

PRESS RELEASE - For Immediate Release

Training, Cash or Micro franchising: What works in Improving Youth Employment Outcomes

Youth unemployment is a major challenge in many low-income countries, and research evidence suggests young women in urban areas are disproportionately affected. While many programs have attempted to increase young women's physical and human capital, evaluations of these programs have generated mixed results. However, there is mounting evidence that multifaceted economic empowerment programs that combine job skills or vocational training with more holistic life skills education can have substantial impacts on the entrepreneurial activities of young women. Micro-franchising is a recent policy innovation that falls in this category. Micro-franchising programs connect unemployed participants with local franchisor businesses, providing motivated individuals with an established business model and the capital and business linkages needed to make their business model operational. In developing country settings where formal sector employment is relatively unavailable to young women, micro-franchising programs may be especially valuable.

Innovations for Poverty Action - Kenya, recently concluded the first ever impact evaluation of a micro-franchising program. The Girls Empowered by Microfranchising (GEM) program that was run by the International Rescue Committee connects unemployed participants with local business franchisors and provides mentoring and startup capital for participants to launch businesses. The study targets young women aged 16 to 19 residing in slum areas of Nairobi. In Kenya, 55 percent of urban women aged 15 to 25 in the labor force are

unemployed, as compared with 34 percent of young men in urban areas, 28 percent of young women in rural areas, and 18 percent of young men in rural areas¹.

The results of this impact evaluation were presented at the policy forum by Dr. Pamela Jakiela of the University of Maryland who was a co-principal investigator on the project along with other researchers listed below. The motivation of the research is the huge youth population in Kenya with not enough formal sector employment to match. To begin, Dr. Jakiela highlighted that while many programs, like microfinance have offered promise of addressing the issue of youth unemployment, rigorous research suggests that they are not the panacea once thought.

Young, unemployed women are particularly vulnerable to unhealthy situations (sex work, etc.). Recent research suggests that programs that combine business/job and life skills training have been shown to improve young women's labor market outcomes (BRAC in Uganda, EPAG in Liberia). The Girls Empowered by Microfranchise (GEM) program, implemented by IRC in three of Nairobi's poor neighborhoods, is a bundled program that provides business and life skills training, linkages to suppliers, start up capital, and ongoing mentoring. This research evaluates the GEM program. In order to understand the impact, we need to find a group that looks exactly like those who went through the program – this is done through randomization based on oversubscription. In addition, the evaluation also compares the GEM group to a cash grant only group, as cash grants have also been shown to stimulate entrepreneurship and increase income. One key question is whether these impacts persist over time. Dr. Jakiela emphasized that the key distinction between microfranchising and other microfinance initiatives is that

¹UNDP. Discussion Paper: [Kenya's Youth Employment Challenge](#), January 2013.

microfranchising provides a “business in a box” model, providing structure and support that does not require everyone to be an entrepreneur.

Some women in the program were given cash grants in the amount of Ksh. 20,000 but were not encouraged to use them in any particular way, meaning they were free to do whatever they wished.. At the outset, about half of women said they wanted to use the money to start a business, another quarter wanted to use it for education, and the rest wanted to use for other activities like sharing, healthcare, repaying or saving, etc. In reality, only about a quarter used it for business activities, slightly less for education, but a lot more than expected used for consumption.

Preliminary Results:

After 6-9 months, cash grants and the GEM program have big, significant impacts on women’s income, but these effects largely dissipate over the long-term – income effects do not persist. Over time, women in GEM are more likely to be earning an income. Program also tends to shift women from paid work to self-employment, both at midline and endline survey rounds. Both interventions also help women to change sectors – from relatively undesirable sectors (trash collection/janitorial work, agriculture) to more preferred sectors. The GEM treatment is not causing women to work a greater number of hours, but in cash grant treatment arms women are working more hours. The franchise treatment arm is providing a safety net – moving away from having very low income to moderate income. With cash grant, women are more likely to have quite high income levels. Summary of short-term impacts (after 9 months): increasing income, helping women out of less desirable sectors, shifting women toward self-employment. After 12-18 months, women in treatments are 3-5 times more likely to employ others, so there may be spillover impacts on income. The only real lasting impact

is on self-employment. Both cash and franchise shift women toward self-employment.

Conclusions:

Several possible interpretations: 1-self-employment is may not be for everyone as they may be holding women back from entering the formal labor force. 2-self-employment increases welfare, but not necessarily income. What does seem clear is that both interventions have very positive effects in short-term – relieving credit constraints.

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About IPA: Innovations for Poverty Action (IPA) is a research and policy non-profit that discovers and promotes effective solutions to global poverty problems. IPA brings together researchers and decision-makers to design, rigorously evaluate, and refine these solutions and their applications, ensuring that the evidence created is used to improve the lives of the world's poor.

About Vision2030: The Vision 2030 is the national long-term development policy that aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens by 2030 in a clean and secure environment.

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