Integrated Youth Employment Programs

A Stocktake of Evidence on what works in Youth Employment programs
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Namita Datta, Angela Elzir Assy, Johanne Buba, Sara Johansson de Silva, Samantha Watson, et al.
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## ABBREVIATIONS

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<th>Description</th>
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<tr>
<td>ALMP</td>
<td>Active Labor Market Policies</td>
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<tr>
<td>AGEI</td>
<td>Adolescent Girls Employment Initiative</td>
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<td>EPL</td>
<td>Employment Protection Legislation</td>
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<tr>
<td>FAO</td>
<td>Food and Agriculture Organization</td>
</tr>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>JFFLS</td>
<td>Junior Farmer Field and Life School</td>
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<tr>
<td>KYEP</td>
<td>Kenya Youth Empower Project</td>
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<tr>
<td>NEET</td>
<td>Not in Education, Employment or Training</td>
</tr>
<tr>
<td>RCT</td>
<td>Randomized Control Trial</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Sized Enterprise</td>
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<tr>
<td>SSE</td>
<td>Small-Scale Entrepreneurship</td>
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<tr>
<td>STYE</td>
<td>Skills Towards Employment and Productivity</td>
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<tr>
<td>TVET</td>
<td>Technical and Vocational Educational Training</td>
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</table>
INTRODUCTION

OBJECTIVE

This Note is a stocktake summarizing evidence on “what works” in youth employment programs on both the supply and demand side. Employment outcomes refer both to direct and indirect job creation, including through firm start-up, as well as improvements in the quality of jobs as manifested in higher earnings as self-employment or increases in household income. This paper is based on an extensive desk literature review and analyzes the major meta-analysis and literature reviews on both the labor demand side and labor supply side. The supply side has a large body of evidence and evaluations of the whole Active Labor Market Policies (ALMPs) package as a whole. Kluve et al. (2016) and McKenzie, D. (2017) have a rigorous methodology and provide wide analysis and recommendations of the major studies on the supply side and provide the basis for that section. We supplement this information with key studies which had Randomized Control Trials (RCTs) or rigorous evaluations.

In some sense the supply side stocktake is an analysis of a few existing meta-analyses complemented by key studies not included in the meta-analysis. On the demand side the evidence base on what works for jobs outcomes is weak – so we used an extensive desk literature review. We include meta-analysis where they exist for sections of the demand package (for example micro-credit). For both the supply and demand side, the team worked with experts across thematic areas (Agriculture, Social Protection, Entrepreneurship, Social Development and Urban Development) to ensure we had a mix of literature from the diverse thematic bodies included.

The note does not look at evidence on policy reforms that address systemic problems. We recognize that rural and urban investment climates, regulatory frameworks, the overall macro-economic framework, human capital (education and training policy, basic health), are prerequisites for many interventions on the demand side of the labor market to be successful. In what follows, these fundamentals are taken as given and the note focuses primarily on interventions with specific identifiable enterprise, firm or farm beneficiaries, rather than broad investment climate reforms.

BACKGROUND

Jobs prospects for youth\(^1\) are a critical concern for policymakers worldwide. Globally, a record number of young people – 60 million each year - are becoming of working age. These young people make up the hope of the future, but if today’s employment rates remain unchanged, only 40 percent of the additional job market entrants will get jobs (Goldin et al., 2015). Finding jobs, especially jobs that offer secure earnings, is particularly difficult for young people who often lack the experience, skills, social networks and assets to access wage- or self-employment. Long spells of unemployment or underemployment undermine future job prospects for youth and can lower future earnings. Apart from the individual and economy-wide costs of unused productive resources, alienated, disappointed and frustrated youth can also contribute to social unrest and violence. Despite increasing access to education and economy wide growth, many youth lack faith in the future (Box 1). Young people in fragile, conflict prone or violent (FCV) countries are especially vulnerable to limited livelihood opportunities and susceptible to participating in violence and/or conflict. These demographic, social, economic and political factors have positioned policy makers focus on the importance of ensuring sustainable employment opportunities for youth.

\(^1\) Youth is generally defined as those that are in the age group 15-24, or 15-29. However, many youth interventions target older or broader age groups as well (25-34, or even 15-39).
Box 1: Youth Lacking Opportunities

Youth are the future, yet many young people lack faith in that future. Although young make up a large share of the population in many developing countries, many feel that they cannot influence their destiny, are locked out of economic opportunities, and that their concerns and views are not taken into account. As manifested during the Arab spring, young people’s discontent spills over into social unrest. In perceptions of standards of living, life evaluation, social well-being, community attachment and trust in national government. Youth in the Middle East and North Africa and Sub-Saharan Africa hold lower expectations for the future than their cohorts in other regions. Surveys undertaken of views and preferences of Moroccan and Tunisian youth reveal dissuasion, frustration, and isolation. Youth feel that they lack control over their economic future, and that prospects locally are poor. Although they are more educated than previous generations, the quality of education and skills acquired are considered insufficient to obtain a good job or even internship without personal or family networks and connections. The perceptions of exclusion are reflected in low economic, civic and political participation. For example, half of all young people in Morocco are neither working nor in education or training. Young Moroccans and Tunisians are also disengaged from their communities: they are not active in civil society, mistrust the political system, and are less likely to vote in national election than older citizens.

Sources: World Bank (2012a, 2014a)

The youth employment challenge is economy-specific and involves creating more jobs, better jobs, as well as more inclusive jobs for youth. These challenges differ across countries and among different groups within countries (Fox and Kaul, 2017). Whereas youth employment is on the forefront of many jobs agenda, the specific problems facing young people are not everywhere the same. In some regions, especially poorer regions, it is having employment but avoiding precarious employment, including underemployment and/or large seasonality in opportunities, that is the main problem.

The youth employment challenge is different for different groups. There is a consistent gender bias in opportunities, as young women are less likely to hold a job (Datta and Kutikula, 2017). When working, they are more likely to be in low quality employment than young men, as manifested in e.g. persistent wage gaps across countries (Datta and Kutikula, 2017). Compared to urban youth, rural youth face specific constraints like lack of access to land, less developed physical and financial infrastructure, limited access to education and training, and fewer off-farm opportunities for self-employment or wage employment (FAO 2016).

Active youth are two or three times more likely than adults to be unemployed. Thirteen percent of active youth (74 million people), are unemployed and almost 40 percent of the unemployed are young people. Given that youth represent one sixth of the total population, they are overrepresented among the unemployed. At 15.5 percent, unemployment is higher among young women. In regions, such as in the Middle East and North Africa, unemployment rates are much higher, reaching 30 percent in total and 47 percent among women.

Globally, most youth are jobless, mostly because they are inactive. Less than half of youth participate in the labor force, compared to two thirds of adults (Figure 1). Whereas some inactive youth are still in school and thus investing in their future jobs and earnings prospects, a large share of

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2 Based on an estimate of 200 million unemployed worldwide (World Bank, 2012b).
3 World Bank, World Development Indicator database [accessed on September 12, 2016].
4 Inactive youth are those young people who do not participate in the labor force, i.e. neither employed or looking for jobs (unemployed).
young people is neither in employment, education or training (“NEETs”). Young women are more likely to fall in this category. In Europe and Central Asia, for example, 40 percent of young women are NEETs compared with 30 percent among young men; in South Asia, this rate is 40 percent among women and 10 percent among men (Goldin et al., 2015).

Unemployment takes different shape in different types of economies. In low income economies, extended periods of unemployment are less of an issue as youth must engage in self-employment and livelihoods to survive. In lower-middle income economies, unemployment is concentrated in urban centers, and primarily affects higher socio-economic status youth. In both these type of economies, underemployment is prevalent. In higher income economies, unemployment is concentrated in more disadvantaged populations (Fox and Kaul, 2017).

Most working youth are employed in low-quality jobs, often in the informal sector. In poorer countries, young people are more likely to work in some form than in richer countries, but a majority of them are in precarious and low productivity informal employment with few opportunities for significant improvement over working life. In Sub-Saharan Africa, for example, around 80 percent of youth are working in the informal sector; either they are self-employed or unpaid workers in a household enterprise (Filmer and Fox, 2014). In Latin American, informality among youth varies widely. Countries such as Peru, Guatemala, Paraguay, Honduras and El Salvador rival the informality in Sub-Saharan Africa, averaging 70-80 percent of active youth in informal employment (ILO, 2015c). These activities tend to have lower levels of labor productivity and offer lower earnings and profits.

Globally, the share of youth in unpaid work is more than twice as high as for adults. Young women are at higher risk of working in unpaid jobs than young men. This gender gap is largest in the Middle East and North Africa region, where four out of five young women work for themselves or as unpaid workers in a household-based enterprise, compared to one third of young men. In the Middle East and North Africa, Sub-Saharan Africa, and Eastern Europe and Central Asia regions, youth are also much more likely than adults to be employed in agricultural production related work.

Youth are comparatively more likely to be underemployed. Work in agriculture which is characterized by high seasonality and as such explains a large part of youth underemployment. Another aspect is the low attractiveness by youth of non-mechanized, manual labor based agricultural production. In many cases, parents in the rural areas aspire their children to go out of agricultural production and escape the poverty trap. The risks of low productivity employment are also higher for youth than for adults. In lower-middle income economies, unemployment is concentrated in urban centers, and primarily affects higher socio-economic status youth. In higher income economies, unemployment is concentrated in more disadvantaged populations and employment strategies should focus on reducing constraints to accessing employment for these group (Fox and Kaul, 2017).

\footnote{NEETs generally include inactive not in school or training, as well as unemployed.}
\footnote{Given data constraints, self-employment and unpaid family work (contributing to a family based enterprise but without a defined wage) are used as a proxy for low quality jobs, with the recognition that not all self-employment among youth is necessarily vulnerable or of low quality (Goldin et al., 2015).}
Figure 1

<table>
<thead>
<tr>
<th>World Population</th>
<th>7.4 billion</th>
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<tbody>
<tr>
<td>Children (0-14)</td>
<td>26 percent; 1.9 billion</td>
</tr>
<tr>
<td>Youth population (aged 15–24)</td>
<td>16 percent; 1.2 billion</td>
</tr>
<tr>
<td>Adult population (25+)</td>
<td>58 percent; 4.3 billion</td>
</tr>
<tr>
<td>Active</td>
<td>47.3 percent; 570 million</td>
</tr>
<tr>
<td>Inactive</td>
<td>52.7 percent; 630 million</td>
</tr>
<tr>
<td>Active:</td>
<td>66 percent; 2.85 billion</td>
</tr>
<tr>
<td>Inactive:</td>
<td>34 percent; 1.45 billion</td>
</tr>
<tr>
<td>Employed</td>
<td>87 percent; 496 million</td>
</tr>
<tr>
<td>Unemployed</td>
<td>13 percent; 74 million</td>
</tr>
<tr>
<td>Unemployed:</td>
<td>4.5 percent; 128 million</td>
</tr>
<tr>
<td>Employed:</td>
<td>95.5 percent; 2,720 million</td>
</tr>
</tbody>
</table>


Existing programs to address youth jobs challenges have focused on “supply side” interventions and many of these programs have had modest impact. Numerous youth employment programs have been implemented worldwide in efforts to integrate youth in the labor market (either as wage-earners or self-employed), and/or to improve the quality of the jobs they have. Most have focused on interventions such as training, counseling, incentives to “activate” people into work, wage subsidies, or intermediation services that include improving the functioning of labor markets (e.g. job-search assistance or matching services). Although there are successful programs, the impact of many of these interventions has been limited and unlikely to be cost effective (e.g. Kluve et al. 2016; McKenzie, 2017). While the evidence on the stand-alone “demand” side focused interventions is less systematized, the existing studies tend to have mixed or inconclusive results, especially when it comes to sustainability and cost-efficiency.

7 For instance, a paper by Cravo and Pisa (2016) systematically reviews 40 rigorous evaluations of small and medium enterprise support services in low- and middle-income countries. While it finds indicative evidence that overall business-support interventions help improve firm performance and create jobs, it concludes that little is still known about which interventions work best for small and medium enterprises and why. Grimm and Paffhausen (2015) review a wide range of interventions targeted at micro-sized firms and find that creating employment is a very complex challenge. Many conditions have to be met before interventions in favor of individual enterprises do not only improve business practices and performance but also lead to additional jobs. A significant shortcoming of the literature is that almost nothing is known about long term effects and cost effectiveness.
Figure 2
Connecting Youth to Jobs: Linking Supply and Demand Side

SUPPLY
Youth (active and inactive)

Gaps and mismatches in technical, cognitive, and noncognitive skills: low skill level; skills mismatch

INFORMATION gaps, mobility, and limited access to networks: lack of information on job opportunities among youth and skills of young applicants by employer

LITTLE or no WORK EXPERIENCE among youth: low productivity compared to minimum wage and benefits

TRAINING AND SKILLS DEVELOPMENT PROGRAMS
Technical, vocational, behavioral, and noncognitive skills (classroom and on-the-job training, including internships, apprenticeships)

EMPLOYMENT AND INTERMEDIATION SERVICES
Information systems, job search assistance and counseling: transport subsidies, mobility, grants to youth

SUBSIDIZED EMPLOYMENT INTERVENTIONS
Wage subsidies (direct payment to employers or workers, tax deductions), public works

DEMAND
Informal and formal enterprises/firms/farms with current or future jobs

CONNECTING youth to jobs leveraging synergies between supply-side and demand-side interventions

PROGRAMS TO ADDRESS FINANCING CONSTRAINTS
Lines of credit, guarantees, grants, asset-based finance, and other alternative forms of debt

CAPACITY BUILDING AND INFORMATION PROVISION
Matching grants, training programs, consulting services, information provision

SECTOR-SPECIFIC APPROACHES
Lead firm-SME linkage programs, value chain development approaches (aggregator models, competitiveness reinforcement initiatives)

FINANCING
To enable private sector investments with large jobs payoffs (positive social externalities)

Insufficient access to FINANCE: high interest/cost of financing, short tenure, lack of collateral or stringent collateral requirements (e.g., youth entrepreneurship initiatives that may also address other constraints such as capacity)

CAPACITY AND INFORMATION gaps: lack of financial/business/managerial skills, lack of information on market opportunities

COORDINATION failures and learning spillovers: lack of quality standards

Jobs social EXTERNALITIES—underinvestment in jobs given social value of jobs is higher than private sector valuation

Integrated bottom-up approaches that tailor solutions for a variety of youth segments and bridge ethnic/sectarian divides

<table>
<thead>
<tr>
<th>Regulatory constraints</th>
<th>Fundamentals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving/distorting labor regulations, tax and benefit systems that discourage work</td>
<td>Enabling macroeconomic environment, investment climate and business regulations</td>
</tr>
</tbody>
</table>

Note: ◯ = constraint, ■ = intervention.

Source: Authors.
SUPPLY SIDE INTERVENTIONS – CONNECTING YOUTH TO JOBS

WHAT CONSTRAINTS DO YOUTH FACE IN GETTING A GOOD JOB?

Several constraints and market failures hold back young people from finding gainful employment.

1. **Gaps and mismatches in technical, cognitive and soft skills.** Labor market opportunities are partly determined by the skills individuals bring to the labor market. In employer surveys, firms regularly report skills as a key constraint for recruitment and identify skill gaps among youth (Box 2).

2. Key to being able to acquire higher productivity jobs in the formal sector, increase farm productivity, or succeed as an entrepreneur through innovation, technical skills and grit (Alameida, Behrman and Robalino, 2012). This skills gap can be technical, relating to specific job tasks, generic competences such as foundational skills like literacy, numeracy and Information and Communication Technology (ICT) literacy in more advanced countries, advanced cognitive skills like problem solving, and socio-emotional skills or traits that are important in the workplace such as the ability to stay on task, to work and network with others, to work towards long term goals, or to manage time appropriately. There is considerable evidence that socio-emotional skills are critical to long term labor market success (Guerra, Modercki and Cunningham, 2014).

Skills gaps or skills mismatches can arise from many different sources. Education policy and investment is a clear place to look. Insufficient investments in education and training (including early childhood development), poor curricula and teacher quality, or content mismatched to market needs are all key deficits adding to the skills gaps. Likewise, health and social issues affects the skills gap. High school dropout rates in (rural) regions where young people are expected to contribute to family businesses, poor nutrition that stunts brain development, and access issues for vulnerable populations (language, disability, etc) are all contributing factors (Alameida, Behrman and Robalino, 2012). Hence, even youth who have undergraduate or graduate diplomas might have difficulties in finding jobs or the right types of jobs. Low skilled rural youth might miss market opportunities or have difficulties in adopting modern technologies, including ICT, to increase agricultural productivity.

Box 2: Employers Perceive Skills Gaps Among Young People

The World Bank’s Skills Towards Employment and Productivity (STEP) Employer Surveys from several developing countries indicate that firms value a broad set of technical, general cognitive and socio-emotional skills (Sanchez-Puerta et al., 2016). Many of these firms find it difficult to find workers with the right skills. Lack of skilled candidates is in fact the greatest constraint to recruitment in many countries. In Armenia and Georgia, many firms find that some of the key skills they are looking for when recruiting are missing among youth. Skills with important gaps (here defined as a skill that is important and deemed to be lacking among people below age 30) include job-specific skills, but also transferable competences such as problem solving, communication skills, and team work skills.
3. **Information gaps and limited access to networks (asymmetric information 1).** Youth may be unaware of what kind of jobs and careers are in demand, in what sector, or at what location, potential jobs are available. They may not know how to identify job opportunities or how to apply for jobs, and lack the social networks necessary to apply for an existing or emerging job opportunity or to identify suitable job opportunities in the first place. As entrepreneurs in farm or off-farm activities, they have limited access to markets and price information, or technological and productivity enhancing solutions.

4. **Little or no work experience (asymmetric information 2).** Youth face the challenge of finding a first job. Employers may be reluctant to hire jobseekers with limited or no work experience. For a given job and skills set, employers might prefer to hire experienced workers, even if the learning potential of new job seekers and steady state productivity is higher (Almeida, Orr and Robalino 2014). For such jobseekers, the cost of minimum wage and mandatory benefits (social security contributions, paid leave, etc.) may be higher than their productivity in early months on the job while they are learning job specific skills. Alternatively, employers may not be able to determine the skills/abilities of a worker without work related references because diplomas or certificates do not signal such ability well due to lack of accreditation systems and a multitude of private but unregulated training providers.

5. **Lack of assets (capital, land), and limited access to credit.** Compared to older adults, youth generally have fewer savings, fewer assets for use as collateral, including land, and lack the contacts needed to acquire backing for a loan. Impoverished youth have greater difficulty adopting sound financial literacy practices: for example, among the bottom 40 percent in Sub-Saharan Africa and South Asia, a majority (75 percent and 62 percent respectively) are unbanked (Demirguc-Kunt et al., 2015). Youth, especially women, do not typically own land, which is inherited and in the case of women may depend on a male relative. Household and individual credit constraints can force many youth onto labor markets prematurely (i.e., without sufficient schooling) because acquiring further skills involves costs related to education, transport, etc., as well as foregoing income earning opportunities. Liquidity constraints and lack of property rights over land can also affect labor mobility, for instance, migration from rural to urban areas during the agricultural low season. Self-employment is often the main employment option available to youth, especially in low-income countries, rural areas, and among disadvantaged groups; lack of financial capital holds back youth from

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8 For example, agriculture is often seen as a sector of last-resort employment without any opportunities.
entering more productive self-employment opportunities in farming or other activities. These problems are exacerbated in rural areas where few commercial banks operate, and land titles often are necessary to open a bank account. Finally, youth lack social capital with respect to potential financiers, customers, and suppliers.

6. **There also could be regulatory constraints to hiring youth** (Kuddo, Robalino and Weber, 2015). For instance, employment protection legislation (EPL) that affect hiring and firing procedures as well as the cost of workers (minimum wages and mandatory social benefits) can have more negative effects on the propensity for firms to hire youth. Even in cases where youth would be more qualified for a specific job, rigid firing and hiring procedures can protect “insiders” at the expense of “outsiders” such as first-time job seekers. With rigid EPL, employers may also be less willing to hire young people without work experience that are considered “riskier” than older adults. These represent some broader labor market policy interventions which are not considered in the framework for operationalization of integrated youth interventions.

7. **Beyond these constraints, social norms play an important role.** Social norms, sometimes in synergy with early family formation may constrain young women from working outside their home. For some groups, families tend to put pressure on young women to stay at home and take care of their siblings. In the case of early marriage and pregnancies, young women are effectively removed from labor markets for similar reasons. Where women lack control over their own income (subject to the “family tax”), the incentives to e.g. succeed and grow as an entrepreneur can be low. Social norms may also constrain companies and business from hiring poor youth, disabled youth, or youth at risk (Cho, Robalino, and Watson, 2014).

**INTERVENTIONS TO ADDRESS SUPPLY SIDE CONSTRAINTS**

In recognition of these constraints, many countries established a range of programs intended to assist youth in connecting with jobs and income opportunities, as wage employees or self-employed, in rural or urban areas. These programs include interventions focused on connecting active youth with jobs and earnings opportunities and those attempting to activate youth who are out of the labor force. In what follows we consider supply side focused interventions in four broad categories (i) training and skills development programs; (ii) employment and intermediation services; and (iii) subsidized employment interventions. Increasingly, comprehensive programs combine several elements from these categories (e.g. skills training combined with job search assistance, subsidized employment, or microfinance for business start-up or expansion). There is a great diversity of programs within and between these categories, reflecting the diversity of youth and their constraints.

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9 Following, for example, Robalino et al. (2013) or Cunningham, Sanchez-Puerta, and Wuermli (2010).
Table 1
The Menu of Constraints and Interventions

<table>
<thead>
<tr>
<th>Constraints</th>
<th>Possible ALMP Interventions</th>
<th>Mixed Evidence, Theoretically Sound</th>
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<tr>
<td></td>
<td>Evidence-Based Intervention</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Job-relevant Skills Constraints</td>
<td>Insufficient basic skills</td>
<td>Information about the value of education</td>
</tr>
<tr>
<td>Technical Skills Mismatch</td>
<td>Training “plus”/comprehensive programs</td>
<td>On-the-job Training</td>
</tr>
<tr>
<td>Behavioral skills mismatch</td>
<td>Information on returns to technical specialties</td>
<td></td>
</tr>
<tr>
<td>Lack of Labor Demand</td>
<td>Slow job-growth</td>
<td>Wage or training subsidies</td>
</tr>
<tr>
<td>Employer Discrimination</td>
<td>Affirmative Action Programs</td>
<td>Public Service Programs Labor-Intensive Wage Employment</td>
</tr>
<tr>
<td>Job Search Constraints</td>
<td>Job Matching</td>
<td>Employment Services</td>
</tr>
<tr>
<td></td>
<td>Signaling Competencies</td>
<td>Technology-based information sharing</td>
</tr>
<tr>
<td>Social Constraints on the Supply Side</td>
<td>Excluded-group constraints (ethnicity, gender, etc.)</td>
<td>Target excluded group’s participation</td>
</tr>
</tbody>
</table>

Source: Cunningham, Sanchez-Puerta, and Wuermli (2010)

1. **Training and skills development programs** intend to make workers more attractive to employers by providing foundational skills, technical skills including practical application, work place skills, etc. There is significant heterogeneity among programs in terms of content, length, and beneficiaries. They can include technical and vocational skills training, soft skills training, remediation/literacy/basic (cognitive) skills or entrepreneurship and business management training, including rural extension services that disseminate information related to agricultural technology and management practices to young farmers. They can be implemented in both classrooms and on-the-job settings through apprenticeships or internships. Training varies in length and rigor. Increasingly, more comprehensive programs combine several elements, including technical skills and soft skills, e.g. teamwork, leadership, communication skills, job search skills, work place values, self-confidence, respect for others, health and safety training, and on-the-job training (Almeida, Behrmann and Robalino, 2012). These programs tend to cater either to the general population of unemployed, or to at-risk, low-income youth, often early school drop-outs. The latter include the Jovenes type programs which have been implemented across Latin America (McKenzie, 2017).

2. **Employment and intermediation services** create mechanisms that reduce costs of information exchange between employers and youth. These services include: job search assistance, through e.g. job/career counseling, job search skills training, referrals, employer contacts, and recruitment services for employer; as well as information services through e.g. ICT platforms, providing reliable and timely information on what jobs are available, what skills are required, and the number and characteristics of jobs seekers. Employment services can
help youth identify job opportunities and market their aspirations and skills and help overcome information gaps employers face when evaluating young applicants for a given vacancy (Kuddo, 2012). They can also address spatial mismatched - transport subsidies, combined with skills development training, accelerate rural youth’s mobility to take up seasonal, or formal jobs in secondary towns (Bryan., Chowdury and Mushfiq, 2014; Franklin, 2015).

3. **Subsidized employment interventions** connect youth with jobs by reducing labor costs. One type of interventions are public works and services targeting low skilled and skilled youth, respectively, with salaries subsidized by the government. Wage subsidies targeted to employers can take several forms such as reduction in social security contributions, flat payments, or payments as a share of negotiated wages. The subsidies can be given directly to employers or follow the individual. In all cases, wage subsidies can be unconditional or have conditionalities, for instance, applying only to first-time job-seekers, keeping the employee on the payroll after the subsidy runs out, and/or restrictions in the total wage bill or the number of workers to limit risks that employers simply replace an unsubsidized worker with a subsidized one (Almeida, Orr and Robalino, 2014). Though wage subsidies may not create jobs *per se*, they may influence who gets them. These programs could have long lasting effects on employment (beyond the subsidy) if on-the-job training resulting in experience and knowledge gained helps workers find employment elsewhere or raise their productivity above minimum wages such that the employer makes a long-term offer, or gives the employer the opportunity to find out about the quality of worker, i.e. remove information constraints (McKenzie, 2017).

**DO SUPPLY SIDE INTERVENTIONS WORK FOR YOUTH?**

*Overall, Active Labor Market Programs (ALMPs) have limited effectiveness in improving job outcomes.* The amount of quantitative evaluations of supply side programs, using rigorous methods, have increased rapidly in the past decade (Box 3). Most of the evaluations focus on two key outcomes: increase in employment, and/or increase in earnings. Some also measure other aspects of jobs quality, such as a change into wage employment from self-employment or unpaid work, or an increase in the intensity of work (more hours worked per month, for example). The key finding from the growing evidence base is that to date, supply side interventions have not been particularly successful in increasing employment or earnings. A meta-analysis by Klueve et al. (2016), focusing on youth interventions, found that just over one third of the 107 interventions included had a positive and statistically significant effect on either employment or earnings. Their estimates did not suggest that programs were more successful in creating employment than increasing earnings or vice versa.

*Program characteristics matter for success.* Low effectiveness does not necessarily imply that well designed and implemented programs cannot effectively address youth employment. Many programs do succeed in creating job opportunities for youth, suggesting it is the “how-to” that matters. As will be discussed below, there are certain program characteristics that appear much more promising than others in delivering positive outcomes.

*Interventions take time to deliver results, which also may go some way to explain why measured impacts overall have been modest.* In a meta-analysis of 200 evaluations from middle and high-

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10 Differentiated norms (e.g. lower minimum wage for youth, more flexible hiring/firing regulations, etc.) are also used to incentivize employers or firms to hire youth without compromising on the quality of these jobs.
11 Evaluations focus overwhelmingly on one or both of two key outcomes: access to employment or increased earnings. In what follows these are collectively referred to as employment opportunities or job outcomes.
income countries by Card, Kluve and Weber (2015), ALMPs showed no statistically significant impact on employment creation over the shorter run. However, 60 percent of interventions that measured results over the longer term did have a positive impact on the employment rate of beneficiaries after two to three years. Moreover, the difference between long term and short-term outcomes was particularly important for youth. Kluve et al. (2016) also found that interventions that were followed up after a longer time lapse were more likely to have positive results.

No one type of program appears to be more effective than others, supporting the notion that programs may need to be tailored to specific constraints faced by target groups. The evidence (predominantly of training programs which is the most common intervention) is mixed and it is not possible to rank program types according to effectiveness. Kluve et al. (2016) find that overall, no specific sub-group of interventions is systematically more effective than others in connecting youth with jobs. Other studies (not necessarily focused on youth employment) find evidence in favor of employment services (Betcherman et al., 2007; Card, Kluve and Weber, 2010; and Eichhorst and Rinne, 2015) or training (Card, Kluve and Weber, 2015). Given the varied outcomes it seems fair to conclude that program type, per se, is not an indication of effectiveness. Intervention design, including the appropriate identification of target groups and focus on specific bottlenecks, as well as implementation, is likely to matter more.

Box 3: A Growing Evidence Base

The past decade has seen rapid growth in the number of rigorous quantitative evaluations, including an increasing number of randomized control trials (RCTs)—an experimental design that reduces the risk of bias in evaluations. At the same time, the number of evaluations of programs implemented in low- and middle-income countries have increased significantly. A much-cited review of the Youth Employment Inventory by Betcherman et al. (2007) included 111 program evaluations, but only four interventions were based on RCTs. By contrast, there are now several meta-analyses - statistical procedure to combine the estimated impacts of several studies - and broad literature reviews available, collectively covering several hundreds of studies and programs across different types of interventions (Kluve et al., 2016; McKenzie, 2017; Eichhorst and Rinne, 2015; Card, Kluve and Weber, 2015, 2010). The systematic review by Kluve et al., 2016, is the most recent large scale meta-analysis available that focuses on youth employment programs. Its strengths include incorporating recent evaluations (46 percent of the 107 evaluations included are published after 2010), evaluations from outside of peer reviewed journals (64 percent), a high share of RCTs (47 percent), and a stronger evidence base on low and middle-income countries (44 percent of all studies).

Box Figure 2: A Comprehensive and Diversified Evidence Base

Total number of reports and reports relying on RCTs by year of publication

Total number of reports and reports from high-income countries (HICs) by year of publication

Source: Kluve et al. (2016)
Training is, by far, the most common among active labor market programs. For example, training programs account for 51 percent of youth interventions in the study by Kluve et al. (2016), and 65 percent of all programs contained a skills development component. In evaluations by Card, Kluve and Weber, (2015) and Kluve (2016), training programs account for half or more of all interventions.

Programs that are implemented in low- and middle-income countries, are overall more effective in generating employment opportunities than those implemented in high-income countries (Kluve et al., 2016, Eichhorst and Rinne, 2015). More work is now needed to establish whether the relatively stronger performance in low- and middle-income (LMI) countries is due to inherent differences in target groups and challenges, or to other factors. For example, interventions in LMI countries tend to be more recent compared to the stock of programs from high-income countries, benefiting from lessons from the past. However, in environments characterized by fragility, conflict and violence, interventions focusing on training provision or supplying start-up capital are unlikely to be attractive to, or successful for, beneficiaries because of the high risk of the environment (Blattman and Ralston, 2015).

Programs focusing on inclusive jobs: low-income or disadvantaged populations tend to be more successful. Programs targeting low-income and disadvantaged youth have clear target groups, which makes it easier to identify the specific constraints faced by the beneficiaries and the necessary interventions to address them. Kluve et al., 2016 find that these programs are more successful than others. By contrast, there is no strong evidence one way or the other that a program’s focus on either men or women, rural or urban, or different age groups (among the young), affects the probability of a positive impact. Unfortunately, there is not enough known about effectiveness of programs addressing young people with disabilities who sometimes make up a significant share among the poor and vulnerable populations (Box 4).

### Box 4: Youth with Disabilities and Access to Opportunities

Young people with disabilities form a significant proportion of the youth population. Poverty and malnutrition, conflict and violence, and other factors increase rates of youth disability in low- and middle-income countries. Their share may in fact increase in the future because of medical advancements that increase survival rates after injury, disease, and poor health conditions broadly. Disabled youth are disproportionately barred from productive job opportunities. Although many also have suffered from lower access to education and skills development which affect their labor market outcomes, discrimination and negative attitudes are among the most important obstacles. As they are more likely to work in the informal sector in poorer countries, they are less easy to reach with reforms in regulatory frameworks or affirmative action, even where such policies should exist. They are, quite obviously, a very diverse group with very different challenges and as such difficult to serve with a one-size-fits-all-approach.

The scant evidence available shows that traditional vocational training programs (specialized skills, taught separately) have not been particularly successful in putting disabled people in jobs. Disabled people have generally lower access to finance, including micro-finance, although there is some anecdotal evidence of successful engagement. New approaches are being piloted to help youth with disabilities, by addressing education gaps early on (Moldova), affecting public opinion and finding champion employers that demonstrate the productive contributions of disabled employed youth (Kenya), and using ICT to help youth access skills and training for employment (Bangladesh). Approaches to make services work for disabled youth (for example ensure that they have access to mainstream intermediation services and skills training), and broadly advocacy activities (with public sector, with employers) appear to show promise.

*Source: WHO (2011), Goldin et al. (2015).*
**Combinations of programs are overall more effective.** Increasingly, programs address several constraints at once (e.g. credit, training, information), in recognition that solving one problem will not be sufficient, especially for disadvantaged groups. Programs that combine different components appear to be more effective, especially in low- and middle-income countries, and for more disadvantaged groups (Kluve et al., 2016; Cho and Honorati, 2014). However, which multi-component combination works best is likely to depend on the context and the targeted beneficiaries (Kluve et al., 2016).

1. Training and Skills Development Programs

Skills programs are heterogeneous, compromising the ability to draw general conclusions regarding effectiveness. The great variation in how training programs are delivered – length of program, intensity of training, quality of instructors – cannot easily be measured in broad cross-evaluation studies, although all these factors may have a strong influence on final outcomes.

Short-term training programs can successfully deliver skills development and other intermediary results, but there is no strong evidence of jobs impact. Several of the meta-reviews mentioned above find little or no impact on employment or earnings outcomes (Kluve et al., 2016; Eichhorst and Rinne, 2015; Card, Kluve and Weber, 2010, 2015). This is not necessarily reflecting poor quality of training. Some positive intermediary impacts can be discerned for the uptake in actual technical, cognitive or behavioral skills taught (e.g. beneficiaries begin to apply a technical or business skills), in motivation or self-confidence. These impacts can have social returns irrespectively of whether they result in employment or not. A program providing life skills training to young at-risk men in Liberia did not increase jobs or earnings but successfully reduced violent and criminal behavior (Blattman and Ralston, 2015). Emerging qualitative and quantitative evidence from comprehensive youth employment programs in Southern Iraq, Kosovo, Papua New Guinea and Tunisia show positive outcomes in terms of social behavior and community cohesion. For example, programs helped increase youth’s civic engagement, provided community services, interactions between youth of diverse ethnic groups that may have a strained communal relationship, and improved community relations overall. At the same time, household level violence and involvement in criminal activities fell (La Cava, 2017). Yet, intermediary achievements do not, on average, translate into better job opportunities (Roseth, 2016). These relatively weak outcomes beg the question of whether the right skills are taught, or whether skills are not, in fact, a key binding constraint.

Training interventions that combine practical skills training and exposure to the world of work are more effective. Overall, focusing on demand side – what employers need – pays off more in training (Almeida, Behrman and Robalino, 2012). For example, combining classroom with work place training increases the probability of a program having a positive impact on employment (Kluve, 2010). For employers, dual vocational training with apprenticeships may be a cost-effective, albeit slow, way of getting skilled workers. This model provides successful introduction into company values and expectations, and permits long term staff planning (World Bank, 2017). A program for urban youth in Kenya, combining classroom and work-based training, showed a significant and large impact on employment, by 15 percent, and on earnings, by 26 percent (Honorati, 2015).

Comprehensive training programs including coaching and job placement services, focused on young women, indicate positive effects, even for disadvantaged groups and in unfavorable economic contexts. The Adolescent Girls Employment Initiative (AGEI) piloted projects in eight countries to help girls and young women transition into gainful employment. They included life skills or employability training, combined with technical, vocational and/or business development skills. In Nepal (Box 5) and Liberia, two FCV countries, these programs met with significant success in terms of sustainably creating jobs as well as increasing earnings, although the Liberia program also carried high costs per

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**Box 5**

The Adolescent Girls Employment Initiative (AGEI) piloted projects in eight countries to help girls and young women transition into gainful employment. They included life skills or employability training, combined with technical, vocational and/or business development skills. In Nepal and Liberia, these programs met with significant success in terms of sustainably creating jobs as well as increasing earnings, although the Liberia program also carried high costs per
beneficiary. In other countries, impacts on employment and earnings were more modest (World Bank, 2015).

Box 5: The Employment Fund and the AGEI in Nepal

The Employment Fund (EF) in Nepal authorizes training programs under a competitive bidding process. A wide range of training providers submit proposals, including formal public technical educational and vocational training (TVET) institutions as well as master craftsmen providing apprenticeships. These providers need to include a market assessment of jobs potential of the proposed training. Proposals are evaluated according to provider capacity, jobs potential, and costs.

The EF includes outcome based payments – providers are paid more if trainees find jobs, and placement of beneficiaries from vulnerable groups can render a bonus. This provides a strong incentive for designing market relevant training and providing effective employment placement services.

An evaluation showed very positive effects. Individuals selected for EF training programs experience an increase in non-farm employment of 15 to 16 percentage points for an overall gain of 50 percent, and monthly earnings increase by 72 percent.

Source: Chakravarty et al., 2016

Interventions focused on training soft skills do not have a strong independent impact on employment. There is convincing empirical evidence of the importance of softer skills for long term labor market success and consequently, components for soft skills and/or life skills (related to behavior regarding reproductive health, crime, etc.) have been added to many programs. Soft skills are cheaper to teach than technical skills, and employers consistently report soft skills as a constraint to hiring youth. (Fox and Kaul, 2017) Despite the recognized importance of soft skills, these components do not appear to affect employment outcomes independently (Kluve et al., 2016). Programs in Kenya and Latin America involving soft skills training showed no additional effect on jobs outcomes (Honorati, 2015; Alzúa, Nahirñak, and de Toledo, 2007). In violence and conflict prone settings (there are examples from interventions in US inner cities as well as Liberia) behavioral skills training, focusing on self-control, noncriminal values, etc., helped reduce youth’s vulnerability towards crime and violent behavior. They have no impact on employment or earnings, however (Blattman and Ralston, 2015).

Cost effectiveness is an important issue in training programs and needs to be factored in when selecting solutions. Average employment effects for comprehensive training programs are less than 10 percent, yet the programs have high costs. A review of training programs in fragile states found costs to typically vary between 1,000 USD and 2,000 USD (Blattman and Ralston, 2015). Government TVET programs are 4-10 times costlier per capital than basic secondary education (Fox and Kaul, 2017). An overview of nine training programs in low- and middle-income countries showed that the average of the monthly earnings increase from programs was about 2 percent of total costs per beneficiary (McKenzie, 2017). Focusing instead on job creation, the average uptake of employment of just over 2 percent compared to control group implies a very high per-job cost of interventions. Earnings (and jobs) would hence have to be sustained over a very long time to make up for the investment in training. It is nonetheless possible to deliver results at a lower per beneficiary cost: for participants in the Kenya Youth Empower Project (KYEP), it would take about 14 months with sustained earnings increases to offset the costs of the program in the case of males and only 10 months in the case of females (Honorati, 2015).
2. Employment and Intermediation Services

Job search assistance services, broadly defined, are common in high-income countries, and increasingly also in low- and middle-income countries. Typically, these interventions that help match available workers with available jobs have much lower costs than other ALMPs (McKenzie, 2017; Betcherman et al., 2007; Robalino et al., 2013). The reliance on evidence from high-income countries is problematic as labor markets and information asymmetries are likely to differ significantly in less developed economies. Moreover, program features like improved labor market information systems do not lend themselves to rigorous evaluation and so are difficult to assess.

Employment services can have some positive effects on employment creation over the short run but there is no conclusive evidence of sustained impact. Because employment services mostly (although not exclusively) connect job seekers with jobs, they are likely to have a larger impact on jobs creation for unemployed rather than earnings increase for people already in employment. Earlier reviews of evidence from high-income countries tend to find support for employment services as relatively effective and, because of low cost per participant, cost effective (Betcherman et al., 2007). More recent reviews find few effective programs (McKenzie, 2017) or at least no higher effectiveness of these programs compared to other forms (Kluve et al., 2016). Whereas these services can have positive effects over the short run, they are relatively small in magnitude and fade more quickly than those of training programs (Card, Kluve and Weber, 2015; Kluve, 2014). However, providing information on career options and returns to investment in education has been shown to affect labor market outcomes positively (Hicks et al., 2011; Jensen, 2012). Evaluations of freelance online platforms that provide referrals after tasks have been completed show that increasing information on the quality of workers impacts jobs and earnings positively (Pallais and Sands, 2016).

These services work best in settings where workers are relatively “closer” to labor markets. Employment services address information asymmetries affecting formal sector employment. These programs are unlikely to work in low-capacity environments without significant capacity building. They are less likely to work well in settings where information asymmetries are not the primary constraint, such as where there is weak demand for labor in the formal sector, and/or when potential workers face mobility, skills, social, and other constraints to entering labor markets (Lehman and Kluve, 2010; Robalino et al., 2013). There could nonetheless be significant gains from providing information to rural youth e.g. recruitment services extended to girls and women in unserved rural areas in India increased employment opportunities, girls’ schooling, and career aspirations (Jensen, 2012).

Programs that involve employers and provide high quality services are more successful. Evaluations suggest that dialogue with employers, sufficient investment in staff skills and performance management, as well as overall good labor market information systems and well-functioning ICT services are important for success (Kuddo, 2012). Strong client focus and engagement by counselors with clients works better than online services alone (Morano, 2016). Mirroring the conclusions for training and credit, they appear to be more successful when coupled with other forms of support.

Addressing mobility constraints may also help remove information constraints. Combining transport subsidies with skills training may increase matching. For example, travel subsidies for youth living on the periphery of Addis Ababa were shown to increase the likelihood of finding good employment (Franklin, 2015). Mobility assistance may be especially important help for rural youth who cannot find out about labor markets themselves. Travel subsidies for rural youth in Bangladesh increased migration during the agricultural low season as well as remittances sent home (Box 6).
Box 6: A Bus Ticket to Job Opportunities During the Monga Season

An experiment investigated the incentives and constraints for internal seasonal migration in Northwestern Bangladesh, where most the population lives in poverty, food insecurity is chronic, and famine is a recurring risk during the lean pre-harvest season, the “Monga”. The intervention provided randomly assigned households with information on job opportunities and an incentive of USD8.50 conditional upon a household member migrating during the lean season (essentially a travel grant). Thus, food and non-food expenditures of migrants’ family members remaining at the origin increased by 30-35 percent and their caloric intake improved by 550-700 calories per person per day. Interestingly, households in “treatment areas” continued to migrate at a higher rate even after incentives were removed, suggesting that the grant towards a first migration experience helped households determine how well their skills would fare or created employer contacts and other job related networks.

Source: Bryan, Chowdury and Mushfiq, 2014.

3. Subsidized Employment Interventions

Wage subsidies have been adopted to help youth or other disadvantaged groups find work experience, but also to sustain formal sector employment in times of hardship. For example, wage subsidies were used during the financial crisis that emerged in 2007 with the purpose of protecting existing jobs and avoiding lay-offs, as well as to create new jobs (Banerji et al., 2014). Most available evidence is still from high-income countries.

These interventions have not been successful in creating a long lasting positive impact on earning and employment creation. Systematic reviews find wage subsidies to be quite ineffective in creating employment that lasts well beyond the period during which the subsidy is in effect (Kluve, 2016; Card, Kluve and Weber, 2015; Kluve, 2014; Almeida, Orr and Robalino, 2014; Betcherman et al., 2007). In the case of wage subsidies, moreover, the risk for high deadweight loss (subsidizing firms for jobs they may have created anyway) and substitution effects (subsidizing workers that replace other potential hires instead of creating net employment) are potentially much higher (Betcherman et al., 2007).

Wage subsidies may fill a role in containing job losses during economic downturns. Unemployment arising from skills gaps are difficult to overcome with subsidies. However, when unemployment results from large economy wide shocks, wage subsidies can potentially fill a role, as temporary job losses and credit constraints can have long-lasting scarring effects on individuals, firms, and economies (Paci, Revenga and Rijkers, 2012). A study of wage subsidies implemented in response to the financial crisis in Mexico finds that beneficiary industries had higher employment levels and recovered faster after the crisis (Bruhn, 2016).

Involving disadvantaged youth is challenging. Wage subsidies typically cover a small share of the total work force (Banerji et al., 2014), focus on formal sector employment, and appear to be more effective in protecting jobs than in creating new ones. This could work against more disadvantaged youth who may lack skills for formal employment. Programs that provided incentives for job search have positive employment outcomes for beneficiaries, though the effects seem to be displacement. The incentives may best be used when inclusive jobs are the desired outcome. Transportation subsidies in Ethiopia and Bangladesh suggest a positive formal employment effect and increase earnings and employment, respectively (Fox and Kaul, 2017).
SUPPLY SIDE INTERVENTIONS: SUMMING UP

In sum, although ALMPs feature prominently in low- and middle-income countries alike, their record in terms of increasing employment and earnings is mixed. ALMPs have been implemented across countries at all income levels to address youth employment challenges. However, most evaluated programs are not effective in raising employment and earnings for beneficiaries. Evidence of cost effectiveness and economy wide impacts are not included in most studies, but are likely to narrow down the pool of good practice programs further. Difficulties pervade across program interventions and no type of program is more effective than others. On the positive side, programs appear to work more effectively in low- and middle-income countries, possibly reflecting the fact that these programs are more recent and employ improved design and implementation. There is also some evidence that programs focusing on inclusive job creation – for more disadvantaged groups – are more effective than others, though it depends on the category of intervention.

What explains the weak impact? Unsuccessful programs may fail to address a key bottleneck: low demand for labor, or limited business opportunities in the case of entrepreneurship. This calls for integrated approaches looking at how to stimulate the demand side as well, which is the objective of the section below. Moreover, programs could in fact be effective but statistical evaluations do not capture intervention progress because of methodological problems including small samples, high attrition (shortfall from program), too short time frames (Card, Kluve and Weber, 2015; McKenzie, 2017). As seen, interventions that take longer time to deliver results, especially training programs, are particularly vulnerable to these limitations. Experiments involving larger samples and several follow-ups are costly, but may be necessary to provide meaningful guidance. It is also possible that the theory of change behind programs is correct, but there could be problems in design or implementation, or the quality of services delivery. As seen, some programs do succeed, and very well. Rather than discarding supply side interventions, it makes sense to focus on what mechanisms are most likely to yield results in different settings.

Specific design and implementation features are consistently associated with higher effectiveness. Attempts to identify design features in a systematic way across interventions indicate that some characteristics show greater promise than others (Kluve et al., 2016). More particularly, a successful program consists of a diversified package of interventions that addresses the needs of beneficiaries through good profiling and follow-up systems, and appropriate contracting and payment systems:

Addressing multiple constraints. As already mentioned, combinations of programs are overall more effective, though no specific combination is more effective than others, and the importance of addressing multiple constraints is higher for low income and vulnerable populations (Cho and Honorati, 2014) and for low- and middle-income countries (Kluve et al., 2016). The best combination of services hence recognizes multiple constraints, but the constraints to address depend on the target population. Programs that show success, such as the programs in Uganda and Nepal discussed above, as well as the Junior Farmer Field and Life School (JFFLS) programs, combine several support services.

Understanding the context and beneficiaries’ constraints. Programs that are similar in nature can have very different outcomes in different countries and regions (Cho and Honorati, 2014), pointing to the importance of adapting to context. Programs that include profiling of beneficiaries’ aptitudes and capacities, and individualized services (e.g. sorting beneficiaries into different groups depending on needs), perform better (Kluve et al., 2016). Looking beyond capacity, information and credit constraints towards mobility and social constraints also appears important. Experience from the World Bank’s own operations show that interventions that include youth in policy dialogue and program design, i.e. provide youth with the skills, resources and space to actively participate, contribute and influence policy dialogue and program design, implementation, monitoring and evaluation, can be successful. In this context, innovative approaches such as the Food and Agriculture Organization’s (FAO) JFFLS
program that combine agricultural and life skills through highly participatory learning methods could be promising (FAO, 2014).

**Engagement, monitoring and follow-up.** Program engagement, to understand participants’ motivation, encourage them to remain in the program and use it fully, and provide services ex-post, also has benefits. Although these services increase program cost significantly (the WINGS program is a point in case), they may be necessary for program success.

**Providing incentives for (private) service providers.** Training programs that provide incentives related to employment outcomes also have better employment outcomes – services are more closely related to demand for labor (or product and services, in the case of self-employment), and providers have incentives to offer relevant training as well as provide additional services, e.g. job placement, to increase impact.

**Involving employers actively in program design, implementation and evaluation.** Connecting youth with the demand side is critical for program effectiveness. Hence, partnerships involving employers in the program design, implementation and evaluation has significant pay-offs in terms of coordination, relevance, and possibly funding (Glick, Huang and Mejia, 2015). Exposure to the world of work through internships tied to training can significantly improve employment outcomes compared to only training.

**Supply needs to meet demand.** As discussed above, there is growing interest in linking supply side and demand side interventions conceptually and in practice. A potential reason for weak impact of programs addressing supply side constraint is that demand for labor is overall weak – in fact, even if programs do show impact on beneficiaries, they do not take into account substitution effects (e.g., because the demand for labor is not expanding, a person trained in a program simply replaces an untrained person in employment, a subsidized employee replaces a non-subsidized employee, with no positive effects on aggregate employment). Long term job creation depends on a vibrant private sector that creates job opportunities. Policy approaches to foster jobs from the demand side are dealt with in the next section
DEMAND SIDE INTERVENTIONS - STIMULATING DEMAND FOR YOUNG WORKERS

WHAT CONSTRAINTS EXIST FOR JOB CREATION IN FIRMS?

“Supply side” interventions will be less effective and sustainable if policymakers do not address institutional and market failures that might affect the entry and growth of firms in the private sector (World Bank, 2012b). The agenda involves creating a regulatory environment favorable to business and job creation: a stable macroeconomic environment, reliable infrastructure, human capital, and rule of law. Beyond these fundamentals, however, there is growing evidence that ALMPs alone do not work; job creation is needed (Kluve et al., 2016). Promoting job creation requires targeted interventions on the demand side that address specific constraints or market failures facing informal sector enterprises, formal sector firms, and farms. Important firm specific constraints or market failures include, inter alia, insufficient access to finance, capacity and information gaps, coordination failures, and failure to capture social externalities of jobs.12

1. **Misaligned objectives and jobs externalities.** Job creation is not a goal for firm managers. Firms are operated to generate sales and profits are those objectives can run counter to the goal of generating jobs (Mamburu, 2017). The decisions to invest in a specific project depends on its expected rate of return relative to other investment opportunities. This rate of return depends on expected revenues overtine and the cost of capital, labor, and intermediate consumption. When direct and indirect jobs created are considered, the private rate of return can be lower than the social rate of return from a given investment, however. First, when there are high rates of unemployment or underemployment, the economic opportunity cost of labor is not equal to the market wage. Second, jobs can have positive social externalities, such as reduced expenditures on social assistance programs, that increase the value of given jobs (Robalino and Walker, 2017). As seen above, positive externalities of jobs for youth might include lower crime rates, and otherwise promote social stability, and the expansion of human capital as young people learn by doing in the job. Furthermore, some jobs may be better at reducing the ethnic, educational and gender divides. Because these social benefits of jobs are not internalized or even assessed by firms, there may be under provision of jobs, especially for specific population groups, such as youth. As a result, there may be a need for special incentives to internalize the social externalities related to jobs for youth.

2. **Insufficient access to finance.** Access to finance is often reported as the biggest obstacle to firm growth across most countries – especially for small and medium size enterprises (SMEs).13 There is significant evidence that a lack of finance, or even an underdeveloped financial sector, affects firm growth and jobs negatively and that job creation in younger firms may be especially limited by credit constraints (Dinh, Mavridis and Nguyen, 2010; Ayyagari et al., 2016). Ayyagari, Demirguc-Kunt and Maksimovic (2008) find that access to finance emerges consistently as the most critical obstacle constraining firm growth. Whereas microfinance institutions serve micro-firms, and large firms may access loans via commercial banks, SMEs may not be served by either type of credit institution. High perceived lending risks from commercial banks, high interest/cost of financing, short loan maturity, lack of collateral or stringent collateral requirements (World Bank, 2014b), and/or strict loan repayment

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12 In practice, many of these constraints and market failures are inter-related.
13 Enterprise Survey data suggests that 44 percent of SMEs in low-income countries are involuntarily excluded from applying for a loan compared to 25 percent of large firms (World Bank, 2014(b).)
schedules pose challenges to newer, innovative and fast-growing companies that hold a higher risk-return profile (OECD, 2015). Finance may also be restricted because that there is a lack of information on the repayment capacity of SME managers, or because capacity constraints limit their ability to provide sound and financially viable business plans (de la Torre, Martinez Peria and Schmukler, 2009; Arraiz, Bruhn and Stucchi, 2015).

3. **Capacity and information gaps.** Firms, in particular, micro, small and medium enterprises, may not have adopted more advanced business practices (financial management system, marketing plan, pricing strategy, etc.). More advanced business practices are highly correlated with firm-level productivity and growth in both high-income and developing countries (Bloom and Van Reenen, 2007; Bloom et al., 2011) and this also holds for micro- and small firms (McKenzie and Woodruff, 2015). Furthermore, firms may not be aware of market opportunities and potential suppliers and buyers.

4. **Coordination failures.** Individual firm performance depends on the behavior of other actors (e.g., production and investment decisions in upstream and downstream segments, investment in and provision of related infrastructure, and public goods), but markets often lack the means to induce consistent and predictable behavior. This leads to sub-optimal allocation of resources (Petrobelli and Staritz, 2013) or underinvestment. In the absence of coordination, such issues as fragmented suppliers, and lack of quality standards, could result in insufficient volume of production and number of jobs.

**INTERVENTIONS TO ADDRESS DEMAND SIDE CONSTRAINTS**

Interventions on the demand side are targeted at enterprises, firm- or farm-level. A myriad of interventions exist to create an enabling environment for firms—and could include economy-wide reforms, interventions or policy reforms targeted to specific sectors, clusters or value chains—but these interventions are not necessarily targeted at youth or jobs for that matter. Demand side interventions usually aim at increasing productivity and sales growth, not jobs. However, the firms that generate sales and turnover are not always the same as the ones generating jobs (Mamburu, 2017).

This note is focused on those interventions that have an aim of creating jobs. As noted above, while broader sweeping policy reforms aimed at improving the business environment or investment climate could have an impact on firms/farms and jobs, this paper focuses only on interventions with specific identifiable enterprise, firm or farm beneficiaries. The paper includes targeted interventions aimed at specific small and medium sized enterprises for whom constraints tend to be more binding than for large firms, and targeted sector specific approaches, such as lead firm-SME linkage programs and value chain development approaches, which focus on addressing coordination failures in a particular value chain or cluster. As in the case of supply-side intervention, firm- or farm-level demand-side programs increasingly offer a comprehensive set of services and benefits, combining e.g. access to finance, capacity building, and targeted sectoral approaches.

1. **Programs to address financing constraints** aim to alleviate credit constraints which prevent firms from entering or growing. As shown in Figure 3, these needs differ according to age and size of firms and the type of financing needed (long-term, short-term working capital, etc.). The instruments used for financing also differ. Cho, Robalino and Watson (2014) review 106

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14 In practice, however, the distinction between demand-side and supply-side interventions is not always clear-cut.
papers related to small-scale entrepreneurship (SSE) and find that only 30 percent of the projects reviewed have a component that directly provides access to finance, while 60 percent link beneficiaries to outside financial services. Cash grants, scholarships and prizes are the most common form of financial support, followed by microfinance. Lines of credit/guarantees aim at directly increasing access to credit for SMEs by channeling financial resources through banks or microfinance institutions using traditional commercial banking instruments. Grants aim at increasing access to finance to SMEs facing additional constraints to receive commercially available loans. Different schemes are being implemented and differ mainly by the selection process of grantees (business plan competition, targeted eligibility criteria, first-come, first-served approach, etc.), by the disbursement conditions (unconditional cash, reimbursement, tranches) and by the type of activities being financed (equipment, goods or technical assistance). Asset-based finance and other alternative forms of debt provide firms with funding based on the value of specific assets, including accounts receivables, inventory, machinery, equipment and real estate, which can be beneficial for young and small firms that have difficulties in accessing traditional lending. Policies to promote asset-based finance relate primarily to the regulatory framework, but active policies can be used to support asset-based finance for businesses that are unable to meet credit standards associated with long-term credit. In particular, factoring has been supported as a means to ease SMEs’ access to trade finance and promote their inclusion in value chains. In addition, other alternative forms of debts can be leveraged to promote access to finance for SMEs (OECD, 2015). A relatively new set of programs also address information constraints around borrower risk profiles and repayment capacity. These include psychometric testing of entrepreneurs to predict their repayment behavior, a low-cost method to do a screening of many applicants, like methods used by firms for screening job applicants.

Figure 3
Available External Financing Options
2. Capacity building and information provision interventions include both financial or non-financial services and products offered to entrepreneurs at various stages of their business needs. This includes:
   a. Training programs aims at increasing skills and/or knowledge of business owners (in rare cases, of the employees themselves) for new or existing firms. Most of them consist of in-class business training with a broad range of topics (financial management, human resources, operations and marketing and communication).
   b. Consulting services are usually a one-to-one and personalized training, coaching and/or mentoring. This entails three phases, namely a diagnostic, an identification of key activities to be changed in the firm and, finally, the implementation of this action plan. Coaching may include a range of specialized services such as access to financing, business advisory services, access to information and facilities and international connections for partnerships and the latest information on technologies and business models.
   c. Matching grants aim to address market failures that lead firms to underinvest in services which may be important to their success. Some are specifically geared to foster technological upgrading, to increase exports, and to foster use of business development services, whereas others aim to fill in financing where the formal financial system is not reaching (IEG, 2014).

3. Targeted Sector-Specific Approaches include a range of approaches such as:
   a. Lead firm-SME linkage programs aim to develop forward and backward linkages for lead firms which can create a market for related SMEs. Strong forward and backward linkages are associated with high employment multipliers through the creation of indirect and induced jobs in related enterprises.
   b. Value chain development approaches aim to foster linkages across firms to improve coordination and collaboration among value chain actors, in particular to sustainably
improve the access of SMEs, small scale entrepreneurs and self-employed to markets and/or connection to promising value chains through:

i. **Aggregator models** – In the case of agriculture, such models combine smallholders into groups of sufficient scale and link them to larger businesses that in turn provide capital, technological packages, insurance, and link to post-harvest markets.

ii. **Competitiveness reinforcement initiatives** - Value chain development models based on mapping value chains, identifying business opportunities, and designing and implementation of an action plan for each chosen value chain with the aim of improving its competitiveness and job creation.

4. **Financing** to increase private investment with the objective of creating new jobs may be necessary to provide the marginal financing needed so that a fundamentally sound commercial private investment that falls short of financial viability due to the market/institutional failures can proceed (Robalino and Walker, 2017). Past approaches that have focused on growth, with jobs regarded jobs as a by-product are not working.

**DO DEMAND-SIDE INTERVENTIONS CREATE JOBS FOR YOUTH?**

The evidence base on the impact of demand-side interventions on jobs is less comprehensive – or at least less systematic - than for supply-side interventions. First, jobs aspects have not been always explicitly addressed or part of the objectives of demand side programs that instead have focused on measures of firm performance such as growth, profits, and investment. As a result, employment effects have not been evaluated, let alone focused on youth employment. The review of supply side programs showed that it is not certain that intermediary outcomes from different interventions, for example improvement in business practices, result in more jobs, and this caveat is also true for demand side interventions. Second, some demand side interventions, especially those addressing market systems, such as value chain development, do not necessarily lend themselves to experimental evaluation of counterfactuals, at least with respect to employment impacts. More generally, programs vary significantly in design and implementation, and the amount of rigorous evidence is limited.

Recent meta-analyses suggest relatively modest employment effects. A recent review of demand side interventions to SMEs (not micro-firms) including a variety of services such as training, access to credit, support for innovation, export promotion, suggested that programs can have positive effects on jobs, labor productivity, and revenue or profits. However, the effects were not large, and the cost effectiveness of interventions unknown (Cravo and Piza, 2016). The precision of these analyses is also compromised by the great variation in the type of interventions, for example in the duration of finance or training, content of finance or training, or instrument for delivery.

1. **Programs to Improve Access to Finance for SMEs**

There is no obvious blueprint for increasing access to finance. Whereas there is convincing evidence that access to finance is associated with job creation, the lessons learned from SME financing programs are not as straight forward. A case study undertaken for the International Finance Corporation’ (IFC) Jobs Study on firms obtaining bank credit with an IFC partner in Sri Lanka showed that (i) micro, small and medium enterprises (MSMEs) considered credit constraints the most binding obstacle to business and that (ii) firms that obtained loans created jobs at twice the national average, and at the same time increased labor productivity. Since these effects were not tested against a counterfactual, it is not obvious that jobs growth can be attributed to finance. Also, aggregate impacts on job creation (substitution effects) were not measured (IFC, 2013).
SME financing programs appear to be more successful than micro-finance programs and less successful than financing for large firms. The large review of entrepreneurship programs for both micro-firms and SMEs by Grimm and Paffhausen (2015), also discussed above, showed that programs addressed at SMEs were, generally, more effective in creating jobs than those for micro-firms, although with the caveat that the result is based on a small sample of SME-programs (six) and, as shown above, some micro-entrepreneurship schemes are in fact very successful. The review by Cravo and Piza (2016) which excludes micro-enterprises, shows that services improved firm performance (sales, profits, etc.), or led to higher employment and labor productivity growth for larger firms than for small firms. Credit programs that favor larger businesses tend to have better results, due largely to limited access of available financing for SMEs related to collateral, formalization or accounting and banking structures. In addition, large firms have higher survival and profitability, resulting in better outcomes (Fox and Kaul, 2017).

Access to credit can help financially excluded groups increase their earnings, but most programs focusing on micro-credit are not intended to create jobs. Financial inclusion is low in many low- and middle-income countries and could explain why self-employment does not translate into successful and productive business. Few studies measure the job creation impact of these interventions, beyond the one job that is created when a jobless person enters self-employment/starts a firm. Instead, they focus on measuring earnings or increase in hours worked as indications of whether the quality and sustainability of jobs improve (Grimm and Paffhausen, 2015).

Overall, employment effects of financing programs are modest. A large evaluation by the World Bank’s Independent Evaluation Group of SME financing interventions through the World Bank Group (World Bank, IFC; and Multilateral Investment Guarantee Agency), did not identify any significant employment effects. Partly this was because creating jobs had not been an explicit objective and so were neither targeted nor necessarily measured. With respect to firm performance more broadly, the same study found that for lines of credit as well as credit guarantees, there were few reliable evaluations, but that there was no strong evidence of effectiveness and quality of these credit lines, especially when measured against additionality and sustainability (cost effectiveness) criteria (World Bank, 2014b). Field experiments and other programs indicate that impacts are mixed (Karlan and Murdoch, 2009). For micro-finance, the literature review by Banerjee et al. (2015) mentioned above suggest that many interventions may result in business creation and expansion but that access to micro finance does not in general sustainably raise incomes. (Nor does it appear to result in transformative welfare effects on health, consumption, or education for its beneficiaries.) Meta-evaluations of SME financing programs (Grimm and Paffhausen, 2015; Cravo and Piza, 2016), find limited effects on employment growth for SMEs.

Besides these more traditional forms of financing, there is an upswing of new and innovative instruments for access to finance. These instruments allow access to credit outside of conventional bank lending, facilitated by mobile, social and cloud technology. It also includes hybrid instruments such as bonds and alternative instruments such as crowdfunding. However, evidence of the impact of these solutions on employment is even scarcer given that these are still new in the spectrum of financing interventions for SMEs.

Interventions that reduce information constraints increase access to finance to those previously unbanked. Cross-country studies show that in countries with private credit bureaus registries, which provide information about payment ability, SMEs have easier access to finance, all else equal (Love and Mylenko, 2003; and Ayyagari et al., 2016). Innovative ways of alleviating these information constraints can have important pay-offs. In Peru, an experiment involving commercial bank using a psychometric credit-scoring tool for screening loan applicants showed that access to lending increased. Comparing applicants just above and below the score cut-off showed that the probability of taking out a new SME loan increased from about 20 to 40 percent. In cases where traditional
screening methods would have rejected applicants with no credit history, the EFL tool can be used to make additional loans without increasing portfolio risk (Arraíz, Bruhn and Stucchi, 2015).

**Focusing on potential high growth firms may have larger pay-offs.** Not all firm owners are entrepreneurial, and not all firms can be expected to grow. There is evidence from across the world that a sub-set of young, small and dynamic firms account for a disproportionate share of job creation. From a jobs lens, identifying potential high growth entrepreneurs that are held back by credit constraints and support them selectively may have a significant pay-off. A Business Plan Competition in Nigeria showed significant effects on both start-up, firm performance and employment (Error! Reference source not found.).

**Are programs addressing the right constraint?** The relatively weak outcomes of financing programs can also be due to weaknesses in design and implementation, or the fact that attribution is difficult. Another possibility is that traditional programs are focusing on credit supply constraints, rather than constraints related to credit information or demand, or that problems can only be alleviated at a systemic, financial infrastructure level. Moreover, SME managers may be risk averse, lack the ability to provide a satisfactory loan application, or not recognize the need for financing for expansion. Capacity building, discussed below, would then be a necessary complement.

**Box 7: YouWin! Nigeria**

The “Youth Enterprise With Innovation in Nigeria (YouWiN!)” program is a business plan competition for young entrepreneurs in Nigeria, launched in 2011. It is a comprehensive program involving both training and finance. After a first screening of applicants (24,000 in its first round), the program provides a four-day training course on preparation of a business plan for these semi-finalists. 1200 submissions were selected as final winners and awarded an average of almost 50,000 USD. Follow-up surveys showed that compared to a control group, winning the business plan led to greater firm entry, higher survival of existing businesses, higher profits and sales, and higher employment, including increases of over 20 percentage points in the likelihood of a firm having 10 or more workers – a significant achievement in a country where over 99 percent of firms have less than 10 workers. These effects appear to occur largely through the grants enabling firms to purchase more capital and hire more labor. Although the program effects need to be viable for five years to be cost-effective, cost per-job created is lower than for vocational training, business training, wage subsidies, and small grants to microenterprise programs.


**Access to finance aimed at enabling private sector investments with large jobs payoffs (positive social externalities).** In order to increase private investment with the objective of creating new jobs, it may be sometimes necessary to provide the marginal financing needed so that a fundamentally sound commercial private investment that falls short of financial viability due to the market/institutional failures can proceed (Robalino and Walker, 2017).

2. **Capacity Building and Information Provision Interventions**

Many evaluations of business training programs and capacity building services suffer from similar problems as evaluations of supply side training programs. Small sample sizes, short time frame for impact measurement, and high attrition, together with significant variation in programs, all affect the precision of measurements of results (McKenzie and Woodruff, 2014). The evidence on business training programs for SMEs presented here draws largely on McKenzie and Woodruff, 2014 (a review of fourteen business training programs drawn from countries in Eastern Europe, Latin America, South
Training programs are relatively successful at improving intermediary outcomes, including improvements in business practices and entrepreneurial spirit. Programs aim at improving business practices and, more rarely, entrepreneurial spirit. Most programs report statistically significant improvements in business practices. However, the amplitude of these changes is small (5 to 10 percentage points in the case of the McKenzie-Woodruff review). Beneficiaries sometimes report higher optimism, confidence, and motivation. However, in some cases, these seem to be short-lived and usually disappear in the long run.

Training helps entrepreneurs start a business, but the effects may not be long lasting and the aggregate effect on employment is not clear. There is evidence that training hastens the entry of firms that would enter anyway (Klinger and Schundeln, 2011). Many switch to self-employment from wage work (Premand et al., 2012), and the effects go away after some time as those in control groups also start opening businesses (McKenzie and Woodruff, 2012). Klingeln and Schundeln (2011) also find modest effects of training on business survival.

Business training programs do not create jobs in microenterprises. For programs working with microenterprises, McKenzie and Woodruff (2014) do not find any positive and significant change in employment. Partially, this is caused by the low statistical power of many RCTs, but also by the low propensity for micro-firms, usually one-person businesses, to hire even one additional wage employee. The study by Grimm and Paffhausen (2015) finds more positive evidence for larger firms from training in terms of performance, job creation and labor productivity, but this is based on a small sample.

Employment effects are likely to depend on the nature of recipient firms and the type of training delivered. A program in South Africa offered finance vs marketing training, depending on assumptions as to whether firms were maximizing profits through cost efficiency measures or through market growth. Both training programs were positively correlated with an increase in business practices, survival, employment, sales and profits, but impacts in terms of sales and employment are larger for the entrepreneurs in the marketing skills training – the “growth” firms (Anderson-MacDonald, Chandy and Zia, 2016). In fact, the marketing training included providing rationales for business owners to hire additional employees to achieve sales goals.

Soft skills training – in the form of entrepreneurial initiative, ambition, grit, organization – could have positive effects on both firm performance and labor utilization. The impact of business training programs on firm performance varies significantly with entrepreneurs’ characteristics (McKenzie and Woodruff, 2014). An experiment in Togo targeted to the informal sector provided some beneficiaries with training in “entrepreneurial spirit”, including setting goals, planning work towards those goals, overcoming obstacles, etc., and offered another group a more conventional “managerial business training” program focusing on customer service, financial knowledge, and other basic firm management skills, both coupled with a mentoring program. Preliminary evidence from this program suggests that both types of program resulted in the adoption of modern business practices, but the entrepreneurial training showed positive and statistically significant effects on firm performance in terms of profits and sales whereas the managerial program showed no such effects. Importantly, entrepreneurial training also showed positive effect on the number of hours worked (by owner), the number of workers in the enterprise, and hours of business operation, whereas only the latter was affected by managerial training. The key difference between entrepreneurs and managers appears to stem not from different business practices, but from different approaches to investment in capital and labor, ability to generate innovation, and access financing (Campos et al., 2017, unpublished draft).

Tailored consulting services may hold more promise for job creation. Consulting services are still an under researched area but the few evaluations available generally show positive results. In Mexico, micro, small, and medium enterprises receiving one year of management consulting services showed
immediate impact on intermediary outcomes including both business practices and “entrepreneurial spirit”. Firm performance also improved. Two to five years after the intervention, administrative data showed significant employment effects in the form of a 50 percent increase in employees and wage bill (Bruhn, Karlan and Schoar 2013). An evaluation of an accelerator program (Chile Start-up) also suggested that providing mentoring and tailored coaching lead to significantly higher venture fundraising, valuation (fivefold increase) and job creation in the form of a doubling in the number of employees (Gonzalez-UrIBE and Leatherbee, 2017). Managerial consulting services to firms in India resulted in higher productivity and firm output growth (Bloom et al., 2013). On the other hand, consulting services to tailoring microenterprises in urban Ghana did not lead to sustainable changes in either business practices or profits. Because of their personalized nature, the cost of consulting services tends to be significantly higher compared to conventional business training (Karlan and Valdivia, 2015; see also Annex B). The result of higher costs for Consulting and BDS services, is that training services are generally provided to micro and small firms, while BDS programs tend to target larger firms. The outcomes of the two services may be more a function of the target audience than of the service itself (Fox and Kaul, 2017).

Matching grants have been used extensively by donors like the World Bank and by Governments in order support very different types of private sector development programs. Since the 1990s, matching grants have become very popular mechanisms to promote SME growth and competitiveness (Hristova and Coste, 2016). The evidence of impact, however, is limited (World Bank, 2014b). A recent review of 106 matching grants in World Bank projects finds that matching grants can be effective in promoting firm performance (not specifically job growth), but that weaknesses in design and implementation are likely to hold back performance.

There is significant variance in outcomes with respect to employment, suggesting that it is not the instrument but the program it delivers that matters. The consultancy services intervention in Mexico discussed above was in fact a matching grant program, and as seen, intermediary outcomes as well as final jobs and firm growth outcomes were positive. However, a matching grant in Yemen had an impact on many firm intermediary outcomes in the form of business practices, including innovation, introduction of new products, marketing, training to work force and sales increases – but the impact on jobs although not significant was in fact negative. (McKenzie, Assaf and Cusolito, 2016). The meta-analysis by Cravo and Piza (2016) also looked at matching grants and identifies no significant effects on innovation, investment, and firm performance (profits, revenues, sales, assets), but positive effects on employment creation. There is substantive heterogeneity in outcomes, however, providing more evidence that design and implementation are the key factors.

3. Targeted Sectoral Approaches

Sectoral approaches foster coordination between sets of firms. For example, value chain development approaches focus on improving the development impact along a production value chain. These can foster linkages across firms to help SMEs and microentrepreneurs access more profitable opportunities and create jobs, including for women entrepreneurs. Especially In agriculture, the focus is as much on creating “better jobs” and “more inclusive jobs” (such as raising earnings for small holders) as it is on creating more jobs.

Jobs (and other) outcomes of value chain based-interventions are difficult to evaluate, largely due to the systemic nature of value chains: complex interventions, complex linkages, multi-level system actors, constant adaptation to market changes, and the time-place-commodity specificity. A review of

15 Subsidizing these services also seems important as the most frequent answer from the control group was that the investment would be interesting but that the firm lacked necessary funds.

16 This section draws largely on Farole (2016).
20 evaluations of value chain interventions showed that a majority did not focus on jobs impacts, although many (but not all) measured changes in household income (Kidoido and Child, 2014). A review of 96 value chain studies showed that less than one in five reported jobs outcomes (Ingraam and Oosterkamp, 2014).

At an aggregate level, value chain investments appear to be correlated with a structural transformation of jobs and job creation. Countries which have attracted global value chain investments have experienced a significant increase in productive employment in formal manufacturing jobs: in Bangladesh, for example, more than 3 million jobs, a majority of them for women, have been created in the apparel sector, in Vietnam, an estimated 600,000 jobs have been created in the leather value chain (Dinh et al., 2012); the coffee, garment and cut flower industries in Ethiopia are additional examples of such correlations (Ingraam and Oosterkamp, 2014). Developing strong forward and backward linkages are associated with high employment multipliers through the creation of induced jobs in related enterprises. Evidence from Ghana, Jordan and Tunisia suggests that the agro-processing sector has high jobs multipliers (World Bank, 2016).

The degree of job creation depends on the nature of the value chain and production technologies therein. For example, with multinational production structures that are highly internalized, local sourcing is not likely to be significant, meaning that job creation or profit increases for SMEs will be limited (Farole and Winkler, 2014).

Much of the impact on job creation may be indirect. Assessing job impacts is a multi-dimensional exercise because of linkages to other sectors as well as upstream and downstream links. In FYR Macedonia, lead firm investment in the automotive value chain has limited jobs impact in the automotive supply chain but has the potential to create tens of thousands of jobs in the textile sector. In Zambia, decentralized development of the agricultural value chains (maize and aquaculture) can create large-scale opportunities for female earnings through downstream distribution. In South Africa’s automotive industry, global value chain integration reduced employment intensity in suppliers but led to increased high-skilled jobs in services. Spillovers and linkages from large, international firms to small scale and even informal firms is common in sectors such as garment and footwear (Farole, 2016).

The “Productive Alliances” approach in agriculture appears to improve firm performance and raise producer household earnings, but job creation impacts are less clear. Surveys and evaluations of several projects show that productive alliances – interventions that strengthen linkages between (small holder) producers, buyers and the public sector in a particular value chain, predominantly implemented in Latin America – has increased production and market access as well as sales (by between 20 percent- and 60 percent for participating firms). This has improved the quality of jobs in that average income of beneficiary producers is 30 percent higher than for control groups. However, the available evidence on job creation is limited and based on relatively small samples, and varies strongly across value chains.

Value chain development can improve the quality of jobs by raising earnings. The effects on business opportunities for firms that can link up with lead firms. The review by Kidoido and Child (2014) found that a majority of value chains evaluations in developing countries resulted in positive effects on household income. Low unit labor costs due to low wage levels may attract value chain investment. This process is likely to lead to wage increases: multinational firms pay a wage premium over local firms in these economies, potentially because they are more productive, or because they lack knowledge of local markets. For this local advantage to last, productivity must increase as well over time. Multinational companies may also offer opportunities for career development as they are more likely than domestic firms to provide additional training to their workers (Farole and Winkler, 2014).

For other measures of job quality, international firms often offer higher standards for working conditions than local firms, as providing better working conditions is often good for businesses too. Although no systematic reviews are available, many global firms are now operating with standards for
health, safety, and environment, that exceed legal requirements in host countries. Doing so can be good for firms as well as workers. Evaluations from the Better Work Program, that works to improve labor standards and competitiveness in value chains, show that firms that offer better working conditions (as perceived by workers), higher compliance with labor standards, more innovative human resource management practices, and higher wages, are also more profitable. Although the causality goes both ways, better working conditions directly raise labor productivity, and as such profitability (Better Work, 2015).

**Value chains have the potential for inclusion as well as exclusion.** Sectors that currently dominate value chain investments in developing countries, such as apparel, footwear, electronics, is concentrated among lower skilled female workers. But conversely, as the quality of jobs have upgraded in the apparel value chain in Bangladesh, the dominance of women in the work force is falling. Value chain development may also result in higher gaps between skilled and unskilled workers. In cases where worker mobility between foreign and domestic firms is limited (due to e.g. differences in skills, or due to rigid labor markets), these gaps may persist (Farole, 2016). Many productive international value chains in agriculture in Asian countries are dominated by smallholders, and evidence from a diverse set of countries including countries in Eastern Europe, Madagascar, Thailand, Chile, Zimbabwe, conclude that buyers source from smallholders, sometimes exclusively. However, there are also examples of increasing exclusion. In Senegal, Kenya, and Côte d’Ivoire, restrictive products and production standards imposed through certification in the food production sectors led to a drop in formal participation of small scale growers. But again, effects can be complex: in Senegal, food production structures also changed towards larger scale production, but poorer rural households entered as wage earners instead and thus benefitted from higher earnings (Swinnen and Kuijpers, 2017).

**To benefit from value chain opportunities, whether as entrepreneurs or as employees, youth need access to finance, technology, skills and assets.** Specifically, initial human capital is an important determinant and training may not compensate for this (the Sustainable Food Laboratory, 2011). This implies that (i) the poorest segments of rural population may not be able to participate in global value chains focusing on high quality requirements, but can be integrated more successfully in local markets and that (ii) constraints in access to assets e.g. land), services (credit) and social networks (voice in producers’ organizations) need to be considered when focusing on more excluded populations such as youth, or women (IFAD, 2016).

**In sum, the impact of value chain-based interventions on jobs is inconclusive; and their linkages to jobs for youth are poorly studied.** From a program perspective, it may be effective to focus on maximizing the productivity enhancing benefits of value chains. These effects will depend on the specific sector and production strategy of the “lead firm”, the local absorptive capacity among workers and enterprises and the opportunities for technology transfer and skills upgrading, and the mobility of labor between sectors.

4. **Financing**

Past programs and projects that have regarded jobs only as a by-product of growth have failed to focus on and create adequate high quality jobs. This approach resulted in a focus on increasing investments by addressing market and government failures through macro and regulatory policies and sometimes through investment projects. This approach ignores market failures fundamental to the

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17 This section is a summary of the new Cost Benefit Analysis and Financing put forth in Robalino and Walker, 2017.
gap between the social and private return on investments resulting in low creation of good jobs below the socially optimal level (Robalino and Walker, 2017).

**Social externalities and return on investments must be considered if the private return on investment is insufficient to move forward without government financing.** Divergence between the market price and opportunity cost of labor in economies, social job externalities around specific outcomes for targeted populations, potential learning spillovers, and coordinate failures that limit infrastructure development may all indicate that private investment is not viable, but government financing support, often packaged with technical assistance, is warranted for the social benefit created (Robalino and Walker, 2017).

**Subsidies or capital grants to private investors can provide support (financial and technical assistance) to increase business in such a way that generates better jobs.** Usually, applicant firms are required to submit business expansion plans that specify the investment amounts and the projected job creation effects. The project analyzes the business proposal to ensure that it is robust and allocates matching grant financing and other forms of support, as appropriate, which is dimensioned based on the projected gains from the jobs impacts. The analysis of such a project should look at potential resulting jobs created either directly in the applicant firm or indirectly through the supply chain, for example jobs for farmers who will supply inputs. Private gains for the workers (direct or indirect) based on their projected improved earnings; and the gain associated with social externalities are now considered heavily when weighing the costs and benefits of a project (Robalino and Walker, 2017).

**Subsidies on infrastructure can be used in situation where the infrastructure investment may be economically unviable or highly risky, but where the investment is projected to generate worker earnings above current projected earnings commensurate with the social cost and risk.** The subsidy will be limited to the amount needed to raise the projected rate of return above the risk-adjusted cost of capital (a variant of feasibility gap financing) (Robalino and Walker, 2017). Financing may be warranted in FCV environments and otherwise remote communities.

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**DEMAND SIDE INTERVENTIONS: SUMMING UP**

The evidence base for what works in fostering more and better job creation by firms is still weak. Policy makers and researchers have only recently begun to focus on evaluating the job creation effects of demand side programs. The stocktake shows that although the private sector development agenda is vast, many interventions have, in the past, not focused on job creation effects, and employment growth has not been measured in evaluations. Jobs effects can also be more complex to evaluate rigorously, especially for sectoral approaches, where attribution is complicated and jobs effects can be indirect as well as direct. Aggregate evidence is only now emerging. The limited evidence available so far shows modest (but varied) impact of programs that support SMEs with capacity building or finance on job creation.

**Cost-effectiveness varies greatly as well.** Programs are also very diverse in terms of costs. An overview of some of the programs discussed above shows that costs per beneficiary can be significant, and costs per jobs even higher (see Annex B). This is especially the case for consultancy services. The impacts on profits or employment income must then be large and last for several years for programs to be cost effective.

**The variation in jobs outcomes for demand side programs as well as for supply side programs could imply that design and implementation issues are critically important.** In the admittedly cursory review, no category of interventions comes across as significantly more successful than other. Beyond

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18 A good example of these projects is the South Africa Jobs Fund (www.jobsfund.org.za).
content, local contexts and challenges, interventions also vary significantly in target groups, objectives, eligibility criteria, implementing agency, selection mechanisms and other characteristics. Unbundling these characteristics further will be important to understand what specific features are important. Some tentative findings, mirroring conclusions from the supply side review, are as follows:

**Applying a jobs lens to design and implementation.** Demand side interventions differ in the number of jobs they create, and for whom. The question is how to identify sectors and interventions that best meet employment objectives, whether to create jobs, improve quality, or include vulnerable youth, or target the relevant firms. For example, diagnostic tools are now being developed to best evaluate, *ex ante*, the job creating potential, both direct and indirect, for different value chain interventions. If job creation is the primary objective, the evidence suggests that capacity building interventions should focus on training and firms that focus on growth (sales expansion, diversification, start-up), rather than on efficiency channels.

**Applying a youth lens to design and implementation.** Firms may not be willing to recruit youth even if they need more employees. Internships and apprenticeships are potential ways to overcome some the specific youth hiring constraints, including lack of information about capabilities and firms’ tendency to underinvest in training.

**Identifying and addressing the binding constraints.** For example, lack of finance can reflect one or several constraints: an underdeveloped financial sector, information gaps, or capacity gaps. Conversely, as the positive experience from cash grants to ultra-poor entrepreneurs shows, capacity constraints may in fact be due to credit constraints that prevent households from investing in training.

**Screening of firms and applicants.** Programs that included intense screenings of applicants, through business plan reviews, psychometric testing, application reviews, interviews, community nominations, etc., are more likely to have an impact on jobs or firm performance. A better understanding of how such screening affects additionality (are programs supporting firms that could have “made it anyway”) is needed, however.

**Entrepreneurial capacity can be strengthened through interventions.** The limited evidence available suggests that entrepreneurial capacity in terms of soft skills like motivation, initiative, and innovative approaches, has high pay-offs for firms and, encouragingly, that entrepreneurial spirit can in fact be increased through training.

**Personalized technical assistance appears to be more effective than generic training and information services.** As with supply-side programs, follow-up and monitoring can also be important to ensure take-up and reduce program fall-out. Cost, however, is an issue with these services.
INTEGRATED SUPPLY AND DEMAND SIDE INTERVENTIONS: GOING FORWARD

Youth face a multitude of constraints on both demand and supply side. The experience so far shows that supply or demand side interventions are not automatically successful in creating jobs for youth or indeed other groups, and that design and implementation characteristics matter significantly. Generally, taking an integrated approach pays off, at least in terms of connecting youth with the labor market, as comprehensive interventions addressing multiple constraints on the supply side work better. Overall, the long-term success of programs to improve employability of youth will depend on that there is demand for workers, from firms that can provide jobs with higher quality, and jobs for more vulnerable youth.

Going forward, integrated interventions should be developed, focusing on connecting youth with jobs, but also improving job creation as well as job quality for youth. Such a systemic approach recognizes that there can be many market and non-market failures that hold back youth employment. Grouping interventions that link supply side interventions with demand side interventions aim simultaneously at stimulating creating of economic opportunities in farm or off-farm sectors for selected youth groups, and capacitating youth to connect with those opportunities.

Not if, but how-to. The many constraints and youth employment challenges suggest that policy can and should have a role in promoting youth employment, although we need to understand more about how to increase program impact. Literature reviews and meta-analyses show that programs directed at youth or firms vary significantly in design and implementation as well as outcomes. Efforts are increasingly made to empirically identify what are the successful design components. This growing evidence base should help guide policy and programs that focus on youth employment.
# ANNEX A: Summaries of Reviewed Reports

<table>
<thead>
<tr>
<th>Author</th>
<th>Study</th>
<th>Methodology</th>
<th>Findings</th>
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</thead>
<tbody>
<tr>
<td>Card, D., J. Kluve and A. Weber (2015).</td>
<td>What Works? A Meta-Analysis of Recent Active Labor Market Program Evaluations</td>
<td>This report presents a meta-analysis of impact estimates from over 200 recent econometric evaluations of ALMPs from around the world. It classifies estimates by program type and participant group and distinguishes between three different post-program time horizons.</td>
<td>(1) Average impacts are close to zero in the short run, but become more positive 2-3 years after completion of the program. (2) The time profile of impacts varies by type of program, with larger gains for programs that emphasize human capital accumulation. (3) There is systematic heterogeneity across participant groups, with larger impacts for females and participants who enter from long term unemployment. (4) ALMPs are more likely to show positive impacts in a recession.</td>
</tr>
<tr>
<td>Cho, Y. and M. Honorati (2014).</td>
<td>Entrepreneurship Programs in Developing Countries: A Meta Regression Analysis</td>
<td>It adopts a meta-regression analysis using 37 impact evaluation studies that were in the public domain by March 2012 and draws out several lessons on the design of the programs. The paper observes wide variation in program effectiveness across different interventions depending on outcomes, types of beneficiaries, and country context.</td>
<td>Overall, entrepreneurship programs have a positive and large impact on youth and on business knowledge and practice, but no immediate translation into business setup and expansion or increased income. At a disaggregate level by outcome groups, providing a package of training and financing is more effective for labor activities. In addition, financing support appears more effective for women and business training for existing entrepreneurs than other interventions to improve business performance.</td>
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<tr>
<td>Cravo, T. and C. Piza (2016).</td>
<td>The Impact of Business Support Services for Small and Medium Enterprises on Firm Performance in Low- and Middle- Income Countries: A Meta-Analysis</td>
<td>This paper systematically reviews and summarizes 40 rigorous evaluations of SME support services in low- and middle-income countries and presents evidence to help inform policy debates.</td>
<td>The study found indicative evidence that overall business-support interventions help improve firm performance and create jobs. However, little is still known about which interventions work best for small and medium enterprises and why. More rigorous impact evaluations are needed to fill the large knowledge gap in the field.</td>
</tr>
<tr>
<td>Datta, N. and A. Kotikula (2017).</td>
<td>Not Just More, but Better - Fostering Quality of Employment for Women</td>
<td>This working paper explores the multiple dimensions of women’s access to good quality jobs. It is the first in a series of notes on gender and jobs and will be followed by notes that delve deeper into more specific aspects of the issue. It includes a brief discussion of the gender gaps in women’s access to good quality jobs and the factors contributing to such gaps; and suggests actions that governments can take to close them.</td>
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<tr>
<td>Demirguc-Kunt, A., L. Klapper, D. Singer and P. Van Oudheusden (2015).</td>
<td>The Global Findex Database 2014 Measuring Financial Inclusion around the World</td>
<td>The Global Financial Inclusion (Global Findex) database, launched by the World Bank in 2011, provides comparable indicators showing how people around the world save, borrow, make payments, and manage risk.</td>
<td>The 2014 edition of the database reveals that 62 percent of adults worldwide have an account at a bank or another type of financial institution or with a mobile money provider. Between 2011 and 2014, 700 million adults became account holders while the number of those without an account—the unbanked—dropped by 20 percent to 2 billion.</td>
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<tr>
<td>Eichhorst, W. and U. Rinne (2015).</td>
<td>An Assessment of the Youth Employment Inventory and Implications for Germany’s Development Policy</td>
<td>This study aims to provide empirical evidence for informed policy decisions by analyzing the Youth Employment Inventory (YEI). The YEI is an internet-based databank created to improve the basis for evidence-based policy making. It is a worldwide stocktaking exercise of employment related projects for youth documenting program design, implementation and results. As of May 2014, it includes 730 projects in 110 countries.</td>
<td>Governments need to give serious consideration to the HE sector’s potential to create jobs for youth. Even exceptionally high economic growth in nonfarm sectors has not and will not generate enough new nonfarm wage employment to absorb both the new entrants and those who seek to leave agriculture.</td>
</tr>
<tr>
<td>Filmer, Deon and Louise Fox. 2014.</td>
<td>Youth Employment in Sub-Saharan Africa</td>
<td>With its comprehensive analysis of youth employment in Africa, this report updates how and where countries are creating jobs and looks to the future of promising new directions for the continent.</td>
<td>The evidence reviewed here casts serious doubt on the efficacy and value of training interventions to help youth enter formal wage employment. The case is stronger for interventions that speed the transition to self-employment in farming or non-farm household enterprises. Support for development of transferable character skills and social integration among youth through PYD programs should be tested further for employment and earnings impacts, perhaps along with cash transfers to youth or access to finance.</td>
</tr>
<tr>
<td>Fox, L., and U. Kaul (2017).</td>
<td>The evidence is in: How should youth employment programs in low-income countries be designed?</td>
<td>This paper outlines the economic development challenges that constrain youth’s transition into employment, and it parses the evidence on which programs and policies appear to speed that transition.</td>
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<td>Author</td>
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<tr>
<td>Ingram, V. and E. Oosterkamp (2014).</td>
<td>Literature Review on the Labour Market Impacts of Value Chain Development Interventions</td>
<td>A systematic literature review of the qualitative and quantitative impacts on the labor market of value chain development interventions. This review aims to distil the results of studies, in order to answer the question of what the outcomes of value chain interventions are, covering the quantity and quality of jobs created.</td>
<td>Evidence from these studies indicates that the quality of evidence on interventions in value chains leading to job creation and increases on job quality is highly variable and generally scarce. Whilst evidence is presented that interventions can lead to manual and semi-skilled work, particularly in agricultural, natural resource and manufacturing sectors in both developing and developed countries, concrete evidence in the literature that specific interventions result in large scale, long term jobs is scarce and points to the need for further study.</td>
</tr>
<tr>
<td>International Finance Corporation (2013).</td>
<td>IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction.</td>
<td>It reviewed reams of literature, evaluated surveys of more than 45,000 businesses in over 100 countries, solicited outside views through a website, blog, and essay competition, conducted case studies of IFC clients, and sought to learn from our own operational experience. The study focuses on practical lessons and seeks to find out what types of activities are most likely to have the greatest impact on job creation, and how these activities affect different societal groups.</td>
<td></td>
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<tr>
<td>International Fund for Agricultural Development (2016).</td>
<td>Rural Development Report 2016: Fostering Inclusive Rural Transformation</td>
<td>It analyses global, regional and national pathways of rural transformation, and suggests four categories into which most countries and regions fall, each with distinct objectives for rural development strategies to promote inclusive rural transformation: to adapt, to amplify, to accelerate, and a combination of them.</td>
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<tr>
<td>International Labour Office (2015b).</td>
<td>Global Employment Trends for Youth 2015: Scaling Up Investments in Decent Jobs for Youth</td>
<td>This report is part of a series that incorporates the most recent labor market information available to describe the youth labor market situation around the world. It provides an update on key youth labor market indicators and trends, focusing both on the continuing labor market instability and on structural issues in youth labor markets</td>
<td>This current report shows that the number of youth unemployed in the world has declined from its crisis peak but the global youth unemployment rate remains at a stubborn 13 per cent. Recovery from the Great Recession is not universal; in developed economies, the outlook for youth entering the labor market in 2015 is more positive than those entering over the previous five years, yet the previous cohort of entrants continue to feel the costs of long-term unemployment and temporary jobs. Meanwhile, youth in developing countries are still plagued by conditions of vulnerable employment and working poverty.</td>
</tr>
<tr>
<td>Kluve, J., S. Puerto, D. Robalino, J.M. Romero, F. Rother, J. Stöterau, F. Weidenkaff, and M. Witte (2016).</td>
<td>Do Youth Employment Programs Improve Labor Market Outcomes? A Systematic Review</td>
<td>We identify 113 impact evaluations covering a wide range of methodologies, interventions, and countries. The meta-analysis synthesizes the evidence based on 2,259 effect sizes (Standardized Mean Differences) and the statistical significance of 3,105 impact estimates (Positive and Statistically Significant).</td>
<td>Authors find evidence that programs integrating multiple interventions are more likely to succeed because they respond better to different needs of beneficiaries. Results also point to the importance of profiling and follow-up systems in determining program performance, as well as to incentive systems for services providers.</td>
</tr>
<tr>
<td>McKenzie, D (2017).</td>
<td>How Effective are Active Labor Market Policies in Developing Countries? a Critical Review of Recent Evidence</td>
<td>This paper critically examines recent evaluations of labor market policies that have provided vocational training, wage subsidies, job search assistance, and assistance moving</td>
<td>Many active labor market policies are much less effective than policymakers typically assume. Many of these evaluations find no significant impacts on either employment or earnings. One reason is that urban labor markets appear to</td>
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<tr>
<td>Robalino, D. A. and W. D. Ian (2017).</td>
<td>Economic analysis of jobs investment projects: Guidance note</td>
<td>This Note systematizes the economic evaluation of “Jobs Investment Projects”. It explains the limitations of past approaches that have regarded jobs only as a by-product of growth. It focuses on market failures that create a gap between the social and private return on investments and reduce the number of good jobs below the socially optimal level.</td>
<td>This Note suggests a more complete framework and argues that new types of intervention are needed to address the market failures directly linked to jobs.</td>
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### Table A.2: Supply Side Key Studies and Findings

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<tr>
<th>Author</th>
<th>Study</th>
<th>Methodology</th>
<th>Findings</th>
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<tbody>
<tr>
<td>Glick, P., Huang, C. and N. Mejia (2015).</td>
<td>The Private Sector and Youth Skills and Employment Programs in Low and Middle-Income Countries.</td>
<td>The purpose of this paper is threefold: (1) to provide a comprehensive look at the way the private sector is involved in youth skills and employment in low- and middle-income countries, considering the broad range of program types and firm types; (2) to present and interpret the available evidence of the effectiveness of this involvement; and (3) to understand where the private sector has been most effective at promoting young people’s labor market success, and what can be done to enhance the role of the private sector to achieve this objective.</td>
<td>The review of the evidence has made clear that there are potentially large benefits to the involvement of private firms, indeed in many cases this involvement should be regarded as essential to success. The strongest evidence involves training.</td>
</tr>
<tr>
<td>FAO. 2014.</td>
<td>Private and Public Partnership Model for Youth Employment in Agriculture: Experiences from Malawi, Tanzania Mainland and Zanzibar Archipelago</td>
<td>Establishing partnerships among governments and private sector actors/producers’ organizations, and actively involving rural youth in the process, are key for dialogue and youth inclusion in the agriculture sector in national and regional initiatives. The activities undertaken also show that youth when adequately facilitated and supported by targeted policies, strategies and integrated models towards rural employment creation can be the main actors driving the rural transformation that is needed in both countries.</td>
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<tr>
<td>Franklin, S. (2015).</td>
<td>Location, Search Costs and Youth Unemployment: A Randomized Trial of Transport</td>
<td>This study randomly assigns temporary and non-fungible transport subsidies to unemployed youth living in spatially dislocated areas of Addis Ababa, Ethiopia.</td>
<td>Lowering transport costs increases the intensity of job search (during and after treatment), and increases the likelihood of finding permanent employment by 6 percentage points in the short run. Analysis of weekly phone call data show that search activity declines over</td>
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<tr>
<td>Hirshleifer, S., D. McKenzie, R. Almeida and C. Riaod-Cano (2016).</td>
<td>The Impact of Vocational Training for the Unemployed: Experimental Evidence from Turkey</td>
<td>This study uses a randomized experiment to evaluate a large-scale active labor market policy: Turkey’s vocational training programs for the unemployed.</td>
<td>The average impact of training on employment is positive, but close to zero and statistically insignificant, which is much lower than either program officials or applicants expected. Over the first year after training we do find training to have had statistically significant effects on the quality of employment, and that the positive impacts are stronger when training is offered by private providers. However, longer-term administrative data shows that after three years these effects have also dissipated.</td>
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<tr>
<td>Honorati, M. (2015).</td>
<td>The Impact of Private Sector Training and Internship on Urban Youth in Kenya</td>
<td>This study uses a randomized experiment to evaluate the impacts of the training and internship program piloted in Nairobi, Mombasa and Kisumu counties by the Kenya Private Sector Alliance and the Government of Kenya with support from the World Bank’s Kenya Youth Empowerment Project.</td>
<td>The results of the impact evaluation show that the program has been successful in placing youths in paid jobs and has contributed to an increase of 15 percent in current employment among male participants.</td>
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<tr>
<td>Morano, P.C. (2016).</td>
<td>Do public employment services improve employment outcomes?: Evidence from Colombia”</td>
<td>The paper assesses the effects of participation in the Public Employment Service (PES) in Colombia by means of propensity score matching.</td>
<td>The results show that participating in the PES increases the probability of having a formal (rather than informal) job. Around two thirds of this effect is related to the fact that PES participants are generally placed in larger companies. By contrast, participation in the PES has a negative effect on hourly wages. This derives from a positive effect on the wages of the low-skilled and a negative effect on the wages of the high-skilled. For both formal employment and wages, the PES has a</td>
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<td>Author</td>
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<tr>
<td>Pallais A. and E. Sands (2016).</td>
<td>Why the Referential Treatment? Evidence from Field Experiments on Referrals</td>
<td>Our experiments circumvent differential selection of referred and non-referred workers into employment. By working in an online marketplace (oDesk), we were able to hire workers directly, allowing us to compare the performance of referred and non-referred applicants, not just the workers a given firm chose to hire. The experiments took place between January and June 2013. We ran three experiments: the peer influence experiment, the team experiment, and the selection experiment.</td>
<td>We find that referrals contain positive information about worker performance and persistence that is not contained in workers’ observable characteristics. We also find that referrals perform particularly well when working directly with their referrers. However, we do not find evidence that referrals exert more effort because they believe their performance will affect their relationship with their referrer or their referrer’s position at the firm.</td>
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Table A.3: Demand Side Key Studies and Findings

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<th>Author</th>
<th>Study</th>
<th>Methodology</th>
<th>Findings</th>
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<tbody>
<tr>
<td>de Mel, S.; McKenzie, D. and Woodruff, C. (2015).</td>
<td>Business Training and Female Enterprise Start-up, Growth, and Dynamics: Experimental Evidence from Sri Lanka</td>
<td>We conduct a randomized experiment among women in urban Sri Lanka to measure the impact of the most commonly used business training course in developing countries, the Start-and Improve Your Business (SIYB) program.</td>
<td>For women already in business, training alone leads to some changes in business practices but has no impact on business profits, sales or capital stock. In contrast the combination of training and a grant leads to large and significant improvements in business profitability in the first eight months, but this impact dissipates in the second year. For women interested in starting enterprises, we find that business training speeds up entry but leads to no increase in net business ownership by our final survey round.</td>
</tr>
<tr>
<td>Farole, T. (2016).</td>
<td>Do Global Value Chains Create Jobs?</td>
<td>While they can boost exports and productivity, the resulting labor market impacts vary significantly across developing countries. Some experience large-scale manufacturing employment, while others see a shift in demand for labor from manufacturing to services, and from lower to higher skills.</td>
<td></td>
</tr>
<tr>
<td>Gonzalez-Uribe, J. and M. Leatherbee (2017).</td>
<td>The Effects of Business Accelerators on Venture Performance: Evidence from Start-Up Chile</td>
<td>We focus on two treatment conditions typically found in business accelerators: basic services of funding and coworking space, and additional entrepreneurship schooling. Using a regression discontinuity design</td>
<td>The study shows that schooling bundled with basic services can significantly increase new venture performance. In contrast, we find no evidence that basic services affect performance on their own.</td>
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<tr>
<td>Karlan, D., R. Knight and C. Udry (2015).</td>
<td>Consulting and Capital Experiments with</td>
<td>This study conducts a randomized trial in urban Ghana in which tailoring microenterprises received</td>
<td>We find that all three treatments led to their immediate intended effects: changed business practices and increased investment. However, no treatment led to higher profits on average, and</td>
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<tr>
<td>Mamburu, M.</td>
<td>Defining High-Growth Firms in South Africa</td>
<td>This study borrows much of its design from Delmar et al. (2003), who define six different growth definitions by which a firm may be considered a HGF and then compare the samples derived from these indicators. A survey of the literature informs the definitions that will be compared in the study. For each of the definitions, we observe firms in the sample for three-year periods ending 2012, 2013, and 2014. We then aggregate the firms fulfilling the criteria in each period to constitute the sample of HGFs for a given definition.</td>
<td>This study has found that the selection of HGFs is highly sensitive to the definition of HGFs used. The low correlation between the different HGF samples supports the evidence that different growth measures and indicators will yield different groups of firms. In turn, this results in considerable variation in the demographic characteristics of the samples derived from each definition.</td>
</tr>
<tr>
<td>McKenzie, D., N.</td>
<td>The Additionality Impact of a Matching Grant Program for Small Firms:</td>
<td>This article uses an RCT of a matching grant program for firms in Yemen to demonstrate the feasibility of conducting experiments with well-designed programs, and to measure the additionality impact.</td>
<td>In the first year, the matching grant is found to have led to more product innovation, firms upgrading their accounting systems, marketing more, making more capital investments and being more likely to report their sales grew.</td>
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<tr>
<td>McKenzie, N.</td>
<td>Experimental Evidence from Yemen</td>
<td></td>
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</tr>
<tr>
<td>Sanchez-Puerta, M-L, A. Valerio, M. Hoffijzer, A</td>
<td>Employer Survey Snapshot-2016 - highlights from Six Low-</td>
<td>The Employer Survey Snapshot features a descriptive analysis of the data collected during the first two waves of the STEP Employer Surveys. Key objectives of the Snapshot are (1) to explain the...</td>
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<tr>
<td>Rizvi and J. Avato (2016).</td>
<td>and Middle-Income Countries</td>
<td>motivation and relevance behind the implementation of employer skills surveys and (2) to highlight some of the observed cross-country patterns from six participating countries, namely, Armenia, Azerbaijan, Georgia, Sri Lanka, Vietnam and China (Yunnan Province).</td>
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Annex B: Demand Side Interventions: Comparing Interventions

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Study</th>
<th>Country</th>
<th>Employment Impact (number)</th>
<th>Cost per Beneficiary (USD)</th>
<th>Cost per Job Created (USD)</th>
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</thead>
<tbody>
<tr>
<td>Business training</td>
<td>Karlan and Valdivia (2011)</td>
<td>Peru</td>
<td>0.017</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td></td>
<td>Valdivia (2014)</td>
<td>Peru</td>
<td>-0.06</td>
<td>337</td>
<td>no creation</td>
</tr>
<tr>
<td></td>
<td>Drexler et al. (2012)</td>
<td>Dominican Republic</td>
<td>Standard: 0.05</td>
<td>21</td>
<td>420</td>
</tr>
<tr>
<td></td>
<td>Anderson et al. (2016)</td>
<td>South Africa</td>
<td>Marketing: +0.949 Finance: +0.525</td>
<td>900*</td>
<td>1,800</td>
</tr>
<tr>
<td></td>
<td>Mano et al. (2012)</td>
<td>Ghana</td>
<td>N/A</td>
<td>740</td>
<td>N/A</td>
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<tr>
<td>Consulting</td>
<td>Bloom et al. (2013)</td>
<td>India</td>
<td>-1.28</td>
<td>75,000</td>
<td>no creation</td>
</tr>
<tr>
<td></td>
<td>Karlan et al. (2014)</td>
<td>Ghana</td>
<td>0.047</td>
<td>1,125</td>
<td>23,936</td>
</tr>
<tr>
<td></td>
<td>Bruhn et al. (2013)</td>
<td>Mexico</td>
<td>4.43</td>
<td>11,856</td>
<td>22,800</td>
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<tr>
<td>Grants</td>
<td>Blattman et al. (2014)</td>
<td>Uganda</td>
<td>+0.264</td>
<td>382</td>
<td>1,446</td>
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<tr>
<td></td>
<td>De Mel et al. (2012)</td>
<td>Sri Lanka</td>
<td>-0.03</td>
<td>100-200</td>
<td>No Creation</td>
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<tr>
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<td>Karlan et al. (2014)</td>
<td>Ghana</td>
<td>-0.169</td>
<td>133</td>
<td>No Creation</td>
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<tr>
<td></td>
<td>McKenzie (2015)</td>
<td>Nigeria</td>
<td>+4.4 existing +5.3 new firms</td>
<td>50,000</td>
<td>11,363 9,433</td>
</tr>
</tbody>
</table>
Bibliography


