

Deprivation, Psychosocial Competencies and Their Consequences

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Young Lives Conference

Background

- Non-cognitive skills are important for school and labour market performance.
- So investigate formation of non-cognitive skills, with a focus on aspirations
- Wider literature on behavioural aspects of poverty.
 - New line of work endogenising aspirations.

Findings from both papers

- Early childhood nutrition (height at age 7 or 8) predicts non-cognitive skills including aspirations at age 11 & 12.
 - Association in longitudinal data for four countries
 - Mechanisms hard to identify
- Exposure to 15-minute documentary showing similar individuals who succeeded in agri or small business
 - Randomised. Causal impacts on expectations, aspirations, forward-looking behaviours (rural Ethiopia)
 - Aspiration response flows from peers being treated.

Dercon-Sanchez

- Height at age 7,8 predicts self-efficacy, self-esteem and aspirations at age 11,12 in each of four countries.
- Height proxies early life health e.g. Deaton 2010.

Mechanisms?

- (a) Direct contemporaneous effect of height (stature lends confidence...)
- (b) Height reflects early childhood nutrition but effectively proxies cognitive skills (eg Anne Case vs Persico debate)
 - So it may be cognitive skill that is predictive of self-esteem or aspirations.
 - Early life nutrition leads independently to improved mental and physical development evident as cognitive ability and height.
 - Height may then be a marker for cognitive skill (Anne Case). Spears 2011, Vogl 2012.
- (c) Height (or early nutrition) directly shape non-cognitive skills.

Mechanisms

- Difficult to identify mechanisms.
- Controlling for (endogenous) income, cognitive ability, the authors lean towards (c).
- Using quasi-experimental cohort*state variation in exposure to a Clean Water Reform in Mexico, we find that an (exogenous) improvement in early life health leads to
 - Increases in height but not cognitive scores for men and
 - An increase in cognitive scores but not height for women.
 - **Illustrates a disconnect between height and cognitive scores**
 - Bhalotra and Venkaramani 2012
- We argue this is because men have a comparative advantage in brawn relative to women (whose comparative advantage is in “brain” or “skill”). Galor & Weil 1996, Pitt et al. 2012

Mother-Child Correlation in Psycho-social Skills

- Dercon-Sanchez show that, in addition to child height, an important predictor of child non-cognitive skills is mother's psycho-social skills.
- In work in progress (Bhalotra, Maselko, Sikander) we investigate causal evidence for maternal depression in particular.
- A trial randomized treatment of maternal depression during pregnancy in 2005 (Rahman et al. Lancet 2008).
- We test cognitive and non-cognitive skills (and height) of children of treated *vs* untreated mothers.

Returns

- Next steps: As the Young Lives cohorts emerge on the labour market- study the role of height, non-cognitive and cognitive skills at different points of the distribution
 - Lindqvist and Westman 2011
 - Can then also look at gender-based occupational sorting to test the empirical relevance of the brain-brawn hypothesis.

Bernard –Dercon- Orkin- Tafesse 2013

RCT in rural Ethiopia

- **Treatment:** documentary showing career success of matched individuals.
 - Placebo: popular film
 - Control: no screening
- Treatment randomised within village.
- Identify 4 friends of every individual, some of whom may be drawn into treatment
 - Can identify effects of peers being treated independently of effects of own treatment.

Main findings

- Treatment (own, peer) results in higher expectations, aspirations, savings, educational investment in children.
 - Plausible that savings and investment behaviour responds via expectations and aspirations.
- Treatment of friends seems more important
 - Socially determined aspirations (goals)
- Heterogeneity in impact:
 - Larger effects for people with higher baseline aspirations, younger people. No gradient in education

Background: Poverty and Aspirations

- **Wealth begets wealth** (Banerjee & Newman)
- Emphasis on *external constraints* and poverty-
- The poor have to exert higher effort than the rich to reach the same level of final wealth
 - Galor & Zeira 1993, Banerjee & Newman 1993, Dasgupta & Ray 1986
- **Capabilities beget capabilities** (Heckman, Cunha)
- Investments in early life, critical ages, dynamic complementarities
- **Success begets success**
- Emphasis on *internal constraints* and poverty
- Low aspirations are one sort of internal constraint that may cause poverty: Appadurai 2001, Ray 2006, Macours and Vakis 2009, Bernard, Dercon and Taffesse 2011
- May explain the **uptake puzzle** that providing opportunity and information leaves uptake low.

Individual (*vs* social) constraints

Low aspirations as a *consequence* and cause of poverty

- Dolton, Ghosal and Mani 2013.
- (All) people underestimate how their aspirations evolve as a consequence of their effort (**projection bias**)
- The adverse consequences of this behavioural bias are stronger among the poor **because they face external constraints**

Policy implication-

- Raising aspirations raises effort but resources are complementary to effort.
- **May need complementary intervention that relaxes resource constraints**

Interpreting your evidence in light of theory

- Find that treatment has larger effects for people with high baseline aspirations
- Why?
 - Because people with higher baseline aspirations are people with weaker external (resource) constraints/ lower cost of effort (follows from model)
 - Or they are people with social networks that are larger and/or consist of peers with higher baseline aspirations (plausible)
 - Can you distinguish these possibilities?

Internal*Eternal Constraints

Expectations, Aspirations and Actual Returns

- How are the increases in savings and education **financed?**
 - No evidence of increased labour supply
 - Useful to incorporate interactive role of external constraints
- **Do expectations lead aspirations?**
 - Explore difference between revision of expectations and aspirations.
- Forward-looking behaviours appear to flow from an upward revision of aspirations
- But do they bear fruit?
 - **What are the returns to saving or educating children?**
 - **Frustrated aspirations may generate negative feedback?**

Persistence, Information/Saliency Transmission

- Do the identified effects decay?
 - Relevance of understanding whether what was provided was **new information** or **saliency**
 - Did the respondents know you would come back in six months?
- Potential **intergenerational transmission of aspirations** –if permanent shift.
 - Literature on intergenerational transmission of values, beliefs.
 - Intergen transmission of aspirations- unexplored contributor to intergenerational mobility in living standards.

Age

- An interesting feature of this paper is that it shows that non-cognitive skills (aspirations) **are malleable in adulthood**
 - contrasts with health and cognitive skills – which face the problem that “it’s too late” after age 2, or 10.
 - Attanasio et al- experimental manipulation of early life environment- impact on non-cognitive skills
- Your find that younger adults are more “treatable” (< median age in sample).
 - Interpretation: aspirations more malleable
 - **Alternative interpretations:** young adults have children of school going age// are at different stage of lifecycle income profile

Minor statistical points

- The coefficient on baseline aspirations will tend to be biased upwards (correlated with individual fixed effect in the error term).
- Controls (child, household, community) are included.
 - They should not alter the coefficient of interest if treatment is randomized- as a test, check if they do.

Related work

Ghosal, Mani and Roy 2013.

- **Sex worker community in Kolkata** where psychological constraints may be binding given social marginalization
- Random sample from a subset of houses invited to participate in an **aspiration-raising training workshop**.
- Reported aspiration, self-confidence, locus of control – and future-oriented (savings) behaviour are higher in the treatment group compared to the control. Also look at peer effects.

Classical Music Orchestras Program- started in Venezuela 30 years ago – now in several countries.

- Motivation- to motivate and “include” poor children
- Results not only in nurturing musical talent but also improvement in school performance