



Development Progress



Progress in providing employment for the poor:

The national public works programme in India

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List of abbreviations and glossary

BJP	Bharatiya Janata Party
CSO	Civil Society Organisation
DoRD	Department of Rural Development
FGD	Focus Group Discussion
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
MEGS	Maharashtra Employment Guarantee Scheme
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MoRD	Ministry of Rural Development
NGO	Non-Governmental Organisation
NSS	National Sample Survey
NSSO	National Sample Survey Organisation
OBC	Other Backward Caste
ODI	Overseas Development Institute
PCI	Planning Commission of India
PRI	Panchayati Raj Institution
RTI	Right to Information Act
SC	Scheduled Caste
ST	Scheduled Tribe
UN	United Nations Development Programme
UPA	United Progressive Alliance

<i>Gram panchayat</i>	Village government
<i>Gram sabha</i>	Congregation of all village members above 18
<i>Panchayat</i>	Local rural government
<i>Panchayati Raj</i>	Three-tiered local government system
<i>Sarpanch</i>	Local elected leader

1. Introduction

The government of India has a long history of implementing social safety net interventions, dating back to before its independence in 1947. Across the country, a wide range of initiatives aimed at reducing poverty, vulnerability and social inequalities are in existence. India is the only country in South Asia where 100% of the poor¹ are targeted by either national or state-led social assistance programmes (Baulch et al., 2008). Over the years, the array of interventions has expanded to include health and nutrition programmes for women and children; social safety nets for vulnerable groups and disabled persons; labour market interventions; pensions and social funds; and subsidised food through the public distribution system (Vaidyanathan, 2006).

Public works programmes have been a central component of the safety net approach in India since the 1960s, with the aim of improving the livelihood security of rural households by creating employment and developing rural infrastructure and assets (Dev, 2009). Coverage increased significantly during the 1990s and 2000s, ultimately culminating in the provision of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). MGNREGA was passed in the Indian Constitution in September 2005, and has three overarching goals: 1) employment creation; 2) regeneration of the natural resource base and creation of productive assets in rural areas; and 3) strengthening of grassroots processes of democracy through transparent and accountable governance (MoRD, 2008).

The government's flagship programme represents a significant shift in both the nature and the scale of labour-based safety net programming in India, from state-led provision of employment to a national demand-driven rights-based entitlement, enshrined in the Constitution, enabling rural households to access 100 days of employment a year from the local government. Although a demand-driven 100 days of guaranteed employment was not new in India (it was based on the Maharashtra Employment Guarantee Scheme (MEGS)), this is the first time the country has legislated such a labour-based programme, with the central government in the driving seat. Domestically financed, MGNREGA has scaled up rapidly, from 200 districts in 2006 to national coverage in 2008. It now reaches over 40 million households and has created over 1.7 billion person days of employment. MGNREGA is the only rights-based employment guarantee programme in the world, and it has stimulated the development of a range of similar initiatives in other countries in the South Asian region.²

This report examines the progress that MGNREGA has made in the rapid expansion of employment provision through its demand-driven rights-based approach. It highlights experiences from states that have successfully implemented the Act and discusses the evidence on the impacts on poverty and social inclusion in India.

¹. As per the government of India definition of the poor.

². For example, Bangladesh and Nepal have initiated public works programme with components similar to MGNREGA, although neither of these guarantee employment in the same way.

2. Context

India is one of the fastest-growing economies in the world. Second only to China in the Asian region, its gross domestic product (GDP) grew by 9.5% in 2007 (IMF, 2009), averaging at 8.7% between 2003 and 2007 (PCI, 2008). Although growth rates have slowed as a result of the recent global economic crisis, unlike other countries in the region India has escaped a severe recession.

As growth has accelerated in India over the past few decades, poverty has declined. In the 1970s and 1980s, poverty rates fell rapidly, in large part because of the agricultural 'green revolution' in the 1970s. Poverty declined from 64% in 1967 to 50% in 1977 and to 34% in 1986 (World Bank, 2007). However, in 2004/05, the number of people still living in poverty was 28% and, because of population growth, the absolute number of poor people has declined only marginally, from 320 million in 1993/94 to 302 million in 2004/05 (PCI, 2008). In April 2010, the Planning Commission of India (PCI) accepted a new methodology for estimating poverty, which pushed the proportion of people living below the revised poverty line to 37.2%.³

Poverty rates remain highly concentrated in rural areas in absolute numbers, because 75% of the population lives in rural areas. Poverty is also highly correlated with particular social and ethnic groups. Owing to the hierarchical and unequal nature of the caste system, Scheduled Castes (SCs), Scheduled Tribes (STs)⁴ and Other Backward Castes (OBCs) are denied access and entitlements to economic, civil, cultural and political rights. Data from 2000 show that the poverty headcount in rural areas was highest among SCs and STs (45.8% and 35.9%, respectively) compared with 21% among non-SCs/STs (NSSO, 2000).

Indeed, while India has been experiencing high economic growth rates, the benefits of growth have not been distributed equally. Data from 1993-1994 and 1999-2000 demonstrate growing income disparities between the rich and the poor, within states as well as between states⁵ (Pal and Ghosh, 2007). Furthermore, while this period saw the rich getting richer, incomes for the majority of the population stagnated, and those in the bottom deciles have been severely negatively affected by unequal growth process (ibid).

As the Indian economy has 'transformed,'⁶ agriculture is no longer the major source of economic growth, and its role in supporting poverty reduction has declined. While slower growth of GDP in agriculture compared with non-agriculture is expected, the decline in agriculture is of particular concern because more than half of India's workforce is engaged in the sector as their principal occupation, yet there has not been a simultaneous reduction in the dependence of the workforce on the sector. This has been in part because of limited creation of non-farm opportunities to absorb the labour surplus in rural areas, as well as because smallholder farmers are not adequately equipped to access new growth opportunities in the sector (PCI, 2008). The rural poor remain highly reliant on agricultural day labour work. The proportion of casual workers increased from 65% in 1972 to 80% in 2002 among male wage earners, and from 89% to 92% among female wage earners (World Bank, 2008). In terms of numbers, India has 82 million landless rural households dependent on agricultural wage employment, as well as 80 million marginal farmers with low asset positions, who turn to off-farm work for survival (World Bank, 2007).

In response to this challenge, the government initiated MGNREGA with the dual objectives of providing wage employment opportunities for the rural poor who are landless or highly reliant on wage labour work and promoting agricultural productivity through the creation of rural assets and infrastructure. The successes of MGNREGA in rapidly providing employment at scale to the poor are discussed in more detail below.

³. The Tendulkar Committee's methodology for poverty estimates, which includes expenditure on education and health as well as food.

⁴. Official terms used by the Indian Constitution.

⁵. There is much debate over inequality figures during this period. However, although there are claims that inequality decreased in the post-liberalisation period, Pal and Ghosh (2007) demonstrate through an analysis of the data that these views are mostly unsubstantiated.

⁶. The World Development Report 2008 describes transforming economies, where 'agriculture is no longer a major source of economic growth, but poverty remains overwhelmingly rural.' In India, however, certain states may still be agriculture-based (World Bank, 2007).

3. What has been achieved

3.1 A demand-driven and rights-based programme

The concept and objectives of MGNREGA are based on previous public works programmes, most notably the Maharashtra Employment Guarantee Scheme (MEGS). However, its actual design and implementation depart from its predecessors in a number of important ways.

In terms of design, MGNREGA is an Act enshrined in India's Constitution, entitling any rural household to 100 days of employment. In this way, the legislation goes beyond providing a social safety net and guarantees employment as a right. Employment from MGNREGA depends on the worker registering, obtaining a job card and then seeking employment through a written application for a time and duration chosen by the worker. The Act stipulates that equal wages are to be paid to both men and women workers under the provisions of the Equal Remuneration Act 1976. Wages are set at the minimum unskilled agricultural wage in each state.

Another important and innovative design feature of the Act is that there is a legal guarantee that the requested work be given within 15 days of application by the local government, the *panchayat*. If it is not, the state must provide an unemployment allowance at a quarter of the daily wage for each day employment is not given, thereby providing the *panchayat* an incentive for effective implementation and providing insurance for poor workers.

In terms of implementation, MGNREGA has instigated a new way of delivering the programme, based on a model of governance reform anchored on principles of transparency and grassroots democracy. Whereas in previous public works programmes private contractors implemented the works, in MGNREGA the local village government – the *gram panchayat* – implements at least 50% of the works.⁷ This links to the secondary objective of MGNREGA, which is to strengthen grassroots processes of democracy by means of transparent and accountable mechanisms, promoted by the integration of, for instance, the social audit community monitoring mechanism.

3.2 Domestic financing

MGNREGA is financed entirely by the government of India. The budget allocated to MGNREGA has increased as the programme has expanded nationally. In the first fiscal year of the Act, 2006/07, expenditure was \$1.76 billion. In 2009/10, \$6 billion was allocated. This amounts to around 0.5% of GDP, 3.3% of budget expenditure and 10% of planned expenditure (Dev, 2009).

The budget for MGNREGA is borne mostly by central government, with some additional state support (PCI, 2008). The central government bears the cost of the following items:

- The entire cost of wages of unskilled manual workers;
- 75% of the cost of materials and wages of skilled and semi-skilled workers;
- Administrative expenses as determined by the central government, which include, for example, salaries and allowances of programme officers and supporting staff and worksite facilities (e.g. child care); and
- Expenses of the National Employment Guarantee Council.

The state government bears the cost of the following items:

- 25% of the cost of materials and wages of skilled and semi-skilled workers (as a ratio of 60:40 is to be maintained for wages of unskilled manual workers to materials and skilled/semi-skilled workers' wages, the state government has to bear only 25% of the 40% component, which means a contribution of 10% of the expenditure);
- Unemployment allowance payable in case the state government cannot provide wage employment on time; and
- Administrative expenses of the State Employment Guarantee Council.

⁷ Other implementing agencies include the intermediate panchayats, the district panchayats, line departments and non-governmental organisations (NGOs). Private contractors are banned (Dev, 2009).

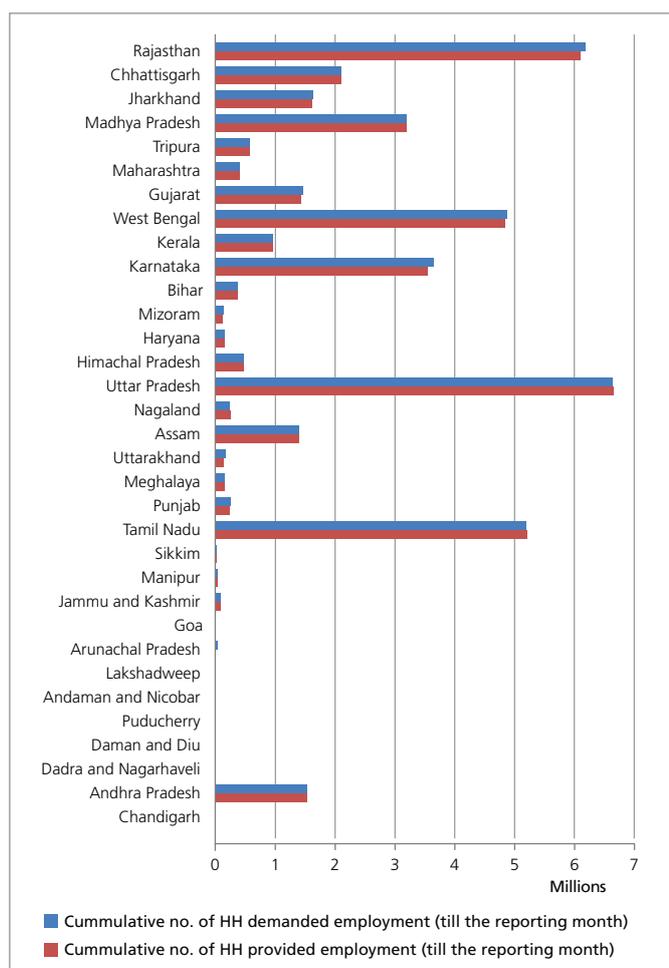
3.3 Rapid increase in coverage and employment created

MGNREGA is the first public works programme in India that is national in coverage, and the government of India has demonstrated significant progress in scaling it up nationally in just a short period of time. MGNREGA was first implemented in February 2006, covering 200 districts, and scaled up to an additional 130 districts in 2007/08, with the remaining districts (a total of 593) included from 1 April 2008 (Kareemulla et al., 2009; MoRD, 2008).

In 2009/10, over 43 million rural households in India demanded work (DoRD, 2010a). Of these, 99% were provided with work. Figure 1 illustrates the cumulative demand for and supply of employment in MGNREGA across states since its inception in 2006 until March 2010. Implementation rates across the states are clearly variable, and three states have made notable progress: Rajasthan, Uttar Pradesh and Tamil Nadu.

Indeed, the average number of days households are employed varies widely between states. Across the three well-performing states, a significant number of employment days have been generated. In Rajasthan, over 344 million person days have been created, in Uttar Pradesh over 248 million and in Tamil Nadu over 222 million (DoRD, 2010a). Overall, however, in 2009/10, a national average of only 7% of households employed under MGNREGA completed 100 days of work. Again, Rajasthan, Uttar Pradesh and Tamil Nadu were more successful than other states in this regard, providing the full 100 days to 12%, over 14% and 7% of households, respectively (ibid).⁸

Figure 1: Work demanded versus work provided under NREGA, by state



Source: DoRD (2010a).

⁸ Other studies show higher rates of 100 days of employment. For example, Drèze and Khera's 2009 study found that 35% of workers in Rajasthan and 17% of workers in Madhya Pradesh accessed 100 days of employment in 2008.

3.4 A focus on equity

Poverty rates are highest in rural areas, and Scheduled Castes (SCs), Scheduled Tribes (STs), Other Backward Castes (OBCs) and women in particular face social, economic and political exclusion, which results in higher levels of poverty and limited economic opportunities.⁹ The government of India's 11th Five-Year Plan recognises these inequalities, and MGNREGA includes specific design features to help address them: targeted to rural areas; a one-third quota for women's participation in employment; provision of equal wages to women and men; and creation of assets on SC and ST land.

MGNREGA has successfully ensured a high participation rate of SC and ST households in employment compared with their average national representation (Table 1): SCs and STs represent 14% and 8% of the population in India, respectively, but their representation in MGNREGA is almost 20%. MGNREGA also prioritises works on irrigation facilities on land owned by households belonging to SCs/STs or on land of the beneficiaries of land reform. In 2008/09, 20% of MGNREGA works supported the provision of irrigation facilities on land owned by SCs/STs, compared with 10% in 2006/07 and 15% in 2008/09, suggesting that this focus is an increasing priority (MoRD, 2010).

Table 1: Poverty and NREGA employment rates

	SCs	STs	Other
% of total population 2008	14	8	78
Poverty headcount (% of poor) 1999/00	35.9	45.8	22.7
Share of MGNREGA employment (% of total employment) 2010/11	19.94	19.14	60.92

Source: NSSO (2000); Uppal (2009).

Some states have also exceeded the quota for women's participation in employment. Specific provisions to support women's participation in MGNREGA include priority to work on sites close to home (within 5km) and provision of childcare facilities. Overall, women represented 48% of participants in 2008/09 (MoRD, 2010) and 46% of participants in 2009/10 (DoRD data). In Rajasthan and Tamil Nadu, the proportions of women receiving days under MGNREGA were much higher than the national average, at 64% and 78%, respectively, whereas in Uttar Pradesh it was much lower, at only 14% (DoRD data). Many factors influence the number of women employed in MGNREGA, including existing cultural and social norms, wage rates and the provision and quality of child care facilities (see Section 5.2 on challenges).

3.5 Impact on reducing vulnerability

The poor in India are highly vulnerable to both widespread and individual shocks and stresses. Rural households are particularly vulnerable to seasonal stresses of fluctuating agricultural yields and revenues owing to weather changes, floods, pest infestations and market forces (Gaiha and Imai, 2008). Casual wage labourers are also extremely vulnerable, because wages are very sensitive to rainfall shocks (ibid). However, households are often just as vulnerable or more vulnerable to individual shocks. Expenses related to health and social risks, such as ill-health or death, and family and social obligations, such as marriage and funeral costs, are key factors pushing households into poverty (Narayan et al., 2009).

Given the short timeframe in which the programme has been implemented, research on the impacts of MGNREGA is just emerging. Initial evidence suggests that, when implemented well, MGNREGA can have important benefits in terms of reducing the vulnerability of poor households to shocks (in particular health shocks) and helping smooth seasonal consumption and income deficits. This appears to be both direct, through income and increased wages, and indirect, through improved rural assets and infrastructure.

⁹ For example, a 2005 study across three states showed that women from higher caste groups were more likely to be employed in non-farm employment compared with females from SCs, STs and OBCs (Sukhdeo et al., 2005). Yearly employment varied from a minimum of 73 days for ST females to a maximum of 148 days for SC females, as compared with a high of 290 days for high caste women.

Being demand-driven and guaranteed, MGNREGA can act as insurance for poor households against unemployment. It shifts the balance of power to the household to choose when it is in need of work, rather than the household having no control over the timing or availability of work, as in supply-driven public works programmes. Given the seasonal nature of agricultural production and employment in India, this design feature is a critical form of support to the rural poor. A salient and unique feature of the Act is that households are, in theory, guaranteed income even if it is not possible to provide work. Evidence from Andhra Pradesh demonstrates that MGNREGA can reduce vulnerability to external shocks, in particular weather-related shocks, which affect agricultural productivity in India, by smoothing income and consumption. Johnson (2009) finds that MGNREGA participation in the lean season responds to weather-related shocks in the wet season, with more households participating in MGNREGA (although not necessarily for more days). The study also finds that participation levels in MGNREGA are more responsive to weather-induced shocks than other government welfare programmes.

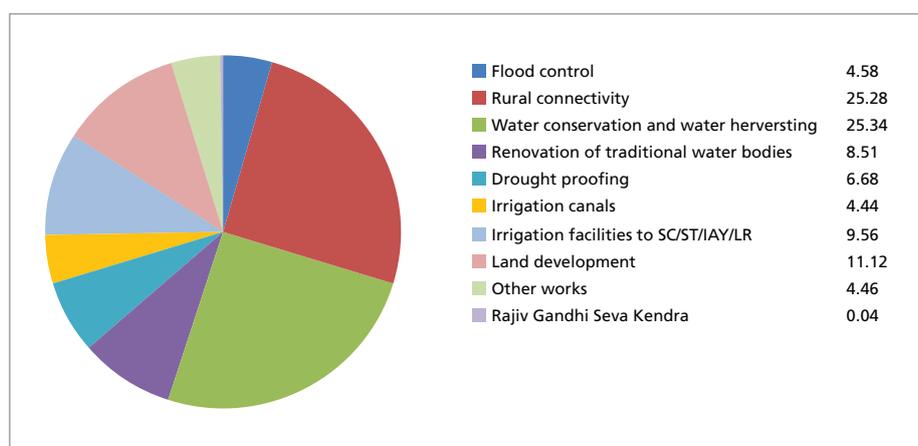
Another important benefit of MGNREGA in reducing vulnerability has been an increase in household wage income. Average household wage income increased from Rs. 2,795 in 2006/07 to Rs. 4,060 in 2008/09.

Drèze and Khera (2009) find that MGNREGA also supports household health. A survey of six states in northern India found that the majority (57%) of the sample workers had used a part of their wages to buy medicine or treat an illness in the family. In Andhra Pradesh, 13% of household earnings from MGNREGA are spent on health security (Kareemulla et al., 2009).

The increase in the average wage has also supported rural purchasing power and boosted overall spending, particularly in the face of drought and higher food prices. Mahambare (2010) finds that MGNREGA-generated consumption expenditure amounted to nearly 1.4% of total rural consumption and nearly 1% of total household consumption in India in 2010, nearly doubling its share since 2007/08. Dev (2009) argues that employment on MGNREGA also helped cushion the impact of the recent food price crisis. Although food prices in India did not rise as sharply as in other countries, because of India's food management policies, they were slightly higher than normal. MGNREGA resulted in higher purchasing power and generated demand for food in rural areas.

The creation of assets and infrastructure at the community level has also contributed to reduced vulnerability among rural households. The focus of the public works creation is on the regeneration and management of the natural resource base. MGNREGA prioritises different types of rural works, including: water conservation and harvesting; drought proofing; irrigation canals; provision of irrigation facilities; renovation of traditional water bodies; land development; flood control and protection works; rural connectivity to provide all weather access; and any other work suggested by central government in consultation with the state government. Figure 2 shows the breakdown by type of work undertaken in 2009/10 and demonstrates the focus of works on water conservation and harvesting and rural connectivity.

Figure 2: Breakdown of work undertaken, by type, 2009/10 (%)



Source: DoRD (2010b).

Evidence from a study carried out in 2008 by the Centre for Science and the Environment (2008) suggests that assets and infrastructure have reduced vulnerability to food insecurity and improved livelihood opportunities. In Nuapada district in Orissa, where people are highly dependent on forest land, 43% of the community felt that the availability of fuel wood and/or fodder had increased as a result of MGNREGA works. A total of 15% of respondents had also diversified their crop mix from paddy and biri to produce groundnut, millet and vegetables, and 15% of the population reported that MGNREGA had led to increased water availability.

The same study found that, in Sidhi, in Madhya Pradesh, MGNREGA works had reduced the population's dependence on the forest by providing alternative livelihood options. MGNREGA works have also improved access to better irrigation facilities, which has impacted positively on agriculture in the area. MGNREGA has been responsible for the construction of ponds, tanks and wells on SC and ST land. Respondents also reported crop diversification into vegetables. A total of 78.6% of respondents felt that MGNREGA works had led to increased water availability.

Similar results were found by a 2007 study by the Samarthan Centre for Development Support (2007) in Uttar Pradesh, where 30% of respondents highlighted increased food security and improved diets, particularly for children, as a result of MGNREGA employment.

3.6 Impact on human capital development

MGNREGA has also had a positive impact on human capital development. Kareemulla et al. (2009) found that, in Andhra Pradesh, 18% of household earnings from MGNREGA is spent on education. Similarly, the Samarthan Centre for Development Support (2007) found that households use MGNREGA wages to increase access to and improve quality of children's education, by paying admission fees, purchasing books, providing tuition and buying school uniforms. In Uttar Pradesh, improved road connectivity has enabled children to attend school more regularly by bicycle or on foot (ibid). Uppal (2009) found that child labour decreases with parents' registration and participation in MGNREGA. Meanwhile, child health as measured by anthropometric measures improves when parents register and work for MGNREGA (ibid).

4. Drivers of progress

4.1 Governance and the Constitution

MGNREGA is the current government's (Indian National Congress's) flagship programme and was used as a key part of the election campaign in 2004, when the coalition government, led by the Congress party, took over power from the BJP (Bharatiya Janata Party). Once elected, the government put the process in motion to legislate the Act by 2005, and allocated the finances to start its implementation by 2006. The Act was designed to be rolled out nationally by 2008. A strong pro-poor government which kept its election promise has been a key driving factor in the Act's success.

One of the most salient features of MGNREGA is that it is enshrined in the Indian Constitution, ensuring its sustainability and continuity into the future. The rights-based framework makes the government legally bound to provide employment to those who seek it. In this way, the legislation goes beyond providing a social safety net and guarantees the right to employment to all rural households, regardless of any change in government.

The first Act of its kind in India, MGNREGA has been designed carefully to incentivise the effective delivery of the programme. The legal guarantee holds the state responsible for ensuring the delivery of the entitlements within the time limit prescribed, and this is underpinned by the provision of the unemployment allowance. The Act therefore penalises the state financially (through the payment of the unemployment allowance) if it does not adhere to its obligations. However, although MGNREGA has mechanisms for addressing grievances in the case that work is not guaranteed or unemployment allowances are not made, these provisions are often ignored or sidelined (Drèze, 2009). In particular, a recent study found that state governments may resist paying the unemployment allowance by rejecting work applications and refusing to issue a receipt when people apply. Without the receipt, people do not have the appropriate evidence to confirm that they have applied for work (ibid).

However, a number of other Acts do provide support for the implementation of MGNREGA to overcome some of these challenges. The Payment of Wages Act (1936) and the Equal Remuneration Act (1976) aim to ensure that equal wages are paid to both men and women, but the Right to Information (RTI) (2005) is probably the most important complementary Act to support the delivery of MGNREGA in practice. RTI empowers India's citizens to access information and supports accountability and transparency in government. It gives citizens the right to access any records related to their work (Menon, 2008), so all MGNREGA-related documents must be available for public scrutiny. RTI supplements MGNREGA operational guidelines, which include provisions for transparency and accountability, and can support the social audit process of MGNREGA by monitoring for corruption and any funding leakage.

Rajasthan is an example of an Indian state where RTI is operationalising effectively, in part because of the strong civil society movement behind RTI and MGNREGA, which created widespread awareness of both the Act and supporting legislation. This resulted in people being actively involved in implementing the Act after it had been passed (Sjoblom and Farrington, 2008). Rajasthan has the highest level of social audits in the country (Menon, 2008) (see below).

4.2 Strong civil society at national and local level

A vibrant national civil society in India was instrumental in campaigning for a national rural employment guarantee act as a social security mechanism on behalf of the rural poor in India. The process involved a wide range of people, including researchers, academics, social activists, political parties, trade unions and bureaucrats. The Right to Food Campaign, for example, has been influential in lobbying the state to take responsibility for guaranteeing basic entitlements, and played a key role in the realisation of MGNREGA.

Civil society actors have been not only influential in getting MGNREGA on the policy agenda, but also integral to the design of the programme. India's longstanding experience of implementing public works programmes enabled previous lessons to inform MGNREGA, including the demand-led components. Meanwhile, civil society's recognition of issues of corruption and inefficiency were vital to designing MGNREGA with such strong transparency and accountability provisions (Chopra, 2010).

At the local level, a different section of civil society plays an important but distinct role in supporting the implementation of MGNREGA, most notably raising community awareness on legal entitlement to MGNREGA, supporting the *panchayats* to deliver the programme and mobilising the community to utilise monitoring and accountability tools, such as the community social audit forums and the RTI. Creating awareness and simplifying the application process are particularly important given the relatively complex registration and application requirement, which includes the filling out of forms to submit to the local *panchayat*: the majority of the rural poor, but particularly women and SCs and STs, are non- or semi-literate.

Civil society, in some cases in partnership with state and local government institutions, has initiated a variety of methods of communication and social mobilisation. These include: communication material on MGNREGA processes in simple local languages; one-day orientations of *sarpanches* (local elected leader)/ward members; convening *gram sabhas* (village meetings); local vernacular newspapers, TV and radio spots, pamphlets and brochures; local cultural forums; information counters on local market days; and village information walls (PCI, 2008). Rajasthan provides a good example of the participatory process in action, owing in part to the active civil society movement and widespread awareness of the scheme and people's rights prior to and since the passing of MGNREGA (Menon, 2008).

The social audit forums are an innovative way to promote local ownership and to ensure transparency and accountability through village monitoring of programme implementation. Civil society organisations (CSOs) play an active role in facilitating social audit processes in partnership with state governments as well as independently, although implementation has been variable to date. In Dungarpur in Rajasthan, these mechanisms appear to be working effectively thanks to a strong local civil society. As well as widespread awareness, a social audit undertaken in 2006 found that the majority of households had job cards and about half had gained employment under the Act. Corruption had also been minimised by issuing registers at worksites and ensuring accessible public records (Sjblom and Farrington, 2008).

4.3 Capacity of institutions

An underlying objective of MGNREGA lies in transforming and strengthening local governance structures. MGNREGA represents a significant shift in the roles and responsibilities of local government (Box 1). This is in line with broader government reforms, such as the Decentralised Planning Process, which aims to devolve power and resources to the local government to better respond to village needs, while at the same time empowering the community to participate in planning processes. The bottom-up planning process envisaged in MGNREGA, and the sheer increase in coverage over such a short period of time, has been possible only because of the existence and functioning of the three-tiered system of governance – the *Panchayati Raj* system (Chopra, 2010).

Box 1: The role of the panchayats in implementing MGNREGA

MGNREGA's participatory approach is supported by a three-tiered system of governance called the *Panchayati Raj* system. Registration for MGNREGA is undertaken at the lowest tier of local government – the *gram panchayat* – which means that more people have been able to access the service and register for job cards. *Gram panchayats* estimate the local demand for work, suggest suitable projects, issue job cards for new job seekers, monitor worksites and implement works. Payment for work is made through banks or post offices, which can be opened free of charge, which adds to the accessibility of MGNREGA.

Intermediary *panchayats* then ensure that job seekers are provided work within 15 days, and identify appropriate works if the *gram panchayat* fails to do so. Finally, *district panchayats* are required to develop five-year plans based on overall district needs and to coordinate MGNREGA activities at the district level.

Source: PCI (2008).

In some cases, the bottom-up planning works much better because of the existence of conscientious *panchayat* functionaries, who work well with responsible district administrators (Chopra, 2010). However, balance and cooperation between the governance structures, the administrative setup and civil society do not exist everywhere, and the implementation and impact of the Act vary widely across the country (ibid).

New roles and responsibilities, coupled with a complex planning process, have challenged existing capacities within the *panchayats*, but have also opened up avenues for corruption. Sjoblom and Farrington (2008) found that social status, social networks, nepotism, religion and politics had all influenced access to the scheme, and that wealthier sections of local society in some cases were manipulating the implementation of MGNREGA in much the same way as other government initiatives. Implementation challenges are further complicated by the relatively difficult application process that rural workers have to go through to obtain job cards from the local government. In Gujarat, Madhya Pradesh and Jharkhand, it was found that the bribe that local officials demand for an application form for a job card may range from Rs. 5 to Rs. 50, where a day labourer may earn only Rs. 60 or so (ibid). The demand-led nature of the programme also entails complicated calculations, as the number of households that will apply for MGNREGA and therefore the amount of work to be allocated cannot be guaranteed. In Madhya Pradesh, Holmes et al. (2010) found that, in practice, MGNREGA was supply- rather than demand-driven, with *panchayats* allocating work to households rather than households applying for it when needed.

A number of mechanisms are in place to help overcome these administrative challenges. The government recognises the need to build the capacity of the *panchayats* for MGNREGA to fully meet its objectives:

'The planning capacity of the Panchayati Raj Institutions (PRIs) and district level functionaries needs to be strengthened to infuse the Plans with a long term vision of sustainable livelihoods. Another issue critical to strengthening administrative systems pertains to training of different stakeholders. The requirements of training are considerable at all levels and include functionaries, PRIs and the local vigilance committees. The challenge is to design training programmes calibrated in content and process according to different target groups and to manage large scale training needs without compromise on quality' (PCI, 2008).

Information and communication technology (ICT) has also been used to improve the implementation of MGNREGA, through the setup of increased transparent and accountable mechanisms. The Ministry of Rural Development (MoRD) uses ICT in the implementation of the programme to enable key data, monitoring and accounting to be tracked and made publicly available online. Information from MGNREGA is captured from the initial stage of registration of the worker and is linked to the Rural Household Survey database in each state. Information relating to worker registration, demand for work, payment of wages, etc., can be captured through this application, as can information relating to funds transfers and payments made. At the national level, information on the status of works under MGNREGA is currently being captured and is available online.

4.4 Degree of inequality of income, assets and power

Despite high economic growth, poverty and inequality remain high in India. Poverty rates have been subject to much debate, with stark disparities between international and national poverty lines. According to the United Nations Development Programme (UNDP, 2009), 41.6% of India's population is living in poverty according to the \$1.25 poverty line. However, the national poverty line puts the number at a lower 28.6% of the population (over 300 million people). The PCI's recent acceptance of a revised poverty line (see Section 2) could have important implications for addressing poverty and inequality in the country in future.

Unemployment is seen as the most important link between economic growth and poverty reduction, with significant changes occurring after the success of the green revolution. During the 1990s, India faced the lowest growth rate of rural employment since independence, with annual growth of rural employment falling from 2.03% to 0.67% over the period 1993/94 to 1999/00, directly attributed to the stagnation of agricultural employment (Pal and Ghosh, 2007). At the same time that agricultural unemployment was on the rise, an increase in real wages did not result in an increase in per capita income for rural agricultural workers (ibid). Shifts in patterns of land ownership were also apparent in this period. According to National Sample Survey (NSS) data, there was a very large increase in landless households as a percentage of total rural households, from around 35% in 1987/88 to as much as 41% in 1999/00 (ibid).

Only a small proportion of the rural population has been able to take advantage of new employment opportunities in rural and urban areas, which has contributed to increased inequality. Men have been more successful in shifting occupations to secondary, tertiary and other non-farm activities, demonstrated by an increase from 22% in 1983 to 29% in 1999-2000. SCs, STs, OBCs and women, however, have faced significant constraints to moving out of casual low-skill, low-pay day labour in agriculture, severely limited by social and economic factors, including persistent socio-cultural attitudes as well as lower education and skill levels.

The government recognises that both economic and social inequalities prevent the poor from taking up opportunities in productive sectors and, by extension, that this negatively impacts the growth potential of the economy:

'A major weakness in the economy is that the growth is not perceived as being sufficiently inclusive for many groups, especially Scheduled Castes (SCs), Scheduled Tribes (STs), and minorities. Gender inequality also remains a pervasive problem and some of the structural changes taking place have an adverse effect on women' (PCI, 2008).

The government of India's 11th Five-Year Plan (2007-2012) aims to address these challenges by focusing on measures of 'inclusive growth' through a three-pronged strategy: economic growth; income poverty reduction through targeted programmes; and human capital formation. MGNREGA is seen to have an important role to play in meeting this objective, through transforming rural livelihoods and agricultural productivity in India.

However, as India's economy is not only growing but also changing, different pathways out of poverty need to be mobilised for the poor. This may include opportunities in farming, employment in agriculture and the rural non-farm economy, as well as migration (World Bank, 2007). MGNREGA attempts to address two of the key concerns related to poverty in India: unemployment and a flagging agriculture sector. Although it is seen as a key policy tool to support poverty reduction, it has been criticised 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 (e.g. where infrastructure and assets have not been completed or are ineffective); and for limiting the mobility of the poor to areas with more growth potential.¹⁰

¹⁰ Sjoblom and Farrington (2008) argue that, although the provision of some local employment is potentially important, the easy availability of work under MGNREGA may discourage rural workers from seeking work in rapidly growing areas of the economy, which may, in turn, reduce the potential pace of economic transformation and lower the prospects of workers gaining new skills. In this way, MGNREGA, as a means of social protection, may ultimately work against economic growth.

5. Conclusions

The challenge of reducing poverty in India is large, because of the sheer numbers and the multiple layers of poverty, highly governed by social norms and social discrimination and influenced by factors such as location, gender, age, religion and ethnicity. In this context, MGNREGA has made a substantial and unique contribution through the mass coverage of over 40 million rural households in just four years, generating over 1.7 billion person days of employment.

This success has been possible as a result of the mobilisation of domestic finances and existing institutional structures for delivering the programme. The institutionalisation of MGNREGA as a right in the Indian Constitution has embedded it as a sustainable programme, one which cannot be subject to political whims. The key factors that have influenced the progress of MGNREGA to date include: 1) strong national leadership and the legislation of MGNREGA in the Indian Constitution; 2) a vibrant civil society at the national and local level; 3) devolved roles, responsibilities and resources to the local government; and 4) high levels of poverty and inequality.

5.1 Key lessons

- Strong **political commitment**, broad-based **public support** and a **powerful lobby** on behalf of the poor contributed to the translation of policy into legislation and concomitant domestic funding. Scaling up MGNREGA in a short space of time was planned and budgeted for. Enshrining the Act in the Indian Constitution has ensured its sustainability through potential changes of government.
- The design of MGNREGA has important **innovative features**, including the provision of an unemployment allowance if work cannot be allocated within 15 days. The 100-day guarantee and demand-driven nature of the programme act as insurance to poor households, which are able to demand work when they need it.
- Existing **decentralised institutions** enabled the rapid scale-up of MGNREGA. Institutional and financial incentives have been put in place to improve implementation, such as a financial penalty at the state level if work is not allocated on time, and institutionalised mechanisms to encourage transparency and accountability.
- Significant investment in **administrative capacity building** is required to deliver the programme, in terms of not only technical expertise to plan and carry out the works, but also awareness raising and sensitisation of the administration to overcome socio-cultural attitudes that perpetuate institutional discrimination (e.g. of SCs, STs and women). At the same time, support to **mobilise and empower communities to participate** in programme governance structures is also needed.

5.2 Challenges

- There are still **large variations in programme implementation across India**. Drèze and Oldiges (n/d), for example, suggest that differences are often startling. Some states own MGNREGA, seizing the opportunity to provide large-scale employment to the rural poor at the cost of central government. In other states, the whole programme is yet to take off.
- **Limited staff capacity and skills** in implementing MGNREGA result in serious deficits in effectively delivering employment for the rural poor. Ambasta et al. (2008) suggest that MGNREGA is constrained by a lack of professionals, in particular programme officers, who were to be appointed at state level to support implementation, and accredited engineers, also to be appointed at state level to support timely and transparent costing of works to be undertaken. In many cases, the capacity of the panchayats is lagging. As one interviewee stated: 'the panchayats are the weakest link in the roll out of NREGA' (Holmes et al., 2010). In addition, Drèze (2009) reports routine violations of the entitlements of MGNREGA workers, 'whether it is their entitlement to work on demand, or to minimum wages, or to payment within 15 days, or to basic worksite facilities.'

- There is **limited civil society activity in some states**. A survey undertaken by Drèze and Khera in 2009 reported still very low awareness levels among MGNREGA workers of their rights, including employment on demand; minimum wages; payment within 15 days; and basic worksite facilities. This is linked to low levels of civil society intervention:

'In a country like India where the majority of rural population belongs to socially and economically disadvantaged groups, it is difficult to ensure participation without effective intervention of community organisations. Even though people register for works under NREGA, they are unaware of the norms of RTI and social audit. Micro level impact studies shows that the districts where civil society is active in implementation and monitoring process do better than other states where societal interference is minimum' (Menon, 2008).

Although their participation rates in MGNREGA generally exceed the one-third quota, women continue to face more limited employment opportunities. In some states, cultural norms prevent women from working outside the home or working with men, reflected in household decisions to send only men for MGNREGA work, thereby denying women's rights to access employment days (Samarthan Centre for Development Support, 2007). Entrenched ideas about the gender division of labour also affect the type of work seen as acceptable for women to do. Studies also show that, even when women want to work, the *panchayat* may have excluded them because of social norms around the 'appropriate' type of work for women (Khera and Nayak, 2009). In Madhya Pradesh, for example, although women's representation overall is above 40%, in practice women receive fewer days on MGNREGA because they are not involved in all types of work available. Women are often given 'soft' work such as throwing out the soil from digging wells, which requires fewer days.

Single women are particularly affected when earthwork depends on family-based couples to work together (Gupta, 2009; Paliwala and Neetha, 2009). As one focus group discussion highlighted:

'Men are always preferred than women. Single women are excluded as some works demanded the participation of both men and women as a pair' (Female FGD, Bhagwanpura village, 2009).

Moreover, in Bhagwanpura Village, more women than men were asking to work on NREGA. This turned out to be particularly problematic for single women, as one worker, a young widow, explained:

'[Women] were sidelined and men were given preference – there were more women than men preferring to work in MGNREGA. As women fought among themselves, it was decided that women had to accompany men' (Widow, General Caste, Bhagwanpura village, 2009).

Source: Holmes et al. (2010).

- Despite the focus on marginalised sections of society, MGNREGA, when poorly implemented, continues to **reinforce discrimination** against these groups. For example, recent studies point to persistent barriers to women's quality participation in MGNREGA (Box 2), because of social norms; bias in local wages rates for women and the statutory minimum wage; presence of contractors; harassment and exploitation; and lack of child care facilities (Holmes et al., 2010; Khera and Nayak, 2009).
- A number of mechanisms are in place to promote accountability and transparency, but in reality **corruption** remains a key concern. In places such as Rajasthan, where a strong civil society supports communities to hold the government accountable through mechanisms such as RTI and social audits, corruption has reduced. However, MGNREGA's complexity has left many opportunities for rent seeking. There are reports of local officials demanding bribes for application forms for job cards and of discrepancies between the number of job cards applied for and the number of people working.
- An overarching concern is that MGNREGA has focused on **employment at the expense of development**, questioning the longer-term perspective of its poverty reduction objectives.

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