

# Vocational Training and Labour Market Transitions of Cambodian Disadvantaged Young Adults

## Introduction

Lack of skills is considered a key determinant of unemployment, poverty and crime, and a key limitation on growth in developing countries. To increase the number of young people in formal employment, it is crucial that they are well equipped with skills relevant to labour market needs. Vocational training is a promising approach to help young people, especially those from economically disadvantaged backgrounds or who left formal education prematurely, to develop job skills.

The labour force in many developing countries is often characterised by a large number of young, low-skilled workers aged between 15 and 30 (the youth cohort), most of whom are either unemployed or trapped in low-paid informal jobs. In Cambodia, youth made up 33 percent of the total population in 2014. Despite the potential of this large youth bulge, it also poses a major employment challenge.

In 2014, the youth labour force participation rate was about 77 percent while about 60 percent of employed youth were in waged jobs. On average, youth had 7.3 years of schooling in 2014. Low-income students are most at risk of dropping out of school, either to work at home or to earn money to support their families; the opportunity cost of going

to school is simply too high. Young people thus often enter the labour force without basic skills.

The Cambodian government has made strong efforts to improve employment prospects for youth, for instance, through the Rectangular Strategy III for Growth, Employment, Equity and Efficiency and the Technical Vocational Education and Training Strategic Development Plan 2014–2018. Further efforts are needed, though, if Cambodia is to catch up with other ASEAN countries in the context of the ASEAN Economic Community, especially in improving workforce skills.

Training tops the agenda. Yet evidence on the effectiveness of training in improving labour market transitions among youth in developing countries is scant. Experimental evidence is particularly scarce, and findings from recent randomised evaluations of vocational training programs are not clear-cut.

This policy brief draws on a study conducted to examine the effects of participating in a vocational training program targeted at young adults from low-income households (Ouch 2019). We focus on the impacts of the program on employment and barriers to taking up and completing the training. We also document the challenges and lessons from working with economically disadvantaged

young people and households. These provide useful information and implications for more effective training programs and labour market policies in developing countries.

### **The research study**

Experimental impact evaluation studies of vocational training programs are a new research approach in Cambodia.

### ***The intervention***

The intervention in this study was to provide two months of training in housekeeping. It targeted economically disadvantaged youth aged 15–30 residing in slums in nine of 12 districts in Phnom Penh, able to read and write and willing to participate in the training. Housekeeping was selected because there is a demand for it in tourism, it enables low-educated individuals to participate and suits both men and women. Designed and implemented in collaboration with Pour un Sourire d’Enfant (PSE),<sup>1</sup> the training course consisted of 180 hours of classroom lectures and 180 hours of practice sessions. Classes ran from Monday to Friday from 7:00 am to noon and from 2:00 pm to 5:00 pm, and on Saturday from 7:00 am to noon. The training course ran four times between June and September 2016. Participants in all four rounds had

the same teachers, curriculum and learning environment.

Participants received a uniform, lunch, study materials and 3.5 kg of rice per week, but no stipend. PSE offered a free shuttle bus service for those who lived along its bus routes, though students in rounds 3 and 4 received a transport allowance of USD1 per attendance.<sup>2</sup> Those who completed the program received a certificate from PSE.

### ***Recruitment and treatment assignment***

The program advertisement was distributed to households and posted in prime locations in the target areas for about three weeks before the training started. A total of 231 individuals registered for the training. In each round, those registered were randomly assigned in 70:30 proportion to treatment and control groups; 162 participants were assigned to the treatment group and 69 to the control group.

### ***Data collection***

We conducted two surveys. Baseline data was collected from 181 participants (120 treatment, 61 control) either before the beginning of each course or during the first week of classes. The follow-up survey, carried out five months after the end

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<sup>1</sup> PSE is a non-government organisation working with underprivileged children and is one of the most well-known vocational training institutes in Cambodia.

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<sup>2</sup> The transport allowance was given to participants in rounds 3 and 4 because of the high absence rates in rounds 1 and 2 and because most students in rounds 3 and 4 lived far from PSE’s training centre in areas not served by its shuttle bus. Training tuition fees were paid by this project.

of training, involved 125 participants (69 percent of the total baseline sample). The attrition rate of 31 percent is comparable to attrition rates from similar impact evaluations in other developing countries. Attrition did not bias the findings and baseline characteristics did not influence attrition.

### **Baseline comparisons**

Statistical tests are conducted to assess baseline comparability, that is, to observe whether the means of demographic characteristics and labour market outcomes are significantly different between treatment and control groups. Column 4 in Table 1 shows that the measured characteristics of participants in the

Table 1: Baseline characteristics of participants before the intervention

	<b>Total Sample</b>	<b>Treatment</b>	<b>Control</b>	<b>Difference</b>
	(1)	(2)	(3)	(4 = 2 - 3)
<b>Basic characteristics</b>				
Age	20.86 [3.63]	20.70 [3.73]	21.20 [3.43]	-0.49 (0.69)
Male (=1)	0.58 [0.50]	0.61 [0.49]	0.51 [0.51]	0.09 (0.09)
Education (years)	7.39 [3.15]	7.49 [2.96]	7.20 [3.54]	0.29 (0.60)
Married (=1)	0.24 [0.43]	0.17 [0.37]	0.39 [0.49]	-0.22** (0.08)
Work experience (months)	8.97 [20.81]	8.41 [22.33]	10.12 [17.49]	-1.71 (3.98)
Training experience (=1)	0.22 [0.41]	0.23 [0.42]	0.20 [0.40]	0.03 (0.08)
<b>Labour market outcomes</b>				
Employed	0.25 [0.43]	0.23 [0.42]	0.29 [0.46]	-0.07 (0.08)
Full-time/casual employment	0.19 [0.40]	0.18 [0.39]	0.22 [0.42]	-0.04 (0.08)
Self-employment	0.06 [0.23]	0.05 [0.21]	0.07 [0.26]	-0.03 (0.04)
Hours worked	10.31 [19.38]	9.48 [19.08]	12.02 [20.13]	-2.55 (3.70)
Monthly earnings (0000 riels)	11.86 [22.25]	11.58 [23.06]	12.44 [20.76]	-0.86 (4.26)
Observations	125	84	41	

Notes: The primary outcome of interest is whether individuals are employed. We also observe other measures of labour market outcomes, including employment status, hours worked and monthly earnings. Employment status includes dummy variables “full-time/casual employment” and “self-employment” that take the value 1 if the characteristics are true and 0 otherwise. The variable “hours worked” indicates the number of hours worked in the last week, and “monthly earnings (0000 riels)” the total earnings in the last month. We impute zero for hours worked and monthly earnings if a participant reported being unemployed, an unpaid family worker, housewife/househusband or student. Standard deviation reported in brackets and standard errors in parentheses. Sample are individuals interviewed at both baseline and follow-up surveys. \*\* significant at 5%.

treatment and control groups are virtually identical, except for marital status. Marital status difference is controlled for in regression analysis.

### ***Estimating the effects of the training program***

We combine baseline and follow-up data to estimate the impact of offering the program (intent-to-treat effects) on employment outcomes. Then we use an instrumental variable two-stage least squares approach, where the random assignment to training is used as an instrument for training attended, to identify the effects of attending the program (treatment-on-treated effects).

## **Results**

### ***The effects of offering the training***

The program has no significant effect on employment, hours worked or earnings (column 1 in Table 2).

Being assigned to the treatment group increases the likelihood of being employed by around 8 percentage points and hours worked by about 3 hours, relative to the control group. However, the differences are not significantly different from zero. Participants in the treatment group earn about KHR50,000 (USD12.5) per month less than those in the control group, but the difference is also not significantly different from zero. It is likely that those in the control group had more time to look for work while those in the treatment group underwent training.

### ***The effects of attending the training***

Attending the training increases the likelihood of getting employment, including the likelihood of obtaining waged employment and being self-employed, and hours worked. Nevertheless, the impacts are not

Table 2: Intent-to-treat effects and treatment-on-treated effects of the program

	ITT effects		TOT effects
	LPM (1)	Probit (2)	IV (3)
Dependent variables			
Employed	0.082 (0.111)	0.066 (0.108)	0.193 (0.268)
Full-time/casual employment	0.071 (0.110)	0.070 (0.107)	0.160 (0.262)
Self-employment	0.011 (0.057)	0.010 (0.054)	0.033 (0.129)
Hours worked	2.834 (6.502)		6.689 (16.384)
Monthly earnings (0000 riels)	-5.020 (6.456)		-13.494 (15.783)
First-stage F stat.			54.067***
Observations	250	250	250

Notes: This table reports the coefficients of the variable (*TRAINING\* $t$* ) for columns 1 and 2. Regressions control for age, education, gender, marital status and recruitment round dummies. For probit regressions in column 2, we use margins with contrast operator in Stata 14 to estimate the average interaction effects. Robust standard errors clustered at the individual level are reported in parentheses. \*\*\* significant at 1%.

statistically significant. Training has an insignificant negative impact on monthly earnings.

### ***Barriers to taking up and completing the training***

There was a high dropout rate in this study, so we tracked program dropouts in the follow-up survey to explore the reasons behind that. The main reasons reported were: family obligations (31.9 percent), no transport to the training institute (23.4 percent), found work (17.0 percent), no monetary incentive to participate in the training (8.5 percent), lost interest in/dissatisfied with training (6.4 percent), and others including sickness and migration (12.8 percent).

### **Some lessons**

We identified several challenges and learned some useful lessons from this randomised control trial, particularly from the experience of working with disadvantaged youth.

- Some prospective trainees were reluctant to lose daily earnings (e.g. from collecting garbage and selling it) despite the potential to earn a higher income in the long term. Some young people also migrated to other provinces for short-term and temporary jobs both during and after training.
- Travel to the training centre was another barrier preventing disadvantaged young people from accessing skills training.
- Some young people's lack of life and work experience led to absenteeism and lack of

responsibility when they were recruited after completing the training. Disadvantaged youth also seemed unwilling to spend time or put much effort into searching for jobs.

- Training institutes or centres play a vital role in helping young people complete training successfully and in monitoring their progress during and after training.
- Although the training program and training providers are important aspects of good training outcomes, the significance of participants' family background should not be ignored. Some disadvantaged youth have been exposed to violence, illegal drugs and crime. Some young married women have to abide by their husband's decision when it comes to training and work choices. Low personal motivation and lack of family support also lead to a low commitment from disadvantaged youth to invest time and effort in education or training. It is also crucial to consider increasing public awareness of the potential benefits of investing in children's education and training.

### **Policy recommendations**

This experimental impact evaluation offers many advantages for future vocational training programs, especially to reduce dropout rates. To ensure that wider skills training policies are more inclusive and effective, the following policy implications merit consideration.

1. Financial incentives, such as savings or income generation activities, could be incorporated into the training process. This would enable trainees to gain real-life experience and learn while overcoming their financial problems and difficulties. Realising their earnings potential would encourage trainees to take skills training more seriously.
2. Accessibility to training programs should be considered. The provision of transport subsidies may help reduce absenteeism and dropouts and boost completion rates.
3. Training providers should not only focus on imparting high-quality skills but also demonstrate their commitment to trainees' personal development and wellbeing. Job-readiness training, job placement assistance, career guidance and counselling may be needed to help graduates break into the labour market.
4. Training institutes should also have strong industry linkages or partnerships to ensure graduates' smooth transition into the labour market.
5. Training should respond to actual labour market needs. Training curricula and pedagogies should constantly evolve to keep pace with economic structural change and to ensure labour supply matches demand.

Further research with a larger sample size is needed to explore the generalisability of our findings to other contexts. Even so, we expect our results to improve understanding of the short-term effects of vocational training on labour market outcomes for youth in Cambodia and in other developing countries. Tracking the impacts of training over longer time periods is also needed to examine trainee retention rates and to develop more specific policy recommendations.

### Reference

Ouch, Chandarany. 2019. "Vocational Training and Labour Market Transitions: A Randomised Experiment among Cambodian Disadvantaged Young Adults." In *Job Prospects for Youth, Low-skilled and Female Workers in the Greater Mekong Subregion*, edited by Vathana Roth. Phnom Penh. CDRI.