## Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

MGNREGA as a programme was rolled out in three phases. Introduced in 200 rural districts in its first phase (2 February 2006), in its second phase, 2007-08, it was extended to an additional 130 rural districts. The remaining districts were notified under MGNREGA with effect from 1 April 2008. Effectively, this is the 15th year of its operation, and currently the programme operates in 691 districts in the country. The National Rural Employment Guarantee Act (NREGA), 2005, states in its preamble that its goal is *"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".*

In practical terms, a household obtains a job card issued by the local administration — the Gram Panchayat — listing all adult members in the household who are eligible to work. A person wanting work applies for such work in writing, with the understanding that such work would be provided within 15 days and within 5 km of the village. Should the work be located beyond the mandated 5 km, the worker is eligible for travel costs. Each household is entitled to 100 days per year so that the allocation of who works how much from the household and when is left to the household. Workers are assigned to specific projects, drawn from a shelf of such works, which are decided, in principle, primarily by the Gram Sabha, each accompanied by an appropriate technical design, cost and labour days estimates. The works usually involve unskilled manual labour, with limited use of machines.

MGNREGA was, however, different from most of its predecessors in several key respects. The primary goal was social protection for the most vulnerable people living in rural India through providing employment opportunities. MGNREGA explicitly aimed to create durable assets including drought-proofing and flood management, and aid in the empowerment of the marginalised.[3] The programme also aimed to strengthen decentralised, participatory planning and panchayati raj institutions (PRIs) for deepening democracy at the grassroots, while fostering greater transparency and accountability in governance. Thus, while it adopted a demand-driven approach with a guarantee as with Maharashtra's EGS, it included several additional components meant to strengthen entitlements, ensure transparency and promote an explicitly bottom-up approach.

Gram Panchayats (GPs), for example, were accorded an active role. At least 50% of the works in terms of cost would be implemented by the GP. The shelf of works was to be decided at the Gram Sabha in order to reflect the priorities of the community. Locally, a team of functionaries included the Gram Rozgar Sahayak / Field Assistant, a Technical Assistant to measure the work, and a Computer Assistant to maintain records offered support for the implementation of the programme.

In terms of transparency too, MGNREGA surpassed the programmes it replaced. Programme websites provide real time data on a large number of parameters associated with implementation. Assets created have since been geo-tagged with before- after pictures and so on. Perhaps uniquely, the programme built in provisions for twice a year social audits, where people audit the programme. These involve public verification of muster rolls and other expenditure in a Gram Sabha, and can involve workers as well as civil society organisations. This allows not just an important feedback and accountability mechanism but also provides a platform for civil society to engage with the programme.

It is easy to see that MGNREGA is complex, designed to achieve a number of goals at once, demanding close coordination across departments and layers of administration. All this while also attempting to build in robust and durable accountability structures. Successful implementation of MGNREGA depends crucially on staff capacity at various levels. Thus, although the programme has a national character, it varies substantially across states in the effectiveness of implementation. States also have innovated in different ways, drawing on the Act but framing their own rules beyond the legislation. They have built different structures for its administration and coped with political pressures differently, so that it is hard to speak of MGNREGA as a monolithic programme. Likewise, MGNREGA has not been static over time. It has been evolving as a programme, not always necessarily for the better.

Although there is a substantial literature and much commentary on these issues, this article focusses more on the impacts, noting merely the heterogeneity across states and that in many states the implementation of the programmes leaves a lot to be desired.

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MGNREGA is a large programme as most programmes in India tend to be. As of January 2, 2020, it has enabled the generation of 29.88 billion person days of work at a total cost of Rs.5633 billion (2018-19) at the cost of Rs.189.5/person day. Despite the scale, however, expenditure on MGNREGA has never exceeded an annual 0.4 % of the GDP since inception and has usually hovered around 0.33%. Similarly, although a quarter of all rural households worked for at least one day on MGNREGA in 2011-12, at no time in its short history has it accounted for significantly more than 3% of total rural employment (Chand, 2015), far from the Wall Street Journal's claim that the programme was "wrecking the national labour market".

Right from its inception, many economists and commentators turned into fanatic critics of MGNREGA, rarely missing an opportunity to criticise not just the programme but also its advocates. The programme earned colourful epithets – "gravy train", "playing with mud", "digging holes" and so on, its advocates dismissed as well-meaning "jholawalas" who did not know better (Drèze, 2019). In 2009, the World Bank in its flagship *World Development Report,* called MGNREGA a "barrier to development" (World Bank, 2009). While there were those who dismissed the programme completely, others questioned its design and continuing relevance. By 2014, for example, some economists were asking: Do we still need MGNREGA? Surely, there must come a time when it is no longer needed?

In 2014, the new Government made it clear it intended to phase out the programme. It was proposed, for example, that MGNREGA be restricted to 200 poor districts, on the premise that the programme was not needed elsewhere. There was a proposal as well to alter the ratio of machine and labour use from 40:60 to 49:51 maintained at the district level, and to mandate that 60% of the cost of projects be directed to support agriculture, though this was already the case. The effort to roll back MGNREGA was however halted in its tracks, in part due to the entreaties of the ruling party's Chief Ministers, who had run the programme with considerable success in their respective states. The Prime Minister therefore continued the programme, proclaiming to the Opposition in Parliament that MGNREGA would continue "… as a living monument to your failure to tackle poverty in 60 years. With song and dance and drum beat, I will continue with the scheme." (PTI News, February 1, 2016). More recently, in July 2019, the Union Rural Development Minister stated in the Lok Sabha: "I am not in favour of continuing with MNREGA forever. Because it is for the poor and government wants to eradicate poverty from India and is working in this direction." (PTI News, July 17, 2019)

In the face of such summary dismissal of MGNREGA, the burden of proof on its relevance and its usefulness has invariably fallen upon its supporters (Shah, 2016, for example, in response to the 2014 attempt to phase out MGNREGA). To be clear, MGNREGA as it was administered then and now has several flaws, that are well documented elsewhere and I won't dwell on here. Yet, there are compelling reasons why it should today be regarded as a crucial policy instrument.

**Salient Features of the Act**

1. 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
2. The Gram Panchayat after due verification will issue a Job Card. The Job Card will bear the photograph of all adult members of the household willing to work under MGNREGA and is free of cost
3. The Job Card should be issued within 15 days of application.
4. A Job Card holder may submit a written application for employment to the Gram Panchayat, stating the time and duration for which work is sought. The minimum days of employment have to be at least fourteen.
5. The Gram Panchayat will issue a dated receipt of the written application for employment, against which the guarantee of providing employment within 15 days operates
6. Employment will be given within 15 days of application for work, if it is not then daily unemployment allowance as per the Act, has to be paid liability of payment of unemployment allowance is of the States.
7. 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
8. 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 which will not be less than Rs. 60/ per day. Equal wages will be provided to both men and women.
9. 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
10. At least one-third beneficiaries shall be women who have registered and requested work under the scheme.
11. Work site facilities such as crèche, drinking water, shade have to be provided
12. The shelf of projects for a village will be recommended by the gram sabha and approved by the Zilla panchayat.

13. At least 50% of works will be allotted to Gram Panchayats for execution

14. Permissible works predominantly include water and soil conservation, afforestation and land development works

15. A 60:40 wage and material ratio has to be maintained. No contractors and machinery is allowed

16. The Central Government bears the 100 percent wage cost of unskilled manual labour and 75 percent of the material cost including the wages of skilled and semi-skilled workers

17. Social Audit has to be done by the Gram Sabha

18. Grievance redressal mechanisms have to be put in place for ensuring a responsive implementation process

19. All accounts and records relating to the Scheme should be available for public scrutiny

**Criticism**

This piece is an attempt to understand the reasons as to why the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has been dying a slow death despite the government's tall claims of "record allocations" and 92 per cent on-time payment generation.

**1) Ridiculously low wage rate:** Currently, MGNREGA wage rates of 17 states are less than the corresponding state minimum wages. Various judgements have upheld that the MGNREGA wage rate cannot be less than the minimum agricultural wage rate of the state. The ridiculously low wage rates have resulted in lack of interest among workers in working for MGNREGA schemes, making way for contractors and middle men to take control, locally.

**2) Insufficient budget allocation:** MGNREGA's success at the ground level is subject to proper and uninterrupted fund flow to the states. Thrice in the last year and once this year, funds have dried up in states due to lack of "mother sanctions" from the Central government which hampers the work in peak season. Almost every year, more than 80 per cent of funds get exhausted within the first six months. Thus, the government's claim of "record allocation" does not hold true in real terms. It has rather decreased as pending liabilities of the last year are also included in the current budget. Moreover, the fund allocation is insufficient to ensure proper implementation on the ground.

**3) Regular payment delays:** The Union Ministry of Rural Development considers wages paid once the FTO (Fund Transfer Order) is signed by the second signatory. However, delays take place even in the processing of signed FTOs, for which the Management Information System (MIS) does not calculate compensation. Despite the order of the Supreme Court and initiatives and GO (Government Order) by the Union Ministry of Finance, no provision has yet been worked out in the MIS for calculation of full wage delays and payment of compensation for the same. Hence, the government's claims of 92 per cent on-time payments generation are misguided. Even a hasty survey on ground will show that payments are regularly delayed.

**4) Workers penalised for administrative lapses**: The ministry withholds wage payments for workers of states that do not meet administrative requirements within the stipulated time period (for instance, submission of the previous financial year's audited fund statements, utilisation certificates, bank reconciliation certificates etc). There is no logical or legal explanation to this bizarre arrangement. It is beyond any logic as to why workers would be penalised for administrative lapses.

**5) The banking puzzle:** The rural banks are highly de-capacitated in terms of staff and infrastructure and thus always remain hugely crowded. The workers normally have to visit the banks more than once to withdraw their wages. Due to great rush and poor infrastructure, the bank passbooks are not updated in many cases. Often, the workers do not get their wages during times of need due to the hassle and the cost involved in getting wages from the bank.

**6) Faulty MIS data**: The increase in corruption and weakening accountability has roots in the excessive dependence of implementation of MGNREGA on technology (real-time MIS being one of them). There is a growing pile of evidence on how real-time MIS has made MGNREGA less transparent for workers, reduced accountability of frontline functionaries and aided in centralisation of the programme. It has also painted a picture that is far from the truth on the ground. One needs to think about delinking the implementation of MGNREGA from real-time MIS. The data can be uploaded in the MIS post-implementation. It can still be a transaction-based MIS.

**7) Non-payment of unemployment allowance**: There are a huge number of unemployment allowances being shown in the MIS currently. But inaction from the Central government in ensuring payments of the same has shown that the government wants to use the MIS as per its convenience and is not honouring its own database. The question that arises is what is the need for such a real-time transaction-based MIS while it is not used to uphold the provisions of the Act and better the implementation processes?

**8) Genuine job cards being deleted to meet 100% DBT targets:** Genuine job cards are being randomly deleted as there is a huge administrative pressure to meet 100 per cent Direct Benefit Transfer (DBT) implementation targets in MGNREGA. In states like Jharkhand, there are multiple examples where the districts had later requested to resume job cards after civil society interventions into the matter. While the government has been boasting about Aadhar-based savings, the reality is that a huge number of genuine job cards and ration cards are getting deleted and genuine people have been deprived of their due entitlements.

**9) Too much centralisation weakening local governance:** A real-time MIS-based implementation and a centralised payment system has further left the representatives of the Panchayati Raj Institutions with literally no role in implementation, monitoring and grievance redress of MGNREGA schemes. It has become a burden as they hardly have any power to resolve issues or make payments. The over-centralisation of the scheme has completely depoliticised the implementation of MGNREGA and local accountabilities have been completely diminished.

**10) Administration not honouring local priorities:** MGNREGA could be a tool to establish decentralised governance. But, with the administration almost dictating its implementation, it is literally a burden now for the people and especially for the local elected representatives. The governments always use the bottom-up people's planning strategy to gain political mileage but never honour local priorities while implementing the schemes. Further linking MGNREGA to construction of Pradhan Mantri Awas Yojana (PMAY), individual household toilets, anganwadi centres and rural 'haats' have been destroying the spirit of the programme and gram sabhas and gram panchayats' plans are never honoured. This is a blatant violation of the Act as well.

## Conclusion

To be clear, MGNREGA cannot substitute deeper and systemic efforts to generate jobs; nor can it address structural weaknesses in the economy. At the same time, the Government's reluctance to view MGNREGA as an opportunity and explicitly include it in a broad-based strategy to tackle the current economic crisis and of climate-induced distress is puzzling, especially in the face of broad-based evidence on its effectiveness. The need of the hour is for the Government to place MGNREGA at the heart of its strategy to tackle this economic emergency. The Economic Survey of 2019-20 suggested that MGNREGA offers an early warning signal to detect rural distress. It is time the Government started treating it as an instrument to alleviate the consequences of rural distress. We can help by changing the narrative that has for too long maligned MGNREGA.

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