

Social Protection: Graduation Programs

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Social Protection: What and Why?

Social assistance

Transfers: Cash, In-kind
Conditional/unconditional

Public works

Subsidies

Redistribution

Social insurance

Health, unemployment,
disability, old age pensions

Crop/livestock

Market
Failures/Externalities

Labour market policies

Skills training

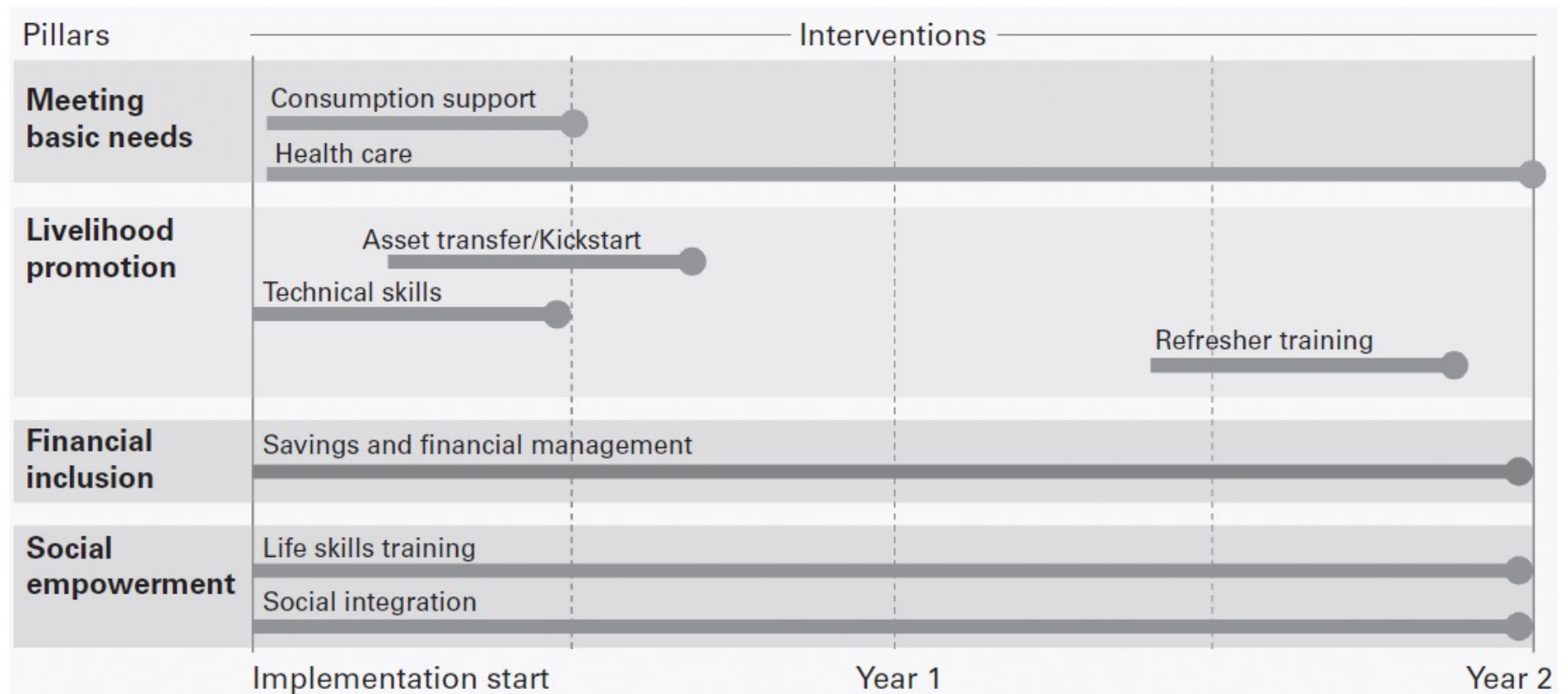
Matching/job placement

Market
Failures/Information

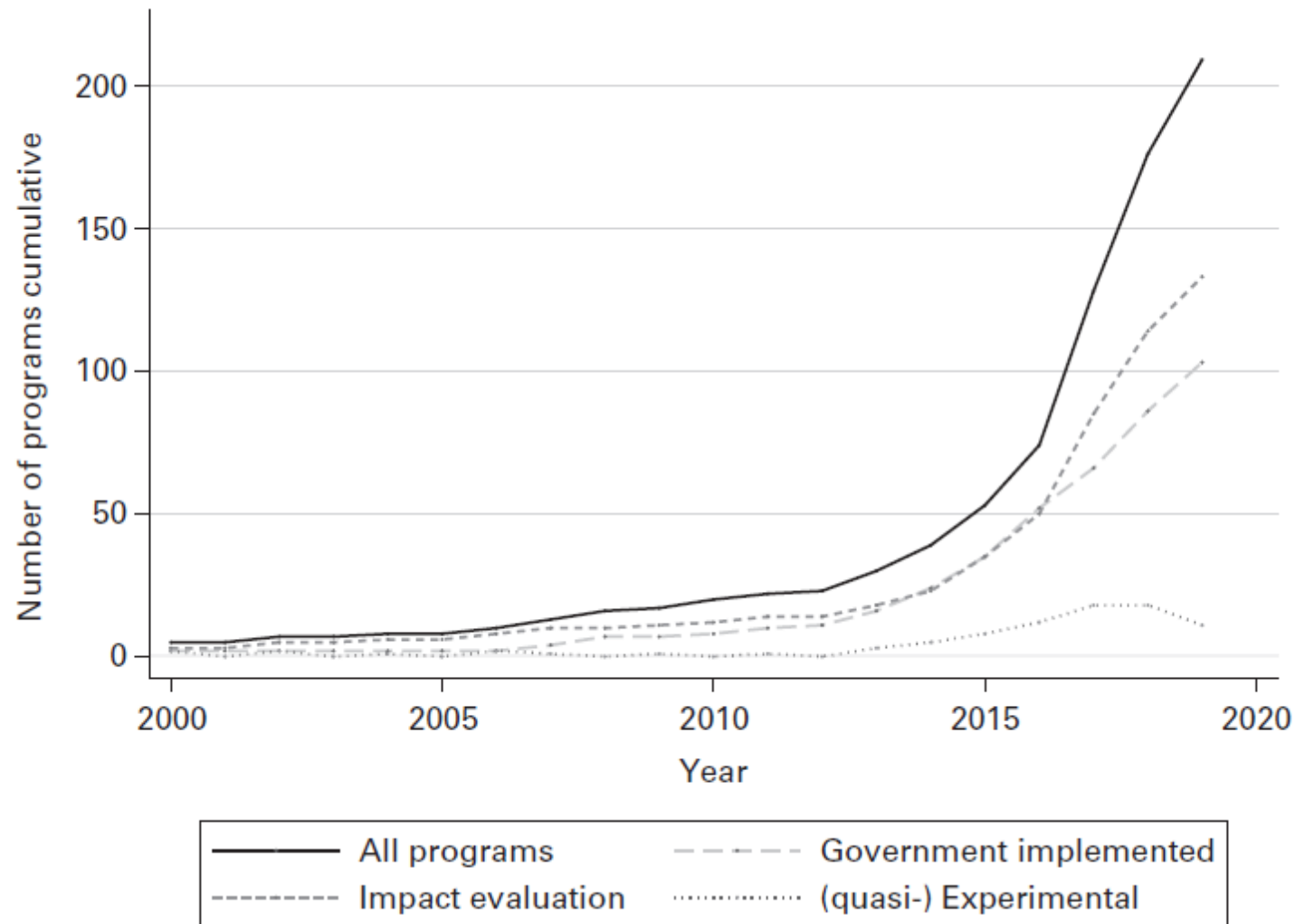
Anatomy of a successful model: BRAC UPG

1. Targeting
2. Bundle
3. Sequence

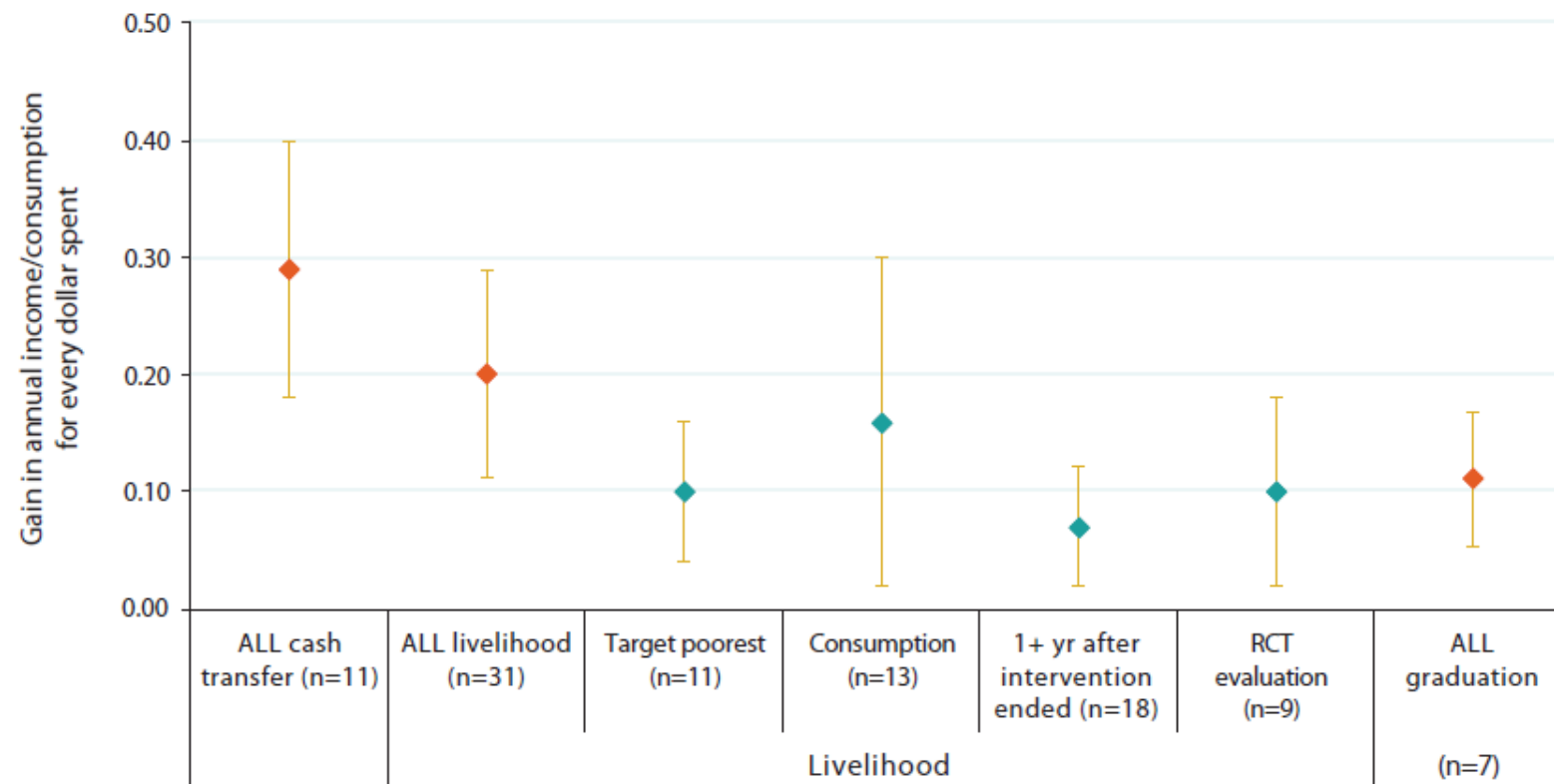
Graduation model



Cumulative number of Graduation-motivated initiatives



Cash assistance is better in increasing consumption



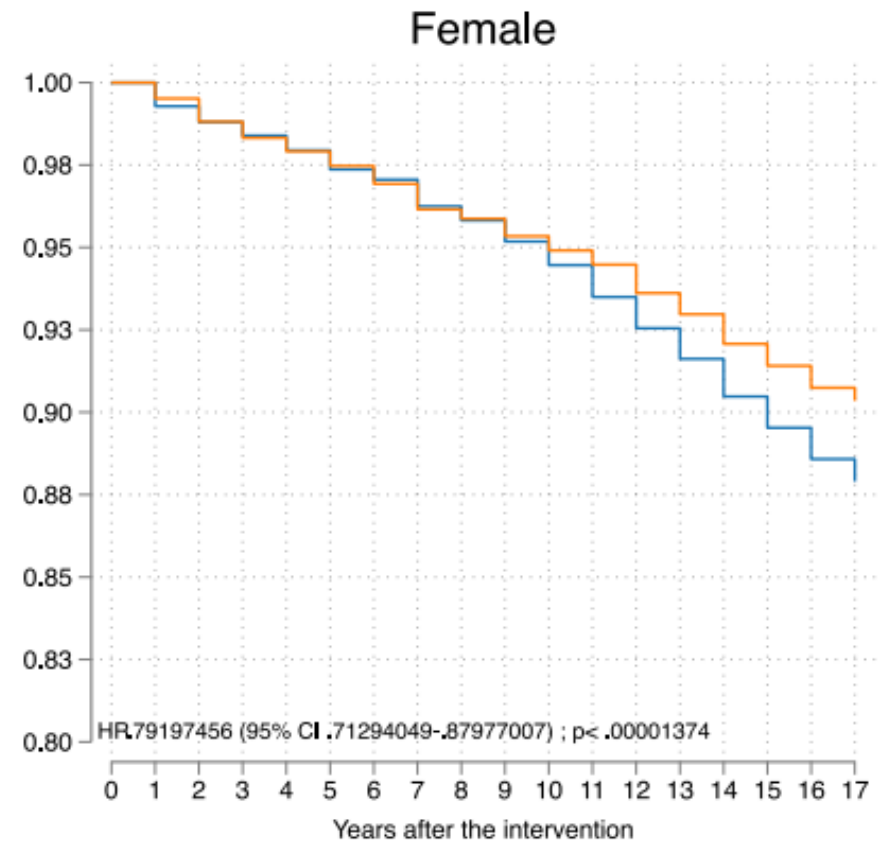
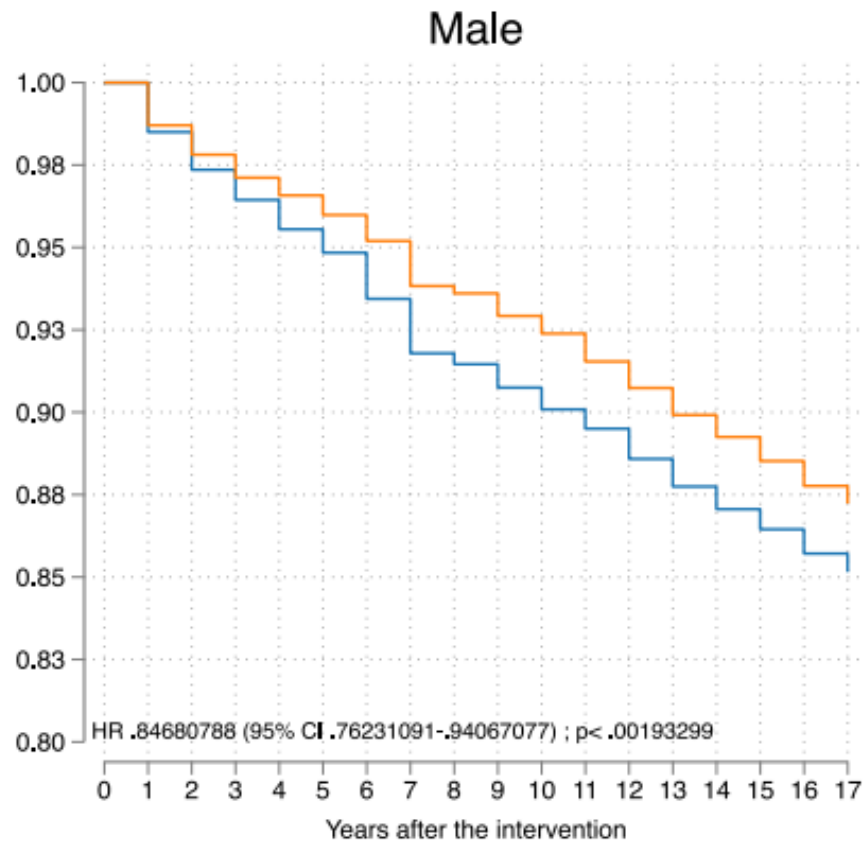
Source: Sulaiman (2016).

Note: Standard errors are estimated separately for each set of studies in meta-regression. RCT refers to randomized control trial.

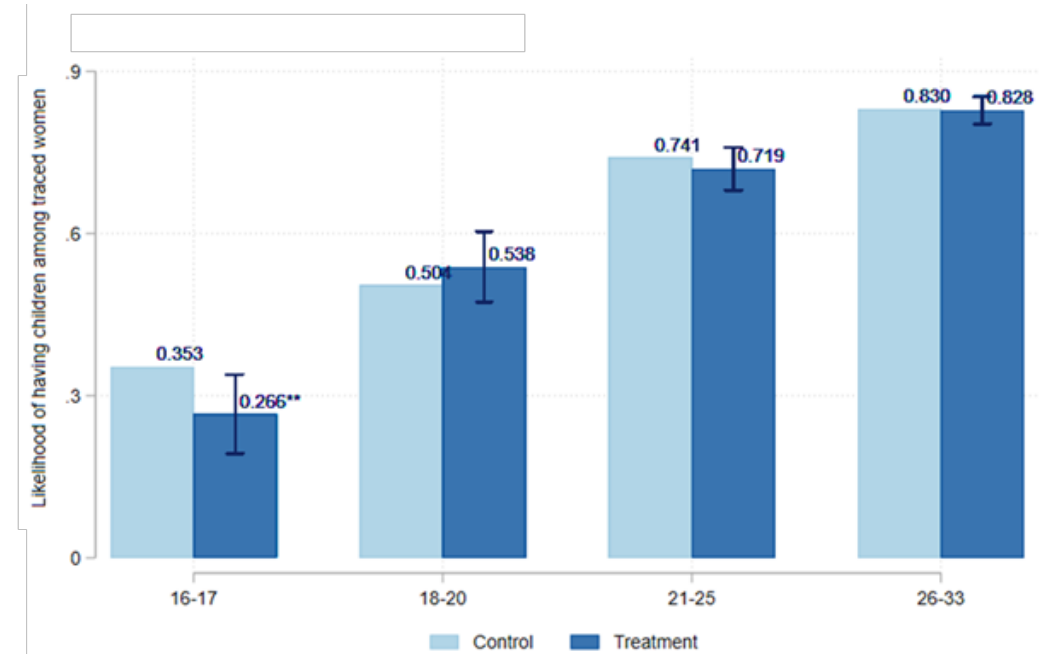
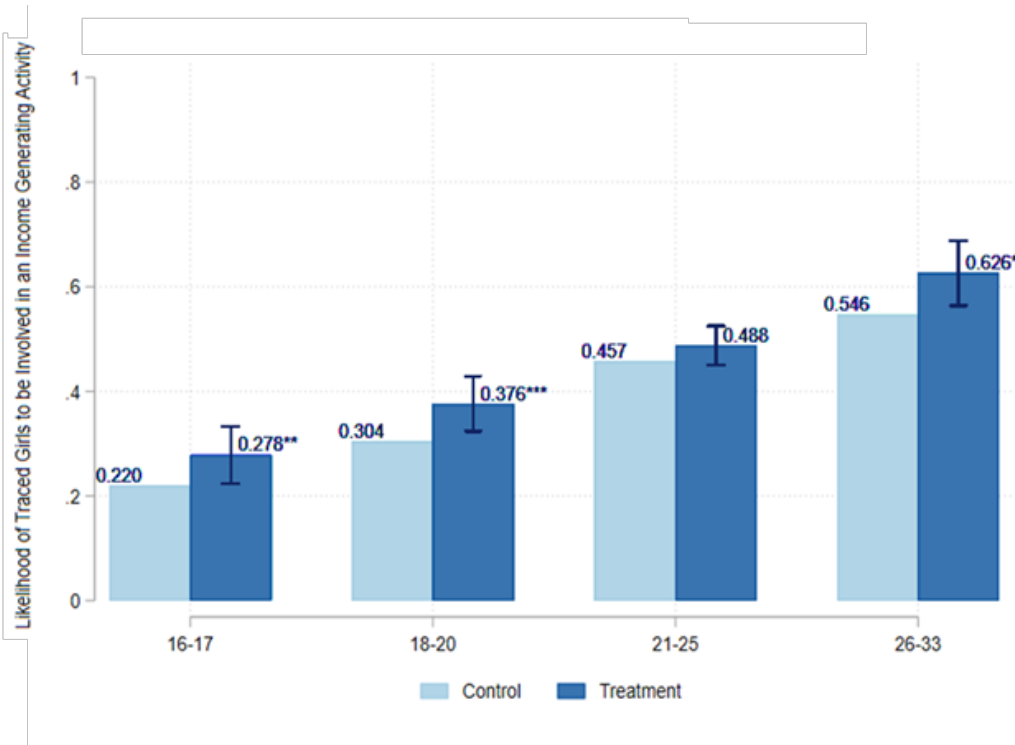
...but graduation has longer-term impact on assets

Reference	Country	Follow-up	Impact on assets
Brune et al (2021)	Yemen	4 years	290.15 (66.97) 39% of control group
Banerjee et al (2021)	India	10 years	0.346 (0.121) As high as year 3
Barker et al (2023)	Ethiopia	7 years	525.3 (133.3) 20% of control group
Bedoya et al (2023)	Afghanistan	4 years	328 (50.4) 476% of control group

Graduation impact on survival of the participants...



... and on the next generation



The impact comes through occupation change

TREATMENT EFFECTS ON THE LABOR SUPPLY AND EARNINGS OF ULTRA-POOR WOMEN

	Livestock		Agriculture		Maid		All activities	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Hours	Days	Hours	Days	Hours	Days	Hours	Days
Panel A: Labor supply								
Program impact after 2 years	488*** (30.7)	205.5*** (11.1)	-42.3 (53.0)	-3.54 (7.02)	-57.4 (42.9)	-8.45 (5.88)	341*** (67.9)	72.4*** (10.0)
Program impact after 4 years	415*** (38.9)	171.6*** (10.9)	-46.2 (42.7)	-4.77 (5.43)	-117** (45.0)	-16.77*** (5.82)	206*** (73.0)	61.1*** (12.5)
Control mean at 4-year follow-up	191.00	94.76	278.14	35.40	447.05	63.97	1,217.00	277.40
4-year impact: % change	217%	181%	-17%	-13.5%	-26%	-26%	17%	22%
2-year impact = 4-year impact [<i>p</i> -value]	0.111	0.023	0.930	0.831	0.125	0.125	0.080	0.179

Graduation is not a silver bullet

- About one-third falls back
- Moving up but not too far
- Limited impact on human capital accumulation of the children

where do we go from here?

- it depends where we want to get to..
- the purpose and the design of social assistance depends on what keeps people in poverty
- two possibilities

why do people stay poor?

equal opportunity view

- they have different traits
- less productive, less talented, less motivated ..

poverty trap view

- they have the same traits
- but face constraints to access good jobs

the answer is key for policy

- In the EO world people with the same productivity will reach the same standard of living → climb out of poverty no matter how low they start
- , anti-poverty policies support *consumption for those who are unable to support themselves*
- In the second world, wealth at birth determines the standard of living → in this world there is no way out without a big push
- in this world, anti-poverty policies support *production*

What is the goal of social assistance?

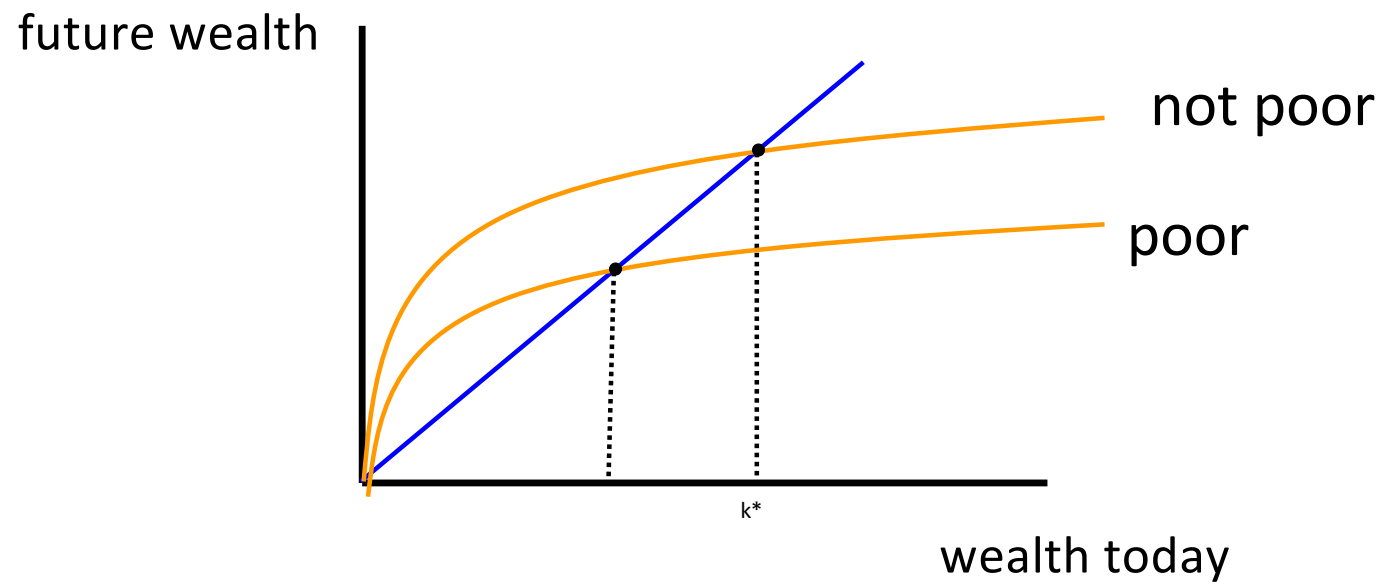
equal opportunity view

- support *consumption* for those who are unable to support themselves
- equality

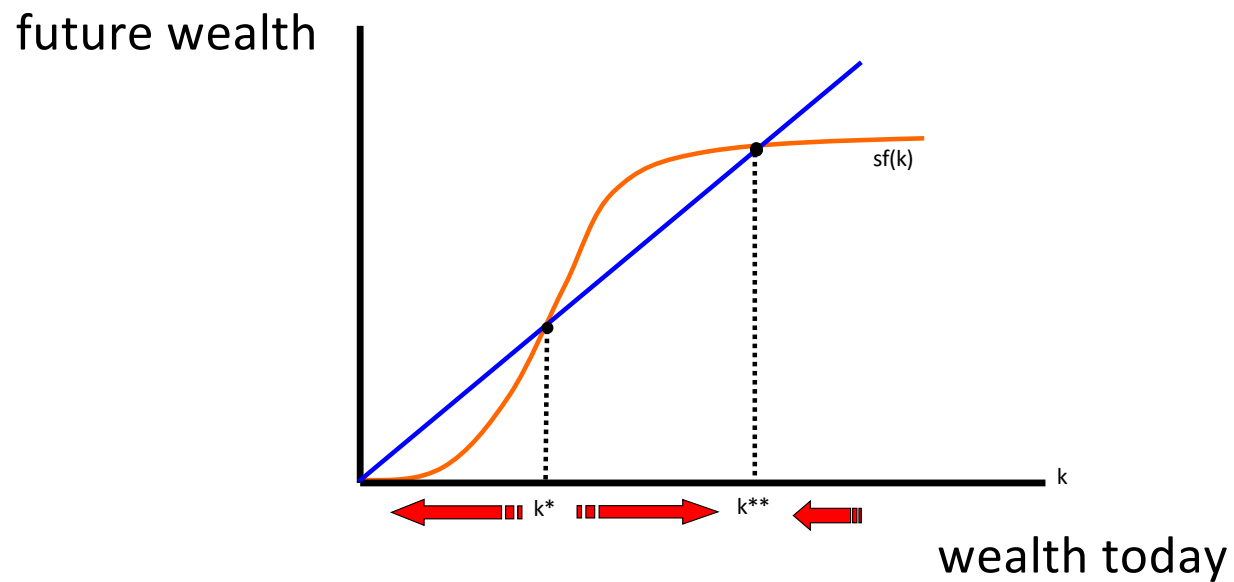
poverty trap view

- enable *employment* for those who have the ability but not the means to support themselves
- equality and efficiency

Does the world look like this:



or like this?



we provide evidence using BRAC's UPG

Poverty traps through empirical lens

What is the shape of $f()$?
should it be $f_j()$?

What is j ?

$$P_{j,t+l} = f(P_{j,t}) + e_{j,t}$$

what is P ?

how do we measure it?

What are “ t ” and “ l ”?

Poverty traps through empirical lens

What is H_0 ?

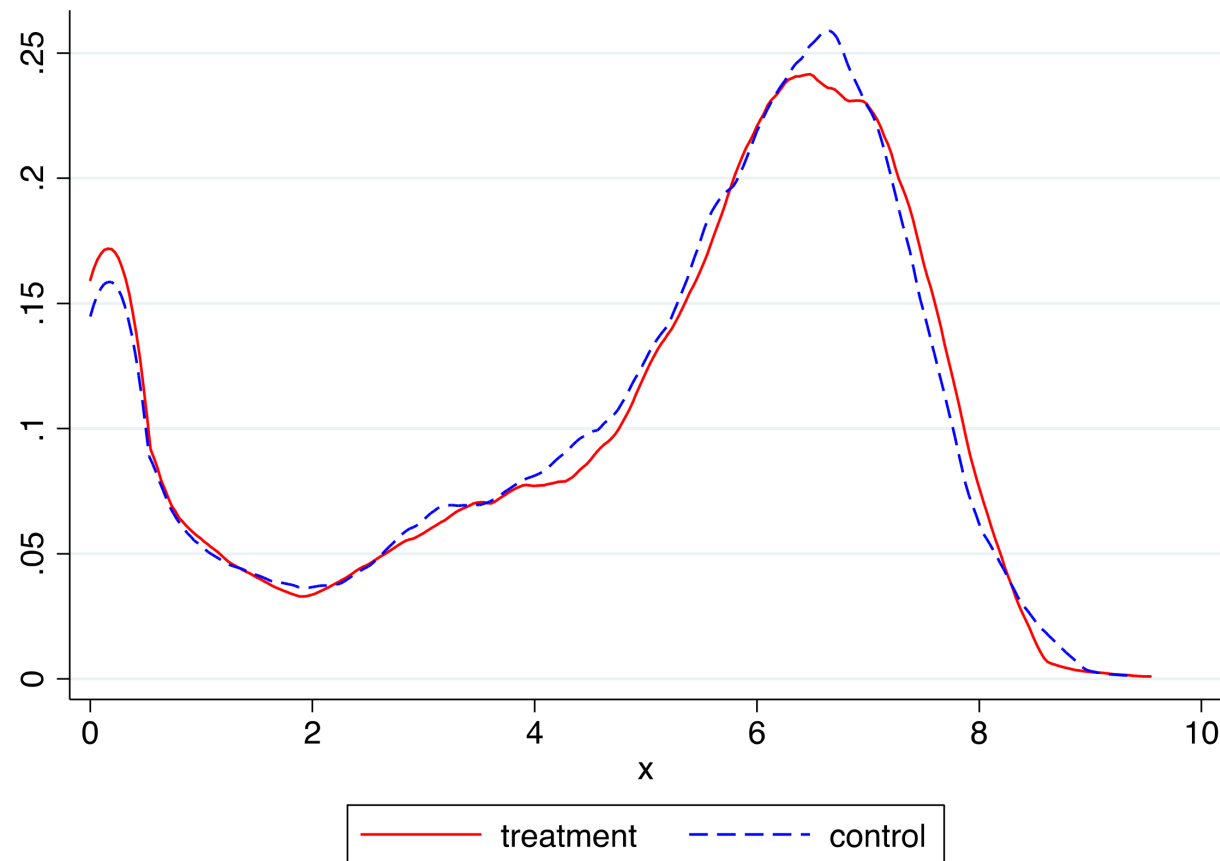
H_0 : Other determinants of poverty

- immutable traits that reduce productive capacity (poverty is permanent)
 - disabilities
 - manmade barriers (caste, ethnicity, gender)
- shocks (poverty is transient)

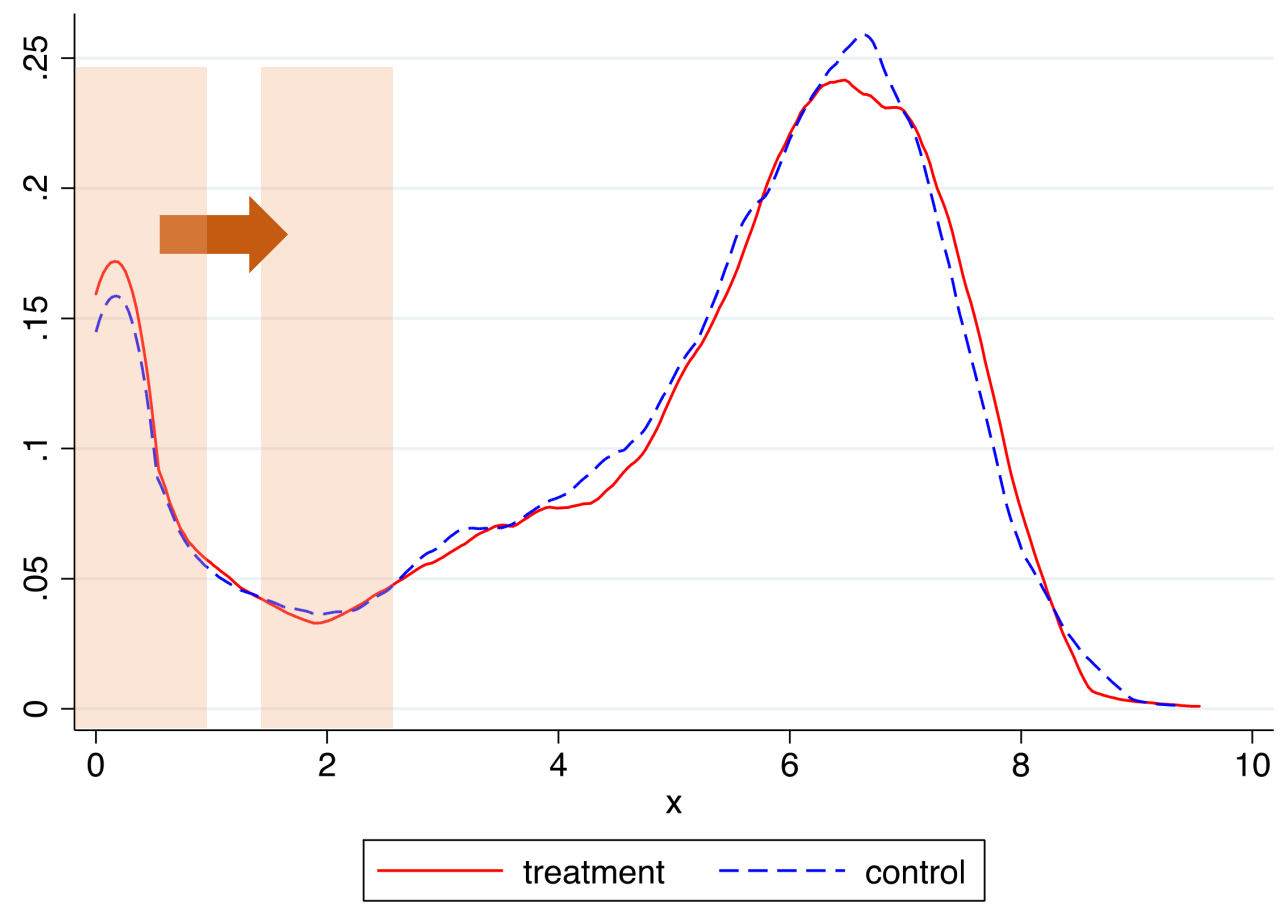
If is a trap, you can escape (with some help)

- if poverty is immutable you never escape
- if it is due to temporary shocks, you always escape
- if it is a trap, you only escape with help -> focus on policy response

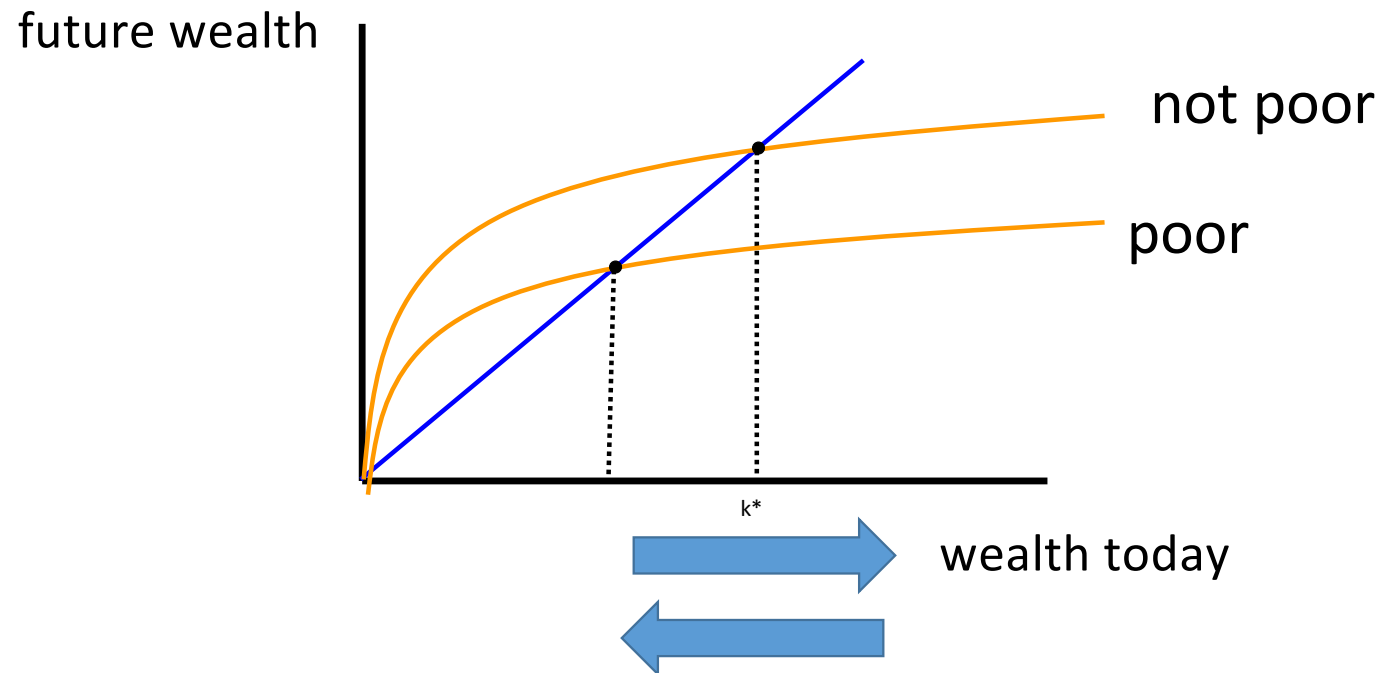
this is the distribution of assets in 1309 Bangladeshi villages in 2007



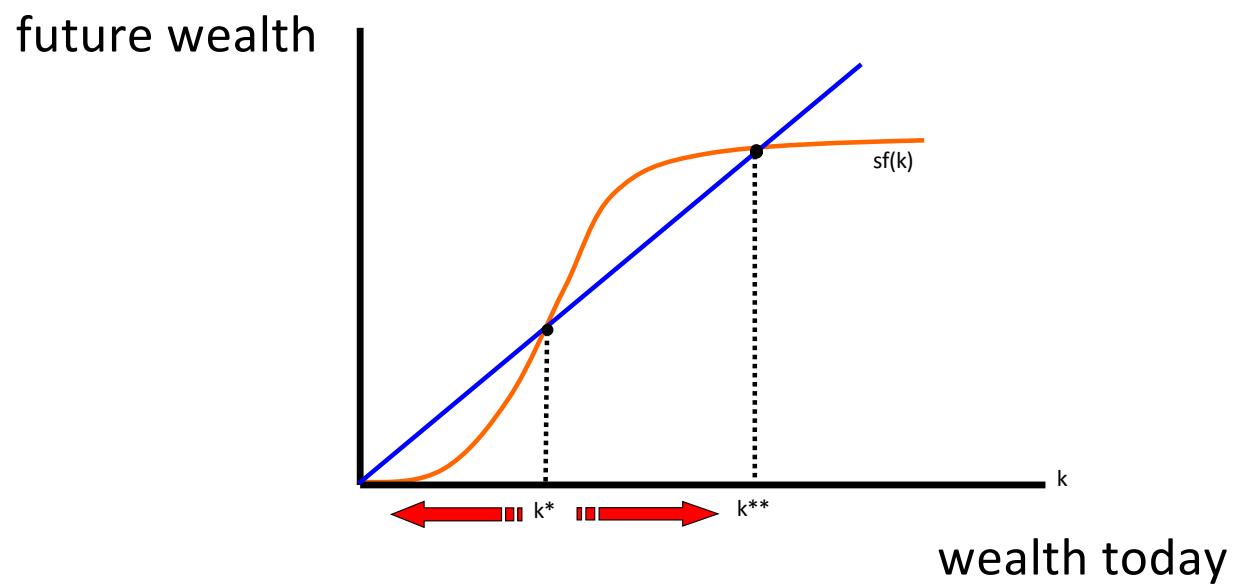
BRAC UPG moves the poorest into the lowest density area



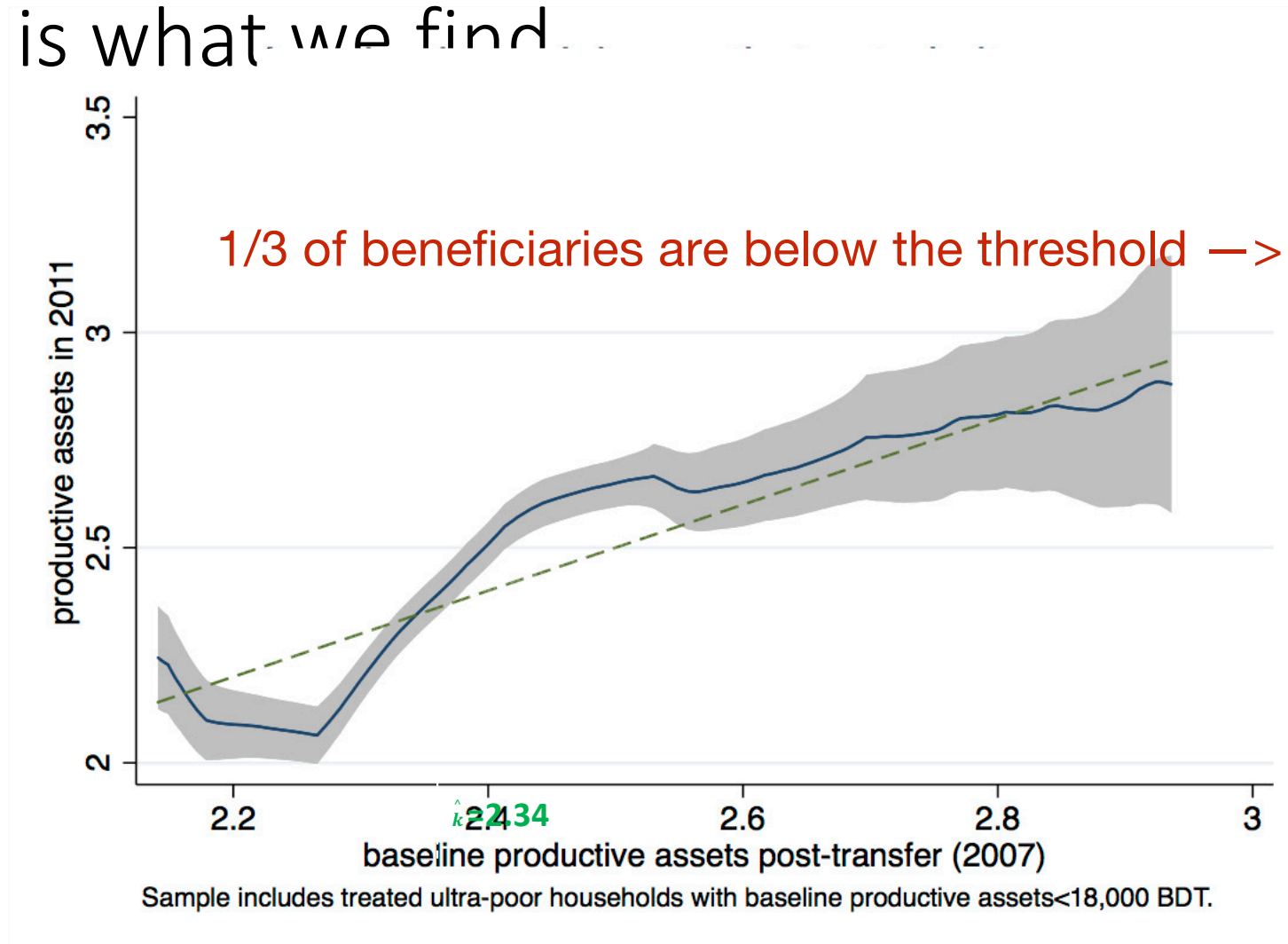
In the equal opportunity world they'd go back



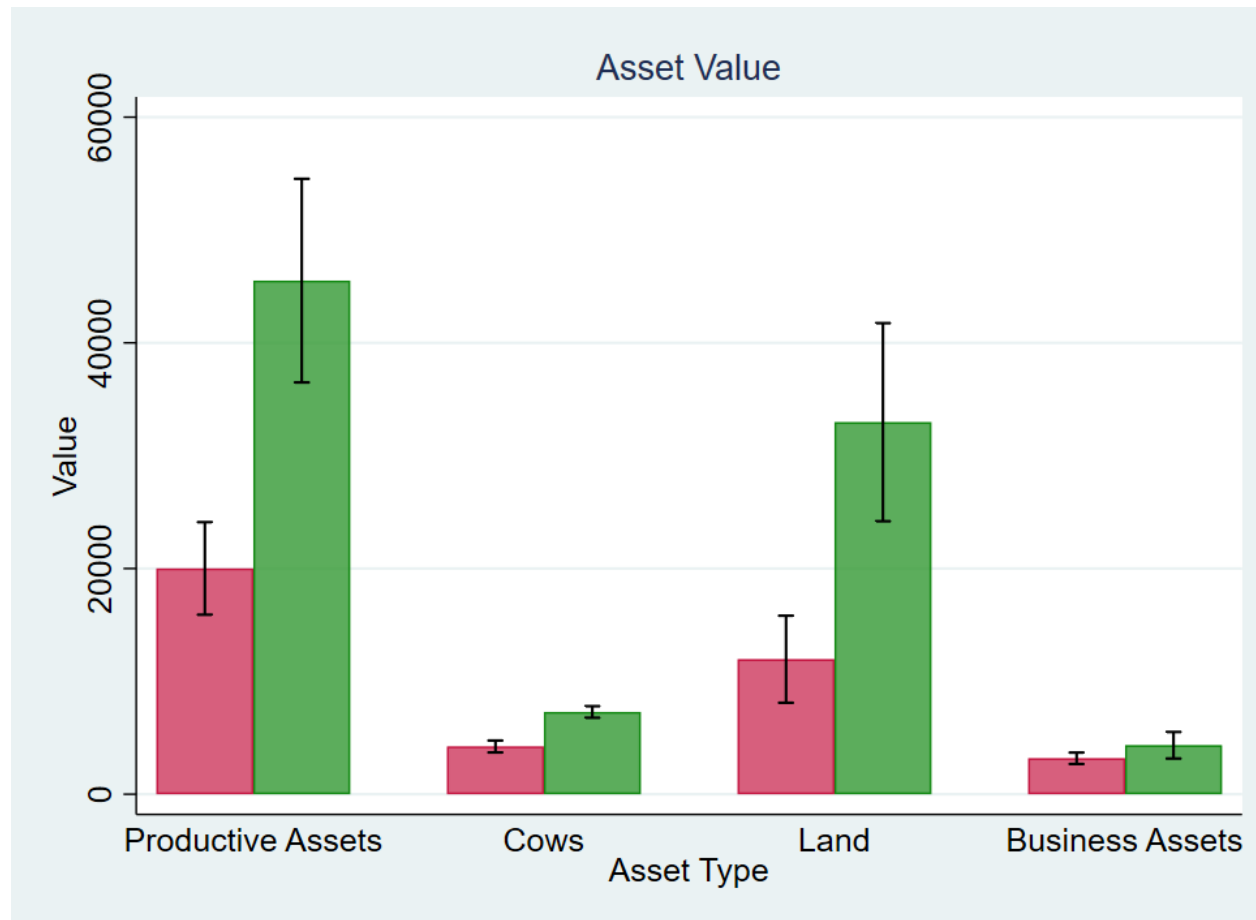
in the poverty trap world, those who go past the threshold will escape poverty, and those who are not fall back



and this is what we find



While those above keep growing..this is 11 years



Implications

UPG sets beneficiaries on a path to a new steady state —> consumption is a misleading indicator of the program effectiveness

Poverty traps reduce economic efficiency —> social assistance is an investment in people

From micro to macro

UPG-like programs successfully lift beneficiaries out of poverty

Mechanically, poverty rates in the countries they reside will fall

But that's unlikely to transform the whole economy

However this might...

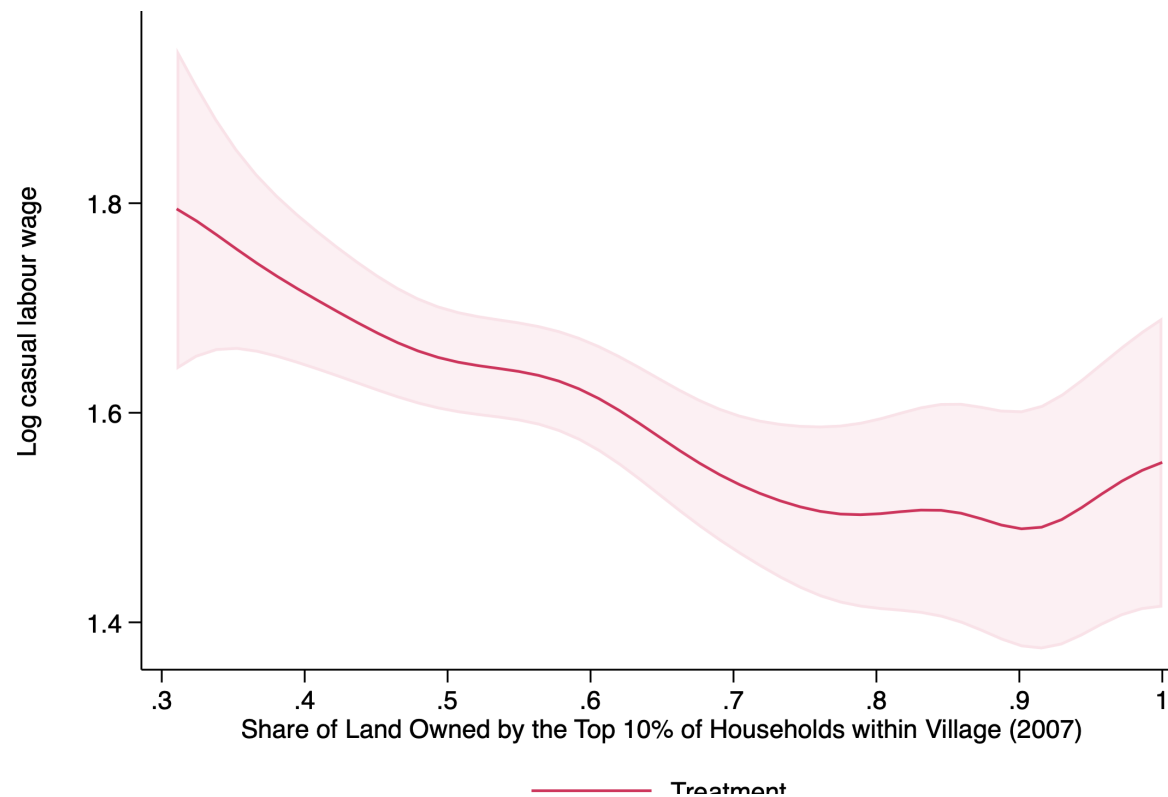
Casual labor is the only option for the poorest

Land and capital are concentrated in the hands of a few —> monopsony

Wages are pushed down to subsistence and workers bear the brunt of negative shocks without benefitting from positive ones

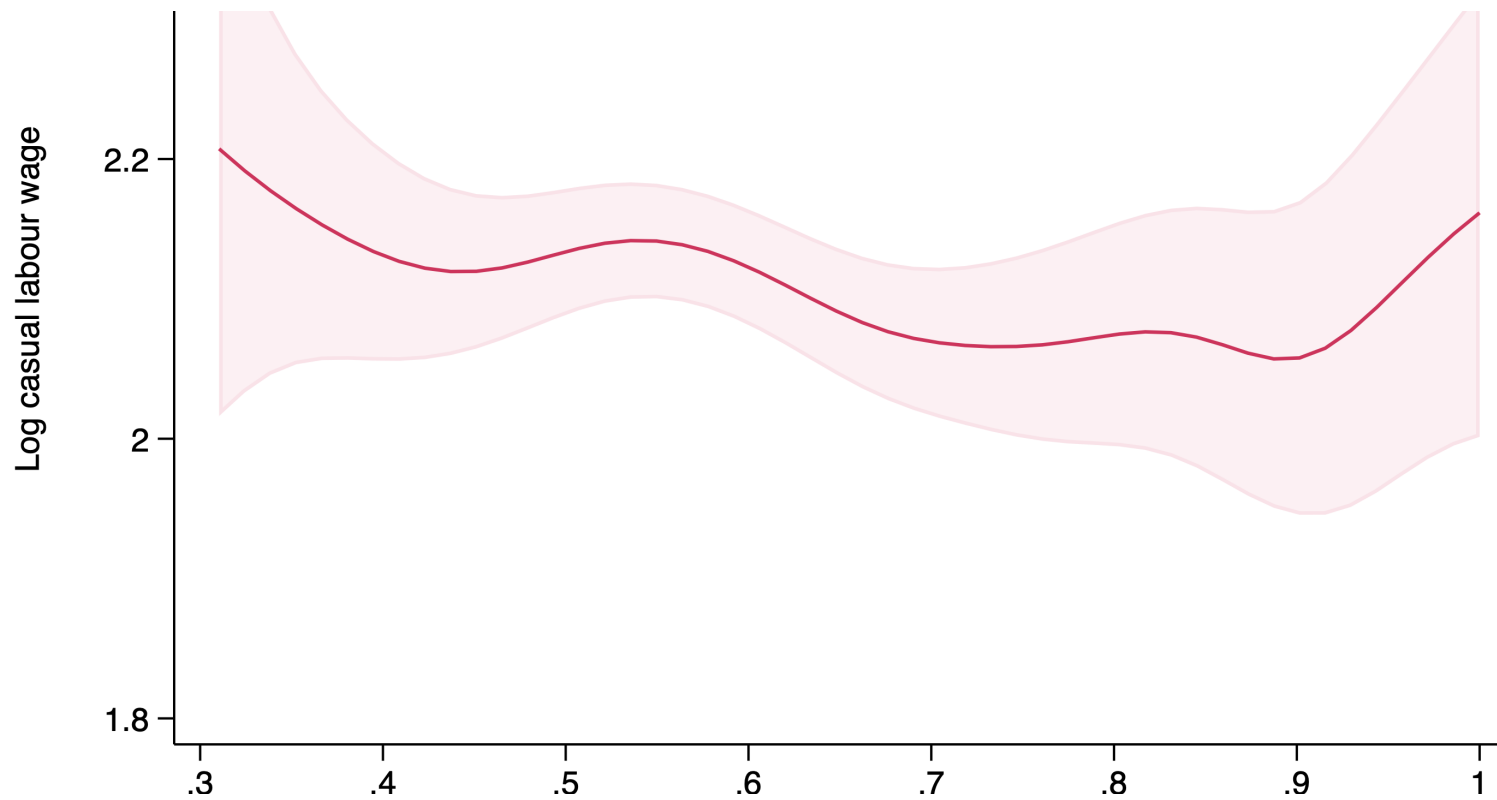
Workers are unable to save and invest in skills or assets

UPG gives them an outside option -> More bargaining power —> higher wages and lower pass through for all workers

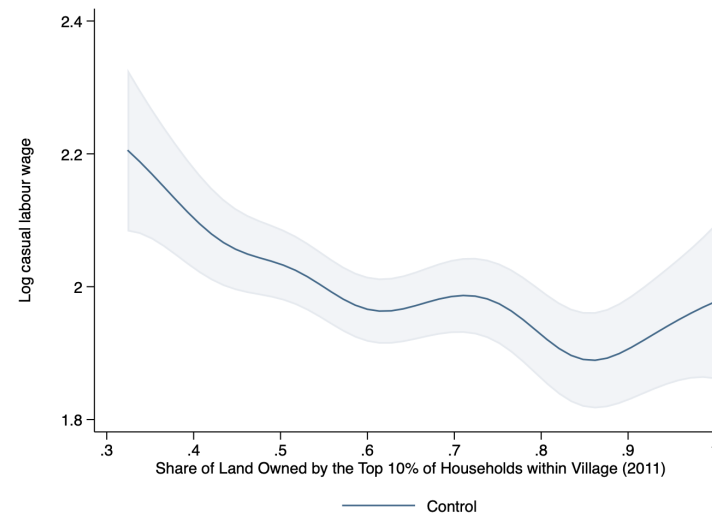
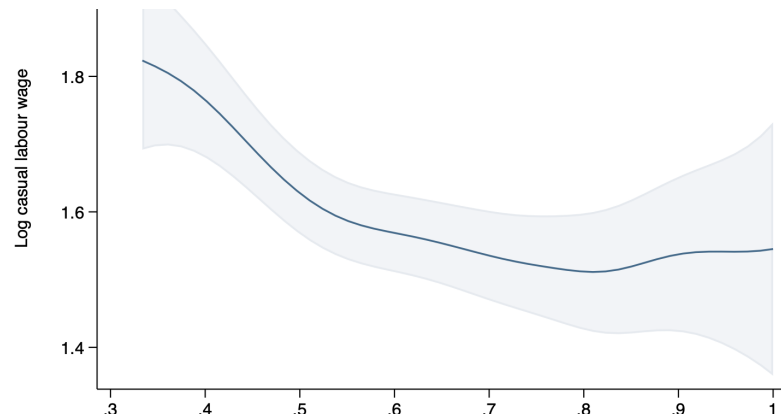


In villages with fewer employers wages are lower

(Sample: 700ca treatment villages from UPG evaluation -Bandiera et al 2017)



UPG increases wages & shuts down monopsony power



In control villages nothing changes

Top 10% land share

	<i>Below Median</i>	<i>Above Median</i>
	(2)	(3)
Unpredictable Shock (γ^U)	-0.000 (0.270)	-0.526*** (0.159)
Treated \times Unpredictable Shock (δ^U)	-0.114 (0.181)	0.562*** (0.110)
Baseline Risk (γ^B)	0.079 (0.183)	-0.311*** (0.097)
Treated \times Baseline Risk (δ^B)	0.148 (0.172)	0.488*** (0.092)
Treated (β)	0.110*** (0.035)	0.161*** (0.052)
Mean Baseline Control	13671.1	16821.8
Number of obs.	443	444
Adjusted R-square	0.251	0.169

Monopsonistic employers pass through weather shocks to workers in villages where these have no alternative source of employment

Balboni et al (2025) “Weathering poverty”

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Monopsonistic employers *do not* pass through weather shocks to workers in villages where TUP enables self employment as an alternative

Is this true outside Bangladesh?

Many researchers have tested and failed to find evidence for poverty traps-most have found none (except for livestock!)

Two possible explanations:

1. Poverty traps only exist in poor rural villages
2. Poverty traps can only be detected in poor rural villages

Why is detection easier?

$$P_{j,t+1} = f(P_{j,t}) + e_{j,t}$$

Simple occupational structure: casual jobs or livestock rearing → everybody faces the same $f()$

The productive occupation only requires one type of asset (cows) → that's the same P for everyone

Switching occupations takes little time → we observe people after the right interval

In complex economies

Thousands of occupations, each requiring different skills and assets

Skills are built over decades —> impossible to reverse time

Intervention window likely to close before primary school—> need lifetime data to test whether individuals and countries can be stuck in poverty.