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Youth Employment and Productivity:
Medium-term Experimental Evidence from Rwanda

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Abstract

We present the results of a 3.5-year followup on a randomized experiment benchmarking a workforce training program against cash transfers. Examining self-employment outcomes in a sample of poor and underemployed youth, this study measures the impact of the training program relative not only to a control group, but also to the counterfactual of simply disbursing the cost of the program directly to beneficiaries in cash. We continue to find impacts of the job training program on time use, productive assets, and business knowledge, while the cash transfers have strong continued effects on productive assets, livestock values, and subjective well-being. Both interventions enhance the likelihood that individuals operate businesses and the sales in those businesses, with large cash transfers sustaining strong improvements in business profits more than three years after disbursement. Nonetheless, impacts have faded by roughly one-half compared to what was seen at the 18-month followup, making most follow-up comparisons at end-equivalent levels statistically insignificant. Estimated consumption effects are attenuated by approximately one third, and are statistically significant relative to control at the 10 percent level only in a combined arm that received both cash transfers and RD. Our results suggest that these interventions lead to modest medium-term improvements in the well-being of participants, but that impacts achieved at followup were not robust to economic shocks in either the job-training or cash-transfer arms. Deeper reforms may be necessary to allow self-employment to provide a transformative pathway out of poverty.

Keywords: Employment, Entrepreneurship, Cash Transfers,

JEL Codes: O12, O55, J21

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We present the results of a 3.5-year followup on a randomized experiment benchmarking a workforce training program against cash transfers. Examining self-employment outcomes in a sample of poor and underemployed youth, this study measures the impact of the training program relative not only to a control group, but also to the counterfactual of simply disbursing the cost of the program directly to beneficiaries in cash. We continue to find impacts of the job training program on time use, productive assets, and business knowledge, while the cash transfers have strong continued effects on productive assets, livestock values,

savings, and subjective wellbeing. Both interventions enhance the likelihood that individuals operate businesses and the sales in those businesses, with large cash transfers sustaining strong improvements in business profits more than three years after disbursement. Nonetheless, impacts have faded by roughly one-half compared to what was seen at the 18-month midline, making most endline comparisons at cost-equivalent levels statistically insignificant. Estimated consumption effects are attenuated by approximately one third, and are statistically significant relative to control at the 10 percent level only in a combined arm that received both cash transfers and HD. Our results suggest that these interventions lead to modest medium-term improvements in the well-being of participants, but that impacts achieved at midterm were not robust to economic shocks in either the jobtraining or cash-transfer arms. Deeper reforms may be necessary to allow self-employment to provide a transformative pathway out of poverty.

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