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How to Best Fight Poverty: The Uneven Ex-post Effects of Conditional and Unconditional Cash Transfers on Labor Earnings

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ABSTRACT

How to Best Fight Poverty: The Uneven Ex-post Effects of Conditional and Unconditional Cash Transfers on Labor Earnings*

Programs to fight poverty aim at allowing individuals to support themselves ex-post, when they are not part of the program anymore. We compare the ex-post effects of conditional and unconditional cash transfer programs on labor income. We use an experiment where low-income individuals are randomly assigned to three groups: no treatment, unconditional cash transfer, and cash transfer conditional on reemployment training. We exploit Social Security data, including all registered labor contracts in Italy. Results show that conditional cash transfers have positive and sizeable effects on labor income, both contemporaneous and ex-post effects. These effects last at least two years and are led by males. Unconditional cash transfers have no impact on labor income.

JEL Classification: J21, J24, I31

Keywords: cash transfers, conditionality, poverty, social security data

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1 Introduction

Transfer programs for poor citizens reduce poverty and raise consumption levels (Fiszbein and Schady [2009]), improve educational outcomes (Paul Schultz et al. [2004]; Glewwe and Olinto [2004]; Maluccio and Flores [2005]), and access to health services (Gertler [2000], Gertler [2004]; Attanasio, Battistin, Fitzsimons, and Vera-Hernandez [2005]). Despite these proven gains, policy-makers and the public often express concerns about whether transfer programs discourage work. On the one hand, cash transfer programs may reduce work incentives: individuals may leave the labor force (or work only in the irregular sector) to stay eligible for the benefits or decide not to work simply through the income effect. On the other hand, these programs could positively affect employment if beneficiaries search for a job more efficiently or invest in small firms. Along these lines, conditioning cash transfers on re-employment training may teach beneficiaries to take advantage of the new job search opportunities provided by the transfer. Given that the theoretical predictions are ambiguous, we need empirical analysis to estimate the impact of conditional and unconditional cash transfer programs on labor market outcomes.

Exiting the poverty trap means that individuals achieve economic sustainability without relying on welfare benefits or charity. We understand economic sustainability as the capacity to earn income in the ex-post, once individuals leave the cash transfer program. Moreover, real economic sustainability is possible only if individuals participate in the regular economy, guaranteeing unemployment protection, pension contributions, insurance against job accidents, and many other benefits and amenities. This paper estimates the contemporaneous and ex-post impacts of conditional and unconditional cash transfers on labor income earned in the regular labor market.

We focus on the cash transfer program *Accoglienza Orientamento Sostegno* (Hospitality Advice Support), financed by *Compagnia di San Paolo*, one of Italy's most prominent bank foundations. The program presents a series of characteristics that make it attractive for our research:

1. *Wealthy context.* The cash transfer program is implemented in Turin, one of the wealthiest cities in Italy. The focus on a rich context significantly departs from most previous literature, which focuses on developing countries. Some of the most widely known examples of cash transfer evaluations are those of the Progres program in Mexico (Parker and Todd [2017]), GiveDirectly program in Kenya (Haushofer and Shapiro [2016]), and Ecuador's Bono de Desarrollo Humano (Carrillo and Jarrín [2009]).
2. *Needy population.* The cash transfer program targets impoverished households. Families must have an annual income below a certain threshold (around 6,000 - 7,000 euros depending on the year) which is lower than half the minimum wage. There must be at least a 0-6 years old child in the household.
3. *Fixed-term program.* The cash transfer has a duration of two years. This limited duration allows us to analyze the impact of the cash transfer at the time it is received, and the effects of the cash transfer after families have received it.
4. *Randomized control trial.* In the year 2016, eligible applicants were randomly divided into three groups: one group that did not receive any transfer, a second group that received unconditional cash transfers (UCT), and a third group that received cash transfers conditional on attending some job search courses (CCT).¹ There were 500 families in each group. By comparing the labor market outcomes of the three groups during participation in the program and after leaving the program, we estimate the contemporaneous and ex-post impacts of UCT and CCT on labor income.

For estimation, we regress annual labor income on dummies for belonging to the UCT and CCT groups in each of the treatment and post-treatment years. We control for basic demographic characteristics: male, age, immigrant status, number of household mem-

¹In some cases, those courses were combined with parenting and family income administration courses. See Appendix A.1 for details.

bers, number of children, and number of disabled individuals in the household.

We find that conditional cash transfers have a positive and sizeable effect on labor income, both contemporaneous and two years after the end of the transfer. The size of the effect grows over time. Unfortunately, we cannot address whether the impact lasts longer than two years because Covid hit the labor market at the beginning of the third year. Males lead the positive contemporaneous and ex-post effects. We also find contemporaneous negative effects of UCT and CCT on welfare benefits. Males also lead the negative impact of CCT on welfare benefits.

1.1 Related Literature

The literature on the impact of transfer programs in developing countries is relatively large. Most of the papers find no effects on employment (see Baird, McKenzie, and Özler [2018], for a review). Banerjee, Hanna, Kreindler, and Olken [2017] re-analyze the results of seven randomized controlled trials of government-run conditional cash transfer programs from six countries to examine impacts on labor supply. The authors do not observe a significant effect on employment or hours of work. Parker and Todd [2017] provide a review of the impact of Mexico's PROGRESA on labor market outcomes for adult beneficiaries and find no effects on work or leisure. In the context of two unconditional cash transfer programs in Malawi and Zambia targeting labor-constrained households, De Hoop, Groppo, and Handa [2017] find that such households substitute away from working for others and start spending more time on their own-agricultural work. Differently from the current paper, none of these papers studies programs that condition on reemployment training. Cash transfer programs in developing countries often condition on child education and health (and sometimes maternal health).

In contrast to the extensive literature for developing countries, the impact of transfer programs in developed countries has received little attention. One exception is the

paper by Ashenfelter and Plant [1990] which finds small but statistically significant adverse effects on work for families enrolled in the Seattle/Denver Income Maintenance Experiment. However, the authors are concerned that “responses to the data collection instrument (which depended on costly surveys) were not random, which opens up some ambiguity in the results.” Price, Song, et al. [2018] evaluate the post-experimental effects of the Seattle/Denver Income Maintenance program and find a negative impact on earnings and higher reliance on disability benefits. A recent paper by Jones and Marinescu [2018] studies the effects of Alaska’s universal and permanent cash transfers on the labor market. They find that the program does not significantly decrease aggregate employment. Recent studies of lottery winners in Sweden (Cesarini, Lindqvist, Notowidigdo, and Östling [2017]) and the Netherlands (Picchio, Suetens, and van Ours [2018]) find that winning a prize reduces the number of hours worked and the amount of income earned. However, the impact of programs targeted at the poor is likely to be very different from universal programs or lottery winners because poor individuals may respond differently to unearned income. Moreover, the effect of limited duration programs is potentially very different because the advantages of keeping your labor income below a certain threshold disappear after some time. Individuals could use the limited exposure time to search for a better job match or invest in human capital.

Del Boca, Pronzato, and Sorrenti [2021] analyze the contemporaneous impacts of our program using survey data. They find that during the first year of participation in the program, men assigned to the conditional cash transfer group are 14 percent more likely to have a job than men assigned to the unconditional cash transfer or the control group. They find no effect on women. They also conclude that wages seem unaffected by the intervention. We shed additional light on the efficacy of UCT and CCT by measuring not only contemporaneous but also ex-post effects on regular labor income and employment. In line with Del Boca, Pronzato, and Sorrenti [2021], we find that males lead the impact of CCT. Differently from them, we find a sizeable and significant effect on labor income. Additionally, we find that there are sizeable, positive, and significant effects on labor income and employment up to two years after the end of the transfer. These ex-post effects

increase over time and are led by males.

The contribution of our paper with respect to Del Boca, Pronzato, and Sorrenti [2021] regards the research question, the methodology, and the findings. Our research question emphasizes the long-run effects of the program. The institution in charge of the program (Ufficio Pio - Compagnia di San Paolo) provided us with the data on beneficiaries because they needed our long-run results to inform the process of redesigning the program which they are undertaking nowadays. Our methodology implies the use of extremely reliable social security data to study how effects evolve over time in an event study fashion. Finally, our methodology allows us to precisely estimate labor income effects that contrast with the findings in Del Boca, Pronzato, and Sorrenti [2021].

The remainder of this paper is organized as follows. We present the institutional background and data in Section 2. In Section 3 we describe our methodology and in Section 4 we present our results. Section 5 discusses several applications and robustness checks. We conclude in Section 6.

2 Data and Institutional Framework

The Accoglienza, Orientamento e Sostegno (AOS) program of the Ufficio Pio, Compagnia di San Paolo runs since 2008. Eligible families must reside in the metropolitan area of Turin, have at least one child 0-6 years old, and have an income below a certain threshold. From 2008 to 2015, AOS was an unconditional cash transfer program with a limited duration. In 2016, when the experiment took place, the duration was two years, and the income threshold was 7,000 euros.

The cash transfer amounts to 2,500–3,500 euros, with the exact figure depending on the number of children in the household. The transfer represents a significant proportion of total household income (in 2016, 75% of total family income). To receive these cash transfers, individuals assigned to the conditional cash transfer group had to attend job-

seeking courses if they had low levels of labor force participation (93% of the group). They could also be required to participate in reconciliation between work and family tasks, use of money, and/or parenting courses if Ufficio Pio's social workers considered them useful for the family. We provide all details about the cash transfer and the courses in the Appendix.

We have data on the 1,500 families who participated in the randomized controlled experiment in 2016: 500 did not receive any treatment, 500 received the unconditional cash transfer, and the remaining 500 received the conditional cash transfer. We had access to the fiscal code identification number for each household member. We used this number to merge the information on treatment received with restricted-access social security data.² The social security data contains information on the working history (employment, type of contract, and wages) of the assisted individuals, and welfare benefits. It also includes basic demographic information, including gender, age, immigrant status, number of household members, number of children, and number of disabled household members.

Our sample comprises working-age individuals (18 to 65 years old) who were part of the 2016 experiment. We extracted their 2011-2020 working records from the Social Security archives.³ Table 1 summarizes labor market outcomes, welfare benefits, and demographic characteristics of individuals in our sample. The average income perceived in a given year is 2,387 euros, with a standard deviation of 5,372. Most of this income originates in labor (annual labor income is 2,220 euros on average). The average individual in our sample receives welfare benefits equal to 167 euros per year. Slightly more than one-fourth of our sample hold a regular contract at some point of the year. Around six percent are welfare recipients. Regarding demographic characteristics, around 43% of our sample are male, the average individual in our sample is 36 years old, and only

²Social security data is very reliable regarding formal employment but it does not include information on informal employment. Del Boca, Pronzato, and Sorrenti [2021] find no effect of the program on the probability of having a regular labor contract. This reassures us that differential selection of treated and control groups into formal employment is not an issue in our context.

³While working records are available up to 2020, the information on welfare benefits is only available up to 2017.

18% of the individuals are Italian. The average number of household members is 4.5, the average number of children is slightly above two, and there are 0.13 disabled individuals per family on average.

Table 1: Descriptive Statistics

	Mean	Std. Dev.	Minimum	Maximum
Total income	2387	5372	0	59630
Labor income	2220	5246	0	59630
Welfare benefits	167	910	0	20955
Employed	0.266	0.442	0	1
Welfare recipient	0.063	0.243	0	1
Male	0.434	0.496	0	1
Age	36.356	9.328	13	67
Italian	0.175	0.380	0	1
Number of household members	4.461	1.508	1	15
Number of children	2.155	1.100	0	9
Number of disabled members	0.129	0.396	0	5
Year	2015	2.582	2011	2019

Notes: The total number of observations is 26,120. Data is from Social Security Registers. The sample is composed of all working-age individuals included in the experiment.

We ran a balance test to ensure the comparability of the three randomized groups in our sample. We compare the distribution of labor market outcomes, welfare benefits, and pre-determined demographic characteristics across the three groups in the year before the treatment (2015). Table 2 shows that all outcomes and demographic characteristics are very similar among the control, conditional, and unconditional cash transfers groups. We perform formal tests of equality of averages across the three groups and find that those averages are statistically indistinguishable, and hence, we conclude that the three groups are comparable.⁴ Therefore, we can interpret differences in labor income, employment histories, and welfare benefits after the treatment as causal estimates.

⁴The only exception is the difference between average employment of the control and CCT groups which is significant at the 8.8% level. However, this pre-existing difference is in favor of the control group and hence it can not explain the positive effect of CCT on employment.

Table 2: Balance Tests

	Control	UCT	CCT
Total income	1983 (149)	2099 (154)	1656 (137)
Labor income	1750 (142)	1847 (147)	1468 (131)
Welfare benefits	233 (28)	251 (34)	188 (30)
Employed	0.239 (0.014)	0.243 (0.014)	0.206 (0.013)
Welfare recipient	0.107 (0.010)	0.106 (0.010)	0.086 (0.009)
Male	0.427 (0.495)	0.430 (0.495)	0.446 (0.497)
Age	36.410 (8.716)	36.345 (9.163)	36.314 (9.010)
Italian	0.175 (0.380)	0.189 (0.391)	0.160 (0.367)
Number of household members	4.429 (1.503)	4.458 (1.460)	4.501 (1.567)
Number of children	2.141 (1.096)	2.163 (1.098)	2.163 (1.108)
Number of disabled members	0.121 (0.352)	0.123 (0.361)	0.145 (0.474)
N. observations	927	965	919

Notes: The total number of observations is 2,811. Data is from Social Security Registers. The sample is composed of the 2015 records of all working-age individuals included in the experiment.

3 Methodology

We estimate the impact of UCT and CCT on labor income using the control group as the reference category using the following specification:

$$I_{igt} = \beta_0 + \beta_1 UCT_g * Post_t + \beta_2 CCT_g * Post_t + \beta_3 UCT_g + \beta_4 CCT_g + \beta_5 Post_t + \beta_6 C_{igt} + \varepsilon_{igt} \quad (1)$$

Where I stands for labor income earned by individual i who belongs to randomization group g in year t , the dummies UCT and CCT equal one if individual i belongs to the unconditional and conditional cash transfers groups, respectively. Hence, the control group remains the reference category. $Post$ is a vector of dummies for the years 2016, 2017, 2018, 2019, and 2020 where 2016 and 2017 are the years of the treatment, and 2018, 2019, and 2020 correspond to the period after the treatment. The vector C contains the set of individual characteristics (gender, age, immigrant status, number of household members, number of children, and number of disabled household members). Finally, ε is the error term, which we cluster at the household level.

4 Results

In this section, we present the result of estimating the labor market impacts of UCT and CCT during the program and up to three years after, as in Equation 1. We show the results for labor income using the entire sample of working-age individuals in Column 1 of Table 3. Interestingly, only conditional cash transfers have a sizeable, positive, and significant effect on labor income in 2016, 2017, and 2019. The magnitude of the impact increases from 434 to 469 and 552 euros. The coefficients are also positive in 2018 and 2020, but we cannot estimate the effects precisely. Our results for 2019 indicate that the positive impact of conditional cash transfers persists over time once the transfer is over. We run tests for equality of the UCT and CCT coefficients for each year. Results show that the effects of UCT and CCT are significantly different in 2016 (p-value=0.086) and 2017

(p-value=0.059) while the effects are statistically indistinguishable for the years 2018-2020.

Del Boca, Pronzato, and Sorrenti [2021] find contemporaneous effects of the cash transfers on employment only for males. To understand whether there are gender differences in the ex-post effects of UCT and CCT on labor income, we perform separate regressions for males and females. Column 2 of Table 3 shows the results of estimating Equation 1 for the subsample of males. The positive effects of CCT on labor income are much higher for males. The magnitude of the effect increases over time and moves from 1,030 euros in 2016 to 1,254 in 2017, 1,229 in 2018, and 1,436 in 2019. Again, coefficients are positive and insignificant for 2020 when Covid reduced dramatically both employment and labor income at the macroeconomic level. Tests for equality of the UCT and CCT coefficients show that the effects of the two branches of the program are significantly different in 2016 (p-value=0.046), 2017 (p-value=0.02), 2018 (p-value=0.041) and 2019 (p-value=0.049).

The third column of Table 3 shows the results for the subsample of female working-age individuals. We do not find any significant effects of UCT or CCT on labor income. T-tests show that the UCT and CCT coefficients are statistically indistinguishable for all years (the lowest p-value equals 0.128 in 2018). We conclude that the positive impact of CCT on labor income found for the entire sample was led by males and that for the subsample of males, these positive effects amplify over time and last at least two years after the end of the program.

The estimated effects can be due to an increase in labor income of anyway employed individuals or to an increase in employment as a consequence of the conditional cash transfer program. We check whether the latter explanation is behind our results by performing additional regressions with employment as the dependent variable. We define our left-hand side variable as a dummy equal to one if the individual is employed in the formal sector at some point during a given year. Results in columns 4-6 of Table 3 show positive impacts of CCT on employment only for males in 2016 and 2019. Hence, we conclude that increases in employment can partly explain our main results. Back-of-the-

envelope calculations show that if all workers earned the average labor income in our sample, the increase in employment would explain 17% of the positive labor income effects of CCT. The coefficients associated with UCT and CCT are significantly different in 2016 (p-value=0.033) and 2019 (p-value=0.075). It is interesting to note that we find positive effects on employment despite that, unlike e.g. the GiveDirectly Kenya experiment (Egger, Haushofer, Miguel, Niehaus, and Walker [2019]), our cash transfer is a small-scale program so there could not be any positive general equilibrium effects on the local economy that increase labor demand. Interestingly, we also find positive effects of UCT on female employment in 2018, and UCT and CCT coefficients are significantly different with a p-value equal to 0.016 in that year. In the next section, we check whether these gender differences in the effect of UCT and CCT on labor income and employment are in line with differences in the use of welfare benefits.

Del Boca, Pronzato, and Sorrenti [2021] find that the CCT implied an increase in social contacts among individuals attending job-seeking training. Bertrand, Luttmer, and Mullainathan [2000] show that social networks have a significant positive impact on women's probability of receiving welfare benefits. On the other hand, being legally employed typically excludes individuals from welfare benefits. As men receiving the CCT are more likely to be employed, they may rely less on welfare benefits. We explore the impact of CCT and UCT on welfare benefits and the probability of receiving any benefits in Table 4. Unfortunately, our Social Security data only allows us to estimate contemporaneous effects because there is no information on welfare benefits after 2017. We find negative effects of UCT and CCT on welfare benefits in 2016 for the entire sample. The magnitude of the effect is a decrease of 92-93 euros both for UCT and CCT. We also find negative effects of CCT on welfare benefits in 2016 and 2017 for men, with the impact around minus 168-180 euros. Results are consistent with the labor market effects of CCT, as regular employment and welfare benefits are often substitutes. The negative effect of UCT on welfare is also consistent with cash transfers reducing welfare payments due to means testing.

Table 3: The Impact of UCT and CCT on Labor Income and Employment

	Labor Income	LI Males	LI Females	Employment	E Males	E Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*Year 2016	152.541 (191.055)	317.066 (413.096)	31.332 (139.006)	0.008 (0.019)	0.011 (0.033)	0.006 (0.02)
CCT*Year 2016	433.550 (196.947)**	1029.888 (420.493)**	-25.867 (150.370)	0.033 (0.018)*	0.078 (0.032)**	-.001 (0.021)
UCT*Year 2017	-36.415 (227.110)	17.770 (492.404)	-73.273 (162.241)	-.001 (0.02)	-.023 (0.035)	0.015 (0.023)
CCT*Year 2017	469.473 (236.546)**	1253.955 (507.085)**	-140.882 (177.027)	0.007 (0.019)	0.036 (0.032)	-.015 (0.024)
UCT*Year 2018	85.452 (244.572)	42.420 (516.419)	122.053 (190.853)	0.023 (0.022)	-.022 (0.037)	0.057 (0.026)**
CCT*Year 2018	411.544 (256.616)	1228.629 (543.970)**	-227.391 (188.421)	0.007 (0.021)	0.032 (0.036)	-.013 (0.025)
UCT*Year 2019	123.658 (267.054)	226.400 (574.843)	53.289 (212.675)	0.008 (0.022)	-.019 (0.038)	0.029 (0.026)
CCT*Year 2019	551.859 (293.222)*	1436.337 (619.123)**	-142.011 (221.297)	0.023 (0.022)	0.063 (0.038)*	-.008 (0.027)
UCT*Year 2020	41.554 (271.092)	-36.591 (576.681)	104.931 (213.354)	-.014 (0.022)	-.042 (0.039)	0.006 (0.025)
CCT*Year 2020	182.444 (275.623)	508.481 (579.534)	-82.130 (211.065)	0.003 (0.023)	0.024 (0.038)	-.013 (0.027)
UCT	-89.202 (180.084)	134.841 (389.988)	-224.921 (139.626)	-.001 (0.015)	0.043 (0.028)	-.032 (0.018)*
CCT	-104.068 (179.073)	88.023 (383.820)	-238.895 (144.552)*	-.015 (0.015)	-.005 (0.028)	-.025 (0.018)
Year 2016	-213.265 (168.208)	-208.333 (355.985)	-137.202 (126.645)	-.022 (0.015)	-.023 (0.026)	-.014 (0.017)
Year 2017	341.283 (195.864)*	776.948 (414.356)*	110.604 (143.715)	0.02 (0.016)	0.049 (0.027)*	0.009 (0.019)
Year 2018	593.615 (208.905)***	1282.631 (432.419)***	188.981 (156.993)	0.029 (0.017)*	0.068 (0.029)**	0.012 (0.02)
Year 2019	1025.101 (226.815)***	1950.249 (476.706)***	459.402 (173.633)***	0.045 (0.017)**	0.069 (0.031)**	0.04 (0.021)*
Year 2020	807.619 (227.065)***	1709.979 (481.253)***	274.677 (166.255)*	0.031 (0.018)*	0.061 (0.032)*	0.024 (0.021)
Obs.	26120	11210	14910	26120	11210	14910
R ²	0.142	0.104	0.105	0.122	0.093	0.101

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

We cannot know exactly how much of the reduction in welfare benefits is due to losing eligibility due to higher income vs non-mechanical reduction in welfare reliance. Welfare benefits are mainly conformed of Support for Active Inclusion (SIA or Sostegno per l’Inclusione Attiva in Italian). SIA is compatible with other welfare benefits that provide less than 600 euro per month (900 euro if the household includes a disabled person) so it could coexist with our cash transfer. The eligibility criteria for SIA are very similar to those of our program and include the presence of a child in the household and income below a given threshold. However, the income threshold is much lower for SIA, and in the year of the treatment was 3,000 euro.⁵ As our cash transfer amounts to 2,500 euro for families with one member under 18 and increases by 200 for each additional member, most families with no other source of income could still receive SIA.

Table 4: The Welfare Benefits Impact of UCT and CCT

	Welfare Benefits	WB Males	WB Females	Benefit Recipient	BR Males	BR Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*Year 2016	-92.248 (48.701)*	-135.467 (99.536)	-60.532 (38.154)	-.018 (0.014)	-.013 (0.023)	-.022 (0.016)
CCT*Year 2016	-93.181 (45.333)**	-179.500 (87.922)**	-26.059 (39.505)	-.020 (0.014)	-.031 (0.022)	-.013 (0.017)
UCT*Year 2017	-55.275 (45.215)	-129.041 (94.240)	-1.122 (33.772)	-.017 (0.014)	-.022 (0.023)	-.013 (0.016)
CCT*Year 2017	-66.147 (41.517)	-168.289 (81.973)**	13.728 (33.828)	-.019 (0.013)	-.033 (0.022)	-.008 (0.016)
UCT	35.563 (37.907)	126.616 (86.697)	-34.431 (22.834)	0.002 (0.01)	0.002 (0.018)	-.003 (0.011)
CCT	20.555 (37.581)	52.891 (80.474)	-27.357 (21.406)	-.006 (0.01)	-.016 (0.017)	-.004 (0.01)
Year 2016	55.195 (38.138)	39.233 (73.502)	79.540 (33.811)**	0.058 (0.012)***	0.064 (0.019)***	0.057 (0.014)***
Year 2017	-51.557 (33.671)	-104.516 (65.795)	2.995 (28.193)	0.04 (0.011)***	0.046 (0.019)**	0.04 (0.013)***
Obs.	18284	7847	10437	18284	7847	10437
R ²	0.058	0.068	0.064	0.062	0.079	0.077

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

⁵You can find all details about SIA on the webpage of the Italian Ministry of Labour and Social Affairs: <https://www.lavoro.gov.it/temi-e-priorita/poverta-ed-esclusione-sociale/focus-on/Sostegno-per-inclusione-attiva-SIA/Pagine/default.aspx>

5 Extensions and Robustness Checks

Around 8% of the participants in the 2016 experiments applied to the cash transfer program after 2017. Given that transfers imply an increase in income and CCTs increase labor income, we expect individuals benefiting from cash transfers to be less likely to apply to the program in the following years. Table 5 shows how the probability to benefit from the program in the years 2018, 2019, and 2020 differs among the control, UCT, and CCT groups. Individuals in the UCT group are 0.21 points less likely to benefit from the program in 2018 compared to the control group. However, in 2019 and 2020 the difference in the probability of benefiting between UCT and control groups becomes small (0.025 points). Individuals in the CCT group are 0.16 points less likely to benefit from the program in 2018 and differences between CCT and control groups become insignificant after that. We consider these changes in the probability of benefiting again from the program as part of the effects of the program after the cash transfer has ended. Still, we ensure that differences between ex-post application probability or ex-post admission probability across treatment and control groups do not explain our main estimates. To this, we rerun our main regressions for the subsample of individuals who did not apply to the program after participating in the experiment. Results shown in Table 6 are very similar to those obtained when estimating the effect of cash transfers using the full sample.

Our estimated effects of CCT on labor income and employment are positive and increasing over time. One may be concerned that they reflect pre-existing trends. To rule out this possibility, we re-estimate Equation 1 including the interactions of the UCT and CCT dummies with pre-treatment year indicators. We show the results of this exercise in Table 7. In column (1), the coefficients associated with the interactions of UCT with the year dummies stay relatively stable (380-490 euros) for all years and are significant for some pre-treatment years (2013, 2014, and 2015). This confirms our findings that there are no effects of the UCT on labor income. In contrast, the coefficients associated with the interactions of the CCT with pre-treatment years produce smaller (less than half compared to post-treatment effects) and statistically insignificant estimates while the positive post-treatment effects remain unaltered. This indicates that pre-existing differential trends

Table 5: The Impact of UCT and CCT on the Probability of Re-Applying to the Program

	Applicant (1)	Applicant Males (2)	Applicant Females (3)
UCT*Year 2018	-0.207 (0.021)***	-0.210 (0.025)***	-0.205 (0.021)***
CCT*Year 2018	-0.159 (0.023)***	-0.158 (0.026)***	-0.160 (0.024)***
UCT*Year 2019	-0.025 (0.01)**	-0.031 (0.012)**	-0.020 (0.011)*
CCT*Year 2019	-0.007 (0.01)	-0.008 (0.012)	-0.007 (0.01)
UCT*Year 2020	-0.025 (0.01)**	-0.031 (0.012)**	-0.020 (0.011)*
CCT*Year 2020	-0.007 (0.01)	-0.008 (0.012)	-0.007 (0.01)
UCT	0.024 (0.01)**	0.031 (0.012)**	0.019 (0.01)*
CCT	0.006 (0.01)	0.006 (0.011)	0.005 (0.01)
Year 2018	0.126 (0.02)***	0.132 (0.023)***	0.121 (0.021)***
Year 2019	-0.064 (0.009)***	-0.052 (0.01)***	-0.072 (0.01)***
Year 2020	-0.064 (0.009)***	-0.051 (0.01)***	-0.073 (0.01)***
Obs.	26120	11210	14910
R ²	0.671	0.679	0.669

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 6: The Impact of UCT and CCT on Labor Income and Employment. Restricted Sample

	Labor Income	LI Males	LI Females	Employment	E Males	E Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*Year 2016	161.117 (204.546)	366.115 (437.539)	9.786 (150.836)	0.01 (0.02)	0.015 (0.035)	0.005 (0.022)
CCT*Year 2016	421.783 (211.215)**	1029.109 (445.962)**	-47.473 (163.680)	0.034 (0.019)*	0.081 (0.034)**	-.002 (0.023)
UCT*Year 2017	-37.506 (243.751)	-13.731 (526.006)	-48.394 (172.433)	0.003 (0.021)	-.015 (0.037)	0.016 (0.024)
CCT*Year 2017	433.233 (254.299)*	1134.965 (542.162)**	-115.080 (189.231)	0.004 (0.02)	0.031 (0.034)	-.017 (0.025)
UCT*Year 2018	72.452 (265.962)	56.063 (555.646)	93.249 (202.530)	0.032 (0.023)	-.005 (0.039)	0.06 (0.026)**
CCT*Year 2018	340.133 (278.520)	1115.204 (583.551)*	-266.716 (202.356)	0.012 (0.022)	0.042 (0.038)	-.012 (0.026)
UCT*Year 2019	197.958 (288.282)	320.695 (615.516)	117.646 (222.997)	0.02 (0.023)	-.005 (0.04)	0.039 (0.027)
CCT*Year 2019	562.635 (314.301)*	1446.096 (663.288)**	-130.428 (231.755)	0.024 (0.023)	0.069 (0.04)*	-.011 (0.028)
UCT*Year 2020	182.479 (287.600)	197.633 (612.331)	180.355 (220.663)	-.006 (0.023)	-.024 (0.041)	0.008 (0.026)
CCT*Year 2020	231.701 (291.628)	630.960 (617.706)	-86.219 (217.704)	-.00004 (0.023)	0.034 (0.04)	-.026 (0.027)
UCT	-56.136 (194.678)	-75.200 (424.653)	-91.405 (147.725)	0.009 (0.016)	0.032 (0.03)	-.011 (0.019)
CCT	-38.583 (196.885)	-30.821 (423.457)	-75.597 (154.442)	-.001 (0.017)	-.012 (0.03)	0.002 (0.019)
Year 2016	-189.618 (186.792)	-209.012 (390.406)	-107.081 (142.358)	-.021 (0.016)	-.024 (0.028)	-.011 (0.019)
Year 2017	384.894 (218.431)*	871.954 (459.170)*	97.905 (157.262)	0.02 (0.018)	0.045 (0.03)	0.01 (0.02)
Year 2018	659.396 (237.127)***	1346.789 (483.966)***	234.443 (173.782)	0.024 (0.019)	0.056 (0.032)*	0.009 (0.022)
Year 2019	1014.118 (255.199)***	1949.779 (533.826)***	414.941 (186.239)**	0.037 (0.019)*	0.061 (0.033)*	0.03 (0.022)
Year 2020	736.308 (249.465)***	1578.320 (531.625)***	221.548 (174.046)	0.029 (0.019)	0.05 (0.034)	0.025 (0.022)
Obs.	24010	10340	13670	24010	10340	13670
R ²	0.15	0.11	0.114	0.133	0.099	0.111

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment who did not apply to the program after 2017. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

across treatment groups can not explain the positive effect of CCT on labor income.

Families often make joint decisions regarding labor market participation and welfare applications. We explore whether families react differently from single individuals to our cash transfer program by replicating our analysis at the household level. To this, we compute average outcomes at the family level. Results in Table 8 are very similar to those obtained at the individual level and lead to the same conclusions: there are positive and significant effects of CCT on labor market income which are led by males. Male employment is also positively affected by CCT. The magnitude of the estimated coefficients is similar to those obtained at the individual level but the reduction in sample size brings lower significance levels.

Our main findings reveal only small differences in the impact of CCT on labor market income and employment over time. Hence, we pool together years during the program and years after the program and estimate the average impact of UCT and CCT during and after the program. To this, we substitute the interactions of the UCT and CCT dummies with year indicators in Equation 1 by the interactions of the UCT and CCT dummies with an indicator for years during the program (2016 and 2017) and a dummy for years after the program (2018-2020). Table 9 shows the results of this exercise. The analysis pooling years confirms that the effects of CCT are led by males. The magnitude of the effect of CCT during the program equals 1,142 euros and is slightly higher than the effect of CCT after the program which amounts to 1,058 euros. In alternative regressions pooling all five years we find that the average effect of the CCT over the period 2016–2020 amounts to 410 euros for the entire population and 1,091 euros for males. Results are available from the authors upon request.

6 Discussion

We compare the contemporaneous and ex-post implications of unconditional and conditional cash transfers for labor income and employment. We use a randomized controlled

Table 7: The Impact of UCT and CCT on Labor Income and Employment. Placebo

	Labor Income	LI Males	LI Females	Employment	E Males	E Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*Year 2012	95.036 (153.844)	188.754 (317.665)	23.630 (127.997)	-0.007 (0.017)	-0.012 (0.029)	-0.003 (0.02)
CCT*Year 2012	227.647 (151.177)	391.928 (315.198)	106.823 (130.154)	-0.004 (0.016)	0.005 (0.027)	-0.011 (0.019)
UCT*Year 2013	422.132 (208.282)**	574.154 (428.831)	304.830 (170.196)*	0.021 (0.021)	0.022 (0.036)	0.02 (0.024)
CCT*Year 2013	305.576 (215.722)	571.895 (447.836)	113.739 (168.820)	0.006 (0.021)	0.024 (0.035)	-0.007 (0.025)
UCT*Year 2014	466.480 (230.344)**	522.141 (473.090)	419.380 (183.991)**	0.014 (0.023)	-0.012 (0.04)	0.033 (0.027)
CCT*Year 2014	223.389 (231.469)	539.867 (480.226)	-3.335 (177.113)	-0.010 (0.023)	-0.009 (0.037)	-0.010 (0.027)
UCT*Year 2015	489.035 (252.275)*	841.158 (527.471)	223.334 (199.526)	0.021 (0.024)	0.029 (0.042)	0.015 (0.027)
CCT*Year 2015	264.475 (249.449)	753.024 (520.597)	-97.916 (194.648)	0.013 (0.024)	0.042 (0.04)	-0.008 (0.028)
UCT*Year 2016	447.078 (275.883)	742.307 (589.461)	225.567 (207.031)	0.018 (0.026)	0.016 (0.045)	0.019 (0.029)
CCT*Year 2016	637.767 (277.398)**	1481.231 (590.824)**	-2.005 (208.684)	0.034 (0.025)	0.091 (0.043)**	-0.009 (0.03)
UCT*Year 2017	258.121 (298.482)	443.011 (639.441)	120.962 (223.505)	0.009 (0.026)	-0.018 (0.045)	0.028 (0.03)
CCT*Year 2017	673.691 (299.533)**	1705.298 (645.907)**	-117.019 (225.927)	0.008 (0.025)	0.048 (0.042)	-0.023 (0.03)
UCT*Year 2018	379.989 (309.308)	467.661 (650.998)	316.288 (242.508)	0.033 (0.028)	-0.017 (0.046)	0.07 (0.032)**
CCT*Year 2018	615.761 (313.324)**	1679.972 (667.744)**	-203.529 (233.175)	0.008 (0.026)	0.044 (0.044)	-0.020 (0.032)
UCT*Year 2019	418.195 (326.954)	651.641 (698.942)	247.524 (257.700)	0.018 (0.027)	-0.014 (0.047)	0.042 (0.032)
CCT*Year 2019	756.076 (340.150)**	1887.680 (721.383)**	-118.149 (259.594)	0.024 (0.027)	0.075 (0.046)*	-0.015 (0.033)
UCT*Year 2020	336.091 (328.854)	388.650 (702.138)	299.166 (255.158)	-0.004 (0.027)	-0.036 (0.047)	0.019 (0.032)
CCT*Year 2020	386.661 (322.296)	959.824 (683.651)	-58.268 (252.746)	0.005 (0.027)	0.037 (0.046)	-0.020 (0.033)
UCT	-383.739 (245.720)	-290.400 (527.472)	-419.156 (183.120)**	-0.011 (0.021)	0.037 (0.037)	-0.045 (0.024)*
CCT	-308.285 (245.673)	-363.320 (522.095)	-262.757 (194.387)	-0.016 (0.021)	-0.018 (0.036)	-0.018 (0.025)
Year 2015	-680.039 (187.697)**	-1150.014 (385.887)**	-265.430 (150.322)*	-0.052 (0.017)**	-0.075 (0.028)**	-0.029 (0.02)
Year 2016	-375.521 (206.188)*	-491.528 (433.672)	-210.189 (155.561)	-0.026 (0.018)	-0.029 (0.03)	-0.016 (0.021)
Year 2017	179.026 (228.920)	493.754 (482.019)	37.617 (170.110)	0.017 (0.018)	0.043 (0.031)	0.006 (0.022)
Year 2018	431.358 (237.936)*	999.436 (491.431)**	115.994 (178.523)	0.026 (0.019)	0.062 (0.032)**	0.01 (0.023)
Year 2019	862.844 (253.698)**	1667.054 (530.302)**	386.415 (193.397)**	0.041 (0.019)**	0.064 (0.034)*	0.037 (0.023)
Year 2020	645.362 (252.620)**	1426.784 (533.614)**	201.690 (186.962)	0.028 (0.02)	0.055 (0.034)	0.022 (0.024)
Obs.	26120	11210	14910	26120	11210	14910
R ²	0.143	0.105	0.105	0.122	0.093	0.101

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 8: The Impact of UCT and CCT on Labor Income and Employment. Family Level

	Labor Income	LI Males	LI Females	Employment	E Males	E Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*Year 2016	246.284 (311.540)	534.832 (498.652)	-63.244 (331.712)	0.012 (0.026)	0.031 (0.037)	-.011 (0.036)
CCT*Year 2016	722.398 (324.784)**	1510.303 (518.432)***	-207.526 (325.202)	0.035 (0.026)	0.063 (0.037)*	0.006 (0.035)
UCT*Year 2017	-103.653 (369.576)	-3.985 (578.595)	-205.849 (423.012)	0.0008 (0.027)	-.007 (0.039)	0.009 (0.037)
CCT*Year 2017	736.442 (391.264)*	1422.800 (602.691)**	-122.130 (441.018)	0.016 (0.027)	0.027 (0.039)	0.001 (0.038)
UCT*Year 2018	86.931 (400.857)	203.979 (632.241)	-28.029 (442.000)	0.016 (0.03)	-.022 (0.043)	0.061 (0.042)
CCT*Year 2018	681.997 (422.384)	1268.883 (660.133)*	-43.450 (460.024)	0.01 (0.03)	0.027 (0.042)	-.011 (0.041)
UCT*Year 2019	158.381 (436.961)	110.635 (693.546)	235.708 (470.356)	0.018 (0.03)	-.009 (0.042)	0.049 (0.043)
CCT*Year 2019	867.180 (485.353)*	1546.490 (777.379)**	-21.155 (470.850)	0.023 (0.031)	0.06 (0.043)	-.024 (0.043)
UCT*Year 2020	0.872 (444.228)	-501.472 (717.182)	685.581 (447.038)	-.005 (0.03)	-.016 (0.042)	0.009 (0.043)
CCT*Year 2020	239.974 (456.472)	426.053 (739.044)	19.171 (420.691)	-.006 (0.031)	0.046 (0.043)	-.069 (0.042)
UCT	86.684 (288.018)	440.281 (442.127)	-533.399 (320.500)*	0.002 (0.022)	0.029 (0.031)	-.033 (0.029)
CCT	-196.116 (289.813)	-88.703 (433.290)	-506.873 (364.119)	-.029 (0.023)	-.023 (0.032)	-.053 (0.031)*
Year 2016	-140.832 (276.494)	-274.921 (447.513)	57.856 (286.666)	-.010 (0.021)	-.022 (0.031)	0.008 (0.029)
Year 2017	824.753 (322.976)**	1010.865 (507.480)**	641.696 (370.869)*	0.045 (0.023)*	0.05 (0.033)	0.044 (0.031)
Year 2018	1264.513 (347.367)***	1571.279 (557.543)***	955.170 (369.310)***	0.06 (0.025)**	0.069 (0.035)**	0.057 (0.033)*
Year 2019	2017.395 (376.985)***	2840.408 (613.559)***	1122.274 (374.754)***	0.076 (0.025)***	0.075 (0.034)**	0.089 (0.034)***
Year 2020	1732.943 (381.043)***	2787.171 (631.013)***	491.234 (345.291)	0.057 (0.025)**	0.061 (0.035)*	0.061 (0.035)*
Obs.	16093	8863	7230	16093	8863	7230
R ²	0.104	0.094	0.146	0.071	0.044	0.11

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all families included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 9: The Impact of UCT and CCT on Labor Income and Employment. Pooled Years

	Labor Income	LI Males	LI Females	Employment	E Males	E Females
	(1)	(2)	(3)	(4)	(5)	(6)
UCT*During Program	58.063 (192.706)	167.418 (419.896)	-20.970 (137.357)	0.003 (0.017)	-0.006 (0.03)	0.011 (0.019)
CCT*During Program	451.512 (200.096)**	1141.922 (430.758)***	-83.374 (150.492)	0.02 (0.017)	0.057 (0.029)**	-0.008 (0.02)
UCT*After Program	83.555 (234.996)	77.410 (507.158)	93.424 (178.120)	0.006 (0.02)	-0.028 (0.034)	0.031 (0.022)
CCT*After Program	381.949 (250.217)	1057.816 (533.870)**	-150.511 (181.687)	0.011 (0.02)	0.04 (0.033)	-0.11 (0.023)
UCT	-89.202 (180.063)	134.841 (389.882)	-224.921 (139.598)	-0.001 (0.015)	0.043 (0.028)	-0.032 (0.018)*
CCT	-104.068 (179.052)	88.023 (383.716)	-238.895 (144.523)*	-0.015 (0.015)	-0.005 (0.028)	-0.025 (0.018)
During Program	315.088 (181.609)*	762.100 (385.379)**	75.260 (133.879)	0.015 (0.015)	0.037 (0.026)	0.008 (0.017)
After Program	731.709 (214.468)***	1499.941 (453.643)***	299.571 (155.121)*	0.022 (0.017)	0.051 (0.03)*	0.015 (0.02)
Obs.	26120	11210	14910	26120	11210	14910
R ²	0.142	0.104	0.105	0.122	0.093	0.101

Notes: Data is from Social Security Registers and Ufficio Pio records. The sample is composed of all working-age individuals included in the experiment. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

trial where applicants to a cash transfer program are divided into three groups: 500 families belong to the control group, 500 families receive an unconditional cash transfer, and 500 families receive a cash transfer only if they participate in reemployment training programs.

We find that conditional cash transfers increase workers' labor income during the program and two years after. This effect is led by men and increases over time. In contrast, there seem to be neither contemporaneous nor ex-post effects of unconditional cash transfers. We also analyze the contemporaneous impact of cash transfers on welfare benefits. Our results indicate that UCT and CCT reduce welfare benefits in 2016, and CCT reduces welfare benefits in 2016 and 2017 for males. This pattern is consistent with cash transfers in general reducing welfare benefits, also as a mechanical side-effect of increasing labor income (reducing welfare benefits eligibility).

Our results stand in contrast to those of previous literature on the longer-run impacts

of cash transfers. Price, Song, et al. [2018] find that the Seattle-Denver Income Maintenance program decreased post-experimental annual earnings and increased disability benefit applications. The authors attribute these effects to changes in human capital as treated adults spent more time out of work during treatment. Our program increases labor income and employment during the program, which explains the opposite results.

We conclude that limited-duration CCTs targeting impoverished households in rich countries effectively allow individuals to exit the poverty trap. Whether re-employment training by itself (not enforced through cash transfers conditionality) would also be effective is left for future research.

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A Appendix

A.1 Treatment: Cash Transfer and Courses

The cash transfer amounts to 2,500 euros for families with one member under 18 years old. It increases by 200 euros for each additional member under 18 (capped at 3,500 euros)⁶. The transfer is divided into three equal parts. For families in the unconditional transfer group, the first part is given as soon as they enter the program while the second and third parts are given four and eight months later, respectively. For families in the conditional transfer group, the first part is given when they join the program, the second after having followed the first course (four to five months after entering the program approximately), and the third at the end of the second course (eight to nine months after the program start approximately). The organization checked that all participants were present in strictly more than half of the course sessions.

For families assigned to the conditional cash transfer groups, the conditionality implies that they receive the cash transfer only if families attend specific courses. In particular, social workers examined families' characteristics and assigned them to one out of the following three tracks:

1. Work & Money, which comprises the courses about reconciliation between work and care loads and the course on the conscious use of money.
2. Job training & parenting, which includes the courses about transversal skills for employment and the course on accompaniment to parenting.
3. Money & parenting, which comprises the conscious use of money course and the one on accompaniment to parenting.

In practice, 44% of families were assigned to track one, 50% took the courses in track two, and only 6% followed track three, which is the only track that does not explicitly address labor market issues. Only one of the adults in the family attends the courses.

⁶According to Eurostat, the median equivalised net monthly income of Italian families in 2016 was 1,354 euros

Families can choose which adult but the organization requires it is always the same adult who follows the course. Adults are assigned to a group and all members follow the course together. The average number of people who follow the course together is fifteen.

This is the official program of each of the courses:

1. **Reconciliation between work and care loads** (4 meetings of 3 hours each+2 hours of individual counseling):

- The concept of parenting
- Policies to foster reconciliation between work and care loads
- My social networks
- Reconciliation lab

2. **Conscious use of money** (4 meetings of 2 hours each):

- Some considerations on the use of money
- Diary of expenses and family budget
- Expense planning
- The cost of money and its “traps”
- Bills and the possibility of collaboration between participants.

3. **Accompaniment to parenting** (4 meetings of 1,5 hours each):

- “Skip the rope, not the meal”
- “Mum and dad never listen to me”
- “From whims to rules: rituals and rhythms”
- “Discovering Turin for Families. Practical workshop on local services”

4. **Job training** (3 meetings of 3 hours each):

- Today’s labor market today and the new active research strategies
- How do I introduce myself in a job interview?
- Keeping the job