

Impacts of a Conditional Cash Transfer Program on Insurance Demand Among the Poor: Evidence from the Philippines

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Summary

The global battle against COVID-19 is one of the most dangerous situations our generation has faced thus far. The pandemic has not only brought enormous threat to public health, but also resulted in disruption of economic activities worldwide. Poor families who are already struggling to survive have been pushed further into extreme poverty because of the pandemic's economic impacts. In the Philippines, 16.7% of the population, or more than 17 million people, were reported to be living in poverty in 2018. This number continues to rise due to the pandemic's double blow on the economy and health. Without adequate social protection, the poor population are more exposed to risks such as income loss and catastrophic health spending. The role of social insurance has therefore become more crucial now than ever before.

There are existing social protection systems in place, such as conditional cash transfer (CCT) programs, which we could take advantage of to improve the reach of insurance. In fact, a study by Biosca & Brown (2015) entitled "Boosting health insurance coverage in developing countries: do conditional cash transfer programmes matter in Mexico?" revealed that CCT was associated with increased enrollment in a public health insurance scheme.

This essay examines the causal impact of a CCT program in the Philippines, known as the Pantawid Familyang Pilipino Program (4Ps), on insurance demand among poor Filipino families. It argues that CCT has a positive effect on the decision of poor families to enroll in social insurance schemes. Using 2011 cross-sectional data from the Randomized Controlled Trial Impact Evaluation of the 4Ps, this paper estimated the impact of the CCT program on insurance demand using a linear probability model (LPM) and a probit model. To address the bias caused by endogenous program participation, instrumental variable estimation was employed.

The study found a positive causal impact of the CCT program on the participation of poor households in social insurance schemes. Under LPM-IV, it was revealed that participation in CCT increases the probability of being enrolled in at least one social insurance scheme by 11.0%, while the probit-IV model predicts that the program increases the probability by 36.9%, holding other factors constant. The cash grants from the CCT, coupled with knowledge-enhancing interventions, empowered the beneficiaries to access social insurance programs. The study concludes that the CCT program could be a stepping-stone towards a more comprehensive social protection for the poor. In this difficult time, reinforcing CCT with social insurance will boost the fighting chance of the poor against the health and economic shocks brought about by COVID-19.

Several policy implications can be drawn from these results. First, the 4Ps can serve as a platform for the insurance sector to elevate insurance awareness and uptake among the poor population. As such, the national government and the Philippine insurance industry should identify points of synergy to implement social insurance and social assistance programs in a more coordinated fashion. Second, pro-poor insurance products that are relatively more affordable could be designed to encourage the poor to be insured. Admittedly, engaging the poor to enroll in insurance schemes, especially in private insurance schemes, appears to be challenging. Thus, policymakers should investigate integrating insurance subsidies into social assistance programs. It is hoped that this will lead to a more equitable access to insurance products. Lastly, this study is only limited to examining the impact of the 4Ps on poor households' reported enrollment in insurance programs. For future research, it is recommended to conduct more rigorous evaluation on higher level outcomes, such as utilization and benefits gained from insurance.