



# Addressing Youth Unemployment Through Training and Grants: Experimental Evidence From Kenya

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# Motivation

- **Youth unemployment** is a major economic and social problem in Africa (World Bank, 2009)
  - Youth account for 60% of the unemployed
  - 72% of adolescents live on <\$2/day
- Kenya, in particular:
  - Has one of the highest unemployment rates in Africa (World Bank, 2016)
  - Young adults (aged 15-29) currently entering the labor force account for 30% of the population
  - ~21% of this age group is unemployed, and a further 25% are neither in school nor working (KIHBS, 2005)

# Motivation

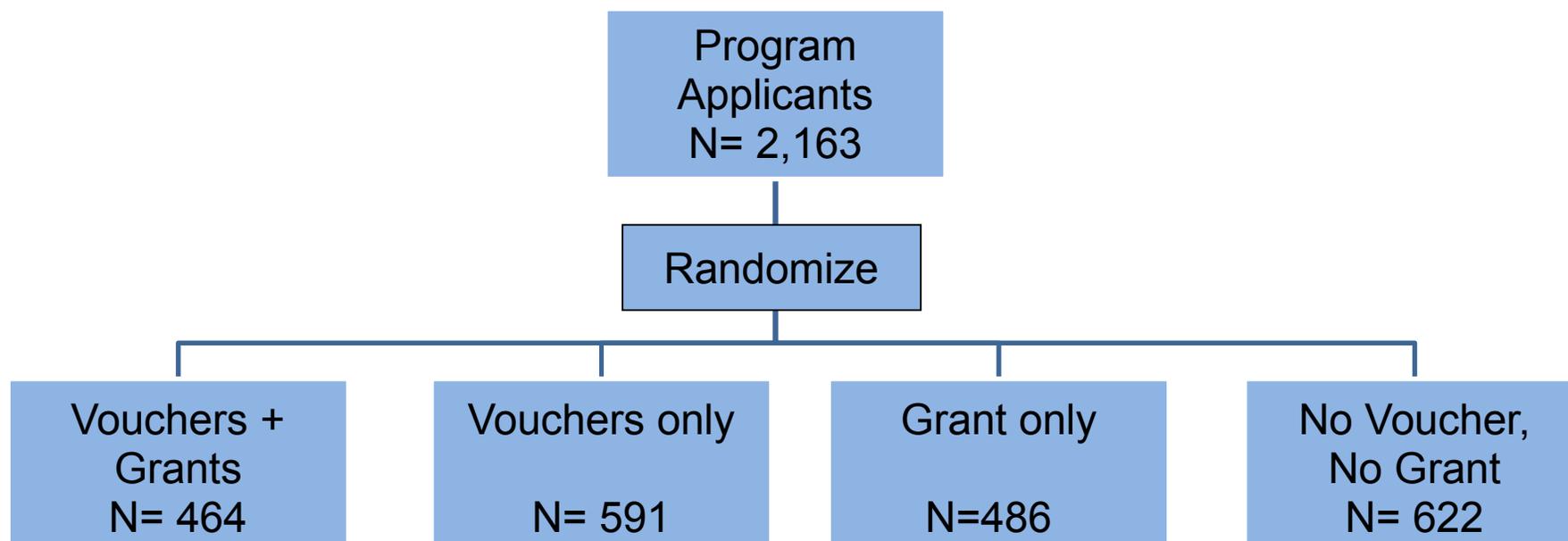
- **Potential policy response #1: Skills Training** (through vocational education)
- But, evidence suggests that it is unclear whether vocational education is sufficient to boost youth employment/entrepreneurship
  - Positive effects on employment and earnings:
    - Attanasio, Kugler, and Meghir (2011 & 2017) in Colombia; Alfonsi *et al.* (2017) in Uganda
  - Limited impacts on employment and earnings:
    - Card *et al.* (2011) in Dominican Republic, Hirschleifer *et al.* (2014) in Turkey, Cho *et al.* (2013) in Malawi
  - Review: generally modest effects at high program costs (Blattman and Ralston, 2015)

# Motivation

- **Potential policy response #2: Cash**
- Growing interest in the potential for providing cash to youth
  - Simple to administer and deliver- esp with mobile money
  - Gives youth freedom and flexibility to invest as they see fit (not paternalistic)
- But, somewhat mixed evidence of grants
  - Increased earnings and labor supply
    - Blattman, Fiala and Martinez (2014)
  - Short term increases with fade out
    - Brudevold-Newman, Honorati, Jakiela, and Ozier (2017)
  - Del Mel *et al.* (2008), Fafchamps *et al.* (2012) show returns to grants higher for male run businesses.

## This Study

- We conduct an Randomized Controlled Trial (RCT) to examine the effect of multiple interventions on youth labor market outcomes
  - Vocational training vouchers (start date: 2009)
  - Start-up capital / cash grants (start date: 2013)
  - Combination of training and cash



## Study Sample

- Recruited youth from Western Kenya (part of the ongoing Kenya Life Panel Survey, KLPS) in 2008
  - KLPS individuals were invited to meetings to hear about a new program to support vocational training
  - Sample = those who completed a program application
- Characteristics at baseline (2008)
  - Males and females (63% female)
  - Late teens/early 20s (avg 21.7 years old)
  - 89% living in Busia County (Western Kenya), 6% in a large city
  - 8.8 years of mainstream schooling completed, out of school for nearly 4 yrs
  - 22% had previously attended vocational training
  - 14% were employed

## Voucher Intervention: Design

- Among eligible applicants (2,163), 50% were awarded no voucher, 25% were awarded a restricted voucher (usable at public institutions only), 25% were awarded an unrestricted voucher
- Voucher value was ~\$460, enough to cover (nearly) all fees (but not incidentals like transport & boarding)
- Vouchers distributed in early 2009

## Voucher Intervention: Take Up

- Take up was high, 74% enrolled for at least 1 term
  - Less than 4% of non-voucher winners enrolled in training
  - Unrestricted voucher winners were significantly more likely to enroll than restricted (public-only) voucher winners (79% vs. 69%)
  - Applicants showed a moderate preference for public training centers (56% to 44%)
- No statistically significant differences in take-up across gender, age group, baseline education
- Out of pocket costs (transport, etc.), maternity, pregnancy, and childcare cited as barriers to take-up

## Voucher Intervention: “First Stage”

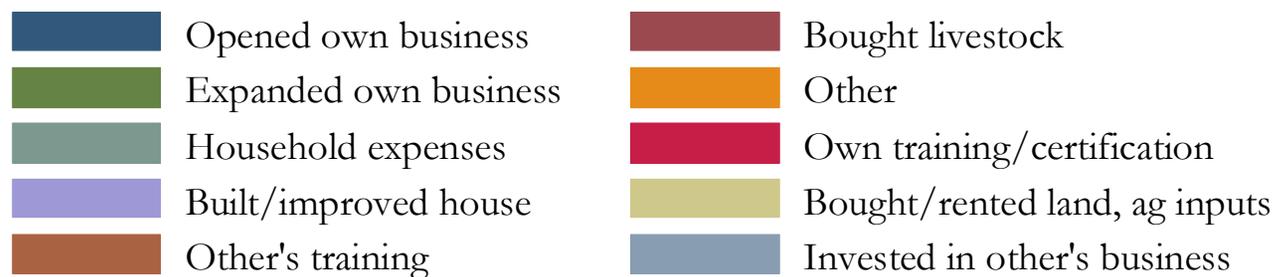
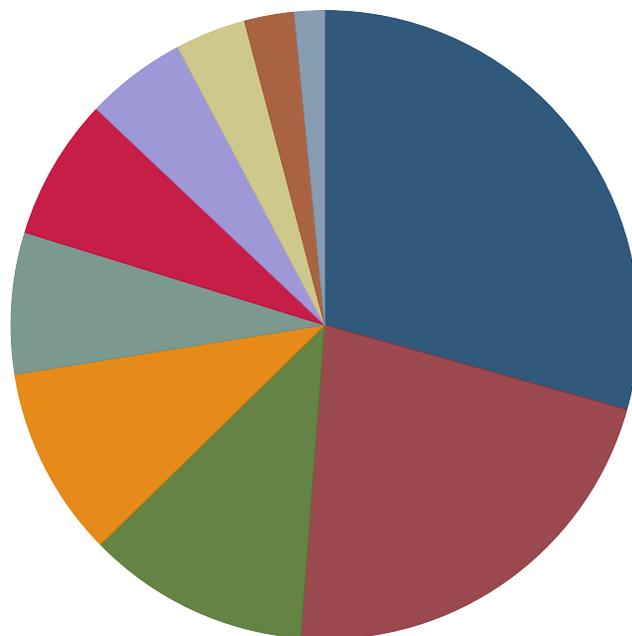
- Relationship between voucher receipt and years of vocational education (impact on training)
- By 2011-2014 follow-up survey:
  - Control group completed 0.3 years of voced
  - Voucher winners completed about 0.6 years more than their control group counterparts (total of almost one year or 200% more)
- By 2016 follow-up survey:
  - 37% of overall sample completed a vocational training course
  - 50% of voucher recipients completed a course compared to only 24% in the control group

## Cash Intervention: Design

- Of the 2,200 youth, approximately half were randomly assigned to receive a cash grant (\$250) starting in 2013
  - Stratified by voucher winner status
  - Grants distributed after the first vocational training intervention follow-up survey was complete
  - Among those individuals who were physically located, uptake of the grant was 99%
- Unconditional grant, but prior to receipt winners were given “light encouragement” and pamphlets with tips on starting and running a business, in an effort to encourage use of the grants for investment in entrepreneurship

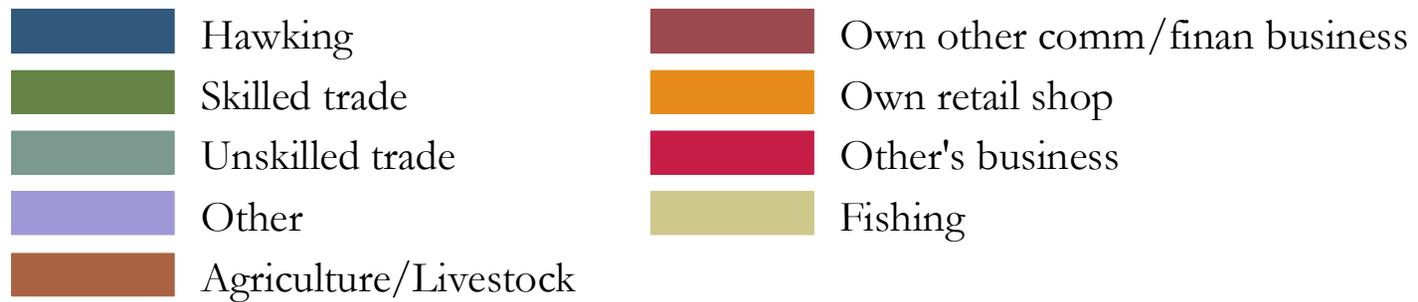
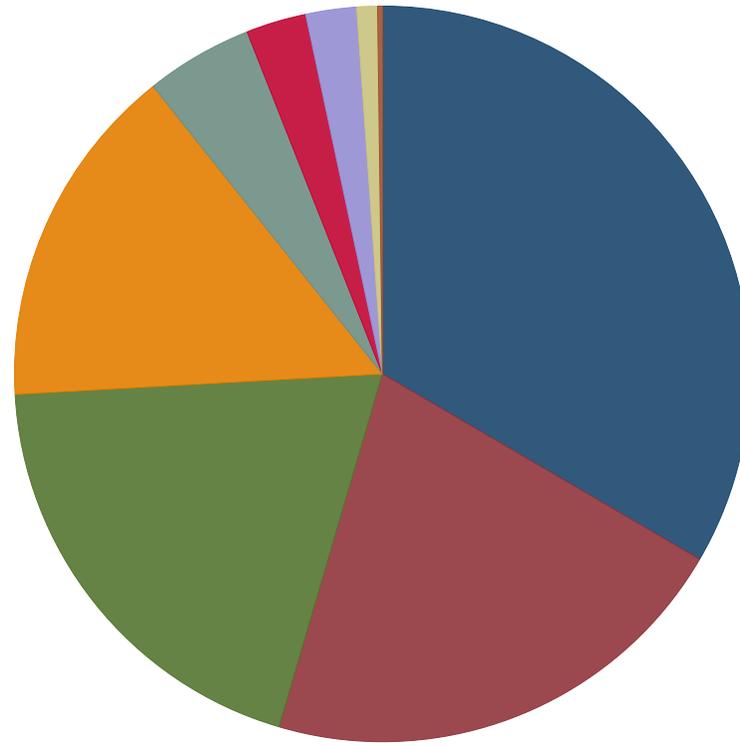
# Cash Intervention: Distribution of Spending

How Grant Was Spent



Note: Each category is a fraction of total spending.

## Occupation of business



## Impacts: Unemployment

	Indicator for unemployed				
	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		-0.09*** (0.02)	0.01 (0.02)	-0.04*** (0.01)	-0.02 (0.02)
Training Voucher	0.05** (0.02)	-0.01 (0.02)	0.05*** (0.02)	0.03*** (0.01)	0.04*** (0.01)
Grant x Voucher					-0.04* (0.02)
Adj R-squared	0.01	0.02	0.02	0.03	0.03
Control Mean	0.30	0.27	0.17	0.25	0.25
Control SD	0.46	0.44	0.38	0.44	0.44
N	1912	1983	1997	5892	5892

## Impacts: Self-Employment

	Indicator for self-employed				
	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		0.20*** (0.02)	0.07*** (0.02)	0.14*** (0.02)	0.13*** (0.02)
Training Voucher	-0.03 (0.02)	0.03 (0.02)	-0.02 (0.02)	-0.00 (0.01)	-0.01 (0.01)
Grant x Voucher					0.02 (0.03)
Adj R-squared	0.04	0.07	0.03	0.06	0.06
Control Mean	0.24	0.28	0.30	0.27	0.27
Control SD	0.49	0.45	0.46	0.47	0.47
N	1913	1964	1997	5874	5874

## Impacts: Labor Supply (Hours Across All Sectors)

	Hours worked across all sectors in last week				
	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		3.61**	-0.38	1.74*	2.37*
		(1.42)	(1.29)	(0.96)	(1.26)
Training Voucher	0.29	-1.35	-0.86	-0.60	-0.22
	(1.24)	(1.40)	(1.31)	(0.76)	(0.91)
Grant x Voucher					-1.28
					(1.65)
Adj R-squared	0.08	0.05	0.05	0.06	0.06
Control Mean	32.10	35.78	38.40	34.77	34.77
Control SD	27.81	33.30	31.14	30.37	30.37
N	1914	1983	1997	5894	5894

## Impacts: Labor Supply (Hours in Self-Employment)

	Hours worked in self-employment in last week				
	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		4.96*** (1.06)	1.03 (0.99)	3.03*** (0.72)	3.46*** (0.95)
Training Voucher	-0.68 (0.76)	0.10 (1.04)	-1.25 (0.99)	-0.54 (0.54)	-0.28 (0.62)
Grant x Voucher					-0.86 (1.24)
Adj R-squared	0.02	0.02	0.01	0.03	0.03
Control Mean	7.10	8.94	10.59	8.52	8.52
Control SD	17.11	21.27	22.43	19.83	19.83
N	1912	1964	1996	5872	5872

## Cash and Training: Earnings Impacts

Average monthly total earnings (Self-emp + Wage + Ag)  
(USD, top 1% trimmed)

	KLPS-3	SCY F1	SCY F2		Pooled
Grant Winner		3.21 (2.63)	1.84 (2.68)	2.18 (1.88)	1.68 (2.43)
Training Voucher	-1.89 (1.93)	-0.81 (2.59)	1.78 (2.68)	-0.78 (1.42)	-1.08 (1.65)
Grant x Voucher					1.00 (3.21)
Adj R-squared	0.11	0.14	0.16	0.14	0.14
Control Mean	28.54	36.85	41.57	34.47	34.47
Control SD	44.57	62.50	61.55	55.25	55.25
N	1894	1966	2025	5885	5885

## Cash and Training: Earnings Impacts

Average monthly self-employment profits  
(USD, top 1% trimmed)

	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		22.26 (14.33)	-35.88 (31.52)	-8.33 (18.18)	-13.44 (28.56)
Training Voucher	-1.20 (1.84)	-10.12 (12.70)	-39.15 (33.65)	-16.86 (12.15)	-19.97 (16.66)
Grant x Voucher					10.35 (21.65)
Adj R-squared	0.00	-0.00	0.00	0.00	0.00
Control Mean	7.08	9.78	89.06	30.08	30.08
Control SD	39.88	33.41	1588.05	828.73	828.73
N	1871	1954	1997	5822	5822

## Cash and Training: Earnings Impacts

Average monthly wage employment earnings  
(USD, top 1% trimmed)

	KLPS-3	SCY F1	SCY F2	Pooled	
Grant Winner		-4.72 (2.95)	-0.56 (3.32)	-3.67 (2.23)	-4.22 (3.18)
Training Voucher	-2.80 (3.77)	-2.27 (2.99)	-2.74 (3.35)	-3.42* (1.93)	-3.75 (2.37)
Grant x Voucher					1.10 (4.10)
Adj R-squared	0.05	0.12	0.14	0.09	0.09
Control Mean	26.65	33.52	37.47	31.39	31.39
Control SD	87.42	77.67	83.96	84.09	84.09
N	1904	1957	1997	5858	5858

## Cash and Training Impacts

- Short-run: 2015 data
  - Grants recipients report increase # of meals consumed, .improved economic situation, increase in happiness, increase in (self reported) health.
  - No effect on any of these outcomes from voced or interaction term
- Medium-run: 2016 data
  - Grant effects on earnings and hours dissipate over time
  - Shifts way from wage employment and into self-employment sustained
  - Grant recipients less likely to be unemployed
  - No effects from cash or training on wages earnings

## Cash and Training Impacts

- Limited synergies between cash and training
- Top 10 jobs- generally low barriers to entry
  - Hawker, tailor, mason, barber/hairdresser
  - Fisher, teacher, own business other than shop
  - worker in other person's business
  - bicycle mechanic, agricultural laborer

## Conclusion

- No vocational training impacts, even after 5 years
  - Not a good model?
  - Outdated or irrelevant curriculum?
- Cash effects dissipate quickly
  - Similar to Brudevold *et al.* (2017) but different to Blattman *et al.* (2014)
- No effects of combination
  - Most youth simply became petty traders and did not invest in “growth opportunities”
- Broad limitation- lack of “good jobs” in the labor market?