Innovations for Poverty Action

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Timeline
2017-2021

Sample Size
1,848 underemployed youth

Research Implemented by IPA
Yes

Are Training Programs Better Than Cash Transfers At Improving The Lives Of Poor And Underemployed Young People? Evidence From Rwanda

Abstract

Finding effective measures to integrate young people into productive adult life is crucial, especially given Africa's growing youth population. However, the evidence surrounding various policy alternatives is mixed, and there is no clarity on the long-term impact and cost-effectiveness of the various alternatives. In Rwanda, researchers conducted a cash benchmarking evaluation, — a direct comparison of in-kind to cash transfer programs — of a workforce readiness and skills training program called Huguka Dukore. Both the Huguka Dukore program and cash transfers had a positive impact in the short and long term. However, the long-term effects faded by about half compared to the short-term.

Policy Issue

Africa is a region characterized by a young population, with about 70 percent of the population under thirty.[1] Rapid population growth in the region suggests that this trend will continue to grow, with projections that the continent will be home to almost half of the young people in the world by the end of the century.[2] Integrating young people into a productive adult life is therefore of paramount importance, especially given the informal nature of most economies in Africa. With one of the lowest average levels of schooling in the world, skills are almost certainly a constraint, but not the only one. Credit constraints, for example, or macroeconomic conditions, also limit livelihood opportunities and pathways out of poverty.

There is mixed evidence of the effectiveness of various measures to increase and improve employment opportunities. For example, some entrepreneurship and job training programs have had modest success — especially in formal contexts[3] — and evidence reveals that cash transfers are often used to address credit concerns[4]. However, questions remain as to how these measures can support productive transitions into adulthood in challenging macroeconomic contexts. Moreover, the ability of these interventions to have long-term effects and the cost effectiveness of the various approaches must still be determined. This study aims to shed some light on these issues by conducting a cash benchmarking evaluation, a direct comparison of in-kind to cash transfer programs.

Context of the Evaluation

In Rwanda, about 30 percent of the youth population is neither employed, in training, nor in school.[5] To address some of these challenges, the United States Agency for International Development (USAID) in partnership with the nonprofit Education Development Center, Inc. (EDC) implemented a workforce readiness and skills training called *Huguka Dukore/ Akazi Kanoze* which means' Get *Trained and Let's Work/Work Well Done'* in Kinyarwanda.

The Huguka Dukore program is a five-year project (2017-2021) aiming to provide 40,000 vulnerable youth with employability skills in 19 (of 30 total) districts nationwide. Targeting youth from poor households with less than secondary education, with an emphasis on women and youth with disabilities, the program offers multiple pathways including: i) workforce readiness preparation; ii) individual youth entrepreneurship and microenterprise start-up; and iii) technical training for specific trades after which trainees may be placed in apprenticeships.

The research team partnered with GiveDirectly, a US-based nonprofit that specializes in sending mobile money directly to the mobile phones of beneficiary households to conduct an impact assessment that measures not only the impact of the Huguka Dukore, but also how it compares to just giving people cash.

Details of the Intervention

Researchers conducted a randomized evaluation of the Huguka Dukore program to measure the short-term (18 months) and long-term (3.5 years) effects of the program. In a novel cash benchmarking design, researchers also analyzed the benefits of the program compared to the provision of cash transfers at comparable costs to the donor.

Study participants include poor, underemployed youth targeted by the Huguka Dukore program, who expressed willingness to enroll in that training program, and who met the technical poverty criteria to be eligible for Give Directly funding. Public lotteries were used to randomly assign the youth into four groups, receiving either:

- **The Huguka Dukore program**: 485 individuals received the regular programing, which consisted on three sequential modules taken serially over the course of a year: i) workforce readiness preparation; ii) individual youth entrepreneurship and microenterprise start-up; and iii) technical training for specific trades, after which trainees may be placed in apprenticeships.

- **Cash transfers**: 672 individuals were randomly assigned either to: i) lower cash transfers of US $317.34; ii) middle cash transfers of US $410.19; iii) an upper cash transfer of US $503.04; or a large cash transfer of US $750. The value of the grants was not disclosed until after the random assignment. The Huguka Dukore program ended up being less expensive than anticipated at the design phase, meaning that all of the cash transfer amounts were more expensive than Huguka Dukore. The cost of Huguka Dukore was US $338. By chance, the cost of the Combined group was $886, very close to the cost of the largest cash arm.

- **Cash transfers and Huguka Dukore:** 203 individuals received both a cash transfer and the Huguka Dukore program to test if these two components complement each other.

- **Comparison group:** 488 individuals did not receive any interventions at the time of study.

The initial survey was conducted in December 2017 and January 2018, Huguka Dukore began its implementation in February 2018, and Give Direct began to distribute cash transfers in May 2018. The researchers conducted an intermediate survey in July and August of 2019 and the final survey was conducted in October and November 2021.

Results and Policy Lessons

Both the Huguka Dukore program and the unconditional cash transfer had positive short term and long-term effects on various outcomes. However, approximately half of the benefits observed after 18 months of the implementation of the various interventions faded three years later.

Cash transfers had a greater impact in the short term, especially in terms of income, consumption and subjective well-being. Due to the fading effects, it is impossible to determine whether the Huguka Dukore program was in the long run better than cash transfers. Furthermore, the researchers found no evidence that the combination of Huguka Dukore and cash had a better effect than the standalone programs.

In both the short and long term, the Huguka Dukore program had a positive impact on the number of hours spent on productive activities (approximately tripled them in the short and long term), productive assets owned (1.5 times in the short term and 92 percent in the long term) and business knowledge (65 percent increase in the short term and 26 percent increase in the long term). In addition, the Huguka Dukore program had a positive impact on subjective well-being (19 percent increase) and savings (double) in the short term.

In both the short and long term, cash transfers had a positive impact on productive assets (approximately 4 times higher in the short term and 3-1.5 times higher in the long term), livestock values (2.6-1.7 times in the short term and 1.6- 1.5 times), savings (approximately double in the short term and between double and 65 percent in the long term), and subjective well-being (55 percent in the short term and between 39 and 28 percent in the long term). Furthermore, transfers increased monthly income (between double and 70 percent) and per capita consumption (between 36 and 20 percent) in the short term.

These effects were consistent between the richest and the poorest, men and women, old and young, and across different labor markets.

Cash transfers also influenced participants' personal decisions in the long term. While the large cash transfer (US $750) increased marriage and fertility for men, women receiving cash transfers showed a decline in lifetime fertility.

In the long term, both interventions decreased participation in agricultural wage labor. Huguka Dukore pushed individuals into non-agricultural wage, and cash transfers, especially large ones, increased income in micro-enterprise and non-agricultural self-employment. Both interventions also led to a burst of new business formation in the short term, but a significant fraction of the businesses closed by the time researchers conducted the final survey.

The program may have had an impact on mitigating the shock caused by the COVID pandemic. Of the people in the comparison group (who did not receive intervention), 78 percent reported COVID led to a negative shock to their income. Furthermore, among people who did not receive intervention, there was a dramatic deterioration in production assets and business ownership between the intermediate and final surveys. The positive effects of both the program and the cash transfers appear to have helped protect productive assets, business ownership, and profits during a period in which these outcomes declined in the general population.

Sources

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[3] David McKenzie, “Small Business Training to Improve Management Practices in Developing Countries: Re-Assessing the Evidence for ‘Training Doesn’t Work,’” Oxford Review of Economic Policy 37, no. 2 (June 29, 2021): 276–301, https://doi.org/10.1093/oxrep/grab002 .

[4] Christopher Blattman, Nathan Fiala, and Sebastian Martinez, “The Long Term Impacts of Grants on Poverty: 9-Year Evidence From Uganda’s Youth Opportunities Program” (Cambridge, MA: National Bureau of Economic Research, September 2018), https://doi.org/10.3386/w24999.

[5] National Institute of Statistics of Rwanda (NISR), Labour Force Survey,November 2021 (Q4). https://www.statistics.gov.rw/publication/labour-force-survey-trends-august-2021q4

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