Antipoverty transfers and growth

Armando Barrientos, Global Development Institute, the University of Manchester, UK
a.barrientos@manchester.ac.uk

Seminar on Cash transfer or safety net: which social protection programmes are affordable and inclusive?
Inclusive growth in Brazil

Own estimates from PNAD data, using per capita household income

Decompositions identify main factors are: changes in labour market conditions and policy, including real growth in the minimum wage, and antipoverty transfers, especially non-contributory pensions and Bolsa Família transfers.
Rapid expansion of social assistance = large scale programmes providing transfers in cash and in kind to households in poverty

Globally ~1 billion people reached by transfers

They have made a contribution to poverty and inequality reduction globally

They signal the emergence of new welfare institutions in low- and middle-income countries

Distinct features:
Large scale (not residual); Productivist (support economic inclusion); Citizenship based (not contributory); Combine protection against social risks with social investment (not compensatory)
Types of transfers

*Pure income transfers*

Social pensions, child grant, family allowances [South Africa’s Older Person Grant, Argentina’s Family Allowance]

*Income transfers combined with asset accumulation*

Human development [Mexico’s Oportunidades, Brazil’s Bolsa Familia]

Infrastructure, community, physical assets [India’s National Rural Employment Guarantee, Ethiopia’s Productive Safety Net Programme]

*Integrated poverty reduction programmes*

[Chile’s Chile Solidario, BRAC’s CFPR-Targeting the Ultra Poor, China’s DiBao]

Programme types reflect poverty diagnosis: income or consumption deficits; productive capacity; exclusion respectively
Cumulative flagship programme starts by type

Adoption of social pensions accelerates in the 2000s

HelpAge Pension Watch
Reach of Human Development Income Transfer Programmes in Latin America (millions)

Data Source: Stampini and Tornarolli [2012]
Antipoverty Transfers in sub-Saharan Africa:
Programmes are mainly unconditional

Several social pension programmes, but population ageing is not an urgent issue, nor a major cause of poverty. Only a fraction of households in poverty have an older person

In East Africa, programmes targeting households in poverty select households with no work capacity

Paradoxically, programmes target households/individuals unable to work as in early European social assistance

Donor involvement in designing, funding, and implementing cash transfer programmes

Programme coverage is very limited, a fraction of the population in poverty

What explains the growth in social assistance?

Crises and adjustment in the 1980s and 1990s led to structural deficits in social policy in developing countries

Globalisation has created opportunities but also intensified economic vulnerabilities, especially as regards trade and employment

Democratisation and an expanding fiscal space have created favourable conditions in which governments can address these structural deficits

Poverty research has developed knowledge and tools supporting innovative and effective antipoverty transfer programmes
The expansion of social assistance as institution building

<table>
<thead>
<tr>
<th>Basic service provision</th>
<th>Social insurance: Contributory programmes addressing life cycle and employment contingencies</th>
<th>Social assistance: Tax financed programmes addressing poverty and vulnerability</th>
<th>Labour market policy: ‘Active’ and ‘passive’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, health, housing, etc.</td>
<td><em>Social insurance:</em> Contributory programmes addressing life cycle and employment contingencies</td>
<td><em>Social assistance:</em> Tax financed programmes addressing poverty and vulnerability</td>
<td><em>Labour market policy:</em> ‘Active’ and ‘passive’</td>
</tr>
</tbody>
</table>

In international development policy discussions, social protection is often used to describe social assistance programmes.

Humanitarian and emergency assistance: aid financed, no selection, short term.
Antipoverty transfers and inclusive growth: the role of growth-mediating processes

Regular and reliable transfers alleviate credit constraints

Through enabling saving and through enabling access to credit

Effects observed in both LICs and MICs, stronger among rural households with deficits in complementary productive assets

Transfers reduce uncertainty

Uncertainty limits investment by households facing poverty and vulnerability

...few social transfer programmes have explicit insurance components, effect comes mainly from higher, and more reliable income and from conditions

Transfers improve household resource allocation

Lack of systematic evidence, but data and evidence base are improving

From Protection to Production http://www.fao.org/economic/ptop/home/en/

Antipoverty transfers and growth outcomes

Transfers facilitate asset accumulation

On human development outcomes, strong evidence from conditional transfer programmes
On other assets, stronger effect where it is the explicit objective of the programme
...but effects are difficult to quantify, especially in the longer run

Transfers have no significant adverse effects on labour supply

Reduction in labour supply among children and elderly, often compensated by increases in adult labour supply
Evidence is available from a range of programmes and countries

Transfers have positive local economy effects

...especially in the context of local constraints (infrastructure, liquidity, trade), but very few studies, and mainly for Mexico’s PROGRESA
Impact – medium run effect on human development (nutrition)

Difference in height for age between OPORTUNIDADES treatment (joined 1998) and control (joined 2000) groups in 2000 and 2003 for 2-6 year olds

- height for age after 2 years
- height for age after 6 years

Gertler and Fernald [2006] Vol III ch. 2 Impacto de mediano plazo del programa Oportunidades sobre el desarrollo infantil en áreas rurales

Taller individuals earn more in the labour market
Medium run effect on human capital

Simulated schooling outcomes from alternative interventions in rural Mexico
- Mean completed years of schooling

<table>
<thead>
<tr>
<th>Mean completed schooling</th>
<th>Baseline</th>
<th>PROGRESA subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boys</td>
<td>6.42</td>
<td>6.96</td>
</tr>
<tr>
<td>Girls</td>
<td>6.29</td>
<td>6.83</td>
</tr>
</tbody>
</table>

Source: Todd and Wolpin (2006) Assessing the impact of a school subsidy program in Mexico AER

Medium term impact on food consumption
Mean gain in food consumption for 9 year participants compared to 3 year participants

- Gain in components of food consumption (M$)
- Gain as % of 2007 consumption levels of those who joined in 1998

Transfers reduce child labour but effects are not proportional to the value of the transfer.

Note: Data from Barrientos et al (2010) and de Hoop and Furio (2012)
Are there local economy effects?

Estimated positive indirect effects of a social cash transfer on non-eligible households in Mexico

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment (ITE)</td>
<td>0.011</td>
<td>0.123</td>
<td>0.048</td>
<td>0.022</td>
</tr>
<tr>
<td></td>
<td>(0.51)</td>
<td>(4.05)***</td>
<td>(1.75)*</td>
<td>(1.02)</td>
</tr>
<tr>
<td>Observations</td>
<td>9107</td>
<td>4367</td>
<td>4459</td>
<td>3715</td>
</tr>
</tbody>
</table>

Notes: Robust t statistics in parentheses. Asterisks *, **, *** indicate statistical significance at 10%; 5%; and 1%, respectively.

Implications for programme design

Transfers need to be regular and reliable

The duration and the level of the transfers are key parameters

Include human development objectives in programme design

Need to avoid incentives for asset depletion, adverse household changes, and/or adverse labour supply responses

Pay attention to household dynamics in response to the transfer, including gender factors

Study impact on non-beneficiaries and on growth intermediation processes

Study interaction between taxes and transfers
  Commitment to equity programme [http://www.commitmenttoequity.org](http://www.commitmenttoequity.org)
Conclusions

Rapid growth of social assistance in low- and middle-income countries contributes to global poverty reduction and signals the emergence of welfare institutions.

Diversity in programme design reflects path dependence and poverty perspectives.

Policies to promote growth are more likely to be effective in reducing poverty if they are complemented by policies increasing opportunity among the least advantaged.

Well-designed and well-implemented social transfer programmes can have positive effects on households' productive capacity and can therefore support growth strategies.

The growth effects of transfers among households in poverty are best studied at the micro-level. They are hard to observe at the macro-level because low-income households account for only a small share of GDP.

It is feasible, and desirable, to build growth objectives into social transfer programmes, making sure they do not diffuse poverty reduction priorities or lead to a focus on the richest of the poor.
Social transfers, poverty traps, and growth trajectories: why relatively small transfers can have large effects?

Linear effects of transfers on growth

Non-linear effects of transfers on growth

Non-linear trajectories can arise in the presence of credit constraints, ‘lumpiness’ in asset accumulation or production, or constraints in household resource allocation.
Chart 1. Growth effects of transfers: A basic framework

Social Transfers

Growth-mediating Processes:
- Credit Constraints

Taxation

Outcomes:
- Human Capital Investment: (+)
- Asset Accumulation: (+)
- Expected direction of growth effects
- Saving: (-)

BENEFICIARIES

NON-BENEFICIARIES

ISBN: 9781107562608

http://www.cambridge.org/gb/academic/subjects/politics-international-relations/political-economy/social-assistance-developing-countries?format=PB