Vocational Training and Cash Transfers for Youth Employment and Entrepreneurship in Kenya

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Sector(s): Education, Labor Markets, Social Protection

Location: Kenya

Sample: 2,100 youth

Initiative(s): Post-Primary Education Initiative (PPE)

Target group: Youth

Outcome of interest: Employment Self-employment Productivity Profits/revenues

Intervention type: Business skills training Cash transfers Unconditional cash transfers Vocational training (TVET) Vouchers

AEA RCT registration number: AEARCTR-0000632

Partner organization(s): Innovations for Poverty Action (IPA)

Youth underemployment is a critical social and economic problem faced by many less developed countries, yet little is known about how best to help youth find jobs and improve the school-to-work transition. In Kenya, researchers are studying the impacts of a program that combines vocational training with one-time cash grants to boost youth employment and entrepreneurship.

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Youth underemployment is a critical social and economic problem faced by many less developed countries, yet little is known about how best to help youth find jobs and improve the school-to-work transition. Vocational training and cash grant programs are two examples of programs that are intended to boost the employability of youth and the productivity of their entrepreneurial ventures.

In theory, vocational training helps youth learn trades and acquire business skills, and cash grants can provide budding entrepreneurs with a small amount of startup capital to invest in starting a small business. However, rigorous research on the economic returns to vocational training in poor countries remains scarce, and there is little evidence on the interactions between vocational training and cash transfers.

To address this evidence gap, researchers are conducting an evaluation of a voucher program that provided access to vocational training combined with cash grants to youth in Busia, Kenya.

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In Kenya, high numbers of youth entering the labor force are outpacing the capacity of the economy to absorb them in productive employment.[1], More than 17 percent of youth ages 15-24 are unemployed, about double Kenya's national average.[2], Many more are underemployed in the informal sector.[3], Among Kenyan youth, however, more than 90 percent are literate, and more than half of those who are out of school have completed some or all of secondary schooling.[4] Given this relatively high level of basic education, vocational training and capital have the potential to improve youth productivity and the competitiveness of Kenya's informal sector.

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In 2008, IPA Kenya launched the Vocational Training Voucher Program (VTVP). Through this program, youth were invited to apply to receive a voucher to cover the cost of vocational training. A total of 2,163 youth applied to VTVP, and approximately half were chosen by lottery to receive a voucher. Voucher winners enrolled in courses from 2009-2011 at 65 different public and private institutions in rural and urban areas across the country.

In mid-2013, IPA Kenya launched a second program, Startup Capital for Youth. In this program, half of the vocational training voucher winners and half of the non-winners were selected by lottery to receive unconditional cash grants worth approximately US $230 each. Prior to receipt of the grant, grant winners were given pamphlets with tips on starting and running a business, to encourage use of grants for investment in entrepreneurship. All 950 grants were distributed through mobile funds transfers.

This research follows up on an initial study conducted from 2008-2011 on the short-term impacts of vocational education vouchers. The randomized cross-cutting design of the two program interventions enables researchers to rigorously estimate the impacts of vocational training, cash grants, and the combination of both interventions.

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Results forthcoming.

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1. "World Bank Approves $150 Million Support for Kenya's Youth." May 2016. https://www.worldbank.org/en/news/press-release/2016/05/20/world-bank-approves-us150-million-support-for-kenyas-youth.

2. "Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)." World Bank. 2014. https://data.worldbank.org/indicator/SL.UEM.1524.ZS, ; "Unemployment, total (% of total labor force) (modeled ILO estimate)." World Bank. 2014. https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS.

3. "Economic Report on Africa." United Nations Economic Commission for Africa. 2015, 67, figure 2.13. http://www.uneca.org/sites/default/files/PublicationFiles/era2015_eng_fin.pdf.

4. "Cross Sectoral Assessment for At-Risk Youth in Kenya." USAID. November 2009, 16. http://www.equip123.net/docs/e3-kenyawidefinal.pdf.