



Participants in the YouthBuild program offered by CRS in El Salvador. Photograph: Oscar Leiva/Silverlight

# overview

## COST-EFFECTIVENESS IN YOUTH WORKFORCE DEVELOPMENT

Worldwide an estimated 1.8 billion young people are competing for 300 million jobs. This issue is heightened in Latin America, especially in Guatemala, Honduras and El Salvador, where nearly one-third of the 16 million people under the age of 24 are unemployed.<sup>1</sup> When young people do find a job, 6 out of 10 jobs have no benefits. And despite a general recovery in employment after the 2008 financial crisis, unemployment among Salvadoran youth remains higher than the pre-crisis period.<sup>2</sup>

Workforce programs are a priority for combatting youth unemployment. To achieve success, it is critical to understand the effectiveness of an intervention as well as costs, benefits and the return on investment (ROI). Yet in Latin America, researchers found only three studies (published well over a decade ago) which demonstrated an ROI from youth workforce programs in 5-12 years.<sup>3</sup>

### METHODOLOGY

Drawing upon more than a decade of experience implementing youth projects in Central America, Catholic Relief Services (CRS) hired the Salvadoran Foundation for Economic and Social Development (FUSADES) to analyze the actual costs for achieving key results, benefits and the time it takes to obtain a return on investment. The study compares three variations of the YouthBuild model CRS implemented in four Central American countries (Guatemala, El Salvador, Honduras and Nicaragua) between 2016-2018, with a follow-on study in El Salvador in 2019. An adaptation of the successful youth program that started in Harlem in the 1970s, YouthBuild is a comprehensive life and job skills training program that includes community service and a technical option.

### CHEAPER AND SHORTER IS NOT NECESSARILY COST-EFFECTIVE

The study found that CRS' Central American rendition of the YouthBuild program is cost-effective. Cost-effectiveness considers the investment needed to achieve results. Graduation and placement in a job, self-employment or returning to school are the key results. Those programs that enrolled and graduated young people for less money were not necessarily more cost-effective vis a vis placement.

Programs can be more cost-effective if they improve retention and graduation, as well as placement of youth. For example, despite the Caminos lower costs per youth enrolled and high graduation rates, placement lagged resulting in a more than threefold increase in cost per youth placed. With a concerted focus the Caminos project increased placement which improved cost-effectiveness.

EFFECTIVENESS: NUMBER OF YOUTH ENROLLED AND % GRADUATED AND PLACED BY PROGRAM MODEL			
Model	Number enrolled	% Graduated	% Placed
Standard	850	83%	71%
Senderos	1,540	76%	58%
Caminos (2016-18)	760	90%	30%
Caminos (2016-19)	2,262	93%	43%

1 <https://www.usgic.org/media/2019/04/USGLC-Fact-Sheet-Central-America-04-19.pdf>

2 R. Novella, A. Repetto, C. Robino, & G. Rucci (2018), Millennials en América Latina y el Caribe: ¿trabajar o estudiar? (págs. 207-260). Washington, DC: IADB. <https://publications.iadb.org/en/publication/millennials-en-america-latina-y-el-caribe-trabajar-o-estudiar>.

3 Urzúa, S., & Puentes, E. (2010). La evidencia del impacto de los programas de capacitación en el desempeño en el mercado laboral. Washington, DC: Banco Interamericano de Desarrollo.

COST-EFFECTIVENESS: COST PER YOUTH ENROLLED, GRADUATED AND PLACED			
Model	Cost per youth enrolled	Cost per youth Graduated	Cost per youth Placed
Standard	\$ 1,269	\$ 1,521	\$ 2,157
Senderos	\$ 971	\$ 1,276	\$ 2,204
Caminos (2016-18)	\$ 731	\$ 815	\$ 2,671
Caminos (2016-19)	\$ 613	\$ 662	\$ 1,419

## RETURN ON INVESTMENT IN 3 YEARS

The Central American YouthBuild program generates a return on investment (ROI) within 3 years when considering direct benefits (increase in salary of youth placed) and indirect benefits (savings to society by avoiding incarceration). If looking at only direct benefits, the return on investment varies between 3 -7 years (Column C below).

MODEL	B. 5 YR BCR	C. YEARS FOR IRR >0%
<b>Includes direct and indirect benefits</b>		
Standard	3.20	3
Senderos	2.81	2
Caminos	2.97	3
<b>Only direct benefits</b>		
Standard	1.94	3
Senderos	0.85	6
Caminos	0.72	7

## WORKING WITH MORE VULNERABLE YOUTH PAYS OFF

Greater and faster return on investment can be achieved when working with more vulnerable youth, particularly youth with criminal records. After 5 years, for every dollar invested, the Standard program model generated \$3.20 in benefits (column B above). Not working with more vulnerable youth slows the return on investment significantly. In the case of the Senderos and Caminos models, after 5 years they do not yet break even and require another 1-2 years to recover costs (Column B, only direct benefits). While working with higher risk youth will undoubtedly require more resources and increase costs, the multiplier effects of supporting these young people successfully are well worth the investment.

## INCREASING INVESTMENT TO REACH AND SERVE THE NEEDS EXCLUDED YOUTH IS WORTH IT

The poorest youth can rarely afford to dedicate weeks or months to improve their medium- and long-term employment prospects. Likewise, young mothers often need child-care

support. Providing stipends and child care will increase costs, but this boosts graduation rates among these harder to reach youth.

## THE TRUE MEASURE OF SUCCESS: PLACEMENT

The measure of success for youth employment programs should be job placement, starting a micro-enterprise or going back to school, rather than merely program enrollment or graduation. Achieving success in these outcomes requires additional investment because excluded young people face a host of obstacles that training alone cannot overcome.

In the case of Central America, stigmatization and redlining by businesses is common place. Staff support to engage employers and continue to guide youth as they overcome societal stigmas due to their place of residence, gender, or ethnicity is critical. Tracking placement results is the only way to guarantee that the benefits are greater than the cost and programs achieve a return on investment.

## RELATIONSHIPS, RELATIONSHIPS, RELATIONSHIPS

All YouthBuild programs operate in adverse environments, such as rural areas impacted by drought or communities affected by drug and gang violence. However, certain partners have demonstrated exceptionally positive results despite these challenging contexts. The YouthBuild program sites which have achieved the strongest results exhibit all three of the following types of **relationships**:

- The staff build strong individualized relationships with youth, providing one-on-one support during and after the training portion of the program.
- Close relationships are maintained with the private sector during design, implementation and placement. The most successful programs have young people visiting places of work, business leaders conducting on site mock interviews, and staff available to troubleshoot after placement or business start-up.
- Staff cohesion is critical to success. The best performing sites have low staff turnover rates, fill in the gaps for each other, and work together to meet the needs of young people, as opposed to simply logging the required hours for teaching.

The recommended practices, such as providing child care, providing post-training placement support and seeking out the most vulnerable youth, particularly those with criminal records, increase program costs. However, implementation of these practices with a focus on placement improves the return on investment. The key takeaway from this study is that its not just about "how much it costs to train a young person" but whether the program is cost-effective and achieves a return on investment.

