



Conditional cash transfers in high-income countries and their impact on human capital accumulation

Márton Medgyesi
Tárki, Social Research Institute

Expert Group Meeting on
“Strategies for eradicating poverty
to achieve sustainable development for all”

Introduction

- Shift by traditional welfare states to a “social investment state”
- CCTs increasingly popular in low- and middle-income countries: extensive evaluation
- Are CCTs transferable to EU Member States with different contexts (child poverty, institutional and policy context)?

Based on: „Study on Conditional Cash Transfers and their impact on children”
commissioned by the EU DG Employment

- Review of existing CCT schemes in EU MSs (+candidate countries)
- Review impacts and identify success factors, challenges

Research Methods:

- Literature review, expert survey, case studies



Definition and design of CCT programs

Definition:

- CCT non-contributory cash transfer conditional on a certain behaviour or the result of that behaviour.
- Conditions relate to human capital accumulation (education, health, parenting support) of children below 18.

Design issues:

- Incentive: framed as a loss (penalty) or a gain (reward)
- Condition: behaviour (eg. attendance) or performance (test score, graduation)?
- Targeting: by income status + targeting to groups with low investment
- Transfer: size, frequency
- Monitoring: frequency
- Sanction/reward:
 - Sanctions can be suspension of benefits/softer (case worker)
 - Immediate/delayed
- Service component



CCTs implemented in developed countries

Conditions related to health

- Birth grants: targeted UK, AT, FR untargeted: AUS, FI, LU, SK, HU
- TANF (USA) : 24 states require immunization, 7 health require checkup

Conditions related to ECEC

- Kindergarten allowance (HU)

Conditions related to compulsory schooling

- Conditioning on school attendance: TANF (in 38 states of the US), Child benefit (SK, CZ, HU, BG, RO), Minimum income benefit (BG, SK, RO, MT, IE), School allowance (BE)

Conditions related to post-compulsory schooling

- Extension of eligibility for child benefit (16 EU MS)
- Grants to finish secondary school: Youth allowance, ABSTUDY (AUS), 11 EU members, eg. EMA (Wales), Equal Opportunities Scholarship (HU)



Potential impacts of CCT programs

Desired effects:

Incentive effect:

- In families where school attendance condition is not met CCT reduces the costs of further education, thus has an additional incentive effect, (UCT has only income effect).

Adverse effects on behaviour:

- Undermining intrinsic motivation by the use of extrinsic motivation.
- Recipients maximise reward (eg. take easier courses if conditioned on credits earned)
- If conditions impose high private costs: lower take up! (eg. stigmatisation).



Review of impact evaluations of 24 CCT programs in developed countries

	Conditioning on behavior (e.g. enrolment, attendance, homework)		Conditioning on performance (e.g. grades, credits, test scores, graduation)	
	Negative incentive	Positive incentive	Negative incentive	Positive incentive
Health	PPI (Maryland) PIP (Georgia)	Opportunity NYC		
Early Childhood Education and Care		Kindergarten Allowance (HU)		
Primary schooling	Learnfare (Ohio) Achieving Change for Texans (ACT) (Texas) ABC (Delaware)	Opportunity NYC Earning by Learning (Dallas)		Opportunity NYC Coshocton experiment (Ohio) Levitt et al. experiment (Chicago)
Secondary schooling	Learnfare (Wisconsin) Learnfare (Ohio) ACT (Texas) ABC (Delaware) SADP (San Diego) Cal-Learn* (California) LEAP* (Ohio) TPDP* (New J., Chicago)	Opportunity NYC EMA (UK) LEAP* (Ohio) Cal-Learn* (California) Quantum Opportunity*	Cal-Learn* (California)	Opportunity NYC Cal-Learn* (California) EMA (UK) The Paper Project (Chicago) Achievement Awards (Israel) Monthly Grade Stipend (US+) Quantum Opportunity* TELS (Tennessee)



Impacts of CCT programs on human capital development

Results:

- CCTs conditioned on behaviour more often positive effects on behaviour.
CCTs conditioned on performance: mixed results.
- Mixed results on the persistence of effects:
 - non-persistent effects, eg. Rodriguez-Planas (2010), Bettinger (2012)
 - persistent effects eg. Dee (2011), Jackson (2010).
- Heterogeneity of impacts:
 - gender: larger effects among girls eg. Angrist and Lavy (2009) or Rodriguez-Planas (2010)
 - social status: larger effect among less wealthy students e.g. Dearden et al. (2009).
 - school achievement: effect was higher among low-achieving students *Learnfare* (Dee 2011) and the EMA (UK) programme (Dearden 2009); opposite in case of *Opportunity New York City* programme (Riccio et al. 2011).



Results on CCT design alternatives

Mixed results with different designs:

- negative/positive incentives,
- programmes conditioned on behavior vs educational performance.

Experiments with varying design parameters (eg. Levitt et al. 2012):

- Negative incentives had a consistently large effect,
- Financial and non-financial incentives had the same effect among younger students, but older students were more responsive to financial incentives.
- Immediate incentives had a strong effect, while delayed incentives had no effect on student test scores.

Combining CCTs with social services?

-*Cal-Learn* evaluation: (Mauldon 2000). Impact on proportion of secondary-school graduates:

Incentives+ case management :+ 7points (baseline 24%)

Financial incentives: + 3.7 points

Case management: +3.2 points



Lessons from case studies

Child allowance (BG) and Schooltoelage (BE):

- no quantitative evaluation
- not particularly effective as incentive mechanisms: BG: 30% of non-take up, BE: long time period elapsed between the noncompliance and sanctions
- perceived as unfair sanction

The Kindergarten Allowance (HU):

- found successful by quantitative impact evaluations
- Improvement: better fine-tuning of the incentive system, investment in the supply of kindergarten services, active involvement of parents.

Educational Maintenance Allowance (UK):

- found successful by quantitative impact evaluations
- not cost effective (covered almost half of student population)

Conclusions

- CCTs can be successful if low demand for services results from lack of information or motivation.
- The incentive structure is best kept simple and the link between behaviour and reward/sanction should be transparent.
- Programs should be adequately designed to the specific policy problem. Pilot projects of the planned intervention are needed, preferably experimenting with different design alternatives.
- Programme impacts should be measured and monitored to understand the effects.
- More research is needed on the effects of conditions, long-term impacts, potential adverse effects.
- Transferability issues: supply of services and admin capacity less problematic
 - policy context
 - social acceptance