What is the evidence on rural youth livelihoods and effective interventions?

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Informal is normal until economic transformation takes place

Employment Structure

Source: ILO STAT, 2017
The Youth Employment Problem

- Employment & earnings opportunities depend on extent of transformation, location, etc.
- NOT usually youth specific.
- Youth problem – transition from economic dependency to independence
- Entry into (stable and productive) employment
- In rural areas: usually household farm or business or combination – limited opportunities for nonfarm wage employment
What do we know about economic activities of rural youth?

Tanzania, 2014-15
Youth (age 15-24)

Tanzania, 2014-5
Adults age 25-64
Transition from economic dependence to independence

Rural males, SSA

Rural females, SSA

- Worked for self (past 12 months)
- Worked for someone else (past 12 months)
- Worked for family (past 12 months)
Basics of supply and demand

Price paid

Quantity supplied

DEMAND

SUPPLY
Labor Market Diagnosis

Classical Labor Market

Developing Country Labor Market

Demand
Supply
Supply*

Wage Rate
Wage Rate

Employment (Quantity of Labor)

Labor Quantity

Q1 Q2 Q3

Q1 Q2 Q3

A

W1 W2 W3
Interventions: Theories of change & key assumptions

Supply-side

- **Theory of change**: Improve youth characteristics for increased employment.
- **Assumption**: Entry level vacancies exist but youth lack the skills needed to get them.

Business-climate

- **Theory of change**: Increase demand for youth labor (factors out of control of youth).
- **Assumption**: Barriers to firm entry and growth limit jobs and opportunities available.
What does the impact evaluation research show?

• **Review of IE evidence**
  – Most evaluated programs take place in urban areas
  – Technical and vocational training (TVT) is the most common intervention; wage employment the most common desired outcome even when employment transformation slow
  – Success of training has been limited at best; evidence emerging on displacement effects for wage employment from: (i) TVET, (ii) subsidized apprenticeship, and (iii) job search/counseling assistance
  – For nonfarm SE/HE, cash is quite effective, low cost, gives boost to start-up (evidence from Kenya, Ethiopia, rural Central America)
  – Microfinance also works for start-up (Asia and Africa)

• **Results suggest that understanding of youth needs, progression towards employment missing/not informing program design.**
Need to increase firm entry to increase labor demand

• Finance helps
• Management support helps sometimes
• Why and when should entry level, technical or other training in or with firms be subsidized?
  – Is this the best way to attract private investment?
  – Is there an information problem (firms don’t know how to hire, value of training)?
  – Is there a coordination problem (e.g. industrial park)?
  – Are firms paying some cost/participating?
Research questions

1. When do we need youth targeted programs?
   - When, how, why are youth excluded from economic opportunities in rural areas, how does this differ by gender, education, etc.

2. What should be objective?
   - Speed up entry? Change trajectory? Migration?

3. What should be the content?
   - Transferable skills (remedial cognitive, noncognitive)
   - Generic community PYD youth programs – are these enough?
   - Cash/finance? Inputs? Land transfer?
   - Targeted extension?
THANK YOU