



MOVING AHEAD

*Recertification and Exit Strategies
in Conditional Cash Transfer Programs*



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Abstract

This monograph reviews the processes used by conditional cash transfer (CCT) programs in Latin America and the Caribbean (LAC) to recertify beneficiaries for services or classify them as ready to leave the programs. Most countries have attempted recertification to identify beneficiaries who are no longer poor and/or to increase the efficiency of the program when a new targeting mechanism is developed. Until recently however, in part because of high political costs, recertification has been slow and only sometimes followed by program exit. Brazil represents an exception, as all beneficiaries must be recertified every two years as a condition for remaining in the program, and municipalities receive financial incentives to support timely recertification. Many countries that have introduced income-generating initiatives to promote both wage employment and self-employment among CCT recipients have placed participants' overcoming poverty high on the policy agenda. However, there are no rigorous impact evaluations on the effectiveness of these initiatives, which in any case have only reached a negligible share of CCT beneficiaries. We review the experience of welfare-to-work reforms in high-income countries and extract some lessons that may be useful for LAC countries implementing a CCT.

JEL classification – I38, H53, J08.

Keywords – conditional cash transfers (CCT), exit strategies, recertification, graduation, welfare to work, Latin America and the Caribbean (LAC).

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Introduction

Conditional cash transfers (CCTs) are the main social protection programs for poor and vulnerable people in Latin America and the Caribbean (LAC). Between the late 1990s and 2010, CCTs expanded into 18 LAC countries to benefit about 129 million people—almost one-fourth of the population (Stampini and Tornarolli, 2012). At the same time, poverty rates decreased substantially, mostly due to economic growth. In a context of economic growth yet relatively static beneficiary registries, the total number of beneficiaries surpassed the number of the poor in some countries and the extreme poor in others. These trends brought the topics of recertification and exit from the CCTs to the forefront of the policy agenda, and these topics are the focus of this paper.

Recertification is a process used to periodically reassess the poverty status of program beneficiaries. As economic growth generates employment opportunities for the poor, some beneficiaries' living standards will rise above the poverty line. This is particularly to be expected among the moderate poor and urban populations (Stampini et al., 2015). CCT beneficiary registries need to respond to such poverty dynamics and begin using mechanisms that identify and exclude people who have overcome poverty (or whose income is above a given threshold). In this context exit refers to overcoming the condition of poverty and not necessarily an exit door from a CCT program. Other authors prefer to use the term graduation strategies instead of exit strategies.

Similarly, an exit strategy refers to an intervention aimed at promoting beneficiary households' sustainable independence through increased income generation capacity (Paes-Sousa, Regalia, and Stampini, 2013). The idea reflects governments' worries about the poor participating in the programs for a long time and becoming dependent on them, as well as governments' willingness to complement income support with income-generating interventions.

The idea of using recertification processes coincides with the original goals of CCTs, but using exit strategies does not. The objective for CCTs was to solve intergenerational poverty transmission by building the human capital of children in beneficiary households—not by improving the income generation capacity of the parents. The rationale of the programs was to provide children with more education than their parents, which would ultimately pay off through increased income-generation capacity when the children joined the labor market. But exit strategies are motivated by a shorter-term aim of more quickly reducing households' dependence on CCTs. This is a concern because evidence has not identified scalable or successful income-generating programs. In fact, if such programs did exist, CCTs would not: It is well established that rising family income corresponds with rising demand for education and health services, so higher household income would cancel out the need for CCTs. But without successful alternatives, CCTs remain the longest-standing programs serving the largest numbers of the poor.

This monograph contributes to the discussion on how to design better recertification and exit strategies for CCT programs in LAC by presenting a systematization of experiences and offering policy recommendations. Evidence comes from existing reports and structured interviews with CCT program managers as well as analysis of programs' websites.

We review the approach of 13 programs to recertification and find that most of them have implemented some form of recertification, but often at irregular intervals. Significant efforts to revamp recertification have taken place in several countries, most notably Colombia and Ecuador. In some cases, the process is driven by the update of third-party registries that track beneficiaries of multiple social programs. Other countries use a door-to-door census to update beneficiaries' information, which is relatively expensive. A notable exception is Brazil, where municipalities define how to reach beneficiaries, including requiring beneficiaries to travel to local centers to update their information.

The review of exit strategies in this paper focuses on how CCTs are being linked to income-generating interventions. Many countries implement exit strategies, connecting CCTs to a long list of interventions oriented to promoting self-employment and wage employment. However, we find that a very small share of CCT beneficiaries participate in these income-generating interventions. The program links are generally loose, and consist mostly of high-level institutional agreements and referrals with no guaranteed or preferential access to labor intermediation services.

Also, because no rigorous evaluations have been done of exit strategies in LAC, there is no systematic evidence about which income-generating

interventions work or how they affect CCT beneficiaries. The existing literature shows only that there are limited impacts on labor market outcomes, including participation and earnings of income-generating interventions in LAC in particular and other developing countries in general. Similarly, it is not clear which interventions (or combinations) are better to support beneficiaries in different local economic contexts (e.g., rural versus urban).

We therefore complement the discussion about exit strategies in LAC with a review of the welfare-to-work (WTW) models in high-income countries. The literature suggests that linking income support to income-generating interventions (i.e., active labor market programs) can increase the probability of employment, but the effects on poverty are modest at best. There are considerable differences between LAC and high-income countries implementing WTW and their approach to social assistance. Nonetheless, useful lessons for LAC can be extracted from the WTW experience, particularly for wage employment income-generating interventions that may be more suitable in urban areas.

The remainder of the paper is organized in four sections. The first is a brief background on the impacts of CCT programs in LAC. The second elaborates on the recertification and exit strategies in LAC. The third reviews the experience of high-income countries implementing WTW and extracts lessons for LAC. The last section concludes with some policy recommendations.



1





Background: CCT Impacts¹

The rationale of CCTs is to promote poor households' investments in the accumulation of children's human capital so as to reduce the intergenerational transmission of poverty. The programs pay cash transfers to poor families with children or to pregnant women, conditional on complying with co-responsibility schemes that typically include prenatal care, observance of health protocols, nutrition and immunization for preschool-aged children, and school attendance for children and adolescents.

Begun as innovative complements to cash transfers, the first CCTs were co-responsibility schemes aimed at promoting human capital accumulation by children in beneficiary households.² The programs have since become the main income support programs in LAC. In 2010, around 129 million people in 18 countries—24 percent of the population—received transfers, representing on average between 20 and 25 percent of family income (Stampini and Tornarolli, 2012). In most cases, older programs constitute an investment of 0.3–0.4 percent of GDP (Paes-Sousa et al., 2013).

In terms of developmental impact, CCTs have been effective in reducing the rate and, above all, the intensity of poverty. Although there is evidence of inclusion and exclusion errors, CCTs have reached the poorest people, achieving targeting levels greater than those of all previous social programs (Grosh et al., 2008; Levy, 2006; Lindert, Skoufias, and Shapiro, 2006; Stampini and Merino-Juárez, 2012). Static simulations by Stampini and Tornarolli (2012) and Levy and

¹ The contents of this section are drawn from sections of the IDB's "Social Protection and Poverty Sector Framework Document" available at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39211786>

² The first CCT programs began at the local level in 1995 in Brazil (*Bolsa Escola y Programa de Garantia de Renda Mínima*) and Mexico (pilot program in Campeche). The first national-level program was launched in Mexico in 1997; initially called *Programa de Educación, Salud y Alimentación* (PROGRESA), the program was later renamed *Oportunidades* and is now called *Prospera*.

Schady (2013), based on the simplifying assumption of no behavioral responses, also suggest that CCTs have been important in reducing poverty and inequality in the region in the last decade. The programs have also increased the quantity, quality, and variety of food consumed (Ruiz-Arranz et al., 2006).

In addition, CCTs have had positive impacts on health service use and have reduced morbidity in certain age groups (Gaarder, Glassman, and Todd, 2010). A recent study (Rasella et al., 2013) finds that in Brazil, *Bolsa Família* contributed to a reduction in infant mortality, especially in cases attributable to causes related to poverty, such as malnutrition and diarrhea. There is also evidence in some countries showing the positive effect of the CCTs in reducing teen pregnancy (for Brazil's *Bolsa Família*, see Azevedo et al., 2012; for Colombia's *Subsidio Educativo*, see Cortés, Gallego, and Maldonado 2011; for Peru's *Juntos*, see López-Calva and Perova, 2012).³

Furthermore, CCTs have reduced child labor and increased school enrollment and attendance in many countries, including Chile, Colombia, Ecuador, Honduras, Jamaica, Mexico, and Nicaragua (Levy, 2006; Fiszbein and Schady, 2009; Saavedra and García, 2012). The programs have also contributed to school progression. In Mexico, schooling increased from six months to one year after three to five years of exposure to the program; in Nicaragua, after two years of exposure to the program, beneficiary children had progressed almost half a grade more than non-beneficiary children (Maluccio et al., 2009).

Evidence on learning achievement is mixed (Fiszbein and Schady, 2009; García, 2012; Saavedra and García, 2012). On one hand, there is evidence that receiving CCTs for three years had significant long-term effects on mathematics and language learning for young men in Nicaragua (Barham, Macours, and Maluccio, 2014), and an evaluation of a pilot CCT in Malawi found positive impacts on learning (Baird, McIntosh, and Özler, 2011). On the other hand, there is evidence that claims just the opposite. For instance, higher enrollment levels did not result in higher scores in achievement tests in Mexico (Behrman, Parker, and Todd, 2009), and the evaluations of CCT programs in Cambodia (Filmer and Schady, 2014) and Morocco (Benhassine et al., 2014) found no effects on learning outcomes.

Similarly, there is insufficient evidence to determine whether the young people who managed to accumulate more years of education are achieving better results in the labor market, i.e., better jobs and higher

³ Although more evidence is required to determine through which mechanisms a reduction occurs, studies indicate the drop may be due to the increase in school attendance and the resulting change in preferences, the higher opportunity cost of having children, and the greater access to family health services and the consequent understanding of and access to contraception.

wages (Econometría-SEI, 2012; Rodríguez-Oreggia and Freije, 2008). It should, however, be acknowledged that CCTs' effectiveness in this domain fundamentally depends on the strength of the economy in general and labor markets in particular.



2





CCTs and the Exit from Poverty: Recertification and Exit strategies

In general, CCT recipients are entitled to receive cash transfers as long as they remain poor and meet the other eligibility requirements (for example, having children under the age of 18). One reason the programs do not have an automatic exit of beneficiaries is because CCTs were originally conceived to alleviate chronic poverty, so a maximum duration was not needed. A guiding theory was that chronic poverty would ultimately be reduced as better-educated and healthier young adults found better employment and were able to earn incomes above the poverty level. These programs did not aim at increasing the income generation capacity of the adults in beneficiary households.

After more than 15 years of implementation, some concerns have been raised that CCTs may create unintended negative consequences on beneficiaries' labor market decisions. Although evidence shows that the decision of whether to work is not affected by CCTs, evidence is mixed about whether CCTs affect the decision to work in the formal or informal economy. The concern is that CCTs may incentivize informal work, which could lead to an individual's lower overall economic productivity. Alzúa, Cruces, and Ripani (2010) focus on CCT impact evaluations with experimental designs and find no discernible effects on adults' labor supply in the short run. Similarly, the work of Barbosa and Corseuil (2014) found that participating in Bolsa Família does not affect adults' labor market decisions—neither in chosen occupations nor hours worked in formal or informal sectors. Moreover, Barrientos and Villa (2013) find positive long-term effects on labor market outcomes in the urban areas of Colombia, including an increase in formal employment among women beneficiaries. On the other hand, Bosch, Maldonado, and Schady (2013) find that the CCT in Ecuador encouraged rural women to switch from formal to informal jobs, although the magnitude of the effect is modest. Amarante et al. (2011) find that the Social Emergency Plan (*Plan de Emergencia Social*) in Uruguay reduced formal employment. Firpo et al. (2014), using cross-sectional data from

2006, find that *Bolsa Família* reduced the labor supply of beneficiaries, especially women.

Several countries have taken preventive steps to avoid a drop in formal employment among the eligible population. For example, some countries have excluded labor variables from CCT application forms and eligibility formulas. Chile's CCT program, *Ingreso Ético Familiar*, has introduced bonuses for female beneficiaries entering formal employment. In addition, a number of programs are making efforts to increase beneficiaries' labor participation through linkages with active labor market policies (e.g., job training and placement through national employment services in Mexico and Brazil).

The above-mentioned concerns have also motivated discussions about the best way to design CCT exit strategies to avoid potential negative impacts on participants' labor market decisions and avoid long-term dependency on the program. This includes designing recertification processes to identify beneficiaries who improved their livelihoods (usually on their own) and no longer need cash transfers.

2.1 Recertification Processes

Recertification processes in CCTs aim to keep programs well targeted by reassessing the socioeconomic conditions⁴ of the beneficiaries, then identifying and dismissing families that have risen above the eligibility threshold and no longer need income support (thereby reducing inclusion errors). It should be understood that most improvements in socioeconomic conditions would largely be due to factors exogenous to the CCTs, such as economic growth or job creation, so that the drop in income from losing the payments would not move households back into poverty. Furthermore, such improvements could be temporary, so reentry alternatives should also be considered. In contrast with developed countries, tax systems in Latin America and the Caribbean are an unreliable source of information about the incomes of families due to the high levels of labor informality among the region's poor. Using tax systems would allow governments to update income information annually at a low cost.

Where poverty among CCT beneficiaries is transient, recertification processes should be more frequent. The recent work of Stampini et al. (2015) using synthetic panels for 12 Latin American countries finds that the status for most of the extreme poor (91 percent) and a large

⁴For simplicity we use the term socioeconomic conditions to refer to the eligibility criteria adopted by the program. This may be proxied by a proxy means test (PMT) score, a multidimensional measure of poverty or declared income.

proportion of the moderate poor (50 percent) is chronic (i.e., subjects were poor in 2003 and in five years between 2004 and 2013). Chronic poverty is even more prevalent in rural areas, home to virtually all the extreme poor and as many as 78 percent of the moderate poor. This implies that the frequency of the recertification processes should be higher in countries whose CCTs have incorporated large shares of moderate poor, particularly if these populations reside in urban areas. Where representative data is available, a more detailed analysis may show important differences across smaller geographical units (i.e., regions, states, and/or municipalities).

Table 1. Recertification Approaches in LAC's CCT Programs

Approach	Location and name of the CCT	Socioeconomic assessment system	Selection method	Target members	Recertification Frequency
Time-bound	Chile: <i>Ingreso Ético Familiar</i>	<i>Ficha de Protección Social</i>	PMT	Vulnerable families	No recertification
Time-bound	Trinidad and Tobago: <i>Targeted Conditional Cash Transfer Programme</i>		Means testing	Vulnerable families	No recertification
No recertification	Argentina: <i>Asignación Universal por Hijo</i>	ANSES*	Means testing	Children under 18 and either an informal, domestic, or unemployed worker	No recertification
No recertification	Honduras: <i>Bono Vida Mejor</i>		PMT		No recertification
No recertification	Peru: <i>Juntos</i>	SISFOH	PMT	Children under 19 or pregnant women	No recertification
Recertification	Brazil: <i>Bolsa Família</i>	<i>Cadastro Unico</i>	Means testing	Children under 18	2 years
Recertification	Colombia: <i>Más Familias en Acción</i>	SISBEN	PMT	Children under 18	4 years
Recertification	Costa Rica: <i>Avancemos</i>	SIPO*	PMT	Children and youth (7–18 years)	3 years
Recertification	Dominican Republic: <i>Progresando con Solidaridad</i>	SIUBEN	PMT	Children under 16	4 years
Recertification	Ecuador: <i>Bono de Desarrollo Humano</i>	<i>Registro Social</i>	PMT	Children under 18	5 years

Table 1. Recertification Approaches in LAC's CCT Programs (cont.)

Approach	Location and name of the CCT	Socioeconomic assessment system	Selection method	Target members	Recertification Frequency
Recertification	El Salvador: <i>Comunidades Solidarias</i>		Geographic and PMT	Children under 18	10 years (with each new census)
Recertification	Jamaica: PATH	Beneficiary identification system	PMT	Children under 18	4 years
Recertification	Mexico: <i>Prospera</i>	ENCASEH	Geographic	Children and youth under 22; women of childbearing age	8 years

Source: Authors' elaboration.

Notes: ANSES is the *Administración Nacional de la Seguridad Social*; SIPO is the *Sistema de Información de la Población Objetivo*; ENCASEH is the *Encuesta de Características Socioeconómicas de los Hogares*; and PMT is a scoring system.

The discussion about how to design efficient and transparent recertification processes is relatively new. With the exception of Brazil's *Bolsa Família*, CCTs' operating procedures for conducting periodic recertification processes have not been accurately executed. However, most countries (particularly those that have been implementing programs for a long time) have made some attempt of recertification. **Table 1** provides a quick reference summary of the processes of recertification in 13 countries. The remainder of the section reviews these cases, distinguishing between countries with and without recertification processes.

a) Countries with No Recertification Process

Some CCT programs are designed as time-bound or short-term interventions, in which case recertification is not necessary. Such interventions may either be temporary because of budget constraints or because they are one element of a broad or long-term national poverty alleviation policy. As part of the latter, time-bound CCTs provide support while beneficiaries are connected to other programs or approaches that are intended to help them develop the tools to sustainably overcome poverty.

In the early 2000s, Nicaragua implemented a three-year CCT, mainly because resource constraints prevented unlimited implementation on the national scale. Time-bound CCTs have been used by Chile's *Programa Puente* (within the system *Chile Solidario*) and *Ingreso Ético Familiar*⁵ as

⁵ The intervention is designed to last 24 months. At the end of this period, beneficiary families stop receiving transfers but remain linked to the program. After one year, their socioeconomic status is reassessed. Families that are found to be eligible are readmitted and payments restart for a new two-year period. In contrast, those that are found to be ineligible exit the program. Given that IEF started in 2013, the first group of families is due to exit in 2016.

part of broad poverty alleviation strategies. More recently, Trinidad and Tobago introduced the time-bound Targeted Conditional Cash Transfer Programme (TCCTP). In this respect, it is worth mentioning that time-bound CCTs may be appropriate in countries where all children have access to education and health services (with no exclusion or dropout). In other contexts, limiting the duration of CCTs is not completely aligned with the objective of promoting long-term human capital investments.

Some programs with open-ended duration of cash transfers also do not require recertification. Examples include *Asignación Universal por Hijo* in Argentina, as well as, until recently, the *Bono Vida Mejor* in Honduras and *Juntos* in Peru. In these programs, once a household is enrolled, it can stay as long as it has target members (i.e., children or pregnant women).

As these programs mature, they will likely develop recertification processes, especially if the countries experience economic growth and social mobility. For example, the discussion has begun in Peru, and focuses on establishing exit criteria and procedures, as well as deciding the frequency of recertification in rural areas that are characterized by chronic poverty. Similarly, in Honduras, authorities have agreed to reassess eligibility of the complete roster of beneficiaries and keep only the extreme poor; the process has been implemented since mid-2014, combining new data collection with the application of a new targeting mechanism to determine eligibility for the program.

b) Countries with Recertification

Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Jamaica, and Mexico implement processes of recertification. Beneficiaries' socioeconomic conditions are reassessed periodically,⁶ and the beneficiaries remain eligible to receive the transfers as long as they are poor.⁷

Institutional Arrangement. The same institution that is responsible for targeting typically conducts the process of recertification. In Mexico and Jamaica, this is the CCT program itself. In the rest of the countries, the responsibility lies with an external institution that has the mandate to evaluate citizens' socioeconomic conditions (e.g., *Cadastro Unico* in Brazil, *Sistema de Identificación de Potenciales Beneficiarios de Programas Sociales* (SISBEN) in Colombia, *Registro Social* in Ecuador, *Sistema Único de Beneficiarios* (SIUBEN) in the Dominican Republic).

⁶ Recertification is not the only process to update the registry of beneficiaries. In most countries, beneficiaries may require being (re)evaluated at any time if they consider that their socioeconomic conditions have changed. Moreover, beneficiaries must communicate any change in the demographic structure of the family (e.g., a birth or a death) which are likely to alter the eligibility score and/or the amount of the transfers.

⁷ As long as households comply with the corresponsibilities and have a targeted member (i.e., pregnant women or a child).

The unified scoring system that provides information to a variety of social programs can produce cost savings.

Mechanism. The mechanism used to score the families' socioeconomic conditions is typically the same one used to determine the eligibility of new beneficiaries. The formulas are updated from time to time to reflect the evolving relationship between asset ownership, demographic structure of the family, and poverty. The implementation of large recertification exercises often provides the motivation for the revision of these formulas. This was the case, for instance, in Colombia and Ecuador in 2013.

Frequency. The frequency of the recertification varies considerably across countries. For example, beneficiaries of *Bolsa Família* in Brazil are recertified every two years, while *Prospera* beneficiaries in Mexico every eight years. *Comunidades Solidarias* in El Salvador adjusts its geographical targeting every 10 years, i.e., when a new census is available. Moreover, in many cases the recertification intervals established in the programs' manual of operations are not respected in practice, and substantial delays are observed (e.g., in Jamaica and Colombia).

It is worth noting that recertification may be conducted on a rolling basis where frequency is measured from the moment the family enters the program (e.g., Brazil and Mexico), while many programs reassess all potential beneficiaries in a certain year without regard to when they entered to the program (e.g., Colombia and Ecuador). The former method is also related to the enrollment process. For instance, families may enroll in Brazil's program at any time at local offices, while in Colombia, families join during massive enrollment events.⁸

A country's recertification frequency can change over time. For example, in Mexico until 2012, the process was repeated every three years (on a rolling basis). Some studies raised concerns about the pertinence of this high frequency for a program that targets only the extreme poor. For instance, Villa and Niño-Zarazúa (2014) examined ten years of panel data on *Oportunidades* beneficiaries and found that around 70 percent of the households that had risen above the poverty line (exit threshold) actually faced a very high probability of falling back into poverty in the near future. In the same vein, González-Flores, Harcleous, and Winters (2012) and González de la Rocha (2006) showed that the increase in the eligibility score was driven by the acquisition of assets (e.g., stove or refrigerator) or by changes in demographic composition of the household. This debate may explain why the Mexican government decided to extend the interval for recertification to eight years.

⁸ With the exception of families that were displaced because of the violent conflict.

Modality. Reaching and recertifying CCT beneficiaries is costly, and if not done regularly it is also a complicated process for the agency carrying it out. The recertification can be conducted through another census of all potential beneficiaries via home interviews or by requesting that beneficiaries visit program offices to update their records. The former approach implies higher financial costs, yet most countries follow it. The latter is only used in Brazil, with some variability across municipalities, which have autonomy as to the approach they choose. Putting the responsibility on the beneficiaries may risk excluding some families that live in a situation of social exclusion. Hence, when this approach is chosen, it should include remedial mechanisms, typically involving social workers visiting households to collect the information. The cost of conducting censuses is even higher when these extend to the whole population, with the aim of determining a poverty classification of all families for purposes of eligibility to a wide range of social programs. Ideally, the costs of conducting recertification processes should be confronted with the potential savings obtained from dismissing families. However, conducting this sort of analysis is difficult because information about the costs is not easily obtainable and their value may be distributed across more than one program. Additionally, since many of the recertification processes have been conducted at the same time as a redesign (e.g. Colombia, Ecuador and Mexico) it is difficult to disentangle the savings that are obtained from updating information and those gained from narrowing the targeted population.⁹

In Colombia, following the revision of SISBEN in 2013, there was a change of the eligibility formula and the socioeconomic condition of all potential beneficiaries needed to be reassessed. The costs of updating the registry of beneficiaries were shared between SISBEN, in charge of visiting each family at their home to collect survey data, and the CCT program in charge of enrolling beneficiaries. Municipal governments provided support and resources for the implementation of the process. In Ecuador, *Registro Social* also collects information by visiting families' homes and employs a geographical instrument to identify the poorest territories.

Political Costs. The political costs associated with dismissing beneficiary households can be high and can, in some cases, induce governments to postpone recertification or cease dismissals of those who are no longer poor. For instance, SISBEN's redesign of the PMT in Colombia delayed the recertification process, which should be conducted every three years, by two years, so it took place in 2013 instead of 2011. Viquez (2011)

⁹To provide a ballpark estimate of the costs of this approach, it is useful to mention that the cost of the first census of beneficiaries in the Dominican Republic amounted to about USD 10 million (to survey 1.7 million households), while USD 2.5 million per year are needed to keep the registry updated. That is equivalent to using 5.4% of the 2015 budget of the program to collect new information and 1.4% of the budget annually to keep it updated.

documents another illustrative case. Despite the necessity of maintaining updated socioeconomic information to remain in the *Avancemos* program in Costa Rica, households were not dismissed if they failed to recertify. In fact, in 2005 about half of the socioeconomic registries of *Sistema de Información de la Población Objetivo* (SIPO) were not updated.

One factor that contributes to increasing the political costs of recertification is whether or not the program allows the re-entrance of dismissed beneficiaries if their conditions worsen again. In that regard, most countries are open for re-enrollment. However, with the exception of Brazil, dismissed families would need to wait a full recertification cycle to re-enter the program, a time frame that lasts 5 years in Ecuador and 4 years in Colombia. In the case of *Bolsa Familia*, families that voluntarily report that their income is higher than the eligibility threshold may return to the program if their conditions worsen in the following 36 months (*retorno garantido*).

In order to mitigate political costs, two gradual exit strategies that have been adopted in LAC are: (i) offering transition schemes, and (ii) linking families to other social programs, including income-generating programs (such as those discussed in the next section). In the case of Ecuador, families were taken off the program gradually and in staggered locations (i.e., not all the families that exited in a given territory did so at the same time).

Possible Outcomes. If the recertification process determines that specific beneficiaries are no longer poor, in theory they are no longer eligible to receive the transfers. However, the recertification could discriminate among beneficiaries who improved their socioeconomic condition in a sustained manner and those who still face a high risk of falling back into poverty. In this regard, a common approach has been to adopt differentiated scores for program entry and exit. In other words, beneficiaries exit the program if their estimated socioeconomic condition exceeds a threshold that is higher than the one set to enter the program. This approach is consistent with the work of López-Calva and Ortiz-Juarez (2014), who study the relationship between per capita income and the risk of falling into poverty. The authors find that, with little cross-country variation, households with daily per capita incomes below USD\$10 (after purchasing power adjustment) have a 10 percent probability of falling into poverty in the next period.

Using different entry and exit socioeconomic thresholds has been a way to incorporate poverty dynamics into recertification, as illustrated by the Mexican case. While only households that are estimated to be among the extreme poor are eligible to enter the program, two different thresholds are used at recertification. Those that are still under the extreme poverty line stay in the program until the next recertification,

while those that are between the extreme and moderate poverty line transition to a reduced and transitory support scheme (*Esquema Diferenciado de Apoyos*; EDA).¹⁰ Around one million beneficiary households (one-sixth of the total) were recertified in 2012 using an updated PMT model.¹¹ Eighteen percent were no longer poor and were therefore directly dismissed. In addition, 6 percent were dismissed because they no longer had a target member (i.e., a child, youth under 22 years old, or a woman of childbearing age).¹² Sixty percent remained in Oportunidades, and 16 percent were transitioned to the EDA.

Under a similar scheme, Colombia's *Más Familias en Acción* offered temporary support for families whose socioeconomic conditions show some improvement but remained vulnerable.¹³ After the implementation of SISBEN using a new targeting methodology (usually referred as SISBEN III), around 150,000 families immediately stopped receiving transfers¹⁴, and about 314,000 families with scores above the eligibility threshold but below a vulnerability threshold entered into a two-year transition stage. Although some were readmitted to the program because they met other eligibility criteria, such as being indigenous or displaced (or because after an additional reassessment they were classified as eligible), 218,000 families were dismissed after the transition period ended in 2015. This number was equivalent to 8% of the families receiving benefits by the end of 2014 (DPS, 2015).

In addition, Ecuador has been gradually implementing dismissals in two phases. In 2013, a new PMT was applied to recently updated socioeconomic information, and then in 2014, the eligibility threshold was adjusted downward to target families that would be in extreme poverty without the transfer. As a consequence of both processes and crosschecking with other administrative data, the number of families participating in the program Bono de *Desarrollo Humano* decreased from 1.2 million families in January 2013 to 1 million in January 2014 and then to 444,000 in January 2015 (MCDS, 2015). In total, 63% of beneficiaries were dismissed from BDH between January 2013 and January 2015.

¹⁰ The rules of operation of the EDA have changed, but its rationale has remained constant. Households must comply with conditions to receive a reduced support scheme and are dismissed after three years (see González-Flores et al., 2012) (rules of operation of Oportunidades may be downloaded at: https://www.prospera.gob.mx/Portal/wb/Web/reglas_de_operacion).

¹¹ It is worth mentioning that the PMT is tied to the official measurement of poverty determined by the work of CONEVAL and was recently adjusted to reflect a shift from an income to a multidimensional approach.

¹² A few more households were dismissed from the program because: they refused to participate in the recertification exercise (8,179 cases), the only member of the household had died (4,571 cases), or they were public servants and therefore ineligible (246 cases).

¹³ The program employs a vulnerability threshold that is higher than the eligibility threshold. Families above eligibility but below vulnerability are not immediately dismissed from the program. Specifically, this margin refers to SISBEN scores between 30.57 and 54.86 in metropolitan areas, between 32.21 and 51.57 in the rural hinterland of main cities, and between 29.04 and 37.8 in the rest of the rural areas.

¹⁴ The registry of beneficiaries is redone every time a general reassessment of socioeconomic conditions is performed. Therefore, all families below the vulnerability threshold, including families that were beneficiaries before the recertification, are required to enroll in the program. Families above the threshold cannot enroll again and are dismissed from the program.

The Brazilian Model. *Bolsa Família* has the most established and regularly conducted recertification process among the CCTs. Beneficiary families are responsible for updating their information every 24 months or are suspended if they fail to do so. Also, municipal governments receive financial incentives for ensuring that the records are updated and complete.

Beneficiaries' data are stored in the *Cadastro Unico*, which is a large online registry of Brazil's low-income families that is managed by the state-owned bank *CAIXA Econômica Federal*. The MDS (*Ministério do Desenvolvimento Social e Combate à Fome*) uses *Bolsa Família's* management information system (*Sistema de Gestão do Programa Bolsa Família*)¹⁵ to detect households that must update their records. Depending on the municipality, this may imply that beneficiaries must attend a community center (e.g., CRAS or CREAS¹⁶) or that households will be visited by a social worker to collect their information. The latter strategy is referred to as *busca ativa* (active search) and is designed to ensure that the most vulnerable households update their information on time. Families are informed which option applies by a notification from the MDS and through dissemination strategies implemented by the local governments. These include displaying the list of beneficiaries required to recertify in schools, health centers, and community centers.

To summarize, most CCT programs in LAC have implemented some type of recertification process. With the exception of Brazil, however, these processes were not conducted at regular intervals. Recently, Colombia, Ecuador, and Mexico have implemented recertification processes that have resulted in the dismissal of significant number of beneficiaries who did not meet the income eligibility criteria.

2.2 Exit Strategies for CCT Beneficiaries

For the purposes of this document, exit strategies are the linkage of CCTs to interventions that aim to promote beneficiaries' sustainable independence by increasing their autonomous income generation capacity (Paes-Sousa et al., 2013). The introduction of exit strategies somewhat deviates from the original objective of CCTs, which is to reduce intergenerational poverty transmission by promoting human capital accumulation by children in beneficiary households. The strategies stem from worries about the long-term presence of

¹⁵ This is an online system that includes information about the beneficiaries, the verification of conditionalities, the management of benefits (payroll), as well as school and health attendance.

¹⁶ CRAS is the acronym of the Brazilian Social Assistance Reference Centers (*Centro de Referência da Assistência Social*), while CREAS is the acronym for the Brazilian Social Assistance Specialized Centers (*Centro de Referência Especializado de Assistência Social*).

beneficiaries in CCT programs and complement CCTs' long-term strategy of promoting current income generation capacity of the households.

It is important to notice that, currently, most of the linkages use income-generating interventions as parallel strategies to lift households out of poverty and not as an exit pathway for households that are close to exit from CCTs. Exceptions are the programs that target youngsters graduating from secondary education who are no longer eligible for education-linked transfers or productive programs offered as a support to adults when the eligibility period for receiving transfers ends. An exception is the pilot linking *Juntos* and *Mi Chacra Emprendedora*, which is an exit strategy for households that were close to losing eligibility because of children growing up. The program provides skills training and productive assets in rural Peru.

In this section, we first review the two types of income-generating interventions (classified based on their focus on self-employment or wage employment), and then review the strategies used to create the links with these interventions. **Table 2** provides an overview of the interventions implemented in each country as well as the approximate number of beneficiaries which is low in comparison with the number of households that participate in the CCT.

a) Income-Generating Interventions

Most LAC countries with CCTs have attempted to complement them with a variety of income generating interventions that are usually executed by other agencies. To provide examples, **Table 3** lists the programs available for CCT beneficiaries in Brazil, Chile, Colombia, and Mexico.

From a conceptual point of view, it is useful to distinguish between self-employment and wage-employment interventions. The former includes asset transfers, entrepreneurship, and microfinance, while the latter mostly consist of training and labor intermediation. With the exception of Ecuador, which only promotes self-employment, CCT beneficiaries may participate in both kinds of interventions.

Not all the interventions are available to all CCT beneficiaries because of budget constraints and suitability of local economic contexts. Coverage of income-generating programs is generally low. For example, as documented by Gregol de Farias (2014) and Paes-Sousa (2013) in Brazil and by ANSPE (2014) in Colombia, the availability of program spots varies widely by state and municipality. In addition, some interventions are only suited to specific economic contexts. For instance, providing agricultural assets and training only makes sense in rural areas, while labor intermediation may be more successful where there is a pool of employers and available jobs. Also, in many cases the profile of CCT beneficiaries does not match the needs of employers posting job positions at employment services.

Table 2. Summary of Exit Strategies

Location and name of the CCT	Linked to (program)	Self-employment interventions
Brazil: <i>Bolsa Família</i>	<i>Brasil Sem Miséria</i>	Urban: microcredit/start-up grants; Rural: skills training, technology transfers (seed, fertilizers), linkages to markets and public contracts
Chile: <i>Ingreso Ético Familiar</i>	NA	Entrepreneurship
Colombia: <i>Mas Familias en Acción</i>	<i>Red Unidos</i>	
Dominican Republic: <i>Progresando con Solidaridad</i>	NA	Training, entrepreneurship, microcredit
Ecuador: <i>Bono de Desarrollo Humano</i>	<i>Crédito Solidario Productivo</i>	Microcredit
	<i>Crédito de Desarrollo Humano</i>	Microcredit
El Salvador: <i>Comunidades Solidarias</i>	NA	Urban: entrepreneurship, skills training, community work, conditional economic incentive Rural: skills training, access to productive assets, strengthening linkages to local markets
Jamaica: PATH	Steps-to-Work	Entrepreneurship
Mexico: <i>Prospera</i>	Multiple programs	Skills training, entrepreneurship, linkages to market (crafts), credit
Peru: <i>Juntos</i>	<i>Mi Chacra Emprendedora</i>	Transfer of productive assets (seed, fertilizer, livestock) skills training

Compilation by the authors.

Self-Employment. All the countries in our sample attempt to connect CCT beneficiaries to at least one self-employment income-generating intervention. Yet participation is extremely low.

These interventions promote the creation of a new business or the consolidation of an existing one. They include entrepreneurial training, technical assistance, and capital transfers including microcredit, startup grants, and the transfer of productive assets (e.g., seed, fertilizer, livestock). In Brazil, El Salvador, and Mexico these interventions also

Wage-employment interventions	Type of link	Intervention participants	# beneficiary households (circa 2014)
Urban: intermediation, skills training	Institutional agreements, referrals at CRAS	814,000 courses taken in PRONATEC	13.98 million (2015)
Skills training (with economic incentive, 145 USD, for attending) and intermediation	Social worker and personal plan		170,000 (2013)
Skills training (with economic incentive for attending)	Social worker and personal plan	5,332 individuals, in large urban areas	2.7 million (2014)
			444,000 (2014)
Urban: skills training, intermediation, public works, community work, conditional economic training		73,000 individuals	NA
Rural: skills training, intermediation, public works			
Skills training, job-search workshops	Referral	3,396 individuals	130,000 (2013)
Labor intermediation, skills training	Institutional agreements		6.1 million (2014)
		234 households	753,000 (2014)

attempt to connect CCT beneficiaries who are small producers (e.g., artisans and farmers) with local markets.

One reason for focusing on self-employment is that many economies in LAC experience slow creation of formal wage employment, particularly in the areas where CCT beneficiaries are located. A meta-analysis conducted by Cho and Honorati (2013) on self-employment interventions in developing countries shows that they can have positive impacts on business knowledge and practices among youth. However,

Table 3. Sample of Income-Generating Interventions Linked to CCT Programs

Brasil Sem Miséria (Brazil)	Ingreso Ético Familiar (Chile)
<p>Rural</p> <ul style="list-style-type: none"> • Programa de Aquisição de Alimentos • Assistência Técnica • Fomento e Sementes • Programa Bolsa Verde <p>Urban</p> <ul style="list-style-type: none"> • Mulheres Mil • Programa Nacional de Acesso ao Ensino Técnico e Emprego (PRONATEC) • Programa Crescer • Programa Nacional Microcrédito Produtivo Orientado 	<ul style="list-style-type: none"> • Programa de Nivelación de Competencias Laborales • Formación para el trabajo • Desarrollo de Competencias Laborales para la Mujer • Yo Trabajo Jóvenes • Subsidio al Empleo Joven • Fondo de Inserción Laboral • Bonificación a la Contratación de Mano de Obra • Programa de Apoyo al Empleo IEF • Programa de Desarrollo Local • Programa de Apoyo al Microemprendimiento • Programa de Generación de Microemprendimiento Indígena Urbano
Red Unidos (Colombia)	Prospera (Mexico)
<ul style="list-style-type: none"> • Ingreso para la Prosperidad Social • Jóvenes en Acción • Incentivo a la Capacitación para el Empleo • Empleo Temporal • Ruta de Ingresos y Empresarismo • Programa de Desarrollo de Proveedores - PDP • Capitalización Microempresarial • Familias en su Tierra • Implementación de Proyectos de Desarrollo Rural con Enfoque Territorial Oportunidades Rurales • Apoyo a Alianzas Productivas • Capacidades Empresariales Rurales • Formación Titulada • Formación Complementaria • Agencia Pública de Empleo • Certificación de Competencias Laborales • Fondo Emprender • Unidades de Emprendimiento • Jóvenes Rurales Emprendedores • Colombia Mayor • Servicio Público de Empleo • Organizaciones Solidarias • Centro de Desarrollo Empresarial y de Empleabilidad • Proyecto Micro franquicias • Ruedas Sociales de Negocios 	<ul style="list-style-type: none"> • Programa de Opciones Productivas • Programa del Fondo Nacional para el Fomento de las Artesanías • Programa de Apoyo a Jóvenes para la Productividad de Futuras Empresas Rurales • Fondo para el Apoyo a Proyectos Productivos en Núcleos Agrarios • Programa de Apoyo para la Productividad de la Mujer Emprendedora • Programa de Fomento a la Agricultura/ Proagro Productivo • Componente Acceso al Financiamiento Productivo y Competitivo • Programa de Productividad y Competitividad Agroalimentaria • Programa Integral de Desarrollo Rural • Programa para el Mejoramiento de la Producción y Productividad Indígena • Programa para la Constitución y Operación de Unidades de Promoción de Crédito de Garantías Líquidas y Reducción de Costos de Acceso al Crédito • Programa de Fomento a la Economía Social • Fondo Nacional Emprendedor • Programa Bécate • Fomento al Autoempleo

Source: Authors' elaboration.

Note: To read a description of each program, see Gregol de Farias (2014) and Paes-Sousa (2013b) for Brazil's programs, Vargas Faulbaum (2014) for Chile's, and ANSPE (2014) for Colombia's. Mexico's program list is available at <https://www.prospera.gob.mx/Portal>.

they fail to produce results in terms of business setup, business expansion, or increased income. The analysis finds that different combinations of interventions worked better for specific beneficiary groups. For example, in the case of women, the largest effects were found to come from the provision of credit.

Box 1. Workfare Programs are not Exit Strategies

While exit strategies are aimed to increase the capacity of generating autonomous income, workfare programs tend to provide a temporary, unskilled job, which is often paid at a low wage to promote self-selection. An emblematic Latin American workfare program was *Jefas y Jefas de Hogar Desocupados* in Argentina. These programs have the potential to alleviate transient poverty caused by an external shock (e.g., economic crisis or natural disaster), but are not designed to mitigate structural poverty as are the CCTs and their exit strategies.

Wage Employment. All countries (except Ecuador) attempt to connect CCT beneficiaries to wage-employment income-generating interventions aimed at increasing the probability of finding a job or at improving the quality of a current job. The focus is either on youths who transition from school to work or on unemployed or underemployed youth and adults. Yet, also in this case, participation is extremely low.

Wage employment interventions involve a combination of classroom training (technical and soft skills), on-the-job training, and labor intermediation as well as bonuses for employers. The interventions are more common in urban areas, where there are more employers, and those programs that predate the CCTs, or were originally designed without the CCT target population in mind, tend to target individuals who, despite being disadvantaged, have more education and resources than CCT beneficiaries. For this reason, some countries have crafted specific strategies to support CCT beneficiaries. A good example is the national Program to Access Technical Training and Employment (*Programa Nacional de Acesso ao Ensino Técnico e Emprego*, PRONATEC) in Brazil, which offers training designed for Bolsa Família's beneficiaries, who typically have less than a secondary education. Another example is Steps-to-Work in Jamaica, which offers remedial education (literacy and math skills) for youth and adults from the CCT Program for Advancement through Health and Education (PATH).

Training is one of the most common types of interventions directed to CCT beneficiaries. **Table 4** presents some examples. Programs vary widely in their duration, from a few weeks to two years (as in the case of the technological degree offered by SENA as part of Colombia's *Jóvenes en Acción*).

Table 4. Examples of Training Programs Available to CCT Beneficiaries

Location and income-generating intervention linked to CCTs	Duration	Training	Incentive
Brazil: PRONATEC	160 hours minimum	Unlimited access to a large variety (376) of courses designed for non-qualified users (lower than secondary education), though availability varies by municipality	Books and other materials are free, and a stipend is granted for transportation and food
Chile: <i>Programa de Apoyo al Empleo IEF</i>	Part-time training during 4 months	On-the-job training (technical training on agribusiness and ecotourism), and support on finding a job	Low-income job
Colombia: <i>Formación titulada SENA</i>	880–3,520 hours	Vocational training	Monthly cash transfer of 153 USD for attending, obtaining a technical diploma
El Salvador: <i>Comunidades Solidarias</i>	80 hours in 6 months	Community projects, vocational training	Monthly cash transfer of 100 USD conditional on attending
Jamaica: Remedial Education for Adults		Remedial education: literacy training and customized courses tailored for PATH households	

Source: Authors' elaboration.

Note: These are examples to illustrate different programs and do not represent the only training program available in each country.

The existing literature on such trainings' labor market outcomes is not conclusive (for example, see Urzúa and Puentes, 2010). In the case of LAC, it finds moderate and heterogeneous effects on employment and labor income (Ibarrarán and Rosas Shady, 2009).¹⁷ Specifically, women and younger people benefit most, often because they transition from inactivity to work. Impacts on people's ability to find a job were largest in Panama, and no impacts were found on women's job outcomes in the Dominican Republic. Although the literature does not allow definitive conclusions, González-Velosa et al. (2012) suggests that "on-the-job training in technical skills is more effective than classroom instruction".¹⁸

¹⁷ Results from Argentina, Chile, Dominican Republic, Mexico, Panama, and Peru.

¹⁸ The document examines evidence from six training programs implemented in different countries including *Jóvenes en Acción* and the program *Becate* which are linked to CCT programs in Colombia and Mexico respectively.

Labor intermediation services include job search assistance (e.g., resume preparation, interview skills), job placement/brokerage (e.g., database of job vacancies, candidate screening), job fairs, and economic support for job seekers. Mazza (2013) shows that many LAC countries are still in the very early stages of developing these services. Consequently, coverage of CCT beneficiaries is negligible.

A quasi-experimental evaluation by Flores Lima (2010) of labor intermediation programs executed by the Mexican National Employment Service (*Servicio Nacional de Empleo*; SNE)¹⁹ found that participants did not have a higher likelihood of finding a job or of finding one sooner). However, there were impacts on quality for those who found a job, including higher earnings, more hours worked, and better contract conditions. The caveat here is that those who participated in the SNE have different characteristics than CCT beneficiaries.

b) Linking CCTs to Income-Generating Interventions

As discussed in the previous section, the coverage of income-generating interventions among CCT beneficiaries is negligible, echoing that the link with these initiatives is loose. CCT programs have attempted to establish stronger links by following three strategies: (i) establishing institutional agreements, (ii) using social workers, and (iii) providing financial incentives.

Institutional Agreements. Many of the linkages between CCTs and income-generating interventions are based on interagency memoranda of understanding. Usually these agreements imply the exchange of lists of CCT beneficiaries who may be in need of income-generating services, but few go as far as establishing preferential access.

In the context of the recent redesign of *Oportunidades* into *Prospera*, the operating procedures of several productive programs were revised to allow CCT beneficiaries to participate. This constituted a paradigm shift, as the overlap of cash transfers and income-generating interventions is no longer seen as a duplication of programs (with more than one serving the same population). In addition, *Prospera* negotiated priority access and affirmative action quotas with 15 income-generating programs and the SNE. Similarly, *Ingreso Ético Familiar* in Chile includes mechanisms of preferential access to a range of income-generating interventions (see Vargas Faulbaum, 2014).

Social Workers. A small group of programs employs social workers to link beneficiaries to income-generating interventions in the framework of social inclusion. This is the case of *Ingreso Ético Familiar* in Chile and

¹⁹ Prospera is linked to the labor intermediation programs of SNE. The programs evaluated specifically include *Bolsa de Trabajo*, *Chambatel*, and *Chambanet*.

Red Unidos in Colombia, which were designed to complement CCTs and target the extreme poor. In both cases a social worker and the beneficiary family jointly define a plan to overcome poverty. This plan includes the provision of financial incentives for participation in job training (for information of Colombia see *Econometría-SEI*, 2012 and Tassara, 2014; for Chile see Vargas Faulbaum, 2014).

Financial Incentives. Using financial incentives and penalties to promote participation in income-generating interventions in the context of CCTs is not very common in LAC. Among the countries considered in this study, they are employed only in Chile, Colombia, and Jamaica. In Colombia and Jamaica, the financial incentives are linked to participating in training programs rather than on actually getting a job. For instance, *Red Unidos* in Colombia pays 153 USD per month for attending training. This is the same mechanism employed by welfare-to-work schemes in high-income countries.

Chile's *Ingreso Ético Familiar* is different because the financial incentive is a function of labor outcomes. Participating households can apply to receive a Bond for Female Work (*Bono al Trabajo de la Mujer*)²⁰ that provides a transfer to vulnerable women (poorest 35 percent) earning less than CL\$400,837 a month (about 650 USD). The amount of the transfer is inversely related to earned income, and women can receive the transfer for up to four years as long as they remain employed, regardless of whether the work is self-employment or wage-employment. In addition, *Bono al Trabajo de la Mujer* provides an economic incentive to the employer for two years.

²⁰ Available at: <http://www.bonotrabajomujer.cl>.



3





Welfare-to-Work (WTW) Experiences in High-Income Countries

High-income countries have generally established strong links between welfare transfers and income-generating interventions, or at least stronger links than those found in LAC. Transfers and income-generating interventions are bundled together as the core components of WTW schemes. Cash transfers are typically linked to unemployment insurance schemes, conditional on participation in labor activation programs (e.g., labor intermediation services and development of soft and technical skills), and just sufficient for subsistence. Moreover, WTW generally does not promote self-employment.

WTW was pioneered in the United States' welfare reform of 1996, based on the Personal Responsibility and Work Opportunity Act (hereafter PRWOA). The reform was motivated by concerns for the persistence of long-term use of welfare during times of economic growth and job creation. It was noted that some beneficiaries (e.g., those of the Aid to Families with Dependent Children program; AFDC) seemed unable to find a stable job. PRWOA aimed to introduce the incentives to exit welfare through employment, setting caps to the transfers and conditions for receiving them (Danziger et al., 2002).

AFDC was replaced by Temporary Assistance for Needy Families, or TANF (Ochel, 2003). In a clear difference with its predecessor, TANF was designed to be a temporary support while the family reengaged in the labor market. It could be received for a maximum of six consecutive months at a time and for an accumulated period of five years in a lifetime (Moffitt, 2003). Its payment was conditional on participating in a labor-attachment scheme (work-first) or a human capital development alternative (consisting of basic math and reading skills training or on-the-job training) (Armstrong et al., 2009).

Many OECD countries have implemented WTW reforms (e.g., United Kingdom, Australia, and countries in continental Europe). While the changes in the US occurred in a situation of prosperity, the reforms in Europe were motivated by the need to free financial resources

in response to fiscal constraints and the emergence of long-term unemployment (OECD, 1999).

Entry in a WTW program is conditional on being unemployed and on having income below the poverty threshold. As a consequence, unemployed individuals who benefit from contributory unemployment insurance are generally excluded while they are entitled to the insurance.²¹ The beneficiaries receive a cash transfer whose value depends on their age and gender and on the number of children in their household. This transfer is conditional on enrolling in labor activation programs. In some countries, tax credits kick in when a beneficiary finds employment. These credits complement the WTW strategy by supporting workers with low income and providing an incentive to work more.

Box 2. Tax Credits as a Complementary Strategy to WTW

Tax credits are redistributive instruments that aim to encourage formal labor participation, conditioning the benefit on working and declaring income for tax paying purposes. The tax credit increases proportionally with earned income, up to a predetermined cap, which depends on household size and composition (Blundell, 2006). When earned income approaches the eligibility threshold, the credit decreases gradually (Blundell and Meghir, 2002). In the logic of WTW, tax credits are designed to support low income earners to remain in the labor markets, which may increase the likelihood of obtaining a better remunerated job (Hotz, 2003).

The main example of tax credits is the Earned Income Tax Credit, which is the principal redistributive mechanism of funds to low-income people, paying the highest number of beneficiaries and constituting the highest public expenditure of any other federal public service program in the United States (Bitler, Hoynes, and Kuka, 2014).

²¹ For example, in Germany before the Hartz IV Act in 2003, unemployed workers received a contributory insurance compensation for 32 consecutive months and were eligible to a means-tested benefit afterward. Since 2004, the means-tested unemployment support is conditional on participation in job-hunting activities.

3.1 WTW Income-Generating Interventions

WTW income-generating interventions aim to promote wage employment only, mainly through work-first and human capital development programs. Work-first interventions are based on the immediate job insertion of beneficiaries. The programs attempt to match beneficiaries' existing skills with available vacancies and provide only some technical and soft-skills training for low-skilled workers who are hard to employ. Work-first interventions differ from active job-creating interventions —common in Nordic countries²²— because they put the responsibility of finding a job directly on the beneficiaries (Sandlin, 2004), rather than on the governments. In contrast, human capital development programs provide training before labor market insertion. There has been a clear preference for work-first programs in the US, which has also been supported by empirical evidence. Nightingale, Pindus, and Trutko (2002) estimate that 60 percent of the federal grants intended to complement TANF were spent in work-first initiatives.

In contrast to the US, in Europe human capital development programs are usually the preferred strategy. In Germany, WTW beneficiaries must attend compulsory job training.²³ In the Netherlands, WTW reforms led to the creation of new Centers for Work and Income, where private providers train unskilled workers and are paid based on beneficiaries job-finding outcomes. In this last case, the duration of the intervention is linked to the initial qualifications of the beneficiaries; thus, low-educated individuals receive longer training and higher benefits.

3.2 Does WTW Work? Evidence on Labor Market Outcomes and Poverty

There is a considerable body of rigorous evaluation of WTW initiatives in high-income countries.²⁴ WTW has led to a significant increase in labor participation and mixed results in terms of poverty reduction. For instance, an evaluation of PRWOA in the United States found that, in spite of the fact that 50 percent of beneficiaries had found a job, 48 percent of them remained in poverty after the intervention (Blank, 2002). Similarly, Fraker et al. (2004) found that most enrollees

²² Similar programs have been implemented in France and Italy, where social enterprises had been created to accommodate unemployed workers (OECD, 1999).

²³ Most activation programs in Germany after Hartz IV are human development programs that include a 90-day training program. Evidence suggest that they have been successful in improving job outcomes, particularly for the participants of One-Euro-Jobs (Huber et al., 2011).

²⁴ Labor activation programs are relatively easy to evaluate using randomized control trials (Skivington et al., 2010). This is important because non-experimental evaluations are often biased by the fact that employment and income indicators experience a decline just before the beneficiary enters the program—an effect known as Ashenfelter's dip (see Card, Ibararán, and Villa, 2011).

of TANF (in Boston, Chicago, Ft. Worth, Nashville, Philadelphia, Phoenix, and Yakima) were poor after two years of participation, but that poverty incidence was much lower for employed participants (between 16 percentage points in West Virginia and 43 points in Baltimore). Overall, the evidence suggests that beneficiaries do not get well-remunerated jobs, and that these jobs alternate with periods of inactivity (Bruttel and Sol, 2006; Fraker et al., 2004; Hasluck and Green, 2007). It has also been suggested that there are perverse incentives for the program executors to “cream” those jobseekers that are easier to place and “park” the most disadvantaged (Wright, 2012).

As expected, WTW has reduced the long-term use of welfare, due to either the beneficiaries finding a job and exiting poverty or to the expiration of benefits. In the Netherlands, the proportion of welfare beneficiaries finding a job and exiting the welfare system doubled following WTW reforms (Ochel, 2004). In Germany, the number of beneficiaries exiting welfare and taking jobs increased from 2 to 18 percentage points (ibid).

Evaluations of different WTW strategies suggest that work-first interventions have a greater impact than training programs. For instance, the work of Ochel (2004) in analyzing several WTW schemes in different countries indicates that work-first without human development yields higher impacts on employment and earnings.²⁵ In the same vein, Greenberg and Robins (2010) collected data from 21 randomized trials evaluating the long-term labor outcomes of work-first programs in the United States. Their findings indicate that, on average, employment of recipients increased by 2.6 percentage points.

3.3 Lessons from WTW

There are four useful lessons for LAC that can be extracted from the WTW experience in high-income countries.

First, work-first interventions are more effective than training. This implies that LAC could put greater emphasis on direct insertion in the labor market and on on-the-job training. A caveat is that while poverty and unemployment go hand in hand in high-income countries, in LAC most of the poor work. In this case, the emphasis should not be on jobs but rather on better jobs.

Second, pay-for-success schemes can be used to improve the

²⁵ Nonetheless, these interventions were driving youth participants to leave college to enroll in job search schemes conditional on welfare benefits. This evidence was also found by Kim (2012) and Dyke et al. (2006).

²⁶ Available at: <http://www.welfareconditionality.ac.uk>

performance of intermediaries implementing WTW initiatives. LAC countries could link performance incentives for different income-generating programs to the labor market outcomes of the beneficiaries. This would also generate knowledge on the types of programs that work best in different contexts.

Third, WTW initiatives work best when the economies grow and create new jobs. WTW schemes are designed to promote labor market participation, but the payment of cash transfers depends on the participation in activation programs rather than on labor market outcomes. The possibility of finding a job also depends on the overall performance of the economy and its labor markets. So a lesson for LAC is that linkages between welfare and labor markets can be made more explicit, and incentives can be used to encourage employment, but parallel efforts should be made to promote the comprehensive reforms that lead to job creation.

Finally, it is important to notice that WTW reforms may increase the stigmatization of welfare beneficiaries. A whole body of literature focuses on the ethics of WTW and debates the appropriateness of conditioning welfare benefits on participation in work activation programs. It argues that it is problematic to place all the responsibility for overcoming poverty on the beneficiaries (Wright, 2012) and argue that the poor are poor because they do not participate in the labor markets. This is clearly not the case in LAC, where the majority of the poor work but are unable to generate sufficient income to avoid poverty.







Conclusion

We have reviewed the experiences of recertification and exit strategies of CCT beneficiaries in LAC. Both processes originated from concerns that households received CCTs for a long time and may become dependent on the transfers, as well by the need to increase the efficiency of these programs. Recertification attempts to identify and dismiss households that have sustainably improved their socioeconomic conditions, while exit strategies aim to improve income generation capacity.

Our review of 13 CCT programs in LAC found that most programs have attempted some recertification, although procedures have been changing over time and implementation has been scattered. A few countries (Chile and Trinidad and Tobago) need no recertification processes because they have adopted a time-bound duration of the transfers. A few others (Argentina, Honduras, and Peru) have time-unlimited transfers, but have yet to establish recertification processes. At the other extreme, recertification is compulsory every two years to remain in *Bolsa Família* in Brazil.

Nine countries have launched exit strategies that link CCT beneficiaries to income-generating interventions. In most cases, these initiatives target the adults, while the children keep developing their human capital by complying with program co-responsibilities. In a few cases, the focus is on the youth graduating from secondary school, with the aim to support their school-to-work transition. Income-generating interventions promote both wage- and self-employment, and are generally implemented by other government agencies (e.g., Ministry of Labor, National Employment Services, Ministry of Agriculture). However, participation among CCT beneficiaries is extremely low, which is both due to the small scale of these interventions (relative to the CCTs) and the fact that the links with the CCT are, at best, loose. Also, there is evidence that these programs have limited effectiveness.

An important caveat is that not much can be expected from exit strategies if the economy is not creating jobs that fit the profile of CCT beneficiaries (including the fact that a large share of them live in rural areas). This is a precondition for success. Once job creation grows, the experience of WTW reforms in high-income countries teaches two important lessons to policymakers interested in implementing exit strategies in LAC. First, impacts are higher from work-first programs than from training. Second, impacts are higher when the intermediary agencies are contracted through a results-based financing scheme.





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MOVING AHEAD

*Recertification and Exit Strategies
in Conditional Cash Transfer Programs*

