



# LABELLING AND PLANNING

## INCORPORATING BEHAVIOURAL ADD-ONS INTO CASH TRANSFER PROGRAMMES

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*The COVID-19 crisis means governments are looking to cash transfers to support households through a period of hardship and reduced incomes. Helping households think through the use of these transfers in order to meet their financial needs in both the short and long term is vital for ensuring these funds are used in the most effective way for each household. Governments can assist people by using “labels”, salient messages mentally linking a transfer to a particular purpose, to guide people in the intended use of a transfer and provide a clear structure for when, how, and for how long transfers will be available in order to allow people to plan effectively.*

## KEY TAKEAWAYS

Labels can be as effective at changing behaviour as conditions, presenting a useful alternative to conditions during the current crisis and allowing households greater autonomy during a rapidly changing situation.

Labels may also align those within a household on the intended use of a transfer, potentially reducing domestic discord.

The degree to which labels crowd out other productive use of cash transfers is not yet understood based on a review of existing evidence.

Planning is important to ensure households can use a cash transfer to cover short term food needs, maintain existing assets and re-build their livelihoods through investment.

In order for households to plan effectively, the duration, amount, and frequency of cash transfers need to be clearly laid out.

## THE IMPACT OF COVID-19

Cash transfers are being championed by governments as a key measure to support households whose incomes have collapsed due to the crisis.<sup>1</sup> 65 new cash transfer initiatives have been

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<sup>1</sup> Financial Times. 12 April 2020. [“Mobile cash is the best way to help Africa fight Covid-19.”](#)

introduced specifically as COVID-19 responses in 43 countries.<sup>2</sup> Cash transfers can quickly get money to needy households, enabling them to purchase basic food and necessities during the lockdown.<sup>3</sup> They are a particularly important means of support for poor households in developing countries, 85% of whom work in informal sectors and so would be excluded from wage guarantees.<sup>4</sup>

The majority of existing cash transfer programmes involve conditions (World Bank, 2015). Many cash transfer programmes have temporarily waived these conditions during the crisis, for example the 4Ps programme in the Philippines has waived health and education conditions.<sup>5</sup> Behavioural add-ons, in the form of labelling transfers for a particular use and helping households plan for how to use a transfer, can be used to replace conditions during the crisis and ensure households use transfers for both immediate needs and to rebuild their livelihoods. They could also be added to unconditional transfers.

## WHAT CAN WE LEARN FROM EXISTING LITERATURE?

### ***1. Labelling a cash transfer can have similar effects to conditional transfers and is less costly for everyone***

Government cash transfer programmes frequently have conditions attached to them, for example relating to school attendance or medical check-ups of children. These conditions have been shown in a large literature to effectively lead to behavioural changes towards the conditioning behaviour (Baird, McIntosh, & Ozler, 2011). However, under the current situation, many of the conditions attached to cash transfer programmes are infeasible to carry out, as, for example, many schools are closed.

Evidence has shown that even labelling a cash transfer for a particular purpose leads to behaviour that is very similar to that observed under the condition (Benhassine, Devoto, Duflo, Dupas, & Pouliquen, 2015). Benhassine et al., (2015) compare a labelled cash transfer aimed at encouraging school participation with a conditional cash transfer explicitly requiring school attendance amongst poor, rural communities in Morocco. They find large effects on school participation from a labelled transfer, and no benefit from additional conditions. Using labels instead of conditions also has an advantage that it is less onerous for households, particularly the most vulnerable who are often those that most struggle to stick to conditions (Heinrich & Knowles, 2018). Lastly, labels are considerably cheaper than enforcing conditions<sup>6</sup>, saving on administration costs.

For labels to be as effective as conditions, care must be taken to ensure all information materials and descriptions of the cash transfer use that label. For example, in the labeled cash

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<sup>2</sup> Working paper. 10 April 2020. "[Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures.](#)"

<sup>3</sup> Marketplace.org. 9 April 2020. "[How to help the poor amid COVID-19? Give them money, says Nobel laureate Esther Duflo.](#)"

<sup>4</sup> International Labour Organisation press release. 30 April 2020. "[More than 60 per cent of the world's employed population are in the informal economy.](#)"

<sup>5</sup> CNN. 18 March 2020. "[DSWD waives conditionalities for 4Ps beneficiaries amid community quarantine.](#)"

<sup>6</sup> The costs of administration are estimated at 7% of total costs for conditional cash transfer programmes, though enforcing conditions is only part of these costs (Grosh et al., 2008). Hanna and Olken (2018) argue that targeting costs are less than 2% of the overall transfer budget in Indonesia and Peru.

transfer to encourage school attendance in Morocco described above, posters were given out to advise the programme. These showed school children sitting at their school desk and had the headline “Pilot pro-gram to fight against school dropout” and the phrase “So that your child’s seat is not left empty”. It was made very clear to households that the transfer was coming from the Ministry of Education and hence was part of an effort to promote education. Using labels effectively therefore might require use of promotional materials, and potentially clear linking to a particular ministry with a specific aim, rather than the government as a whole.<sup>7</sup> Note however that the extent of measures needed to effectively assign a label to something has not been examined in the literature.

Two potential qualifiers:

Labelling might preclude other productive uses for the cash transfer. There is not much evidence yet on how labelling could crowd out other uses,<sup>8</sup> but if people believe a transfer can only be spent on, for example, their children, they may pass over opportunities to use the transfer to rebuild their livelihoods that would have benefited their children.

More evidence is needed on whether the ability of labels to substitute for conditions depends on the context and domain, with most of the studies to date focused on cash transfers aimed at supporting children’s education and health.<sup>9</sup> We do not have any evidence at the moment of how strongly a label for a cash transfer as for food consumption would limit it being spent on medical care for example.

## ***2. Labelling a cash transfer can help align preferences within a household***

As well as substituting for conditions, strongly labelling a transfer could also align preferences within the household over how to spend a cash transfer, potentially mitigating an additional dimension of discord. For example, if a transfer is labelled as for “children’s food”, and both parties in a relationship accept this label, there is no decision to bargain and potentially disagree over. Kooreman (2002), focusing on child benefits in the Netherlands, argues a labelling effect could shift parents’ preferences towards child goods. Benhassine et al. (2015) introduced above, also examined whether targeting mothers or fathers with a labelled or conditional cash transfer had an effect on school attendance, finding that the programme increased both parents’ beliefs in education as a worthwhile investment. This presents early evidence that labelling can help spouses agree over the use of funds, potentially reducing discord at a time of heightened stress and tension.

Overall, this evidence suggests that labelling may also assist households in determining how to spend a transfer when previously they might not have received so much money before.

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<sup>7</sup> How can labelling be as effective as formal conditions? Labelling may take advantage of mental account effects, where money or assets, instead of being perfectly fungible, are mentally assigned to certain purposes which they can only be used for. Mental accounting has been shown in a wide literature to be a powerful tool to influence and change behaviour (R. H. Thaler, 1999).

<sup>8</sup> See Bastagi et al., 2016 for discussion of individual cases.

<sup>9</sup> A review of available literature finds no studies or research comparing labels to conditions outside the domains of health and education.

### **3. Releasing a clear timetable when distributing cash transfers can help households plan how to best use the transfer for both immediate needs and to rebuild their livelihoods in the longer term**

A major part of enabling households to plan requires the government or organisation giving the transfer to be highly transparent about how often the transfer will come, the amount of the transfer, and the length of time for transfers. Releasing a clear timetable for the transfers and ensuring households receive and trust this information will better enable households to plan how to manage this money over time. There is some evidence that when the timing of transfers has been unpredictable and not to schedule, transfers have had fewer beneficial impacts. For example, the Child Grants Programme (CGP) in Lesotho had fewer impacts on productive investments than expected, with the haphazard timing of the transfer given as a potential reason for this.<sup>10</sup> Likewise, the Livelihood Empowerment Against Poverty (LEAP) programme in Ghana did not lead to a permanent consumption increase, again with a hypothesized reason linked to how unpredictable and less frequent than planned it was.<sup>11</sup>

Many cash transfers given for emergency relief are meant to last for a month or more,<sup>12 13</sup> when previously many of the households targeted may have lived hand-to-mouth on a daily basis. It's important that households think through how to use this money on the most productive ways to assist themselves, not only in the short-term but also in the long-term. Many households have seen their businesses close, or jobs lost. Ensuring that some part of cash transfers not only meets immediate food needs but is also invested in productive activities and restoring livelihoods in the future is vital to enable people to rebuild their lives as the crisis winds down (Gertler, Martinez, & Rubio-Codina, 2012). Assisting people with planning and setting their own goals may enable more household investment. A planning module asking households to think through their goals and saving requirements added to cash transfer programmes in Kenya, Tanzania and Madagascar resulted in households being 9% more likely to report having a productive goal and saved 41% more.<sup>14</sup> However, administering this sort of goal setting exercise remotely has not been tried in any of the literature reviewed.

How can we help people save and invest cash transfers for the future? Again, a predictable schedule is important for allowing people to make investments without worrying they won't be able to afford food if their investment goes wrong. It is also important to ensure transfers aren't labelled strongly as only for a particular use, e.g. food, to the detriment of investment if we want households to also make investments. A review of conditional cash transfers by the Overseas Development Institute (Bastagli et al., 2016) argued that education conditions, even when only made explicit as strong labels, caused respondents to believe they could only make educational investments, to the detriment of other types of productive investments. They suggest that explicitly saying that other types of investment are an allowed use of the funds could be an option to encourage them. However, this may have to be carefully balanced with the desire to use labels as an alternative to conditions, discussed above.

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<sup>10</sup> UNICEF. 2014 Report. "[Lesotho: Child Grand Impact Evaluation](#)."

<sup>11</sup> International Policy Centre for Inclusive Growth (IPC - IG). December 2014. "[The Impact of Ghana's LEAP Programme](#)."

<sup>12</sup> See GiveDirectly [website](#) for details.

<sup>13</sup> Financial Times, 12th April 2020 "[Mobile cash is the best way to help Africa fight Covid-19](#)."

<sup>14</sup> [https://www.ideas42.org/wp-content/uploads/2019/09/I42-1160\\_CashTransfers\\_paper\\_final-4.pdf](https://www.ideas42.org/wp-content/uploads/2019/09/I42-1160_CashTransfers_paper_final-4.pdf)

Transfers timing may also be important here, with agricultural investments more likely if a transfer is given with reference to the agricultural cycle.

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