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Can arts-based interventions enhance labor market outcomes among youth? Evidence from a randomized trial in Rio de Janeiro[☆]

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ABSTRACT

Using a randomized trial, we look at employment and earnings of a youth-training program in Brazil that uses arts- and theater-based pedagogic tools. The evidence we present shows youth benefit in the medium-term from economically large employment and earnings impacts. We find no systematic evidence of broad impacts on socio-emotional skills, although the program appears to develop some skills related to self-control. We also find some evidence to suggest that youth who have higher initial socio-emotional skills may benefit more from the program. We argue that the estimated labor market impacts are due to a combination of both skills formation and signaling of higher quality workers to employers.

1. Introduction

Despite Brazil's progress in labor market outcomes over the last decade, labor market outcomes of youth – particularly those from disadvantaged socio-economic contexts – continue to be markedly worse than almost any other demographic group. Youth face lower wages, higher levels of informality, and more frequent unemployment spells. Their attachment to the labor market is also tenuous and irregular, with frequent entry and exit.

This paper analyzes an innovative approach at dealing with unemployment among disadvantaged youth living in Rio de Janeiro's slums (or *favelas*), pioneered by a small NGO, *Galpão Aplauso*. The novel dimension of this program is the use of expressive arts and theatre as a pedagogical tool. This tool is used as part of a training

program that also includes vocational and academic training, as well as training in work-readiness skills.

We expect that the bundle offered by *Galpão* may impact employment through a number of channels. First, it can teach specific academic and vocational skills which employers demand. These are basic numeracy, reading, as well as specific skills required by certain trades. Second, it can teach specific conducts required to work in a formal job environment. These work-readiness skills are conducts that employers expect from the workforce, but that youth in the marginalized communities in Rio's *favelas* often lack.

Beyond the specific technical or work-readiness skills, the program can build broader cognitive and socio-emotional skills (sometimes referred to as non-cognitive skills) that are known to be important for labor market outcomes. The economics and psychology literature

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shows that socio-emotional skills do change over the life-cycle and can be molded, particularly at younger ages. However, whereas specific work-readiness skills may be easier to change, we are more ambivalent regarding the ability of youth-training programs to impact broader types of socio-emotional skills for youth and young adults.

Program participants could see higher labor market outcomes due to formation of vocational, academic, and socio-emotional skills. Using standard labor market participation questions, we can test the program's overall impact on employment and earnings. We can also test the program's impact on broad socio-emotional skills measured by standard psychological tests. However, we cannot parse out what share of the program impacts is due to higher vocational skills, higher academic skills, or higher socio-emotional skills, as the experiment was not designed with separate treatment arms that would allow for separate estimation of these different channels.¹

The program can also impact outcomes by signaling higher-skills youth, particularly youth with higher socio-emotional skills. To the extent that the program attracts youth with higher socio-emotional skills, such as the capacity to sustain interest and persevere, employers may be actually valuing not only the human capital acquired through the program, but also higher initial levels of certain sought-after skills. This impact can be thought of as an impact through signaling.

This paper contributes to the labor literature in two important ways. First, it is the first (to our knowledge) rigorous evidence on the effectiveness of an arts- and theatre-based pedagogical instrument aiming at impacting employment and earnings. And other than a study on the impact of arts and theatre on socio-emotional skills (Schellenberg, 2004), we are unaware of any literature documenting the effectiveness of arts and theatre as a pedagogical tool. Second, the paper analyzes the role of socio-emotional skills in labor market outcomes, and their importance both as skills demanded by employers and as a determinant of program effectiveness. Despite recent advances in research in this area (Almlund et al., 2011; Heckman and Kautz, 2012), understanding how these skills are jointly determined and how they impact labor market outcomes remains quite limited.

The remainder of the paper is organized as follows. Section 2 discusses the evidence on the effectiveness of youth training in Latin American and the Caribbean (LAC). It also describes how cognitive and socio-emotional skills are related to labor market outcomes. Section 3 presents the *Galpão Aplauso* program and the experimental design of the study. Section 4 presents the data collection and estimation methodology. Empirical impact estimates on a series of outcomes are presented in Section 5. Section 6 discusses findings and concludes.

2. Youth training and socio-emotional skills

2.1. Youth training programs

Youth (un-)employment is one of the most persistent problems in public policy. The different nature of youth employment often calls for policies that are different than those targeted at adults. Youth tend to have lower labor market attachment, and higher levels of job turnover. The frequency of dismissals is much higher for youth than for adults (Gonzaga et al., 2014; Cunningham and Salvagno, 2011). Youth employment is cyclical (Choudhry et al., 2012), and since youth have had little time to accumulate assets, they are more vulnerable to the immediate consequences of unemployment spells. The impacts of negative labor market experiences are particularly persistent in the case of youth with low levels of schooling (Burgess et al., 2003). Research also suggests that both the duration and the frequency of

these unemployment spells may be higher for youth with lower levels of schooling and other economic disadvantages (Quintini et al., 2007).

Youth from marginal communities also face disadvantages due to poorly developed cognitive and socio-emotional skills.

Active Labor Market Policies (ALMPs), which are the most common public policy used to address youth and young adult unemployment, often have modest labor market impacts. Recent quantitative reviews of ALMPs in industrialized countries find that they are limited in their ability to actually enhance employment, even if they tend to have some impacts on earnings (Card et al., 2010; Kluge, 2010). They have generally small or negative impact in the short-run, but tend to increase over time (Card et al., 2010; Heinrich et al., 2013; Caliendo et al., 2011). Evidence for the effectiveness of ALMPs for emerging economies – and for Brazil in particular – is much less common. Urzúa and Puentes (2010) report on the findings from the LAC region and find that impacts also tend to be modest, is somewhat larger than in the industrialized context. However, many of the studies they review have a relatively poor evidentiary basis.

There are few high-quality quantitative evaluations of ALMPs in LAC, and the impacts documented in more rigorous program reviews tend to be small. Card et al. (2011) provide the first experimental evidence on the effectiveness of a youth training program. They evaluate the impacts for the Dominican Republic's *Juventud y Empleo (JE)*, a labor training program consisting of vocational and life-skills training with a subsequent program-sponsored internship. The authors find no impact on employment, although they do find impacts on both wages (10 percent treatment effect) and formality. Ibarrarán et al. (2014) look at the second phase of the *JE* program and essentially find identical results: quality of employment and earnings increase, but there are no employment impacts. Attanasio et al. (2011) look at the case of Colombia's *Jóvenes en Acción*, a program that – like *JE* – combines training with a sponsored internship. The authors find employment and earnings impacts, but only for women (19 percent treatment effect on wages). Alzua et al. (2015) look at a small-scale, NGO-run training program in Argentina, and again find no employment effects, but do find some effects on labor earnings. Recent empirical evidence suggests that even as ALMP have only modest impacts, these may endure over time (Ibarrarán et al., 2015; Kugler et al., 2015; Attanasio et al., 2015).

In Brazil, there are two studies that review the effectiveness of ALMPs: Oliveira and Rios-Neto (2007) and Corseuil et al. (2013). Oliveira and Rios-Neto evaluate the impact of a vocational training program conducted in the Brazilian state of Minas Gerais on employment, and on the duration of employment. They find both employment effects and a stronger attachment to the labor market. Corseuil et al. (2013) use longitudinal administrative data on wages, hiring and unemployment spells to evaluate the effectiveness of the Brazilian *Jovem Aprendiz* program, a flexible employment modality which combines mandated youth training with fiscal incentives—both reduced labor liabilities for each youth hired under the program as well as penalties for firms that do not hire a minimum number of youth under the program. By looking at changes in the program's eligibility rules, they are able to estimate impacts on employment and wages. They find impacts on wages, small impacts on full-time employment, but no impact on overall employment (part-time or full-time).

2.2. The role of cognitive and socio-emotional skills in the labor market

Both cognitive and socio-emotional skills are important in shaping labor market outcomes (Bowles et al., 2001; Osborne Groves, 2005; Heckman et al., 2006; Mueller and Plug, 2006; Heineck and Anger, 2010; Heckman et al., 2011; Almlund et al., 2011; Cattan, 2012). For LAC, there are two main studies that look at the importance of cognitive and socio-emotional skills: Diaz et al. (2012) and Bassi and Galiani (2009). Both studies find cognitive skills to be more important

¹ According to program administrators, the program's brand has value to potential employers in that it signals that youth have successfully completed a series of high quality treatments (vocational, academic, socio-emotional). Administrators were not willing to provide completion certificates to youth who did not complete the entire package, therefore a multi-arm strategy was not possible.

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