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journal homepage: www.elsevier.com/locate/labecoLearning and earning: Evidence from a randomized evaluation in India[☆]Pushkar Maitra^{a,*}, Subha Mani^{b,c,d}^a Department of Economics, Monash University, Australia^b Department of Economics and Center for International Policy Studies, Fordham University, U.S.A.^c Population Studies Center, University of Pennsylvania, U.S.A.^d IZA, Germany

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ABSTRACT

Our paper presents the economic returns from participating in a subsidized vocational education program for women residing in low-income households in India. We combine pre-intervention data with two rounds of post-intervention data in an experimental framework to quantify the 6- and 18-month treatment effects of the program. The 6-month treatment effects indicate that women who were offered the vocational education program are 6% points more likely to be employed, 4% points more likely to be self-employed, work 2.5 additional hours per week, and earn 150% more per month than women in the control group. Using a second round of follow-up data collected 18 months after the intervention, we find that the 6-month treatment effects are all sustained over the medium run. Finally, cost-benefit analysis indicates that the program costs can be recovered with less than four years of employment. Overall our findings suggest that vocational education may serve to be a promising avenue through which young women can contribute to their household welfare.

1. Introduction

In recent years, continued low levels of school completion combined with high rates of unemployment and increased opportunity cost of obtaining formal education among young adults has renewed focus on the young and the unemployed. The 2013 World Development Report on “Jobs” notes that, “200 million people, a disproportionate share of them youth, are unemployed and actively looking for work. Almost 2 billion working-age adults are neither working nor looking for work; the majority of these are women, and an unknown number are eager to have a job” (WDR, 2013, page 48). Participation in vocational education programs is increasingly being viewed as a promising avenue through which young men and women can acquire skills and secure employment. This has led to large-scale investments in both vocational education and on-the-job training programs by

governments, the World Bank, and other for profit and not for profit organizations around the world.

Although, there has been substantial academic and policy interest in vocational education, few studies have attempted to provide experimental evidence on the returns from such programs. Attanasio et al. (2011) find that participation in a three month long vocational education (in-classroom training) program, along with a three month on-the-job training program improved earnings and employment among women in Colombia. Card et al. (2011) on the other hand, finds that a similar program in Dominican Republic lead to only very modest improvements in wages with no significant improvement in employment.¹ Hirshleifer et al. (2015) examine the returns to vocational education using a sample of unemployed individuals in Turkey. They find only a small and statistically insignificant impact of their program on employment, hours worked, and earnings in the short run

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¹ Cho et al. (2013) also estimate the returns to a similar program in Malawi. Unfortunately, due to administrative errors, about 30% of the individuals assigned to the treatment group never received the invitation to the training program leading to biased impact estimates.

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Free Stitching and Tailoring Course for Women

Conducted by

Social Awakening through youth Action (SATYA)

Social Awakening through youth Action (SATYA) is organizing free stitching and Tailoring Course for Women in Your Neighbourhood.

Training will be provided by reputable women trained in the modern techniques of stitching and tailoring

So take advantage of the program.

Duration of the Program: 6 months

Age: 18 – 39 years

Educational Qualification: Completed Grade 5 or Higher

Main Attractions:

- Training will be provided by reputable women trained in the modern techniques of stitching and tailoring
- New sewing machine and other materials
- Certificate on completion (only after 6 months)
- Free (SATYA will keep a deposit of Rs 50 per month and return Rs 350 at the completion of the program)

Time: 10 am – 6 pm. Each class is of 2 hours duration.



Fig. 1. The advertisement campaign of the program.

with no effects in the long run.²

The existing literature remains incomplete in three important ways. First, in the context of India, a country struggling with high rates of youth unemployment, low education, and a lack of skilled labor, investment in skill development is an urgent priority for policy makers.³ Not surprisingly, in the most recent 2016–17 budget, the Indian government has allocated \$225 million (USD) towards skill development programs geared at improving labor market preparedness. However, there is no experimental evidence on the effectiveness of such programs in India or more broadly even in Asia. Second,

² Recent studies in Africa, which offered vocational training in conjunction with a cash grant (Blattman et al., 2014) or with training in life skills (Bandiera et al., 2012), found positive impacts on employment and/or earnings. Macours et al. (2012) find that access to vocational education in conjunction with a conditional cash transfer program enabled households in Nicaragua to insure against weather shocks. Note that skills training is only one component of these composite intervention studies and hence, the results from these papers are not directly comparable to what we do here.

³ The National Skills Development Corporation in India predicts that over the next five years, more than 80million new jobs will be created, but many of these positions will be difficult to fill, because of the lack of adequately skilled workforce. Every year 12.8million people enter the workforce in India of which only 2% come with formal training while 8% enter with non-formal training. According to the Confederation of Indian Industries, the deficit in employable and vocationally-trained individuals in the workforce is projected to increase to 5.25 million by 2012. Over 50% of the new jobs created in India and elsewhere will be in the services sector and most of these jobs—up to 85%—will require some form of vocational training.

existing experimental evidence on the returns to vocational education and/or on-the-job training programs is typically computed by taking a weighted average over several different types of courses (for example plumbing, carpentry, textile, data entry, cooking assistants) offered to its participants.⁴ While it is useful to know the average returns computed over several distinct courses, returns to specific skills is of equal importance. It assumes even greater importance for women who are relatively underrepresented in the labor force in India. Notably jobs and occupations in most developing countries are gender segregated. For instance, men are more likely to take up courses in carpentry, plumbing, and electricians, while females typically take up courses in seamstress and cooking.⁵ Third, there is very little evidence identifying the exclusive returns to vocational education only (devoid of the impact of experience and network effects accumulated via on-the-job training), though this is a more popular medium of skill accumulation especially

⁴ Attanasio et al. (2011) provide estimates on the returns to a vocational education-cum-on-the-job training program in Colombia that offered 441 different types of courses to approximately 25000 plus trainees. Hirshleifer et al. (2015) similarly provide the returns to a vocational education program that offered 130 separate courses to 5902 applicants in Turkey.

⁵ This is particularly true in India, the setting for our study. Analysis using the 61st round of the National Sample Survey reveals that approximately one-fourth of the women enrolled in vocational courses have enrolled in stitching and tailoring. Of all those enrolled in this course, 92% of them were women.

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