

Household Risk Coping Strategies

TAMNEAC

KICK-OFF MEETING

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Risk coping strategies

Strategies for coping with risk include those that smooth consumption over time (through saving behavior) and those that smooth consumption across households (through risk sharing)

Alderman & Paxson (1992). A synthesis of the literature on risk and consumption in developing countries



Risk coping - Over time

Research gaps

“Financial engineering offers the potential to significantly reduce consumption fluctuations faced by individuals and households. Yet much of this promise remains unrealized. Why don’t more households participate when formal markets are available?”

Cole, Giné, Townsend et al. (2009). Barriers to Household Risk Management: Evidence from India



Risk coping – Across individuals

Research gaps

“Altruism or mutual ‘caring’ among family members can play an important role in facilitating risk sharing, particularly in environments with less developed markets”

Foster & Rosenzweig (2000)

However, ‘mutual caring’ might be important not only for smoothing consumption, but also as a coping mechanism that can help in recovering from traumatic events



How to define altruism?

“In economics, altruism is commonly defined in terms of behavior. The standard definition involves a transfer: an altruist reduces his or her own consumption in order to increase the consumption of a beneficiary.

Often, altruism is studied in the context of a family. In particular, G. Becker formalized parental altruism within a framework of utility maximization under interdependent preferences. Past empirical studies of altruism have focused on predictions of the model rather than on the preference structure per se.

Such a direct analysis is now overdue since much progress has been made on applying a direct measure of utility using survey questions on subjective well-being. Yet, relatively few studies have investigated whether and how happiness between persons is interdependent.”

Schwarze & Winkelmann (2005). What Can Happiness Research Tell Us About Altruism?



Availability of data

The 'Life in Kyrgyzstan' survey

- It is a nationally representative panel survey collected by DIW Berlin and its local partners
- Funded for three years (2010-2012), it provides a sample of 3,000 households and 13,739 individuals
- The surveys have a household questionnaire, an individual questionnaire and a community questionnaire that address a wide range of issues, such as subjective well-being, security and violence, human capital, social networks, income generation... (www.diw.de/kyrgyzstan)



Kyrgyz context

In June 2010, social tensions climaxed into violent clashes, particularly in the South where more episodes of ethnically-directed violence and targeted arson were reported

According to official records, over 300 persons lost their lives, over 2,500 were injured and by mid-July 2010 75,000 were still internally displaced



Intra-household altruism in Kyrgyzstan

“Mutual caring between spouses”

- Caring about your family (worrying for them)
- Mutual dependency of satisfaction levels
- Absence of ‘selfish’ behaviors like alcohol abuse



Expected links with conflict

- Conflict as a driver of social change

“Exposure to traumatic events, including attacks on the community, can augment the value individuals place on people around them” → “Individuals who have either experienced violence themselves, or who live in communities that have been violently attacked, display more altruistic behavior”

Voors, Nillesen, Verwimp et al. (2010)

- Conflict as a disruptive force

Negative experiences induced by violence can increase the probability of alcohol abuse

- Different levels of conflict (community, household or individual experiences) might have different effects



Policy relevant dimension Risk reduction interventions

Can communication decrease violence?
Experimental evidence from a mediation
program in Kyrgyzstan

Funding proposal submitted to USIP