The Importance of Soft Skills for Youth Employment: Evidence from a Job-Matching and Certification Intervention

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Motivation

• **Skills training** programs are a widespread **policy tool** to enhance youth employment

• Most training programs focus on **“hard” skills**
  – Examples: vocational skills in welding, hairdressing etc.

• Little evidence on the importance of **“soft” skills** for youth employment
  – Examples: discipline, creativity, communication skills
Research Questions

1. What is the importance of **soft skills** in generating youth employment?
   - Do employers value soft skills?
   - Do soft skills help workers get jobs?

2. Are young workers able to **signal** their soft skills to employers during job interviews?
   - Can the provision of **certificates** on soft skills improve the ability of young talented workers to find employment?
This Project

1. **Survey evidence**: importance of soft skills as perceived by both young workers and SME owners
   - Around 800 trainees about to graduate from VTIs
   - Around 400 SMEs looking for workers

2. **Experimental evidence**: impacts of a certification intervention on youth employment outcomes in SMEs
   - Job interviews are scheduled between workers and SMEs
   - Certificates on the soft skills of workers are disclosed during job interviews
1. Survey Evidence
Evidence from Surveys of SME Owners
Soft Skills Are Important in SMEs

Perceived importance of various skills

- Practical skills: 9
- Soft skills: 8
- Numeracy: 7
- Literacy - local: 6
- Literacy - English: 5
- Theoretical skills: 4
Soft Skills Are Hard to Observe in SMEs
Low Priors on Soft Skills of Workers

Figure A5: Relative perceived scarcity of practical vs soft skills in the worker population, as reported by firm owners

Notes:
The Figure reports the CDF of within-firm owner differences in the number of potential workers out of 10 reported as having a good level of practical skills vs. a good level of soft skills.

To estimate the reported number of workers with a good level of soft skills we compute the average of the reported number of workers with a good level of each of the Big 5 traits (the question was asked for each of the Big 5 traits separately).

Notes:
The Figure reports the frequency of recruitment channels for the workers employed at baseline in the sample of firms included in the intervention.

Figure A6: Recruitment channel of current employees

Soft skills scarcer than practical skills

Practical skills scarcer than soft skills
Evidence from Trainee Surveys
Trainees Would Like to Improve on Soft Skills

Main skills that trainees would like to improve

- Practical skills
- Soft skills
- Numeracy
- Theoretical skills
- Literacy - local
- Literacy - English

% of trainees
2. Job Matching and Certification Intervention
Implementation

WORKERS

- Census of eligible trainees, N=1011
  - Aug – Oct 14
- Baseline of trainees and skills measurement, N=787
  - Nov 14 – Feb 15
- Matching + Signalling Intervention
  - Apr – Jul 15 (2 months since baseline)
- Trainee Follow-up
  - 6 months since matchings
  - 12 months since matchings

FIRMS

- Census of eligible SMEs, N=1086
- Baseline of SMEs, N=422
- Matching + Signalling Intervention
- Firm Follow-up
Trainees Positively Selected on Soft Skills

Conscientiousness, by interest in the program

Density

Conscientiousness

Not interested in the program
Interested in the program
Skills Assessments at the VTIs

• We conducted skills assessments on five soft skills that SME owners would like to have more info on:
  – Trustworthiness, creativity, communication skills, pro-sociality, attendance

• Assessment procedure at VTIs:
  – Skills easier to assess for an external examiner: teacher surveys (attendance, communication skills, pro-sociality)
  – Skills harder to observe: create our own assessments with the help of Dr. Matagi (creativity, trustworthiness)
The BRAC-IFS Youth Employment Job Placement Project

This project aims to connect young trained workers with employment opportunities. Interested trainees were recruited from a number of partner Vocational Training Institutes (VTIs) throughout Uganda. As part of the project, participating trainees were assessed on the specific soft skills reported on the front of this document. The assessments took place while the trainees were still enrolled at the VTIs. Note that the participating trainees did not receive any soft-skills specific training as part of this project. Upon graduation from the VTIs, the participating trainees were provided this acknowledgment card and were linked with potential employers. The project started in July 2014 and will run until June 2017. For more information about the project please get in touch with BRAC Uganda Country Office:

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Note on soft skills assessment procedure

The grades reported on the front of this document are the results of soft skills assessments conducted by the project team with the trainees participating in the project. Soft skills were measured using both standard self-administered psychometric scales as well as by means of a teacher survey whereby class teachers were asked to evaluate each individual trainee on these specific soft skills.

Note on grades from soft skills assessments

A = 85-100
B = 65-84
C = 50-64
D = 30-49
E = 0-29
Experimental Design

SMEs (422)

Workers (787)
Experimental Design

- SMEs (422)
  - Treatment SMEs (211)
  - Control SMEs (211)

- Workers (787)
  - Treatment workers (390)
  - Control workers (397)
Experimental Design

- **Treatment SMEs (211)**
- **Treatment matches (616)**
- **Treatment workers (390)**

- **Control SMEs (211)**
- **Control matches (614)**
- **Control workers (397)**

- **SMEs (422)**
- **Workers (787)**
Experimental Design

Transcripts with grades shown during interviews

SMEs (422)  
Treatment SMEs (211)  
Treatment matches (616)  
Treatment workers (390)  
Workers (787)

Placebo transcripts (no grades) shown during interviews

SMEs (422)  
Control SMEs (211)  
Control matches (614)  
Control workers (397)
Results from Job Matching and Certification Intervention
Impacts on Hiring at Matched SME

<table>
<thead>
<tr>
<th>Impact on probability of job offer</th>
<th>Impact on AVERAGE worker</th>
<th>Impact on workers with LOWER soft skills</th>
<th>Impact on workers with HIGHER soft skills</th>
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Impacts on Worker Outside Options

Impact on log(reservation wages)

- Impact on AVERAGE worker
- Impact on workers with LOWER soft skills
- Impact on workers with HIGHER soft skills
Interpreting the Impacts on Hiring

• Positive impacts on hiring for workers with lower skills:
  – Positive selection of workers on soft skills into the experiment
  – Low priors of SMEs on the soft skills of workers

• No impacts on hiring for workers with higher skills:
  – Upward revision in their outside options means these workers are more expensive for the matched firm

• Further evidence on mechanisms:
  – Managers revise upwards their beliefs on the skills of workers
Cost-benefit Analysis

- Impacts on employment and outside options are persistent
  - Still find positive effects one year after the intervention

- Certification intervention is cost-effective at improving labor market outcomes:
  - IRR ranges between 9-29% for the average worker
  - Workers with lower skills gain from increase in employment
  - Workers with higher skills gain from increase in outside options
Conclusions

• **Soft skills** are **important** for youth employment

• Additional **information** on soft skills improves labor market outcomes
  – Both SMEs and trainees react positively to the information
  – Caveat: **voluntary participation** to the intervention
  – Mandatory intervention could have negative effects for workers with very low skills → these workers decided not to participate
Policy Implications

• Schools, VTIs and Universities should emphasize the importance of **soft skills** with their students
  – Could introduce/expand soft skills **training** in their curricula

• Interventions increasing **information** on skills (e.g. certification policies) can benefit talented workers
  – **Efficiency vs redistribution** considerations of **mandatory** interventions
Next Steps

• **Final worker follow-up** about to go to the field:
  – Are the employment effects of the certification intervention sustained over time?
  – Have workers with higher skills managed to transition to better jobs thanks to the certificates?

• Which **specific soft skills** were most important in determining the impacts of the certificates?
  – Challenge: skills are correlated, and were all shown together on the certificates
Thank You!