
SUBSIDIZING VOCATIONAL TRAINING FOR DISADVANTAGED YOUTH IN COLOMBIA

EVIDENCE FROM A RANDOMIZED TRIAL

DR. ADRIANA KUGLER

GEORGETOWN UNIVERSITY

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Jóvenes en Acción

BACKGROUND



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Lack of Skills

- * One of the key determinants of unemployment, crime and poverty.
- * Key limitation to growth in developing countries.

Training Programs

- * Interventions for school dropouts
- * Past evaluations of training programs in developed countries suggest positive effects.

Evidence

- * Can't extrapolate results from developed countries.
- * There is little reliable evidence in low and middle income countries

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- The program targeted young people between 18 and 25 years of age, who were unemployed and whose families were in the lowest two deciles of the income distribution living in urban areas (i.e., the 7 largest cities of the country).
- The training program consisted of 3 months of classroom and 3 months of on-the-job training. Classroom training provided by training institutions, which had to be legally registered, had to show financial solvency and had to compete in a bidding process. On-the-job training was provided by legally registered companies.
- Participants received stipend of \$2.20/day, and women with children under 7 years received \$3.00/day to help cover for childcare expenses.

JÓVENES EN ACCIÓN – PROGRAM DETAILS



- The classroom instruction offered diverse set of courses that were in demand in local labor market.
- They provided skills for *administrative occupations* such as sales, secretarial work, and marketing; *manual occupations* such as electricians and cooking assistants, and more *skilled occupations* such as IT specialist and accountant assistants.
- The three months and 480 hours of on-the-job training was through *unpaid internships* with formal sector companies that specialized in *manufacturing, retail and trade, or services*.



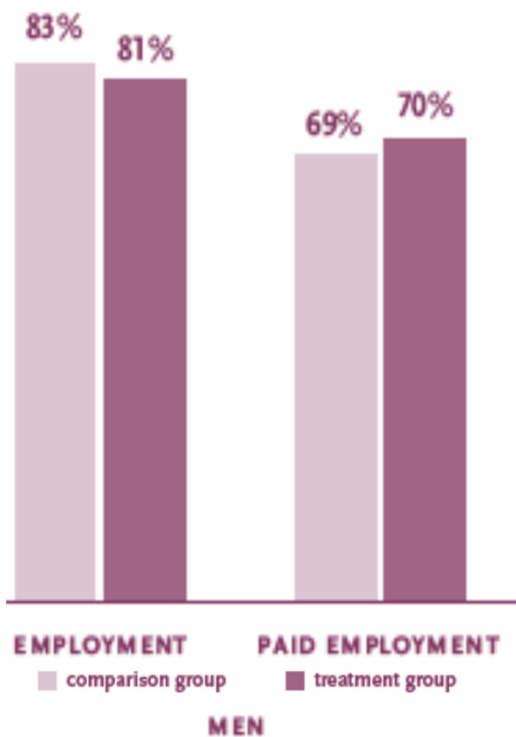
METHODOLOGY



- Paper evaluated the last cohort of participants, which received training in 2005.
- Each of 114 participating training institutions selected up to 50 % more applications than they could accommodate and were placed randomly in the treatment and comparison (control) group.
- The paper captured the causal effects and focused on comparing between the groups which were randomly offered and not offered training.



KEY FINDINGS



Training increased earnings of women both due to increased employment, increases in productivity and access to better jobs.

Increased women's probabilities of having a formal sector job and a written contract by 5.3 % and 6.6 %, respectively.

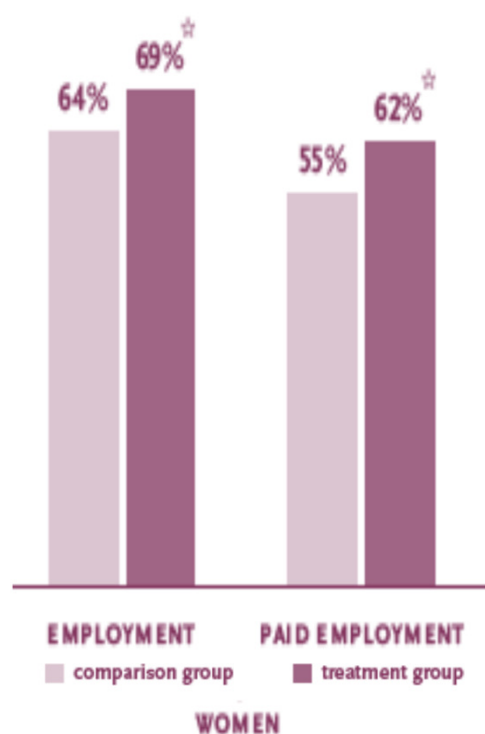
No detectable impact on men's probability of employment.

Results also showed positive effects on probability of having formal job with non-wage benefits and a written contract for both men and women.

KEY FINDINGS – BENEFITS FOR WOMEN



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* Significant results

Female participants in the program transitioned from unemployment to formal jobs, producing overall gains.

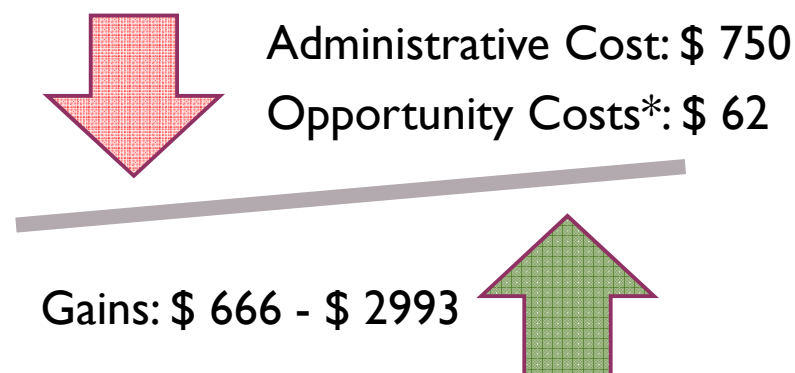
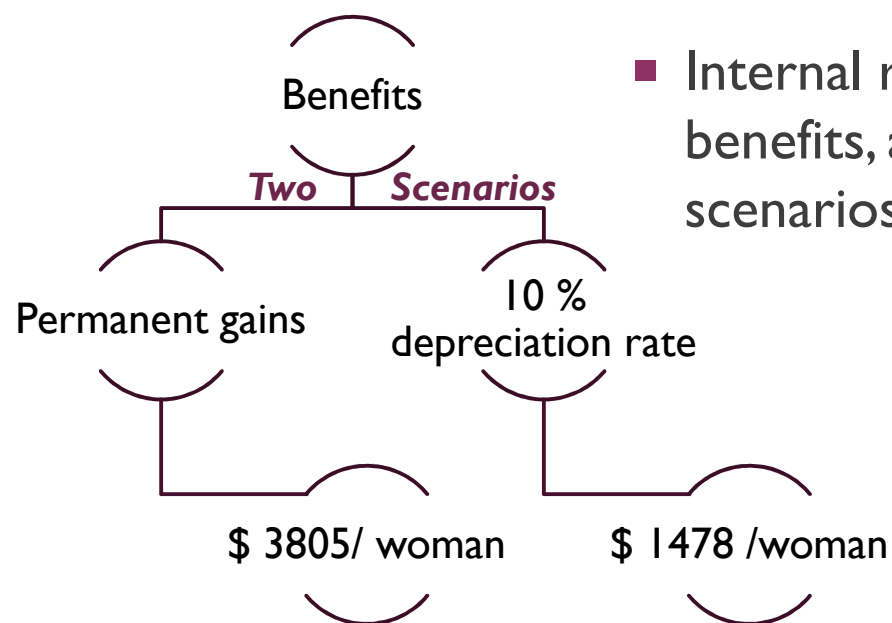
Women's earnings increased by almost **\$18 per month** – representing 19.6 percent increase over women who did not receive training.

Women who participated in the training program were 6.8 percentage points more likely to have a paid job.

COST BENEFIT ANALYSIS



- Estimated employment and earning gains for women were double the cost of operating the program.
- Internal rates of return, which equate costs and benefits, are 35% and 21.6% for women under the two scenarios.



* Opportunity cost from forgoing earnings due to participation in the program for 1.43 months

COST BENEFIT ANALYSIS



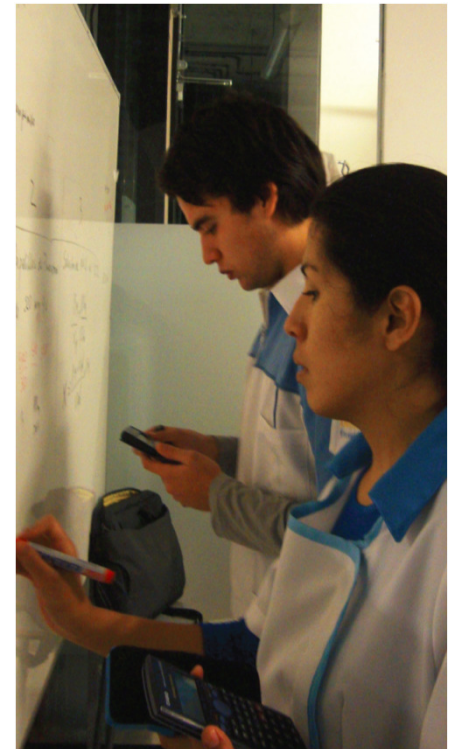
Some evaluations of vocational training programs have not found training to be an effective policy. However, certain aspects of this program have contributed to its success.

- The program provided six months of specific skills in certain sectors or occupations in the classroom and on the job, suggesting an important specific human capital component to the training.
- Training institutions through their in-classroom training improved the skills and productivity of participants.
- Internships allowed both firms and workers to obtain information on the other side of the market.

POLICY IMPLICATIONS



- Specific skills training may facilitate young people's integration into the labor market, particularly in the formal sector.
- Provision of skills valued by employers and direct contact with formal-sector businesses through internships can facilitate access to formal jobs, which offer higher salaries and other non-wage benefits.
- Lack of information and credit constraints are two likely barriers to vocation training.
- Need to make vocational training more accessible to extend job opportunities and benefits to disadvantaged youth.



CONCLUSIONS



- This paper evaluates an almost unique randomized training program in the context of low and middle income countries.
- Results show large and significant effects of training on salaries and total and formal employment, which are mainly driven by women.
- Moreover, cost-benefit analysis indicates that the program was highly effective, which raises the question of why there aren't more people getting training? Credit-constraints are a likely explanation since training costs about 22 months worth of salary.