

Authors

Amos Odero

ResearchersJohannes Haushofer
Stockholm UniversityJoost de Laat
PorticusMatthieu Chemin
McGill University

Global Lens: Breaking the Cycle with Micro-Insurance

The second post in our [series](#) comes from **Amos Odero**, a Research Associate on the Urban Micro-Insurance Project in Nairobi, Kenya.

“*Jua Kali*” means “under the hot sun” in Swahili. The term refers to the millions of Kenyans working in small businesses as artisans, mechanics, and vendors under trying conditions, even without shelter from the elements. The Jua Kali sector encompasses small-scale entrepreneurs and workers who lack access to credit, property rights, training, and good working conditions.

Kamukunji Jua Kali is an association of informal sector workers in the Kamukunji area of Nairobi who specialize mainly in crafting metal ware, such as pots, pans, wheelbarrows, boxes, farm implements and other household items. This vibrant community is composed of metalwork sheds made out of metal sheets, as well as other related enterprises such as street food vendors, brokers who act as middlemen between customers and manufacturers, and transporters of raw materials and purchased products. The work sheds are not your usual factory, as workers do not have safety equipment (gloves, hard hats, goggles, boots, etc.) and work in what would be considered a risky environment. Despite the presence of such risks and a high prevalence of health problems in areas such as Kamukunji, demand for health insurance is still low.

IPA’s Urban Micro-Insurance Project (UMIP) seeks to address this issue by testing three different interventions aimed at boosting health insurance take-up: experiencing insurance first-hand, information brochures, and workshops. In a broader context, UMIP is investigating the vicious cycle by which poverty leads to stress, stress leads to temporal discounting (*discounting the future for the present; short-sighted decision-making*), and temporal discounting leads to suboptimal behavior, which reinforces poverty. The question we are considering

is: **can micro-insurance decrease stress and break the cycle?**

To help answer this question, UMIP will randomly choose a control group and two treatment groups: the micro-insurance group, and a group that receives an unconditional cash transfer (UCT) equal to the cost of the micro-insurance. The UCT controls for the income effect associated with providing insurance, allowing us to make an even comparison between groups who have received the same value of benefits. It also lets us evaluate the welfare impact of UCTs!

Since we aim to quantify the welfare benefits of health insurance, our outcomes of interest include traditional economic variables (e.g., income), health variables, and mental health variables. We will measure the latter using neurobiological stress markers that can be analyzed by looking at hormone levels found in blood and saliva.

We have a small office right in the middle of Kamukunji Jua Kali. There are two interview spaces where UMIP Field Officers bring respondents for 90 minute interviews and saliva sample collection, followed by a visit to our office where we have a phlebotomist who draws a small blood sample.

The noisiest shed at Jua Kali makes pots and frying pans for cooking 'chapati,' a Kenyan delicacy. It is a flat bread, much like Indian roti. Within the shed, several men hammer away at circular sheets of metal to shape them into pots and pans. The hammering is in unison, almost musical and so loud you can hardly speak to the person next to you. Each worker is paid by the number of pans he makes in a day, so there is virtually no resting time. This makes it a challenge for us to interview respondents from this workplace, as they can cancel appointments without notice or leave midway through an interview to attend to work. We also have to get clearance from the shed leader to interview the workers. Luckily, our assistant project managers have good relationships with the shed leaders and refusals are minimal.

UMIP was piloted throughout 2010. Expansion soon followed in March 2011 and will conclude in early 2013. Innovations for Poverty Action Kenya (IPAK) collaborates with principal investigators **Johannes Haushofer** (Harvard/MIT), **Matthieu Chemin** (McGill), and **Joost de Laat** (World Bank) in carrying out the study.

At the moment, we are finalizing the baseline and preparing to hand out micro health insurance and unconditional cash transfers to randomly selected respondents from the 866 individuals we have recruited so far. We look forward to following up with them over the next year and seeing what we discover about the impact of micro insurance on the welfare of the Jua Kali.

Read more about IPA projects in [health insurance](#) and/or in [Kenya](#).

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