



Work-Shy Myth: Do Cumulative Transfer Programs Lower Labor Supply?

ABSTRACT

The massive expansion of the transfer program in developing countries raises one substantial question on its unintended impact: does the program induce fewer work hours? Standard economic theory predicts that the transfer program will lower labor supply, but the evidence shows mixed results. This paper tries to expand the existing evidence by looking at the impact of massive expansion of transfer programs on labor supply in Indonesia by using the total amount received from various transfer programs as the main regressor rather than the binary variable of programs' status. To capture the aforementioned condition, this research utilizes the Indonesia Family Life Survey year 2007 and 2014 dataset. The author developed difference in differences (DiD) adjusted with inverse probability weighting (IPW) as the primary causal inference strategy along with further enhancement by using households from the bottom 40% sample. The usage of the bottom 40% proved to improve the counterfactual since this group is the main target for the government's transfer programs. Furthermore, the author also uses piecewise regression because of the main regressor type as continuous and considering the possibility of diminishing returns of transfer programs. The results show consistent evidence on total female work hours in the households, which is positive and significant at the early value of the transfer program. Furthermore, it turns out that the type of transfer programs is related to gender: in-kind for females and cash for males, which both have a positive impact. This suggests that the transfer program has a big-push effect on lifting households' excessive burden and does not induce any adverse side effect on labor supply.

Keywords: Cumulative, Transfer Programs, Causal Inference, Labor Supply



ABSTRAKSI

Ekspansi program transfer yang massif di negara berkembang memunculkan satu pertanyaan penting terkait dampak negatifnya: apakah program transfer mengurangi jam kerja penerimanya? Teori ekonomi memprediksi bahwa program transfer akan menurunkan jam kerja, tetapi bukti-bukti terdahulu menunjukkan hasil yang bermacam-macam. Penelitian ini bertujuan untuk menambah bukti penelitian terkait hal ini dengan melihat dampak dari ekspansi program transfer di Indonesia terhadap jam kerja dengan menggunakan berapa banyak uang yang diterima ketimbang hanya status program saja. Oleh karena itu, penelitian ini menggunakan data Survei Aspek Kehidupan Rumah Tangga Indonesia (Sakerti) tahun 2007 dan 2014. Penulis mengembangkan metode *difference in differences* (DiD) yang digabungkan dengan *inverse probability weighting* (IPW) sebagai strategi evaluasi dampak utama, dan kemudian disertai dengan penggunaan sample rumah tangga 40% termiskin. Penggunaan kelompok sampel ini terbukti dapat meningkatkan kualitas kelompok pembanding mengingat mereka adalah target utama program pemerintah. Lebih lanjut, penulis juga menggunakan regresi *piecewise* mengingat variabel independent berbentuk kontinu agar dapat melihat hubungan *diminish*. Hasil menunjukkan bahwa program transfer memiliki dampak positif terhadap total jam kerja wanita dan signifikan pada nilai awal dari transfer. Kemudian, tipe program transfer juga terkait dengan gender: *in-kind* dengan wanita dan uang dengan pria. Hal ini menunjukkan bahwa program transfer memiliki dampak instan dalam mengangkat beban rumah tangga dan tidak menyebabkan jam kerja penerimanya berkurang