Johanne Buba
Senior Economist, Jobs Group
THE JOBS CONTEXT

Firm and employment shares for large and micro firms in 16 countries

Source: Merotto et al. (2019)
THE JOBS CONTEXT

Transition of firm size
Pooled sample of all censuses. Cohorts of firms who entered within the sample period and survived in last year of sample

Source: Tran et al. (2019)

Note: * Small, medium, and large indicate employment size between 0-20, 20-100, and 100+ respectively
The Jobs Context

Average size of firms by firm’s age

Source: Hsieh and Klenow, 2014
Firms in emerging or developing economies are not growing enough to generate employment

- Not enough large firms
- Not enough transitions from micro to small, from small to medium
THEORY OF CHANGE

- Productivity gain
- Employment growth
- Business survival

- Development of new products/services
- External factors that limit access to labor
THEROY OF CHANGE

- Business knowledge
- Entrepreneurial mindset
- Business practices
- External factors that limit access to finance
- External factors that limit access to labor

Reduction of costs
- Access to finance
- Increase of sales
- Development of new products/services

Productivity gain
- Employment growth
- Business survival
Entrepreneurs lack know-how

And usually they don’t know that they don’t know (*myopia of the entrepreneurs*)

Or they don’t see that the cost (of the service) is below the benefit
- Slow firm-level growth,
- Predominance of micro-firms and very few large firms,
- Very few transitions from micro to small

BUT COULD BE ACCESS TO FINANCE, ACCESS TO LABOR OR KNOW-HOW
1. There are things we know.

Young firms and/or young owners likely to lack know-how.

 Likely to have limited access to finance.

Source: McKenzie and Pauffhausen (2019)
2. Identifying KNOW HOW as a potential constraint

The World Management Survey: https://worldmanagementsurvey.org/

18 business practices with roughly a third of the indicators measuring HR practices, another third measuring performance tracking and the last third measuring target-setting and other forward-looking practices.

BUT NOT ALL COUNTRIES COVERED
2. Identifying KNOW HOW as a potential constraint

Baseline survey for a project
Measuring business practices on various aspects to provide more tailored support to entrepreneurs
2. Identifying KNOW HOW as a potential constraint

Baseline survey for a project
Measuring business practices on various aspects to provide more tailored support to entrepreneurs

Distribution of business practices for the GEM project

Source: Author
ANALYSING THE CAUSE

3. Listening to entrepreneurs

WB Enterprise Surveys
Long questionnaire on a sample of formal firms; All countries covered on a regular basis

Main constraint as perceived by firms

Inadequately educated workforce
Access to finance
Political instability
Labor regulations
Access to finance
Political instability
Inadequately educated workforce
Practices of informal firms
Transport
Inadequately educated workforce
Political instability
Practices of informal firms

Source: Cambodia Job Diagnostic
4. Eliminating the other possible constraints: LABOR

(e) Proportion of firms reporting an inadequately educated workforce as a major or severe constraint

(f) Proportion of firms reporting labor regulations as a major or severe constraint

Source: Cambodia Job Diagnostic
4. Eliminating the other possible constraints: FINANCE Using Enterprise Surveys

Source: ICA Nigeria
• Entrepreneurship training programs (in-class)
• Consulting
• Mentoring / Peer-to-peer

**Outputs?** (see Theory of change)

*Target to maximize the impacts?*

*Pros?*

*Cons?*
WHAT SUPPORT?

Kernel density estimate

Low sophistication of BP

Sophisticated business practices

kernel = epanechnikov, bandwidth = 0.2211
Let’s hear from the Training groups
### TRAINING: LIMITED RESULTS

- Impacts on revenues for a couple of interventions
- Limited impact on profits
- No impact on employment

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#### Compiled results for profits and revenues

**Source:** McKenzie and Woodruff (2013)

<table>
<thead>
<tr>
<th>Study</th>
<th>Gender</th>
<th>% increase</th>
<th>95% CI</th>
<th>% increase</th>
<th>95% CI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berge et al. (2011)</td>
<td>Male</td>
<td>5.4%</td>
<td>(-20%, +38%)</td>
<td>31.0%</td>
<td>(-4%, +79%)</td>
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<tr>
<td></td>
<td>Female</td>
<td>-3.0%</td>
<td>(-23%, +22%)</td>
<td>4.4%</td>
<td>(-23%, +22%)</td>
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<tr>
<td>Bruhn and Zia (2012)</td>
<td>Mixed</td>
<td>-15%</td>
<td>(-62%, +32%)</td>
<td>n.r.</td>
<td>n.r.</td>
</tr>
<tr>
<td>Calderon et al. (2012)</td>
<td>Female</td>
<td><strong>24.4%</strong></td>
<td>(-1%, +56%)</td>
<td><strong>20.0%</strong></td>
<td>(-2%, +47%)</td>
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<tr>
<td>De Mel et al. (2012)</td>
<td>Female</td>
<td>-5.4%</td>
<td>(-44%, +33%)</td>
<td>-14.1%</td>
<td>(-68%, +40%)</td>
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<tr>
<td>Current Enterprises</td>
<td>Female</td>
<td>43%</td>
<td>(+6%, +80%)</td>
<td>40.9%</td>
<td>(-6%, +87%)</td>
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<tr>
<td>Potential Enterprises</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Drexler et al. (2012)</td>
<td>Mostly Female</td>
<td>n.r.</td>
<td>n.r.</td>
<td>-6.7%</td>
<td>(-24.5%, +11.2%)</td>
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<td>&quot;Standard&quot;</td>
<td>Mostly Female</td>
<td>n.r.</td>
<td>n.r.</td>
<td>6.5%</td>
<td>(-11.4%, +24.4%)</td>
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<td>&quot;Rule-of-thumb&quot;</td>
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<td>(-33%, +17%)</td>
<td>-2.3%</td>
<td>(-15%, +13%)</td>
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<tr>
<td>Giné and Mansuri (2011)</td>
<td>Male</td>
<td>-4.3%</td>
<td>(-34%, +38%)</td>
<td>4.8%</td>
<td>(-14%, +27%)</td>
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<tr>
<td></td>
<td>Female</td>
<td>n.r. (a)</td>
<td>n.r.</td>
<td>n.r.</td>
<td>57.4% (c)</td>
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<tr>
<td>Glaub et al. (2012)</td>
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<td>n.r.</td>
<td>n.r.</td>
<td>n.r.</td>
<td>n.r.</td>
</tr>
<tr>
<td>Karlan and Valdivia (2011)</td>
<td>Mostly Female</td>
<td>17% (b)</td>
<td>(-25%, +59%)</td>
<td>1.9%</td>
<td>(-9.8%, +15.1%)</td>
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<tr>
<td>Mano et al. (2012)</td>
<td>Male</td>
<td>54%</td>
<td>(-47%, +82%)</td>
<td>22.7%</td>
<td>(-31%, +76%)</td>
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<tr>
<td>Valdivia (2012)</td>
<td>General training</td>
<td>n.r.</td>
<td>n.r.</td>
<td>9%</td>
<td>(-8%, +29%)</td>
</tr>
<tr>
<td></td>
<td>Training + technical assistance</td>
<td>Female</td>
<td>n.r.</td>
<td>n.r.</td>
<td>20.4%</td>
</tr>
</tbody>
</table>

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Notes:
- "n.r." indicates not reported.
- "(a)" indicates not available.
- "(b)" indicates not reported.
- "(c)" indicates combined results.
Training programs increase knowledge of low skilled entrepreneurs: Bruhn and Zia (2013), Drexler et al. (2014), Karlan and Valdivia (2011)
LEARNING FROM EXCEPTIONS

The intensity of the training program matters: intensive courses in South Africa
Existence of pathways to growth

100 hours in one topic and 48 hours in Calderon et al. (2012) and De Mel et al. (2012)

Impacts of intensity could be investigated further

Source: Anderson-McDonald et al. (2014)
LEARNING FROM EXCEPTIONS

Working on the entrepreneurial mindset and igniting an appetite for expansion

Self-starting: be different, do not mimic others, and think creatively

Future thinking: be able to identify new trends, technological changes but also future barriers to growth

Overcoming barriers: be persistent when problems happen, learn from mistakes

Togo, Uganda, Ethiopia, Ghana, Mexico
https://pi-training.org/

Quantile Treatment Effects on Monthly Profits

Source: Campos et al. (2017)
Visualizing the impacts of ‘bad’ business practices

Explaining the losses resulting from a ‘bad’ business practice (changeout) in Kenya

Source: Beaman et al. (2014)
LEARNING FROM EXCEPTIONS

**WHY AND HOW APPLYING KNOWLEDGE?** Role models explaining the importance of business practices in Chile

<table>
<thead>
<tr>
<th>Variables</th>
<th>Role Model</th>
<th>Technical Assistance</th>
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<tr>
<td></td>
<td>N</td>
<td>Effect</td>
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<tr>
<td>Number of workers last month</td>
<td>1,056</td>
<td>-0.00 (0.05)</td>
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<tr>
<td>Wage bill (M$) last month</td>
<td>1,004</td>
<td>-10.21 (7.75)</td>
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<tr>
<td>Sales (M$) last month</td>
<td>802</td>
<td>92.71* (50.59)</td>
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<tr>
<td>Costs (M$) last month</td>
<td>735</td>
<td>7.11 (34.77)</td>
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<tr>
<td>Profits (M$) last month</td>
<td>726</td>
<td>96.17*** (29.18)</td>
</tr>
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</table>

*Source: La Fortune et al. (2017)*
Let’s hear from the Consulting groups
CONSULTING: HIGH IMPACTS

Entrepreneurs do not have time to learn “business practices” in class: consulting for SME in Mexico

Source: Bruhn et al. (2013)
IS THERE ANY TARGET POPULATION?

- For micro-enterprises? Increase in investment, decrease in profits, No impact (Karlan et al. (2015) in Ghana)
- Very expensive: $4,000 – 75,000 per firm
- Lowering the cost of consulting with consulting in groups in Colombia (Iacovone et al, 2017) + see Cai and Szeidl (2016) in China for other impacts like business relationships

Source: Iacovone et al. (2017)
Let’s hear from the Mentoring groups
MENTORING: MIXED RESULTS

Good way to sustained impacts?

Follow-up (mix of group sessions and visits) - Drexler et al. (2012) in Dominican Republic, Giné and Mansuri (2011) in Pakistan, McKenzie and Puerto (2011) in Kenya – No statistically significant results

Brooks et al. (2016): positive impacts of mentoring but faded after treatment

Very difficult to find the mentors

Source: Brooks et al. (2016)
WHAT SUPPORT?

Low sophistication of BP

Sophisticated business practices

Kernel density estimate

score_10

kernel = epanechnikov, bandwidth = 0.2211
OUR RESPONSE

Kernel density estimate

Low sophistication of BP

Sophisticated business practices

Source: Author

- EXCLUDED
- Basic Training
- 4 possible interventions
- Consulting only
- No capacity building

score_10: kernel = epanechnikov, bandwidth = 0.2211
Let’s hear from the Innovators groups
# Our 4 Interventions

## Table 6: Impact on Sales and Profits inside Lagos/Abuja

<table>
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<tr>
<td>----------------------</td>
<td>---------------------</td>
<td>---------------------</td>
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<tr>
<td>Assigned to In sourcing</td>
<td>0.798</td>
<td>0.705</td>
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<tr>
<td></td>
<td>(0.613)</td>
<td>(0.658)</td>
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<tr>
<td>Assigned to Outsourcing</td>
<td>1.182***</td>
<td>1.266***</td>
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<tr>
<td></td>
<td>(0.590)</td>
<td>(0.584)</td>
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<tr>
<td>Assigned to Training</td>
<td>0.469</td>
<td>0.725</td>
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<td>(0.634)</td>
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<tr>
<td>Assigned to Consulting</td>
<td>1.079*</td>
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<td>(0.582)</td>
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<td>Mean of Control Group</td>
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<tr>
<td>Sample Size</td>
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<td>678</td>
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<tr>
<td>P-value: all treatments zero</td>
<td>0.259</td>
<td>0.294</td>
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<tr>
<td>P-value: all treatments equal</td>
<td>0.593</td>
<td>0.681</td>
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</table>
## OUR 4 INTERVENTIONS

### Panel B: Impacts in Second Follow-up Survey (Two-years after intervention started)

<table>
<thead>
<tr>
<th>Intervention</th>
<th>Firm operating</th>
<th>Observed Employees</th>
<th>Wage/Salary Workers</th>
<th>Casual/Daily Workers</th>
<th>Apprentices/Interns</th>
<th>Unpaid Workers</th>
<th>Total Employment</th>
<th>Spouse's hours</th>
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</thead>
<tbody>
<tr>
<td>Assigned to Insourcing</td>
<td>0.022</td>
<td>0.373</td>
<td>0.307</td>
<td>-0.258</td>
<td>-0.194**</td>
<td>0.008</td>
<td>0.155</td>
<td>-0.228</td>
</tr>
<tr>
<td></td>
<td>(0.034)</td>
<td>(0.417)</td>
<td>(0.492)</td>
<td>(0.467)</td>
<td>(0.090)</td>
<td>(0.030)</td>
<td>(0.712)</td>
<td>(1.769)</td>
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<tr>
<td>Assigned to Outsourcing</td>
<td>0.043</td>
<td>0.576</td>
<td>0.237</td>
<td>0.182</td>
<td>0.121</td>
<td>0.014</td>
<td>0.425</td>
<td>-0.202</td>
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<tr>
<td></td>
<td>(0.031)</td>
<td>(0.417)</td>
<td>(0.504)</td>
<td>(0.498)</td>
<td>(0.113)</td>
<td>(0.033)</td>
<td>(0.754)</td>
<td>(1.688)</td>
</tr>
<tr>
<td>Assigned to Training</td>
<td>0.030</td>
<td>0.516</td>
<td>0.554</td>
<td>0.004</td>
<td>-0.071</td>
<td>0.029</td>
<td>0.494</td>
<td>-1.510</td>
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<tr>
<td></td>
<td>(0.032)</td>
<td>(0.442)</td>
<td>(0.513)</td>
<td>(0.544)</td>
<td>(0.107)</td>
<td>(0.033)</td>
<td>(0.772)</td>
<td>(1.662)</td>
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<tr>
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<td>0.042</td>
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<td>0.305</td>
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<td>-0.023</td>
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<tr>
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<td>(0.438)</td>
<td>(0.485)</td>
<td>(0.487)</td>
<td>(0.113)</td>
<td>(0.022)</td>
<td>(0.714)</td>
<td>(1.583)</td>
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<td>Mean of Control Group</td>
<td>0.902</td>
<td>3.038</td>
<td>4.212</td>
<td>2.235</td>
<td>0.303</td>
<td>0.030</td>
<td>6.723</td>
<td>6.008</td>
</tr>
<tr>
<td>Sample Size</td>
<td>726</td>
<td>678</td>
<td>678</td>
<td>678</td>
<td>678</td>
<td>678</td>
<td>693</td>
<td>678</td>
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<tr>
<td>P-value: all treatments zero</td>
<td>0.653</td>
<td>0.648</td>
<td>0.878</td>
<td>0.858</td>
<td>0.004</td>
<td>0.148</td>
<td>0.769</td>
<td>0.515</td>
</tr>
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<td>P-value: all treatments equal</td>
<td>0.876</td>
<td>0.969</td>
<td>0.934</td>
<td>0.725</td>
<td>0.003</td>
<td>0.096</td>
<td>0.777</td>
<td>0.463</td>
</tr>
</tbody>
</table>
COST PER JOB

Programs targeting mainly SME
Programs targeting mainly microenterprises
Programs targeting transition to self-employment

Get-Ahead
PI
South Africa
Consulting in groups
CONCLUSIONS

1. Define your target group
2. Analyze the main constraints
3. Training: yes, it could be an option but carefully designed:
   ▪ For young entrepreneurs or income-generating activities: basic, simple, focused on a few key items, focused on concrete impacts on business performance, personal initiative training (+ grants)
   ▪ For others: be quite intensive (at least 6 days)
   ▪ Include modules or talks from peer entrepreneurs, role models
4. Consulting: high impacts, yes but costly. Consider group consulting to lower the cost or administer to larger firms
5. Mentoring: problem is the quality of mentors – to be further investigated
6. Outsourcing?
7. But never assume, traditional training programs are enough to grow firms and generate employment
THANK YOU
Contacts and References

For More information:


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