

## The Role of Skills Training for Youth Employment in Nepal: An Impact Evaluation of the Employment Fund

Two facts highlight the importance of youth's labor in the world economy: 17 percent of the world's population are youth (ages 16–24) and yet they make up 40 percent of the world's unemployed.<sup>1</sup> Nepal, South Asia's second poorest country (after Afghanistan) is similarly affected by youth unemployment and underemployment; among 15 to 29 year olds is 19.2 percent, compared to just 2.7 percent for people older than 15.<sup>2</sup> As in many places around the world, young Nepalese women face additional challenges in the labor market due to a combination of age, low educational attainment, and norms around their societal role, marriage and childbirth. Young women have lower labor force participation and higher unemployment than young men (22.2 and 17.1 percent, respectively). They are more likely to be inactive than their male counterparts, and more likely to cite family responsibilities as the cause. When they are employed, young women tend to be channeled into low-productivity, low

income, traditionally female occupations. Young women are more likely to work part-time, and to be underemployed, meaning they would like to work more hours than they do.<sup>3</sup>

Nepal has responded to the problem of youth unemployment with a combination of job training and placement services programs. Concerns about the social exclusion of women, ethnic minorities, indigenous peoples, and other disadvantaged groups have also spurred investment in training opportunities for these groups. The sector remains fragmented, comprised of many public, private, and non-governmental training providers that are of varying quality and often have weak links to the job market. Despite the rapid expansion of skills training in Nepal and across the world, debates about the causal impact of training on employment outcomes still persist, and the evidence regarding impacts by gender is mixed.<sup>4</sup>

### The Employment Fund and The Adolescent Girls Employment Initiative (AGEI)

Founded in 2008, the Employment Fund Project (EF) is currently one of the largest youth training initiatives in the country, reaching more than 15,000 youth annually. In partnership with the EF's donors,<sup>5</sup> the Adolescent Girls Employment Initiative (AGEI) was launched in 2010 to expand the program's reach to an additional 4,410 Nepali young women aged 16 to 24 over a three-year period.<sup>6</sup>

Each year the EF competitively contracts training and employment service providers (T&Es), including formal technical and vocational education and

training (TVET) institutions, public and private providers, as well as skilled artisans. EF ensures that training courses are market-driven by requiring that T&E providers complete a Rapid Market Assessment during the competitive bidding process.<sup>7</sup>

The chosen T&E providers then recruit and select their own trainees according to EF's guidelines and target groups. The EF uses a differential pricing mechanism that awards a higher financial incentive to T&E providers who agree to train (and place in work) more disadvantaged groups, according

*The training has given me courage—I can now work doing house wiring, even though this is mostly done by men.*

—AGEI Graduate



to established vulnerability criteria.<sup>8</sup> The highest incentive is awarded for training and placing the most disadvantaged (highly vulnerable women including widows, ex-combatants, disabled women, etc.), and incentives are gradually lowered for less prioritized groups.

Training courses in technical skills vary across a wide range of trades (e.g. carpentry, tailoring, welding and masonry), and a sub-set of EF trainees receive a short course in basic business skills.<sup>9</sup> In addition, each trainee is encouraged to complete a skills certification test offered by the National Skills Testing Board.<sup>10</sup>

EF verifies trainees' employment status three months and six months after the completion of the training. Upon verification, T&E providers receive an

outcome-based payment that is higher for trainees who are employed. The outcome-based payment system creates strong incentives for the T&E providers to help graduates find opportunities to put their new skills to work in “gainful” employment, which is defined as earning a minimum of 3,000 NRs (~40 USD) per month.<sup>11</sup>

The AGEI pilot program for young women was implemented in the same manner as the larger EF program, with two important changes.<sup>12</sup> First, all female trainees received 40 hours of life skills (beginning in 2011). Secondly, the AGEI participants were recruited into the program through a specialized communications and outreach strategy that aimed to sensitize young women and their families to the program. This new strategy was begun in 2011, in response to EF's struggles with recruitment in 2010 (they reached only a bit more than half of their annual target of 1500 young women). Radio and newspaper ads encouraged women to sign up for non-traditional trades, such as mobile phone repair, electronics, or construction.<sup>13</sup>

The EF also partnered with community-based organizations such as the Nepal Muslim Women Welfare Society to attract applications from women and marginalized groups. If a referred applicant gained entry to an EF-sponsored training course, the partner organization was paid a small finder's fee.

## The Impact Evaluation

This evaluation aims to identify the causal effect of the EF program by comparing the changes over time among EF trainees with the changes over time among similar individuals who did not participate in the EF program. The general strategy is to observe an individual before and after an EF training course and to compute a simple difference in outcome for that individual. The evaluation uses ordinary least squares (OLS) regression analysis to compare the changes in outcomes among participants to the changes among a control group of non-participants that is comprised of people who applied, but were not selected, for the training.<sup>14</sup> Outcomes are measured using surveys that were conducted at baseline and approximately one year later. To purge additional observable differences between trainees and non-trainees, a combination of propensity score matching and difference-in-difference estimation are applied.

This evaluation has some unique characteristics, including:

- A large sample (3,142 individuals from the 2010 and 2011 training cohorts);
- The sample includes both male and female trainees (age 16 to 35), which permits the comparison of the AGEI population (young women age 16 to 24) to men and older women;
- The study benefits from socio-economic survey data of participants and a control group of non-participants, as well as administrative follow-up data of program participants;
- Exhaustive tracking of program participants over time produced high response rates; and
- The evaluation examines a broad set of outcome domains, including employment and earnings, empowerment and self-confidence, risky behaviors, and impacts to the household.

## The Findings

The EF program had positive impacts on the following labor market outcomes that are both statistically and economically significant:

- Employment rates;
- Finding employment related to the skills in which youth were trained;
- Earnings; and
- The proportion of youth earning more than 3,000 NRs (~40 USD) per month.

Individuals selected for EF training programs increased their non-farm employment by 14 percentage points (from a base of approximately 30 percent) for an overall gain of 47 percent. Average monthly earnings of individuals selected for EF programs in 2010 increased by 650 to 690 NRs (~9 USD), from a baseline average of 1448 NRs (~20 USD), representing approximately a 45 percent increase. The impact on earnings was even larger for the 2011 cohort, estimated at 66 percent.

In addition to the sizable general impacts on employment outcomes, the evaluation found that training courses in electronics, beautician services, and tailoring were the most effective courses. These three categories of training are much more effective

in consistently increasing employment and earnings than construction, poultry rearing, handicrafts, and food preparation and hospitality. Future research will compare the impacts of training in non-traditional fields for women compared to the more traditional female fields.

On the other hand, there are few impacts on reproductive health or household level outcomes, including on remittances received by the households of trainees. There are also no consistent impacts on empowerment; the only significant impact detected on women's empowerment is on reported control over earnings for the 2011 cohort.

The estimated impacts of the EF program are larger for women than they are for men. Women selected for training in 2010 and 2011 experienced non-farm and trade-specific employment gains of 17 to 24 percentage points, while the impact for men is not statistically different from zero. Women's earnings increased by approximately 850 NRs (~11 USD) per month, whereas a statistically significant increase in men's earnings cannot be detected. The impacts for young women age 16 to 24 are not significantly different from those for older women (age 25 to 35).

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*—The wheels of my life are rolling fast now, thanks to the driving training for three wheel tempos.*

**—AGEI Graduate**

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## From Program Results to Policies

**Evaluation results suggest that training programs should be designed around employment outcomes.** In Nepal, training and employment providers must complete market assessments as part of their proposals to ensure future employability in the trades in which they propose to train individuals. Training and employment are also incentivized to support graduates into employment through results-based financing. Training and employment providers receive 40% of their payment when the trainee successfully completes the training, and the remaining 60% is paid only if the graduate is gainfully employed. This policy encourages providers to take the extra step beyond training youth to actually help find jobs for them. The fact that many training providers return year after year to work with the EF speaks to the feasibility of the approach.

**Skills training programs can work for young women, and in some cases may be more successful than for young men.** The larger impacts for women

reported in this study are consistent with the findings of rigorous evaluations of several training programs in Latin America; however the interpretation of the findings remains unclear. Young women may stand to benefit more from skills training because they are beginning from a greater state of disadvantage in the labor market. In Nepal, the life skills training may have contributed to young women's success



relative to men (who did not receive life skills training at the time of this evaluation). Further research is needed to clarify these mechanisms of change and understand why young women and men may benefit differentially from skills training.

**Skills programs should educate young women (and their families) about the relative returns of different trades and encourage them into growing and higher-paying fields.** Training programs often channel young women into traditionally female trades that are less lucrative and lack sufficient market demand. The Employment Fund successfully overcame this common pitfall by incentivizing the training providers to focus on employment. Private sector training and employment

service providers—such as those the EF contracts—can be particularly successful in assisting women into non-traditional demand-driven trades because they tend to be flexible and responsive to the market.

**Specialized outreach strategies may be needed to recruit young women into skills training programs.** Recruiting young women may require more time and resources than for other trainees. In many parts of the world, restrictions on young women's mobility and activities outside the home increases during their adolescence. A multi-pronged recruitment strategy that sensitizes and engages communities and families can help increase the share of young female participants, increase their retention in the training, and make the project more successful overall.

## Endnotes

1. See: [http://www3.weforum.org/docs/GAC12/IssueBrief/IB\\_YouthUnemployment.pdf](http://www3.weforum.org/docs/GAC12/IssueBrief/IB_YouthUnemployment.pdf)
2. ILO, 2014. See: [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_244617.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_244617.pdf)
3. ILO, 2014.
4. See: Kluve 2006, Card 2009, Attanasio et al 2008.
5. The Employment Fund is supported by the Swiss Agency for Development and Cooperation, (SDC), the United Kingdom's Department for International Development (DFID), and the World Bank. It is operated by HELVETAS Swiss Intercooperation, a Swiss NGO, in partnership with the Government of Nepal.
6. The AGEI is one of eight pilots within the World Bank's global Adolescent Girls Initiative (AGI). Begun in 2008, each AGI pilot is individually tailored to the country context, and the menu of interventions includes business development skills training, technical and vocational training targeting skills in high demand, as well as life-skills training. Because the evidence on what works in facilitating the transition of adolescent girls and young women to productive work is thin, rigorous impact evaluation is an important part of the initiative. Impact evaluations will also help build the case for replication and scaling up successful approaches.
7. The rapid market appraisal process is facilitated via EF-supported capacity building workshops.
8. For more details on the differential pricing scheme for vulnerable groups and the outcome-based payment system, see [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/07/18/000470435\\_20140718142756/Rendered/PDF/894760BRI0141100Box385283B00PUBLIC0.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/07/18/000470435_20140718142756/Rendered/PDF/894760BRI0141100Box385283B00PUBLIC0.pdf)
9. The life skills training was extended to all trainees (including men) on a pilot basis in 2013, and fully implemented in 2014.
10. In some cases, the EF has even cooperated with the NSTB to develop skills standards for tests in trades where no test existed.
11. The EF definition of "gainful" employment was increased in 2012 to 4,600 NRs (≈60 USD). This brief uses the prevailing exchange rate during 2010 and 2011 of 75 NRS to 1 USD.
12. The T&E providers were not given quotas of how many AGEI trainees to reach; any female trainees age 16 to 24 that were trained were designated as "AGEI" trainees for accounting and monitoring purposes. Employment Fund records indicate that 4,410 young women were reached over the three year initiative, exceeding the target of 4,375.
13. Anecdotal evidence suggests that the introduction of life skills training, covering topics such as communication, leadership, and reproductive health, was particularly popular among young women and may have contributed to the growing numbers of AGEI trainees.
14. Entry in the program was based on an application and an interview, after which each shortlisted applicant received a numeric score and top scoring candidates gained entry to the program.