

Social Norms, Resource Sharing, and Worker Incentives in Côte d'Ivoire



In places with limited formal institutions, social and family networks play an important role in people's lives, with friends and relations often sharing financial resources. The social norm which requires resources be shared may reduce incentives to work, with negative economic consequences. In Côte d'Ivoire, researchers are investigating the degree to which pressure to share resources within social and family networks leads to economic disincentives for workers and examining whether payroll innovations and financial products that help people to hide their earnings and privately save money can reduce this pressure.

Policy Issue

In places with limited formal institutions, social and family networks play an important role in people's lives, with relatives, friends, colleagues, and neighbors sharing financial resources. Moreover, individuals who take up more stable and higher wage employment face increased pressure to redistribute income to their social networks. While this solidarity norm could have important private and social benefits—for example, by enabling risk sharing among kin groups—the evidence on their potential costs is extremely limited. For example, if someone knows they will not be able to keep their earnings, they may be less motivated to earn money, exert less effort in their work, and/or be less productive. If pressure to share resources has negative effects on workers and their productivity, then social safety nets may help improve output and growth. Researchers are investigating how payroll innovations and financial instruments may reduce the social pressure workers face to share their earnings.

Evaluation Context

This study is being carried out in the context of the Ivorian cashew processing sector with the agri-business firm Olam. Participants are laborers working in four Olam facilities, roughly 80 percent of whom are women.

Details of the Intervention

In partnership with Olam and the World Bank, Innovations for Poverty Action is working with researchers to measure the impacts of payroll innovations and commitment savings accounts on: a) workers' employment-seeking behavior, employment, productivity, income,



RESEARCHERS

Supreet Kaur, Eliana Carranza, Aletheia Donald

COUNTRY

Côte d'Ivoire

PARTNERS

World Bank, Olam, National Credit and Savings Bank (CNCE)

PROGRAM AREA

Financial Inclusion

TOPICS

Commitments, Human Capital & Skills

TIMELINE

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and wellbeing, b) workers' household decision-making and transfers to others, c) the overall welfare of workers' social networks, and d) the overall productivity of the agro-processing plants.

First, researchers will randomly assign 1,000 workers to either the treatment group or a comparison group. Those in the treatment group will have the option to link a portion of their direct salary deposit to a locked commitment savings account. The aim of this account is to lower the effective "tax rate" faced by workers, from their social network, on additional earnings by offering workers the option to freeze an excess portion of their income each month until a specified date in the future.

Workers in the treatment group will receive all wages under a certain cutoff in cash, so that there is no risk that the accounts will squeeze them further in low-wage months. Workers will have the opportunity to choose their cutoffs to correspond to their budgeting needs. A representative from the bank partner will explain to workers the fee structure of the accounts, account-opening requirements, and will emphasize that workers are free to keep and continue using their accounts after the study has ended.

In the first phase, all treatment group workers will be given the option to use the commitment savings account on a trial basis for two months to learn what their optimal threshold should be. During this first phase, workers will have the option to revise their choice twice, including opting out or opting in (if they opted out before). During the second phase, account thresholds will remain set for seven months.

In the third and final phase, researchers will further randomize individuals in the treatment group to "private" or "public" subgroups. The private subgroup will continue as usual; deposited savings will remain strictly confidential. The public subgroup will receive additional information: an announcement that for the following three months, information on the amount of incremental earnings saved each month into the locked account will be publicized to their kin group to advertise the benefits of commitment savings accounts to increase savings. The research team will not divulge the total amount of savings in the locked account or a worker's wage earnings, only the incremental savings for each of the three months.

After the evaluation is complete, all workers will be able to fully access their commitment savings accounts.

Results and Policy Lessons

Study on-going; results forthcoming.

GLOBAL HEADQUARTERS

101 Whitney Avenue
New Haven, CT 06510 USA
+1 203.772.2216 | contact@poverty-action.org

poverty-action.org