THE IMPACT OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS ON CHILD LABOR IN MALAWI:

EVIDENCE FROM THE CLEAR II PROGRAM

IMPAQ International LLC
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TOBACCO CULTIVATION IN MALAWI

- Tobacco is grown in family-owned, smallholder farms
  - Tenant farmers are employed by smallholder farmers
  - Tobacco tenancy system contributes to child labor in Malawi
- Landowners hire tenants to cultivate tobacco on their farm
  - Inputs supplied by landowners and labor by tenant farmers
  - Tenant farming households employ children (largely family’s child labor) during tobacco cultivation
CLEAR INTERVENTION IN MALAWI

- Child Labour Elimination Actions for Real Change (CLEAR) program aimed at reducing child labor prevalence in tobacco cultivation

- Multi-pronged approach aims to:
  - Identify and remove children engaged in different forms of child labor
  - Encourage children to enroll in school
  - Implement community awareness campaigns and policy advocacy at the national and local level
  - Livelihood intervention to relax households’ liquidity constraints
VSLAs FOR FINANCIAL INCLUSION IN CLEAR

- Way of providing financial inclusion in poor and isolated communities
- Self-selected groups of 10-25 members
- Members:
  - Purchase shares in VSLA
  - Buy shares per week: Share cost designed to enable members to save
  - Borrow from the fund in the form of a loan
  - Repay with a service charge (interest)
- Savings and service charge earnings are distributed at end of cycle (share-out)
MOTIVATION AND BACKGROUND

LINK BETWEEN VSLAs AND CHILD LABOR

- VSLAs are associated with increases in consumption, savings, asset ownership, and food intake (Ksoll et. al. 2016; Anyango 2005; Karlan et. al. 2012)

- VSLAs help buffer short-term economic shocks to smooth household expenses

- Link between school expenses, building materials, fertilizer, and business start-up costs less clear

- Link between VSLAs and child labor less clear:
  - Households with no credit access may use child labor to buffer income shocks or to respond to labor demands for labor-intensive agricultural tasks \( \rightarrow \) Access to credit may lower child labor
  - Increase in income-generating activities through credit access may increase demand for child labor in family business \( \rightarrow \) Access to credit may increase child labor
MOTIVATION AND BACKGROUND

VSLAs IN CLEAR INTERVENTION

- Intervention launched in 2016 with particular focus on village savings and loan associations (VSLAs)
- More focused version of the first CLEAR intervention:
  - Same three tobacco-cultivating districts
  - Comprising only VSLA formation and training
- CLEAR II objectives:
  - Protect children (5–17 years old) from child labor in tobacco cultivation areas
  - Protect legally working children (14–17 years old) from hazardous child labor in tobacco cultivation
RESEARCH QUESTIONS

- Impact of VSLAs on intermediate outcomes:
  - **Savings**: Percentage of households with savings and value of savings
  - **Credit access and investments**: Percentage of households with access to loans, value of loans, business ownership

- Impact of VSLAs on end outcomes:
  - **Child labor and hazardous child labor**: Children involved in labor in ages 5-13 and 14-17
  - **School enrollment and attendance**: Percentage enrolled, Percentage attending school everyday, Percentage missing school for 1-3 days and for more than 3 days
Cluster randomized controlled trial: 11 communities randomly assigned to treatment and 7 to control

Communities selected purposively using same criteria as other CLEAR intervention
- Substantial tobacco crop output
- High prevalence of child labor
- Limited service provision
- High poverty levels

Community = All villages sharing a school

Identification of 18 communities

Village selection

Allocated to treatment (J = 11 villages)
Completed baseline survey
(k = 1,812 households
n = 3,964 adults and 4,474 children)

Baseline survey 2016

Completed endline survey
(k = 2,175 households
n = 5,314 adults and 5,390 children)

Endline survey 2019

Allocated to control (J = 7 villages)
Completed baseline survey
(k = 2,106 households
n = 4,676 adults and 5,105 children)

Completed endline survey
(k = 1,843 households
n = 4,410 adults and 4,449 children)
INTERVENTION ACTIVITIES

- Activities included between end-2016 and mid-2019:
  - Group mobilization
  - Child labor prevention training
  - Financial literacy training
  - Support for VSLA certification
- Last share-out in December 2018
DATA AND ANALYTICAL FRAMEWORK

- Household and children surveys implemented among households with at least a child in ages 5-17
  - **Household survey:** Administered to household head and collected data for all children
  - **Child survey:** Administered to all children
    - Ages 5-11 asked only basic questions
    - Ages 12-17 asked questions about child labor and hazardous child labor
- Empirical strategy measures intent-to-treat effect of VSLAs on intermediate and end outcomes
- Standard errors clustered at community level
  - Cameron, Gelbauch, and Miller (2008) standard error clustering procedures used due to few clusters
- Baseline treatment and control group sample balanced on observable characteristics and outcomes
FINDINGS

LACK OF PROGRAM IMPACT ON INTERMEDIATE OUTCOMES

- No statistically significant association between VSLAs and savings (current or last month’s), access or value of loans, and business ownership

- Lack of statistically significant impact could be due to:
  - Loss of statistical power/biased effect size:
    - Take up in treatment communities is about 18 percent
    - Control communities also show households belonging to VSLAs
  - No impact of VSLAs on savings, access to loans, and investments
  - Qualitative findings suggest households used money for consumption
    - Households did not save enough for investments
### VSLA PARTICIPATION

<table>
<thead>
<tr>
<th></th>
<th>Mean (Treatment)</th>
<th>Observations</th>
<th>Mean (Control)</th>
<th>Observations</th>
<th>Difference (t-test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participated in VSLA</td>
<td>18.4%</td>
<td>2,175</td>
<td>15.9%</td>
<td>1,843</td>
<td>2.5%**</td>
</tr>
<tr>
<td>Received VSLA training</td>
<td>16.6%</td>
<td>2,175</td>
<td>11.9%</td>
<td>1,843</td>
<td>4.6%***</td>
</tr>
<tr>
<td>Received VSLA payout</td>
<td>73.3%</td>
<td>849</td>
<td>75.7%</td>
<td>559</td>
<td>-2.3%</td>
</tr>
</tbody>
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FINDINGS

CHILD AND HAZARDOUS LABOR IMPACTS

- Lack of statistically significant impact on child labor or hazardous child labor
- No association between child labor and VSLAs could be due to:
  - Loss of statistical power/biased effect size
  - No association between intermediate outcomes and VSLAs
  - No actual impact of VSLAs on child labor

<table>
<thead>
<tr>
<th>Models</th>
<th>Child Labor</th>
<th>Hazardous Child Labor</th>
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<tbody>
<tr>
<td>Treatment</td>
<td>-0.042</td>
<td>-0.040*</td>
</tr>
<tr>
<td>Standard Error</td>
<td>(0.031)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>Control Mean</td>
<td>0.565</td>
<td>0.357</td>
</tr>
<tr>
<td>Bootstrapped CI</td>
<td>(-0.113, 0.026)</td>
<td>(-0.079, 0.001)</td>
</tr>
<tr>
<td>N</td>
<td>9,839</td>
<td>9,839</td>
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SUMMARY OF FINDINGS

- **Quantitative findings** show lack of conclusive evidence on VSLAs and child labor
  - Lack of conclusive evidence on VSLAs and savings, access to credit, and investment

- **Qualitative findings** suggestive of:
  - Understanding design of livelihood intervention and mechanism of change is key
  - VSLAs alone may not be enough for reducing child labor prevalence
  - Child labor effects may manifest at a later time, after household accrues significant savings and investments
CONCLUDING THOUGHTS

Lessons learned

- Collecting child labor data
  - Adult and children’s survey findings do not differ
  - Younger children may not have a time reference
  - Isolating impacts in service-rich environments is challenging

Future research

- Test VSLAs with other suite of interventions
- Consider other research designs for understanding links between VSLAs and child labor
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THANK YOU!

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