

MGNREGA: The Way Forward

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Considering both the reach and the impact of MGNREGA on the rural poor, and notwithstanding the shroud of corruption, late payments and fears of its benefits not reaching the target group that hangs around it, discarding, diluting or curbing this “stellar example of rural development” would amount to throwing the baby out with the bathwater

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005 was notified on the 7 September 2005, with the mandate to provide 100 days of guaranteed wage employment in a financial year (FY) to every rural household whose adult members volunteer to do unskilled manual work. The Act, in its first phase of implementation, was enacted in 200 districts, and was extended to an additional 130 districts in 2007–08. Since then, MGNREGA has covered about 650 districts across the entire country, excluding the districts that have 100 per cent urban population.

Unlike the earlier allocation-based wage employment programme, MGNREGA is demand-driven and the transfer of resources from the central government to the state is based on the demand for employment in each state. The Act has the legal provision for allowances and compensation, in case of failure to provide work on demand, and for delays in the payment for the work undertaken.

Since its inception in 2005, MGNREGA has provided employment to an average of 50 million households every year. It remains, by far, the most participated public wage programme in the world. The government has spent close to Rs 2.6 lakh crores on the Scheme, with 70 per cent of the total expenditure spent on wages. Over the years, the Scheme’s notified wages have increased from Rs 65 per person days in 2006 to Rs 124 in 2013.

A panel survey conducted by the National Sample Survey Organization (NSSO) on MGNREGA in three states (Andhra Pradesh, Rajasthan and Madhya Pradesh) showed that the Scheme provides work at a time when no other work or alternative employment opportunities exist. Studies show that many withdraw from MGNREGA work during the agriculture cycle. Although MGNREGA is a universal programme, it is succeeding as a self-targeting programme, with high participation of women and marginalized groups, including those belonging to the Scheduled Castes (SCs) and the Scheduled Tribes (STs). The requirement of performing physical labour and being paid a minimum wage for it keeps the non-poor, who have better opportunities, out of the programme.

On the flip side, MGNREGA has been considered contentious for several reasons such as for the poor quality of assets created, non-payment or delayed payment of wages, lack of proper planning and low participation of the Panchayati Raj Institutions (PRI). Those availing of the popular MGNREGA system say they are frequently not paid in full or are compelled to pay bribes to get work and are not learning any new skills that could enhance their long-term prospects and break the pattern of hardship.

The Parliamentary Standing Committee on Rural Development 2013 reported several drawbacks with the implementation of the

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Scheme, some of which are the fabrication of job cards, delay in payment of wages, non-payment of unemployment allowances and a large number of incomplete works. In the Public Evaluation of Entitlement Programmes (PEEP) survey, conducted by the Indian Institute of Technology Delhi, in May–June 2013, MGNREGA's decline began about two to three years ago. The survey reported, "NREGA expenditure fell from nearly 0.6 per cent of the GDP in 2009–10 to around 0.3 per cent in 2012–3. After growing quite rapidly for several years, wages were frozen in real terms and delinked from minimum wages. Long delays in wage payments further reduced the real value of NREGA employment for rural workers. Other entitlements, such as basic worksite facilities and the unemployment allowance, continue to be denied to the vast majority of NREGA workers."

However, the survey also revealed that 83 per cent of MGNREGA workers would like to work for 100 days although only eight per cent of the surveyed workers actually got 100 days of MGNREGA work in 2012–13. The only hope in the survey was that the struggle against corruption was making headway. As per the survey reports, stagnating real wages, delayed payments, technocracy and a pervasive lack of accountability, among others, need to be firmly addressed to improve MGNREGA.

SALIENT FEATURES OF MGNREGA

- ♦ Rights-based framework: For adult members of a rural household willing to do unskilled manual work
- ♦ Time-bound guarantee: Fifteen days for the provision of employment or else an unemployment allowance
- ♦ Up to 100 days per household in a financial year, depending on the actual demand
- ♦ Labour-intensive works: Wage and material ratio of 60:40 for permissible works; no contractors/machinery
- ♦ Decentralized planning
 - *Gram sabhas* to recommend work
 - At least 50 per cent of the works by the *gram panchayats* for execution
 - Principal role of PRIs in planning, monitoring and implementation
- ♦ Work-site facilities: Crèche, drinking water, first-aid and shade to be provided at worksites
- ♦ Women's empowerment: At least one-third of the beneficiaries should be women
- ♦ Transparency and accountability: Pro-active disclosure through social audits, grievance redressal mechanisms
- ♦ Implementation: Under Section 3, states are responsible for providing work in accordance with the Scheme. Under Section 4, every state government is required to make a Scheme for providing not less than 100 days of guaranteed employment in a financial year, to those who demand work
- ♦ Funding
 - Central government—100 per cent of the wages for unskilled manual work, including the payment of wages to the skilled and the semi-skilled workers, 75 per cent of the material cost of the Schemes.
 - State government—25 per cent of the material and payment of wages to skilled and semi-skilled workers. One hundred per cent of the unemployment allowance.

Table 1: MGNREGA at a Glance

Financial Year	Total Job Cards Issued (in Millions)	Employment Provided to HHS (in Millions)	Person Days (in Millions)	Budget Outlays (in Millions)
2006–07	21	38	905	1,13,000
2007–08	34	65	1,436	1,20,000
2008–09	45	100	2,163	3,00,000
2009–10	53	113	2,863	3,91,000
2010–11	55	120	2,572	4,01,000
2011–12	51	125	2,188	4,00,000
2012–13 (Provisional)	50	128	2,299	3,30,000
2013–14	127	38	1,348	3,30,000

Source: http://nrega.nic.in/netnrega/writereaddata/circulars/report_people_eng_jan_2014

Table 2: Expenditure on Wages and Material (in Percentage)

Financial Year	Expenditure on Material	Expenditure on Wages
2006–07	22.9	66
2007–08	26.8	68
2008–09	28.3	67
2009–10	28.1	70
2010–11	29.8	68
2011–12	28.9	70
2012–13	22.8	72
2013–14	21	73

Source: http://nrega.nic.in/netnrega/writereaddata/circulars/report_people_eng_jan_2014

THE EMERGING DEBATE

MGNREGA has been in the eye of a controversy since the new central government took charge in 2014. According to the *Economic Survey Report* presented by the BJP Finance Minister, Arun Jaitley, in June this year, 4.5 crore households had been provided an average of 45 days' work in 2013–14 under MGNREGA, at an average daily wage of Rs 132. Pointing

out flaws in the Act, the pre-budget document said: "Although the act is *panchayat*-centric and demand-driven, on the ground there is a lack of principal role in planning, execution and monitoring by PRIs, especially the *gram sabha*." The survey mentioned that in some places only women workers were interested in availing of the work because the market wage for men is much higher, resulting in small works of lesser utility being undertaken instead of big and

tangible projects. The need for community projects is becoming less important because probably such works have already been completed, are on the brink of saturation, or on account of lack of interest in public works. The survey revealed that there is an urgent need to revamp MGNREGA to prevent its misuse. There is need to make it into a development-oriented programme, creating tangible assets and infrastructure, including tourism-related infrastructure or some large agricultural-related activities.

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In contrast to the *Economic Survey Report*, the World Bank praised the programme and described it as a “stellar example of rural development.” According to *The World Development Report 2014*, MGNREGA has been described as the perfect example of government to person (G2P) payments. It credits MGNREGA for not just unleashing a “revolution in rural India” but establishing a model of inclusive development. It states that the Act illustrates how “good governance and social mobilization go hand-in-hand”. As per the Report, “One of the key achievements of the Mahatma Gandhi NREGA has been that it has provided the rural poor with a safety net during times of adversity such as drought, floods or a failed harvest. The demand for work is massive, mostly from the poor and the disadvantaged groups, and at times of the year when no other work is available. Not only does the programme offer a useful safety net, it also helps spread awareness of rights and promotes dignity.” Differing from its previous review in 2009, the Report states that the most significant aspect that stands out in MGNREGA is the fact that work is provided as a legal right and not just as a one-time scheme.

In September 2014, Mr. Nitin Gadkari, the then Union Minister of Rural Development (MoRD), proposed that the permissible labour-to-material ratio be changed from 60:40 to 51:49 and also the Act be curtailed to 2,500 blocks in 200 of the poorest districts. He announced that 50 per cent of all the works that are taken up at the district level should be for water conservation purposes. He also issued instructions to reverse the decision taken by the UPA-2 government to create a convergence of the Scheme with the Nirmal Bharat Abhiyan for the construction of individual household latrines.

The moves by the government came under much criticism, with many alleging that the changes proposed by the government, in a bid to reform the Act, would destroy MGNREGA and go against the spirit of the Act. In a note of August 2014, the Joint Secretary (MoRD), Mr. R. Subrahmanyam, pointed out several problems associated with such a change. The note says, “The proposal to change this ratio to 51:49 and make it applicable at the district level, though legally and technically possible, runs contrary to the spirit of the Act, which has been made for creating employment opportunities for unskilled workers, who face considerable vulnerabilities during the lean agriculture season.”

Further the note says, “By raising the material component to 49 per cent, although higher order material-intensive works would become possible, the amount available for unskilled wages would come down sharply. This could result in the total employment coming down sharply to 136 crore person days, (a sharp fall of 40 per cent, compared to 2013–14). Such

a sharp fall in person days is bound to create difficulties in the rural areas. The situation could get more complicated in a drought year. Almost five crore households would be adversely affected by this decision.”

Expressing their dismay over the moves proposed by the central government, a group of eminent economists and experts wrote to Prime Minister Narendra Modi on 14 October 2014 urging him to ensure that the programme receives all the support required to survive and thrive. Their argument was that the Scheme has wide-ranging social benefits, besides the creation of productive assets.

The letter said: “Despite numerous hurdles, NREGA has achieved significant results. At a relatively small cost (currently 0.3 per cent of India’s GDP), about 50 million households are getting some employment at NREGA worksites every year.

“A majority of the MGNREGA workers are women and close to half are dalits or adivasis. A large body of research shows that MGNREGA has wide-ranging social benefits, including the creation of productive assets. Recent research also shows that corruption levels have steadily declined over time. For instance, official estimates of MGNREGA employment generation are very close to independent estimates from the second India Human Development Survey. Whereas corruption remains a concern, experience shows that it can be curbed and the battle against corruption in MGNREGA has helped to establish new standards of transparency in other social programmes as well. No doubt, the programme could and should do even better.”

The letter further added, “The gains that have been achieved are substantial and amply justify further efforts to make it a success. Against this

background, it is alarming to hear of multiple moves (some of them going back to the preceding government) to dilute or restrict the provisions of the Act. Wages have been frozen in real terms and long delays in wage payments have further reduced their real value. The Act’s initial provisions for compensation in the event of delayed payments have been removed.

“The labour-material ratio is sought to be reduced from 60:40 to 51:49 without any evidence that this will raise the productivity of MGNREGA works. For the first time, the central government is imposing caps on MGNREGA expenditure on state governments, undermining the principle of work-on-demand. Last, but not the least, the central government appears to be considering an amendment aimed at restricting the MGNREGA to the country’s poorest 200 districts. This runs against a fundamental premise of the Act: Gainful employment that affords basic economic security is a human right. Even India’s relatively prosperous districts are unlikely to be free from unemployment or poverty in the foreseeable future.”

Refuting the facts placed in the letter written by the group of economists to the Prime Minister and applauding the moves envisaged by the government, two leading economists of international repute, Jagdish Bhagwati and Arvind Pangariya in an article in *the Times of India* on 23 October 2014 called MGNREGA the ‘Rural Inefficiency Act’. They believe that MGNREGA should be pruned so that the resources saved could give space to other programmes announced by the Prime Minister such as the elimination of abject poverty, electricity for all, Swachh Bharat by 2019, one hundred smart cities and expanded road and rail networks. They cited that because of the leakage in the system and the foregone opportunity cost, every five rupees spent

results in a net transfer of only one rupee; that MGNREGA's drawback is that an alternative policy of direct cash transfer does not exist, which makes the pruning of the inefficient MGNREGA, as an instrument of shifting income to the poor, an eminently reasonable interim step.

Carrying the debate further, Ritika Khera (Associate Professor in the Humanities and Social Sciences Department at Indian Institute of Technology, Delhi) on 4 November 2014 pointed out, "The expenditure on NREGA is less than the tax revenue foregone (in 2013–14) on the 'gold and diamond' industry, which was over Rs 65,000 crores in 2012–13. As noted elsewhere, such tax breaks are justified on the grounds of the employment potential of the gems and jewellery industry." The sector employs 0.7 per cent of the workforce, whereas in MGNREGA, 25 per cent of the rural households are employed with an expenditure of Rs 33,000 crores.

She further added, "We need to move away from the lazy resort to statements such as 'out of every rupee spent only 15 paise reaches the poor' and 'digging holes and filling them up' to something that matches the current ground realities more closely. Once that happens, a more productive debate—on how to fix all that is wrong with the NREGA (delays in wage payments, lack of awareness, corruption, the quality of assets)—can be initiated."

Mihir Shah (former member of the Planning Commission), under whose chairmanship many reforms have been introduced in the MGNREGA, said, "It is clear that where the leadership has understood the potential of the programme, every effort has been made to make it more effective, and this is true across the political spectrum. Every effort needs to be made to reform MGNREGA, as the

programme has been both a major success and a huge failure. The best way to reform such a programme is to study carefully the conditions that made it a success and also to undertake a diagnostics of its failures, so as to learn how best to fix it."

The debate over MGNREGA has been making the rounds since the beginning of 2014. However, amidst the arguments, the central government has already started making amendments in the Act. Although the current MoRD, Birender Singh, has stated that there will not be changes in MGNREGA districts, the shrinking funds of MGNREGA have already started taking a toll on the Act.

In the context of this debate, this issue of *NewsReach* puts forth the experiences of the people engaged directly with the community in creating awareness about MGNREGA and building the capacity of the community and PRI members in developing an Action Plan, and developing systems to create transparency and accountability in the implementation of MGNREGA.

Siraj Dutta, in his article, 'MGNREGA reforms: Fix the holes in the safety net', says that though MGNREGA needs reforms, effort should be made to facilitate the smooth running of the programme rather than tightening strings and restricting funds or fiddling with the wage-material ratio.

In 'MGNREGA: Need to go beyond ideologies', D. Narendranath argues that the inefficiency in the public entitlement programme should not be the sole criteria for restraining a public safety-net programme, which has created employment opportunities for women and the very poor, especially the SCs and the STs. He urges the government to initiate a wider debate for issuing guiding policies for

better implementation of the programme.

The other three articles are case studies from Madhya Pradesh, West Bengal and Chhattisgarh, wherein PRADAN professionals share their experiences of working with MGNREGA. Subodh, in 'MGNREGA: Fostering Real Citizenship', shares how Federation members, through continuous efforts, have sensitized PRI members, created awareness among the community, and influenced officials to implement the programme better.

Subimal Mandal, on the other hand, in 'Telia: Telling the tale of MGNREGA', opines that the pro-activeness of the district collector in West Midnapore district helped in the smooth implementation of MGNREGA, with PRADAN helping community members create effective

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action plans to develop land and water for livelihoods generation in this tribal village, where earlier farmers were dependent on distress migration for survival.

In 'Stories of success: Converging schemes for generating livelihoods', Masroor Ahmad talks about the advantages and steps taken for the convergence of MGNREGA with various government programmes for creating sustainable livelihoods and community well-being.

With many views from different sections, there is need for non-partisan debates, on MGNREGA in the public sphere, taking into account analytics, evidence-based discussions and various studies, both on the failures and successes of the programme, leading to work on redesigning or reframing MGNREGA.