Projekt: The Impact of Shock-responsive Social Cash Transfers: Evidence from an Aggregate Shock in Kenya

<u>Project stakeholders</u>

German Institute of Development and Sustainability (IDOS), Institute of Health Economics (IHE) – Leibniz University Hannover (LUH), RWI – Leibniz Institute for Economic Research

<u>Project goals</u>

The study aims to answer the following research questions:

a) What are the consequences of labor shortages in the elderly care sector, particularly nursing home metrics including concerning the operational stability of these facilities in Germany?
b) What are the implications of nursing shortages for financial sustainability of nursing homes?

<u>Background and project description</u>

Insurance markets in low and middle-income countries often provide inadequate coverage, particularly affecting informal sector households vulnerable to economic shocks, who rely heavily on informal insurance networks and social protection programs. The increasing frequency and severity of aggregate shocks like the COVID-19 pandemic and natural disasters challenge these informal risk-pooling systems, often leading to exclusion from traditional relief avenues and resulting in detrimental coping strategies among affected households. A growing global policy discourse emphasizes the need for designing shock-responsive social cash transfer programs, highlighting their crucial features such as accessible registries, efficient delivery mechanisms, and robust financial architectures to protect informal sector households from the severe impacts of these shocks.

This study attempts to close an important knowledge gap concerning the ability of shock-responsive social cash transfer schemes to protect well-being and the economic foundation of vulnerable households in times of aggregate shocks. We focus on the relationship between Kenya's shock-responsive social cash transfers and household welfare as well as risk-coping measures during the COVID-19 pandemic. Kenya's social protection agenda has been frequently used as a leading example in the global discourse on conceptualizing shock-responsive programs. Coupled with the large impacts of the pandemic and lockdown policies, this makes Kenya a very relevant setting for examining this relationship.

Using unique primary data from repeated country-representative in-person surveys for the informal economy that were collected more than one year before and ten months after the start of the pandemic, the intention-to-treat results from our doubly-robust difference-in-differences approach show that the analyzed shock-responsive social cash transfer scheme was highly beneficial for vulnerable and poor informal sector households. Specifically, we find only modest increases in the prevalence of income losses, poverty, and basic consumption shortfalls among program participants. On the contrary, the respective prevalence rates sharply rose among non-participants during the pandemic, even though the government aimed at providing financial support to these households through more traditional emergency relief programs. Thus, the social cash transfer scheme helped vulnerable and poor households during the pandemic, especially in stabilizing household income and consumption levels of basic necessities including food. Importantly, it also prevented households from selling productive assets that otherwise arguably would have threatened them to slide into chronic poverty, marked by an enduring decline in income and fundamental consumption levels. The estimated effects are driven by counties that were exposed to more stringent lockdowns and a high COVID-19 incidence.