

*Assessing Social Protection to
the Poor: Evidence from
Argentina*

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Setting the stage

- *One of the worst macroeconomic crisis in Argentina's history in 2001-2002:*
 - Output fell by about 20 percent in the three years ending December 2002
- *The social impact of the crisis - McKenzie (2004):*
 - drop in real incomes, increase in poverty (50%)
 - With weak labor demand, unemployment rose (>20%)
 - Political and social unrest

The government response

- *Emergency safety net program*: introduced in Jan 2002 and rapidly scaled up (2 million beneficiaries by end of 2002)
- To ensure participation of the poor, work requirements were imposed (participation to community work, training/education for at least 4 hours/day) – self-targeting
- 150 pesos cash transfer per month
- *Eligible individuals: unemployed heads of households with dependents (children < 18)*
- *No time limits* (program perceived more as entitlement)

The case for evaluation

- Emergency financing: World Bank to finance about half of the program outlays for the program (US\$ 500m in 2002)
- Program scaled-up rapidly, allegations of abuses, leakages and implementation weaknesses
- Empirical performance of the program: evaluation crucial to justify Bank financing (Major impetus from the Task Manager of the Loan)
- Evaluation designed during project preparation

The case for evaluation

- Tagged on an existing labor force survey, rotating panel
- *Support technical staff at the Ministry of Labor (due to previous joint evaluation work) and the Statistical Institute*
 - Agreed to add questions about program participation to the October 2002 survey round
 - Agreed to keep full panel sample with October 2001 (rather than rotating panel)
 - Agreed to extra costs financed through an existing Social Protection project
- Cost-effective evaluation (no additional data collection)
- *Evidence-based results vs. anecdotes*

The research/policy questions

- What is the targeting performance of the program? Is it reaching the intended group?
- How did households respond to the program (labor force participation, labor supply, household partition)?
- What was the impact of Jefes on income of participation households? How effective was Jefes as a safety net? Did it protect the income loss due to the crisis for the beneficiaries?
- What was the impact on employment of participating households?
- How do the impact estimates affect the aggregate rates of poverty/unemployment?

Empirical Methodology

- *As in any workfare program, assuming a gain of 150 pesos (=gross transfer) might overestimate the impact of the program if:*
 - not all participants come only from the unemployed and there is a positive opportunity cost of participation.
 - Or if there are household responses to the program

Empirical Methodology

- *Group from which we draw a comparison is the group of Jefes applicants (those who applied but haven't received the program yet) (Angrist AER 1998)*
 - Have expressed their willingness to participate in the program (reduce the extent of selection bias in our estimates)
 - Shown to have individual/household characteristics that are very similar to the group of beneficiaries (at baseline, Oct 2001, and under plausible assumptions the same shocks/changes in income on average)
- *To clean out other sources of bias we apply matching methods (both SD and DD)*

Targeting Performance

- *Eligibility criteria poorly enforced:*
 - 1/3 of those receiving the program did not satisfy the eligibility criteria (and $\frac{3}{4}$ of those eligible did not receive the program)
 - a large share of beneficiaries were female, who would have not been in the labor force otherwise
- ... and some not verifiable
 - beneficiary status of unemployed, and head hard to verify effectively (over half of employment is in the informal sector)
- *Still effective eligibility criteria correlated with structural poverty combined with self-selection ensured good targeting performance*
 - having dependents, households with no members in the formal labor market
 - On average 30% of beneficiaries are in the lowest decile of household income per capita in October 2002, and 40% are in the poorest 20% of Argentine families.

Results

- *Net income gains between 1/2 and 2/3 of the cash transfer*
- our estimates of foregone income is on average 1/3 of transfer (50 pesos), consistent with the work requirement binding for most beneficiaries
- *The program provided ‘protection’ against extreme poverty among the participants*
- About 10% of participants would have fallen below the food poverty line in the absence of the program
- Drop in real income for applicants was on average 250 pesos per month, relative to Jefes beneficiaries (150 pesos decline)

Results

- *Observed heterogeneity in impacts*
 - Those previously employed had higher foregone income
 - Spouses/females are more likely to be drawn from unemployment/inactivity. Higher net income gains
- *Jefes did not just displace unemployed:*
 - On average half of gains for the beneficiaries came from employment from the program and half from inactivity

Results

- *Aggregate unemployment rate*
 - Allowing for behavioral responses the estimated drop in the unemployment rate due to *Jefes* is around 2.5% (compared to 5.8% drop assuming that all participants would have been unemployed)
- *Aggregate poverty rates*
 - Very small impact on the aggregate poverty rates, marginal impact on extreme poverty (program allowed an extra 2% to afford the food poverty line)
- *Overlap with administrative data*
 - Use nationally representative sample allowed to compare survey aggregates with administrative data of registered beneficiaries (and address allegations of frauds/ghost participants)

Post-evaluation

- *Economic activity bounced back sharply in 2003 (8.7% GDP growth)*
 - in a rebounding economy, opportunity cost of participation increases
- *Using the rotating panel, we could project the impact results over time (May 2003):*
 - About $\frac{1}{2}$ of those exiting the program find employment and $\frac{1}{3}$ (mostly female) go back to inactivity
 - the net gains to Jefes participation to those staying in the program drop from $\frac{2}{3}$ to about $\frac{1}{3}$ of the cash transfer \Rightarrow *very costly program to sustain*

Policy influence

- *Evaluation made possible by a combination of factors:*
 - Cost-effectiveness
 - Timing: provide information as early as possible during project implementation (july 2003, six months after project approval)
 - Engagement with local actors: previous technical collaboration with Min Labor/statistical institute. -> sharing knowledge program, administrative data
 - Given the controversial start, possibility of suspension of disbursements by Bank senior management if objectives of the project not met

Policy influence

- *Continued financing*
 - Impact evaluation with information about targeting performance justified continuing financing of the program + its follow-up transition project
- *Dissemination*
 - Results were disseminated as soon as available to the local counterparts
 - Evaluation + non-technical summary translated and posted on the WB website in Argentina
 - Though could have done more in academic circles, wider dissemination through op-ed pieces

Policy influence

- *Feedback on future policy design:*
 - Evaluation (and follow-up update) provided important inputs in thinking about type of policies that made sense for the transition strategy
 - Policy options on more active labor market programs:
 - Supply side (training programs)
 - Demand side (wage/employment subsidies, support to foster self employment)
 - Matching demand/supply (labor intermediation through employment agencies)

Policy influence

- *New administration took office in 2003.*
- Ministry of Social Development (new management agency) eager to allocate Jefes resources to finance small grants to group of Jefes beneficiaries to promote self-employment/productive activities
 - High failure rate this type of programs
 - Not obvious why Jefes participants would self-select and be suited for self-employment projects (as opposed to programs promoting employability in the wage labor market)
- Built-in a follow-up evaluation of the self-employment promotion component to assess the viability of this component before scaling-up

Conclusions

- *Impact evaluation large scale safety net designed to address pressing policy questions and sensitive to timing considerations*
- *Evaluation provided credibility to the program and information about program implementation in a very unstable environment and a decentralized setting*
 - Dissemination of results of the program on participants and on aggregate outcomes (unemployment, poverty)
 - Targeting performance and composition of the beneficiary population ('entry effects') highly valued by operation and government counterparts

Conclusions

- *Key role local counterparts* (statistical institute, program operators)
 - Knowledge about program implementation
 - Sharing administrative data
 - Primary recipients of the results of the evaluation
- *Link with operations* crucial in ensuring implementation of the evaluation and follow-up of the results in the policy dialog with the Government
- Need for *wider dissemination* results to increase policy influence