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The exclusion from welfare benefits: Resentment and survey attrition in a randomized controlled trial in Mexico



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ABSTRACT

Public policy programs must often impose limits on who may be eligible for benefits. Despite research on the impact of exclusion in developed countries, there is little evidence on how people react to being excluded from benefits in developing societies. Utilizing repeated waves of data from an experimental evaluation of Mexico's foundational PROGRESA antipoverty program, we examine the impact of exclusion and distinguish two separate forms. "Statistical exclusion" occurs where determination of benefits is based on randomized assignment to a treatment and control group. "Needs-based exclusion" occurs when benefits programs are designed to be selective rather than universal, basing eligibility on characteristics, like relative poverty, that are difficult to measure simply and accurately. Focusing on temporal variation in survey non-response as our behavioral outcome, we show that needs-based exclusion has much greater negative effects on continued participation than statistical exclusion. We also show that these effects are concentrated among the wealthy, that is, those furthest from the eligibility cut-off line. These findings reinforce general concerns about the validity of evaluation studies when incentives are at work. We discuss both the behavioral explanations that might underlie these findings as well as some potential approaches to reduce threats to evaluation validity.

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1. Introduction

A simple quandary lies at the heart of many health and welfare policy program designs: should a program be "universal", furnishing everyone with what Sen (1983) describes as "basic capabilities"? Or should it exclude some people while targeting others judged to be more needy (Korpi and Palme, 1998; Ravallion, 2009)? The growing dominance of conditional cash transfer (CCT) approaches to health and welfare policy interventions has given more weight to this quandary. Originating primarily in Latin America in the late 1990s and early 2000s—including Mexico (*Progres/Oportunidades*), Brazil (*Bolsa Familia* and *Bolsa Escola*), Peru (*Juntos*), Colombia (*Familias en Acción*), Chile (*Chile Solidario*), Guatemala (*Mi Familia Progres*a), and Panama (*Red de Oportunidades*) (Rawlings and Rubio 2005)—CCT programs are now being implemented globally. Their

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impacts have been identified across a range of development priorities including education (de Janvry et al., 2006; Rawlings and Rubio, 2005), health (Fernald et al., 2008; Lagarde et al., 2007) and poverty (Behrman and Skoufias, 2006; Skoufias, 2001).

A number of specific factors make this shift toward CCT programs—with their necessary targeting of some people and exclusion of others—a cause of concern, especially in poor, developing country settings (Handa and Davis, 2006; la Brière et al. 2006). First, indirect evidence suggests that reactions to unequally distributed benefits and gifts may be more intense in such settings, since the marginal effects of access to any extra resources are large (Foster, 1972; Schoeck, 1969). Second, because households in such settings often rely on informal systems of insurance to smooth consumption over time (Fafchamps and Gubert, 2006; Stecklov, 2002; Townsend, 1994; Weinreb, 2002), exclusionary programs may be damaging if they corrode the network of mutual obligations upon which such systems depend. This could occur where selected households have less incentive to continue to participate in such networks. Third, and perhaps most importantly, for exclusionary programs to work effectively and not create feedback, there must be confidence that resources are allocated to beneficiaries in a fair manner. This is a problem where the criteria used in targeting are based on oft' mismeasured characteristics such as income, wealth, or stigmatized behavior (Besley, 1990; Besley and Coate, 1992; Korpi and Palme, 1998; Moffitt, 1983; Rainwater, 1980; Soss and Schram, 2007). They are also a problem where political actors utilize ethnic patronage or other forms of clientelism to maximize their own individual political benefit (Bates, 1981; Posner, 2005). In such cases, we would expect exclusionary programs to generate negative externalities and policy feedbacks by modifying incentive structures in different ways for those included and those excluded by the program (Bruch et al., 2010; Soss and Schram, 2007). Finally, and most generally, the legitimacy of different types of inclusion and exclusion, especially in relation to public goods, is a frequent focus of political debate. On the one hand, it is connected to political ideas about access to resources that vary cross-culturally and, therefore, may not appeal to important local constituencies in any given society (Rothstein, 2001, 2002). On the other hand, a growing body of cross-cultural economic experiments on public goods has confirmed that “cooperators” are willing to incur high costs in order to punish those judged to have “defected,” that is, acted too selfishly (Sigmund, 2007).

These arguments suggest that there may be a darker side to needs-based CCT programs than is often acknowledged. In particular, such programs may generate negative emotional reactions such as resentment, envy and injustice—key “moral sentiments” in Adam Smith’s terms—where someone is seen to be enjoying a valued public good that is denied to others, or that those others feel the recipient does not deserve (Smith and Kim, 2007).

In this paper, using data from a large-scale randomized control trial (RCT) evaluation of PROGRESA, the first major CCT program in Latin America, we explore these reactions. We focus on whether patterns of inclusion and exclusion built into needs-based CCT programs differentially affect the behavior of included and excluded individuals. Taking advantage of both the initial RCT design and the subsequent expansion of the CCT program into the original “control” communities, we distinguish two types of exclusion. The first, *statistical exclusion*, occurs where determination of benefits is based on randomized assignment to a treatment and control group. Statistical exclusion is a product of almost any randomized treatment and control design. A second form of exclusion, *needs-based exclusion*, occurs when benefits programs are designed to be selective rather than universal. Programs which use needs-based exclusion or “selective benefits” typically base eligibility on characteristics that, as mentioned above, are difficult to measure accurately (Besley, 1990).

Our empirical focus is on a particular type of survey nonresponse: survey attrition in repeated waves of a RCT evaluation. We treat this as an indicator of how sentiment in general can be affected by different types of exclusion. We show that exclusion from a benefits program affects patterns of survey nonresponse, disproportionately selecting out non-recipients of the program. Yet the effects differ markedly across the two types of exclusion. They occur to a limited extent when people have been *statistically* excluded, that is, they are denied benefits that equivalent individuals in other communities enjoy because they are part of a control group and those others are part of the treatment group. The term “resentful demoralization” has been used to describe the “contamination” that occurs when information spreads from treatment to control (Onghena, 2005). The effects of exclusion are much more powerful when the line between recipients and non-recipients is drawn within a community through *needs-based* exclusion, that is, where some residents of a given area are denied benefits made available to their neighbors by the program targeting criteria.

		Effect of Targeting	
		Other Excluded	Other Benefits
<u>Negative:</u> Sadness, Resentment, Envy		Sympathy	<i>Freudenschade</i>
	<u>Positive:</u> Happiness	<i>Schadenfreude</i>	<i>Mudita</i>

Fig. 1. A typology of reactions to the inclusion and exclusion of other households from a benefits program.

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