



Adjustments to Reduced Cash Transfers: Religious Safety Nets and Children's Long-Term Outcomes

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Research Questions

How do families adjust to a reduction in transfers?

- Fertility
- Labor supply
- Consumption/Investments
- **Informal safety nets**

How do these adjustments map onto children's **long-term outcomes**?



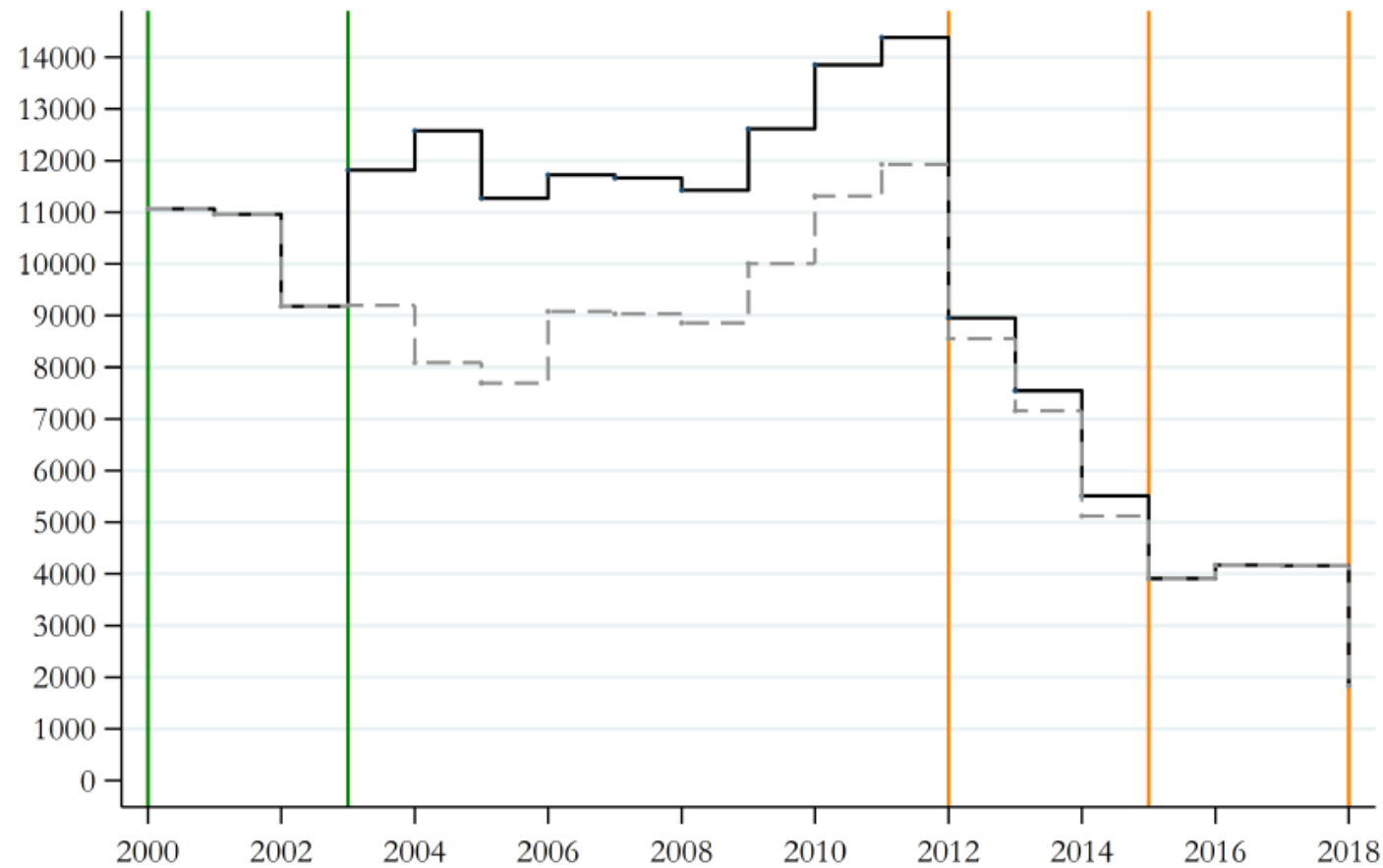
The 2003 Reform in Child Allowances

The schedule was linearized, reducing monthly allowances for a third or higher-order child born after June 1, 2003, relative to a child with the same birth order who was born right before this date

MONTHLY CHILD ALLOWANCE BY BIRTH ORDER AND YEAR OF BIRTH (2021 NIS)

Year	2001	2002	2003		2004		2009		2012	
Birth Order among Children under Age 18			Children Born before Jun-03	Children Born after Jun-03	Children Born before Jun-03	Children Born after Jun-03	Children Born before Jun-03	Children Born after Jun-03	Children Born before Jun-03	Children Born after Jun-03
1	228	192	182	182	154	154	178	178	179	179
2	228	192	182	182	154	154	178	178	267	267
3	457	381	313	182	213	154	248	212	300	267
4	926	774	666	182	527	154	447	230	468	267
5+	1142	956	802	182	605	154	395	178	398	179

Simulated Cumulative Difference — 4th Birth in 2003



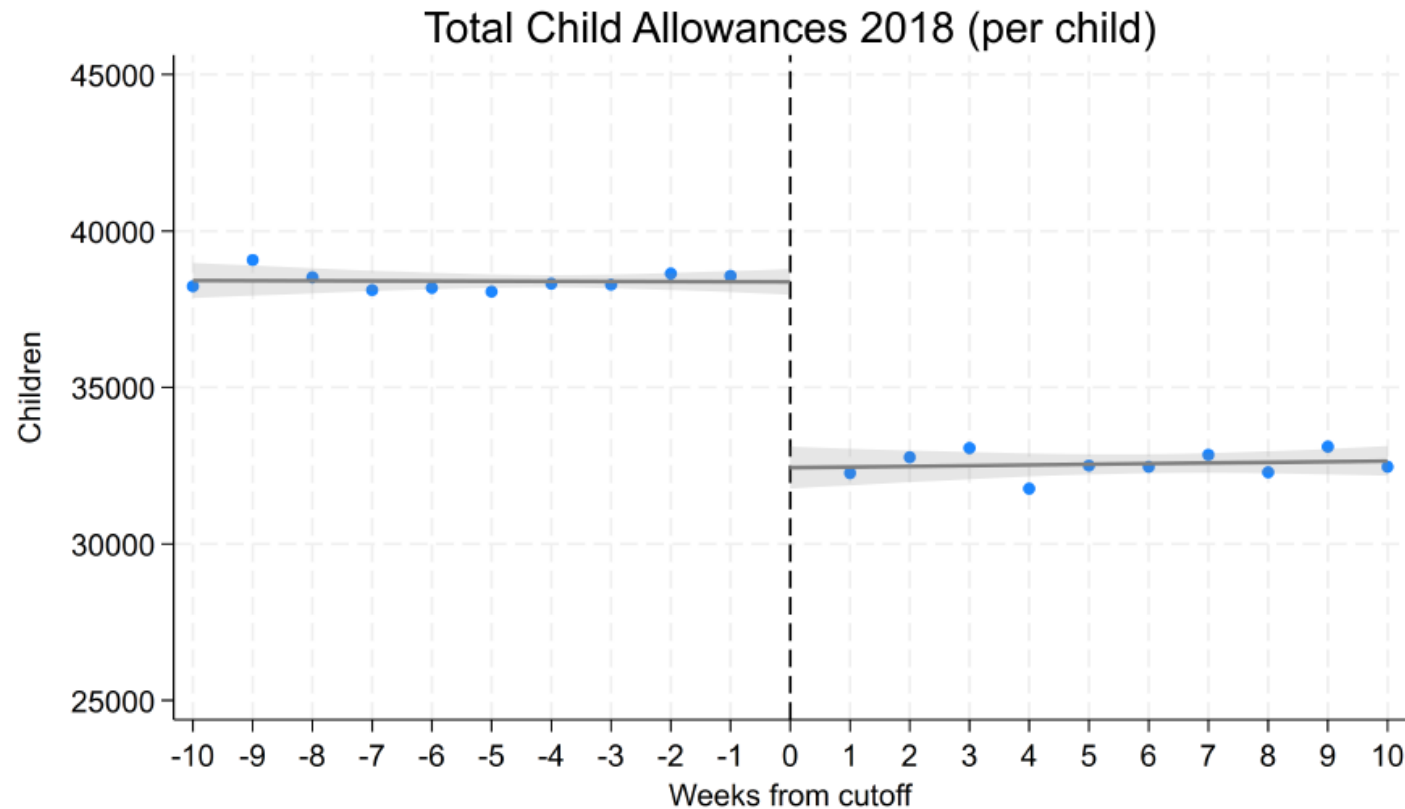
► Total difference of NIS 27,300 over 13 years



Data & Sample

- ▶ For the universe of households with births during 2003:
 - ▶ Population registry panel for 2002-2020: children's exact date of birth, sex, ethnicity, immigration status, and parents' and children's marital status and fertility
 - ▶ Ministry of Education data: type of school children are enrolled in 2000-2020 (non-UO vs. UO), Bagrut eligibility and quality, Post secondary and Yeshiva attainment
 - ▶ School classification refined using data from the Haredi Institute for Public Affairs.
 - ▶ Tax records for parents and children 1998-2020: employment months, labor earnings
- ▶ Our main sample:
 - ▶ Families who had a fourth or higher birth order child in 2003
 - ▶ Children who were born prior to or in 2003
 - ▶ Separate analysis for Jewish and Arab families

Methodology - Regression Discontinuity Design

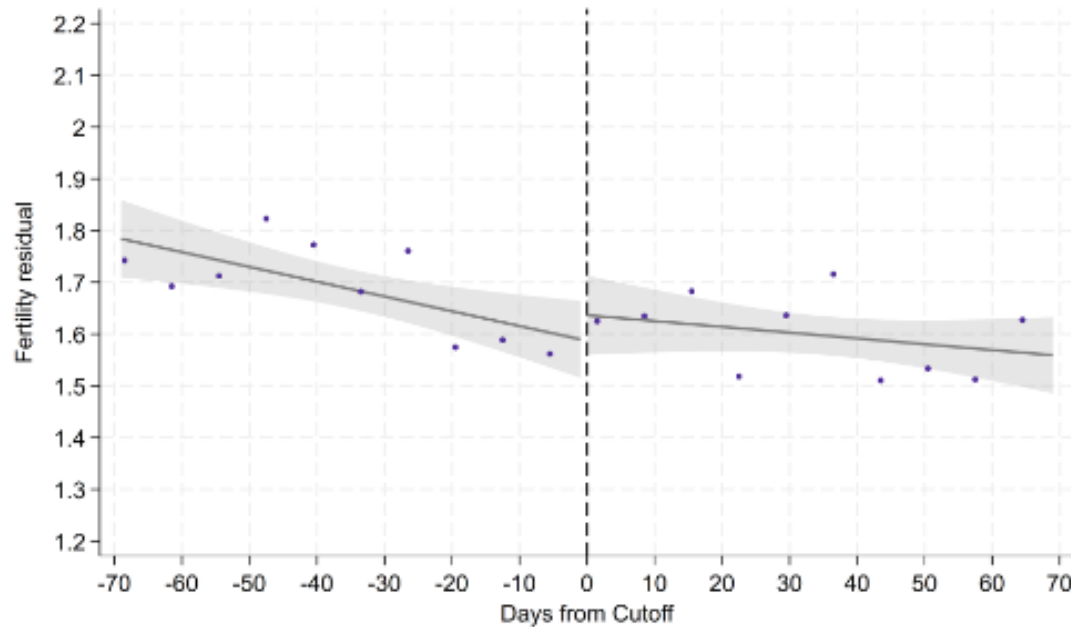


At the household level, the decrease is estimated at ~30,500 NIS

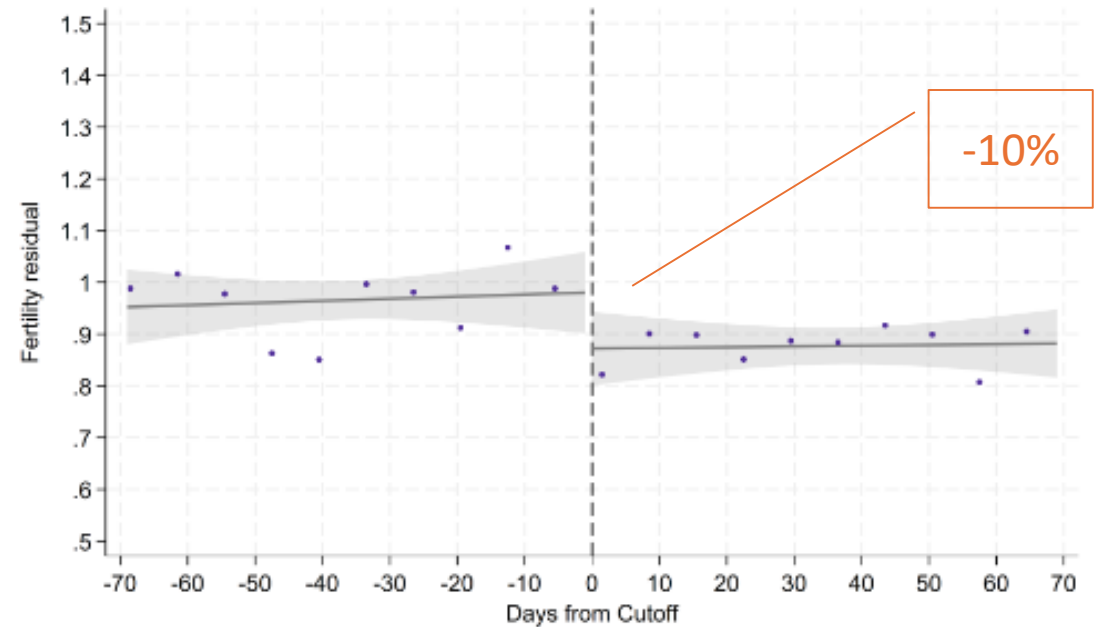
▶ ~250 NIS per month over 10.3 years

Number of subsequent children over time

(c) Completed: Jewish



(d) Completed: Arab



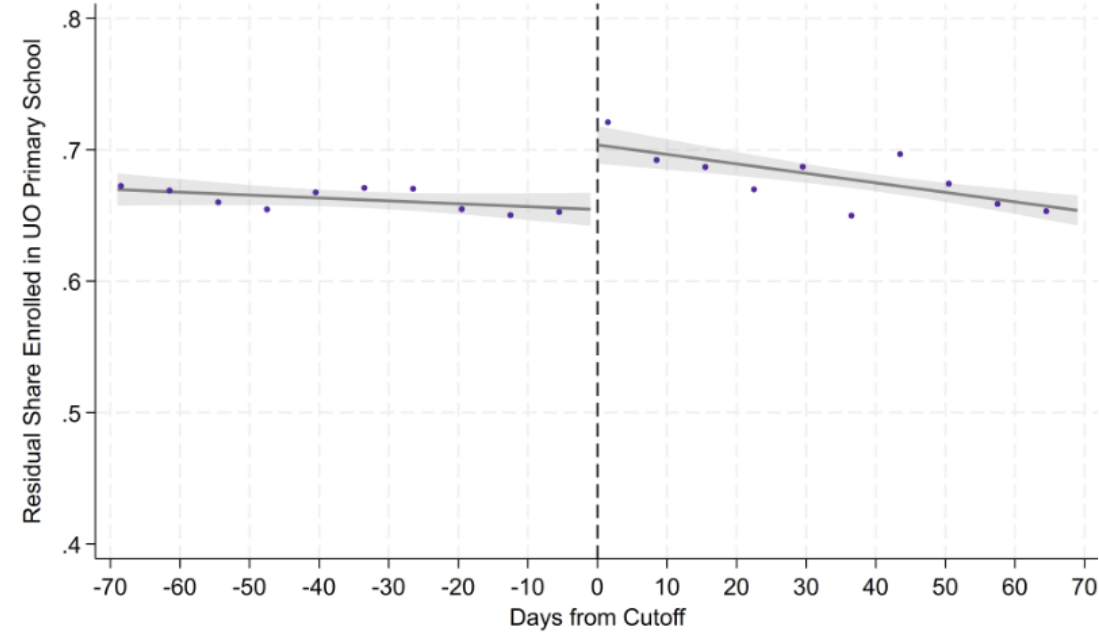
- ▶ We also do not find any effect on Jewish parents' employment and earnings
- ▶ Arab fathers' employment months increase by 8%



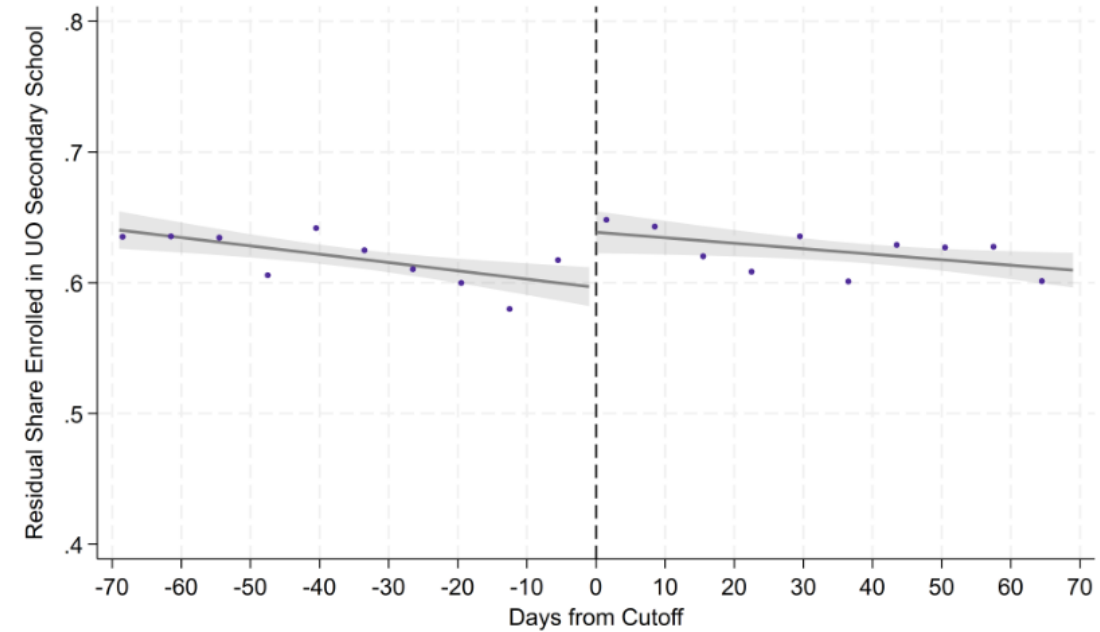
Alternative Adjustment for Jewish Families?

Enrollment in UO Schools

(a) Grades 1-8



(b) Grades 9-12



Alternative Adjustment for Jewish Families?

Enrollment in UO Schools

	Ages 5-12		Ages 0-4	
	UO Enrollment Grades 1-8	UO Enrollment Grades 9-12	UO Enrollment Grades 1-8	UO Enrollment Grades 9-12
Panel A: Boys				
Treatment	0.050*** (0.013)	0.043*** (0.014)	0.008 (0.016)	0.013 (0.017)
Observations	9,261	9,261	8,676	8,676
Control mean	0.665	0.617	0.682	0.618
Panel B: Girls				
Treatment	0.007 (0.013)	0.025 (0.015)	0.022 (0.017)	-0.002 (0.019)
Observations	8,818	8,818	8,188	8,188
Control mean	0.664	0.606	0.677	0.618

- The effect on enrollment is driven by elementary school-aged boys

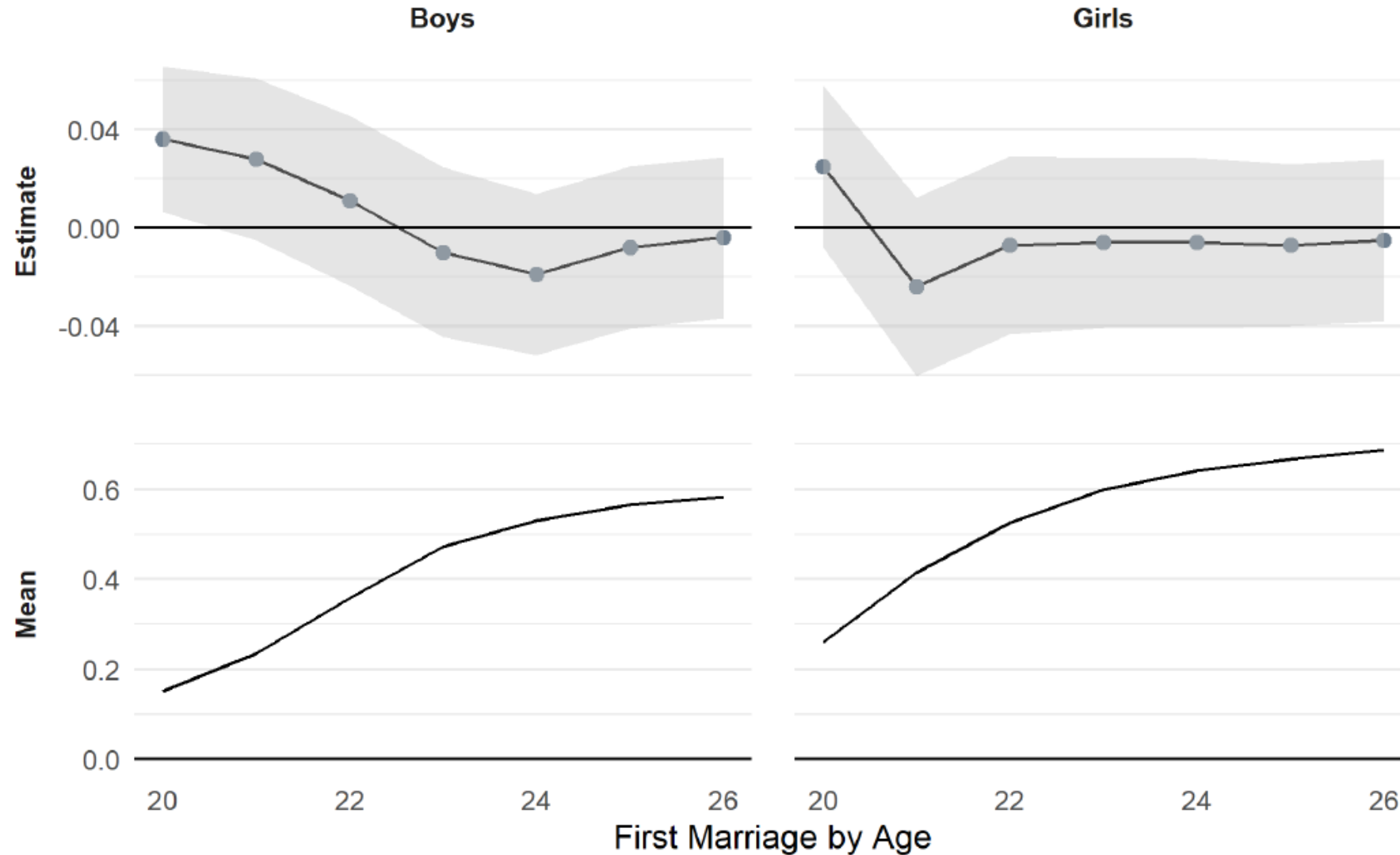
Long-term Effects among Jewish Children — High School Outcomes

	Ages 5-12			Ages 1-4		
	Bagrut Diploma	HS Dropout	Bagrut Units	Bagrut Diploma	HS Dropout	Bagrut Units
Panel A: Boys						
Treatment	-0.038** (0.016)	0.025** (0.012)	-1.942*** (0.455)	-0.021 (0.020)	-0.004 (0.017)	-0.698 (0.566)
Observations	9,261	9,261	9,261	4,813	4,813	4,813
Control mean	0.217	0.069	8.081	0.198	0.080	6.415
Panel B: Girls						
Treatment	-0.023 (0.018)	0.010 (0.010)	-0.589 (0.481)	-0.003 (0.031)	-0.008 (0.014)	-0.073 (0.842)
Observations	8,818	8,818	8,818	4,705	4,705	4,705
Control mean	0.367	0.045	12.543	0.422	0.054	12.549

Early Adulthood Effects among Jewish Children - Employment & Post-secondary Education

	Post- Secondary 19-26	Yeshiva 19-26	Months Employed 19-26	Ever Employed 19-26
Panel A: Boys				
Treatment	-0.046*** (0.017)	0.026 (0.020)	0.027 (0.152)	0.003 (0.020)
Observations	9,261	9,261	9,261	9,261
Control mean	0.213	0.656	3.442	0.730
Panel B: Girls				
Treatment	-0.035 (0.021)	- -	0.114 (0.134)	-0.008 (0.007)
Observations	8,818	-	8,818	8,818
Control mean	0.382	-	7.698	0.979

Early Adulthood Effects among Jewish Children – Age at Marriage



Main Message and Policy Implications

Reliance on religious informal safety-nets is an important adjustment margin to negative income shocks

- ▶ **Public funding of religious institutions may distort incentives — conditional transfers replace unconditional transfers**

Different adjustment margins have different implications for children's long-term outcomes

- ▶ We find some positive effects on Arab children in the long term
- ▶ We find some negative effects on UO children in the long term (no observed adjustment in the short-run)
- ▶ **Parental fertility and labor responses may mitigate the adverse effects of a negative income shock on children's outcomes**

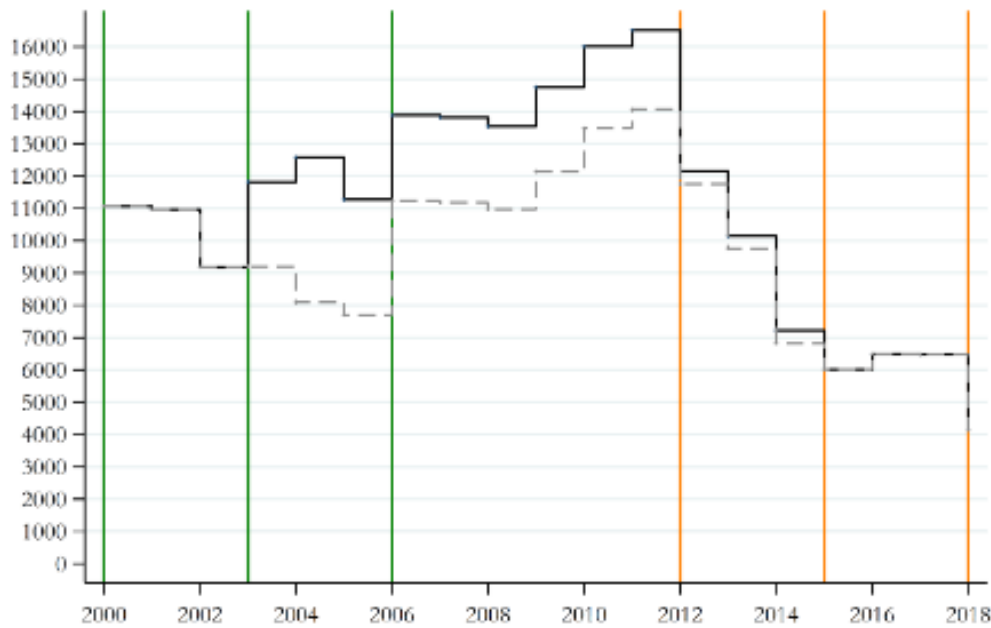


Thanks!

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Simulated Cumulative Difference

(a) 4th in 2003 and 5th in 2006, gap NIS 27,300



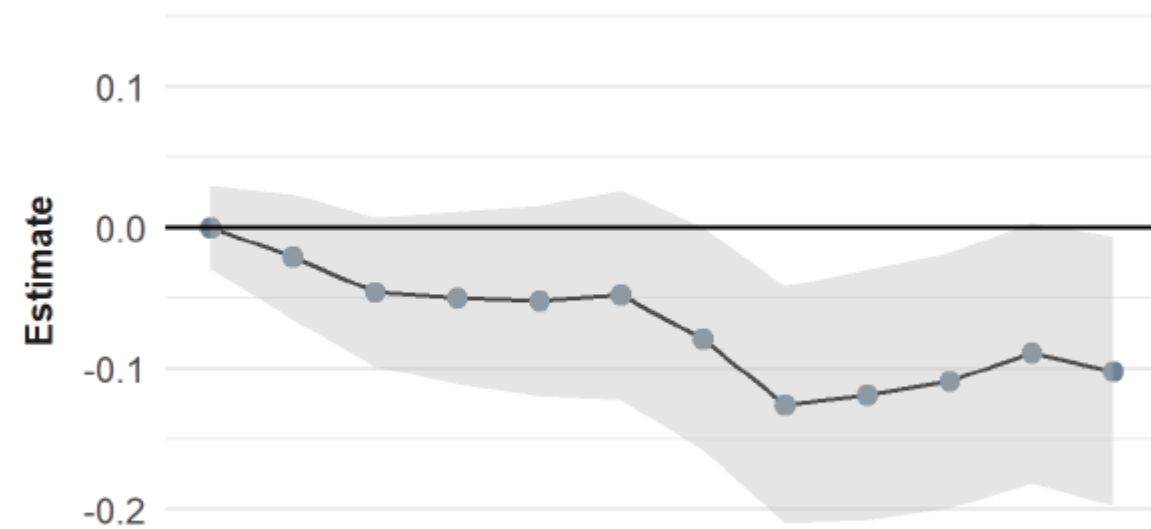
(b) 2nd in 2003, gap NIS 0



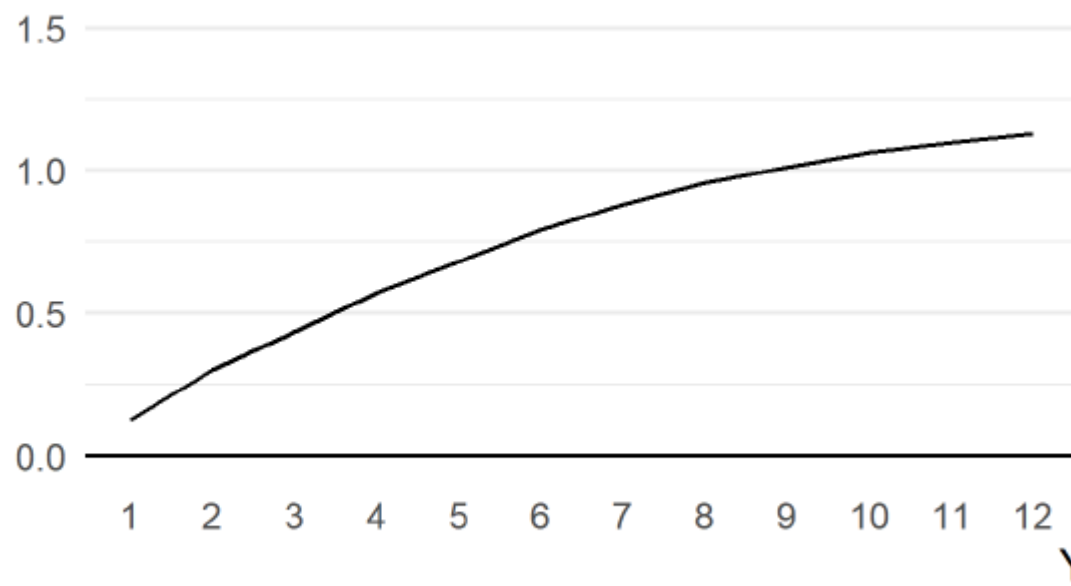
- ▶ No difference in allowances for additional children born post-2003
- ▶ No difference for 1st or 2nd born in 2003



Arabs



Mean



Jews

