Anonymity or Distance? Removing Obstacles to Youth Employment in Urban Ethiopia

Sector(s): Labor Markets

Location: Ethiopia

Sample: 3,052 youth

Target group: Job seekers Youth

Outcome of interest: Employment

Intervention type: Job counseling Training Subsidies Transportation Certification

Partner organization(s): School of Commerce of Addis Ababa University

Especially in developing countries, young people often work less, earn less, and face more job insecurity than older workers. Researchers evaluated and compared the impact of two different job search assistance policies on employment outcomes for young job seekers in Addis Ababa. Helping youth signal their skills to employers improved their earnings and job duration four years later, especially for youth who would usually fare the worst in the labor market. Reducing the cost of job search through a transportation subsidy improved the likelihood of having a formal job in the short run, but had no impact after four years.

Policy issue

Youth unemployment is one of the major policy challenges facing the world today, especially in many developing countries. Many youth who are employed are trapped in low-quality informal or temporary jobs that pay poorly. Average employment spells tend to be short and irregular, and the lack of a written agreement among informal workers make it difficult to enforce workers' rights and social security benefits.

Several commonly cited obstacles that youth face when seeking quality work are that job search is costly and that youth struggle to signal their abilities to potential employers. One potential way policymakers can help is to reduce the cost of job search through policies such as subsidized transportation. This could make it easier for job seekers to gather more information about existing opportunities and apply for jobs that match their skills and qualifications best. An alternative approach is to help job seekers demonstrate their abilities and employability. This may be especially helpful for young job seekers who have little formal work experience and limited credentials, who might otherwise find it difficult to signal their skills.

Context of the evaluation

This study takes place in Addis Ababa, the growing capital city of Ethiopia. The study includes 3,052 youth aged 18-29 who at the time of the study had completed high school, were available to start working in the next three months, and were not currently working in a permanent job or enrolled in full-time education.

Informal and temporary work is common in Addis Ababa. Job spells are often short and irregular, and wage growth is weak. Permanent jobs and jobs with written contracts are highly sought after by young Ethiopians, since permanent workers tend to have better job security and earn more.

Young job seekers face obstacles to find and secure quality jobs. First, job search is costly. In Addis Ababa, one of the most popular job search methods is visiting job vacancy boards, which are located in the center of the city and are costly to access for some job seekers. Job seekers also face costs to gather information through newspapers, print CVs and cover letters, and travel to interviews. Second, young job seekers who have little work experience and weak social networks may find it difficult to signal their skills and abilities to employers. Many are also not familiar with the process and standards of job applications. For example, 41 percent of the study participants who had applied for a job in the six months before the study started did not prepare a CV to support their applications.



Women working in a factory in Addis Ababa, Ethiopia.

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Details of the intervention

Researchers tested the impact of two programs on employment outcomes: a skills certification and job application workshop and a transport subsidy.

For the skills certification and job application workshop, researchers partnered with the School of Commerce of Addis Ababa University, who designed a two-day workshop that included:

1. A certification session with a series of four tests of 'hard-to-observe' skills such as cognitive, linguistic, and mathematics abilities. The School of Commerce provided participants a certificate reporting their relative grade on each test.
2. An orientation session focused on teaching youth to communicate their abilities through CV writing, application letters and job interviews.

For the transport subsidy, participants were offered cash to cover the round-trip cost of a bus trip to the city center, where major job vacancy boards were located, up to three times per week. Recipients could collect the subsidy, equivalent to around US$1 on average at the time of the intervention, in-person at a disbursement office close to the vacancy boards. The 3,052 young job seekers in the study were randomly assigned into one of these two groups or a comparison group.To measure the impact of these programs, researchers conducted interviews, by either phone or in-person, right before the interventions in 2014, eight months later in 2015, and four years later in 2018. They also conducted short phone interviews once every two weeks inquiring about participants' job-search activities and employment.

Results and policy lessons

Both programs were successful in encouraging participation among job seekers. Half of the job seekers from the transport subsidy program collected cash at least once, and 81 percent returned to collect the cash again. Similarly, 61 percent of individuals invited to the job application workshop attended it, 80 percent of whom collected the certificates from the School of Commerce.

Short run results: In eight months, neither intervention increased the probability of having a job, hours worked, earnings, or job satisfaction. However, being offered the job application workshops increased the probability of working in a permanent job by 60 percent (a 6.9 percentage point increase from 12 percent in the comparison group). Being offered the transport subsidy did not have an impact on permanent employment. Both interventions increased job seekers' chances of having a formal job by about 30 percent (an increase of 5 percentage points from 17 percent in the comparison group.

The transport subsidy did encourage job seekers to search for work more frequently. Job seekers who were offered the subsidy were 12.5 percent more likely to look for work (5 percentage point increase from 40 percent), and nearly 30 percent more likely to visit job vacancy boards (about 9 percentage point increase from 28 percent),

Long run results: Four years later, being offered the job application workshop increased earnings by 20 percent and increased job satisfaction by 12 percent (a 6.6 percentage point increase from 58 percent in the comparison group). These effects were concentrated among youth with the worst labor market prospects: those with the least education and work experience. Job seekers who were offered workshops stayed in the same job for 10 percent longer, and were 8 percentage points more likely to work in jobs that made regular use of their abilities, suggesting that the workshop improved job match quality.

On the other hand, the effects of the transport subsidy program dissipated over time. Although job seekers who were offered the subsidy searched for work more frequently, there were no effects on permanent employment, formal employment, earnings or job satisfaction four years later.

Researchers hypothesized that the transport subsidy led to job seekers looking for work more frequently, but this did not lead to sustained increases in earnings as youth were unable to convince employers that they had the skills required to perform better-paid jobs. In contrast, job seekers who attended the job application workshops were able to search for jobs more effectively, by selecting into jobs to which they were better matched. This is supported by the results showing that job seekers who were offered the workshop had higher earnings and stayed in the same job for a longer period of time.

The job application workshop generated an average wage gain of US$10 per month per worker, compared to a one-time cost of US$18.20 per individual. Researchers concluded that the job application workshop compared favorably to other labor market interventions. Given the long-term benefits and relative ease with which the workshop was implemented, improving young people's ability to signal their skills in Addis Ababa seems to be a cost-effective policy option for policymakers seeking to improve youth labor outcomes.

The findings from this study have been presented to the Government of Ethiopia in a number of occasions and are helping define the graduation component of the recently-launched Urban Safety Program.