***More education, better jobs? Why CCTs need to account for education and labour market outcomes***

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**Abstract**: Conditional cash transfers have come to play an increasingly prominent role in the social policy landscape of Latin America over the past several decades. These programs generally aim to address poverty in the short-term by boosting basic consumption among the poor, and in the long-term by increasing human capital among poor children to support sustainable poverty reduction. Evaluations of the impacts of CCTs and their role in social policy in the region have largely focused on short-term outcomes, such as measures of consumption, school enrolment and attendance, and rates of vaccination, while long-term impacts have received comparatively little attention.

CCTs’ long-term poverty reduction goals make implicit links between schooling and outcomes in the labour market among beneficiary youth. Education-based conditionalities hold inherent assumptions about the payoffs of increased educational attainment in the labour market; that is, that more schooling will necessarily result in access to better jobs that will, in turn, support increased wellbeing and reduced poverty over the long-run. Labour market outcomes among beneficiaries are thus crucial to assessing CCTs’ long-term impacts.

To consider long-term impacts, this paper deconstructs the logic of poverty reduction on which CCTs are based. Drawing on the theoretical literature as well as empirical evidence from Latin America, but primarily Brazil, it explores the factors that may mediate outcomes among beneficiaries over the long run, in terms of educational and labour market outcomes.

**Keywords**: conditional cash transfers; long-term impacts; education; human capital; employment

**Introduction**

One of the most influential trends in social policy in Latin America in recent decades has been the emergence of conditional cash transfer (CCT) programs, whereby poor households receive cash payments from the state on the condition that they fulfill established education- and health-related targets, such as minimum school attendance rates (Barrientos and Nino-Zarazua, 2011; Fiszbein and Schady, 2009). Conditional cash transfer programs have two explicit objectives: (a) in the short-term, to provide immediate poverty alleviation by increasing basic consumption among the poor; and (b) in the long-term, to increase human capital formation among poor children in order to break the intergenerational cycle of poverty.

CCTs are based in a particular understanding of poverty; that is, that poor households are unable to invest in human capital and other productive assets due to both insufficient and irregular earnings, and are thus unable to escape poverty across generations. CCTs seek to address this deficit in human capital and productive assets among the poor by conditioning the receipt of the cash transfer on human capital investments for children. Recipient households must fulfill established education- and health-related targets in order to receive program benefits.

With the rapid proliferation of CCT programs across the region, there has been a considerable effort to evaluate their impacts. Given their relatively recent implementation, evaluations and impact assessments have been limited mostly to the short-term, focused on measures of consumption, school enrollment and attendance, and rates of vaccination and attendance at health centres (Bourguignon et al., 2003, 2002; MDS, 2009; Rawlings, 2005; Rawlings and Rubio, 2005; Resende and Oliveira, 2008; World Bank, 2001). The long-term impacts of CCTs on poverty have received comparatively little attention.

This paper argues that there is a need to consider not only the short-term but also the long-term impacts of these programs and the extent to which they contribute to poverty reduction as CCTs have become key instruments of social protection in many developing (and even at times some developed) countries. The long-term outcomes for beneficiaries and the various social processes, beyond the receipt of a cash transfer, that may influence these outcomes, can be far more complex to evaluate, however, than measures of school enrollment and attendance or of vaccination rates. This paper aims to unpack the logic of long-term poverty reduction of education-based CCTs and to discuss the possible factors that may influence outcomes among beneficiaries. As CCTs become increasingly established in the social policy of Latin American countries, the need to consider how CCTs effect the desired long-term poverty reduction and how we might begin to evaluate this becomes increasingly pressing. This paper offers a starting point to thinking about long-term implications of such programs.

The following section will provide an overview of CCT programs and examine the empirical evidence thus far on the programs’ impacts from Latin America, but drawing particularly on the case of Brazil’s Bolsa Família program. The subsequent sections will deconstruct the logic of long-term poverty reduction through CCTs and then examine the factors that may shape impacts and outcomes, based on the theoretical and empirical literature.

**Short-term impacts of CCTs: What we know so far**

Conditional cash transfers (CCTs) have been implemented in over 30 countries, from Bangladesh to Turkey to Indonesia (Barrientos and Nino-Zarazua, 2011; Fiszbein and Schady, 2009), although these programs originated and have been most widely in Latin America. Many programs now cover significant portions of the population. In Mexico, an estimated quarter of the population receive some kind of cash transfer (Niño-Zarazúa, 2011), and Brazil’s *Bolsa Família* program alone reaches approximately a quarter of the population (MDS, 2013).

In the short-term, CCT programs have seen considerable success in increasing consumption levels among the poor; for instance, by improving the diversity of foods consumed or by protecting assets and stabilizing income (Rawlings, 2005). In terms of boosting immediate consumption among the poor, the cash provided through CCT programs appears to have a significant positive impact.[[1]](#footnote-1) In Mexico, average consumption levels increased by 14% and median food expenditures by 11% among beneficiaries of the *Progresa/Oportunidades* program compared to non-beneficiary households, largely due to higher expenditures on fruits, vegetables and meat (Rawlings, 2005). In Nicaragua, beneficiaries of the country’s former *Red de Protección Social* program saw no absolute improvement in consumption levels; however, non-beneficiary control households saw a decline in consumption, largely as a result of low coffee prices and drought, which implied a 19% relative increase in per capita consumption among beneficiary households as a result of the transfer (Rawlings, 2005). This also suggests that CCTs may function as an insurance mechanism against income shocks that might hamper consumption and negatively impact health, nutrition and educational outcomes among the poor.

Examining the Brazilian *Bolsa Família* program, Resende and Oliveira (2008) find that average annual expenditures of households were R$300 higher than non-beneficiary households, and that increased expenditures were concentrated on food, education, hygiene, and clothing. Citing a 2007 impact evaluation of the same program, Soares et al. (2010) also note increases in monthly household expenditures among beneficiary compared to non-beneficiary households, with a increase of R$23.18 on food, R$2.65 on education, and R$1.34 on clothing for children. On the other hand, monthly spending on adult health and clothing was reduced by R$6.80 and R$0.74, respectively (CEDEPLAR, 2007).

Despite the relative consensus on the positive impact on immediate consumption among beneficiaries of CCT programs, the evidence on the health implications of this higher consumption is not consistent. For example, Andrade et al. (2007) note no impact on the nutritional status of beneficiary children in Brazil’s *Bolsa Família* program, while Santos et al. (2007) find the only a notable impact to be on infant malnutrition among children aged six to eleven months. Interestingly, however, regardless of actual impacts on nutrition and access to food, the *Bolsa Família* appears to increases the perception of food security, even if there is little evidence to support improved nutritional outcomes (Segall-Corrêa et al., 2008). Segall-Corrêa et al. (2008) estimate that every R$10 in transfer money reduces the perception of food insecurity by about 8%.

The lack of definitive impact of Brazil’s *Bolsa Família* program on health and nutrition stands in contrast to substantial increases in immunizations, health checkups and nutrition monitoring in other CCT programs across Latin America, including in Mexico, Colombia and Chile, suggesting that supply-side services may be a major constraint to meeting these conditions in the Brazilian program (Soares et al., 2007). In response to the lack of convincing evidence to support enhanced nutritional outcomes, the *Bolsa Família* program now includes the distribution of nutritional supplements to beneficiaries (Soares, 2012).

Beyond cash to boost immediate consumption, education-based CCTs aim to contribute to building human capital among the poor through conditionalities attached to schooling, based on the strong established correlation between schooling and future economic wellbeing through increase labour productivity and income. As with impact evaluations on consumption and health, much of the evidence on the schooling impacts of CCTs is based on the Latin American experience, where such programs were first introduced. Overall, the empirical evidence from Latin America supports a notable impact on enrollment and attendance rates, particularly at the secondary level, as well as on completion. On the other hand, the impact on grade promotion remains ambiguous. Perhaps most importantly, however, the impact on achievement and learning is not at all clear.

In Chile, the *Chile Solidario* program is estimated to have improved school enrolment in primary education by 7 to 9% among beneficiary children (Galasso, 2006). In Ecuador, the *Bono de Desarollo Humano* raised enrolment rates by 10% among children aged 6 to 17 (Schady and Araujo, 2006). While Colombia’s *Famílias en Acción* had no notable impact on younger children (aged 8 to 11 years), it did report an increase in enrolment among older children (12 to 17 years) of 10% in rural areas and 5% in urban areas (Attanasio et al., 2005). Mexico’s *Progresa/ Oportunidades* has seen similar disproportionate gains in secondary school enrolment. Rawlings and Rubio (2005) estimate the impact of the program on primary school enrolment at 1.07% for boys and 1.45% for girls, increasing to 9.3% for girls and 5.8% for boys at the secondary level. Examining retention rates, Molyneux (2007) finds that the number of children entering secondary school rose by 85% for the first year of secondary school, with a still significant but somewhat lower 47% increase maintained over the second year. Moreover, dropout rates declined by almost one-quarter, and completion rates in rural areas increased by nearly the same amount (Skoufias and Di Maro, 2008).

Brazil’s *Bolsa Família* program has seen notable success in reducing dropout rates, ensuring enrolment at the right age, and increasing promotion rates. In a 2005/06 CEDEPLAR/MDS impact evaluation of the program, a positive impact was found on school attendance, reducing the probability of absence by 3.6% and drop out rates by 1.6% (CEDEPLAR, 2005; Soares et al., 2010). Similarly, Silveira Neto (2010) estimates a 2 and 3% increase in school attendance and enrolment, respectively, as a result of the program. Others have found a positive, albeit small, impact on grade promotion. Glewwe and Kassouf (2008) estimate an increase in the grade promotion rate of 1.2%, with a long-term gain of 2.3% for grades 1 through 4, with similar results for grades 5 through 8.

Nonetheless, the evidence on the value of this schooling is less clear. Though Glewwe and Kassouf (2008) find a small positive impact on grade promotion rates, there appears to be growing evidence that the *Bolsa Família* (and CCTs more generally) have had very little impact on student performance at school and on learning outcomes. Soares et al. (2010) find that *Bolsa Família* beneficiary children were 4% more likely to fail to be promoted to the next grade than children in non-beneficiary but comparable households.[[2]](#footnote-2) As Fiszbein and Schady (2009, p. 3) note, “there is little evidence of improvements in learning outcomes”[[3]](#footnote-3) despite marked increases in school enrolment and attendance as a result of CCTs.

Similarly, a CEDEPLAR (2005) impact evaluation finds that children from *Bolsa Família* beneficiary households were in fact less likely to be promoted to the next grade than non-beneficiary children. In a study of *Bolsa Família* beneficiary children in São Paulo state, Santarrosa (2011) estimates no significant effect on cognitive development and academic achievement. Behrman et al. (2009) examine similar issues in relation to Mexico’s *Progresa/Oportunidades* program, finding that, despite increases in school enrolment and attendance, there is no evidence that the program has impacted achievement and learning. The authors examine test scores in reading, mathematics and language, based on evidence that these are highly correlated with returns to schooling in the labour force, but find no positive impacts among beneficiaries. As the authors highlight, there is clearly a need to also consider the quality of schools that beneficiaries are attending and to supplement demand-side interventions with supply-side ones directed at improving the quality of education being offered (Behrman et al., 2009).

Overall, the empirical evidence suggests that, at least in the short-term, CCTs have had a positive impact on basic consumption and the uptake of educational services. The existing literature has been almost entirely limited to examining these short-term dimensions of CCTs’ impacts. Yet, the extent to which improved enrolment and attendance rates have led to learning, knowledge and skill acquisition remains unclear; this will depend to a large extent on the quality, not just the ‘quantity,’ of education that beneficiaries receive. Ultimately, school enrolment and attendance are necessary but not sufficient to ensure that beneficiaries are better educated and that they are able to use their acquired knowledge and skills in the labour market to escape poverty. Rather, the opportunities and outcomes for beneficiaries beyond participation in CCT programs are key to achieving long-term poverty reduction.

**Examining Long-term Impacts of CCTs: What we need to know**

Indeed, there is growing acknowledgement that CCTs should lead to enhanced opportunities beyond the program, and that CCTs alone cannot alleviate poverty over the long run. Rather, a redistribution of assets (e.g., human capital and productive capacity) and an alteration of labour market structure and employment opportunities within society are necessary in order to impact poverty beyond the receipt of cash transfers (Medeiros et al., 2008). As Hanlon et al. (2010, p. 134) highlight, there is often

[…] an unwarranted assumption about cause and effect, […] ignoring class, social capital, and the quality of education. Merely pushing more poor children into overcrowded schools does not produce better-educated adults with jobs. Rather, education must be accompanied by a job-creating growth strategy.

The problem addressed here is two-fold. On the one hand, there is an inherent but erroneous assumption in education-based CCTs that school attendance necessarily leads to learning and human capital formation. On the other hand, there is second inherent assumption that better economic opportunities will be available in the labour market for beneficiaries, that these will be both accessible to them, and will offer returns sufficient to lift them out of poverty. Hanlon et al. (2010, p. 136) articulate this issue:

It will be important to consider what kinds of opportunities children have when they eventually leave school; some worry that pupils supported by cash transfers will not gain better jobs. Three factors come into play. First, despite extra schooling, such students are not better educated. Second, most countries are not creating new jobs rapidly enough to match the increases in the numbers of students who are completing their schooling. Third, as a consequence, success in job seeking depends increasingly on contacts (what economists call social capital) and on knowing people in the place of employment. This circumstance, of course, discriminates against young people from very poor backgrounds.

Thus, there is both a lack of empirical evidence on the long-term impacts of CCTs and yet increasing awareness that the short-term incentives to the uptake of education services may not be sufficient to reduce poverty over the long-term. There is therefore a need to examine the impacts of education-based CCTs in a way that incorporates not only the uptake of schooling (i.e., enrolment and attendance rates), but also the outcomes of schooling in the labour market and the factors that influence these. Both quality of education and employment are crucial to achieving the desired long-term impact for CCT beneficiaries (Barrientos and Nino-Zarazua, 2011).

In seeking to address long-term poverty and break the intergenerational persistence of poverty, education-based CCTs make implicit links between formal schooling and human capital formation, and subsequently between human capital and employment. The implicit logic of the programs’ structure and goals is illustrated in figure 1 below:

**Figure 1: The Logic of Long-term Poverty Reduction through CCTs**

We know very little of whether and how the links between CCTs and their ultimate goal of poverty reduction (illustrated in figure 1) are borne out in practice. Understanding the long-term impacts of CCTs requires not only accounting for beneficiaries’ labour market outcomes (i.e., the jobs they obtain) after program participation, but also for the social processes that lead to such outcomes. Thus, the relationships between formal schooling, human capital, and employment, and the possible factors through which these links are mediated, are equally crucial to assessments of CCTs over the long run.

*Conditionality and the Uptake of Schooling*

Much of the existing literature and evaluations of CCTs has focused on the role of conditionality in CCT programs in eliciting certain behaviours or outcomes among beneficiaries, particularly with regard to such short-term impacts as school enrolment and attendance. Attaching conditionalities to cash transfers is seen by many as key to breaking the intergenerational transmission of poverty through human capital accumulation among poor children (De Janvry and Sadoulet, 2005). It is argued that poor households underinvest in their children’s human capital, reinforcing the persistence of poverty across generations (Das et al., 2005); conditionality, then, aims to change household behaviour by providing both the incentives to make the necessary human capital investments and the financial resources to compensate for the direct and opportunity costs of making these investments. As such, conditionality is the direct link between the cash benefit and (a) on the one hand, the short-term aims of, for example, school enrolment and attendance, as well as (b) on the other, the goal of long-term poverty reduction through human capital accumulation, leading to better education and employment and in turn poverty reduction.

Proponents of conditionality cite empirical evidence to support the role of conditionalities in ensuring investments in children’s human capital (CEDEPLAR, 2007, 2005; De Brauw and Hoddinott, 2011; Medeiros et al., 2008). On the other hand, there are also arguments made against the use of conditionality, primarily around whether the conditions are demeaning to the poor, whether they place excessive demands on (typically female) heads of households (Bastagli, 2009; Molyneux, 2007), and whether they do in fact alter behaviours and preferences (Baird et al., 2009; Devereux, 2001).

The conceptualization of conditionality within CCTs has varied across programs, rooted in divergent understandings of poverty and the role the state should play in addressing it. At one end of the spectrum, some maintain that conditionalities are central to the functioning of CCTs, placing emphasis, first and foremost on the goal of human capital accumulation and thus strictly enforcing compliance. This ‘co-responsibilities’ model for many CCTs has been most prominent in Mexico’s *Progresa/Oportunidades* program. At the other end of the spectrum, others argue that CCTs are primarily social protection programs, rooted in a social right to a basic minimum standard of living[[4]](#footnote-4) and that maintaining too many or too strict conditionalities will only lead to sanctioning and/or excluding the most vulnerable households among the poor.[[5]](#footnote-5)

In contrast to the Mexican model, Brazil has taken a different approach to conditionality in its *Bolsa Família* program. In practice, the *Bolsa Família* has fallen somewhere between a co-responsibilities model and a basic minimum income model, effectively choosing to not monitor compliance with conditionalities until 2006 (Soares, 2012), but nonetheless achieving high rates of compliance (Soares and Sátyro, 2009). The conceptualization of conditionality, at least at the government level, within the *Bolsa Família* is as a means to identifying vulnerable households that are in need of additional support in accessing their social rights to education and health services, guaranteed under the constitution. As such, noncompliance is viewed as indicative of a particularly difficult situation faced by a household and thus is meant to trigger additional support and attention from social workers to enable the household to meet the program’s conditionalities, rather than as something that should be punished. While the extent to which this notion of identification of vulnerabilities has been successfully implemented is not particularly clear, it nonetheless represents a substantially different starting point in understanding both poverty and conditionality.

While conditionality provides an explicit link between CCTs and schooling for children in poor households, this connection may also be influenced by an understanding or perception of access to social protection and to education as a social right, both on the part of the state and the poor. The uptake of educational services as a result of CCTs may be as much a result of an increasing ability of poor, traditionally marginalized groups to claim and take up their social rights.

In addition, individual preferences may also mediate the relationship between CCTs and education; for example, the perceived parental responsibility to send one’s child to school, the perception of the value of education, and the ability to meet the costs of schooling may also be important factors in determining the uptake of educational services. Indeed, the growing literature comparing the impact of conditional and unconditional transfers suggests that these may also be relevant factors (Baird et al., 2009; De Brauw and Hoddinott, 2011; Devereux, 2001).

Thus, conditionality provides an explicit and direct link between the cash benefit in CCTs and schooling/education. At the same time, different models of conditionality may imply different mechanisms and outcomes in linking CCTs to schooling. In addition, perceptions of social rights and individual preferences may also influence this connection. In exploring the factors that influence long-term outcomes in CCT programs, the role of conditionality in altering – or not – the behaviour of beneficiaries towards the uptake of schooling and the reasons associated with these changes (or not) could speak to very different understandings and values of education among beneficiaries, and to the perceived quality of the education system and its applicability to beneficiaries’ lives.

Thus far, there has been very little exploration of the implications of different models of conditionality and of the factors – conditionality, a perception of social rights, and/or values and preferences – that condition the uptake of education services. Yet, these are key dimensions of the logic of poverty reduction through CCTs and of the perceptions and understandings of beneficiaries regarding schooling.

*Schooling and Human Capital Development*

In the context of a broader global push to expand access to education, CCTs have focused almost exclusively on access to and the uptake of education (i.e., the ‘quantity of education’ received by beneficiaries). Yet, as previously mentioned, there is increasing acknowledgement that this does not guarantee learning (Hanushek, 2009); rather, educational quality and process (i.e., *what* is being accessed and what *capabilities and competencies, or skills*, are acquired) (CREATE, 2008) are equally relevant. Understanding the long-term impact of CCTs on poverty reduction, and on beneficiaries’ ability to secure employment of sufficient quality to ensure this, requires moving beyond the programs’ ability to get children into classrooms. Rather, it requires an understanding of what children are learning at school (i.e., the human capital gained from formal schooling) and to what extent that serves to enable them to secure better employment upon leaving school (i.e., translating human capital into a job).

The focus of education in development has long been almost exclusively on the quantitative aspects of education, typically school participation, most evident in the drive for universal access to primary education and laid out in the UN’s Millennium Development Goals (GMR 2005). There is nonetheless a growing consensus, illustrated in various international agreements and publications[[6]](#footnote-6), around the need to account for the quality, not just the quantity, of education for student outcomes.

Indeed, we should question the push to merely expand access to education without parallel attention to quality of education and learning; enrolment and attendance are necessary but not sufficient to learn skills (or develop human capital) among children. Hanushek (2009, p. 301) highlights this issue: “merely erecting schools without concern for quality is unlikely to meet the human capital objectives of governments.” Likewise, simply requiring school attendance, as CCTs do, does not guarantee, or even necessarily support, either human capital formation or poverty reduction.

Despite this growing awareness that the quality of education is critical to achieving the desired human capital formation (or, learning outcomes), particularly to skills development over pure knowledge acquisition, establishing what constitutes ‘quality education’ is far from straightforward. A variety of conceptualizations of quality as well as frameworks for quality education have been offered, which Tawil et al. (2012) group into three different approaches.

A learner-centred approach, based on the principles of the Convention on the Rights of the Child, puts learning at the centre of the concept of quality and offers principles of quality, such as inclusiveness, equity, diversity and children’s rights, rather than an operational model (Tawil et al., 2012). Here the focus is on learner-centred methods of teaching, along with the implementation of curricula that are relevant to learners’ lives and incorporate ‘life skills.’

A multidimensional social interaction approach sees education as a public good and a space in which different stakeholders (for example, students, teachers, parents, government) with different perspectives interact (Tikly and Barrett, 2007). Quality must be understood within local historical, socioeconomic, political and cultural contexts, and relates to the ability of the educational system to account for these contexts and the diverse perspectives of various stakeholders within it. This approach also emphasizes the importance of learning as the development of the whole person, beyond the goal of employability, as well as of understanding the role of education systems in the reproduction or reduction of inequalities (Tawil et al., 2012).

Latin America’s historically high levels of social inequality have been reflected in the education system. Educational inequalities, in terms of access, services and outcomes, have been divided along socioeconomic lines and often linked to a stark divide between public and private education systems. Drawing on the example of Brazil, there have been efforts in recent decades to ensure a more equitable distribution of education spending. The introduction of the *Fund for Primary Education Administration and Development and for the Enhancement of Teacher Status* (FUNDEF) in 1996 added federal funding to resource-poor states, ensuring a minimum per-pupil allocation for elementary schools across states and municipalities. FUNDEF was renewed and expanded in 2002 into the *National Fund for the Maintenance and the Development of Basic Education* (FUNDEB), to include early childhood education and secondary schools. Despite the equalization of minimum per-pupil allocations established by FUNDEF/FUNDEB, however, the quality of education across different regions in Brazil remains highly unequal, since states are able to supplement spending levels beyond the minimum requirements. For example, in 2009, per-pupil spending in São Paulo for lower basic education (grades 1-4) was R$2,027 compared to an average of R$1,221 for states in the Northeast (PREAL, 2009). Such dramatic differences within the public sector are dwarfed by the differences in resources and outcomes between the public and private education systems.

Despite these historical inequalities within the education system in terms of quality of education and learning, learning among the lowest income quintiles has increased. PISA scores have improved the most for the bottom two income quintiles (Bruns et al., 2012). Nonetheless, the gaps in learning outcomes between higher and lower income quintiles remain large (Bruns et al., 2012). Thus, the core equity issue in Brazil seems to have shifted from one of access to one of quality of education and learning attainment.

The third approach to education quality, the input-process-output approach, constitutes a more technical-rational view, which aims to measure the quality of educational ‘products’ and the performance of educational systems. That is, outputs or outcomes are determined by input factors, such as learners’ backgrounds, teachers, school environments etc. The EFA’s 2005 Global Monitoring Report explains inputs as (a) learner characteristics, such as aptitude, perseverance, school readiness, barriers to learning, and (b) enabling inputs, which include learning time, teaching methods, mechanisms for assessment and feedback, class size, teaching materials, physical infrastructure and facilities, and human resources (among others). These, it argues, operate within a broader context that includes local economic and labour market conditions, socio-cultural and religious contexts, public resources for education, competitiveness of the teaching profession, parental support, national standards, public expectations, among others. The inputs, operating within a given context, then impact outcomes in the form of literacy, numeracy, and life skills, as well as creative and emotional skills, and values.

In this approach, the concept of quality of education is measured largely through the use of quantitative measures, which can be problematic for many reasons, not least because not all dimensions of quality of education and learning can be measured through quantifiable indicators (Tawil et al., 2012). At the same time, a relatively simple methodology for assessing such a complex issue as quality in education has led to the dominance of this approach in international discourse.

While many proxy indicators have tended to be used for quality in education, increasing attention has been given to the idea of cognitive skills acquisition among students as a measure of quality of education systems:

Beyond the mere delivery of more schooling to greater numbers, the levels, relevance, and distribution of skills that children and youth acquire through formal education could be said to constitute the most immediate measure of the success or failure of […] investment in education. (Tawil et al., 2012, p. 3)

The focus on cognitive skills has been exemplified in the implementation of many regional and international assessments, such as the Programme for International Student Assessment (PISA) and the Trends in International Mathematics and Science Survey (TIMSS), among others, that aim to test cognitive achievement. While these provide a convenient tool for measuring learning outcomes, they have also been criticized for focusing exclusively on measureable academic learning outcomes and ignoring other social dimensions of learning (Tawil et al., 2012). They tell us nothing, for example, of the values, capacity and non-cognitive skills – such as perseverance, honesty, reliability, and determination – that may impact learning outcomes and future economic success (EFA Global Monitoring Report, 2005). These tests may risk inaccurate direct comparisons of different education systems across countries and lead to support for the idea of ‘model’ systems that can be exported from one system to another, ignoring important contextual differences (Tawil et al., 2012). Rather, it may be more to the point to track individual systems over time, in order to identify how student achievement relates to the characteristics of their learning environments (Tawil et al., 2012).

Again drawing on the case of Brazil, recent reforms have included an explicit effort to measure and monitor learning and the quality of education through the creation of the National Institute for Educational Studies and Research (INEP). INEP is responsible for national assessment and evaluation of education in Brazil (OECD, 2010), including the *Prova Brasil* exam, covering all students in public urban schools in grades 4 and 8, and the SAEB exam, taking a representative sample of students in the third year of secondary school.

In addition, since 2000, Brazil has also participated in international assessments of student learning, including the Programme for International Student Assessement (PISA), which assesses the performance of 15-year olds in literacy, mathematics and science. Brazil’s average PISA scores improved considerably between 2000 and 2009, from 396 to 412 in reading, from 356 to 386 in mathematics, and from 390 to 405 in science (OECD, 2010). These gains represent the third largest improvement on record in PISA (Bruns et al., 2012). While scores remain below the OECD average of 500, these gains suggest coherent policies have been put in place to improve educational quality and outcomes.

**Table 1: Brazil – Average PISA Scores**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **PISA 2000** | **PISA 2003** | **PISA 2006** | **PISA 2009** |
| **Reading** | 396 | 403 | 393 | 412 |
| **Mathematics** |  | 356 | 370 | 386 |
| **Science** |  |  | 390 | 405 |

Source: OECD (2010)

Despite these improvements, Brazil remains one of the lowest performing countries included in the PISA; within the LAC region, Chile, Uruguay and Mexico all perform better than Brazil, and the gap in math skills between the average Chinese student (in Shanghai) and the average Brazilian student amounts to approximately 5 years of schooling (Bruns et al., 2012). Moreover, in the 2006 PISA exam, a majority of Brazilian 15-year olds ranked at or below the lowest level of proficiency in reading (PREAL, 2009), meaning they lack a basic life skill and potentially limiting their ability to continue studying or to obtain a good job. While there has been no clear trend in reading scores over the PISA exams from 2000 to 2009, the share of students lacking basic literacy skills remained essentially unchanged between 2003 and 2009 at 50%, with the share of ‘high performers,’ ranking at level 5 or 6, representing a mere 1.3% even in 2009 (Bruns et al., 2012). An estimated 60% of students scored below the ‘low performance’ threshold of 400 in mathematics on the 2009 PISA, meaning that they lack basic numeracy skills (Bruns et al., 2012); this compares to an average of 14% in OECD countries and between 3 and 5% in top performing countries (Bruns et al., 2012). Moreover, the improvements in the PISA scores appear to be more a reflection of students reaching the appropriate grade on time rather than a closing of the gap with OECD learning levels (Bruns et al., 2012). Similarly, by the end of secondary school, a majority of students in Brazil do not meet the expected learning outcomes and performance levels for the end of basic education established by INEP (PREAL, 2009).

Thus, while Brazil has made great strides in increasing access to and uptake of schooling, learning and educational outcomes remain problematic. With a majority of students in Brazil lacking basic literacy and numeracy skills and not meeting expected learning outcomes by the end of the basic education cycle, it is unclear that the schooling required through conditionality in CCTs will be sufficient to lead to better long-term outcomes in the labour market and in improved life conditions and well-being.

In terms of curricula, the emphasis on cognitive skills acquisition has meant a shift away from knowledge as the organizing principle of curriculum content, and instead towards the development of skills and competencies among students (CREATE, 2008; EFA Global Monitoring Report, 2012; Tawil et al., 2012). At least in many developed countries, curricula are no longer concerned only with what is taught, but rather what is being learned. With regard to teaching, this has implied a shift towards active-learner-centred approaches to teaching, rather than the traditional teacher-centred approaches based on the transmission of knowledge through memorization and rote learning. With regard to learning, the emphasis is on developing students’ problem solving, analytical, and synthesis skills, as well as their emotional and creative personal development (EFA Global Monitoring Report, 2012; Tawil et al., 2012).

The human capital literature has identified not only individuals’ education levels but also cognitive skills as a key dimension in determining the distribution of personal incomes (EFA Global Monitoring Report, 2005). Evidence from developed countries – primarily the United States – suggests that earnings advantages as a result of higher cognitive skills, as measured by higher achievement of standardized tests, are substantial. In developing countries, the returns to school quality and cognitive skills appear to be at least equivalent if not higher than in developed countries (EFA Global Monitoring Report, 2005).

The EFA’s 2005 report summarizes the key factors that have been shown to impact cognitive skills and learning outcomes: (a) learners’ socioeconomic background; (b) the availability of learning and teaching resources in developing countries (not in developed countries, however); (c) time spent in class and on homework; (d) teacher training and particularly mastery of the subject matter taught; (e) teacher expectations; (f) teaching strategies; (g) the length of instructional programs and how instructional time is used; and (h) the use of certain facilities or infrastructure, such as libraries.

In terms of such key factors for cognitive skills and learning, Brazil faces a variety of challenges. In recent years, there has been a considerable increase in resources allocated to education, with spending expanding from 4% of GDP in 2000 to 5.2% of GDP in 2009 (OECD, 2010). This has brought spending above the OECD average (World Bank 2012); however, it remains highly skewed in favour of tertiary over basic education (PREAL, 2009). Teaching is not considered a high-status profession and does not attract high academic performer (World Bank 2012). This has resulted in less than optimal use of instructional time and teaching strategies. For example, based on data from municipal schools in Rio de Janeiro, and state schools in Minas Gerais and Pernambuco, Brazilian students spend between 43 and 64% of instructional time off-task, compared to the OECD Good Practice Benchmark of 6% or less (World Bank 2012). In addition, Brazilian teachers are off-task between 7 and 12% of instructional time, compared to the OECD Good Practice Benchmark of zero (World Bank 2012).

Furthermore, the same World Bank study (2012) found that 42% of secondary students are enrolled in night shifts, which offer only four hours of instructional time per day. The study also notes that school infrastructure is generally poor, lacking libraries, science labs, computer and language facilities, there is a significant shortage of qualified mathematics and science teachers, and the curriculum is oriented towards rote learning and memorization (World Bank 2012). Clearly, no matter the dimension or measurement of quality of education, the Brazilian education system, while having made significant strides in recent years, faces enormous challenges in ensuring sufficient and somewhat equitable learning attainment. Moreover, CCTs do nothing to improve the quality of education, rather only the ‘quantity’ of education received by beneficiary youth. Given the quality of schooling and learning in Brazil, the notion that school participation and attainment will lead to the learning necessary to alter labour market outcomes and long-term wellbeing is perhaps questionable.

Thus, while CCTs have focused on school participation and attainment, cognitive skills may represent a better measure of learning and therefore human capital accumulation, and thus may be more relevant to considering long-term outcomes of CCTs. Indeed, Hanushek (2009) argues that cognitive skills are a better measure of human capital than school attainment as they implicitly incorporate the quality of education, as well as other factors relevant to achievement, such as family background, environmental and social factors.

In sum, the way we think about the educational impact of CCTs and the extent to which they contribute to human capital formation among beneficiaries must be broadened beyond the ‘quantity of education’ accessed, to incorporate both the quality of that education and the resulting learning outcomes and skills development among beneficiaries children. The current literature and impact evaluations have been limited to ‘quantity’ measures of education – particularly, enrolment and attendance rates. There is a clear need to deepen measures and evaluations of education within CCT programs to include education quality and learning if we are to obtain a long-term picture of program impacts on poverty and life outcomes.

*Translating Human Capital into Employment*

The logic of CCTs makes a crucial link between poverty and a lack of education/human capital. At the same time, in order to have the desired long-term impact on poverty, higher rates of school attendance and attainment must not only translate into enhanced human capital formation among beneficiaries, but also into improved labour market outcomes (i.e., better jobs) that will enable beneficiaries to improve their income generation capacity and move out of poverty. In other words, long-term, intergenerational poverty reduction will only be achieved through CCTs if there exist sufficient job opportunities within the labour market, to which beneficiaries have access, and that offer sufficient returns (i.e., higher incomes and improved labour and social protection measures). As the quote from Hanlon et al. (2010) above highlights, it is far from clear that this is actually the case.

In considering how and to what extent CCTs link beneficiaries to the labour market through human capital accumulation and the implications for poverty reduction, three dimensions seem to be key: (1) access to labour market opportunities/jobs (i.e., labour mobility); (2) the availability of labour market opportunities (e.g., job creation, segmentation); and (3) the returns to labour market opportunities/jobs (e.g., skills premium).

In the literature on the determinants of labour and income mobility, three main paradigms attempt to explain individuals’ access to labour market opportunities, or labour mobility: (1) human capital theory; (2) dualistic theories; and (3) social capital theory. The first views earnings as a function primarily of the supply and demand for labour in a competitive labour market, as well as differences in productivity (Perry, 2006). Dualistic theories see income and mobility as influenced by segmentation in the labour market, leading to differentials among workers with similar skills as a result either of discrimination or of barriers across occupations. Finally, social capital theory highlights the importance of social networks and contacts in determining access to – and sometimes remuneration from[[7]](#footnote-7) – employment opportunities.

There is an extensive literature on the relationship between income, employment and human capital. Human capital theory focuses on educational attainment and skills development as the main determinants of labour mobility. Thus, schooling contributes to the development of human capital, which, in combination with other sources of skills development, determine access to labour market outcomes (Becker, 1962; Becker and Chiswick, 1966; Davis and Moore, 1945; Mincer, 1958). In essence, education is the mechanism through which individuals acquire the skills required by the labour market, and labour market outcomes (i.e., jobs and earnings) are proportional to individuals’ human capital endowments. Human capital theory can be understood as follows:

**Figure 2: Relationship between education and earnings in human capital theory**

Human capital theory remains dominant in the literature on education and labour market outcomes and is the basis on which CCT conditionality aims to impact long-term poverty.[[8]](#footnote-8) The theory assumes that higher human capital stocks automatically lead to increased labour and income mobility; however, this fails to account for not only the other factors that may determine access to labour market opportunities (e.g., discrimination, social networks), but also the availability of and returns to employment. While human capital theory may be central to the logic and design of CCTs, it appears insufficient in fully understanding the schooling-human capital-employment relationship. It is important, then, to move beyond the assumption that human capital investments necessarily translate into better outcomes in the labour market for CCT beneficiaries. Rather, it is equally important to examine the other factors that may influence these relationships, as suggested by the theoretical literature on access to, and availability of, and returns to labour market opportunities.

Dualistic theories explain labour outcomes and income differentials through unequal advantages in labour markets that can result in low-earnings traps for the poor, either due to discrimination or segmentation within the labour market. In the case of discrimination, personal characteristics, such as race, gender, social class etc., impact individuals’ labour mobility. Several variants of discrimination-based theories offer different explanations of the channels through which personal characteristics limit or enhance labour market outcomes, including employers’ beliefs and expectations around workers’ productivity (Phelps, 1972), the power dynamics that determine access to schooling (Collins, 1979, 1971), and employers’ preference for cohesion through a given social composition within the workplace (Becker, 1971). Within local labour markets, access to jobs may be limited by a variety of processes of discrimination based on race/ethnicity, gender, or other characteristics. These may negatively affect the ability of CCT beneficiaries to translate the human capital accumulated as a result of the program into changed labour market trajectories and outcomes. This in turn may hamper the ability of the CCT program’s to impact poverty over the long run, beyond participation in the program.

Drawing on the case of Brazil, there is ample evidence linking race and gender to low income and low labour mobility, with the most affected groups including non-whites and women (Arbache and Loureiro, 2012; Arias et al., 2004; Cacciamali and Tatei, 2013; Ferreira and Veloso, 2006; Fontes et al., 2012; Loureiro et al., 2004; Lovell, 2006, 2003, 1994; Marió et al., 2008; Menezes-Filho and Scorzafave, 2009; Saboia and Saboia, 2009). With regard to gender, there appears to be a persistent and substantial wage gap. Cacciamali and Tatei (2013) find that the gender wage differential ranges from 47 to 63%, and is most pronounced for secondary-educated workers, which could prove particularly problematic for CCT beneficiaries. In addition to gender, there is also a well-established relationship between race and income in Brazil. Lower wages and higher rates of informality both contribute to the disproportionate representation of non-whites among the poor and limited income and labour mobility (Arcand and D’Hombres, 2004; Arias et al., 2004). Saboia and Saboia (2009) find that earnings for white Brazilians are on average double that of non-whites, with the wage gap decreasing with higher educational attainment. Non-whites also have higher rates of informality (Menezes-Filho and Scorzafave, 2009), although the gap does appear to be declining, likely due to the narrowing of the educational gap (Soares et al., 2007).

In the case of labour market segmentation, income may be constrained by barriers to mobility across occupations, such as between the formal and informal or rural and urban sectors. Informal employment has traditionally been viewed as underemployment and disguised unemployment (Harris and Todaro, 1970). Comparisons of the informal and formal sectors have shown consistently lower wages in the former (Bargain and Kwenda, 2011; Botelho and Ponczek, 2011; Gasparini and Tornarolli, 2007). Labour and income mobility in the informal sector appear to decrease with higher levels of educational attainment (Da Silva and Pero, 2008), suggesting there is a cap on the level of social mobility accessible to those in the informal sector. The lack of employment protection and benefits as well as the lower remuneration associated with informal employment, are important aspects in assessing the opportunities for labour and income mobility for the poor, and specifically for CCT beneficiaries.

In addition to human capital endowments and discrimination/segmentation within the labour market, social capital or networks may also influence income and labour mobility.[[9]](#footnote-9) Indeed, the literature on social capital and labour markets suggests that social networks may facilitate access to new labour market opportunities (Granovetter, 1974) and may contribute to the creation of virtuous circles in employment, from reducing precariousness, to the improvement of workers’ well-being and happiness, to the generation of new social capital and the associated social ties (Sabatini, 2009). Informal contacts, acquaintances, neighbours, friends, and relatives can impact labour mobility through information about and possibly access to job opportunities (Granovetter, 1974; Lin, 1999; Mouw, 2003). To the extent that social capital influences labour mobility, it could expand or constrain the labour market opportunities of CCT beneficiaries and thus impact their ability to escape poverty.

Despite the analytical distinction between human capital and dualistic explanations of earnings and mobility, there is probably much overlap and feedback between both human capital and dualistic factors (Perry, 2006). Social networks likely work in tandem with these forces to expand or limit labour market opportunities within the context of these existing access constraints. In the context of a CCT program, both the quantity and the quality of beneficiaries’ social networks may impact their access to labour market opportunities and thus their ability to translate the human capital acquired as a result of the program into better outcomes in the labour market and in turn improved wellbeing and income over the long-term.

In short, dualistic and social capital theories suggest that there are factors beyond human capital accumulation that may influence access to employment for CCT beneficiaries. Thus, in considering how and to what extent CCT beneficiaries are able to translate additional schooling and human capital onto the labour market, it would seem important to expand the discussion to include other potential factors mediating access to the labour market beyond the human capital theories on which the logic of CCTs is based.

In addition to access, the availability of labour market opportunities may be key to determining the extent and processes through which human capital translates into employment outcomes. While theories of labour mobility assume the availability of jobs and focus exclusively on access, there is also an extensive literature on the ability of economies to create jobs, both in terms of quantity and quality. For example, in Latin America, where CCTs were first and most widely implemented,[[10]](#footnote-10) structural heterogeneity, characterized by large gaps in productivity between and within different sectors, has been argued to limit the process of job creation (and quality job creation) (CEPAL, 2012; CEPAL and ILO, 2012; McMillan and Rodrik, 2011). Within an economy, structural heterogeneity results in some areas of high productivity, on par with developed countries, but many areas of very low productivity, with low wages, little use of technology and mechanization, and low capital density (CEPAL, 2012). The latter generally corresponds to the informal sector and typically demands unskilled labour while providing little in the way of employment protection or social benefits. In contrast, high productivity sectors are characterized by a higher concentration of capital and technology, higher wages, as well as greater stability of employment (through labour contracts) and access to employment benefits (e.g., through social security).

The degree of economic structural heterogeneity varies across Latin America (CEPAL, 2012). Among countries with an intermediate level of heterogeneity, high productivity sectors produce on average nearly 68% of output but create only about 18% of employment (CEPAL, 2012). In contrast, low productivity sectors make up over 51% of employment but contribute less than 11% of output (CEPAL, 2012). Unsurprisingly, low productivity employment in Latin America (as elsewhere) is highly concentrated among lower income quintiles (CEPAL, 2012), limiting the availability of jobs (and good quality jobs) to the poor. Relatively pronounced structural heterogeneity may be an important factor influencing the ability of an economy to create of a sufficient number of jobs, and quality jobs, for the poor, particularly those exiting a CCT program.

In addition to considerations of access to and availability of job opportunities in the labour market, the ability to translate human capital into labour market outcomes is also dependent on returns (i.e., skills premia) to these opportunities. Indeed, increased real wages are associated with increased productivity, and higher access to employment benefits and social protection, which all contribute to improved incomes and wellbeing.

Drawing again on the Brazilian context, there is considerable evidence that the skills premium is indeed an important factor mediating the process by which human capital leads to employment. With the expansion of public education and conditional cash transfers, educational attainment among the Brazilian labour force has steadily increased. There has in turn been a significant decline in the share of the workforce with incomplete primary education and an equally significant increase in the portion of the workforce with completed secondary education (see, for example, Arabsheibani et al., 2006; Bourguignon et al., 2004; IDB, 2003; Küpfer et al., 2012; Manacorda et al., 2010; Menezes-Filho and Scorzafave, 2009; Zepeda et al., 2009). Between 2002 and 2008, the proportion of low-skilled workers in the Brazilian labour force decreased by 8%, while the number of semi-skilled workers increased by 44%, so that by 2008, low-skilled jobs accounted for 40% of total employment in Brazil, while semi-skilled jobs represented for 46% (Küpfer et al., 2012).

As a result, the relative wages of semi-skilled/secondary-educated workers have fallen, compared with both unskilled/primary and high-skilled/tertiary-educated workers (Giovannetti and Menezes-Filho, 2006; Manacorda et al., 2010). For instance, Arabsheibani et al. (2006) calculate that a man with only two years of formal schooling received a wage premium of 12-13% for an additional year of schooling in 1988; however, this had dropped to only 5% by 1998. The decrease for women was even more substantial over the same period, from 10-12% in 1988 to 2-4% in 1998 (Arabsheibani et al., 2006). In contrast, those at the higher end of educational attainment, with 16 years of schooling, saw an increase in wage premium from 28-30% for men in 1988 to 33% in 1998 (Arabsheibani et al., 2006). Thus, the dramatic expansion of semi-skilled/secondary-educated workers has not been met with a parallel expansion in demand, leading to a diminishing wage/skills premium. This has also resulted in increasing levels of unemployment and informality specifically among those with intermediate levels of education. Indeed, unemployment was not only highest but also increased the most among workers with 4-11 years of schooling between 1985 and 2007 (Menezes-Filho and Scorzafave, 2009).

In tandem with a declining wage premia and rising unemployment for workers with intermediate levels of schooling (i.e., 4-7 and 8-11 years), informality rates have also increased among this same group as a result of the rapid expansion of primary and secondary education. Menezes-Filho and Scorzafave (2009) find that informality among those with 4-7 and 8-11 years of schooling increased approximately 10% between 1985 and 2007, which they note can be explained by the rapid increase of supply of workers with intermediate levels of education along with a slower rate of job creation for this group.

These findings could put in question the value of additional schooling acquired as a result of the *Bolsa Família* in terms of the gains in income and well-being necessary to enable long-term poverty reduction among beneficiaries. Ultimately, the wage/skills premium offered for intermediate to secondary education is fundamental to the logic of CCTs as a long-term poverty reduction strategy. If CCT beneficiaries are able to complete some or all of secondary schooling where they previously were not, but there are no gains in earnings attached to this additional education, it is unlikely that intergenerational poverty will be reduced though increased earnings associated with higher educational attainment. Thus, exploring long-term impacts of CCTs and the factors that mediate the translation of education and human capital into better labour market outcomes may require consideration of issues of access, availability and returns to labour market opportunities. These issues will be key to understanding the possibilities and mechanisms through which the intergenerational persistence of poverty will be broken via schooling and labour market outcomes.

**Conclusion**

The logic of long-term poverty reduction inherent in CCTs assumes that facilitating the uptake of schooling will necessarily lead to greater human capital accumulation among the poor and that this human capital will necessarily lead to better employment outcomes among beneficiaries upon exiting the programs. Yet enrollment in and attendance at school is insufficient to guarantee human capital formation. Rather, it is quite possible that, whether due to insufficient capacity at the school level or other barriers to individual students’ achievement, CCT beneficiaries may be attending school but not necessarily acquiring the knowledge and skills necessary to gain access to better employment opportunities in the labour market. Thus, assessing the extent to which formal schooling is leading to human capital formation should aim to move beyond only accounting for the quantity of education accessed by beneficiaries to also incorporate the quality of education, as well as beneficiaries’ educational outcomes and achievement (i.e., learning/human capital formation).

CCTs assume that, even if sufficient human capital formation is occurring among beneficiaries, there is also a sufficient quantity and quality of jobs available in the labour market, that are accessible to beneficiaries, and that offer adequate returns to lift them out of poverty. In assessing the extent to which human capital acquired by beneficiaries through a CCT program is translated into labour market gains, it seems necessary to move beyond traditional human capital theories that equate additional years of schooling with an automatic improvement in labour market access and outcomes. Rather, we must account not only for other possible mediating factors in accessing opportunities within the labour market (e.g., the role of discrimination, segmentation etc.), but also for the availability of employment and returns to employment (e.g., the skills premium).

There is a need to move beyond the assumption that has dominated the literature on CCTs (and much of the literature on education-based antipoverty policy and programs) that access to education will necessarily lead to improved learning and better employment outcomes for the poor. This is far from a given. This paper argues for the need to deconstruct the logic of CCTs in order to examine the long-term impacts and outcomes for beneficiaries and for poverty reduction. In breaking down the causal chain through which CCTs are intended to break the cycle of intergenerational poverty, the paper highlights some of the possible factors or links inherent to the logic of such programs that may mediate long-term impacts. As CCTs have emerged as key components of the antipoverty policies and social policy architectures of many developing countries, there is a clear need for research to not only examine longer term impacts and outcomes, but, in doing so, to incorporate these various factors, among others, through which outcomes may be shaped. In deconstructing the logic of CCTs, it becomes clear the numerous obstacles that CCTs face in securing a steady reduction of poverty in the long run and the many places where public policy could and should intervene.

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1. It should be noted that much of the evidence cited here is based on Latin American programs. This is a result of the fact that CCTs originated in the region; thus, both longer implementation periods and more widespread adoption have led to a much larger impact evaluation literature. [↑](#footnote-ref-1)
2. A variety of factors could explain this finding, including the possibility that the program has increased school attendance among under-achieving students (whether because they lack motivation or because they require additional support for which schools may not be equipped) and/or among students who previously did not attend school regularly or at all and consequently must catch up with those who have attended regularly. [↑](#footnote-ref-2)
3. Also see Valencia Lomelí (2008). [↑](#footnote-ref-3)
4. In the Brazilian context, this perspective has drawn on the efforts led by Senator Eduardo Suplicy to establish a universal basic income since before the implementation of the first CCT programs in the country (Soares, 2012). [↑](#footnote-ref-4)
5. See Soares (2012) for a discussion of these two perspectives. [↑](#footnote-ref-5)
6. For example, the World Declaration on Education for All (UNESCO, 1990), the Dakar Framework for Action (UNESCO, 2000), and the Education for All movement’s 2002 and 2005 Reports (EFA Global Monitoring Report, 2005, 2002). [↑](#footnote-ref-6)
7. There is no consensus in the literature on the impact of social capital on differentials in individuals’ earnings; however, there is general acceptance of the importance of social capital in generating information about and facilitating access to labour market opportunities. [↑](#footnote-ref-7)
8. It is worth noting, however, that there is also an extensive literature critical of Human Capital Theory, highlighting the fact that it only considers the economic benefits of education (i.e., higher productivity and higher wages). As Robeyns (2006) points out, Human Capital theory values education only to the extent that it contributes to economic productivity, while ignoring what she calls the “non-economic instrumental” roles of education, such as access to information or learning to live in a diverse society. In doing so, Human Capital Theory fails to acknowledge that rates of return to education can vary based on factors beyond the quantity and quality of education received, such as individual aptitude and capability or external constraints like limited or absent labour market opportunities for certain skills. Thus, returns to education in terms of employment can be artificially restricted based on factors beyond educational attainment. Robeyns (2006) argues, however, that this does not discount the notion of human capital; rather, there is a need to go beyond it in conceptualizing education. [↑](#footnote-ref-8)
9. The importance of social networks and contacts in finding employment has been extensively documented in the US and Europe (Franzen and Hangartner, 2006; Granovetter, 1974; Lin, 1999; Mouw, 2003), although much less so in the developing world. [↑](#footnote-ref-9)
10. Structural heterogeneity has also been discussed in relation to low productivity growth in Africa. See, for example, McMillan and Rodrik (2011). [↑](#footnote-ref-10)