Creating Jobs for the Youth in Uganda

Effects of alternative training methods on skills, employment and earnings

Marta Russo, Research Associate
BRAC Uganda
July, 18th 2017
PRESENTATION OUTLINE

1. Introduction
2. Policy Questions
3. Experimental Design
4. Program Impact on Youth
5. Program Impact on SMEs
1) Introduction
1) Introduction

“Uganda has a big challenge of a labour force that is largely under or unemployed due to inappropriate skills and the slow labour absorptive capacity of the economy. The result has been a large number of unemployed youth who are becoming a social and economic threat.”

(National Planning Authority - Uganda Vision 2040)
1) Introduction

**YOUTH**

Unemployment rate - 13.3%\(^1\)

Salary lower than average – 60%\(^1\)

Informal employment – 87%\(^2\)

\(^1\)Statistics from *the School-to-Work Transition* survey – ILO 2013
\(^2\)UBOS 2015 (employed workforce in vulnerable employment = own-account workers + contributing family workers).
1) Introduction

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VOCATIONAL EDUCATION AND TRAINING

is the most common solution to reduce youth unemployment

\(^1\)Statistics from the School-to-Work Transition survey – ILO 2013
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VOCATIONAL EDUCATION AND TRAINING

is the most common solution to reduce youth unemployment

BUT

lack of credible evidence on the effectiveness of these programs

+ which training method works better? (different costs)

\textsuperscript{1}Statistics from the School-to-Work Transition survey – ILO 2013
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1) Introduction

SMEs

Insufficient job creation

wrt the inflow of youth entering the labour market
1) Introduction

**SMEs**

Insufficient job creation *wrt* the inflow of youth entering the labour market

Small and medium-enterprises are integral to employment creation in Uganda.

Need to understand how best to ease the constraints to expansion for SMEs
1) Introduction

2012-2017

BRAC Uganda REU + London School of Economics + Institute of Fiscal Studies

RESEARCH PROJECT
Comparative assessment of the effectiveness of various skill development programs in creating net employment

Evaluation of the impact of different interventions on YOUTH EMPLOYABILITY and SMEs EXPANSION

Support policymakers in the design of policies tailored to GENERATE EMPLOYMENT for the youth
2) Policy questions
2) Policy questions

Policy Q1 - How effective are skills training programs in creating employment? And which program is more cost-effective between Apprenticeship and Vocational Training?

Two main types of Vocational Training Program:

1) 6-month formal training program at technical institutes ("Vocational Training")

2) 6-months hands-on training in a SME ("Apprenticeship")

→ Different costs
2) Policy questions

SMEs

**Policy Q2** - Which are the main constraints that SMEs encounter in expanding their scale of business and creating employment?

Possible lack of:
- access to credit
- skilled workers
- information on available workers
3) Experimental design
3) Experimental design

15 urban areas across Uganda

1,714 youth
- 18-25 years old
- Primary or Lower Secondary education
- out of school
- unemployed
- disadvantaged background

2,306 SMEs
- 8 sectors
- 1 to 15 employees

Randomized Control Trial (RCT)
→ 5 treatment arms on the firm side and 4 on the worker side
3) Experimental design

<table>
<thead>
<tr>
<th>TREATMENT NAME</th>
<th>TREATMENT SUBJECT</th>
<th>DESCRIPTION</th>
</tr>
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<tbody>
<tr>
<td>VOCATIONAL TRAINING</td>
<td>Youth</td>
<td>6-months training in a formal Vocational Institute</td>
</tr>
<tr>
<td>VOCATIONAL TRAINING + MATCHING</td>
<td>Youth + SMEs</td>
<td>6-months training in a formal Vocational Institute + List of trained youth provided to firms</td>
</tr>
<tr>
<td>MATCHING</td>
<td>Youth + SMEs</td>
<td>List of untrained youth provided to firms</td>
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<tr>
<td>APPRENTICESHIP</td>
<td>Youth + SMEs</td>
<td>List of untrained youth provided to firms + Subsidy to firms to train one of them for 6 months</td>
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<td>WAGE SUBSIDY</td>
<td>SMEs</td>
<td>Subsidy to firms to select and train a worker of their choice for 6 months</td>
</tr>
<tr>
<td>CREDIT TO FIRMS</td>
<td>SMEs</td>
<td>Provision of information about BRAC Small Enterprises Program (SEP, loan program)</td>
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</table>
3) Experimental design

Timeline

- Baseline survey of youth
- Vocational Training
- 1st follow up survey of youth
- 2nd follow up survey of youth
- Endline survey of youth

2012 2013 2014 2015 2016 2017

Baseline census of SMEs
SME-level intervention
1st follow up survey of SMEs
2nd follow up survey of SMEs
3rd follow up survey of SMEs
4th follow up survey of SMEs + Final census of SMEs
4) Program impact on YOUTH
4) Program impact on YOUTH

IMPACT ON EMPLOYMENT

Impact on having done
ANY PAID EMPLOYMENT IN THE LAST MONTH

- Apprenticeship: 15%***
- Vocational Training: 24%***
- Vocational Training + Match: 16%***
- Match: 14%**
4) Program impact on YOUTH

IMPACT ON EMPLOYMENT

Impact on

TYPE OF EMPLOYMENT IN THE LAST MONTH

- WAGE EMPLOYMENT
- SELF EMPLOYMENT
- CASUAL WORK

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<th>Self Employment</th>
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<td>-10%</td>
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<td>Vocational Training</td>
<td>26%***</td>
<td>25%**</td>
<td>-8%</td>
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<tr>
<td>Vocational Training + Match</td>
<td>17%**</td>
<td>20%</td>
<td>-1%</td>
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<tr>
<td>Match</td>
<td>18%**</td>
<td>21%*</td>
<td>-13%</td>
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4) Program impact on YOUTH

IMPACT ON EARNINGS

Impact on TOTAL EARNINGS IN THE LAST MONTH

- Apprenticeship: 22%**
- Vocational Training: 40%***
- Vocational Training + Match: 28%***
- Match: 18%**

www.brac.net  facebook.com/BRACWorld  twitter.com/BRACWorld
4) Program impact on YOUTH

IMPACT ON SKILLS

Impact on reporting to have AT LEAST SOME PRACTICAL SKILLS IN ANY SECTOR

- Apprenticeship: 26%***
- Vocational Training: 69%***
- Vocational Training + Match: 63%***
- Match: 4%
4) Program impact on YOUTH

What did we learn?

Both Vocational Training and Apprenticeship appear to be successful policy tools for:

- reducing unemployment
- increase wages
- improve skills
4) Program impact on YOUTH

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However, in the medium run, Vocational Training seems to be overall more cost-effective at improving youth employment outcomes.

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Despite the cost per individual of Vocational Training being about two times the cost of Apprenticeship, the positive impact of Vocational more than compensates for the investment.
5) Program impact on SMEs
5) Program impact on SMEs expansion

Program TAKE UP – Firm side

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Only Wage Subsidy had a positive and significant impact on net employment. Despite the relatively high take-up, Apprenticeship had no significant impact on firm size, suggesting this intervention caused crowding out of other (potential) workers in the targeted SMEs.
What did we learn?

Providing SMEs with Wage Subsidies to hire new employees seems to have a positive effect on net employment creation.
What did we learn?

Providing SMEs with Wage Subsidies to hire new employees seems to have a positive effect on net employment creation.

However, the amount of the subsidy needs to be carefully considered when designing the program, as this might influence the choice of the firm owner of whether:

- to take up the subsidy in the first place
- to use it to expand the size of the business rather than to crowd-out other workers.

5) Program impact on SMEs expansion
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NEXT STEPS

- 4\textsuperscript{th} SMEs follow up $\rightarrow$ ENDLINE
  - Core firms
  - Networks

2017
- Final census of SMEs
- Data analysis
5) Program impact on SMEs expansion

→ DATA ANALYSIS

Main research questions:

1) Is the impact of Wage Subsidy on net employment stable over time?

2) In the medium run, does the increase in firm size impact also the SME’s revenues/profits?

3) Why the impact on net employment is so low for Apprenticeship, wrt Wage Subsidy?

4) Which spill-over effects on the Network firms?
THANKS