

**NREGA PROTECTING THE PROTECTED
AN ANALYSIS OF LABOR MARKET OUTCOMES AND
LIVELIHOOD SECURITY IN KASHMIR**

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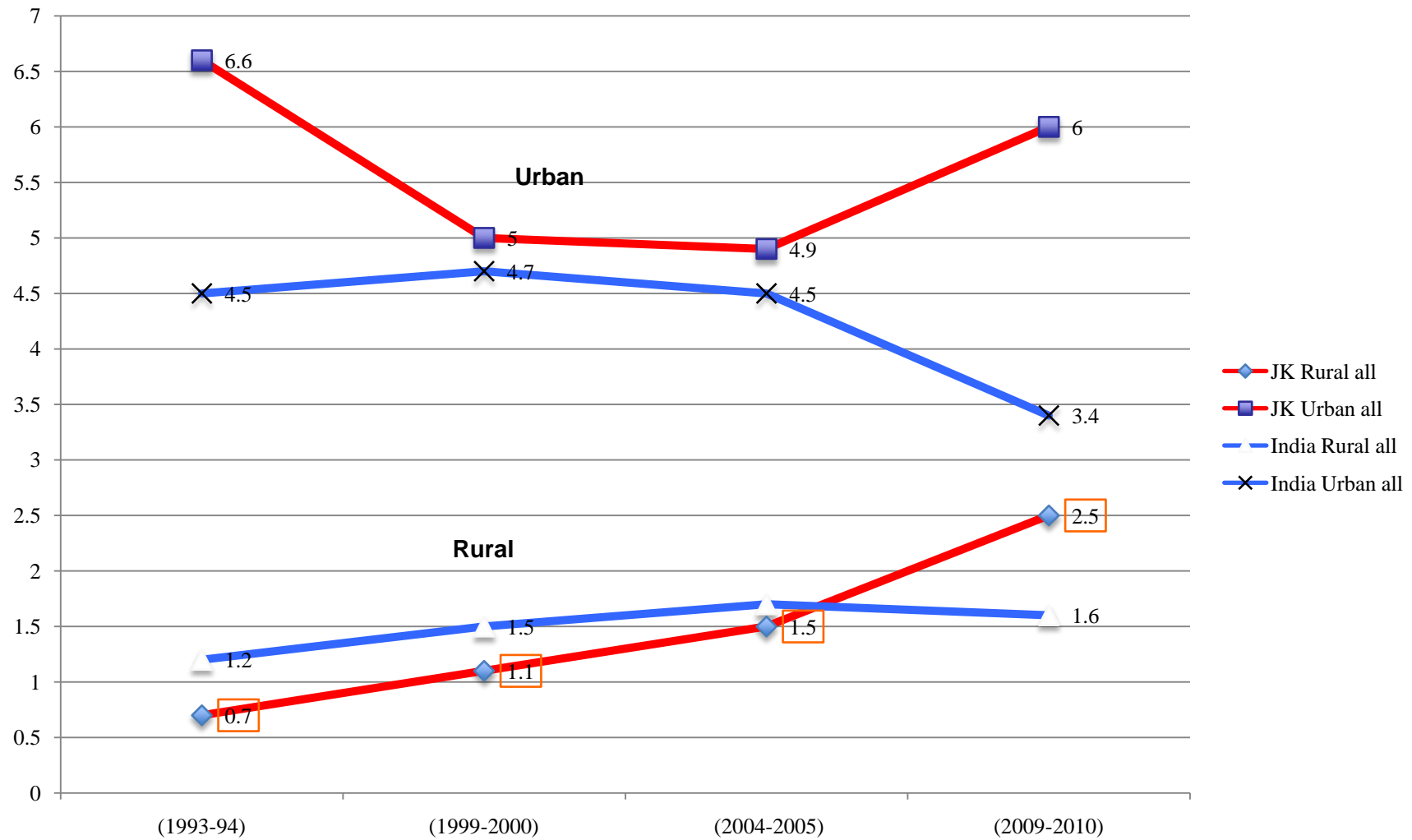
Policy Background

- NREGA is a Public Work based Social Protection Program, which was initiated in 2005, and extended to the entire rural India by 2008-2009.
- Unique and unconventional in its design and application.
- Incorporates all the features of a transformative social protection framework such as protective, promotional, and transformative (Sabates-Wheeler and Devereux 2008).
- **Primary aim: *Protecting*** the income and consumption shortfalls within rural HHs.
- **Secondary aim: *Promoting*** rural economy through investment in productive assets and ***transforming*** the gender relations through reservation for women in workforce.

Kashmir Context

- Like other states of India, NREGA was extended to the state of Jammu and Kashmir (Kashmir now onwards) in 2005.
- **Received with lot of hope and optimism because of several reasons**

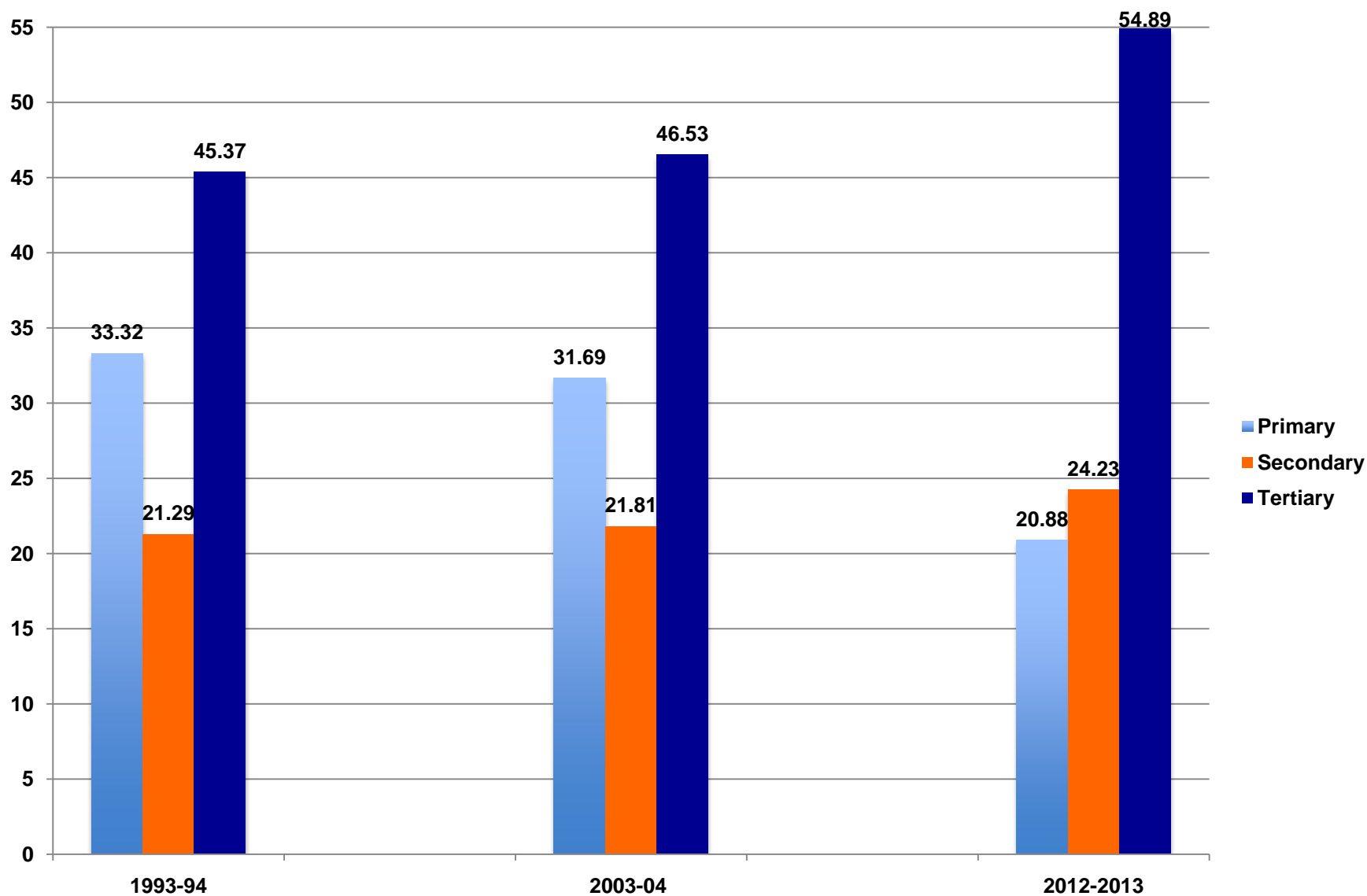
2. Higher unemployment, (Also: underemployment, and proportion of people out of labor force)



3. Overall marginal decrease in dependence on primary sector

Sectorial distribution of workforce	NSS 50 th (1993-94)			NSS 55 th (2000-2001)			NSS 61 th (2004-2005) UPS			NSS 66 th (2009-2010) UPS		
	Pri.	Sec.	Ter.	Pri.	Sec.	Ter.	Pri.	Sec.	Ter.	Pri.	Sec.	Ter.
Rural	640	162	195	651	204	145	639	184	177	597	363	140
Urban	77	184	738	114	235	651	141	376	483	110	337	553

4. Decline in the contribution of primary sector to GSDP, due to decline or stagnation in agricultural growth rate.



5. Poor rural infrastructure due to consistent conflict disturbances and poor functioning of the regional administration (Malla 2014).

The entry of such type of PWP to the regional labor market is entirely new.

Therefore, it becomes important as well interesting to understand the new directions which local labor market has taken after the initiation of this guaranteed entitlement.

EMPIRICAL WORK ON LABOR MARKET OUTCOMES OF NREGA IN INDIA

- Largest publically financed and financially inclusive PWP in the developing world (Gupta and Mukhopadyay 2014; Philip 2010).
- The literature has broadly reflected on aspects of **targeting, labor market outcomes**, women participation, **wage increase, livelihood security**, income enhancement and income multipliers.

1. Targeting:

- Is it demand driven and guaranteed employment? ‘No’ (Dutta, et al 2014; Himanshu et al 2013).
- Misfit between huge demand for work and poor supply resulting in rationing (Himanshu et al 2013).
- However, despite pervasive targeting the scheme is pro-poor (Dutta, et al 2014; Liu and Deninger, 2010; Afradi et al, 2012).

2. Labour Market:

- Increase in labor force participation rate (Azam (2012).
- Pressure exertion and increase in the private market wage (particularly agricultural

- **However**, by paying higher wage it is becoming lucrative for households with private-sector jobs and reducing incentives for seeking regular employment. On one hand this has promoted labor shortage in the private sector, and on the other the rise in participation has boosted the program costs (Ravi and Engler 2015).
- It has also reduced the Net public workday contribution to labor market, as the forgone employment is about 40-50 percent of the total NREGA work (Dutta, et al 2014).
- **Livelihood Security:**
- Altered the labor market by creating an opportunity to work with dignity, providing better working condition, and helped some to give up undesirable occupations (demining or hazardous work).
- Increased wage rate it has even removed the long-standing exploitation in work in many states (Dreze and Khera 2009).

Limitations in Literature

- Overall the literature on NREGA implementation is fragmented, and there are still limitations to our understanding about its functioning and impact.
- Most of the current literature on policy implementation is mainly from few states such as Andhra Pradesh, Rajasthan, Tamil Nadu and Chhattisgarh who are relatively better performing and have received considerable attention of researchers. The states such as Jammu and Kashmir have remained most distant from the attention of researchers so far.
- The region in particular is left untouched due to the reasons of political instability, data limitations, or because it didn't fit into researchers research designs (see Mukhopadhyaya 2012; p 22; Dutta, et al 2014. This paper is one of the first attempts to address this knowledge gap by examining:

What are the labor market and livelihood security outcomes of the NREGA implementation in the state.

Methodology

1. Empirical Strategy

1. **Cross sectional comparative research design:** Identify the systems and patterns of variations between high and low performing HPs.

1. **Mixed-method triangulation:** Brings together the objective and subjective dimension.

2. Basic Units of Analysis

Stage-1: Household: The impact of NREGA depends on its efficacy to deliver work at HH level.

Stage-2 Halqa Panchayat: Understand the bureaucratic and political interplay in the NREGA policy process.

3. Three Levels of data Analysis

1. Overall outcomes.

2. Outcome differences between the High and Low Performing areas.

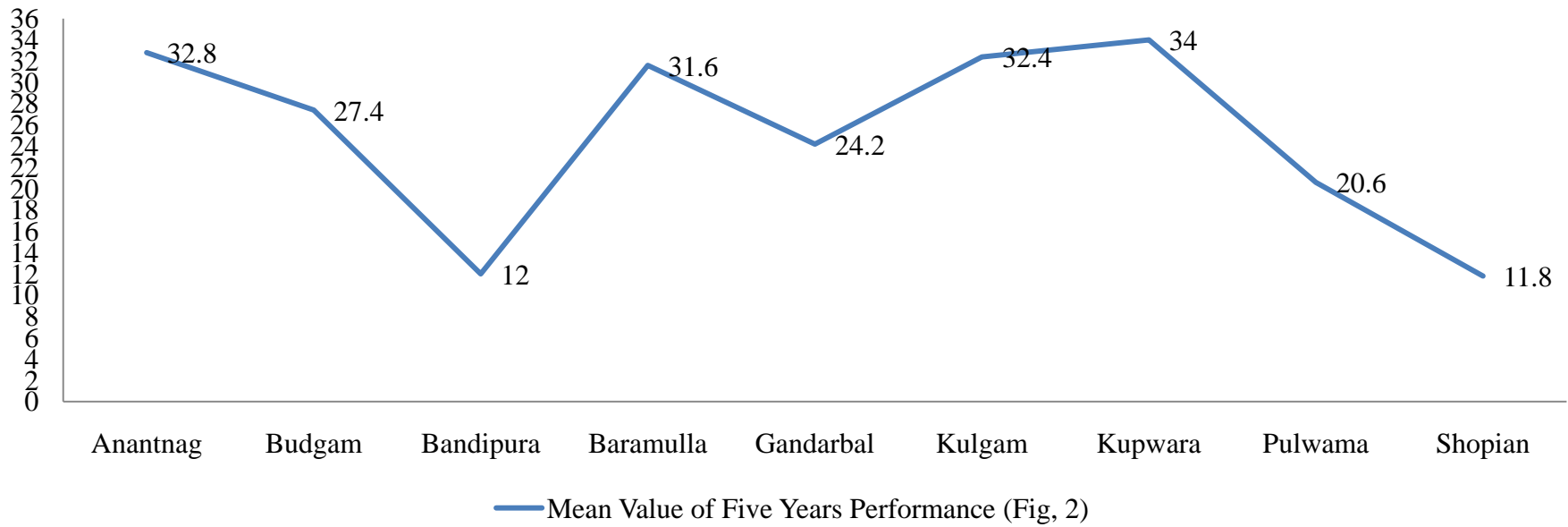
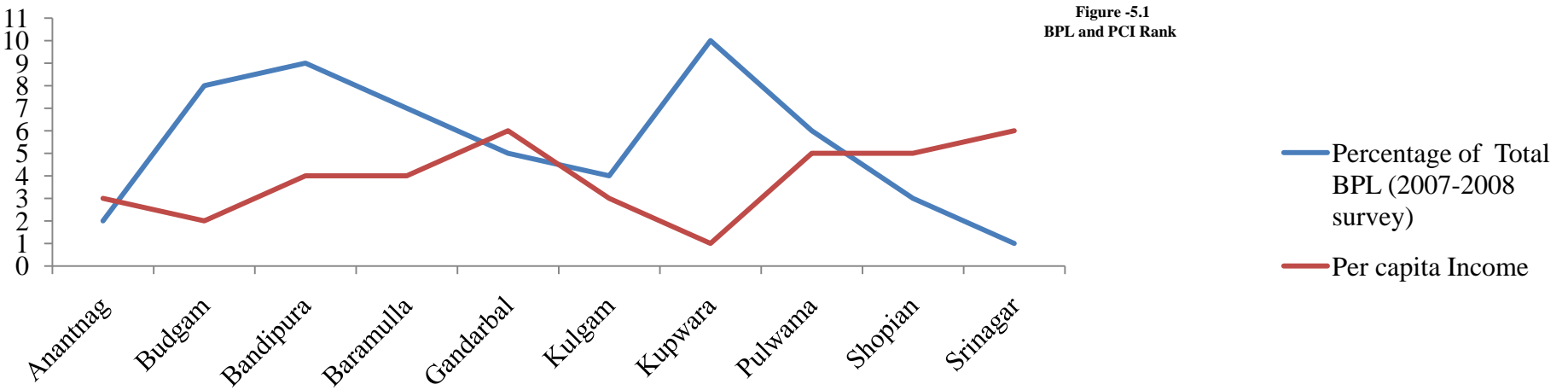
3. Outcomes differences between overall NREGA HHs and non-NREGA HHs and across income, social, and other sub-groups.

2. Sampling Process

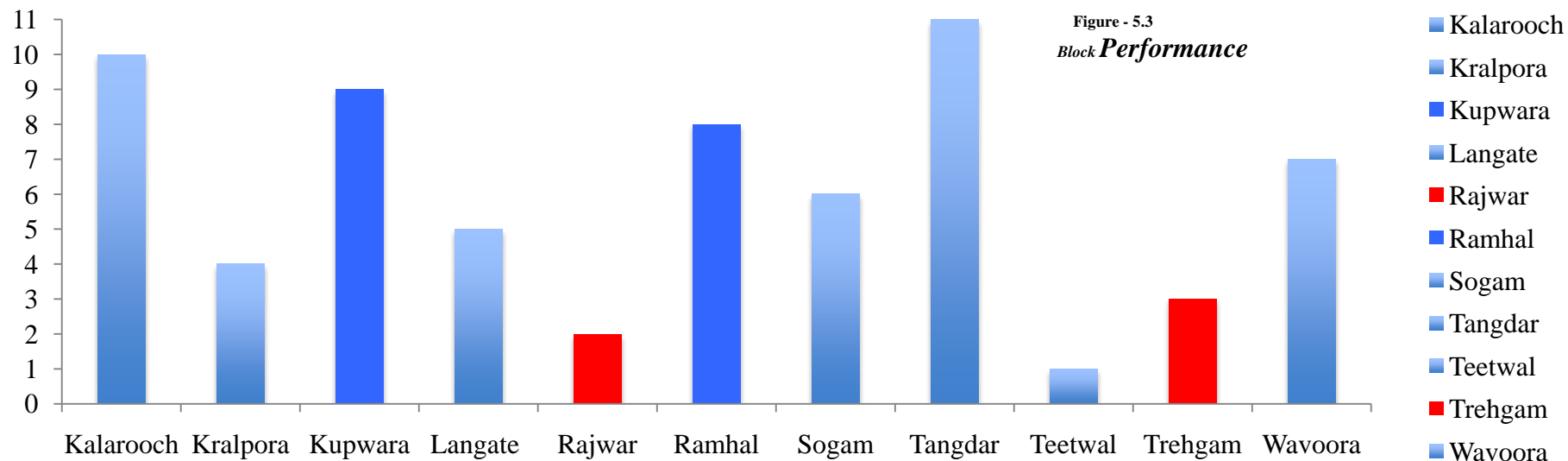
- Five-stage sampling process using both the probability and non-probability techniques.

1. District Selection (Purposive):

Higher proportion of BLP, lower level of PCI, and higher performance in NREGA implementation.



2. Block Selection (Purposive)



3. Halqa Panchayat Selection (Purposive)

Table-5.1 HP Code	No of Wards	Average Factor Size (hect)	Average Irrigated Factor Size (hect)	Topography	Average Distance from Nearest Town Market
HP1	7	0.68	0.12	Semi hilly and semi plane	13
HP2	6	0.65	0.13		
HP3	7	0.49	0.31		
HP4	6	0.57	0.18		
LP1	7	0.42	0.12		16
LP2	6	0.53	0.11		
LP3	8	0.51	0.37		
LP4	8	0.19	0.13		

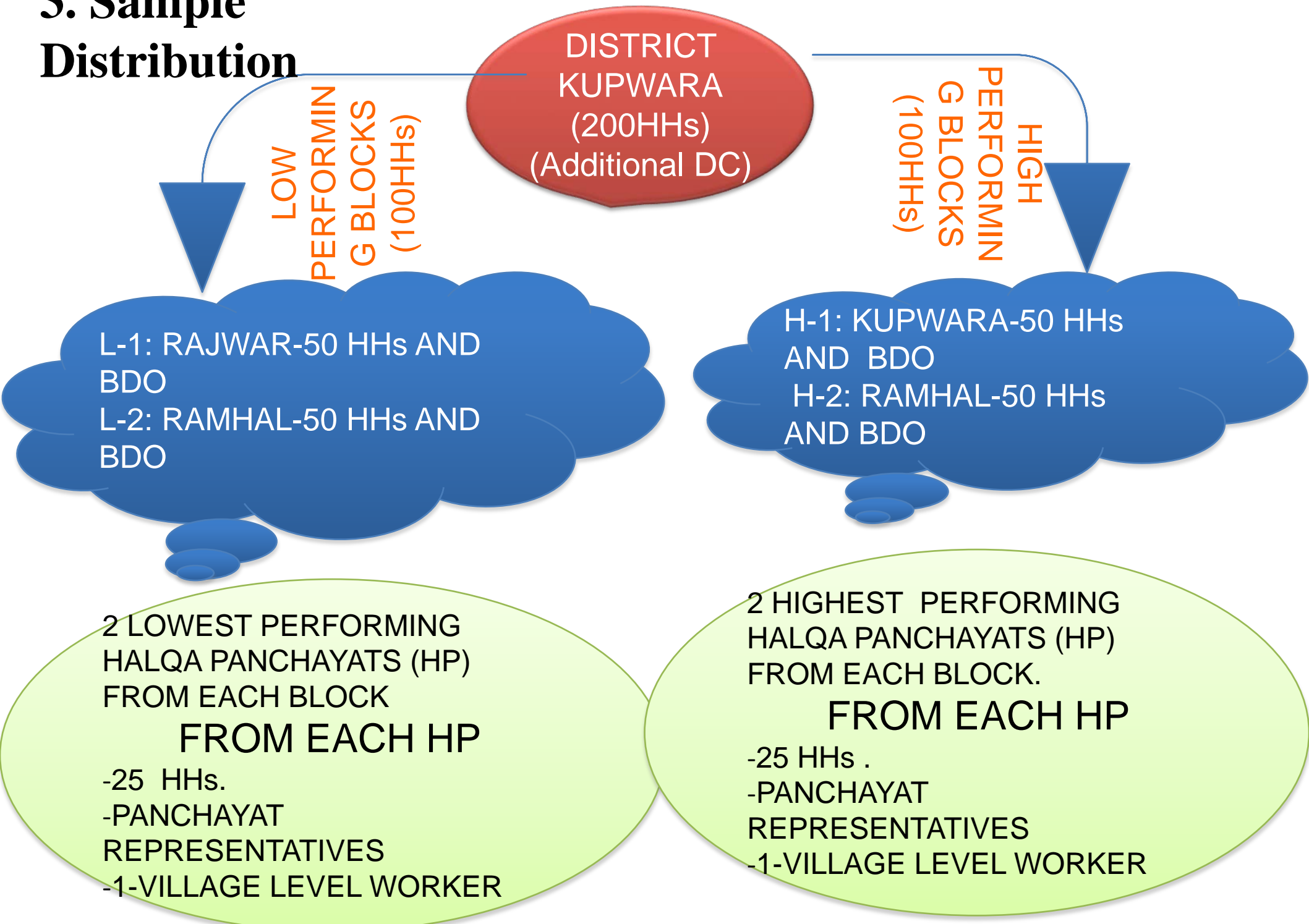
4. Respondent Selection (disproportionate stratified random).

- Random selection of HHs from each ward of HP.

5. Secondary Stakeholders (Purposive)

- Panches, Sarpanch, VLWs, BDOs and state level officials.

3. Sample Distribution



4. Tools of Data Collection

S.NO	TYPE OF RESPONDENTS	METHOD OF DATA COLLECTION
1	HHs worked under NREGA	Interview schedule
2	Women worked under NREGA	Interview schedule
3	HHs not worked under NREGA	Interview schedule
4	Lower level stakeholders (HP members)	Interview guide
5	Block officials (VLW and BDO)	Interview guide
6	HALQA PANCHAYAT SOCIO-ECONOMIC AND POLITICAL PROFILE	

Overall Sample Distribution

Sample Distribution		Sample Distribution %	Distribution %			
			HPA	LPA	POOR	NON-POOR
	Total	100	50	50	40	60
	HPA	50	50	-	22	28
	LPA	50	-	50	18	32
Social groups	ST	37.0	18	19	15.5	21.5
	General	59.5	32	27.5	24	35.5
	SC/Pahari	3.5	0	3.5	0.5	3
Occupation	Agr. and const. laborer	66.6	37.5	29	23.5	38
	Cultivator	23	7	16	9.5	14
	Others	10.5	5.5	5	2.5	8
Total land holding	Landless	3.5	1.5	2	3.5	0
	Up to 1 Acres	74.0	40.5	33.5	32	42
	1.01- 2.17 Acres	22.5	8	14.5	7.5	15

Targeting outcomes

- **Gross Participation.**

- NREGA participants in overall sample, and its distribution across HPA and LPA, income groups, caste and landholding groups.

- **Net Participation.**

- NREGA participants rounded within group sample.

- **Nature of Self-Selection.**

Gross Distribution of NREGA and Non-NREGA HHs	Sample Distribution	Distribution			
		HPA	LPA	POOR	NON-POOR
Within Overall Sample (Gross)					
NREGA	71.5	46	25.5	27	44.5
Within Overall sample NON-NREGA	28.5	4	24.5	13	15.5
Within Sub-Groups Sample (Net)					
NREGA Group	100%	64.3	35.7	37.8	62.2
Non-NREGA Group	100%	14	86	45.6	54.5

NET Distribution of NREGA HHs within Sub-Groups % (Rounded within groups)		NET NREGA workforce Participant HHs (NNWP)		
		Overall %	High%	Low%
	Overall	71.5	92	51
Within income groups	Poor	67.5	88.6	41.7
	Non-poor	74.2	94.6	56.3
Within social groups	ST	79.7	100	60.5
	General	68.1	87.5	45.5
	SC/Pahari	42.9	NA	42.9
Within occupational groups	Agricultural and construction laborer	75.9	94.7	51.7
	Cultivator	63	78.6	56.3
	Others	61.9	90.9	30

- i. No evident caste based exclusion, but huge leakages to non poor.

- ii. Surprising considering that NREGA wage rate in the state is almost 50 percent below than existing market wage rate (Rs. 70 initially and Rs. 131 later when survey was conducted).

- iii. **Raises a question of whether the policy is self selective and demand driven or not.**

3. Self-targeting or self-selection

Provisionally:

Whosoever is willing to work should formally demand for entitlement (work) and should be provided within 15 days after demand.

In Practice:

The Self willingness of a HH to work under NREGA gets translated in two ways:

- i. Underreported demand (Himanshu, et al 2015) – HHs will ask verbally to the middleman or local leader that they want to work.
- ii. Latent demand– HHs not ask for work and will wait assuming that the middleman will bring a project and will invite them for work (Dreze and Khera 2009).
- iii. Issues of low self-esteem in asking someone for work, due to lack of awareness about policy being a legal entitlement.

Self-Selection (overall sample of 200 HHs)		Wanted to work in NREGA in last 12 months	Participated in last 12 months	Number of Days worked in Last 12 months			Requested for work or requested for more work if not completed 100 days.	Got more work after requesting
				<100	100	>100		
OVERALL		94	44.5	40.5	1	3	32	1
High performing		96	67	89	1.5	6.25	52	4.8
Low performing		92	26	95	5	0	26	0
Economic condition (NET rates)	Poor	95	48	89.1	5.04	5.04	32.5	0
	Non-poor	93.3	46.2	92.3	0	7.6	31.7	5.2
MPIC (NET rates)	<300	85.2	40.6	84.6	7.6	7.6	22.2	0
	>300 ≤ 500	100	46.1	91.6	4.1	4.1	37.7	0
	>500 ≤ 700	92.7	54.5	100	0	0	18.2	0
	>700 ≤ 3533	94	45.5	91.2	0	8.6	33.0	5.5

Continue

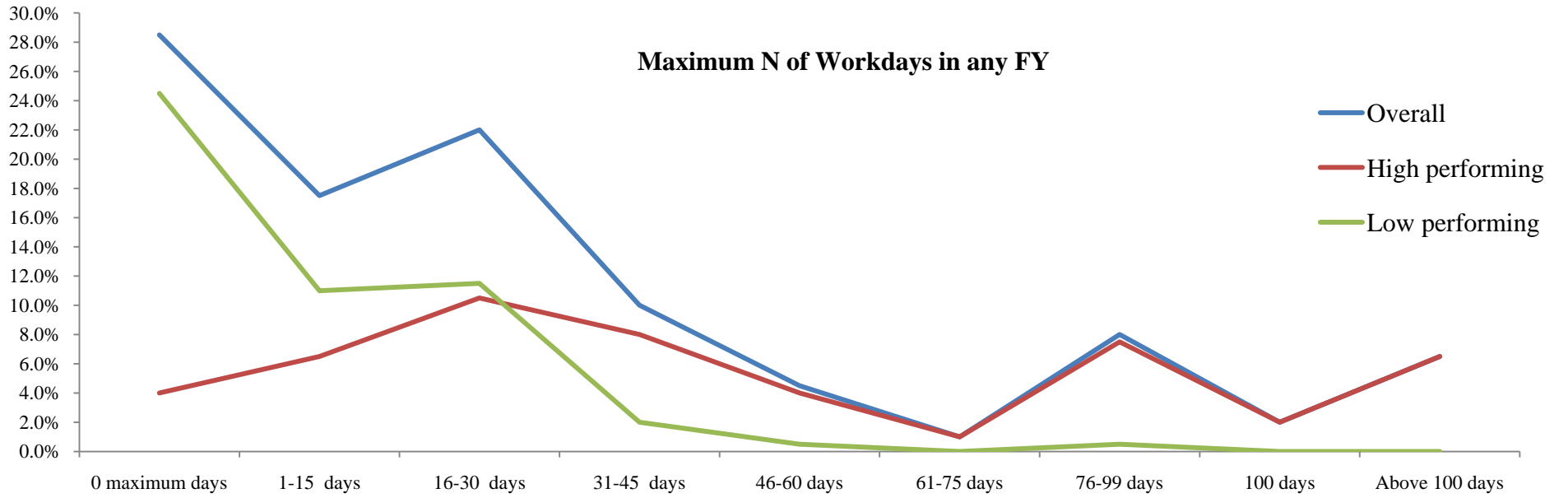
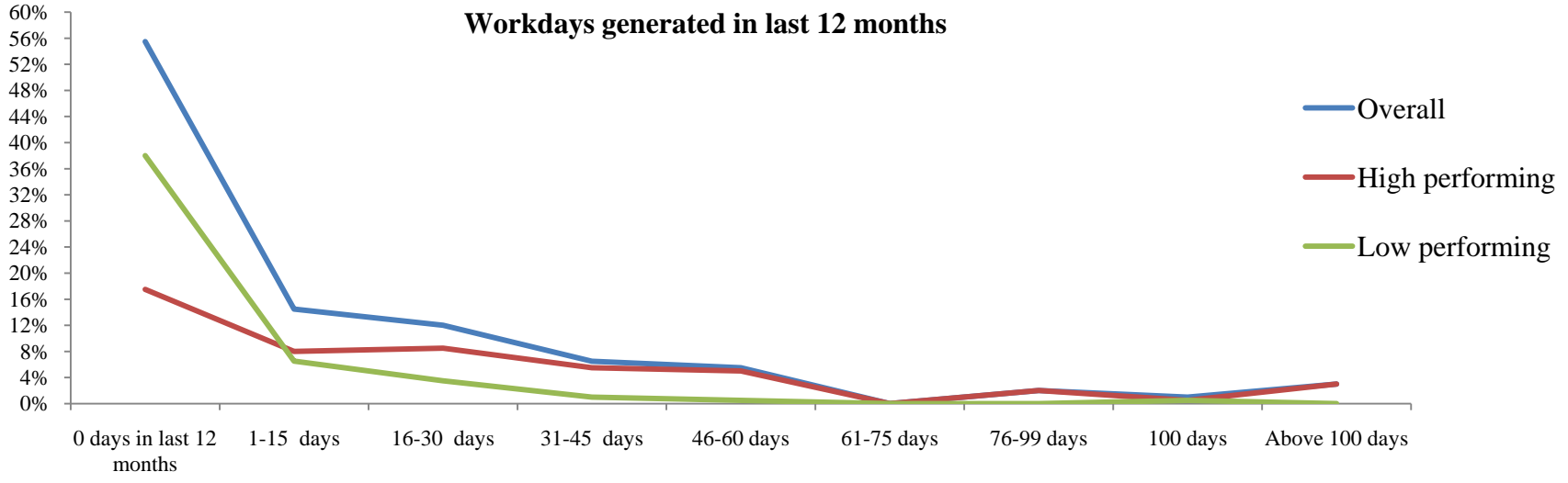
- The self-willingness to work matter very little, because it is entirely at the mercy of middleman whether he will call a HH for work or not.
 - Also the reason for some of the HHs asking for work during the initial years but not now.
- Instead of voluntary exclusion, which policy wanted to foster by inserting provision of self-selection, this alternate implementation system is creating an involuntary-exclusion.

Cross-sectional targeting outcomes

- **NREGA participation rate:** HPA 92 percent; LPA 51 percent
- **Participation gap between the poor and non-poor:** HPA 6 percent; LPA 15 percent.
- **Latent demand:** Almost equal 96 percent in HPA and 92 percent in LPA, **BUT** higher rationing in LPA were only 26 percent, compared to 67 percent in HPA have got the work in last 12 months compared.
- Conform Dutta et al (2014) that higher supply of work increases participation and leads better targeting of poor and other disadvantaged groups.

Workday contribution of NREGA to local Labor market

1. **Workdays generated for HHs:** Average yearly, maximum in any FY, and last 12 months.
2. **Forgone employment:** Net workday contribution to labor market, and to various sample groups.



AVERAGE YEARLY WORKDAY GENERATION THROUGH NREGA	MEAN increase
Overall (Gross)	28.27
High performing NREGA HHs (Gross)	50.74
Low performing NREGA HHs (Gross)	19.31
STs	24.16
General	31.88
Others	10.14
Poor	28.1
Non poor	28.3
Agriculture and Construction laborers	32
Cultivators	17
Marginal Holders	31
Small Holders	15

Workdays Generated Summary of Results:

- Contribution to the overall labor market less than one third of what policy guarantees.
- More than 50 percent different in workday contribution between HPA and LPA.
- Very marginal difference between workday contribution to poor and non-poor.
- If any exclusion is taking place, it takes place at the entry to the policy, once a particular HH has entered into the policy (became public workforce participant) the targeted exclusion is very rare.
- With the exception of difference between the HPA and LPA, the above results indicate that policy has had similar level of impact on work availability of HHs across sub-groups (income, occupational, and landholding) because there is no significant difference in the number of days they have worked under NREGA.
- However, there is a widespread understanding that participation in PWPs always involves some opportunity cost.

Forgone Employment (opportunity cost)

- Asking HHs a similar question to that of Ravallion (1991, p 160), that if you did not have NREGA work, what would have you done?

Table 5: Choice-less within NREGA participant HHs.		Proportion of Choice-less HHs.
Overall		54.5
HPA		58.6
LPA		47.05
Economic condition	Poor	59
	Non-poor	51.6
MPCI	<300	63
	>300 ≤ 500	57
	>500 ≤ 700	55.5
	>700 ≤ 3533	50
Social Groups	STs	55.9
	General	54.3
	Pahari/SCs	33.3
Occupational Groups	Agriculture and construction laborer	56.4
	Cultivators	48.27
	Others	46
Land Holding	Up to 1 acre	55.2
	1.01 to 2 acres	44.8

Table 6: Workdays increase in local Labor market	MEAN increase	Fractional increase (mean/360 days)
Choice-less (Gross)	42.56	0.11
Choice-based (Gross)	35.89	0.09
Overall after sample weightage (Net)	16	0.04
Choice-less after sample weightage (Net)	30.46	0.08
Choice-based (Net diversion from private labor)	25.64	0.07

1. Net contribution of NREGA to overall labor market is very small (0.04 fraction of workdays).
2. However, within this captured implementation system whatever labor scarce or choice-less HHs have a got chance to participate, the Net gain much higher in overall sample and across LPA and HPA compared to choice-based.

1. **NREGA and Reduction in job scarcity of HHs.**

1. Reduction in job scarcity of HHs
2. Level of reduction in job scarcity of HHs.

2. **NREGA and Reduction in livelihood related worries of HHs.**

1. Reduction in livelihood related worries of HHs.
2. Level of reduction in livelihood related worries of HHs.

1. NREGA and Reduction in job scarcity of HHs.

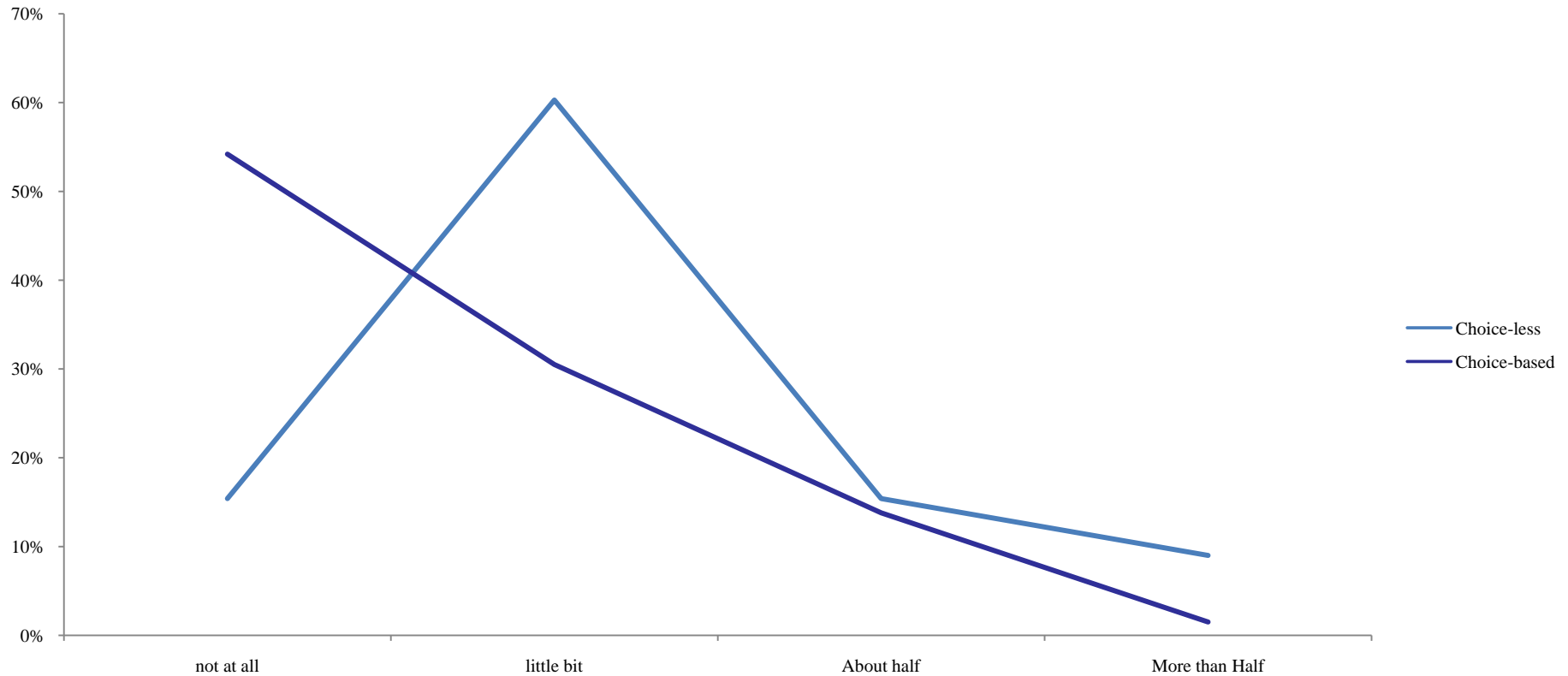
The job scarcity for rural informal sector in the region is mainly stretched around the agriculture seasons because 70 percent population lives in rural areas with dependence on agricultural.

Distribution of lean periods and months in which HHs have worked under NREGA in last year				
Months	Extreme-lean period (Nov-Feb)	Moderate-lean period (March, July, August)	Non-lean period (April, May, June, Sep, Oct,)	Random
% of HHs Worked	40.5	16	21.2	22.5

1.1 Reduction in job scarcity of HHs who worked during lean periods

Reduction in job scarcity of HH, because of NREGA			Reduction in job scarcity (For HHs who have worked during lean periods)
Within Workforce Participants		Overall	71.6
		High performing	74
		Low performing	66
	Poverty	Poor	76
		Non-poor	69
	Choice if no NREGA work	Choice-less	90
		Having alternate choice(s)	49

1.2 Level of Reduction in Job Scarcity of HHs



These differential outcomes could be attributed to Net workday increase because of NREGA, which is higher for choice-less compared to choice-based HHs as mentioned earlier.

2. NREGA and Reduction in livelihood related worries of HHs.

The livelihood related worries do not just cover the lean-period job crisis, but overall livelihood risks and vulnerabilities throughout the year.

2.1 Reduction

			Reduction in livelihood related worries
Reduction in livelihood related worries of HH, because of NREGA			<i>(For all the HHs who worked have under NREGA)</i>
Within Workforce Participants		Overall	72
		High performing	80.4
		Low performing	56.9
	Poverty	Poor	75.9
		Non-poor	69.7
	Choice if no NREGA work	Choice-less	90
		Having alternate choice(s)	38 50.8

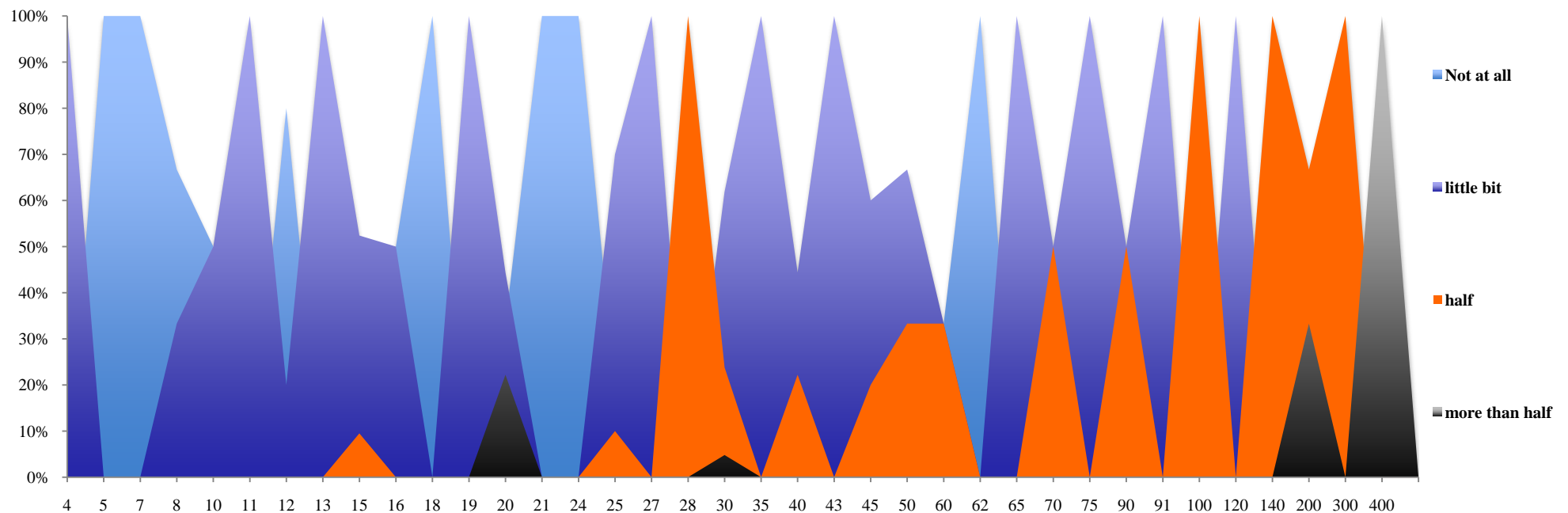
2.2 Level of reduction in livelihood related worries

.The majority 72.81 percent of these HHs have reported ‘little bit’ of reduction in their livelihood related worries.

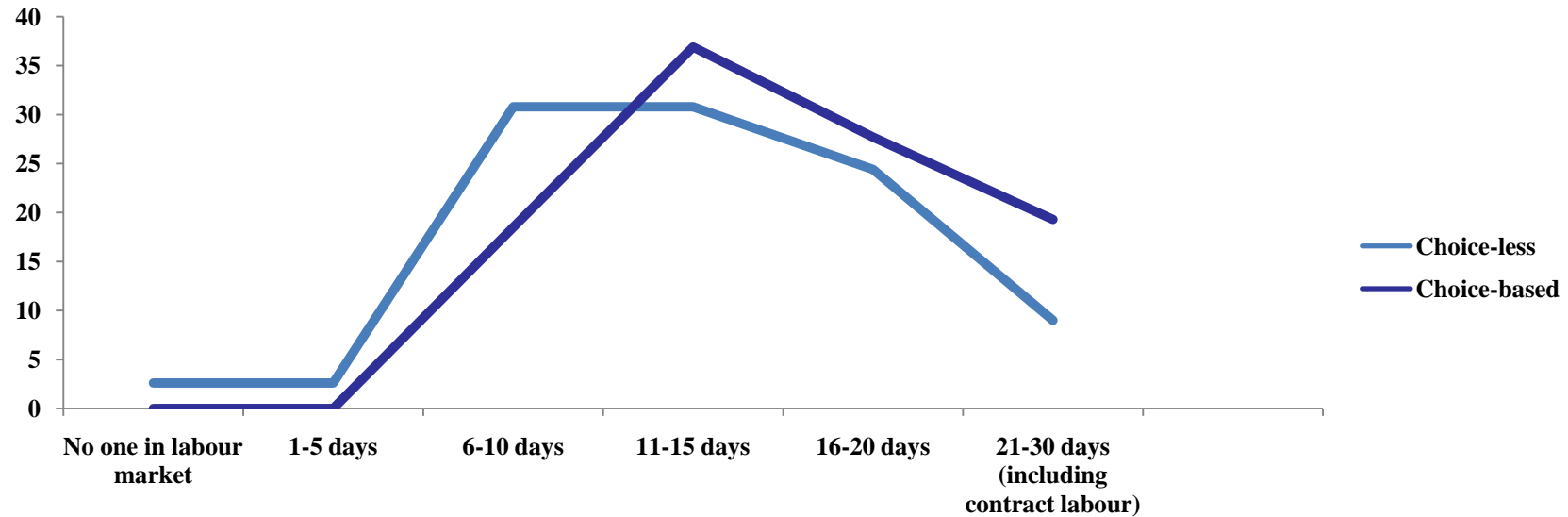
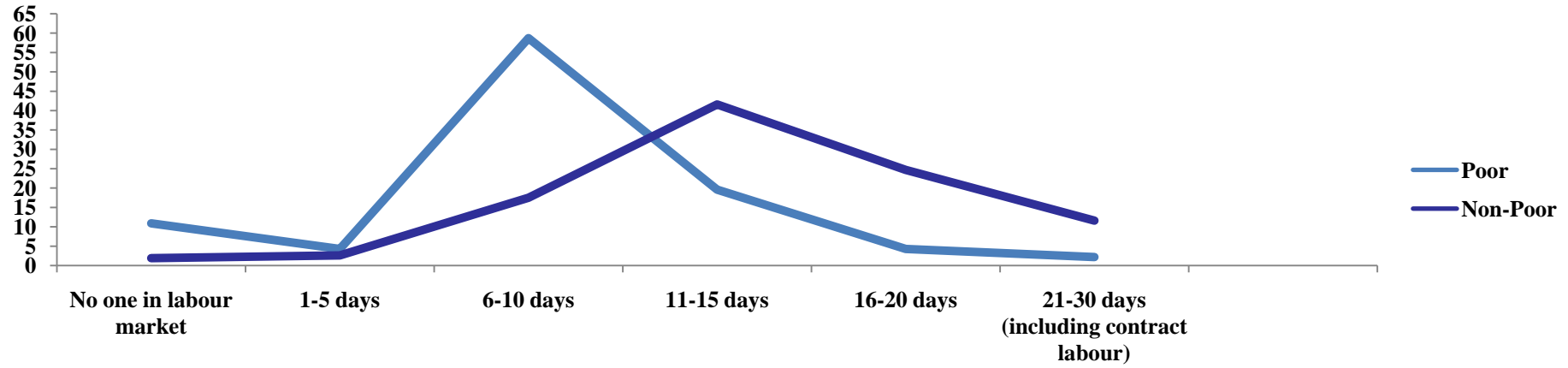
.However, both the ‘reduction’ and ‘level of reduction’ is higher in HPA compared to the LPA and and choice-less compared to the choice-based HHs.

.Two Association.

- I. Workday generation and proportional reduction and the level of reduction.



2. The level of private market livelihood security these groups.

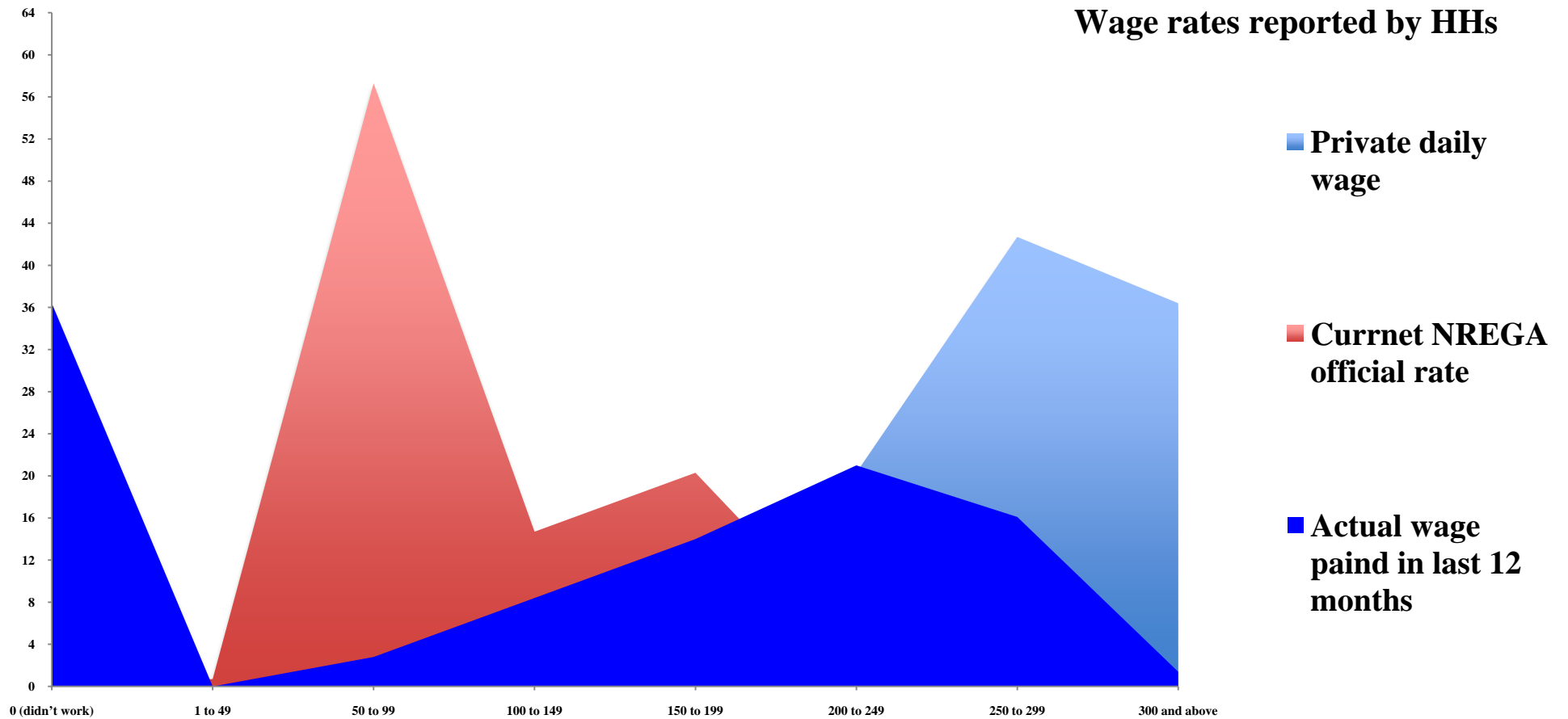


Bottlenecks in the NREGA Policy Process

1. What leads to involuntarily rationing?

1. Poor supply, otherwise no lack of latent and underreported demand.
1. Limited supply captured by middlemen-bureaucratic colluded system defined by outliers.

2. What motivates Non-poor into NREGA?



What makes wage rate higher than provisioned

- Ideological misinterpretation within the regional administration from top to the bottom with project accomplishment instead of delivering the entitlement has become the priority. Or ‘Reverse-pressure exertion.
- Middlemen work in collusion with bureaucrats by bargaining NREGA labor on the external market wage rate (‘Exit Theory’ of Niehaus and Sukhtankar (2013) in order to complete the projects quickly and generate incentives for themselves.
- Middlemen get political and economic incentives. The bureaucratic officials get economic incentives in the form of fixed commission per project from middlemen.
- The inflow into public work is not entirely time spend outside the labor force or being unemployment, but to a considerable **extent a deviation from private work towards the public work.**

3. Why are Some Areas Low Performing who otherwise fall within the same district and socio-economic system?

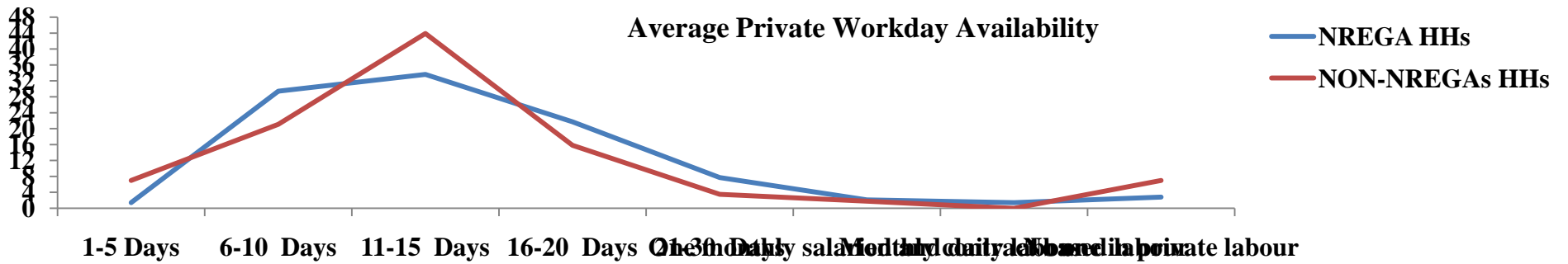
If policy was demand driven, difference in demand would have answered the question.

Hence I used three other variables to understand the demand gap:

1. If there is difference in average private labor availability in two areas.
2. If there is difference in the level of willingness to work under NREGA.
3. Political economy of implementation at HP level.

1. No lesser need in LPA compared to HPA

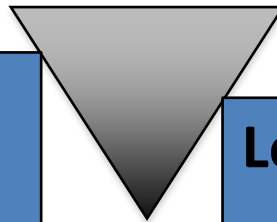
Average Workdays by a HH member in private work	1-5 days	6-10 days	11-15 days	16-20 days	21-30 days (including contract labour)	No one in labour market
Total	3	27	38.5	20	7.5	4
HPA	0.5	13.5	19.5	11	3	2.5
LPA	2.5	13.5	19	9	4.5	1.5



2. No difference in demand.

Wanted to work in NREGA in last 12 months	
OVERALL	94
High performing	96
Low performing	92

Stage-1 Pre-Panchayat (before 2011)

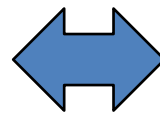


Bureaucratic institutions.

- Irregular functioning.
- Poor implementation, monitoring, and accountability measures.

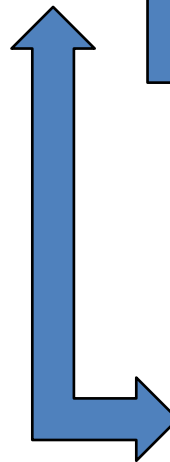
Local Political Institutions (PAs).

- Non-existing.
- Local policy process controlled by informal heads (political and economic elites.)



Faults on the part of Regional Govt.

- Wrong orientation of NREGA from the top (social protection/ development policy).
- Not established the desired institutional system for NREGA at right time.



**EMERGENCE OF AN ALTERNATE OPERATIONAL SYSTEM AT LOCAL LEVEL TO IMPLEMENT NREGA
COLLUSION OF LOCAL BUREAUCRATS AND INFORMAL ELITES**

1. Its Overall Implications

- No proper system of implementation.
- Lack of awareness within staff and people about policy goal and provisioned implementation process.
- Implementation of NREGA like any other government contract, with personal economic incentives being main motivation rather than social protection of job less.

2. Influence on LPA

- Less number of or less willing local contractors, politicians, and elites to take NREGA projects because of complex documentation system, no political opportunism.
- Geographical distance of VLWs from their residence to HPs.
- Poor lobbying of some HPs with VLWs or BODs.

Stage-2 Post-Panchayat (After mid 2011)

Bureaucratic institutions.

- Irregular functioning.
- Poor implementation, monitoring, and accountability measures.

- ## Faults on the part of Regional Govt.
- Continuity of wrong orientation of NREGA from the top (social protection/development policy).
 - Initiation of the process of appointing Program Officers and Gram Rozgar Savaks.

Local Political Institutions (PRIs).

- Elected in all PRIs, but it was just a structural transformation of same informal elites into formal system.

Distribution was equal across the wards but the differences still continued because of the emergence of two different political systems at local level:

1. Political Rivalry.
2. Political Cohesion.

Implication of Political Rivalry (LPA)

- i. Higher economic and political opportunism in NREGA distribution.
- ii. Use of bias and exclusion tactics within relatively strong opposition resulting in huge political contestation in most of the LPA thereby effects bureaucratic functioning and policy performance negatively.

Implication of Political Cohesion (HPA)

- i. Less visibility of political interest based exclusion.
- ii. Either due to lack of opposition leaders in panchayat or lack of political threat due to marginal opposition.

Results are inconsistent with Khosla (2011) that local political competition leads better performance, but are fairly consistent with Jha, et al., (2009) that more local political contestation leads to more capturing.

Conclusion

Broader:

•It makes little difference to have a legally guaranteed public work based entitlement to overcome the informal sector livelihood crisis, when local government's priorities are different from the policy goals, local implementing institutions are inadequate and ill capacitated and transparency and accountability measures are invisible.

Specific:

Targeting:

•Inadequacies made well-designed NREGA a tool for local politicians, middlemen and bureaucrats to actualize political monopoly and derive economic incentives.

•Huge underreported and latent demand, but poor supply.

•Capturing by middlemen bureaucrat colluded implementation system with bargaining of NREGA wage on external market wage have created huge targeting failure and involuntarily exclusion of the poor and choice-less HHs.

Workdays Contribution to Labor market

•Small Net workday contribution to the local labor market 16 mean days, due to forgone employment of about 44 percent.

Livelihood security

•Not a huge reduction in job scarcity (experienced by 39.5 percent of NREGA participants) with level of reduction for the majority being ‘little bit’.

Notwithstanding

•The higher supply of work increases participation and leads better targeting evident from cross-sectional outcomes. The HP panchayats of the district have less targeting failure, small gap between poor and non-poor participation, larger reduction and level of reduction in job scarcity and livelihood related worries compared to its LP panchayats.

•No misfit between the policy agenda and lean period labor market and livelihood security need of district’s rural informal labor force. Because even within the derailed and captured policy process wherever the poor and other choice-less laborers have got a chance of participation in the policy, their Net gain in the form of increase in workdays in local labor market, reduction in job scarcity and livelihood related worries is much higher compared to the non-poor or choice-based HHs.

Hence.

•By following the policy agenda and design in letter and spirit and setting up proper implementation institutional apparatus in place, including the provisioned transparency and accountability measures, the existing alternate implementation system could be distanced and the anticipated labor market and livelihood security outcomes could be achieved at larger scale.

Thanks