K4D | Knowledge, evidence and learning for development

Lessons learned from youth employment programmes in developing countries

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Question

What has worked or has not worked to implement youth employment programmes in developing countries? Where is the evidence strong or weak? Include the effectiveness of skills training, early firm support (e.g. accelerators and seed funding), labour market interventions, private sector job creation programmes, larger-scale projects and projects which are able to achieve scale.

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1. Overview

Youth employment programmes are varied but meta-analysis and systematic reviews of impact assessments of these programmes indicate that some interventions have an overall positive effect on employment and earnings. Assessments of programmes which support youth job creation in the private sector find that larger businesses are more likely to generate jobs than micro-enterprises. In general, the youth employment strategy must be aligned with the scope for structural change in the economy: demand-side initiatives are appropriate in sub-Saharan Africa where most economies have limited potential for structural change in the short to medium term. Youth employment programmes should balance support for small and medium enterprises which are expected to create jobs with livelihoods initiatives which enable youth to become self-employed in the agricultural or informal sectors.

The following key findings emerge from this report:

- Youth employment interventions must consider the structural conditions in the economy. The effectiveness of an intervention can vary by country or sector (Fox and Kaul, 2017).
- Skills development training is the most popular intervention in sub-Saharan Africa and generally improves the probability of finding employment (Betherman and Khan, 2015). Technical and vocational training has a mixed effect on employment creation. Training is more effective if it is aligned to the needs of employers and has an internship component.
- Skills training programmes tended to be more effective when run by private rather than public training providers. However, private sector and NGO interventions lacked the capacity to scale up. Public-private partnerships may have potential for achieving quality and scale (Glick, Huang and Mejia, 2015).
- Employment services have little impact while incentives which encourage job search have varied effects on finding jobs (Betherman and Khan, 2015).
- Small and medium enterprises account for half to two-thirds of jobs in developing countries and programmes are shifting to support this sector to create jobs for youth. Access to finance is the primary constraint for small and medium private sector businesses (Kumar, 2017).
- Larger firms are more likely to create jobs with support from an intervention. Credit or loan programmes which target larger businesses lead to job creation. Business development support provided to larger enterprises leads to sustainable increases in employment but these interventions are costly (Fox and Kaul, 2017).
- The provision of small grants to micro-enterprises may enhance performance but does not generate jobs (Fox and Kaul, 2017).
- The evidence on the effectiveness of wage subsidies on job creation is inconclusive (Betherman and Khan, 2015).

Only a few studies of youth employment programmes disaggregate the findings by gender and these find that interventions do not help women to overcome social barriers to entering the labour force. Women generally derive less benefit from youth employment programmes than men. Female entrepreneurs benefit more from programmes which combine training with finance.

The evidence base on the impact of youth employment programmes is limited relative to the number of programmes which have been implemented. Much of the evidence from developing countries comes from Latin America and there are few rigorous assessments of programmes in

sub-Saharan Africa. Many interventions are not assessed using rigorous experimental design methodologies which are necessary to demonstrate impact. There is a lack of reliable information on the types of interventions which have been tried and the effectiveness of the programmes which were implemented. The programmes are heterogenous and vary extensively in terms of length, quality and content. Such diversity of programmes means it is difficult to make general assessments about which programmes are effective in terms of increasing youth employment. The available data is at aggregate level and does not distinguish among different types of young people. Impact assessments do not provide a cost-benefit analysis, so it is not possible to determine the value of creating jobs. In addition, the timing of the assessments varies -- several programmes have positive results in the short term but it is not known if the impact can be sustained over a longer period.

2. Youth employment programmes in sub-Saharan Africa

Governments across sub-Saharan Africa introduced youth employment programmes in the mid-2000s to increase employment opportunities for young people. Most interventions are guided by a theory of change which envisages how the programme will directly and indirectly minimise the constraints which affect youth employment (Pizza et al., 2016). **Supply-side** initiatives such as training and skills development focus on making the youth workforce more skilled and appealing to employers. This approach assumes that jobs are available but that the youth lack the skills required to perform the work. **Demand-side** programmes such as business support programmes aim to induce demand for youth labour based on the premise that there are insufficient job opportunities for young people. Fox and Kaul (2017) argue that low demand for labour is the primary cause of high levels of youth unemployment in developing countries and therefore favour demand-side interventions. Moreover, if demand for labour does not increase then youth employment interventions may re-distribute existing opportunities to the youth and displace older workers (Fox and Kaul, 2017, p.14).

Small and medium enterprises account for half of global employment and 90% of employment in developing countries (Kumar, 2017). Between half and two-thirds of full-time, permanent jobs in developing countries are produced by small and medium enterprises (IFC, 2016, p. 11; Kumar, 2017). Most jobs in the private sector are created in the services sector, followed by manufacturing, while the agricultural sector's contribution to employment has been declining. Since the private sector is a key engine of job creation, donor agencies have supported interventions to expand the growth of private enterprises in anticipation that this will lead to job creation (Glick et al., 2015). For example, from 2006 to 2012 the World Bank allocated US$ 9.8 billion for SME projects while the International Finance Corporation budgeted US25 billion for SME support (Pizza et al., 2016).

Structural economic conditions and youth employment programmes

Employment increases when **structural changes** in the economy such as greater industrialisation stimulate demand for non-agricultural wage labour. The potential for youth employment is linked to the prospects for structural change in the economy. Fox and Kaul (2017) propose the following typology for low-income and lower-middle-income countries which disaggregates the potential for growth and recommend that youth employment programme

design should take cognisance of the prospects for structural change. They advocate for **demand-side programmes** which balance creating wage employment with support for livelihoods programmes that help the youth to work in the informal sector or agriculture.

In **transformation economies,** structural transformation is underway and policies and programmes which increase the demand for labour are viable. This category includes low-income countries which have high growth rates but only modest success with poverty reduction such as Benin, Burkina Faso, Cambodia, Malawi and Nepal. There may be only limited scope for increasing the demand for wage-earning workers in urban areas. The youth employment strategy should therefore include programmes that support youth to build livelihoods in agriculture and the informal sector. There are also lower-middle-income countries which have relatively diversified economies and high growth rates over the past decade such as Kenya, Bangladesh, Cote d' Ivoire, Ghana, India, Philippines and Senegal. In these countries Fox and Kaul (2017) recommend that youth employment programmes focus on supporting **labour intensive** enterprises. In addition, programmes should assist the youth to enter the informal sector and find jobs in agriculture since there will not be enough job opportunities in the formal sector.

Stalled transforming economies are those which have modern labour-intensive enterprises but growth has stalled, such as Egypt, Nicaragua and Morocco. Growth may be curtailed because of the lack of competitiveness. In this scenario, Fox and Kaul (2017) argue that youth employment policies and programmes should support new firm entry as well as opportunities for young people to find work in agriculture and the informal sector.

Non-transforming economies are lower-middle-income and low-income countries where governance challenges inhibit transformation. These countries tend to be rentier economies which are dependent on resource revenues such as Angola, Nigeria, Zambia and the Republic of Congo. These economies are often dominated by an elite business class which resists new entrants and competition. This category also includes fragile states such as Burundi, Haiti, Mali, Niger and Somalia where conflict undermines growth potential. Given the low prospects for boosting demand for labour the policies and programmes should enable the youth to become self-employed in household enterprises (Fox and Kaul, 2017). Thus, the emphasis is on livelihood development rather than firm growth.

Types of youth employment programmes

The most common types of youth employment programmes in developing countries provide vocational skills development or entrepreneurship training (Fox and Kaul, 2017). The literature on youth skills development interventions in sub-Saharan Africa focuses mainly on skills development programmes for the formal sector while less attention is devoted to support for youth employment in agriculture and micro-enterprises (Betherman and Khan, 2015) which may not be in the formal sector. The following types of youth employment interventions have been implemented in developing countries.

Supply-Side Programmes

- **Skills Development and Training:** Skills development training programmes are the most common intervention targeting the youth in sub-Saharan Africa (Betherman and Khan, 2015).

Training programmes vary considerably in terms of length and content and can be delivered through public and private organisations. Programmes which combine vocational and life skills training are known as TVET programmes. The programmes provide a diverse range of skills including formal education, vocational training and life skills. A few countries, like Uganda, have provided training for informal sector workers through poverty alleviation programmes rather than job creation initiatives. There is a strong rationale for second chance programmes which provide basic formal education to young people who have inadequate formal education (Betherman and Khan, 2015, Kluve, et al, 2017; Fox and Kaul, 2017)).

- **Employment Services:** Employment services provide labour market information and assist young people with job searches. Employment services in sub-Saharan Africa are limited. A survey of experts undertaken in 37 countries found that neither public nor private employment services were very effective and accessible (Betherman and Khan, 2015). Therefore, many young people struggle to find information about the labour market.

Demand-Side Programmes

- **Employment Creation Programmes:** Several African governments introduced public works programmes to create employment. The key benefits of the programmes are job creation and short-term spikes in earnings. These programmes form part of the social safety net as they alleviate poverty rather than create stable employment (Betherman and Khan, 2015). In addition, the programmes contribute to social cohesion and deter young people from engaging in conflict, especially in post-conflict contexts.

- **Self-Employment Programmes:** Shortages of capital and skills and the unsupportive regulatory environment undermine entrepreneurship in developing countries. Self-employment programmes aim to assist young people to become entrepreneurs or expand existing businesses. They include microfinance as well as technical or financial training which is designed to suit the needs of budding entrepreneurs (Betherman and Khan, 2015).

- **Agriculture:** The majority of young people engage in agricultural activities but shortages of land and other resources force them out of this sector (Betherman and Khan, 2015). Agricultural job creation programmes encourage young people to move to agriculture-related sectors such as food processing. However, there are limited opportunities in the agro-processing sector in many African countries (Betherman and Khan, 2015). .

- **Business Support Programmes:** Business support interventions in developing countries are based on the premise that the operating environment constrains the potential of firms for growth, profitability, employment creation and poverty alleviation (Pizza, et al., 2016). Governments and donor agencies provide support to businesses through training, technical assistance, financing, innovation policy and establishing value chains and clusters.

- **Promoting Formalisation:** Formalised firms are expected to benefit from economies of scale, require skilled labour and be more productive and profitable than informal firms (Pizza, et al., 2016). Hence, policies which lower the cost of formalisation like tax simplification are expected to increase the size of the formal sector and create jobs.

- **Wage Subsidies:** Wage subsidies provide incentives which encourage employers to employ particular types of workers. These programmes often target youth and aim to compensate employers for the risk of hiring young, inexperienced workers (Betherman and Khan, 2015).

3. Impact of youth employment programmes

The assessment of youth employment programmes has gradually become more rigorous and the use of **quasi-experimental designs**, including randomised control trials, has expanded (Fox and Kaul, 2017). Quasi-experimental research is more effective than surveys of programme participants, which may be affected by non-response bias or external effects such as general economic conditions at the time of the study. There is limited evidence on the impact of SME support on employment creation in general and the studies which are available focus mainly on Latin America (Pizza et al., 2016). Evidence on the impact of job creation programmes in developing countries was gathered from three recent **meta-analysis** studies. Fox and Kaul (2017) reviewed 29 youth employment programmes across 13 developing countries. Kluve et al. (2017) conducted a meta-analysis of 107 interventions in 31 developing and developed countries. Pizza et al. (2016) conducted a systemic review of 40 business support programmes. In addition, reports from the World Bank and studies or reports of recent programmes are reviewed. A key weakness of most of the impact studies is that they do not include a **cost-benefit analysis** so it is difficult to estimate the value of creating jobs (Fox and Kaul, 2017; Pizza et al., 2016; Goldin, et al., 2016).

Impact of supply-side interventions

Training programmes

There are few evaluations of training programmes in Africa thus evidence of effectiveness is lacking. However, training is considered to be low quality due to the shortage of qualified trainers, and biased towards white-collar occupations in urban areas (Betherman and Khan, 2015). A meta-analysis of 67 skills training interventions in developed and developing countries found that on average the programmes improved employment outcomes and resulted in higher earnings (Kluve et al., 2017, p. 142). More specifically, across 67 training programmes there was a statistically significant effect with a standardised mean difference (SMD) of 0.05 for employment outcomes and SMD = 0.07 for earnings outcomes.[1] The magnitude of the effect was greater in low and middle-income countries or programmes for disadvantaged youth (SMD = 0.18 for employment and SMD = 0.14 for earnings) (Kluve et al., 2017, p. 154). Glick et al.(2015, p. 30) find that the impact of skills training on earnings is more favourable in low and middle-income countries than in industrialised nations, based on six impact evaluations in Latin America which found that the probability of employment increased by 5% after training. The favourable results of the **Jóvenes** training programmes in Latin America which combine classroom training with on-the-job training lead Glick et al. (2015, p. 30) to argue that this approach is more effective

[1] SMD is a dimensionless measure of the relative magnitude of the treatment effect used by the meta-analysis technique to compare the effects of different types of interventions. "An SMD of zero indicates that the intervention, on average, resulted in an equivalent effect for the treatment group and the (comparison) group which did not receive the treatment; whereas an SMD greater than zero indicates the degree to which, on average, the treatment group had a better outcome" (Kluve et al. 2017, p. 61). Employment outcomes include the probability of finding employment, number of hours worked and duration of unemployment. Earnings outcomes include reported earnings, household income and consumption.

although ii is more expensive. Moreover, training tends to be more effective if it provides skills which are aligned to the needs of the private sector. Goldin et al. (2015, p. 66) find that skills training programmes improve the probability of employment (SMD = 0.01) and are more likely to be successful if they provide skills which are relevant to employers.

Technical and Vocational Education Training programmes (TVET) have been implemented in many developing countries. The results from impact assessments of TVET programmes are mixed. TVET only interventions had no effect on earnings or employment in India, Kenya and Turkey (Fox and Kaul, 2015, p. 27). Six programmes which combined life skills training, TVET and workplace placements had positive effects on employment in developing countries but another three studies found no effect (Fox and Kaul, 2015, p. 27). Studies in India, Kenya and Malawi showed no positive results for TVET (Pizza et al., 2016). Overall, life skills training in Africa did not increase employment rates and this may be because of large variations in the lengths of the programmes. TVET programmes provided through the public sector were four to ten times more expensive than providing secondary education on a per capita basis. The evidence indicates that the costs of providing training can be very high relative to the benefits. A study In Argentina found that a training programme delivered by a private sector provider cost US$1700 per head but contributed to an average increase in wages of only US$83 after 18 months (Fox and Kaul, 2017, p. 28).

Skills training programmes were more effective when run by private rather than public training providers (Fox and Kaul, 2017; Glick et al., 2015). Programmes delivered by NGOs were more effective than those provided by the public sector, but NGOs lacked the capacity for scale. The scope and quality of programmes can be enhanced through public-private partnerships although there is considerable variation in the quality of private sector training. Glick et al. (2015) suggest that public-private partnerships may be a viable alternative for achieving quality and scale. In Nepal the Employment Fund was established as a semi-autonomous agency which contracts private training operators to provide training for young people.

Other programmes

Other youth employment interventions such as employment matching and services counselling did not yield any positive effects for participants (Pizza et al., 2017).

- The meta-analysis of 107 programmes in 31 countries found that employment services did not have a statistically significant effect on employment or earnings (Kluve et al., 2017, p. 142).
- The provision of incentives to encourage the youth to search for jobs had mixed effects (Fox and Kaul, 2017, p. 29). Transport subsidies in Bangladesh yielded increases in jobs search, employment and earnings, but a similar programme in Ethiopia led to more intensive job searches but no gains in employment.

Assessment of demand-side programmes

Supporting the private sector

Kumar (2017) and Glick et al. (2015) both state that developing countries need to increase investment in the private sector in order for wage employment to grow. As such, development programmes are increasingly focusing on private sector support. Pizza et al. (2016) conducted a

meta-analysis of 40 business support programmes mostly from Latin America. The results indicate that business support for SMEs resulted in improved firm performance and higher employment. Overall, the gains in firm performance were greater among firms from Africa compared to Latin America, possibly because African firms are more labour intensive (Kumar, 2017). **Matching grants**, where the government provides funding to firms, were the most effective type of intervention. In addition, firm size matters and larger firms were more likely to create jobs.

Entrepreneurship support programmes have been introduced by several African governments, the International Labour Organisation and multilateral agencies. Some programmes target subsistence entrepreneurs who have limited potential for growth and job creation while others focus on 'transformational' entrepreneurs or 'gazelles' that can expand and employ others (Kumar, 2017). For example, the ILO implemented the Start and Improve Your Business (SIYB) programme in over 100 countries. In Uganda young entrepreneurs were given loans, cash grants and training. An assessment of the SIYB project in Uganda in 2011 found that six to nine months after the programme self-employed entrepreneurs reported a 54% increase in profits (Kluve et al., 2017).

Access to credit is the primary constraint for private sector firms in developing countries (Kumar, 2017). Empirical evidence suggests that improving access to finance for micro, small and medium firms does lead to more employment (Pizza, et al., 2016 and Fox and Kaul, 2017). Case study research conducted by the International Finance Corporation in Sri Lanka to gauge the impact of their bank lending programme found that beneficiary firms increased employment at double the national rate (Kumar, 2017). Similar studies estimated that the programme increased employment in Indonesia by 67,000 jobs (1% of total employment) and in Ghana by 15,400 jobs (1.5% of total employment) (Kumar, 2017, p. 30). Credit programmes which target larger firms tend to have better results. For example, in Nigeria large cash grants of US$50,000 on average had a positive effect on employment. In contrast, smaller firms were able to expand production but this did not lead to increases in employment. For example, in Uganda the provision of micro-finance loans of under US$200 did not lead to job creation (Fox and Kaul, 2017).

The private sector has supported youth entrepreneurship programmes through funding (especially by multinational corporations), mentorship, providing microfinance or credit, delivering training and incorporating young entrepreneurs into **value chains**. Coca Cola, Unilever and Ikea have included youth suppliers of raw materials into their value chains (Glick et al., 2015). These programmes have not been evaluated but Glick et al. (2017) suggest that they may have potential for scale. However, there is a risk that existing suppliers may be displaced if these programmes are expanded.

In sub-Saharan Africa many young people enter the labour market through informal apprenticeships but lack of capital prevents them from starting their own businesses. **Micro-finance** is aimed at household enterprises which operate in the agricultural or informal sector. These are subsistence-oriented businesses which should not be expected to create jobs, but to provide livelihoods (Fox and Kaul, 2017). The findings from impact assessments of micro-finance grants are mixed.

- Studies in Bosnia, Ethiopia, India, Mexico, Morocco, and Mongolia indicate that providing small loans helps the youth to start businesses but does not lead to more jobs or earnings (Fox and Kaul, 201, p.32).

- Cash grants of US$ 180-200 to micro-enterprises in Uganda had no effect on employment (Fox and Kaul, 2017, p. 32).
- Programmes which combined cash grants with training in Uganda and Liberia had positive effects on earnings. For example, the Women's Income Generation Support (WINGS) programme in Uganda, which combines microfinance with skills training and follow-up support, had a greater influence on employment outcomes than programmes which only provided microfinance (Goldin et al., 2015, p.70).

Glick et al. (2015) find that entrepreneurship interventions increase economic activity and start-ups. Evidence on the effectiveness of these programmes is limited but experts concur that the programmes are more likely to yield positive results if they target young people who are inherently entrepreneurial. However, such targeting implies that youth entrepreneurship programmes may not be able to achieve scale (Goldin et al., 2015). Research on entrepreneurship has moved away from focusing on the individual characteristics of the entrepreneur to examining the environment in which they operate (Park, Martins, Hain and Jurowtzki, 2017). An eco-system is a group of inter-dependent organisations which provide a supportive environment for entrepreneurs. The level of economic development influences the contextual background for the eco-system. Entrepreneurs in emerging markets usually contend with limited resources, low levels of demand, weak financial markets, poor enforcement of regulations and institutions and inadequate infrastructure. Park et al. (2017) highlight the importance of a support system for start-up enterprises which comprises incubators and networks of start-ups.

Management training

Programmes provide business skills training such as book-keeping, business planning and pricing to new and existing businesses. Overall, the programmes have positive effects but they do not lead to job creation. However, **Business Development Support (BDS)** programmes which provide relatively specialised training and target larger firms have positive effects on employment (Fox and Kaul, 2017). Larger firms appear to have better prospects for long-term survival than smaller firms in developing countries. However, larger firms may also be politically well connected and consequently able to undermine competitors or block new entrants. Furthermore, BDS programmes are expensive, for example a BDS programme in India cost US$75,000 per participating company (Fox and Kaul, 2017).

Wage subsidies

There is limited research on the effect of wage subsidies on youth employment in Africa and the results are varied in developing countries.

- Kluve et al. (2017) found that wage subsidies were more likely to have positive outcomes in middle-income rather than high-income countries.
- In Chile wage subsidies improved the probability of employment for vulnerable youth by 13% within the first six months although this dropped to 3% after 18 months. In contrast, in Jordan employment lapsed when the wage subsidy programme ended (Glick et al., 2015, p. 57).
- An experimental study in South Africa found that young beneficiaries were likely to remain employed for up two years after receiving the subsidies but the number of beneficiaries was small (Betherman and Khan, 2015).

- Another South African study on the effect of minimum wage requirements in six sectors found a detrimental effect in agriculture only. This result may have occurred because it is easier to substitute capital for labour in agriculture. The study also found a high level of non-compliance with the policy which could explain the weak effects thereof (Fox and Kaul, 2017).
- Other studies of wage subsidies to private sector firms have shown mixed effects. In Mexico wage subsidies prolonged employment while in Turkey and Columbia wage subsidies (through reductions in payroll taxes) enabled informal jobs to become formal. However, in Sri Lanka and Jordan wage subsidies were ineffective and workers lost their jobs as soon as the subsidy ended (Fox and Kaul, 2017).

Gender Effects

Approximately 8-10 million SMEs in developing countries are owned by women (Curtis, 2016). However, there is a socially determined segregation of work by gender in developing countries. Women tend to be restricted to jobs which are considered 'acceptable' for women, like hairdressing and dressmaking in West Africa. This segregation persists in spite of youth employment programmes. Furthermore, skills training programmes did not lead to higher employment of women in Jordan, a country where women struggle to enter the workforce (Glick et al., 2015). These findings suggest that youth employment programmes may not overcome the social barriers to the labour force which women experience.

There is no evidence to support the hypothesis that women respond more favourably to training and should be targeted for supply-side interventions (Fox and Kaul, 2016). Few studies disaggregate the finding by gender and those which do suggest that interventions do not result in higher employment among women, although women do increase their earnings. Some studies of entrepreneurship programmes in Africa find that men derive more benefits from the programme. In contrast, Kluve et al. (2017) found that the positive effect of skills training and entrepreneurship support on employment and earnings was higher for women, but this study included high-income countries where women face less discrimination.

The IFC launched the Banking for Women initiative in 2010 with a budget of US$808 million and a target of 18 countries. The experience of the programme suggests that interventions should be customised for women and combine training with access to finance (Kumar, 2017). The training element appears to help female entrepreneurs cope with non-financial difficulties. However, the programme has not generated any evidence on its employment creation impact.

4. Case studies

Comparing public and private youth employment programmes in Ghana:

Aura and Ulzen-Appiah (2016) reviewed 40 youth employment programmes in Ghana, of which 22 were implemented by the private sector which included non-governmental organisations and corporate entities. The largest programme was run by the Youth Employment Agency, a public agency, which directly employs 100,000 young people. Private sector programmes run on a

smaller scale and are more expensive. The cost per participant in the public sector is GHC100-150 compared with GHC320 in the private sector. Overall, both public and private programmes cater for less than 4% of the youth population and it is unlikely that the programmes can be scaled up so that youth employment statistics can change. The youth entrepreneurship support includes the following programmes:

- Youth Enterprise Support (YES).
- Enablis Business LaunchPad which provides start-up credit financing,
- The Meltwater Incubator Program.
- YES advisory services.
- ServLed Accelerator Program.
- Mentorship through the Enhancing Growth in New Enterprise (ENGINE).

In addition, Ghana has an established apprenticeship system in the informal sector. The Ministry of Agriculture runs the Youth in Agriculture programme which trains 50,000 youth per year and Youth in Cocoa Production programme which trains 42,000 per year.

The largest private sector programme is the Local Enterprise Skills Development Programme (LESDEP) which has 35,000 beneficiaries. In general, private sector programmes are not designed to match the public programmes in terms of the number of applicants. They attract 140,000 applications and just over 50% are accepted (Aura and Ulzen-Appiah, 2016). Private entrepreneurial programmes can only accept half the applicants and the Meltwater Entrepreneurial School of Technology accepts only 3% of applicants. Private sector programmes are concentrated in urban areas and very few rural youth participate in them.

Private sector youth employment programmes have experienced some notable success:

- There was a 174% increase in earnings among enterprises in the ENGINE accelerator programme and 283 new jobs were created in 2015.
- There were two very successful graduates from the Meltwater Incubator Program.

Both public and private youth employment programmes do not undertake baseline studies or engage in monitoring or evaluation so it is difficult to assess the impact of the programmes. Greater coordination is required between the public and private entities to avoid duplication of activities and to facilitate cross-learning.

BDS in Mexico

Management skills are a serious impediment for small and medium enterprises. In order to study the effect of management skills on firm performance and growth, firms were given access to subsidised consulting and managerial services from nine service providers. The study was carried out in collaboration with the government of Puebla, a state near Mexico City. Bruhn, Karlan and Schoar (2013) conducted a randomised control study of 432 SMEs in Mexico to test the effect of subsidised consulting services on business performance and employment. Out of the 432 firms, 150 were chosen to receive the consulting services. The services cost US$12,000 per firm. The remaining 282 firms formed the control group. The impact of the intervention was tested using a baseline survey and a follow-up survey was conducted one year later. In addition, confidential government information on employment statistics and wage bills at the firms was obtained for five years after the study from the Mexican Social Security Institute.

Bruhn et al. (2013) found that the consulting service had a positive short-term impact on productivity on the enterprises as reported in the survey conducted a year later. However, there was no impact on sales, profits or employment after the first year. In the long-run the study found that the firms which had benefited from the subsidised consulting services had increased their number of employees by 44% and wage bills by 57%. The findings suggest that high level business support training can help small and medium enterprises to grow and create jobs in the long term.

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About this report

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