

# MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT (MGNREGA), 2005: OVERVIEW AND PERFORMANCE

by

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## ABSTRACT

*“The hungry millions ask for one poem—invigorating food. They cannot be given it. They must earn it. And they can earn only by the sweat of their brow.” Mahatma Gandhi<sup>1</sup>*

MGNREGA is very different from earlier employment generation schemes, simply because in MGNREGA, people had rights and therefore a strong bargaining power. Due to absence of enforceability in earlier schemes, administration was also not accountable. But MGNREGA gives people the right to demand work and thus makes it legally enforceable in the court of law<sup>2</sup>. This strengthens the bargaining power of the people and helps them to claim their due. It makes the administration accountable because if employment is not provided the unemployment allowance has to be paid and local officials have to answer for it. MGNREGA, however, symbolizes a limited fulfilment of the right to work, as it guarantees 100 days of employment in the year at the household level and not at the individual level. This article deals with an conceptual working of the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) starting from the introduction about the act then stating about the history of programmes during the evolution of the act. Next step deals with the overview and performance that combines with mandate and goals involved under the act the paradigm shift under the act. The article is ended with the conclusion and bibliography.

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<sup>1</sup> Rao, M (1921). *The Message of Mahatma Gandhi*, p.263; *Young India*, 13 October 1921, and *Young India*, 26 October 1924.

<sup>2</sup> Jha, P. (2014). *Resurgent India*, Ocean Books (P) Ltd, New Delhi, India.

## **Introduction**

Employment growth rate in rural India was quite robust during the period 1999-2000 to 2004-05. Growth rate in employment as estimated by Sundaram (2007) and Unni and Raveendran (2007) as per usual principal and subsidiary status (UPSS) between 1999-2000 and 2004-05 stood at 2.34% and 2.67% respectively. This leap in employment growth was worth appraising because it occurred after a period of jobless growth, during 1993-94 to 1999-2000 but, the intriguing fact remains that such a magnificent employment growth occurred during the phase when there was sluggishness in the growth of agricultural output. The agricultural sector suffered complexities like low productivity, poor competitiveness and adverse climate condition. Mathur et al. 2006 in their study (as cited by Abraham, 2009) stated that agriculture and allied sector recorded an annual growth of just 2.02% from 2000-01 to 2004-05 which was the lowest since 1980-81.

The question now therefore arises as to how did employment growth pick up when agricultural output growth was stagnant? Under normal situations, this trend should have further worsened the employment in the rural economy. Further enquiry, however reflected that the stimulation in rural employment growth was a response to the crisis that was intriguing the sector (Abraham, 2009). When income levels fall below subsistence, the non-working population is forced to enter the labour market to add their household income (Abraham, 2009). The following sections analyses the trends and patterns of rural employment, to reflect agricultural distress<sup>3</sup>.

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NSSO Reports on Employment and Unemployment Situation in India for various years (as cited in Abraham, 2009) suggest the following:

- The LFPR and WPR shrunk during 1993-94 to 1999-2000, but regained during the period 1999-2000 to 2004-05.
- As far as males were concerned, LFPR in the rural sector increased by 13 per 1,000 and WPR increased by 13 per 1000 while for females (LFPR) increased by 14 per 1000 and (WPR) increased by 11 per 1,000 from the period 1999-2000 till 2004-05.

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<sup>3</sup> Dreze, Jean.

In a nutshell, there was recovery in the employment growth both for males and females after a period of jobless growth. However, this sudden increase in female participation rates raised doubts on the increasing trend. Since the year 1987-88, the female LFPR and WPR had reduced continuously (Abraham, 2009). Thereafter, it revived in 2004-05. India was crippled by severe drought in the year 1987-88, when the female LFPR peaked. Such a situation reflected distress-related feminization of work (Abraham, 2009).

### **The History of Programmes**

‘Growth with equity’ had always been the primary objective of public policy in India. But the extent to which the benefits of growth actually reached the poor was questionable. The poor were unable to enjoy the advantages of economic growth. Report of the Planning Commission (2007) on Inclusive Growth states that – The mission of inclusiveness should go beyond simply alleviating poverty. Inclusiveness should mean equality of opportunity and economic and social mobility for all sections of the society with special emphasis on scheduled castes, scheduled tribes, other backward classes, minorities and women<sup>4</sup>. In India, employment as a measure for protecting entitlements has been used since long time (Dev, 1995). It was a well-known fact that public works programmes had become important methodologies to alleviate poverty and hunger (ibid). India has a rich and a long history of the employment generation programmes.

The National Rural Employment Programme and the Rural Landless Employment Programme that began in the 1970s were the first set of programmes started in India. The Rajiv Gandhi government merged the above two schemes into one in 1989 and thus was born the Jawahar Rozgar Yojana (JRY). The scheme began but it seldom got a chance to succeed. It was agreed that the scheme was plunged in corruption and hence its delivery was found to be inefficient. As a result, JRY received very little political consideration. A need was felt to re-vamp the scheme. In 1993, therefore, the Employment Assurance Scheme (EAS) was launched. Both the bureaucracy and the panchayati raj institutions were responsible to channelize funds allocated for rural employment. Funds of roughly Rs 2,000 crore each year was allocated for it. In April 2002 the two schemes — JRY and EAS — were merged to form the Sampoorna Grameen Rozgar Yojana (SGRY). The name of JRY had been changed into the Jawahar Gram Samridhi

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<sup>4</sup> Planning Commission (2007). Eleventh Five Year Plan (2007-12), Volume 1, Retrieved from [http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11\\_v1/11v1\\_ch1.pdf](http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11_v1/11v1_ch1.pdf)

Yogana (JGSY). SGRY provided foodgrains to people who were badly hit by a calamity and also provided relief work. The expenditure increased to about Rs 4,000 crore per year.

The National Food for Work Programme (NFWP) was launched in 2004. It was targeted towards 150 backward districts. The district administration was supposed to implement it. A list of labour-intensive projects to be undertaken over a period of five-year was prepared. In the 2005-06 budget, the allocation was enhanced. NFWP got Rs 6,000 crore. The design of NREGA was influenced by NFWP. Both these schemes were successful in providing some relief in rural areas, but their reach was found to be insufficient considering the degree of unemployment problem. These were allocation-based programmes and none of them provided a guarantee of employment on demand. These programmes created miniscule jobs a year before the NREGA was implemented. Considering the gigantic demand for employment in rural areas, these figures of employment were too small. The jobs they created were casual and temporary. They were seen as a fall-back source of employment in times of crisis. They failed to create durable assets. Funds were used in capital intensive programmes rather than labour intensive programmes. Productive assets were least prioritized. Very few eligible job seekers could benefit from these programmes while majority migrated out of villages or to take up other jobs. The contractors through whom these projects were implemented were more focused on earning profits. Lack of right planning and bureaucratic intervention resulted in massive failure of these schemes.

At the state level, the most innovative programme was the Maharashtra Employment Guarantee Scheme (EGS) introduced in 1972. It started in 1972-73 as a drought relief programme and converted into a legally guaranteed programme in 1975 (Pankaj, 2012). It adopted entitlement and demand-based approach (ibid). The amount of money spent by Maharashtra on this scheme from 1975 to 2005 has been to the tune of Rs 10,824 crore (Roy, 2014). It means on an average, Rs 39 lakhs had been spent on each gram panchayat (ibid). The mandays generated were 10.95 crore in 1975 and it increased to 22.18 crore in 2005 (ibid).

Maharashtra Employment Guarantee Scheme has three sub-schemes under it. Success of these sub-schemes brought success to the scheme. But these sub-schemes also faced major criticism. These sub-schemes slowly shifted the focus of EGS from creating public assets to privately owned assets. Dattar (1990); Mahendra Dev (2005) and Krishnaraj et al. (2004) (as cited in Pankaj, 2012) were of the opinion that in spite of the mixed results, the MEGS was appreciated for its approach. The objective, design and structure of MGNREGA is influenced by MEGS.

The National Rural Employment Guarantee Bill that was tabled in Parliament represented the last and final change. It came in December 2004. The bill provided an employment guarantee of 100 days to a rural household. The bill was referred to as a “path-breaking” legislation.

### **Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005: Overview and Performance**

Legislation related to social and economic rights were taken up with renewed energy from 2004 in India. Legislations such as Right to Information Act 2005, the National Rural Employment Guarantee Act 2005 and the Forest Rights Act 2006 came into force post 2004. The promise of enactment of these rights is of interest for several reasons. One, the impressive growth of the Indian economy has been accompanied by growing economic and social inequalities. Two, the overall economic environment is pro-business where the thrust is on diluting the role of the government. It is precisely the hostile environment that has made it mandatory for the enactment of this law (Khera, 2013). The legal framework of NREGA bestowed people with the right to demand work and approached the debate of development through empowerment of the marginalized communities (Roy and Dey, 2016). The legal entitlement under MGNREGA is acknowledged as being pivotal for supporting rural growth and employment (Roy et. al., 2013).

The economic rationale for a programme like NREGA comes from the recognition that there is an immense need for social security measures in poor countries and such countries fall deficient of sufficient resources to implement “welfare schemes”. The “workfare” schemes like NREGA are self-selecting in nature. This means the requirement of providing physical labour at minimum wages would keep the non-poor out of the programme (Khera, 2014). On the birth anniversary of Mahatma Gandhi, on October 2, 2009, the then Prime of India, Dr. Manmohan Singh unveiled its new name – Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) to commemorate the 50th anniversary of the launch of Panchayati Raj (Kumar, 2009).

### **Mandate**

The MGNREGA is a single programme with several objectives. The MGNREGA has more of a national character and aims: “to provide for the enhancement of livelihood security of the households in rural areas of the country by providing at least 100 days of guaranteed wage employment in every financial year to a rural household whose adult members volunteer to do

unskilled manual work and for matters connected therewith or incidental thereto.”<sup>5</sup> (MoRD, 2012)

### **Goals of MGNREGA**

- i) **Social Protection:** The MGNREGA by providing a source of fall-back employment when other alternatives of employment are inadequate acts as a ‘strong safety net’ for the poor (MoRD, 2008).
- ii) **Livelihood security:** MGNREGA has a tremendous potential to protect rural households from adversities like poverty and hunger. It is also successful in mitigating distress migration. It creates employment opportunities for rural women as well as becomes instrumental in creating useful durable assets (Dreze, 2004).
- iii) **Drought-proofing and flood management in rural India:** The works undertaken under MGNREGA are mostly related to land and water. Such works assist in generating environmental benefits ( Tiwari et al., 2011).
- iv) **Empowerment of the socially disadvantaged:** The legal entitlement of guaranteed employment acts as a powerful tool for the poor and vulnerable sections of the society. It thus helps fostering inclusive growth. MGNREGA covers for the economic risks faced by the poor. Participation of the marginalized groups - backward castes and women in programme implementation goes a long way in empowering them (Viz, 2013).
- v) **Decentralized and Participatory Plan for deepening democracy:** The three-tier Panchayati Raj institutions and the Gram Sabha are at the center of implementation. They play an important role in identifying types of works to be undertaken in a village. The Panchayat Secretary and Rozgar Sevak is appointed for each panchayat and their role is registering households, issuing job cards, receiving job applications from workers, monitoring of works and timely payments. Works at this level are scrutinized through a process of social audits which encompasses the entire village community (Viz, 2013).
- vi) **Greater transparency and accountability in governance:** Social audits play an important role by bringing together the administrators and the vigilant public to monitor the progress of the programme. It also empowers the public to demand

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<sup>5</sup> MoRD (2012). *The Mahatma Gandhi National Rural Employment Act, 2005. Operational Guidelines, 4th Edition*. Retrieved from [http://planningcommission.gov.in/reports/genrep/-mgnarega\\_guidelines-2012.pdf](http://planningcommission.gov.in/reports/genrep/-mgnarega_guidelines-2012.pdf)

explanations from the administration regarding the works carried out under MGNREGA (Viz, 2013)

### **Paradigm Shift**

- 1) MGNREGA is the largest programme in India in terms of its magnificent scale, architecture and trust and aims to generate employment.
- 2) Legal guarantee for wage employment is provided by MGNREGA.
- 3) Its demand-driven nature, self-selecting mechanism and rights-based design is unique.
- 4) In cases of failure to provide work on demand and delays in payment of wages for work undertaken, there are legal provisions like allowances and compensation.
- 5) It is self-targeting in nature.
- 6) As 100 per cent of the unskilled labour cost and 75 per cent of the material cost of the programme is borne by the Centre, the states are incentivized to provide employment.
- 7) The transfer of resource from Centre to States is based on the demand for employment in each State.
- 8) The state has to provide work on time, failing which they have to pay unemployment allowance.
- 9) Gram Panchayats (GPs) are supposed to implement at least 50 per cent of the works in terms of cost.
- 10) Gram Sabhas or open assemblies have to be conducted in order to decide the nature of the work and later on ratified by Gram Panchayats.
- 11) MGNREGA is different from the other relief programmes of the past because of its integrated natural resource management and livelihoods generation perspective.
- 12) Social audit is an important part of MGNREGA. Potentially, it is a step towards achieving greater accountability and transparency.

### **Conclusion**

Over the years after the implementation of the Act, there have been various media and government audit reports which state that the scheme has been effectively implemented at some places, whereas in some other places, there have been some malpractices, fund bungling, delays in getting job cards, delays in getting jobs etc. Such instances have failed to bring in full success from the scheme.

The workers for MGNREGA jobs were registered and job cards were given to them for identity which had a photograph. These were informed about the MGNREGA jobs through public announcements and by personal visits to their homes. Maintenance of job cards was not satisfactory and full job card entries were not made. The demand-side limitations emanate from the lack of awareness among households. Many households reported that they did not know that MGNREGA guarantees 100 days of employment to a rural household, as a matter of right. Besides, 100% of the female headed households and 87% of male headed households reported that they never made an application for MGNREGA work. This indicated that there was a mismatch between the jobs demanded and provided in the sample. The Act thus was supply driven and not demand driven. Consequently, not a single case of unemployment allowance was identified in the sample. Payment of wages for the jobs to MGNREGA households was not on regular basis and complaints were made in this regard but proper action was not taken. Nearly 85% of the households felt that the upper limit of maximum 100 days of employment should be increased. There was a need to look into the need of basic facilities in the worksite to be provided, such as a rest room, shade, medical facilities, crèche etc.

It is essential to ensure and secure entitlement under the Act. Ensuring 100 days of employment under MGNREGA, works on demand, minimum wages, payment within 15 days and provision of essential worksite facilities will in reality enhance the benefits of the programme. The implementing authorities should not deny the workers' statutory rights and should pay unemployment allowance if work is not provided within 15 days.

However, MGNREGA has created reasons and opportunities for people to work and remain in their own village in some Gram Panchayats. It is revealed through analysis that MGNREGA favours the illiterates, female headed households and less affluent. This confirms that MGNREGA succeeded in pro-poor targeting. Indicators relevant for participation under MGNREGA may not necessarily be relevant for duration of MGNREGA. This is a vital contribution of the study.



To conclude, it can be stated that the implementation of MGNREGA was a mixed bag-with some positivity and negativity. The gaps identified need to be overcome by active participation of both the government officials and the civil society. Awareness drives need to be intensified for successful implementation of the Act. The state governments should conduct regular monitoring activities and see that the complaints are taken care of in time. Regular social audits should be conducted.

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