

# MNREGA: Success & Failure

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## Abstract

Realising the need of generating employment opportunities in the country to achieve a satisfactory rate of employment in the country, Government of India launched the National Rural Employment Guarantee Scheme in September 2005. This Act will provide a legal guarantee for atleast 100 days of employment every year for atleast one adult member (willing to do unskilled manual work) of the rural household. Though the scheme was initially introduced in only 200 districts, it is now functioning in all the districts of the country. The MNREGS is the largest employment programme in the human history. It has completed five years of its implementation and has provided employment to around 40 million rural households. Under Section 4 of the Act, the Scheme to be formulated by the State Governments will conform to the legally non-negotiable parameters laid down in Schedules I and II of the Act. In addition, these Schemes will conform to the operational parameters delineated in the Guidelines. The Scheme so formulated will be called the National Rural Employment Guarantee Scheme (NREGS), followed by the name of the State. The Gram Panchayats, PRIs, District and State Level department personnel involved in implementing NREGS, as well as committees, groups formed for the purpose of vigilance will be monitoring and perform social audit by the Government of India. Social audit is an effective tool for the implementation of NREGS. It is a process which promotes mass awareness and also ensures people's participation.

## 1. INTRODUCTION

The National Rural Employment Guarantee Act (NREGA) was notified on September 7, 2005. Four years after it was introduced, the Government decided to rename it as 'Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)' on October 2, 2009. The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

The MNREG Scheme is the largest employment programme in human history. The Act was notified in 200 districts in the first phase with effect from February 2<sup>nd</sup> 2006 and then extended to additional 130 districts in the financial year 2007-2008 (113 districts were notified with effect from April 1<sup>st</sup> 2007 and 17 districts in U.P. were notified with effect from May 15<sup>th</sup> 2007). The remaining 285 rural districts have been notified under the MNREGS with effect from April 1, 2008. Thus, MNREGS covers the entire country with the exception of districts that have a hundred per cent



**NREGA : a source of guaranteed wage employment**

urban population. As per Schedule I of the Act, focus of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) shall be on the following works: drought proofing, afforestation, tree plantation, irrigation canals, water conservation, water harvesting etc.

## **2. MAIN FEATURES OF THE ACT**

- (a) Adult members of a rural household, willing to do unskilled manual work, may apply for registration in writing or orally to the local Gram Panchayat.
- (b) The Gram Panchayat after due verification, will issue a Job Card.
- (c) The Job Card should be issued within 15 days of application.
- (d) A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which the work is sought. The minimum days of employment have to be at least fourteen days.
- (e) The Gram Panchayat will issue a dated receipt of the written application for employment.
- (f) Employment will be given within 15 days of the application for work, if it is not so provided, daily unemployment allowance as per the Act, has to be paid. Liability of payment of unemployment allowance is of the States.
- (g) Work should ordinarily be provided within 5 km radius of the village. In case work is provided beyond 5 km, extra wages of 10% are payable to meet additional transportation and living expenses.

- (h) Wages are to be paid according to the Minimum Wages Act, 1948. For agricultural labourers in the State, unless the Centre notifies a wage rate, wage rate will not be less than Rs. 60 per day. Equal wages will be provided to both men and women.
- (i) Wages are to be paid according to piece rate or daily rate. Disbursement of wages has to be done on weekly basis and not beyond a fortnight in any case.
- (j) At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
- (k) Work site facilities such as creche, drinking water, shade have to be provided.
- (l) A 60:40 wage and material ratio has to be maintained. No contractors and machinery should be allowed.
- (m) Social Audit has to be done by the Gram Sabha.
- (n) Grievance redress mechanisms have to be put in place for ensuring a responsive implementation process.
- (o) All accounts and records relating to the Scheme should be available for public scrutiny.
- (p) 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 and water harvesting
  - Drought Proofing (including plantation and afforestation)
  - Irrigation canals including micro and minor irrigation works
  - Flood Control and Protection Works
  - Minor irrigation, horticulture and land development on the land of SC/ST/BPL/IAY and land reform beneficiaries
  - Renovation of traditional water bodies including desilting of tanks
  - Land Development
  - Rural Connectivity

## **3. 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 Central 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 allowance payable in case the State Government cannot provide wage employment on time.
- Administrative expenses of the State Employment Guarantee Council.

#### 4. CREATING COMMUNITY ASSETS

As per Schedule 1 of the Act, the focus of the NREGS shall be on the following works:

Water conservation and water harvesting; (2) drought proofing, including afforestation and tree plantation; (3) irrigation canals, including micro and minor irrigation works; (4) Provision of irrigation facility to land owned by household belonging to the SC/ST, or to land of the beneficiaries of land reforms, or to land of the beneficiaries under the Indira Awas Yojana; (5) renovation of traditional water bodies, including de-silting of tanks; (6) land development; (7) flood control and protection works, including drainage in waterlogged areas; (8) rural connectivity to provide all-weather access. The construction of roads may include culverts where necessary, and within the village area may be taken up

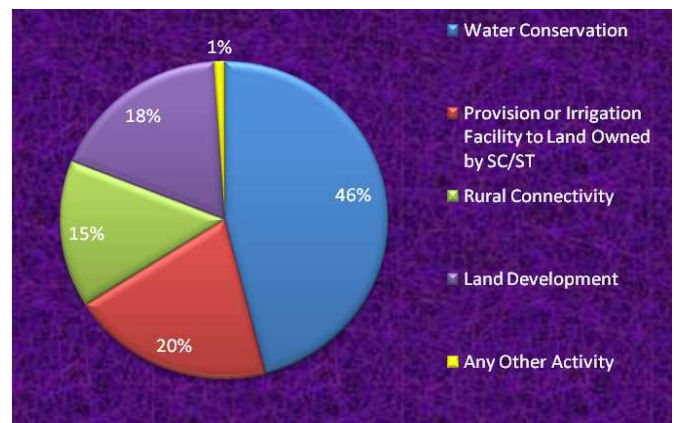
along with drains; (9) any work that may be notified by the Central Government in consultation with the State Government. In terms of implementation priority, the programme mandates that maximum emphasis should be on water conservation.

#### 5. PERFORMANCE OF THE ACT

Minister of Rural Development (MORD), Government of India, has released the following data on the progress made under MNREGS:

The Act stipulates that priority shall be given to women. In terms of implementation it mandates that a minimum of one-third of the beneficiaries are women who have registered and have requested for work. Women

Figure 1: Highest Priority to Water Conservation in Choice of Works under NREGA: Financial Year 2008-09.



Progress under NREGA	(FY. 2007-08)	(FY.2008-09)
(i) Employment provided to households	3.39 Crore	4.51 Crore
(ii) Household demanding work	3.43 Crore	4.55 Crore
(iii) Person days (in Crore)		
Total :	143.59	216.32
SCs:	36.36 [ 27% ]	63.36 [ 29% ]
STs:	42.07 [ 29% ]	55.02 [ 25% ]
Others:	62.16 [ 43% ]	97.95 [ 45% ]
Women:	61.15 [ 43% ]	103.57 [ 48% ]
(iii) Total works taken up: ( in Lakhs)	17.836	27.75
Works completed :	8.22	12.14
Ongoing:	9.61	15.61
(iv) Budget Outlay (Rs.in Crore)	12000	30000
(v) Number of District	331	615

Source: Report to the People, www.nrega.nic.in

participation for FY 2008—09 was 48%. The highest women participation for FY 2008-09 was reported in Tamil Nadu (80%) and Kerala (84%) respectively.

## 6. CAPACITY BUILDING AND STRENGTHENING OF ADMINISTRATIVE SUPPORT SYSTEMS

**(i) Communication and awareness generation:** Communication was one of the critical areas for effective and efficient implementation of the NREGA. The Information Educational and Communication (IEC) strategies include newspapers, TV and radio spots, pamphlets and brochures to create awareness. States organised Gram Sabha to communicate key features of the Act. *The Rozgar Jagrookta Puruskar* award has been introduced to recognise outstanding contributions by Civil Society Organisations at State, District, Block and Gram Panchayat levels to generate awareness about provisions and entitlements and ensuring compliance with implementing processes. The Award for Excellence in NREGA Administration has been instituted to commend the district level innovations and good performance of NREGA practitioners. In FY 2008-09, awards were given to 22 District Programme Coordinators, 11 bank and post office functionaries and 5 civil society organisations.

**(ii) Deployment of additional dedicated personnel for NREGA:** Learning from the implementation of earlier wage employment programmes the Central Government initiated steps to support the management and implementation of NREGS. Under the Act the Central Government provides assistance for administrative expenses up to a limit as fixed by the Centre. The Ministry has increased administrative cost from 4% to 6% of the total cost enabling resource support for deploying additional personnel critical to implementation, viz. the Gram Rozgar Sewak at the GP level and Programme Officer, engineers, IT and accounts personnel at the Block level.

**(iii) Strengthening capacity building at the state level:** Another critical element for the strengthening of administrative systems pertains to training different stakeholders. The requirements of training are considerable at all levels and include functionaries, PRIs,

and the local vigilance committees. The number of functionaries trained at different levels is given below: Training undertaken by States indicated below.

- (a) PRI functionaries - 7.45 lakhs
- (b) VMC Members - 7.71 lakhs
- (c) Technical Staff - 21437 (In nos)

The Ministry has signed MOU with Lal Bahadur Shastri National Academy for Administrations to organise Peer Learning Workshops for state officials, District Programme Coordinators, CSOs and professionals. These trainings, based on field insights and research, provide a platform for the sharing of local innovations and good practices. The National Institute of Rural Development is also collaborating for capacity building of NREGA functionaries.

## 7. ACHIEVEMENTS AND FAILURES

Jean Dreze, a social activist and co-author with Amartya Sen in *Hunger and Public Action* (1989) and *India: Development and Participation* (2002) is of the view that the 'NAREGA' is very different from employment generation schemes such as Employment Assurance Scheme (EAS) and Jawahar Rozgar Yojna (JRY) etc. because under the existing schemes, people have no rights and, therefore, no bargaining power. But the proposed Employment Guarantee Act gives people work entitlement as a matter of right, indeed a legal right enforceable in Court. This will strengthen the bargaining power of the people and help them to claim their dues. It will make the administration accountable because if employment is not provided, the unemployment allowance will have to be paid and local officials will have to answer for it.

Another important feature of the NREGA is that for the first time, an attempt has been made at the National level to work out an Employment Guarantee Scheme with 80 per cent funding by the Central Government. However, critics have raised several issues- at the conceptual as well as the operational level about NREGA. It would be desirable to consider these issues:

- **First of all**, it is alleged that NREGA lacks a long-term perspective. Indira Hirway states, "The Act neither mentions the long term consequences of the Act, nor does it mention how the assets generated

will be directed to expand the main stream employment.

It needs to be accepted that the Act should not result in the creation of large permanent army of unskilled workers to be supported by the national exchequer. This is something the country just cannot afford. "Quoting the several failures of Maharashtra Employment Guarantee Scheme which has been hailed as the biggest such programme in the world that has been implemented for over 30 years, costing the State more than Rs. 9,000 crores and generating 370 crore mandays, has not produced adequate results either in terms of poverty reeducation or reduction in unemployment."

- No dramatic achievements have been made in poverty reduction or in unemployment reduction in the State. Infact, Maharashtra has done poorly as compared to other states. According to official data, the incidence of poverty in Maharashtra is 30.7 per cent (2004-05), which puts it at 15<sup>th</sup> rank among the major states of India. The state was seventh in 1973-74. As per the Planning Commission, the rate of unemployment in Maharashtra was 5.09 per cent.
- The Draft Mid-term Appraisal of the Eighth plan, therefore, mentioned, "All employment generated under JRY kind of programmes from year to year do not respect a net addition to employment, as employment generated under these programmes is not self-sustained from year to year and the employment generated during one year terminates itself during that year and a similar quantum of employment has to be created the next year to maintain employment level".
- The basic question is: Should the country continue to spend year after year huge sums of money to generate JRY type of self-terminating employment? Such attempts aimed at the reduction of poverty to help the disadvantaged sections are figuratively described as 'blood transfusion' to remove some pain, but are basically incapable of curing the disease (poverty). The NREGA also promises to provide temporary relief but the basic need is to develop.
- **The second issue** concerns 100 days of employment. This is reiteration to the lean season employment to be provided to the unemployment. But the question which needs an answer is : Since

there are many workers who remain unemployed both in the busy and lean season, it would be desirable to provide continuity to the programme and also help in the long-term planning of productive assets on a sustainable basis.

- **The third issue** pertains to one member of the household. If the purpose is to provide an employment guarantee, why should it be limited to one member of the household. It should be a universalized employment guarantee. In this sense, there appears to be no justification for limiting it to only one member of household.
- **Fourthly**, there appears to the asymmetry in the programme. The centre passes the legislation, it also provides 80 per cent of funding, but the states are expected to implement the programme. Obviously, the efficiency and integrity of the state administration will determine the quality of implementation. Jean Dreze in a very candid manner points out: "In states like Bihar and Uttar Pradesh, where governance is in doldrums, it would be naive to expect an Employment Guarantee Programme to take off in a hurry."

Jean Dreze is basically correct. It would be unwise to withhold the programme for the sake of inefficient and ineffective state Governments. Success achieved in some good states can certainly prompt a delayed reaction among the laggards as well, fearing the democratic backlash from their people. The central Government, being the major provider of funds, can also discipline the non-performing states by curtailing the provision of funds and provide more funds to the States with better records of performance. The performance-oriented review may be undertaken after every two years. Such monitoring can help to reduce asymmetry and this improves the functioning of the programme.

- **The Fifth issue** Right to Information Act on it own cannot be expected to eradicate corruption. But it will give the people a powerful tool to fight corruption and claim their due." There is no doubt that the Employment Guarantee Act does provide clause for transparency and social audit by Gram Sabhas, but the most problem is to ensure that these provisions become effective in plugging leakages.

- Last but not the least the question of paying minimum wages. Experience the world over indicates that such programmes have been successful in the countries where wages have been less than the market wages. K. Subbarao's study of such programme in South Korea, Argentina, South Africa and Bangladesh leads him to conclude that the programmes have been targeted well and have been financial sustainable only when the wage rate has been kept below the market wage rate." Similarly, in Maharashtra, it was observed that when wage rates were below the market wage rates till about mid-80s, EGS was considered successful and it reached the poor. But after the wage rates were raised, the poorest were thrown out in favour of less poor and the non-poor. To overcome this, it would be imperative that the Central Government should fix an-all India minimum wage rate for this programme. The State Governments should desist from paying a higher minimum wage than that specified by the centre. Besides, even if the State Governments pay a wage rate lower than that, but adhere to provide employment for a larger duration during the year to the poor, there should be no objection on the validity of its functioning. The real issue is: EGA should target the poor and the unemployment. It should build productive assets such as road, percolation tanks, water-harvesting and irrigation works so that they act as impetus to agricultural growth. This will, at a subsequent stage, facilitate raising wages and also stop migration of labourers from rural to urban areas. A growth-oriented programme will eventually lead to the elimination of EGS which should be the ultimate goal. EGS should not become a self-terminating employment type of programme.

## 8. CONCLUSION

Mahatma Gandhi National Rural Employment Guarantee Act is a historic measure to implement its promise of 'Right to Work' by the UPA Government. Its success will depend on the quality of implementation. If properly implemented, this will provide employment in lean periods to the rural people on the one hand, and create really productive assets in the form of infrastructure like roads, irrigation, and water harvesting works on the other hand if we are successful in achieving agricultural growth through MNREGS programme, we shall be able to generate enough employment, both at the farm and non-farm level which will help reducing poverty and also the pressure on the Employment Guarantee programme in future. Employment in rural areas by labour intensive public works to improve rural infrastructure may bring about an agricultural revolution and generate forces for rural regeneration. The NREGA is India's first law to codify development rights in a legal framework, and like the RTI, it has begun to set an example in a global context. Apart from the law, and a set of guidelines, there is a strong and immediate need to formulate rules to operationalise provisions in the Act; which includes guaranteeing grievance redressal in seven days, social audit twice a year, and mandatory transparency and proactive disclosure. Properly incorporated and enforced, a comprehensive set of operational rules could strengthen the entitlement framework, fixing responsibility at every level. Once again, it would enable bottom-up pressure for implementation, which should be matched by a strong political mandate. Today, the NREGA has millions of workers' unresolved and un-addressed grievances and problems to be dealt with. A response system could not only radically improve the NREGA, but can impact and transform the whole face of rural governance.

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