



from EVIDENCE to POLICY

a note series on learning what works, from the Human Development Network

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Do vouchers for job training programs help?

Youth unemployment is a problem in many developing countries, where labor market opportunities may be further squeezed by rapid rural migration into big cities, the cost of higher education and job seekers' limited information about the best opportunities. Policymakers and aid organizations trying to reduce youth unemployment have a variety of approaches they can use, including vocational training programs to give job seekers necessary skills to be employed. But what works best is still not clear: Should governments subsidize job training programs for young adults? Should they limit subsidies to public sector programs or include the private sector? Do government-run and private institutions differ in their ability to attract students and prepare them to find a job? What roles do outside factors, such as distance to a school, play in a young adult's decision to enroll in a training program?

At the World Bank, we are actively working to help countries create and implement viable employment programs, in line with the United Nations Millennium De-

velopment Goal to achieve productive employment for everyone and cut poverty and hunger. As part of this, we support research into the effectiveness of jobs programs as a way to help policymakers and governments devise the best for their target populations. In Kenya, the World Bank supported a special voucher program for young adults to evaluate demand for vocational training and the impact of training on job seekers. The evaluation showed that offering young adults vouchers that cover program costs does encourage young adults to enroll, and that those who can use the voucher for a private training program are more likely to sign up and stay in school. The results of the study are in line with research done in Latin America,¹ indicating the benefits of making vocational training more widely available in developing countries. While further research of this program is planned in Kenya, the initial evaluation does show that vouchers for vocational schools – especially when private sector schools are included – can be an effective way to give job seekers employable skills.

Case Study Kenya

The Technical and Vocational Vouchers Program was launched in 2008 to study the effect of vouchers on participation in vocational training programs and the short-term impact on job seekers' employment choices, jobs and incomes. Drawing on a separate panel survey the authors have been collecting in mainly western Kenya, 10,767 out-of-school

young adults were invited to an informational session. A total of 2,705 individuals attended one of the 70 preliminary meetings, during which they were surveyed on their views of projected future earnings with and without vocational training. They were asked to return two weeks later with a letter of support from a local authority and list of preferred schools and courses, a process that helped ensure program participants had a genuine interest in vocational training.

The final applicant group included 2,163 young adults, aged 18 to 30. Half were randomly selected to receive a voucher and the other half placed in a control group. Among those picked to receive a voucher, half were given a voucher that could be used only in a public institution, and

Did You Know...

- 60% of the Kenyan population is under the age of 30
- The Kenyan unemployment rate is approximately 40%
- An estimated 64% of unemployed Kenyans are youth

*The Youth Banner (Youth advocacy organization), Nairobi, Kenya,
<http://www.youthbanner.org/>*

¹ Bettinger Eric, Michael Kremer and Juan Saaveda (2010), "Are Educational Vouchers Only Redistributive?" *Economic Journal*, 20 (546), F204-F228.

half received a voucher that could be used in either a public or private vocational training institution. In both cases, the voucher was worth about \$460, which covered (or nearly covered) the cost of a public or private vocational program. Among program participants, the average years of schooling prior to the program was 8.8 years, with 27 percent having dropped out before 8th grade and 24 percent having completed secondary school. Sixty-three percent of participants were female.

Researchers collected information on participating training institutions, including hours of instruction, facilities, job placement services and internship availability. Unannounced visits were carried out to monitor student progress and retention. Information on the specifics of training center programs was gathered from the school administrations. In the short-term follow-up survey, information was collected from a random sample of more than 300 individuals in the

treatment and control groups on labor market expectations, outcomes, course completion and course satisfaction.

To evaluate whether information about wage rates and employment options played a role in a person's vocational training choices, researchers included an informational component to the study. Half of participants in the voucher group and half in the control group were told, for example, which jobs had the highest wages. Women were also shown videos of female students in traditionally male-dominated trades, such as car repair, and were given information about the potentially higher wages in those fields.

Further research is planned on the impact that vocational training has on medium-to-long term labor market returns. In addition, research will include analyzing the experiences of participants in the labor market based on baseline characteristics, and will compare more broadly the relative effectiveness of public and private institutions.

The Findings*

The vouchers were very successful at getting young adults to enroll in vocational training programs.

Seventy-four percent of participants who received vouchers enrolled in some type of vocational training, compared with less than four percent of those in the control group.

Among those who received vouchers, there was no statistically significant difference in use based on gender, age group, years since last schooling or previous vocational training. There was, however, a difference in use among those who reported being employed at the time the program started—they were 4.5 percentage points less likely to use the voucher.

But participants who received an unrestricted voucher—one that could be used for either a public or private training program—were more likely to enroll and less likely to drop-out of a program than those who received the restricted (public institution-only) voucher.

Seventy-nine percent of people who received the unrestricted voucher attended a vocational training program, compared with 69 percent of those who received a voucher good only for government-run institutions.

The 10 percentage point enrollment gap may be explained partly by the greater choice of schools available to holders of an unrestricted voucher.

This bulletin summarizes the results of the research paper "Vocational Education Voucher Delivery and Labor Market Returns: A Randomized Evaluation Among Kenyan Youth," by Joan Hamory Hicks, Michael Kremer, Isaac Mbiti and Edward Miguel.

Phase I of the impact evaluation was financed through the Bank-Netherlands Partnership Program (BNPP), and Phase II through the Spanish Impact Evaluation Trust Fund (SIEF). The evaluation was undertaken during the period 2008-2011.

For more information contact: Shobhana Sosale, AFTED, ssosale@worldbank.org.

² Duflo, Esther (2001). "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual policy Experiment." *American Economic Review*, 91(4), 795-813



Other research² has shown that cutting the distance to schools by building more facilities can boost enrollment. In the Kenya project, individuals who received an unrestricted voucher generally had about six training institutions to choose from within a 10-kilometer radius, compared with two institutions for individuals who could only use their voucher for public institutions. Overall, youth with vouchers were at least 12 percentage points more likely to enroll in a training institution if there was a private institution within 3 kilometers of them, with suggestive evidence that this was driven by those with unrestricted vouchers. Together, this suggests that the greater choice of nearby schools might partly explain the better take-up rate by those with unrestricted vouchers.

Students who received vouchers that could only be used for public training programs also were 16 percentage points more likely to drop out than those who had an unrestricted voucher.

One reason could be that the more limited choice for those with the public-only voucher made it more difficult for the students to find (nearby) programs that suited their individual needs in terms of programs or institutional quality. On the other hand, participants with unrestricted vouchers had a greater variety of schools and courses to choose from, which may have promoted better matches between students and schools—and could therefore be more likely to promote better outcomes such as retention. However, there are no measures of learning yet.

However, regardless of the type of voucher, participants who had not completed secondary school were less likely to drop out than those who had.

This result indicates that vocational training may be an alternative or second-choice path for helping promote better employment among young adults with less schooling. The lower drop-out rate from vocational programs may indicate that youth with less education see more to gain from sticking with a job training program than those with higher levels of education.

Voucher winners were not deterred from enrolling by information that contradicted their often inflated views about the wages they could receive after vocational training.

Participants were overly optimistic in their projection of the effect of vocational training on income. On average, they believed that average returns (in the form of earnings) from training were 61 percent; in reality, the return would be around 37 percent. Being told this did not affect people's interest in applying to the program, nor did it affect enrollment among voucher winners.



Voucher users' vocational training choices, by popularity:

- 37 %—Tailoring
- 18 %—Mechanic
- 9 %—Hairdressing
- 7 %—Driving
- 6 %—Masonry

But women shown videos of women working in traditionally-male jobs, such as auto repair, and told that wages were higher in such fields, were more likely to use their vouchers differently.

Given the information women were almost nine percentage points more likely to express interest in a male-dominated course (especially younger and more educated women) and 5 percentage points more likely to enroll.

In terms of the short-run impact on participants' ability to find work, anecdotal evidence indicates that those in a training program were able to find part-time work because of their enrollment.

Most participants were still in school at the time of this survey, but anecdotal evidence collected during on-site visits to the schools indicated that students seemed to be recruited for part-time jobs in their fields of study. The next round of research will look at the medium and long-term labor market returns of vocational training.

Conclusion Making policy from evidence

High rates of youth unemployment are a social and an economic problem in many developing countries and job training programs are one proposed method for boosting employment. But getting youth to enroll is not always easy: there can be opportunity costs in terms of lost wages during the period of schooling, plus there is the cost of the program itself. These two factors, coupled with what can be the difficulties of finding transportation to a far-away school or childcare responsibilities, can work against enrollment.

The Kenyan voucher program shows that youth will take advantage of job training when the costs are covered through vouchers. And among those who do enroll, a majority stay with the program. But retention is boosted among those who are able to choose between a public or private vocational insti-

tution, which suggests that giving people choice allows them to pick the programs that best meet their needs, be it in terms of the course itself or distance from their home. While the medium and long-term impact of the program still needs to be studied—most voucher recipients were still enrolled in a training program when this research was carried out—it is clear that voucher programs can boost demand for vocational training and that youth are more likely to enroll and stay in a program when their choice of institution is unrestricted. This underscores the potential usefulness of including the private sector in public policy programs designed to boost demand for job training. Those working on future programs also may want to keep in mind that integrating childcare, or cutting costs further, could help with program take-up.

The Human Development Network, part of the World Bank Group, supports and disseminates research evaluating the impact of development projects to help alleviate poverty. **The goal is to collect and build empirical evidence that can help governments and development organizations design and implement the most appropriate and effective policies for better educational, health and job opportunities for people in developing countries.** For more information about who we are and what we do, go to: <http://www.worldbank.org/hdchiefeconomist>

The Evidence to Policy note series is produced with the generous support of the Spanish Impact Evaluation Fund (SIEF)



THE WORLD BANK, HUMAN DEVELOPMENT NETWORK
1818 H STREET, NW WASHINGTON, DC 20433

Produced by Office of the Chief Economist, Human Development Network, Communications/Aliza Marcus