

**Chapter III  
THEORETICAL FRAMEWORK**

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3.1. Introduction:
In order to anchor this study on the effective implementation and impact of MGNREGA in Gulbarga district within a theoretical framework, the concept of Public Works Programmes (PWPs) will be used. A PWP is a government intervention to battle for unemployment, just like MGNREGA, and the questions of how a PWP affect the economic situation of the marginalized in a society, and why, will serve as the entry point for this study. Within the literature on PWPs and its optimal design and implementation, many aspects are reviewed. To be able to move beyond a superficial account of the features of PWP, the study has been limited to three aspects of PWP, that have been chosen within this overall theoretical focus. The three aspects are: the appropriate wage level of PWP, the timing of the programme and the issue of targeting PWP-participants. The aspects were chosen for their perceived importance for the general outcome of a PWP, which according to the author exceeds the importance of other aspects. Through the focus of the three aspects the work of evaluating how MGNREGA-participation is affecting the economic situation of its marginalized participants will be added, as will the work of exploring why it is affecting them in such a way will be looked in. Before reviewing the theoretical underpinnings of the wage, timing and targeting aspects separately, a brief introduction to PWPs in general is given.

3.2. Employment and Poverty Link:
Historically, economic development theory offered little guidance in regard to employment strategies and the institutional aspects of implementation. In the 1980s, strategies for reducing poverty by providing for basic needs were pursued—at best-parallel to growth-oriented concepts, or were even seen as competing with them (Streeten, 1981). Employment considerations did play a role in the development strategy debate, however, within the context of analysis of the food and agriculture sector’s key role in the development process (Mellor 1986). Since the mid-1980s, it has been recognized more and widely that (1) expanding employment is central to reducing poverty and that (2) working towards that goal via policy action means taking into consideration macroeconomic relationships, microeconomic allocation of resources, technology, and a range of institutional conditions (Todaro, 1989). It is interesting to note that many countries undergoing structural adjustment increased their employment programme for poverty reduction.
without much initial involvement of the international institutions guiding the adjustment policies (i.e. the IMF and the World Bank). This changed only to a limited extent in the early 1990s, when the long-term potential for reducing poverty through employment became more widely recognized.

It needs to be noted that wage employment programmes in general have come a long way from their historical origin as a relief works organized for the poor in emergency situations caused by natural disasters or economic depressions and crisis. These programmes are now recognized in the literature as modern instrument of general development policy, as they have shown tremendous potential to alleviate poverty as part of mainstream economic strategy (Tinbergen 1994). That is, these programmes have emerged as a tool that promotes strategic use of surplus manpower for promoting pro-poor growth leading to sustainable development (Ibid 1994). Another important point is that there is only limited understanding and agreement how to go about providing such employment. An understanding of household and family decisions is certainly one prerequisite, as comprehensively demonstrated in more general contexts of development and food policy by Strauss and Thomas (1994) and by Haddad (1994). Another prerequisite is an understanding of the dynamics of labour markets under different macroeconomic conditions.

As regards linkages to development oriented employment policies, they may be both short and long-term linkages, which may function by way of creation of assets that benefit the poor and by raising the productivity of the poor through education, public health and other human-resource related measures. Another point is that the employment policies ‘should not be viewed as alternatives to social security policies for the vulnerable, but as complements to policies in support of non-employable population segments, such as children, the elderly, and the disabled (Ahmed et al., 1991).

The labour-intensive employment programmes have both transfer benefits and stabilisation benefits, decreasing the risk of consumption shortfalls among the poor (Ravallion 1990). Of course, both resources and effective management are required to generate these food security benefits (Kinsey 1987).
3.3. Framework in the Context of the Present Research:

The framework for purpose of present research calls for a clear understanding of the concept of ‘Employment generation programmes’ in the wider context of ‘development planning’. We will accordingly first look at the conceptual issues relating to public work programmes and then go for a quick review of the theoretical framework to be made use of for drawing conclusions and analyzing the outcome of our research in the study area.

3.4. Introduction to Public Works Programmes (PWPs):

Public Works Programme (PWP) is a programme where employment in creating public goods is offered by the state to those who are unable to find other employment, in order to provide a social safety net. The wage is set at a fixed level and can be in either cash or kind. PWP can be implemented in a number of different ways with specific desired outcomes, such as short-term employment to offset shocks, longer term government employment programmes to battle chronic unemployment and poverty, labour intensification programmes to increase labour opportunities or programmes that promote employability when the reason for unemployment is due to lack of appropriate skills (McCord 2008:2). The MGNREGA falls under the category of a longer term government employment programme, which therefore will be the PWP type in focus of this study. In such a programme, the state resumes the role of an ‘employer of last resort’ (ELR) as it by increased government expenditure steps into employ those who otherwise would be unemployed (McCord 2008:3). The rationale for such an-often costly-government undertaking may vary from programme to programme, but includes features of wanting to transfer benefits to the poor, stabilize the consumption pattern for the poor throughout the year, help build up infrastructure and create durable assets that can benefit the poor (Subbarao, 2003:3).

PWPs have been used as a policy tool to promote both macroeconomic stability and social protection ever since the 17th century, and gained increasing importance after the Great Depression and the following “New Deal” programmes in USA (Kaboub, 2007:2-3). As will be discussed in the background chapter, MGNREGA has the twofold aim of being a social safety net for the rural poor of India as well as creating durable assets for the future, where the state has stepped in as an employer of last resort. As such, the concept of PWP will serve as the theoretical underpinning of this study.
through which the study will attempt to research how MGNREGA is living up to its role as PWP in Gulbarga district.

3.5. The Appropriate Wage Level:

The wage level of PWP has a large effect on the outcome of the programme, and it is therefore necessary to set the wage at ‘the right level’ for the desired outcomes to be reached. Subbarao (1997: 679-680) argues that this ‘right level’ is when the wage is set to be slightly lower than the ruling market wage for casual labour—even if this is lower than the statutory minimum wage. Keeping the wage level low will ensure that only truly poor will be attracted by the programme—preventing that the benefits are hijacked by the non-poor—as well as serves to keep to total number of participants low. If the wage level was higher, more people would be interested to participate, increasing the probability of people having to be rationed away from the programme. An interesting example of this can be found in MGNREGA’s predecessor, the Employment Guarantee Programme (EGS) in Maharashtra. This programme set its wage at the legal minimum wage which at the initial phase of the programme was lower than the market wage for casual labour, but when the minimum wage was doubled in Maharashtra in1988, so was the programme wage. Due to the increased costs, the number of person days generated by the programme shrank dramatically, leading to higher rationing among participants - essentially eroding the work guarantee (Subbarao, 2003:6-7). However, Lipton (1996: 45) urges to be cautious when it comes to classifying either a high or a low wage level as the most pro-poor, as the answer is highly context- specific. A too low wage level might lead to that the ‘poor but proud’ sections of a society chose to rather go hungry than to participate in what is perceived to be a undignified programme—as was the case of the English Poor Law workhouses after 1834 (Lipton 1996: 48). Also, if the programme wage is very low, no or few workers will come and those who do will be the weakest and least competent workers. When that is the case, the ‘durable assets’ that PWPs aim to create, will most probably not be satisfactorily made and yield few benefits for the society (Lipton, 1996: 49). An additional aspect of setting the programme wage too low is that it would lower the bargaining power of the workers, making it difficult for them to move out of the programme. As such, the government would not save money from the low wage rate as the size of the programme would remain the same, keeping the public expenditure towards the programme high (Ravallion, 1987:20).
3.6. The Timing of the Programme:

The next feature of PWP is designs that affect the outcome that is the timing of the programme; when should the public works be offered? Subbarao (1997:680, 2003:13) argues that the public works should be available during the agricultural slack season, when other employment is scarce. To be able to work during the slack season would lead to stabilization benefits for poor households’ spending, smoothing the consumption throughout the year. If work instead is synchronized with the busy agricultural time, less people would be able to participate in the programme, decreasing the benefits of the programme. Ravallion (1987:17) on the other hand, argues that letting public works be available during the agricultural peak-season would benefit the poor, as the competition between the programme works and the private works would drive up the wages. According to Ravallion (1987:39), the increased wages and higher transfer benefits to the poor outweigh the stabilization effects that lack-season works provide as stabilization effects can be reached more effectively with other anti-poverty measures. Furthermore, Ravallion (1987: 19) sees an additional problem with offering work during the slack season, as it could encourage people to stay in the village during that time instead of looking for productive, private work elsewhere. As such, the Programme itself is creating a dependency for the poor at the same time as keeping the public expenditure high.

As with the wage level discussion, there is no conclusive argument on how to design PWP when it comes to the timing aspect, but the opinions diverge. It is the aim of this study to consider these aspects in relation to MGNREGA and the respondents, in order to contribute to this ongoing discussion.

3.7. The Self-Targeting Aspect in Relation to Created Assets:

The last aspect of PWPs that this study will focus on is how the outcomes of the so called “self-targeting” mechanism affect the outcome of the whole PWP. Self-targeting is the most common way of selecting the participants for PWP, which is facilitated by the PWP’s demand for hard manual labour in return for a low wage. When self-targeting is used the gains of participating is designed to be so low that only the poor-which is the target group-would be willing to participate (Lipton, 1996:42). The benefits of self-targeting is that when people chose themselves to join or not, it lowers costs for the implementing agency as is does not need to spend resources neither on inviting the intended target group to the
programme nor on trying to exclude others (Imai 2007: 100). On the other hand, self-targeting might also exclude some people in need of the programme from the programme benefits, as many poor people are not able to do manual labour. Furthermore, if self-targeting is done by lowering programme wage (to make it less attractive to non-poor), it might water down the development initiative as low wages lead to low bargaining power for the poor (Ravallion, 1987: 20).

The success of a self-targeting mechanism is based on two criteria: that only the poor people participate and that those same people get access to the assets and public goods that are created within the PWP. The discussion on the first part-the accuracy of self-targeting - is widespread, both in connection to MGNREGA and its predecessor EGS in Maharashtra (see for example Jha et al., 2009 and Imai 2007). However, as the data at hand for the current study is not suitable for such an investigation it will not be the focus, but instead the study will attempt to discern what the outcome of the self-targeting mechanism has been in relation to the second criteria. This will be done through

Investigating to what extent the MGNREGA-participants are gaining access to the durable assets that are supposed to be produced within the programme. According to Lipton (1996:43), this is a very important feature of a PWP, as gaining access to such assets is the only way the PWP has the potential to lift the poor out of poverty, more so than the actual cash-transfer. Imai (2007) agrees with this notion, as his study finds that self-targeting has a greater potential to battle poverty than other targeting- measurements, if it ensures that the poor participants are those gaining access to the created assets. As such, this study will investigate what effects the self-targeting mechanism has had on the outcome of MGNREGA, by establishing to what extent the respondents of MGNREGA-participants in Gulbarga District can access the assets that the public works they do is suppose to generate. If the poor people within the Programme are getting access to useful assets, it would be a sign of a successful outcome of the self-targeting. However, if the poor participants are not getting this access, it severally limits the potential of MGNREGA to have an effect on their economic situation, in accordance with Lipton’s (1996:43) notion that the cash-transfer alone cannot lift people out of poverty.
3.8. Conclusion:

The theoretical debate on PWPs show that in order to operationalize a study of the effects of MGNREGA, the aspects of what was the wage level looks like in the field, how the timing of the works are planned and implemented, and whether the poor gain access to the created assets or not, all need to be addressed. By analyzing field level data on these aspects, this study will attempt to shed light on how the wage, timing and outcome of self-targeting has affected impact of MGNREGA on the respondents in the study area.