



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

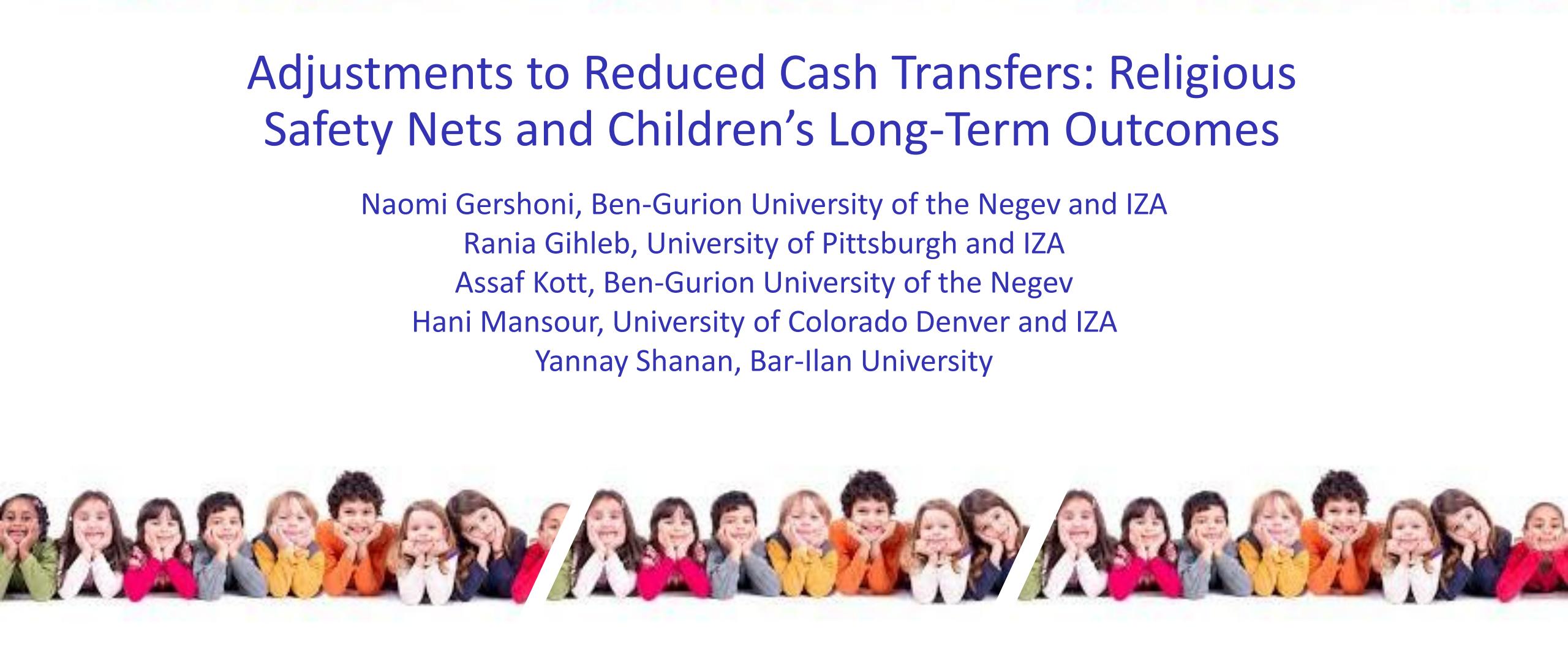
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# Research Questions

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**?



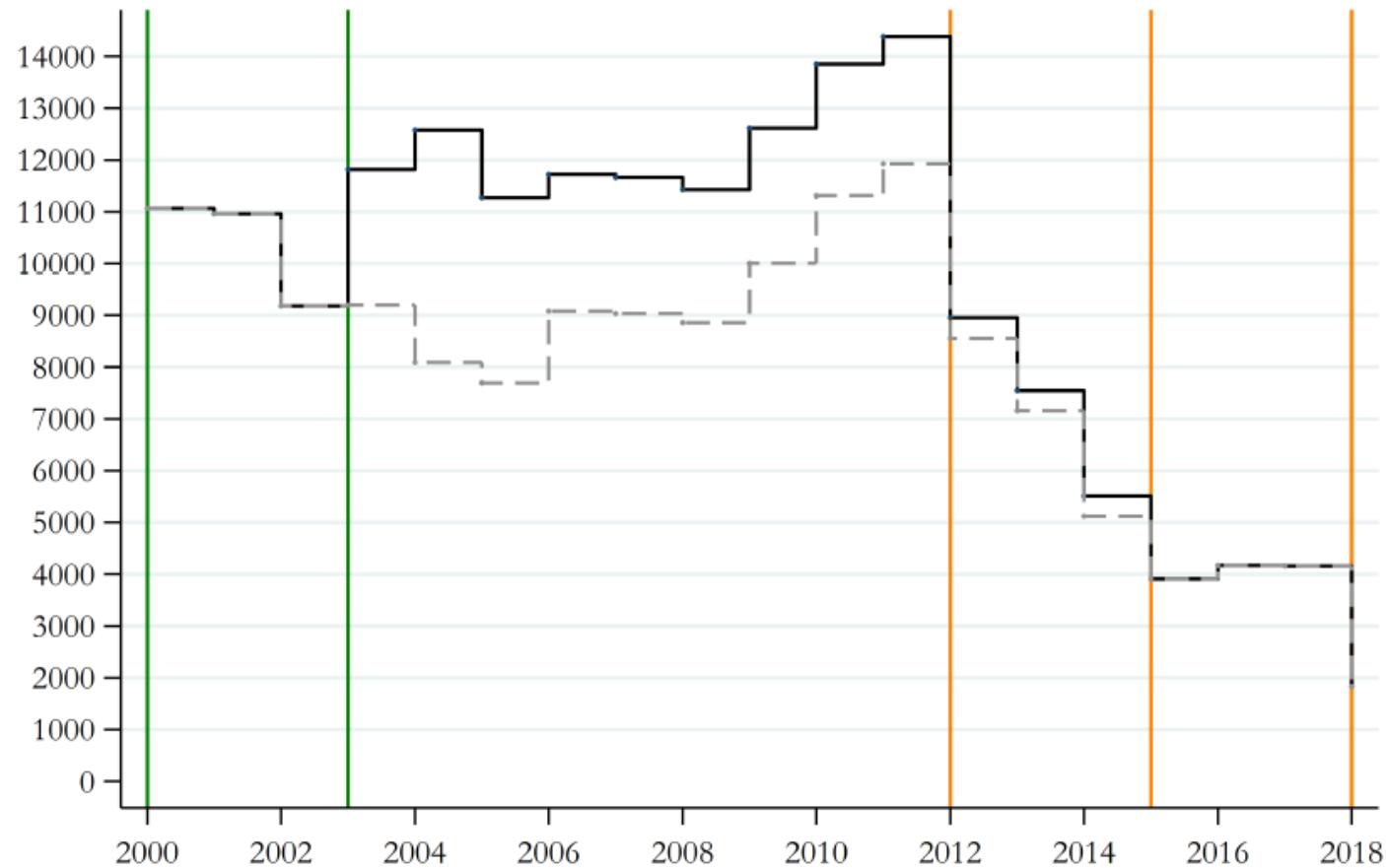
# The 2003 Reform in Child Allowances

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								
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



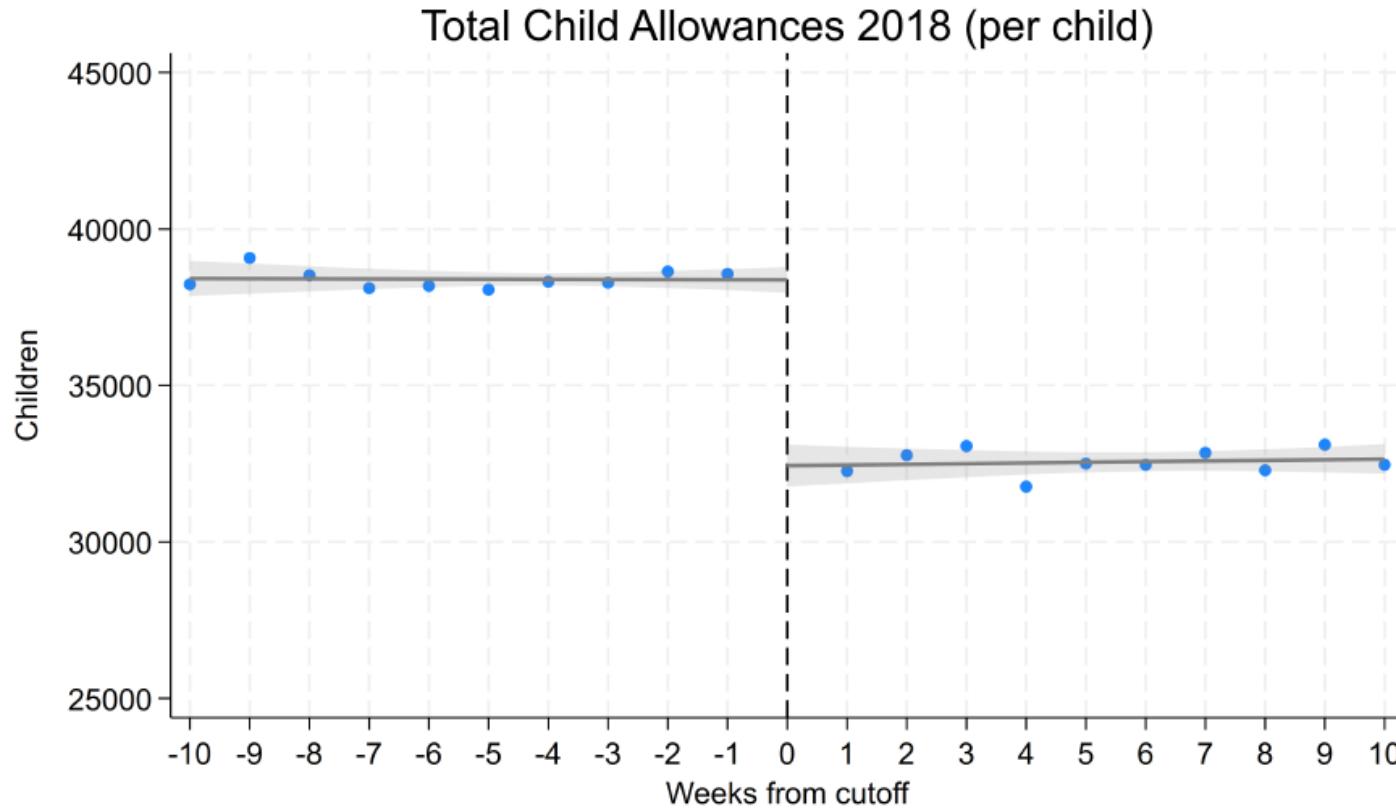
- Total difference of NIS 27,300 over 13 years



## 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

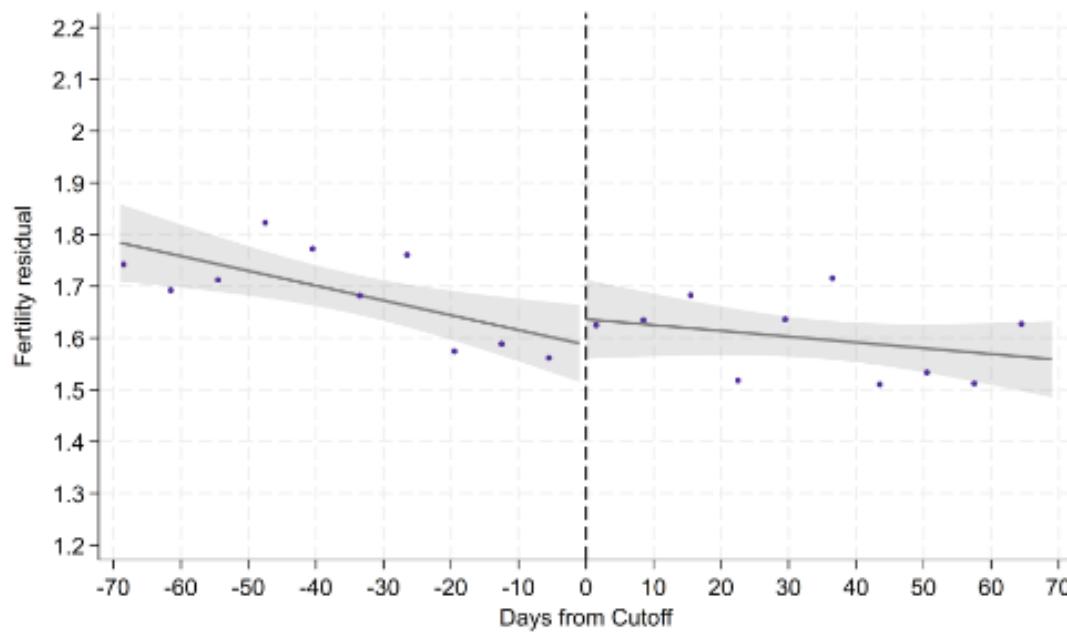
# Methodology - Regression Discontinuity Design



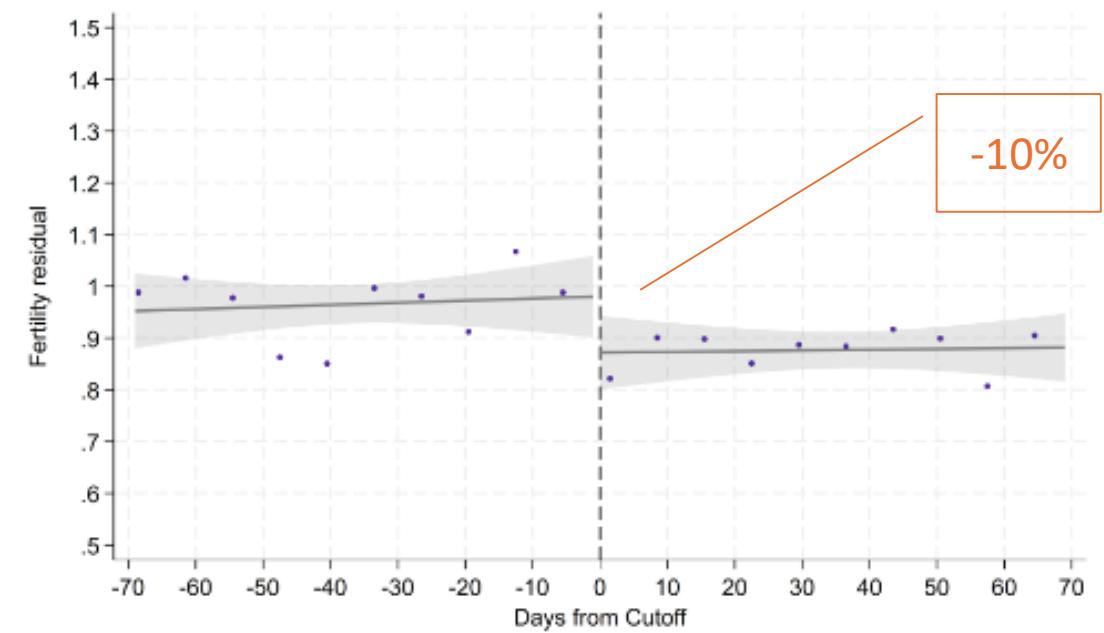
At the household level, the decrease is estimated at  $\sim 30,500$  NIS  
▶  $\sim 250$  NIS per month over 10.3 years

# Number of subsequent children over time

(c) Completed: Jewish



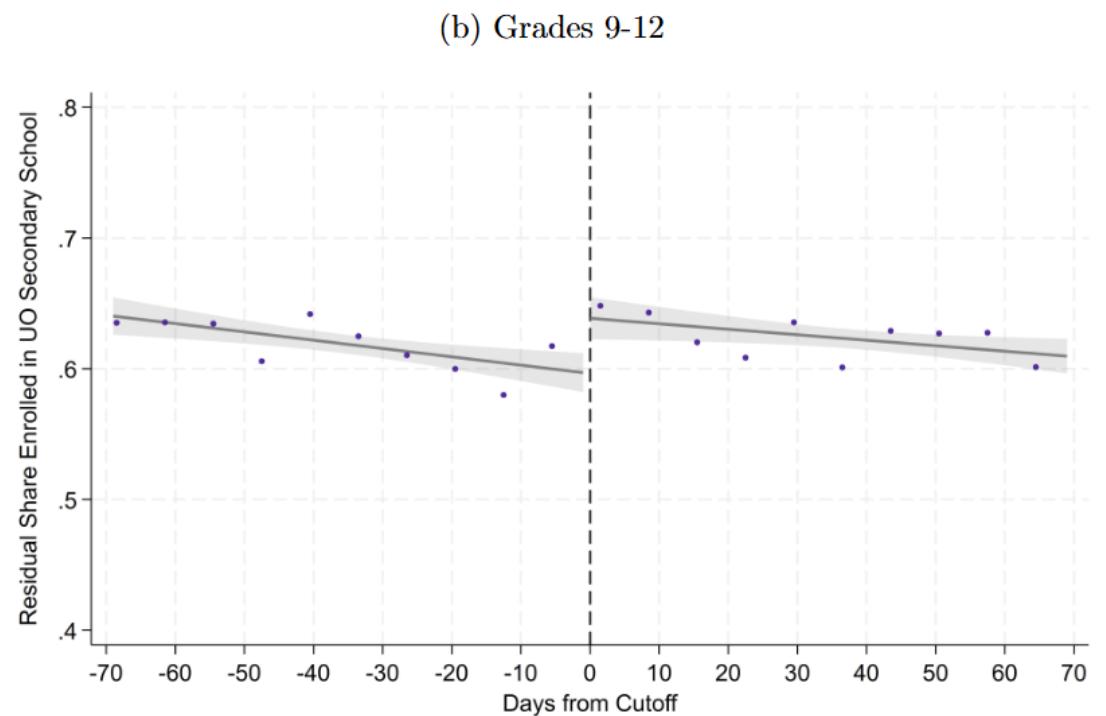
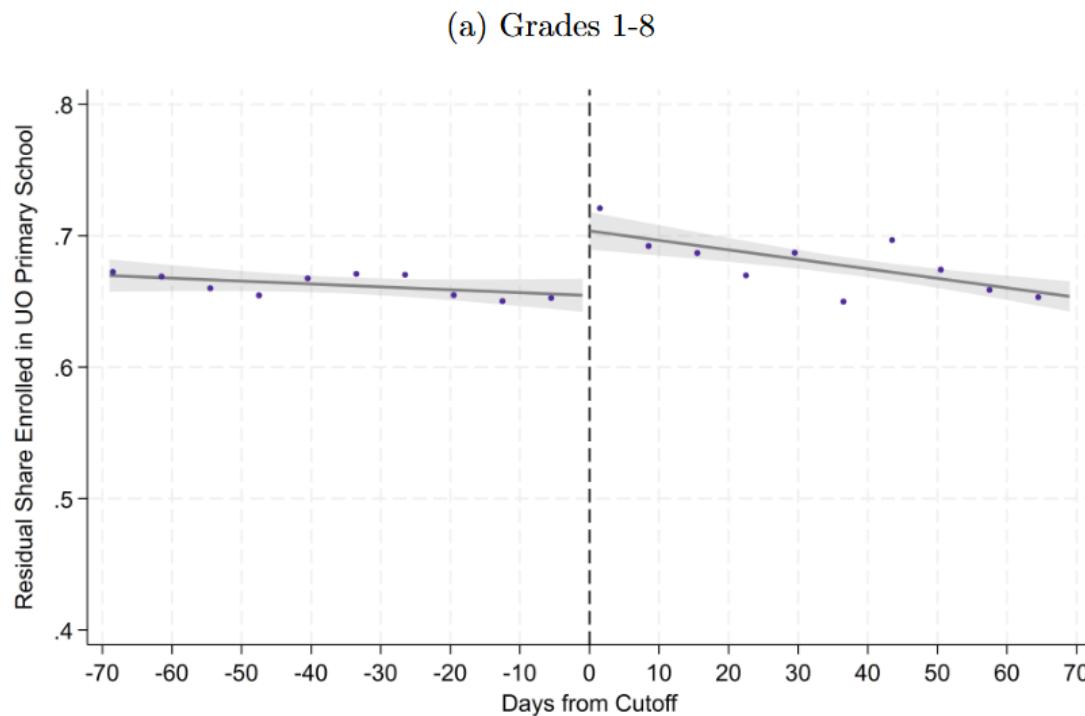
(d) Completed: Arab



- ▶ 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



# 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
<b>Panel A: Boys</b>				
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
<b>Panel B: Girls</b>				
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

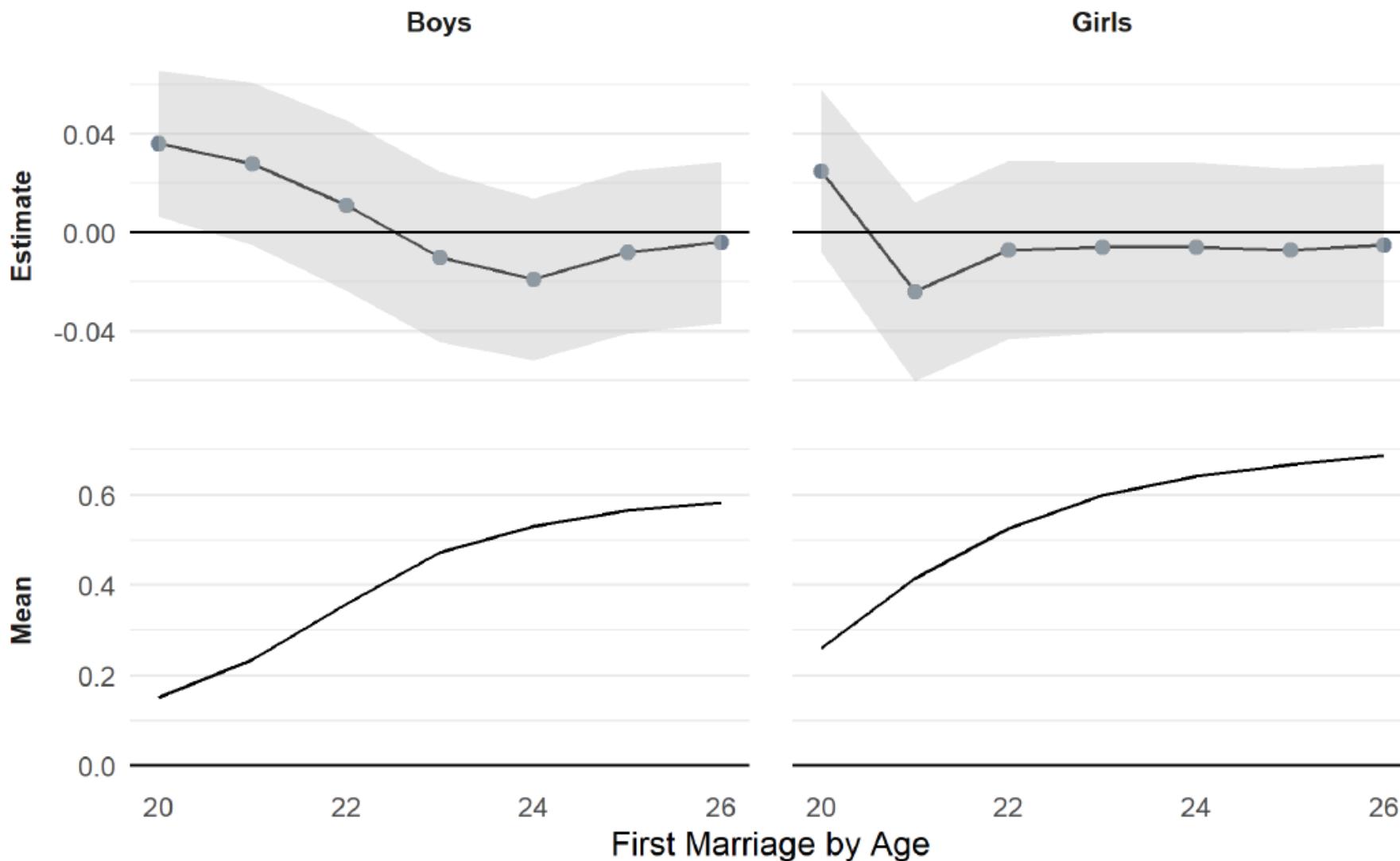
# Long-term Effects among Jewish Children — High School Outcomes

	Ages 5-12			Ages 1-4		
	Bagrut Diploma	HS Dropout	Bagrut Units	Bagrut Diploma	HS Dropout	Bagrut Units
<b>Panel A: Boys</b>						
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
<b>Panel B: Girls</b>						
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
<b>Panel A: Boys</b>				
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
<b>Panel B: Girls</b>				
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**

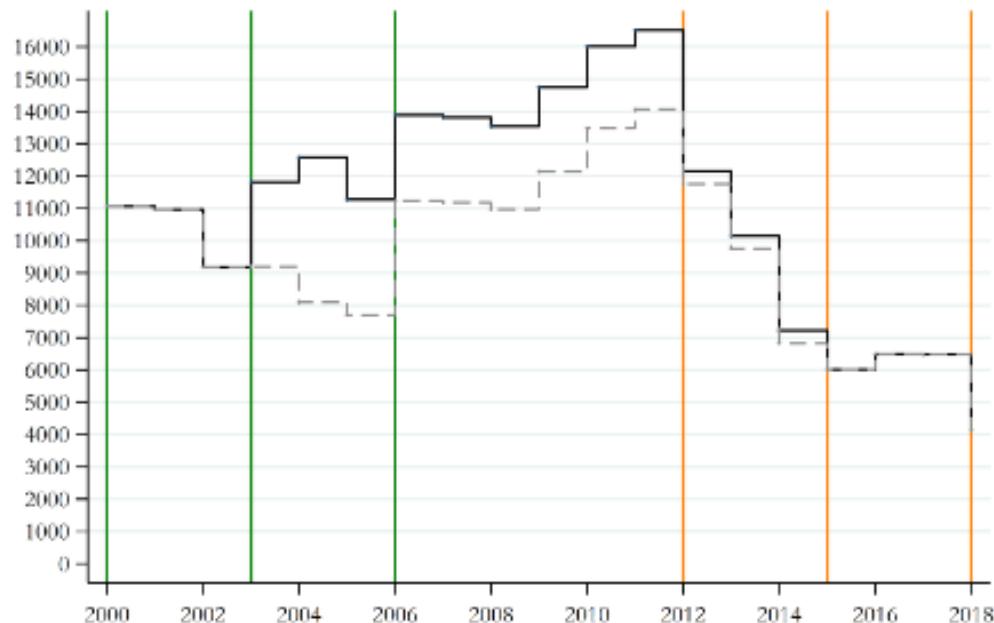


Thanks!

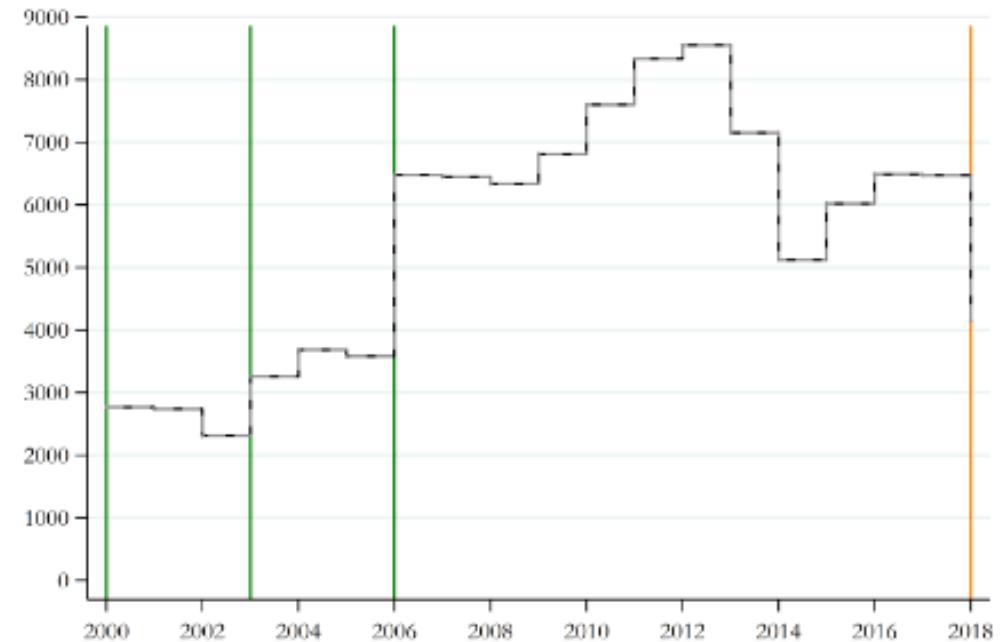
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# Simulated Cumulative Difference

(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 1<sup>st</sup> or 2<sup>nd</sup> born in 2003



