



**Household Wealth and Heterogeneous Impacts of a Market-Based Training Program:  
The Case of PROJOVEN in Peru**

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During the 1990s a new array of demand-driven training programs were implemented in several Latin American countries in the midst of structural reforms. Determining whether this approach produces the desired impacts or not constitutes a test of the effectiveness of market-based approaches in improving the employability and productivity of disadvantaged individuals. We analyze one such program, Peru's PROJOVEN, which targets disadvantage youth, and ask how much the poorest among the poor benefit from this program.

A first set of key findings concern participation in this program. Demographic disparities in program participation are found to be more the result of differences in the choice to participate than in administrative decisions. Also, dropping out of the program appears to be associated with lower socio-economic status. Identification of the factors that prevent the most disadvantaged from participating would be an important step in order to both design an incentive scheme that leads to more inclusive participation results and to establish better targeting strategies.

Second, regarding the impact of the program, the results indicate that PROJOVEN's design is not only an effective mechanism to enhance the productivity of economically disadvantaged youth, but it also enhances equity. In contrast with the traditional (public?) Peruvian training system, it does not reproduce the initial poverty conditions among youngsters. The positive assessment of PROJOVEN should be tempered by the fact that most of the positive earnings impacts are

concentrated among individuals in the mid-range of pre-treatment earnings. The strong heterogeneity of the treatment impacts are traced to the type of institution that provides the training services, rather than the wealth status or the occupation in which the participants receive training. Since training services are provided in a decentralized manner by training institutions that bid for the program's resources, this evidence suggests the program should be more selective in the type of training providers it contracts.

Third, both earnings and employment impacts are greater for women than for men, which suggests that interventions such as PROJOVEN are relevant options for policy makers interested in reducing labor market gender gaps. It should be noted that PROJOVEN's design includes a stipend for single mothers to cover costs of childcare. This information is also important for the discussion of which groups should be targeted by this type of policy in the context of tight public budgets.

Fourth, PROJOVEN does better at improving the earnings of participants than at changing their employment status. Thus, if the goal of the government is to improve employment opportunities, policy makers should consider specific modifications to the program. Short of starting a different program, it may be a good idea to experiment with a training module within PROJOVEN specifically oriented to this goal.

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