

A BRIEF CONCEPT NOTE ON

Assessing the impact of vocational and entrepreneurship training implemented by Employment Fund Project/ HELVETAS Swiss Intercooperation in Nepal

Background

The Employment Fund (EF) is currently being operated by HELVETAS Swiss Intercooperation Nepal under the agreement signed between the Government of Nepal (GoN) and the Swiss Agency for Development & Cooperation (SDC). The purpose of EF is to provide gainful employment to unemployed youths by imparting skills through private sector Training and Employment Service Providers (T&Es).

Capacity development of the disadvantaged adult citizens through vocational and entrepreneurship trainings is often promoted as a solution to bring them out of lifelong poverty. In order to stimulate entrepreneurship and employment opportunities for the poor youths, the government of Nepal and international donors are pouring in more than US\$ 100 million on entrepreneurship and vocational training. However, very limited research has been conducted to evaluate the effectiveness of these programs.

Scope and purpose of the study

The proposed research aims to evaluate two programs, Micro Enterprise Development for Job Creation, and The Skills Trainings and Employment Services for the Very Poor and Youth with Special Needs (Path to Prosperity), to be implemented by the Employment Fund, with financial support from the Department for International Development (DFID UK), across different parts of Nepal in early 2014.

The first program is targeted to those who are not currently self-employed but want to start a new business immediately after the conclusion of the three-month training. The second program is focused on providing three-month long vocational training to extremely poor individuals. These programs are restricted to both male and female aged 18-40 who are not currently undertaking formal education. Training in different sectors like construction, hospitality, electrical and electronic, fabrication, and agriculture will be imparted.

The main **research questions** we intend to address are:

- a) Are the vocational and entrepreneurship training effective in finding jobs and creating new businesses?
- b) How such jobs and businesses affect income, poverty and labor supply?
- c) How do these jobs and business training affect gender and social empowerment?
- d) Does the effectiveness differ with types of trainings & age, gender, qualification and ethnicity of the graduates?

Recent years have seen a number of researches evaluating the effectiveness of training programs in many developing countries using randomized control trial method. The results so far have been mixed. Maitra and Mani (2013) and Attanasio et al. (2011) find that vocational training participants are more likely to be employed (0.06 and 0.068 higher probability) and earn more (150% and 19.6%) in India and Colombia, respectively. Card et al. (2011) in their Dominican Republic study find marginal improvement (10%) in earnings/wages but no effect on employment. Studies in low-income countries are more limited. In the Cho et al. (2013) study in Malawi that involved experimental phase-in design, males were more likely to benefit from

vocational training than females. Given that training providers for the program we are evaluating are paid more if the trainees are employed, one would assume that the training providers in Nepal will try harder to find employment for their graduates. We will be able to assess whether the magnitude of the program impact is greater in Nepal than in programs elsewhere since the incentives of the trainees and the trainers are aligned.

Methodology

In order to estimate the impact of the entrepreneurship training program on outcomes of interest mentioned above, one also needs to estimate what the outcome would have been had the trainee not participated in the program. Ideally, one would want to observe what the outcome would have been when the person participates in the program and compare it with the outcome when the person does not participate in the program. Unfortunately, at any given point in time, a person can either be in the program or not in the program. Therefore, we need a valid comparison group to credibly estimate the impact of the program.

Randomized Control Trial Method and other related methods

The proposed study is based on a **randomized control trial** (RCT), which is often considered the 'gold standard' of impact evaluation. This method is extremely popular in the development related research. In fact, most of the widely cited and recently published articles in leading journals on vocation and business skill trainings have used RCT method. This is because attributing the impact of the program on outcomes of interest is more convincing while using RCT method. Since the treatment and control group participants will be similar in both observable and unobservable characteristics before the implementation of the program, any change that is seen in treatment group participants in relation to control group participants can be credibly attributed to the program.

There are alternative evaluation methods, but they have serious drawbacks. We will highlight some of the methods below. One option is to compare only program participants, both before the program starts (pre) and after the program is implemented (post). However, this method does not allow one to estimate the counterfactual (what the outcome would have been without the program). There is therefore a risk of inappropriately attributing the change to the program when it is not true. For example, during the economic downturn, the living standard of participants may be lower than what was before even with the training. Without a comparison group, we could falsely conclude that the program had negative or no impact while the estimate with valid control group could have shown a positive impact of the program.

Similarly, one could construct control group based on observable characteristics of those in the treatment group and compare baseline and end-line outcomes to estimate program impact. However, it is essential to point out that these participants can differ greatly in terms of unobservable characteristics. For instance, depending on whether more motivated people are in treatment or control group, the estimate of the program can either be overestimated or underestimated. In other words, the evaluation design is flawed here.

A promising research design is Regression-Discontinuity method. It is used in cases where selection criteria uses cut-off points to be in the treatment. The impact of the program can be measured by comparing those in the treatment group near the cut-off area with those in the control group who narrowly failed to satisfy the program requirements. It is very likely that this method is not suitable in our cases. Note that only a small subset of program participants near the cut-off points will be surveyed. If there are reasons to believe that the impact of the training is different for different types of persons, then this method is probably not the best one. For

example, if those who are less motivated end up being near the cut-off line, then the program impact will not be positive even if the ones who were well above the cutoff point ended up doing significantly better with training.

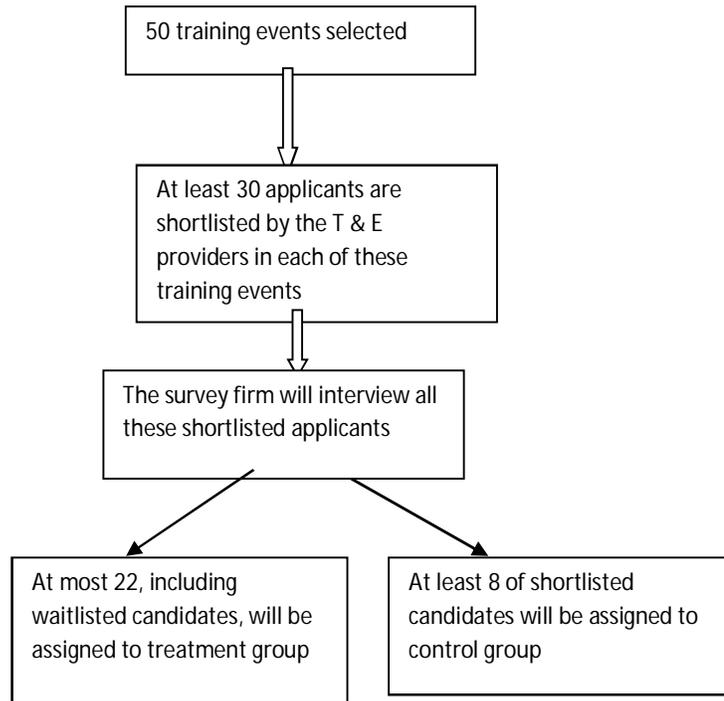
Actual implementation of research protocol on the ground, including data collection

From among 500 training events provided by EF, 50 training events will be selected for the study. The sample size will be 1,500 persons (50 training events across Nepal). The sample will be selected from among the willing participants based on eligibility criteria discussed in previous section. Of these, 990 persons (33 events) will be randomly assigned to a group where the program will be evaluated by randomly assigning applicants into treatment and control groups. The remaining 510 persons (17 events) will be in a group where training participants will be selected by the Training & Employment (T & E) providers. Steps to ensure these two groups are similar before selection is outlined below.

First, 50 training events to be evaluated will be finalized. Once this is done, applications for training in these events in different cities of Nepal will be sought. Training institutes should extensively advertise the training to increase the eligible applicant pool. They should let all interested people who satisfy the requirement to apply for a training spot. Based on the perceived interest in the training, it is reasonable to assume that the demand for the training will be substantially greater than the supply (spots in the training course). From among the applicants meeting the selection criteria, the Training & Employment service providers (T&Es) will first shortlist at least 30 qualified (meeting the criteria set for the program) candidates per event, from presumably more than 40 applicants. The survey team will then immediately start interviewing these shortlisted candidates. At this point, **no one** knows who among these shortlisted candidates will be selected for the training event. Once all the shortlisted candidates are interviewed for that particular event, the training events will then be randomly assigned to groups where the training participants will be randomly selected from shortlisted candidates, and where T & E providers will select the participants.

In the group where participants for the event will be randomly selected, all the shortlisted candidates will have equal chance of being in the program (or comparison) group. We could either ask a computer program to select the names from the shortlisted candidates or pick the names from a jar. Similarly, the waitlist will also be randomly generated. The first person in the list must be the first one to be offered the training if someone originally offered training decides not to enroll. Once the waiting list (at most 3 if the shortlist is 30) is exhausted, the person from the control group should not be selected for training even if there are available seats. *If the process mentioned in this paragraph is followed*, all the shortlisted candidates will have equal chance of being in the program (or comparison) group.

Figure 1: Steps to be taken while implementing sampling protocol



Estimation of the Impact

One of the simplest ways to estimate the impact of the training program is to compare the baseline and end of year outcomes of interest in both program and comparison groups. The outcomes of interest will be average earning, labor market outcomes such as employment status, hours worked and starting a new business, and gender and social empowerment related outcomes such as participation of women in work and decision making. Two rounds of data will be collected—before the program has been implemented and nine months after the training has been conducted. Both rounds of survey will include similar sets of questionnaires so that before and after comparison between treatment and control groups (double difference) can be done. Information related to household demography, education and health level, economic activities including wage income, agriculture and non-agriculture enterprises, labor allocation, food and non-food expenditures and credit information will be collected. A survey firm with a solid track record in collecting individual and household level data will be selected through competitive bidding. They will collect and enter the data which we will check for data inconsistencies.

Policy relevance

This research should be of relevance to the governments of Nepal and other low income countries. This study will be one of the most rigorous evaluations on trainings done so far in Nepal and is the first one to include randomized control trial research design. Our dissemination plan includes sharing results with other training providers, government agencies and international donors. Since most of the trainings conducted in Nepal follow similar method, our results will inform these stakeholders about the effectiveness of such programs. As a result, our research could also influence future policy decisions on training programs.

Compared to programs which have been evaluated in the literature, the Employment Fund offers additional incentives to T & E providers that vary on the gender and social inclusion (e.g. incentive for women are higher compared to men). Post financing payment mechanism is followed where 40% is paid after completion of training and remaining 25% and 35% of the funds is provided after the verification of three and six months of employment of trainees, respectively. Though the present research design does not allow us to tease out the effect of incentives from training, future research could address this issue if the impact of this program is higher than elsewhere.

Research team members, survey firm requirement and funding sources

The impact evaluation team will include Dr. Shyamal Chowdhury, Senior Lecturer and Dr. Uttam Sharma, Postdoctoral Fellow in Development Economics, both at the University of Sydney, Australia. The team members have extensive experience working in rigorous impact evaluation interventions in developing countries in South Asia and Sub-Saharan Africa. They have ongoing or completed impact evaluation related projects in Bangladesh, Nepal, Ghana, Nigeria, Tanzania, and Uganda. Most of these studies are related to development related issues and employ randomized control trial method. Both of the Principal Investigators have been interacting with the Employment Fund regarding this project for over a year now. Furthermore, one of the Principal Investigators (Uttam Sharma) worked as a field coordinator for four and half months in 2011 on a World-Bank funded project implemented by the Employment Fund that is similar to this project, but was not evaluated using randomized control trial method. The research team is intimately aware of how the project is being implemented on the ground. The research design also addresses and takes into account some of the challenges faced during earlier fieldworks.

The researchers at the University of Sydney are now exploring opportunities to secure funding for their portion of research expenses. They have recently applied for a research grant from Centre for Economic Policy Research (CEPR) and the DFID under their Private Enterprise Development in Low-Income Countries (PEDL) programme. The funding needed by the survey firm in Nepal, which will be selected through competitive bidding, to conduct both baseline and endline field work has been secured from DFID. The selected firm will have considerable experience (at least five years) in managing surveys, preferably in managing panel surveys (involving repeated interviews with individuals over time). This includes the preparation of survey and training materials, training and supervising interviewers, data entry, maintaining records, and ensuring confidentiality of records. The firm will have sufficient experience and capacity to manage survey logistics, including equipment, materials, and personnel. The firm will preferably have experience in handling sensitive material and information, and in conducting interviews concerning potentially difficult topics among vulnerable groups.