

3ie-IFPRI Joint Seminar: A Firm of One's Own: Short vs. Long Term Impacts of a Labor Market Intervention for Young Women

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[Pamela Jakiela](#), Assistant Professor at the University of Maryland presented her research on the impact of microfranchising on entrepreneurship in poor Nairobi neighbourhoods at the [3ie-IFPRI joint seminar series](#) in Washington D.C. on March 10. The study evaluates the Girls Empowered by Microfranchise (GEM) project; a multifaceted intervention that connects young unemployed women with small scale franchises. The study uses several survey rounds to compare program effects on a range of labour market indicators, such as income generation, self-employment, and labour supply to young women who did not receive the GEM program

The study sought to determine if microfranchises (as a bundle of interventions) have a larger effect on income generation than cash grant programs. Microfranchising in this intervention encompassed a labour market program that provided participants with a hair salon or mobile food cart business model, which takes away the need to develop a business plan and includes supply chain linkages and franchise specific capital. Women assigned to the cash grant arm received an unrestricted \$250 transfer and were given no encouragement on how to use it. The project randomly assigned young women, aged 18-19 to one of three arms: a microfranchise arm, a cash grant arm and a control group which received no treatment.

The short-term results after 6-9 months were promising for both the cash grant and the microfranchise program. Income increased significantly and young women moved out of undesirable sectors such as trash collection and janitorial work in both cases. However, the cash grant resulted in a statistically significant increase in labour supply while the microfranchise program did not.

Strikingly, in the long-term these effects dissipate for both programs. Impact on income and shifting away from riskier sectors both disappear. In fact, the only statistically significant changes that remain for the microfranchising program were self-employment and employing others. While only self-employment remains statistically significant for the cash grant arm.

One of the most interesting ramifications of this study is that both the microfranchise and cash grant program had comparable effects. This is important because the costs borne through executing the microfranchise program, including researching viable business models, providing life skills training and mentoring are significant. In contrast, giving cash unconditionally is very cost-effective if the outcomes are analogous. Unfortunately though, the fact is that in the long-run neither of these programs seem especially effective at targeting youth unemployment.

[Xiaobo Zhang](#), Senior Research Fellow at the International Food Policy Research Institute, served as the discussant for this seminar. Zhang applauded the inclusion of long-term effects in this study, as they showed that the short-term effects were not sustainable. Mr. Zhang raised the importance of empowering community leaders in these types of programs since they understand the context-specific binding constraints. The audience brought up the potential for market saturation with the microfranchise model, as there can only be so many hair salons in one area for example. While Jakiela reassured the audience that this program was not large enough to significantly impact the market, the point was well received.