled in training (mainly tailoring and carpentry), and 13 per cent re-enrolled in secondary school. Two years after the cash transfer, two-thirds of the participants are engaged in skilled work, mainly self-employed, compared to just one-third of the control group. The programme doubled hours of employment and increased earnings and savings for youth by nearly 50 per cent relative to the control group, with similar results for male and female youth. The rate of return of project investment was 35 per cent per year, which compares favourably with commercial lending rates to small firms.⁵⁵

3.7 Job placement and search assistance

Job placement assistance programmes are popular in many industrialised countries. In these programmes, a public or private intermediary (such as a temporary work agency or a non-profit organisation) assists unemployed workers in their job search. Private intermediaries are usually paid in full only when the worker has found a stable job. Studies tend to find a significant and positive impact of this form of counselling, especially for job seekers with a low risk of long-duration unemployment⁵⁶.

Esther Duflo et al. (2012)⁵⁷ assess job placement assistance in France. They use a randomised experiment designed to evaluate the direct and indirect (displacement) impacts of job placement assistance on the labour market outcomes of young, educated job seekers. After eight months, eligible, unemployed youths who were assigned to the programme were significantly more likely to have found a stable job than those who were not. But gains were found to be transitory, and they appear to have come partly at the expense of eligible workers who did not benefit from the programme, particularly in labour markets where they compete mainly with other educated workers, and in weak labour markets. Overall, the programme seemed to have very little net benefits.

Findings from the World Bank Independent Evaluation Group's systematic review of impact evaluations however suggests that "counselling and job search assistance" is the type of labour market intervention that most often appears to provide positive labour outcomes⁵⁸. It is also the least expensive intervention. However, its applicability to developing countries with a large informal sector may be limited. World Bank (2013) provides a summary of evidence on such interventions:

- In the U.K.'s New Deal for Young People programme, unemployed youth enter a four-month "gateway" with a personal advisor who assists in the job search. If still unemployed after the gateway period, youth either have to enrol in second- chance education or in subsidised job placement. The gateway programme significantly raised the transition to employment⁵⁹.
- The U.S. Center for Employment Training (CET) keeps youth in training for employment-relevant skills until they find a position with the help of a counsellor and active job placement assistance. Successes in California led to the scale up in other states⁶⁰.
- The U.S. Job Corps is a multi-intervention programme for disadvantaged youth with vocationally focused training in a residential setting and job placement assistance. Participation increases educational attainment, reduces criminal activity, and increases earnings over several post-programme years. However, performance of the job placement service was weak⁶¹.

⁵⁵ Christopher Blattman, Nathan Fiala, and Sebastian Martinez. (2011) "Can Employment Programs Reduce Poverty and Social Instability? Experimental Evidence from a Ugandan Aid Program." World Bank Policy Research Working Paper series. As reported in World Bank (2013).

⁵⁶ Jochen Kluge (2006) "The Effectiveness of European Active Labor Market Policy." Discussion Paper No. 2018. Institute for the Study of Labor.

⁵⁷ Esther Duflo, Bruno Crepon, Marc Gurgand Roland Rathelot, Philippe Zamora (2012) "Do labor market policies have displacement effects? Evidence from a clustered randomized experiment"

⁵⁸ World Bank (2013) *Youth Employment Programmes: An evaluation of World Bank and IFC support*. Independent Evaluation Group.

⁵⁹ John Van Reenen (2003) "Active Labour Market Policies and the British New Deal for the Young Unemployed in Context." NBER Working Paper Series. Working Paper 9576. As reported in World Bank (2013).

⁶⁰ Cynthia Miller, Johannes M. Bos, Kristin E. Porter, Fannie M. Tseng, Fred C. Doolittle, Deana N. Tanguay, and Mary P. Vencill. 2003. "Working with Disadvantaged Youth Thirty-Month Findings from the Evaluation of the Center for Employment Training Replication Sites." Manpower Demonstration Research Corporation Working Paper. As reported in World Bank (2013).

⁶¹ Peter Schochet, John Burghardt, and Sheena McConnell (2008) "Does Job Corps Work? Impact Findings from the National Job Corps Study." American Economic Review 98(5): 1864–1886. As reported in World Bank (2013).

- Job search assistance, better information, and on-the-job training helped reintegrate ex-soldiers in former Yugoslavia. In Bosnia and Herzegovina from 1996–1999, the World Bank supported the re-integration of 300,000 ex- combatants - 17 per cent of them youth - into the workforce. The programme included a municipal-level labour market information data system with job vacancies and job seeker registration, as well as education and retraining services with counselling and a job-finding service. The programme had a positive impact on employment and earnings of demobilised soldiers. The likelihood of employment for youth increased by 28 percentage points; however, compared to other age groups, youth reported the smallest impacts from the programme⁶².

⁶² Jacob Benus, James Rude and Satyendra Patrabansh (2001) “Impact of the Emergency Demobilization and Reintegration Project in Bosnia and Herzegovina.” Department of Labor Bureau of International Affairs. Development Impact Evaluation (DIME). As reported in World Bank (2013).