



## Lecture 12: Youth Unemployment

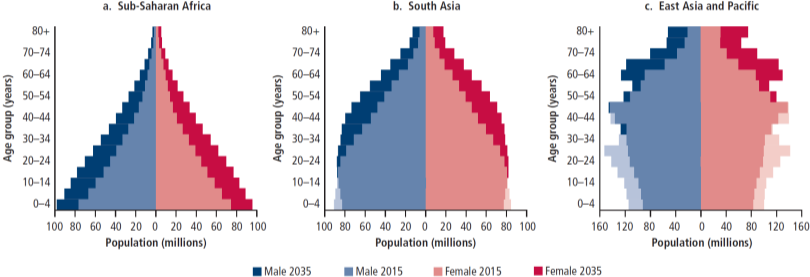
Williams College ECON 204:  
Global Poverty and Economic Development  
Professor: Pamela Jakiela

## Motivation: Jobs

*“Jobs are the primary policy concern of policymakers in many countries.”*

– McKenzie (2017)

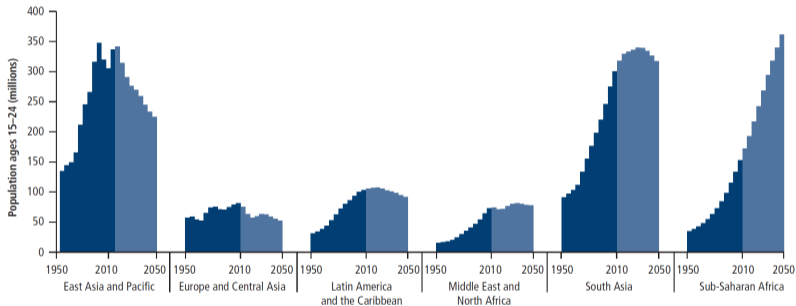
# Motivation: The Lack of a Demographic Transition in Africa



Source: Based on United Nations 2011.

Source: Filmer and Fox (2014)

# Motivation: The Lack of a Demographic Transition in Africa



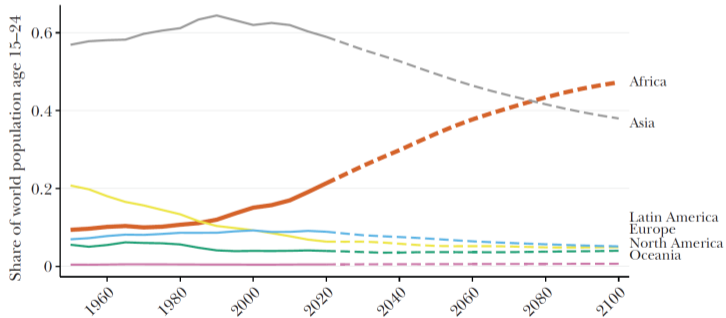
Source: Based on United Nations 2011.

Note: Each bar shows an estimate or a projection of the number of 15- to 24-year-olds for one year at five-year intervals.

Source: Filmer and Fox (2014)

# Motivation: The World's Youth Are African

*Figure 1*  
**Share of World Population Age 15–24, by Region**

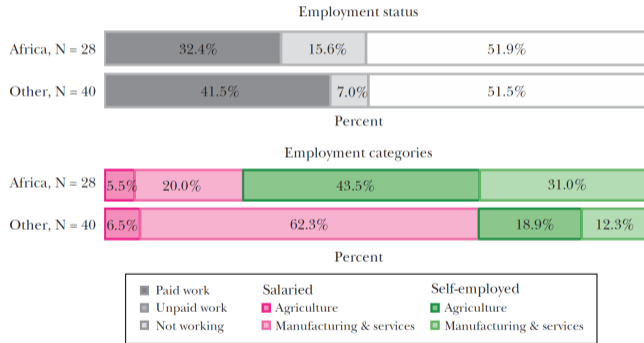


Source: Bandiera et al. (2022)

# Motivation: African Youth Are Not Employed

Figure 2

## Occupational Structure of the 18–24 Year-Old Population



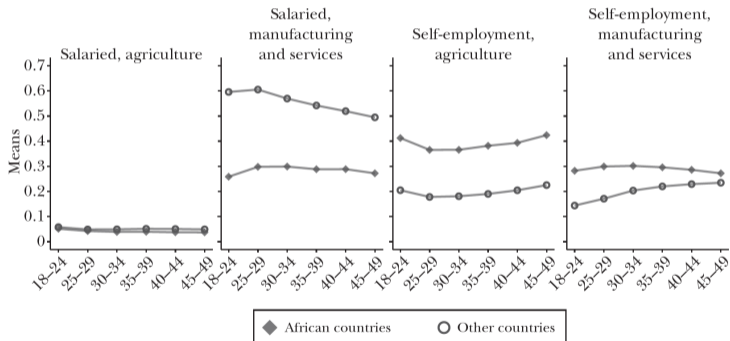
Source: Demographic and Health Surveys and IPUMS, harmonized via the Jobs of the World Project.

Source: Bandiera et al. (2022)

# Motivation: Not Enough Jobs for African Youth

Figure 4

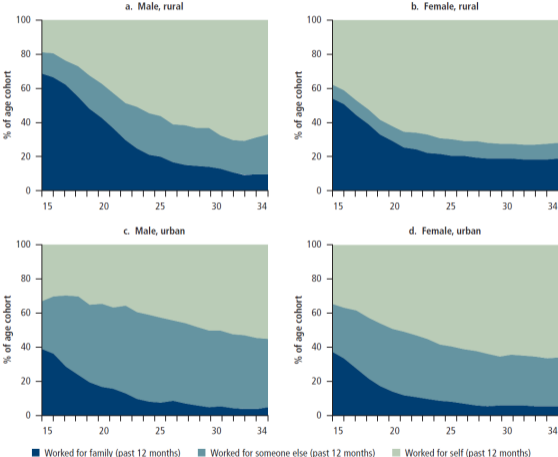
## Share of Employment Categories by Age Cohort



Source: Demographic and Health Surveys and IPUMS, harmonized via the Jobs of the World Project.

Source: Bandiera et al. (2022)

# Motivation: African Youth Need to Become Entrepreneurs



Source: Filmer and Fox (2014)

# Active Labor Market Programs

Many African youth spend years trying to make the transition from school to regular work, relying on relatives/social connections in between temporary/unpaid positions, training, etc.

## Active Labor Market Programs:

- Vocational education (i.e. job skills training), apprenticeships
- Job search assistance, subsidized employment programs, other forms of matching
- **Entrepreneurship promotion**
  - ▶ Credit market interventions (i.e. grants and loans)
  - ▶ Vocational education and skills training
  - ▶ Life skills training, mentoring, etc.

Entrepreneurship promotion promoted in SSA because formal sector is relatively small

# We Don't Know What Works

- Most **vocational training** programs in LMICs are not very effective
  - ▶ McKenzie (2017): *"The simple unweighted average across the studies is a 2.3 percentage point increase in employment. That is, for every 100 people offered vocational training, fewer than three will find a job they would not have otherwise found."*
  - ▶ But some very expensive, long-duration training programs have substantial impacts
- Limited evidence on impacts of microcredit, and programs that target capital (i.e. grants) tend to be more effective with when grant recipients are male, experience entrepreneurs
- Also mixed evidence on matching and certification programs
  - ▶ Many jobs are unappealing (again, evidence is mixed), and youth leave them fairly quickly
- Multifaceted programs targeting young women may have larger impacts?

# What is Microfranchising?

We evaluate the **Girls Empowered by Microfranchise** (GEM) project implemented by IRC

**Microfranchising** is an example of a multifaceted intervention:

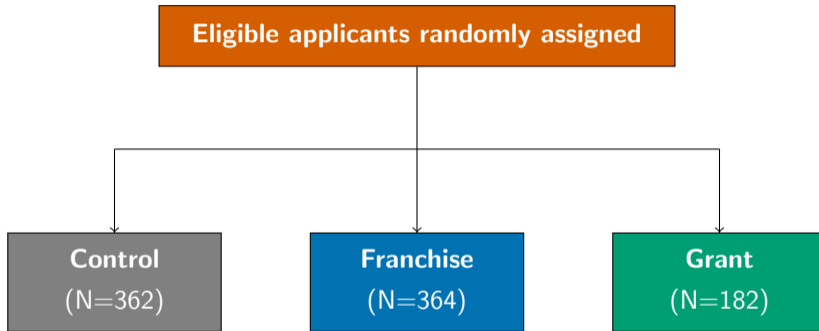
- Connects unemployed participants with well-established business models by helping them launch small-scale, multi-person franchises affiliated with popular Kenyan brands
- Contains key elements of self-employment: participants manage their microenterprises, set their own hours and goals, expand and/or modify product lines as they wish
- Does not require participants to develop their own business plan
- Capital given as grant, no need to go into debt
- Also offers women life skills training, ongoing mentoring

# Research Design: A Cash-Benchmarked Evaluation



Sample: eligible applicants (18–20 year old women) for IRC's microfranchising program

# Research Design: A Cash-Benchmarked Evaluation



Follow-up surveys approximately 1, 2, and 6 years after treatment

# The Girls Empowered by Microfranchise Project

**The intervention:** a microfranchising program geared toward poor young women aged 18–20

**The key distinction** between microfranchising and other labor market interventions is focus on specific franchise business models, hybrid between employment/matching and entrepreneurship

**Bundled program** includes several distinct components:

- Participants matched with one of several franchise business models
  - ▶ Franchise-specific training
  - ▶ Franchise-specific capital, supply chain linkages
- Business, life skills training
- Ongoing mentoring after microfranchises are launched

# Cash Grant Treatment

Women assigned to **grant treatment** received unrestricted \$230 transfer

- No encouragement to put toward particular use (e.g. business)

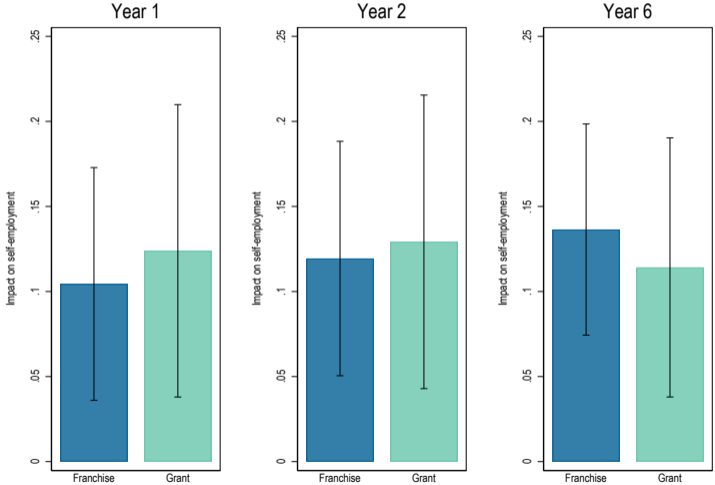
## **Relaxes only the credit constraint**

- Stimulates entrepreneurship if binding constraint is credit, not skills
- If human capital (i.e. skills) constraints are binding, recipients can invest in voced

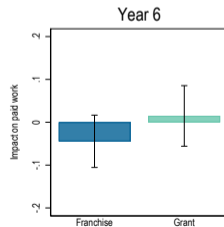
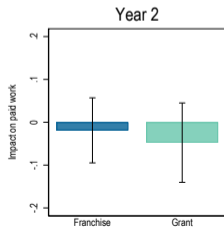
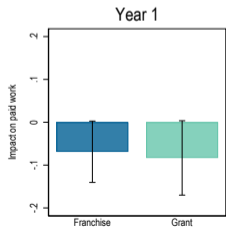
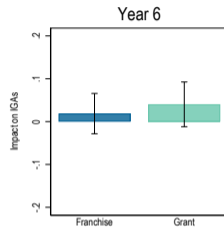
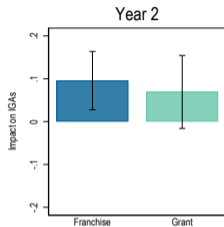
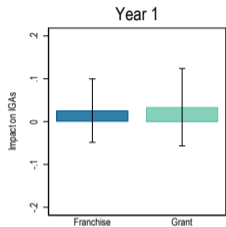
## **Cash grant treatment is low cost, easy to administer**

- Take-up rates are extremely high (about 95 percent)
- Implementation costs are minimal

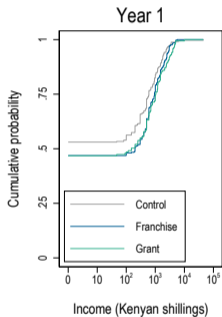
# Impacts on Self-Employment



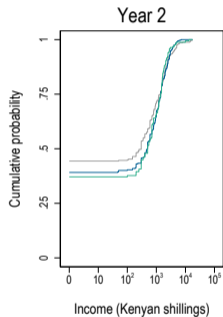
# Impacts on Income-Generating Activities (IGAs)



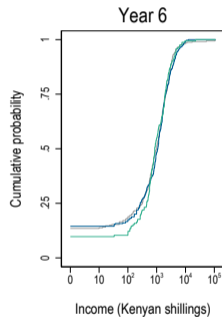
# Impacts on Income



**Kolmogorov-Smirnov tests:**  
Franchise = Control: 0.021  
Grant = Control: 0.115  
Franchise = Grant: 0.917



**Kolmogorov-Smirnov tests:**  
Franchise = Control: 0.137  
Grant = Control: 0.235  
Franchise = Grant: 0.925



**Kolmogorov-Smirnov tests:**  
Franchise = Control: 0.626  
Grant = Control: 0.541  
Franchise = Grant: 0.437

# Impacts on Well-Being

In our 6-year follow-up, we measured a small set of welfare indicators:

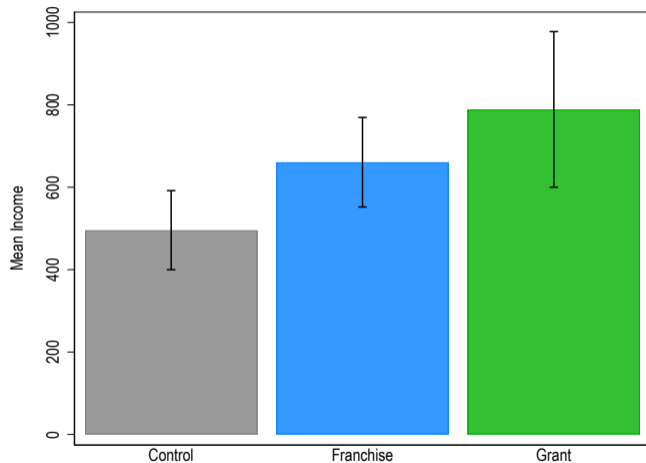
- **Living conditions:** electricity, piped water, toilet/latrine, TV, phone, computer
- **Food security:** adapted Food Insecurity Access Scale
- **Happiness:** Ladder of Life Scale measures subjective perceptions of well-being

The franchise treatment improves food security and happiness; the grant treatment does not

## What Explains These Patterns?

- Almost all women state that they prefer self-employment to paid work for others
- Franchise treatment creates a stronger sense of identity as an entrepreneur
- Vocational education built marketable skills (i.e. hair styling) for some women

## Lab: Summarizing Impacts in a Graph



## Summarizing Impacts in a Graph

1. `collapse (mean) mean_y = y (semean) se_y = y, by(treatment)`
2. Use `generate` to code the top and bottom of the confidence interval
3. Make a multi-color bar graph using the `twoway` command:

```
twoway (bar y treatment if treatment==0, color(gray) base(0) barw(0.8)) ///  
      (bar y treatment if treatment==1, color(midblue) base(0) barw(0.8)), ///  
      legend(off)
```

Remember `twoway` options from Stata Lab 1: `xlabel`, `xtitle`, `ylabel`, `ytitle`