

# **Employment Guarantee Scheme in India Social Inclusion and Poverty Reduction through MGNREGS**

By

Ashok Pankaj

Council for Social Development, New Delhi (India)

Expert and Inter-Agency Meeting on  
Implementation of the Second United Nations Decade for the Eradication  
of Poverty (2008-2017)  
Addis Ababa (Ethiopia)  
27-29 May 2015

## Structure of the presentation

I. EGS in India: History, Origin and Source

I. MGNREGS objectives and features

III. How has it worked especially?

- Has it been inclusive and has its impact been inclusive?
- Has it helped in poverty reduction?
- What are the other poverty reducing and inclusive development effects of the programme?

IV. Lessons for least developed countries

## EGS in India: History, Origin and Foundations

- Relief through employment under public works programme has a long history in India
- Ancient rulers, medieval kings, and colonial state adopted it as a measure to provide social security in case of drought, failure of agriculture, and other adverse conditions
- The sources of public works programme in post- independence period lie in:
  - Gandhi's right to work based approach to development
  - Articles 39 (a) and 41 of the Constitution
  - Article 21 of the Constitution

## Cont.

- Article 39 (a): 'The State shall, in particular, direct its policy towards securing that—**the citizens, men and women equally, have the right to an adequate means to livelihood**'
- Article 41 directs: 'The State shall within the limits of its economic capacity and development, **make effective provision for securing the right to work to public assistance in cases of unemployment ... and in other cases of undeserving want**' (*The Constitution of India, 2007: 21–22*).
- Article 21: The Supreme Court of India in *Olega Tellis versus Bombay Municipal Corporation case (1986)* held that the word 'life' in Article 21 includes 'right to livelihood', as nobody can live without the means of livelihood.

## Cont.

- Dandekar and Rath (1971) in their classic study of poverty in India argued to make employment centric public works programme central to India's poverty reduction strategy
- Maharashtra Employment Guarantee Scheme (MEGS) launched in 1972-73 following major drought in the State was the first comprehensive EGS in India (but it was state based)
- MGNREGS draws heavily on MEGS for design and features and experience of the erstwhile employment based programmes

## Pre-MGNREGS Employment based programme

- Federal government sponsored pre-MGNREGS programmes were in numbers, but lacked rights-based approach and guarantee component:
  - National Rural Employment Programme (NREP) 1980–89
  - Rural Landless Employment Guarantee Programme (RLEGP) 1983–89
  - Jawahar Rozgar Yojana (JRY) 1989–99
  - Employment Assurance Scheme (EAS) 1993–99
  - Jawahar Gram Samridhi Yojana (JGSY) 1999–2002
  - Sampoorna Grameen Rozgar Yojana (SGRY) since September 2001
  - National Food for Work Programme (NFFWP) since 14 November 2004.
- **SGRY and NFFWP were merged with MGNREGS in 2006.**

# MGNREGS: Objectives, Design and Features

## 1. Primary objectives

Main objectives laid down by the Act (MGNREGA 2005):

**“ 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 to every household whose adult members volunteer to do unskilled manual work and for matters connected therewith or incidental thereto.”**

**“Creation of durable assets and strengthening livelihood resource base of the rural poor...”**

(The NREGA 2005, The Gazette of India No. 48. Sept. 7, 2015).

# Objectives

## **2.Secondary objectives**

“ social safety net for the vulnerable groups by providing a fall-back employment [during lean season]

Growth engine for sustainable development of an agricultural economy

To strengthen the natural resource base of rural livelihood and create durable assets in rural areas.

Empowerment of rural poor through the processes of a rights-based law.

To promote transparent and accountable grassroots democracy and development” ( Operational Guidelines, 2008, 3<sup>rd</sup> edition, NREGS) :

## **3. Derivative objectives**

To reduce distress migration

Women’s empowerment



## Features of MGNREGS

1. **Right to work a legal guarantee:** (An Act of Parliament)
2. **Demand driven** (previous programmes supply driven)
3. **Entitlement to:**
  - a. Minimum wages
  - b. Unemployment allowance and compensation due to delayed wage payment
  - c. Four facilities at worksite : first aid, drinking water, shelter and crèche for children below six years
4. **Priority to women workers** (one-third of total)
5. **Priority to wage work** (wage material cost in the ratio of 60:40 and works of water conservation top priority)
6. **Funded by the Federal Government** (100 % of the wage cost of unskilled workers and 75 % of the material and wage cost of skilled and semi-skilled workers)
7. **Decentralised planning and execution**

(Institutions of local self-governance (PRIs) are the principal agencies for planning, implementation and monitoring of the works)
8. **Civil society oriented** (transparency and accountability through social audit)
9. **Three tier grievance redressal mechanisms**

## Implementation Overview (As on July 10, 2014)

- 17.20 billion (1720.7 crore ) persondays of employment have been generated so far.
- 2558.62 billion rupees (Rs. 2,55,862.95 cores) have been spent since the commencement of the programme in 2006.
- About 70 percent of the total expenditure has been incurred on wages.
- Fifty million (five crore) of rural households provided employment since 2008 (the programme was extended to all the rural districts of the country in 2008-09).

## Cont.

- 38.4 percent of the total rural households are registered and 60 % of them got work in 2011-12 (NSSO Employment and Unemployment Survey 2011-12)
- 62.7 percent of the total BPL rural households got work in 2011-12 (NSSO Employment and Unemployment Survey 2011-12)
- 36.4 % of the total rural labour force got work in 2011-12 ( NSSO Employment and Unemployment Survey 2011-12)
- The number of households and persons provided employment exceeds the total population of many a country of the world
- More than two million works – community and individual assets -- mostly related to water conservation and harvesting, irrigation and drought proofing, rural connectivity, etc. are completed every year

## Implementation overview as on July 10, 2014

Total No. of Job Cards [In million]	130
Total No. of Workers [In million]	280
SC worker as % of total Workers [In million]	19.0
ST worker as % of total Workers [In million]	14.95
Total No. of Active Job Cards [In million]	60
Total No. of Active Workers [In million]	100
SC worker as % of total Workers	21.06
ST worker as % of total Workers	16.52

## Implementation Overview

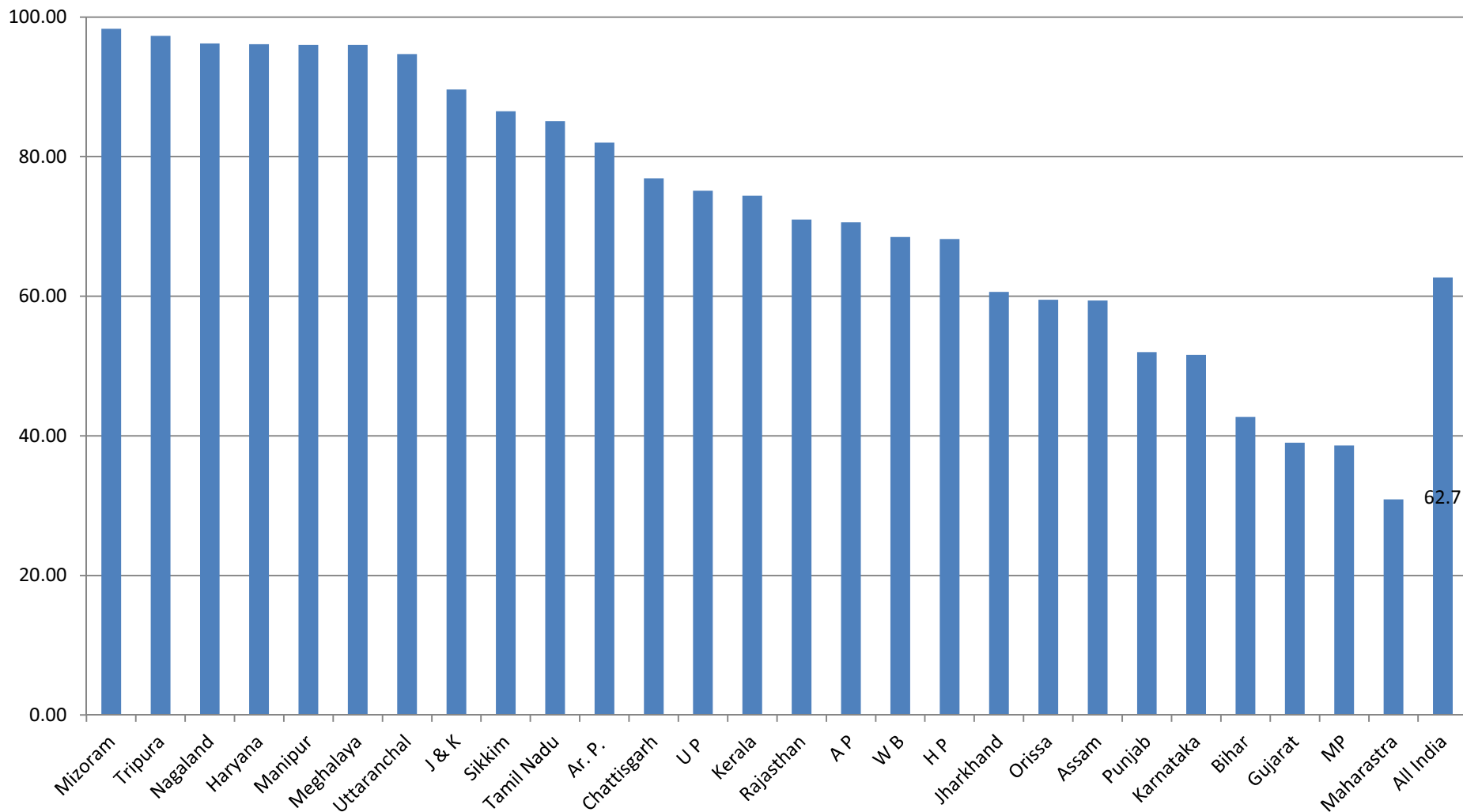
<b>Employment generated and provided</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
Households provided employment (in million)	21.01	33.9	45.11	52.58	54.83	50.06	49.9	47.9
Households provided (% of total rural households)	15.26	24.62	32.75	38.14	39.81	36.73	36.22	34.77
Household completing 100 days out of those provided employment	10.2	...	14.45	13.47	10.20	9.22	10.36	9.27
Average persondays per Households	43	42	48	54	47	43	46	46

## Inclusive character

Some evidences of inclusive character of the programme:

- Who are the beneficiaries: BPL, SC, ST and Women, landless and Casual labour
- Poverty is concentrated among the above groups

# State-wise % of BPL HHs worked in MGNREGS in 2011-12 (NSSO)



# Who are the beneficiaries of the programme (All India)

<b>Distribution of employment generated</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>
% Share of SC in total persondays ( SC= 16.2 % population)	25	27	29	30	31	22	22	22
% share of ST population in total persondays ( ST= 8.2 % population)	36	29	25	21	21	19	17	17
% share of other population in total persondays	38	43	45	49	49	59	60	60
% share of women in total persondays	41	43	48	48	48	48	53	51



Who are the beneficiaries of the programme  
Field based evidences from the two poorest states of India (surveyed in 2008)

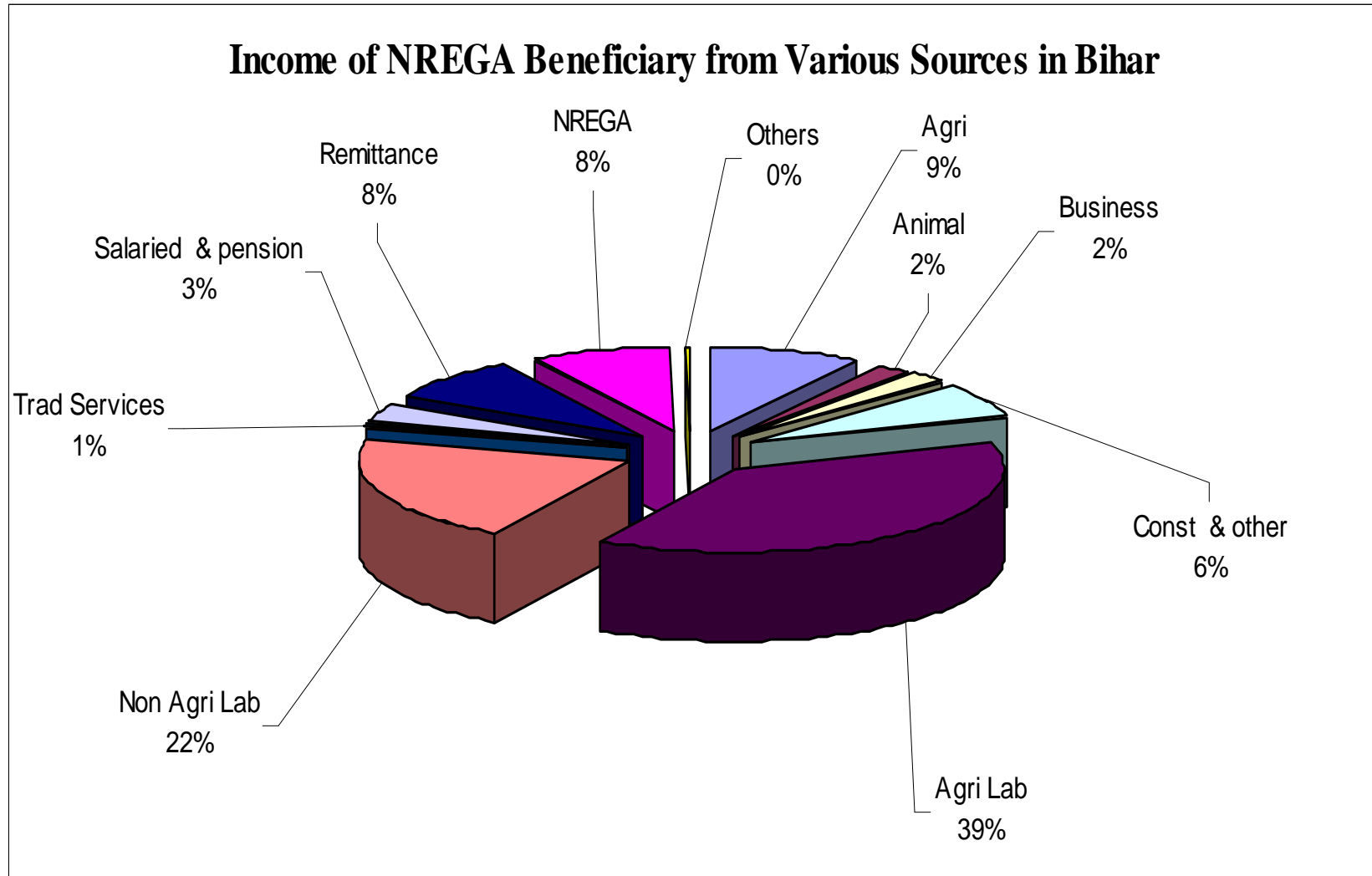
Land and occupation categories of beneficiaries	Bihar	Jharkhand
Landless	80.41	29.95
> 0.5 acres	13.65	28.38
0.5 to 1 acres	3.16	20.63
1 to 2.5 acres	2.04	13.72
2.5 to 5 acres	0.37	6.18
5 to 10 acres	0.37	1.15
Above 10 acres	0.00	0.00
<b><i>Occupation</i></b>		
Self-employed in agriculture	5.01	21.88
Casual labourers in agriculture	77.99	40.21
Casual labourers in non-agriculture	15.60	34.45
Self-employed in small business	1.02	2.20
Self-employed in large business/Salaried	0.09	0.73
Others	0.28	0.52
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## Impacts on income and livelihood security

Share of NREGS Earnings in the Total Annual Income of a Beneficiary Household

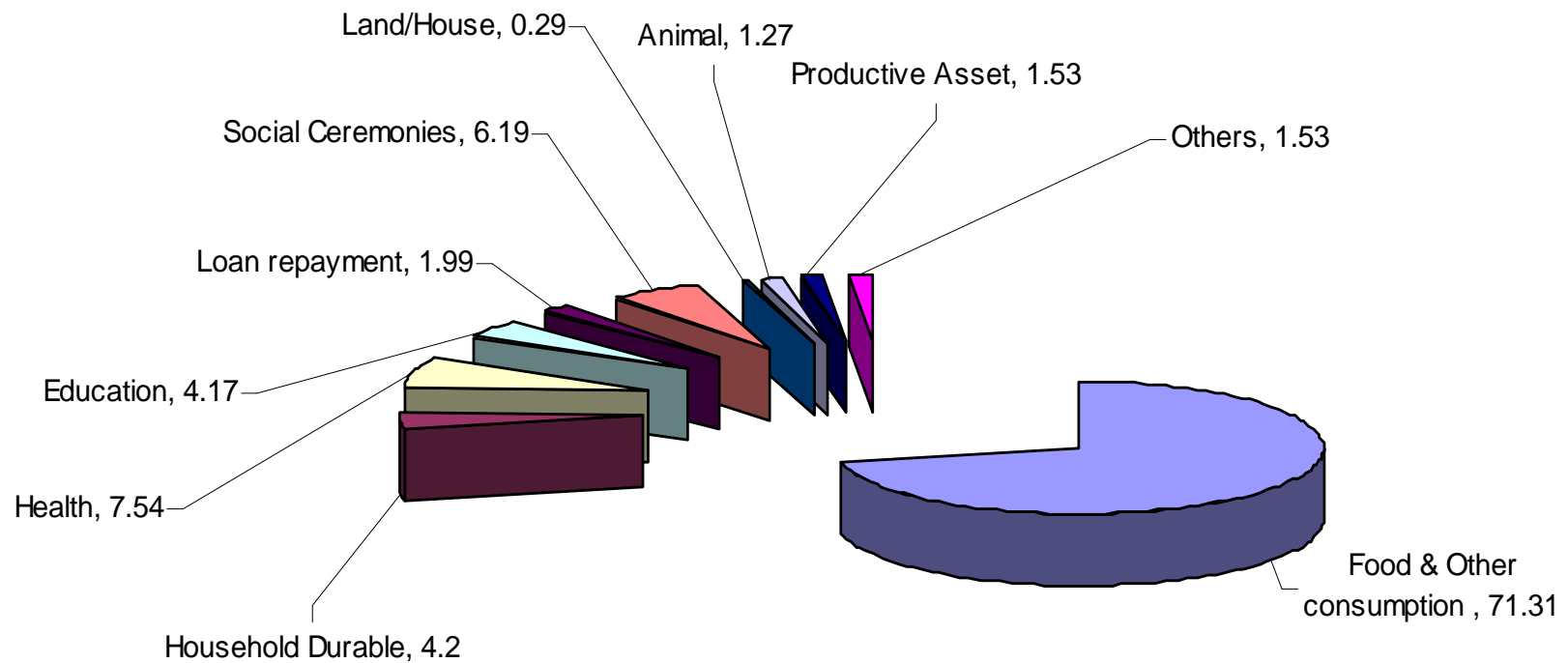
Categories	Average NREGA Income as % of the Total Annual Income of a Household	
	Bihar	Jharkhand
Caste		
Upper Caste	3.29	0.27
OBC-I	5.14	1.55
OBC-II	4.22	2.36
SC	11.74	0.97
ST	2.74	3.91
Land		
Landless	8.90	0.89
Marginal	7.81	3.18
Small	2.31	2.02
Medium	-	1.39
Total	8.37	2.41

# Other sources of income of a beneficiary (2008)



How do they spend the MGNREGS earnings:  
Meet food security, promote education and health as priority

**Distribution of Expenditure from NREGS Earnings in Bihar (%)  
2007-08**



## Other direct benefits to the individual beneficiaries

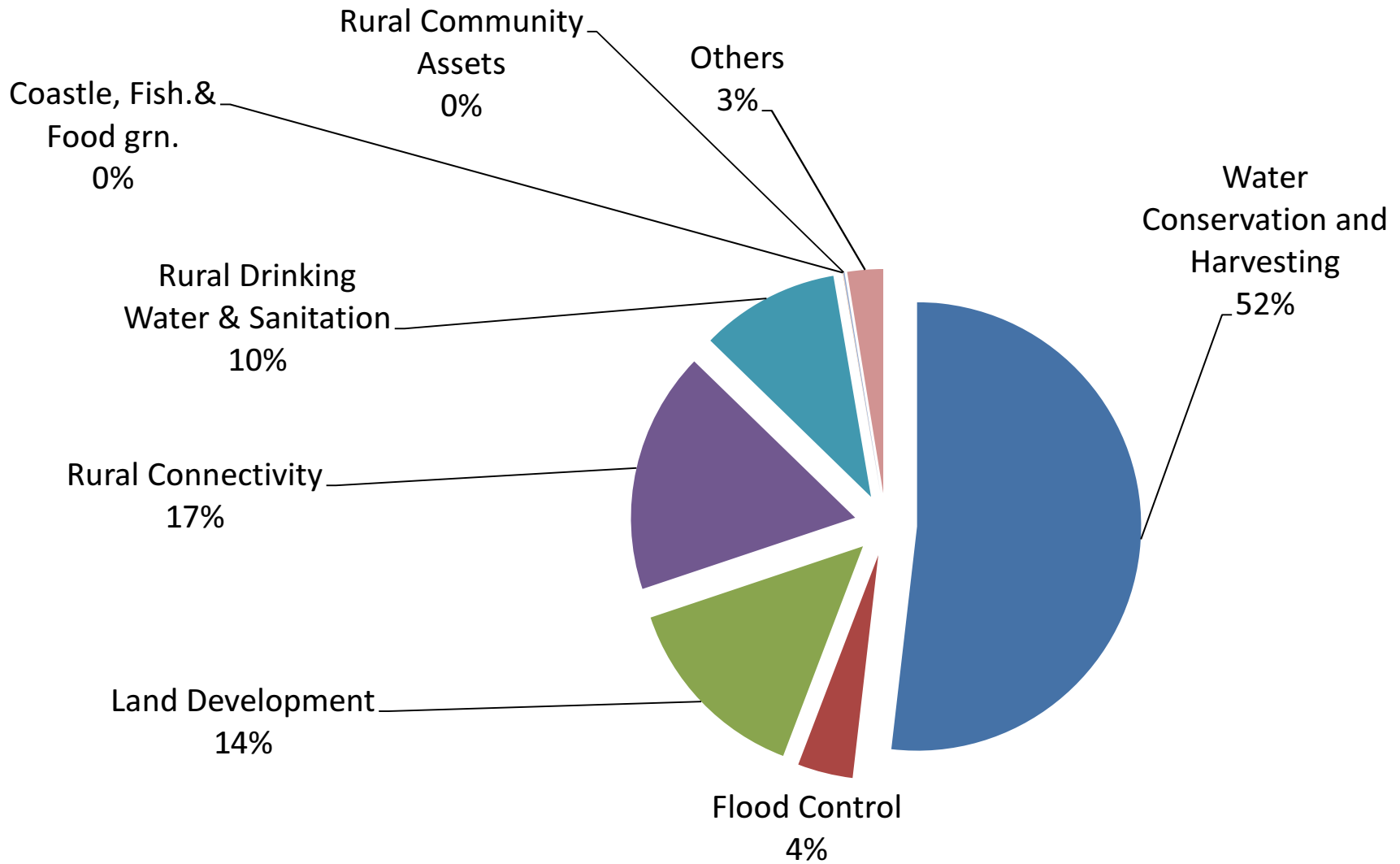
- Reduction in indebtedness (due to lean season employment)
- Reduction in distress migration
- Dependence on and exploitation by landlords/moneylenders decreased
- Bargaining power of the worker has increased
- Financial inclusion ( 90.8) million (9.88 crore) bank and post office accounts have been opened; most of them are the first timer
- A large number of small, medium and poor households are direct beneficiaries of the development of their land and irrigation facilities on their land
- Provided employment to women, destitute, old and even physically challenged (labour market is discriminatory to them)

## Macro-level impacts

### **Impacts of community assets on rural and agrarian economy**

- Increased in rural infrastructure and its impacts on local economy
- Increase in cultivated land and agricultural productivity
- Tightening of labour market may spin off changes in agricultural practices:
  - small holdings with dependence on non-family labour are facing the heat of rise in wages
  - agricultural practices may be changed; mechanisation may increase
- Land development and irrigation facilities on the land of individual have been effective in changing their socio-economic status: erstwhile CL in agriculture became self-employed in Agl.
  - In Deccan area, they became cotton grower: 2 acres of land irrigated by one well constructed under NREGA
- Income , employment and output multiplier effects of the MGNREGS : positive, although a little skewed towards those with land and assets.

# Types of assets created (2006-07 to 2014-15)



## Wage, labour market and other macro economic impacts

- Upward push to the wages (rural wages and consequently to urban wages ): low level equilibrium has been disturbed if not totally broken

(Post-NREGA rise in wages is phenomenal compared to pre-NREGA period and since independence)

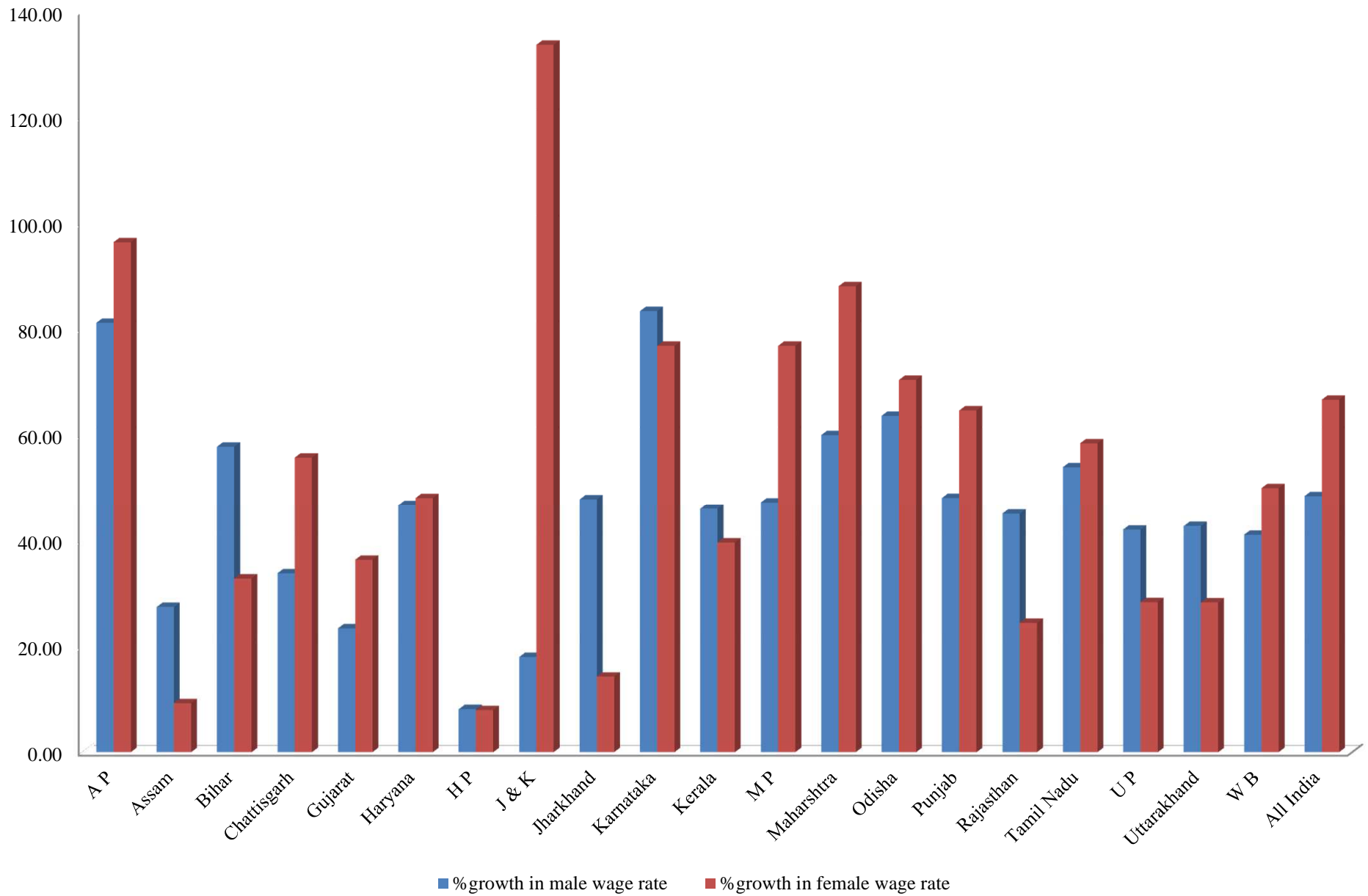
- For the first time serious implementation of Minimum Wages Act
- Theoretical and practical examples of higher wages resulting in faster reduction of poverty
- Land-labour relations are changing due to increased bargaining position of labour, especially of female labour
- Upward push to rural wages and consequently to urban wages (reduced migration to urban areas)



## Impacts through wages

- Male-female wage disparity has come down
- Male-female wage parity in rural labour market with long term implications for labour market as a whole
- Labour market impacts: oligopolistic and monopsonic control has loosened; wage convergence (rural-urban; male female)
- Inflation: the role of increased demand for food, vegetables, milk and other consumption items, triggered by NREGS income, has been attributed to for recent inflation
- It is argued by many that the NREGS expenditure has minimized the effects of recent recession

## % change in daily average wage rates of Rural Casual Workers in Major States between 2004-05 & 2011-12



## Poverty reduction across employment categories

Proportion of Poor Across Households Status of Employment				
Sector	Household Employment Status	1993-94	2004-05	2011-12
Rural	Self employed in non-agriculture	44	36.3	19.3
	Self-employed in agriculture	41.8	33.2	16.8
	Regular workers			7.6
	<b>Casual Labour in agriculture</b>	<b>70.3</b>	<b>63.1</b>	<b>31.6</b>
	Casual Labour in non-agriculture	57	48.6	27.8
	Others	26.5	21.8	17.4#
	Urban	Self-employed	34.2	27.5
	Regular Workers	20.6	15.3	7.4
	Casual	64.5	58.8	33
	Others	24.1	15.9	8.4

Note: # combines regular and others

Source: India Labour and Employment Report 2014

# Women's Empowerment

Women's Empowerment through

## **Household level effects**

- Income–consumption effects;
- Intra-household effects (decision-making role); and
- Enhancement of choice and capability.

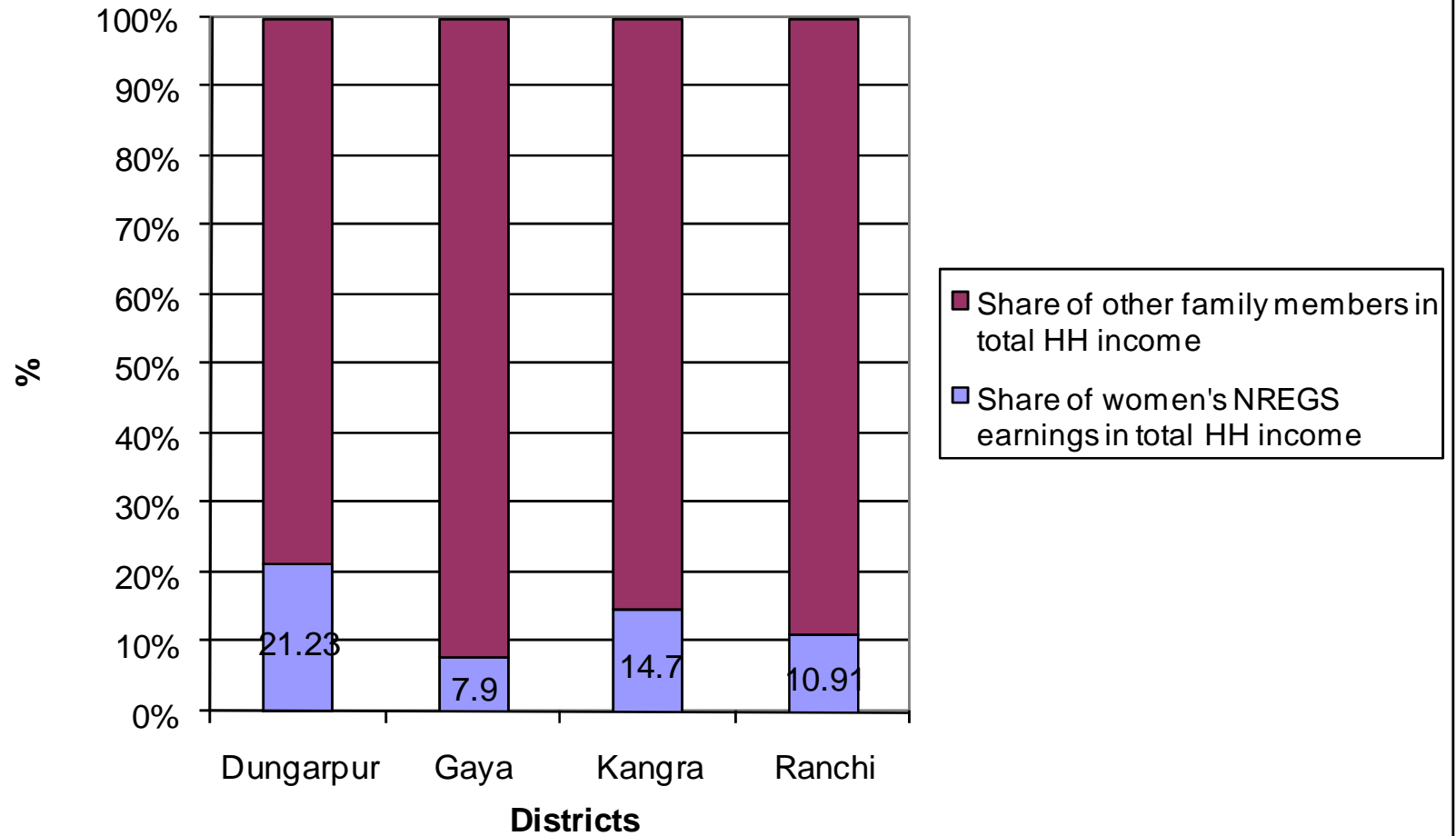
## **Community level effects**

- Process participation;
- Wage-equality and its long term impacts on rural labour market conditions; and
- Changes in gender relations, if any, because of the above and other factors.

See Ashok Pankaj ed. (2012). *Right to Work and Rural India: Working of the MGNREGS* ( Delhi, Sage Publication)

# Monetary contribution to HH income

## Women's NREGS earnings in total HH Income



## Women's participation in collective decision making

<b>Districts</b>	<b>% of Women Attending Gram Sabha</b>	<b>% of Women Speaking in Gram Sabha</b>	<b>% of Women Interacting with Officials</b>
Dungarpur	55.3	78.9	76.7
Gaya	13.6	13.3	5.5
Kangra	88.7	85.1	97.2
Ranchi	25.7	53.6	10.1
<b>Total</b>	<b>45.3</b>	<b>73.2</b>	<b>46.5</b>

## Major difficulties in achieving objectives

- Employment generation remains short of demand ( only 10 % of the HHs are realizing 100 days of employment)
- Demand-driven process yet to be realized
- Poor enforcement of entitlements
- Weak local level institutions
- Strong inter-state and intra-state variations  
(ironically the backward regions are least benefitted)
- Being loaded with too many objectives  
(creates tensions in programme, e.g., job creation vs. assets creation; 60:40 ratio of wage and material)

## Learning lessons

- Tremendous potentialities for India and similar Afro-Asian and Latin American countries
- Strong poverty and inequality reduction effects
- Could change the rural dynamics and usher structural transformation in the long run
- Strong safety-net for individual and anti-recession effects for the macro economy
- The cost to the economy is not so huge ( less than even one percent of GDP in case of India), but overall benefits are huge
- Some CGE and Social Account Matrix confirm macro-level impacts better than that of cash transfer
- Helpful in democratic decentralisation



Thanks!