RESEARCH OUTLINE

Ananyo Brahma

UC Santa Cruz

QUESTION

- Rural economies in developing countries have large surplus labor (Lewis, 1954)

- Recent empirical evidence from India shows a high amount of slack in village labor markets (Breza, Kaur, and Shamdasani, 2021)

- Workers prefer jobs at the market wage over unemployment or self-employment (Breza, Kaur, and Shamdasani, 2021)

- Does better connectivity help lower self-employment (or disguised unemployment)?

POSITIONING

- Rural roads in India:
    - Induced some households to move out of agriculture (Asher and Novosad, 2020; Shamdasani, 2021)
    - Some households increased adoption of modern agricultural technologies and increased hired-labor use (Shamdasini, 2021; Aggarwal, 2020)
- Effect on self-employment is unclear
- In economies with high slack, does increased spatial integration of labor markets through better connectivity increase wage employment outside the household?

METHODOLOGY

- Examine this in the context of a large national rural road program that connected previously unconnected habitations
- Analyze the effects at a local labor market level (district)

$$Y_{it} = \beta \times Road_{it} + \gamma_s + \alpha_t + \epsilon_{it}$$

- **Treatment**: Share of population exposed to roads (Aggarwal, 2020)
- **Outcomes**:
  1. Extensive margin: Share of self-employment
  2. Intensive margin: Share of hours worked for wage employment

DATA

1. National Sample Survey (Employment & Unemployment)
   - Household level survey
   - Information on activity status and nature of employment
   - Information on district of residence
2. Time Use Survey
3. PMGSY data on new roads (at the village level)

NEXT STEPS AND HURDLES

- **Next steps**: Clean and merge all datasets together
- **Hurdle**: Data aggregation to district level necessary