IOSR Journal Of Humanities And Social Science (IOSR-JHSS)
Volume 19, Issue 10, Ver. II (Oct. 2014), PP 26-30
e-ISSN: 2279-0837, p-ISSN: 2279-0845.
www.iosrjournals.org

NREGA: Opportunity and Challenges

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Abstract: *According to a recent Indian Government committee constituted to estimate poverty, nearly 38% of India's population is poor. More than 75% of poor people reside in villages. Rural poverty is largely a result of low productivity and unemployment. In order to alleviate rural poverty by generating employment and creation of sustainable assets in Rural India, Government of India brought in the flagship programme called Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005. However, Social security programmes are not free from flaws. So is the case with MGNREGA. This article highlights the issues and challenges being faced by Government while implementing the world's largest employment generating programme and the issues among the people covered under the scheme.*

Key words: *Creation of sustainable assets, Generation of rural employment, MGNREGA, Rural poverty, Social security.*

I. Introduction

In a rural agrarian labour surplus economy, sections of rural population depend on the wages they earn through unskilled, casual, manual labour. They are vulnerable to the possibility of sinking from transient to chronic poverty in the event of inadequate labour demand or in the face of unpredictable crises that may be general in nature, like natural disasters or personal, like ill-health, all of which adversely impact their employment opportunities. In a context of poverty and unemployment, workfare programmes have been important programme interventions in developed as well as developing countries for many years. These programmes typically provide unskilled manual workers with short-term employment on public works such as irrigation infrastructure, afforestation, soil conservation and road construction.

The rationale for workfare programmes rests on some basic considerations. The programmes provide income transfers to poor households during critical times and therefore enable consumption smoothing specially during slack agricultural seasons or years. In countries with high unemployment rates, transfer benefits from workfare programmes can prevent poverty from worsening, especially during lean periods. Durable assets that these programmes may create have the potential to generate a second-round of employment benefits as necessary infrastructure is developed.

India has three decades of experience in implementing employment generation programmes for poverty eradication and employment generation for the poor people. The conception of creating employment in public works is not new: the Maharashtra model of rural employment has existed since the 1970s. The most critical difference now is that people's entitlement, by law, to employment, is mandated through NREGA for the entire country. Not much has changed in the form and substance of the public work programmes in the past 30-odd years, however. In many ways the NREGA is a replication of earlier schemes in letter and spirit, of course, with a legal guarantee.

II. History of wage employment programmes

The first set of programme, the Rural Landless Employment Programme, began in the 1970s as clones of the Maharashtra EGS. In 1989, the Rajiv Gandhi government integrated the two schemes into one, revamped the schemes and decided delivery would occur through the panchayati raj institutions. Thus born the Jawahar Rozgar Yojana (JRY); but it was radically different. The bureaucratic machinery was bypassed; funds would be deposited in the accounts of each village institution responsible for planning development activities used to create employment creation, and overseeing implementation. The scheme began but it was never given a chance to succeed. In retrospect, JRY was perhaps an idea before its time (See Box: Rural wage employment programmes in India).

In 1990, when prime minister V P Singh ambushed the Rajiv Gandhi government over the Bofors gun scandal, the election call was a promise to 'guarantee' Maharashtra-type employment for all. Instead the subsequent, Narasimha Rao-led, government diluted what existed. By 1993, JRY received little political leadership or attention. It was agreed (from largely anecdotal and some official reports) that the scheme, controlled by people's representatives, was leading to increased corruption and even greater inefficiency in delivery.

In 1993, the Employment Assurance Scheme (EAS) was launched. Now, half the allocated funds for rural employment would be channelized through the bureaucracy, not the panchayati raj institutions. The big brother was back in business, to the tune of roughly Rs 2,000 crore each year. In April 2002 another re-naming took place. This times the two schemes — JRY and EAS — were merged to create the Sampoorna Grameen Rozgar Yogana (SGRY). Its spending, too, was divided between the panchayati raj institutions and the administration. Incidentally, in the National Democratic Alliance period the name of JRY had been changed into the Jawahar Gram Samridhi Yogana (JGSY). A component of SGRY provided food-grain to calamity-stricken states for relief work. Now the cost increased to about Rs 4,000 crore per year.

Then came the semi-final reincarnation. In late 2004, the National Food for Work Programme (NFWP) WAS launched, targeting 150 backward districts. These districts were identified through a task force set up by the ministry of rural development, which used three variables to compute 'backwardness' — agricultural productivity per worker, agricultural wage rate and the scheduled caste and schedule tribe population in the district. This programme was to be implemented through the district administration and a menu of "labour-intensive projects" would be prepared, to be undertaken over a five-year period. In the 2005-06 budget, the allocation was enhanced. NFWP got Rs 6,000 crore in addition to the SGRY's Rs 4,000 crore. The NFWP remains the programme design for the NREGA.

The final change came in December 2004, when the National Rural Employment Guarantee Bill was tabled in Parliament. The bill provided a guarantee of 100 days of unskilled manual work in a financial year to every poor household, in rural areas, whose adult members volunteered for work. The National Rural Employment Guarantee Act (NREGA), which came out in 2005 as a part of the United Progressive Alliance (UPA) agenda for Common Minimum Programme (CMP), explicitly recognises the 'right to employment'. It intends to provide for 100 days of unskilled manual work in a year to one adult member of every household in the rural areas whose adult members volunteer to do such work. This eventually would replace the existing wage employment generation programmes, such as SGRY and the National Food for Work Programme (NFFWP) to become the sole wage employment programme in the country. In the first phase, the 200 poorest (backward) districts in the country where the National Food for Work Programme is currently in operation would be covered. The programme would gradually be extended to the entire country.

But many believed the bill 'diluted' what the common minimum programme of the government had promised. The bill was referred to a parliamentary standing committee, which gave its report after two and a half sessions, called the legislation as "path-breaking" but observed that organisations and individuals who deposed before it were "almost unanimous" in objecting to several provisions.

Rural Wage Employment Programmes In India
1980: National Rural Employment Programme (NREP) launched to use unemployed and underemployed workers to build community assets ALLOCATION: 6th plan- 1980-1985: Rs 980crore, 7th plan- 1985-1990: Rs 1,682crore
1983: Rural Landless Employment Guarantee (RLEG) launched to provide 100 days of guaranteed employment to one member from each rural, landless household ALLOCATION: 6th plan: 1983-1985: Rs 500crore, 7th plan- 1985-1989: Rs 2412crore
1989: Jawahar Rozgar Yojana launched, combining NREP and RLEG ALLOCATION: 7th plan- 1985-1990: Rs 2,100crore, 8th Plan- 1992-1993: Rs 2,546crore, 1993-1994: Rs 3,306crore, 1994-1995: Rs 3,855crore, 1995-1996: Rs 3,862crore, 1996-1997: Rs 1,865crore
1993: Employment Assurance Scheme (EAS) launched to provide employment during the lean agricultural season ALLOCATION: 8th Plan- 1993-1994: Rs 600 crore, 1994-1995: Rs 1,200crore, 1995-1996: Rs 1,570crore, 1996-1997: Rs 1,970crore, 9th plan- 1997-1998: Rs 1,970crore, 1998-1999: Rs 1,990crore, 1999-2000: Rs 1,700crore
1999: Jawahar Gram Samridhi Yojana (JGSY) launched; dedicated to development of demand driven rural infrastructure ALLOCATION: 9th plan- 1997-1998: Rs 2,077crore, 1998-1999: Rs 2,095crore, 1999-2000: Rs 2,095crore
2001: Sampoorna Gramin Rozgar Yojana (SGRY)launched, merging EAS and JGSY ALLOCATION: 9th plan- 2000-2001: Rs 2,950crore, 2001-2002: Rs 3,250crore, 10th plan- 2002-2003: Rs 4,440crore, 2003-2004: Rs 4,900crore, 2004-2005: Rs 5,100crore, 2005-2006: Rs 4,000crore, 2006-2007: Rs 3,000crore
2004: Food for Work Programme (NFFWP) launched to generate additional supplementary wage employment and create assets ALLOCATION: 10th plan- 2005-2006: Rs 6,000crore
2006: National Rural Employment Guarantee Scheme (NREGS) launched to provide 100 days of guaranteed employment to one member from each rural household and create community assets ALLOCATION: 10th plan- 2006-2007: Rs 11,300crore

III. Past imperfect

But though these schemes have provided some relief to the rural areas, but their reach has been inadequate in view of the magnitude of the unemployment problem. Moreover, they have not provided a guarantee that employment will be available to rural households on demand, as all of them were allocation-based programmes. These programmes created just 44 lakh jobs a year (before the NREGA was implemented)

— a small number compared to the gigantic employment demand in rural areas. Moreover, the jobs they created were casual jobs — temporary in nature — and worked more as supplementary sources of employment in times of crisis. Despite a stated focus on creation of durable assets at villages for livelihood generation, these programmes failed miserably on this count. Going by various evaluations done by government and independent agencies, a large part of the funds spent under these schemes was used in more capital-intensive activities such as building roads and government houses, rather than in labour-intensive activities. Productive assets were never a priority.

Employment programmes usually create casual jobs and work more as supplementary source of employment in time of crisis. A study conducted by the government of India in 2000-2001 on the impact of the EAS, it found that the programme covered just 36 percent villages of 13 states. Under the programme only 36 percent of eligible job seekers could benefit leaving others to migrate out of villages or to take up other crisis-driven jobs. The survey found that at an average 31 days of employment was generated in a year under the programme as against the official estimate of 62 man-days per person a year.

An evaluation of the SGRY done by the Union rural development ministry in 2004 finds that 14.3 percent of officials, across the states in India, reported the use of contractors in the implementation of the scheme thus reducing employment and increasing corruption. Under SGRY contractors are not allowed as in NREGA. In Orissa, according to the evaluation, 92.4 percent of works was implemented through contractors. The figure is 30 for Jharkhand. On the other hand as contractors played a major role the works are also eventually selected by them under the scheme to maximize their profits. This resulted in creation of non-productive assets thus not contributing to village development.

It is clear from past experiences that most of the schemes have failed due to lack of right planning, focus on local needs and also dominantly bureaucratic roles. Maharashtra's EGS is an example of typical problems marring our wage employment programmes. The Maharashtra story The EGS of Maharashtra being the only precedent to NREGA with guarantee clause, its performance remaince benchmark for both success and failure. Maharashtra has spent over Rs 10,824 crore on its EGS programme from 1975 to 2005, covering 27,831-gram panchayats in its 33 districts. This means on an average, Rs 39 lakh (Rs 3,888,786) has been spent on each gram panchayat. Starting at Rs 34.61 crore in 1975-76, the EGS expenditure has increased to a whopping Rs 1,256.93 crore. And so have the man-days — from 10.95 crore to 22.18 crore — showing the large number of people this unique public works programme has been employing.

Between 1975 and 2005 a total of 580,244 EGS works were undertaken, ranging from minor irrigation to afforestation, the maximum being of soil conservation and land development (367,065). Incidentally most of the works undertaken have also been completed. The maximum amount has been spent on road projects (Rs 2291.14 crore), followed by agriculture (1,905.14 crore), water conservation (Rs 1,809.08 crore) and afforestation (Rs

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EGS also changed its face by adopting some sub-schemes. Three such sub-schemes are Jawahar wells, horticulture programmes, and social forestry and sericulture. Horticulture programme is termed as highly successful programme under the EGS. But these sub-schemes also face major criticism. Firstly, they have gradually shifted the focus of EGS from creating public assets to privately owned assets, such as horticultural crops and persona; wells. It is argued that though creating private assets goes against the objective of a public works programme, the poor quality of public assets, absence of community benefits, and lack of maintenance funds is bringing about a change in the profile and ownership of these assets. While it may prove the durability and benefits of assets created under the EGS, it has also raised concerns about the equitable distribution of EGS benefits. For instance, farm ponds are in great demand under EGS in Maharashtra, but these are privately owned assets and cost Rs 40,000 require more than one acre of land and hence benefit only the large farmers.

Clearly the aim of EGS apart from providing employment was useful asset creation, drought proofing, village development and amelioration of poverty. The state has spent a total of over Rs 3,714.22 crore on water conservation and agriculture related activities under EGS, which has lead to raised water table and many villages declaring themselves drought proof. There are other studies that show the impact EGS has made on rural poverty. For instance, a comparison of the incidence of poverty in Maharashtra and in all India shows that from 1972-73 to 1983; the decline of poverty was greater in Maharashtra than all India level.

Between 1983 and 1987-88, the decline in the state was slightly lower than for all India (see table Incidence of person-day unemployment in rural Maharashtra and rural India). It is also estimated that the incidence of poverty among agricultural labour households showed a decline from 64.1 per cent in 1977- 78 to 44.6 per cent in 1983 for Maharashtra, while for all India, the corresponding figures were 55.9 per cent and 40.7 per cent, respectively.

IV. The flaws in the programmes

The programme planners of employment programmes — call it Sampoorna or Guarantee — measure their success only by the number of days of employment created. Their objective is to distribute wages for work, to avert famine: commendable, but limited. Each year, the same district spends on drought mitigation, building assets that are not maintained. EGS is relegated to drought relief, not relief against drought. It does little for development. It does little for poverty reduction.

In this regard S Mahendra Dev, Director Centre for Economic and Social Studies says-

"In 1974-75, around 78 per cent of expenditure was apportioned to irrigation, 12 per cent to soil conservation and land development, about 3 percent to afforestation. Thus, nearly 93 per cent of total expenditure was directly related to drought proofing. Over the years, however, the composition of expenditure has undergone considerable change. The expenditure on roads has risen from about 6 per cent of the total in 1974 to about 40 per cent in 1985-86. Since 1987-88, however, the percentage of expenditure on roads was less than 25 per cent because of a government order".

This, when its potential is enormous: using the labour of the poor to regenerate the rural ecosystem. The problem is that because planners are obsessed by employment creation, they are obsessed by corruption in the creation of employment. Most research on employment programmes has focused on the lack of transparency and accountability in schemes. According to Dev and Robert E Evenson, the cost of transferring one rupee under the erstwhile JRY was Rs 2.28 in the mid-1990s. They compared it to Rs 1.85, the cost of transferring Re 1 under the Maharashtra EGS. These researchers found that in the different employment schemes, the routine use of contractors, fudging of employment rolls and violation of norms lead to huge costs in delivery and extreme inefficiency. They estimated that in the three states of West Bengal, Haryana and Gujarat, the cost of generating one day's employment was Rs 200 to Rs 300, far in excess of the wage rates given to the poor households. In addition, government's own evaluation shows that only Rs 15 of every Rs 100 reached the beneficiaries.

V. Leakages were enormous and crippling

This has meant an obsession — perhaps rightly so — on reducing leakages by increasing the power of people to check muster rolls and scrutinise the wage records. "Corruption is not unexpected when money is involved and the transaction is between officials, who have the power and control over the money, and the poor unemployed labourers who have little choice," says Atanu Dey, a developmental economist.

In the current National Rural Employment Guarantee Scheme the effort is to improve decision making through the use of the Right to Information Act, which gives local communities rights to check wage records. There are also plans for social audits and financial checks to plug the holes.

The problem is that even with all this done, water structures remain holes in the ground because the catchment has not been treated. A tree remains a hole in the ground because the saplings have not been protected. A road remains what it was — a collection of holes in the ground — because it has not been built to last. It has been built to be washed away. Each season, so that employment can be guaranteed.

The fact is that the history of employment creation programmes in India is not new. But researchers and planners have never bothered to evaluate what has worked, why and how. The last institutional innovation was made in the early 1990s, when funds and responsibility were transferred to locally elected bodies.

Since then the programme has spent Rs 2,000 crore annually in the early 1990s, to Rs 4,000 crore annually in the early 2000 and now Rs 11,300 crore under the National Rural Guarantee Scheme. The fact is that nobody knows where this money has been spent; on what programmes, in which village and if the assets created have been maintained or not.

The current programme is built on the developmental imperatives of the different districts. But it does little to address the key institutional and management gaps that exist in programmes of soil, water and forest conservation. These are fragile assets. These assets require management and maintenance. Reporters have found that even with some basic investment, the returns can be enormous. One good water harvesting structure built pre-monsoon can lead to enough soil moisture to grow a supplementary crop. Many soil and water conservation programmes can transform village economies.

There are instances where this has happened. But these instances are too far and too few between. The problem is that we have not learnt to create institutions by people that can deliver for people. In the entire work on rural employment, while governments glibly talk of the role of the panchayats, little has been done to build institutional capacities so that these agencies can function. There is little expertise and little use of perspective plans so that developmental imperatives can become employment objectives.

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