Social Protection in the COVID-19 ERA: What can the evidence tell us?

Rema Hanna
Cheah Professor of South East Asia Studies, Harvard Kennedy School
Director, Evidence for Policy Design; Co-Director, J-PAL Southeast Asia

Benjamin Olken
Professor of Economics, MIT
Director, J-PAL; Co-Director, J-PAL Southeast Asia
Long lasting economic impact, with great uncertainty

• COVID-19 has created a devastating health challenge

• But, also an unprecedented economic shock, with consequences for global poverty and inequality
  - **Expect to last:** not just due to recurrent health challenges, but also to slowdowns of global production, demand, migration, labor market relationships, and trade
  - **Not just due to government-enforced restrictions:** both supply and demand shocks are occurring

• Need for increased social protection on a large scale, perhaps in new forms and with different people than before

A massive expansion of social assistance

- 169 countries to date have enacted or expanded social assistance measures as a response to COVID-19
  - Fiscal stimulus as a share of GDP is ~1.5% in low income and 7% in lower middle income countries
  - In contrast, 13.6% in the U.S.
- In expanding program access and benefits, many countries utilized existing program platforms, illustrating how important investments in social protection systems and institutions are
  - In Kenya, authorities used the existing flagship “Inua Jamii” that supports elderly, orphans and other vulnerable members (1.1 million beneficiaries)
  - In Brazil, the Bolsa-Familia program had more funds allocated to their main social program and additional people included as beneficiaries

Coronavirus Government Response Tracker
How should systems and programs be designed or re-designed to support the challenges coming over the next 12-24 months?
Systematic challenges

- Developed countries face key challenges in program financing, design, and delivery
- Developing countries face these challenges plus more
  - Limited fiscal space due to lower tax collection to GDP ratios, as well as constraints to borrow
  - Challenges with targeting given large informal sector, limited information
  - Challenges with delivery given weaker institutions, incomplete markets (e.g. insurance markets, labor markets)
Today’s agenda

- **Question**: How does the evidence on social protection that we have from normal times inform how we think about the COVID era?
  - Financing
  - Safety Nets and Targeting
  - Conditionality: cash transfers and formalization
  - Delivery & Digitization

- **Guiding principle**: This crisis will last, but also evolve. So now is the time to continue to adapt and build programs and systems that are dynamic and flexible as the crisis evolves, and that can also help countries be prepared for economic downturns in the future.
Ensuring fiscal space to manage the crisis

- Crisis is going to last
  - Uncertainty around vaccine or herd immunity
  - Potentially, in and out of lockdowns
  - Even beyond vaccination, uncertainty over recovery time
- Coupled with fewer tax dollars, competing budgetary needs (e.g. health, education)
- **Even more important to make the best use of resources available**
Building social protection around the health response

- Many countries emerged from acute lockdown phase
  - 22 countries have imposed hard lockdowns at the end of March against 10 at the end of May
  - More countries are moving to stay at home recommendations (from 36 to 68) compared to requirements
- Given the potential shape of the health crisis, there’s substantial uncertainty in whether future lockdowns may occur in the future
- Different policy approaches make sense depending on the public health situation and response to it, but either way, it is important to plan now for these different contingencies

Coronavirus Government Response Tracker
Social protection for lockdown periods

- Need for more universal / broad brush transfers
  - Lockdowns are costly: many of the poor live hand to mouth
  - If you ask people to stay home, you must help them survive not just for humanitarian reasons, but to actually get the lockdown to work
  - Consider direct food assistance: allows automatic self-targeting (you don’t need to distribute fancy food), and meets the basic needs

April, 2020. Maryland, US. Road sign instructing drivers to stay home. Photo: Nicole Glass Photography | Shutterstock.com
Social protection without lockdowns

- **Targeting becomes more important**
  - Cost Constraints: With the same level of funds—even with high relative rates of targeting error—the overall welfare level of the poor is higher under targeted programs
  - This is, in part, because developing countries have less ability to progressively tax back the transfer from the rich

- **Still worry about exclusion error**
  - Targeting error is lower as you go up the distribution (i.e. trying to hit the bottom 50% versus the bottom 10%), so we expect less targeting error
  - Nonetheless, important to think about additional methods to “correct” exclusion errors in real time—we will talk more about this in a bit

Hanna and Olken (2018)
How to make programs more flexible?

- Real political challenge of how to temporary target resources to geographically “hit” areas
  - US Federal Government can’t announce a “Special Transfer to Residents of New York”
  - Political pressures to reach rural areas, even if an urban area are more in need
How to make programs more flexible?

- Consider making social protection policies automatically tied to region-specific health metrics/social distancing/lockdown policies
  - India classified its territory into red, yellow and green zones until it started lifting the lockdown
  - In Indonesia, regions have been divided into green, yellow, orange or red categories
- These different phases can be linked to social protection components, e.g. automatic triggers when a region goes into a ‘red phase’
Safety Nets & Targeting
Many countries did what they could do in a crisis moment:
  • Built off existing targeting data and used existing systems
    • Chile issuing benefits to informal workers using “social registry of households”
    • Nigeria expanding social register from 1 million to 4 million households
    • Pakistan launching Ehsaas Emergency Cash Programme (EEC) leveraging existing social benefit databases
  • This was the right thing to do
  • But as we settle into the “new normal,” now is the time to step back and think about more systematic changes to improve both how systems work now, but also how they will perform in future downturns
Unified database systems (UDB)

- A push toward universal targeting systems
- This, in itself, is not a bad idea, but in doing so, we need to think hard about the strengths and weakness of these systems
  - Who are they capturing well?
  - Who is being excluded? Cost of exclusion is much higher since exclusion from UDB may mean exclusion from many programs
  - Are they allowing for more flexible transitions on and off the systems?
Many UDB systems based on proxy-means tests

<table>
<thead>
<tr>
<th>Two key characteristics with PMT systems:</th>
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<td>1. PMT targets the permanent component of consumption</td>
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<td>· Targets <strong>observable</strong> durable assets (e.g., roof type, TV)</td>
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<tr>
<td>· Implies that PMT errors will be systematic -- they will miss people who experience recent shocks (no income, but still have a nice roof)</td>
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- These characteristics are not be bad if you are targeting the systematic poor for long-run programs (e.g. CCT programs)

- But both of these features are uniquely challenging in the COVID era when you need to expand to:
  - newly vulnerable
  - those who may look more middle class in terms of assets but face income shocks
Community-based and self-targeting can improve flexibility in identifying the poor without increasing targeting error

Community-based targeting

- **Idea**: Give each community a fixed number of slots (perhaps based on poverty level), and allow local community institutions to identify beneficiaries.

- **Potential advantages**: Reduce exclusion error, capture recent shocks, adapt to local understanding of poverty.

- **Evidence**: Alatas et al 2012 find beneficiary lists better correspond with local understanding of poverty, much higher community satisfaction.

Other measures that we may care about?

Community targeting led to much higher community satisfaction, better selected households that self-identify as poor, and chose slightly different characteristics of households than the PMT.
Community-based and self-targeting can improve flexibility in identifying the poor without increasing targeting error

On-demand application (self-targeting)

- **Idea**: Allow people to apply to be included in beneficiary list
- **Verification**: PMT with higher threshold, match with employer information or bank or cell phone records
- **Potential advantages**: May screen in people who really need assistance, and screen out those who are rich
- **Evidence**: Alatas et al 2016 find that adding an on-demand step helps improve screening compared to PMT with similar eligibility

Requiring households to apply led to more of the poor receiving benefits compared to automatic screening

- On-demand application led to lower inclusion error and lower exclusion error
- 61% of eligible (poor) households applied
- Non-poor households were less likely to get benefits because rich households did not bother to apply
- Results from Alatas et al (2016)

Novel sources of data

- Current crisis requires us to identify approaches to target those left out, leveraging new sources of **administrative data** that capture shocks
  
  - Cell-phone data - E.g.: predicting socioeconomic status using mobile phone networks in Rwanda (Blumenstock, et al 2015); ongoing replications in Togo, Bangladesh, Nigeria
  
  - Electricity use data
  
  - Bank account data
  
  - Lists of people laid off from formal industry

Blumenstock, et al 2015
Universal ID systems are an important basis for this

• Allow linking across datasets
• But, recent evidence suggests that when imperfect, use of these systems can lead to important gaps for those who do not have IDs (Muralidharan, et al 2020)
• Invest in improving these systems
• Important to ensure that they are inclusive, particularly for disadvantaged and minority groups

Muralidharan, et al 2020
Conditionality: cash transfers and formalization
What to do about CCTs?

- During the crisis, many countries explicitly loosened conditionality
  - Capacity constraints with program expansions
  - Education and health supply side constraints
- But, even before the crisis, there was substantial heterogeneity in the enforcement of conditions

...and that may actually not be a bad thing
Labelling can be as effective as formal conditionality

- Enforcing conditions can lead to the exclusion of the poorest and discourage some households from even applying for the transfers

- Labeling or encouraging behaviors may have similar effects

  - In Morocco, labelled cash transfers improved educational outcomes more than conditional cash transfers by increasing the salience of education

  Benhassine et al. (2015)

Note: Statistically significant difference relative to the comparison group is noted at the 1% (***) or 5% (**), or 10% (*) level.
Don’t enforce conditions unless they are likely to be met

- Baird et al (2012) illustrate the tradeoff
  - CCT program increased test scores relative to both control and UCT
  - But, ever married is lower for UCT relative to CCT, driven by those who are not in school
    - Reason: important income effect from the cash transfer on ever married, but in CCT the unenrolled don’t get cash (while they do in UCT)

- In short:
  - Conditionality arose in part as a political tool to ensure general buy-in from the public at large over welfare payments for the poor
  - Tension between incentive effects and providing income support, and which to emphasize may depend on context
  - Growing evidence that we may not want to enforce conditionality as strongly, but rather think about messaging over general transfer programs

Baird et al (2012)
Similar logic may apply to thinking about imposing conditions to firms

- Policy debate about whether to condition aid to informal firms on formalization
- Key questions to ask:
  - How responsive are firms to incentives to formalize?
    - If firms do not want to formalize for various reasons, conditionality may cut off aid to many firms who need it.
  - How large are the benefits from formalization?
    - If benefits from formalization are modest for the firms in question, may not want to do this – especially if the goal is to help keep firms solvent in the crisis
- Growing experimental evidence suggests that getting firms to formalize is challenging and the benefits often modest for the firm
  - Suggests now may not be the right time to insist on formalization for aid

Delivery & Digitalization
The crisis — and the need for social distancing — has reinvigorated the move to digital enrollment and payments systems
Opportunities and challenges of digitization

- **Opportunities**: spur mobile money in general (Suri, Jack 2016; Bharadwaj, et al 2019)

- **Challenges**: switch over rapidly and be stuck with inefficient systems, especially since we know that organizational and technological change is hard after the initial “seeding”

Bharadwaj et al 2019; Jack, Suri 2014; Suri, Jack 2016
Technology challenges in digital enrollment

- Transition to web or phone-based enrollment systems
- Examining national health insurance, we find that while many people want to enroll when offered help with web based system, actual enrollments are much lower than intended
- This is due to lack of discretion in the system to fix information regarding national identification numbers

Banerjee, et al 2020
Will you get the intended results from digital payments?

- In India, a move to digital payments had differing results based on system:
  - Andhra Pradesh: biometric authentication systems led to a faster and less corrupt payments process without adversely affecting program access
  - Jharkhand: it did not reduce leakages and reduced benefits for those who had not previously registered an ID by 10.6%
  - Reconciling results: In Andhra Pradesh, the program aimed to prevent exclusion errors by emphasizing beneficiary experience and was more flexible with previously unregistered beneficiaries

- In Indonesia, the move to digital payments improved targeting. But, no one is using the bank accounts created for other forms of financial transactions, and so the transformational digital revolution is not happening...

Muralidharan, Niehaus, and Sukhtankar 2016; Muralidharan, Niehaus, Sukhtankar 2020a; Muralidharan, Niehaus, Sukhtankar 2020b; Banerjee, et al 2020
Even who you give the bank account to may matter...

- In India: depositing women’s wages from public workfare program directly into female-owned bank accounts instead of into the male household head’s account (the status quo) increased women’s work (both in the program and in the private sector).

- In Saudi Arabia, women are more likely to even apply to transfer programs when they learn the money can go directly to their own bank account rather than a joint family account.

What can we conclude?
Key Thoughts for the COVID-19 era

• Automatic stabilizer, particularly for lockdowns
• Make your targeting flexible and able to handle “shocks”
• Be careful about conditionality if the benefits are not large or have perverse effects – other ways to achieve policy goals
• Benefits to digitization, but remember that the details considerably matter
Next Steps

**Next steps:** J-PAL researchers and staff ready to collaborate with World Bank TTLs to rigorously evaluate the impact of critical social protection projects.

- Reach out to HDCE team and J-PAL to coordinate follow-up discussions
  - Please contact Roberta Gatti (rgatti@worldbank.org), and Adil Ababou (aababou@povertyactionlab.org; J-PAL Political Economy and Governance Sector Manager)