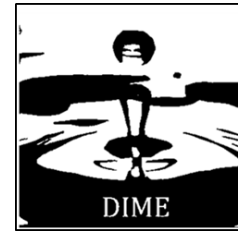




Human Development *Africa*



COST ANALYSIS

Case study

Youth employment in the DR

**Michelle Pérez, IDB, Office of Strategic Planning
and Development Effectiveness**

**Dakar, Senegal
Thursday, October 3, 2013**

Objectives of this session

- 1 The problem
- 2 Framework and definition
- 3 Measuring costs
- 4 Informing decision-making

Objectives of this session

- 1 The problem
- 2 Framework and definition
- 3 Measuring costs
- 4 Informing decision-making

The problem: How to increase formal youth employment rates?

- Unemployment rate (2005-2009):
 - 15 to 19: about 35%
 - 20 to 24: 30%
- Informality rate (2010) for young people ages 15 to 24 is twice that of the rest of the employed.
- Institutional labor intermediation not fully developed

What is/are the most effective intervention(s) in PJE?

Objectives of this session

- 1 The problem
- 2 Framework and definition**
- 3 Measuring costs
- 4 Informing decision-making

Definition: Which interventions?

Module	Provider	Duration
a) Technical skills (PTT)	Training institutions	150 hours (5 hrs/day for 6 weeks)
b) Life skills (BSD)		90 hours (3 hrs/day for 6 weeks)
c) Internships (LIT)	Private Firms	240 hours (5 hrs/day for 9.6 weeks)

Objectives of this session

- 1 The problem
- 2 Framework and definition
- 3 Measuring costs**
- 4 Informing decision-making

Perspective of this analysis

- Costs calculated from the perspective of students, training institutions, Ministry, society?
- What other information would you need to calculate the costs from the perspective of the other agents?

Does this analysis represent a total or incremental cost analysis?

- Incremental. There are already fixed costs. Training, handbooks, insurance, etc. are additional costs on top of the fixed.

Identifying ingredients

- Training institutions
- Personnel
- Facilities
- Materials and handbooks
- Stipends
- Health Insurance
- Accident Insurance
- Monitoring
- Labor insertion bonus

Valuing ingredients – Cost profile (1)

- Unitary cost per student per module

<u>Vocational training</u>	
	Total per student
Technical course + Materials(Handbook)	
Stipend	
Health Insurance	
Monitoring	
Labor insertion bonus	
Unitary cost per student	

<u>Soft skills training</u>	
	Total per student
Soft Skills Course	
Stipend	
Health Insurance	
Monitoring	
Labor insertion bonus	
Unitary cost per student	

<u>On the job training</u>	
	Total per student
Stipend of the apprentice	
Health Insurance	
Unitary cost per student	

Valuing ingredients – Cost profile (1)

- Unitary cost per student per module

<u>Vocational training</u>	
	Total per student
Technical course + Materials(Handbook)	240
Stipend	90
Health Insurance	10
Monitoring	16.8
Labor insertion bonus	30
Unitary cost per student	386.8

Valuing ingredients – Cost profile (1)

- Unitary cost per student per module

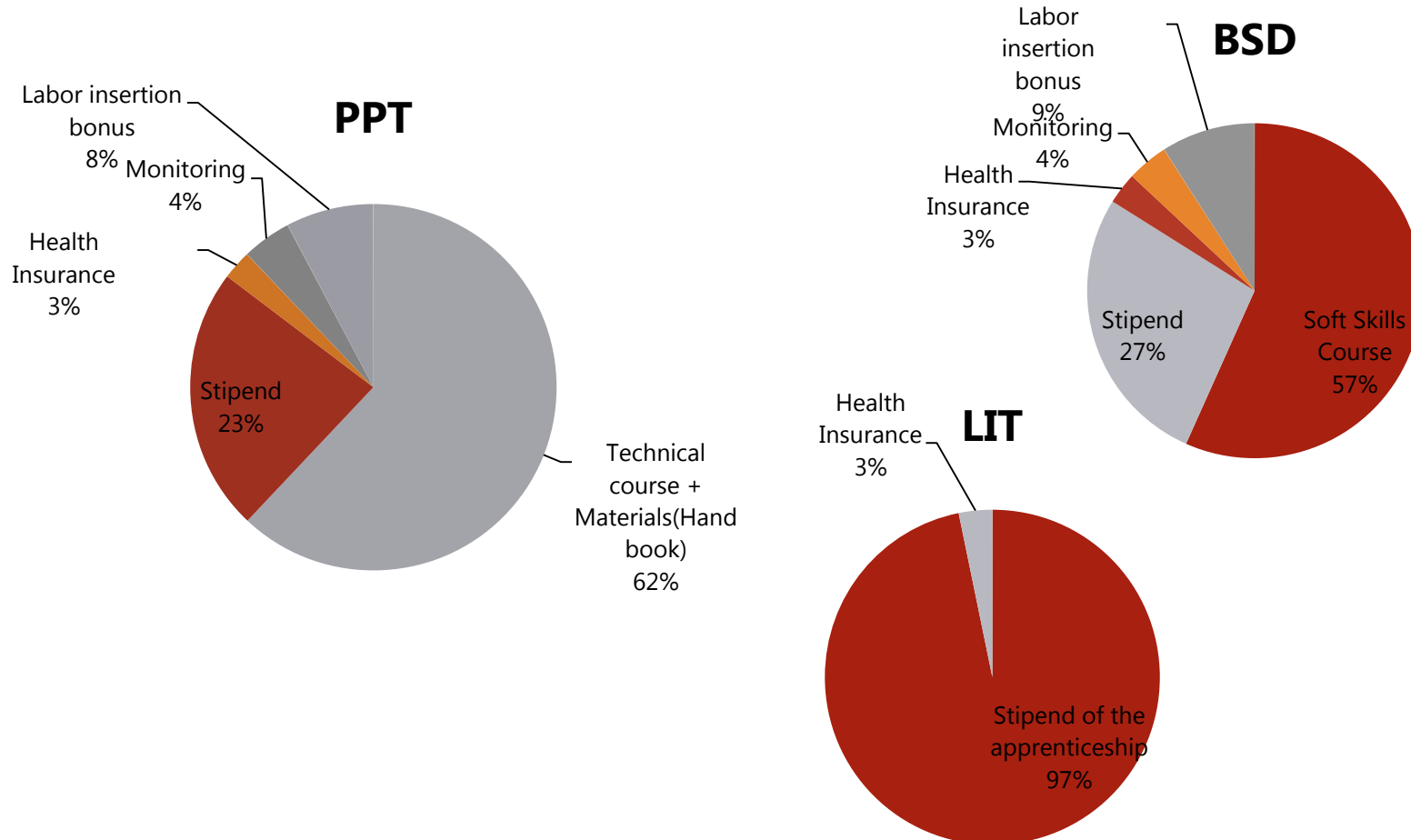
<u>Vocational training</u>	
	Total per student
Technical course + Materials(Handbook)	240
Stipend	90
Health Insurance	10
Monitoring	16.8
Labor insertion bonus	30
Unitary cost per student	386.8

<u>Soft skills training</u>	
	Total per student
Soft Skills Course	187.5
Stipend	90
Health Insurance	10
Monitoring	13.125
Labor insertion bonus	30
Unitary cost per student	330.625

<u>On the job training</u>	
	Total per student
Stipend of the apprentice	300
Health Insurance	10
Unitary cost per student	310

Costs profiles (3)

- Main driver of costs for each module



Objectives of this session

- 1 The problem
- 2 Framework and definition
- 3 Measuring costs
- 4 Informing decision-making**

Cost Effectiveness

	Intervention			<u>Control</u>
	<u>PPT</u>	<u>DBS</u>	<u>LIT</u>	
Average costs	379.30	323.13	310.00	
Effectiveness Indicators				
Change in unemployment rate	0 (25%)	0 (25%)	0 (25%)	25%
Change in average salary	\$ 13 (+10%)	\$ 13 (+10%)	\$ 6.5 (+5%)	\$130
Change in time looking for job (months)	-2 months (4 months)	-2 months (4 months)	-5 months (1 month)	(6 months)
Cost-Effectiveness				
Unemployment rate (change per 100\$ spent)				
Average salary (increase per 100\$ spent)				
Time looking for job (months gained per 100\$ spent)				

Cost Effectiveness

	Intervention		
	<u>PPT</u>	<u>DBS</u>	<u>LIT</u>
Average costs	379.30	323.13	310.00
Effectiveness Indicators			
Change in unemployment rate	0	0	0
Change in average salary	\$ 13	\$ 13	\$ 6.5
Change in time looking for job (months)	-2 months	-2 months	-5 months
Cost-Effectiveness			
Unemployment rate (change per 100\$ spent)	0	0	0
Average salary (increase per 100\$ spent)	\$3.4	\$4.0	\$2.1
Time looking for job (months gained per 100\$ spent)	0.5 mo	0.6 mo	1.6 mo

Cost Benefit: a rough estimate?

	Intervention		
	<u>PPT</u>	<u>DBS</u>	<u>LIT</u>
Average costs	379.30	323.13	310.00
Effectiveness Indicators			
Change in average salary	\$ 13	\$ 13	\$ 6.5
Change in time looking for job (months)	-2 months	-2 months	-5 months
Benefits			
Salary increase over a year	156	156	78
Salary increase due to increased time working	26	26	32.5
Total salary increase	182	182	110.5
B/C after a year	0.48	0.56	0.35

Other issues on costs

- Here: average cost per student from the perspective of the ministry
- But students face different costs:
 - Age (younger higher unemployment rate),
 - Gender (types of jobs),
 - Family situation (cost of child care)
- And firms “subsidize” the program:
 - Supervision and training of youth

Final Remarks

- What would you recommend?
Which intervention or combination would you scale up?
- On a given objective, we could identify which intervention would be most effective. The ranking depended on our objective.
- We can try to monetize all our outcomes but there are lots of assumptions involved and we only have a partial picture



THANK YOU

