

# “IMPACT OF MNREGA ACT ON EMPLOYMENT GENERATION IN INDIA”

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## INTRODUCTION

India has started massive economic development and safety net programs over the past two decades. It has, for example, moved from universal food subsidies to targeted food subsidies and back again to a near-universal program. Some programs have been able to meet beneficiaries more easily, for example conditional cash transfers for hospital delivery. And others have been ambitious in their design, scale and reach, as for example the rural safety net provided by the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), a nationwide rural public works program that costs India about 1 percent of GDP and works on the principle of self-selection (workers have access to 100 days of public employment a year when they choose). The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) of 2005, which appeared in response to this growing dilemma, provides 100 days of work to any rural household that demands it. MGNREGA incites strong passions. Activists demanding the right to work see the program as a cure for rural poverty, particularly if it can reach all sections of rural society. Many economists worry, however, about the program's ineffectiveness and unintended consequences, including labour shortages. MGNREGA, one of the most innovative planned programs in India, has a bottomup, demand driven structure with built-in social audits consider program participation among individuals, households and communities and suggests that although the program is open to all interested households, its structure makes it more attractive to the poor than to the rich. In spite of this proportion, MGNREGA appeals to all sections of rural society except for the richest fifth. MGNREGA seems to fail, however, in its geographic reach, with some states far more likely to provide work under the program than others. Local political economies also affect program execution, creating tremendous variation between villages within the same state. Although only 25% of the households in our sample participate in MGNREGA and half of these earn less than 4,000 a year, the program provides an important source of income for the participants, lifting many of them out of poverty MGNREGA provides equal wages to men and women. Women's employment in MGNREGA is high, and for nearly half the women participants the program provides the first opportunity to earn cash income. It also explores gender consequences of MGNREGA participation and finds a substantial increase in women's control over resources and improvement in women's ability to make independent decisions about their health.

## LITERATURE REVIEW

- **Ghosh (2008)**, stated that MGNREGA will prove to be an extremely cost effective way of increasing employment directly and indirectly, reviving the rural economy, providing basic consumption stability to poor households and improving the bargaining power of rural workers
- **IIM-Bangalore (2008)**, conducted a study in Andhra Pradesh & Karnataka covering four districts so as to make an appraisal of the various processes & procedures of MGNREGA programme. Report emphasized the need of capacity building, more awareness generation & also the strengthening of demand process of the programme. In conclusion, results indicated that the MGNREGA programme has been implemented better in the districts of Andhra Pradesh compared to the districts of Karnataka.
- **Pankaj & Sharma (2008)**, based on his study indicated a relatively high share of MGNREGA income to the total income (about 8% of the total annual income of the households in Bihar and about 2% in Jharkhand) of the beneficiary households, despite the low number of employment days in Bihar and Jharkhand. This, he stated

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was because of the very low-income base of the households. The beneficiaries in both the states he held used their MGNREGA earnings for food and daily consumption items. They also observed reduction of seven percent points of indebtedness, 12 percent points in out migration among beneficiary households in Bihar. MGNREGA was also stated by him to have inculcated a new level of consciousness about the entitlement on minimum wages. An increase in the Work Participation Rate (WPR) though observed but did not produce any significant impact on the local wage because of the availability of abundant labour force on one hand and low level of employment generation under MGNREGA on the other.

- **Jacob Naomi (2008)**, studied the impact of MGNREGA on Rural-Urban migration. It analysed migration as a negative force, focusing on distress migration, Distress migrations take place when people have to go to cities to find work because they cannot survive on what they can do in their own villages.

- **Planning Commission (2008)**, conducted a survey in 20 states to study the impact of MGNREGA. The results showed a shift of low income groups (about 50%) towards high income category, significant increase in the expenditure on food and non-food items (6%) & change in the expenditure pattern, procurement of livestock (68%) & household articles (42%). Initiation of savings for the first time (2%), clearing of outstanding loans (1/5th of sample households) were some of the positive impacts of MGNREGA on rural households. The other things they observed were the non-provision of employment within stipulated timeframe (80%) and non-payment of unemployment allowances, the utilization of small portion of households for more than 35 days of work and existence of distress migration in sample villages.

- **Dutta (2009)**, carried a quick appraisal of MGNREGA in Dangs (Gujarat) and Jalpaiguri (West Bengal) districts and reported that the mobility and interactions of community increased due to the impact of rural connectivity works. Migrations also get limited to only one member of a family during slack season due to more availability of work locally. The studies also indicated that even though people are not well aware of works carried out in their village under MGNREGA, improvement in water availability has been observed by them. Other important observations were that hardly any permanent assets could be created out of NREGS fund due the (i) stipulated norm of 60:40 ratio between labour and material cost and (ii) lack of coordination with line departments.

- **IIM Lucknow (2009)**, conducted a study of MGNREGA in the different districts of Uttar Pradesh viz; Jhansi, Jalaun, Kushinagar, Bareilly & Gorakhpur. The main findings of their studies revealed that (i) Gram Sabhas are the most important & effective Information Education & Communication (IEC) sources to disseminate information regarding MGNREGA (ii) prevailing wage rate in the sampled gram panchayats has increased by around 15-20% (iii) 85.3% respondents in the surveyed group belonged to the below poverty line category (iv) 50% of the respondent beneficiaries were from scheduled castes (v) 44.5% beneficiaries of other backward class & (vi) 97.7% respondent households were reported to be operating through bank/post office accounts.

- **Jha et al. (2009)**, stated that landholding of a household is a negative predictor of employment provided under MGNREGS in Rajasthan. This relationship however appears to be positive in Andhra Pradesh as here the programme captured households with larger landholdings. This difference arises due to varied level of land inequality in the two states (more inequality in AP than in Rajasthan) and higher ratio of MGNREGS wage to agricultural wage rates.

- **Rajveer pal (2009)**, attempted to measure the outcome of good governance practiced by Gram Panchayats (GPs) of West Medinipur district of West Bengal through the employment generated under NREGS. Data regarding different parameters related to core characteristics of good governance such as participation, transparency, accountability, effectiveness and 9 efficiencies, equity was taken into consideration in this study.

This study mainly gives importance on potential implementation of MGNREGA needs adequate efficient governing body and motivation.

- **Johnson (2009)**, reported that MGNREGA not only made money available to rural poor households but also facilitate them when they are in need of it. He suggested that if households are able to use MGNREGA as an ex-post substitute for formal weather insurance, then they may be able to shift away from investments in low-risk, low-return assets to higher-risk and higher return assets.
- **Sainath (2009)**, in his article on expansion of MGNREGA stated that it is a positive step taken by the Rural Development Ministry which allows, though small but vital assets like farm ponds on every farm. He advocated that a massive expansion of MGNREGA will no doubt provide cushion to the lakhs of labourers struggling to find work and devastated by rising food costs.
- **Dey and Bedi (2010)**, studied the functioning of the MGNREGA between February 2006 and July 2009 in Birubham district, West Bengal. Their study reveals that in order to serve as an effective “employer of last resort”, the programme should provide more job days during lean season and wages should be paid in a timely manner.
- **Breze (2010)**, looks at the corruption in rural employment programs in Orissa and how this has continued in a MGNREGA as well. However, he believes that there is tremendous potential of MGNREGA in the survey areas. Where work was available, it was generally found that workers earned close to (and sometimes more than) the statutory minimum wage of Rs 70 per day, and that wages were paid within 15 days or so. This is an unprecedented opportunity for the rural poor, and there was evident appreciation of it among casual labourers and other disadvantaged sections of the population. There is the hope among workers that MGNREGA would enable them to avoid longdistance seasonal migration.
- **Goparaju (2010)**, analysed the recent legislation of the Indian Government known as MGNREGA According to the study the design implementation and promising initial results clearly challenge existing wisdom on how to make effective policy decisions. The framework presented in the paper best explains various facets of this remarkable policy.
- **Babu et.al (2010)**, tested the Impact of MGNREGP on scheduled castes and scheduled tribes. Studies conducted in eight states, such as Tripura, Rajasthan, Chhattisgarh, Mizoram, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal to highlight issues related to MGNREGA and scheduled castes (SCs) and scheduled tribes (STs) in each of the States. The studies also elaborated the issues of MGNREGA implementation; for example, awareness levels among beneficiaries, etc. Other impacts of the scheme with regard to agriculture wage and migration have also been noted.
- **Dreeze and Christian Oldiges (2011)**, attempted to provide a snapshot of the implementation of MGNREGA at the national level including state specific patterns and concluded that the states like Rajasthan, Madhya Pradesh & Chhattisgarh were the one who performed well in the year 2007–08.
- **Sankaran (2011)**, The harsh truth that is often lost sight of is that the mandated minimum wage does not have much sanctity in rural areas where the actual wages are determined by demand-supply equilibrium which varies with cropping season. Aligning wages under MGNREGA with minimum wages would distort the rural labour market further. Besides, it would pose difficulties for the Centre to strike a balance in allocating MGNREGA funds to different states.
- **Bipul & Sebak (2013)**, studied the implementation status of MGNREGA inten villages of Sonamukhi block of district Bankura in West Bengal so as to identify the emerging strengths & weaknesses of the programme.

Based on their studies they concluded that though the programme has the potential for upliftment of the socioeconomic status of the rural poor by providing guaranteed employment but because of some irregularities in implementation people were not satisfied.

• **Gupta & Fearooz (2015)**, studied the impact & durability of the assets created under MGNREGA in block Sundarbani of district Rajouri. They found that in the study block there seems to be a significant impact on rural households through assets created under MGNREGA programme. They further held that the productive value of assets created under the scheme need to be enhanced & suggested that the officials/functionaries should focus more on (i) community assets & (ii) convergence with other departments so that programme can be made more productive.

• **Rhonda Breitzkreuz (2017)**, found that the experiences of participating in MGNREGA varied depending on how MGNREGA wages compared to market wages in the region, as well as local implementation of the program. Although MGNREGA offered some basic employment for marginalized groups, it did not provide substantial help to the most vulnerable. However, there was some evidence of small but significant shifts in labour relations. Higher wages, more opportunities for work, better implementation and a greater recognition of the caregiving responsibilities of women will be required for this policy to fully meet its goals.

## CHALLENGES

- Some challenges facing MGNREGA in the coming years is likely to be its fundamental philosophy. Should MGNREGA simply provide a social safety net? Or should it also improve productivity by building infrastructure?
- Assessing MGNREGA's effect on household well-being is even more complicated. Since the program offers manual work, it is typically used by individuals unable to find higher paying employment, making it difficult to evaluate its impact.
- The program makes extra-ordinary efforts to register Dalits, Adivasis, widows, destitute and differently abled individuals. This emphasizes registration drive does, however, face the same challenges of inclusion and exclusion as other targeting efforts.
- Local implementation challenges inhibit access the most. Even in states with high coverage, many villages lack MGNREGA programs, while with an interested and active Gram Panchayat, even in states with poor implementation, some villages manage to secure MGNREGA work.
- One of the challenges to understanding MGNREGA's impact on rural wages lies in the difficulty of the relationship between labour supply and wages.
- Assessing the effect of any program is difficult due to lack of comparative data on conditions in its absence.

## CONCLUSION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2006 is milestone legislation in Indian history of social security legislation after independence. Passed after a successful struggle for employment guarantee legislation, it is a limited victory towards a full-fledged right to employment in any developing country context. The key feature of this law making which distinct it from any other public service provisioning scheme is its passed through the parliament of India. This legislation has been bringing about a silent revolution in rural areas of the country. MGNREGA Act for the first time brings the role of the state as provider of livelihood within the reach of the participants or beneficiaries themselves. By scheme it is different from any employment generation scheme that has been formerly implemented. It needs distinct approach towards employment creation schemes and towards overall involvement of the State in providing the right to employment to its masses.

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