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# MG-NREGA

- Legislative Act: rights based
- Decentralized: giving centrality to community decision making bodies
- Centrally supported: administration & budget
- Inclusive: women and deprived casts, tribes, groups
- Guaranteed: the program sets the wage floor
- Wage: pay at state minimum wage, which have increased in parallel
- Integrated: attempts to reduce the costs of working the poor may face (work site amenities)

# MG-NREGA

- Impressive achievements on:
  - Program growth
  - Female participation
- Not a clear cut, but there is progress in achieving:
  - Control on corruption
  - Poverty reduction
  - Program wages actually paid
  - Wages actually paid to women
  - Reducing stress migration
  - Good quality of assets
  - Increase in local wages
  - Increase in food intake, education & health expenditures

# Work Programs are valuable

- Increase household income (wage payment)
- Provide self-esteem
- Build skills
- Reduce the power of elites in local labor markets, hence enhance efficiency
- Contribute useful assets
- Amount to a social process in which development institutions are built

# Economic “ex-ante” evaluation

- What are the short-term macro-economic consequences?
- What are the long-term macro-economic consequences?
- What are the direct and indirect employment consequences?
- What are the distribution consequences?
- What negative price effects there might be?
- How good are these programs as short-term pro-poor policies?

# What are the short-term macro-economic consequences?

- A SAM based model estimates: a 0.6 % increase in government expenditures fully financed with taxes increases GDP by 0.4%. A Keynesian balanced budget multiplier.
- Tax rates need to increase by 2 percent, manageable
- Consumption of richest and rich households, which means increased forced savings, decreases by about -2% and 0.5%

FIGURE 4.2 THE IMPACT OF THE RURAL EMPLOYMENT ACT ON RURAL AND URBAN HOUSEHOLD WELFARE (PERCENT CHANGE)

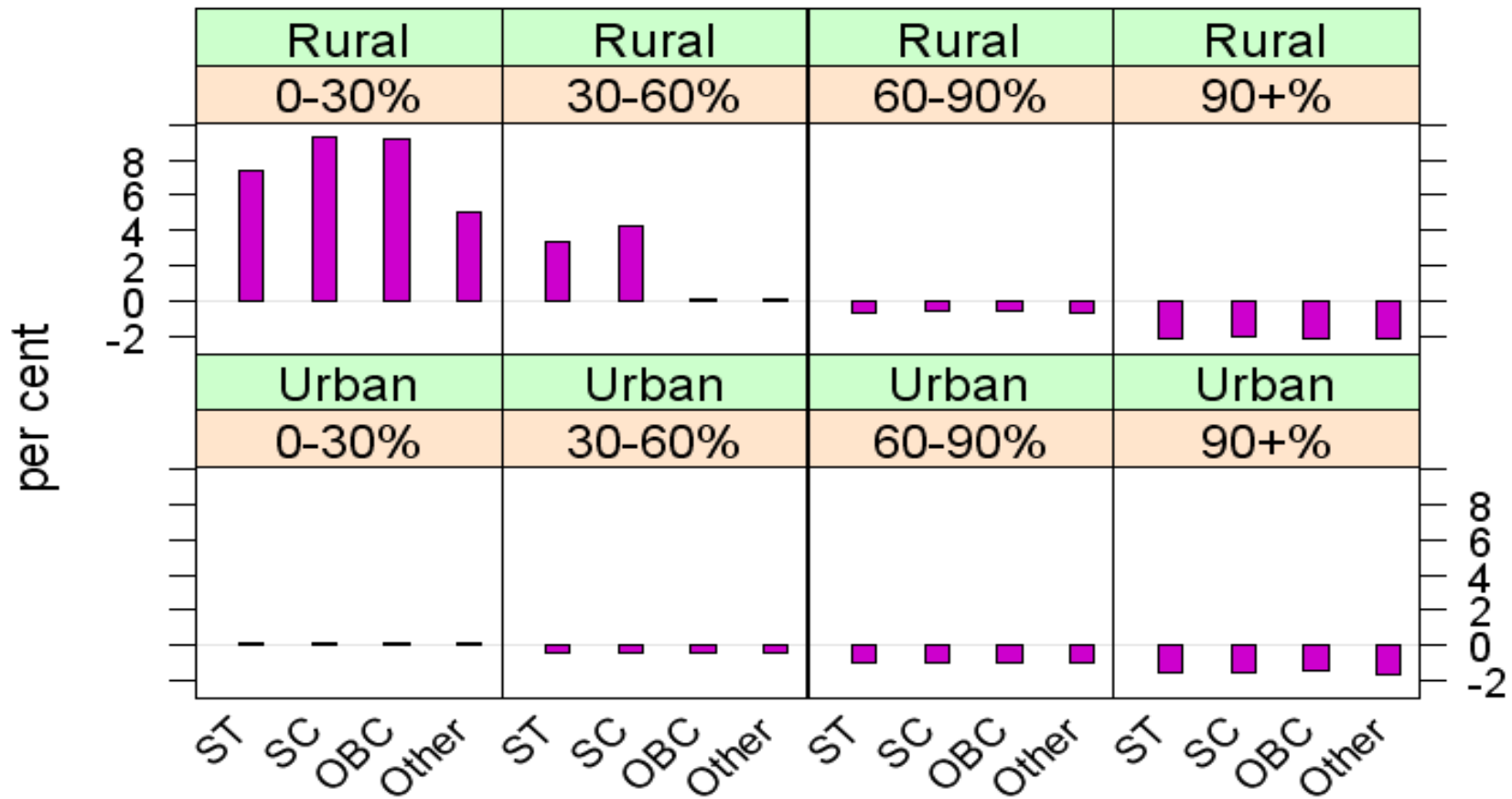
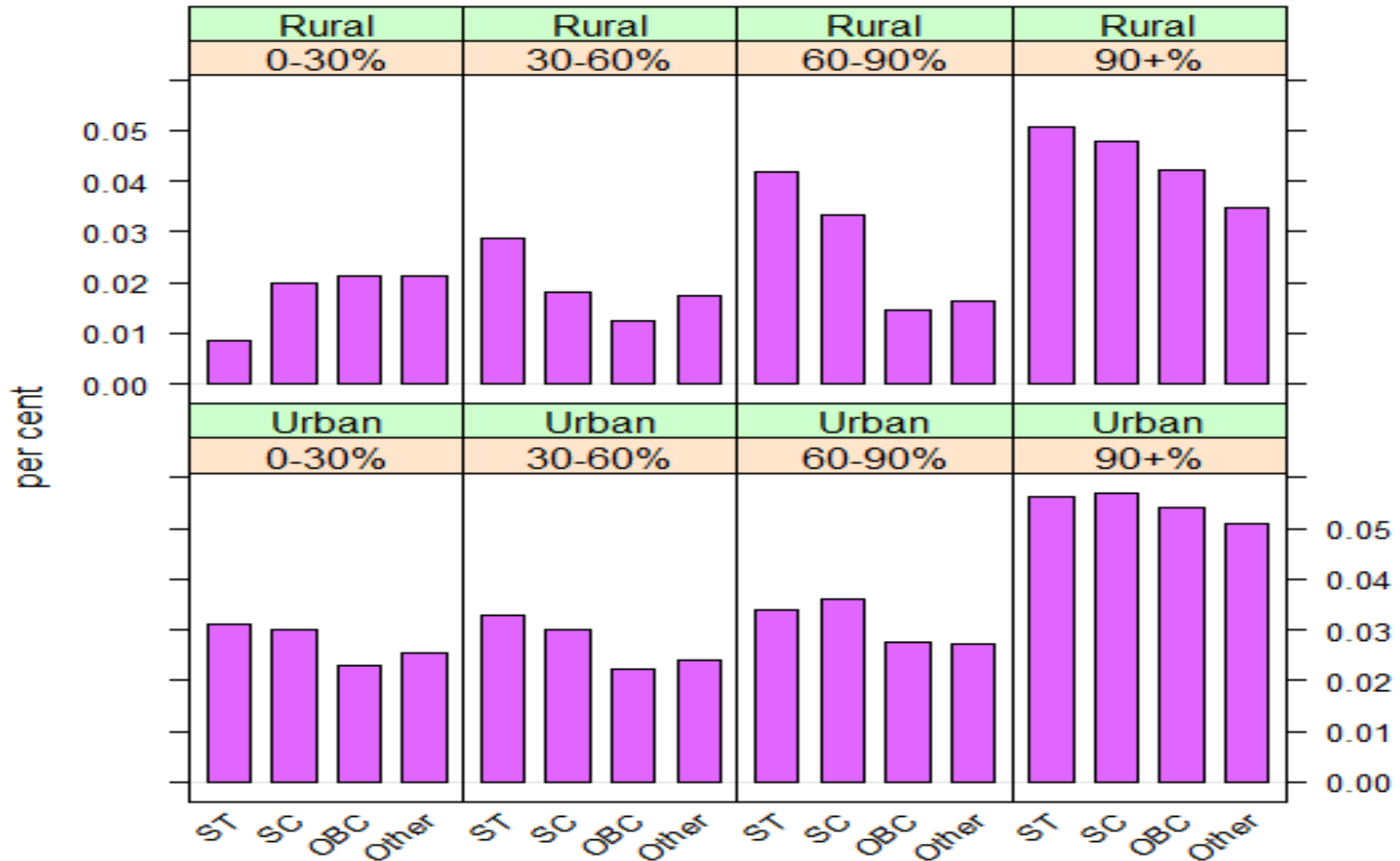


FIGURE 5.2 THE IMPACT OF RISING LAND PRODUCTIVITY ON HOUSEHOLD WELFARE (PERCENT CHANGE)





# What are the long-term macro-economic consequences?

The long term consequences can be addressed by analyzing the expected increase in agriculture productivity.

- A 1.5% increase in productivity:
- Increases GDP by 0.005%
- Poor's welfare by 0.02%
- Rich's welfare by 0.04-0.05%
- (direct consequence of land concentration)

# What are the direct and indirect employment consequences?

- Concerns:
  - Substitute market jobs (forgone income/ inefficiencies)
  - Disrupt markets (unduly rise wages / labor scarcities)
- Findings:
  - On the aggregate, no labor pool (o 24) is exhausted
  - Employment creation has pro-poor labor effects
  - Rise in land productivity concentrating labor effects

FIGURE 5.6 THE IMPACT OF RISING LAND PRODUCTIVITY ON LABOR INCOME  
(AGGREGATED PERCENT CHANGE)

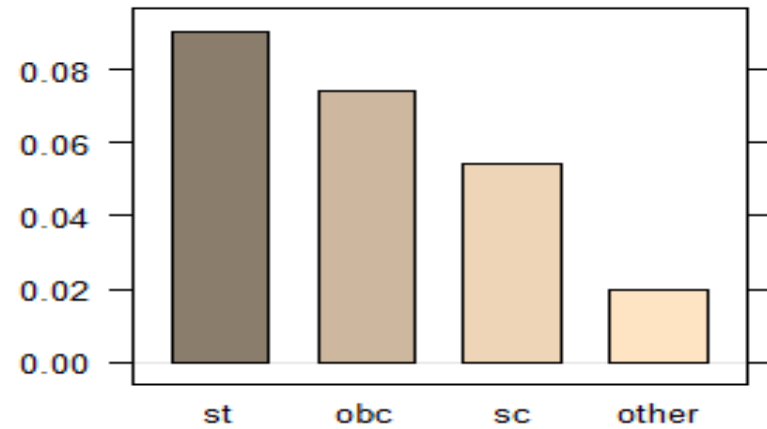
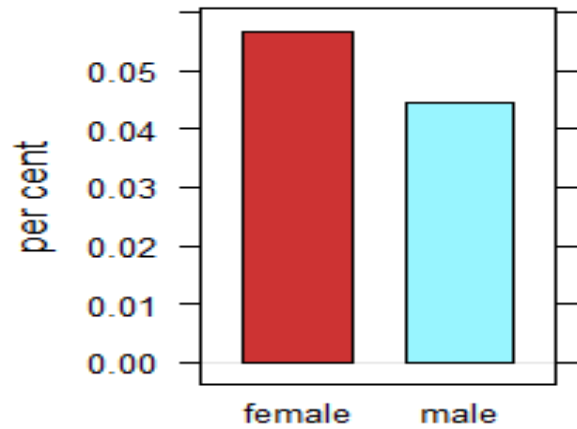
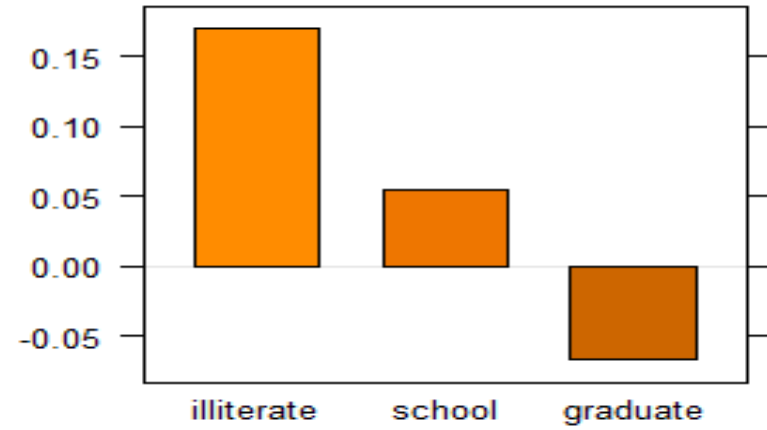
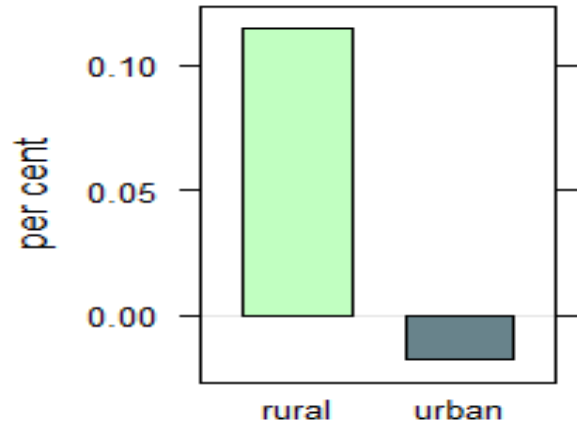
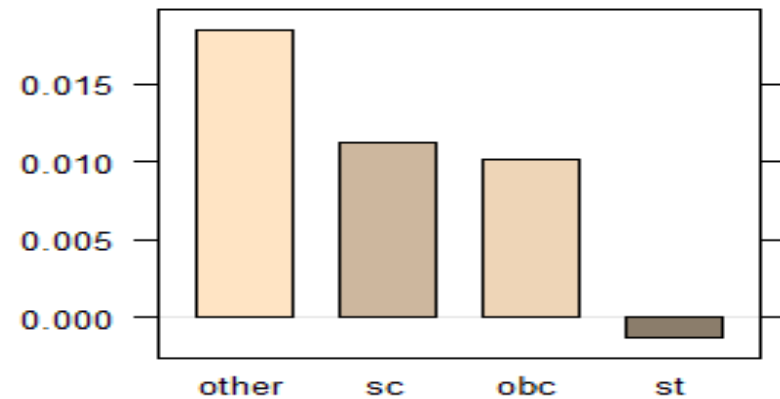
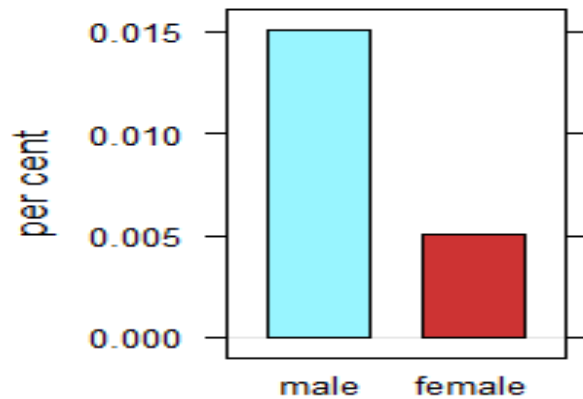
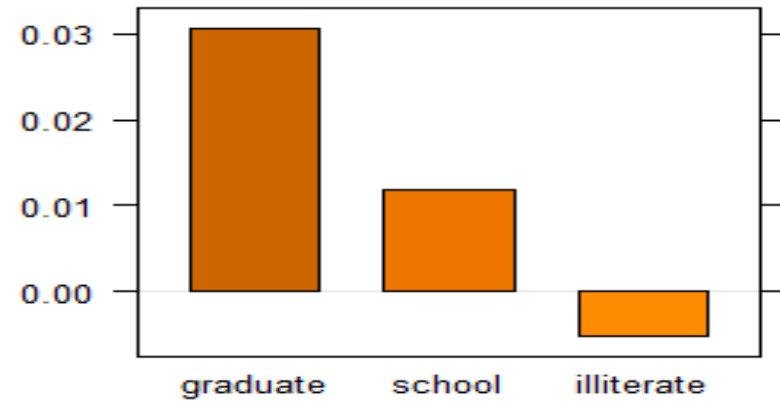
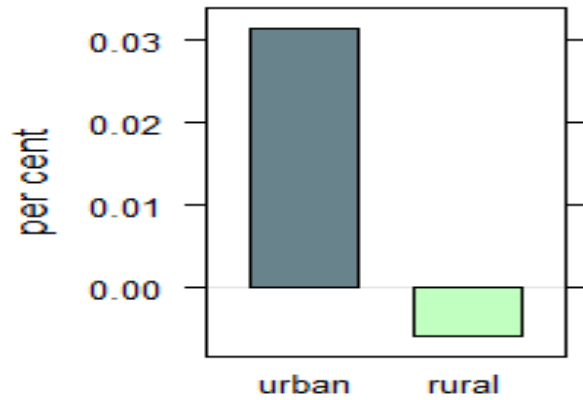


FIGURE 5.6 THE IMPACT OF RISING LAND PRODUCTIVITY ON LABOR INCOME  
(AGGREGATED PERCENT CHANGE)



# What are the distribution consequences?

- Act's employment creation has pro-poor redistributive effects
- Rise of land productivity increases welfare for all groups
- Rise of land productivity worsens distribution, mainly due to land concentration & unavoidable labor effects

# What negative price effects there might be?

- Act's employment creation increases prices of agriculture & food (no DD). It is a small effect, but the hike in poor's cost of living might be felt by those failed to be covered
- Rise of land productivity decreases the price of food & helps the poor
- Mix

# How good are these programs as short-term pro-poor policies?

- PW are demanding, sometimes expensive
- Comparing with a straight transfer is a good rhetoric exercise, basically playing PW-added-costs against the loss of giving-up poverty
- Exercise give mix results:
  - PW no foregone income  $>$  transfer
  - PW forgone income  $<$  transfer
  - PW forgone income land productivity  $>$  transfer

- In sum:
- What are the short-term macro-economic consequences?  
Positive, at worst not very bad
- What are the long-term macro-economic consequences?  
Important, of course. Not very powerful, but positive
- What are the direct and indirect employment consequences?  
Job creation: encouraging, virtuous  
Land productivity: inevitable challenging
- What are the distribution consequences?  
Job creation: good, reinforcing redistribution  
Land productivity: although welfare increases everywhere, distribution worsens
- What negative price effects there might be?  
Job creation: weak rise in poor's cost of living (no DD)  
Land productivity: decreases poor's cost of living forcefully
- How good are these programs as short-term pro-poor policies?  
Can outperform universal transfers, probably equivalent to a targeted transfer, but the discussion is not here.



**THANKS**