

# MGNREGA Reform: Fix the Holes in the Safety Net

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*That MGNREGA needs to be reformed is evident; however, what needs to change are not the basic tenets of the programme but implementation and supply-side issues that interfere with the smooth running of the programme and block benefits that provide a safety-net to the rural poor in the lean agricultural season and also to tide them through the sudden loss in livelihood opportunities.*

Gufu, a village in Torpa block, Khunti district, Jharkhand, stands out as an example of how SHG women have successfully implemented the Special Swarnajayanti Gram Swarozgar Yojana (SGSY) project, built livelihood-enhancing assets and diversified their livelihoods portfolio. Gufu is now a self-sustaining hamlet, where families have increased and stabilized their income through improved and diversified agro-horticulture practices.

On a recent visit to Gufu, two interesting facts came up. First, some of the villagers (part of the SHG families) still seek employment under MGNREGA, mostly during the lean agricultural season. And second, supply-side issues such as delays in wage payment deter many families from seeking employment under MGNREGA.

This situation clearly answers the questions on MGNREGA that have been raised recently, primarily on the 'utility' of the programme and its need and importance for the rural poor. Even in a village such as Gufu, the rural poor need the protection of a safety net during the lean agricultural season; at the same time, many of them have apprehensions about accessing the resources available through MGNREGA because of the innumerable supply-side issues.

Recent reports in the print and electronic media point to the plan of the central government to change some basic tenets of the programme. The government records on the proposed changes in MGNREGA, accessed through RTI by a group of activists, show that the government is planning to limit the programme to 200 districts, and also to change the wage-material ratio from the existing 60:40 to 51:49. The programme has also come under criticism—some of it constructive and some seeming rant.

The philosophy and history of MGNREGA needs to be touched upon before delving into questions about the 'utility' of the programme and the proposed changes. This article aims to address these questions, based on the author's field experience in Jharkhand and also draws from relevant literature and secondary evidence.

### MGNREGA—SUCCESS OR FAILURE?

During hamlet-level meetings or NREGA training events for SHG women, participants are often asked to point out the differences between public-works programmes before 2005 and post-2005. Along with the standard replies about the delay in wage payment, incomplete work, etc., in MGNREGS, many participants mention the following conditions (verbatim) that changed after MGNREGA:

- ♦ Earlier, the schemes were completely contractor-driven and workers had to stay in the good books of the contractor to get work.
- ♦ Men and women did not get equal wages.
- ♦ The working hours and wages were decided by the contractor.
- ♦ There was always a shortage of schemes.

MGNREGS has been a watershed scheme in the country's history of public welfare and citizenship. Since its inception in 2005, it has been instrumental in providing employment to lakhs of poor families in rural India. The formulation of MGNREGA is a reflection of the basic democratic values of respect, equity and justice that are ingrained in our Constitution. In a country like India, which is ridden by class, caste and power structures, a legislation of this order provides the opportunity for the poor and the weakest in the society to claim their space.

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The voice against MGNREGA, not surprisingly, is the strongest among the corporate, urban elite and the landed class.

The positive impact of the programme on reducing abject poverty, increasing local agricultural wages, and reducing distress migration has been documented by multiple studies. MGNREGA has provided a safety-net for poor and vulnerable families by providing employment-on-demand in their own *panchayat*. There are also some small-scale examples of livelihood-enhancing asset-creation through MGNREGS. Several accountability and transparency measures such as payment through banks have been added to the programme over the years, which have helped in checking the leakages in the system. The Public Evaluation of Entitlement Programmes (PEEP) survey, conducted in ten states, shows a visible reduction in corrupt practices such as fudging of records after the introduction of these transparency measures. The 'process' aspects of MGNREGA such as *gram sabha* strengthening, greater participation of women in democratic forums, etc., as pointed out by Dreze, also need to be acknowledged.

At the same time, the PEEP survey points to a steady decline in employment levels over the last few years. Direct observation in Jharkhand indicates a significant reduction in the participation of rural workers in the programme. There is growing discourse that the demand for work is decreasing because the needs of rural India are changing. The question that needs to be asked is whether participation has decreased due to the changing aspirations of rural India or the poor response of the supply side over the years. Several implementation issues such as delays in

wage payment, the complexity of the payment process and the lack of accountability of frontline functionaries have come to the fore, over the last nine years of the programme's existence.

The performance of MGNREGS has not been uniform across the country. Broadly, some states such as Kerala and Tamil Nadu have performed reasonably well whereas states such as Bihar and Jharkhand have struggled with the implementation. At the same time, there are pockets of 'good-performance' even within these states. Important, therefore, is an understanding of why states such as Jharkhand have struggled with the implementation of the programme.

### HOLES IN THE SAFETY-NET

A visit across any district of Jharkhand shows that a large number of people rely on MGNREGS for work during the lean agricultural season. This is the only source of income for most of them during that period. The recent *Kaam Mango Abhiyan* in six pilot districts has shown that there is a large demand for public-works programmes, and the demand for work often goes unmet.

Over the years, MGNREGS has definitely thrown some light on the institutional capacity of the states to implement and monitor large-scale public welfare programmes. A recent study has shown that there is a large unmet demand for work, and one of the primary reasons for this is the weak institutional capacity of poor states. In states such as Jharkhand, Bihar and UP, where the state capacity to implement and monitor is quite weak, the programme has not performed as well as it has in states such

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as Andhra Pradesh and Kerala. In Jharkhand, the workers are actually at the mercy of frontline functionaries such as the *rozgar sewak* and the mate.

One of the striking examples of weak institutional capacity is the delay in measurement verification that often leads to a delay in payment of wages. In the current system, the physical progress of the work has to be

verified by a Junior Engineer (JE) before the wage-list is issued by the block administration. In Jharkhand, there is a serious shortage of JEs in the blocks, leading to delays in measurement verification and, hence, delays in the wage payment. Each JE in the state has to support five or six *panchayats* and, consequently, the verification is never on time. Similarly, there is also a lack of Management Information System (MIS) operators, which affects the implementation because the programme is heavily MIS-dependant. Mihir Shah, in a recent article, has pointed out that the success of the programme depends on the institutional capacity of the primary implementing body, that is, the *gram panchayat*.

Since inception, an area of concern has been the lack of accountability at all levels of implementation. A classic example is the attitude and the work ethics of the JEs. The JEs play hard to get and often have to be paid by the mate for each cycle of verification. The key lies in devolving a measurement verification process to the *panchayats*. Some states have already started appointing barefoot engineers at the *panchayat*-level, who are more accountable to the *panchayats* and the villagers, and help in accelerating the verification process.

Even though MGNREGA has a number of institutional mechanisms for checking corruption and ensuring accountability, a major challenge has been to make these mechanisms operational and to simplify the process of redressing grievances. In Jharkhand, there are some successful cases of workers receiving compensation for not getting their entitlements. These instances, however, are few in number and clearly point to the weak institutional capability of the state in monitoring the programme.

Other supply-side constraints are the limited outreach, poor infrastructure and lack of accountability of the financial service providers, especially post offices. Post offices are often a source of delay in wage payments due to a lack of infrastructure for online banking. Also, observations suggest that post offices are a major source of leakage because the postal employees are often hand-in-glove with middlemen.

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Many backward blocks in Jharkhand are still serviced by post offices. The government has introduced the electronic fund management system (eFMS) and the Aadhaar-based payment system; these have not been able to speed up the payment process, however, because the basic issues of inadequate financial inclusion, poor infrastructure and connectivity remain unresolved. Even nine

years after the programme's inception, the financial inclusion of workers and outreach and accountability of the financial service providers remain challenges.

And because wage payment is irregular in nature and the workers do not have any way of knowing whether their accounts have been credited with their wages, they have to make multiple trips to the banks/post offices. Workers often hand over their job cards and passbooks to the mates/middle-men just to avoid making multiple trips to banks/post offices for wages. These trips and the practice



Villagers protest against the MGNREGA payment issue in Hatgamharia block in West Singhbhum district

of involving middlemen have led to considerable transaction costs. Many workers have dropped out of MGNREGS over the last few years due to the high transaction costs involved in wage collection. The impact of the transaction costs associated with the irregular wage payments on the reduction in participation in the programme has not received much attention from the policy-makers.

Another example of the poor state capacity is the sluggish nature of the opening of works in villages. Field experience suggests that the demand is seasonal in nature and also dynamic, in terms of the employment required. The demand for work is the highest during the lean agricultural season or the period between other livelihood activities. The current process of opening a work involves layers of technical and administrative sanctioning. Instances of lags between the need of works in villages and the opening of works are not uncommon. Several instances have been observed when workers have had to migrate due to a delay in the opening of the works. The challenge is to make the process of opening the works simple in nature.

The programme has also come under criticism for its failure to create durable assets. A systematic approach to utilize the programme for large-scale asset-creation has been missing. At the same time, however, it is not uncommon to come across *kuchcha* roads, wells and roadside plantations that have been created under the programme.

PRADAN's own experience of converging MGNREGS with an Integrated Natural Resource Management (INRM) approach in Jharkhand,

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Chhattisgarh and West Bengal have shown the possibilities of setting up livelihood-enhancing assets under the programme. These point towards the need for structural treatment that is labour-intensive in nature rather than material-intensive. The operational guidelines issued in 2013 have also broadened the type of activities that can be undertaken, providing adequate scope for the creation of livelihood-enhancing assets, based on INRM principles.

Further, the MIS data over the last few years has shown that only 27 per cent of the currently allocated 40 per cent of the total expenditure is spent on material. The evidence raises a question on the intent of the government when changing the wage-material ratio. That changing the wage-material ratio will only encourage *benami* (proxy) contractors and will actually reduce the outlay for the wages has been pointed out.

Sudha Narayanan (Assistant Professor at the Indira Gandhi Institute of Development Research Mumbai) has pointed out that a 'proof of concept' on the usefulness of MGNREGA for asset-creation already exists, and it is important to build on this and strengthen the programme further, to help marginal farmers in preserving their resource base and increasing the food production. The challenge is to include livelihood-enhancing asset-creation as an objective in the planning and implementation of the programme. The planning for works is still done on a piecemeal basis and the creation of a holistic village-development plan is missing. Also, the quality of the created asset is not being monitored effectively.

The local implementation and planning agencies (*panchayats*, blocks, etc.) do not have the technical capability to plan and implement land and water activities. The provision for a Cluster Facilitation Team (CFT), as per the 2013 operational guidelines, is definitely a step in the right direction because it aims to place a cadre of experts at the block/*panchayat* level that will support the *panchayat* and the block in planning and implementation of the programmes, ensuring the creation of livelihood-enhancing assets. The preparation of holistic village development plans, under the ongoing NRLM-MGNREGA-CFT programme, shows that *panchayats* can prepare such plans if they have adequate technical support at their disposal.

One of the biggest supply-side constraints of the programme has been the budgetary allocation, which has been steadily declining since 2010. There has been a 45 per cent reduction in funds allocation from April to September 2014, compared to the previous year. Even though the programme is supposed to be demand-driven, the recent capping of the allocation by the central government has resulted in a drastic drop in employment. Similarly, the irregular flow of funds from the centre to the states, through the fiscal year, has been a major reason for the delay in wage payments and the delay in the opening of the works with many families in the villages are without any source of income or are waiting for pending wages.

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and Arvind Pangariya have been prominent voices against MGNREGA. In one of their recent articles, they claim that there is no need for MGNREGS because the rural poor have other employment opportunities that do not involve such high transfer costs as in MGNREGS. What will be interesting to hear are the reactions to this claim from the tribal women waiting in their villages for the *rozgar sewak* and mate to initiate the work and give them employment.

#### **HOW TO ACCESS THE SAFETY NET: NEED FOR COLLECTIVIZATION**

Very often, SHG members (or someone from their families) seek work under MGNREGS during the lean agricultural season. They do not need any 'external facilitating agency' for this because, at the end of the day, they need the employment. These poorest members are usually not part of any project-based livelihood initiative. If employment for 100 days were to be assured for such women, it would help them fight poverty. At the same time, MGNREGA could become a tool for poor women to claim their space in the *gram sabhas*, *panchayats* and the state.

Even in states with weak institutional capacity such as Bihar, there are examples of worker *sangathans* such as the Jan Jagaran Shakti Sangathan (JJSS) that have forced the local administration to respond to the demand of the workers and have sought accountability from the administration. These examples are few and sporadic. Most of MGNREGS workers in the country are unorganized and do not have any platform that can support them to demand work and seek accountability from the state.



PRADAN's own experience of building the capacity of SHGs and *tola sabhas* to plan, implement and monitor land and water development projects presents an interesting point of comparison. Often, while such projects are implemented effectively, MGNREGS works in the same hamlet/village lie unfinished and embroiled in stories of delayed payments and fudged muster rolls. One major difference between the two type of works, is that the workers and the community members have been organized to plan and monitor schemes in the former whereas community members do not own MGNREGA works and the workers remain at the mercy of the mate and the *rozgar sewaks* in the latter.

Despite the reduction of corrupt practices in MGNREGS, the nexus of frontline functionaries, *bichauliyas* (middlemen) and mates in the implementation is a stark reality in Jharkhand. Most of the villages in the state have their own stories to tell of how the entitlement of workers has been abused and their money has been siphoned off to some other MGNREGA scheme. The villagers, in most instances, do not challenge the nexus because of the structural power differences.

Building a collective of workers that provides the necessary platform for them to demand registration, seek accountability and have their grievances addressed is essential. Small examples such as in Kuiria in West Singhbhum show that the nexus can be broken if the workers were made aware and are organized.

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In that village, the SHG platform helped the women challenge the nexus and claim their entitlement.

The success of MGNREGS depends on how aware and well-organized the workers are, to demand their entitlement from the state. Unfortunately, this part has received less attention since the programme's inception. The NRLM-MGNREGS-CFT programme is a positive step because one of its objectives is to mobilize and organize villagers into communities, which would then feel ownership and participate in the planning and implementation of works. The women's collectives could become the platform for poor families to claim their entitlement and seek accountability from the state.

## TO REFORM OR NOT TO REFORM

The message on the wall is clear. MGNREGA needs to be reformed. But as stated in the earlier sections, there are major supply-side issues that need to be reformed rather than the basic tenets of the programme. Restricting the programme to 200 districts, and changing the wage-material ratio will definitely not help in reforming supply-side issues.

There is little doubt that the poor and the ultra-poor make up the majority of the workers accessing this programme because of its self-selection targeting mechanism. This programme was meant to provide a safety-net to the rural poor in the lean agricultural season, and also to tide over the sudden loss in livelihood opportunities. Can the government deny the poor, who live in comparatively

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The references for this article are available on request from [newsreach@pradan.net](mailto:newsreach@pradan.net)

developed districts, the right to work only because of its own operational limitations and failures? Is it not possible for the government to have a different strategy for such districts and blocks? Downsizing the operational area of the programme will have a direct impact on the rural poor of those districts, and will also leave an indelible mark on the principles of the universal right to work.

The need of the hour is to have a wider public debate and consultation, to discuss the supply-side bottlenecks in implementation and work towards simplifying the programme to make it more accessible for the rural poor. The state cannot shy away from its responsibility of providing work to its citizens.