

**JOBS
GUIDE**
Issue 3

Integration: A New Approach to Youth Employment Programs

General Guidelines for Project Teams



WORLD BANK GROUP
Jobs

Integration: A New Approach to Youth Employment Programs

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CONTENTS

ACKNOWLEDGMENTS.....	V
ABBREVIATIONS.....	viii
GLOSSARY.....	ix
INTRODUCTION	1
Purpose and design of integrated programs	1
Guide Contents and organization	2
1. UNDERSTANDING THE YOUTH EMPLOYMENT CHALLENGE.....	3
The importance of integration.....	4
Understanding the local context.....	5
Addressing self-employment.....	8
Tools supporting integrated youth programs	9
2. IMPROVING THE DESIGN OF A SUPPLY-SIDE INTERVENTION	10
Step 1: Identify and target the population; define eligibility criteria and verification mechanisms	11
Step 2: Perform outreach to, select, and register selected beneficiaries	14
Step 3: Profile the beneficiaries	16
Step 4: Deliver and pay for integrated packages of active labor market programs	21
Step 5: Put monitoring system in place to evaluate performance	32
3. IMPROVING THE DESIGN OF A DEMAND-SIDE INTERVENTION	35
Step 1: Establish a profile of possible jobs for the target population	38
Step 2: Define the target group of firms to be supported	40
Step 3: Identify the constraints faced by the target group of enterprises.....	41
Step 4: Design and implement comprehensive packages for the target group of firms.....	54
4. INTEGRATING THE SUPPLY AND DEMAND SIDES.....	60
Design elements of programs to integrate supply- and demand-side interventions	62
Implementation practices to support the integration of supply- and demand-side project interventions	66
Integration of Supply- and Demand-Side Interventions in action.....	70
The costs of creating a job	73

ANNEXES

A: Jobs Diagnostics Tool 77
B: Country Portfolio Review and Visualization Tool 80
C: Value Chain Assessments and Analytical Tools 82
D: Qualitative Survey and Focus Group Discussions 89
E: STEP Skills Measurement Employer Survey 93
F: Discrete Choice Experiment 96
G: Public-Private Partnerships for Outsourcing Service Provision 98
H: Institutional Arrangements for Youth Employment programs 100
I: Jobs in Agriculture: Supporting Youth through Aggregator Models 103
J: The Jobs M&E Toolkit..... 105

BIBLIOGRAPHY.....107



ABBREVIATIONS

ALMP	active labor market program
CGE	computable general equilibrium
M&E	monitoring and evaluation
MSMEs	micro, small, and medium enterprises
NGO	nongovernmental organization
PPD	public-private dialogue
PPP	public-private partnership
RFP	request for proposals
S4YE	Solutions for Youth Employment
SMEs	small and medium enterprises
STEP	Skills Towards Employability and Productivity

All dollar amounts are U.S. dollars unless otherwise indicated.



GLOSSARY

Active labor market program (ALMP). Typically, an active labor market program is a government program that aims to keep workers employed, bring them into employment, increase their productivity and earnings, and improve the functioning of labor markets (World Bank).

Business angel (also known as angel or angel investor). Investor who uses his or her personal wealth to provide capital to entrepreneurs, sometimes in exchange for a share of the company's equity. Many also provide mentoring and access to personal networks, in addition to capital.

Complementarity. A relationship between two or more elements where one element enhances the value of the other one (Financial Times Lexicon).

Computable general equilibrium (CGE). A class of economic models that uses actual economic data to estimate how an economy might react to changes in policy, technology, or other external factors (Wikipedia).

Consumption indicator. Indicator used to assess the income of low-income individuals or households; aggregated to show the level of well-being of people, or the use of resources over time, in the absence of, or sometimes in addition to, simple income levels.

Cream skimming. Refers to the training provider selecting potential trainees that are perceived as easy to place for program admission, while disregarding harder-to-place youth who are often at more of a disadvantage. This is a relevant challenge for performance-based contracts.

Demand-side intervention. Demand-side interventions for target groups promote the creation of economic opportunities and/or adequate employment environments that are well aligned with the needs of the specific targeted group.

Econometric modeling. Quantitative application of statistical and mathematical models using data to develop theories or test existing hypotheses in economics, and for forecasting future trends from historical data (Investopedia).

Equilibrium. Condition or state in which economic forces, such as demand and supply of a product or a factor of production, are balanced (Investopedia).

Externality. A positive or negative consequence of an economic activity experienced by unrelated third parties (Investopedia). **Jobs-linked externalities** refer to the benefits to the economy associated with creating a job that are not captured by the originating firm or investor, and can be of two types: labor externality and social externality. **Labor externality** refers to the increased income workers filling the new jobs earn after adjusting for what they would have earned otherwise. The larger the effect on the worker's earnings, the greater the labor externality. For example, if an agricultural worker was earning \$1 before and in the new job he or she earns \$3, the labor externality would be \$2. **Social externalities** are the effects to society from creating a job beyond those gained by the individual. For example, an increase in jobs for young men can decrease the likelihood they will join a gang, and therefore lead to lower local crime rates.

Graduation approach (from poverty programs). Sequenced, multisector intervention that supports the poorest and most vulnerable households in achieving sustained income so that they can move out of extreme poverty within a specified period. Graduation programs provide a comprehensive package that includes consumption assistance to meet basic needs, skills training, seed capital, or employment opportunities to jumpstart

an economic activity, financial education and access to savings, and mentoring to build confidence and reinforce skills (UNHCR).

Growth mindset. Entrepreneurs who have the mindset to grow their business through hard work, traditional learning, and learning from their own failures versus viewing inevitable failures as mistakes.

Impact funder; impact investing. Impact funders invest in companies that intend to generate a measurable, beneficial social or environmental impact alongside a financial return (Wikipedia).

Information asymmetry. Occurs when one party to an economic transaction possesses greater material knowledge than the other party (Investopedia).

Jobs Conceptual Framework. Overarching framework that maps the macro-, meso-, and microlevel jobs interventions with their potential to affect jobs-related outcomes.

Jobs Diagnostic Tool. Jobs Diagnostic takes a multisector look at a country's core jobs challenges and examines the country situation from macroeconomic, supply (labor), and demand (firm) perspectives. It functions as a guided inquiry into a country's core jobs challenges, following three basic steps: (1) establishing the country's jobs needs, (2) interpreting the results, and (3) defining priorities and proposing possible solutions. The diagnostic enables analysts and policy makers to interpret symptoms of normal or abnormal jobs outcomes for a given country type, a given set of country conditions, and the country's stage of development.

Labor market indicator. Economic measurement that indicates the overall health of the labor market. Key indicators include labor force participation, unemployment rate, and employment to population ratio.

Matching grant. Short-term, temporary subsidy, which is provided to the private sector on a cost-sharing basis (typically 50 percent) (World Bank).

Microwork. A series of small tasks that together comprise a large unified project, completed by many people over the Internet (Your Dictionary).

Moral hazard. Lack of incentive to guard against risk where one is protected from its consequences.

Multiplier effect. The increase in final income arising from any new injection of spending. Injections are additions to the economy through government spending, money from exports, and investments made by firms (Economics Online).

Online outsourcing. Process of contracting third-party vendors to supply products or services that are delivered and paid for on the Internet.

Psychometric evaluation. Measures mental and behavioral capacity.

Randomized control trial (RCT). Evaluation method to measure the impact(s) of an intervention by randomly selecting participants into control groups (not receiving intervention) or treatment groups (receiving intervention).

Resource rent. Rent in natural resources such as coastal space or minerals (Wikipedia).

Social rate of return. Costs and benefits to society from an investment.

Spillover effect. The secondary effect or impact that seemingly unrelated events can have on each other (Investopedia).

STEP skills management program. The Skills Towards Employability and Productivity (STEP) Employer Survey is designed to enable a better understanding of how employers view the skills and characteristics of their workers, and the challenges employers face in recruiting workers with the desired skills (World Bank).

Supply-side intervention. Intervention that targets workers to create a better employment environment.

Upstream and downstream segments. Refers to the location of the product in the value chain. The closer the product gets to an end user, the more downstream the product becomes. Upstream products are closer to the beginning of the value or supply chain.

Value chain. Steps of production for a product, which include manufacturing and assembly; each step in the process adds value to the end product. Value chain analysis evaluates each step of production for its potential to create jobs and to find missing or underdeveloped markets (World Bank).

Venture capital fund. An investment fund that manages the money of investors who seek private equity stakes in start-up and small- to medium-size enterprises with strong growth potential. These investments are generally characterized as high-risk/high-return opportunities (Investopedia).



INTRODUCTION

This guide aims to provide general guidance to project managers and project teams on the design and implementation of integrated, cross-sectoral youth employment programs. Traditionally, youth employment programs have focused primarily on supply-side interventions—that is, those dealing with individual constraints to accessing or moving between jobs. Many of these programs have had limited labor market impacts. On the other hand, most interventions on the demand side, which focus on providing support to firms, do not specifically target job creation—and fewer still specifically target youth. Governments and development institutions too often implement activities and programs that target either the supply side or the demand side of the labor market without coordination or an explicit intent to create linkages that will maximize the impact of their interventions and improve job opportunities for youth.

PURPOSE AND DESIGN OF INTEGRATED PROGRAMS

The aim of the integrated programs described in this guide is to bring together supply- and demand-side interventions to simultaneously address three interrelated objectives:

- Promote job creation for the target population
- Improve the quality of jobs young people already have, many of which are in the informal sector
- Help prepare young job seekers for jobs or to move from low- to higher-quality jobs

The components of this new integrated approach have been tried and tested; pilot testing of the integrated approach in different employment contexts will broaden the evidence base.

Youth employment can yield positive social externalities, whose costs should be considered in intervention design and financing. These societal benefits—such as lower crime rates and increased social stability—increase the value of youth employment and may require special incentives for firms (as discussed in, e.g., Robalino and Walker 2017). Programs can be implemented through self-standing, cross-sectoral, lending operations or through multiple lending operations coordinated through a joint results framework. Following are further principles to be kept in mind in designing integrated employment programs for youth:

- Engaging youth and the private sector in all phases of project design, development, implementation, and evaluation is vital to program effectiveness.
- Comprehensive programs that address multiple barriers faced by youth and multiple constraints experienced by the private sector with interventions customized for each segment of beneficiaries have a higher probability of success.
- Investing in building youth resilience and private sector competitiveness can have long-term benefits.
- Sustainability of project outcomes over time, scalability of project interventions and results, and replicability of project design to other geographies and/or target groups should be considered throughout the project design cycle.
- Project design must consider gender and the needs of individuals with disabilities and of different cultures; the design must be intentional, consistent, and managed.

- Every project should build on lessons learned from past projects, while pushing the boundaries and exploring innovative approaches.

GUIDE CONTENTS AND ORGANIZATION

This guide has been developed by a team drawn from multiple World Bank Global Practices and is based on evidence, experience, and lessons learned from a variety of sources. The core team included members of the Jobs Group; Social Protection and Jobs; Finance, Competitiveness, and Innovation; Agriculture; and Social, Urban, Rural, and Resilience. The research conducted by the team included a detailed literature review and a stocktaking of evidence from recent meta-analyses, documented in the companion publication “A Stocktaking of Evidence on What Works in Youth Employment Programs” (Datta et al. 2018). In addition, the team gleaned lessons and evidence from the Solutions for Youth Employment’s ([S4YE’s impact portfolio](#)),¹ existing evaluations, and discussions with a multidisciplinary team across the Bank’s global practices.

This guide attempts to present a broad framework to help project teams explicitly link supply- and demand-side considerations in the context of an integrated youth operation:

- **Section 1** briefly introduces the **conceptual framework** guiding project design, the type of diagnostic work needed, and the diagnostic models and tools that can be used. Some of these tools are generic, but can be adapted to look more deeply at youth employment issues.
- **Section 2** discusses how teams could improve the design of **supply-side** interventions. Reviews of successful youth employment programs suggest they have certain characteristics in common: they offer a diversified package of interventions that address the constraints of a heterogeneous group of beneficiaries; include good identification, profiling, and follow-up systems; and rely on appropriate contracting and payment systems for providers and strong engagement with the private sector.
- **Section 3** presents practical suggestions to improve the design of a youth employment program on the **demand side**. The evidence on what works in fostering more and better job creation at the firm level is not as robust as for the supply side. Nonetheless, there are interventions that can be adapted to stimulate job creation and/or labor productivity growth at the firm level with a focus on youth.
- **Section 4** describes how teams might develop a **fully integrated** program/project. In most cases, project managers might need to begin with designing either a supply- or demand-side intervention and then try to integrate or connect it with one or more interventions aimed from the other side. In other cases, the project team may be able to design a fully integrated program from the start. Such integrated approaches are new and require systematic testing, experimentation, and piloting to fine-tune design elements.

The guide is supplemented by 10 annexes which summarize useful tools and techniques that can be adapted to the youth employment context.

¹ [S4YE](#) is a global coalition that brings together the private sector, the public sector, governments, bilateral and multilateral organizations, civil society, and think tanks on the youth employment agenda. Its impact portfolio is a network of 19 high-potential youth employment programs being led by different implementing organizations that come together as a community of practice to enable peer-to-peer learning on innovations in youth employment.



1. UNDERSTANDING THE YOUTH EMPLOYMENT CHALLENGE

Youth often face multiple constraints that affect both their decision to enter the labor force and their access to wage or self-employment. These constraints include gaps in the technical, cognitive, and noncognitive skills required in the labor market; limited social networks to tap in finding jobs; insufficient information on jobs and earnings; lack of capital; and little or no work experience (Robalino et al. 2013). Although some of these constraints affect workers across all ages, they are often more binding for youth. Further complicating the situation is the fact that the youth population is not homogeneous, and that barriers and challenges will affect different segments differently. Youth who are inactive may face additional difficulties compared to youth who are looking for jobs (unemployed). Some youth may also face constraints based on gender, ethnicity/race, disability, or other characteristics.

Existing youth employment programs have focused on addressing the constraints youth face in accessing jobs or moving between jobs. Common interventions include counseling, various types of training, incentives to become activated, wage subsidies, intermediation services, and job search assistance. All these interventions essentially maintain the number and distribution of jobs available for the target group. Recent reviews suggest their impact has been limited, particularly in situations where there is not enough job creation for supported and trained youth to access, or where unemployment and underemployment are pervasive (see Datta et al. 2018).

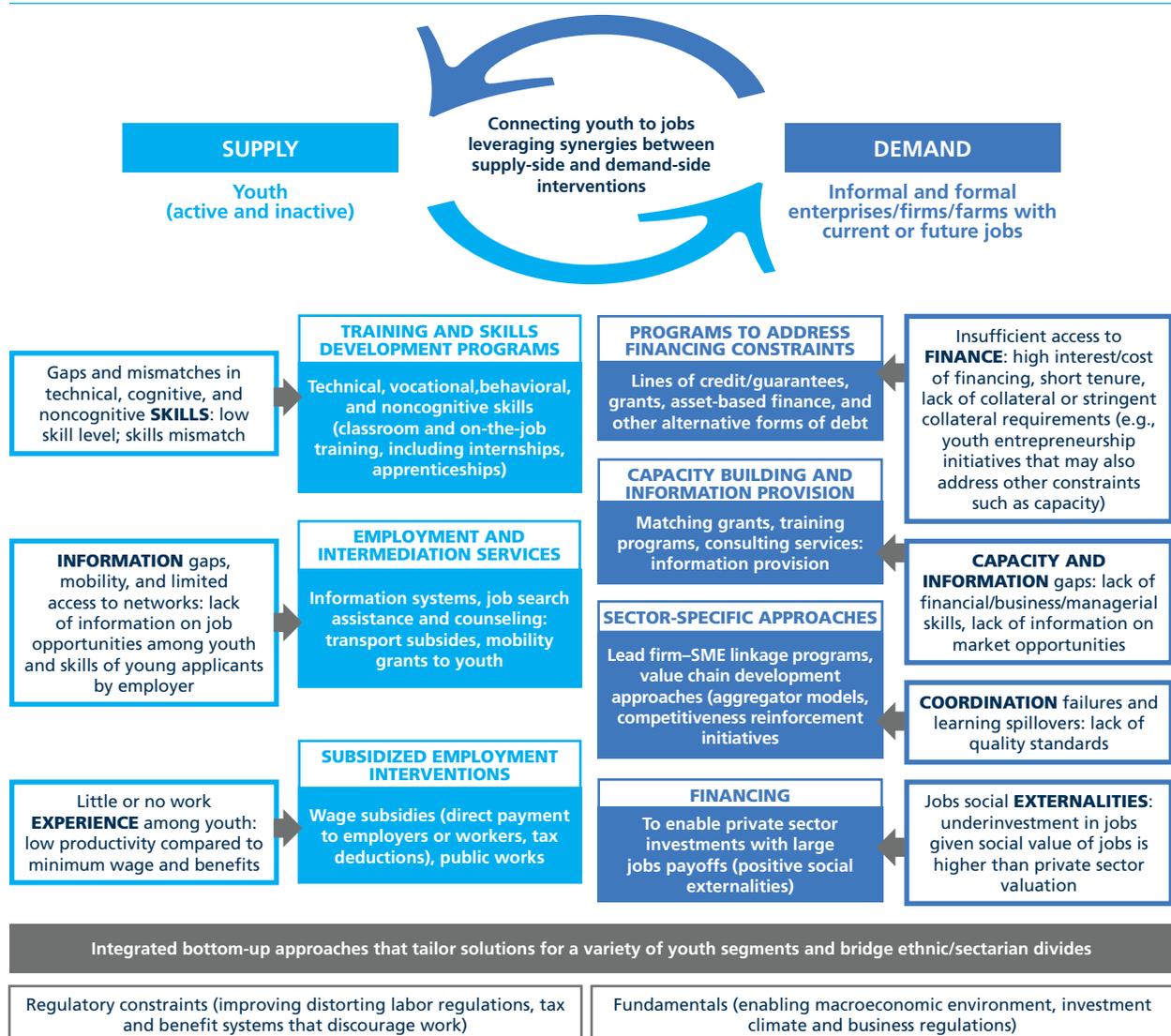
The effectiveness of supply-side interventions often might be improved by addressing the institutional and market failures that affect firms' entry and growth. From a policy perspective, this involves ensuring a regulatory environment favorable to business and job creation, a stable macroeconomic environment, reliable infrastructure, human capital, and the rule of law. Social norms also play a role, notably as they constrain women from working outside the home—as when families put pressure on girls to stay home and take care of their siblings. Social norms may also constrain companies and businesses from hiring poor or at-risk youth. Incorporating youth voice in program design can help ensure that the constraints they face are identified. Growing evidence shows that promoting job creation requires targeted interventions addressing the specific constraints or market failures that operate locally and affect different types of enterprises—e.g., micro/medium, formal/informal, and/or farmers. A lack of recognition of jobs' positive social externalities can be one such market failure, with the potential to discourage private investments from socially optimal levels and result in an underprovision of jobs for youth.¹ These externalities can be particularly large in fragile and conflict-affected settings. In all these cases, the investment projects that can have a positive impact on jobs and youth employment labor do not take place.

¹ Jobs can have positive social externalities, such as reduced expenditures on social assistance programs, lower crime rates, promotion of social stability, and expansion of human capital as young people learn by doing on the job. Some jobs may reduce ethnic, educational, and gender divides. Because these social benefits of jobs—which essentially increase their value—are not internalized or even considered by firms, there may be an underprovision of jobs, especially for specific population groups such as youth. Special incentives may be needed for firms to internalize these social externalities (Robalino and Walker 2017).

THE IMPORTANCE OF INTEGRATION

This guide proposes a framework for integrated youth employment programs/interventions and suggests guidelines for their design and implementation. This framework is illustrated in figure 1.1. As used here, integration refers to the ability of a program to bring together services that support both workers/youth (the supply side of the labor market) and enterprises/firms (the demand side of the labor market). The objective is to address the constraints youth face in accessing or moving between jobs while concurrently addressing constraints that limit the creation of new jobs or improvement in the quality of existing jobs. The suggestion is not that all youth employment programs should cover all aspects of the integrated framework. Instead, where possible, teams should better link the different programs that deal with a given dimension of the framework (box 1.1). In all cases, however, a single youth employment program, or portfolio of relevant youth employment projects, would have explicit labor market indicators, integrated results frameworks, and the requisite monitoring and evaluation (M&E) tools to assess impacts, ensure coordination, and introduce corrections as needed.

Figure 1.1
Suggested framework for integrated youth employment programs



BOX 1.1: WHAT WORKS IN YOUTH EMPLOYMENT PROGRAMS? A STOCKTAKE OF THE EVIDENCE

Supply-side interventions focus on connecting youth with jobs and earnings opportunities—for example, through training and skills development programs, subsistence entrepreneurship programs, employment and intermediation services, and subsidized employment interventions. The growing evidence base suggests that, overall, supply-side interventions have not been particularly successful in increasing employment. While no one category of programs (training, finance, etc.) is more successful in creating employment, some program design characteristics do matter for success—including comprehensive packages combining several types of services; profiling of beneficiaries’ aptitudes and capacities, and individualized services addressing a wide range of constraints including mobility and social barriers; engagement, monitoring, and follow-up; incentives for [private] service providers that foster labor market relevance and comprehensive interventions; and actively involving employers in program design, implementation, and evaluation.

Demand-side interventions include programs that address constraints to firm growth such as financing gaps, capacity, access to markets, information gaps, and coordination failures. The evidence base on the impact of demand-side interventions on jobs is less comprehensive than for supply-side interventions, but recent meta-analyses suggest modest employment effects. Some preliminary conclusions are that programs are likely to be more successful if they explicitly target jobs or earnings; target youth hiring constraints; identify and address the binding constraints to firm expansion; market to, and screen, firms and applicants; and provide personalized technical assistance.

Sources: Datta et al. 2018; S4YE 2017.

UNDERSTANDING THE LOCAL CONTEXT

Before designing a youth employment intervention, the project team needs to do a situational analysis of the local context. This analysis aims to ensure that the project design will be relevant to the stakeholders (youth, private sector, government, etc.) and grounded in solid evidence/data and a good understanding of existing institutions and programs. This subsection outlines some areas the project team needs to understand in this regard and suggests sources of analytical information and tools to use. Where possible, the project team should avoid conducting an elaborate analysis “from scratch.” Often, teams can use existing analytical work and available information to develop a clear understanding of the youth employment challenge within a country (box 1.2).

- **Understanding the fundamentals.** What is the political and macroeconomic situation in the country and in the region, and what is its impact on youth and the private sector? Although this guide does not address policy- or system-level interventions (such as building a reliable infrastructure or reforming the

BOX 1.2: DIAGNOSTIC WORK TO INFORM PROJECT DESIGN

It is not necessary for a project team to conduct expensive, time-consuming analysis from scratch before designing a youth employment intervention. Often, existing analytical work can be used to inform the design. The project team of the Tunisia Youth Economic Inclusion project [P158138] used a wide range of existing analytical work including the International Labour Organization’s 2015 Youth Employment Inventory, the World Bank’s 2015 Tunisia Systematic Country Diagnostic, implementation completion reports from recent World Bank projects in Tunisia, and stakeholder workshops on youth employment and women’s access to jobs (including entrepreneurship). The project chose to target youth segments that tended to be neglected by existing programs and designed an inclusive outreach strategy to help mobilize youth who are hard to reach, who tend to be discouraged, and inactive youth—especially those not in education, employment, or training [NEET]—and specific actions to engage young women. All of these were issues highlighted by the country diagnostic and the other existing analytical work.

formal education system); legal and regulatory constraints; economic, political, and security conditions; and the status/lack of adequate public services, these are important factors for a project team to understand and keep in mind during the design and implementation of a youth employment project. A good source for such information would be a recent Systematic Country Diagnostic (available at <https://openknowledge.worldbank.org/handle/10986/23099>).

- **Understanding the institutional landscape.** What are the public or private institutions—public employment offices, training organizations, youth-supporting nongovernmental organizations (NGOs), employers' organizations, donors, and so on—addressing youth development issues (unemployment, underemployment, inactivity, etc.), and what is their capacity to implement sufficient, sustainable, and scalable solutions? The institutional landscape also includes public and private institutions implementing demand-side interventions such as small and medium enterprise (SME) development, industrial and investment promotion, and the like. The assessment should help the project team lay out the institutional arrangements of the program, including program management and implementation, the role of local governments, coordination with the private sector, and flexibility for scaling up. See [annex H](#) for further discussion of institutional arrangements.
- **Knowing the current and pipeline projects by the World Bank and partner institutions.** What are the current, planned, and potential projects on both the demand and supply sides? What are the lessons from these projects? How might linkages between them support better outcomes? What duplication needs to be avoided? Are there any new major private sector investments in the pipeline? Are there any new plans for the government to set up special economic zones, export zones, or growth corridors? See [annex B](#) for a useful portfolio visualization tool.
- **Understanding the constraints to and opportunities for firm growth.** What do recent trends of firm growth indicate? Are some sectors of the economy growing more rapidly than others (box 1.3)? Are there any sectors, regions, or value chains that are growing more; or where the country seems to have a competitive advantage; or where the government is especially stepping up its priorities; or where private sector investments have grown? What market failures prevent firms (or farms) from growing, creating jobs, or increasing productivity? What types of constraints do firms face? What are specific constraints experienced by micro and small firms? A recent Jobs Diagnostic can be a good source for such analytical information; see [annex A](#).

In this regard, it is worth noting that recent innovations in digital technologies create a new set of potential opportunities for firm growth as well as new types of economic opportunities for youth (box 1.4).

- **Understanding the constraints facing youth.** This entails recognition of the challenges young people face in accessing economic opportunities through employment, self-employment, or entrepreneurship. What are the specific constraints experienced by girls and young women, youth with disabilities, inactive youth, and other highly disadvantaged youth groups? A good source for such information might be a recent labor market analysis (<https://openknowledge.worldbank.org/discover?&query=jobs%20diagnostic>).
- **Private sector and youth voices.** Stakeholder consultation, especially with youth groups and the private sector, can be critical during project preparation. What are the opinions, aspirations, and frustrations of project beneficiaries? How do youth perceive their situation, and what possible solutions do they hope for? What importance does the private sector place on the youth unemployment problem, and what is the motivation to actively engage in its solution? Integrating youth and private sector voices in analyzing the situation and making design decisions is crucial in aligning the project with its stakeholders (La Cava 2017). Experience from “hackathons,” where participants have limited time to develop prototype solutions for different challenges, has shown how young people’s creativity can be harnessed for solving problems (box 1.5). [Annex D](#) provides a sample instrument for guiding a focus group discussion.

BOX 1.3: SELECTING SECTORS FOR YOUTH EMPLOYMENT PROGRAMS

Several youth employment programs have conducted detailed labor market diagnostics to pick high-growth and competitive sectors and occupations before designing their skills training curriculum.

- A diagnostic study undertaken by **Panama's** New Employment Opportunities initiative, in partnership with the Multilateral Investment Fund and the International Youth Foundation, found that the logistics, tourism, and construction industries had been growing rapidly and were drivers of job creation for the Panamanian economy.
- McKinsey conducted a demand-side analysis of the **South Africa** economy for the Harambee Youth Employment Accelerator, to estimate its size and determine what sectors and jobs had opportunity for entry-level positions. The analysis found opportunities in a wide range of industries including retail, hospitality, financial services, insurance, banking, business process outsourcing, professional services, manufacturing, logistics, and the technical and industrial sectors.
- A United States Agency for International Development project in **El Salvador** chose to focus on four priority sectors—agro-industry, energy, manufacturing, and information and communication technology—based on the findings of its sector selection study. The study's sector selection criteria included contribution to gross domestic product growth, job growth, export growth, alignment with government priority sectors; it also featured an input-output matrix analysis of intersectoral dependencies.

Source: S4YE 2017.

BOX 1.4: DIGITAL DIVIDENDS

Digital technologies (Internet, mobile phones, and others used to collect, store, analyze and share information digitally) have permeated and impacted all aspects of our lives, across the world, bringing significant benefits and creating new risks for [youth] development.

Digital technologies help businesses become more productive, people find jobs and greater opportunities, and governments deliver better services to citizens. The Internet promotes inclusion by providing low cost access to information to more people and firms. It also increases efficiency through quicker, cheaper and more convenient transactions. Finally, the Internet promotes innovation, by creating new platforms and markets [e-commerce, streaming music, social media, digital payment systems, etc.].

By automating routine, transaction-intensive tasks, digital technologies make some jobs obsolete, while creating new ones, and fundamentally transforming most. New opportunities require different skills, and many new jobs are informal or nonwage, without benefits or worker protection [the "gig" economy].

Some of the perceived benefits of digital technologies are offset by emerging risks, such as inequality [favoring those better educated, more capable and better connected], greater state control [in absence of adequate accountable institutions], and more concentrated markets [in the absence of a competitive business environment, incumbent firms monopolize opportunities for growth].

To ensure that everyone will reap the digital dividends, making Internet universally accessible and affordable is essential, but not sufficient. Adequate national strategy must also address how firms, people and governments make effective use of new digital tools. Business regulations surrounding digital technologies must create an environment for firms to thrive, by promoting competition and entry. Transformed education and training systems must adequately skill, upskill and reskill workers to compete for new jobs. And improved institutions must be capable and accountable for better, more responsive and participatory services to citizens.

Source: World Bank 2016.

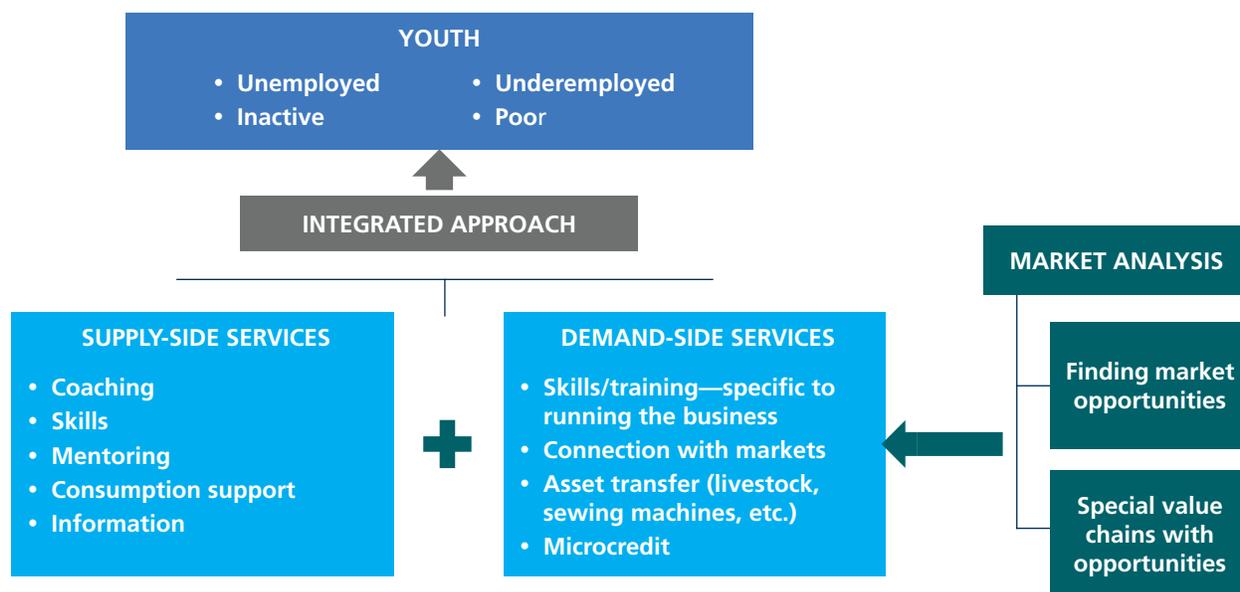
BOX 1.5: YOUTH VOICE AND YOUTH EMPOWERMENT

The World Bank's recent series of [EmpowerHer: Maghreb](#) hackathons brought together young experts and technologists with local women to develop innovative solutions to connect aspiring women entrepreneurs from less developed parts of Morocco and Tunisia to markets. The objective—as with other hackathons sponsored by the Bank, the National Aeronautics and Space Administration, and other organizations—was to have teams of young [ages 18–35] software developers, NGO staff, and so on, compete over a few days to provide the best technical solution to a specific business or information challenge. Winning teams in Morocco and Tunisia created platforms to address the issue of capacity development by sharing relevant content for women and women's associations, solutions to identify markets for regional products, or offer better and more affordable ways to gather and purchase raw materials.

ADDRESSING SELF-EMPLOYMENT

Taking an integrated (supply and demand) approach is as relevant and critical for self-employment/subsistence entrepreneurship as for any other form of youth employment intervention. The issue becomes particularly key in developing countries, where only about 25 percent of workers are wage and salary employees. Self-employed vulnerable youth face different constraints than those in wage employment. Consequently, traditional supply-side interventions aimed at integrating vulnerable youth into the labor market as wage employees may not be at all useful for individuals interested in self-employment. Rather, a tailored combination of interventions is required to access either wage employment or viable business opportunities for self-employment (figure 1.2). Personalized activation plans must consider the different constraints youth face in the process of entering the labor market or improving their earnings opportunities, whether as wage employees or self-employed.

Figure 1.2
Taking an integrated approach to youth self-employment



Certain supply-side interventions can indeed help youth identify viable self-employment opportunities that match their interests and skills. As discussed in [section 2](#), supply-side interventions include those improving earnings opportunities, connecting individuals to jobs, and providing assistance in the transition from un- or underemployment or inactivity to either wage employment or self-employment. Vulnerable youth may need access to basic skills and soft skills, including developing self-esteem. They may need basic

support for survival or consumption. They may also need help in making a livelihood selection—which may steer them toward opportunities for wage employment or support in setting up a business or starting an economic activity. These are supply-side interventions in the sense that they target vulnerable youth and support them in becoming ready to access economic opportunities. Encouraging, incentivizing, and enabling self-employment among these youths brings them closer to the labor market—perhaps just as much as intermediation and job search assistance do for wage job seekers.

Youth’s path from unemployment/inactivity/underemployment to self-employment is nuanced and support may require refocusing at different stages of the process. Individuals with certain interests and characteristics—a willingness to accept risk, creativity, long-term goal setting, and so on—may stand out as potential candidates for starting a business. This new business might require tools to thrive. As such, youth may be referred to specialists providing services such as business training, mentoring, start-up incentives, access to network contacts, and access to microcredit. The set of services is driven by an assessment of market opportunities, sector selection in a local area, or a value chain that might have business opportunities accessible to youth. Supporting this “young business” may require support for an asset transfer—which could be a sewing machine, livestock, or agricultural inputs, with the specific asset depending on the demand-side assessment of market opportunities.

Once youth engage in a self-account income-generating activity, they are no longer a young individual but instead a young business—effectively shifting from the supply side to the demand side of the labor market. As such, he or she should no longer be targeted as an individual but as a business, with all the potential of innovating, growing, and creating more jobs. This distinction carries important policy implications, as the self-employed differ in many ways from those working for wages, and so do their needs and constraints. As self-employed workers embark in their new role, the sustainability of this job becomes subject to a different set of factors than those in wage employment. In fact, at that point the interests of self-employed workers diverge significantly from those of individuals in wage employment. The self-employed need guidance in accessing economic opportunities (demand side) to ensure the profitability of their business and thus the survival of that job. [Section 3](#) provides a set of options for policy makers and practitioners in improving and increasing access to opportunities for young businesses.

TOOLS SUPPORTING INTEGRATED YOUTH PROGRAMS

Annexes A–F of this guide contain or describe various tools a project team could use during the preparation stage of a project. Most of the tools presented are not youth specific, but instead provide general information that can be readily adapted or augmented by additional youth-specific analysis.

- The Jobs Diagnostic tool ([annex A](#)) is a multisectoral analytical tool and structured inquiry and analyzes how people in the economy benefit from jobs, taking into consideration a country’s macroeconomic and demographic contexts and the profiles of jobs, employers, and workers using labor force surveys, business registries, and other data sources.
- A portfolio review of jobs-focused interventions can shed light on gaps to address for youth employment outcomes ([annex B](#)).
- The value chain assessment and analytical tools ([annex C](#)) include best practices in mapping value chains and the Jobs in Value Chains Survey Tool for assessing value chains for jobs outcomes.
- Qualitative surveys and focus group discussions can provide valuable qualitative inputs to supplement quantitative diagnostics; [annex D](#) contains an example of an instrument for guided focus group discussions.
- The Skills Towards Employability and Productivity (STEP) Skills Measurement Program Employer Survey ([annex E](#)) is a survey instrument that assesses demand-side constraints faced by employers from a youth employment perspective.
- The Discrete Choice Experiment tool is a quantitative technique that can be used by policy makers to better understand the preferences of youth and how those preferences are facilitating or interrupting youth’s access to jobs ([annex F](#)).



2. IMPROVING THE DESIGN OF A SUPPLY-SIDE INTERVENTION

This section describes an operational process for the design and implementation of a supply-side component of a jobs-focused youth employment program.¹ As discussed in [section 1](#), traditional youth employment programs usually involve counseling, different types of training (including apprenticeships), intermediation and job search assistance, wage subsidies, or support for self-employment and entrepreneurship. Programs can focus on single services or combine multiple services, and they may rely on public providers, often public employment services, or on the private sector, often nongovernmental organizations (NGOs). Supply-side youth employment programs can thus be seen as a type of active labor market program (ALMP).²

The five key steps in planning a youth employment program are based on the assumption that teams working on project design and implementation do not know in advance the main constraints the target population faces to access wage or self-employment. The target population is often a heterogeneous group of youth; therefore, even if each individual in the targeted group faces only one constraint, the project will likely need to deliver multiple services. It is thus critical to put in place systems that help gather data about the types of constraints beneficiaries face, and develop and deliver packages of services that can be adapted to different needs. The literature review of successful youth employment programs (Datta et al. 2018) underscores the importance of this built-in flexibility. The alternative approach—of determining in advance the types of interventions needed (e.g., apprenticeships) with limited information—is unlikely to yield a high level of impact. However, in cases where this latter approach is taken, the processes developed below remain valid.

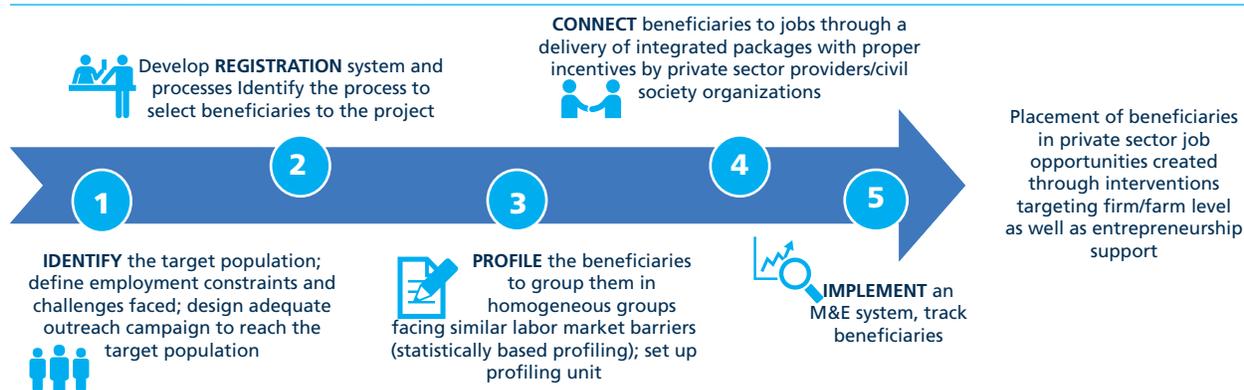
The following five key steps, which build on each other, can also be used to guide discussions with government counterparts in planning a youth employment program (figure 2.1):

- **Step 1:** Identify and target the population; define eligibility criteria and verification mechanisms
- **Step 2:** Perform outreach to, select, and register selected beneficiaries
- **Step 3:** Profile the beneficiaries (to better understand their constraints, in line with the left-hand side of [figure 1.1](#))
- **Step 4:** Deliver and pay for integrated packages of ALMPs (the interventions suggested to address each challenge as identified in the right-hand side of [figure 1.1](#))
- **Step 5:** Put monitoring system in place to evaluate performance

¹ Box 2.6, at the end of this section, describes the special case of youth employment programs undertaken in fragile or conflict-affected settings.

² The Organisation for Economic Co-operation and Development (OECD) defines ALMPs as programs and policies that aim to bring more people into the labor force and into jobs. An approach to ALMPs involves the following features: “enhancing motivation and incentives to seek employment, improving job readiness and help in finding suitable employment [and] expanding employment opportunities. The implementation of these key elements needs to be managed by effective and well-coordinated labour market and social institutions and policies” (OECD, “Active Labour Market Policies: Connecting People with Jobs,” <http://www.oecd.org/employment/activation.htm>).

Figure 2.1
Steps to design a supply-side intervention for youth



STEP 1: IDENTIFY AND TARGET THE POPULATION; DEFINE ELIGIBILITY CRITERIA AND VERIFICATION MECHANISMS

The first objective of this activity is to determine the program’s main target groups and understand their main challenges or constraints. The targeting of beneficiaries could be broad, encompassing inactive or unemployed youth ages 18–29, or it could be very specific. In the latter case, the program might target defined socioeconomic or demographic groups (e.g., unemployed rural women ages 15–24, with low income and low levels of educational attainment).

The assessment conducted should drive the decision of which defined group to target, and it must be aligned with project objectives and resources, government priorities, the political economy, and existing or expected job opportunities in the labor market. Interventions on the selected supply-side groups remove the constraints for youth who could potentially access economic opportunities in sectors, firms, or farms selected on the demand side. Similarly, the interventions for the selected demand-side target groups promote creation of economic opportunities that are adequate for selected youth groups. For example, if the highest rates are among first-time job seekers, then eligibility criteria would need to be consistent with this group—that is, eligible individuals would include those who have never been formally employed who are younger than 29 years of age, and so forth. If women in rural areas have higher unemployment rates than the other populations, eligibility criteria should be designed accordingly.

Eligibility criteria and verification mechanisms

The second objective of step 1 is to clearly define the eligibility criteria and verification mechanisms for ensuring that beneficiaries registered for the project satisfy the criteria and belong to the target group, in a consistent and cost-effective manner. The list of criteria will establish eligibility, priority, and need. If the set of rules that define an individual’s eligibility to participate in the program is not verifiable or easily implementable, then theoretically, individuals not targeted for the program and not eligible could end up participating in the program. On the other hand, if the eligibility criteria are too strict or difficult to verify, they can impose a significant administrative and financial burden, which may result in delays in program implementation or the exclusion of eligible individuals. Administrative procedures, which can be burdensome, must be considered, as well as the costs associated with verification mechanisms, to avoid delays in project implementation and high transaction costs, which would also be a disincentive for the target population to apply to the program.

The ability to carry out these functions will depend on project resources. What is most essential is to have clearly defined criteria and a verification method that allows the project team to consistently and effectively apply the criteria.

Eligibility criteria typically include age, gender, geographical location, duration of unemployment, and educational attainment. Additional rules for identifying the most vulnerable among youth might also be used. Table 2.1 provides examples of eligibility criteria and proposed verification mechanisms. Verification mechanisms depend on the country context; the project team needs to work closely with government counterparts associated with the projects to identify the most appropriate mechanisms.

Some programs may target behavioral and other characteristics as a criteria for eligibility. These programs not only identify and select youth participants who have the greatest need for interventions based on factors such as income, educational background, unemployment history, and level of vulnerability; they also base their decisions on behavioral and personal strengths. Some programs may elect to target those youth who have demonstrated the highest level of motivation to follow through in their activities and improve their employment situation (box 2.1).

Table 2.1
Common supply-side eligibility criteria

Criterion	Description	Examples of verification mechanisms
Age	Youth (may narrow to more specific criteria, e.g., youth ages 15–18)	National personal identification number, other official government documents, or cross-referencing with administrative data available at relevant government agencies
Labor market or employment status	Generally, eligibility is restricted to unemployed individuals; however, it may include inactive individuals (especially among youth and women) or informal workers	Databases located in national public employment offices
Duration of unemployment spell	Eligibility for the program may start after several weeks or months from unemployment registration with the public employment office	If these databases do not exist, it may be risky to use this criterion, because people may share false information in order to become eligible. One option is to exclude individuals who are formally employed; employment can be verified by reviewing administrative data held by the national social security fund or other relevant agencies.
Educational attainment	Programs may target school dropouts, school graduates who do not pass enough subjects or earn grades sufficient to matriculate into tertiary education; other programs target youth who have completed high school, as an indicator of determination and persistence	Official degree and certification, or cross-reference with administrative data available in relevant government agencies (e.g., ministry of education and other ministries or agencies that provide official certifications)
Income level	Programs may target individuals from poor households	Difficult to measure with reliability; sometimes proxy measures are used: data could be cross-referenced from relevant ministries and agencies that record income information
Previous/current participation	Eligibility may require individuals to have no previous or current participation in a government-sponsored training program	Cross-check with administrative data of government-sponsored programs/trainings
Gender	Programs may be offered to women only	National personal identification number or other official government documents
Geographic area, demographic or social groups	Programs may target displaced agricultural workers in a geographic area, unwed mothers who live in urban cities, homeless children, children and youth, persons with disabilities, or ex-combatants	Official government documentation can verify displaced workers' residency in another region. Official government documentation can verify the status of unwed mothers (noting that they are single and have children). Official documentation or medical certificates can prove an individual's disability. Ex-combatants might be hard to find, unless it is possible to locate and verify their official documents; such individuals might be self-targeted.

Sources: Adapted from Honorati and McArdle 2013; and ILO and World Bank 2016.

BOX 2.1: SELECTING YOUTH PARTICIPANTS ON THE BASIS OF PERSONAL STRENGTHS

Youth employment projects implemented by Generation and Harambee are using tools to examine a young person's motivation, drive, and commitment. The premise is that youth "who are hungry for change" have the "grit" and persistence to finish training and access opportunities to improve their livelihoods. Generation gives youth independent tasks, which include interviewing cashiers about their problems and writing a few paragraphs on possible solutions. Generation assesses how proactively youth resolved challenges, and their level of productivity within a limited time. As a proxy for resiliency, Harambee only selects youth candidates among a pool who have already completed secondary school, as indicators of both persistence and foundational numeracy/literacy aptitude. For the FORSATI project in Tunisia, youth meet with career counselors to develop and sign a personal action plan for their career exploration and job search process, which is immediately executed over 6–12 months. This contract commits youth to focus on the offered employment services, ensures high levels of commitment, and reduces the likelihood of dropping out.

Source: S4YE 2017.

As part of an integrated youth employment program (as illustrated in [figure 1.1](#)), the criteria the supply side uses to target youth needs to be informed by and aligned with the type of demand-side intervention that is being planned. For example, if the value chain on the demand (firms) side being targeted for intervention is the textile value chain in the region, the supply-side youth beneficiaries who are targeted need to have the required background and interest, and need to be located in (or willing and able to travel to) the targeted region.

Project teams must decide whether to first choose a value chain (or another demand-side intervention) with high potential for job creation, and then select the relevant target population, or the other way around. In other words, they need to ask whether it makes more sense to first identify the target population and then choose a relevant value chain (or another demand-side intervention). This decision will be driven largely by government priorities. Is the highest priority to create more jobs (creating a need to choose a value chain with the highest potential), or is it to employ a maximum number of intended beneficiaries/youth?

It is critical to establish appropriate measures to meet the needs of vulnerable groups in order to promote equity in access to programs; this requires a careful look at gender needs. Some programs use quotas, which are actual numbers or minimum percentages, to set gender-specific targets to support participation by female youth. Because quotas can sometimes be perceived as maximum limits not to be exceeded, it may be more appropriate to set objectives. Bear in mind that stand-alone quotas or objectives will not necessarily ensure that women more widely participate in programs, unless they are combined with other measures to reach out to young women and address their specific constraints, which include opportunity costs, family responsibilities, information gaps, and the like.

Identification of targeting methods

This subsection identifies appropriate targeting methods used by programs to reach the intended population. The information sheds light on the criteria and logistics behind the targeting and selection of beneficiaries, as well as identifies the bottlenecks or inefficiencies that may need to be addressed to improve targeting.

Successful targeting entails well-designed outreach or recruitment strategies. On the supply side, many disadvantaged youth tend to be harder to reach; thus, it is important to ensure the targeting methods used are effective to accurately identify and communicate with these groups. Girls may face social barriers to wage-based employment and entrepreneurship and therefore be harder to reach. Box 2.2 describes several programs that apply innovative approaches to providing outreach to promote inclusion for disadvantaged youth, especially hard-to-reach groups.

BOX 2.2: ADDITIONAL OUTREACH TO PROMOTE INCLUSION OF DISADVANTAGED YOUTH

Social norms and inequitable access frequently require youth employment interventions to provide outreach to vulnerable groups. EYE **Bangladesh** provides training to youth in slums and rural areas so they may improve their prospects for obtaining jobs. Part of the training includes encouraging young girls to enter male-dominated fields. Project leaders spend time mobilizing communities and raising awareness with parents and community leaders on the benefits of women in nontraditional occupations. EYE Bangladesh also started a leadership incubator for the ready-made garment sector to encourage more female managers and to sensitize male managers to gender issues. The Educate! School reform program in **Rwanda** provides upgrades to teacher training, cultivates student business clubs, and features peer-to-peer monitoring for youth. Educate! hones in on gender balance when recruiting peers and mentors, and trains mentors and teachers on gender equality. The Livelihood Programme Targeting Entrepreneurship Skills and Business Creation in **Turkey** and the National Volunteer Service Program in **Lebanon** integrate Syrian refugees into their programs through the provision of psychological or socioemotional support and training which has been adapted to accommodate the multiple languages the refugees speak.

Source: S4YE 2017.

In practice, employment programs tend to use a combination of methods for targeting, which helps improve targeting outcomes (Coady, Grosh, and Hoddinott 2004). Following are the most commonly used targeting methods used.

- **Geographical targeting:** selects regions or areas in which the program is implemented. This type of targeting allows programs to focus on areas where the neediest individuals reside, such as zones that experience serious unemployment and underemployment (e.g., the poorest regions or districts, only rural areas, or only urban areas).
- **Categorical targeting:** uses social and/or demographic characteristics, such as ethnicity, gender, and family status. Subsets of categorical targeting can include ex-combatants, youth, women, and migrants.
- **Means test targeting:** uses household income.
- **Proxy means test targeting:** uses easy-to-observe household characteristics as proxies to predict household welfare. When using proxy means test targeting, it is important to leverage an existing well-designed social safety program in the country targeting the poor and vulnerable.
- **Community-based targeting:** involves having the community select program beneficiaries.
- **Self-targeting:** uses disincentives to discourage nontargeted individuals from participating in the program and attracts only those who need the assistance or service.

STEP 2: PERFORM OUTREACH TO, SELECT, AND REGISTER SELECTED BENEFICIARIES

The objectives of this step are to select project beneficiaries from among the eligible candidates who applied to the project and to complete the registration process. At the same time, on the demand side, detailed data and information about the targeted firms are collected via, for example, value chain mapping ([annex C](#)).

Outreach to potential beneficiaries about the project

Once the target population has been identified and the targeting methodology determined, a communications campaign needs to be developed to inform the target groups about the project, its objectives, and eligibility criteria; interventions to be offered; and expected results. This campaign must be adapted to the target population and should include a combination of national, regional, and local activities. The outreach messages must be carefully designed to appeal to the target population—and to the

individuals who are affected by their decisions—to incentivize and motivate them to register for the project. The outreach tools, their timing, and location needs to appeal to young women. This entails designing gender-sensitive approaches to motivate women and promote their participation in the program. For example, promotional materials should use explicit language that promotes gender equity and include images of young women, with an emphasis on encouraging women’s participation in nontraditional occupations.

The outreach campaign should be launched simultaneously with the initial registration process to allow potential youth beneficiaries to apply immediately. Ideally, the application process will be quick and require only that applicants submit the information necessary to verify eligibility criteria and other types of information designed to select project participants from the other eligible registered applicants. Depending on the local infrastructure, the motivation of potential beneficiaries, and project resources, the registration process could be conducted in several ways. Three options follow:

- **Online, by phone, or text messaging** (when potential beneficiaries can reliably access these services and when there is a high probability that enough individuals will apply)
- **In person**, at a local government office (when government has a well-established network of offices in communities where potential beneficiaries reside, and it is highly probable that sufficient numbers will visit these offices to register)
- **During visits of local public stakeholders** (e.g., social workers or counselors at local employment offices visit potential beneficiaries when it is less likely that potential beneficiaries would apply to the project without receiving individual encouragement, or when they live in remote areas that lack access to information)

Selecting project youth beneficiaries

If applications to the project are expected to exceed the number of intended beneficiaries, project teams must design a selection mechanism before the project is launched. Methods for selecting project beneficiaries out of the pool of registered eligible applicants will depend on the country context, whether a randomized control trial is planned, and whether there are sensitivities involved in selecting beneficiaries.

Generally, the methods for selecting project beneficiaries from among registered eligible applicants—and the specific requirements for each method—are as follows:

- **First come–first served.** Individuals are accepted into the project in the order in which they register to participate, assuming they satisfy the eligibility criteria. This option is easily verifiable and transparent as long as the application process provides proof of the exact time and date of registration through an automated method that does not allow the information to be changed. The program announcement must specify a cutoff date and time for registering. Programs that exercise this option must ensure all eligible candidates receive the same information about the launch of the registration process at the same time. If more remote areas are targeted in addition to urban areas, for example, candidates must receive a similar amount of information at roughly the same time so as not to put eligible candidates in either of these geographical areas at a disadvantage.
- **Ranking and prioritization.** Individuals are ranked using a clear, predetermined criterion, and a threshold is established to participate in the program. For instance, potential participants may be ranked according to their skills, and a minimum threshold could be a certain level of literacy or numeracy. Another possibility is to rank eligible youth according to their level of income or vulnerability. Vulnerability could be defined through analysis (if data exist) or through discussions with the government of the population considered vulnerable in that country. If vulnerability is the criterion used, the project could favor the most vulnerable individuals and give them priority in accessing project services. Vulnerability may be the most suitable criterion to use in scenarios where a high level of corruption could cause beneficiaries to not trust the government to fairly assess the other two options (skills or level of income). This option might take longer and be relatively more costly to implement compared to the other two options, because documents would likely need to be verified for the criteria used for the scoring.

- **Lottery/randomized procedures.**³ Individuals are assigned at random to participate in the program. This means that each eligible applicant has an equal chance to receive the program's services. Ideally, individuals selected to participate would be announced in a public forum as a measure to ensure transparency.

During project design, the project team should discuss how to handle applicants who were rejected due to ineligibility as well as those applicants not selected into the program although they were eligible. Good youth employment programs develop a set of referral partners and channel rejected applicants to the appropriate programs or services. For instance, when a young person applies for a program but is rejected because of a lack of skills, the program connects the applicant with a skill remediation service provided by the local government, or with another donor, or to another source. Projects also must develop strong grievance and redress mechanisms to maintain a high level of accountability and transparency.

Informing selected beneficiaries and completing the registration process

Methods for informing beneficiaries about whether they were selected to participate include text messages, emails, and calls, or through a publicly available list distributed by the government. Names are rarely published on this list; instead, unique personal identifiers provided at the time of registration are listed.

Selected project participants are asked to complete their registration. They should answer a more detailed questionnaire to obtain additional information about their individual circumstances, barriers to employment (or barriers to setting up new businesses), experiences, and interests. This allows the project team to place participants into homogeneous groups based on similar sociodemographic characteristics, employment status, labor market constraints, or other factors. This activity is in preparation for step 3. Participants also receive their unique project identification, which allows project teams to track their progress through the program and beyond.

STEP 3: PROFILE THE BENEFICIARIES

Profiling enables the project team to cluster youth beneficiaries with similar sets of constraints in accessing jobs. Profiling also aims to identify each beneficiary's aspirations and interests as well as predict the "best" jobs for each beneficiary.

Profiling also enables efficient allocation of resources to those who are hardest to place in jobs. The information gleaned from profiling enables the project team to rank beneficiaries from the easiest to place to the hardest. This allows the project to focus resources on individuals who experience more barriers to entering the labor market and who have the highest risk of long-term unemployment.

Choosing the profiling methodology

On the supply side, Loxha and Morgandi (2014) categorized the different profiling approaches into three groups: **caseworker-based profiling**, **rules-based profiling**, and **data-based profiling**. For caseworker-based profiling, caseworkers must evaluate the job seeker's employment prospects, develop a plan for (re) employment, and make a final judgment on the most adequate intervention or services. Rules-based profiling takes the approach of starting services based on predetermined, administrative rules (such as the beneficiary reaching a certain age, or being unemployed a certain length of time). For data-based profiling, the target population is segmented based on risks of remaining unemployed and then categorized into homogeneous groups of people who face similar labor market barriers; data-based profiling uses econometric analysis. Table 2.2 describes the three profiling methodologies more fully along with their advantages and disadvantages.

³ When using randomized procedures, the difference in outcomes between the group of individuals who are randomly assigned to participate (the treatment group) and those who are not (the comparison group) can, at the end of the program, be attributed to the intervention, since all other factors that could influence outcomes are equal on average.

Table 2.2
Supply-side profiling methods

Method	Segmentation approach	Pros	Cons
Caseworker based	Caseworker based: Caseworkers are integral to public employment services' profiling function; they conduct diagnostics, outline activity plans, decide appropriate interventions, and perform monitoring	Significant emphasis on individual job seekers' needs	Subjective assessments and requires significant human resources
Rules based	Time based (or based on educational status, being a member of a minority group, etc.): Administrative rules stipulate threshold in length of spell of unemployment or education status, age, and other criteria required for referral of job seekers for services	Simple mechanism with less demand for human resources	Ignores job seeker heterogeneity with respect to unemployment prospects; undercuts early interventions; potentially wastes resources
	Demographic: Administrative rules stipulate eligibility conditions based on observable information, such as age or gender, in order to activate employment programs	Straightforward and clearly defined segmentation rules; potentially less costly to implement	Ignores heterogeneity among job seekers
Data based	Statistics based: Statistical methods analyze registry and survey data to segment job seekers based on risk scores that predict their expected spells of unemployment	More objectified and standardized assessment of individual risk scores; calculation of individual risk scores; support of early intervention; potential to direct resources only to high-risk groups; potential to increase policy makers' discretion and flexibility regarding level of targeting and resources	Poor data may inflate misidentification; dynamic changes in the economy reduce predictive power of static models; setup costs need to be weighed as part of a cost-benefit analysis
	Psychometric based: Psychometric evaluation techniques maximize extraction of job seekers' (and entrepreneurs') private information about behavioral characteristics and attitudes; they also focus on soft skills to determine skill competencies that influence the career guidance job seekers receive	Behavioral information helps caseworkers devise more effective intervention strategies	Prevalent subjectivity of caseworker or another behavioral specialist

Source: Adapted from ILO and World Bank 2016; replicated from Loxha and Morgandi 2014.

Segmenting the beneficiaries into homogeneous groups

There are four groups of beneficiary profiles on the supply side, considering the combination of labor market barriers and social/behavioral barriers. Individuals are segmented into one of these groups based on how they fit into the continuum of low to high social barriers and low to high labor market barriers. The four groups are as follows:

- Those who face low social and low labor market barriers are placed in the easily activated **market-ready group**, who need interventions that will enable them to improve their productivity or move to higher-productivity and formal jobs
- Those who face high labor market barriers but low social barriers are placed in the group that needs **intensified activation** to increase their level of education or job-specific skills, or intermediation on how to find job opportunities
- Those who could, in principle, be close to labor market ready but are limited because of social barriers, including discrimination, are placed in the group that requires **special support** to improve their employability but also to obtain services to increase their participation in the labor force

Implementing a data-based profiling system

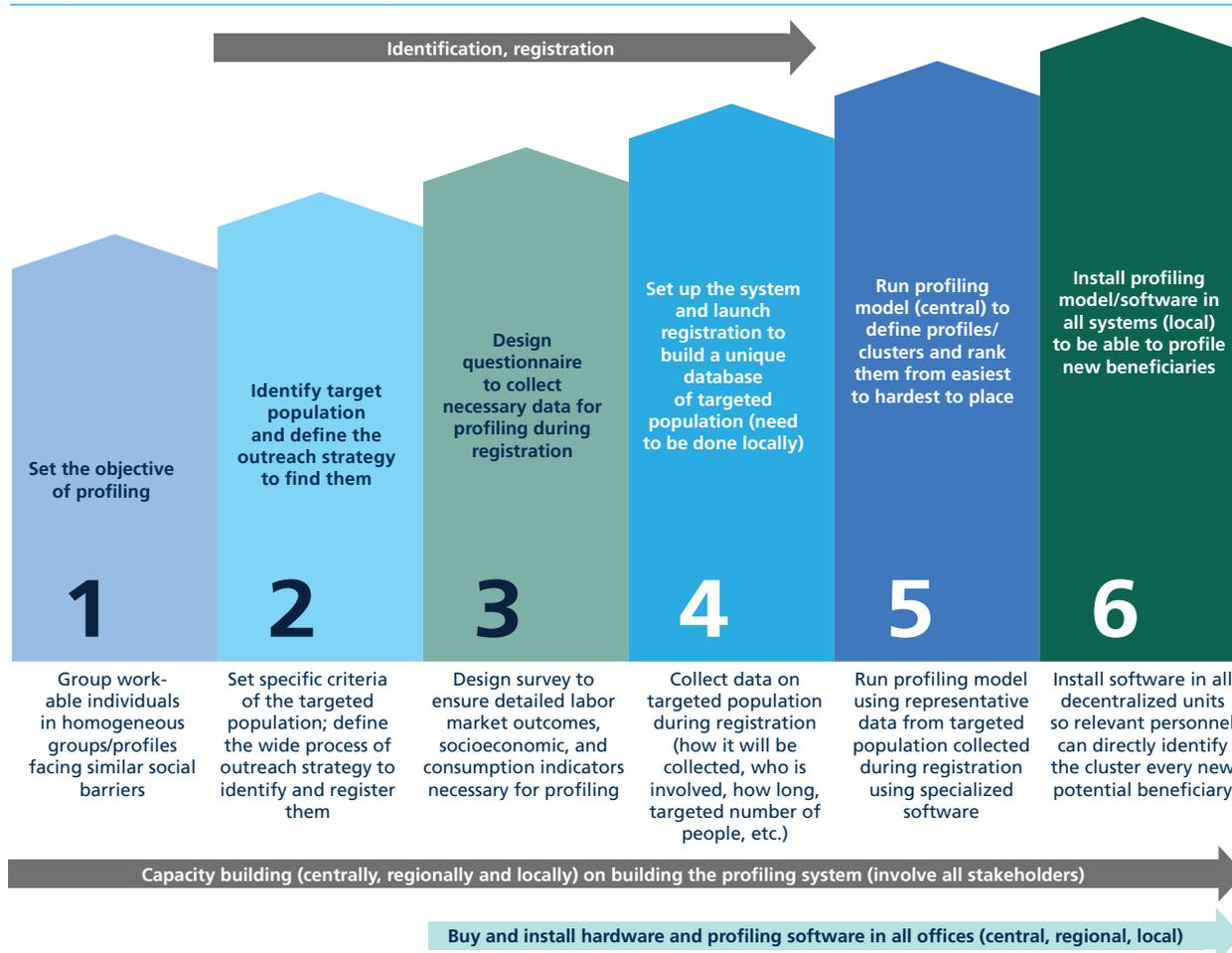
Moving to a statistical, data-based profiling system requires several steps, which include not only setting up the system, collecting data, and building the necessary capacity to use it efficiently, but also the steps involved to continuously maintain it. These steps are delineated in figure 2.3 and detailed in the following text.

Note that capacity-building activities for all stakeholders—including caseworkers—involved in the development and implementation of the profiling system should be initiated from the onset of planning a data-based profiling system through the implementation stage.

The steps for the data-based profiling system are as follows:

- 1. Establish the objective of the profiling system.** As with all other profiling methodologies, the main objective is to segment the target population based on its labor market and social barriers and readiness to enter the labor market. The system needs to rank individuals from the easiest to prepare for the labor market to the hardest to place.
- 2. Identify the target population by defining specific eligibility criteria and define the outreach strategy to find them.** As detailed previously, eligibility criteria may be based on an individual's demographic characteristics (e.g., age and gender), or belonging to specific government programs and social safety nets (e.g., recipient of unemployment benefits), or socioeconomic characteristics (e.g., poverty level, earnings/consumption, education level). Once the criteria have been defined, an appropriate outreach strategy must be developed to identify and incentivize candidates to register in the system. The strategy must include a combination of local, regional, and national outreach methods to ensure that the highest number of the target population is reached.
- 3. Design questionnaire to collect necessary data.** A statistical profiling system has a robust requirement for quality quantitative data. An imperative step is therefore to design a strong questionnaire with key labor market outcomes, socioeconomic and household characteristics, employment history, skills acquisition, consumption indicators (among other relevant ones, which are dependent on the program's objective and target population). This survey is then administered to the target population. In this step, it is important to identify who will design this survey and program it in the system (see next steps). Note that the data must be regularly updated for the profiling to remain relevant.
- 4. Build the system and launch registration.** This step involves ensuring all hardware and software equipment are in place to register applicants of the target population in one unified database. No specialized hardware is necessary for this profiling system; the system can leverage and capitalize on hardware that currently exists. Specialized profiling software is available; however, other lower-cost alternatives can also be used, such as statistical software (e.g., Stata). A unique identifier will be generated from this application. The project team should determine which methods applicants should use to complete registration—whether online, on paper (by visiting a center), or a combination of both. The survey designed in step 3 will need to be administered during registration or, better yet, at program admission once all beneficiaries are selected. The project team needs to determine the person(s) or entity responsible for data collection, data entry (if information is provided manually), and data cleaning. It should also determine the length of the registration period and the minimum number of targeted registered applicants.
- 5. Run the profiling statistical model to cluster the target population.** Once the registration period ends and a representative sample of data is collected from the target population, the most appropriate type of econometric model needs to be developed using specialized software. Each individual will be assigned to a profile or cluster based on the information provided in the surveys. Because of this modeling, each individual in the database will belong to a profile or cluster based on type of employment barrier and distance to the labor market. He or she will also be able to be classified from easiest to hardest to place.
- 6. Install profiling software in all decentralized locations.** Once the model is defined at the central level, it will be programmed in decentralized offices of the implementing agency to enable any incoming potential beneficiary to be profiled. Building the capacity of all involved stakeholders (even at the local levels)

Figure 2.3
Setting up a data-based statistical profiling system



during the design and implementation of this system is essential to keep them invested in learning about and using the new system; the objective is to help them realize how the system can ease their workload.

Setting up a data-based profiling system requires the creation of a small working unit to oversee the building of the profiling model, regularly update the data and the model, and coordinate beneficiary data collection. Individuals can move from one profile to another as their labor market status or socioeconomic situation changes. The unit—which would operate like one set up for a social safety net program using a proxy means test targeting mechanism, for example—might include an economist, preferably one who specializes in labor markets; a statistician; and a data collection coordinator.

Interventions for hard-to-reach youth

Hard-to-reach youth—including discouraged youth not in employment, education, or training (NEET); youth working in the informal sector; youth in distressed regions; and youth in countries affected by fragility, conflict and violence—must receive customized, local, bottom-up interventions that engage and motivate them to participate in the project, and then gradually prepare and connect them with relevant economic opportunities. Best practices include utilizing youth-friendly spaces (clubs) and services (sports and cultural activities, health counseling, psychosocial support, mentoring, peer-to-peer support, etc.), youth-led community development projects, projects that promote self-employment and small-scale entrepreneurship, violence prevention through soft skills development, and national and local youth platforms that facilitate youth engagement and improve trust in public institutions. Evidence from project evaluations suggests that comprehensive and integrated

interventions that address a multitude of constraints are more effective than those that address only one or a few constraints (La Cava 2017).

Importance of gender-sensitive design of programs for inclusion of young women

Several gender-specific determinants of low employment rates and earnings among young women may affect their program participation. Project teams should devise appropriate strategies to address the specific needs and constraints young women encounter to enter and attend program sessions. Examples of constraints and possible ways to address them follow.

- Women’s participation in a program may be limited by time constraints stemming from their typically greater share of household and family responsibilities. Programs must be flexible to allow them to participate on a part-time basis (Datta et al. 2018; La Cava 2017).
- Girls and their parents may have not received career guidance or adequate information about how to return to different occupations. Programs need to supply specific guidance in this regard.
- Social or cultural norms, as well as physical security concerns, might constrain young women’s mobility and influence their decision about whether to work and the type of jobs to pursue. Program managers should carefully plan the location and timing of program activities.
- Specific cultural or religious practices related to women or mixed gender groups must be considered. Program designers must take the following practical measures as a starting point to address constraints limiting young women’s participation so that they can attend and complete the program:
 - Separate male and female training rooms
 - Separate latrines
 - Same-sex trainers
 - Good location for program activities
 - Child care services on-site or child care stipend
 - Information campaigns specially designed for girls and their families (see above, “[Outreach to Potential Beneficiaries about the Project](#)”)

STEP 4: DELIVER AND PAY FOR INTEGRATED PACKAGES OF ACTIVE LABOR MARKET PROGRAMS

A successful youth employment program consists of a combination of ALMP packages tailored to the needs of beneficiaries, appropriate contracting and payment systems focused on rewarding performance expectations, and an implementation mechanism driven by the private sector (Kluve et al. 2016). The Harambee and Generation programs described in box 2.3 show how important it is to involve the demand side—employers—in design, monitoring, and evaluation and increase their influence and ownership of program activities. Traditionally, government agencies have provided ALMPs; however, countries are increasingly using the option of outsourcing, or contracting out, the delivery of these programs to external providers through public-private partnerships (PPPs). [Annex G](#) discusses different types of PPPs for outsourcing service provision.

Models of PPPs for delivering public employment services

Barbier, Hansen, and Samorodov (2003) examined different models of PPPs that deliver public employment services and identified a framework with the following categories: **cooperation**, **complementarity**, and **competition**. Cooperation involves sharing information, especially between job opportunities and job seekers, to improve matching. Complementarity involves outsourcing public employment services to address specific needs of the targeted groups. Competition involves outsourcing employment services to private providers through

BOX 2.3: LINKING THE DEMAND SIDE WITH THE SUPPLY SIDE

The Harambee program in South Africa and Generation both maintain a professional partnership and an intense approach to working with employers. The two programs run diagnostics with employers to ensure that training is demand driven. They first gain an understanding of the work environment and how employee performance is assessed. They then identify, and shadow, high-performing individuals and benchmark their behavior as a performance guide. They successfully involve employers as cofinancers by providing evidence of the benefits of high-quality training. Harambee has developed a specific small and medium enterprise (SME) solutions unit to overcome barriers in working with SME employers.

Source: S4YE 2017.

an open tendering competition process, in which the public employment office competes in an open market. Table 2.3 describes the advantages and disadvantages of each of these categories. Figure 2.4 describes the best types of interventions based on the types of barriers beneficiaries face, and the advantages and disadvantages of each intervention.

Outsourcing is not always feasible either because qualified local providers are not available, or the government is reluctant to outsource services it traditionally offers or it does not trust the private sector. In these scenarios, project designers may consider the following options.

If qualified local providers are not available, two options can be pursued, with the support of an international expert firm:

- Select the most promising local providers and build their capacity throughout program implementation.
- Select individuals whom international experts will train and equip them with relevant tools (information technology equipment, mapping of local providers and employers), and monitor their performance during implementation. Note that if youth are selected, a dual purpose is served: they will be performing an important function while gaining employment.

Both of these options can be embedded with a performance tracking system, whereby those who perform the best will be rewarded (see "[Designing the payment mechanism](#)," below) and those who do not perform well will not be eligible to continue in the program.

If the government is reluctant to outsource to the private sector, consider these two options:

- Build the capacity of the public employment service or public providers throughout implementation with an international firm, and pair the work with performance-based incentives, which could be monetary or nonmonetary (as one example, nominate the best employee of the year, and send him or her to trainings or provide other rewards to express appreciation at the local level).
- Reassure the government that outsourcing will take place simultaneously with capacity-building activities where public employment services or public providers are concerned, and strong monitoring systems will be implemented to penalize fraudulent practices.

If outsourcing is not an option, the minimum course of action is to recommend that public employment services or public providers rely on profiling and robust monitoring and evaluation (M&E) systems and adapt the ALMP to the beneficiary population. Ideally, these systems will be integrated with some performance-based incentives as described above.

Wage subsidies as a tool to increase job access

Wages subsidies are one of the most common measures used to improve access to jobs for certain population groups. They are payments made to employers or workers either to reduce the cost of labor for

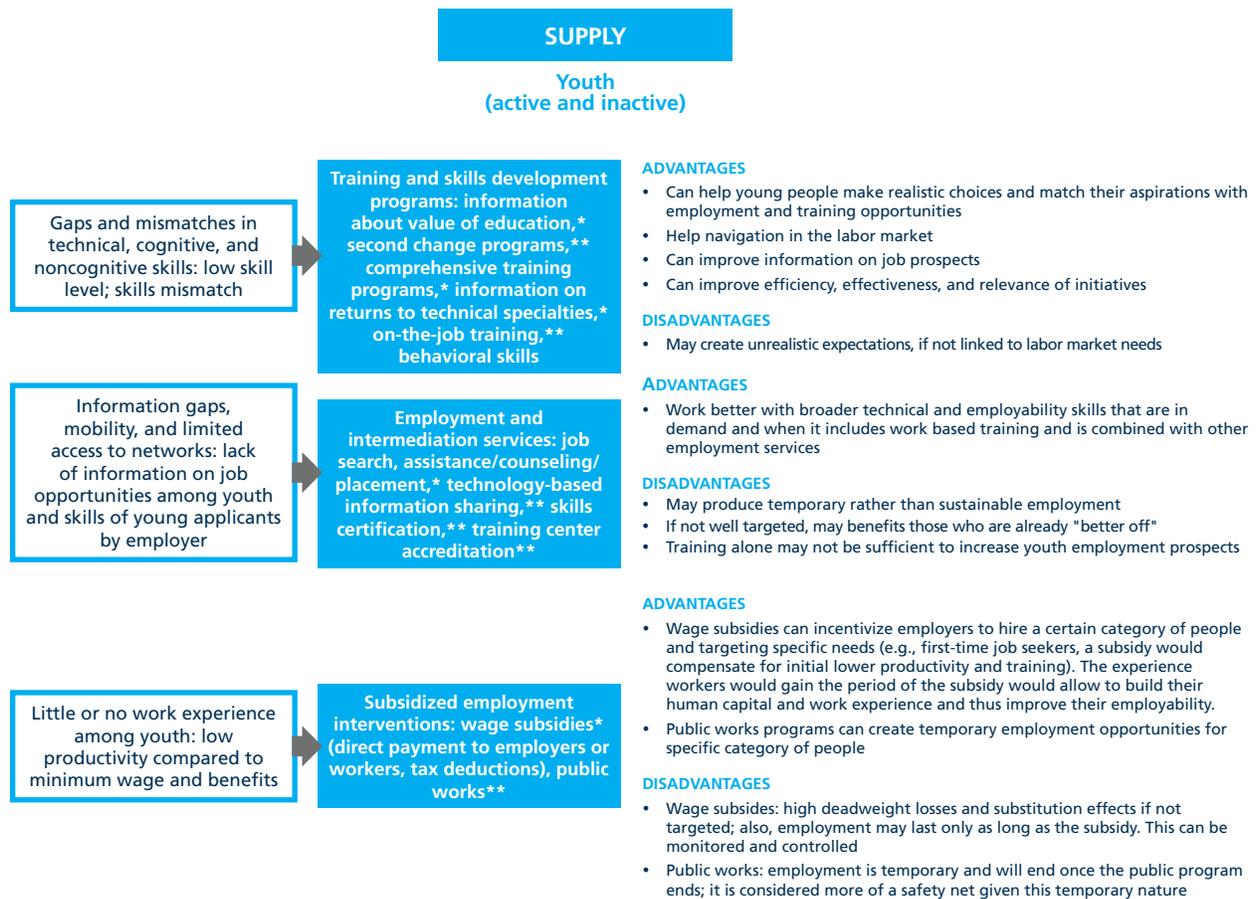
Table 2.3
Advantages and disadvantages of various PPP categories

PPP type	Advantage	Disadvantage
Cooperation	<ul style="list-style-type: none"> • Does not require additional government funding • Improves information exchange and access to broader range of available jobs (for job seekers) and applicants (for employers) 	<ul style="list-style-type: none"> • Does not necessarily expand overall service capacity • Lacks competition to drive public employment agency (performance improvements)
Complementarity	<ul style="list-style-type: none"> • Enables access to expertise and industry networks that are unavailable within the public employment agency • Allows a design that circumvents unnecessary duplication of public employment agency functions • Stimulates innovation in service delivery • Allows rapid expansion of service delivery, which can later be more readily scaled back (compared with public sector expansion) when labor market conditions improve • Use of results-based contracts can enhance effectiveness and efficiency of services 	<ul style="list-style-type: none"> • Requires government funds for outsourced service provision • Requires a market of service providers with appropriate capability and capacity • Requires sophisticated and transparent government management and procurement capability, which might not be available • Risk of results-based contracts leading to “creaming” or “parking” of less easily placed job seekers • Risk of results-based contracts leading to focus on short-term (payable) results rather than meeting long-term client needs
Competition	<ul style="list-style-type: none"> • Same five advantages as for complementarity • Can create cost savings, especially if it is results based • Can improve public employment agency performance and overall results • Can empower job seekers through user choice—particularly where provider performance data are publicized 	<ul style="list-style-type: none"> • Same five disadvantages as for complementarity • Public employment agency employment conditions (including pay rates, working conditions, recruitment) can affect its competitiveness in open tender • Can lead to reduced cooperation (e.g., providers hoarding job vacancies) • Can lead to service duplication, loss of economies of scale, problems in “thin markets” (i.e., some labor markets might be too small to sustain multiple providers), job seeker confusion (i.e., job seekers may not understand the system and responsibilities of government and NGOs), and employer frustration (e.g., being approached by multiple service providers) • Loss of direct public sector experience in employment services management and planning and the downsizing/firing of public sector employees • Risk of price competition driving down service quality

Source: Solano and Powers 2016.

employers and/or to increase take-home pay. Well-targeted and -designed subsidies are integral to encouraging employers to hire young people, who often lack work experience and/or whose initial productivity is lower than what the market wage justifies or is perceived as such. Evidence suggests that wage subsidies can have positive short-term effects on employment for the target group, although they might not be effective in promoting net job creation. Subsidies might be effective in supporting learning by doing (i.e., the acquisition of skills as a byproduct of work) and on-the-job training; thus, the long-term employability of youth is improved. Box 2.4 elaborates on the key elements the project team needs to analyze when designing and implementing a wage subsidy program.

Figure 2.4
Labor market barriers and interventions



Source: Adapted from Almeida, Orr, and Robalino 2014; Cunningham, Sanchez-Puerta, and Wuermler 2010; Kluge et al. 2016; and Rosas and Rossignotti 2005.
Note: *Evidence-based interventions; **mixed evidence, theoretically sound.

Selecting service providers

When outsourcing is an option, a competitive process to select providers is recommended, which should be open to all qualified organizations. Competition among providers leads to efficiencies and lends itself to higher-quality services at lower cost. Competition also encourages innovation and knowledge transfer from other contexts and projects. Overall, strong working relationships with providers enhances the delivery of services and ultimately improves the employment opportunities of program participants. The recommended steps involved in the outsourcing of services are illustrated in figure 2.5.

The selection of service providers should be guided and informed by an analysis of the competing organizations' capabilities and past performance. To create the highest probability of receiving responsive, relevant proposals from qualified providers, it is essential to provide in the request for proposals (RFPs) a clear statement of project expectations, budget, and timelines; along with criteria for selection and a bidders' conference to address any issues that may not be clear to the bidders. Specific considerations for the decision-making process are as follows:

- Information yielded from interviews with the potential candidate service providers' management team, visits to their offices and project sites; and references provided from previous relevant projects
- Linkages the service provider has built with both the target youth group(s) and the private sector (this qualification is critical)

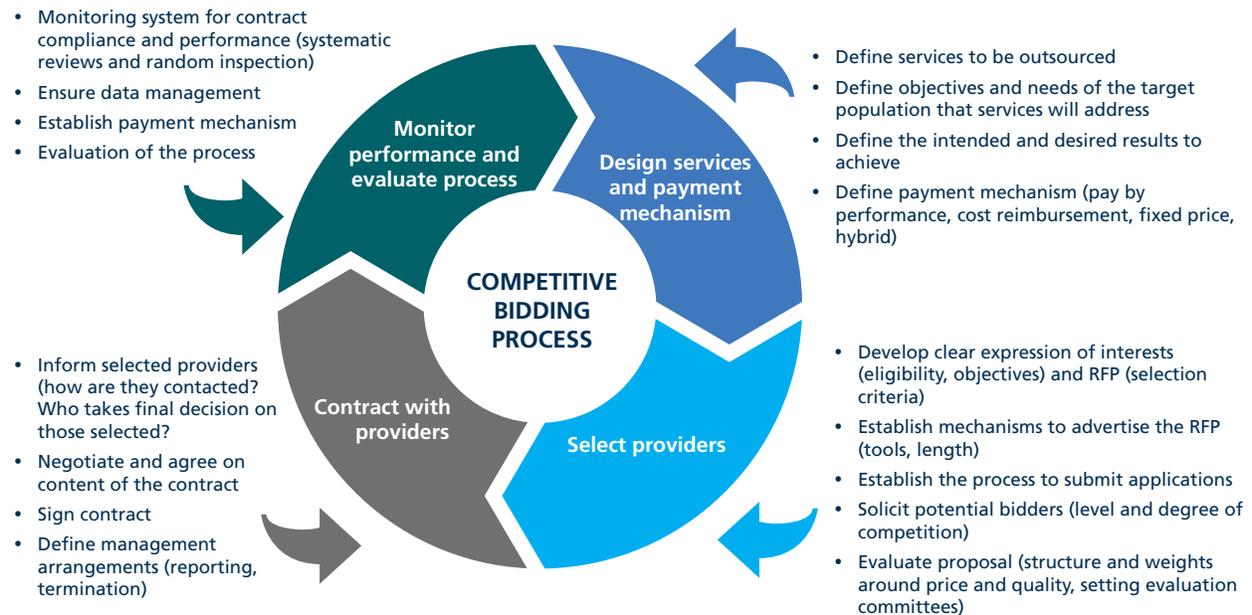
BOX 2.4: KEY ELEMENTS OF WAGE SUBSIDY PROGRAM DESIGN AND IMPLEMENTATION

Key elements to analyze when designing and implementing a wage subsidy program include the following:

- **What is the main motivation for wage subsidies?** [1] Is it to promote skill development through work experiences that facilitate access to jobs, foster human capital accumulation, and ultimately enhance workers' employability? [2] Is it to increase the return to labor or employment of a specific vulnerable group [e.g., young food stamp recipients, youth from disadvantaged geographic regions] or skilled youth that are experiencing high taxation rates in formal labor? Is this situation increasing employment rates among specific groups while creating significant barriers to employment and/or increasing the return to labor for these individuals? Does targeting need to be designed on the basis of skill level, education attainment, gender, and ethnic group, or other factors? [3] Does the program need to provide a form of stimulus to aggregate employment and demand during economic crises and downturns to mitigate the effects of an economic slowdown on formal employment?
- **What implementation mechanisms should be used?** One mechanism is to reduce taxes by the amount of the subsidy, and if the taxes due are less than the subsidy, the difference can be paid as a tax credit. Another option is to reduce the employer's and/or the worker's social security contribution. Yet another option is to exercise direct transfers, which are direct payments to the employer; in a few cases, direct transfers have been made to the worker. Compared to the other two mechanisms, direct transfers typically require more time to process and entail higher administrative costs.
- **To whom should the wage subsidy be provided?** [1] Employer subsidies will reduce employers' labor costs or the risks associated with uncertainties regarding newly hired employees' productivity. This type of subsidy is relevant to stimulate the demand for young workers whose marginal productivity may be perceived to be below market wages as well as to promote the provision of work-based training to youth by lowering its costs to employers. [2] Worker subsidies provide incentives for workers to seek and gain employment, thereby increasing the returns to employment. Receipt of subsidies is conditional on working, which is viewed as one of the main advantages of wage subsidies over income transfers.
- **What should the amount of a subsidy be?** The amount needs to be set at a level that makes it profitable for employers to use the subsidy and hire young workers, while minimizing the potential substitution of nonsubsidized workers. Because workers' productivity tends to increase with experience, it may be optimal to design the wage subsidy so the amount decreases over time. Ideally, wage subsidies should be set as a percentage of negotiated wages up to a maximum amount.
- **What are the types of subsidies?** There are two types. A fixed amount provides a lump-sum per worker; a caveat to using this type is that employers then have an incentive to hire the lowest-wage workers—the subsidy will cover a higher percentage of the labor costs. A percentage of the wage subsidy uses either a single subsidy rate for all targeted workers, or different subsidy rates for different workers. If the wage subsidy program's goal is to facilitate entry into the labor market of higher-skilled youth who may lack work experience and/or face difficulties signaling their skills, proportional subsidies will likely be preferable.
- **How long should a wage subsidy be used?** Indefinite subsidies are paid on a continuing basis, as long as the beneficiary remains eligible; this requires regular eligibility verification checks, which can be costly. Time-limited subsidies are paid for a specific time period. Evidence suggests that wage subsidies are more effective when they are provided for a limited time period, rather than open ended.

Source: Adapted from Almeida, Orr, and Robalino 2014; and ILO and World Bank 2016.

Figure 2.5
Competitive bidding process



- The degree of sophistication of the service provider’s data collection and reporting systems (can represent a competitive advantage)
- Local presence, reputation, financial stability, and consistent results and commitment to youth (key to becoming a trusted partner)

Executing outsourcing of job intermediation services

The following steps are integral to executing outsourced job intermediation services.

- 1. Explicitly define the services being subcontracted.** This initial step helps establish a transparent process with accountability measures and helps aligns the expectations of both parties involved. The main objective is to design an appropriate personalized action plan for each beneficiary based on the specific problems each young person is facing. As previously delineated, the approach to be implemented is tailored and comprehensive. The provider may subcontract specific services—for example, specialized technical training—to qualified local providers. The selected provider is not expected to be able to deliver all required services on its own. The provider can refer beneficiaries interested in self-employment or entrepreneurship, once the action plan has been developed, to specialized providers and microfinance institutions.

Demand-side intervention will also identify specific constraints to the service providers on skills that small or medium enterprises (SMEs) need to expand in a specific targeted value chain. This information enables service providers to cater to youth to be placed in wage jobs, youth to be supported for high-growth start-ups or entrepreneurship, and youth that may need self-employment opportunities. Capacity may be lacking in a country among service providers to offer services for placement in all three tracks. For example, providers that offer services to connect youth to wage employment might not have the in-house capacity to offer services that would help them connect to self-employment. Beneficiaries who are more suited for self-employment (either by preference and/or attitude and behaviors) could then be referred to providers that specialize in providing services to help workers become self-employed.

- 2. Design a mechanism for selecting providers by mapping existing employment service providers at the national and local levels and identifying the services they offer, their capacity, and their**

effectiveness (if this information is available). Two different implementation models of service providers are possible:

- **Not-for-profit NGOs or for-profit private service providers.** NGOs are often perceived as best positioned to work with job seekers (Finn 2011) to help them enter or reenter the labor market and find employment, because these entities are experienced in providing services for the most vulnerable groups. Partnerships with NGOs or private providers may improve coverage of service provision in remote or hard-to-reach areas where they may already be active. Because they can leverage their previous work experience with the program’s target group, they are usually well positioned to attract and recruit participants without difficulty (Honorati and McArdle 2013). In countries or locations where enough qualified NGOs or private providers exist, the selection process will follow a competitive and transparent process.
- **Individuals (consultants).** In countries or regions where qualified NGOs or private service providers do not exist, local consultants should be competitively hired and grouped in teams. These teams will receive intensive training to ensure that the services provided are suitable and of high quality. Teams will be equipped with all necessary tools to provide those services.

3. **Provide train-the-trainer trainings to selected NGOs/private providers as well as to public agencies to ensure program sustainability.** The results from mapping the service providers will determine the availability of qualified providers at the local level. If there are shortages of qualified providers, a specialized international firm/NGO could be recruited to conduct the train-the-trainer trainings to augment the capacity of local selected providers and/or individuals as well as counselors at the public employment offices.

This international firm/NGO could also help select the local providers by either (1) participating on the evaluation committee and reviewing the submitted proposals and/or (2) implementing a short and rapid training for possible candidates—the latter in specific cases where the selection process is done in two stages. In other words, potential providers first express their interest in the program, and then from the long list of firms/NGOs that pass the initial cut, the internationally recruited NGO/firm selects the most promising local providers that are eligible to receive an RFP (McKenzie 2017b).

Public employment offices that attend the training may also be selected in a competitive manner to ensure that those who attend are the most motivated public servants. Capacity-building improvements to public agencies also ensure that the approach followed is sustainable, by assuring that the personalized package of services is tailored to each group based on the specific barriers faced.

4. **Determine the average cost per package, per beneficiary, based on the category of beneficiary profiles.** This average cost will be key to determining the budget required for each selected private provider as well as to determining the specifics of the payment system, drawing on the initial process of collecting profiling data (see [Step 3](#), above).
5. **Incentivize the private sector to provide information about job opportunities for youth.** Programs that perform outreach to identify employers with skill shortages or productivity problems and simultaneously demonstrate that they provide services useful for employers are likely to motivate employers to provide information about job opportunities to graduates (box 2.5).
6. **Select the appropriate contracting and payment mechanisms.**⁴ Well-designed payment mechanisms to service providers will most likely result in significant enhancements to the quality and impact of delivered services. For instance, Generation has developed a new metric for evaluating performance—cost per employed day (CPED) over an employee’s first six months on the job. This is an effective way to measure cost, job placement, and retention rates (Jaffer and Mourshed 2017).

⁴ This information builds on ILO and World Bank (2016).

BOX 2.5: PARTNERING WITH THE PRIVATE SECTOR

Innovative youth employment programs have developed strong partnerships with the private sector to provide labor market-relevant training, ensure linkages between programs and employers and school-to-work transitions, and ensure program sustainability and cost-effectiveness. Key features of these partnerships include the following:

- **Segmentation of different types of employers and customized partnerships based on distinctive needs and interests.** Generation India has adjusted its value proposition pitch to three different types of employers to address their constraints: worker scarcity, high worker turnover, and low-productivity workers.
- **Dedicated staff focusing on employer contacts.** The Ta3mal initiative in Tunisia uses employment outreach officers to continuously reach out to new employers and manage existing relationships.
- **Working with industry associations and groups of employers.** Partnerships at the sector level are designed to meet the talent needs of multiple employers that belong to the same industry. In Panama, the New Employment Opportunities program formed sector skills councils as a formal coordination mechanism between private sector and training institutions to close the skills gap in key sectors.
- **Tailored small and medium enterprise (SME) solutions that overcome coordination and scale difficulties.** Harambee in South Africa has developed a strategy that involves targeting clusters of SMEs through aggregators, supply chains, one-stop online registries for SMEs, and direct outreach through capacity building. Harambee also trains youth on how to work in an SME environment, which is unstructured and minimally supervised.

Source: S4YE 2017.

Selecting contracting and payment mechanisms

Contracting and payment mechanisms should incentivize and encourage providers to offer the most efficient and cost-effective services to job seekers and/or employers, while mitigating against potential unintended negative consequences and/or aberrant behaviors. Public agencies need to consider many factors before deciding on an appropriate payment mechanism. These include, but are not limited to, the local context; program design; nature of the services outsourced; needs of the beneficiaries; process and nature of the competition, as well as pricing and quality; type and complexity of the requirement, as well as performance incentives and attention to results, liquidity, and risks; extent and nature of subcontracting (size and technical capacities of the private sector/NGOs); and adequacy of the providers' administrative and technical monitoring system. Contractual agreements are based on one of three types of payment mechanisms.

- **Fixed-price contracts** require that providers receive payments according to a predetermined schedule of fees or standard costs for a set of services defined in the contract, regardless of their performance or actual costs incurred in the provision of these services. These contracts can specify a fixed price per unit (e.g., per participant enrolled/graduated, job placement, materials purchased, etc.), per group of units (e.g., 200 registered job seekers); or a lump sum that covers all included costs.
- **Cost-reimbursement contracts** require that providers receive payments only for the expenses they incur, which are based on an initial budget defined and approved in the tendering process. Payments are made based on submitted receipts or financial reports (or other appropriate documentation of the hours worked and expenses incurred).
- **Pure performance-based contracts** specify that providers receive payments only after they achieve predefined outputs and/or outcomes. All payments are contingent on the achievement of agreed-upon measurable results. Depending on the terms defined in a specific contract, either the full payment (or part of it) is contingent on outcomes or results. Increasingly, performance-based contracts are becoming recognized

as one of the main tools to improve program effectiveness and increase accountability of service providers. Because payments are directly tied to results, a robust monitoring system is required to verify outputs and outcomes and assess provider performance. This type of contract can also include incentives or bonuses for beneficiaries/youth who obtain jobs they retain for 6–12 months.

The advantages and disadvantages of each of these payment methods are fully described in table 2.4.

Keys to the design of effective incentives

Because cost-reimbursement and fixed-price contracts do not inherently provide strong incentives to reduce costs and enhance performance, performance-based payments tied to key deliverables could encourage firms to achieve the desired program results. Evidence suggests that, wherever possible, performance-based incentives or contracting should be used to maximize impact and quality (Kuddo 2009), and providers are increasingly remunerated based on outcomes rather than outputs. Outcomes relate to the number of people who are successfully placed in employment; outputs simply refer to the number of beneficiaries in a program. Contracts that include performance-based payment mechanisms must delineate clear performance measures and reporting requirements.

Performance-based incentives can take two forms: rewards achieved upon reaching certain targets and milestones (delivered on top of the costs incurred by providers for delivering the agreed-upon services); or penalties or sanctions for not meeting expected performance levels. Good practices are to design performance-based incentives in such a way that providers are paid the premium not only for getting participants into gainful employment but also for keeping them in employment, as mentioned previously.

Programs may provide specific incentives to serve disadvantaged groups that might be more difficult to place in employment, or they may set a differential pricing mechanism where providers are paid a higher rate for placing individuals in hard-to-place groups. This type of incentive is particularly useful in performance-based contracting situations where there is a risk that training providers could employ the business practice of “cream skimming,” which favors participants who are perceived as more employable; or “parking,” which diverts efforts away from less easily employable beneficiaries (Koning and Heinrich 2010). Incentive structures—such as extra payments—for helping highly disadvantaged job seekers find work (and enforcing penalties when they do not) should motivate providers to invest appropriate time, effort, and resources to help the most disadvantaged beneficiaries.

Incentives need to be put in place so service providers engage firms and employers to foster collaboration with the private sector to ensure training programs provide those skills needed by employers and to facilitate on-the-job training. Close collaboration with the private sector can also get out the word about training programs and how the training can help youth transition to employment opportunities.

Designing the payment mechanism

RFPs must clearly explain the payment mechanism and schedule of payments to potential bidders to help them design their proposals and plan activities that are realistic, given the expected cash flow streams. This transparency is especially important for contracts that include payments linked to deliverables, for which payments will not be made until after the providers have incurred the costs. Providers must understand the specific payment provisions, as this is essential to prevent delays in implementation—or, in a worst case scenario, deter delivery altogether.

The suggested approach for designing the payment mechanism and the decision on what triggers payments may be adapted based on the context. This is driven mostly by the quality and number of service providers available. The following proposed payment is based on the performance of the provider and is divided in three parts (figure 2.6):

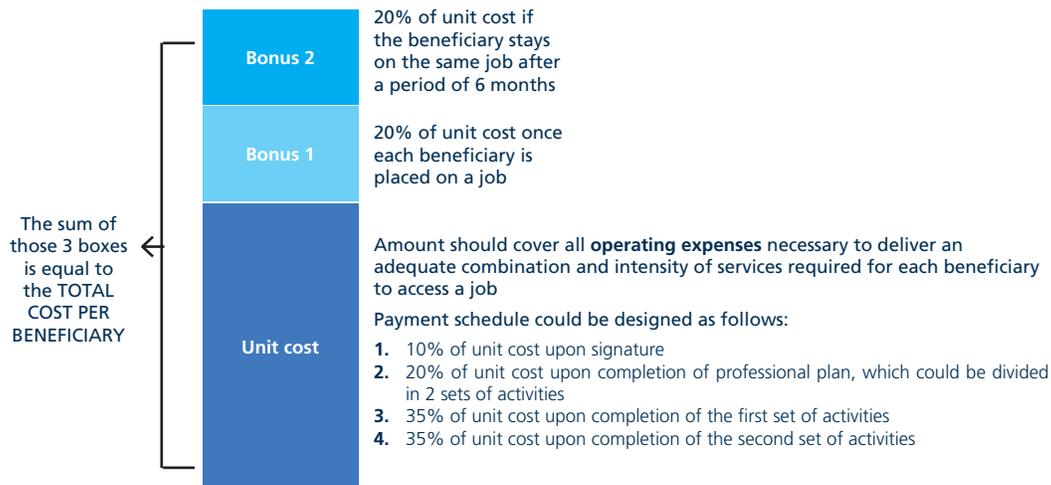
- **Unit cost or cost recovery.** This payment is based on the basic unit cost of the services delivered for each beneficiary. This covers the expenses incurred by the provider as the different services are implemented for each beneficiary.

Table 2. 4
Comparison of payment mechanisms

Criterion	Pay for performance	Cost reimbursement	Fixed price
Incentive to perform and attention to results	High	Low	Low
Risks	<ul style="list-style-type: none"> Providers bear most of the risk—and even more so, if payments are based on absolute numbers rather than percentages Payment is usually capped to limit financial risk to the public agency 	<ul style="list-style-type: none"> Public agency bears most of the risk 	<ul style="list-style-type: none"> Risk shared between public agency (quality of services provided might not be high) and provider (costs of providing services might change)
Preferred method for the selection process	<ul style="list-style-type: none"> Competitive selection process, with price and cost not the main factor; more weight is allocated to the quality and relevance of services proposed by providers 	<ul style="list-style-type: none"> Competitive selection process not recommended because public agency might choose a provider that is not efficient 	<ul style="list-style-type: none"> Competitive selection process
Operational challenges	<ul style="list-style-type: none"> Requires complex data monitoring on performance Setting the appropriate target and payment amounts Requires clear design Cash flow problems can be significant because payments are not easily predictable 	<ul style="list-style-type: none"> Appropriate administrative monitoring Adequate accounting system to track and monitor cost 	<ul style="list-style-type: none"> Setting fixed prices (ceiling or target price) Appropriate administrative monitoring Adequate accounting system to track and monitor cost
Disadvantages and unintended incentives	<ul style="list-style-type: none"> Cream-skimming Parking Gaming, or manipulating the proposal based on program criteria 	<ul style="list-style-type: none"> Limited incentives for providers that might offer services even if not cost-effective 	<ul style="list-style-type: none"> Cut costs but not serving client or by serving with a “light touch” Rigidity in adapting to unexpected consequences
Suitability	<ul style="list-style-type: none"> Suitable where private sector is strong (with ample financial resources) and when appropriate network and skills exist Not suitable for new programs, but can be introduced after several rounds of subcontracting have clarified costs and risks; thresholds for performance can be increased over time Suitable in context of decentralization where providers can be given the freedom and flexibility to determine how to meet given performance targets—bottom-up approach Suitable when reasonable, specific, measurable and attainable outcome/process indicators can be clearly defined at the contract stage Suitable to motivate providers to perform at their best and discourage poor performers Suitable if public agency can adjust and redesign the process to address program weaknesses and avoid unintended incentives 	<ul style="list-style-type: none"> Suitable in a country with mainly smaller organizations with limited financial resources and less likely to bid for risky contracts (such as pay for performance) Suitable when costs cannot be estimated with sufficient accuracy Need for an appropriate public agency surveillance during implementation to provide reasonable assurance that efficient methods and effective cost controls are applied; requires little monitoring, only administrative control 	<ul style="list-style-type: none"> Suitable when reliable and accurate information exists to produce realistic estimates of cost of performance Suitable when there is little or no performance risk or the degree of risk can be predicted with an acceptable degree of certainty Appropriate for a project with little complexity and uncertainty or for standardized services One of the advantages of this contract type is predictability—both public agency and provider know in advance how much will be paid, which thwarts any significant cash flow problems

Sources: Finn 2011; Honorati and McArdle 2013; and U.S. Department of Energy 2010.

Figure 2.6
Designing a performance-based contract



- **Bonuses.** These payments are based upon reaching certain performance results or previously agreed-upon indicators. Two types of bonuses are suggested: a first payment, which is a percentage of the basic unit cost and is provided once the beneficiary is placed in a job; a second payment is provided once the beneficiary is retrained after three or six months (whichever interval is deemed appropriate) to ensure the provider is placing each beneficiary in the right job versus making an arbitrary placement to receive the first bonus.
- **Minimum standards and ranking.** This payment is based on the aggregate performance of each provider. Providers can be rewarded for having performed the best among all other providers, or for having performed better than the minimum level requested. Rewards can be a monetary payment or a guarantee that the provider will be selected in subsequent contracting processes (or alternatively, excluded for poor performance). In some cases, implementation of a rewards system can be twofold: the provider with the highest placement rate receives a monetary bonus; simultaneously, the provider with the worst rate (or the provider that performs below a pre-identified minimum floor result) is prohibited from expressing interest in subsequent RFPs.

Again, a payment mechanism based on incentives must be accompanied by a robust and transparent monitoring and verification system to avoid unintended consequences. Effective M&E systems will provide protection against unwanted situations such as providers colluding with employers to overreport results and outcomes achieved and providers prioritizing easy-to-place beneficiaries to obtain better results. Effective monitoring systems minimize inaccurate reporting and misreporting, which is essential because the reports provide information to trigger the appropriate timing of payments (AGI 2014). (See [step 5](#) and tools available to monitor results and indicators.)

Allocate beneficiaries to providers

The profiling system that categorizes beneficiaries and ranks them from hardest to easiest to place provides solid information to allocate associated costs for each group. Clearly, beneficiaries who are hardest to place require the most investment in efforts and services to be placed on jobs (and thus at a higher cost than the easiest to place).

The relevant government agency can elect to allocate each beneficiary, or group of beneficiaries, to the relevant service provider based on beneficiary profile, location of the beneficiary, or other characteristics. However, it is strongly advised that each provider receives beneficiaries from a combination of the different profile groups so potential costs and rewards are evenly distributed to different providers.

STEP 5: PUT MONITORING SYSTEM IN PLACE TO EVALUATE PERFORMANCE

Evidence suggests that a strong monitoring system increases the likelihood that beneficiaries complete the training or receiving the intervention services and/or reach better results and avoid unintended consequences. A strong system is one that continuously tracks beneficiaries' performance, payment triggers, and the performance of the different activities during program implementation. A high-quality system also ensures that the interventions are delivering expected results—and, when they are not, it provides feedback on whether adjustments are needed, both in the configuration and intensity of services.

The [Jobs M&E Toolkit](#) provides a package of resources for project teams and clients to facilitate measurement of project results along the dimensions of job creation, job quality, and job access. The resources available, as well as a menu of jobs indicators from which to choose, can be found in [annex J](#) (Jobs Group 2017). Examples of indicators from this toolkit that can be used to track progress on interventions targeting the individual (supply-side indicators) are shown in table 2.5. More details on best practices in M&E are described in [section 4](#) of this guide.

Table 2. 5
Examples of jobs indicators from the Jobs M&E Toolkit

Overall objective	Indicator	Note
Measure employment/ job placement	<ul style="list-style-type: none"> • Number of project beneficiaries placed into jobs—could be used to incentivize providers • Number of project beneficiaries benefiting from short-term employment—could be used to incentivize providers • Number of (self- and/or wage) employed project beneficiaries 	<p>World Bank (2012b) defines a job as any “activities that generate income, monetary or in kind, without violating human rights.”</p> <p>The Jobs M&E Toolkit defines a person with employment as an individual of working-age who during a specified period of time, such as one week or one day, either: (1) performed work for wage or salary in cash or in kind, (2) performed work for profit or family gain in cash or in-kind, or (3) performs work on a regular basis, but was temporarily absent from work during the reference period.</p>
Measure an aspect of quality in a job (i.e., access to social security insurance, higher earnings, number of hours worked, satisfaction with job)	<ul style="list-style-type: none"> • Number of project beneficiaries covered by social security insurance (pension/health/unemployment insurance scheme) • Average (annual) earnings of project beneficiaries • Average number of hours worked per project beneficiary per week • Number of project beneficiaries reporting satisfaction with their job 	
Measure jobs access	<ul style="list-style-type: none"> • Labor force participation rate among project beneficiaries (%) 	<p>All the indicators can be disaggregated by gender to monitor whether the project or any specific activities focusing on gender led to the intended results—the disaggregated form of the indicators enable measuring jobs access for young women.</p> <p>The indicators can be disaggregated further by specific age groups among the youth population/rural and urban youth/other, to monitor the results of particular subgroups within the youth population.</p>
Intermediate jobs outcomes to measure access to/working of product market	<ul style="list-style-type: none"> • Number of project beneficiaries who are a member of a cooperative or producer group • Average time to get to market where output can be sold or traded 	<p>These indicators apply mainly in rural settings, where agricultural activities are predominant.</p>
Monitoring aspects related to provision of ALMPs	<ul style="list-style-type: none"> • Number of project beneficiaries using (public or private) employment services • Number of project beneficiaries completing training (or any other service/ALMP provided) • Number of project beneficiaries having passed the knowledge exam at the end of the training 	<p>Public or private providers of employment services match job seekers with job opportunities through (1) provision of information about the labor market, (2) assistance with job search and provision of placement services, and (3) administration of a variety of ALMPs. May also be referred to as labor intermediation services or a labor market observatory.</p>

Source: Jobs Group 2017.

BOX 2.6: APPROACH TO YOUTH EMPLOYMENT PROGRAMS IN FRAGILE STATES AND CONFLICT-PRONE ENVIRONMENTS

Traditional youth employment programs have not been very successful in the context of fragile states and conflict- and violence-prone environments. The political economy, either plagued with conflict, resource rents—or both—limits private sector investment and options for strategic transformation of the economy. Employment strategies in these environments cannot focus on wage employment and the formal sector, because jobs are limited and access barriers high. Instead, informal sector work and self-employment are the key priorities for an employment strategy [Fox and Kaul 2018]. Although economic development is undoubtedly vital, and a rich body of research examines the negative impacts of unemployment on individuals and societies, the evidence linking unemployment to political violence is insubstantial.

In fragile contexts, where drivers of political violence are rooted in the social fabric, there is little evidence that straightforward vocational training projects can have an impact on youth. Such projects do not reach the most marginalized to employment opportunities beyond providing training [Mercy Corps 2015]. On the other hand, programs that emphasize social, emotional, and planning-related soft skills may be a powerful violence reduction tool, according to emerging evidence from recent behavioral programs [Blattman and Ralston 2015].

Particularly in fragile state and conflict and violence-prone contexts, a more holistic and comprehensive approach is needed. Youth must be included in the delivery of quality services and in the monitoring of local accountability; they also must be more engaged and have a voice in the public sphere. Youth are concerned about the consequences of being excluded from economic and civic life [World Bank 2012]. Integrated interventions in youth entrepreneurship with business start-up grant support and access to finance are popular instruments.

Social development-oriented programs provide integrated solutions through local and spatial approaches, rather than offering vertical sectoral interventions. Overall, these operations tend to have a broader focus than youth unemployment, with special attention to factors such as vulnerability and social exclusion, displacement, exposure to violence and radicalization, as well as to voice and institutional representation.

Two recent World Bank social development projects focused on youth employment in fragile contexts. These projects aimed to create a roadmap for addressing youth unemployment and social fragmentation in fragile states through effective targeted services that build social cohesion and, where possible, capital-centric entrepreneurship programs that create jobs and boost incomes among youth.

- The **Kosovo Youth Development Project (KYDP)** promoted social cohesion through inter-ethnic collaboration among youth, especially from marginalized and vulnerable groups, and aimed to improve economic opportunities for young people and provide sustainable access to youth services in Kosovo. The project provided skills and business development training, business and community investment grants, and support services; the focus was on disadvantaged groups and minorities. Youth centers supported by KYDP served as regional business incubator facilities; social entrepreneurship networks; and providers of training, mentoring, and business counseling. The project increased income for young entrepreneurs and their employees. Project outcomes were impressive. The standard of living for the target group significantly improved—the average salary rose approximately 650 percent for grant beneficiaries and nearly 400 percent for their employees.
- The **Southern Iraq Youth Livelihoods Development Project** was designed to strengthen life skills and work readiness among youth through structured, interactive, and practical training to better position them to attain gainful employment in the complex setting of southern Iraq. Following the training, youth were given opportunities to apply and master their newly acquired skills through hands-on practical learning opportunities—youth-led community projects, workplace apprenticeships, and youth-led enterprise initiatives. Youth preferences, as well as performance evaluations from the livelihood skills training, determined the best match with learning opportunities. The project applied a dual-track approach to improve access to labor market opportunities, including building soft skills through community projects, and supporting employability and income-generating activities. Qualitative interviews conducted under the project indicated that violence was reduced at the household level and community relations improved.



3. IMPROVING THE DESIGN OF A DEMAND-SIDE INTERVENTION

This section provides a framework for improving the design of demand-side interventions in order to stimulate and create more jobs for youth or improve the quality of the jobs they already have. The quality of jobs is defined by at least three important aspects of employment:

- Level of earnings and productivity
- Access to social insurance programs
- Working conditions in the firm

The focus of this section is on sectoral and regional interventions that target a given set of enterprises and, through these interventions, channel incentives to invest in and create jobs. Macroeconomic and regulatory policies that affect the business environment are a critical part of a jobs strategy; however, they are not the focus of this section, and as discussed in the introduction, they are not always sufficient tools to facilitate the creation of jobs.

Most countries implement several types of demand-side programs, which include the provision of services to address the variety of constraints facing firms, such as credit, information, capacity, and coordination. These programs provide comprehensive support to promote the development of specific sub-sectors or value chains, support to start-ups and entrepreneurs, or incentives to promote investments and foreign direct investment in a region (figure 3.1). Most of these programs, however, are not designed with job creation in mind, let alone jobs for youth. Instead, demand-side interventions usually aim to increase productivity and sales growth, but the firms that generate sales and turnover do not always generate jobs.¹

Youth unemployment and underemployment are often a more general labor market problem linked to a country's level of structural transformation. Specifically, the supply of workers exceeds the number of jobs being created in the economy, and this affects youth as well. Interventions that aim to generate more jobs within firms usually (but not always) reduce unemployment for both youth and adults.² As shown in figure 3.2, the share of wage employment for youth is proportional to the share of wage employment for adults (Filmer and Fox 2014).

This finding means that interventions that boost employment for all workers may also benefit youth. Even so, targeted youth employment programs may still be necessary, precisely because not all jobs created in an economy or a geographical region may be accessible to youth. It is therefore necessary to design interventions that not only address constraints faced by youth (supply side), but also create incentives for certain types

¹ Mamburu (2017) investigated the differences between the samples generated by different definitions of high-growth firms using a South African firm-level data model. The author looked at 10 definitions and concluded that there was little correlation between the different generated samples. For instance, the sample generated based on the Organisation for Economic Co-operation and Development definition has a correlation that ranges from 0.074 to 0.155 with the samples derived from the other definitions and thus does not appear to be correlated with the other measures of high-growth firms.

² For more details on these interventions, see Buba and Aterido (forthcoming).

Figure 3.1
Possible demand-side constraints to growth and jobs

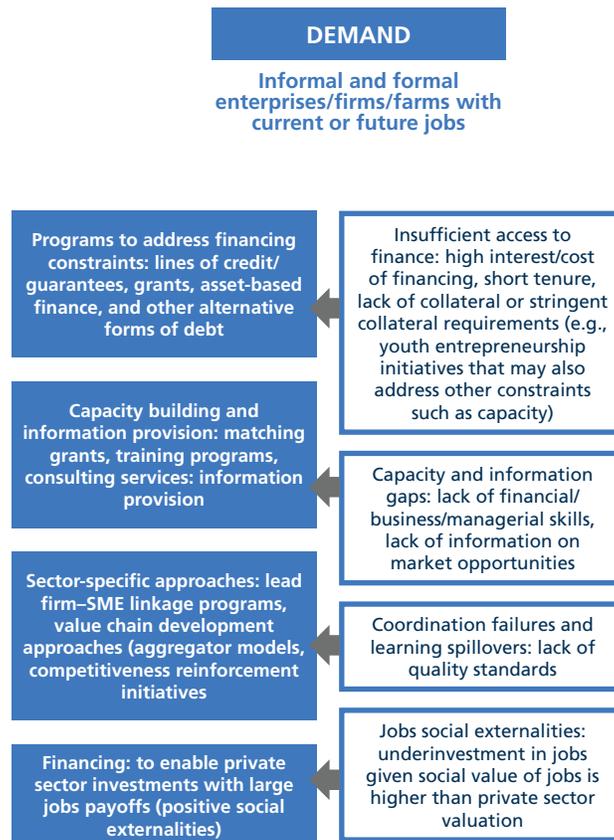
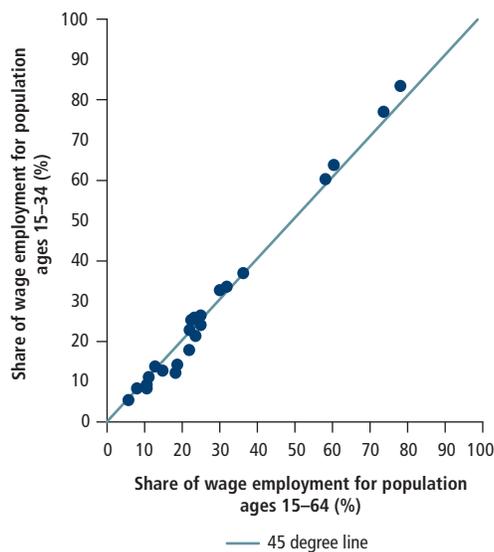


Figure 3.2
Share of youth in wage employment and adults in wage employment



Source: Filmer and Fox 2014, based on household and labor force surveys.

of demand-side interventions and for additional private sector investments that would increase the number of jobs created that are relevant for youth.

These interventions can have unintended effects—positive or negative—beyond the beneficiaries (so-called displacement effect or spillovers). As box 3.1 suggests, more evidence on this issue may be needed.

BOX 3.1: DISPLACEMENTS AND SPILLOVERS—MIXED RESULTS

Only a few studies have investigated possible displacements or spillovers to firms that have not received interventions (i.e., “untreated”). In Blattman et al. [2013], Calderon, Cunha, and De Giorgi [2013] and De Mel, McKenzie, and Woodruff [2008], Drexler, Fischer, and Schoar [2014], the interventions appear to have a significant negative effect on the sales/profits of firms located near firms that have received interventions (“treated”), if they are in the same line of business. Two of these studies found that this negative effect is not caused by inelastic demand, which is the result of more firms—or more productive firms—competing for the same number of customers. Instead, they concluded that these negative spillovers come from frictions on the inputs market (e.g., shortage of raw materials). Calderon, Cunha, and De Giorgi [2013] found that a training program had a significant positive direct effect on profits of women-headed microenterprises in Mexico, but argued that the impacts were partly compensated by a decrease in profits of control firms in “treated” villages. They found that untreated firms did not experience a negative impact on the number of clients or revenues, which suggests that the untreated firms in treated villages may be buying inputs at a higher price. The negative spillovers seemed to stem from imperfections on the market for their intermediary goods/materials and raw materials. Similarly, De Mel, McKenzie, and Woodruff [2008] investigated whether firms are affected by other treated firms in the neighborhood. They found a strong negative effect on profits when firms were in the same industry and in a neighborhood with other treated firms, but seemingly only in the case of one sector, the bamboo industry, which had restrictions on the harvesting of bamboo, which generates frictions on the supply side.

On the other hand, McKenzie and Puerto [2017] confirmed that demand adjusts. The training provided to women entrepreneurs leads to growth, but not at the expense of other untreated firms operating in the same market or new entrants into the market. On the contrary, it appeared that sales and the number of customers were higher in the “treated” markets, probably due to better management practices and enhanced customer service that attracts more clients. Blattman et al. [2013] showed that households trading before the Women’s Income Generating Support (WINGS) program in Uganda experienced falling profits after the intervention. These negative spillovers were largely compensated by a general equilibrium effect. This program influenced consumer prices: more traders translated into more goods, more competition, and lower prices. In turn, this raised the spending power of all households in the treated villages.

Overall, these mixed results call for more scrutiny, in order to assess spillovers and the general equilibrium effect.

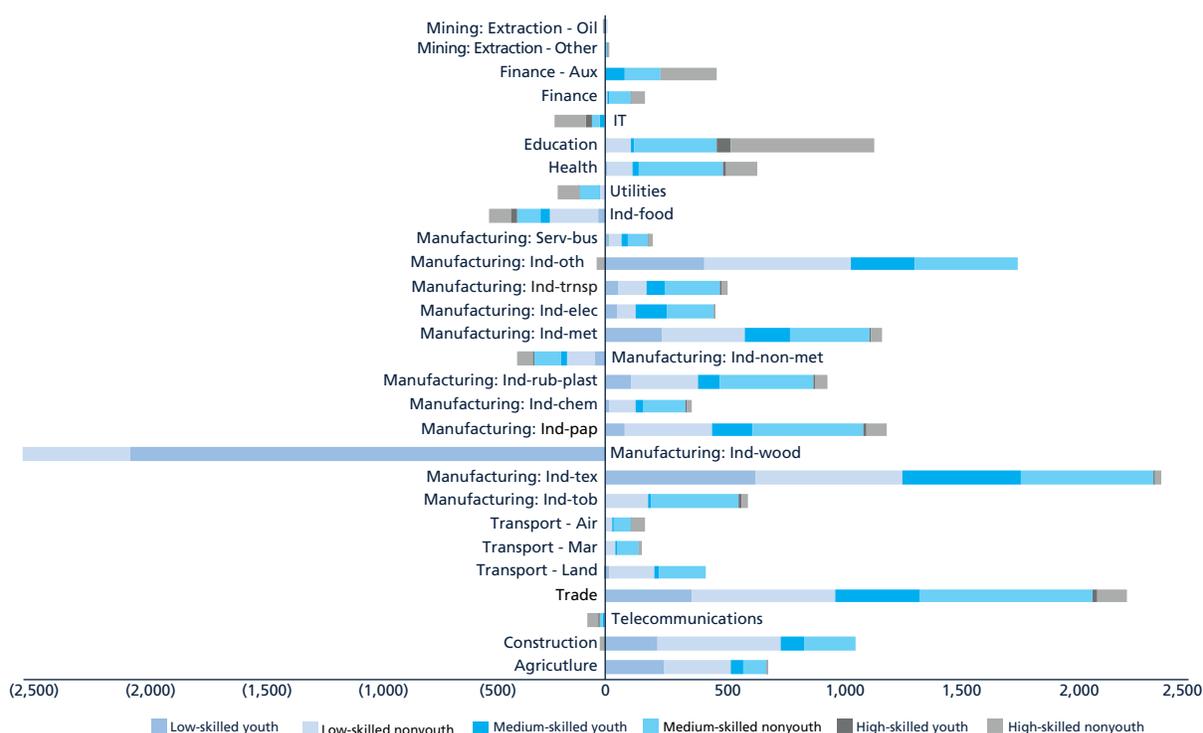
Four key steps need to be considered for demand-side interventions. They can be used to guide and inform discussions with the country government for a World Bank project:

- **Step 1:** Establish a profile of possible jobs for the target population
- **Step 2:** Define the target group of firms to be supported
- **Step 3:** Identify the constraints faced by the target group of enterprises
- **Step 4:** Design and implement comprehensive packages for the target group of firms

STEP 1: ESTABLISH A PROFILE OF POSSIBLE JOBS FOR THE TARGET POPULATION

The design of demand-side interventions must be responsive to the needs and characteristics of the beneficiary population the program is targeting. As discussed in [section 2](#), and shown in [figure 2.2](#), youth represent a heterogeneous population, which is clustered into four groups—those who are market ready, those who require intensified activation, those who require special support, and those who are hard to serve—each of which requires different types and levels of intervention. They differ not only in terms of socioeconomic characteristics and skill sets, but also in terms of the geographical area where they can live and work. Thus, in general, demand-side interventions that focus on youth will also need to have a regional focus. Given the profiling of the youth population, the project team should assess what types of jobs best match the beneficiaries. Indeed, different subsectors and firms create jobs that have a different composition in terms of gender, age, and skills level. For instance, in Tunisia, computable general equilibrium (CGE) models suggest that the sectors more likely to create jobs for unskilled youth are agriculture, construction, and textiles. For highly skilled youth, unfortunately, the options appear more limited because only a few jobs are available in the education and health sectors—the majority of which are public sector jobs ([figure 3.3](#)).

Figure 3.3
Jobs created by age and skills level following a \$10 million investment in each sector



Source: Jobs Group, Tunisia CGE model.

Upon receipt of information about the distribution of skills, project teams can create a typology of occupations (jobs) that would demand those skills.³ In the United States, the [O*Net database](#) contains detailed descriptions of more than 1,100 occupations. This database identifies 35 skills grouped into seven categories: content, process, social, complex problem solving, technical, systems, and resource management; and

³ As described in [section 1](#) and [annex E](#), the Skills Towards Employability and Productivity (STEP) Employer Survey is designed to shed light on how employers view skills and characteristics of their workers and the challenges employers face in recruiting workers with the desired skills. This may be an appropriate tool for helping project teams create a typology of occupations.

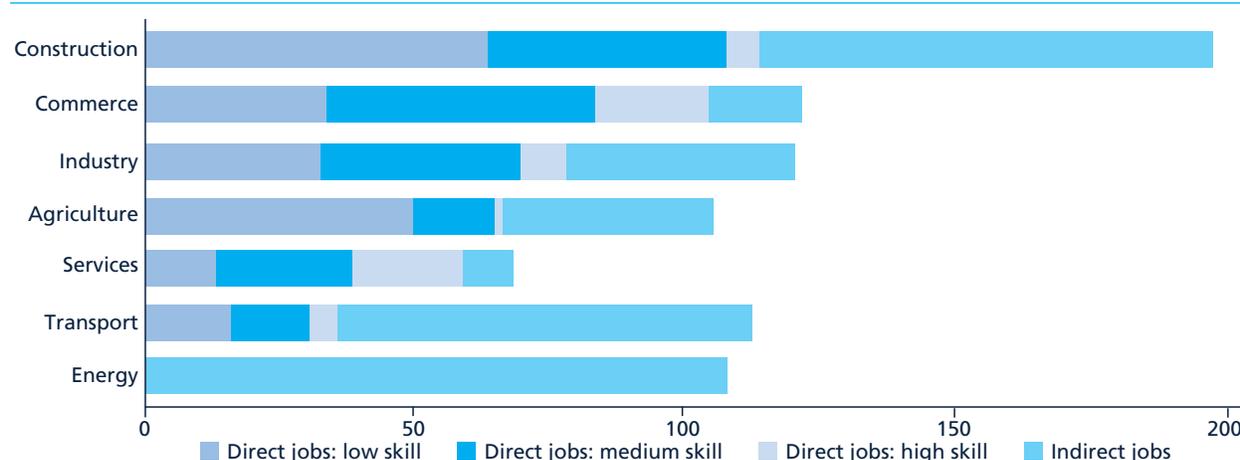
52 abilities grouped into four categories: cognitive, psychomotor, physical, and sensory-perceptual. Profiling the youth population can help profile the type of jobs that best fit the target population:

- **Routine versus nonroutine jobs.** Workers with higher social skills usually will be clustered with nonroutine occupations (Deming 2017).
- **Jobs with high cognitive content.** These jobs are associated with a higher level of education.
- **Science, technology, engineering, and mathematics (STEM) jobs.** Among jobs that require a high level of cognitive ability, it is important to distinguish STEM jobs from positions such as managers, teachers, nurses, therapists, physicians, lawyers, and economists. This latter group of workers requires more social skills, and these positions are less likely to be replaced by computers.
- **Jobs oriented to males versus those more oriented to females.** Note that the sectors that are male dominated or female dominated vary from country to country.

Having information about the types of suitable occupations enables project teams to assess the types of economic subsectors or value chains that should be targeted in a given region. In essence, they can identify the subsectors where those occupations exist or could be created. This assessment requires having information about the structure of production in the region (local or national accounts), which unfortunately is not always available. Enterprise or value chains surveys specifically designed for these purposes can be used. The World Bank Jobs Group has developed a Jobs in Value Chains tool ([annex C](#)) to understand value chain dynamics in order to estimate the impact of investments and interventions on the level, quality, and inclusiveness of jobs. The tool can be used prior to designing an intervention to forecast the impact of jobs; it can then be used post-intervention to analyze the actual impact from investments. Another approach project teams can take is to consult with local business leaders and government officials to identify opportunities, upcoming investments, and needed incentives to create and support productivity increases in the identified occupations.

In general, projects should focus on existing economic activities and avoid trying to develop a given industry “from scratch,” unless there are strong linkages to existing activities. For example, a project team scoping to select a value chain with the most potential for job creation in Lebanon used the three criteria of scale, sustainability, and competitiveness; jobs impact; and readiness and additionality to shortlist sectors ([table C.2](#) in annex C and figure 3.4). Because the focus is on youth employment, a project team should use the information collected in the situational analysis of the target youth groups, and the profiling of possible jobs for these groups, to superimpose that information as they select the best sectors or value chains with the most potential to create the types of jobs accessible for youth.

Figure 3.4
Lebanon: estimated jobs impact by sector and skill level from value chain investment



Source: Jobs Group, Lebanon value chain analysis 2016.

STEP 2: DEFINE THE TARGET GROUP OF FIRMS TO BE SUPPORTED

Once potential subsectors for engagement have been selected, the next step is to identify the types of enterprises involved in economic activities in the sector or that could enter the sector. Size and age are the two dimensions to consider while defining the target group of firms to be supported:

- Subsistence, and micro, small, and medium enterprises (MSMEs) or large firms represent the categories of size.
- The age of the firm refers to where the business is in its cycle of development. Start-ups, existing young enterprises, established enterprises, and expansions of existing businesses represent the various categories of age.

These different types of firms usually face the same constraints, but with different levels of intensity—which thus require different interventions (box 3.2).

BOX 3.2: WHAT TYPES OF FIRMS SHOULD BE SUPPORTED FOR JOB CREATION?

Research on dynamics of firms for developed economies has brought out interesting insights about the types of firms that contribute the most to job creation. Entrepreneurship has been linked to job growth. When employment growth is plotted against the number of new establishments per worker, it shows a strong upward slope [Ghani, Kerr, and O’Connell 2011]. Although microfirms and small firms constitute the majority of these establishments, they are not the ones necessarily creating the highest number of jobs [Haltiwanger, Jarmin, and Miranda 2013]. Controlling for the age of firms, there is no systematic relationship between firm size and growth in the United States. Start-ups and young businesses contribute significantly to job creation; however, this finding is mostly due to a few success stories. While start-ups and high-growth young firms contribute to 20 percent of firm-level gross creation in the United States, they only account for 10 percent of the firms. This substantial contribution of start-ups to employment comes from a small fraction of young firms that drive job creation [Haltiwanger, Jarmin, and Miranda 2013]. Haltiwanger et al. [2017] also show that a handful of firms generates the bulk of the return on investment for a venture capital fund. The Global Entrepreneurship Monitor Project estimates that, from a cross-section of 70,000 entrepreneurs in 60 countries, 4 percent of entrepreneurs create 38 percent of the new jobs. Most the growth of new entrants happens in the first two to three years of activity—although there are significant variations across countries [Calvino, Criscuolo, and Menon 2015]. Employment in developed economies is usually concentrated in larger firms. In the majority of developed economies, businesses with more than 50 employees account for more than 50 percent of employment. Some sectors are also more likely to generate employment and low-skilled jobs, which are more easily adapted to youth.

Again, the type of firm(s) that a demand-side intervention should support will be driven by the project objectives and the type of youth beneficiaries targeted. For example, if the project is dealing with extremely disadvantaged youth who have very low levels of educational attainment and skills and are disconnected from labor markets, the intervention might focus on building subsistence enterprises. If the goal is to create more wage employment, the project could focus on identifying high-growth small or medium enterprises (SMEs) or on large firms with deep domestic linkages and supply chains that have the potential to grow.⁴ If the project beneficiaries include idle, unemployed but educated youth, the focus could be more on supporting start-ups. In most cases, project teams are dealing with a diverse set of youth beneficiaries; thus, a project should include multiple demand-side components. The spectrum of demand-side interventions could range from income-generating interventions that focus on encouraging self-employment to supporting start-ups or SMEs or stimulating investment in large firms (with associated linkages and supplier development programs for a multiplier effect) (table 3.1).

⁴ For a more detailed discussion on the potential of value chains for large firms, see IFC (2013).

Table 3.1
Spectrum of possible demand-side interventions and the jobs agenda

Segment of firms	Objective(s) for their contribution to the jobs agenda	
	More jobs	Better jobs
Income-generating activities/subsistence entrepreneurs	<ul style="list-style-type: none"> • Business survival • Transition from unemployment to self-employment 	<ul style="list-style-type: none"> • Increase in revenues
Start-ups/microenterprises	<ul style="list-style-type: none"> • Business survival • Entry of more firms • Start-ups grow and hire additional employees 	<ul style="list-style-type: none"> • Increase in productivity (and hence increase in salary) • Better working conditions
SMEs	<ul style="list-style-type: none"> • Firm growth and hiring of additional employees 	<ul style="list-style-type: none"> • Increase in productivity (and hence increase in salary) • Better working conditions
Large firms	<ul style="list-style-type: none"> • Firm growth, hiring additional employees, more growth of their supply chains (additional increase of SMEs/start-ups through their supply chains) 	<ul style="list-style-type: none"> • Increase in productivity (and hence increase in salary) • Better working conditions

STEP 3: IDENTIFY THE CONSTRAINTS FACED BY THE TARGET GROUP OF ENTERPRISES

Once the project team has defined the target group of enterprises, it is then easier to identify their constraints. This can be done in various ways; namely, by performing empirical analysis of existing data, conducting targeted enterprise surveys for new data, and/or initiating consultations. Consultations must be combined with firm-level analyses that collect information on objective measures of the constraints.

Constraints that prevent firms from growing and generating more jobs can be either external or internal. External factors are linked to macroeconomic policies and the business environment, and are beyond the scope of this guide. They relate to trade policies, competition policies, access to foreign currencies, registration procedures for entry or expansion, and access to roads or ports, among other issues. All of these external factors are critical to most firms, but may be more binding for smaller firms. A recent report by the World Bank's Independent Evaluation Group indicates that the impacts of business environment reforms may be more modest than expected (IEG 2015). In economies where most economic activities are in the informal sectors and hence outside the purview of the regulatory structure, the official legal framework is likely to have less impact on job growth. Although a good business environment is important in any economy, the reforms required are wide, deep, and take significant time to achieve results. This guide focuses more on the internal constraints to firms and possible options for interventions.

Figure 3.1 shows a conceptual framework for interventions to address the major demand-side constraints or market/institutional failures that can have an effect on firm entry and growth. The constraints shown cover the main topics discussed in the remainder of this subsection:⁵

- Insufficient access to finance and inadequate business practices
- Capacity and information gaps
- Coordination failures and learning spillovers
- Jobs externalities

⁵ See Buba and Aterido (forthcoming).

Some context is needed to explain the latter two sets of constraints. Coordination failures arise when mutual gains—in this case, higher profits by firms—can be obtained from being in a different equilibrium, but no individual firm has an incentive to deviate from the initial equilibrium. The greater the number of economic agents involved, the more likely that coordination failures will arise. For instance, in a value chain that links farmers to aggregators or manufacturing firms, coordination failures can arise for various reasons. Two examples are information asymmetry on prices and matching frictions that arise if production quality does not meet the aggregator’s standards. In sum, coordination failures arise when resources, such as labor or capital, are not optimally allocated. **Jobs externalities** are a relatively new concept (see Robalino and Walker 2017). They emerge when private sector investors do not consider the social value of the jobs they create through their investment. The consequence can be a tendency to underinvest in projects that are economically viable and also able to generate jobs for youth.

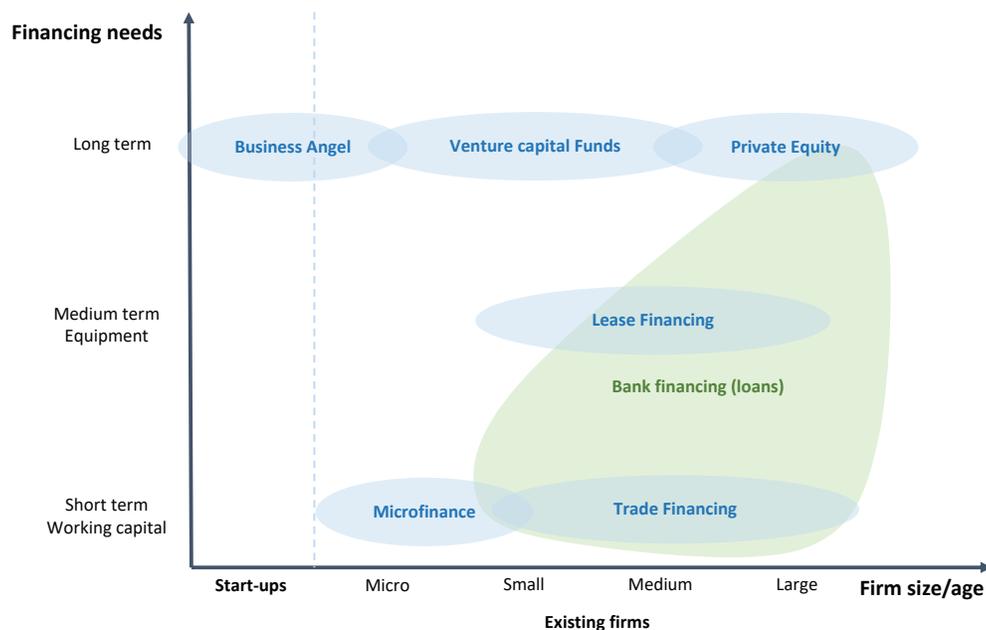
Insufficient access to finance and inadequate business practices

The decision about the most appropriate type of funding will depend on three factors:

- The size of the firm
- The age of the firm
- The type of finance needed (e.g., start-up capital, working capital, or investment capital)

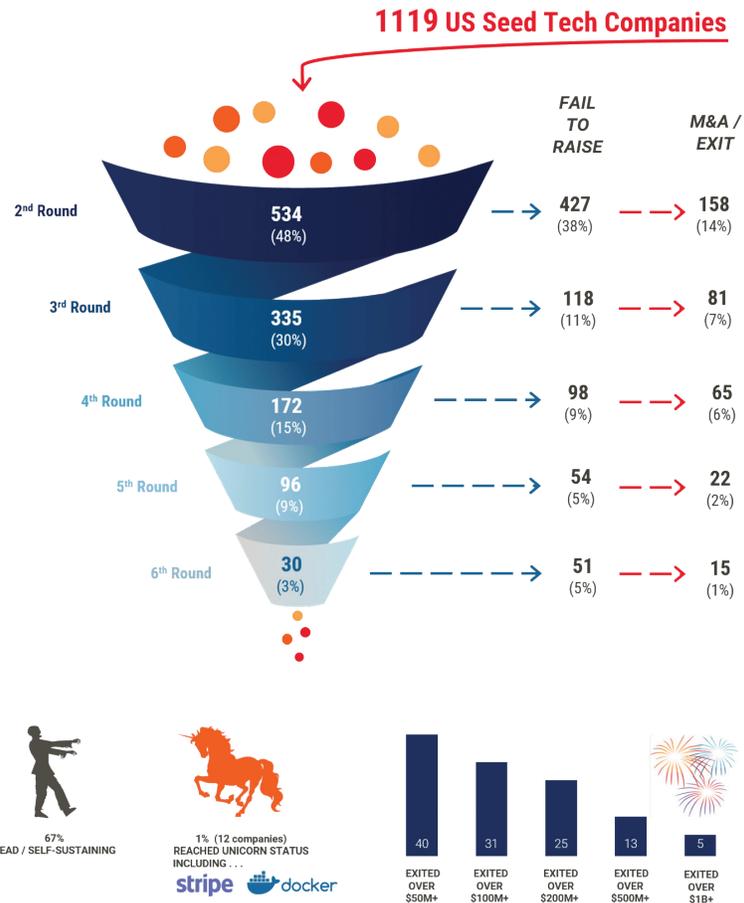
Entrepreneurs looking for capital have different financing options, which are dependent on their stage of development. Growth-oriented start-ups typically search for initial funding from business angels, followed by venture capitalists (in a separate round), and eventually, private equity (figure 3.5). In the United States, investment by these financial institutions is an iterative process (Nanda and Rhodes-Kropf 2016) : while 1,000 out of 500,000 start-ups receive value chain funding each year, only half of these value chain-funded firms get to an initial public offering (IPO) at a later stage (figure 3.6).

Figure 3.5
Available external financing options



Source: Adapted from IFC 2010.

Figure 3.6
Start-up funding



Note: All numbers based on cohort of companies that raised Seed in 2008, 2009 or 2010 and disclosed valuations only.

CBINSIGHTS

Source: CB Insights 2018 (<https://www.cbinsights.com/research/venture-capital-funnel-2/>); used with permission.

There are several approaches to overcoming limited access to finance for firms. Some projects can address market failures by accessing the credit market; this topic, however, is beyond the scope of this guide. Projects can also link credit-constrained firms to the appropriate lender. The methods for doing so include training or coaching firms on business plan development so they can link up with commercial banks for unemployed youth, young entrepreneurs, and SMEs; holding events and facilitating communication to link young entrepreneurs to business angels, and SMEs to venture capital funds; and through grants and matching grants for all labor market segments if they are credit constrained.

Youth face additional constraints in accessing finance, and hence in starting their own business. This is especially true for youth who live in rural areas and for rural enterprises (box 3.3). Whether land is scarce or abundant, youth do not typically own it. For youth to participate in agricultural work, they need to have access to land. A study conducted in Ethiopia, Malawi, Niger, Nigeria, Tanzania, and Uganda found that the size of the land owned by young people is positively correlated to the number of hours they work in agriculture per week (except in Malawi; Maïga, Christiaensen, and Palacios-Lopez. 2015). Often, young men only gain access to and manage land when they get married or when their father dies. Young women encounter even more difficulties, because their right to access land, in many countries, depends on their relationship with a male relative (either their father or husband).

BOX 3.3 SPOTLIGHT ON DEMAND-SIDE CONSIDERATIONS FOR RURAL EMPLOYMENT

- **By 2030, about 1.6 billion people will reach working age in low- and middle-income countries.** The share of rural youth in 2030 in some African countries—including Chad, Ethiopia, Kenya, Niger, South Sudan, and Uganda—is expected to be more than 70 percent. As with any youth employment program, demand and supply must be integrated in the rural sector [World Bank 2017a; population estimates from United Nations].
- **The food system is an important part of the job creation narrative, because of its large relative size in terms of labor and gross domestic product in many countries in Africa, Asia, and Latin America.** The food system comprises not only primary agricultural production but also food storage, processing, distribution, transport, associated logistics, retail, preparation, restaurants, promotion, and other services that together encompass many enterprises and a relatively large share of jobs in the manufacturing and services industries in many countries.
- **In rural areas, raising agricultural productivity is key to increasing the demand for nonfarm goods and services.** Improved agricultural productivity increases the rural population’s earnings, which generates jobs in nonfarm sectors. In Ethiopia, each dollar of agricultural output generated stimulates another \$1.23 in nonfarming activities. Agricultural seasonality often leads to underemployment in rural areas. Investment in irrigation systems increases yields and produces more crops per year, and diversification into farming activities that have labor demand at different times of the year may help remediate agricultural underemployment. Both measures may help rural households achieve higher incomes and thereby stimulate the growth of nonfarm goods and services [Diao, Dorosch, and Thurlow 2016].
- **Mechanization may significantly increase labor productivity in agricultural on- and off-farm activities and can attract youth, who often have a negative perception of agricultural work.** Although some mechanization may reduce labor demand, other forms of mechanization may not—for example, irrigation systems may allow more crops to be produced per year and increase yields. Increasing incomes drive consumer patterns toward higher value and processed products. The production of higher-value crops is more labor intensive than low-value staple crops, such as grains, soybeans, and sorghum. Higher-value products include fruits, vegetables, meat, fish, and processed food. Horticulture crops such as apples, oranges, and tomatoes are 10–100 times more labor intensive than staple crops: for 1,000 hectares, 20 full-time employees are needed for grains and soybeans, 50 for sorghum, 500 for apples, 800 for oranges, and more than 2,000 for tomatoes. Increasing incomes and shifting diets in developing countries may make larger-scale farms and the processing sector more integral to the generation of jobs [either through wage employment or contract farming], mainly in rural areas and secondary towns [Fine et al. 2012].
- **Secondary towns play an important role in rural employment by connecting rural and urban areas as well as farm and nonfarm activities.** They can help connect the different segments of agricultural value chains [production, storage, processing, transport, and marketing]. Findings from an analysis of 51 countries indicate that diversification into rural nonfarm employment and secondary towns has a significant effect on poverty reduction [Christiaensen, De Weerd, and Todo 2013].
- **Innovation in rural employment interventions is critical.** Innovative projects such as [Hello Tractor](#) [uberization of tractors] in Nigeria and the rest of Africa can create job opportunities for youth as tractor operators, tractor service booking agents, mechanics, and tractor owners. Similarly, replicating and scaling the Taobao villages of China [rural e-commerce] in rural Africa and Asia can generate more and better jobs. Building on its good climate and proximity to Europe, Kenya has become the third largest exporter of cut flowers in the world, with an export value of \$623 million in 2015 [World Bank 2017a]. The Kenya Flower Council estimates that the floriculture sector generates roughly 500,000 jobs directly, and more than 2 million people rely on the industry indirectly. Supporting incubators and accelerators, discussed [later](#) in this section, can help support innovative solutions to challenges in the food system as well as generate more opportunities for youth employment [Market Insider 2016].

Youth who have limited access to land very often are also financially excluded, particularly in rural areas. Less than 20 percent of youth in rural Africa have access to formal or informal finance. Many banks require a formal land title to open a bank account; therefore, the barriers youth encounter to access land make it even harder for them to access formal finance. Moreover, few commercial banks find it financially viable to operate offices in rural areas, due to the lower income levels of this population and lower population density. These factors may lead to high transaction costs, which pose an additional constraint on rural populations in accessing formal finance. Given this scenario, informal financial systems, such as community saving groups, became popular. However, informal credits are very often costly because they incur high interest rates and fees. Mobile money platforms have the potential to close the gap between urban and rural access to finance and are already well developed in East Africa.

Grants, often in the form of “matching” grants, are popular instruments used to address constraints related to access to finance. A matching grant is a hybrid instrument that has an objective tied to its design. Some broad guidelines follow for implementing a matching grants program:

- **The size of grants should be set in accordance with the absorptive capacity of the target group.** Experience from past projects puts this level at below \$500 for the ultra-poor, and between \$10,000 and \$50,000 for SMEs. As expected, these levels will depend on the context or particular needs of the project.
- **The choice about the implementing agency often involves a trade-off between transparency and independence, and between sustainability and ownership.** For example, a grant scheme operated by a competitively recruited private company may be rated higher on the transparency criterion, and a grant scheme operated by a project team may be rated higher on independence (Hristova and Coste 2016). Implementation is typically performed by the project team, a manager contracted by the project team, and/or a private company. Potential concerns with using private operators are that they may inflate operating costs, and they may fail to build local capacity. In some situations, it may make sense to use both a project team and a private company. For example, the private company can select the grantees and the project team can disburse the funding based on the firm’s recommendations.
- **Grants can be given in tranches or as a lump sum.** For grants given in tranches, the first tranche is often given upfront, and subsequent tranches are disbursed when milestones and objectives are met. The success of experiments using smaller cash grants suggests that in ultra-poor settings, a lump-sum grant can be very effective. For larger grants, which are typical for matching grants, there may be a higher risk for moral hazard. In other words, firms’ investments may not be in alignment with the project development objectives, or they may inflate their investment needs simply to avail themselves of bigger grants (Blattman et al. 2013; De Mel, McKenzie, and Woodruff 2008; McKenzie 2017b). The choice of whether to disburse the grant in tranches or as a lump sum will depend on (1) the budget allocated to monitoring and supervision (grants in tranches are more expensive because milestones need to be verified on the ground) and (2) whether the project has clear objectives related to the level of sales and/or job creation and whether the money must be disbursed as planned.
- **Investment capital is usually a more severe constraint than access to working capital.** Grants must address the specific constraint to growth that the firms face. In many cases, access to finance is more limited for investment capital than for working capital, mostly because the maturity for the loan is longer for investment capital than for working capital and hence, riskier. Working capital loans are taken to finance the everyday operations of a company and are not used to buy long-term assets or investments. In contrast, investment capital refers to funds that are usually used to pay for the acquisition of equipment and other items used to build products or offer services.
- **Growth-oriented funding to firms may have a larger impact on jobs.** As shown in Anderson-McDonald, Chandy, and Zia (2014), there are many channels of growth for job creation. This applies to grants as well. The solution for creating more jobs may rely more on the expansion of existing firms and the development of new products and new firms rather than on the injection of working capital or investment in business practices that lead to more efficiency.

- **Establishing the matching contribution amount is a critical decision that will depend on the target beneficiary groups.** Many projects arbitrarily set the matching contribution required from grantees. When this approach is used to address a financial constraint, future grantees may struggle to collect the required matching amount. This is particularly true for smallholders and subsistence enterprises. The YouWin! program in Nigeria is a model example of a grant program for young existing and future entrepreneurs. In this program, no matching contribution was required. Although this practice is riskier in theory, a thorough screening of grantees and a disbursement in tranches can lower these risks.

THE YOUTH LENS TO INTERVENTIONS THAT ADDRESS ACCESS TO FINANCE

A well-known issue is access to finance for young entrepreneurs. Commercial banks often perceive that firms owned by youth are a riskier investment than other firms due to this population's lack of experience and track record. Different financing instruments are used to finance disadvantaged groups, such as youth (OECD 2014):

- **Interest-free loans.** These are designed for groups of people who would otherwise not be able to access loans from financial institutions. Many European countries (notably France and Italy) have introduced this type of scheme. Interest-free loans are also called "honor loans" because they are conceded against the borrower's word of honor and do not require collateral.
- **Income subsidies for use while creating the business.** In most cases, this entails the provision of support services combined with a continuation of unemployment benefits while the youth starts a business. The best-known example of an income subsidy is the New Start-Up subsidy program, which has been implemented in Germany since the mid-1980s. Other countries, such as France, have followed suit (box 3.4).
- **Crowdfunding, where a multitude of people invest small amounts of money to finance a specific group of firms.** Crowdfunding can take different forms: donation (about \$500), rewards (about \$3,000), lending (about \$4,500), or equity (about \$50,000). A good example of a crowdfunding scheme is the [Seedmatch](#) crowdfunding platform in Germany.
- **Self-financing groups.** This financing instrument is well known in developing countries. Under the self-financing umbrella are rotating savings and credit associations, or village savings and loan associations, whereby individuals agree to save money and lend to some of the individuals from the group. In addition, many high-income countries—including Belgium, Hungary, Italy, the Netherlands, Portugal, and Spain—and medium-income countries—such as Cambodia—have now adopted this scheme. Loans for members of an association are proportional to the money they deposit.

Capacity and information gaps

Capacity-building interventions need to focus on channels of growth that can generate jobs. Interventions for firms can be designed with different objectives, with the underlying objective of creating more jobs:

- **To increase sales.** If firms do not have an aggressive sale strategy, a program may contribute directly to job creation by recruiting salesmen and marketers—which, in turn, may eventually lead to an increase in production and more jobs (see, e.g., Anderson-McDonald, Chandy, and Zia 2014, on training in South Africa).
- **To expand capacity.** When firms invest in new equipment or a new production line, more production workers will likely need to be recruited.
- **To diversify.** When firms invest in the development of a new product/service, it is likely to lead to the recruitment of a new team—from conception to sales.

The most widely used instruments to build the capacity of firms are in-class training, consulting, and mentoring. However, in addition to having credit constraints, business owners may underinvest in training because they do not realize that their firms' management practices could be improved with training. The difference between consulting and mentoring is that training is usually provided by a professional consultant or

BOX 3.4: INCOME SUBSIDIES FOR NEW ENTREPRENEURS IN FRANCE

Hombert et al. [2014] have quantified the impacts and benefits of this income subsidy in France:

- A surge of new firms was created, at a rate above 25 percent on a monthly basis.
- More unemployed workers entered self-employment, without lowering the average quality of the pool of entrepreneurs.
- There were spillover effects, especially related to jobs created by incumbent firms. Because newly created firms were more productive and offered higher wages than the incumbent firms, these offset the negative spillover effects.

Overall, this reform in France had positive effects on aggregate productivity and resulted in better jobs.

a firm, and mentoring is performed by a peer and/a successful entrepreneur. Training is usually delivered to groups of entrepreneurs; in contrast, consulting or mentoring involves a more personalized approach.

- The feedback from most evaluations of **in-class training** sessions indicates that this method has limited impact on capacity building. However, there are a few successful examples that offer lessons to be learned.
- The literature on the impacts of **consulting** is scarce; however, the assessments that were done indicate that consulting approaches have a strong positive impact. The drawback is that the cost per additional job created by a consulting intervention is 2–10 times the cost of a successful training program. Box 3.5 presents guidelines for providing consulting services.
- Paid **mentoring**—mostly tested on microenterprises—seems to have positive impacts on business practices and revenues for self-employed workers. However, these impacts taper once the mentoring program stops, which suggests that the changes that resulted from mentoring are not structural and not sustainable (Brooks, Donovan, and Johnson 2016; McKenzie and Puerto 2017; Valdivia 2013).

Firm owners may underinvest in capacity building for a variety of reasons. These reasons could include credit constraints; risk aversion, which leads to investment avoidance due to uncertainty about possible gains and lack of information about possible benefits; lack of awareness of the importance of modern business practices; and lack of confidence in a thin supply side of the market (consulting firms, accountancy firms, marketing firms, etc.) which fails to provide a credible signal for quality. A **matching grant** can be an effective way to encourage the uptake of better practices and encourage investment in innovation. It can address the issue of underinvestment in capacity by providing the resources needed for business development services, including finance, accounting systems, website creation, training, marketing, and the monitoring of stocks.

Curriculum design should consider the opportunity costs for entrepreneurs. Training involves significant opportunity costs in terms of the time that would otherwise be used working in the business. To address this constraint, alternatives to traditional curriculum design should be considered. Alternatives include online training, evening classes, and part-time classes.

The content and delivery of capacity-building programs should be adapted to the type of firm or entrepreneur targeted. Prospective entrepreneurs need training on business ideation, how to create a business plan, and how to pitch their ideas to potential investors. Current entrepreneurs may need training to be more proactive, creative, and persistent in an effort to develop a “growth mindset.” Self-employed youth with lower abilities and levels of education may need training that addresses the more basic issues of day-to-day business operations, recordkeeping and accounts management, and the like. Youth training programs need to use role models and a training style that appeals more to youth. In some countries, young women may feel more comfortable with all-female training classrooms. Field et al. (2015) found that attending a two-day business training with a friend can result in more effective training. Friends as peers encourage women entrepreneurs to set ambitious goals and be more accountable to these goals. The content of the training/capacity

BOX 3.5: GUIDELINES FOR DESIGNING CONSULTING SERVICES

Consulting support to firms can have a positive impact, but these services must be carefully designed.

Providers of consulting services must define the types of services likely to be needed by firms; determine the best source for the delivery of these services; the method to devise payment incentives to maximize effectiveness and efficiency; and the way to ensure good practices in the implementation of services.

- **Consider the firm size of the target group.** Consulting is usually provided to SMEs; although in Ghana [Karlán, Knight, and Udry 2015], consulting was administered to microenterprises. Although this was not proven successful in growing sales and/or employment, it is difficult from this example to draw conclusions about the size of firms that should receive consulting interventions. However, for a highly customized intervention to be cost-effective, it needs to be able to generate a significant number of jobs.
- **Consider local service providers.** Local knowledge is important when it comes to consulting [Brooks, Donovan, and Johnson 2016]. In the absence of a high-quality local marketplace for consulting, an international consulting firm can be recruited to select and train local consultants. This approach can also have positive externalities as it can “kick start” a local consulting market and generally improve the quality of local services.
- **Identify “trainable” service providers.** Local service providers can be asked to respond to a request for expression of interest. Once their responses are received, their qualifications can be assessed and categorized. Each category can then receive a different type of training or coaching service. After the capacity-building training, firms could be reassessed via a test [including a face-to-face interaction with “real” MSMEs]. Their score could be an evaluation factor to use before sending them a request for proposal.
- **Provide performance-based incentives to service providers.** When service providers are paid by the hour, they have no incentive to provide high-quality consulting. On the other hand, using performance-based contracts can increase the quality of service because providers are generally paid only after they achieve predefined outputs [hours spent with the firm] and/or outcomes [job creation, sales, and productivity]. Combination payments based on output and outcomes can also prove to be effective. See [section 2](#) for more on the design of pay for performance for service providers.
- **Tailor services to specific needs of firms.** A key advantage of consultancy services is the hands-on and tailored services that are provided. Firms that have completed a needs assessment and have developed a clear strategy are better equipped to grow. Professional consulting services can help firms identify their key issues and the gaps they need to address.
- **Provide additional hands-on personalized support after the training.** Working in concert with the client, there are three ways for consulting firms to provide this support:
 - Visit the firm to ensure that what was learned through the training is applied in the firm. This reinforcement may be especially needed for young firm owners who are just starting their businesses.
 - Schedule the appointments with an appropriate level of frequency. Firms need an adequate amount of time between appointments to implement the suggested strategies and activities.
 - Determine an appropriate duration for the program. Some programs implement postprogram coaching with mentors to ensure firms are continuously supported and able to maintain the new business practices.

building should align with the firm’s primary objective(s). Training that focuses on marketing (i.e., with a growth focus) tends to lead to increased sales and to the need to hire more staff. Training that hones in on the importance of human resource policies and a rewards system for employees may, in theory, lead to the development of higher-quality jobs. (This theory has not been tested yet.)

The marketing and dissemination of training programs and their advantages is critical to ensure reach and buy-in. Marketing of the training should use channels of dissemination that youth are likely to

access, such as social media. Participation in a training program can be required as a condition for youth to access other support that they consider to be more attractive, such as access to grants, matching grants, or the ability to link up with equity. When training alone is offered, a negative selection bias can occur because attendees may be less successful entrepreneurs than non-attendees: Calderon, Cunha, and De Giorgi (2013) found that, before the training, entrepreneurs who did not attend the training appeared to have profits and revenues 50 percent higher than attendees to the training.

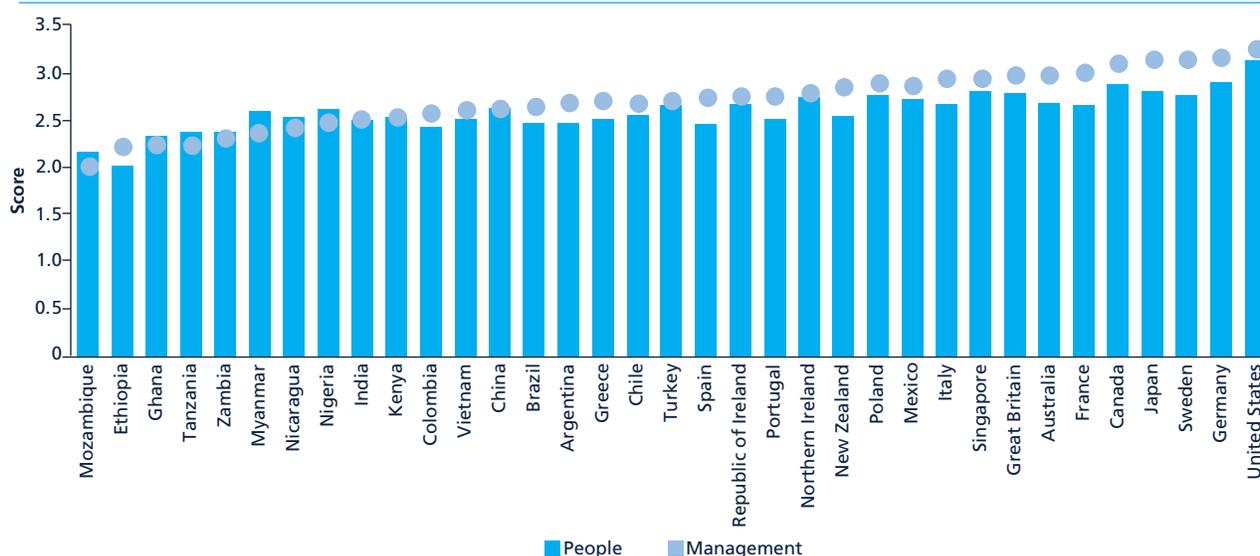
THE YOUTH LENS TO INTERVENTIONS THAT ADDRESS CAPACITY CONSTRAINTS

Firms often underestimate the importance of promotions as a strategy to create more internal mobility and more entry-level jobs for youth employment. Training and consulting can be tools to help business owners of growing firms create new jobs at multiple organizational levels. Moreover, firms should develop logical career paths to enable youth to develop their skills and advance to the next level as a motivational strategy; this will likely increase productivity and retention rates for these young employees.

Reducing search costs by implementing modern human resource methods for recruitment, such as social media, may help both employers as well youth job seekers. A firm may not be able to find young people for entry-level jobs, due to failures on both the supply side and the demand side. Young people may not know how to inform the appropriate sources of their availability or abilities. Firms in many developing countries rely on informal channels such as word of mouth, rather than websites or employment agencies, to hire new workers.

Firms need to develop a strong and dynamic human resource approach, as they tend to underestimate the importance of human resource policies and processes. As shown by the World Management Survey, the score related to people management is very low in developing countries (figure 3.7). In general, chief executive officers and their management teams do not have a staffing strategy that aligns with business expansion in these countries. When firms experience growth, new jobs can be created at multiple levels in a firm. Promoting mobility and promotions within the firm may support the creation of more job opportunities at the entry level. High-performing employees may then be promoted to supervisory positions—which frees up positions for a young person. For growing enterprises to create opportunities for youth, a dynamic and proactive human resource management approach is important. This approach also allows firms to use more inclusive and open hiring strategies, rather than informal and personal channels. Doing so will reduce the information barriers youth face in becoming aware of job opportunities.

Figure 3.7
Total management and people management scores



Source: World Management Survey, <https://worldmanagementsurvey.org/>.

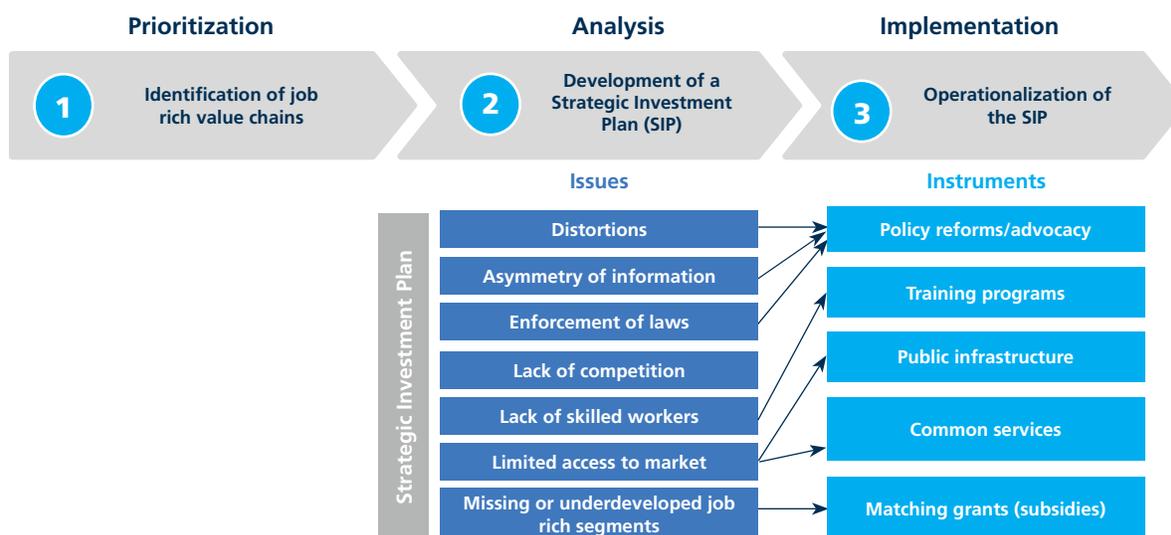
Coordination failures and learning spillovers

The performance of individual firms depends on the actions and behavior of other actors,⁶ but markets often lack the means to induce consistent behavior. This leads to suboptimal allocation of resources (Pietrobelli and Staritz 2013) and/or underinvestment. In the absence of coordination, several issues arise. These include insufficient organization (e.g., fragmented suppliers) and lack of quality standards. Together, these problems can result in an insufficient volume of production and number of jobs. For instance, a firm would have to decide to invest when another firm produces specialized inputs needed for the product (Rodrik 1996) or when a large variety of specialized inputs are produced in the country (Rodriguez-Clare 1996). This type of coordination failure may arise when there are economies of scale and goods are not freely tradable across national borders. In these conditions, a firm—by increasing demand—helps bring forth a larger variety of inputs, hence generating positive externalities to other final goods producers.

The value chain can be a powerful organizing framework to systematically and comprehensively address demand-side constraints to firm growth. Value chains have been primarily developed to improve a country's competitiveness. Evidence on the impacts of value chains on jobs is scarce. It is important to first identify the "right" value chains—in this case, the value chains that have most potential for creating jobs for youth. It is critical to conduct an analysis of the most binding constraints faced by firms within this value chain, followed by implementing reforms and/or activities that may be needed across the different value chain nodes. Usually, the challenge is how to implement a range of activities that span across multiple government ministries. Operationalization of a value chain intervention for jobs has three main stages (figure 3.8):

1. **Prioritization:** Identification of value chains that have a high job content
2. **Analysis:** Development of a strategic investment plan for the prioritized value chains that identifies the main constraints faced by the private sector and proposes instruments, activities, and interventions for each binding constraint
3. **Implementation:** Operationalization of each instrument proposed in the strategic investment plan⁷

Figure 3.8
Key steps to operationalize a value chain for jobs



⁶ This includes production and investment decisions in upstream and downstream segments, investment in and provision of related infrastructure, and public goods. For example, a firm needs to review both the input supplier (upstream) and distributor (downstream) parts of the value chain.

⁷ Step 1 and part of step 2 are based on Jobs Group (2017); see that publication for more detail.

A strategic investment plan can contain recommendations for four types of activities:

- Technical assistance to implement policy-related solutions (e.g., advocacy in regulatory reforms when needed)
- Industry-level solutions (e.g., vocational training to provide relevant skills to an industry, or awareness campaigns to link producers to potential buyers)
- Public investments to unlock value chain growth potential
- Subsidies and technical assistance to private investments to encourage the development or strengthening of job-rich segments within the value chain

SELECTING THE RIGHT VALUE CHAIN FOR A YOUTH INTERVENTION

Although it may be relatively easy to identify fast-growing value chains, these may not always be the ones that are “job rich” or the ones that are especially relevant for youth employment. The short-list of value chains can be assessed on selection criteria that include the following:

- Existing scale, sustainability, and competitiveness
- Potential jobs impact for youth, which is based on the quantity and quality of jobs
- Readiness of the sector to engage in upgrading and the degree to which an initiative would offer additionality with respect to recent and ongoing initiatives (table 3.2)

Table 3.2
Key selection criteria for value chains for jobs for youth

Criterion	Description	Measurement
Scale, sustainability, and competitiveness	How significant is the value chain in the targeted region today? How competitive is it in national and export markets? The focus will be on value chains that are already established with anchor/lead firms, but that also have the potential to deepen value chain linkages, increase value addition, and expand exports.	<ul style="list-style-type: none"> • Existing scale and scope • Competitiveness • Upgrading/downstream value addition potential • Investment requirements
Jobs impact	The degree to which the value chain has the potential to deliver jobs, higher earnings, and skills upgrading for target youth populations. There could be an emphasis on value chains that are inclusive to women, and on balancing short-term and longer-term jobs opportunities.	<ul style="list-style-type: none"> • Jobs scale/intensity • Employment multiplier (overall and for a target group, such as youth) • Suitability for SMEs/smallholders • Short-term versus long-term jobs • Reach to specific youth target groups
Readiness and additionality	The degree of organization, commitment, and voice of stakeholders across the value chain, and the potential for identified interventions to be implemented. The ideal situation will be a value chain that is organized with broad representation and where nascent initiatives could be complemented.	<ul style="list-style-type: none"> • Organization and representation • Ongoing interventions

A detailed template identifying specific metrics, data sources, and a scoring system for this screening is provided in [annex C](#).

The screening method to develop the long list of opportunities will depend on the availability of data and information. If there are adequate data and information, this task may be performed mainly as a desk-based activity. If little information is available, the project team may need to conduct the screening exclusively through field consultations. In all cases, the team will develop a tentative selection list. Because this assessment is designed to address youth employment, the team should give higher weight to the jobs impact

criterion (table 3.2), honing in on value chains likely to create the types of jobs and business opportunities most accessible for youth of the target country or region (Jobs Group 2017).

With the analysis produced from the screening, the team should carry out a field mission that has the following three tasks:

1. Review the screening analysis and tentative selection of value chains with counterparts and a group of stakeholders.
2. Based on these counterpart and stakeholder consultations, make a final selection.
3. Kick off the analytical phase and mobilize stakeholders, including establishing the formal public-private dialogue process.

As the team assesses and scores value chains on jobs impact—in particular, jobs impact potential for youth—it needs to conduct a nuanced analysis to determine which value chain is likely to lead to more jobs as well as better jobs, which increase worker earnings. The selection of the specific value chain will draw on the labor market assessment steps described in [section 2](#). This assessment will indicate whether the target youth group has more uneducated low-skilled youth or more educated (i.e., attended college, unemployed youth). It will also identify the sectors where youth are currently employed and the growth potential of these sectors, among other considerations.

Jobs externalities

There are two sources of externalities: labor externalities and social externalities (see Robalino and Walker 2017). Labor externalities are created in locations with high inactivity, unemployment, and/or underemployment rates. In these locations, the market cost of labor can be much higher than the opportunity cost of labor, which can be close to zero. Private investors do not consider this “shadow price” of labor when calculating rates of returns on investments. Therefore, they do not consider the social value of employing human resources which are essentially idle. Social externalities appear when the social value of a given job is higher than the value-added generated by that job (value added that is shared between the worker and the employer). Examples are jobs for women that lower fertility rates and increase investments in children; jobs for youth where youth “learn by doing” and build their human capital; or jobs that bring social stability by reducing crime rates and bridging ethnic and sectarian divides.

Private sector decisions to pursue a given investment project are driven by the expected rate of return relative to other investment opportunities. This rate of return depends on expected revenues over time and the cost of capital, labor, and intermediate consumption. In the presence of jobs externalities, however, private rates of return can deviate from social rates of return and lead to underinvestment in pro-jobs projects. Because the social stability benefits of jobs are not internalized by firms, there may be an underprovision of jobs, especially for specific population groups such as youth. As a result, special incentives may be needed to internalize the externalities related to jobs for youth.

One or more different screening methods can be applied to identify firms with the potential for high job creation and specific opportunities for youth. These include business plan competitions, registration processes, training, and business owner profiling. Priority should be given to the following:

- Business plans that focus on expansion or diversification
- Start-ups operating in labor-intensive sectors
- Business plans that are in one of the key missing or underdeveloped markets identified in the value chain analysis
- Business plans that project the highest number of jobs, especially for youth

The firms with the highest social rate of return should be selected for support. Demand-side interventions should select those firms that will generate the highest number of jobs relevant for the target youth

population. Business plan competitions can be used to orient resources toward projects that are more likely to create jobs for youth. They are now widely used in World Bank projects in Côte d'Ivoire, Gabon, Guinea-Bissau, Mali, Nigeria, Rwanda, Senegal, Somalia, South Sudan, Tanzania, and Uganda. A typical business plan competition requires entrepreneurs to develop a business plan. A preliminary evaluation eliminates those that are not bankable. The shortlist of firms includes only business plans that are technically and financially feasible.

The selection criteria can include an explicit computation of the social rate of return. This social rate of return will be computed by adding the jobs externalities linked to job creation especially for youth. The government can choose to differentiate the values for job externalities across the types of jobs (nonskilled workers, entry-level jobs, skilled workers, managerial positions, etc.). For example, it can give priority to entry-level jobs by allocating a higher value for jobs externalities for entry-level jobs. The internalization, or benefits, of these job externalities for youth can take different forms:

- Subsidies to investment that will create more entry-jobs via business plan competitions
- Fewer charges and fees on labor when the job is given to a young person

This selection method needs to be further tested, because evidence suggests that the scores from the evaluation of business plans may not a good predictor for future firm performance (Fafchamps and Woodruff 2016; McKenzie 2017b; McKenzie and Sansone 2017). In most cases, the screening of business plans is complemented by a face-to-face interaction with the entrepreneurs. The screened applicants pitch their idea before a panel of experts who judge both the business plans and the oral presentation. The winners of the competition receive mentoring, training, and/or cash prizes. Matching grants can be instruments used to close the gap between the private and social rates of return (box 3.6).

BOX 3.6: DESIGNING A JOBS-LINKED MATCHING GRANT COMPONENT

Teams can design a matching grant component to help firms implement business expansion plans, which improve productivity and create new direct and indirect jobs, especially for youth. The grants can be allocated on a competitive basis to offset the market failures associated with jobs externalities which arise from creating better jobs for youth. The grants would help firms overcome risks to their expansion plans—which are often deterrents to investments—and also help them leverage additional investment and commercial financing from banks, private equity funds, angel investors, and other sources.

Grants would only be awarded to firms or applicants that meet the eligibility criteria and have a clear action plan for business upgrading or expansion. The grants would be allocated based on the estimated value of the jobs externalities associated with the investment and the grant amount requested by the applicant/firm. Key selection criteria would include the potential for jobs creation, an assessment of the firm or applicant's competitiveness, and the viability of business growth and expansion plans.

As appropriate, the team can organize separate requests for proposals for different regions, sectors, or industries to achieve greater homogeneity and fairer evaluation. The ranking and selection process might use a bidding process based on the requested subsidy amount. The subsidy amount per firm and/or per job will also aim to minimize the cost per supported job to that needed to trigger the corresponding investment [feasibility gap financing]. More experimentation with externality-linked grants or even loans, selection criteria decisions, design of tranches, and procurement of private providers to deliver technical assistance to selected firms is required to fine-tune this type of approach.

STEP 4: DESIGN AND IMPLEMENT COMPREHENSIVE PACKAGES FOR THE TARGET GROUP OF FIRMS

After a group of firms has been identified, the project team will need to develop a comprehensive package of services to help these firms overcome their key constraints. Stand-alone interventions that only address one constraint (such as access to credit, or training) are often less effective than those that can address multiple constraints. Comprehensive packages can be integrated along a product or value chain such as a strategic investment plan (discussed [above](#)); or they can be developed with the needs of a geographical region in mind (e.g., targeting a city or larger region).

An entrepreneurship program can be designed as a package of services that address the specific constraints of firms that have been identified. The exact nature of the entrepreneurship program will depend on the type of youth beneficiaries targeted ([table 3.1](#) highlights the spectrum); the package of services will also vary depending on the type of firm and the nature of constraints they face. The team can consider contracting out the exact combination of services through targeted packages to private sector–led implementing agencies that have the capacity and a complete understanding of the types of firms that are targeted.

Three types of entrepreneurship programs are discussed here, focusing on the following:

- Self-employment/subsistence entrepreneurship
- Start-ups/high-growth entrepreneurs
- Existing entrepreneurs and MSMEs

The three types of interventions can be part of an overall value chain–based supplier development program that links smaller firms with larger lead firms.

Entrepreneurship programs for young subsistence entrepreneurs

For this group of entrepreneurs, interventions aim to support income-generating activities as well as the transition from unemployment to self-employment, business creation, business survival and/or increases in earnings for underemployed or unemployed youth who have a low probability of finding a job in the near future. Interventions may result in more jobs only when their target youth beneficiaries were initially inactive or unemployed. Subsistence entrepreneurship interventions can, however, contribute to better jobs if they help increase the incomes or productivity of youth. Policies to boost employment generation by helping the private sector grow and hire more people take time to design and implement.

Targeting income-generating activities constitutes a short-term but promising solution for unemployed or underemployed youth waiting for better opportunities on the labor market. Impact evaluations on poverty graduation programs (or similar programs) indeed suggest positive impacts related to an increase in earnings and business creation. Most empirical analyses also show that income-generating activities (or subsistence enterprises, self-employed workers) are not likely to increase the number of people employed in these businesses. Enterprise surveys indicate that only a very small fraction of microfirms ever grow beyond that size and that hardly any large firms started out as microfirms. However, support to this segment could provide a potential pathway to more jobs when targeted youth are initially unemployed or inactive and the intervention helps them (re)integrate into the labor market through self-employment. Without question, support for this segment constitutes an option for more inclusive jobs by increasing revenues for the business owners and providing a form of employment (or allowing them to maintain their current employment).

The following steps apply to interventions for young subsistence entrepreneur programs:

- 1. Identify the group of unemployed or underemployed youth.**
- 2. Select candidates based on vulnerability criteria.** For very vulnerable youth, the project team should consider stipends and/or a continuation of unemployment benefits (including social security support).

3. Design the packages based on the constraints youth face. The support should consist of one or more instruments (training, grants, and/or access to information) depending on the number of constraints identified. If there is more than one constraint, the instruments should be bundled into a package. Graduation programs sometimes offer assistance on how to save money, training on basic health considerations, and the like. The graduation approach was pioneered by BRAC in 2002, and has been pilot tested and well evaluated. More than 15 country governments have integrated the graduation approach into their social protection and poverty alleviation policies and programs. Personal initiative training (see, e.g., Campos et al. 2017 in Togo) is another type of support that can ignite an entrepreneurial spirit and reasoning.

Table 3.3 lists the possible barriers faced by self-employed workers and possible interventions and support.

Table 3.3
Barriers and types of intervention/service for subsistence entrepreneurs

Barrier	Type of intervention/service
Cognitive ability—insufficient technical skills	Technical skills training
Insufficient noncognitive skills	Life skills training
Lack of entrepreneurial capital	Personal initiative training
Basic business practices	Basic business training (financial literacy, business plan development), peer-to-peer and/or mentoring
Cultural factors and social norms	None evaluated
Limited access to finance due to lack of capacity	See above
Limited access to finance due to frictions on the financial markets	Grants or financial literacy on the importance of savings
Coordination failure—asymmetry of information	Information provided (e.g., information on prices)
Coordination failure—matching frictions	Intermediary to train and do quality control
Limited access to market	Information on possible buyers, aggregator model

Entrepreneurship programs for start-ups/high-growth entrepreneurs

In general, there are two types of entrepreneurs. Business owners by necessity (necessity-type entrepreneurs) are entrepreneurs because they are not able to find opportunities in the formal sector; they do, however, have the characteristics of wage workers. Opportunity-type entrepreneurs are like larger firm owners who have the potential to grow, but they face constraints.

Interventions for start-ups/high-growth entrepreneurship aim to support young entrepreneurs who can themselves generate more jobs. Start-up firms have the potential to grow and generate employment, but project teams will need to carefully identify and select the most appropriate candidates for support (Bruhn, Karlan, and Schoar 2013; Calderon, Cunha, and De Giorgi 2013; Djankov et al. 2005; Schoar 2010). An intervention to support start-ups for job growth should begin by screening firms thoroughly to identify those with higher entrepreneurial capacity and better prospects for employment generation (opportunity-type entrepreneurs). A start-up will grow in the first couple of years; hence, intensive and comprehensive support is critical at the earliest stage.

Implementation of an entrepreneurship program for this segment involves the following steps.

1. Screen entrepreneurs. Various screening methods are discussed in box 3.7. Business plan competitions are the most common way to choose among a pool of potential entrepreneurs. The process of selecting entrepreneurs is not always straightforward. The return on investment and portfolio of professional investors and equity funds underscores the challenge that even trained professionals in the field experience in

attempting to identify entrepreneurs and good ideas.⁸ The process of filling out a lengthy business plan and then registering online and taking the other necessary steps potentially eliminates unmotivated firms or firms that are not technology-savvy. To gain supplemental information about a firm's or potential entrepreneur's experience, plan evaluators can obtain feedback from peers. Overall, more work needs to be done in this field.

- 2. Identify the main constraints and supports and interventions to be provided as part of the entrepreneurship package.** The main barriers/constraints are listed, along with appropriate supports/interventions, in table 3.4.
- 3. Provide follow-up support and financing instruments.** To grow, firms need to be supported at different stages of their development, both in terms of capacity and financing.

Commercial banks as lenders aim to identify high-growth firms—to increase their chance of getting repaid—but programs must figure out whether their objective should be to identify high-growth firms or high-impact firms. High-growth firms are those that seem to be promising in terms of growth potential, regardless of the type of support being provided by the program. High-impact firms are defined together with a specific type of support. They are firms for which the program contributes significantly to improve outcomes, but they are not necessarily high-growth firms before or after the program. This comes back to the calculation of a cost/benefit analysis of a program, with the benefits defined as the difference between the outcome with an intervention minus the outcome without an intervention. Box 3.8 describes successful entrepreneurship programs for high-growth entrepreneurs.

Incubator and accelerator programs provide a comprehensive package of services, including equity or seed capital. **Incubators** were designed for capital-intensive start-ups and formal intellectual property-based technology spin-offs (Datta et al. 2018). They are often not designed to provide physical resources or office support services, although some do. They are often connected to business angels and small-scale individual investors. On the other hand, **accelerators** are usually specifically set up for firms that are less capital intensive and use digital technology. The accelerators focus more on venture capitalists to gain financing. Characteristics of accelerators are as follows:

- Possible offer of upfront investment in exchange for equity (generally 5–10 percent)
- Time-limited support (three to six months) comprising programmed events and intensive mentoring (incubators usually do not have a time limit)
- Open but competitive application process
- Cohorts or classes of start-ups (incubators work with individual companies)
- Focus on small teams, not individual founders
- Periodic graduation with a demonstration day/investor day

Entrepreneurship support for MSMEs: building an ecosystem

The objective for entrepreneurship support for this segment of firms is to stimulate growth among MSMEs to enable them to generate more and/or better jobs. MSMEs are usually managed by opportunity entrepreneurs and are less likely to need substantial training in life skills or personal initiative. The main constraints faced by MSMEs are usually basic business practices, limited access to finance, and limited access to the market. For these enterprises, accelerators can play a significant role in providing a comprehensive support package that includes mentoring, consulting, and access to finance.

⁸ Most ventures will eventually fail, and of those that survive, only a few will turn out successful (Kerr, Nanda, and Rhodes-Kropf 2014). The successful ones keep the overall portfolio risks acceptable so venture capitalists can make their return on investment.

BOX 3.7: CHARACTERISTICS AND METHODS ON WHICH TO SCREEN ENTREPRENEURS

- **Motivation.** Training programs are sometimes used to screen firms. The training program may help clarify the business idea and what it means and takes to be an entrepreneur. As such, it helps them realize whether they are suited for entrepreneurship.
- **Information technology (IT) literacy.** The YouWin! program in Nigeria tested the applicants' motivation and their IT literacy by having them fill out a lengthy concept note online.
- **Capacity as entrepreneurs.** Business plan competitions are the most commonly used tool to test entrepreneurial capacity. In most cases, this screening is complemented by face-to-face interaction with the entrepreneurs. The applicants pitch their idea to a panel of experts who judge both the business plans and the oral presentation. Winners receive mentoring, training, and/or cash prizes. However, evaluators of the YouWin! program [McKenzie 2017b] found that reaching the semifinalist stage of the business plan competition does not seem to be a good predictor for high-growth firms. The total business plan score does not appear to be a significant predictor for any of the success outcomes for new and existing businesses—except job creation.
- **Cognitive ability as entrepreneurs.** Fafchamps and Woodruff [2016] compare two screening methods for selecting candidates for a training in Ghana: [1] jury ratings of business plans and [2] comprehensive entrepreneur questionnaires. The baseline questionnaire analyzed ability [one measure], attitudes [two measures], management practices, and access to credit [including previous loan experience]. The authors found that survey information on the entrepreneurs explain 36.1 percent of the variation in aggregate growth, while the panel growth score explains 33.7 percent. A survey is thus a marginally better tool than a jury, and less costly.

Hussam, Rigol, and Roth [2016] look at an innovative, less costly way of screening grantees using information from community members. A \$100 grant was given to 1,380 microenterprises in India. At the baseline, respondents were asked to rank their peers on a series of dimensions (e.g., highest level of education attained, marginal returns of the peers' businesses) and place them in quintiles of the community distribution. The authors found that the average marginal return to capital was modest after grant receipt. However, the ranking provided by the community was predictive of the marginal return to capital: entrepreneurs given a community rank one standard deviation above the mean had a 8.8 percent monthly marginal return to capital, while those with two standard deviations above the mean had a 13.9 percent monthly return. Comparing this method with psychometric tests, the authors found that some personality traits—for instance, optimism and achievements so far—are strongly predictive. Yet the predictive power of community rank is twice as large as that of any of the psychometric questions.

For MSMEs, direct public investment at the firm level may only be justified where there are coordination failures and value chain development needs. The objective is to rely on the existing ecosystem and/or develop an ecosystem that can support the growth of MSMEs moving forward. A business environment that is not conducive to growth usually explains sluggish growth of this segment of firms, which is beyond the scope of this guide.

Entrepreneurship support for MSMEs involves the following steps:

1. **Perform a diagnostic of the existing ecosystem by identifying constraints.** Are there consulting firms that could support MSMEs? How do consulting firms signal their quality? What are the costs of consulting services compared to the monthly profits of the firms? What is the proportion of firms that receive a loan?
2. **Provide incentives, or solutions, to consulting firms and/or financial institutions (or other supporting entities) to overcome barriers to firm growth.** Some financial institutions, for example, may be unfamiliar with the development processes of MSMEs. Consulting firms may not have the incentives

Table 3.4
Barriers/constraints and support/interventions for start-ups/high-growth entrepreneurs

Barrier/constraint	Type of intervention/service
Identification of the market/idea	Training or information
Cognitive ability—insufficient technical skills	Technical skills training
Insufficient noncognitive skills	Life skills training
Basic business practices	Entrepreneurship training or consulting, especially with regards to choosing the right sector to start with; marketing rather than financial management
Cultural factors and social norms	None evaluated
Self-employment perceived as a risky employment strategy	Keeping full or partial unemployment benefits
Limited access to finance due to lack of capacity	See above
Limited access to finance due to frictions on the financial markets	In order of sustainability and desirability: <ul style="list-style-type: none"> • Business angels, crowdfunding, and group lending • Honor loans • Grants
Coordination failure—interdependency of production and investment decisions	Incentives to foster job-rich investment
Frictions on the labor market—information on new hiring	Information on labor laws
Frictions on the labor market—transaction costs	Human resources consultant, wage subsidies

to provide high-quality services. Incentives can include subsidizing consulting services with a performance-based contract between the project team and the consulting firm; this would link payments to the achievement of predefined outputs and/or outcomes.

3. Ensure project sustainability through long-term programming, policy reforms, adoption of services (contracted or otherwise) as part of the core functions government provides to business.

Integral to this step is that financial revenues and budgeting must be in place to support this work over the long term.

Barriers and intervention support and services for this sector of firms are identified in table 3.5.

Table 3.5
Barriers and intervention support/services for MSMEs

Barrier	Type of intervention/service
Basic business practices: Understanding where a business is in terms of perception, inspiration, motivation, and implementation. The last stage will be rather expensive, because it involves work with consulting firms; the three first stages will require a needs assessment only.	<ul style="list-style-type: none"> • Perception: Assessment of business practices • Inspiration: Proposed actions • Motivation: Proposed actions that could be accelerated through a matching grant • Implementation: Consulting
Cultural factors and social norms	None evaluated
Limited access to finance due to lack of capacity	None evaluated
Limited access to finance due to frictions on the financial markets	<ul style="list-style-type: none"> • Venture capital • Equity • Loans
Coordination failure—Interdependency of production and investment decisions	Incentives to foster job-rich investment

BOX 3.8: NIGERIA'S YOUWIN! IS A SUCCESSFUL ENTREPRENEURSHIP PROGRAM FOR YOUNG HIGH-GROWTH ENTREPRENEURS

The Youth Enterprise with Innovation in Nigeria (YouWin!) program is a business plan competition for young entrepreneurs in Nigeria, launched in 2011. This comprehensive program involves both training and finance. After the first screening of applicants (24,000 in its first round), the program provided a four-day training course on how to prepare a business plan for these semifinalists. Twelve hundred applicants were selected as final winners, and awarded an average of almost \$50,000. Follow-up surveys showed that, compared to a control group, winning the business plan led to more firms entering the labor market, higher survival rates for existing businesses, higher profits and sales, and higher employment. As a result of this program, the likelihood of a firm having 10 or more workers increased by over 20 percent—a significant achievement in a country where more than 99 percent of firms have fewer than 10 workers. The impact on employment was even larger for start-ups. The impact evaluation suggests that the procedures put in place (online registration, detailed concept note and business plan templates, and training class attendance) have screened out the low performers, leading to significant impacts on sales growth and employment growth.

Source: McKenzie 2017b.

In addition to stimulating the growth of MSMEs, it is important to understand why MSMEs may not be in a position to hire more employees, especially youth. An impact evaluation in South Africa suggests that barriers to hiring include the large number of processes to hire a worker and/or the inherent perception that hiring workers is very cumbersome. Improved intermediation systems are a key instrument that can smooth the transition for youth into MSMEs. This intervention can work for internship and apprenticeship programs.

Internship and apprenticeship programs can be a good point of entry to jobs. They are widely used in Africa, for instance, to complement revenues for firms. Apprentices (or the family of apprentices) often pay to be trained in a firm. However, the quality of these “informal” apprenticeship programs needs to be enhanced, and the retention rate is very low. In Uganda (Alfonsi et al. 2017), for example, the retention rate for these programs is low due to improvements needed in the worker selection process. Firms usually retain workers after an apprenticeship, if the additional revenues generated by the apprenticeship outweigh the costs of employing a new person; this is linked to the productivity of the worker. In addition, firms may need to invest more capital to absorb fully productive new workers after their participation in an internship or apprenticeship.

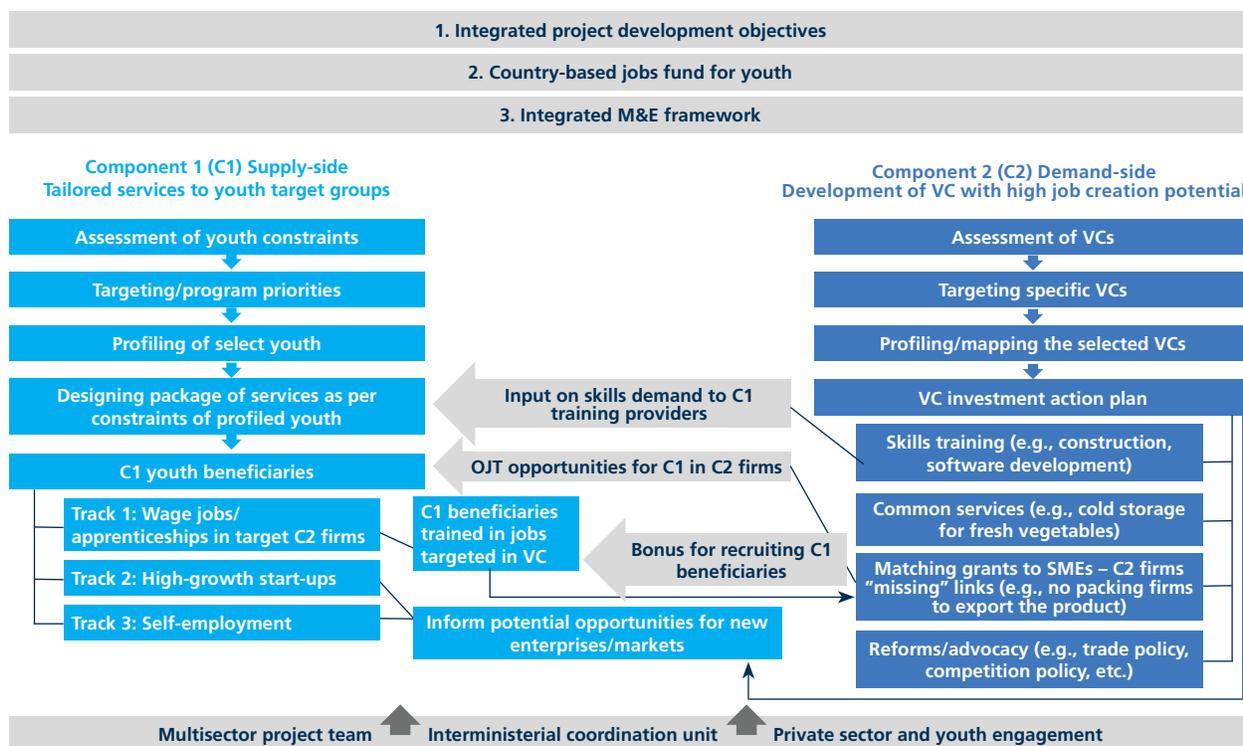
A matching grant scheme that matches jobs social externalities can be designed in an incentivizing manner. Firms would get the first tranche when they recruit interns and apprentices and receive subsequent tranches when the quality of the internship or apprenticeship is demonstrated to be good. This would provide assurance that grant tranches are conditional on hiring temporary apprentices and/or interns. Then firms are essentially rewarded for their willingness to take the risk of training people and for providing high-quality training. On the other hand, because the grant is financing expansion projects and pro-job projects, the firm is likely to retain the interns/apprentices it would have trained. Even if the firm does not permanently retain them, these youth will have received training and on-the-job experience. Other instruments teams can include to promote hiring of youth include the following:

- Subsidies for consulting services, with a focus on managing people to ensure staff are motivated, which will also lead to greater productivity
- Promotion of more staff to free up entry-level jobs for youth
- Development of career paths for youth, and the like

4. INTEGRATING THE SUPPLY AND DEMAND SIDES

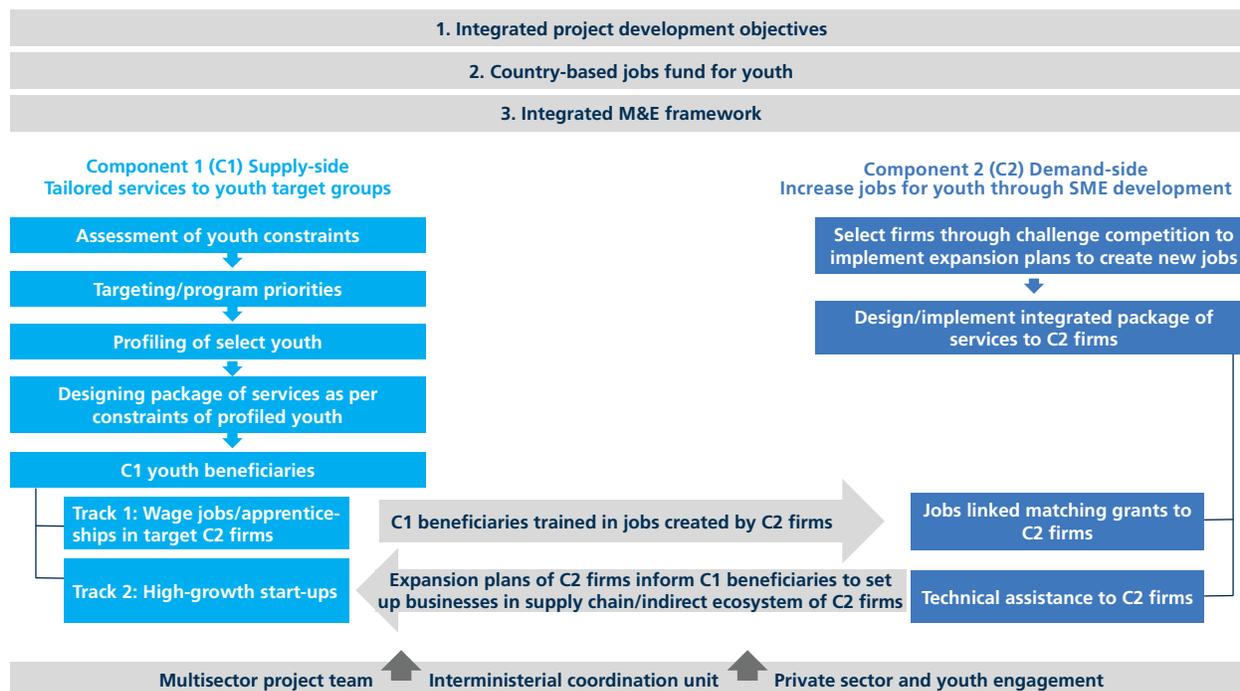
Integrated cross-sectoral youth employment programs aim to link and maximize the synergies between supply- and demand-side interventions, from the project identification phase through implementation. This section presents project design elements that can connect the two sides; implementation and institutional practices that can support integration; and two examples that illustrate how integration can take place in practice (figures 4.1 and 4.2). The illustrations and templates in these figures draw on experiences from recent World Bank projects: the Tunisia Youth Economic Inclusion Project (described in box 4.1), the Lebanon National Job Creation Program-for-Results, and the Accelerating Inclusive Jobs Growth in Nepal Project. The first figure presents an example of an integrated project model that uses a value chain approach as its demand-side intervention and is drawn from the Tunisia project. The second example shows an integrated model with a small and medium enterprises (SMEs) development intervention as its demand-side intervention.

Figure 4.1
Integrated intervention with a value chains approach on the demand side



Note: Gray arrows/boxes show integrating mechanisms.

Figure 4.2
Integrated intervention with SME development on the demand side



Note: Gray arrows/boxes show integrating mechanisms.

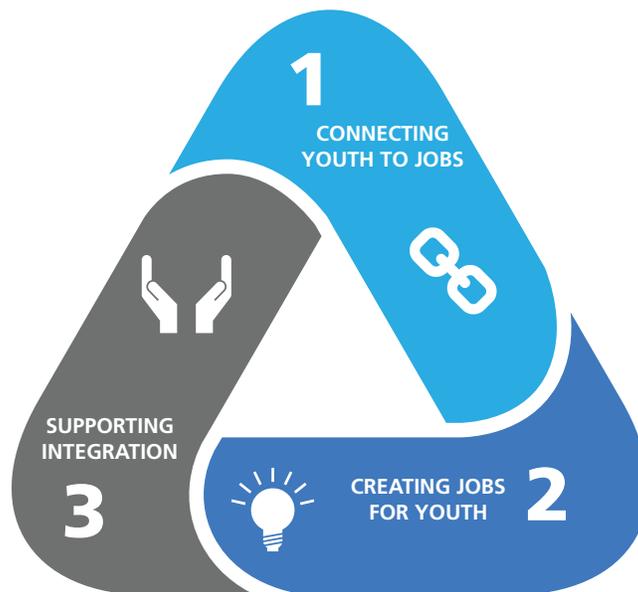
BOX 4.1: IS IT MORE COST-EFFECTIVE TO IMPLEMENT SUPPLY AND DEMAND SIDES SEPARATELY, OR IS IT BETTER TO USE AN INTEGRATED INTERVENTION?

The Tunisia Youth Economic Inclusion project conducted an economic analysis to determine whether integrating the demand and supply sides in one project would have an impact greater than the sum of its disparate parts. The analysis found that the social rate of return for each component increases. For the supply-side component, it rises from 19 percent to about 24 percent. Overall, the social rate of return for the project without complementarities is equal to 17.6 percent; when using an integrated approach, it reaches about 20 percent. In some cases, it may make sense to have two separate projects on demand and supply, but explicitly linked to create synergies for maximum impact.

Source: World Bank 2017c.

The project examples illustrate a model that integrates interventions on the supply side with those on the demand side. Figure 4.3 illustrates this model, with Component 1 (supply side) targeting individuals/youth; Component 2 (demand side) targeting firms; and an integrating mechanism, Component 3, ensuring that synergies and linkages are maximized and sustained over time through adequate information and communication systems and processes, project management, monitoring and evaluation (M&E), and building the capacity of relevant stakeholders.

Figure 4.3
Proposed model for integrated youth employment programs



DESIGN ELEMENTS OF PROGRAMS TO INTEGRATE SUPPLY- AND DEMAND-SIDE INTERVENTIONS

In an integrated youth employment program, supply- and demand-focused project components are not only optimized but further aligned through the intentional creation of synergies between their relevant interventions. To illustrate, a good project focused on connecting disadvantaged youth to jobs (a stand-alone supply program) will select target sectors and potential job roles for youth beneficiaries who will receive training in the project. Training is based on a careful assessment of existing or future hiring needs of local firms, and the project aligns skills development content for youth, with the specific skill requirements of those target employment opportunities.

Stand-alone supply- and demand-side programs are not ideal for achieving the optimal balance of placement for youth in jobs or for achieving the ideal number of job opportunities. Experience bears out that in countries characterized by weak job creation, significant challenges may arise when using supply-focused programming to place first-time job seekers in jobs. This approach can actually displace other unemployed disadvantaged candidates in the process. Similarly, a good project focused on private sector development (a stand-alone demand-side program) might increase sales and profits for selected firm beneficiaries, but may not create additional job opportunities. Alternatively, it might create job opportunities that cannot be filled by locally available qualified youth.

During the design phases of an integrated youth employment project, the project team must make important decisions to create synergies between its supply (Component 1) and demand (Component 2) activities (table 4.1).

Following are elements in project design that help promote integration of demand- and supply-side interventions.

- **Formulating an integrated project development objective.** Project teams integrate Component 1 and 2 objectives into a project development objective that clearly addresses youth employment and job creation for youth. It also demonstrates that the project team is committed to (1) build and implement a truly integrated youth program, where supply- and demand-side activities contribute to each other, whenever possible; and (2) collaborate to produce optimal labor market outcomes for youth. Working together toward a common objective, which is expressed through clear impact metrics, the respective teams will be incentivized to

Table 4.1
Examples of synergistic design elements between specific supply- and demand-side components

Demand		Addressing insufficient access to finance: lines of credit/guarantees, asset-based finance, alternative forms of credit	Addressing capacity and information gaps: capacity building and information provision (through matching grants, training, consulting services, information provision)	Addressing coordination failures: sector-specific approaches, through lead firm-SME linkages, value chain development (aggregator models, competitiveness reinforcement initiatives)	Addressing jobs externalities: through financing to enable private sector investments with large jobs payoffs (positive social externalities)
<p>Supply</p> <p>Addressing gaps and mismatches in skills: training and skills development programs, classroom-based and on-the-job training, such as internships and apprenticeships</p>	<p>Project/program</p> <p>Tunisia: Youth Economic Inclusion Subcomponent 1.2—Tailored services to target groups</p>	<p>Aligning skills training of C1 beneficiaries with skills requirements of job roles within C2 firms</p> <p>On-the-job training opportunities for C1 beneficiaries sought within C2 firms</p>	<p>Matching grants to C2 firms for hiring C1 beneficiaries</p> <p>Incentives to C2 firms to subsidize the investment in training C1 youth</p> <p>Prioritization of value chains/sectors/firms that can create jobs for C1 youth</p>		
<p>Addressing information gaps, mobility barriers, and limited access to networks and jobs: employment and intermediation services (information systems, job search assistance, counseling, stipends for transportation, child care, and other constraints)</p>	<p>Nepal: Accelerating Inclusive Jobs Growth—Integration of C1 and C2</p>	<p>Spatial and sectoral alignment of C1 and C2 beneficiaries—by conducting outreach and identification of C1 youth interested in jobs in the same geographic locations and sectors to which C2 firms belong, or providing mobility stipends to C1 youth to access jobs within C2 firms</p> <p>Connecting C1 youth to job opportunities within C2 firms</p>	<p>Connecting C2 firms with C1 job candidates through portals, job fairs, and the like</p> <p>Matching grants to C2 firms to offset labor and social externalities</p>		
<p>Addressing lack of capital and limited access to credit: youth entrepreneurship programs, i.e., microfinance, business skills training, mentoring</p>	<p>Tunisia: Youth Economic Inclusion Subcomponent 2.2—Support for creation of microenterprises</p>	<p>Referring C1 youth interested in entrepreneurship to C2.2 activities</p> <p>Conditional stipends for C1 beneficiaries to address mobility and/or social services issues.</p> <p>Small-size grants for start-up costs to C1 entrepreneurs</p> <p>Favoring business plans that align with value chain gaps, or are aligned with supply chains of C2 firms</p>			<p>Not applicable</p>
<p>Addressing limited work experience: subsidized employment interventions, i.e., wage subsidies (direct payments to employers or workers, tax deductions), public works programs</p>	<p>Lebanon: National Jobs Creation Program-for-Results—Results Area 2: Improving access to jobs through hiring incentives</p>	<p>Stipends to C1 youth to cover social services (day care), transportation to jobs, and the like</p>			<p>Hiring incentives through temporary wage subsidies to C1 employers to hire first-time job seekers, from C1 youth</p>

partner, because neither the demand- nor the supply-side alone can address the youth employment agenda effectively.

- **Setting up or accessing a country-specific Jobs for Youth Fund.** The objective for setting up this central fund would be to cofinance projects by public agencies, private firms, and nongovernmental organizations (NGOs), which will significantly contribute to job creation for youth. Central funds will simultaneously cofinance projects or project components that may focus on either the supply or demand side of integrated youth employment programs. This resource will enable even smaller projects and interventions with limited resources—in terms of money, technical expertise, and time—to contribute to the overarching goal of job creation for youth. This fund would aim to attract resources from business angels, venture capital funds, and impact funders, including diaspora funding targeted for a country. The fund will be administered in a professional and commercially viable way. This common source of funding for both supply- and demand-side interventions will help identify linkages and serve as an incentive for teams to collaborate toward a common goal (box 4.2).

BOX 4.2: THE SOUTH AFRICA JOBS FUND

Established by the South African government in 2011, the Jobs Fund seeks to operate as a catalyst for innovation and investment in activities that directly contribute to sustainable job creation initiatives, as well as long-term employment creation. It is managed by the National Treasury's Government Technical Advisory Centre. By selecting projects through a competitive process, public funding is channeled directly to the initiatives most likely to have impact. According to a recent press release, the Jobs Fund has approved funding for 91 projects, allocated R4.96 billion [close to \$350 million] in funding, and created 17,357 new jobs. An additional 11,339 individuals have been placed in vacant jobs, and 51,878 have received work readiness training.

- **Choosing project locations (spatial alignment).** Project teams may select geographic targets for their project, such as municipalities, regions, and cities, to co-locate Component 1 and Component 2 activities. When Component 1 youth beneficiaries reside near Component 2 firms, these job seekers have a higher probability of being able to access job opportunities within Component 2 firms. The project can also finance mobility stipends for Component 1 job seekers to help them move to job and firm locations (box 4.3).

BOX 4.3: SPATIAL ALIGNMENT OF SUPPLY- AND DEMAND-SIDE INTERVENTIONS

In the Accelerating Jobs Growth in Nepal project, Component 1 aims to improve youth access to labor markets by addressing lack of information, lack of intermediation between employers and workers, and inequalities and social barriers that preclude target groups from accessing economic opportunities. Component 2 will focus on increasing the number of jobs for youth by helping firms from each sector implement job-intensive expansion plans through grants and technical assistance. Components 1 and 2 activities are co-located in selected regions of Nepal that have a high potential to accelerate job transformation in specific sectors. This increases the probability that Component youth beneficiaries will connect with jobs created by Component 2-supported firms. The project also identifies strategies to support workers who need to move to places that have work opportunities that match their skill sets.

- **Designing intervention sequencing (time alignment).** Project teams may plan project activities in a manner that optimizes synergies between Component 1 and Component 2. For example, skill development programs under Component 1 deliver trained job candidates ready to start in jobs or ready to begin on-the-job training when Component 2 firms are prepared for them to start employment.

- **Choosing value chains/sectors/clusters and youth target groups (alignment of beneficiaries).**

Project teams need to select value chains, sectors, or clusters for development under Component 2, based on their potential to create jobs for youth target groups. Similarly, teams need to choose youth target groups based on the ability and interest of these youth to acquire necessary skill sets and work in Component 2 firms.

- **Designing mutually reinforcing activities.** As project teams refine the design of various project interventions, they may find multiple opportunities to leverage information and other elements between Components 1 and 2. For example, analyses of specific gaps and skills shortages within target value chains, sectors, or clusters of firms under Component 2 often can pinpoint employment opportunities and employers' needs for skill sets. In turn, teams can leverage this information to design effective skills development programs that will prepare target youth for these jobs under Component 1 (box 4.3).

In the Youth Economic Inclusion project in Tunisia, Component 1 identifies and connects disadvantaged youth ages 18–35 to wage employment and self-employment, while Component 2 supports job creation through value chain and entrepreneurship development activities. Under Component 2, the project finances technical assistance to analyze and identify the main bottlenecks that prevent targeted value chains from achieving their full potential. These technical services under Component 2 then inform the training and job-matching services provided to Component 1 beneficiaries. Service providers that deliver tailored skills development and job search assistance services to Component 1 youth are incentivized to align the content of training with Component 2 firms' hiring needs, and to proactively connect Component 1 individuals with Component 2–created jobs.

- **Designing integration-supporting incentives for youth or firms' beneficiaries.** Project teams can use various forms of incentives to decrease the barriers that exist between employment opportunities at Component 2 firms and young people within Component 1. Wage subsidies and tax deductions for employers can encourage Component 2 firms to hire Component 1 young, first-time job seekers (box 4.3). The provision of matching grants to Component 2 firms that offer on-the-job training to Component 1 candidates can offset their training investment. Stipends to Component 1 youth can assist them with transportation or child care costs, which often prevent disadvantaged youth from accessing employment opportunities.

In the Lebanon National Job Creation Program-for-Results project, the supply-focused component aims to improve access to jobs for first-time job seekers ages 18–35, women, and Syrian refugees; simultaneously, the demand-side component aims to increase private sector investment and job creation in key value chains. The project finances temporary wage subsidies provided to employers who are hiring or training youth beneficiaries. These wage subsidies lower the cost of labor. Employers thus have an incentive to hire first-time job seekers for a defined period, until they gain more experience and increase their productivity. On the supply side, the project also supports giving stipends to individual beneficiaries to cover the cost of social services, such as day care. This is an effective way to address yet another barrier that stands between vulnerable groups and jobs.

- **Selecting mutually reinforcing interventions on the supply and demand sides, both in terms of types and timing, to optimize the results and impact for project beneficiaries.**

The project team should consider taking the same youth beneficiary through various interventions over the life of the project. For example, a young unemployed person could be trained for a specific entry-level job, complete an apprenticeship and gain valuable job skills and soft skills and work experience, and then enter an entrepreneurship track. From that point, he or she could receive additional training, a grant or loan, and then mentoring to create a microenterprise. Building on prior successes, he or she may eventually be identified as a fast-growing youth firm that is provided with consulting services and wage subsidies to hire other youth in newly created jobs. The team should consider multiple entry and exit points for project beneficiaries, leverage referrals from various project tracks to each other, and co-locate support activities when possible to facilitate sharing of information between various project tracks.

IMPLEMENTATION PRACTICES TO SUPPORT THE INTEGRATION OF SUPPLY- AND DEMAND-SIDE PROJECT INTERVENTIONS

In addition to ensuring integrated project components, several other institutional practices can support the delivery of an integrated approach.

A cross-sectoral technical team can be set up, which is mirrored by a cross-ministerial coordination unit of the country government. Ideally, the team should be comprised of experts in youth development, value chain analysis and development, skills training programs, private sector engagement and development, gender needs, grants management, project management, and stakeholder engagement/public-private dialogue. The team will need to work with a multi-ministerial unit that will likely include the ministries of finance, industry, labor, as well as education and agriculture, depending on which geographical area is selected for the project or based on the nature of value chains. The governance structure would need to include private sector actors. The cross-sectoral team should consider the following management practices, which cover all phases of project design and implementation, and support the integration of project supply- and demand-facing interventions.

- **Proactively share project-relevant data through joint systems, project meetings, and documentation.** The team can set up a shared database to track both youth and firm beneficiaries, conduct regular joint project status meetings, produce joint project reports, and so forth.
- **Promote a joint decision-making process, which aims to optimize overall project results and impact.** During the design phase, the team needs to reach consensus on exact project objectives, target groups and methodology, choice of interventions and criteria for service providers, budget allocation, project timeline, indicators to measure success, and other aspects of project management. During implementation, when the project faces challenges or the team must adjust the project design, the team must make decisions through compromises that favor achievement of optimal overall project results and impact.
- **Synchronize all efforts in a deliberate fashion (as opposed to duplicating or implementing mutually conflicting activities).** For example, when the project team engages private sector employers and conducts assessments of the constraints to growth when designing demand-side interventions, they also need to discuss hiring plans to inform skills development interventions on the supply side. Similarly, when youth beneficiaries are trained and matched to jobs created by firms and project grantees, skills training should be aligned with the job opportunities that will be available in these firms, and the grants for growth should be made conditional upon grantees providing apprenticeship opportunities for young project beneficiaries.
- **Develop and implement an integrated data management system.** Integrated youth employment projects benefit from combining supply- and demand-side project information in a centralized data repository system. When project stakeholders can access, share, and leverage project data related to both youth and firm beneficiaries, supply and demand activities, and results, optimal conditions are created to maximize synergies between project components to ultimately achieve project objectives. An integrated project database provides a repository of information, which can include both youth beneficiary and firm beneficiary profiles, activities they are involved in, and outcomes, among other relevant information. This database can also track interactions between Component 1 and Component 2 beneficiaries, such as on-the-job training participants per firm, interviews, types of job offers, and hires of Component 1 job seekers by Component 2 employers. The database can further function as the structure for an online case management system, which would allow service providers to administer individualized support for Component 1 youth that address each individual's specific barriers to employment. Storage and retrieval of project data from both supply- and demand-side project activities in this database allow the project team and the government to monitor, report, and evaluate integrated project results.
- **Create an online project portal (or customize an existing portal) to help facilitate interactions among beneficiaries, service providers, relevant government entities, and the project team.** This portal could provide all relevant information to stakeholders, including the location and schedule of training

classes, job openings, calls for business plan competitions, and so on. Interested applicants (individuals or firms) could apply for jobs, skills training, or funding on this portal. If they fill out an online questionnaire, their eligibility could be verified automatically through the portal. Some types of tests could also be administered online to build applicant profiles. A search function on the portal could help Component 1 youth identify employment and skills development opportunities, and help Component 2 firms find qualified job candidates, sources of financing, and other valuable information.

- **Develop and implement an integrated communication strategy.** An effective communication strategy that leverages a variety of channels—including online portals, email, text messaging (SMS—short message service), social media, and voice-activated response systems—supports active engagement of stakeholders, linkages between beneficiaries and services, dissemination of lessons learned, and overall project success.
- **Set up various communication channels to provide outreach and interact with youth and firms, and to administer certain interventions with Components 1 and 2 beneficiaries and other stakeholders.** The project team should leverage email, SMS, social media, interactive voice response systems, and other methods to ensure that the hardest-to-reach youth/firms are included in project activities (box 4.4 and box 4.5).

BOX 4.4: LEVERAGING INFORMATION AND COMMUNICATIONS TECHNOLOGY TO SHARE INFORMATION AMONG PROJECT STAKEHOLDERS

The Morocco Strengthening Micro-entrepreneurship for Disadvantaged Youth Project provides nonfinancial support services to young entrepreneurs from disadvantaged target groups to facilitate the start-up or expansion of youth-led microenterprises. The project supported the creation of a national youth database platform that allows Ministry of Youth staff to track youth center visits and service use through interactive dashboards. This platform is the vehicle for the ministry and partners (service providers) to send news alerts to thousands of young Moroccans' mobile phones. It thus optimizes the number of disadvantaged youth who can obtain access to services.

- **A clearly stated, well-defined set of indicators is very effective for incentivizing the project team, service providers, and other relevant stakeholders to deliver results in an integrated youth employment program.** When programs explicitly track and reward achievements based on indicators that reflect real impacts, such as creation of jobs for youth, instead of focusing on intermediate outcomes (e.g., the number of youth trained), the program design and results can be optimized.

The M&E framework can be a powerful tool to ensure the project is implemented as designed, and operations are continuously improved. Monitoring entails the continuous process of collecting and analyzing information to measure progress (or lack thereof) toward expected results and inform program implementation, day-to-day management, and decision making. Assessment of the progress of beneficiaries and the impact of interventions is key to improving implementation, scaling up interventions, and informing the development of future programs, based on evidence of what works best. Project teams can use several methodologies to understand and track results. The predominant monitoring tools are management information systems, beneficiary assessments, process evaluations, and impact evaluations. Project teams can use the M&E framework, which is based on the Jobs Conceptual Framework, to perform the following tasks:

- Identify relevant **key jobs outcomes** for the proposed operations (table 4.2) for more jobs, better jobs, and inclusiveness, in addition to sector-specific results.
- Use select standardized **key indicators** for the jobs outcomes, populated through project administrative systems, and disaggregated by the specific target group (age groups, gender, rural and urban youth, and other characteristics), together with intermediate indicators for monitoring progress during implementation. The [Jobs M&E Toolkit](#) provides a menu of jobs indicators to standardize and facilitate the assessment of jobs

BOX 4.5: SPOTLIGHT ON DIGITAL TECHNOLOGIES

The accelerated adoption of digital technologies by businesses, people, and governments has brought both new opportunities and challenges for young people. Digital tools and digital technologies-induced opportunities in the labor market have several benefits.

- **Using digital tools can improve efficiencies and effectiveness through the various stages of a project.**
 - Social media is an effective way to conduct outreach and communicate with target groups as well as interact with project participants.
 - Computer data systems streamline the processes to register, profile, case manage, track, monitor, and evaluate project participants [both supply side and demand side].
 - Online training courses are a cost-effective way to build skills of young job seekers, workers, and entrepreneurs; or build capacity of firms, service providers, NGOs, government entities, and others.
 - Online platforms [and mobile phone applications] are an efficient means to connect youth with jobs; firms with job seekers; and entrepreneurs with financing sources, government and citizens, and value chain members.
- **Digital tools increase the competitiveness of youth and firms in the marketplace, by augmenting their digital skills, use of digital tools, and ability to participate in a “gig” economy.**
 - Because digital literacy is now an expectation for almost all employment situations and business opportunities, efforts to build more advanced information, communication, and technology [ICT] skills in youth and in firms increase their chances of achieving success.
 - With this training, youth and firms are able to use the Internet to access information, knowledge, and networks of people and businesses.
 - Youth and firms are exposed to new work and business engagement models over digital platforms; these new opportunities include online outsourcing, microwork, online freelancing, and sharing economy business models.
- **Digital competence makes it possible to channel youth careers and firms’ growth plans into areas that are expanding due to digital technologies.** In so doing, various opportunities become available:
 - Young job seekers should be oriented to and trained for jobs that require human interactions, higher-order thinking skills, and creativity because automation will eliminate many jobs associated with a high level of routine tasks.
 - Youth need to be connected with employers that offer training and mentoring to their employees so they can continuously build their competencies and resilience to [digital technology-induced] changes in labor market demand for skills.
 - Young entrepreneurs and firms will grow faster when they can sell products to new markets over the Internet.

Digital technologies have a vast impact on how we live, work and, play. Therefore, the new generation of youth programs in a given country must carefully factor in local circumstances related to the adoption of Internet and other digital tools, ICT-enabled employment, and business opportunities for youth and firms, and leverage digital technology and opportunities for the benefit of young people and firms.

Table 4.2
Performance indicators for integrated youth employment projects

Intermediate outcome	Key performance indicator ^a		
	More jobs	Better jobs	Inclusive jobs
<p>Access to/working of product markets</p> <ul style="list-style-type: none"> Number of youth with access to infrastructure, such as power and water Number of project beneficiaries who are members of a cooperative or producer group Number of firm beneficiaries with new commercial relationships Average time to get to market where output can be sold or traded <p>Firm performance and investment</p> <ul style="list-style-type: none"> Additional sales revenue for beneficiary firms (in \$) Investment generated (by matching grant etc.) (in \$) Share of newly established beneficiary firms still operational after x months (%) <p>Improved human capital</p> <ul style="list-style-type: none"> Number of beneficiaries completing training Percentage of youth trained that pass exam/certifications (+sector/project-specific outcomes) 	<p>Job creation</p> <ul style="list-style-type: none"> Net full-time equivalent (FTE) jobs created in beneficiary firms Number of self- or wage- employed project beneficiaries Number of jobs for youth generated by newly registered firms <p>Firm entry</p> <ul style="list-style-type: none"> Number of new firms registered Number of newly established firms with more than one paid employee <p>Entrepreneurship/self-employment</p> <ul style="list-style-type: none"> Number of self-employed youth beneficiaries 	<p>Worker productivity</p> <ul style="list-style-type: none"> Average output per young worker <p>Working conditions/benefits</p> <ul style="list-style-type: none"> Percentage of youth workers covered by benefit [x] Share of youth beneficiaries reporting satisfaction with job (%) Average number of hours worked per youth beneficiary per week <p>Earnings/wages</p> <ul style="list-style-type: none"> Average (annual) earnings (in cash or in-kind) of project beneficiary 	<p>Increased labor force participation</p> <ul style="list-style-type: none"> Labor force participation rate among youth beneficiaries <p>Improved working of labor market</p> <ul style="list-style-type: none"> Average length of time to fill a vacancy (in beneficiary firms) Average length of time to find a job (of supported youth beneficiaries) Number of youth beneficiaries using public or private employment services <p>All indicators on "more" and "better" jobs, targeting youth beneficiaries, can be disaggregated by gender, specific age groups, rural and urban youth and others, to monitor project results for specific subgroups within the targeted youth population</p>
<p>Connecting indicator</p> <ul style="list-style-type: none"> Number of youth beneficiaries placed in supported firms 			

a. Most of these indicators were adapted from the Jobs M&E Toolkit. See [annex J](#) for more information and additional resources.

results along the dimensions of job creation, job quality, and access to jobs. The jobs indicators are tailored by beneficiary type: individuals (supply side) and firm (demand side) beneficiaries (see [annex J](#) for more information).

- **Apply simple M&E tools to inform the indicators which are related to individuals and/or firm beneficiaries; the tools to be used will depend on the scope of the project.** Although M&E tools are designed as mini-surveys (or tracer studies), their objective is to ensure that data can be collected through project administrative systems, considering client capacity, at specific points in the process (e.g., intake of beneficiaries/registration, service delivery, and follow-up). The [Jobs M&E Toolkit](#) provides examples of simple data collection forms for a number of jobs indicators (see [annex J](#) for more information).

- **Use strategic impact evaluations where relevant.** The project M&E should be complemented by impact evaluations (randomized control trials), or in-depth surveys or studies, where needed, and on a project-by-project basis. Evaluations may cover jobs impact and/or delivery mechanisms (e.g., comparing the effects of different incentives and performance contracting systems to deliver packages of services that bring the supply and demand sides together).

Engage in capacity building for project stakeholders. Project stakeholders may not be accustomed to working on both the supply and demand sides of youth employment programs. Service providers experienced in skills development for youth may need capacity building or information support to understand the hiring needs and practices of Component 2 firms. Similarly, training for service providers or consulting firms may need to include additional capacity building so they can improve their understanding of the complexities of hiring disadvantaged groups and first-time job seekers. The interministerial unit leading the project on the government side may need additional capacity building on how to collaborate across each individual ministry's agendas.

Integrated youth programs for jobs are complex projects that require careful planning, design, and implementation over a relatively long period of time. When these programs achieve their objectives, their impact should be sustainable after the project has been completed. The cross-sectoral technical team, and their government partnering body, should consider building the capacity of relevant stakeholders and conducting other activities that could propagate successful interventions, especially those that promote the integration of supply- and demand-side activities. Potential capacity-building activities include the following:

- Dissemination of lessons learned from projects related to integrated youth programs for jobs with government, private sector, NGOs, other donors, and the like. The objective of disseminating this knowledge is to promote and facilitate the replication of similar projects.
- Training of youth service providers to remain demand driven, deeply engaged with the private sector, and responsive to changes in the labor market demand for skills.
- Development of communication protocols among various government ministries and agencies (e.g., labor, education, industry, and trade) to boost information sharing and synchronization of activities and tasks related to youth employment.
- Promotion of inclusive hiring practices, work-based learning, and mentoring of youth among employers to reduce employers' reluctance to employ youth, and to transitioning private sector firms from consumers to active producers of skills in youth.
- Building the capacity of government entities to apply good practices in youth, value chains, and SME development, and to integrate supply- and demand-side labor market interventions.
- Building real-time information systems that help align the demand and supply sides and enable youth, training institutions, schools, universities, and technical and vocational education and training institutions to be aware of and responsive to changes in the demand landscape. This may include harnessing the power of big data online matching platforms, along with better logistics management information systems at both the country and subregional levels.

INTEGRATION OF SUPPLY- AND DEMAND-SIDE INTERVENTIONS IN ACTION

[Figure 4.1](#) and [figure 4.2](#), at the beginning of this section, provide two templates/illustrations of how supply- and demand-side interventions can be integrated to optimize youth employment programs, based on the recommended design elements and implementation practices for achieving these objectives. The types of interventions will vary for different programs. In some cases, project teams may need a separate category on the supply side for subsistence entrepreneurs who are not able to connect directly with the demand-side intervention in the short term, but may be able to do so once spillover economywide effects of demand-side interventions increase job opportunities in the region. In other cases, the demand-side interventions may include implementation of a special economic zone program in the country to stimulate foreign direct investment. The

exact nature of supply- and demand-side interventions will vary; nevertheless, the project team must make a conscious effort to align and integrate—sometimes iteratively—the two types of interventions.

Examples of recent integrated youth employment projects

Finance for Jobs Project in West Bank and Gaza (P151089). The development objective of this project is to mobilize private investment financing in high-potential sectors and generate job opportunities. The project has three components. The first component, an entrepreneurship ecosystem matching grant, will finance the matching grant (cost-sharing) facility, which targets early stage investment funds that seek to build a portfolio of investments in start-up and early stage enterprises. The second component, capacity building and lessons learned, consists of three subcomponents: building a pipeline of job-focused private investments requiring financial enhancements; developing the development impact bond to enhance the skills of the Palestinian workforce; and capacity building to the Palestinian Authority. The third component, project management, will provide oversight to the overall project implementation, fiduciary aspects, safeguards, M&E, and communications, as well as technical expertise.

Multisectoral Lending Operation in Tunisia (P158138). A new multi-Global Practice, multisectoral lending operation in Tunisia is an example of an integrated intervention focused on improving jobs opportunities for youth living in lagging regions and marginalized peri-urban areas. On the supply side (Component 1), the project addresses the barriers youth face to access jobs or move from low- to higher-quality jobs (i.e., lack of skills, mismatches between their competencies and job offers, low information, social barriers, and mobility challenges). On the demand side (Component 2), the project aims to both support value chains that have the potential to generate jobs and support youth in starting a business. The project will provide technical assistance and matching grants to both SMEs and microenterprises. In addition, the project's profiling and online systems and capacity-building activities (Component 3) will ensure those synergies and linkages are maximized (figure 4.4). The economic analysis suggests that the optimal subsidy for private sector development focusing on jobs is about 40–50 percent of total investments. The social rate of return is estimated at 14 percent, while the private rate of return is equal to 7 percent. The integration of the two types of interventions increases the social rate of return by 2.7 percentage points.

Zambia Agribusiness and Trade Project (P156492). This project exemplifies a jobs-focused demand-side operation. The project's main objective is to increase agricultural productivity and the quality of jobs in rural areas. The project promotes the development of agribusinesses by expanding access to finance for SMEs, addressing coordination failures that preclude access to markets and value chains, and investments in basic infrastructure. These interventions are expected to increase wage and self-employment, while improving the quality of existing jobs, including farm jobs (figure 4.5).

How developed countries approach youth employment

Developed countries are developing more dynamic approaches to youth employment; their focus is on preventing unemployment and making programs more responsive to local labor market conditions. Countries in Europe are solving the problems associated with the shortage of skilled workers by developing demand-driven training programs that are more closely geared to labor market needs. The approach to counseling and job coaching is becoming more proactive. Service providers are engaging youth throughout the school-to-work-transition in order to prevent students from dropping out of school and to keep them close to the labor market. In Norway, officials at public employment services are assigned to secondary schools to provide counseling and accurate labor market information to students who are at risk of withdrawing early from school. In Germany, case workers can attend job interviews with job seekers and discuss wage subsidies or placement in apprenticeships with employers. Public employment services continue counseling services even after six months of placement, using employer on-the-job performance feedback to improve individual counseling and training action plans.

A more inclusive approach is also emerging at the local level; this is fostering innovation and cooperation with a broader set of organizations, institutions, and individuals as social partners. Widespread

Figure 4.4
Integrated jobs operation in Tunisia

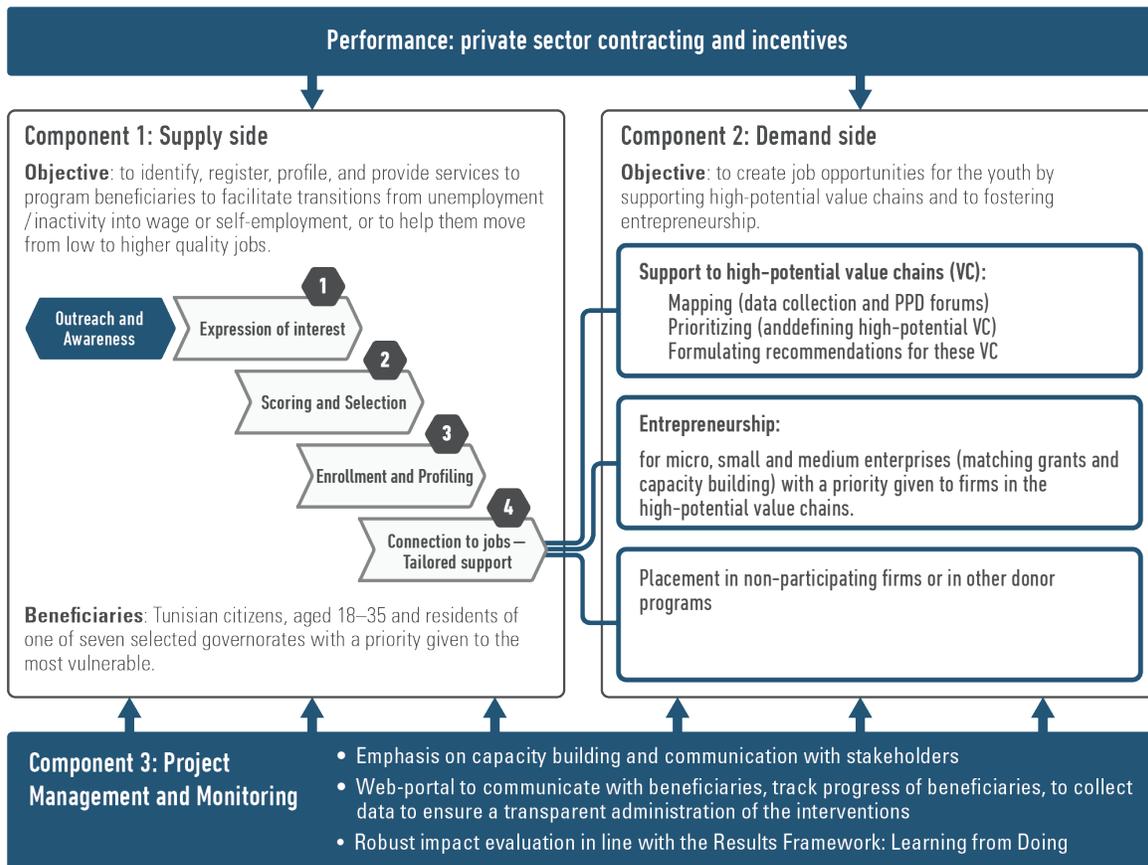


Figure 4.5
Zambia Agribusiness and Trade Project expected jobs chain results

Market failures	Activities	Outputs	Intermediate outcomes	Jobs outcomes
<ul style="list-style-type: none"> • Low farmer productivity due to lack of agricultural inputs, marketing, ancillary services • Lack of financial access for agribusiness SMEs • Limited market access: off-takers cannot find reliable products at given quality and quantity levels • High transaction costs in reaching markets due to poor infrastructure, logistics 	<ul style="list-style-type: none"> • Invest in producer organizations through technical and financial assistance to improve quality and/or productivity, upgrade standards, alternative energies • Expand access to finance for agribusiness SMEs through risk-sharing facility • Connect smallholder producers via producer organizations to buyers in value chains • Invest in “last-mile” upgrades in transport and logistics for value chain development 	<ul style="list-style-type: none"> • Productive alliances with viable action plans identified and formed • Producer households benefit from productive alliances • Agribusiness SMEs benefit from access to finance • Proposals for last-mile connectivity/ infrastructure developed and agreed 	<ul style="list-style-type: none"> • Private sector capital mobilized • Increase in (average) value of sales among producers, SMEs • Increase in agribusiness exports as a share of (average) sales values 	<ul style="list-style-type: none"> • Job creation among agribusiness SMEs • Higher labor productivity • Better earnings/ livelihoods opportunities • Inclusive jobs through backward linkages to SME suppliers

Source: Robalino and Tokle 2017.

austerity measures in Europe have led to budget cuts for social programs. Many countries have delegated additional welfare responsibilities to local governments, which essentially requires that they do more with less. Municipalities thus have had to reinvent themselves as laboratories of social policy to find cost-efficient solutions. This drives local governments to constantly innovate and engage with social partners to address the challenge of youth employment. These partnerships with education institutions, community-based youth organizations, and even business and private investors boost local innovation and improve the provision of services in situations where high youth unemployment and reduced budgets exist.

Local authorities are using innovative ways to provide incentives to encourage businesses to hire inexperienced youth. The city of Rotterdam, for instance, is using its purchasing power to create inclusive labor markets by adding special social return clauses to its procurement contracts. Under these provisions, a company selling goods and services to the municipality must allocate a specific amount of the procurement contract for an activity with a social return. Examples of these activities include employing vulnerable youth, reintegrating social assistance beneficiaries, employing individuals with mental and physical disabilities, and finding apprenticeships and on-the-job training opportunities for students in vocational education. Businesses seeking a contract worth €50,000 (approximately \$57,000) or more with the municipality must allocate a minimum of 5 percent of the contract value to social returns. These financing instruments improve job sustainability and support wage subsidies.

When there is fiscal and economic uncertainty, the use of social impact bonds and other results-based financing mechanisms for youth employment trend upwards. Social impact bonds transfer the risk of certain interventions to private investors by providing them with attractive incentives to make high-risk investments in the design and implementation of programs, including youth employability and entrepreneurship interventions. A social impact bond requires collaboration with investors, the government, and social entrepreneurs. It works like this: a social entrepreneur develops an innovative intervention funded through private investors, so the risk remains in the market. If the objectives are met, the government reimburses the investor with a return from materialized savings in municipal spending. In other words, the success of the social entrepreneur in realizing a real social impact is what yields a return for the investor. According to a recent review of social impact bonds, more than 70 percent of these are related to employment or welfare (Brookings Institute 2017). In 2017, Colombia became the first middle-income country to launch a social impact bond for workforce development and employment support in vulnerable communities.

THE COSTS OF CREATING A JOB

Creating more jobs and better jobs is a shared goal for virtually all countries, whether developed or developing. Often, however, the policy debate centers on the cost and effectiveness of programs and projects in creating jobs. An active labor market program (ALMP), which connects workers to existing jobs, and public works programs, which create low-productivity jobs with earnings below the minimum wage, differ from projects that create jobs by promoting private investments. As such, ALMPs, public works programs, and jobs created from private investments are not comparable.

Creating new jobs is not cheap (Robalino 2018). People tend to associate the cost of a job simply with the salaries and benefits paid to a worker, while overlooking other costs. In order for hired workers to be productive, they need equipment and usually a place to do their work. The business that hires the worker usually needs to buy insurance and pay for different types of permits, as well as basic services such as water and electricity. At the margin, adding a new job likely costs “only” the salary, a desk, and a computer. However, for that job to be created, a new enterprise had to be established, with associated capital and operational expenditures. Figure 4.6 shows the cost of creating a new job, by income level; figure 4.7 shows the cost of creating a new job, in various regions.

Figure 4.6
Cost of creating a new job, by income level

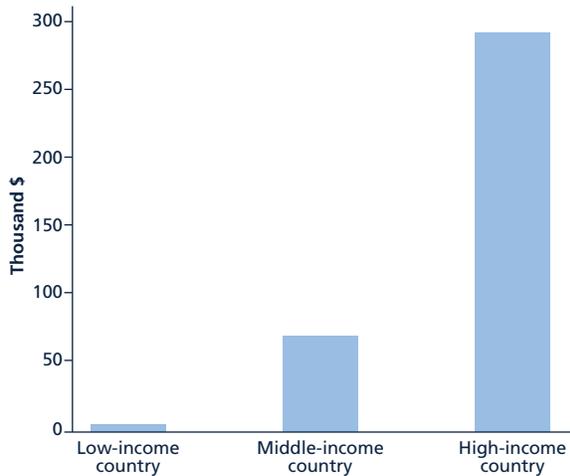
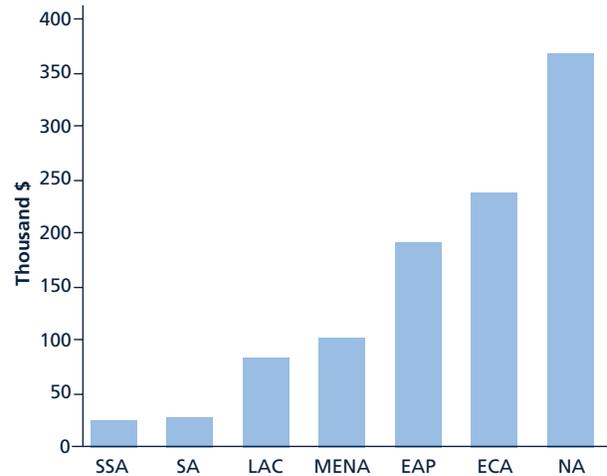


Figure 4.7
Cost of creating a new job, by region



Source: Robalino and Romero forthcoming.

Note: SSA = Sub-Saharan Africa; SA = South Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; EAP = East Asia and Pacific; NA = North America.

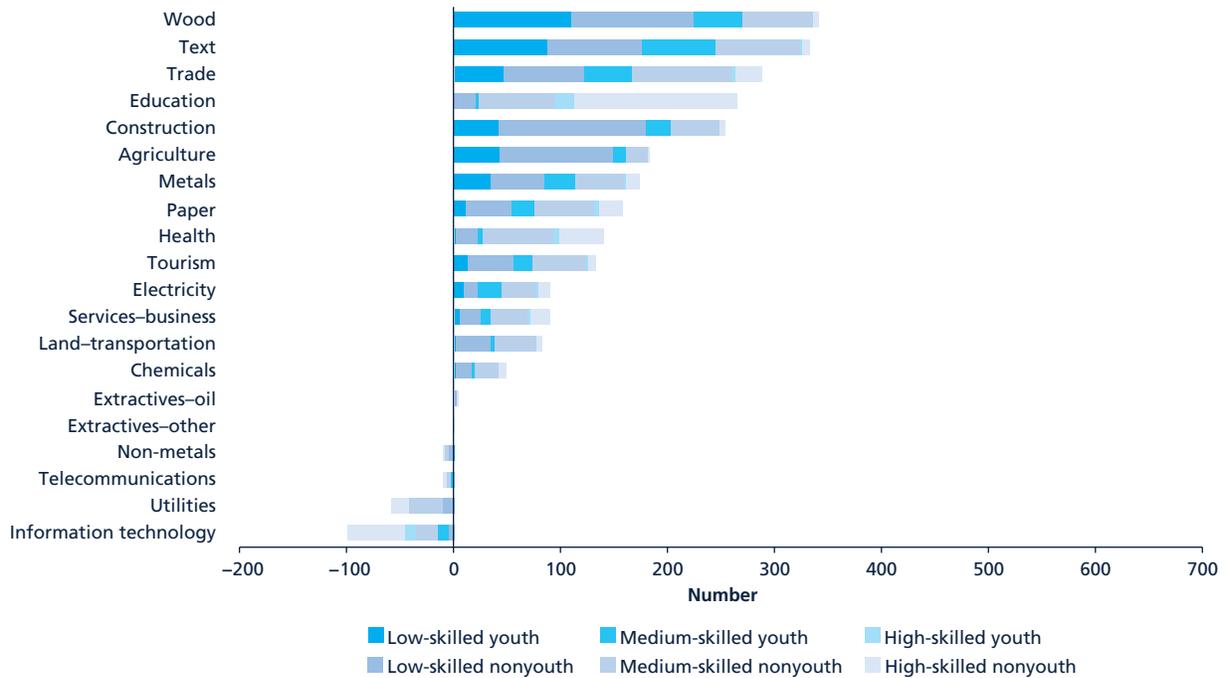
Take the case of a coffee shop in the United States. According to Crimson Cup Coffee, setting up a coffee shop with seating can cost between \$80,000 and \$250,000. Costs include rent, reserves for salaries and benefits, fees for architects and lawyers, equipment, raw materials, income taxes, and other expenses. A coffee shop usually employs between three and seven people, meaning each job would cost between \$25,000 and \$35,000. These numbers are obviously higher than the cost figures associated with ALMPs, which run between \$500 and \$3,000 per job and include the costs associated with training, job search assistance, wage subsidies, and/or public works.

Alternatively, take the case of a job creation program in Lebanon.¹ A recent computable general equilibrium (CGE) model and econometric modeling, which was done to prepare for the Jobs Program-for-Results for Lebanon, considered job creation through a range of policy actions, support to firms, and support to workers. The models suggest that across these many actions, an additional job is created for every \$12,506 of a one-off investment. Because of the nature of the models, this number includes direct jobs as well as indirect jobs in businesses linked to beneficiaries, and induced jobs created through greater aggregate demand. The projected cost of a direct job is \$18,934. It is noteworthy that these results reflect a permanent increase in labor demand due to an increase in the capital stock or efficiency gains, rather than a transitory job opportunity.

How many jobs can \$10 million create? Some countries have used general equilibrium models to estimate the number of jobs that could be created in different sectors of the economy with a \$10 million investment. The results are surprising: the numbers are not that large—just a couple of hundred direct jobs. For instance, in Tunisia, with an investment of \$10 million, 300 jobs could be created in sectors such as trade, wood, or construction, but fewer than 100 jobs in the electrical or transport sector (figure 4.8). That is, again, about \$30,000 per job. These numbers can double if indirect jobs are counted—those created due to the increased demand for inputs, goods, and services when a specific sector grows. However, the indirect jobs require investments of their own, so cost per job does not change much.

¹ Inputs from Jan Van Der Goltz, Jobs Group.

Figure 4.8
Number of direct and indirect jobs created with a \$10 million sectoral investment



Source: Jobs Group, Tunisia CGE model.

The fundamental question for policy makers trying to employ more people is how to use limited public resources. Should funds be allocated toward ALMPs, or should they be used to promote the creation of new businesses or the expansion of existing businesses? The answer, of course, will depend on the nature of the problem. In a vibrant economy that is creating enough jobs, where the need is merely to reduce frictional unemployment by helping job seekers connect to jobs, it may be sufficient for a government to support cheaper—well-designed—ALMPs. However, if the unemployment problem is structural, or there is a shortage of jobs—and in particular, not enough quality jobs—the government may not have another choice but to stimulate investments and job creation. Usually, this involves boosting aggregate demand or investments that target specific sectors. In these situations, the social rate of return associated with the invention, rather than the cost per job, is the correct indicator to evaluate job creation policies.

ANNEX A: JOBS DIAGNOSTICS TOOL

The Jobs Diagnostic is a comprehensive, multisector analytical tool created by the World Bank's Jobs Group to help countries identify key challenges to expanding job opportunities for more, better, and inclusive jobs.¹ The Jobs Diagnostic framework takes the form of a structured inquiry covering three levels of analysis: macro (labor market demographics, gross domestic product, etc.), supply (household-level analysis using labor force surveys), and demand (firm-level analysis) to analyze how people in an economy benefit from jobs. It takes into consideration a country's macroeconomic and demographic contexts, and the profiles of jobs, employers, and workers using labor force surveys, business registries, and other data sources.

A Jobs Diagnostic consists of three steps. These steps entail, respectively, understanding the unique context of a country and its profile of jobs and workers, diagnosing key challenges and opportunities, and prioritizing solutions. This annex presents an overview of using the Jobs Diagnostic tool and how it can be adapted to youth employment.

Figure A.1
Steps in a Jobs Diagnostic



STEP 1: ANALYSIS OF COUNTRY CONTEXT AND PROFILE OF JOBS, WORKERS, AND EMPLOYERS

This step establishes the country context and identifies the relative importance of creating more, better, and inclusive jobs.

- **Set context.** Identify the country type, conditions, and challenges—including demographic trends, sector composition, country status (fragile state, etc.)—and establish comparators.
- **Identify the relative importance of creating more, better, and inclusive jobs.** Determine the changing profile of jobs, workers, and employers.

Teams examine the available macroeconomic, demand-, and supply-level data and use indicators, tables, and visualizations to report means, total numbers, regressions, and cross-country comparisons of labor market-related measures. The information derived from this step guides the focus for the remainder of the diagnostic.

STEP 2: IDENTIFY CONSTRAINTS AND SOLUTIONS TO MORE, BETTER, AND INCLUSIVE JOBS

This step examines the link between job outcomes, growth, and the twin goals of ending absolute poverty and boosting shared prosperity in a sustainable manner. During this step, the Jobs Diagnostics use a guided inquiry

¹ For more information about, and resources on, the Jobs Diagnostic, go to www.worldbank.org/en/topic/jobsanddevelopment/publication/jobs-group-jobs-diagnostics-guidance-why-what-and-how.

to define the country's key challenges and identify the underlying causes and constraints related to the three dimensions of jobs outcomes: more, better, and inclusive jobs. The team uses a series of questions to investigate if the country's structural changes and recent economic growth are leading to more jobs that are also high quality and inclusive.

- **More jobs.** Is the economy creating sufficient jobs relative to the working-age population?
 - Is growth sufficient? Is elasticity of employment to growth too low? Are jobs being created in areas that encourage transformations (structural, spatial, formalization)?
 - What are the demand constraints to job creation—fundamentals, business environment, governance, etc.?
 - What are the supply constraints to job creation—insufficient labor force participation, skills, etc.?
- **Better jobs.** Is productivity rising? Is the proportion of the working poor declining in the labor force? Are new and existing jobs more productive? Are people raising the productivity of current jobs or reallocating time to more productive jobs? Are earnings rising? Are worker vulnerabilities addressed?
- **Inclusive jobs.** Who has access to jobs? Are job dynamics contributing to poverty reduction and promoting shared prosperity? Are women, youth, and minorities able to access job opportunities?

STEP 3: DEFINE PRIORITIES AND IDENTIFY SOLUTIONS AREAS

In this step, teams look for synergies in solutions that can address multiple dimensions of jobs challenges more efficiently and effectively. Teams also reflect on where trade-offs need to be made—and why—while focusing on the impact on the poor. Priorities are identified, drawn in part from other studies; and take into account the appropriate balance of jobs needs, the political economy, challenges and associated constraints, scope and specificity, and future development opportunities.

Applicability to youth employment

The Jobs Diagnostic includes analysis of a large number of variables, and these can usually be disaggregated by age to delve deeper into labor supply constraints focusing on youth. Table A.1 provides some examples of youth-relevant (age-disaggregated) information that a Jobs Diagnostic can provide a project team.

The demand side represents the difficult part of the analysis, as youth-relevant data on this topic are usually hard to find. Questions a project team would want to answer in this regard include which sectors currently employ the most youth? Are those sectors growing? Which sectors/firms are creating the most entry-level positions that could be relevant for youth? Most firm-level data sets or business registries do not include data on employee age. Teams would therefore need to first identify the patterns of youth employment (sectors, locations, formal or informal, etc.) from household data on labor supply, and then reconcile these patterns with observations of business growth trends from enterprise data and in the macroeconomy. Teams could supplement information from a Jobs Diagnostic with more detailed Skills Towards Employability and Productivity (STEP) surveys (see [annex E](#)), if available, to determine youth-relevant firms and sectors for an economy.

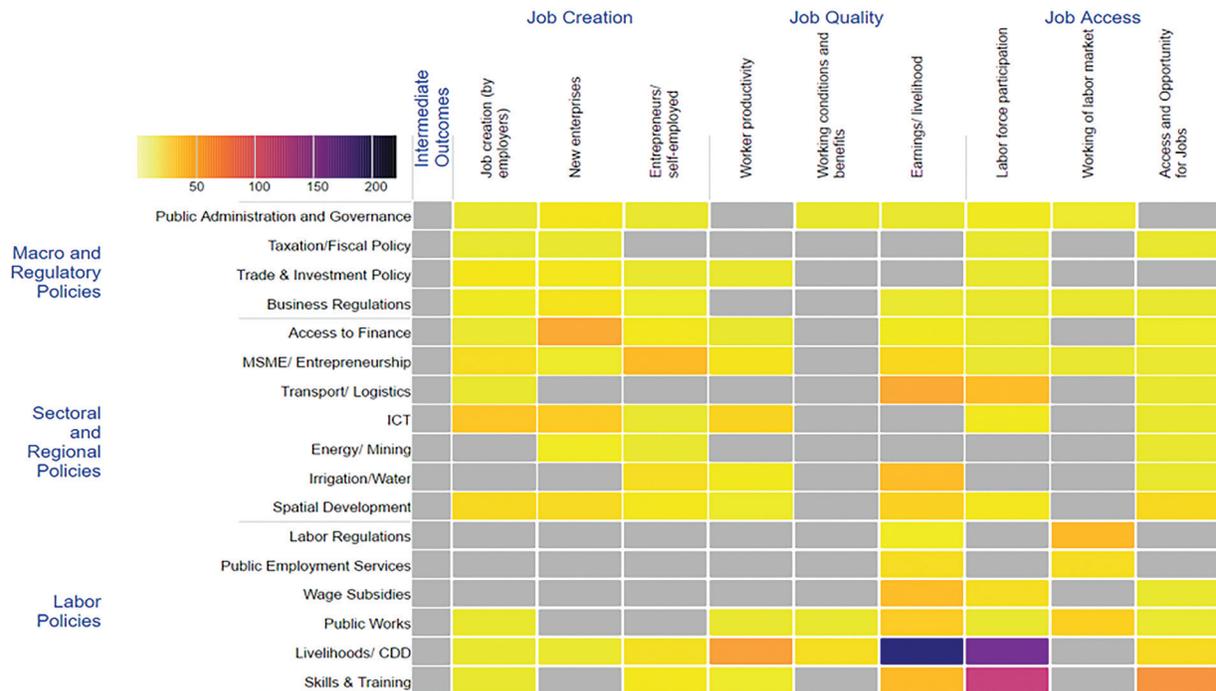
Table A.1
Examples of age-disaggregated (youth-specific) indicators from a Jobs Diagnostic

Category	Indicator
Macro level	
Demographics and the labor force	<ul style="list-style-type: none"> • Working-age population + projections over next 15/20/30 years <ul style="list-style-type: none"> – Youth bulge – Aging • Labor force participation rates (total, by age and sex) • Migration data (levels and flows, broken down by age if possible)
Individual level: Employment profile and trends, when possible	
Basic labor market outcomes	<p>Overall trends and disaggregation of youth by sex, education/skills, age group (youth as compared to adults, elderly), rural/urban, formal/informal, poverty (e.g., bottom 40% of income distribution versus top 60%), any other vulnerable group in the country (ex-combatants, ethnic groups, etc.)</p> <ul style="list-style-type: none"> • Labor force participation rate • Composition of working-age population (employed, unemployed, inactive) and employment status (employer, wage employed, self-employed, unpaid family worker) • Employment-to-population ratio • Unemployment rate • Not in education, employment, or training (NEET) • Profile of informal workers (workers without a contract, unpaid family workers, etc.) • Transitions between labor market status (inactive, unemployed, employment status, etc.), including school-to-work transitions among youth • Employment in public versus private sector
Sector- and/or regional-level analysis	<p>Overall trends and disaggregation of youth by sex, education/skills, rural/urban, formal/informal, poverty (e.g., bottom 40% of income distribution versus top 60%), any other vulnerable group in the country (ex-combatants, ethnic groups, etc.)</p> <ul style="list-style-type: none"> • Composition of employment by employment status • Worker average age and education (youth target group can be further broken down into different age categories) • Job position (manager, etc.)
Regressions (multinomial models, etc.)	<ul style="list-style-type: none"> • Mincerian wage regressions to determine returns to education • Multinomial model predicting labor participation decision and employment type by age
Wage analyses	Average/median wage levels and trends by age (breaking down further the youth category); region, sex, poverty, sector, employment type, formal/informal, public/private, education level

ANNEX B: COUNTRY PORTFOLIO REVIEW AND VISUALIZATION TOOL

A portfolio review of jobs-focused interventions can shed light on gaps to address for youth employment outcomes. The Jobs Framework developed by the World Bank Jobs Group—an overarching framework that links common World Bank Group interventions with their potential to affect jobs-related outcomes—can be used in such a review, with the Jobs Visualization Tool providing an interactive graphic that analyzes Bank project interventions and the outcomes they target. Figure B.1 provides a recent map of ongoing and planned Bank operations by jobs outcomes. The outcomes focus on three dimensions:

Figure B.1
The Jobs Framework portfolio map of active and pipeline World Bank operations, by number of interventions



Source: World Bank Group, Jobs Visualization Tool, data as of December 13, 2018.
Note: All relevant interventions to be disaggregated for target groups (e.g., youth).

- **Job creation:** creating job opportunities in the formal sector
- **Job quality:** enhancing quality and productivity in the informal sector
- **Job access:** promoting access to jobs for women, youth, and/or the bottom 40 percent

The portfolio of World Bank projects over the last decade (FY 2005–FY 2018) forms the basis for the tool. In the figure, the vertical axis represents policy interventions at the macro level, sectoral level, and policies related to labor. Outcomes on the horizontal axis relate to job creation, job quality, and job access in addition to intermediate outcomes. The cell colors represent the frequency of an intervention targeting a particular outcome, with darker colors representing higher frequencies.

A recent Zambia portfolio review revealed gaps in the World Bank Group’s response on youth employment. Many of the new jobs being created in Zambia are in the informal sector in urban centers, where underemployment is rising, especially for youth (Krishnan and Peterburs 2017). Several young people have moved to urban areas and found employment in service sectors. By 2012, over 90 percent of youth underemployment in urban areas was in service sectors, compared with around 40 percent in 2008. With labor force participation falling in rural areas and lowest among youth, there is a need to support the economic transformation under way with more good jobs for young people, especially girls. The portfolio review found that an explicit focus on connecting people to opportunities for work has generally been missing, particularly among women and young people in Zambia, based on the extent to which vulnerable groups are explicitly targeted. The Girls Education and Women’s Empowerment and Livelihoods Project is one of only two projects reviewed targeting young people,¹ despite the importance of demographics and youth employment for Zambia. Projects with a view of increasing inclusiveness most often target lagging regions, women, and the bottom 40 percent, but remain scarce in the overall World Bank portfolio.

¹ The other project explicitly targeting youth is the Zambia Education Sector Enhancement Project (P158570), which expands access to secondary education and improves the financial soundness of the tertiary education sector. The Irrigation Development Project (P102459) has, according to its project document, a fund for productive investments with a “special window for women, youth and other vulnerable groups.” However, the project design is not explicitly tailored toward youth.



ANNEX C: VALUE CHAIN ASSESSMENTS AND ANALYTICAL TOOLS

Value chain studies allow for an in-depth understanding of the interrelationships among firms that operate in a supply network and of factors that determine the structure, dynamism, and competitiveness of these chains.

The Jobs in Value Chains Survey Toolkit will help illuminate the number of jobs, where they are located in the value chain, and the extent and nature of relationships among actors in a value chain. The approach involves value chain mapping and firm-level surveys which quantify employment potential (inclusive of the informal sector), cover the extent and nature of relationships among actors in a value chain and identify possible constraints to business operations and growth. Data emerging from these studies can be analyzed to provide solutions to value chain gaps and existing constraints, as well as, to measure the impact of specific job interventions on job creation.

The toolkit contains a Jobs in Value Chain Guide that provides an overview of key items to consider when designing and delivering value chain analysis with the help of the Jobs in Value Chains survey toolkit. It also includes a variety of tools that support the planning and implementation of the Jobs in Value Chains study.

MAPPING A VALUE CHAIN¹

A value chain map is an illustrative way of describing the structure and actors involved in bringing a product or service from its basic raw materials through final consumption. The value chain map can be a useful tool to guide field research and inform the survey sampling strategy; thus, setting out the map (or at least an initial understanding of it) is an important activity to be carried out before field research begins. Note, however, that the mapping is an iterative process, and that the initial map will be fine-tuned along the way as critical details about the relationships among value chain actors emerge during the analysis.

Unless the local value chain has already been mapped, it is often best to start with a typical global map of the value chain in question (a generic value chain map), and then adjust it to reflect the structure of the local chain. The initial mapping should aim to identify the following:

- The basic structure of the value chain
- The approximate number of market players in each part of the chain
- The main companies in the chain and their nature (small or medium enterprise versus large, formal versus informal, domestic versus foreign direct investment)
- Key institutions supporting the value chain (associations, cooperatives, education and training institutes, government agencies, etc.)

Potential data sources for developing the value chain maps include the following:

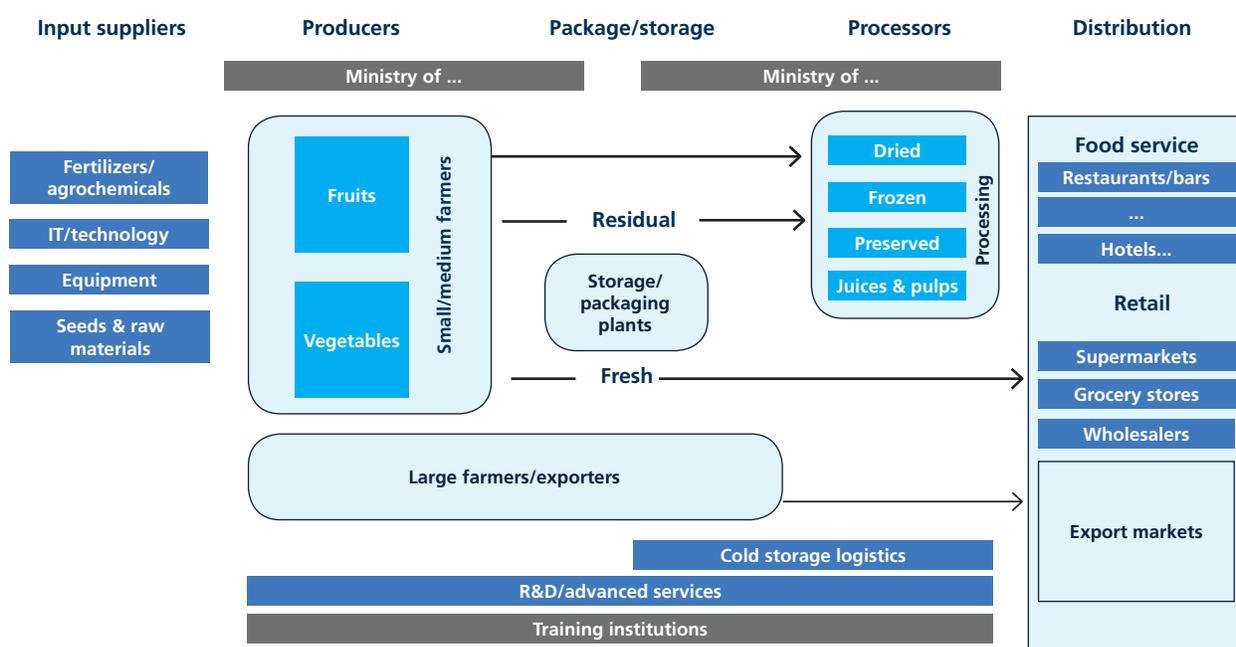
¹ The material in this subsection is drawn from Jobs Group (2017).

- Previous value chain and sector studies (global for the generic structure; national for specific)
- National and sectoral statistics
- Industry associations (websites, studies)
- Consultations with stakeholders
- Market analysis

Social accounting matrixes or input-output tables are potentially valuable sources of data in designing value chain maps. These country-, and sometimes region-, specific data sets provide information on the transaction patterns that define the structure of relationships among firms, detailing the sources of inputs from all other sectors into sectors and the destinations of outputs from each sector into the others. This can help identify important links among sectors and quantify the extent of these links.

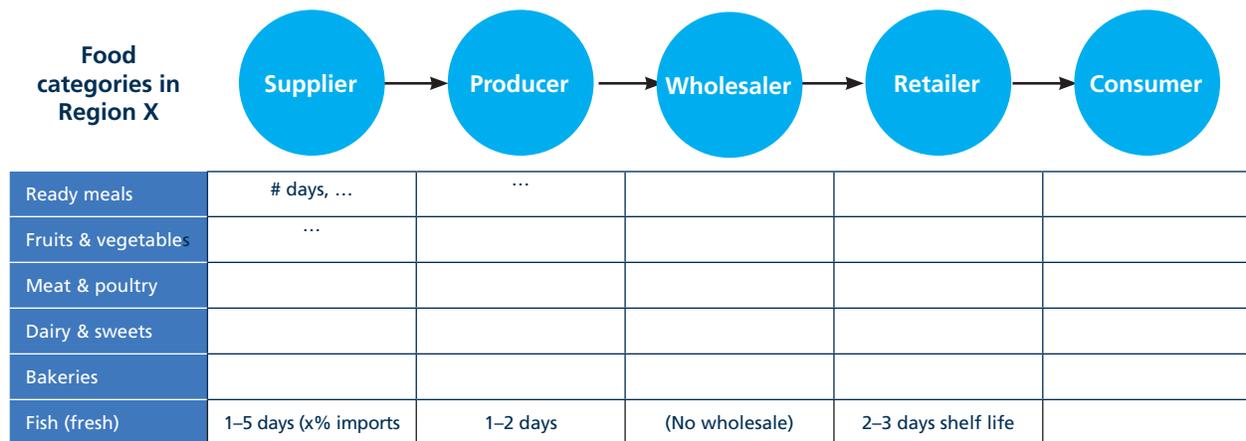
The initial value chain map will generally be developed as a flow map (figure C.1). This type of map shows the different functions in the value chain and presents them as a flow from basic raw materials through to the final product, showing (1) the stages of value added, and (2) the supporting processes and institutions. It can be populated with information on the number and nature of firms in each area and identification of key actors.

Figure C.1
Sample value chain flow map: fruit and vegetable value chain



Later, during the analytical stages, grid maps may be developed (figure C.2). These types of value chain maps identify specific channels and segments in the value chain and allow for presentation of more detailed analysis across the different stages—costs and margins, time flows, etc.

Figure C.2
Sample value chain grid map: agribusiness value chain



A second critical conceptual tool to complement value chain mapping is strategic segmentation of the value chain. Like the value chain map, strategic segmentation should be carried out at the start of the process, particularly because it can help guide the competitive strategy discussion that will be a critical part of the semistructured interviews. Two companies may belong to the same industry (e.g., tourism), but belong to two very different business segments (e.g., corporate tourism, medical tourism, backpackers). Their key success factors and competitive pressures will differ, as will the nature of the jobs in the value chain and the skills they require. Like the mapping, strategic segmentation is an ongoing process, with an initial sketch developed at the start and fine-tuned throughout.

Prior to field research, it is critical to carry out a preliminary value chain assessment, exploiting all available information from secondary sources to the greatest extent possible. While the surveys and interviews will be the core research tools, secondary research is needed to upgrade the starting point for the fieldwork and can play an important role in establishing hypotheses, informing the interviews, and allowing interviews to focus on key issues (by answering to some of the basics). It can also identify key stakeholders that may participate in the field research.

Secondary research should aim to gather as much information as possible on all issues and can be structured to mirror the survey/interview topics. The value chain selection criteria are a good starting point for the secondary research. Table C.1 outlines specific issues that may be a good focus for the research.

The results from the surveys and interviews need to be brought together to assess reforms needed, jobs opportunities, and missing nodes using a variety of frameworks. The following are among the most commonly used frameworks:

- **Strategic segmentation.** This is critical for understanding the nature of the segments present in the local value chain. The results from the surveys and interviews should reinforce the nature and strength of different segments in the local chain and their implications for jobs and skills.
- **Porter's 5 forces.** This is a classic strategic tool which takes the data from primary and secondary sources to illustrate the attractiveness of the different strategic segments in a given industry by analyzing whether there is profit to be made and who is actually capturing most of it. It is a dynamic tool for analysis, as it can be used for both current and past scenarios—and in understanding future trends in a given industry.
- **SWOT (strengths, weaknesses, opportunities, and threats) analysis.** This is another standard strategic planning tool, which can be useful in summarizing whether regional capabilities (strengths and weaknesses) match the global competitive environment (opportunities and threats).

Table C.1
Issues and data sources for secondary research

Area	Issue	Comments and data sources
Organization of the value chain	Structure of the value chain; key actors—lead firms and other firm types (quantification of number of firms by type in each stage); geographical distribution of activities; identification of key individuals	Existing regional and sectoral/value chain studies; academic papers; industry associations; industry experts
Prices, costs, and productivity	Specific local data or benchmarks (global/national) on costs and prices across the chain as well as output/yield, productivity and margins; firm/farm size and output averages, etc.	As above and enterprise surveys—benchmarks from other countries can also be useful; the idea is to build an estimate of the value chain costs and margins
Labor and jobs	Specific local data or benchmarks (global/national) on direct and indirect jobs, labor costs, labor required at each stage/process in value chain, productivity; and especially whether the value chain has entry-level jobs/opportunities for youth: how many youth are currently employed by the value chain?	As above—again, benchmarks may be useful
Growth trends and opportunities	Output and export profile over time; recent investments/divestments; initiatives and investment plans; global value chain and technology trends	As above—global studies useful for understanding direction of global value chain/technology
Constraints to competitiveness	Main barriers to investment and business operations; specific national/local constraints most critical to the value chain	As above + indexes (Doing Business, World Economic Forum Global Competitiveness Index, etc.); enterprise surveys

- **Gap analysis.** Using benchmarking as its analytical tool, gap analysis assesses the difference between the current and “ideal” value chain to support a given vision for the future of the value chain. In an increasingly globalized environment, keeping all stages of the value chains local is less common, so efforts are progressively geared toward linking local to global value chains. Benchmarking what others with similar capabilities have done—or what stages would make more sense to manage locally in the long run—can be an inspirational exercise.

JOBS IN VALUE CHAINS SURVEY TOOL

On the demand side, value chain analysis focused on jobs provides an entry point for job creation initiatives that the government can use to send signals to markets for economic and social upgrading.

A value chain approach can address coordination failures along the value chain and help signal the economic and social opportunities along the chains by internalizing jobs externalities. Keeping in mind the overall project goals and identified target beneficiary groups—in this case, youth—a project first establishes a list of potential value chains, then carries out a rapid screening against an established selection criterion—such as sustainability and competitiveness, impact on youth, readiness and change potential, and additionality (see [annex B](#)). For example, the project team in Lebanon shortlisted several value chains for assessment before deciding to focus on the potato value chain for job creation analysis (table C.2).

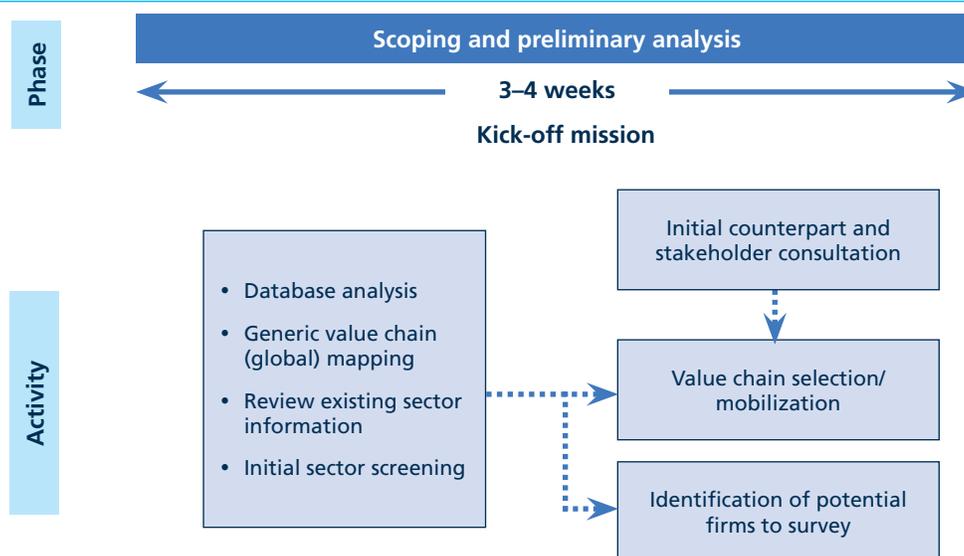
After selecting a value chain, the team then maps the value chain to establish its basic structure, the approximate number of market players in each part of the chain, and the types of firms and institutions with key roles in the chain. Also, the project will establish a strategic segmentation for each value chain, to further deepen understanding of value chain segments and players.

The three-part process of value chain mapping and analysis normally takes at least 6 weeks to complete, but 10–12 weeks is more typical. The field research is generally carried out using external consultants, including firms specializing in conducting value chain studies, firms with survey implementation expertise, and industry technical experts. During this stage, field visits are carried out by the teams doing the research. Project team leaders and other team members may want to participate in the initial field visits to ensure the quality of the process and to sensitize counterparts and stakeholders. They may also want to participate in some of the key informant interviews and focus group sessions. Figure C.3 presents an overview of value chain analysis activities.

Table C.2
Value chains for assessment

Sector	Scale, sustainability, and competitiveness	Jobs impact	Readiness and additionality	Overall	Comments
Vegetable (potato)					<ul style="list-style-type: none"> • Opportunities for fresh and processed exports • Robust skills development path, including industrial • Can expand output rapidly • On-farm jobs non-Lebanese, post-harvest and processing Lebanese, including female
Fruit (apple)					<ul style="list-style-type: none"> • Estimated 7,000 rural jobs, mainly household workers • Harvest and post-harvest jobs more Lebanese workers • Potential expansion of fresh and processed exports • Earnings versus jobs; short versus longer term
Construction					<ul style="list-style-type: none"> • Largest source of non-agricultural jobs • Substantial skills path and opportunities for Lebanese • Potential expansion with crisis/reconstruction • Strong youth employment; limited female
Waste and recycling					<ul style="list-style-type: none"> • Large spillover benefits • Potential for rapid job creation
Olive					<ul style="list-style-type: none"> • Large number of existing programs (sufficiently covered)
Information and communications technology (ICT)					<ul style="list-style-type: none"> • Best addressed through other World Bank/partner initiatives (including through Tripoli SEZ support)
Wood furniture					<ul style="list-style-type: none"> • Limited value chain reach; well covered through existing EU/UN program

Figure C.3
Overview of value chain analysis for jobs approach and tools



Financial resources required to carry out an assessment will vary significantly depending on the country context and the size/complexity of the value chain(s). As a rule of thumb, a minimum of \$60,000 should be allocated, with \$100,000 per value chain being more typical to carry out an in-depth assessment that includes the survey, complementary primary and secondary research, and the public-private dialogue (PPD) process.

The World Bank Jobs Group has developed a [Jobs in Value Chains tool](#) to understand value chain dynamics so as to estimate the impact of investments and interventions on the level, quality, and inclusiveness of jobs. The tool can be used prior to an intervention to forecast the impact of jobs and after an intervention to analyze the actual impact of investments. It benefits from standardized survey implementation, including guidelines for fieldwork, supervision, training, reporting, call-backs, and quality control. Along with capturing detailed information on constraints to growth and jobs, the tool includes vulnerable populations and is inclusive of the informal sector. A consistent approach is used for each case study to help build a cross-section of enterprise data—making it possible to analyze and compare dynamics across value chains and locations.

The main steps involve secondary research leading to a full mapping of all critical components of the specified value chain. Data are collected using structured quantitative surveys and semistructured interviews/focus groups. A strong implementation methodology has been developed based on technical guidelines, training, and quality control. The goal is to quantify jobs dynamics (number, quality, inclusivity) from value chain interventions/investments; document the extent and nature of relationships among actors in the chain; capture nuances around firm decisions to employ capital versus labor, train the workforce, and source inputs; expose differences across segments of firms within the value chain; and highlight factors that open or restrict opportunities for value chain investments to have an impact on jobs.

The quantitative survey tool can be used in conjunction with two other tools: PPD and semistructured interviews.

- **PPD should be an integral part of the value chain analysis and development process.** PPD is a structured engagement between stakeholders that seeks to identify, prioritize, and recommend consensus as well as fact-based solutions to a specific need, challenge, or problem.² PPDs go well beyond standard consultation, as they (1) are established as an ongoing dialogue rather than a single conversation; (2) are designed to be as inclusive as possible, including all voices; and (3) go beyond information gathering to agree on a set of challenges (based on fact-based discussion) and to consider solutions to those challenges. The PPD process should be initiated at the launch of the project and run throughout its duration.
- **Semistructured surveys are critical for capturing key data in the value chain and complement quantitative surveys.** Surveys seldom permit an in-depth and nuanced understanding of value chain dynamics; the opportunities and challenges firms face; and what is required to improve competitiveness, upgrade positioning, and create quality jobs. Therefore, a more semistructured process of interviews and consultations—along with the PPD process—is essential in carrying out any jobs-focused value chain assessment. Open conversations with business owners constitute perhaps the most important instrument for gathering key information and insights on value chain dynamics and the challenges within a given business segment.

Five value chain studies were carried out between 2016 and 2017 using this new tool (table C.3). An additional two pilots were conducted in 2016 in Lebanon (potato and waste recycling value chains) and Zambia (construction, aquaculture, and poultry value chains).

Figure C.4 provides an estimate of the jobs profile of the potato value chain in North Lebanon. The figure shows that around 9,000 overall jobs exist across the value chain, including 1,800 permanent jobs and around 7,200 seasonal positions.³ Using the value chain tool, the team could run several scenarios for estimating the job

² PPD has historically been used at the World Bank as a mechanism to develop consensus around and catalyze investment climate reforms related to private sector development. In recent years—with a growing portfolio of sectoral interventions; smaller budgets; and greater awareness of engaging citizens, improved transparency, inclusion, and improved governance—project teams have used PPDs creatively by taking the complexity out of them. In particular, projects are not focusing on building PPD secretariats or on large or complex national reforms that can be expensive and difficult to administer.

³ Source: Lebanon Jobs Program Technical Assistance (P155546).

Table C.3
Value chain studies using quantitative survey tool

Country (status)	Value chain	Youth-relevant questions/indicators
Tajikistan (complete)	Construction materials; tourism	<ul style="list-style-type: none"> Household roster: Detailed profile, skills level, involvement in farm/firm, wages of young family members if any Workforce module: Number of permanent formally trained/highly experienced youth workers and permanent general youth workers; provision of transport, meals, housing, and health care.
Bangladesh (complete)	Leather and leather goods; plastic goods; footwear; light engineering	
Tanzania (ongoing)	Tomato	
Tunisia (ongoing)	Olive oil; PAM	
Burkina Faso (ongoing)	Beef/cattle; poultry	

Figure C.4
Estimated jobs profile in North Lebanon potato value chain

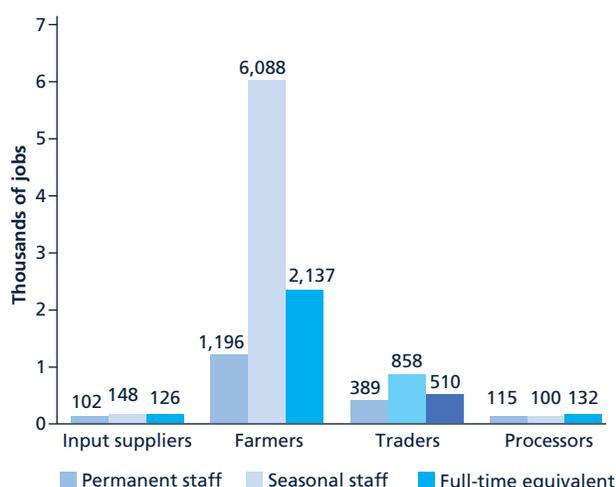
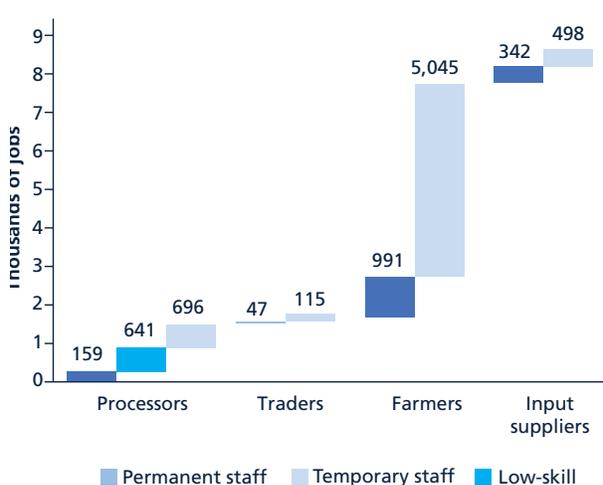


Figure C.5
Estimated job creation potential of attracting a large-scale processing plant in North Lebanon



Source: Lebanon Jobs Program Technical Assistance (P155546).

creation potential. For example, as shown in figure C.5, setting up a large potato processing unit would help create an additional 1,100 permanent jobs across the value chain.

While the Jobs in Value Chains quantitative survey instrument is not exclusively focused on youth employment, it includes several youth-relevant indicators that can be used by a project team that is designing a youth employment program. For example, the value chain instrument includes a household roster detailing profile, skill level, involvement in farm/firm, and wages of young family members; as well as a workforce module with the number of permanent formally trained/highly experienced workers and permanent general workers who are youth, and the provision of benefits such as transportation, housing, meals, and health care for workers (table C.3). Project teams can adapt the quantitative survey as well as the qualitative instrument to take a more youth-focused approach in the selection of value chains and by modifying the questions to include details of the jobs profile of youth.

There are limitations to the survey in countries where data are not easily available or are non-existent. Teams have three options: (1) carry out a firm survey, acknowledging the limitation of the sampling and the representativeness of the survey; (2) rely more heavily on PPDs; and/or (3) map the value chains using desk reviews and business associations and conduct semistructured interviews. While PPD is critical to ensure ownership of the projects and the value chain development, its role in the analysis could be replaced by more structured and/or semistructured surveys.



ANNEX D: QUALITATIVE SURVEY AND FOCUS GROUP DISCUSSIONS

PURPOSE

Qualitative surveys with youth can be used in conjunction with a quantitative Jobs Diagnostic to focus on issues around youth employment. For example, to better understand the nature of youth labor supply, education and training decisions, and the factors behind youth decisions to migrate, a project team in Paraguay has decided to supplement the recent exhaustive Jobs Diagnostic (Bulmer, Watson, and Santos 2017) with a “deep dive” aimed at understanding youth employment through a qualitative survey instrument to collect information from Paraguayan youth. The focus group format will incorporate a mini-quantitative survey component, and will target male and female youth in multiple rural and urban settings. An important focus will be assessing the expectations of youth with respect to the types of jobs they are willing to hold—in terms of sector of work, location, type of contract, and level of pay. By targeting rural and urban youth, the team will solicit the views of pre- and recent migrants, and compare the differences in perceptions and real-work experience. The findings will shed light on the types of educational degrees and training deemed useful, the job search strategies being used, the willingness of youth to invest in their future careers, and the degree to which job expectations are mismatched to private sector labor demand.

Focus group discussions can be very useful in supplementing quantitative data from surveys with a more qualitative and in-depth understanding of the challenges facing certain subgroups of the population. Recently, a World Bank team in Lebanon used focus group discussions to delve into the factors and drivers that hinder women from accessing jobs or becoming active.¹ These findings were used to inform the design of the Lebanon National Jobs Creation Program. The team conducted focus group discussions using instruments based on sex, age, and labor force participation status; the discussions were conducted in different geographical locations. The work also included 10 in-depth interviews with employers based on sector, size, and location. Focus group discussions will also be conducted with men, differentiating between youth and adults, to better understand their role and impact on women’s decisions to work and the type of work to pursue, as well as gender norms.

SAMPLE INSTRUMENT

An example of the instrument used for inactive young women in Lebanon follows. The versions used for employed and unemployed women were slightly different. The main themes the team included in the discussions were the importance of working for young women, decision making about work, challenges during recruitment and after accepting a job, reasons for leaving the workforce, nature of self-employment, understanding gender norms, and educational background.

¹ The qualitative assessment was one of the activities undertaken as part of the work on a Gender Diagnostic to Understand Women’s Constraints and Challenges to Accessing Jobs in Lebanon, led by Angela Elzir Assy. The script of the qualitative assessment benefited from substantial inputs from Samantha Constant and Jonna Maria Lundvall and feedback from Soraya El Khalil; Gharam Alkastalani Dexter; Beth Zikronah Rosen; and Eliana Carranza.

Introduction (5 minutes)

Women's participation in the labor market is very low in Lebanon, with only one in five working-age women in the labor market actively looking for work or currently working. When women do join the labor market, they are much more likely to be unemployed or to work in fields that are considered female oriented. Among young workers in Greater Beirut, females constitute the majority. However, this changes as women get older, and a large number of them exit the labor market because of marriage and childbirth. As a result, men significantly outnumber women in the older age categories. Moreover, women tend to have higher unemployment rates than men, with studies showing that many leave employment for childbearing and then start searching for a job again. Women are also less likely than men to create jobs for themselves and for others by being self-employed or being entrepreneurs.

As a result of the above, the World Bank would like to gain insight and delve into the factors and drivers that hinder women from accessing jobs or becoming active. These findings will be utilized by the World Bank to assist the government of Lebanon in designing a National Jobs Creation Program. However, in order to do so, we need to hear from you about the challenges that you have faced in joining and remaining in the labor force, in finding employment, and hindrances to your becoming self-employed (if applicable).

We assure you that the issues that will be discussed today will not be divulged and your privacy will be respected. We also ask that you respect the opinion of other participants and take turns in conveying your opinion. But what we want to stress the most is that we'd like to hear from each and every one of you. Even so, that doesn't mean you have to answer every question. In fact, you have the right not to respond to a question that makes you uncomfortable. And while we do want everyone to participate in the discussion, you are under no obligation to talk about issues that you feel are of a private or personal nature.

Now, would you please turn off your cell phones?

Theme 1: Importance of Working (15 minutes)

First, I'd like to talk about what motivates Lebanese women to have a paid job.

- How important is working for young women like you in your community?
- Do you think most women want to work?
- What do you think are the reasons some women may not want to work? *(Note to moderator: Assess responses and make distinctions based on lack of ability to work or desire not to work; probe into perceived skills, employers' preferences, workplace environments, low wages, distance commuting, beliefs that women should not take away jobs from men, etc.)*
- In your case and for your close female friends, what were the key factors or turning points that influenced your views on wanting to work or not? *(Note to moderator: Probe into, e.g., marriage, having children, during children's development, etc.)*

Theme 2: Decision Making About Work (20 minutes)

Our decisions about working are influenced by many factors. Not just education and skills, but also people in our own circles of family and friends play a role. *(Note to moderator: Take note if participants see their income as long term and complementary household income, or more short term and centered around a particular goal, e.g., to buy a laptop for a child, pay school fees.)*

- When it comes to decisions about whether to work or not, and where to work, who do you or your peers go to for advice or to get support? Can you please tell me a little about that process? What role has your father and other male members in your family have in this process? *(Note to moderator: If relevant and possible to do without bias, try to understand if consent/approval is needed from male family members.)*
- Are there motivating factors that would cause you to seek work, and if so what are those motivating factors? *(Note to moderator: Probe into types of work, help at home, family support, etc.)*

If yes:

- People may have different preferences when it comes to where to work. In general, do you or women in your community have a preference to work in the private sector or the public sector? And why is this? *(Note to moderator: If they say public, moderator can say, “Do you think you or the women in your community can find these important things in the private sector?”)*
- Apart from private and public sector jobs, what are some specific areas of work/sectors you and your female peers prefer? *(Note to moderator: E.g., trade, technology, tourism, health, education, etc.; also, probe into why certain sectors are preferred and if they have any concerns how they would be perceived if engaging in other sectors that are more male dominated such as technology, engineering, etc.)*

Theme 3: Challenges During Recruitment and After Accepting a Job (20 minutes)

Both women and men might face a variety of challenges when choosing a job. I'd like to talk to you about the challenges the women in your community face when looking for work.

- What venues do you think you or your friends would find most useful if you or they decided to pursue work? *(Note to moderator: Probe into whether inactive participants had looked for work at some point and then stopped; ask what venues they used prior.)*
- Imagine you are offered a job; are there any obstacles you think might come in the way of accepting it? Can you explain what those obstacles might be? And how are these different from the obstacles faced by men? Are these obstacles women's concerns? *(Note to moderator: Distance from home, affordability of transportation or child care, household responsibilities, type of job, pay; do they change due to marriage, children at different ages, care for elderly, need for support system, etc.?)*
- Has someone you know been asked questions during a job interview or hiring process that were not directly relevant to the job and that you believe would not be necessarily asked of men? *(Note to moderator: Questions because of their gender, such as about marriage or future plans to have children.)*
- How long have you been inactive?
- Do you find that your education and skills are relevant for the kinds of jobs available in the market? Or what may be missing in general that could motivate you and increase your chance of getting a job?

Theme 4: Leaving the Workforce (15 minutes)

Studies show that women leave the labor market more often than men. I would like to know more about why women drop out of work.

- Can you tell me some of the main reasons why women drop out of work? And what would change if they leave their job? *(Note to moderator: Distinguish whether reasons in general are self-initiated or driven by external influences.)*
- What do you think are some factors that influence women's decision of coming back or not coming back to the labor market after being away for several years? *(Note to moderator and facilitator: Take account if participants are referring to themselves or women they know, pay attention if participants are referring to issues that are structural versus legal or linked to norms and customs, use judgment when probing:*
 - *The nature of the reasons (family related: due to marriage, family expectations; or workplace related such as maternity leave with no guarantee of position upon return, limited promotion opportunities; or broader societal factors such as norms, child care concerns—not available, too expensive, and/or poor quality—care for elderly, etc.)*
 - *On coming back: The reasons they decided to go back (career important to them, income, etc.) and the process by which they returned, if returned to same position with same wages as prior to leaving*

- *On not coming back: If participants say lack of child care or nursing facilities, ask, if these were made available and affordable, do they think women would return)*

Theme 5: Self-Employment (15 minutes)

In general, far less women than men are self-employed or employers. Let's talk about how easy or difficult it would be for young women like you to set up and run a business.

- What do you prefer the most, staying inactive, starting your own business, or getting a salaried job? And why?
- If you had your own business, what kind of business would that be?
- If you were to set up and run your own business, what would be your main concerns or problems/challenges you think you would have to face? *(Note to moderator: Probe into what kind of support is missing to set up and run up a business, e.g., loans, one-stop shop, training.)*
- What would be different for a man who wants to set up and run his own business, compared to the concerns/challenges you just mentioned?

Theme 6: Gender Norms and Expectations (15 minutes)

In families where both parents work, caring for the children and the elderly, as well as managing household chores, can be an added burden.

- In general, how do men in your community feel about women working outside of their homes? Could you tell us if you know of any cases when the woman hides her economic activity from her husband or other male family members?
- Have you asked for help with household or care work while you had to leave the house for an extended time during the day? Who do you generally ask?
- In general, if young women in your community ask their brothers or spouses to take part in household chores, child care, elderly care, what kind of responsibilities do they generally take on? Do you think that this would be different for women who are working versus not working? *(Note to moderator: Probe into attitude toward helping out, what kind of household chores is more ok for men to do, e.g., taking kids to school, cook, etc.)*
- If child care facilities are available in your community, what are the top two priorities or features you would look for before deciding if this would be an option for your child? *(Note to moderator: If there is time, probe into age of the children participants refer to; take note of whether participants are referring to public versus private and if there is a preference; examples of priority features can be fees, location, safety, outdoor play time, pupil-to-teacher ratio, etc.)*
- Think of a successful woman you know from your generation. What are the qualities and achievements that make her successful?

Theme 7: Educational Background (10 minutes)

According to data, on average women spend more years in school than men in Lebanon.

- Tell me a little about if you think this seems to be the case among your girlfriends and peers, and what is different between women and men in terms of how many years they spend in school and what they study. *(Note to moderator: Based on first response, if no one else speaks, the moderator can direct the question to someone else in the group and ask "Is this the same in your community?")*
- How did you decide what to study? Who did you talk to and discuss what to study with before deciding? *(Note to moderator: In some instances, it may be specific factors, an experience or exposure to a person rather than speaking to someone per se who influenced a decision, or a factor such as proximity to school; therefore, probe further along those lines.)*



ANNEX E: STEP SKILLS MEASUREMENT EMPLOYER SURVEY

The Skills Towards Employability and Productivity (STEP) Employer Survey is designed to better understand how employers view the skills and characteristics of their workers and the challenges employers face in recruiting workers with the desired skills. The survey collects information on the following:

- The skills employers look for when they recruit staff
- The skills staff most often apply
- The skills-related constraints employers face and the ways employers attempt to mitigate these constraints, such as through training and exchanges with education and training providers
- Firm characteristics, the business environment in which employers operate, and the structure of their workforce

A project team could use the STEP Employer Survey to supplement information from a labor force survey or Jobs Diagnostic to achieve a more in-depth understanding of the demand-side constraints faced by employers from a youth employment perspective. For example, the project team conducting the STEP Employer Survey in Bosnia and Herzegovina adapted the questionnaire to include some youth-specific questions and added a new module on financial incentives to firms for employing young (18- to 29-year-old) workers from the Public Employment Services. Specifically, firms were asked the average monthly gross compensation they would offer a new young hire. They were also asked their preference in filling a formal job opening for a young worker, to be retained for at least three months, given two options: (1) one registered as unemployed in the Public Employment Services and out of work for at least six months, with at least the minimum expected qualifications for the job; or (2) any person aged 18–29.

These questions were aimed at understanding employer perceptions of wage subsidies. Teams could similarly adapt a STEP questionnaire to focus on upcoming job vacancies, profiles/skills needed for new hires, etc.

PURPOSE

The mismatch between the supply of and demand for skills has an impact on productivity and growth at both the firm and macroeconomic levels. To maximize investment in workforce skill sets, there needs to be an understanding of how these skills will be put to use in the current labor market. The potential contribution of skills toward improving productivity and employment outcomes needs to be fully exploited, and this depends largely on understanding the demand side of skills.

The STEP program aims to contribute to the knowledge base and inform policies targeted at improving alignment between skill supply and demand.¹ This first-ever initiative generates internationally comparable data on skills available in developing countries. The World Bank's Jobs Group supports implementation of the

¹ More on the STEP program, including current data sets, can be found at <http://microdata.worldbank.org/index.php/catalog/step/about>. For information on the methodology underlying the STEP Employer Survey, see Pierre et al. (2014).

STEP Employer Survey (designed to identify skill demand and constraints using data from employers) to collect policy-relevant data.

The STEP Employer Survey gathers data regarding both Type A (“white-collar”) and Type B (“blue-collar”) workers to help create an understanding of the skills profile required for a “typical” worker in each of these categories—including Information about skills use, skills demand, training, and remuneration—by gathering data on two randomly selected types of workers. Type A includes job profiles that generally require higher skills levels, including managers, professionals, and technicians (ISCO 08 levels 1–3). Type B includes job profiles that tend to require medium or low skills levels, including clerical support workers, service workers, sales workers, skilled agricultural workers, craft and related trade workers, plant and machine operators, and elementary occupations (ISCO 08 levels 4–9).

The survey identifies and assesses three main skill domains:

- Cognitive skills
- Job-related technical skills
- Socioemotional skills

In addition to generating data on the hiring process, the survey collects information on skills used by experienced workers by asking questions about the day-to-day activities of randomly selected occupations. Questions related to research and development (R&D) have been added to the survey’s background characteristics module to categorize innovative employers.

DESIGN

The Employer Survey has been designed so its modules are flexible to enable adaptation for a youth focus. While the STEP program implements standardized surveys, the questionnaires can be adapted to address a sample of firms in both the informal and formal sectors of varying sizes and industry classifications.

- **Module 1** looks at the overall firm **workforce**, asking about the total number of employees in various occupations, including the pipeline of positions opening up in 12 months and any challenges in recruiting for these positions.
- **Module 2** focuses on **recent hires** and builds a profile of the education level and average compensation of these workers (one white collar and one blue collar). It asks about recruitment sources, time taken to fill an open position, and what makes newly hired employees attractive to employers in terms of their personal characteristics (such as age, appearance, sex, networks) by ranking in order of importance.
- **Module 3** asks about the skills used by the **current workforce** at the firm, such as reading, writing, mathematics, problem solving, speaking a foreign language, making presentations, interacting with coworkers, level and complexity of computer use, punctuality, etc. It also determines the degree to which there is a gap in (1) job-related skills (such as reading, writing, mathematics, English, foreign language, technical skills, communication skills, leadership skills, teamwork skills, creative and critical thinking, problem solving, ability to work independently, time management); and (2) personality traits (such as conscientiousness, emotional stability, agreeableness, extroversion, openness to experience); each skill is ranked based on importance when hiring a new employee.
- **Module 4** focuses on **training provisions and compensation**.
- **Module 5** captures **firm characteristics** and prospects.

Survey sampling is typically conducted by a survey firm, in collaboration with and under the supervision of a sampling specialist contracted by the World Bank’s quality control team. The sampling objective is typically to obtain interviews from approximately 500 nongovernment enterprise workplaces in the country’s capital and urban regions. Firms with fewer than five employees are typically excluded from the target population. A

two-stage stratified random sampling is used in the survey, and the sampling frame is usually procured from an up-to-date national business registry.

COMPARATIVE ADVANTAGE

The STEP Employer Survey has the following comparative advantages over similar tools.

- **Methodology.** The instrument package consists of a standardized survey methodology, including guidelines for fieldwork, supervision, training, reporting, call-backs, documentation, and quality control.
- **Time.** The current revised version of the survey is ready to be deployed and can be completed with results within 8–10 months from launch date. Comparable surveys are either in the process of being piloted/finalized or take longer to implement in the field.
- **Comparability.** Through application of a standardized methodology, the survey produces comparable data sets that can be measured against other countries where the survey has been applied, including Armenia, Bosnia and Herzegovina, Georgia, Kenya, Kosovo, Serbia, and Vietnam. The data are representative of all sectors in a country, providing an overall picture of employment; unlike most comparable tools.
- **Types of skills assessed.** The survey provides a multidimensional understanding of cognitive, job-specific, and socioemotional skills. It captures employers' opinions on general barriers to growth, as well as barriers in the labor market and in skills. The survey collects information on skills employers look for when they recruit staff, skills staff most often apply, skills-related constraints employers face, and the way employers attempt to mitigate skill constraints. The survey also captures data on firm characteristics, the environment in which employers operate, and the structure of their workforce.
- **Units of analysis.** The survey's units of analysis are establishments and workplaces—a single location at which one or more employees work. The larger legal entity may include multiple establishments.
- **Weighting.** To account for differential probabilities of selection due to the nature of the design and to ensure accurate survey estimates, the survey requires a sampling weight for each participating firm within each stratum and a sampling weight for each participating workplace within each stratum. In general, the objectives of the weighting exercise are to construct a set of survey weights to compensate for unequal probabilities of selection and to compensate for workplace-level nonresponse.



ANNEX F: DISCRETE CHOICE EXPERIMENT¹

The Discrete Choice Experiment is a quantitative technique used to better understand the preferences of individuals. In the absence of data on actual or revealed preferences, it can provide useful inputs for policy making. The technique has been applied in such diverse fields as product development, marketing, transportation modeling, health policy, and the provision of government services. It asks individuals to state their preference regarding hypothetical alternative scenarios, goods, or services. Specifically, Discrete Choice Experiments present individuals with several competing alternatives that together comprise a choice task. Each alternative is defined by a set of common attributes that feature varying attribute levels. For example, alternative jobs can be defined by the common attributes of wages, working hours, and skills involved, with different attribute levels including a low or high wage; short, moderate, or long working hours; and analytical versus social skills. Individuals are asked to indicate their preferred alternative in a sequence of choice tasks. The attributes of the alternatives are systematically varied across choice tasks using an experimental design; this allows for determination of how each attribute affects the preferences of the sampled population.

The Discrete Choice Experiment tool can be used to estimate youth preferences for different job attributes. One of the factors explaining the deficient performance of active labor market programs is a poor understanding of youth preferences for different types of jobs and the types of constraints youth face in accessing these jobs. Programs that are better able to understand (often through profiling systems²) the types of jobs youth want, the type of support they need, and their willingness to pay for support services are often more successful. To estimate youth preferences for different jobs attributes, and their willingness to pay for support services to access wage or self-employment, the Kenya Youth Empowerment Program, supported by the World Bank, conducted three Discrete Choice Experiments (table F.1).³ Youth respondents were asked to make a choice of their most and least preferred job in each choice task and whether they would consider acquiring any of the packages on offer.

The experiment found that youth, in general, prefer jobs that resemble formal jobs, regardless of the tasks involved. Thus, they value stability, access to social insurance (particularly health insurance), and adequate working conditions. They do not have well-defined preferences, though, between analytical versus manual repetitive tasks or tasks that involve interpersonal/organizational skills or creativity. The main services youth demand to facilitate access to wage employment include job search assistance and training in soft skills, followed by on-the-job training and wage subsidies; they are not interested in technical training. For self-employment, they mainly seek support in accessing credit, inputs and equipment, and insurance. Their willingness to pay for these services is probably modest relative to the average per capita cost of active labor market programs, but it represents a substantial share of the payments made to youth and employers who participate in these programs.

¹ Source: Michal Weber, Senior Economist, Social Protection and Jobs, Jobs Group, World Bank Group.

² Profiling is the identification of individual factors and challenges that represent a risk in the labor market (e.g., of long-term unemployment). Appropriate employment services are then assigned based on these profiles.

³ The survey was conducted in 2015, capitalizing on implementation of training sessions targeted to youth beneficiaries of the Kenya Youth Empowerment Program. Youth who completed the survey received an in-kind incentive in the form of “air time” (mobile phone credits) worth Khs 500 (about \$5.50).

Table F.1

Youth respondents comparison of three hypothetical employment packages to access wage employment

Attribute	Level
Monthly earnings for a 40-hour week	<ul style="list-style-type: none"> • Ksh 8,000 • Ksh 15,000 • Ksh 24,000
Public/private/NGO sector	<ul style="list-style-type: none"> • Public sector job • Private sector job • Nonprofit organization (NGO)
Earnings stability	<ul style="list-style-type: none"> • Earnings as mentioned above but can be adjusted upwards/downwards based on profits and/or performance • Fixed earnings but contract can end at any time • Fixed earnings for a given period of time • Fixed earnings as mentioned above
Working hours	<ul style="list-style-type: none"> • 60 hours per week • 40 hours per week • 20 hours per week
Vacation	<ul style="list-style-type: none"> • No • Yes
Flexible schedule	<ul style="list-style-type: none"> • No • Yes
Pension	<ul style="list-style-type: none"> • No • 10% of earnings gets pension of 40% of wages at age 65 • 20% of earnings gets pension of 65% of wages at age 65
Health insurance	<ul style="list-style-type: none"> • No • Ksh 800 per month basic coverage (only 50% of total health expenses, including drugs, are covered) • Ksh 1,600 per month extended coverage (90% of total health expenses, including drugs, are covered)
Unemployment benefits	<ul style="list-style-type: none"> • No • 2% of wage, gets 50% of wage for 3 months • 4% of wage, gets 80% of wage for 3 months
Commute time	<ul style="list-style-type: none"> • More than 2 hours in traffic • Between 1 and 2 hours in traffic • Less than 1 hour in traffic
Type of skills required	<ul style="list-style-type: none"> • Analytical • Interpersonal • Organization and control • Repetitive manual • Creative manual • Social services and care

The Discrete Choice Experiment tool could potentially be used to understand firms' preferences in hiring decisions, which could provide an important input to making youth training programs more sensitive to employer demand.



ANNEX G: PUBLIC-PRIVATE PARTNERSHIPS FOR OUTSOURCING SERVICE PROVISION

Private sector involvement in the implementation of wage employment programs for youth has steadily grown over the past 20 years. Furthermore, the private sector's role in programs to support youth employment has come to be recognized as vital. This increased collaboration with the private sector has been motivated by an interest in ensuring that programs respond to employers' current and future needs. There are several key roles the private sector can play to contribute to the effective, successful transition of youth to the workplace. In addition to being engaged in national planning for youth employment strategies, training curriculum formulation, and the delivery of outsourced services by government, private sector involvement in the implementation of wage employment programs may include the following:

- Mentoring and coaching at the workplace or via e-tools
- Introducing young job seekers to firm's networks
- Provision of on-the-job experience opportunities for applied learning, workplace, and career exposure
- Provision of personnel, equipment, or space for employment services
- Provision advice to employment service counselors
- Engagement in career counseling activities such as "career days" in schools
- Contribution to training instruction/workshop deliveries

Public-private partnerships (PPPs) emerge from international best practices as an important element of well-performing employment programs. The private sector—as the major source of jobs—has an important role in enhancing youth's employability by providing on-the-job experiences through work-based training (e.g., internships, apprenticeships), and these experiences cannot be gained without the full engagement of employers. While there is no standard to determine the balance between public versus private involvement—since much relies on each country's institutional capacity, budget constraints, and private sector development—collaboration and coordination between public and private stakeholders are critical to improve programs' effectiveness and prevent parallel systems with shortcomings in quality and accountability. Coordination among stakeholders may be enabled, for example, via a central institution serving as a link between public and private agencies or an umbrella organization. A lack of collaboration among these stakeholders creates a severe disconnect, ultimately hindering the programs' effectiveness.

Several factors have been identified as best practices contributing to fruitful PPPs for youth employment. These include the following:

- Adequate time frame to develop strong partnerships with private sector employers
- Clearly articulated roles and expected outputs from each party
- A shared commitment to change

- Effective leadership to implement change
- Realistic expectations on timelines for outputs and goals
- Frequent communication and direct interaction
- Clear incentives on both sides for working together (support to private sector in terms of increased access to other means of finance)



ANNEX H: INSTITUTIONAL ARRANGEMENTS FOR YOUTH EMPLOYMENT PROGRAMS

Clearly defining a program’s institutional arrangements—the specific formal configuration of all actors involved in program design, management, and implementation—is crucial to its success. These arrangements provide the framework within which the program operates and prescribe the linkages between and among the various actors in working to achieve the program’s aims. To this end, program designers must understand the strategic, unique roles the various key stakeholders can play in promoting youth employment. They must also recognize local capacities and how these will affect the program’s long-term goals. In general, interministerial collaboration, decentralization, and strong public-private partnerships are key in developing sustainable youth employment programs. This annex examines these and other factors to be considered when laying out a program’s institutional arrangements, focusing particularly on program management and implementation, the role of local governments, coordination with the private sector, and flexibility for scaling up.

PROGRAM MANAGEMENT AND IMPLEMENTATION

An essential step in program design is the clear assignment of roles and responsibilities among different stakeholders. Similarly, roles and responsibilities in managing and implementing the program should be clearly established and delineated from the outset to improve program governance, transparency, and accountability. Clearly and precisely document roles and reporting arrangements using, for example, detailed organograms and clearly articulated terms of reference. A lack of clarity in the roles and division of responsibilities may result in duplication of work or in overlooking needed tasks to be performed, adversely affecting program quality and accountability.

Governments have a key role to play in creating the framework for a coherent program and should provide overall guidance and set standards. Local governments—contingent on having the necessary capabilities—should be given flexibility in program implementation. Where appropriate, service delivery should be outsourced to private sector or nongovernmental providers through contracts that incentivize performance. Since the engagement of different entities in program management and implementation could lead to unclear lines of responsibility, a well-defined institutional framework with clear reporting arrangements among the various actors should be established.

ROLE OF LOCAL GOVERNMENTS

Evidence on demand-driven programs suggests that decision making should be based in detailed local knowledge. Consequently, many central governments have transferred responsibility to lower tiers of government to better match program services to local conditions and priorities (**allocative efficiency**) and increase accountability of local governments to citizens, decrease bureaucracy, and capitalize on better knowledge of local costs (**productive efficiency**). Increasing reliance on local governments, which are conceivably better able to assess community opportunities and challenges, can make programs more responsive to the specific needs of local youth and enhance program effectiveness. Ultimately, a program should strive to maintain

a balance between decentralized and centralized arrangements, so as to be responsive to both the changing needs of local labor markets and to meet national minimum quality standards. Regardless of the degree of flexibility allocated to local governments, however, it is important to get a sense of the capacity and resources available at the local level as well as to establish a clear assignment of roles and responsibilities among the different government levels.

Wage employment programs are more likely to be effective if they are adapted to the local target group conditions and characteristics. The extent to which key program design features—objectives, goals, targets, and activities—are adjusted to local needs should thus be carefully considered. Ways to build in flexibility in program **design** include providing local governments with menus of options, allowing for a share of funds to be allocated to innovative locally developed initiatives, and instituting a bottom-up approach whereby the local government has full authority to adapt program features. This flexibility is particularly important to allow programs to meet the changing local labor market demand for skills.

Consideration of two key provisions can facilitate local government discretion with regard to program **implementation**:

- **Outsourcing/contracting out services.** To what extent are local governments able to decide whether and what services can be contracted out to external providers and to manage the tendering process? Flexibility over outsourcing of services might facilitate a choice of providers that best fits local particularities. At the same time, national standards and guidance are needed to ensure minimum quality of service provision.
- **Human resource management.** Do local governments have their own personnel systems and employees? Can they hire, recruit, train, and pay personnel and assign them tasks at their own discretion? Flexibility in human resource management spans aspects such as pay policy autonomy, headcount control, recruitment autonomy, career management control (including transfers within the local government), and performance management.

Assessing the capacity of local government to carry out tasks effectively is critical when transferring functions from upper to lower tiers of government. This assessment prevents misalignment between resources, skills, and institutional capacity at the local level and the responsibilities conveyed, which may hinder effective program implementation. Local capacity areas that need to be considered include human resource/personnel capacities (technical and managerial), administrative and organizational capacities (governance, management structures, information technology systems, infrastructure), and fiscal capabilities (adequate resources to undertake assigned responsibilities). Building the capacity of local governments, if necessary, is a key element in ensuring the readiness of competent and trained staff to implement the program effectively and to complete tasks in an efficient and effective manner.

Capacity building refers to the process of strengthening the ability of individuals, organizations, and/or systems to perform core functions sustainably. It may entail organizational development, management systems upgrading, and staff training, among others. Capacity-building activities can be classified as demand driven (by the local government) or supply driven (by the central government). Demand-driven capacity-building efforts draw on the identification of specific local government capacity needs; these form the basis for the support activities. Supply-driven capacity-building efforts are provided without assessing local governments needs and thus fail to address context-specific issues. Evidence suggests that demand-driven capacity-building activities for specific tasks demanded by local governments are better in developing and retaining skills.

FLEXIBILITY FOR SCALING UP

Effective wage employment programs can—and should—be scaled up to enhance employment outcomes for young people. Appropriate incremental scale-up should thus be built into a program’s initial plans. Rapid scale-up, however, might be needed in the face of a recession or deteriorating labor market conditions to support increases in the number of unemployed youth requiring assistance. In this context, scale-up is desirable if it can be done in an efficient and timely manner while maintaining high-quality services.

Three factors should be considered in assessing a program's readiness to enable a rapid scale-up in response to economic crises, changing market needs, or policy changes—or simply to expand the program's coverage:

- **Financial capacity constraints** with regard to the availability of financial resources, as well the presence of financial arrangements to absorb more funds
- **Human resource capacity constraints** with regard to the ability to quickly hire qualified staff to deliver services
- **Infrastructure constraints** with regard to the availability of facilities and physical resources (including information, communication, and technology tools; training materials; etc.) needed to effectively support additional program participants; for training programs with an on-the-job component, the viability of placement with employers must be considered

Note that in answering to human resource and infrastructure capacity constraints, outsourcing or contracting out services to private sector providers may enable rapid scale-up of services.



ANNEX I: JOBS IN AGRICULTURE: SUPPORTING YOUTH THROUGH AGGREGATOR MODELS¹

Different organizational models exist to effectively connect smallholder farmers with surplus production (as opposed to subsistence farmers) to domestic and/or global markets. These models (associate model/producer organization, anchor model/anchor buyer, aggregation entrepreneurs/intermediaries, and ownership/vertical integration model) are all based on a vertical alliance between the smallholder farmers and a larger business/buyer, which may be an exporter, wholesaler, or processor.

The value chains in which these models are embedded may be of different types—agricultural versus non-agricultural value chains, high- versus low-added value potential, public versus private buyer production standards, nature of the commodity (staple food versus horticulture; storable versus perishable products), etc. Which model best fits the needs of the buyers depends very much on these factors, as well as on the initial production structure of the economy.

When designing and implementing aggregator model operations, the following are a few good practices to follow.

- **Identification of promising aggregators.** Projects that intervene to further develop existing aggregators are usually more successful than aggregators that were newly created to comply with project requirements. A careful analysis of existing aggregators is therefore key for their successful long-term development. An in-depth study should be conducted on their scale and scope, competitiveness, potential for value addition, investment required for their further development, as well as their impact on the target group. Clearly defined technical evaluation and selection criteria help establish credibility among stakeholders and avoid political interference.
- **Successful producer organizations.** Smallholder organizations with a history and a strong social cohesion among their members usually perform better than groups that have been newly established. Producer organizations can be established independent of external interventions when individual smallholders have an incentive to cooperate to build economies of scale and have a stronger bargaining power in the market. Successful producer organizations usually have strong capacity in management (in some cases, key positions may be staffed with professionals), communication, and conflict management. Moreover, cooperatives or associations often face social pressure to provide services to nonmembers. Managing these expectations successfully is important to keep membership attractive and encourages members to sell their production through the organization (peer pressure).
- **Trust between producers and buyers.** Trust between the different partners (between producers and buyers and among producers in the case of the associate model) is key for an effective alliance, as it plays an important role in limiting side-selling and compliance with the agreement between the partners. Setting up detailed agreements between the partners can provide an incentive to respect selling and buying

¹ This annex was written by Raphaela Beatrice Karlen (Jobs Group), with inputs from Iftikhar Mostafa, Senior Economist, Agriculture GP, World Bank.

obligations. In settings where contract enforcement is difficult, buyers may opt to pay price premiums to limit side-selling and make it costly for producers not to comply with the commercial agreement. However, price premiums may not be feasible in value chains with low value-added potentials.

- **Financial contribution by smallholder farmers.** Smallholder farmers' commitment will be firmer when they financially contribute. A financial contribution may be envisaged at two levels: as a membership fee in the case of a producer organization to set an incentive to actively participate in the cooperative or association and respect horizontal agreements; or in a vertical alliance, to complement the inputs provided by the buyer and/or the public sector with a financial or in-kind contribution, which leads to a firmer commitment to the successful development of the aggregator.
- **Link smallholders to commercial finance sector.** Farmers often face liquidity pressures as they need funds to buy inputs or invest in technology at the beginning of the agricultural season, while earnings are only available at the time of the harvest. Linking smallholder producers, individually or as partners of a buyer, to the commercial finance sector to provide them access to financial assets may strengthen the sustainability of aggregator models.
- **Capacity building of smallholders over an extended period.** Building capacities of smallholders and producer organizations over an extended period is key to ensuring a sustainable and effective aggregator model. Adequate technical, managerial, and marketing skills are necessary to meet product standards and operate profitably in the longer term.

Overall, evidence is very limited on the impact of aggregator models on jobs outcomes (in terms of job creation, quality of jobs, and access to jobs), which models best suit a specific context, and how to overcome challenges such as side-selling and sustainability.



ANNEX J: THE JOBS M&E TOOLKIT

PURPOSE

The **Jobs M&E Toolkit** provides World Bank Group project teams and clients with a package of resources to help mainstream jobs into Bank lending operations and to standardize the assessment of jobs outcomes. Easy-to-use tools facilitate the measurement of project results along the dimensions of job creation, job quality, and job access.

The toolkit defines jobs as “activities that generate actual income, monetary or in kind, and that do not violate fundamental rights and principles at work” (World Bank 2012). While often associated with formal wage employment, jobs also include informal wage employment, farm-related work, and own-account work prevalent in middle- and low-income countries.

CONTENTS

The **Jobs M&E Toolkit** provides resources to be used throughout the entire project cycle. It is best applied ex ante in the design of projects and their monitoring and evaluation (M&E) systems, so that data collection can support implementation progress and reporting from the outset. Regular monitoring and data availability will underpin project completion to assess achievements in job results ex post. The toolkit’s indicators and data collection forms may also be useful for midterm, final, and impact evaluations. Table J.1 details the resources included in the Jobs M&E Toolkit.

Table J.1
Contents of Jobs M&E Toolkit

Jobs M&E Toolkit	
Project preparation	An Introduction to the Jobs M&E Toolkit <ul style="list-style-type: none"> • Definition of “jobs operations” and the two beneficiary types most commonly targeted by World Bank interventions—individuals and firms • Menu of Jobs Indicators by Job Outcomes commonly references in project appraisal documents • Definition and Guidance on the World Bank Group Corporate Results Indicator on “Jobs” • Jobs Data Aggregation Tables by Beneficiary Type: Individuals and Firms
	A. Jobs indicator Definitions and Guidance —for use at the project development objective and/or intermediate level in Results Framework—by Beneficiary Type: <ul style="list-style-type: none"> A.1 Individual Beneficiaries A.2 Firm Beneficiaries
Project implementation	B. Jobs Data Collection Forms —Paper-based (Excel) and online (SurveyMonkey) version for administered or self-administered data collection respectively—by Beneficiary Type: <ul style="list-style-type: none"> B.1 Individual Beneficiaries B.2 Firm Beneficiaries
	C. Jobs Data Collection Manuals for firms contracted by project implementation unit to collect data—by Beneficiary Type: <ul style="list-style-type: none"> C.1 Individual Beneficiaries C.2 Firm Beneficiaries
	D. Terms of Reference for Implementation of Jobs Data Collection , to be adapted by task team leaders, for project implementation units outsourcing data collection

At the core of the Jobs M&E Toolkit is a menu of jobs indicators from which to select based on the design of a specific intervention and the expected jobs-related results. The toolkit includes indicators at the project development objective and intermediate levels to measure key results regarding job creation, job quality, and job access. The selection of indicators for a specific operation depends on its jobs-related objectives and the activities the project team plans to implement to achieve them. Table J.2 presents an overview of the toolkit's jobs indicators by outcome and beneficiary type.

Table J.2
Jobs M&E Toolkit indicators by outcome and beneficiary type

Jobs outcome		Jobs indicator	Individuals	Firms
World Bank Group (WBG) Corporate Scorecard		• Number of project beneficiaries reached by jobs-focused WBG interventions	x	x
Job creation	Job creation	• Number of (self- and/or wage) employed project beneficiaries (*)	x	
		*disaggregate by self- and wage-employed project beneficiaries		
	• Number of full-time equivalent (FTE) jobs in beneficiary firms (*)		x	
	New enterprises	• Number of newly established firms with more than one paid employee (**)		x
	Entrepreneur/self-employed	• Number of self-employed project beneficiaries (*)	x	
Job quality	Worker productivity	• Average output per worker among beneficiary firms (**)		x
	Working conditions and benefits	• Number of project beneficiaries covered by social security insurance (*)	x	
		• Share of project beneficiaries reporting satisfaction with their job (*)	x	
		• Average number of hours worked per project beneficiary per week (*)	x	
	Earnings/livelihoods	• Average annual earnings of project beneficiaries (*)	x	
Job access	Labor force participation	• Labor force participation rate among project beneficiaries (*)	x	
	Working of labor market	• Number of project beneficiaries using (public or private) employment services (*)	x	
		• Average length of time for beneficiary firms to fill a vacancy		x
	Access and opportunity to jobs	• Disaggregated data collected for asterisked (*) indicators	x	x
Intermediate	Access to/working of product markets	• Number of project beneficiaries who are member of a cooperative or producer group (*)/(**)	x	x
		• Number of beneficiaries with new commercial relationships (**)		
		• Average time to get to market where output can be sold or traded	x	x
	Firm performance/investment	• Additional sales revenue for beneficiary firms (\$) (**)		x
		• Investment generated (\$) (**)		x
• Share of newly established beneficiary firms still operational after X months (**)			x	
	Human capital	• Share of project beneficiaries completing training	x	

Note: All indicators marked with (*) can be disaggregated by gender and/or age to capture their jobs access dimension (see access and opportunities to jobs outcome). All indicators marked with (**) can be disaggregated by gender of the firm owner to capture their jobs access dimension (see access and opportunities to jobs outcome).



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