

# Cash transfers, childhood development and the labor market

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Nearly every country in Latin America has a conditional cash transfer program. Poor households living below the poverty line can receive government subsidies if they agree to the program's stipulations, usually a mandate that the families invest in the well-being of their children. But how does this influx of cash affect the decision-making process for these households?

That's what Rodrigo Azuero, a University of Pennsylvania economics graduate student in the School of Arts & Sciences, is trying to find out, by studying one such [program](#) in Chile. Specifically, he's analyzing how it affects the country's labor market and early development of young from disadvantaged families. Four years into this research, Azuero has learned that cash transfers to women don't deter them from entering the labor force and greatly benefit their children.

"The agreement between institutions in Latin America is that these transfers are being done exclusively to women," he said. "Evidence finds that cash in the hands of women translates into better child outcomes than cash in the hands of men."

Azuero chose Chile for several reasons. As an applied micro-economist, he focuses on interventions that potentially help developing nations grow. He was born and raised in Colombia, a background that lead to an interest in studying Latin America. Plus, Chile has just 49 percent female labor-market participation, according to the most recent World Bank data, not the lowest in the region, but close. Taken together, this

triad lead to some big questions for Azuero.

"If you start giving people money, does that discourage them from going into the labor market to find a job. Second of all, who should be the recipient of these transfers? Is it the father? Is it the mother? Is it a joint decision?" he said. "These are important policies in terms of increasing the resources of households, but they also have economic implications."

Interest in this field began before Azuero arrived at Penn, when he worked as a research assistant at the Inter-American Development Bank, akin to the World Bank but directed at Latin America. At the time, from 2010 to 2012, the institution was trying to better understand the link between learning opportunities for school-age youth and a country's overall economy. Azuero traveled all over the region collecting data.

The idea was to publish a paper for policymakers and academics about gaps in children's cognitive skills across income classes in Latin America. It was in this capacity that Azuero first crossed paths with Jere Behrman, the William R. Kenan, Jr. Professor of Economics at Penn. Together with Azuero's then-boss, Norbert Schady, they collaborated on a research paper, published in February 2015 in the *Journal of Human Resources*.

"It turns out [these gaps] are pretty large and they persist, maybe not increase but they persist. Children from poor families go into school already with a big disadvantage," Behrman said. "Rodrigo was working closely with us on that."

From there, the young economist came to Penn, where he encountered researchers like Petra Todd, the Alfred L. Cass Term Professor of Economics and Andrew Shephard, assistant economics professor. With Behrman, they are Azuero's advisors.

Azuero dove into an exciting but challenging environment; he said his first year as a doctoral candidate was one of the most intellectually demanding of his life. But it pushed him to pursue a path, early childhood education and the labor market, that not only stirs passion in him but is also a hot topic around the world right now. Azuero said he thinks it has to do with the data available today.

For the Chile research, he's been working with a dataset of 15,000-plus children that includes information from birth, age 3 and age 5 on cognitive and non-cognitive tests, behavioral assessments, executive functions—core areas psychologists would consider important to understanding how a young boy or girl is developing.

"If you compare rich children versus poor children, by the age of 5, you see that there are huge developmental gaps," he said. "We find dramatic inequalities in terms of learning experiences, and these inequalities are worse than economic inequalities or income inequalities."

Behrman said Azuero is advancing the economic literature in this field, particularly with his focus on whether labor-force participation by mothers in Latin America has a causal effect on child development.

"Maybe they're associated because more capable women are more likely to participate in the labor force and may be better able to take care of children. It may be something you cannot see, their innate ability," Behrman said. "Working with these issues is challenging. Rodrigo is definitely making a contribution to this approach."

In his spare time, Azuero is also spearheading another pet project, untangling publicly available but confusing data to make it accessible to a broad audience. So far, he and David Zarruk Valencia, another Penn economics graduate student, have built an algorithm that combs the minutes of congressional plenary sessions in Colombia to determine

which congressmen actually attended, then created a website to showcase it. (In Colombia, it's mandatory for representatives to participate in these sessions, though many don't.) They called the site [La Rama Ciudadana](#) or "citizen's branch."

"We are overwhelmed by the amount of information on the internet. It's really rich...but there aren't ways to put it into the service of the average citizen," Azuero said. "We're starting to develop this."

For Azuero, his work comes down to understanding and promoting economic development in poorer nations, including empowering and educating their populations. When he finishes at Penn, which he said he expects could happen in another year, he hopes to continue in academia.

"I want to keep working on early childhood development. I want to work on that and develop a statistical method that allows us to get more information from the data," he said. "We have a huge amount of information nowadays, and we need to develop better tools."

**More information:** Norbert Schady et al. Wealth Gradients in Early Childhood Cognitive Development in Five Latin American Countries, *Journal of Human Resources* (2015). [DOI: 10.3368/jhr.50.2.446](https://doi.org/10.3368/jhr.50.2.446)

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