Balancing Employment and Social Protection Policies

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Employment and Social Protection

- **Employment through growth**
 - ❑ Labor Laws influence production technology

- **Employment through Workfare Schemes**
  - ❑ The National Rural Employment Guarantee Scheme (NREGS) of India

- **Did it achieve "social protection"?**
  - ❑ Impact on Poverty
  - ❑ Impact on Urbanization
  - ❑ Impact on micro-Enterprises

Poverty in Indian Context

- Tendulkar Committee Report (Dec 2009)

- Poverty line: monthly per capita consumption expenditure
  - Rs.446 (rural)
  - Rs. 578 (urban)

- 37.2% Indians below poverty line
  - 41.8% of rural Indians below poverty line
  - 25.7% of urban Indians below poverty line

- World Bank estimate: 42% Indians BPL
  - PL: $1.25; at India's ppp:Rs.14.3(rural) , Rs. 21.6 (urban)

Rural Unemployment
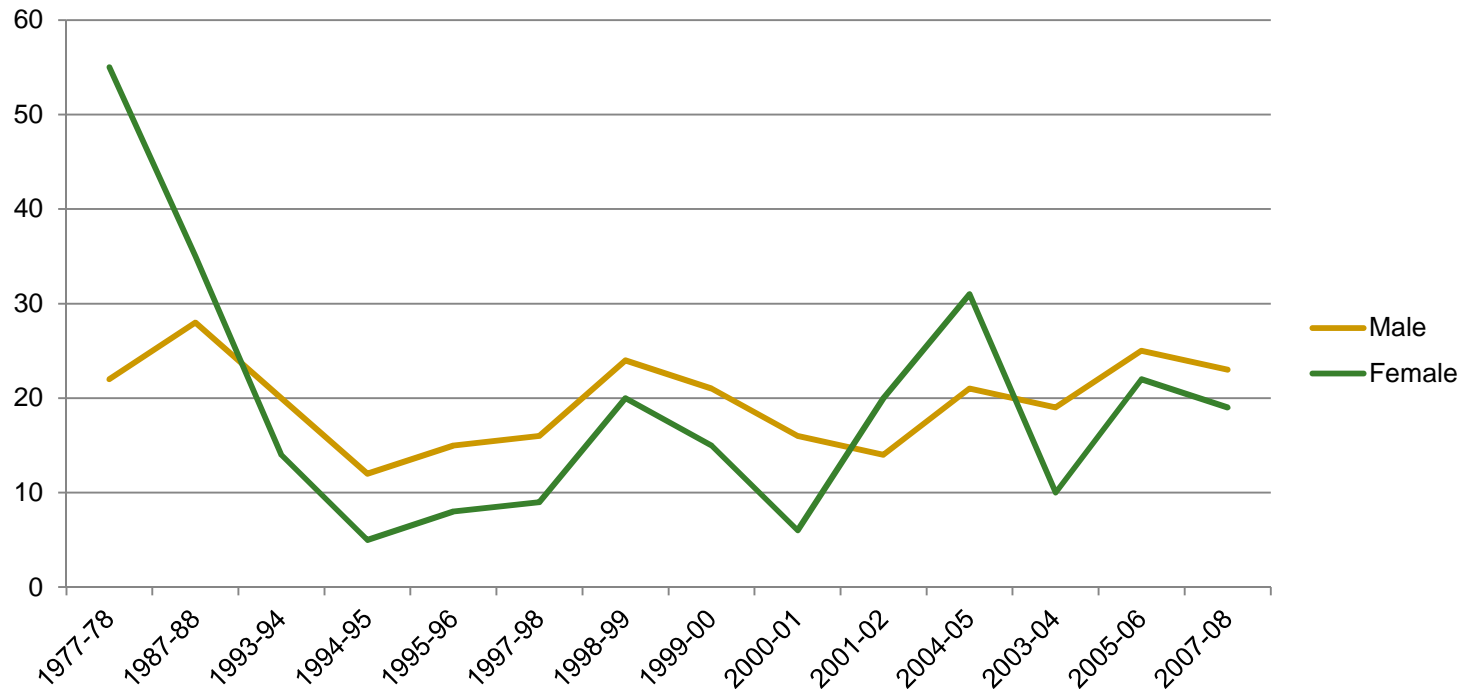
- Underemployment – 7% (male) and 21% (female) rural labor force with some work during the reference week were without work (NSSO report 2007-08)

National Rural Employment Guarantee Scheme

- NREG Act 2005: Scheme launched in 2006

- Each rural household is guaranteed 100 days of unskilled wage employment per year

- Employment within 15 days of application

- Work within 5 kilometers

- Payment within 15 days

- Guaranteed minimum wages

Wages in NREGS

- NREGS wage > market wage for unskilled labor in most states

- This could lead to the following:

1. Decreased incentive to seek regular employment

2. General rise in wage seekers => rationing of jobs

3. Strengthened bargaining power in private sector leads to higher wages in private sector

(1) Impact of NREGS on Poverty

- **Determine impact of the program on a participating household**

- **Specifically, empirically determine the impact on <u>extreme</u> poverty ("ultra poor")**
  - Food Security
  - Health Outcomes: Physical and Mental
  - Financial Inclusion

Data

- Panel data of 1066 ultra poor households across 220 villages in Medak district, Andhra Pradesh

- Selection of households done on the basis of
  - Housing
  - Land ownership
  - Asset ownership

- Baseline survey August-September 2007

- Endline survey August-September 2009

1539 variables

1. Socio demographic: religion, caste, family type, size, age, marital status, disability, education, occupation, migration
2. Living conditions: house, water , fuel, latrine etc.
3. Participation in Government schemes –NREGA job card details
4. Household asset details
5. Use of time
6. Women's mobility
7. Political awareness and access
8. Physical health
9. Hygiene conditions
10. Dowry details
11. Mental health
12. Income details
13. Loans, Savings – financial transaction details
14. Monthly consumption expenditure details
15. Children related outcomes: height and weight, time usage, school attendance, aspirations

Impact of NREGS on Poverty

- **Improves food security**
  - 10% increase in food consumption expenditure
  - Number of meals foregone reduced
- **Distributional Impact**
  - Increase in MPCE is more for poorer households
- **Improves non-food consumption by 23%**
- **Improves financial inclusion**
  - Increase probability of holding savings by 21%
- **Reduces probability of anxiety and depression by 12%**

(2) Impact of NREGS on Urbanization

- Rural-urban migration

- Urban unemployment, wages

- Heterogeneity of impacts on sectors

    - Formal vs. Informal

    - Services vs. Manufacturing

Impact of NREGS on Migration
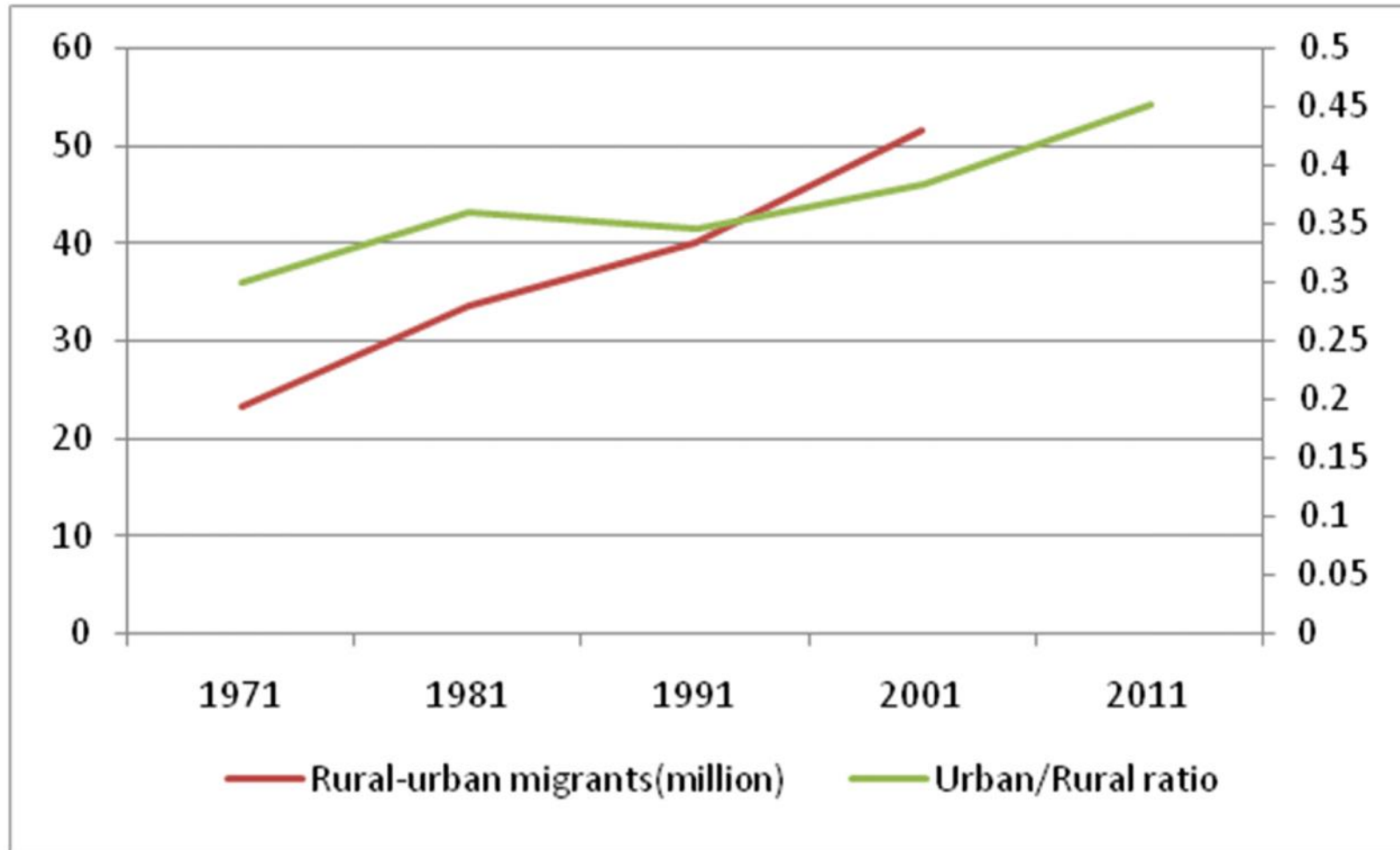
Impact of NREGS on urbanization

- Reduced the growth in rural-urban migration by 27%

- Reduced <u>employment</u> related migration growth by 58%

- Reduced <u>marriage</u> related migration growth by 34%

- <u>Education</u> related migration unaffected

- Reduced <u>urban unemployment</u> by 38%

- Raised real rural wages for unskilled labor by 8% in first year

- Migration of unskilled, illiterate labor into urban informal services reduced significantly

(3) Impact of NREGS on Enterprise

- Evaluation of largest <u>Ultra Poor Graduation Program</u> in the world

- The CGAP-Ford Foundation have supported 10 pilots across 8 countries

- The program targets ultra poor households and aims to transform them into micro-entrepreneurs...

- ...with (1) an asset transfer + (2) training + (3) financial literacy

- ...Over 18 months intensive program

- This is inspired by BRAC in Bangladesh

Traditional safety net: cash transfers

Steady transfers
Low income
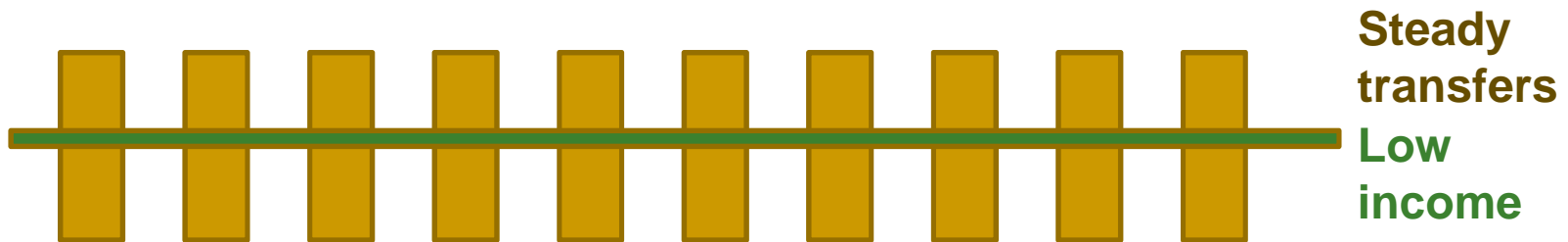
Ultra-Poor strategy: graduation

Self-sufficiency

"Graduation"

Steady transfers

Low income
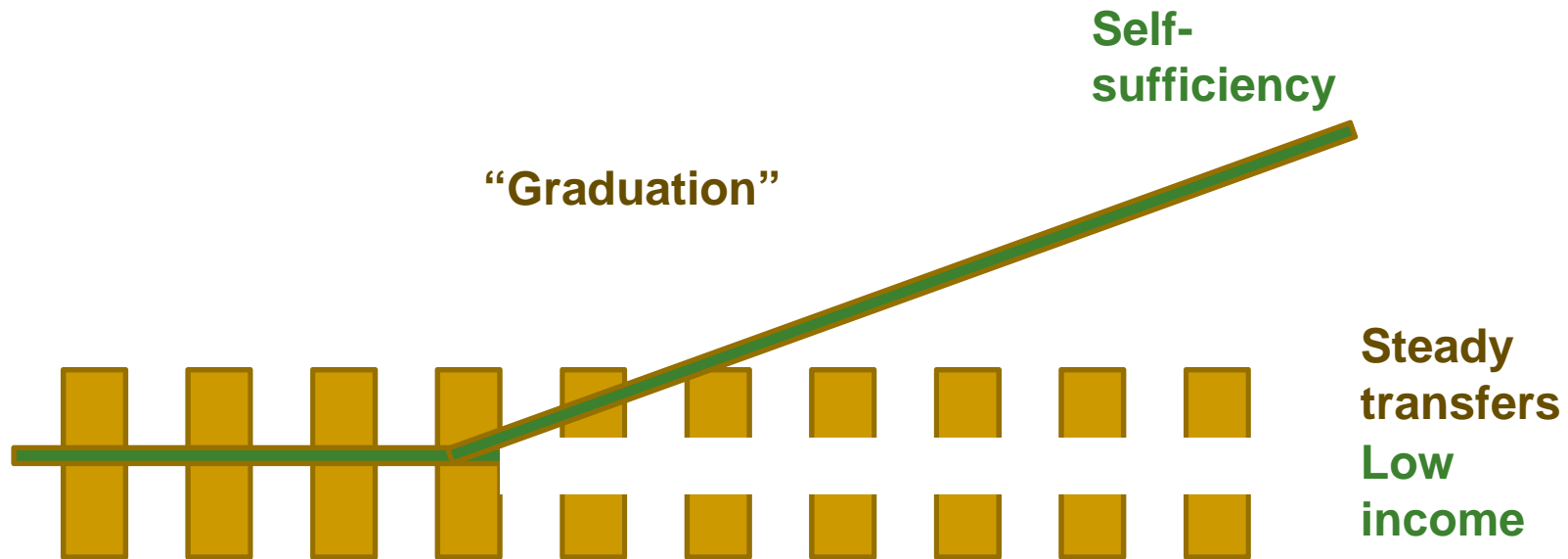
Training
Asset transfer
Livelihood support
Financial access and saving

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Intervention

- Meet with each ultra poor household in treatment village to select an enterprise:

    Menu: buffalo, goats, sheep, poultry, non-farm package: telephone, tailoring, grocery shop, tea stall, horticulture nursery

1. 3 to 6 days residential training
2. Asset procured, insured and transferred
3. Weekly meetings started and regular stipend provided to meet enterprise related expenses
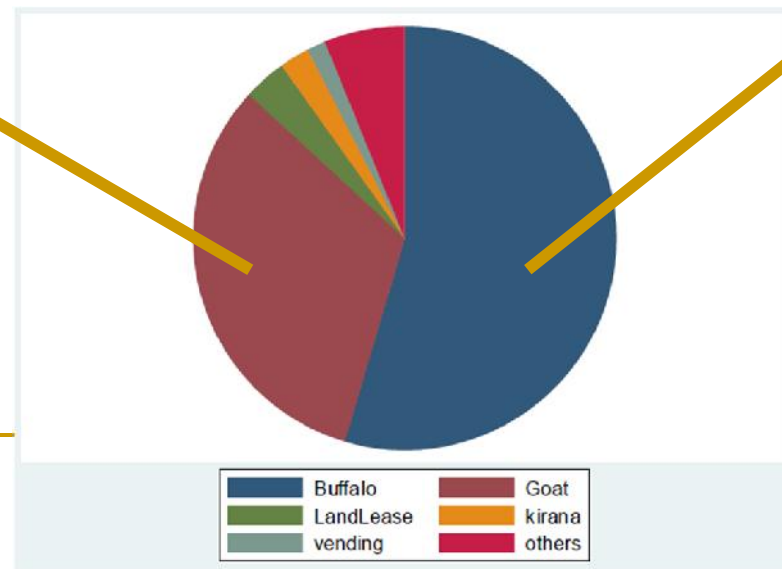
Asset transfer

Goats

Micro-

Buffalo

Buffalo		Goat
LandLease		kirana
vending		others

Experimental Design

- Randomized Controlled Trial

- Selected 1066 eligible households, across 198 villages

- 103 treatment villages; 98 control villages

- Evaluated program in short run (18 months) and long term (3 years) after intervention

Basic results

- **No long term, statistically significant impacts** of the program on income, consumption, asset accumulation

- In the long term (after 3 years), more than half the treated households have sold off their assets and joined the casual labor market

What is happening?

- The Ultra Poor Program is being implemented just as agricultural employment opportunities are expanding (reinforced by the NREGS)

- Opportunity cost of self employment rising

- Interactions with agricultural labor work

- NSSO data reveals 27% increase in real rural wages between 2004-05 and 2009-10

- NSSO data reveals 38% increase in real rural wages in Andhra Pradesh (the study area) where NREGS implementation is fastest

NREGS and enterprise

- Significant increase in casual labor

- Significant decline in self employment

- No significant asset creation in rural areas

- No significant skill formation or up-gradation

Balancing Employment and Social Protection

Long term aim of workfare schemes:

- Benefit levels should be set such that it is self targeted to those most in need

- Reduce dependency on the program

- Increase employability by skilling

- Creation of assets which can raise productivity of the rural areas overall

Employment and Social Protection

- Both need Labor Law Reforms