



## PROBLEMS AND PROSPECTS OF MAGATMA GANTHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MGNREGS)

**Dr. B. Yasodha Jagadeeswari**

*Assistant Professor, PG & Research Department of Economics, Holy Cross College (Autonomous),  
Tiruchirappalli, India.*

### **Abstract**

*The National Rural Employment Guarantee Programme of India was passed as an Act by the government in 2005 and for the first time ever, it legislates the 'right to employment'. It was initially implemented in the 200 identified backward rural districts in 2006 and in 2008 expanded to cover all rural districts of the country. The actual roll out of the programme is determined by each State government. Its objective, as stated in the NREGA Guidelines, is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment at prevailing minimum wages for rural unskilled labour in a financial year to a household, while generating productive assets, protecting the environment, empowering rural women, reducing rural to urban distress migration and promoting social equity. It therefore proposes 'a rights- based, job- oriented way' to Power plays a great role wherever man lives and works.*

**Key words:** *MGNREGS, Rural Development, Problems and Prospects, Economic Evaluation, Poverty Eradication.*

### **INTRODUCTION**

Public employment programmes based on labour intensive technologies have been used in developed and developing countries, often as a response to crisis - during the depression, post war reconstruction, economic crisis, and recession as well as during floods, earthquakes, etc. Since the early 1970s, quite a few developing countries have experimented with such programmes in Africa, Asia and Latin America. These include Indonesia's Padat Karya, which was relaunched in 1998 after the economic crisis, Argentina's Jefes De Hogar in 2002, Botswana's labour Based relief programmes, South Africa's expanded public works programme from 2004, Bangladesh's Food for Work programme and India's Maharashtra Employment Guarantee Scheme (Devereux and Solomon, 2006). The objective of these public employment programmes is to provide a form of social security by providing a basic income through labour intensive employment, while contributing to public assets. They typically provide a 'fall back' or 'last resort wage employment' opportunity for vulnerable groups who are unemployed and or underemployed over the year. If properly planned, labour intensive public works programmes can act not only to alleviate poverty, but also enhance economic growth and social equity.

These programmes are based on a Keynesian aggregate demand strategy of direct job creation by the government for a full employment economy. These are usually targeted jobs programme, paying minimum wages, with an aim to create a social floor and have the potential to reduce poverty 'in a politically digestible manner' (Minsky, 1971 p. 20 as quoted in Papadimitriou 2008, p. 4). Minsky (1986) also argued that these 'Employment of last Resort' programmes based on government expenditure would be stabilizing for the economy. In most developing countries, with large informal economies, private sector demand is insufficient to provide full productive employment. Only the government can 'divorce profitability from the hiring of workers and create an inelastic demand for labour' (Minsky, 1986, p. 308). The rationale for these programmes are based on the premise that the government has an active role to play in promoting full employment in developing economies by assuming the role of the market maker for labour (Antonopoulos, 2009).

However, the extent to which these labour intensive public works programmes can have an impact on growth and equity, beyond simply being a last resort fall back coping option for poor households, depends on a number of



issues. These include the planning of the programmes, the wage rate, the nature of works and thereby the types of jobs generated and the access and availability of work for women and men.

The main criticism against these programmes have been that they are expensive, ridden with corruption and therefore benefits often do not reach the beneficiaries but are siphoned off by others. In short, these programmes often fail to target the poor and the needy mainly due to design and implementation challenges.

Growth and development – rather than being a resource based employment scheme. Other unique features are its self selection and demand orientation. This means that only those who are in need would apply for work under this programme and if they do, the government is obliged to provide such work, or give them an unemployment benefit. The Act also does away with contractors, a departure from previous public employment schemes, and specifies that the labour capital ratio in the public works programmes must be at least 60:40. The Right to Information Act was passed by the government in 2005, prior to the NREGA, and it was expected that this would help to restrict or minimize leakages from the NREGA, a usual major problem in past public employment schemes.

Several provisions in the Operational Guidelines for the NREGA seek to encourage women's effective participation in the programme, both as workers and as managers of the programme. The guidelines spell out clear instructions for equal payment of wages for men and women and that at least one-third of the beneficiaries shall be women who have registered and requested for work under the scheme. A crèche is to be provided if there are more than five children under 6 years of age and that payment to the crèche in charge will not be included as part of the work measurement. As per the guidelines, each work shall be monitored by a local Vigilance and Monitoring Committee which shall be composed of members from the immediate locality or village where the work is undertaken, to monitor the progress and quality of work. The Gram Sabha is expected to ensure that women are represented on this Committee. The guidelines mention a social audit forum to be convened by the Gram Sabha every 6 months as part of the continuous auditing process, and that the timing of the forum should be convenient in particular for NREGP workers, women and marginalized communities. By recognizing single persons as a 'household', the act makes it possible for widows and other single women to access this work.

To promote women's participation in the NREGA, some state governments have introduced specific features to the scheme. Andhra Pradesh, Bihar and West Bengal have introduced different (reduced) task rates for women. Some states such as Kerala and Himachal Pradesh pay the minimum wages based on a day's work, not piece rated, which has enabled women to attain stipulated minimum wages more easily than under a piece rated system. States, such as Andhra Pradesh and Orissa were the first to pay wages through a bank account to ensure that leakages are minimized.. Since September 2008, the government has made it mandatory to switch to bank payments to minimize corruption, although the roll out of this provision is contingent on the speed with which individual bank accounts can be opened. Khera and Nayak (2009) asked women in surveys about their preference, and about 53 per cent preferred to be paid through the bank. However, payment through bank accounts could have a negative impact for women if the woman worker has no control over the family bank account. Perhaps it would be better if there were different job cards for each adult member of the households, and different bank accounts for men and women in the household. At present, job cards are issued to households although payments are then made into individual bank accounts.

## **OBJECTIVES**

The primary objective of the article is augmenting wage employment for the poorest of the poor while the secondary objective is to strengthen natural resource management through works that address causes of chronic poverty, like drought, and thus encourage sustainable development.



## **METHODOLOGY**

The Cuddalore district comprises of 13 revenue Blocks. Among the 13 blocks of Cuddalore District, The primary data were collected from MGNREGS labourers in Kammapuram Block in Cuddalore District, Tamil Nadu.

## **SOURCES OF DATA**

The Data required for the study has been collected from both the primary and secondary sources.

- **Primary data:** Schedules and questionnaires were used by the investigator in Kammapuram Block in Cuddalore District, Tamil Nadu.
- **Secondary data:** Secondary data for this study was collected from government reports, books and journals, newspapers, magazines and website.

## **PROBLEMS AND PROSPECTS OF MGNREGS**

The employment guarantee scheme suffers from certain lacunae and shortcomings. These short comings are inter-related and interdependent. These are not associated with the scheme or act but with the process in which it is being implemented. Some of the important problems are presented below.

### **I. Inadequate Awareness**

The scheme is right based legal entitlement programme, which guarantees the hundred day's employment to the rural household who is entitlement to receive unskilled manual works.

However, due to the poor awareness among rural household, people are not aware about their basic entitlement such as job card, minimum wage rate, minimum number of employment days, unemployment allowance, and worksite facilities etc. even panchayat, block and district officers ignorant about all the details of the scheme. They are poorly informed about various processes like registering household, forming vigilance committee, making muster roll, etc... Under the scheme there is provision of unemployment allowance in the case of responsible authorities fail to provide employment, however there is a wide spread ignorance about how to avail the allowance. Sometimes even the officials deliberately do not give out this information as they fear punishment for not providing jobs. Poor awareness not only leads to corruption but also poor management of scheme and thus true potential of MGNREGS is not being realized. Local levels, official have made inadequate efforts to raise awareness about the programme.

### **II. Delay in Payment of Wage**

MGNREGS guideline stipulates that every worker is entitled to a wage equal to the state minimum wage for agricultural labour delay beyond 15 days must be compensated. There has been a prolonged delay in payment of wages. However, it is reported that many cases of non-payment of full wage, wage less than minimum wages, the non-compensation of delayed wage payment and etc. the main reason attribute for the delay is the inability of the bank and post office to handle mass payment of MGNREGS wages. There are other reasons too. They are delay in work measurement, bottlenecks in flow of funds and irresponsible record keeping. Whatever might be the reason, even small delays cause enormous hardship to the workers who live on the margin of subsistence.

### **III. Overemphasis on Employment**

Two major objectives of the scheme are namely provision of 100 days of unskilled employment in a financial year household and creation of [productive and durable assets that would enhance agricultural product and productivity. However, in actual operationalization of the scheme, the first objective via creation of sustainable productive assets stands in shadow. Even during the social audit the prime attention goes to matter related to registration, issue of job card, allocation of work, timely wage payment and worksite facilities rather than the utilization of work completed, increase in production, multiplier effect of income generation, issues of ownership, operationalization and maintenance of asset created on the public land.



#### **IV. Failure to Achieve the 100 Guaranteed Days**

The Act has guaranteed hundred days of guaranteed employment to each household per year in rural areas who are registered under the scheme. However, the majority of the households work only for an average of 50 days or less. The proportion workers who got hundred days of employment are falling from 10.19 percent during 2006-07 to 19 percent in 2012-2013. This insufficient supply of 100 days of work is generally as a result of state failure to provide work. This clearly shows that a lot need to be done to ensure 100 days of work to the entire rural households in all states.

#### **V. Irregularities in Execution of Work**

In several states works were carried out without obtaining stipulated administrative and technical sanction in advance. Additionally many states used contractors and machinery to carry out the work is clear violation of the guidelines which that only manual labour should be used. Still other paid non-qualified persons such as peons and private secretaries to carry out the work in the absence of technical staff, and many workers did not adhere to the specified wages to material costs ratio.

#### **VI. Delay in Issue of Job Card and Work**

An important factor of the MGNREGS is that job needs to be given to a worker within 15 days of demand for work. Although after the registration of workers is completed. They took prolonged time to their demand for work. They will not pay any attention to give unemployment allowance too.

#### **VII. Corruption**

Corrupt practices have been one of the main drawbacks towards the credibility of implementation of the Act. It is an open secret that MGNREGS while claiming laudable objectives is ending up in pockets of a few, distorting entire rural economy and creating grave social disharmony, since swathes of people are left out. A more appropriate name instead of National Rural Employment Guarantee Scheme would be National Rural Looting Guarantee Scheme ( Pullarao 2010) Fudging of muster roll has proved to constitute one such problem, Fake names have been listed as attending the work under the scheme, where by wages are government has promoted payment of wage through banks in favour of buy hand to limit the changes of corruptions. However, this shift has not been free from the problem of corruption. The lack of knowledge about banking system (banking literacy) and illiteracy led rural village people hesitate to open bank account.

#### **VIII. Problems related with bank payment**

The switch over the wage payment system to bank payment has without a doubt provided substantial protection against embezzlement and is a critical step towards ensuring and guaranteeing great accountability in the disbursement of wages under the MGNREGA. However, these payments are getting delayed for various reasons. One is that either the banks are unwilling to cope with the load or they are unable to cope with the load. Lot of pressure on bank manpower on account of MGNREGS accounts and other government benefits accounts results in high costs and low returns on such accounts. Regular banking business affected on account of heavy rush on payment days. Thus it is an important cause for severe delays in the disbursement of wages that is the institutional incapacity of rural banks to handle the huge volume of accounts. The shortage of staff and technology is most acute in post offices where accounts are managed manually through log journals.

It is also a well-established argument that the coverage of banks and post offices in rural India is partly and as a consequence workers especially in remote parts of the country find it difficult to travel long distances to collect their wages causing delays in payments. It has generally been found that extremely few MGNREGS Workers surveyed had pre-existing bank accounts. In cases where bank accounts were accounts were opened for workers in ordered to deliver MGNREGS wages, the workers seldom used the accounts for anything other than receiving their wages. Payments of MGNREGS workers continue to be made through non-bank government requirements that wages be paid through bank accounts. it is mainly because of lack of awareness about financial facilities.



## CONCLUSION AND SUGGESTION

As has been discussed in the paper, the distress in rural India, particularly in the agriculture sector, where large numbers of poor Indians live and work, prompted this employment guarantee. By providing 100 days of work to a rural household, the Act provides an income supplement for poor households, especially during the slack agriculture season when demand for labour in agriculture is low. To the extent that those in need of such a fall-back option are able to access it when required, the MGNREGS provides a social floor for income and consumption and introduces stability in annual household income. By increasing disposable income of poor households, the MGNREGS creates the conditions for a consumption based growth path. It also promotes participation of the local people and the poor in choice of assets to be created. The programme can act as an automatic macroeconomic stabilizer. Furthermore, the 33 per cent reservation for women in all works, and the stipulation of equal wages for women and men are attempts at providing women with alternatives in rural areas that are not discriminatory. Therefore, at least in its design, the MGNREGS charts out an equitable development path that is rights based and full employment oriented.

The MGNREGS wage is critical in this aspect. If MGNREGS wages are fixed at minimum wage for agriculture labour, in theory it creates competition with agriculture labour hiring decisions. This could raise the reservation wage for agriculture to the extent that actual wages being paid in agriculture are lower than the minimum wage. The paper notes that there is a gender issue in the impact of MGNREGS on wages because the actual unskilled agricultural wages paid to women are invariably lower than those paid to men, and women's wages, more so than men's, are below the minimum wages. Therefore, in theory, the MGNREGS being a government programme where wages are expected to be minimum wages rather than the less than minimum wages paid by private agricultural land lords, will push up women's wages in agriculture. Whether it will have an impact on male female wage differentials will depend to the extent it has an impact on men's wages too. Therefore, there are two potential impacts on wages – an upward movement in general bringing market wages more in line with minimum wage, and a reduction in the gender wage gap as women are able to earn minimum wages on MGNREGS sites, provided men's wages do not increase proportionately.

The MGNREGS stipulates a household guarantee and therefore the level of women's participation is partly determined by external and market conditions and partly by intra household decisions. Where men's market wages exceed the minimum wage while women's market wage is below this there is prima facie a stronger incentive for women to access MGNREGS.

The paper also finds that the achievements or outcomes of the MGNREGS as far as women are concerned are – as with any other government programme – mediated by the intervening institutions including both the gendered nature of the labour market and the efficacy or otherwise of the local government. Reports of leakages and corruption in the programme continue and seriously undermine the benefits of this programme. There are also regional disparities in programme implementation and outcomes. The design of the programme can be improved in several ways as was the case with past programmes. But the difference with other programmes is first in the scale and the legal status; second the framework that opens up spaces for community involvement more explicitly than has been done for other programmes (although implicitly it has been there before); and third that just the level of interest by researchers, activists and other people not directly part of the programme is quite unique. These may, given the right conditions, ensure a better targeting and delivery of the programme on the whole, and may help in realizing the potential that the programme has in promoting gender equity.

## REFERENCES

1. www.nrega.nic.in.
2. NREGA operational guidelines – 2008, 3rd edition.
3. Disa Sjoblom and John Farrington (2008) Indian National Rural Employment Guarantee Act: Will it reduce poverty and boost economy? Overseas development institute.



4. The Hindu dated November 11, 2011 cover page article titled “another excuse to cut Government spending”.
5. “MGNREGA (2012) Operational Guidelines”, Government of India, Ministry of Rural Development, Department of Rural Development (MGNREGA-I Division), krishi Bhavan, New Delhi.
6. Prattoy Sarkar, Jagdish Kumar and Supriya (2011). Impact of MGNREGA on Reducing Rural Poverty and Improving Socio-economic Status of Rural Poor: A Study in Burdwan District of West Bengal, 24, 437-448.
7. Sivasakthi Devi, T., Balasubramanian. R., and Ganesh Kumar.B. (2011). Employment, Income and Labour Supply Decision of Rural Households: An Economic Analysis of MGNREGS in Tamil Nadu, Agricultural Economics Research Review, 24, 473-484.
8. Vanitha,S.M and Srikantha Murthy,P.S. (2011). An Economic Analysis of MGNREG Programme in Mysore District of Karnataka. Agricultural Economics Research Review, 24, 415-422.
9. Srikantha Murthy, P.S and Indumati (2011). Economic Analysis of MGNREGA in the Drought-prone States of Karnataka, Rajasthan and Irrigation-dominated State of Andhra Pradesh, Agricultural Economics Research Review, 24, 531-536.
10. Rogaly, Ben (2011). Workers on the move: Seasonal migration and changing social relations in rural India. Gender and Development, 6 (1), 21-29.