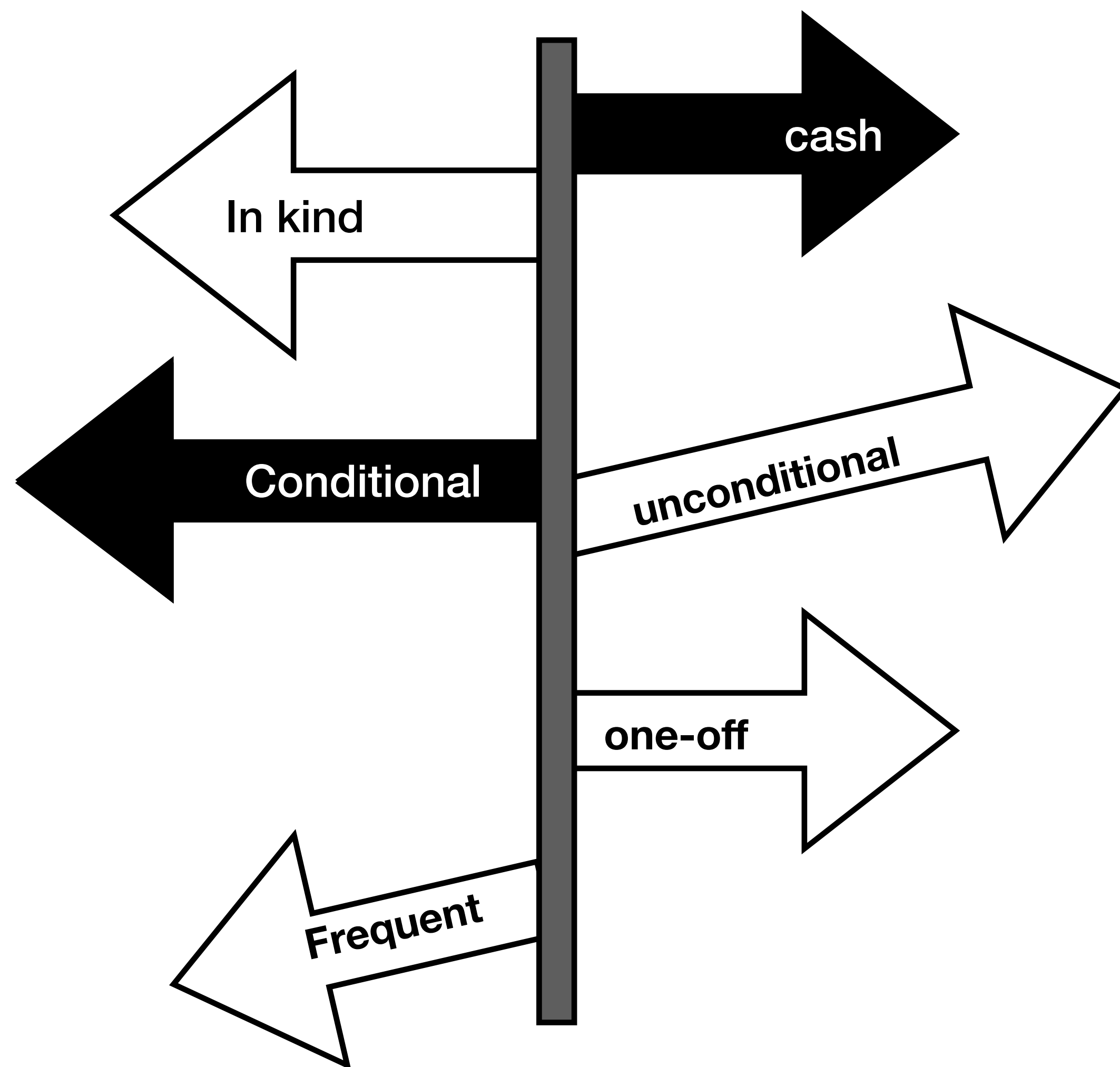


Social protection and poverty

Oriana Bandiera (LSE)

Nobel Symposium in Economic Sciences at STIAS, March 2024

Which way to effective social protection?





"Would you tell me, please, which way I ought to go from here?" "That depends a good deal on where you want to get to," said the Cat. "I don't much care where-" said Alice. "Then it doesn't matter which way you go," said the Cat.

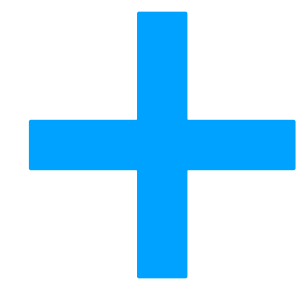
Where do we want to get to?

The hint is in the title: poverty reduction

To do this we must know more about the poor

What causes poverty?

pauco
'little'



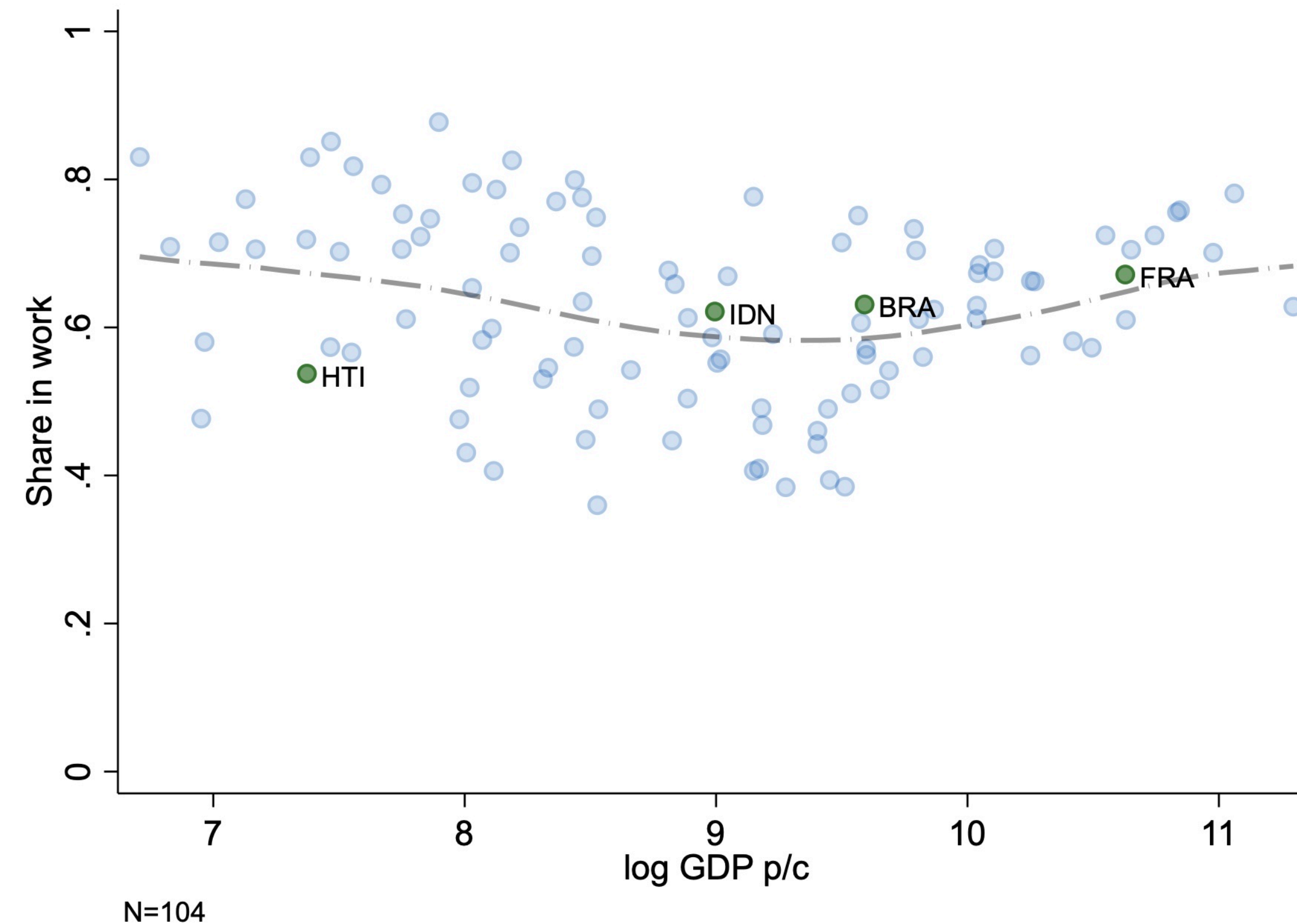
parare
'produce'

= pauper

To understand poverty we need to understand the jobs of the poor across countries.
To this purpose we* have put together the Jobs of the World Dataset

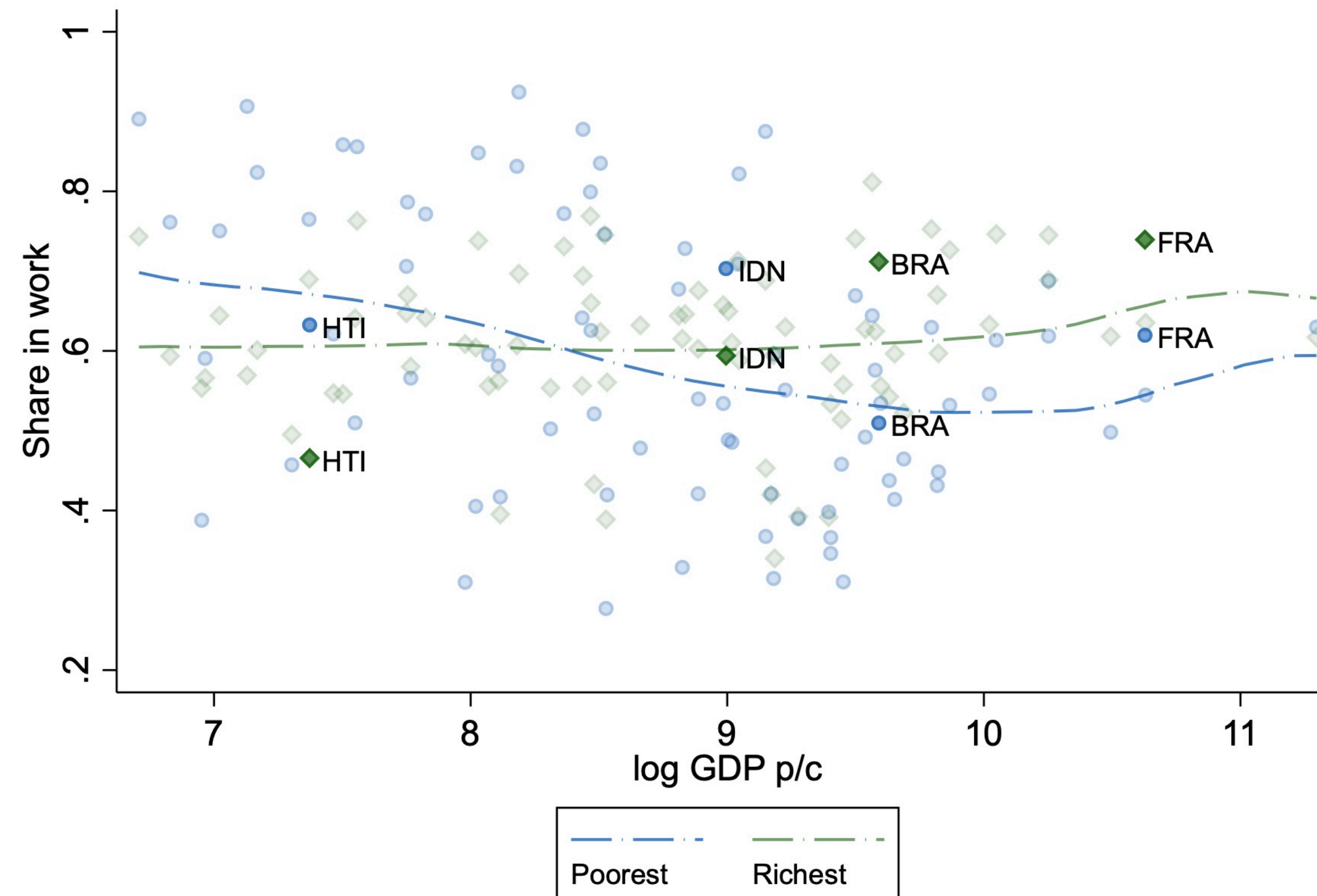
*Bandiera, Diaz-Padro, El Sayed, Heil, Smurra

Most people in low income countries engage in income generation



Share of population engaged in an income generating activity. Source: JWD

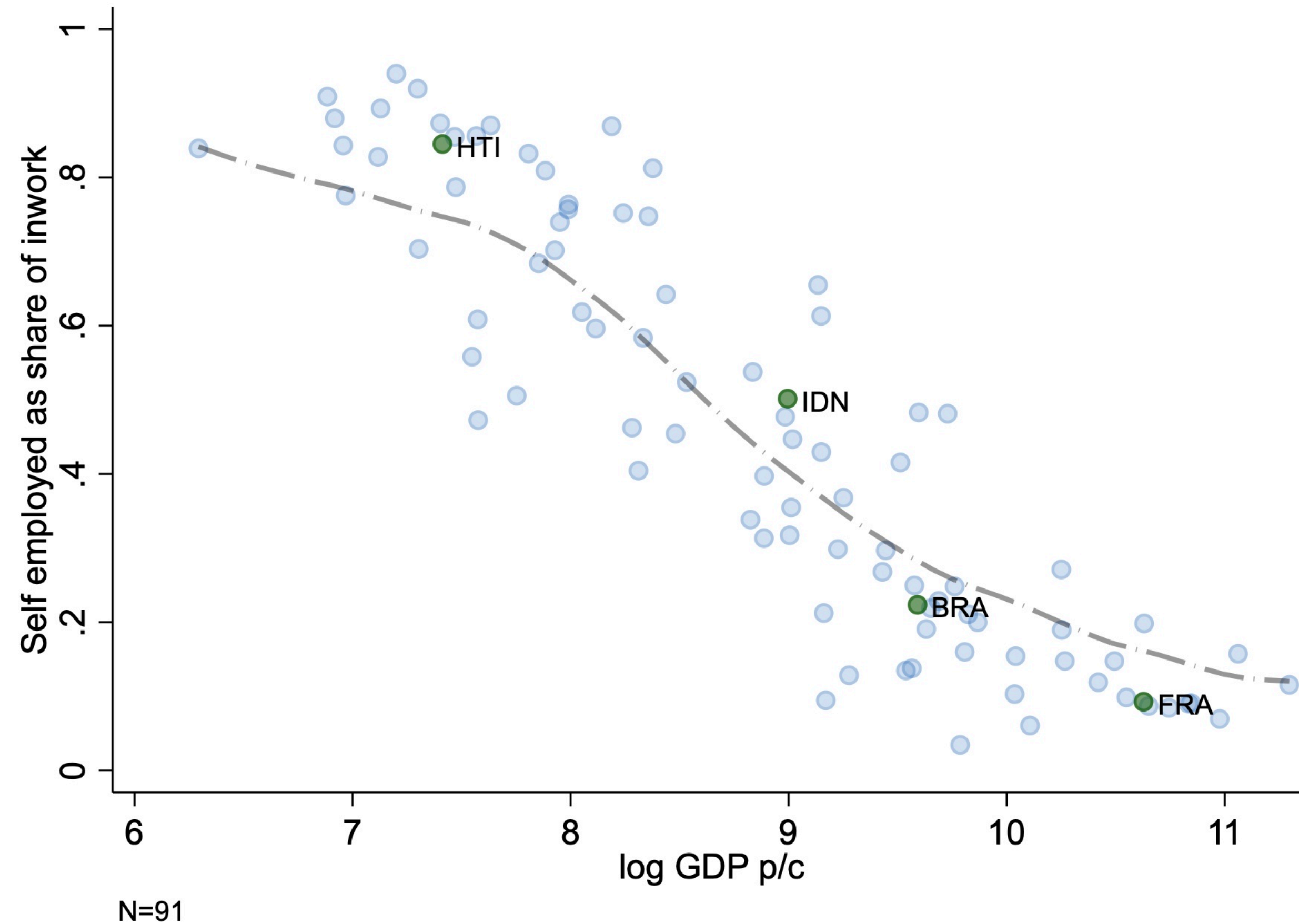
At low income levels, the poor are more likely to work than the rich



N=76

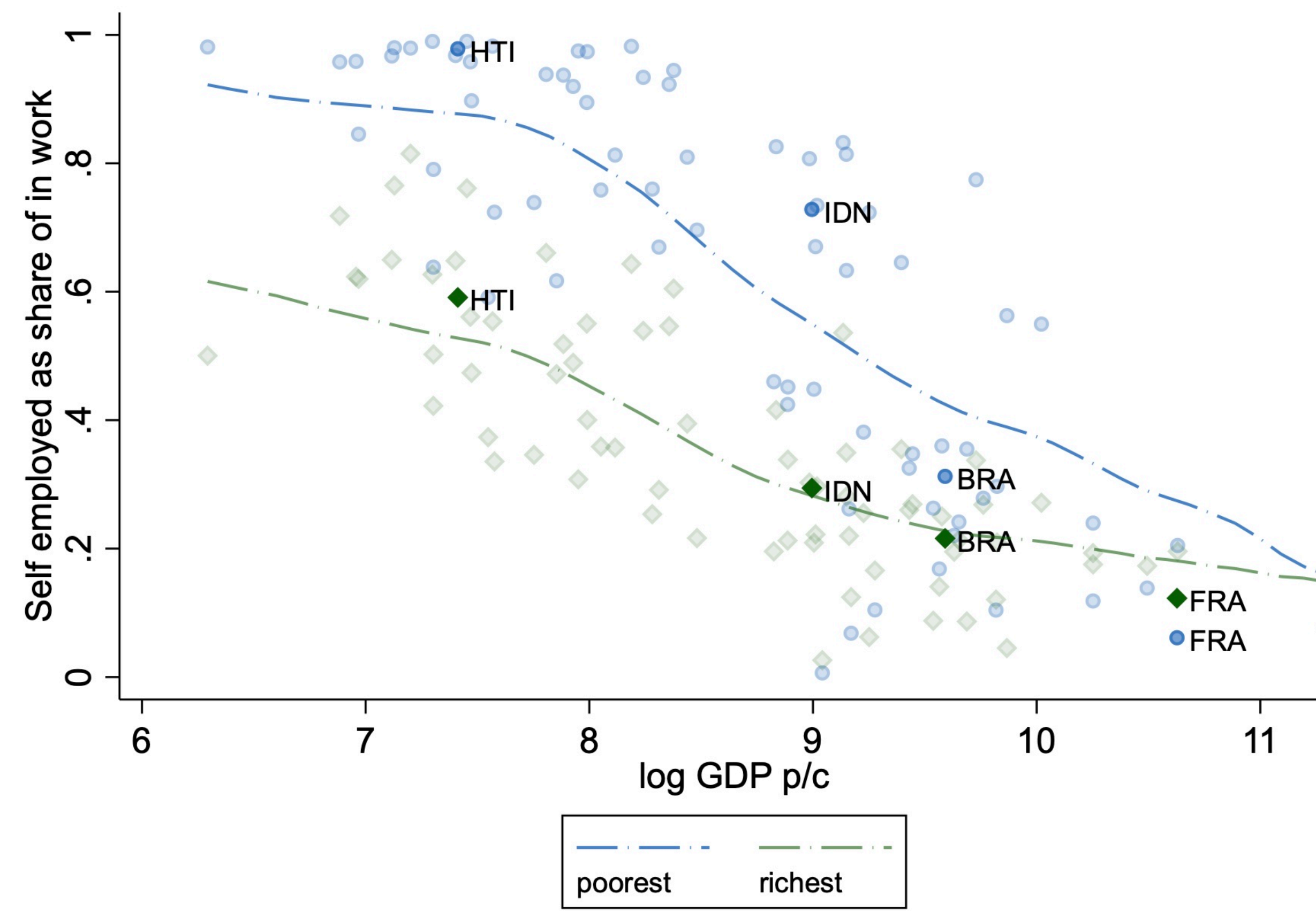
Share of population engaged in an income generating activity, by wealth quintile. Source: JWD

Most people in low income countries are self-employed



Share of self-employed in the population from JWD

Within country, the poorest are most likely to be self-employed



N=72

Social protection, bespoke

The nature of poverty differ across the development spectrum:

In high income countries, the poor are unemployed or wage employed

In low income countries, the poor are mostly self-employed

Social protection tools must be tailored to the organization of labor

This talk

Part 1: new evidence on self-employment and implications for the design of social protection

Part 2: below self-employment

1. Almost all work yet labour is in excess supply

**ECONOMIC DEVELOPMENT WITH
UNLIMITED SUPPLIES OF LABOUR***

by **W. Arthur Lewis**

Labor Rationing

By EMILY BREZA, SUPREET KAUR, AND YOGITA SHAMDASANI*

Self-employment is often the only choice

A recent experiment created jobs for 25% of the workforce in Indian villages—most left their s-e businesses to take the (temporary) job.

1. Implications

Directly relevant for public work schemes

Gains from coordination with other public programs, e.g. delivery agents in rural communities

**Losing Prosociality in the Quest for Talent? Sorting, Selection,
and Productivity in the Delivery of Public Services**

By NAVA ASHRAF, ORIANA BANDIERA, EDWARD DAVENPORT, AND SCOTT S. LEE*

1. Implications

The fact that “firm” owners really want a wage job might explain why business training, subsidies etc. designed to make their firm grow are not effective

This makes it difficult for young workers to find jobs, even highly subsidised interns are hard to place

Investing in vocational training is key to improve the labor market outcomes of young workers

TACKLING YOUTH UNEMPLOYMENT: EVIDENCE FROM A LABOR MARKET EXPERIMENT IN UGANDA

LIVIA ALFONSI

Department of Agricultural and Resource Economics, UC Berkeley

ORIANA BANDIERA

Department of Economics, IGC and STICERD, LSE

VITTORIO BASSI

Department of Economics, USC

ROBIN BURGESS

Department of Economics, IGC and STICERD, LSE

IMRAN RASUL

Department of Economics, UCL and IFS

MUNSHI SULAIMAN

Research and Evaluation Division, BRAC

ANNA VITALI

Department of Economics, UCL

2.a Entrepreneurs bear risk but cannot afford insurance

Time vs. State in Insurance: Experimental Evidence from Contract Farming in Kenya*

Lorenzo Casaburi
University of Zurich

Jack Willis
Columbia University

Insurance premia need to be paid in advance, often in slack season

A recent experiment increased insurance take-up from 5% to 72% just by shifting payment times to harvest season

2.b Climate change risk leads to a fall in investment

ADAPTING TO CLIMATE RISK WITH GUARANTEED CREDIT: EVIDENCE FROM BANGLADESH

Gregory Lane*

November 28, 2023

Weathering Poverty

Clare Balboni

Oriana Bandiera

Robin Burgess

Anton Heil

Clément Mazet-Sonilhac

Munshi Sulaiman

Yifan Wang

March 11, 2024

2. Implications

- loans or grants paid only in some states of the world (Udry 94)
- essentially insurance without a premium, ideal for those who cannot afford premia
- recent attempts at loans conditional on flood measurement have been successful (Lane, 24)
- not widely used for fear that the poor will not repay but if they are successful they will not need them

3. Liquidity constraints reduce productivity

-people do not have enough resources to survive during slack so they sell their labor

-and neglect their own land, which becomes less productive, increasing the labor sold, and the neglect etc

-a simple loan that funds consumption smoothing stops the downward spiral

Seasonal Liquidity, Rural Labor Markets,
and Agricultural Production[†]

*By GÜNTHER FINK, B. KELSEY JACK, AND FELIX MASIYE**

3. Implications

UBI reduces the need for liquidity and increases the bargaining power of the poor vs large landowners, increasing wages

Universal Basic Income: Short-Term Results from a
Long-Term Experiment in Kenya*

Abhijit Banerjee[†] Michael Faye[‡] Alan Krueger[§]

Paul Niehaus[¶] Tavneet Suri^{||}

15 September 2023

Summary

Self-employment income is:

Seasonal + Uncertain + Exposed to climate risk

In combination with poor credit and insurance market these features can trigger responses that provide immediate respite at the cost of future returns

Promising tools (conditional loans, delayed insurance premia) should be trialled as part of social protection

The poorest of the poor

Too poor to run a small business, normally engage in casual labor

Casual labor is unpredictable, low paid and generally unpleasant

These people work long hours when employed and zero when not

BRAC developed a program to “graduate” them out of poverty

We evaluated it

Graduation, BRAC

designed to help the poorest women in the poorest villages of Bangladesh

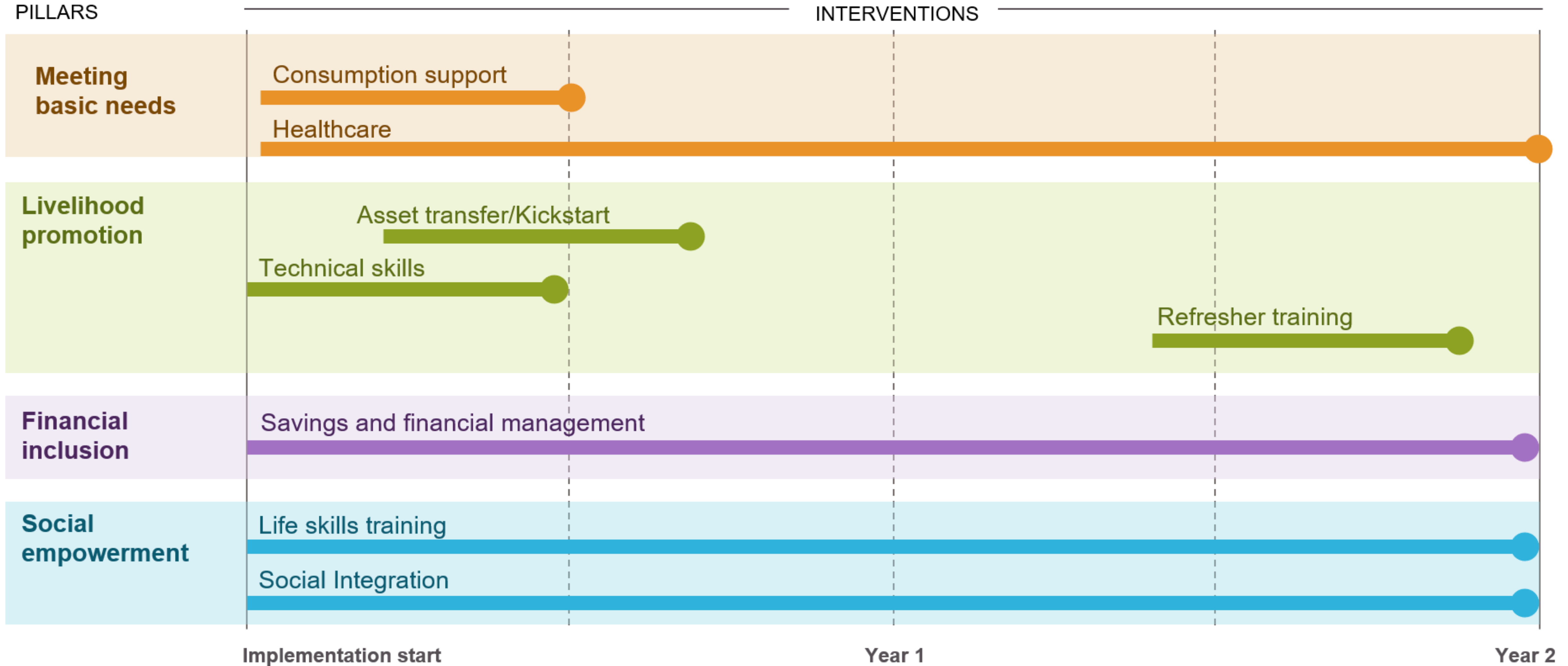
mostly widows, all illiterate, all well below the 1.90\$ line, employed in casual jobs

BRAC gave them a cow, and taught them how to take care of it

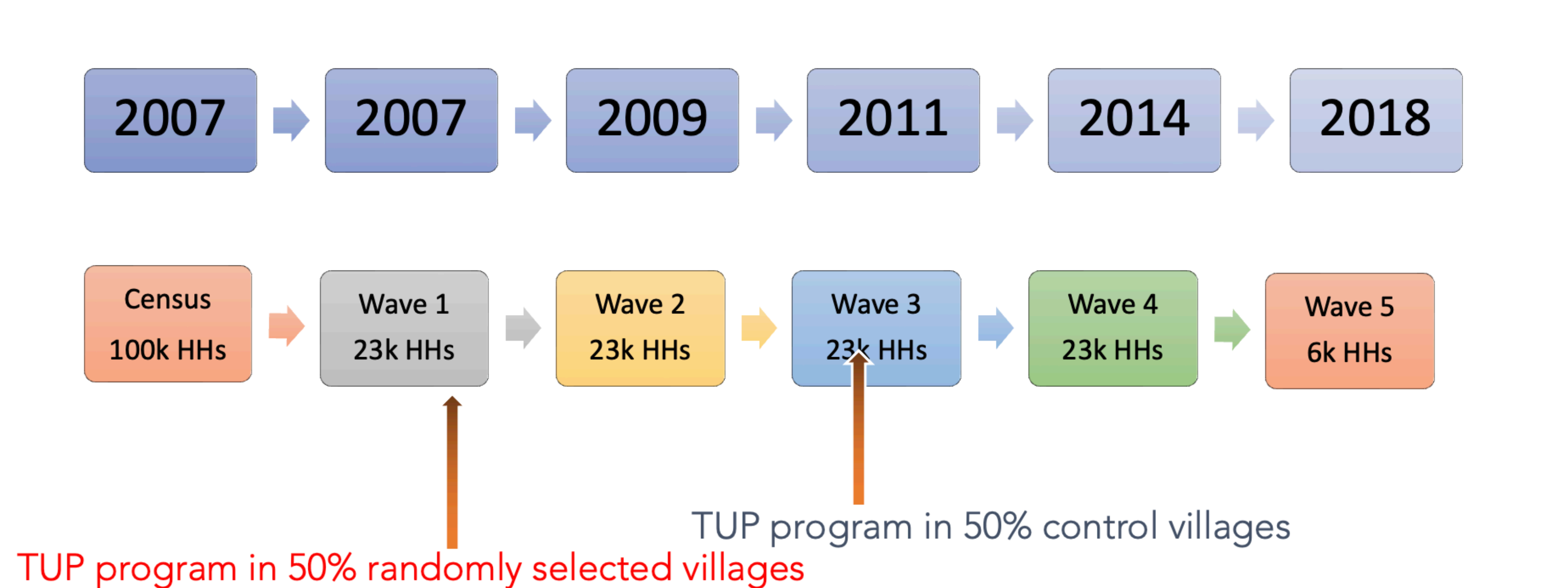


Cow rearing is very common among the richer women in the same villages

More than that..



Evaluation sample: design



Evaluation sample: people

	(1) Ultra-poor	(2) Near-poor	(3) Middle class	(4) Upper class
Household characteristics				
Share of population in this wealth class	0.061	0.219	0.585	0.135
Primary female is the sole earner	0.409	0.250	0.142	0.120
Primary female is illiterate	0.929	0.832	0.736	0.489
Consumption and assets				
Household is below the \$1.25 a day poverty line	0.530	0.493	0.373	0.121
Consumption expenditure (per adult equivalent)	627.8	645.1	759.5	1,234.2
Household assets [\$]	36.5	68.1	279.9	1,663.4
Household savings [\$]	7.9	22.1	84.5	481.9
Household receives loans	0.191	0.393	0.498	0.433
Household gives loans	0.012	0.018	0.030	0.067
Business assets (excl. livestock and land) [\$]	22.9	54.4	286.1	1,569.8
Livestock				
Household owns cows	0.055	0.154	0.469	0.733
Household owns goats	0.092	0.142	0.300	0.425
Value of cows [\$]	33.8	120.2	633.8	1,559.1
Value of goats [\$]	7.97	12.8	39.8	71.3
Household rents cows for rearing	0.070	0.148	0.118	0.030
Household rents goats for rearing	0.111	0.157	0.102	0.021
Land				
Household owns land	0.066	0.107	0.487	0.911

Key findings 2007-18

Beneficiaries drop out of casual labor and start a livestock business

Income, consumption, savings all rise

Sustained over time

Driven by those above a threshold of K \rightarrow poverty traps

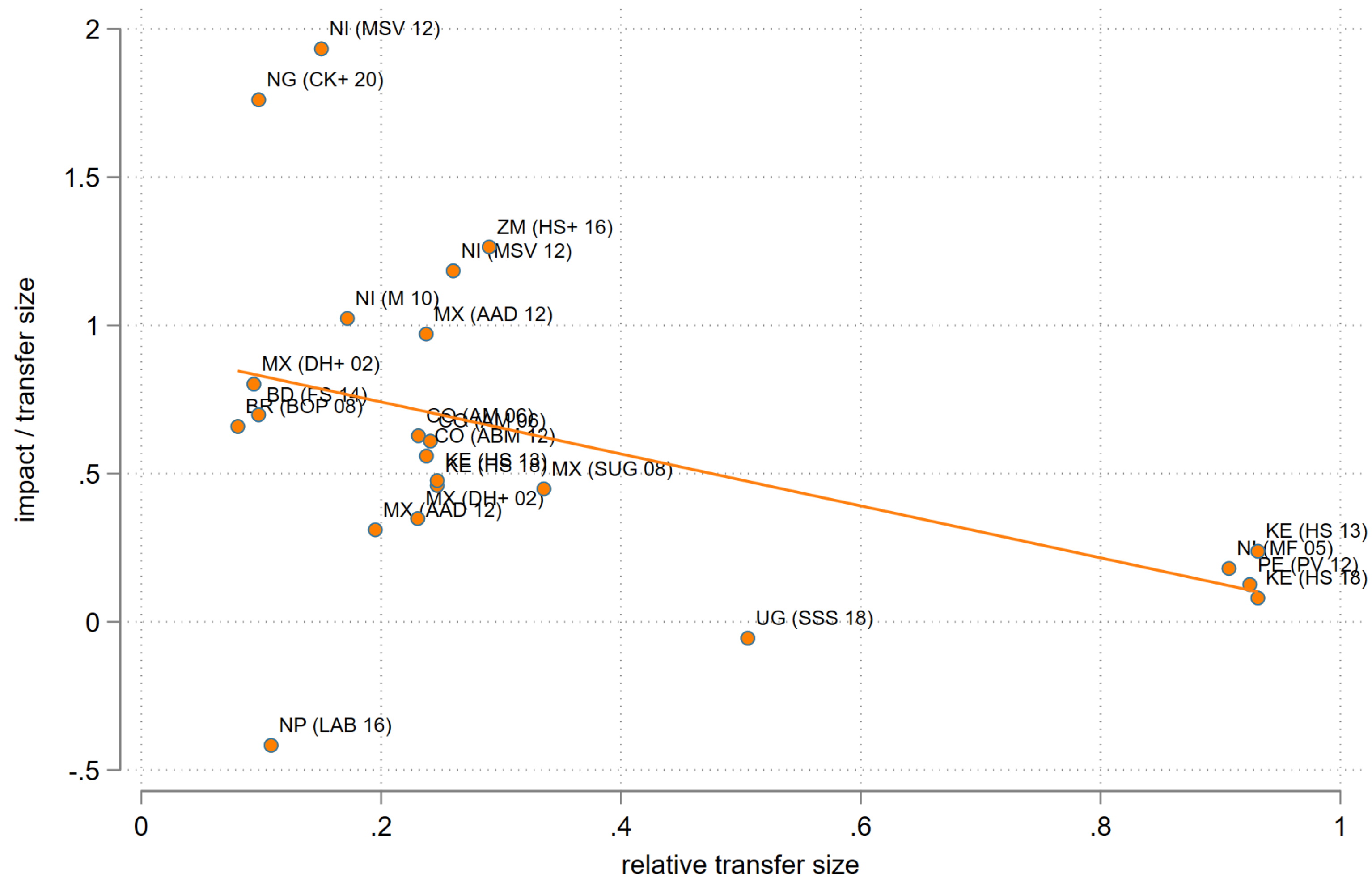
Graduation “lite”

Several attempts at reducing the cost of graduation programs to make them more widely adopted

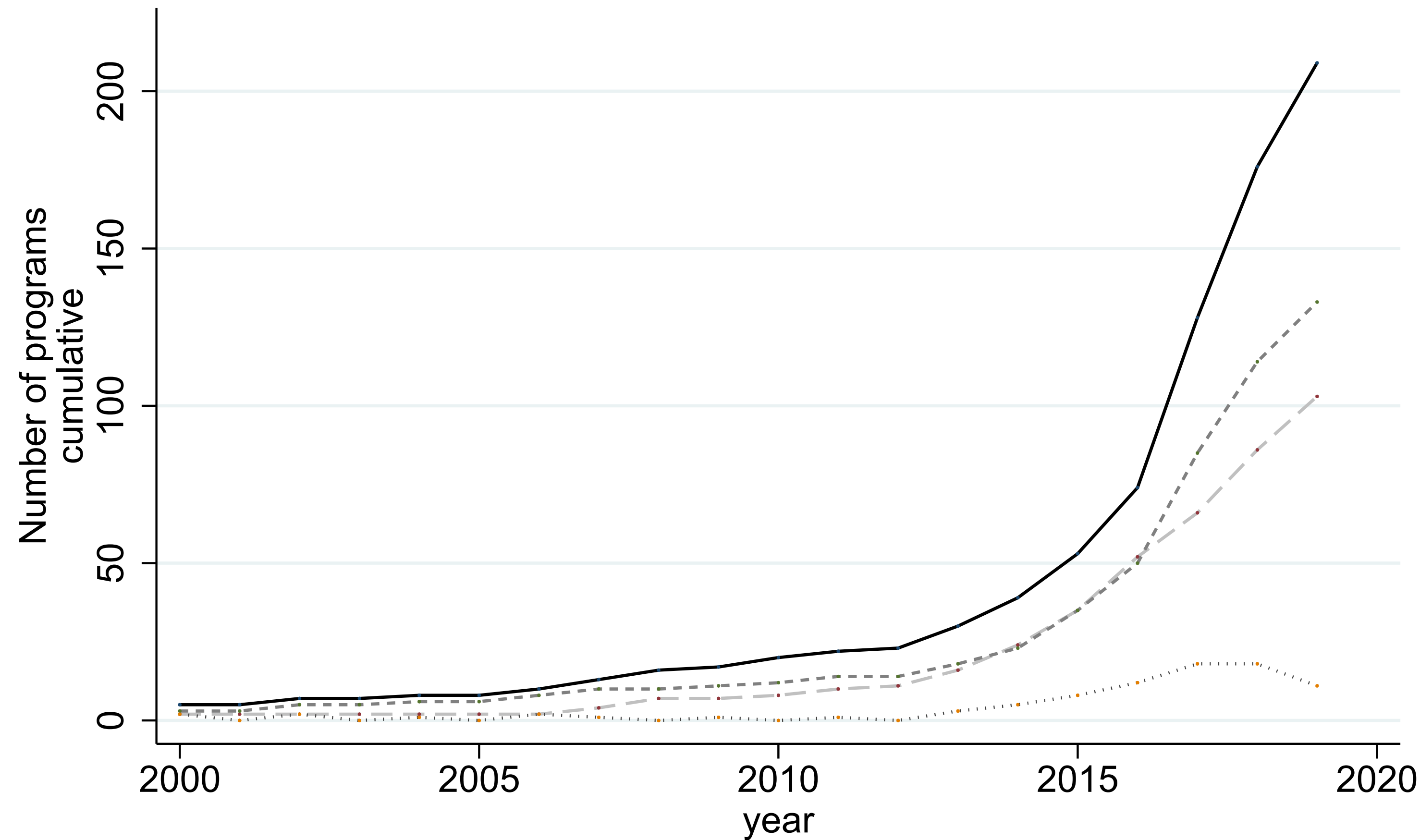
Fuelled by the finding that after two years, consumption is the same in cheap vs expensive programs

Consumption out of steady state **is not** a valid measure of poverty

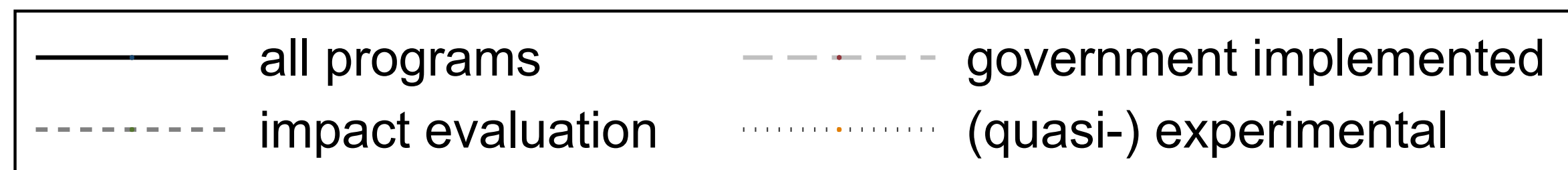
Smaller transfers are eaten



“Graduation” programs have been evaluated and proven effective



Should they be included in social protection?



Case against

It is not social protection, it is a springboard rather than a safety net (it's too expensive)

It might be used as an excuse to end social protection (it's too cheap)

In some cases effects wane after 7/10 years (still breaks the intergenerational transmission of poverty)

Case for

Fixed costs (of implementation, personnel etc) can be shared

It interacts with other social protection programs -e.g. public works - (Murdoch et al 2020)

Offering both allows people to sort by their aptitude, so timing and coordination are important

It will probably save money in the long run -it is effectively an investment in people