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Why do Agricultural Labor Households, despite being poor, Self-Select out of India's Employment Guarantee Scheme? Role of Economic Gain, Social Status, Labor Constraints and Gender

Rakhe P. Balachandran and Maria Bampasidou

Agricultural Economics and Agribusiness Department, Louisiana State University

Selected paper/poster prepared for presentation at the 2018 Agricultural & Applied Economics Association Annual Meeting, Washington, D.C., August 5-7, 2018

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Context

India implemented the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGs) during 2006-2008 covering the entire rural India.

Program Objective: to eradicate poverty through the provision of off-season manual work for at least 100 days based on self-selection principle.

Concerns that the program may not reach out to poorer households, which self-select not to participate in the program.

Research Objective

To identify and estimate the factors determining non-participation of agricultural labor households (ALHs) under the program.

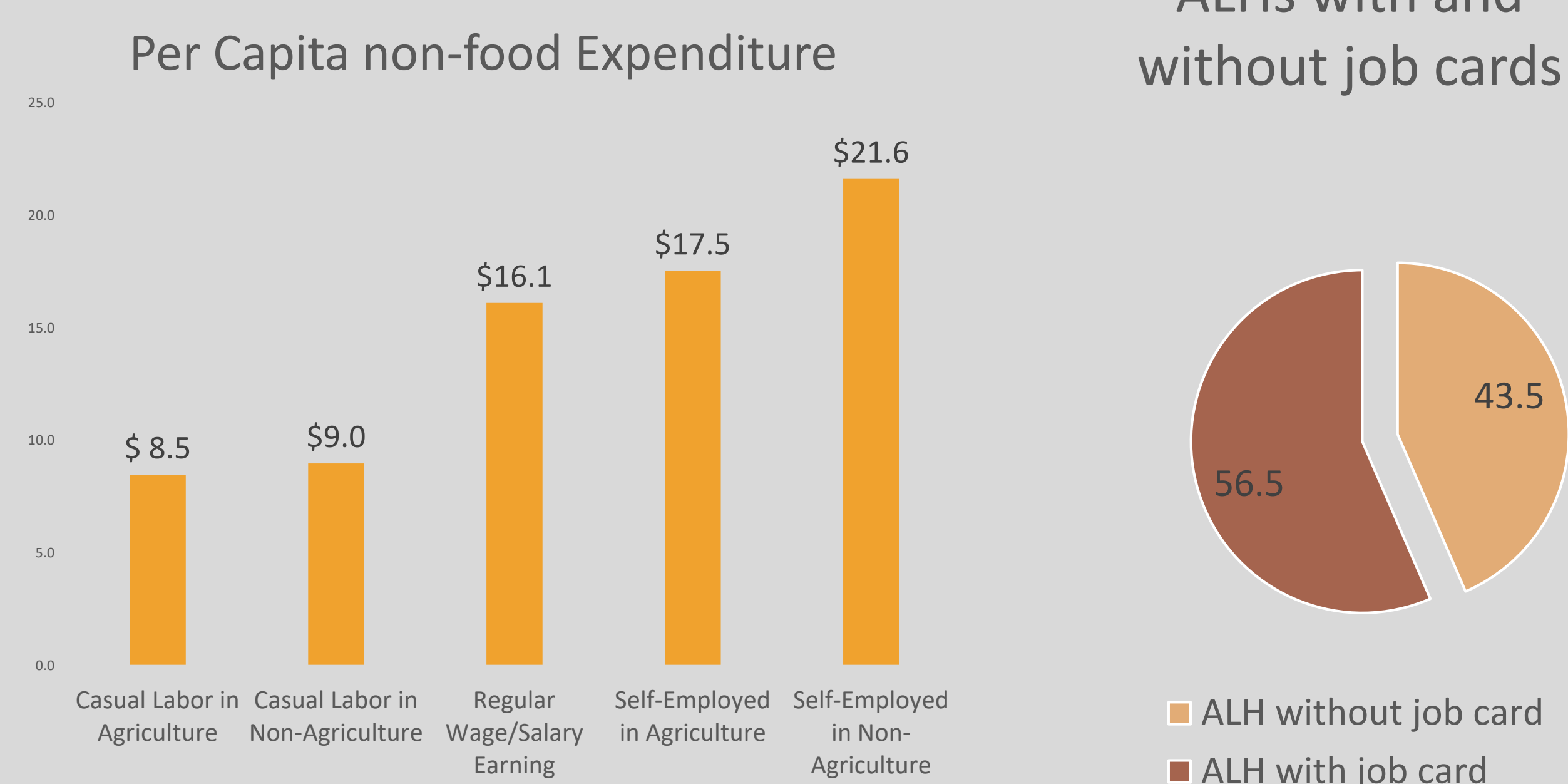
Willingness to participate may not only be driven by economic gain, but also by welfare gain from the social context.

This may affect the program outreach among the poor.

We examine:

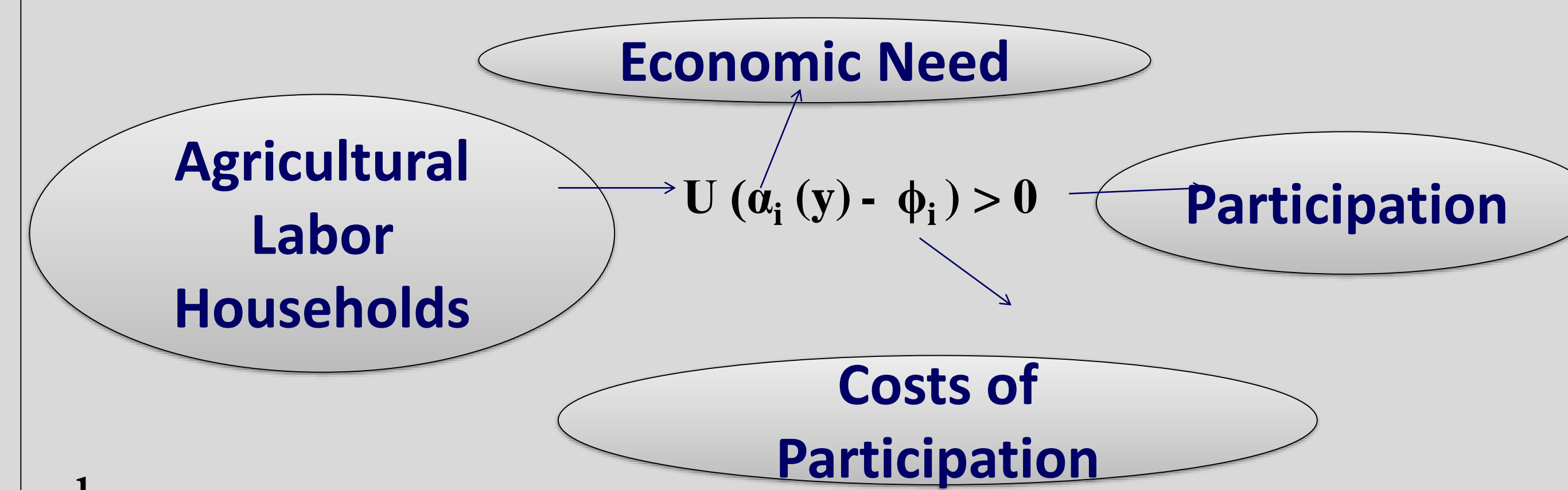
- Welfare gains and cost of participation
- Labor constraints
- Social norms
- Economic need

Motivation



Theoretical Framework

A household will decide to participate if



where,
y is the benefits from participating in the program

Given y, if $\alpha_i > \phi_i$, the household will decide to obtain job card under the program (1).

Thus, we estimate odds of participation with the following specification

$$P_i = \alpha_i \beta + X_i \gamma + u_i$$

where,
 X_i is a vector of variables (and γ is a vector of odds ratios associated with them) representing the cost of participating in the program (ϕ_i) of the i th household.

Identification Strategy

Endogeneity between participation in the program and consumption expenditure.

For poor households, wages are more likely to get reflected in food expenditure.

We assume Engel curve holds for poor households in India.

We have taken per capita non-food expenditure as a proxy for economic need.

Data

Source: National Sample Survey of India 68th Round

Sample size: 4750 agricultural labor households

Coverage of data – 20 States of India

Data collection – July 2011 – June 2012

Data published – January 2014

Selected Variables

Economic Need: Per capita non-food expenditure

Social Status: Caste hierarchy (base: Upper Castes)

Education of the head of the household (base – Illiterate)

Labor Constraints: Child rearing responsibilities

Domestic duties

Reference:

(1). Bjorklund, A. and R. Moffitt (1987), "The Estimation of Wage Gains and Welfare Gains in Self-Selection Models", The Review of Economics and Statistics, Vol. 69, No. 1, PP: 42-49.

Regression Results

Dependent Variable: Odds of Participation

Variables	Odds Ratio	Std. Err.	P- Value
Caste Hierarchy	1.348	.081	0.000
Female HH	0.782	0.073	0.009
Child Rearing Responsibilities	0.696	0.074	0.001
Education of the HH			
Below Primary	1.050	0.089	0.571
Primary & Middle	1.064	0.078	0.397
Secondary and Above	0.673	0.084	0.001
Domestic Duties	0.412	0.072	0.000
Regular Employment	0.189	0.096	0.001
Per Capita Non-food Expenditure	0.999	0.000	0.001
Constant	1.627	0.124	0.000

Concluding Observations

Individual level regression has shown that **women are significantly less likely to participate in the program**. This requires further exploration as there exists large variation in women participation across States of India.

Based on preliminary empirical results provided, we argue that the non-participation of agricultural labor households in the employment program is also driven by **welfare gains and cost of participation**.

While the welfare gains are derived from the social context, the cost of participation emanates from various types of labor constraints faced by the poor households.

Thus, the program reaches out to the income maximizing households, however, it does not reach to the welfare maximizing poor households through self-selection.

Contact information

Rakhe P. Balachandran: rbalac2@lsu.edu

Maria Bampasidou: mbampasidou@agcenter.lsu.edu

