The impact of SCTs on household economic decision-making and development in Kenya and Malawi

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Why do we expect economic impacts?

- Environments of absent / poorly functioning markets:
  - credit / savings
  - insurance

  Liquidity constraints
- Links b/w consumption and production decisions at the hh-level
  - consumption, market purchases and home time
- Injection of cash in small (sometimes not very open) economies
  - potential for traders and producers

- **What are medium-term impacts on households? work, investments, risk management?**
- What are meso-impacts at the community and regional levels? Price rises, networks, retail?

Policy relevance – For programs

Address concerns about:

- Welfare dependency: are CTs hand-outs or can they enable hhs to strengthen their income-generating activities?
- Disincentives to work: show which groups would reduce/increase their labor supply and why?

Understand how CTs fit:

- The "graduation/productive insertion" agenda: which complementary interventions would strengthen impacts / address constraints

Recent evidence on hh-level impacts(1)

- Channel 1: Labor allocation
  - Decrease in child labor (Brazil)
  - Small effects on adult labor:
    - Transfer is not big enough to create disincentives
    - Decrease child labor means payments for school
    - Transitory income seen as a windfall
  - Some decrease for some type of individuals : unpaid workers or workers in agricultural day labor (BR)
- Channel 2: Investments
  - MX: after 8 months in program, investments into farm animals, land and micro-entreprises
  - NI: no impacts. Pent-up D? lack of economic opportunities?

Recent evidence on hh-level impacts (2)

- Channel 3: Risk-coping: avoiding detrimental strategies
  - Beneficiaries better able to keep children in school and maintain access to health services (NI)
  - ET: PSNP helped protect against high food prices but not enough where rains failed too
  - Malawi: beneficiaries less likely to beg and steal

Data and Methods

- Use quasi-experimental data from:
  - Kenya OVC CT program: baseline 2007, follow-up 2009 (approx. 1,900 hh)
  - Malawi M'chinji Social Cash Transfer: baseline March 2007, 1st round Sept 2007, 2nd round March 2008 (approx. 750 hh)
- Ensure that control and treatment households are similar at baseline (matching)
- Estimate difference-in-differences: changes in treatment hh relative to changes in control hh
- Analyze separately female/male headed hh, older/younger hh head and smaller/larger hh

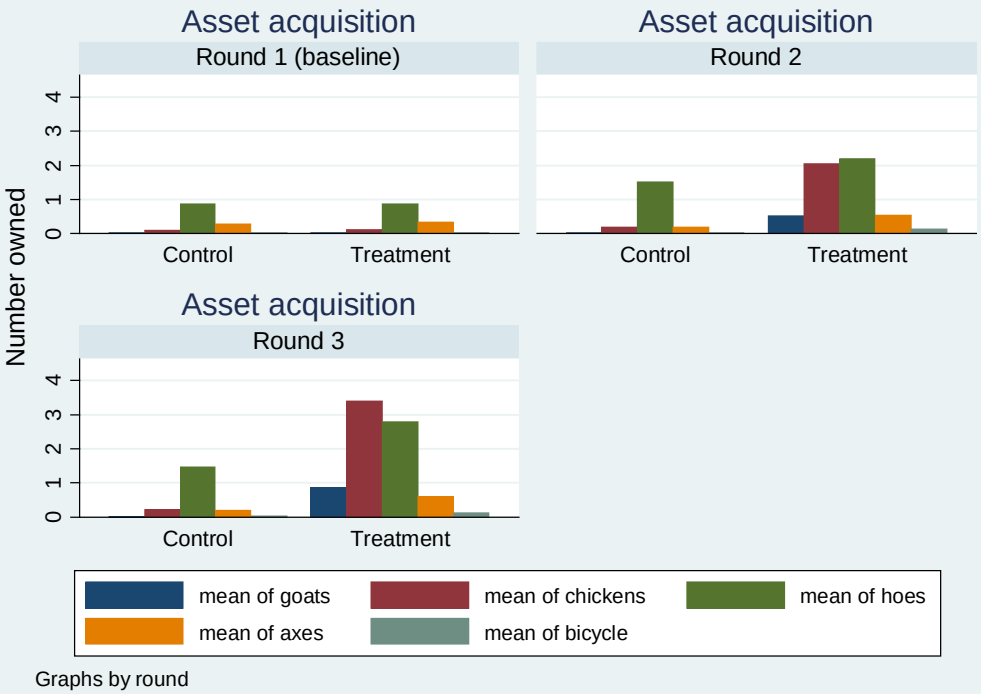
Findings – Kenya (1)

- Beneficiaries purchase bed sheets, radio, mosquito nets …
- … no information on tools … but beneficiaries do not buy animals or land. Is that the crisis?
- Paid work among younger children decreases in beneficiary households
- Agricultural self-employment seems to become less frequent

Findings – Kenya (2)

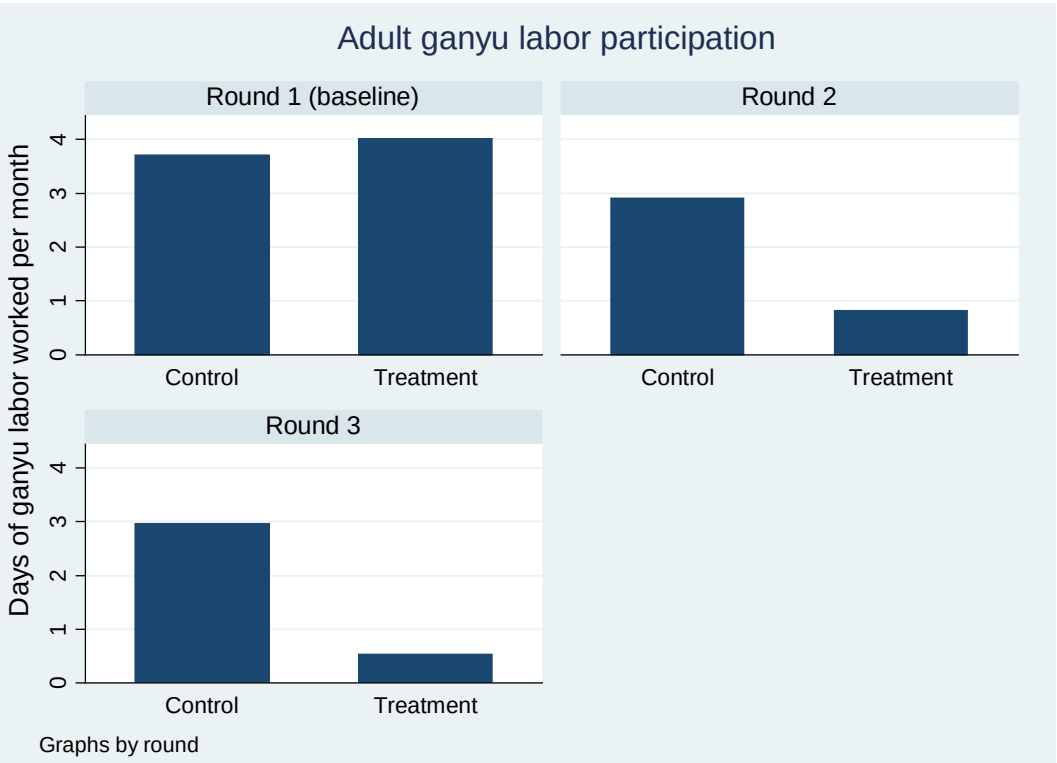
- Male-headed hh more likely to buy land than female headed but spend less on health and mosquito nets. Female-headed more likely to start a business?
- Children more vulnerable in large hh. Large hh buy less durables but program helps decrease younger children work
- Elderly hh have more durables to start and buy less of them, however they spend more on children's education and health.

Findings in Malawi (1)



- Beneficiaries more likely to acquire hoes, axes (and bicycles)
- Beneficiaries more likely to acquire chickens and goats

Findings in Malawi (2)



- Beneficiaries decrease ganyu labor
- Beneficiaries more likely to hire in (especially labor constrained)
- Children miss less days of school and less likely to work outside (except in lean season)

➢ What are they doing? Working on their plots with their tools

Findings in Malawi (3)

- Female-headed more vulnerable. Male-headed more likely to buy tools, bicycles and chicken while female-headed more likely to buy goats and consume.
- Even larger hh buy tools
- Elderly hh are very vulnerable: while smaller, they include more disabled and elderly dependents. Not able to invest in durable goods and small animals. Decrease in private gifts

Conclusions:

- Preliminary economic impacts:
  - Decrease in some child labor
  - Decrease in daily ag. labor but probably more work on-farm in Malawi (tools)
  - Some multiplier effects in both countries
  - More likely if transfers are larger
- Different impacts according to gender and age of hh head and hh size:
  - Barriers to investment in agriculture among female-headed hh?
  - Life-cycle vs vulnerability among older hh
  - Transfer linked to number of children may enable larger hh to invest too
- More information needed on assets and income-generation, impact of the 2008 crisis

A picture… 1000 words or regressions! Malawi

Intervention woman with a bicycle

Intervention hh with new house and tobacco leaves drying

(Both pictures from Miller, Tsoka, Reichert (2008))

Thank you!