



A CRITICAL ANALYSIS OF THE MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA)

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Abstract

Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) was introduced in 2006 by the Government of India, with an objective of improving the livelihood security of the rural poor by providing guaranteed employment for 100 days. This paper analyses whether this scheme has been able to achieve the objective and looks into the question whether this scheme has caused development of the rural poor. The author has concluded the paper by suggesting appropriate changes which must be incorporated to achieve the object of the scheme effectively.

Keywords: MGNREGA, MNREGA, Rural Development, Rural Employment.

Introduction

Development of the rural household is very crucial for the development of India as a whole by inclusive and equitable growth and doing so would unlock the potential of the huge rural household that are presently in a state where there is no access to basic amenities and they are deprived of their basic needs to survive in this world and to come out of this situation, the Government of India launched its flagship scheme 'Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)' through the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (hereafter 'MNREGA') in 2006, which provides 100 days of guaranteed work in a year to the rural household. It is acclaimed to be the largest public works employment project in the world.¹ This act gives the adult members of the rural family a legal right to demand for employment for at least 100 days in a year in public work projects. This project was initiated with an objective of "enhancing 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".² The person applying for the work under this scheme has to be provided with employment within 15 days of application,³ if the employment is not provided within the stipulated time that person would be entitled to unemployment allowance.⁴ The ultimate objective of this project is reducing poverty in rural areas. The first phase of the implementation of this act covered over 200 districts in 2006 and in 2007 it was extended to 150 additional districts and 2008 onwards all the rural areas were covered.

The salient features of the Act –

1. Right to Work – the Act gives the adult members of the rural household who are willing to work do unskilled manual work right to work, which is consistent with Article 41 of the Indian Constitution which directs the state to secure all the citizens 'right to work'.
2. Time Bound Employment Guarantee – The Act provides for 15 day time period for providing employment to an applicant, if the applicant is not provided with a job, he is entitled to employment allowance.
3. Guaranteed Minimum 100 days of wage employment in a fiscal year, per household.
4. Decentralized planning – Gram Sabhas are the main actors in this initiative. They are given powers to recommend works and 50% of the works recommended by gram sabhas are executed. The planning, implementation and monitoring is done by the PRI's.
5. Worksite Facilities – The worksites where the employment is provided under this scheme has various facilities such as crèche, drinking water, shades and first aid kits.
6. Women Empowerment – At least one third of the total members employed must be women.
7. Transparency and accountability – The accounts involved are audited on a monthly basis to ensure transparency and the grievance redressal mechanisms have been employed.
8. Labour intensive works – At least 60 percent of the works are labour intensive and 40% are material intensive.

¹ Madalena Honorati *et al*, *The State of Social Safety Nets 2015*, WORLD BANK.

² Preamble, The Mahatma Gandhi National Rural Employment Guarantee Act, 2005.

³ Section 5, The Mahatma Gandhi National Rural Employment Guarantee Act, 2005.

⁴ Section 7, The Mahatma Gandhi National Rural Employment Guarantee Act, 2005.

9. Implementation – the state government is responsible for the effective implementation of this scheme. Section 3 and 4 of this act creates an obligation on the state government to provide a minimum of 100 days of guaranteed unskilled manual work to the rural household in a fiscal year.
10. Funding – 100% of the wages of the unskilled manual work and 75% of the material costs including the wages of semi-skilled and skilled labourers are borne by the central government. 25% of the wages of the semi-skilled and skilled labourers and 100% unemployment allowance is borne by the state government.

How providing employment of 100 days of unskilled manual work would alleviate the present situation of the rural household is a question which must be looked into, but the government provides multiple hypothesised mechanisms where the guaranteed employment in public work scheme like these will reduce poverty. Schemes like the MNREGS provide minimum wages to those who work, which in turn increases the income of the rural people, which will increase their purchasing power and will provide access to the basic amenities which they were deprived off otherwise. To analyse whether the MNREGS caused development or not in the rural household, we must look into the statistics which are available.

Analysis

Before analysing the MNREGS, we need to understand what poverty means and what does development of the rural household mean.

Poverty can be defined as a situation where it forms a vicious circle of various factors like low income, poor health, low calorie consumption, lack of education, lack of skills, employment, and job opportunities (not an exhaustive list). World Bank has defined poverty as “*pronounced deprivation in well-being*” and also it has emphasised that poverty has many other different aspects such as “*low income, limited access to education and health care, voicelessness, powerlessness, vulnerability, and exposure to risk*”⁵ which determine poverty. Developmental Assistance Committee of the OECD defines poverty as “*inability of the people to meet economic, social and other standards of well-being*.”⁶

What would the development of the rural household mean?

Development of the rural household may mean differently for different persons, for some it might be development in terms of financial status, for some it might be development in terms of access to amenities such as health care, education etc. But what the researcher in this paper is looking at the development in a different way. Development of the rural household for the purposes of this paper would mean development in terms of income, access to education, health care, job opportunities, access to basic amenities like clean water, shelter, clean and sufficient food.

Whether MNREGS has been successful until now to bring about this development in the rural household is the question which the researcher is seeking to answer in this paper (as per the data available to the researcher). The researcher will be using the statistics and survey which was conducted by the International Crops Research Institute for Semi-Arid Tropics (ICRISAT), Hyderabad and Gujarat Institute of Developmental Research (GIDR), Ahmedabad in 2012-13.⁷

The MNREGA initiative has completed ten years and it's the eleventh year in running now. The reach of this initiative has been growing every year since its inception and it has provided nearly 90 crore rural household with job cards since 2006 and out of those 90 crore household nearly 35% have demanded for employment and almost 98% of those who demanded for employment has been provided with one.⁸ From the year 2006-07 till 2014-15, on an average 40 crore households have been provided with employment, averaging around 4.5 crores households getting a job per annum, which is near to 30% of the rural household population in the country.⁹

Six states namely Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal Andhra Pradesh and Madhya Pradesh have provide employment to more than 4 crore household from the inception of this initiative till the last fiscal year i.e., 2015-16. Karnataka, Assam, Bihar, Jharkhand, Odisha and Chhattisgarh, each state, has provided employment to 2-3 crores households until now and all other states, each states individually, have provided employment to less than 1.5 crores households until now.¹⁰

It is very evident from the available data that the reach of the MNREGA programme has been tremendous covering nearly 35% of the rural household every year. But another issue which is to be looked into is, how many person days of employment has been generated on an average to the 35% of the rural household who has been provided with the employment. The number of days of employment each household gets is very disappointing. On an average, as per the data available till now, each rural household gets around only 40-55 days of work in contrast

⁵ World Bank (2001): *Attacking Poverty. World Development Report 2000/01*, Washington.

⁶ OECD (2001): *The DAC Guidelines. "Poverty Reduction"*, Paris.

⁷ Rama Rao *et al*, *Impact of National Rural Employment Guarantee Scheme in India on Rural Poverty and Food Security*, Current Agriculture Research Journal, 1(1), 2013.

⁸ Pramod Kumar, *Impact of MGNREGA on Wage Rate, Food Security And Rural Urban Migration: A Consolidated Report*, Agriculture Development and Rural Transformation Centre, 2013.

⁹ Rao, *supra* note 8.

¹⁰ Valmiki Ramakrishna, *Implementation of MGNREGA in Karnataka*, 70(4), The Indian Journal of Political Science, 2015.

to the 100 days of guaranteed employment which has been provided in the statute.¹¹ The present number is nearly just half of what the statute guarantees. The preamble of the act states “An Act to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year...”¹² The main objective of the act is to provide for at least 100 days of employment and not up to 100 days and the state governments and local authorities have failed to achieve the objective of the act. This failure will have an adverse impact on the income earned by the rural households. The effective implantation of the scheme is hit by this. Only around 4 crores of the households out of the 40 crore household who had been provided with the employment, have completed the 100 days of employment. At an average only 9% of the employed households completed the 100 days of employment from its inception till now.¹³ This indicates the inefficiency of the programme in providing 100 days of guaranteed employment to the rural household who all opted for the MNREGA initiative.

To determine the impact of the MNREGA on the income of the rural households, data collected by a sample survey by Agriculture Development and Rural Transformation Centre, ISEC for their study has been used. The average household size of a rural family participating in the MNREGA programme is 4.5-4.7 and the average number of earners in each house hold is 2.2-2.6 and the literacy rate was less than 1/3rd. In comparison to the households not participating in MNREGA, the average number of earners and literacy rate was much higher when compared to the participants.¹⁴ The trends shown in the survey regarding the occupation of the households show that the employment provided by the MNREGA programme is only small proportion of the aggregate employment. The working man days of the rural households under the MNREGA scheme was only around 12 to 32 percent in different parts of the country. It was less than 15% in many states including big states like Karnataka, West Bengal etc. It was more than 25% only in two states Andhra Pradesh and Bihar.¹⁵ On an average, the MNREGA’s share in total employment of the rural house hold is 18%. The highest share in total employment was of casual labour in agriculture and non-agriculture, which constituted around 40% of the total employment.

The mandate under the MNREGA is only to provide at least 100 days of guaranteed employment per household (which is rarely achieved) and in many cases there are more than one person working per household, hence the MNREGA initiative guarantees only partial employment and households should depend on alternative employments in different fields like agriculture sector or any other sector or casual labour work.

The wage rates under the MNREGA ranges from Rs. 80 per day to Rs. 150 per day, on an average the wage rate provided under the MNREGA is Rs. 100.¹⁶ In many states, the wage rate which was provided under the MNREGA programme was less than the minimum stipulated was in the Minimum Wages Act, 1948. But however, though the wages provided under MNREGA was lower than the Minimum Wages Act, it was more than the prevailing wage rate which was given for the unskilled labour in agriculture and other activities.

The survey revealed that the MNREGA was successful in increasing their annual income by providing guaranteed wage employment to rural households. More than 60% of the households participating in the survey admitted that the wages from the MNREGA initiative has contributed to their annual income from the range of Rs.5000 – Rs.10000 and nearly 8% of the household reported an increase of more than Rs.10000 in their annual income of the family and the rest reported only up to Rs.5000 increase in their income.¹⁷ Nearly 98% of the household accepted that the wages earned by them through the MNREGA scheme has been beneficial to them and it has provided them additional support to them.

According to Economics, it is well known that spending has multiplier effects and when the additional income which the household gets is spent on buying goods, there is a demand created for many items and the production of those commodities will create demand for supply of raw materials and labour. With vast coverage of the MNREGA programme, it has become a lifeline for rural women.

The survey recorded the information regarding the wage utilization among the rural household with additional money they got through MNREGA. It was found that the majority of the household opted for a better food basket after the increase in their income, the second most prioritised was education of their children and health¹⁸. It is evident from the findings of the survey that the money is being used for improving the quality of the life and human development related issues.

¹¹ Pramod, *supra* note 9.

¹² Preamble, The Mahatma Gandhi National Rural Employment Guarantee Act, 2005.

¹³ Pramod, *supra* note 9.

¹⁴ Pramod, *supra* note 9.

¹⁵ Pramod, *supra* note 9.

¹⁶ R.K.A Subramanya, *Social Protection of the Workers in the Unorganized Sector*, Indian Journal of Industrial Relations, 48(3), 2013.

¹⁷ Raghav Gaiha, *Does the Employment Guarantee Scheme Benefit the Rural Poor in India? Some Recent Evidence*, 45(6), University of California Press, 2015.

¹⁸ Anil Ganeriwala, *An Impact Assessment Study of usefulness and sustainability of the assets created under MGNREGA in Sikkim*, IRMA, 2010.

Utilization Pattern	No. of families	Percentage (%)
Good Food	141	81
Children's Education	126	72
Health related Expenditure	112	64
Household Things	61	35
Buying things for agriculture	49	28
Renovation of the house	25	14
Irrigation work	14	8
Paid back debts	11	6.3
New insurance policy	7	4

The additional income earned by the rural household through MNREGA has significantly increased the purchasing power of the rural people, and the rural household has been spending the additional income effectively by spending for better quality of life and human development related issues, which is a positive sign for a better society and betterment of the people. The MNREGS programme also provides an incentive of additional bargaining power for rural households to demand for better wages in the open market. Women opting in to the MNREGA programme is also another positive impact, where it provides women with their own economic independence and freedom and empowering them and the MNREGA does not discriminate between a man and a woman in terms of wages, the wages of both man and woman are same, and this also provided a boost in confidence for women.¹⁹

The impact of the MNREGA programme can viewed in terms of the extent to which it has come to have bearing on the state's position in the Human Development Index (HDI). Evidences suggest that MNREGA has created a positive impact on the four major indicators of the HDI namely – Income Generation, Economic self-reliance, empowerment of women (inclusive of gender mainstreaming) and the quality of life.²⁰

Conclusion

The MNREGA programme has enabled the rural household to increase their purchasing power, lead a quality and healthy life with all the basic facilities and provide education to their children and several other benefits. The MNREGA has enabled the rural household by the additional income to go an extra mile and spend for a better quality of life. Generally when the income increases it has a huge impact on the expenditure of the family, this evident from the survey data which shows 89% of the households have electricity connections, 45% of them have televisions, nearly 40% have access to mobile phones,²¹ this is the bright part of the story, but unfortunately, this positive impact of MNREGA is not enough to alleviate the rural household, as 83% of the household had no LPG connections and 80% had no access to toilet facilities in their dwellings. Therefore, we have to go a long way to alleviate the quality of the life of the rural people. Thus, the MNREGA programme has definitely brought about development in the rural household and it has enabled them to access many facilities and enhance the quality of the life, but this development is limited, MNREGA has not developed the rural households completely and it is not possible for MNREGA individually to develop the rural household completely. This complete development can only happen when the central and state governments introduce policies and initiatives which will cause growth and development of the rural household.

Suggestions for Changes in the MGNREGA

The objective of the MNREGA is to enhance the livelihood security of the rural people by providing 100 days of guaranteed employment but it is evident from the statistics that the 100 days of guaranteed employment is not being provided by the state governments and the average number of employment days is very less, when compared to the statutory provision (100). If the state governments take adequate measures to ensure that the 100 days of guaranteed employment is provided to the rural household, it will lead to additional income to the rural household, which will bear a positive impact on their development.

New provision for providing free lunch for the workers at the worksite must be included into the legislation, doing this will enhance the food security of the rural household and it will save the additional cost which was incurred for their lunch, therefore leading to additional income at their disposal, and increased purchasing power.

¹⁹ Ashok Pankaj and Rukmini Tankha, *Empowerment Effects of the NREGS on Women Workers: A Study in Four States*, 45(30), Economic and Political Weekly, 2010.

²⁰ Rudra N. Mishra et al, *Impact of National Rural Employment Guarantee Scheme in India on Rural Poverty and Food Security*, presented at Impact of National Rural Employment Guarantee Scheme in India on Rural Poverty and Food Security, 2014.

²¹ Dr. Suman Pamecha and Indu Sharma, *Socio-Economic Impact of Mgnrega - A Study Undertaken among Beneficiaries of 20 Villages of Dungarpur District of Rajasthan*, 5(1), International Journal of Scientific and Research Publications, 2015.

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13. Yanyan Liu, *Heterogeneous Pro-Poor Targeting in the National Rural Employment Guarantee Scheme*, 48(10), ECONOMICS AND POLITICAL WEEKLY, 48(10), 2013.