

## Do wage subsidies help young women get jobs?

Unemployment among young adults is a problem throughout the world, and it's of particular concern in the Middle East, where half the population is under the age of 25 and more than a quarter of those aged 15-24 are out of work. Young women fare worse than men when it comes to finding jobs. Cultural norms can discourage them from working or traveling on their own, meaning that some young women never even make the transition into the workforce. How to reduce youth unemployment in general and give women a boost in particular is of key concern to policymakers and development groups trying to make a difference. But it's not yet clear what steps can reverse the problem.

The World Bank understands that skills development and jobs creation is necessary to improving people's lives and helping countries meet the United Nations Millennium

Development Goals. In order to build evidence of what works, the World Bank funded the **Jordan NOW** pilot program, which was designed to encourage employment of female college graduates in Jordan through wage subsidy vouchers and soft skills training. Built into the project was an evaluation to measure the impact. Researchers found that vouchers did boost employment—but only for as long as the vouchers were valid. After that, the new hires were let go or left their jobs. The training didn't show any significant effect on employment. The evaluation's results, similar to other studies that have found limited effect of wage subsidies in developed countries\*, show that raising employment rates may not only be a matter of helping graduates find their first job, but also tackling the structural frameworks that can hamper job creation, hiring, and retention.

### Context

Jordan, like many countries in the Middle East, has difficulty meeting the demand for jobs even as the economy continues to grow. The national unemployment rate is 9 percent for men and 22 percent for women, but for those under the age of 30, the unemployment rate jumps to 19 percent for men and almost 50 percent for women. With some 70 percent of the country's population under the age of 30, jobs creation and encouraging new hires is a primary concern.

Barriers to entering the labor force and getting a job are especially acute for young women. Those who marry as teen-

agers or in their early twenties are less likely to ever work; those who marry later are more likely to have held at least one job, and more likely to continue working (but even then, labor market participation for married women is less than 20 percent, among the lowest in the region). Going to college doesn't seem to give young women much of an advantage. While 70 percent of unemployed young men don't have any schooling beyond high school, the composition of female unemployment is much different: 75 percent of unemployed young women have a community college or university degree.

Helping women enter the labor force is a priority for the Jordanian government, and government officials requested World Bank support for developing a pilot program for female community college graduates. This group of women was seen as particularly vulnerable because they compete with university graduates for jobs. The program, called the Jordan New Work Opportunities for Women (NOW) pilot and evaluation, was launched in August 2010 and ran for 11 months.

#### Did you know:

Woman in the Middle East and North Africa participate in the labor force at lower rates than any other region in the world.

The rate for the Middle East and North Africa region is 21 percent, compared with a high of 71 percent in the East Asia & Pacific region.

Source: World Bank data figures, 2010

\* Betcherman, Gordon, Karina Olivas, and Amit Dar (2004) "Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries," World Bank Social Protection Discussion Paper no. 402

## Evaluation

All women who passed the August 2010 graduating exams from eight of the country's 14 public community colleges were eligible for the program. In total, 1350 out of the 1395 female graduates were randomly chosen to participate. They were randomly assigned to receive either a voucher, soft skills training, both, or neither. The vouchers reimbursed employers for up to six months (between October 2010 and August 2011) of salary, equal to the minimum wage of 150

JD (\$210) per month. The training, which was five hours a day for nine days, dealt with effective communication, time-management, and business writing skills. A baseline survey was conducted one month before graduation, with follow up surveys eight months after graduation, and 16 months after graduation. There was a 93 percent participation rate in all the surveys.

## Findings

### **Vouchers boosted young women's employment—at least while the vouchers were active.**

Young women with the vouchers were 39 percent more likely to work than those in the control group. At the midline survey, when the vouchers were still active, 57 percent of those with vouchers were employed compared with 18 percent of the control group.

### **But the skills training program had negligible effect on employment.**

Young women who received just the training had an employment rate of about 21 percent during this same period, compared with the control's group 18 percent employment rate. The difference between the control and treatment groups wasn't statistically significant. Likewise, those who received both the voucher and training had virtually the same employment rate as those who received only the voucher.

### **Nonetheless, in April 2011, about nine months after graduating from college (and at a time when the vouchers were still valid), close to 80 percent of the young women, regardless of whether they were in an intervention or control group, either had a job or were actively looking for one.**

The high labor force participation rate is reflected in the baseline survey, when more than 90 percent of the young women said they wanted to look for work after graduation and more than 80 percent preferred the public sector. They also had a very positive outlook, with 82 percent saying they expected to have a job within 6 months (the reality is that 40 percent of community college graduates find at least one job within the first year and a half after entering the labor market). More than 90 percent said they would like to work outside the home after marriage and they didn't believe they would face any obstacles (even as 50 percent said they couldn't travel alone to the market or a health center; and 44 percent said a girl should obey her brother, even if he was younger).

This policy note is based on both the World Bank's Policy Research Working Paper 6141, "Soft Skills or Hard Cash? The Impact of Training and Wage Subsidy Programs on Female Youth Employment in Jordan," Matthew Groh, Nandini Krishnan, David McKenzie, Tara Vishwanath, July 2012, and "Soft Skills or Hard Cash? What Works for Female Employment in Jordan?" ([www.worldbank.org](http://www.worldbank.org))



The positive outlook was reflected in voucher take-up and training program attendance. About half of those offered the voucher used it, and 17 percent of those who didn't redeem it found a job on their own. Among women who qualified for the training-only intervention, some 60 percent completed the course (new graduates who were married were 20 percentage points less likely to attend the training). For those offered both the training and the voucher, take-up overall was around 75 percent: 40 percent used the voucher and took the training, 10 percent used only the voucher, and 25 percent only attended the training.

**Young women with vouchers were able to find employment—but employers didn't register them as formally employed.**

Using administrative data, researchers discovered that many of the women employed through the vouchers were not formally registered in the Social Security System. When employers register workers as formally employed, they have to pay social security taxes (12.25 percent of wages) and payroll taxes (seven percent of wages), adding 20 percent to the cost of employing a worker.

Eighty-five percent of women who used the voucher said they were paid exactly the amount covered by the voucher (equal to the minimum wage), meaning most employers didn't contribute anything to the women's salaries.

**The fact that employers didn't register their new hires may have been a sign that they weren't planning to keep them on. Indeed, four months after the voucher program ended, there was little difference in employment rates among young women who had vouchers and those in the control group.**

Between the midline survey, when the vouchers were valid, and the endline survey, when the vouchers were no longer valid, 38

percent of young women who had received either a voucher or a voucher and training were dropped from their jobs. Among those in the control and training groups, some seven to eight percent of young women lost their jobs. By the last survey, four months after the voucher period expired, the employment rate for all groups hovered around 25 percent.

Most of the young women—66 percent—in the voucher group said that they were hired because of the voucher, and that their job ended because the voucher was no longer subsidizing their wages. Eighteen percent said they weren't satisfied with the job, nine percent quit for family reasons, four percent due to salary dispute and two percent said they had to leave for other reasons.

Similarly, 62 percent of employers said they wouldn't have made the hire without the voucher. Of these firms, close to 60



percent said the reason was that they had no real need for the worker, indicating the jobs were always viewed as temporary.

**Nonetheless, women who received vouchers did gain important workforce experience and were more likely to still be in the labor force—even if this meant they were unemployed but looking for work—than others.**

By the endline survey, about a year-and-a-half after the young women had graduated college, those who received the job vouchers were 30 percentage points more likely to have worked than those in the control group. They were also 10 percentage points more likely to be looking for work than those in the training or control group. Job vouchers also improved young women's subjective well-being (training alone didn't appear to affect this) and their optimism on the future, as measured on the Cantril scale. Training alone did appear to help build confidence, according to participants' feedback after completing the course, and also reduced the likelihood of major depression by almost five percentage points, according to the Mental Health Inventory scale.

## Conclusion

Using vouchers is something that policymakers often consider as a way to encourage hiring and give job-seekers on-the-job experience. But as the Jordanian pilot shows, wage-substitution

minimal effect when the job-market itself is limited both in job creation and social outlooks on women's employment.

Although the vouchers and training didn't boost long-term employment, an argument can be made that even short-term jobs are important for empowering women. These jobs can help them gain the self-confidence and work experience they will need later on if they pursue employment in the limited private sector job market. As such, vouchers may be a useful policy option for governments seeking to craft programs with an impact.



vouchers don't necessarily overcome labor market rigidities, government policies, and overall economic constraints that limit job creation and hiring. And while training can give job-seekers a new sense of confidence and a better outlook, it has

The average participant was 21 years old and unmarried. Almost half came from one of Jordan's major cities – Amman, Salt or Zarqa —and had a car or computer at home, but limited internet access. More than 90 percent reported that their mothers didn't work. Half of the young women said they were not allowed to go to the market unaccompanied.

Their studies reflected the traditional areas for working women: teaching, medical assistance, and administration and finance. Eight percent had jobs lined up upon graduation. Overall, the young women, like new college graduates across the Middle East, expressed a preference for joining the public sector over the private sector. The main reason given was because of the stability of the job.

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**This Evidence to Policy note series is produced with the generous support of SIEF.**



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