

## **Can youth employment programs foster social stability in Africa?**

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Thank you for inviting me to speak.

Shanta tells me the last retreat concerned fragile states, and this one looks at the employment of youth. As the first speaker, he asked me to try to bridge that gap. So my modest goal today is to try to challenge your view of youth, employment, aid and violence. All in 15 minutes.

I believe previous speakers include Mahmood Mamdani, Paul Collier, Bob Bates. They had... what do you call it? Experience and evidence. I apologize in advance for having little of either.

It's safe to say I never expected I'd be in a position to lecture on the subject, and the only reason I'm here starts, oddly enough, with a summer internship with the Africa unit at the World Bank.

I was a second year PhD student, and I was hired as a consultant to analyze Kenyan firm surveys.

One day I am sitting in an Internet café, beside an attractive woman. The email sign in page is taking at least 10 minutes to load up, and so we strike up a conversation. It turns out she is a psychology PhD student and an aid worker on her way back from northern Uganda. She's conducting a qualitative study of the impacts of armed violence on children, and the reintegration of child soldiers.

A long story made short: A few months later we plan to turn her qualitative study into a quantitative one as well; a year after that I am on the ground in northern Uganda; a year after that we finish our survey; a year after that we finish our dissertations and get jobs; and the year after that we get married.

So what Shanta didn't know is that I could not possibly refuse to speak tonight. Indirectly, the Africa group is responsible for my dissertation, job and marriage. I am indebted.

Most of my work since that time has been in two places: northern Uganda and Liberia. Both small countries or regions plagued by long wars; both have huge youth bulges, chronic poverty and underemployment, and masses and masses of young men who can handle a gun; both have elections coming up in 2011, and neither looks entirely steady.

The policy priority in both places been pretty clear: first, macro stability; second, rebuild infrastructure; but third, get youth employed.

The youth employment agenda has a number of rationales, but first among them is the concern that poor young people are a source of possible social instability.

This concern isn't limited to northern Uganda or Liberia. Whether as policy makers or social scientists, if there's one thing we think we know, it's that poor and unemployed young men are a source of social instability. Underemployed young men have been implicated in Kenyan election violence, religious riots in Nigeria, and rebellion in Sierra Leone.

Economic theory gives us a solid explanation: without incomes, the returns to predation are greater than the returns to peaceful production. With future earnings prospects so poor, there is little to weigh against the costs and risks of violence are weighed.

Gary Becker first argued this case with American crime. It has been applied broadly, and is the basis of economic theories of civil war. Scattered evidence on economic shocks, or the income conflict correlation, suggests its truth.

The theory also provides a strong basis for a public intervention, because there is a negative externality not being taken into account by the market.

Here's the thing, I've seen nothing to suggest any of this is true.

We really don't have much evidence one way or the other, but the little we have argues against rather than for Becker's philosophy.

There are actually several possible explanations for violence and social instability, some of them with more evidence in their favor. If they turn out to be true, then not only could youth employment programs not stem the risk of instability, they could heighten that risk.

But first a disclaimer: Much of what I say tonight will be speculation. I have several employment experiments underway. If speaking a year from now, I'd be armed with hard evidence one way or the other.

It's actually lucky for you I haven't got any evidence yet. Instead of graphs and t-statistics, you get extemporizing without evidence, which is far more entertaining.

The idea that poor unemployed youth are more likely to be violent represents, in some respects, the triumph of theory and intuition over evidence. What is striking is how little evidence is actually available.

Two pieces of evidence argue in its favor. The first is that poorer countries are more likely to experience an episode of political instability, be that a civil war or a coup.

The second is that economic shocks seem to raise the risk of that instability, especially the incidence of civil war.

Both are pretty weak. Poor nations are more likely to be unstable, but this is as easily explained by state capacity to mount an insurgency, or resolve disputes peaceably.

Some of the research on economic shocks strengthens the income-conflict relationship. Ted Miguel has shown that low rainfall predicts local witch killings in Tanzania, as well as the incidence of civil wars continent wide. Oeindrila Dube and Juan Vargas also show that coffee price shocks lead to more intense conflict in the more coffee dependent municipalities in Colombia.

There are three challenges with this evidence.

First, it still says nothing about who rebels or why. Is it the poor and unemployed? Are they even the most likely to be affected by such shocks? Even if so, could this still be a state capacity story?

Second, when you look closely at the evidence, it tends to show that it makes violence longer and more intense, not more likely to begin. That too is inconsistent with Becker's logic.

Third, and possibly most important, is that this evidence is very selective. What you don't see, or at least hear about, are the larger number of studies that show no relationship between economic shocks and conflict. In some work I have underway, I show that there's no robust global relationship between many of these shocks and political instability. Most of the results that exist are either fragile or generalize poorly.

I have little doubt that the people who riot or rebel are poor, unemployed young men. We can see that. The problem is that the people who don't riot are also poor unemployed young men. Most of the population is poor and unemployed and young. It's not clear that the poorer and less employed ones are the more violent.

If anything, we see the opposite. In the Middle East, profiles of suicide bombers and terrorists suggest they are typically more educated and better off than the average youth.

In research on riots, whether in Nigeria or India or the US, the instigators are often university students or other elites.

Now, maybe the instigators are elite, but the masses they organize are poorer and less employed. Here the evidence is equally weak. Surveys of combatants in Sierra Leone and Uganda, rioters in Nigeria or the US, or the politically violent in Philippines or Iraq, show little connection between mobilization and incomes. None of this statistical evidence is terribly good, but none of it argues in favor of this huge assumption underlying massive policy and programs.

Let me talk about another body of evidence, one that suggests an alternative theory. It begins with a throwback to a literature on grievances.

When people think of poor unemployed young men and violence, they do not necessarily think of calculating, rational individuals.

It's not clear what people have in mind, but a common strand is that violence is the product of a grievance, one borne of poverty, of material stresses, or of inequality.

In a common version, called deprivation/frustration theory, violence is a product not of poverty, but of perceived injustice, often perceived inequalities. It is not so much income levels that matter, but the gap between expectations and reality.

Now, in several ways, this theory is profoundly unsatisfying.

First, the mechanism is unclear. Is this an impulsive and emotional response? Something else?

Second, it defies rational calculus. Peasants are not pawns. Violence is costly and risky, and is to be avoided. What provides the incentive to be violent?

Paul Collier's verdict on this is that grievances are universal, but opportunities are not. He argues that the difference between those who engage in violence and those who do not still follow a Becker-like logic.

This ignores two findings emerging from the political science literature.

First, grievances themselves may provoke violent action. Grievances may be their own reward

Let me illustrate with an example, with insurgents in El Salvador. If you look at who participated in the rebellion and who did not, it seems to have little to do with initial incomes, or expectations of material benefits. The political scientist Libby Wood argues that it has everything to do with direct experiences of injustice. Those who participate in violence are those who are the most morally outraged, often because of a personal experience. They risk their lives because they take pleasure in agency. In econ speak, we'd say that experience shapes their utility function changes, so that they take utility from exercising

Normal people call this revenge.

But it's not simply revenge that operates this way. In fact, there are a huge number of forms of collective action, like voting, that are very difficult to explain. A growing amount of evidence suggests that the people who take action, violent or otherwise, do so because they intrinsically value the act itself.

In Uganda, I've found that exposure to violence actually augments political participation, albeit of the peaceful sort, and that this expressive channel is key. Ted Miguel has found something similar in Sierra Leone.

Moral outrage and fairness have also entered into behavioral economics. In lab games, people have an amazing capacity to sacrifice their own gains to punish what they see as unfair behavior in others. People are willing to pay to punish unfairness.

A second finding from political science: non-material incentives, especially social incentives, may be more important than material ones.

Those who closely observe riots, rebel groups, and terror organizations commonly stress the importance of social mobilization and pressures in inciting violence.

Alex Scacco, of NYU, has recently studied religious riots in Nigeria through both surveys and interviews. She observes little relationship between income and participation. Rather, where people expected benefits, these were largely in the form of protection or prestige.

The main predictor of who riots is the interaction between grievance and social mobilization. Those with preexisting grievances and social connections to riot instigators were the most likely to participate. Neither grievances nor social connections alone have much explanatory power.

I don't regard this as conclusive, but it accords with findings from situations as diverse as US race riots, Sierra Leonean rebel recruitment, and Hindu nationalist violence in India.

To summarize this theory and evidence, grievances may be their own reward. These grievances, moreover, may not be driven by poverty, but rather they may be driven by injustice or perceptions of fairness. Finally, non-material incentives, particularly social incentives and connections, appear to be important in motivating actual participation.

If any of these are true, what are the implications for employment policy?

Suppose that those who participate in riots, rebellion, or other violence are those who have personal experiences of injustice, or a keener sense of outrage.

An employment program may simply have little impact on this calculus, especially if small or implemented in a neutral way. There may be other reasons for encouraging youth employment, but violence may not be one of them.

On the other hand, a large public employment program may be seen to alleviate injustice or augment it.

How you implement the program, and for whom, may be more important than the employment itself. A program that is captured by a particular ethnic group, or region, may be worse than no program at all.

The type of work may also be important. Make-work programs that pay people daily wages for road work or trash pickup may alleviate no injustice at all, and could even exacerbate it.

Relative deprivation theory stresses that grievances arise from inequality and frustrated ambitions. I regard this is unproven, but plausible. The implications are important. If employment programs are better at raising aspirations than they are at delivering sustained changes in inequality, then they could increase frustrated ambitions rather than decrease them.

Regarding social mobilization, employment programs will influence social instability only if they change social networks or social pressures.

They may do this for good. There is also experimental evidence from US inner cities that suggests that moving neighborhoods reduces violence, with a disruption of social networks being one possibility.

Overall, however, it suggests a very different set of principles and programs for organizing youth employment.

I wish I could be more conclusive than this. But social science has, at least so far, failed you.

What a social scientist ought to do, and what policymakers ought to demand from us, is to specify the competing explanations and the predictions that would distinguish between them. Then test our newfound theories with innovative programs.

That is not what we have been doing.

Instead of looking for evidence to falsify a theory, too often we look for evidence that confirms the thing we already believe.

Also, instead of testing competing theories and explanations, we test programs.

In some ways, RCTs have made this situation worse, not better.

I am a proponent of research and evaluation, and I use RCTs myself. But I fear we have leapt too quickly to evaluating program design.

Rather than point fingers, let me take an example from a vocational training evaluation I'm working on in northern Uganda.

10000 youth are receiving training. There were excess applicants, and so we have a control group of equal size. The early signs—we won't know for sure for a month—suggest huge gains in employment and income. What we don't know yet is whether there will be change in violence or social stability.

Whatever we find, it will weigh weakly in the debates I've raised tonight.

If violence is unaffected, I may injure the violence-employment view, but I'll have no explanation why.

If violence goes down, is it because the opportunity cost of violence has risen, or social strains are less? Grievances reduced or social networks changed? Our ability to say is profoundly limited, largely because we weren't thinking theoretically beforehand. And no wonder, no one pushed us to. No one pushes us to still.

The danger with RCTs is this: they allow us to stop thinking like economists.

One reason is that, in both programming and evaluation we have put treatment before diagnosis. We design programs and evaluations without theory in mind. We evaluate program impacts but not the assumptions that underlie the program.

I think we can do better. With another 15 minutes I could describe how I'm trying to correct for my mistakes with a new series of experiments and research. It's not only possible but it's straightforward once you reframe your priorities.

I would rather close by linking this example from employment and violence to the larger issues surrounding youth employment programming more generally.

What is the basis behind any public intervention in employment?

If youth unemployment leads to social instability, this would be a negative externality not taken into account by the market—a market failure.

Employment programs are predicated on a number of market failures: constrained credit markets; high fixed start-up costs; difficulty signaling ability in a weak schooling or institutional environment.

Employment programs can also be justified on other constraints: at the macro level, distorted exchange rates. At the micro level, behavioral issues, whereby we are disinclined to save, and

What are the constraints that your programs address? Are we sure they exist? Are these the right constraints to attack? Are the programs you suggest the best way to attack them?

Before coming here tonight I reread the 2007 WDR, where the subject was youth and what the world community can do about them. While I found many things to like, I did not see this: an analysis of the market failures and constraints that justify and guide public intervention in labor markets.

That is the main thing I'd like people to take away tonight. Not simply a skepticism that youth unemployment leads to instability, but a recognition that our program prescriptions should follow from our empirical knowledge and theoretical view of the world, that we should be explicit about the market failures and constraints we seek to address, and that we should use programs as an opportunity to learn whether we were right or wrong. I think that's exactly the function of such a retreat, and you don't need the results of a RCT to address it.

I hope, like me, you find that exhilarating rather than intimidating. And I wish you good luck.