Collective Action and Vulnerability:
Burial Societies in Rural Ethiopia

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INTRODUCTION

Collective action has intrinsic value. Being part of a group and participating in meeting common objectives provide direct benefits to individuals. In addition, collective action has instrumental value; it can help individuals, groups, and communities achieve common goals. This latter aspect of collective action is the focus of this study. Drawing on longitudinal household and qualitative community data, the authors examine the impact of shocks on household living standards, study the correlates of participation in groups and formal and informal networks, and discuss the relationship of networks with access to other forms of capital. In this context, they assess how one form of collective action, *iddir*, or burial societies, help households attenuate the impact of illness, and make some policy recommendations.

DATA

The data are from the Ethiopia Rural Household Survey (ERHS), a unique longitudinal household data set covering households in 15 areas of rural Ethiopia. Data collection began in 1989 and was expanded and re-randomized in 1994 to yield a sample of 1,477 households that are broadly representative of the population shares in Ethiopia's three main sedentary farming systems. Survey rounds continued through 2004 and were supplemented with qualitative data gathered separately. The surveys revealed that these households are very poor, with mean incomes about 36 percent below the poverty line, and that agriculture provides the dominant source (about two-thirds) of income.

SHOCKS IN RURAL ETHIOPIA

Shocks are adverse events that lead to a loss of household income or productive assets or a reduction in consumption. They may be climatic, economic, political/social/legal, criminal, or health related. Virtually all households in the sample experienced a shock they ranked as "most important"; the most common were drought, death, and illness. The authors note, however, that at least one econometric analysis suggests that experiencing a drought at least once in the previous five years and experiencing an illness were the only shock variables that have a statistically significant effect on consumption. However, disaggregating the data reveal that drought shocks have more severe effect on female-headed and poorer households, and illness shocks matter much more in survey areas where malaria is much more common.

NETWORKS, GROUPS, AND COLLECTIVE ACTION

In the 2004 survey round, households were asked about the five most important people they can rely on for support in time of need, within the village and elsewhere, as well as other people they can rely on in time of need. Over 90 percent of households report that there is at least one person they can rely on for assistance, and the median number of people in households' networks is five. There is evidence that households do indeed call on these networks; there is also evidence of reciprocity. Most network relationships are neighbors, fellow villagers, relatives, and people holding adjacent property. Only 12 percent of network members are neither relatives nor members of the same *iddir* (burial society). Network members are often individuals whom previously the household had borrowed from or lent to.

The authors looked at measures of wealth and age and find that poorer households have relatively better-off households in their networks while richer households tend to have relatively poorer households in their networks. However, when the number of oxen is the wealth measure, households typically have as network partners other households with the same numbers of oxen. Networks tend to be quite variable when looked at by age; the distribution of the difference in age between the household head and other individuals in the network who are either relatives or members of the same *iddir* is considerable.

Few household characteristics are associated with the likelihood that a household has at least one person in its network. However, being wealthier in terms of landholdings is associated with having a larger network. Larger households and households where the head has any formal schooling also have larger networks. Family background also plays a role: having a parent or relative with important social or political positions in the village, or a father who belonged to an *iddir*, increase the mean number of persons in a household's network.

IDDIR AND THEIR ROLE IN MITIGATING SHOCKS

Members of *iddir* typically meet once or twice a month, making a small payment into a group fund. When a member dies, the *iddir* makes a payment to surviving family members. Outside of Tigray, *iddir* membership is widespread: nearly 90 percent of households report that they belong to at least one *iddir*. Two-thirds of *iddir* appear to have no restrictions on membership beyond paying dues

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and fees. In addition to the death benefit, a third of *iddir* provide cash payouts to members when they have experienced other types of adverse shocks, such as drought and illness, and a quarter offer loans. Two questions arise: Does provision of assistance when illness shocks occur reduce their impact on consumption? And if yes, how do *iddir* overcome problems of moral hazard and adverse selection that typically bedevil insurance schemes?

To answer these questions, the authors used a restricted sample of villages where *iddir* that provide health insurance are present and other villages where they are not present. Illness shocks reported by poor households in villages where no *iddir* provide health insurance are associated with a large reduction in per capita consumption. By contrast, the impact of illness shocks on poor households in villages where *iddir* do provide health insurance is not statistically significant.

Enumerators then identified 33 insurance-providing *iddir* and asked members to discuss how the scheme worked. They found that most impose some sort of restriction, the most common of which is geographic—members must live in the same peasant association (PA). Other common restrictions include belonging to the same church or mosque or being a woman. The feature uniting these shared characteristics is how they address the problem of asymmetric information. Restricting membership geographically makes it easier to learn about members and monitor their behavior. The same is true about the requirement for common church or mosque membership. Direct medical costs are observable. For example, one *iddir* reported that "If a member takes the money for medication and does not go to clinic/hospital, he will be asked to return the money." About a third of the *iddir* surveyed stated that they had formal checks in place to make sure funds were spent on medical costs. Second, a considerable number of *iddir* conducted background checks prior to approving a grant or loan—visiting the member at home or asking neighbors to confirm that assistance was needed.

These methods do not, however, address adverse selection—the possibility that individuals who anticipate having to incur medical expenses in the future would join with the express purpose of accessing funds held by the *iddir*. While *iddir* do not prevent this directly, the imposition of a membership fee for new members discourages such behavior.

In addition to these mechanisms for dealing with informational asymmetries, *iddir* take a number of steps to reduce the likelihood that the provision of health insurance will lead to financial difficulties for the *iddir*. One is the considerable variation in ages of *iddir* members, which in effect spreads risk across generations—young members contribute while older members are more likely to have age-related illnesses. Another observation consistent with this argument is that youth-only *iddir* are less likely to provide health insurance. A second mechanism is size: the likelihood of providing assistance with *iddir* decreased with the size of the membership. Third is that the amount of money provided to members is tied fairly tightly to the amount collected. The median cash grant provides an amount equal to one month's income, and the maximum cash grant is slightly more than two month's income. Loans as a ratio of monthly income tend to be higher than cash grants, but about 75 percent require repayment within three months. In addition, most impose sanctions if members do not repay.

POLICY IMPLICATIONS

This study suggests that realism is needed in assessing the pro-poor benefits of support to collective action. Because wealthier and better-educated households tend to participate more in groups and have larger networks, we need to pay more attention to identifying barriers that prevent other segments of the population from participating in collective action. Realism is also needed in terms of the ability of collective action to respond to shocks. Specifically, where households have limited ability to develop spatial networks, collective action has limited ability to respond to covariate shocks. Direct public action is more appropriate in this area.

Collective action may be more suitable for providing an insurance function in response to idiosyncratic shocks. Public action and policy that supports forms of collective action in this area must recognize, as exemplified by the *iddirs*, that successful collective action is based on norms of trust and reciprocity. As trust is easier to destroy than create, the principal of "do no harm" is important here, particularly when government actions are aimed toward existing collective action institutions.

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