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Creating New Positions? Direct and Indirect Effects of a Subsidized Apprenticeship Program*

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Abstract

Evaluations of employment programs usually focus on direct impacts on participants, but potential indirect effects are rarely quantified. This paper analyzes the impact of a subsidized apprenticeship program in Côte d'Ivoire. The experiment simultaneously randomized whether apprenticeship positions opened by firms were filled by the program, and whether interested youths were assigned to a formal apprenticeship. This design allows for estimating whether individuals forgo other apprenticeship opportunities (windfall effects), and whether firms replace other apprentices with program participants (substitution effects). We find both effects to be moderate. A framework shows how they combine: overall, 0.74 to 0.77 apprenticeship position is created per subsidized apprentice. Short term impacts on youth earnings were not significant. However, the net value of work provided by apprentices in firms increased, pointing to large indirect effects of the program.

JEL classification: D22, J23, J24, O12, C93

Keywords: Employment, Apprenticeship, Wage Subsidy, Training, Direct and Indirect Effects, Equilibrium Effects, Micro and Small Enterprises, Field experiment, Africa.

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