



# ***Better Choices, Decent Work***

Using Behavioral Design to  
Improve Labor Market Programs  
in Low and Middle-Income Countries

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## | About ideas42



We're a non-profit looking for deep insights into human behavior—into why people do what they do—and using that knowledge in ways that help improve lives, build better systems, and drive social change. Working globally, we reinvent the practices of institutions, and create better products and policies that can be scaled for maximum impact.

We also teach others, ultimately striving to generate lasting social impact and create a future where the universal application of behavioral science powers a world with optimal health, equitable wealth, and environments and systems that are sustainable and just for all.

For more than a decade, we've been at the forefront of applying behavioral science in the real world. And as we've developed our expertise, we've helped to define an entire field. Our efforts have so far extended to 40 countries as we've partnered with governments, foundations, NGOs, private enterprises, and a wide array of public institutions—in short, anyone who wants to make a positive difference in peoples' lives.

Visit [ideas42.org](https://ideas42.org) and follow @ideas42 on Twitter to learn more about our work. Contact us at [info.livelihoods@ideas42.org](mailto:info.livelihoods@ideas42.org) with questions.

## **EXECUTIVE SUMMARY**

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**D**ecent work—or work that is “productive and delivers a fair income, security and social protection” for individuals and their families—is widely acknowledged to be critical for access to basic needs, poverty reduction, social cohesion, and the promotion of political stability.<sup>1</sup> As a result, programs and policies that seek to create decently paid and secure jobs, improve rates of labor market participation, and reduce unemployment rates are priorities for governments around the world. The problem is particularly pressing in low- and middle-income countries (LMICs), where high rates of unemployment and underemployment, along with demographic pressures from a large and growing cohort of working-age people and future automation, make it ever more urgent that policymakers devise ways to address these issues.

Historically, governments have intervened directly to connect workers to more and better employment opportunities using a class of programs known as active labor market policies, or ALMPs. Traditional ALMPs include supply-side programs which seek to increase the employability of workers (such as vocational training programs or programs seeking to increase the acquisition of human capital or skill, or programs that foster self-employment); demand-side programs which subsidize the cost of labor for firms to increase demand for workers; and search and matching assistance programs which attempt to address frictions that prevent the labor market from clearing.<sup>2</sup> ALMPs thus attempt to help job seekers along their career journey in a variety of ways, from helping them to acquire the skills needed for gainful employment, to finding and choosing suitable jobs or other income-earning avenues, and securing employment.

Despite the wide prevalence of ALMPs, a review of the literature on supply-side focused ALMPs suggests that they have a mixed record in terms of impact. In particular, their impact is severely curtailed by two common problems: low take-up and low persistence rates. These problems are often even starker for historically vulnerable groups, such as women and those with the lowest incomes.<sup>3</sup>

ALMPs aim to improve job opportunities and attenuate the skills and spatial mismatches that limit people’s abilities to take up appropriate job opportunities. Their impact thus depends critically on the decisions and actions that their targeted beneficiaries take. However, these programs frequently, even typically, fail to account for the contextual and cognitive influences on the decisions and actions of their intended beneficiaries. In this paper, we argue that cognitive and behavioral phenomena can help explain and potentially address these shortcomings and patterns of impact. Specifically, we identify three broad classes of behavioral bottlenecks—features of the context in which individuals operate which either bias decision-making, or interfere with follow-through on the decision—that can help us understand why ALMPs suffer from low take-up and persistence, and why their impact is particularly limited for vulnerable populations. These are as follows:

1. The long-term benefits of education and vocational training are hidden from view;
2. Assumptions about employment opportunities are more accessible than facts about employment; and
3. The benefits of ALMPs come in months and years while the costs are felt immediately.

After reviewing each bottleneck, we use insights from behavioral science to provide design recommendations for addressing each barrier as well as examples from research studies on some of the recommendations. These recommendations range from simplifying labor market information to reducing time cost and other hurdles in order to prompt job seekers to make better informed decisions and promote their successful participation in labor programs. By examining the complex process that individuals undergo to secure employment, identifying behavioral bottlenecks that participants in ALMPs might face, and finally reviewing scalable solutions to mitigate and address these bottlenecks, we hope to maximize the impact of these programs and pave the road for decent work for all.

## INTRODUCTION

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### Decent work is crucial for society, yet it is far from universal

Decent work is defined as employment that is “productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men”.<sup>4</sup> For individuals, decent work promotes socio-economic security, ensuring access to basic needs such as food, water, housing, and schooling. From a societal perspective, **decent work is a key element of achieving economic equality and poverty reduction**, while its absence can threaten social cohesion, and even lead to violence and endanger political stability.<sup>5</sup>

It is no wonder then that decent work is identified as the eighth United Nations Sustainable Development Goal (SDG). One of the objectives of this SDG is to achieve productive employment as well as equal pay for all women, men, youth and individuals with disabilities.<sup>6</sup> However, it is a goal we are still far from reaching even in times of relatively low measured unemployment. This is in part because the unemployment rate, which currently stands at 5% globally,<sup>7</sup> understates the magnitude of the challenge: **The United Nations estimates that as many as 300 million people have paid work but nevertheless live below the international poverty line (US\$1.90 a day)**. Further, approximately 42% of workers worldwide (1.4 billion) and a staggering 76% in low-income countries are in vulnerable forms of employment.<sup>8</sup> This is work that is characterized by inadequate earnings, low productivity, and/or difficult work conditions that undermine workers’ fundamental rights.<sup>9</sup>

In low- and middle-income countries (LMICs), an additional dimension of the challenge comes from widespread underemployment, where the absence of unemployment benefits, savings, or family support compels many individuals to take any job(s) they can find, even if these jobs provide insufficient work hours, do not match their abilities or skillsets and/or do not pay enough to sustain them.<sup>10</sup> For example, slow economic growth in many African countries has resulted in a large number of people employed in the informal sector, which has few if any benefits, no job security and poor working conditions.<sup>11</sup>

The standard neoclassical model of a well-functioning labor market predicts that wages play a market-clearing role, matching employers and employees to each other at the equilibrium wage so that involuntary unemployment should only exist to the extent that some people may be moving between jobs.<sup>12</sup> Thus, sustained and broad-based economic growth is a necessary condition for job creation, with supportive macroeconomic policies and enabling regulatory infrastructure being a critical input. However, the existence and persistence of unemployment and underemployment suggests that there are limits to the applicability of this standard way of thinking about labor markets. In particular, economists recognize that labor market inefficiencies, such as mismatches

between the supply of and demand for skills can lead to structural unemployment, while frictional unemployment (search unemployment) is the result of mismatches between the supply of and demand for labor in terms of wages, work time, location, attitude, preferences, and more.<sup>13</sup>

Addressing both structural and frictional unemployment requires a broad set of direct supply- and demand-side interventions known as active labor market policies (ALMPs).<sup>1</sup> Many leading governments, non-profits, and international organizations implement ALMPs to address key factors responsible for unemployment and underemployment, such as information failures, poor economic and government policies, gender inequality, and conflict and instability.

While the design of ALMPs is typically based either implicitly or explicitly on a set of standard assumptions grounded in neoclassical economic theory about the decisions and actions of potential participants—that people make decisions after fully considering all options, that they carefully weigh all relevant costs and benefits, and that they follow through on their decisions once they have made them—research from behavioral science finds that these assumptions are often incorrect. Behavior is complicated, intentions and actions are surprising misaligned, and people do not always act in their own best interest. Seemingly small aspects of the design of an ALMP and the context in which labor program participants operate can greatly affect their decisions and actions within the program and either increase or limit the impact of the program. Understanding how ALMPs work and what can be done to make them more impactful is thus critical if we are to make a dent in unemployment and underemployment.

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<sup>1</sup> While this paper focuses on ways to improve the impact of active labor market policies (ALMPs), insights from behavioral science can also be applied to passive labor market policies (e.g., unemployment benefits and subsidies, cash transfer programs, etc.) to increase their impact. ideas42 is currently working on a number of behaviorally-informed cash transfer interventions in Sub-Saharan Africa. Visit [this webpage](#) to learn more.

# »» **ACTIVE LABOR MARKET POLICIES (ALMPs)**

## ALMPs aim to improve employment opportunities for workers

Active labor market policies (ALMPs) are the main type of direct intervention governments and institutions use to connect workers with more and better employment opportunities. There are four main kinds of ALMPs: trainings that increase the skills of (potential) workers, programs that foster self-employment, wage subsidies that aim to increase the demand for labor, and job search and matching programs that seek to assist firms and job seekers to better find and contact each other.<sup>14</sup>

1

**Skills-building/training:** The premise for these supply-side programs is that the lack of certain technical skills is a prime reason that individuals are unemployed. Arming participants with a set of technical skills that supplement the cognitive and noncognitive basic skills learned in general education would allow them to find employment.<sup>15</sup> Vocational training can be either pre-work training or on-the-job training, and it commonly targets both unemployed workers in general, as well as low-income or “at-risk” groups such as youth.<sup>16</sup> The World Bank and the governments it works with spent almost US\$1 billion per year between 2002 and 2012 on skills training programs around the world.<sup>17</sup>

2

**Self-employment/micro-entrepreneurship support:** Due to low school enrollment rates, high drop-out rates, and a growing youth population, self-employment support and micro-enterprise development strategies in the informal economy are increasingly seen as a possible response to the unemployment problem in LMICs.<sup>18</sup> National and international organizations have therefore developed programs to stimulate entrepreneurial activities (often at a fairly small scale) by relieving credit constraints, sometimes in combination with business plan competitions, short business or skills training, supervision and mentoring, or other services.<sup>19</sup>

3

**Job search and matching assistance:** Job search and matching assistance programs try to reduce search and matching frictions, or the time it takes for job seekers to find employment and for firms to fill vacancies. By helping to match firms with job seekers and notifying candidates about available jobs, these assistance programs have the potential to “reduce unemployment directly by filling existing vacancies as well as indirectly by lowering hiring costs such that firms create more vacancies.” Since these are usually shorter interventions that require fewer resources, they are sometimes implemented at a lower cost than other types of ALMPs.<sup>20</sup> Furthermore, instead of focusing merely on access to employment,



many of these programs focus on achieving impact on the quality of jobs people attain—for example, helping someone move into a permanent or formal job, or to wage employment instead of self-employment.<sup>21</sup>

## 4

**Wage subsidies:** A type of labor demand-side intervention, wage subsidies aim to increase firms' demand for labor by lowering the costs of employing workers in situations where uncertainty about their productivity may make firms reluctant to employ them, a common case for youth who are inexperienced and less able to signal productivity. Subsidies can be implemented in the form of a voucher given to job seekers in order to find employment<sup>22</sup> or given directly to firms to encourage them to hire more workers.<sup>23</sup> Temporary subsidies are meant to increase employment during the period of the subsidy, with the experience gained from the additional employment opportunities acting as a stepping stone to longer-term employment and increased productivity for workers, while also helping firms learn about the quality of workers.

In this paper, **we concentrate on the first three kinds of ALMPs which focus on the decisions and actions of participants in the labor market**, and not on wage subsidy programs, which instead ultimately target firms.

## Low uptake and persistence rates limit ALMPs' potential impact

Although ALMPs are relatively common across LMICs, there is relatively limited data and evidence on their impact as a class.<sup>24</sup> However, available studies suggest that many programs result in modest to no increases in employment or earnings, with a large number failing to pass a simple cost-benefit test.<sup>25</sup> A review of the literature suggests that low program take-up by potential beneficiaries and low persistence rates once beneficiaries do enroll are some of the most pervasive barriers to ALMPs achieving the impact they aim for, especially for the most vulnerable groups.

- ▶ **Low take-up rates:** Low take-up is a fundamental barrier to impact, since programs can only affect individuals' employment outcomes if they participate. Yet many vocational training programs suffer from limited enrollment, often despite offering incentives for participation.<sup>26</sup> For example, the Punjab Skills Development Fund (PSDF), which trains unemployed people in the four poorest districts of Pakistan's Punjab province, delivered vouchers to households that expressed interest in participating in the program, where courses lasted approximately three months and included a stipend and travel allowance. Yet even with these incentives, initial uptake was only 5% of the general population and even lower for the target population. Even after the stipends were increased and the training centers were moved closer to the villages, enrollment still did not exceed 25%.<sup>27</sup>

► **High drop-out rates:** Even when beneficiaries do sign up for ALMPs, they may fail to complete the program. In LMICs in Sub-Saharan Africa, dropout rates for voluntary training programs targeting youth can be as high as 50%.<sup>28</sup> Similarly, while there are high take-up rates for skills-based matching programs, few job seekers may follow through on their matches.<sup>29</sup>

### » **Job search and matching assistance program in Amman, Jordan yielded low follow-through rates**

In a randomized field experiment in Amman, Jordan, 1,011 recent university and community college graduates were administered a number of tests that measured their qualitative, quantitative, and interpersonal skills in order to properly match them to vacant positions. The goal was to reduce the search costs for both the job seekers and employers. As a result of the tests and matching process, over 50% of the sample (564) were matched to one or more vacancies at the selected firms. However, among 55% of the matches, firms did not extend an interview to candidates, and for 28% of the matches, job seekers were not interested in the jobs. Thus, only 115 matches resulted in interviews, and while 54 job offers were made to candidates, 83% either rejected the offer or left in the first month. Ultimately only 9 jobs were filled from the matching program, which cost about \$204,800 to implement, making the cost per job \$22,775. This translates to 39-45 months of income for someone earning about \$500 per month. When researchers followed up with candidates to understand why they either rejected their matches or job offers, 41% responded that “it was not in their career path,” while 8% indicated the pay was too low. Coupled with another follow-up survey in which 84% of respondents expressed that the kind of job mattered more than the income, the results suggest that the perception of what jobs were suitable was an important factor for the job seekers in the study.<sup>30</sup>

# » APPLYING A BEHAVIORAL SCIENCE LENS TO THE DESIGN OF ALMPs

A failure to attract candidates from among ALMPs’ target population (or losing them along the way) severely limits the potential impact of ALMPs. This issue might arise for a variety of reasons, some of which are related to fundamental structural features of the labor market, such as an economic recession or a shift toward workforce automation. However, another set of factors limiting the effectiveness of ALMPs may arise from the fact that ALMPs are typically designed without consideration for how seemingly small aspects of the context within which program participations operate or design elements of the programs themselves affect the decisions and actions of the target population. Therefore, attempts to improve ALMPs may benefit from a thorough analysis and understanding of the factors that influence the decisions and actions of the individuals that programs are intended to benefit. In particular, **identifying key behavioral bottlenecks may open up space for designing more effective programs, or for improving the performance of existing ones.** In the case of ALMPs, three broad classes of behavioral bottlenecks stand out as being relevant across a range of contexts, geographies, and program variants.



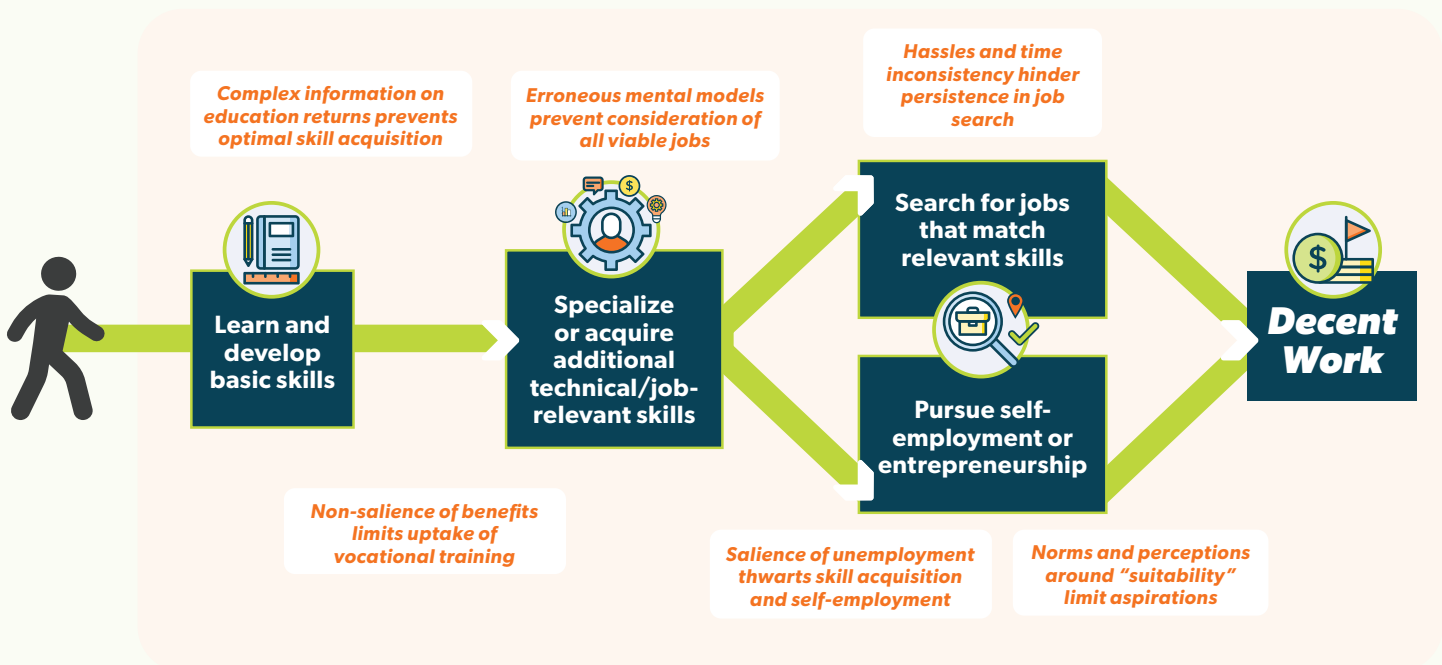
## What is a behavioral bottleneck?

A feature of the environment that affects how an individual makes decisions and follows through on intentions.

## Behavioral Barriers to Acquiring Decent Work

**Steps** – each step requires multiple decisions and actions

**Behavioral barriers**  
\*can occur at any time in the process





## **Behavioral Bottleneck 1: The long-term benefits of education and vocational training are hidden from view**

One of the traditional explanations for the limited impact of ALMPs on potential workers' labor-market outcomes focuses on the absence of information about programs, job opportunities, and returns on education. In particular, this explanation holds that potential workers may lack information about the kinds of jobs that are available, how much they pay, and whether and how acquiring additional skills, training or formal education may affect their employment and income prospects. However, the availability of information may not be the only, or even the main, hurdle to optimal decision-making about training or education. It may matter more whether the right information is **salient**, interpreted correctly, and considered at the right points in an individual's journey through the job market. In developing countries, at various points in the jobseeking process there may be a number of contextual features that make the returns to education and training seem more limited than they really are.

### » **Salient**

Drawing more attention than other elements of the surrounding environment, and thus more likely to be prioritized for consideration instead of being ignored.<sup>57</sup>



### **Educated people without jobs are highly visible**

In most LMICs, being educated can actually make it harder to find a job. While even workers who are overqualified beyond the minimum requirements for a job can expect to make 5–6% more for each year of schooling, it tends to take them longer to find a job. This may be because people with higher levels of education are more likely to belong to wealthier households and can therefore afford to wait for jobs that match their qualifications, or it could be due to structural factors that make good skills matching at higher education levels harder. Either way, well-educated but unsuccessful job seekers may be more visible, memorable and salient to people making education decisions than those who are successfully employed, leading to an **availability bias** where people underestimate the returns to additional education based on their ability to recall examples of unsuccessful well-educated job seekers at any point in time.<sup>31</sup>

### » **Availability bias**

The human tendency to determine the probability of something happening based on the ease of being able to recall examples of it occurring.<sup>58</sup>



### **It's hard to find useful information about the job market**

In developing countries, the complexity of information about labor markets—exemplified by counterintuitive patterns such as the perception of an inverse correlation between years of education and employment discussed above—make interpreting facts about one's future job prospects even more cognitively taxing than in high-income countries. Job seekers are often more likely to dismiss the potential benefits of education and vocational training than to fully consider whether either

option may be best for them. Similarly, a dearth of accessible information on growth sectors and market opportunities may increase the ***hassle factors*** of considering outside-the-box opportunities such as switching sectors or starting a new business, with the consequence that individuals and parents are discouraged from investing in the extra education needed to fulfill these.<sup>32</sup> Given these challenges, it should not be a surprise that low-income populations are often skeptical of potential returns from vocational training, despite its demonstrated ability to open doors to high-paying jobs in both the public and private sectors.

» **Hassle factors**

Small or large inconveniences and/or obstacles that obstruct behavior.<sup>60</sup>



**Vocational training (wrongly) seems less valuable than general education**

In many LMICs, the benefits of formal vocational education, such as access to specific jobs, better pay and job promotion, are less obvious than the benefits of general education. In addition, due to the often large public sectors in many of these countries, many young people and their families have the ***mental model***, or belief, that the ideal outcome of education is a white-collar public sector position. These two factors together have created a situation where formal vocational training programs, which are more likely to lead to blue-collar work, are seen as unattractive compared to general education, despite their demonstrated benefits. Young people and their families incorrectly assume that formal vocational training leads to dead-end jobs while assuming that general education and the progression to higher education produce better jobs, even if the latter involves a larger delay, as they wait for public sector positions to become available, and additional financial costs.

» **Mental models**

Deeply held beliefs, based on past experiences or passed on from others for example, that guide the processing of new information.<sup>59</sup>



**Recommendation: Simplify labor market information while making the benefits of opportunities more salient**

Simply sharing information about the returns to pursuing education, including job opportunities and benefits, may be necessary, but is not enough. Because costs are often more salient than benefits and labor market information can be complex, job seekers and those in their immediate environment may have biased perceptions about how the monetary or non-monetary returns on a job compare to its risks and the cost of acquiring it. Policymakers and labor program designers should make sure that the key points are most salient in whatever information they are sharing and try to use techniques like myth-busting and sharing examples of ideal behaviors to enable job seekers to make more considered and informed calculations of the value of training and work opportunities.

## » **Providing statistics on average returns on education improved students' test scores and attendance rates**

In rural Madagascar, low-income families appeared to underweight the value of primary and secondary education because they had trouble calculating the returns to education and lacked visibility on those returns in their communities. In order to address the mismatch between the perceived returns to education and the actual returns, researchers tested the impact of either providing easy-to-understand illustrations of statistics to parents of Grade 4 (aged 9-15) students on the average earnings for each level of education by gender, having a person visit the school to share their family background, educational background, and successes ("role model"), or both in 640 schools. Providing statistics to parents had a significant impact on reducing the gap between perceived earnings increases from education and estimated actual earnings. It also increased students' average test scores by 0.2 standard deviations, and attendance rates were 3.5 percentage points higher than a control group that received none of these communications. For parents who were exposed to the role model, only role models from a low-income background—whom parents and children most strongly related to—significantly decreased the gap and raised test scores by 0.17 standard deviations. Combining both the statistics and role model interventions had less of an impact than providing statistics alone. Thus, highlighting education returns for parents had the greatest effect on correcting parents' misperception of the benefits of education, which subsequently improved their children's performance in school.<sup>33</sup>



## **Behavioral Bottleneck 2: Assumptions about employment opportunities are more accessible than facts about employment**

In the presence of complex information, humans rely on shortcuts to make decisions and judgements because people can only process a limited amount of information at a time. Such shortcuts are often helpful for making decisions when individuals are faced with many choices that cannot be carefully examined—but these shortcuts can also lead to sub-optimal outcomes when based on **cognitive biases**, or based on assumption rather than fact. While this is the case for all kinds of decisions, it is particularly prevalent when grappling with complex information, such as information about job and education opportunities, which involve numerous options and possibilities. Thus, job seekers may rely on outdated **heuristics**, or rules of thumb, about which and how many job options to consider, and may fail to consider options that are in fact optimal due to mistakes they make while processing new information. Similarly, **limited attention**, or the inability to pay attention to multiple things at once, may mean that some viable job options fail to grab job seekers' attention, leading them to overlook these options. Much like what has been observed in many high-income countries, in LMICs many cognitive biases currently prevail which prevent job seekers from pursuing all available work and skills development opportunities.

### » **Cognitive biases**

Errors in thinking which produce distorted representations of reality, and in turn affect the decisions of individuals.<sup>61</sup>

### » **Heuristics**

Rules of thumb used to ignore, or simplify, parts of complex information in order to make it more manageable and enable quicker decision-making.<sup>62</sup>

### » **Limited attention**

The fact that, at any given time, we have a finite amount of attention available.<sup>63</sup>



## Job seekers make decisions about employment based on their identity

Although some degree of skills mismatch is unavoidable in any growing and restructuring economy, research finds that “many graduates from technical, vocational, and general education pursue fields for which there is weak labor demand.”<sup>34</sup> While information asymmetry is often discussed as a source of such mismatch between labor demand and supply, behavioral science suggests that decision-making failures may also play a role. Over time, communities and networks form ideas about which employment types are most prestigious and appropriate for different groups, based on gender roles and family history.<sup>35</sup> In the absence of salient clarifying information, reinforced norms on gendered occupational choice and the nature of work options influence the preferences of parents and youth. In particular, **mental models** help explain some cases of mismatch where job seekers fail to consider the benefits and costs of all possible options, but instead limit their consideration to the options that they deem suitable given their identity.<sup>36</sup> This can be exacerbated when decision-making is further informed by rigid, deeply entrenched cultural and **social norms** that lead job seekers to bypass optimal matches because of how they assess particular kinds of jobs, what they perceive their peers to be doing, and what they perceive their social environment will approve of.<sup>37</sup>

### » **Social norms**

Standards based on observed and/or perceived acceptable actions, which can constrain behavior.



## Peer behaviors and the social environment influence occupational choice

In many countries, low female labor force participation and the negative relationship between higher household incomes and female labor force participation reinforce the social norm of women not working outside of home. This can further discourage qualified women from participating in waged work, as suggested by the finding that the rising opportunity cost of forgone earnings for educated women does not boost women’s labor force participation rates everywhere.<sup>38</sup>

Even when women decide to join the labor force, the preferences of immediate stakeholders, such as their families or peers, influence their exposure to work options and thus their decisions about how and where to work. For example, in Uganda women who crossed over into male-dominated industries earned three times as much as women who remained in female-dominated industries. Despite this, **women who reported having a male role model who exposed them to male-dominated sectors in their youth were 20-28% more likely to work in a male-dominated sector**, while women in female-dominated sectors were more likely to have been introduced to traditionally female sectors by mothers and teachers. Once engaged in a traditionally female sector, women were unlikely to switch to a male-dominated sector.<sup>39</sup> Similar insights were found for male-dominated vocational training courses in Uganda and Ethiopia.<sup>40</sup>



### Biased beliefs about employment opportunities persist in the absence of clarifying information

In addition to the general lack of knowledge about employment opportunities for female workers, families may maintain biased beliefs about “appropriate” work settings for women. For example, in rural Pakistan researchers found that people typically disliked the idea of letting their daughters work in factories, even though the pay and working conditions of alternative informal sector jobs available to women, such as housekeepers or agricultural laborers, were much worse. Parents had little information about factory jobs, such as potential earnings, but maintained negative perceptions based on rumors, such as rumors that women would be degraded in factories or fear that they could be raped.<sup>41</sup> In a similar study, Indian families were supportive of women being recruited to the business process outsourcing (BPO) industry, not because of the economic opportunity, but because of the perceived nature of the work.<sup>42</sup> Participants in ALMPs are thus highly influenced by personal and social (mis)conceptions about job characteristics, regardless of whether they are actual or perceived.



### Recommendation: Reframe the nature of unfamiliar or overlooked work opportunities

Perceptions about the nature and appropriateness of a work opportunity affect its desirability, and subsequently an individual’s willingness to pursue it or attain the skills needed to pursue it. In order to improve the effectiveness of interventions such as training and job-matching, programs should carefully examine perceptions surrounding particular work opportunities. ***Policymakers and program designers should aim to dispel misperceptions about what various jobs entail and their associated social status, and any rigid norms about their “appropriateness.”*** Opportunities to carefully frame work opportunities in ways that reinforce perceptions and norms that do support optimal outcomes should also not be overlooked.



### Recommendation: Capitalize on the power of role models and social proof (or social influence)

In order to improve chances for success, ALMPs should also make the decisions and actions of role models visible to other potential beneficiaries. For example, creative, cost-effective solutions that encourage male and female role models to share their experiences in male-dominated sectors with female mentees, or interventions that reframe male-dominated industries as suitable for women may be effective in persuading job seekers, especially women, to take advantage of training and job opportunities that they might otherwise dismiss. Lastly, parents, teachers and other role models could also be targeted for behavioral change due to their influence on job seekers.<sup>43</sup>



### » **Career-focused framing of an employment opportunity in Zambia improved job performance**

In order to evaluate and adopt effective community health assistant (CHA) recruitment strategies, the Ministry of Health in Zambia and researchers tested two different advertisements for the same position. One highlighted the potential for career growth, and the other highlighted the opportunity to serve the community (how these roles were previously advertised). Researchers found that posters and brochures that emphasized career opportunities—especially the opportunity to move up to higher and better-paid positions—helped recruit more health workers with better skills and more career aspirations than recruitment materials that made “doing good” for the community more salient. Hired candidates recruited through the career-oriented advertisements carried out 29% more household visits and two times more community meetings at the same level of pay as those recruited using the traditional framing for such positions. They also increased health center utilization rates for women and children and overall health outcomes for community members.<sup>44</sup>



### **Behavioral Bottleneck 3: The benefits of ALMPs come in months and years while the costs are felt immediately**

ALMPs have certain costs—both monetary and non-monetary—for participants. Beyond monetary costs of attendance such as transportation costs and the opportunity cost of forgone income, **participants face a set of cognitive costs arising from the need to dedicate time and mental effort in order to complete the program**, make all the necessary decisions, and more importantly, follow through with them. Yet while programs often attempt to compensate participants for opportunity costs and seek to minimize the monetary costs of attendance, little attention has typically been paid to cognitive costs. The target beneficiaries of ALMPs struggle with non-monetary costs in many ways that can hinder take-up and completion of ALMPs.



### **By nature the target population of ALMPs is in a continuous state of scarcity of resources and cognitive bandwidth and thus is unable to think too far ahead**

Participants in ALMPs are often living in poverty and as such, are faced with a variety of urgent worries and responsibilities competing for their immediate attention. Behavioral science shows that a relative lack of resources (time, money, etc.) tends to also deplete mental resources such as attention or executive control.<sup>45</sup> This, in turn, leads to suboptimal decision-making, centered around a heightened focus on the immediate need to get by at the expense of planning for the future. Individuals who programs seek to help the most are often precisely those facing the most severe material and mental bandwidth constraints. Against this backdrop of limited cognitive bandwidth, even small *hassles*—

#### » **Scarcity**

Lack of resources, such as time and money, which then depletes cognitive resources and influences decision-making.<sup>64</sup>

such as making time, signing up, and traveling to and finding the training center—loom large compared to future benefits that are distant and uncertain. This decreases the likelihood that beneficiaries will take-up the program, complete the program, and find employment. This may have been the case for the Punjab Skills Development Fund (PSDF) mentioned in Section 2.



### **Recommendation: Reduce time costs and other hassle factors of participation**

Behavioral science offers several tools which can help reduce the burdens of program participation that participants often overweight in the short-term. With the strategic use of **defaults**, policymakers can minimize the steps participants need to take to enroll in programs by using existing data to pre-enroll qualified participants. This can help minimize the number of points at which beneficiaries can become discouraged and drop out of the process of enrolling and gaining access to the benefits of the program content. Program intensity, duration and length also matter. Shorter programs, especially trainings, can be just as impactful, if not more impactful, than longer ones, while lowering barriers to participation and increasing chances of completion. Finally, accurate heuristics have the potential to lead to better decision-making rather than expecting beneficiaries to absorb, internalize, and weigh a great deal of complex information. Policymakers and program designers should distill the content of complicated or multi-session training modules into well-conceived rules of thumb in order to reduce time costs while increasing the program's impact on future decision-making and long-term outcomes.<sup>46</sup>

#### **» Mobile-based heuristics ('rules of thumb') trainings improved business practices**

While many traditional classroom-based trainings have tried to impart skills to entrepreneurs to help manage their micro, small, and/or medium enterprises, many of these programs have had little impact on financial behaviors and are costly to scale. Insights from behavioral science tell us that providing people with more information does not always lead to action and that present hassles such as scheduling, transport, and time away from managing the business are weighed heavier than the long-term benefits of attending a training.<sup>47</sup> In order to develop a scalable intervention to help entrepreneurs translate financial education into action, ideas42 collaborated with Professors Antoinette Schoar (MIT) and Shawn Cole (Harvard Business School) to design and implement mobile-based training messages. The messages delivered engaging and concise financial management best practices as easy-to-adopt heuristics, or rules of thumb, through Interactive Voice Response (IVR) to microentrepreneurs in the Philippines and India. In both countries, listening to IVR messages via mobile phone improved key financial management practices by between 2 and 8% among training participants, compared to the group that received no training. Furthermore, in India the heuristics training was about 67% less expensive than delivering the implementing partner's existing in-person financial education training.<sup>48</sup>



### **Recommendation: Offer planning tools and reminders to help participants get over hassles that can't be removed in advance**

Not all hassle factors can be removed. To address unavoidable hassles and challenges of programs, getting participants to explicitly form plans related to taking an action (when, where, and how they intend to do something) can increase their likelihood and efficiency of following through on labor market decisions. When coupled with reminders, these low-cost tools can reduce procrastination and help job seekers keep track of their progress toward intended goals.

#### **» Plan-making and goal-setting increased job search efficiency**

A field study completed with the South African Department of Labor tested the impact of plan-making prompts on employment outcomes and job search efficiency among 1,097 unemployed youth. A subgroup of participants was asked to fill out an “action plan” activity during a workshop that provided information on job search approaches, creating resumes, and interviewing. They were asked to outline specific tasks for any given day of the week and calculate the number of selected job opportunities, completed applications, and hours spent looking for jobs. Researchers also sent reminders to the group that completed the action plan and workshop as well as the group that only attended the workshop. As a result of the plan-making prompts, job seekers submitted 15% more applications and received more job offers (30%) compared to those in the workshop-only group. Though they were also more likely to secure employment (26%) these results were not significantly different from participants who did not develop an action plan.<sup>49</sup>

Another study worked with a job center in the United Kingdom to shift the content of meetings that job seekers had with employment advisors to focus more on setting attainable employment goals. Previously, interactions between job seekers and job coaches emphasized documenting what activities job applicants had completed in the period since their last visit to the center. Researchers observed that this focus on compliance made job seekers less motivated to search for employment. To address this reduced motivation, researchers designed an intervention that changed the meeting content to concentrate on job seekers and advisors setting explicit goals applicants could achieve in the near future. This intervention was implemented across 12 job centers over an 11-month period with a total of 110,838 job seekers in the treatment and control groups. Making the job center meetings more goal-oriented resulted in a 3% increase in applicants who no longer needed income support compared to the control.<sup>50</sup>



### **Participants from vulnerable groups have more challenging experiences that produce self-doubt than other participants**

Vulnerable participants, such as those with the lowest incomes, women, and people with disabilities, often face even more complex and intense challenges to securing employment than other groups. Such challenges in and of themselves may represent significant barriers to success, but they can also add to the cognitive burden people face, drawing attention away from the objective of finding a job.

#### **» Self-efficacy**

People’s belief about their ability to reach an outcome through their personal actions.<sup>65</sup>

Past and continuous experiences of inequality and obstacles in their daily lives may reduce their feelings of **self-efficacy** and control even in programs that wish to improve their economic outcomes. This means that target populations may be interested in program opportunities but decide not to take them up because of immediate self-doubt or they may take-up the opportunity but proceed with hesitation, which then affects their performance. Lastly, because vulnerable participants have reduced feelings of self-efficacy, they may be more likely to interpret any challenges they experience in programs as a sign of personal failure, rather than a normal/common experience, which then reinforces the feelings of self-doubt and leads to dropouts.<sup>51</sup>



**Recommendation: Create opportunities for vulnerable groups to make active decisions and follow through on them by fostering a growth mindset**

In addition to reducing costs and creating planning tools to help participants overcome hassles, to address the feelings of self-doubt and perceived lack of control experienced by many vulnerable groups, ALMPs can encourage a **‘growth mindset’**—the belief that skills and abilities can be cultivated through hard work as well as new practices and feedback from others in difficult situations—as opposed to a **‘fixed mindset,’** which assumes one’s character, intelligence, and creative ability are inborn and unchanging.<sup>52</sup> Research has shown that promoting and reinforcing growth mindset principles to racial minorities and low-income students can improve their academic performance.<sup>53</sup> There is already some evidence that training programs, especially those targeting microentrepreneurs, that teach and promote a proactive mindset rather than skills-building can have positive results in LMICs.<sup>54</sup>

» **Business training promoting a proactive mindset increased sales and profits**

A randomized controlled trial in Lomé, Togo compared the effectiveness of two business training approaches in generating success (e.g., profits, sales) at microenterprise firms. One training focused on developing personal initiative defined as “self-starting, future-oriented, and persistent proactive mindset,” while the other was a more traditional business training on accounting, marketing, human resources management and formalization. By promoting a proactive mindset, researchers hoped to teach small business owners entrepreneurial qualities such as risk mitigation, ability to quickly adapt, and thoughtful planning that are critical to success. 1,500 business owners were assigned to one of three groups; a control that received no training, a group that received the personal initiative training, or a group that received the traditional business training. The intervention lasted about five months and included surveys both 5 months and 2 years after the training ended to track outcomes. The personal initiative training increased monthly sales by 17% and monthly profits by 30% compared to the control, while the traditional training had no statistically significant impact on sales or profits.<sup>55</sup>

## **CONCLUSION**

**D**ecent work is not only essential to improving economic growth, but also to reducing poverty and inequality. ALMPs are a promising and widespread avenue to achieving decent work for more people by promoting employment and higher earnings through skills-building, job search and matching assistance, and entrepreneurship support. However, the mixed evidence on their impact and a critical look at their design suggests that they can be improved in order to reach their full potential. While fundamental first-mile issues cannot be ignored, it seems clear that existing designs of ALMPs do not sufficiently account for behavioral barriers. Although program designers are beginning to recognize the potential and need for a more behaviorally informed perspective,<sup>56</sup> few ALMPs take advantage of the enormous potential of behavioral science.

Identifying behavioral bottlenecks and employing behavioral science solutions such as those identified in this paper can help ALMPs go further towards fulfilling their potential for impact. This will, however, require moving beyond individual research projects that seek to demonstrate the impact of a specific class of intervention on ALMPs' outcomes—as in most of the studies cited here—to a concerted effort to carefully, systematically and rigorously apply behavioral science to specific ALMPs to design and test the most impactful ways for them to move the needle on key outcomes.

As is the case with the application of behavioral science to any area of work, this requires a systematic approach, where we carefully define the behavioral problem by identifying target behaviors among participants, potential participants, and program staff of skill-building, job search and matching, or entrepreneurship programs; and diagnose key behavioral bottlenecks inhibiting program success through a combination of qualitative and quantitative research that helps us understand the decisions and actions of relevant stakeholders. This would then inform the design, implementation and rigorous testing of applicable design solutions to optimize participants' labor market outcomes (see Figure 1).

By taking fuller advantage of this nuanced understanding of decision-making and action-taking among the variety of people who deliver or participate in ALMPs, these programs can seek to make good on their enormous promise, by reaching more beneficiaries, achieving greater impact, and most importantly bringing about socio-economic stability for more people around the world.

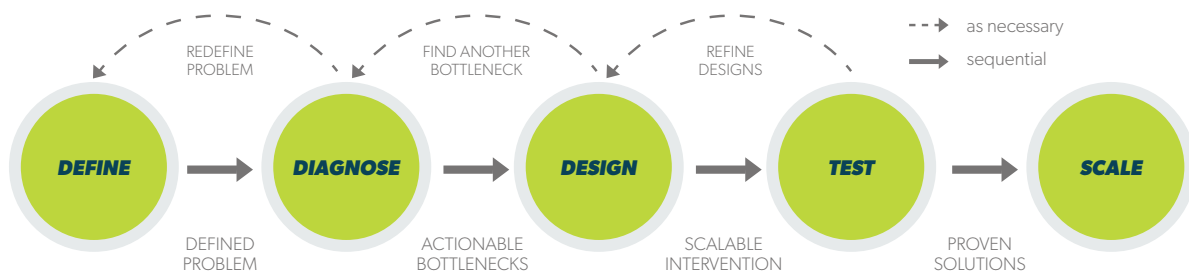


Figure 1

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