The Role of Unconditional Cash Transfers in the Decision to Migrate - Evidence from the Lesotho Child Grant Programme

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1. Overview and Context

This study explores the relationship between unconditional cash transfers (UCTs) and the decision to migrate in Lesotho. The complex and highly interdependent relationship between development in general and migration (Carling and Talleraas 2016; Clemens 2014) is still largely underexplored. Academia demonstrated the various impacts of cash transfer programs (Hagen-Zanker and Leon-Himmelstine 2013; 2012; Davis et al 2010), but the bulk of general analyses has been on Conditional Cash Transfers (CCTs) in Latin America (Fiszbein and Schady 2009). In the case of CCTs results are inconclusive; for UCTs results are largely missing. Investigating the link between the Lesotho Child Grant Programme (CGP) - a government-run UCT - and migration aims to uncover whether such transfers complement or substitute for migration, thus filling a crucial gap in the literature. The principal research question this study aims to answer is: *What is the impact of UCTs on the decision to migrate in Lesotho?*

Poor households with Orphan and Vulnerable Children under the age of 18 may benefit from the Lesotho Child Grant Programme (CGP) which was designed with the explicit goal of protecting and improving the living standard of poor children. However, without conditions attached, households are free to use the cash grant to meet their needs and to diversify livelihoods. This increased autonomy in the decision whether to send a member away for work provides a clearer understanding of micro-level behaviour.

Given its location - a small landlocked country surrounded by South Africa, the region's largest economy - migration as a major livelihood strategy has a long tradition in Lesotho. Close to half (43 per cent) of households register at least one member living outside of the household (Botea et al 2018). Migration to South Africa has undergone wide-ranging changes / restrictions in recent decades making migration riskier and costlier. At the same time, rural poverty in Lesotho has made a comeback after a short period of prosperity in the 1970s and 1980s (boosted by massive increase in the real wages of African mineworkers in South Africa) (Cobbe, 2012). All this points to migration being a critical and lasting feature of households in Lesotho.

Generally, migration choices depend on knowledge/skills, wealth, risk preferences, ambition, drive, networks and family ties, and a wide variety of other observable and unobservable attributes (McKenzie and Yang 2010). Labour migration by households or their individual members is oftentimes employed as an informal coping mechanism, a response to stress, poverty, uncertainty or (environmental / economic) shocks or as a risk-diversification and investment strategy.

Hence, following Kleemans (2015), migration is understood as

1. investment. Once liquidity constraints have been eased households may be able to pay upfront migration costs. .
2. ex-post risk-coping strategy. It is assumed that the inflow of cash grants may fund the migration of a household member to recoup losses after a shock. An alternative outcome would be that it may reduce the need for such a strategy as the grant allows them to finance consumption after an income shock.

2. Literature Review and Theoretical Considerations

The impact of Progresa on migration rates within Mexico and to the United States has been studied by Stecklov et al (2005) in their now seminal study. This CCT program had a negative effect on migration rates, both internal and internationally - a result likely driven by the requirement that beneficiaries must reside in the household in order to be eligible for the intervention. Contrary results are found by Angelucci (2015) who shows that access to an exogenous source of income through the randomized assignment of the CCT - *Oportunidades* - boosts migration rates to the United States as households use the temporary entitlement as collateral to finance migration (Angelucci 2015). Behrman and colleagues (2009) verify that being exposed to this scheme led to a marginal increase in migration of adolescent boys years after exposure. Looking at South Africa's Old Age Grant, Ardington et al (2009) and others found that the presence of a pensioner is significantly associated with internal labour migration of household members. This review illustrates the inconclusiveness of results on CCTs.

The starting point of the theoretical considerations is Todaro's neoclassical model which is based on expected income as the core driver of migration. Based on this approach, if liquidity constraints decline with income (through inflow of a cash transfer) at a diminishing rate, the probability of migrating as a function of income may follow an inverse-U pattern (Tiwari and Winters 2018). This would be especially the case for those households with few assets and credit constraints.

Contrary to neoclassical models, the New Economics of Labour Migration (NELM) approach discusses migration as a household-based decision which intends to maximise wealth, diversify income sources between household members and across space, thus mitigating risks (Stark and Bloom 1985; Stark and Levhari 1982). NELM's discussion of coinsurance and diversification can be linked to the comprehensive literature on poverty (Dercon 2005) which views migration as one of the crucial strategies that such households employ. Migration is hence considered an informal livelihood-securing/ coping strategy as well as an alternative to achieve a sustainable livelihood (Sabates-Wheeler and Waite 2003).

3. Data and Research Methods

The outlined research question will be tested using data from the Lesotho CGP made available by the Carolina Population Center (CPC-UNC). Importantly, the evaluation of the Lesotho CGP was designed as a randomized control trial with panel data spanning multiple waves (a total of 2,150 households: 1,531 eligible - split into treatment and control - and 1,571 non-eligible). The study design hence allows for the measurement of the effect of a positive exogenous shock on migration decision and the panel nature of the data (with 2011 baseline and 2013 endline data) makes the investigation up to multiple years after the receipt of the first transfer possible. A difference-in-difference approach will be adopted to estimate the impact of the CGP on household migration decision-making.

Disbursement (an average of 16.7 per cent of the baseline consumption) was regular and predictable allowing recipients to use this "anticipated income" (Janssens et al 2017: 78) as a facilitator for future-oriented behaviour in terms of investment, consumption smoothing and (anticipated) risk coping. The surveys include a section with non-incentivized hypothetical situations that aim to uncover the time and risk preferences of the respondents. Additional studies within the same project will make use of these questions at a later stage.

Econometric specification

The basic model examines the impact of residing in a household that receives the Cash Transfer on migration decision-making.

$MigHm = \beta 0 + \beta 1CT + \beta 2Time + \beta 3Time*CT + \Sigma\beta iZ + \mu it$

Dependent variable: MigHm = migration status of household member (binary)

β1CT = binary indicator; 1 if treatment household

β2Time = binary indicator; 0 if baseline and 1 if endline

β3Time*CT = interaction term that measures impact of CT

ΣβiZ = a vector of characteristics (of individuals and households) measured at baseline are included in Zi to control for observable differences across households at the baseline which could affect the outcomes

μit = error term

4. Expected Findings

Uncovering the massively understudied impact for UCTs on migration is the principal motivation of this study. Based on the existing literature, it is assumed that a priori the general impact of UCTs on migration decisions cannot be determined as they could act as either complements or substitutes.

Hypothesis 1a: *The receipt of unconditional cash transfers positively impacts the decision to migrate in Lesotho in cases where UCTs act as complements to migration.*

Hypothesis 1b: *The receipt of unconditional cash transfers negatively impacts the decision to migrate in Lesotho in cases where UCTs act as substitutes for migration.*

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