



Creating active labour markets: how to improve employment outcomes for young women and men

Around the world, more than 73 million young women and men are unemployed. Those with jobs may be underemployed, have poor job security or still be living in poverty. Creating an inclusive job market that gives young people opportunities to build skills and access decent employment promotes social cohesion and is an important part of achieving the 2030 agenda for sustainable development. Therefore, a pressing question from policymakers and programme implementers is, ‘What works for young people to support them in the labour market?’

Active labour market programmes

Active labour market programmes aim to improve participants’ prospects of finding employment or increase their earnings capacity. The programmes work by influencing the supply of labour (numbers of workers and skill sets) or labour demand (job availability at the going wage).

These programmes include skills training (such as technical and business skills), entrepreneurship promotion (such as providing access to capital), employment services (such as job placement and job search assistance) and subsidised employment (such as salary top-ups and public employment).

Programmes to include young women and men in the labour market may succeed in enhancing employment and earnings outcomes, which in turn may increase human capital and long-term employment prospects.

Main Findings

- Entrepreneurship promotion and skills training programmes improve employment rates and earnings.
- Employment services and subsidised employment programmes generally do not seem to have a significant effect on either outcome, especially in high-income contexts.
- Active labour market programmes appear to be more effective in low- and middle-income countries than in high-income ones.
- Programmes targeting more disadvantaged youth have bigger impacts.

Measuring impact

A recent 3ie-funded systematic review has synthesised the available evidence on the effects of active labour market programmes on youth labour market outcomes in low-, middle- and high-income countries.

In low- and middle-income countries, the majority of the programmes evaluated were small-scale, targeted interventions by NGOs. In high-income countries, however, most were national programmes implemented in collaboration with the government.

Effects on employment

The evidence from 98 studies indicates that youth employment programmes increase the likelihood of employment for participants. Typical impact is in the order of a 10 per cent increase in the probability of being employed. However, impact is greater for some programmes than others. Entrepreneurship promotion tends to have the largest impact on employment, at 24 per cent on average, but these programmes vary by context and have not been evaluated as much as others. Skills training improves employment changes by 8 per cent on average. However, subsidised employment programmes are only effective in some contexts. Employment services do not appear to have any impact on employment at all.

Effects on earnings and business performance

Similarly, the evidence indicates that youth employment programmes increase incomes by 11 per cent on average, although impact varies. Entrepreneurship promotion and skills training lead to increases in income, whereas employment services and subsidised employment appear to have a negligible to no effect.

Ten studies evaluated the impact of youth employment programmes on business performance (such as capital, investment and profits). The majority of them were entrepreneurship promotion programmes, which saw a 15 per cent improvement in business performance, on average, but with a large amount of variation. A couple of studies on skills training also looked at business performance, but found insignificant changes.

Context and implementation affect programme outcomes

Context and how programmes are implemented explain differences in programme effectiveness. For example, entrepreneurship promotion and skills training had much larger impacts on employment in low- and middle-income countries (14% on average) than in high-income ones. In low- and middle-income countries, there is also some indication that subsidised employment can increase earnings (8% on average). However, in high-income countries, only skills training programmes seem to improve employment opportunities (by 3%).

There are two potential explanations for these differences. The first is that active labour market programmes may be less effective in high-income countries because they are unable to help disadvantaged youth sufficiently, compared with a well-educated and relatively highly skilled cohort of workers, without complementary policies. In lower income countries, there is greater demand for the skill level that

these programmes can help develop, hence much bigger impacts. The second reason is due to the types of interventions that have been rigorously evaluated. In high-income countries, the interventions that have been evaluated are principally implemented by governments at scale, while in low-income countries evaluations are more likely to be of pilot schemes implemented by NGOs, which may be more effective at delivering programmes in the specific circumstances where they are implemented.

Programmes may be more effective in improving earnings if they target the most disadvantaged youth in the community, where disadvantage is typically determined by low income or low educational level. The average improvement in employment outcomes for the most disadvantaged youth was 13%, compared with only a 1% improvement for the least disadvantaged participants.

Evidence on differential impacts for women and men is available in over half (54) of the studies included. Women experienced bigger improvements in employment than men in some programmes, but the finding is not consistent across all contexts.





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Implications for policy and programming

Evidence suggests that, particularly in low- and middle-income countries, entrepreneurship promotion and skills training programmes are effective at increasing youths' earnings and participation in the labour market. However, evidence-informed policy does not mean applying evidence uniformly. Evidence must be adapted to different contexts. Interventions that are appropriate to tackle unemployment, underemployment and low wages for young women and men will vary according to specific contexts.

Given the limited impacts of programmes in many contexts, such as in higher-income contexts where disadvantaged youth are competing with a cohort that is relatively well educated and skilled, these programmes are likely to be most effective if coordinated in the context of a holistic policy or commitment to youth development in the round.

This systematic review suggests ways that NGOs and governments may be able to make their youth employment programmes more effective:

- Focus on the most disadvantaged youth;
- Consider local and national contexts in determining what interventions to implement and in what combinations; and
- Combine supply and demand interventions (such as skills training, entrepreneurship promotion and employment subsidies);

Implications for research

Rigorous impact evaluations often fail to report an underlying theory of change or any intermediate outcomes (such as knowledge or skills gained) that can help explain why programmes are effective or not. Furthermore, most studies do not sufficiently consider the impacts of gender on all aspects of labour market engagement.

Impact evaluations can also help fill the following important evidence gaps by providing:

- More evidence on the effects of entrepreneurship promotion programmes in low- and middle-income countries, which appear to be a promising form of intervention, but evidence is thin and impacts vary;
- More evidence on subsidised employment programmes and further analysis to understand the circumstances in which these programmes are effective;
- More evidence on the effects of programmes providing soft skills (such as communication) on labour market outcomes;
- More evidence from the Middle East and North Africa, South Asia, and East Asia and the Pacific; and
- More evidence on the impact of combining different types of programmes or on the effectiveness of using different delivery channels (such as public or private organisations).

Impact evaluations need to undertake cost-effectiveness analysis and assess community- and economy-wide impacts in order to answer questions about scaling up.



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What is a systematic review?

3ie-funded systematic reviews use rigorous and transparent methods to identify, appraise and synthesise all of the qualifying studies and reviews addressing a specific review question. Review authors search for published and unpublished research, and use a theory-based approach to determine what evidence may be generalised and what is more context specific. Where possible, cost-effectiveness analysis is done. The result is an unbiased assessment of what works, for whom, why and at what cost.

About the systematic review

This brief is based on 3ie Systematic Review 37, *Interventions to improve labour market outcomes of youth: a systematic review of training, entrepreneurship promotion, employment services and subsidised employment interventions*, by Jochen Kluge, Susana Puerto, David Robalino, Jose Manuel Romero, Friederike Rother, Jonathan Stöterau, Felix Weidenkaff and Marc Witte. It synthesises evidence from 113 impact evaluations, covering 31 countries, which evaluated 55 skills training interventions, 15 entrepreneurship promotion interventions, 10 employment service interventions and 21 subsidised employment interventions. Fifty-three studies used an experimental design, 11 were a natural experiment and 49 used a quasi-experimental design. The majority of studies (65) were from high-income countries, with 48 from low- and middle-income countries.



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