
IMPACT OF MNREGA ON ECONOMIC AND SOCIAL DEVELOPMENT

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Abstract : In 2005 India introduced a very ambitious national antipoverty program, in its reformed way called the Mahatma Gandhi National Rural Employment Guarantee Scheme, which was introduced in India in the year 2005. The much ambitious goal that it put on table was to provide 100 days of unskilled manual labor per year on any project related to public. The scheme is limited to be for any rural household member who wants such work at the fixed minimum wage rate as determined by the government. The mission with which it was started was to dramatically reduce poverty by providing extra earnings for poor families, as well as empowerment and insurance. In case of program to be called a success, then, anyone who wanted work on the scheme would get it. However, if we look at the trend in the recent past, after the analysis of data from India's National Sample Survey then we will get to know that there is much un-met demand for work in almost all the states. The whole idea was that poorer families will be having more demand for work on the scheme, and so the target was ultimately to reach relatively poor families and backward castes. But, the scenario is such that the un-met demand is greater in the poorest state where the scheme is needed the most for the betterment of the people. The scheme is attracting poor women into the workforce, although the local-level rationing processes favor men. This paper will analyze this situation alongwith providing some policy recommendations.

Introduction: While giving shape to the wage employment programmes to more effectively fight poverty, the Central Government formulated the National Rural Employment Guarantee Act (MGNREGA) in 2005. With its legal framework and an approach that was totally rights-based, MGNREGA provides employment to those who demand it. This program can be seen to have a paradigm shift from earlier many programmes. Formally notified on September 7, 2005, the major aim of MGNREGA is to enhance livelihood security by providing at least one hundred days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work. The Act covered 200 districts in its first phase, implemented on February 2, 2006, and was extended to 130 additional districts in 2007- 2008. All the remaining rural areas have been notified with effect from April 1, 2008.

In the recent past, every type of public-works programs in developing countries have attracted a lot of attention and gaze as anti-poverty initiatives. This paper is an attempt to analyze the impacts of the public-works program in India that is the Indian NREGS. The study suggests that the overall employment and wage impact is not on a very large scale. Thus this cannot be assumed to take up a general alternative form of employment.

The government of India has been taking up various measures to surmount the problem of poverty. Poverty alleviation programmes targeting various aspects like comprising of wage employment programmes, rural housing schemes and a public distribution system have been initiated from time to time. Some were moderately successful in addressing the issue of poverty whereas others suffered from

major flaws in their implementation and practicability part.

Looking at some of the national major initiatives taken by the Indian government are, 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) as September 2001, National Food for Work Programme (NFFWP) as November 14, 2004 (SGRY and NFFWP now merged with NREGS 2005) were national level rural employment generation schemes.

However looking at the practicability part, these programmes could not provide social security to the rural poor and the demon of poverty is still standing like before. The Central Government launched NREGA on February 2, 2006. Looking at much debated NREGA, it is the first ever law internationally, that guarantees wage employment on an extraordinary scale.

II. MNREGA: An Analysis

MNREGA covers the entire country while omitting only those districts that have 100 percent urban population. MNREGA is designed to provide a statutory guarantee of wage employment and alongwith that it is demand driven which means that it also ensures that employment is provided where and when it is most needed. An employment guarantee like this intends to give the laborers more confidence and empowerment in the prospect of local employment and discourages problems and rigidities like seasonal migration which is quite prevalent throughout the country.

Analyzing MGNREGA, it basically attempts to address two of the key concerns related to poverty in

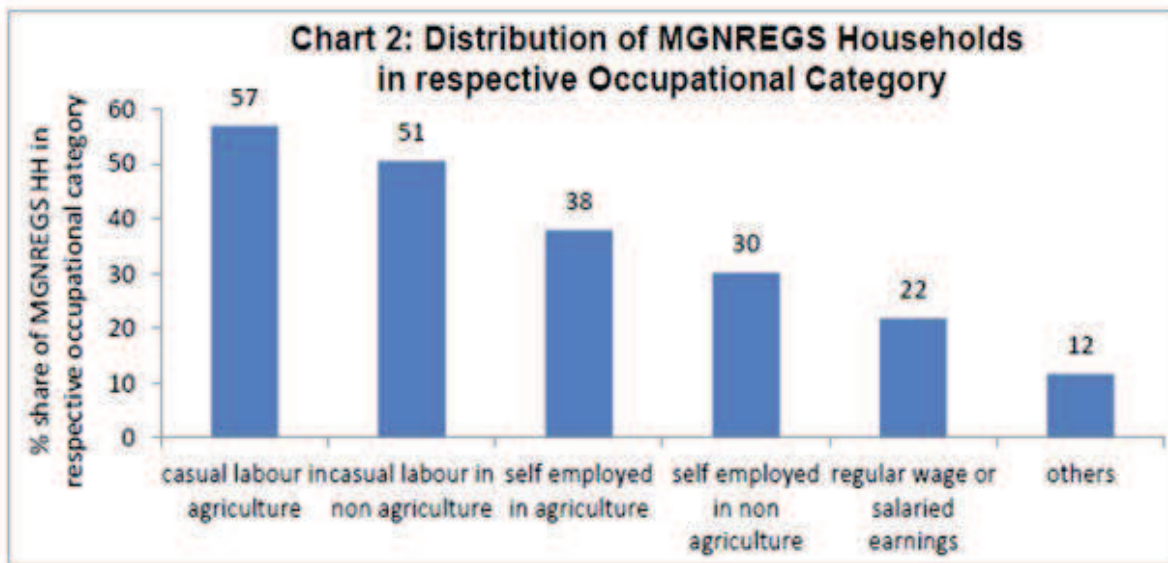
India: one is unemployment and second is a flagging agriculture sector.

Although the program is seen as a key policy tool to support poverty reduction and was much much appreciated on many fronts but, it has been criticized for not addressing the gap in skills that rural labourers need to take advantage of new growth opportunities for focusing on employment at the expense of development. In order to address these and many other related problems, the present policy frame is based on three-pronged accomplishment to

alleviate and reduce poverty in the country which constitutes the following measures as follows:

- a) Firstly, boosting and encouraging more economic growth
- b) Secondly, targeting poverty reduction through employment generation, income-generating programmes and assets creation for the poor through various schemes.
- c) And thirdly, human and social development policies for the poor and the needy like development of fronts that is education and health.

Figure 1.



The programmes which are intended at directly helping the poor instead of the entire population are termed as targeted poverty alleviation programmes. The benefits derived from these programmes are in addition to those that accumulate to the poor from the normal economic activities. When we talk of the targeted or improved version of poverty alleviation programmes, we mean that they are basically income redistributive schemes that are expected to cater direct income generation for the poor and the needy as well specifically.

The basic objective of any of the employment generation programme is to generate continued as well as supplementary employment for the rural poor through generation of more and more economic activities. This will also keep a check on issues like disguised unemployment and seasonal unemployment as well for which MNREGA was also designed.

III. MNREGA : Effectiveness: Overall, various researches, reports and analysis suggest that NREGS is ineffective at raising private-sector casual wages through increased competition in rural labor markets or a better enforcement of minimum wage laws. The program for introduced for catering some of the

major labor market issues and it failed to take all of them into check. The program seems to work better at providing a safety net for rural populations as was also clear from many rural people direct interviews, but, this program failed to translate its efforts into substantial results like enhancing per-capita expenditures, not even in the short run. It basically failed at all macroeconomic fronts and it can be said that MNREGA mainly functioned as an insurance tool after any type of shocks that the economy had to face .

There are many questions also that got raised. As the size of the program was quite large that is around one percent of GDP, and it failed on most of the fronts for which it was started. Thus, the question raises as to whether the same money could have been more effectively spent on other anti-poverty and grievance redressal measures. The program faces many kind of implementation problems like that of rationing of NREGS jobs, the result of which is that the program may disproportionately benefit the poor who have the option of becoming self-employed and not the targeted one which is the most economically vulnerable households with few employment alternatives and for whom this program was meant.

Figure 2.

NREGA Data, 2013-14

Parameters	Figures	Unit
Total NREGA spending all India (material+wages)	36,228.7	Rs. Crore
Total NREGA spending (material+wages) in 200 poorer districts	16,890.17	Rs. Crore
Actual number of workdays with current budget 200 poorer districts	871.2	million workdays
Actual number of HH employed in NREGA in 200 poorer districts	20.14	million households
Number of workdays to be available in 200 poorer districts in the wage component limit is reduced to 51%	649.13	million workdays
Number of HH employed in NREGA in 200 poorer districts if the wage component limit is reduced to 51%	15.01	million households
Number of HH employed in NREGA in districts where the NREGA will be discontinued	24.79	million households

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Source: nrega.nic.in. [Get the data](#)

Thus, if broader welfare benefits is what it is meant for, then it will depend heavily on improving implementation quality.

Another problem flagged in various researches about MNREGA suggests that the wage impact which is gain a very important arena may take more time to materialize.

On the other hand, and on a more brighter front, many empirical results also suggest that NREGS maybe providing important benefits to workers in the form of a safety net without largedistortions in the labor market, which potentially makes the program a more attractivetool for distributing benefits to the poor than some other form of government interventions whatever it may be.

IV. Concluding views and policy recommendations: The main point to focus is the differences between the NREGA and several other poverty eradication programmes that government keeps introducing time to time. The main point here is transparency. A worker getting his wages under NREGA is, in most cases aware of his fees and hence cannot be cheated directly by the government officials. Even then there have been instances of endemic corruption whether we look at the local reports or the reports at the state level. There are many provisions that can check that let say for example ,the government has initiated a unique method of preventing embezzlement by requiring each worker to enter his/her signature or thumbprint on the muster roll everyday to verify attendance, thus preventing the pocketing of funds by officials. These

muster rolls are available for scrutiny at the site of work, thus enabling transparency.

Concluding, it can be said that corruption can be rooted out from the MNREGA if all the guidelines mentioned in the official act are strictly implemented by the state governments which was not at all followed at large levels. For example, the method adopted by the Tamil Nadu government is already mentioned in the guidelines of the act, but seldom followed, with TN being the only state to do so. Also it is very important that swift and immediate action must be taken wherever corruption has been exposed, thus ensuring a better rural growth and economic development. The giant of corruption has overshadowed a very ambitious program .

Through this paper, I have tried to articulate some key design principles that could contribute to strengthening the effectiveness of the NREGA.

With the passing of the RTI Act 2005, the government has committed itself to an unprecedented level of transparency. However legislation alone cannot reduce leakages in the system, there are many other measures needed to tackle the issues being faced on the practicability front.

Thus, apart from accountability and clear separation of functions among the various tiers of government, finally, a strong system of overall monitoring will ensure process compliance. The second thing that needs to be done is the central role that citizens must play in monitoring the provision of public services. Crucial here is the regular flow of information and

the enhanced ability of citizens to exercise enforceability through tools such as social audits and community score cards and many other hi-tech measures.

Many in India argue that MNREGA is one of the most important pieces of socio-economic legislation passed in recent times. Indeed, if done right, the NREGA has the potential not only to strengthen social security in

rural India, but also to strengthen community mobilization, ensure better responsiveness of local governments to community needs and priorities, and most of all enhance governance outcomes. However, the key lies in getting the design right. Only this can shut the critics up and can look at catering to the loopholes involved.

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