

The impact of social cash transfers on labour market outcomes: the evidence from sub-Saharan Africa

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Social protection, entrepreneurship and labour market activation
Evidence for better policies

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Why are social cash transfers relevant for labour outcomes?

- Most beneficiaries in Sub Saharan Africa are rural, engaged in agriculture and **work for themselves**
 - > 80% produce crops; 50-75% have livestock
- Most grow local staples, using traditional technology and low levels of modern inputs
 - Most production consumed on farm
- Most have low levels of productive assets
 - .5 -2 hectares of agricultural land, a few animals, basic agricultural tools, few years of education
- Engaged on farm, non farm business, casual wage labour (ganyu/maricho)
 - Around ¼ in wage labor, ½ on farm, 10-20% non farm business
 - Wage labour mostly casual agricultural
- Large share of children work on the family farm
 - 50% in Zambia, 30% in Lesotho, 42% in Kenya
 - 41% ganyu labor in Malawi

Production and consumption decisions are interdependent

- Work in context of multiple market failures in credit, insurance, etc
 - Constrain economic decisions in investment, production, labor allocation, risk taking
 - Short time horizon—imperative of meeting immediate needs
 - Lack of liquidity, difficult to manage risk
 - Decisions about production and consumption linked
- “non separability” of production and consumption means that **social objectives are conditioned by livelihoods—and vice versa**
 - Labor needs (adults and children), including domestic chores
 - Investment in schooling and health
 - Food consumption, dietary diversity and nutrition
 - Intra household decision making
 - Dynamic between men and women, old and young

Policy makers are concerned about

Dependency



Why social cash transfers targeted to poorest of the poor can affect labour market outcomes

- Long term effects of improved human capital
 - Nutritional and health status; educational attainment
 - Labor productivity and employability
- Transfers can relax some of constraints brought on by market failure (lack of access to credit, insurance)
 - Helping households manage risk
 - Providing households with liquidity
- Transfers can reduce burden on social networks and informal insurance mechanisms

Countries/evaluations included in this review

- Malawi
 - Mchinji pilot, 2008-2009
 - SCT Expansion, 2013-2015
- Kenya
 - CT OVC, 2007-2011
- Zambia
 - Child Grant, 2010-2014
- Ethiopia
 - Tigray SPP, 2012-2014
- Ghana
 - LEAP, 2010-2012
- Lesotho
 - CGP, 2011-2013
- Zimbabwe
 - HSCT, 2013-2014
- Tanzania
 - TASAF Pilot, 2009-2012

Mixed method approach

- **Household and individual level impacts** via econometric methods (experimental and non experimental)
- **Perceptions** on household economy and decision making, social networks, local community dynamics and operations via qualitative methods
- **Local economy effects** via LEWIE (GE) modeling

Still waiting for household level analysis from:

- Zimbabwe (end 2014)
- Ethiopia (end 2014)
- Malawi (early 2015)
- Zambia three year follow up (end 2014)

Households invest in livelihood activities— though impact varies by country

	Zambia	Malawi	Kenya	Lesotho	Ghana	Tanz
Agricultural inputs	+++		-	++	+++ (1)	
Agricultural tools	+++	+++	NS	NS	NS	
Agricultural production	+++ (2)		NS	++ (3)	NS	
Sales	+++	NS	NS	NS	--	
Home consumption of agricultural production	NS	+++	+++ (4)		NS	NS
Livestock ownership	All types	All types	Small	Plgs	NS	Small
Non farm enterprise	+++	NS	+FHH -MHH	-	NS	

- 1) Reduction hired labor
- 2) Overall value of production;
reduction in cassava
- 3) Maize, sorghum and garden
plot vegetables
- 4) Animal products

Stronger impact

Mixed impact

Less impact



Shift from casual wage labor to on farm and family productive activities

adults	Zambia	Kenya	Malawi	Lesotho	Ghana	Tanz
Agricultural/casual wage labor	---	--- (1,2)	---	-- (2)	NS	
Family farm	+ (2)	++ (1)	+++	++ (2)	+++	
Non farm business	+++	NS		+	NS	
Non agricultural wage labor	+++	NS	NS	NS	NS	
children						
Wage labor	NS	NS	---	NS	NS	(5)
Family farm	NS	--- (3)	+++ (4)	--	NS	(5)

No clear picture on child labor (but positive impacts on schooling)

Shift from casual wage labour to family business—consistently reported in qualitative fieldwork



- 1) Positive farther away
- 2) Varies by age, gender
- 3) Particularly older boys
- 4) Increase chores, reduction leisure
- 5) No impact on time use; labor not reported

Improved ability to manage risk

	Zambia	Kenya	Malawi	Ghana	Lesotho	Tanz
Negative risk coping			---		---	
Pay off debt	+++			+++	NS	
Borrowing	---	NS		---	NS	NS
Purchase on credit	NS			NS	NS	
Savings	+++	+++		+++	NS	++ poorest
Give informal transfers			NS	+++	+++	
Receive informal transfers				NS	+++	
Remittances			---	NS	---	NS (1)
Trust (towards leaders)						++

1) Mixes remittances and informal transfers



- Reduction in negative risk coping strategies
- Increase in savings, paying off debt and credit worthiness—risk aversion
- Some instances of crowding out



Strengthened social networks

- In all countries, re-engagement with social networks of reciprocity—informal safety net
- Allow households to participate, to “mingle” again



What explains differences in impact across countries?

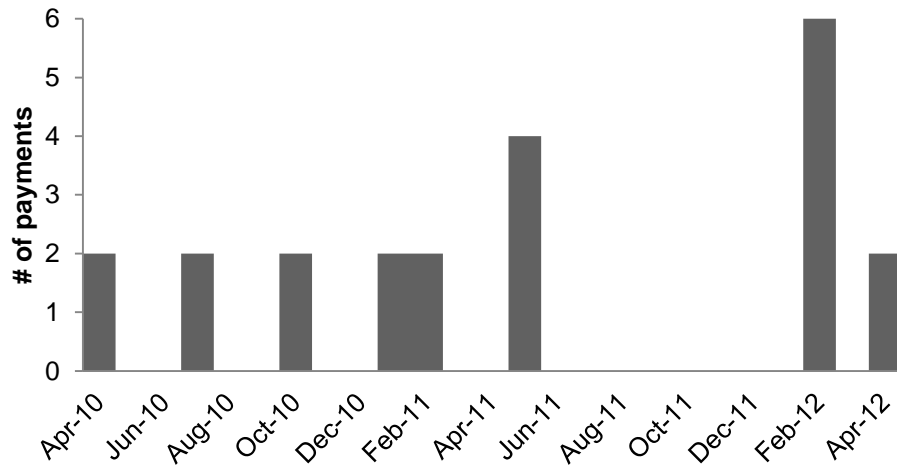
	Crop	Livestock	NFE	Labor	Social Network
Zambia	yes	yes	yes	Yes	
Malawi	yes	yes	no	Yes	small
Kenya	no	small	yes	Yes	
Lesotho	yes	small	no	Yes	yes
Ghana	no	no	no	Small	yes
Tanzania		small			

Predictability of payment

Lumpy and irregular



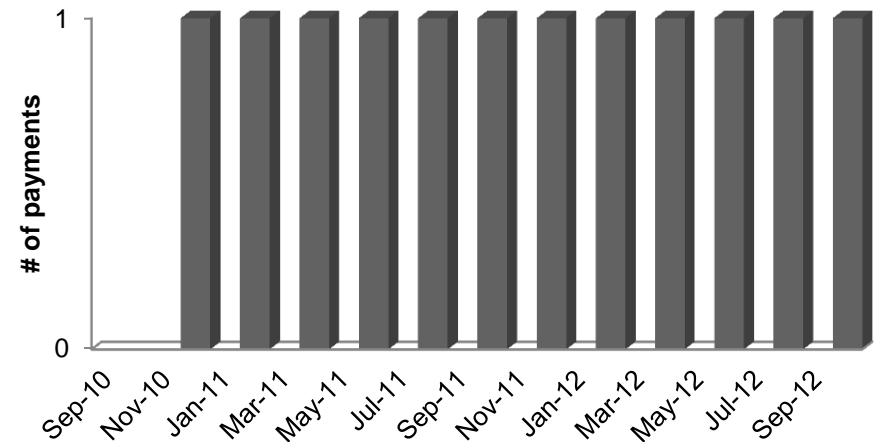
Ghana LEAP



Regular and predictable

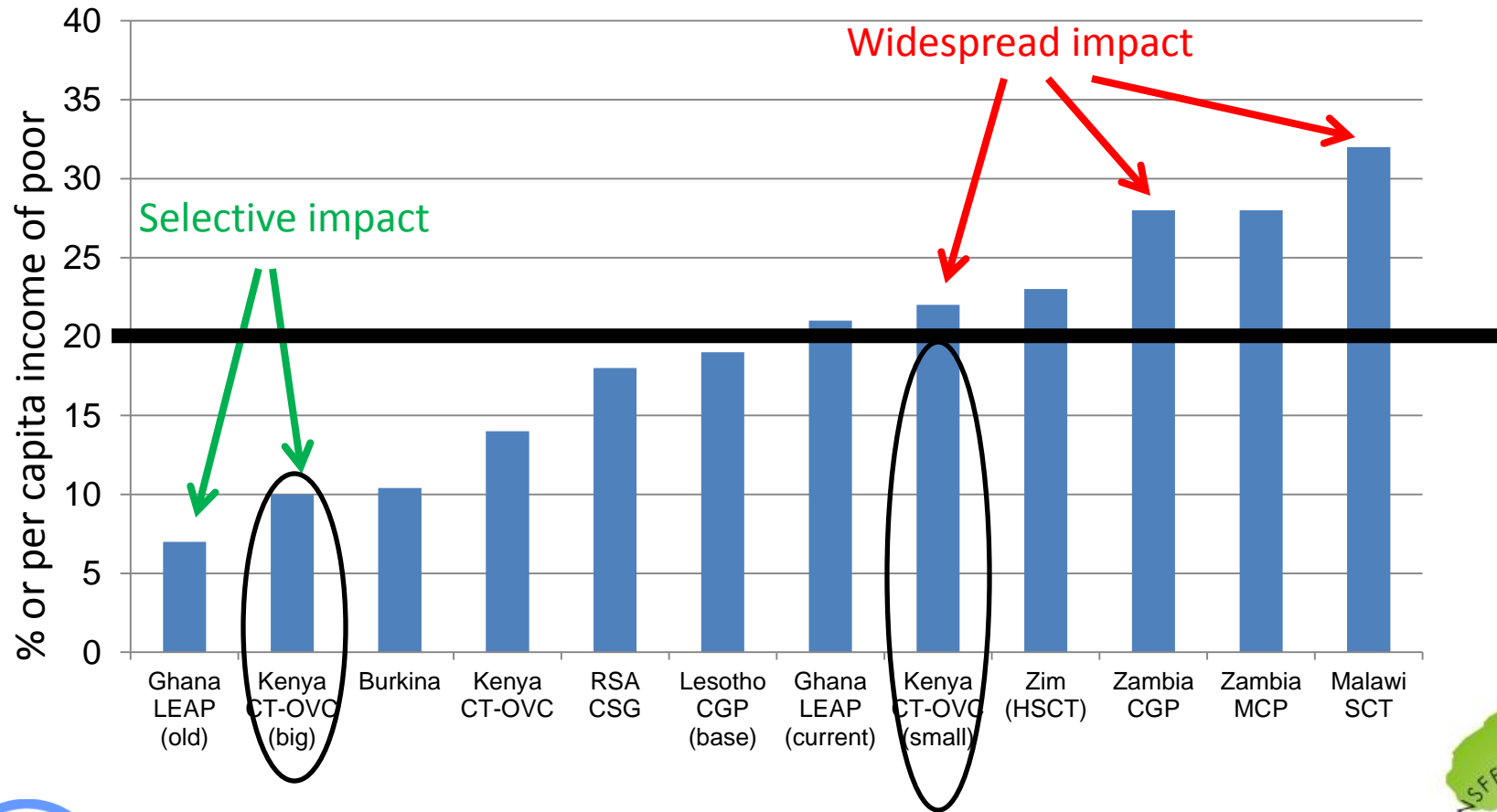


Zambia CGP



Regular and predictable transfers facilitate planning, consumption smoothing and investment

Bigger transfer means more impact



Demographic profile of beneficiaries

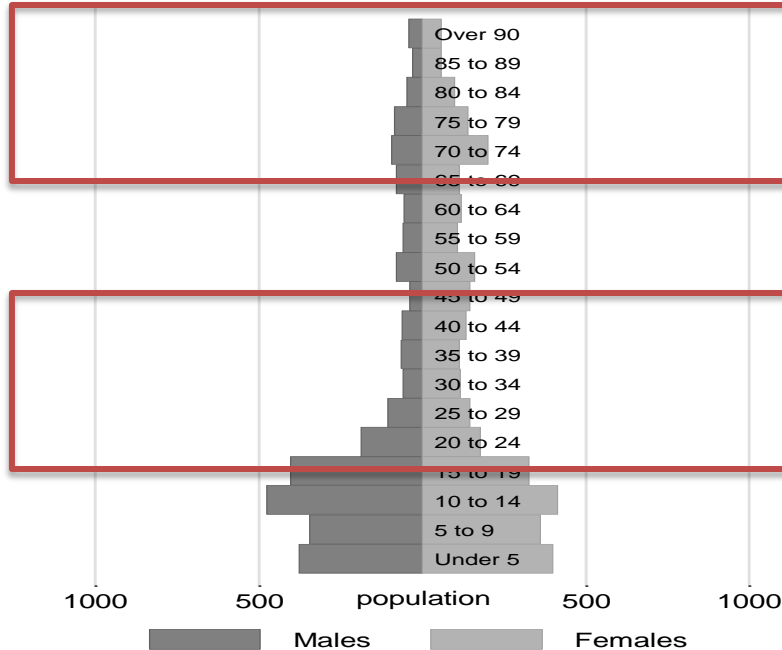
More labour-constrained



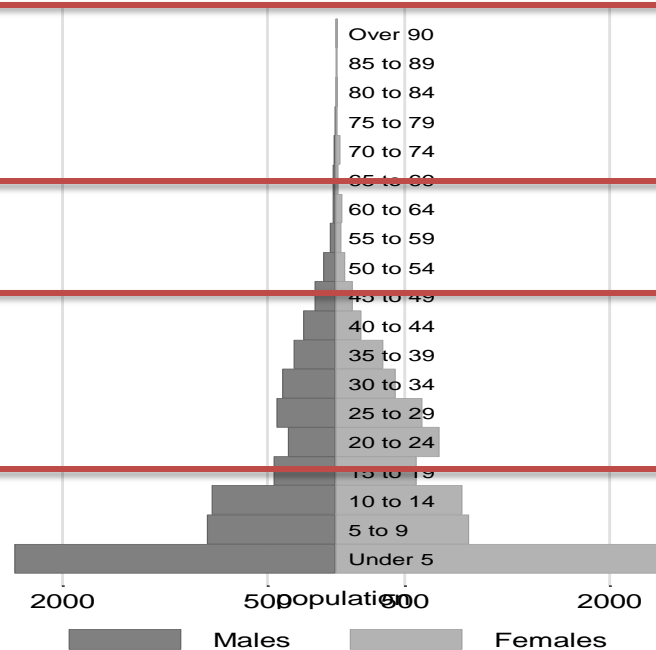
More able-bodied



Ghana LEAP



Zambia CGP



Economic context matters

- Vibrant and dynamic local economy?
- Opportunities awaiting if only a bit more liquidity?

Programme messaging matters

- Messaging in unconditional programmes, and conditions in CCTs, affects how households spend the transfer
- Lesotho: CGP transfer combined with Food Emergency Grant
 - Instructed to spend on children (shoes and uniforms)
 - Instructed to spend on agricultural inputs
 - **And they did!!**

Beneficiaries are hard working and are responsible for their own income generation and food security

What are the implications for labour market outcomes?

1. Clear impact on household labour allocation, in context of liquidity constraints
 - Off and on farm, adult and child
2. No evidence of impact on wages or prices—yet
 - Programs in this review are not “big” enough to affect local wages or prices
3. Heterogeneity of impact
 - Gender, labour constraint



Our websites

From Protection to Production Project

<http://www.fao.org/economic/PtoP/en/>

The Transfer Project

<http://www.cpc.unc.edu/projects/transfer>

