

An Assessment of the Performance of MGNREGA: *the Gap between Potential and Practice in Reducing Poverty*

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ABSTRACT

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005 envisions management of and addressing the problem of chronic poverty all across India. It aims to guarantee 100 days of work per year in local public works to each rural household. For its implementation, it receives substantial amount of budget allocation, however, the bigger question that looms around in discussions and in practice is whether it is able to bring down levels of poverty among the targeted population group. The result has been remarked as to have shown 'mixed performance'. As promised, the Act has not been able to make much of an impression in respect to reducing rural poverty. Overall the study suggests that there exists a gap between the potential merit of the Act and what has been in practice so far. However, there is always hope and scope for improvement in the execution of the Act.

Key words: Local Public Work, Rural Household, Budget Allocation, Population, Rural Poverty, Act

INTRODUCTION

The National Rural Employment Guarantee Act, passed in 2005, guarantees to each rural household 100 days of work per year in local public works. With over 3.4 crore household beneficiaries and budget allocation constituting 0.5-1% of India's GDP, the scale of impact has been impressive and is regarded as one of the largest anti-poverty program in the world. Although public works programme had been in existence in India for long, but the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) introduced a 'guarantee' element for the first time. MGNREGA provides for a seasonal work that provides supplementary income during lean agricultural season.

The main objective of this paper is to assess the performance of MGNREGA with special emphasis on explaining the gap between the potential merit of the Scheme and its reaped outcome over the years in reducing poverty.

METHODOLOGY

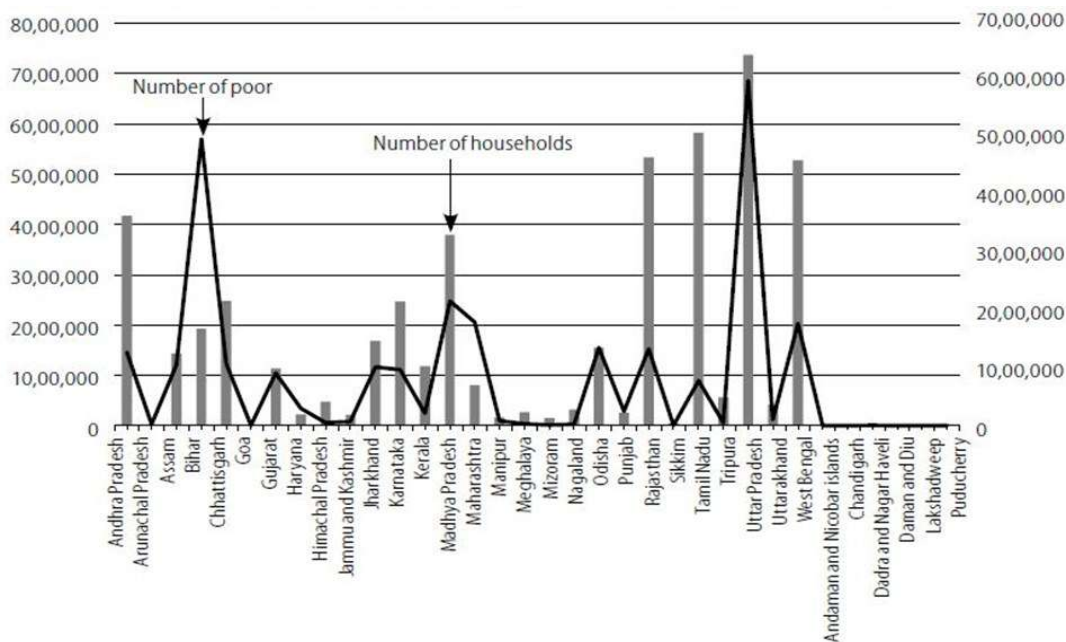
The assessments and analyses of the study are based on data collected from various sources. The study is primarily based on secondary data collected from several government reports, published works by different scholars, websites, conference papers, case studies, articles of leading newspapers, magazines and various other reports, etc. These have been thoroughly ana-

lyzed for the purpose of the present study.

RESULTS AND DISCUSSION

MGNREGA has the potential to reduce poverty in many ways. The most direct route is by providing extra employment and income to the poorest in the rural areas. Other means is by creating assets of value to the poor, by generating jobs through creation of rural infrastructure such as roads. A secondary impact of the scheme is that it acts as a private bargaining chip to the casual laborers in wage negotiations to secure higher wages for similar activities without any direct participation in the Scheme. If all these

benefits are realised, the scheme has the potential to drastically cut poverty, however, in reality, the performance records are a mix. The argument however is that whether the Act could eradicate poverty of those who are employed under it? Sources have however reported that it only helps the poor section for mere sustenance at a level just below the poverty line (BPL) but the aimed benefits and sanctions do not always and necessarily reach them despite the claims made by the keen supporters of the Act. Figure 1 shows poverty levels and average annual number of households provided employment in states.



Source: Report No-6 of 2013—Union Government (Ministry of Rural Development).

Figure 1. Poverty Levels and Average Annual Number of Households Provided Employment in States

Gap between its potential and practice—some empirical evidences:

Paradoxically, the scheme has worked lesser in the poorer states where its demand is high such as is evident in the state of Bihar as compared to that of Andhra Pradesh. At one hand, the scheme has fared well for the poorest in the state of Andhra Pradesh on a range of indicators from consumption to nutrition to savings. On the other hand, the impact of the Scheme in Bihar has been only 1% as compared to a potential reduction of 14% in reducing poverty, signifying the scheme has fallen far short of its potentials. It is also noteworthy that while in the poorer states, not all the poor households could be covered, while, in contrast in the richer ones most of the households covered were not poor.

In the same way, there are a number of reasons why the potential impact has not been realised. One reason is that, the supply side has fallen short to meet the required demand. Other reasons are—delays in wage payments, corruption at different levels of implementation and the assets generated aren't durable and productive due to adoption of highly labor intensive techniques of production.

The Controller and Auditor General of India (CAG) report on MGNREGA—Report no. 6 of 2013—observed that even though the average wage cost or wages paid was rising, the benefits to a rural household was annulled by the decline in employment provided per household. While the average wages increased from nearly Rs.80 to Rs.120 per person-day between 2007–08 and 2011–12 respectively, the employment per household increased from around Rs.40 per person-day to Rs.60 in 2009–10 and then again declined to around Rs.40 in 2011–12. About the so-called “durable assets,” the CAG report has observed that while the number of works taken up increased steadily from about 20 lakh in 2007–08 to more than 80 lakh in 2011–12, the number of works actually completed increased from about 1 million in 2007–08 to only about 2.5 million in 2010–

11 and then declined to 2 million in 2011–12; most of the funds were still locked up in works in progress. An asset is created only after the corresponding works are completed, and 80% of the works taken up under MGNREGA remained incomplete.

A gender perspective

The gap between the potential and practice of MGNREGA can also be assessed through a gender perspective. The Act has the potential to promote empowerment of women as three important clauses in the Act make legal provisions relating specifically to women. Schedule II (6) specifies priority to be given for women for work, and to have at least one-third of workers at the worksite to be women. Schedule II (28) demands child-care facilities to be provided at worksite if children below the age of six are accompanying their working mothers. Schedule II (34) provides legal space for prohibiting gender discrimination in wages. All over India, in most of the MGNREGA worksites, women's participation is higher than it is as laborers on private farms. Some obvious reasons for this are the fact that the programme offers equal wages to both women and men, unlike private employers. The legal provision of equal wages itself is an important transformative mechanism. In addition, women do not have to bargain with private employers, as they have to when dealing with farm-owners who are employing them. This relationship often has potential for sexual exploitation. Finally, the work for MGNREGA is likely to be located close to women's homes. The policy also has a provision that if the work is located at a distance, workers have to be paid for transportation charges.

In spite of all these promising provisions provided by the Act, a study based on the state of Andhra Pradesh has concluded implementation failures towards providing for empowerment. Andhra Pradesh has been cited as an empirical evidence because, according to an inter-state comparison of Indian states using the

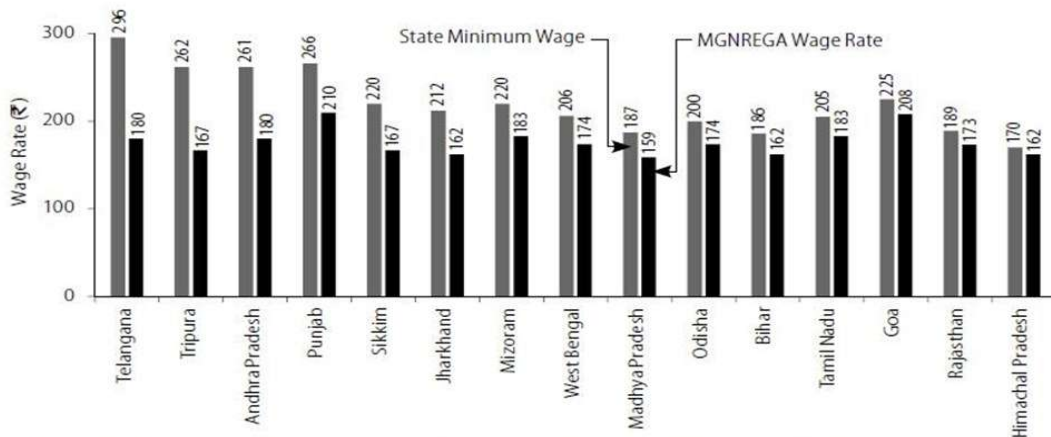
Gender Empowerment Index, Andhra Pradesh is the best performing state with an index score of 0.509 (Ministry of Women and Child Development 2009, 13); and secondly, according to information on the financial expenditure and work status of MGNREGA, Andhra Pradesh is outperforming all other states in India (<http://nrega.nic.in/>). MGNREGA presents an employment opportunity that has aided women's choice to stay back in the village and to gain income. However, many such women complained about the fact that the work was not regular, but only seasonal. As far as the impact on children of MGNREGA is concerned, the MGNREGA law clearly prohibits child labor. However, there are reports emerging from social audits that child labor is employed in different states at MGNREGA worksites, and in addition there are reports that the mother's lost labor at home is compensated by female children.

Implementation bottlenecks:

Focusing on the key bottlenecks in the area of implementation, reports have claimed the followings:

If the Scheme worked in practice as was provisioned in the Act, there would not have been

any cases of unmet demand for work, but, an all-India level study in the year 2009-10 based on NSSO data found that a great deal of unmet demand (rationing) do exist. 46% households reported that one or more members of the household were willing to work; however, only 25% could secure any work in a financial year. In Bihar for that matter, unmet demand alone accounted for nearly 3/5th of the gap between potential and realized poverty impacts. The extent of rationing has also imposed severe limitations onto the bargaining power in the private wage labor market. Since 2009, wages under the Mahatma Gandhi National Rural Employment Guarantee Scheme have been delinked from the Minimum Wages Act and have not changed from their real value in that year. As a result, MGNREGA workers have been victims of stagnating real wages. In some states, they are paid even less than the minimum wage. This raises serious questions of legality and fairness. Figure 2 illustrates states with minimum wage higher than the MGNREGA wage in the year 2015-16.



Source: Respective state governments for minimum wages and nrega.nic.in for MGNREGA wage rates.

Figure 2. States with a Minimum Wage Higher than the MGNREGA Wage in 2015-16

Also, growth in rural wages has been in low single digits since 2015-16, according to data compiled by Center for Monitoring Indian Economy (CMIE). It has also been found that in 33 out of 34 States and Union Territories, the wages are below the corresponding minimum wages. As per govt. data, the average days of employment provided per household under MGNREGA between FY16 and FY 19 stand at 47, which is not even half of the 100 days of guaranteed work. Wages under the program also have been kept low, which has resulted in fewer workers opting for it. Bihar records the lowest wage of Rs. 171. The 2017-18 Periodic Labor Force Survey (PLFS) estimates show that private market wages for males were higher than MGNREGA wages by 74% and for females by 21%. Clearly, no male worker is going to demand MGNREGA work when he can get a much higher daily wage with the same effort. However, women continue to participate under MGNREGA though market wages are higher, because of non-availability of work and discrimination as well as exclusion from the private labor market. It has also been observed that, even participation rates in the scheme are not high in the poorer states. There have been incidences of greater demand but lower capacity to meet the demand.

Another point of consideration has been that MGNREGA is posed/plagued with several leakages such as inflated records of number of days worked per person or proxy registering to draw more funds than required, etc. For instance, in Bihar, in the year 2007-08, there was a 70% gap between actual enrolment and recorded enrolments. Yet another aspect that contributes to the gap between potential and realised impact of the Scheme is the existence of discrepancies between stipulated wage rates and actual wages received by the workers. More recently, delay in payments has also emerged as another major bottleneck in implementation of the scheme.

CONCLUSION

All these forces taken together create a strong disincentive among the workers to participate in the scheme. The poor do not overcome their poverty until they are empowered to do so, and empowerment comes only through education, health and attainment of employable skills. Programmes like MGNREGA do not facilitate any of these and merely provide subsistence-level aid, which may alleviate their poverty only temporarily. In fact, instead of addressing the roots of poverty, they only prolong it by denying the poor the only tools—education, health and skill—that can eradicate poverty through generation of wealth in the economy and providing productive employment while ensuring economic growth.

The aforesaid discussed gaps can be overcome if the above bottlenecks can be minutely taken care of. Studies have found that undoubtedly, MGNREGA attains better targeting however, because the gap is also evident hence, for mitigating the bottlenecks, stricter norms of implementation needs to be followed as was envisaged by the Act.

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