The Impact of Employment and Cash Transfers on Psychosocial Wellbeing in Bangladesh

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Unemployment remains a persistent problem globally, with an expected 207 million people unemployed in 2022. Vulnerable populations, such as forcibly displaced communities, may find it especially hard to access formal and informal employment. Researchers conducted a randomized evaluation to test the impact of employment on refugee psychosocial well-being in Bangladesh. The study found that employment generated significant psychosocial value beyond that from cash transfers alone.

Policy issue

Unemployment remains a persistent problem globally, with an expected 207 million people unemployed in 2022. Vulnerable populations (such as the incarcerated, the forcibly displaced, and rural low-income communities) may face especially tall barriers to steady employment. In this context, many governments rely on cash-based interventions to address the loss of income from unemployment, as they are relatively straightforward to implement. However, cash-based interventions cannot address the potential psychosocial costs (e.g., depression or stress) that may accompany the loss of work.

While existing research documents the positive psychosocial impacts of cash-for-work programs, they are not designed to identify the non-income related channels behind the effects: in other words, is employment valuable beyond the effects of income, or cash, alone? Further, many of these studies focus on tasks that last a few hours, a type of work distant from typical experiences of steady employment. Can offering a longer-duration form of employment improve psychological well-being in vulnerable populations? Additionally, how do these programs compare against standard cash transfer programs?

Context of the evaluation

The Rohingya are an ethnic minority historically residing along Myanmar's western coast and facing ongoing discrimination and suppression since the mid-20th century. Between 2017 and 2018, approximately 780,000 Rohingya refugees fled an ethnic cleansing campaign in Rakhine State, Myanmar, crossing into southern Bangladesh. In coordination with the Bangladeshi government, they built and settled into what is now the largest refugee camp in the world and the most densely populated place in the world. The Rohingya camps number 34, and are each subdivided into blocks ranging in population density from 60 to 130 households. A local leader from each block is responsible for distributing essential supplies and serves as liaison to the government and humanitarian organizations.

Many Rohingya refugees in these camps are unable to cover their basic needs and look for ways to supplement their income through selling assets and government-provided rations or seeking informal work. Formal employment in Bangladesh is illegal for these refugees, in part in efforts to discourage long-term stay. In addition, the government has enacted strict restrictions on movement beyond the camp boundaries, limiting access to informal work. Some seek out work as day laborers. outside of the camps, though this carries significant risk due to the abundance of checkpoints around the camps. Among the study participants (aged 18-45), 11 percent had worked in the previous month, and the average duration of employment was three days. Motivating the study design, individuals who lacked any paid employment in the previous month were 17 percentage points more likely to qualify as depressed.

A Rohingya refugee working in Bangladesh

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Details of the intervention

In partnership with IPA Bangladesh, researchers conducted a randomized evaluation to test the impact of cash transfers and longer-duration (two months) employment on mental health. Relative to the three days per month reported by the small fraction of refugees with access to gainful employment, the duration of the employment intervention offered a substantially longer and steadier work opportunity than otherwise available to the typical refugee in this setting. Researchers randomly assigned 149 blocks, each with five participating refugees, to one of three arms:

1. *Employment (83 blocks):* Participants in this group were offered the opportunity to work for the partner NGO by collecting data on the daily activities of fifteen same-sex neighbors four times per day for a period of eight weeks. These positions were designed to mimic natural forms of employment in the camps available through other NGOs and were designed to be accessible to men or women of any literacy level. To ensure compliance with the work schedule, participants were instructed to submit completed tasks into a tamper-proof box at the end of each day. Households were assigned two, three, or four days of work per week, averaging over the course of eight weeks to three days and US$5.30 per week. In the context of the camps in 2018, US$5.30 was at least double the potential weekly consumption from government-provided rations (typically the only source of food for families) and 50 percent more than the monthly pay reported by those lucky enough to find alternative employment opportunities.
2. *Cash transfer (33 blocks):* Refugees in this group received US$5.30 per week as compensation for survey participation. While no work opportunity was offered, the cash transfer was equivalent to the monetary compensation of refugees in the employment group.
3. *Comparison (33 blocks):* Refugees in this group received US$0.60 per week as compensation for answering weekly surveys.

Researchers conducted short follow-up surveys weekly to track temporal changes, an extensive survey at the end of the eight-week intervention period to measure psychosocial well-being (using an index of seven mental and social health measures), physical health, cognitive function, economic decision-making, time use, and consumption, as well as six weeks after the intervention to measure longer-term impacts and ensure that the provision and subsequent withdrawal of employment did not have negative impacts on treated participants.

Results and policy lessons

The researchers found that the employment intervention generates significant psychosocial value above and beyond that produced by cash transfers alone. They find suggestive evidence that these benefits of work beyond cash are more pronounced among men than women in their sample.

Take-up: Refugees who were offered employment nearly always completed their work, with no week exhibiting less than a 98 percent work completion rate, suggestive of a desire and willingness to engage in the work.

Psychosocial well-being: Refugees offered employment experience a significant and meaningful improvement in the subcomponents of psychosocial well-being. They exhibit higher life satisfaction, sociability, beliefs about self-worth, a sense of control over their life, and security in both the present and anticipated long-term future. Participants in the employment group are 6.5 percentage points (21 percent) less likely to experience moderate or severe depression. They are also 14 percent more likely to sleep well and rank themselves as feeling 13 percent more stable and secure. These impacts are larger than those experienced by participants in the cash transfer group, who experienced small and statistically insignificant impacts on the mental health index. These differences point to the presence of significant non-pecuniary benefits of to employment.

The psychosocial distinction between employment and cash appears most prominent among males, for whom these benefits are statistically different from those derived from cash. Women also benefit significantly from employment, but one cannot reject that they benefit equally from receiving cash alone. However, only employed women exhibit a shift in their views about whether women should be permitted to work outside the home. For women, the provision of cash with or without employment

significantly raises their prerogative to make decisions in the household and intolerance for intimate partner violence. Across both men and women, life satisfaction is the one subcomponent of psychosocial well-being that cash significantly impacted relative to the control group.

Physical health: Beyond psychosocial well-being, refugees offered employment also report a decline in days reported sick and an improvement in their cognitive index (a combined measure of basic math and memory), above and beyond cash alone.

Economic decision-making: Employed participants reported decreased risk aversion, consistent with psychosocial results on security and stability, and suggestive that having work may have created a psychological safety net allowing participants to exercise greater risk-taking. There was no parallel decrease in the cash arm.

Time-use: Employed participants spent on average 2.5 hours each day engaged in the assignment. Researchers found no difference between the employment and cash transfer groups in the number of hours per day participants spent idle, nor differences in hours devoted to other activities.

Consumption: There was no difference between employment and cash groups across a variety of consumption variables, such as savings, loan repayment, and necessary goods.

This study underscores the non-monetary importance employment plays in the psychosocial well-being of displaced populations and vulnerable populations more broadly. The absence of employment opportunities engenders not only material poverty but also psychological loss, and social protection programs seeking to limit the societal costs of unemployment may be more effective if they attend to both dimensions. Ongoing research in the Rohingya camps by the researchers involves an expanded version of the experiment designed above, in which researchers explore the psychosocial value of volunteering (working without pay) and more deeply probe the gendered impacts of employment. Future research in this space may examine which dimensions of employment are most psychosocially impactful, from one's identity as an employed person to the feelings of productivity purposefulness, or greater social opportunities that typical forms of employment may deliver.

Hussam, Reshmaan, Erin M. Kelley, Gregory Lane, and Fatima Zahra. "The Psychosocial Value of Employment: Evidence from a Refugee Camp." American Economic Review 112, no. 11 (2022): 3694-3724.