



INCLUSION THROUGH MGNREGA: THE CHALLENGES AHEAD

Prof. Sivasankaraiah* **T.Venkata Rami Reddy****

**Chairman, Board of Studies, Head, Department of Economics, S.K.University, Anantapuramu.*

***Research Scholar, Dept. of Economics S. K. University, Anantapuramu.*

Introduction

In a rustic agricultural labour surplus country, most of rural population depends on the earnings they get through unskilled, casual, manual work. They are vulnerable to the possibility of sinking from transitory to unremitting poverty in the event of inadequate labour demand or in the face of unpredictable crises that may be general in nature, like natural disasters or personal, like ill-health, all of which adversely impact their employment opportunities. In the context of poverty and unemployment, work procurement programmes have been important programme interventions in developed as well as developing countries for many years. These programmes typically provide unskilled manual workers with short term employment on public works such as irrigation infrastructure, forestation, soil conservation and road construction. The rationale for workfare programmes rests on some basic considerations. The programmes provide income transfers to poor households during critical times and therefore enable consumption smoothing specially during slack agricultural seasons or years. In countries with high unemployment rates, transfer benefits from workfare programmes can prevent poverty from worsening, especially during lean periods. Durable assets that these programmes may create have the potential to generate a second round of employment benefits as necessary infrastructure is developed. The need to evolve a mechanism to supplement existing livelihood sources in rural areas was recognized early during planning in India.

A developing economy like India is often characterized by a labour market with demand and supply of labour and a wage that even if competitively determined may not be adequate for the poor household to reach their target income; what they consider as means of a decent living. Envisaging situations like these, the Indian government has implemented the National Rural Employment Guarantee Act (MGNREGA) in recent past, to complement the income of the poor by providing them employment for certain number of labour days in a year. Consider the scenario where there exists a labour market with demand and supply of labour and a wage rate. Even if the wage is competitively determined, it may not be adequate for the poor household to reach their target income; what they consider as means of a decent living for their households.

MGNREGA is supposed to alleviate rural poverty, but the operational dimensions of the MGNREGA have been subject to much debate regarding the efficacy and targeting of the Act. There has been considerable discussion on whether the employment has been successfully targeted to the poor, or there are leakages to those above the poverty line. The most detailed evaluation so far has been undertaken by Dreze and Khera (2009), covering six states in 2007-08.

Objectives

This paper seeks to critically examine the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) as a legal framework for guaranteeing basic livelihood security and economic development to rural households. The main concern of the paper is to examine the design and policy innovations for rural development and the extent to which they facilitate the fulfillment of the objectives of the Act. The issues discussed in the context of MGNREGA as a rights-based law may be pertinent to policy formulation in other development contexts. In examining the rights-based development homework of MGNREGA, the following points arise:

- (a) The rights to be recognized.
- (b) Process and feasibility for realizing them.
- (c) Obligations of processes upon the State and the citizen.
- (d) Challenges in implementing programmes.

The key questions are whether the MGNREGA can have fruitful impact on poverty; raise private sector wages and overall employment for rural labour force. Will it lead to higher aggregate production? The answers essentially lie in how the labour supply schedule available to large land holders in agriculture react to the opposing effects of the MGNREGA. On the one hand, the MGNREGA scheme provides an alternative source of employment and which may lead to a reduction in the pool of workers available for private employer in a particular year and also the potential contestability effect of the MGNREGA in terms of higher wage reduces the demand for labour in private employment; on the other hand, there is positive effect in terms of higher productivity in agriculture (Mukherjee, Diganta and Uday Bhanu Sinha, 2010).

Rationale of Workfare Programmes

A majority of the poor in rural areas of the country depend mainly on the wages they earn through unskilled, casual, manual



labour. They are often on threshold levels of subsistence and are vulnerable to the possibility of sinking from transient to chronic poverty. Inadequate labour demand or unpredictable crises that may be general in nature, like natural disaster or personal like ill health, all adversely impact their employment opportunities. In a context of poverty & unemployment, workfare programmes have been important interventions in developed as well as developing countries for many years. These programmes typically provide unskilled manual workers with short-term employment on public works such as, irrigation infrastructure, reforestation, soil conservation and road construction. The rationale for workfare programmes rests on some basic considerations. The programmes provide income transfers to poor households during critical times and also enable consumption smoothing, especially during slack agricultural seasons or years. In countries with high unemployment rates, transfer benefits from workfare programmes can prevent poverty from worsening, particularly during lean periods. Durable assets that these programmes may create have the potential to generate second-round employment benefits as needed infrastructure is developed.

Workfare Programs in India

The need to evolve a mechanism to supplement existing livelihood sources in rural areas was recognized early in development planning in India. The Government implemented workfare programmes that offered wage employment on public works at minimum wages. The wage employment programmes started as pilot projects in the form of Rural Manpower (RMP) [1960-61], Crash Scheme for Rural Employment (CRSE) [1971-72], Pilot Intensive Rural Employment Programme (PIREP) [1972], Small farmers Development Agency (SFDA), Marginal Farmers & Agricultural Labour Scheme (MFAL) to MGNREGA - Giving a statutory framework to wage employment programmes. Based on the experience of these programmes, the National Rural Employment Guarantee Act (MGNREGA) was enacted to reinforce the commitment towards livelihood security in rural areas. The Act was notified on 7th September 2005. The significance of MGNREGA lies in the fact that it creates a right-based framework for wage employment programmes and makes the Government legally accountable for providing employment to those who ask for it. In this way, the legislation goes beyond providing a social safety net towards guaranteeing the right to employment.

MGNREGA Coverage

The National Rural Employment Guarantee Act (MGNREGA) aims at enhancing the livelihood security of the people in rural areas by guaranteeing hundred days of wage employment in a financial year, to a rural household whose members volunteer to do unskilled manual work. The objective of the Act is to create durable assets and strengthen the livelihood resource base of the rural poor. The choice of works suggested in the Act address causes of chronic poverty like drought, deforestation, soil erosion, so that the process of employment generation is on a sustainable basis works suggested in the Act addresses causes of chronic poverty like drought, deforestation and soil erosion, so that the process of employment generation is maintained on a sustainable basis.

The Act is applicable to areas notified by the Central Government and will cover the whole country within 5 years of its notification. In its first phase, it was notified in 200 districts across the country. The salient features of the Act are summarized below:

1. Adult members of a rural household may apply for employment if they are willing to do unskilled manual work.
2. Such a household will have to apply for registration to the local Gram Panchayat, in writing, or orally.
3. The Gram Panchayat after due verification will issue a Job Card to the household as a whole. The Job Card will bear the photograph of all adult members of the household willing to work under MGNREGA. The Job Card with photograph is free of cost.
4. A Job Card holding household may submit a written application for employment to the gram Panchayat stating the time and duration for which work is sought. The minimum days of employment have to be fifteen.
5. The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates.
6. Employment will be given within 15 days of application for work by an employment seeker.
7. If employment is not provided within 15 days, daily unemployment allowance, in cash has to be paid. Liability of payment of unemployment allowance is of the States.
8. At least one-third of persons to whom work is allotted have to be women.
9. Wages are to be paid according to minimum wages as prescribed under the Minimum Wages Act 1948 for agricultural labourers in the State, unless the Centre notifies a wage rate which will not be less than Rs. 60/- per day.
10. Disbursement of wages has to be done on weekly basis and not beyond a fortnight.
11. Panchayat Raj Institutions [PRIs] have a principal role in planning and implementation of works under the Scheme.
12. Each district has to prepare a shelf of projects. The selected works to provide employment are to be selected from



the list of permissible works. The different categories of permissible works are as follows:

- Water Conservation
- Drought Proofing (including plantation and forestation)
- Flood Protection
- Land Development
- Minor Irrigation, horticulture and land development on
- The land of SC/ST/ -BPL/IAY and
- Land reform beneficiaries
- Rural connectivity

The shelf of projects has to be prepared on the basis of priority assigned by Gram Sabha. At least 50% of works have to be allotted to Gram Panchayats for execution. A 60:40 wage and material ratio has to be maintained. Contractors and use of labour displacing machinery is prohibited.

13. Work should ordinarily be provided within 5 km radius of the village or else extra wages of 10% are payable.

14. Work site facilities such as creche, drinking water, and shade have to be provided

15. Social Audit has to be done by the Gram Sabha.

16. Grievance redress mechanisms have to be put in place for ensuring a responsive implementation process.

17. All accounts and records relating to the Scheme are to be made available to any person desirous of obtaining a copy of such records, on demand and after paying a specified fee.

Funding

The Central Government bears the costs on the following items:

- The entire cost of wages of unskilled manual workers.
- 75% of the cost of material, wages of skilled and semi skilled workers.
- Administrative expenses as may be determined by the Central Government, which will include inter-alia, the salary and the allowances of the Programme Officer and his supporting staff, work site facilities.
- Expenses of the National Employment Guarantee Council.

The State Government bears the costs on the following items:

- 25% of the cost of material, wages of skilled and semi skilled workers.
- Unemployment allowances payable in case the State Government cannot provide wage employment on time.
- Administrative expenses of the State Employment Guarantee Council.

Districts have dedicated accounts for MGNREGA funds. They have submitted their proposals based on clearly delineated guidelines so that funds may be distributed efficiently at each level, and adequate funds may be available to respond to demand. Under MGNREGA, fund releases are based on an appraisal of both financial and physical indicators of outcomes.

MGNREGA - A Paradigm Shift

MGNREGA marks a paradigm shift from the previous Wage Employment Programmes (WEPs). MGNREGA provides a statutory guarantee of wage employment, that is, it offers a statutory base, to wage seekers' application for employment. Employment is dependent upon the worker exercising the choice to apply for registration and obtain a Job Card, and then to exercise a choice to seek employment through a written application for the time and duration that the worker wants. The legal guarantee has to be fulfilled within the time limit prescribed and this mandate is underpinned by the provision of unemployment allowance. The Act is thus designed to offer an incentive structure to the States for providing employment as ninety percent of the cost for employment provided is borne by the Centre, and there is a concomitant disincentive for not providing employment if demanded. The States then bear the double indemnity of unemployment and the cost of unemployment allowance. Earlier wage employment programmes were allocation based. MGNREGA is not supply driven but demand driven.

Resource transfer under MGNREGA is based on the demand for employment and this provides another critical incentive to States to leverage the Act to meet the employment needs of the poor. The State Government has made the public delivery system accountable, as it envisages an Annual Report on the outcomes of MGNREGA to be presented by the Central Government to the Parliament and to the Legislature.

Amendments in the MGNREGA Act, 2005

Amendments in the Schedules in the Act were made in response to field feed back to facilitate the implementation of the Act.



These include the following

- (i) In accordance with Section 4(1) of the NREG Act, every State Govt. is required to formulate and notify a scheme for giving effect to the provisions of the Act. Some of the State Governments could not make the said Scheme within the stipulated time. The period of six months provided in Subsection (1) of Section 4 was accordingly extended from *six months to one year* by way of an amendment (Notification dated 4.1.2007).
- (ii) Schedule I to NREG Act, 2005 has been amended as under:
 - (a) Before paragraph 1, the following has been inserted:

"The scheme notified under Section 4 by all the States shall be called 'National Rural Employment Guarantee Scheme' followed by the name of the relevant State. All documents pertaining to National Rural Employment Guarantee Act must have mention of National Rural Employment Guarantee Scheme (NREGS)".
 - (b) In paragraph 1, sub-paragraph (iv) has been substituted by the following:
- (iii) Provision of irrigation facility, horticulture plantation and land development facilities owned by households belong to the Scheduled Castes and the Scheduled Tribes or to Below Poverty Line families or to beneficiaries of land reforms or to the beneficiaries under the Indira Awas Yojana of the Government of India."
- (iv) In Schedule II of the NREG Act, the number of workers required for starting a new work under the Scheme as provided in Sub-Para (a) of Para 13 has been reduced to 10 from the earlier number of at least 50 laborers.

The New Obsession

MGNREGA was originally meant for the poorest 200 districts of India, but was soon extended to the whole country after UPA returned to power in 2009. UPA's victory was ostensibly due to a rural surge in political support for the ruling dispensation thanks to the success of the scheme. But none of the radical reforms needed mainly at the local governance level were in place when the scheme was forced to go pan-India. Suddenly, Panchayats were awash with funds that they were untrained to handle, and tales of embezzlement started spinning out one by one. Not that Panchayati Raj institution was untouched by scams until then, but the MGNREGA funds altered the proportions. All of a sudden, scams involving Panchayat secretaries and Presidents in back-of-beyond hamlets started making it to the front page of national dailies printed in English. While there are no reliable figures to go by, conservative estimates has it that a Sarpanch candidate in Gram Panchayat polls spends Rs 10-15 lakh to get elected - against 2-5 lakh earlier - in the post-MGNREGA dispensation. They call it the bicycle-to Bolero syndrome, insinuating that MGNREGA has helped the Pradhan trade bicycles for a Bolero jeep (Thampi, Praveen S, 2012).

The Anantapur villagers - a snapshot from February 2011 - were ruing the fact that the number of days of employment that one could avail under MGNREGA were limited to 100 - before that cap became policy in late 2010, many households here in this parched part of India used to notch up much more than 100 days, the minimum guaranteed under the scheme (Thampi, Praveen S, 2012). So now they have to look elsewhere to eke out a livelihood during the unforbearing summer months in this dry arid zone where the only crop is groundnut. It would have been great, if the scheme could give employment for at least half a year. Some critics are complaining it as a "plain-vanilla employment generation scheme", where the assets created are of questionable quality. Such programmes should be deployed only to fend off starvation. For rural development, the government should focus on labour-intensive productive programmes.

Dent in Anti-poverty Scheme due to NREGS

An anti-poverty project to transform the lives of ultra poor families has failed to make an impact and increase the net income of the targeted families in Medak district in Andhra Pradesh at the end of four years. The project sponsored by the World Bank and the Ford Foundation was aimed at graduating 426 households from extreme poverty to a more stable state by enabling them establish micro-enterprises through regular cash flows. The households without a male earning member and having ownership of less than an acre of land were selected in 103 villages for implementing the project. On each ultra poor household around Rs.17, 860 was spent for providing microenterprise assets and imparting training. Most of the beneficiaries preferred livestock as assets. Besides asset transfer and livelihood support, it envisaged financial access and savings in the long term. But there was no significant impact of the programme on income, consumption and asset accumulation in the selected households, compared with those in the control group. In fact, half the beneficiaries were found to have sold their assets and joined the causal labour work. (Shamika Ravi, 2012).

The same programme launched in eight other countries - Pakistan, Bangladesh, Peru, Honduras, Haiti, Ethiopia, Yemen and Ghana - was successful in most other places and the income of the beneficiaries went up by 15 per cent. In India, the project did not make an impact as the rural labour market was changing in a big way with the implementation of the National Rural Employment Guarantee Scheme (NREGS). The scheme caused increase in rural wages, which in turn raised the costs for running micro-enterprises and led to their being shut down. NREGS should be designed in such a way that it would not



hinder micro-enterprise. But the disturbing trend was self-employment was coming down and casual labour going up. NREGS reduced rural migration about 70% in households that were provided work compared to those who were not. Moreover the scheme has increased the probability of savings in poor households by 9% while improving non-food consumption by 69%. But in the long-term people could not be confined to rural areas forever.

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