

CONDITIONAL CASH TRANSFER FOR YOUNG PEOPLE

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TRANSLATING RESEARCH INTO ACTION

Doha Evidence Symposium

Drop out is a big problem

- Frequently young people leave programs
- You think you can provide them with means and solutions to address their problems
 - ▣ Training
 - ▣ Job search counseling
- But they do not stay for long in the program
- They rapidly leave to go back go other activities for example to take small and bad jobs

Budget constraint is a big problem too

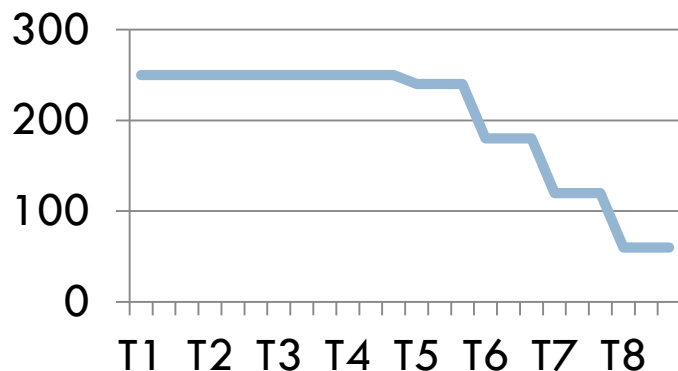
- Young people may have projects for their future
- They know what they would like to do
- But they lack financial means
- They are trapped into the present
- Providing them with means will enable them to escape from the trap, run their projects and build their future
 - ▣ Lot of interventions are based on that idea
 - ▣ Either through access to microfinance or by providing them with cash

Cash transfer to address drop out and financial constraints

- Program I will talk about is in France
- But the drop-out problem, the budget constraint issue are general
- Large share of young people in deprived suburbs with very little education
 - ▣ Experience high unemployment – low earnings – locked into an endless succession of small bad jobs
- Counseling program to assist them but high dropout!
- Idea is to provide cash to the young people **conditional** on their participation in the program
- Want to provide them with means to build their autonomy

Contractual Income for Autonomy

Monthly Transfer



A generous and costly program

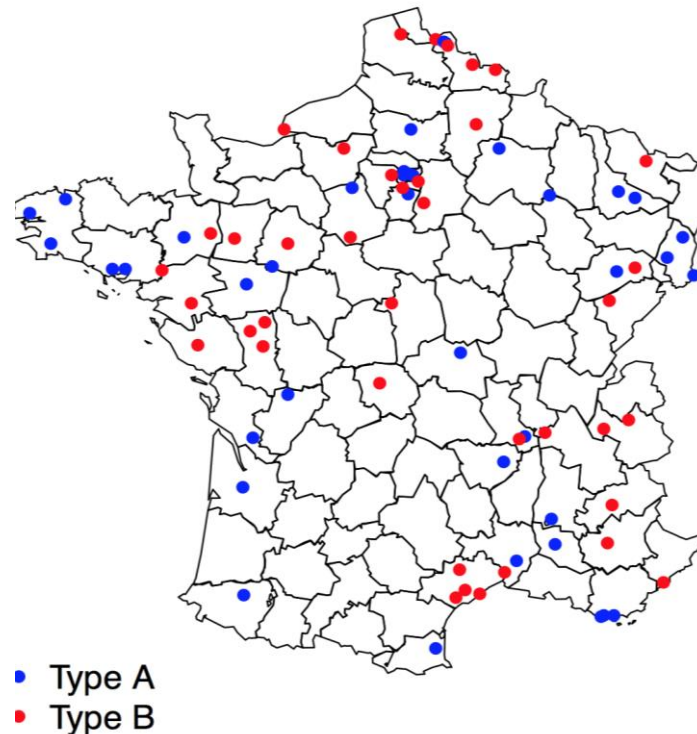
- 250 euros a month in year 1
- Total over 2 years **4800 euros**

Expect

Participation in program
Human capital investments
Higher quality jobs
More jobs in the long run
Increase in earnings
Reduction in budget constraints

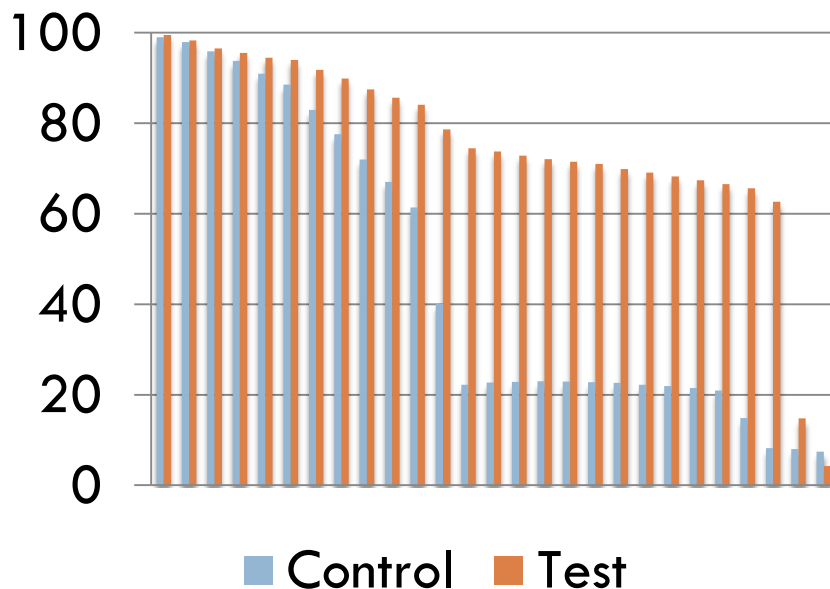
Evaluation

Consider young people registered in a given month. At the end of the month randomly assign Youth Center to be test or control
Follow young people over 2 years

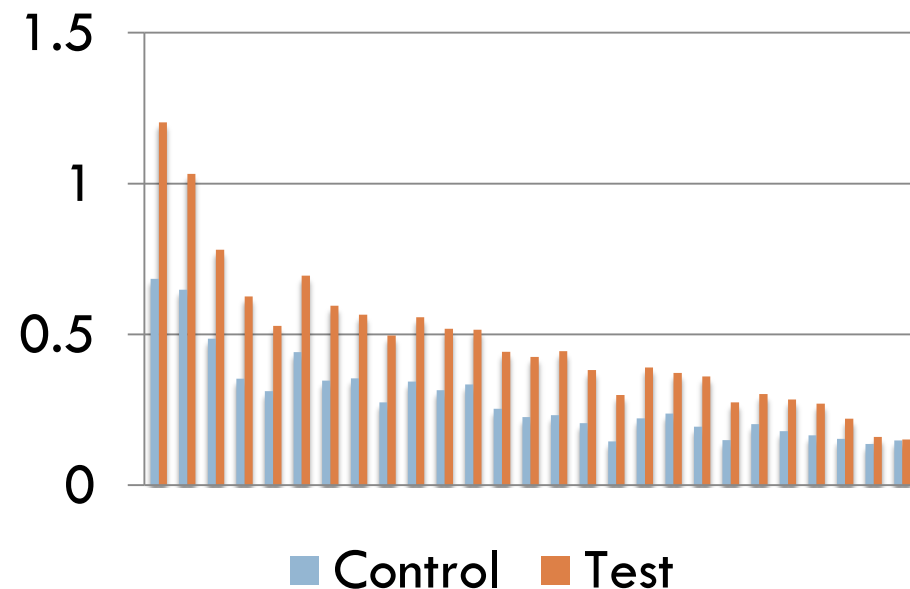


Participation and meetings

Participation month by month



Meetings month by month



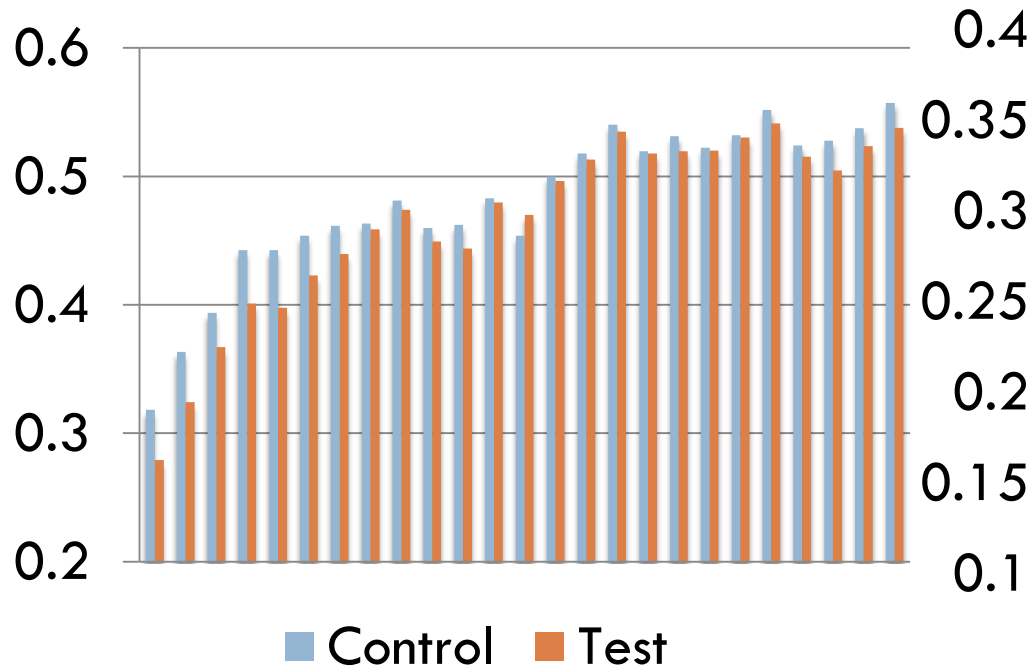
A huge effect on participation and meetings

Young people strongly react to incentives

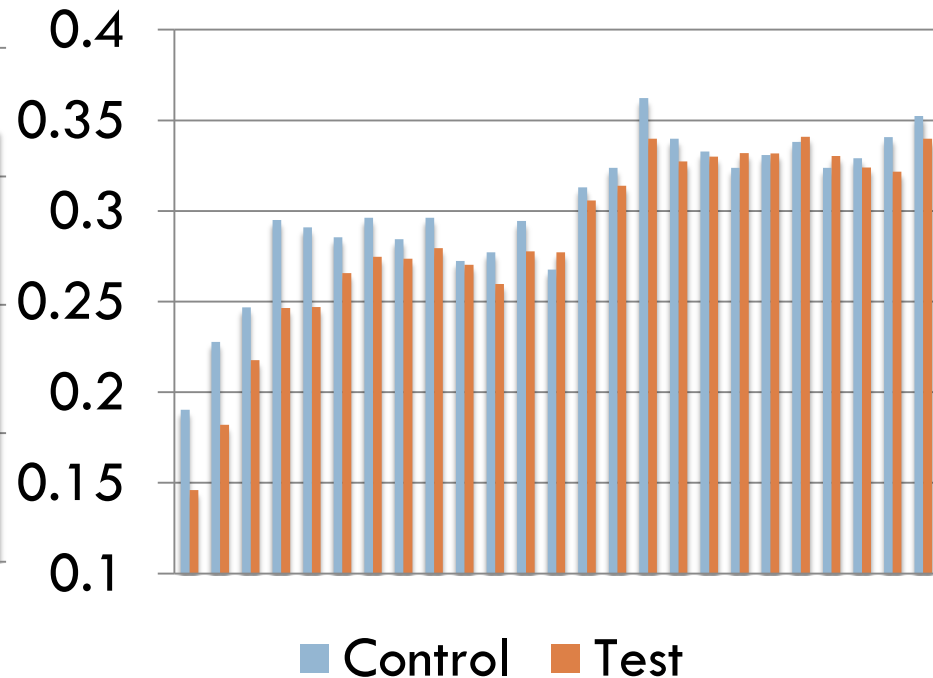
They stay registered in the program and meet their caseworker

Employment

Employment



Full time Employment

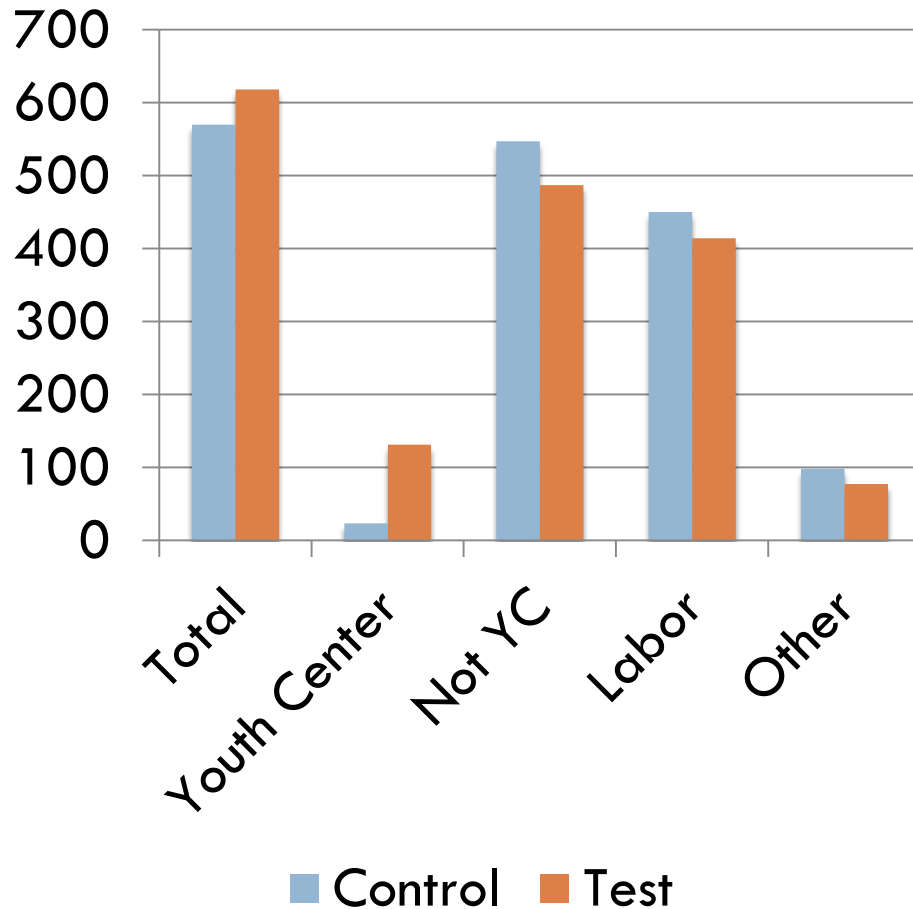


A reduction in employment in the short run
Stronger reduction for high quality jobs (full time)
No significant impact in the long run

Investment ?

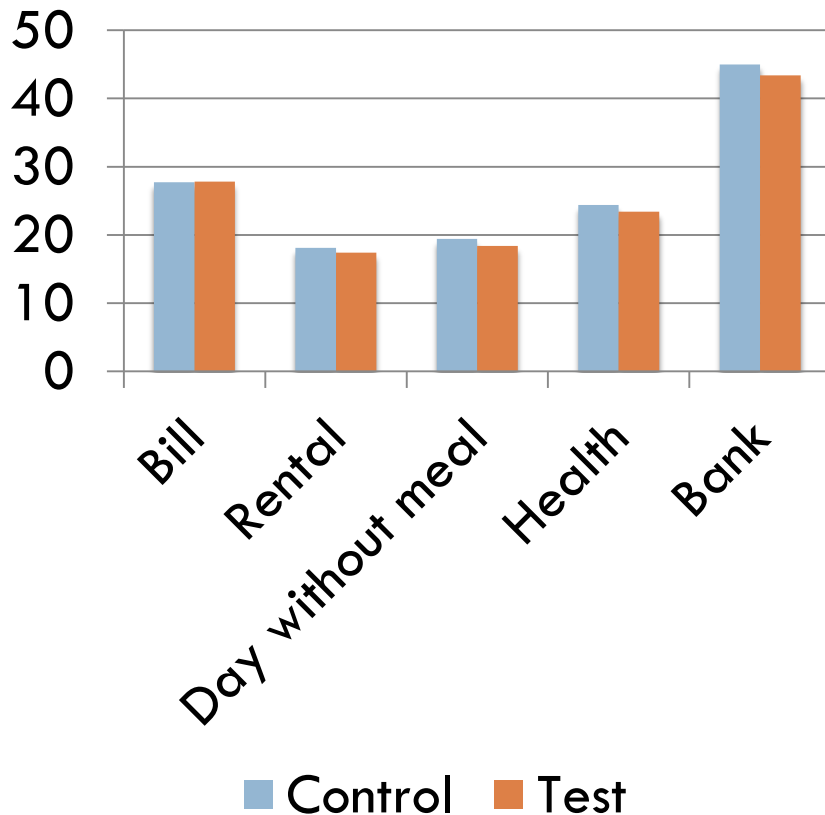
- Less jobs but better jobs?
 - ▣ Unfortunately no!
- Less jobs because human capital investment
 - ▣ Unfortunately no!
- Less jobs because investing time in search for a good job
 - ▣ Unfortunately no!
- Young people are less trapped into the present but it is not for them a reason to invest in their future

Limited impact on monthly income



- Initial transfer from YC reduced by cumulating rules
 - Gains due to the YC transfer offset by negative impact on other sources of income
- Labor
- Other (family)

No reduction in budget constraint



- Lot of youth perceive constraints
- No impact on the proportion of youth with constraints
- No impact either on temptation goods
 - Cigarettes, restaurants, telephone
- Impact on trust in YC

Conclusion

- An idea which makes sense at first glance can be not so good
 - ▣ Provide means to young people to build their future
- Basic income effect plays a major role
 - ▣ Young people take a break. They are less trapped into the present but they do not use it to invest
- Idea that budget constraints alone limit youth integration on the labor market is not the whole story
 - ▣ A sharp contrast with YOP in Uganda
- Incentives matter
 - ▣ Useful to build on that?
 - ▣ Condition cash to steps toward labor market integration?