

MGNREGA: The Need to Go Beyond Ideologies

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Rebutting Arvind Pangariya and Jagdish Bhagwati's views on why MGNREGA should be limited and eventually phased out are the arguments that say the welfare scheme has the potential to save the life and dignity of the poor, and that efficiency is not the only criterion that should guide state policies.

If it were not for the reputation of these economists, and for the fact that the opinions of these economists seem to find a lot of traction with the new government, there would have been no need to give too much credence to the arguments presented. With all humility I must say, I found most of the reasoning quite simplistic. The economists just did not seem serious or rigorous enough when arguing for the scrapping of one of the world's largest social security-net programmes in a country that hosts a majority of the desperately poor people.

The crowning argument that makes for the centrepiece of the short article "Rural inefficiency act: Despite protests about diluting NREGA, the PM is right to confine it to 200 poorest districts" by Arvind Panagriya and Jagdish Bhagwati is that the MGNREGA is fundamentally flawed; it is inefficient, thus the need for the absolute repeal of the Act. For the authors, the confinement of MGNREGA to 200 districts with a higher material-labour ratio is also only a political compromise. Their central argument runs thus:

"To appreciate fully how inefficient NREGA is at transferring income to the poor, consider the following. Existing data show that on average 30 per cent of NREGA expenditure is incurred on material and 70 per cent on wages. Assuming the daily NREGA wage to be Rs 130, this requires an expenditure of Rs 186 to employ one worker per day.

"But not all Rs 130 in wages amount to transfer. When accepting NREGA employment, the worker forgoes the opportunity to work elsewhere. Even assuming the daily market wage to be a low Rs 80, the net transfer under NREGA is only Rs 50. So we spend a solid Rs 186 to transfer a mere Rs 50."

That there is corruption and there is further leakage even in this Rs 50 is an additional point they make; but let that be. The economists think that even at its best, NREGA is a colossal waste of money because it costs more to transfer miniscule amounts of money to poor people. But they forget that the expenditure of Rs 186 actually results in the creation of utilities worth Rs 186—Rs 130 in wages and Rs 56 in material. Is that not contributing to the poor person's economy? Is the value of Rs 186 in a time of desperation to be discounted just because of the inefficiency in its transfer?

This money has the potential to save the life and dignity of the poor; efficiency is not the only criterion that should guide state policies. About the forgoing of Rs 80, the question only arises when there is an opportunity for that work. Even assuming there is an opportunity to earn Rs 80, it is only natural for the workers to select the option that would pay them Rs 130.

If there were to be two options, the seekers would naturally settle for the superior option, in this case NREGA; with the result that large farmers or other employers, who want to get labour, would have to pay a higher wage than Rs 130. That is how MGNREGA has resulted in rising wages. The point the economists raise in this regard, is laughable, not in the least for its mocking tone:

"Proponents of the NREGA argue that it provides employment during periods when no other employment is available. Therefore, the outside option of employment even at Rs 80 assumed above is not available. But the same proponents also make claims of NREGA having raised the market wage by leaps and bounds. Surely, they cannot have it both ways.

"If NREGA employment is provided only when no other employment opportunities

are available and is absent when employment opportunities in the market exist, it is a stretch to argue that it has led to any increase in wage."

The economists just do not seem to get it. Inferior options of Rs 80 or even worse exist in most places. In times of severe drought in *Vidarbha*, women have been even forced into prostitution as one last attempt at staying afloat. Are state policies going to be decided based on the worst options available in the local economy or should the state proactively intervene to create superior options?

It is, of course, a sad reality that in many places, workers have been forced to get back to these very same inferior options due the mindless corruption in the implementation of MGNREGA. The argument that a scheme is implemented badly cannot be used to propound its scrapping, can it? In areas where MGNREGA has been implemented well, it has resulted in increase in wages. There are studies done by independent parties that present these facts.

I would like to comment on one last point by the economists before moving on to the more substantial matters as to what the current government proposes to do regarding MGNREGA. They argue:

"Unlike the UPA government, PM Narendra Modi seems to understand the folly of embracing substantial spending programmes unmatched by revenues.

"This is particularly the case as he has announced his intention to step up expenditure to reflect his 'grand vision' for India. This vision includes elimination of abject poverty, electricity for all, Swachh Bharat by 2019, one hundred smart cities and expanded road and rail networks. The implementation of this vision requires resources."

MGNREGA needs to be scrapped since it is not matched by revenues. This is as ridiculous as many of the other un-informed arguments that they have put forward. If there are no resources, let them find the resources. What are economists for, otherwise? Let them scrap something else, put on hold the smart cities, cancel the bullet trains, reduce the military budget, stop corporate sops; do anything except abolish useful expenditure. Let us not perpetrate what happens in millions of poor homes on a daily basis—in times of shortage, the girls and the women give up their food in favour of the men and the boys. Let us not sacrifice the 'soft' programmes for enhancing resource allocation to the more 'masculine' programmes such as the bullet trains or smart cities.

To be fair to the economists and also as the title of the article says, they have not actually suggested scrapping MGNREGA in as many words. They have, on the face of it, supported the pruning of the programme; but their arguments on the conceptual flaws in the programmes betray their actual preference. It is further corroborated by the following:

“But the compelling reason for limiting NREGA, as a policy to shift resources to the poor, consists precisely in the fact that it has drawbacks that an alternative policy of cash transfers does not have. By opting to retain and complete the Aadhaar project and launching the Jan Dhan Yojana, which would together provide the necessary infrastructure, the PM would seem to have cleared the way for an eventual move to cash transfers. And that makes pruning of the inefficient NREGA, as the instrument of shifting income to the poor, an eminently reasonable interim step.”

So, pruning, in their minds, is an interim step; scrap it once we have Aadhaar and the Pradhan

Mantri Jan Dhan Yojana (PMJDY) infrastructure in place. The assumptions seem to be that it would be cheaper to actually transfer cash through a colossal IT infrastructure. And that there would be no corruption in cash transfers.

The question that needs to be asked here is: What do they think would happen after NREGA is gone? What would the displaced worker do in the new way of things? Would she walk up to the *panchayat* office and apply for cash? For how many days: 15, 50, 100? What would be the measure of the need or the desperation of the applicant? Or, if there is a fear that this would lead to rent-seeking on part of the giver, then the other option is to just transfer a lump-sum amount to the accounts of a group of people selected, based on random criteria. But then, what would the criteria be? How much should be transferred? Who would certify it? And would not the certification process lead to rent seeking? These are some of the open questions that would need to be answered.

But, then, is that the point? Would the government still want to replace MGNREGA with cash transfer if it could do it? What about the basic belief that people have the capability, they do not need passive hand-outs, and that people are willing to work with dignity for what they need? Hand-outs are meant for the disadvantaged such as the disabled or the perpetually ill or the very old people. Cash transfers would be effective for these payouts and for pensions, and other special items such as scholarships, relief payments and so on.

MGNREGA, however, operates in a different space. There are large numbers of people in the margins, who otherwise have a livelihood but keep falling off the survival level. This is a dynamic process. The employment guarantee is a net designed to catch those who keep

falling off. There is no top-down way of identifying these people, there are no set criteria. So MGNREGA has been designed as self-selecting, for anyone, who is willing to do manual labour. It is premised on the assumption that anyone who is willing to do hard manual labour must be in a bad situation. MGNREGA is also based on the belief that those who are able should earn their bread for themselves.

MGNREGA has conceptually blended the concept of the welfare state—reaching out to the people who are badly off and yet not diminishing their sense of agency.

Those who have really seen the plight of the poor and hungry in this country would vouch for the salutary effect of MGNREGA wages in their lives; and those who have not seen the poor villages would never be able to appreciate this aspect of the scheme. That the scheme is demand-based and available for up to a hundred days is a dignified life-saver.

How can strategies that are based purely on an efficiency construct, respond to the real needs of the poor? In a large number of PRADAN villages, we have made use of MGNREGA to generate livelihood assets and, in the process, facilitated the generation of wages and helped the rural poor establish sustainable livelihoods. These families do not need MGNREGA anymore because they now earn enough from their own farms.

MGNREGA has multiple objectives—a social security net for those who drop off the dignified survival mark; a means to build livelihood assets such as farm ponds and check dams; and a method for strengthening grass-roots governance—*panchayats* leading the

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planning and implementation of the scheme at the village level, with active participation of the *gram sabha*.

The lack of capacities of the *panchayats* and the rampant corruption at all levels has led to a humungous waste of resources and a general disaffection by villagers for the programme. That does not mean that with appropriate interventions, as demonstrated in many places, the programme cannot be made to work and achieve all its objectives.

Therefore, without exploring ways in which the success stories of MGNREGA can be up-scaled to all states, the haste to set upon a path to abolish it, betrays a certain ideological quarrel with the concept of a welfare state itself, the kind evidenced in the writings of the economists mentioned above.

The main component of the proposed changes is restricting of the programme to 200 poorest districts, as understood from newspaper reports because there have been no official press releases. Hopefully, the statements made by the Honourable Minister for Rural Development are still a work in process and that the Ministry has not yet decided whether to implement the suggested changes.

The proposals for the changes are flawed and must be discarded. If the employment guarantee is a safety-net, there is no reason to believe that this phenomenon of temporary lack of employment happens only in the poorest blocks. The scale will surely be low, but there will be people, who fall off the productive earning levels, even in the best of economies. The safety-net is for those people.

Restricting the number of districts basically takes away the safety-net character of the programme. This intent of the government is further reinforced by the other reforms suggested—restricting works to agricultural assets, and increasing the material to labour ratio. These reforms will reduce the programme to an agriculture asset building scheme for the poorest blocks, and not an employment guarantee programme for poor people everywhere.

The focus only on agriculture would in some cases stop the creation of some other useful non-agriculture assets such as roads. This also ties the hands of the *panchayats* in being creative in building a comprehensive plan for the village and then using the various programmes including MGNREGA in implementing those plans. It is also feared that the dilution of the material to wage ratio would gradually bring back the middleman-contractor regime that the MGNREGA has tried hard to fight.

It is not to be denied that the programme was being implemented shabbily in many places, but there was also a gradually emerging realization in the earlier government that the execution of the programme needs to be improved. The streamlining of the IT infrastructure, the insistence on social audit, the bringing in of civil society organizations as cluster facilitation teams, the initiating of a comprehensive capacity building programme for PRIs on participatory planning, the training and placing of engineers to assist the community organizations, etc., were the useful interventions already being put in place; many of them on the insistence of civil society organizations.

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Rampant corruption has been the bane of the programme. The way out of reducing corruption, which the government seemed to realize, was not only through improving the IT infrastructure or through externally driven social audits but by empowering communities, and in building the capacities of *panchayats*. The 200 districts to which the programme is now being confined are also the districts

in which the communities are poorer and less organized, and the PRIs, the most emaciated. Better governed and generally better-off states such as Kerala, Andhra Pradesh and Tamil Nadu are anyway already using MGNREGA effectively and creatively.

In Kerala, the creative use of MGNREGA wages through labour groups of women has been instrumental in bringing back field crops—paddy, vegetables, fruits—into local production, and putting into use vast tracts of fallow lands. Repealing MGNREGA from these states is not going to help in reducing corruption and wastage. The government would have to put in extra effort to put in place all the reforms mentioned above in the proposed 200 districts, to make MGNREGA effective.

The success of a social security-net programme is in being effective, demand-driven and quick in response. It will, over a period of time, settle itself at a level to the extent which there are fall-offs from mainstream livelihoods. The effectiveness of MGNREGA was that through building assets, it also offered an opportunity for the poor to increase livelihood resilience, thus, reducing dependence on the safety nets. The demands would go down over a period of time, if the programme were to be well-implemented.

Thus, one has to be prepared for MGNREGA off-takes going down over time and settling at a low level, but that has to be a natural process, as a result of livelihoods becoming resilient. Allocations cannot be artificially curtailed which, by the way, the earlier government had also begun doing in order to meet its unrealistic fiscal deficit targets.

Why is it that the poorest and the weakest need to bear the brunt of misguided policies, and not the middle and upper classes? This is a question that is difficult to answer. Nevertheless, if MGNREGA continues as a true safety net and remains demand-based, the wages off-take can be an indicator of the levels of desperation in the rural areas. By converting MGNREGA into a limited scheme in a few districts, the state loses the opportunity to step in to assist the neediest, and also loses a channel of communication with its poor people.

In the end it would be useful to look at the concluding paragraphs of the article by Drs Pangariya and Bhagwati.

“We conclude with a broader thought on our myriad social programmes and schemes that have been in place for decades and suffer from endemic corruption and poor implementation. Any time a voice is raised against these schemes, their defenders, often NGOs with a vested interest, come together to argue that we can eliminate corruption and improve implementation by doing this or that

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Yet, business as usual continues. In the meantime, even the poorest in India exit the schemes in search of private solutions. This has begun to happen on a large scale even in areas such as education and health, which have been traditional preserves of the public sector.

“How long must the poor suffer under the assurance of improved outcomes the next time before they are granted the private option—an option the rich already enjoy—through enhanced purchasing power derived from a policy of cash transfers?”

Once again, the ideological bias is on display! The argument that cash transfers are the only solution to rooting out rampant corruption is as limited as the very idea of cash transfers, whether efficient or not. But there seems to be a fixation and a sense of closure in the minds of the academics regarding cash transfers and thus the lack of effort to even argue out the case logically.

The government policy makers must pay heed to the objections being raised by civil society activists, economists, etc., about the suggested reforms; they need to look at the wide range of research available on NREGA and its effectiveness and also initiate a wider debate. Hopefully, instead of being carried away by pre-conceived notions, the government takes a hard look at the basic issues with the programme, as it is being implemented today, and takes up corrective measures in consultation with all involved.