The Impact of Disclosing Soft Skills Certificates at Recruitment on Labor Market Outcomes in Uganda

Researchers:

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Sector(s): Labor Markets

Fieldwork: BRAC

Sample: 787 young workers and 422 small and medium enterprises (SMEs)

Target group: Job seekers Small and medium enterprises Firms Urban population Workers

Outcome of interest: Earnings and income Employment Aspirations Job mobility

Intervention type: Information Recruitment and hiring Soft skills Certification Employment

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Partner organization(s): BRAC, UK International Development, Institute of Labor Economics (IZA), Institute for Fiscal Studies, Economic and Social Research Council (ESRC)

The lack of credible information on workers' skills at recruitment can create significant impediments to matching workers with certain skill profiles with employers requiring those skills, contributing to low wages and productivity. In Uganda, researchers conducted a randomized evaluation to test the impact of providing a soft skills certificate to both employers and job seekers during job interviews on matching in the labor market. The certificates caused workers to increase their expectations of finding the right job, while high-ability managers were more likely to have a positive assessment of workers' skills. This increased pairings between higher skilled workers and higher ability managers and between workers with high values of specific skills and firms particularly in need of those skills, and it also led to higher earnings for workers, conditional on employment.

Policy issue

The lack of credible information on workers' skills can limit matching workers based on their skillset to a position's needs, and hence reduce labor productivity and wages. Difficulties in screening workers can prevent firms from selecting the right employees, and difficulties in signaling job seeker skills to employers can impact the ability of workers to match with the right jobs or even affect workers' decision to acquire more education or training.

There is little evidence on how lack of sharing of information on skills affects job matching in urban labor markets in low-income countries. What is the effect of providing employers and job seekers with credible information about job seekers' skills on employment outcomes?

Context of the evaluation

Uganda has one of the youngest populations in the world, as the population between 18 and 30 years represented 19.1 percent of the country's population in 2019/2020.[1], As job seekers look for the right job in a context of limited creation of productive and decent jobs,[2] youth might face additional challenges in dealing with information problems given their lack of work experience. Similarly, small and medium enterprises (SMEs) might be particularly affected by lack of information sharing at recruitment given their limited access to screening technologies such as job platforms.

A survey administered to trainees enrolled at fifteen large vocational training institutes (VTIs) reported that over sixty percent planned not to be self-employed in their first job. Similarly, about sixty percent of trainees reported that the ideal firm size was twenty employees or less. Thus, the typical trainee will look for jobs in SMEs after training.

Similarly, a census of urban SMEs revealed that soft skills were perceived by firm owners as relatively valuable. However, firm owners reported difficulties in observing workers' soft skills among their main perceived constraints. Additionally, firm owners reported relatively low expectations on the level of soft skills among workers and considered workers with good soft skills hard to find.

Therefore, the study focused on sharing information about job seekers' soft skills, as firms are already able to screen on practical skills, and providing credible information on soft skills might address a key source of information problems.

Two men standing outdoors in front of a workshop in Uganda

Photo: Vittorio Bassi

Details of the intervention

Researchers partnered with BRAC Uganda to evaluate the impact of providing credible information on soft skills to both employers and job seekers during the recruitment process on matching in the labor market. Study participants were young workers out of vocational training and looking for jobs, and SMEs looking for workers.

Young workers were defined as all trainees enrolled at fifteen large and reputable partner VTIs and expected to graduate in time for the intervention. The study focused on young workers because they can be particularly affected by information frictions at recruitment given their lack of work experience. However, the study participants were substantially more educated and wealthier than the average Ugandan youth.

Firms were identified through a census of SMEs conducted in urban areas of Uganda. The study focused on SMEs as most workers are employed in SMEs and the selected business sectors. SMEs are an important source of employment for young workers in Uganda, as VTIs typically offer courses in them.

All eligible firm owners and trainees were asked about their interest in participating in the program. The study participants comprised 787 trainees that confirmed their interest and completed a main skills assessments form, and 422 firms that confirmed their interest and completed the baseline survey form.

The 787 workers and 422 firms participating in the program were randomly assigned to an intervention and a comparison group.

The intervention had three components, with only the final component differing between the intervention and comparison groups:

1. **Screening component:** The research team collected information on the soft skills of all workers in both the intervention and comparison groups while they were still enrolled at the VTIs.
2. **Matching component:** The research team matched firms and job seekers together for real job interviews. A total of 1,230 job interviews were scheduled: 616 in the intervention group and 614 in the comparison group. The median firm was matched with three workers.
3. **Signaling component:** Certificates were disclosed to both the worker and the firm during the scheduled job interview.
    - Intervention group: Job seekers received a certificate reporting their grades on the five soft skills measured in the baseline assessments: creativity, trustworthiness, willingness to help others, attendance, and communication skills.
    - Comparison group: Job seekers received a placebo certificate, so that any intervention effects could be attributed to the content of the certificate, rather than to an additional document in their application files. Researchers conducted four post-intervention surveys to collect information on worker and firm-level labor market outcomes and beliefs. First, a 'matching survey' was conducted during the matching component and collected information on the interview and managers' beliefs. Second, a firm follow-up survey was conducted six months after the matching intervention. Finally, two worker follow-up surveys were conducted 12 and 26 months after the matching component.

In addition to adhering to appropriate privacy, confidentiality, risk management and informed consent protocols, since the intervention entailed revealing information to firms about trainees' skills, it was made clear to trainees at the stage of signing up to the study that participation was voluntary and information on the skills of participants would be disclosed to potential employers. Possibly because of this, the trainees who decided to participate in the intervention were positively selected on soft skills, relative to the underlying population of eligible VTI graduates.

Results and policy lessons

The results of the study suggest that both sides of the labor market responded to the certificates. Firms were better able to screen productive workers, and workers were better able to signal their skills in the market. This improved labor allocation.

Only 42 percent of the scheduled interviews occurred mainly due to workers losing interest. The analysis focused on study participants that met, which made up 515 out of 1,230 scheduled interviews. The certificates were disclosed in all but two of the job interviews. Furthermore, the impacts were driven by the study participants that met, suggesting that workers learned about the importance of the certificates from the reaction they got from employers.

1. **The change in the beliefs of managers and workers led to pairings between higher skilled workers and higher ability managers, indicating better alignment between workers' skills and firms' needs, and higher earnings for workers.** While the certificates lead to a reallocation across jobs, they did not increase the probability of employment. Employed workers with a certificate earned 11 percent more in wages in the two years post-intervention (an increase of US$7 per month for the average worker compared to the comparison group mean of US$63.1 in 2015). Moreover, this effect was larger for better skilled workers.
2. **Receiving certificates led to managers increasing their perceptions of workers' skills, with higher-ability managers increasing their perceptions the most.** Researchers also found a larger increase in managers' assessments of workers with higher skills. However, there was no evidence that managers' evaluation was negatively affected for lower-skilled workers. This may have been because program participants on average were positively selected on soft skills relative to the underlying population of VTI graduates and had higher skills than typical young employees in SMEs, and managers' expectations about workers' soft skills may have been consistent with skills of typical young employees.
3. **Workers receiving certificates increased their expectations of finding the right job.** Two years post-intervention, workers with a certificate reported 7 percent higher expected monthly earnings relative to the comparison group's mean of US$114.7 in 2015. They reported a 5 percent higher expected employment probability (relative to a comparison mean of 5.5 on a 0-10 scale index). Lastly, they were 7 percentage points more likely to report that their ideal job was in a firm with ten or more employees (relative to a comparison mean of 62.4 percent), which are likely to be more productive than SMEs, suggesting workers were trying to move to better and higher paying jobs.
4. **Certificates raised workers' perceptions about what they can achieve in the labor market.** On average, workers were 15 percent less likely to engage in casual work, which is a very short term or on an occasional basis engagement,[3] relative to the comparison group's mean of 32.3 percent. They were 3.8 percentage points more likely to have attended further education or training post-intervention, from a comparison mean of 12 percent. This finding suggested that certification impacted workers' decision to acquire more education or training.
5. **A reduction in the perceived difficulty to signal skills drove the change in worker's beliefs.** On average, workers in the study group reported a 7 percent reduction in the challenges to effectively communicating their skills to employers, relative to a comparison mean of 2.7 on a scale from one to five, with one indicating no challenges.

These results suggested that the lack of information on workers' skills at recruitment was a barrier that contributed to keeping wages and productivity low, and that providing information on worker's skills from a trusted institution helped to overcome this barrier.

Use of Results

This evaluation has informed BRAC's priorities with respect to the role of soft skills and certification in their training programs. In particular, BRAC has included soft skills as one of the core components of their Empowerment and Livelihood for Adolescent (ELA) programme and expanded the target group to include youth. This has been articulated in BRAC Africa Strategy where they have specified a three prone approach of ELA that includes soft-skills, vocational skills and education.

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