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IMPACT OF POLICY REFORM ON THE WELL-BEING OF
VULNERABLE GROUPS: EVIDENCE FROM THE USA, ZIMBABWE
AND KENYA

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New techniques for estimating welfare changes following different exogenous shocks, such as policy changes or adverse weather conditions, formed the subject of the mini-symposium.

Welfare policy in the United States underwent a major change in 1996. The 'Personal Responsibility and Work Opportunity Reconciliation Act' replaced the 'Aid to Families with Dependent Children' programme for public cash-assistance payments with state specific cash assistance schemes funded by the federal 'Temporary Assistance to Needy Families' block grants. This welfare reform has been praised for its success in improving the economic well-being of the most vulnerable, in particular of single female-headed households with children (SFHwC) in non-metropolitan areas. But there are other factors, which may have contributed to those economic gains, such as changes in human capital, family characteristics or regional economic conditions. Thus simply comparing the means of per capita receipts for SFHwC provides little information on the underlying causes of shifts in the distribution.

Mills showed how new non-parametric kernel density estimation is a powerful tool to visualize the distributions and identify where shifts occur, without imposing rigid assumptions associated with parametric specifications. Density reweighting methods can then decompose the impact of factors that have contributed to the observed shifts in the distribution of per capita receipts. Using the 1993 and 1999 Annual Demographic Files of Current Population Survey, Mills applied the techniques to explore the causes of the positive changes in real per capita total receipts of single female-headed households with children in non-metropolitan areas of the United States. The discussion centred on the findings from this research and their significant implications for the long-term efficacy of welfare reforms.

First, a portion of the economic gains for SFHwC can be explained by welfare-to-work transitions, that is, by movement from being 'not in the workforce and on welfare' and into the generally more remunerative state of 'in the workforce and not on welfare'. Second, and most important, changes in the propensity of heads of SFHwC in non-metropolitan areas to leave welfare and enter the workforce are mainly due to changes in the characteristics of

family heads, such as increases in education levels, and changes in the area economic conditions, rather than welfare reform initiatives. Third, since changes in the unemployment rate explained only a minor portion of the influence of changes in workforce and welfare programme participation on per capita receipts, future economic downturns are not expected to reverse the observed shifts from welfare to work and the associated economic gains. Finally, the significance of increased education levels for movements off welfare and into the workforce highlights the importance of promoting further investment in human capital among heads of non-metropolitan SFHFVC, in particular among those whose education was interrupted by the birth of a child.

After independence in the early 1980s, Zimbabwe's economic policy was characterized by central control and a heavy emphasis on social spending, in particular on education, health care, housing and agriculture. The resulting unsustainable fiscal situation and trade imbalances led to a major reform. The Economic Structural Adjustment Programme of 1990 liberalized many sectors of the economy, reduced public sector employment, and freed trade and finance. It was hoped that reforms would place the economy on a path of broad-based sustainable growth. In addition, Zimbabwe suffered from two severe droughts in 1991/1992 and in 1994/1995. By 1996, poverty was higher than at the beginning of the 1990s.

Alwang applied the semi-parametric techniques referred to above, on comparable national survey data for 1990 and 1996, to examine the sources of the observed increase in poverty. The aim was to identify the relative importance of structural adjustment (that is, sector employment shifts in urban areas), of rainfall variability in rural areas, of migration from rural to urban areas, and of households' human capital investments. In addition to the semi-parametric techniques, Alwang applied standard decompositions of the Foster–Greer–Thorbecke poverty indices, and consumption regression methods. The findings indicate that rainfall explained only a minor fraction of the overall change in well-being. Further, rural poverty is more prevalent and more severe than that in urban areas, but urban poverty has grown dramatically between 1990 and 1995/1996. Much of the growth is associated with economic restructuring and the failure of the urban economy to produce high-quality jobs. While educational attainment of the urban population grew during the 1990s, secondary and higher levels of education were no longer a guarantee of escape from poverty in 1995/96. In rural areas, all land use types exhibited an increase in poverty. Thus returns to both the levels of human capital and physical assets (land holding, livestock and so on) decreased.

Omamo presented an analysis of agricultural market reform in Kenya. While liberalization appears to have expanded trading opportunities in key segments of agriculture, it has not led to the anticipated mutually reinforcing combinations of technical change, intensification and on-farm specialization, particularly among smallholders, who continue to dominate the agricultural landscape. The analysis used numerical simulation techniques to investigate these outcomes, focusing on the potential role of high farm-to-market transaction costs in explaining key aspects of smallholder production and trading decisions. The discussion focused on applications of the modelling approach, highlighting its

flexibility and likely usefulness in adding insights into interactions among key constraints, many of which are open to influence by policy. In addition, contrasts and complementarities with both parametric and non-parametric statistical approaches were discussed.