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90,000 YOUNG PEOPLE ENTER THE LABOUR

MARKET AND GAIN CONFIDENCE

How skills training changed the lives of disadvantaged young people in Nepal

The Employment Fund supported training for about 100,000 young Nepalese women and men. Over 90% of the graduates found employment, 75% earned an income above the official minimum wage, and 80% were from disadvantaged groups. The most disadvantaged group, young Dalit women, stated that the most significant impacts of the training programme were greater recognition within their communities, enhanced self-confidence and independence.

The programme applied a results-based payment system that rewarded success in securing employment rather than the training in itself – a successful mechanism for including disadvantaged young people in the labour market. The inclusion of several Employment Fund modalities in the Nepali government's Vocational Education and Training policy are a clear indication that the Employment Fund enjoys national recognition.

CONTEXT

HELVETAS has a strong commitment to measuring the outcomes and impact of its interventions. HELVETAS projects apply a comprehensive monitoring and evaluation (M&E) system with standardized performance indicators and reports on results. Such result-oriented M&E systems are crucial for project steering, organizational learning from the project and showing accountability to stakeholders and donors. Additionally, HELVETAS conducts regular internal or external evaluations and reviews the sustainability of the outcomes and systemic changes. Tracer studies – a survey method that gives information about the employment, contract and income situation of graduates after training – are applied in many HELVETAS Vocational Skills Development projects.

HELVETAS regularly commissions specialist research institutions to assess the impacts of its signature projects. In the case of the Employment Fund, HELVETAS contracted the Nepalese research firm RIDA (Research Inputs and Development Action) and the Department of Geography of the University of Zurich (UNIZH). They jointly studied the overall impact of the Employment Fund as well as its specific impact on the lives of marginalized people.

THE EMPLOYMENT FUND IN NEPAL

An estimated 500,000 young people enter the Nepalese labour market every year. Attaining gainful employment is a challenge for these young people especially those who come from disadvantaged backgrounds. This is due to a variety of reasons including poor formal education, family responsibilities and limited technical skills, but also because of a poorly developed private sector. Therefore, the Employment Fund was established in 2008 with the aim of providing gainful employment to disadvantaged, unemployed out-of-school youth. The project ran until 2016.

The Employment Fund was financed by the Swiss Agency for Development and Cooperation, UK Aid and the World Bank, with an overall budget of about 35 million Swiss francs. HELVETAS operated the secretariat of the fund, which covered 87% of all districts in Nepal and approximately 80 occupations in different sectors (e.g. construction, hospitality, garments and textile, agriculture, electronics, etc.), and collaborated with 57 training providers. The training courses usually lasted three to four months. 80 % of the content was practical; theory lessons made up the remaining 20%.

The Employment Fund applied a results-based financing approach, paying training providers based on their success in training and then connecting young people with the labour market. Moreover, the Employment Fund placed special emphasis on the inclusion of women and other disadvantaged groups in the courses, doing this, for instance, through targeted incentives, communication campaigns and counselling.

LAKSHMI, THE TRUSTED FEMALE ELECTRICIAN

20-year-old Laxmi Shah is from Mrigaulia in Morang district. She had so far not been able to earn any money, having dropped out of school after Class 8 because her family was not only large (7 children) but also impoverished. "I started working as a wire woman as soon as I had completed the three-month course last year," she said.

Some months after training, she had electrified 14 houses, earning 150-200 rupees per day, which pleased her very much. She said her family was slowly moving into solvency. She kept half of her earnings, while contributing the other half to the family coffers. She is saving up to start her own electrical goods shop.

Sabitri Pyakurel of Itahari, whose house was wired by Laxmi Shaw, said, "It's not a problem for us whether it is a woman or man working for us. I've found her work to be good. I am happy that young women are into wiring."

However, some people in the village were not happy to see her working as electrician. They asked, "Why should a woman, who should be behind a veil at home, take up such a job?" But Laxmi is strong, saying, "I would not have been able to do anything if I had listened to them. I have now become an example in my own right." (Employment Fund, 2010).





Electricians at work in Dhangadhi: Amar and Rabin Chaudhary, graduates of the Employment Fund.

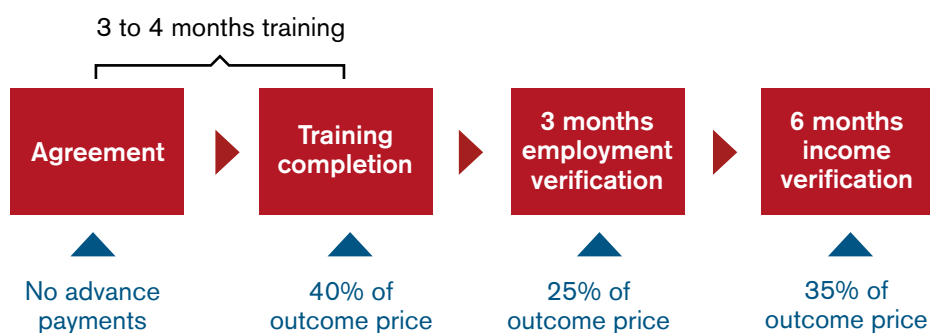
HOW DOES RESULTS-BASED FINANCING WORK?

The Employment Fund contracted mainly private firms to provide skills training and employment services. At the end of a course, the training firms received only 40% of the agreed fee for each graduate, an amount that did not cover their full costs. 25% was paid only when the graduates were placed in a job, 35% of the fee only if the graduates earned an income above the official minimum wage (40 to 50 CHF, depending on the exchange rate).

Consequently, the training providers were eager to offer training courses that lead to employment with wages above the minimal income (termed “gainful employment”). Only when they successfully linked the graduates to

employment and the latter remained employed for at least six months, did the training providers receive the full payment, which covered both their costs and some profit.

Since payment for training providers was directly dependent on the graduates finding gainful employment, there was a certain risk that providers might exaggerate the rate of gainfully employed graduates. Several measures were put in place to clearly limit such irregularities, such as close and regular monitoring of graduates’ employment status, and paying random, unannounced visits to employers to check employment and income status. In addition, external experts assessed the risk of the results-based financing approach being manipulated, but they did not find any evidence of this on site. They concluded that manipulation was probably not inexistent, but it would nevertheless be low due to the effective measures.



INCLUSION OF DISADVANTAGED GROUPS

The Employment Fund has made a great effort to include disadvantaged groups. Training providers were given an additional incentive for including disadvantaged people, who were grouped in four categories (Table 1).

Target Group Categories

A Economically poor women from discriminated groups (Dalits, widows, physically disabled, internally displaced, etc.)

B Economically poor women from all ethnicities

C Economically poor men from discriminated groups

D Economically poor men from all ethnicities

Table 1: Categories of target groups, with category A receiving the highest and D the lowest incentive

EMPLOYMENT FOR THE MASSES

The results presented in this section are mainly based on the project's monitoring database, a tracer study carried out in 2012 by Development Division Nepal Ltd. and, to a lesser extent, a tracer study conducted in 2013.

The methodology for the 2012 tracer study is explained here. A random sample was taken (stratified per trade group) – in total 670 of 10,485 graduates, representing 17 different trade groups. While bricklayers represented the largest trade group with 1,481 graduates, only 52 animal health-care workers were trained, representing the smallest group in the tracer study's cohort.

All the graduates had attended courses two to three years earlier. Personal interviews were conducted with the graduates using the questionnaire from the HELVETAS Tracer Study Tool Kit. Employers, training providers and representatives of support institutions were also interviewed or participated in focus group discussions.

Training and employment results

By the end of 2015, the Employment Fund had financed skills training for about 100,000 Nepalese young women and men, of whom over 90% were employed and 75% gainfully employed (see Figure 1). More than 50% of the trainees were women. The results-based financing model had brought about a paradigm shift in the implementation of skills development projects in Nepal: training and employment services focused on the employer's needs, and these services could only be considered successful if the trained person was in gainful employment.

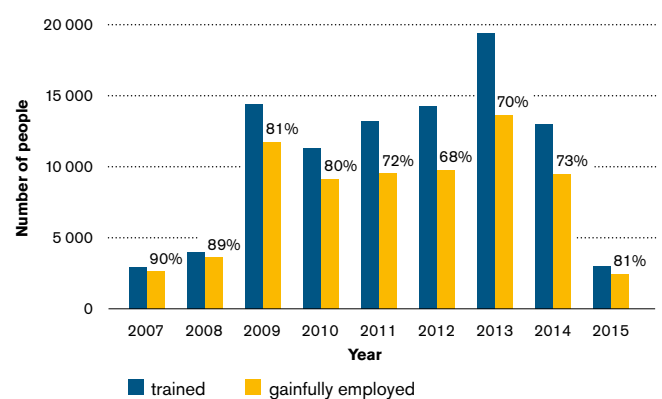


Figure 1: Trained and gainfully employed young women and men supported by the Employment Fund, 2008-15.

From training to employment

The transition period between the completion of training and employment lasted on average less than two months (see Figure 2). It did, however, vary greatly from one profession to the next. In some trades there were significant



Future welder Hem Ray Sapkota.

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differences between men and women, but overall these differences were insignificant (women: 1.8 months; men: 1.9 months).

The analysis of the transition period from training to employment was important for the future selection of trades and training providers and for decisions about gender-specific measures and job placement, as well as for tracing and ensuring that graduates find employment within a reasonable period of time.

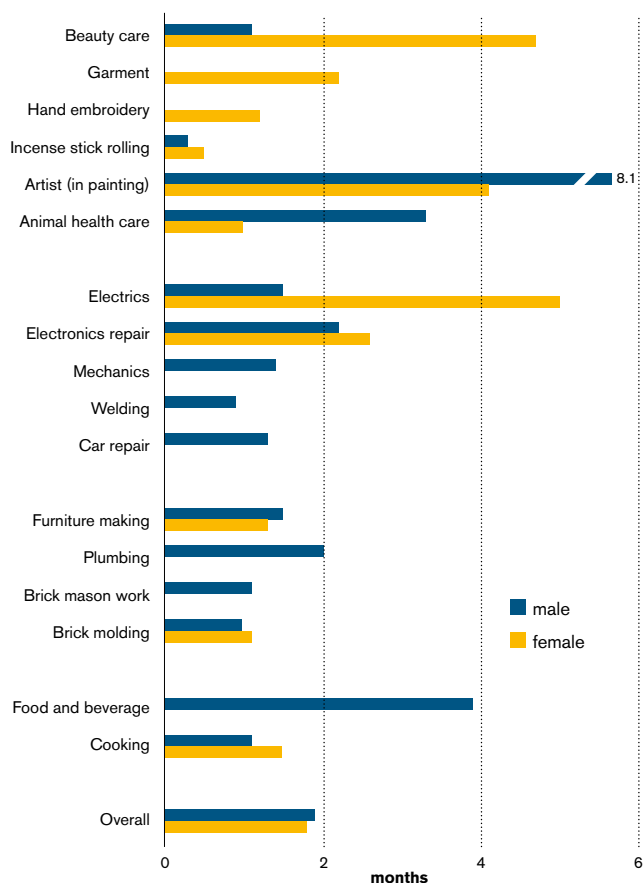


Figure 2: Transition period from training to employment.

Employment status over time

80% of graduates became self-employed or found wage employment within the first three months, although not all of them were in gainful employment. 92% were employed six to nine months after their training course (Figure 3). There was a trend towards self-employment over time. Immediately after graduation, 56% of those employed were in wage employment, while 44% were self-employed. The opposite was the case two years later, when 44% were wage employed and 56% self-employed.

About half of the entrepreneurs were successful, while the other half were struggling with their businesses, mainly due to a lack of relevant additional skills and unfavourable markets. Self-employment was challenging, because it requires not just technical but other skills

such as financial literacy, risk-taking and, above all, an “entrepreneurial mind-set”.

The tracer study results showed that 91% of the students preferred self-employment if they had access to funds for initial investment. That may explain why graduates often started out in wage-employment and then changed to self-employment after a few months of contracted work.

Many graduates hoped for a more secure working environment, a higher income and more autonomy when self-employed. In the informal economy, which is dominant in Nepal, employees often lack formal work contracts with clear details of their salary, working hours, duties and rights. They therefore also lack any social security or pensions, which constitute important employment benefits in developed economies.

Overall, the tracer studies showed that 93% of the self- or wage-employed graduates were satisfied with their current job. Nonetheless, the main challenges identified were low salaries, no scope for further training and discrimination. Two years after graduation, 70% of graduates were still working in the same profession they had been trained for.

Income

After the training course, the average monthly income rose from NPR 2,471 to 8,933. Before the training, the graduates contributed 48% to their household income, whereas after training this rose to 67%.

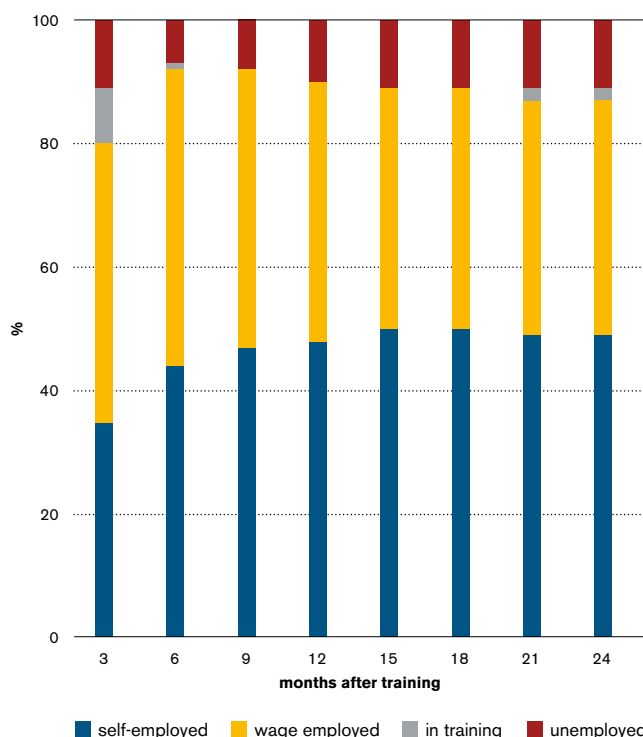


Figure 3: Employment or training status of graduates in the first two years after training (2012).

DO WE REACH THE POOR?

The Nepalese institute RIDA was commissioned, together with the Department of Geography of the University of Zurich, to undertake in-depth analysis of the qualitative changes achieved by the Employment Fund. They focused on disadvantaged groups, especially women and Dalits. The study was conducted in five districts (Kanchanpur, Jumla, Kaski, Parsa and Terhathum, Figure 4) to ensure both regional and rural/urban diversity.

In each district, the following persons were interviewed:

- 2 training providers,
- 12–14 graduates of whom 2 were employed, 2 belonged to a disadvantaged group, 1 was a youth with special needs and 1 was unemployed,
- 2 untrained persons, 1 man and 1 woman,
- 2 family members of graduates,
- 2 employers of graduates,
- 1 representative of a financial institution (bank),
- 1 local government representative,
- 1 representative of the Chamber of Commerce.

Additionally, a focus group discussion was conducted in every district with 5–6 graduates. Thus, over 120 respondents were included in the qualitative study.



Figure 4: Districts in Nepal where the study was conducted.



Radhika Maka, repairing a TV in her shop in Bhaktapur.

Interview results

The research methods relied on self-reported perception of the interviewees. The key results of the skills training reported by interviewees included the skills acquired, employment and the additional income gained.

Graduates were of the opinion that the training was of a high quality and stated that the skills they had acquired had increased their self-confidence, for instance when looking for a job. However, they felt that their acquired skills were insufficient to meet their aspirations, mainly with regard to their income. Similarly, employers mentioned the need for further skills and work experience to ensure high performance by employees. The graduates valued the recognition of having skills and the importance of the certificate they received, which proved their competences when they applied for a job.

Although the vast majority of graduates found employment after the training and were satisfied with this important change in their status, almost all interviewees looked forward to progressing further and becoming entrepreneurs, thus confirming the results of the tracer studies. Furthermore, due to caste-based discrimination and social norms, there were still difficulties for marginalized groups such as Dalits to be employed in certain jobs. A Dalit woman, for example, could find employment in stitching, while it was almost impossible for her to be hired as a cook in a local restaurant.

With regard to income, graduates observed a significant increase and hence a more secure financial situation. Although the Employment Fund defined “gainful” employment as a monthly income of at least NPR 4,600 per month, people perceived their income and its “adequacy” differently according to their personal situation and aspirations, their living costs and family income needs, and their past earnings as well as the availability of jobs in the region. In addition, living costs in rural areas were significantly lower, and therefore even an income below the minimum wage was very welcome.

The overall impact was noticeable at three levels:

Personal level: The key change that beneficiaries related to the training at a personal level was greater self-confidence and independence. Women graduates in particular highlighted the fact that they did not need to ask anyone else to meet their basic or other needs.

Family level: The income from newly gained employment supplemented family incomes and was mostly the main – sometimes even the only – source of family income. Hence, this income was used to finance basic expenses such as food, clothes, education and health costs. It also promoted a “saving culture” among many graduates and their families.

Community level: The vast majority of graduates reported that an improved relationship with the community was one of the key changes in their lives. The graduates and their families believed that the community – including neighbours – had a more positive attitude towards and perception of them after the training. Recognition from society was especially important for disadvantaged people considered inferior due to the caste system. The training and subsequent employment boosted the respect they earned and their own self-confidence.

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« I used to earn 250 rupees per day. At present I'm working with a contractor and I earn around 15,000 per month. I am paid on a monthly basis... I save 7,000–8,000 rupees per month... I also send money home to my parents.»

(Sher Bahadur Tamang, 24 years old, junior plumber)

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Tulasa Thapa, Tempo Driver.

LESSONS LEARNED

- Results-based payment has proven an effective approach for offering practice-oriented and relevant training to masses of young people and for linking them to gainful employment. The Government of Nepal also recognized this achievement by including several Employment Fund modalities in its TVET policy, and it will serve as model for a future national TVET fund.
- Results-based payment for training and employment has been replicated by HELVETAS and others in Ethiopia, Mozambique, Laos and other countries. It needs to be adapted to the local context.
- The Employment Fund managed to contribute to a change in certain societal perceptions by training women in occupations that are traditionally seen as “male” trades. Such social change can, however, not be achieved by a single project alone, and women are still more likely to drop out of employment than men due to marriage and children.
- A comprehensive monitoring system is essential for good project steering. In the case of Employment Fund, which provides incentives to service providers according to specific performance criteria, the monitoring of training courses and of graduate employment is a central part of the project. Monitoring ensures that training providers abide by agreements, and it also ensures accountability. This is a key factor in targeting training properly and making sure that it fits the labour market.
- Tracer studies are important for tracking graduates and staying informed about their professional evolution. They help staff to adjust project implementation, validate the impact hypothesis regularly and adapt the incentive criteria accordingly. It is paramount when building up capacities in the teams and partner organisations to set up meaningful M&E systems that gather both quantitative and qualitative information, using methods including focus group discussions and in-depth interviews.



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Daulima Sherpa learned how to build earthquake resilient houses.

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Bettina Jenny (Skills Development & Education) and Kai Schrader (Evaluation & Learning) from HELVETAS Advisory Services compiled the results of various studies.



Bettina Jenny



Kai Schrader

HELVETAS Swiss Intercooperation

Weinbergstr. 22a, PO Box, CH-8021 Zurich
Maulbeerstr. 10, PO Box, CH-3001 Bern
sde@helvetas.org, www.helvetas.org