



## The impact of vocational training programs on youth unemployment in Mongolia

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### Key messages

- Vocational training programs (VTP) can be an efficient way to promote employment and enhance youth income in the short term, if the program is cost-effective.
- Removing the quota by vocation can increase youth participation in VTP, recognizing the popularity of particular vocations.
- Providing trainees with general labor market information improves attendance and could be a cheap way to reduce the drop-out rate from VTP.

### Vocational training in Mongolia

High levels of unemployment, particularly amongst youth, pose a significant problem in Mongolia. Despite government measures aiming to reduce youth unemployment to 2.5% by 2015, it is still high, with 17.4% remaining unemployed in 2014. Furthermore, a quarter of all youth (ages 15 to 29) are not in education, employment or training. Youth with parents who are unemployed, less educated, and poorer are most affected.

Mongolia has a young population, with 54.5% under the age of 30. As such, youth employment is one of the Mongolian government's highest priorities. In 2003, the government introduced a short-term vocational training program (VTP) that is now the oldest and largest of the government's active labor market policies (ALMP).

The VTP is available in all provinces of Mongolia and is designed to help people who are unemployed or vulnerable to unemployment, youth who are not enrolled in formal education, and low-income citizens. According to the Ministry of Labor, there were 8000 participants in 2011.



Unemployed youth are a particular focus of the VTP, which offers training in 53 vocational skills including hairdressing, cooking, and various types of construction. Training courses vary from 20 to 45 days and consists of classroom training followed by an internship that provides on-the-job experience.

There have been few studies of the impact of ALMP and no quantitative estimates of the impact of the VTP on youth employment. Given this knowledge gap, a team of local researchers conducted an impact evaluation of the VTP to assess the effects of the program on earnings, job quality, and the likelihood and duration of youth employment in Ulaanbaatar, the capital of Mongolia.

### Data and methodology

The research team collaborated with the Metropolitan Employment Department (MED), the main agency that implements the VTP, to conduct the study. The MED invited unemployed or inactive youth to apply for the program and applicants were randomly assigned to the training (treatment) and control groups. Of the 410 young people that received training, 119 received only training while 291 also received information about the Mongolian labor market.

The team administered three surveys, one before the training and two after. The first follow-up survey was conducted 6 months after the training, with the second follow-up a year later. The study measured employment and earnings, and attendance, completion and drop-outs.

## Key findings

The results indicate that in the short term the vocational training programs:

- Increase the employment rate by 13%
- Increase monthly earnings by 25%
- Increase skill match (as an indicator of job quality) by 4%

Furthermore, participants aged between 25 and 30 were more likely to be employed in the short term after training than participants in other age groups.

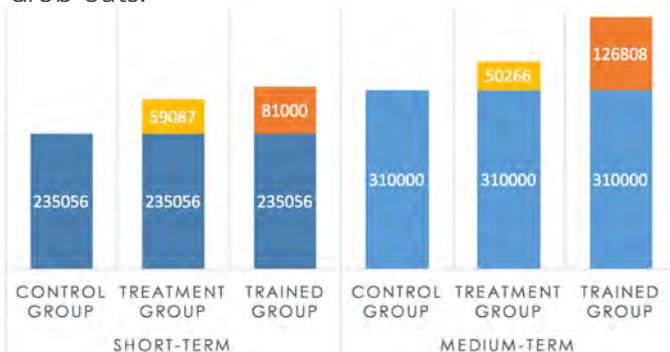
In the medium term, VTP increases earnings by 16% but there is no significant effect on the employment rate or skill matching.

The results do not indicate any significant differences between genders but, in the short term, those that live in a ger area (tented community) are more likely to be employed than those living in apartments.

However, those who participated in the training and live in an apartment are found to have 2% higher skill matching than those living in a ger area.

Those who received training and information about the labor market were found to have better attendance than those who received only training (by 3.3 days), and the drop-out rate decreased by 5%.

Observing the difference made by providing labor market information concurs with the finding by Jensen (2010) that the perceived returns from education and training may be inaccurate and extremely low leading to poor attendance and drop-outs.



Short and medium term impacts of VTP on monthly earnings



## Implications for policy

The findings of this study indicate that vocational training programs can be an efficient tool to promote employment and improve income amongst youth workers in the short term. However, the system can be improved to work more effectively.

As the positive effects of the VTP are generally only in the short term, the program design should be revised in terms of contents and eligibility to improve the impact.

There are currently limits on the number of places for each vocation, however, some vocations are significantly more popular than others amongst the young applicants, with the five most popular being beauty therapist, hairdresser, chef, sales assistant, and child care assistant. Removing the quota per vocation could increase the youth participation rate in the training programs.

As youth from low-income, low-educated families are at greater risk of being unemployed, improvements can be made to the screening process in order to reach those who most need and will most benefit from the programs.

The improved attendance and reduced drop-out rate amongst the group that received training and information about the labor market suggests that providing trainees with general information about the labor market could be a cost-efficient way to improve the overall impact of the vocational training programs.

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To find out more about the research methods and findings, read the full PEP [working paper](#).