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State Level Performance of MGNREGA in India: A Comparative Study

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Abstract

In this comparative study, we have attempted to analyze the state-wise performance of the MGNREGA and its impact on various streams of agriculture and rural agricultural wages. To start with, funding of the scheme has been very balancing between the state and center. It ranges around 80:20 of share to the implementation of scheme between the Center and the States. In terms of employability, states that around 13,332 crore person days are created and 7.08 lakh assets are built, out of 25.98 lakh taken up under the programme. Of the total person days created, 51.02 percent are the person days by the women labourers. When it comes to coverage of population, the states that claim to have covered more than 50 percent of the households are Chhattisgarh and Madhya Pradesh, with both of them having poverty rates that are much higher than the national average; followed by Bihar and Jharkhand, with over 30 percent coverage but very high levels of poverty. Besides, at the total expenditures suggests that Madhya Pradesh, Andhra Pradesh and Rajasthan have distributed Rs.10-17 billion as wage payments followed by Uttar Pradesh, Chhattisgarh, West Bengal and Bihar, with the utilized amounts ranging between Rs.5 and 10 billion each. Another important thing to consider about the scheme is about the impact on farm mechanization of agriculture. Ultimately, it is worth mentioning here that the MGNREGS has benefited the agricultural labourers not only directly, but also indirectly as the scheme pressured the Minimum Agricultural Wage Rate (MAWR) to be increased.

Keywords: MGNREGA, Employability, Person Days of Employment, Rural Development, MAWR

INTRODUCTION

The development of rural India is an imperative for inclusive and equitable growth and to unlock the huge potential of the population that is presently trapped in poverty with its associated deprivations. MGNREGA is a flagship programme of Govt. of India which forms the second strand for development of rural areas, the first being the Bharat Nirman Programmes have been important programme interventions in India and else where in developing countries since long. These programmes typically provide unskilled workers with short-term employment on public works. They provide income transfers to poor households during periods when they suffer on account of absence of opportunities of employment. In areas with high unemployment rates and under employment, transfer benefits from workfare programmes can prevent poverty from worsening, especially during lean periods. Durable assets that these programmes create have the potential to generate second-round employment benefits as requisite infrastructure is developed. Based on the experience of these programmes the National Rural Employment Guarantee Act (NREGA) was enacted in 2005 to reinforce the commitment towards livelihood security in rural areas. The thrust of the Eleventh Five Year Plan (2007-12) is social inclusion coupled with provision of improved livelihood opportunities. NREGA is conceived as a holistic approach to make the growth more inclusive.(1)

FUNDING OF MGNREGA

The Central Government bears the costs on the following items:

- The entire cost of wages of unskilled manual workers
- 75% of the cost of material, wages of skilled and semiskilled workers. Administrative expenses as may be determined by the Central Government, which will include, inter alia, the salary and the allowances of the programme officer and his supporting staff and work site facilities.
- Expenses of the National Employment Guarantee Council.

The state Government bears the costs on the following items:

- 25% of the cost of material, wages of skilled and semi-skilled workers (as a ration of 60:40 is to be maintained for wages of the unskilled manual workers and the material, skilled/semi-skilled Government has to bear only 25% of the 40% component, which means a contribution of 10 % of the expenditure.(4)
- Unemployment allowance payable in case the state Government cannot provide wage employment on time.
- Administrative expenses of the state Employment Guarantee Council.

Sate Level performance of MGNREGA

The national level Ministry and associated State Departments of Rural Development are responsible for implementing MGNREGA across the entire country. This Ministry updates the progress of implementation of MGNREGA on its website twice a year

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on the basis of data provided by the States.

According to the national bulletin of MGNREGA, the scheme has so far provided 3.34 crore households with employment throughout the country. This also states that around 13,332 crore person days are created and 7.08 lakh assets are built, out of 25.98 lakh taken up under the programme. Of the total person days created, 51.02 percent are the person days by the women labourers.(3) Similarly, 40.19 percent are created by SC members and 21.83 percent by persons form the ST community. Two conclusions follow from this analysis. First, the promise of 100-day employment to one member of every household hold seeks employment is largely unfulfilled. Second, there are several in built biases in the execution of MGNREGA. The poor, are inadequately represented in those selected for participation, the duration of employment is systematically lower for poor households. At the same time, the non-poor are disproportionately represented, indicating some capture. Third, whereas few participants admit to paying bribes, several reported that personal acquaintance was necessary to secure employment under MGNREGA. Many participants indicated that they wanted to continue to work on MGNREGA. This is less of an indicator of the efficacy of the MGNREGA than of the fragility of their livelihoods.

Coverage and Number of Days of Employment

Given the large variation in the size of the states, it is useful to discuss MGNREGA coverage in terms of the proportion of households enrolled in the schemes. The states that claim to have covered more than 50 percent of the households are Chhattisgarh and Madhya Pradesh, with both of them having poverty rates that are much higher than the national average; followed by Bihar and Jharkhand, with over 30 percent coverage but very high levels of poverty(7). On the other hand, states achieving meager MGNREGA coverage are not only Punjab and Haryana, with very low levels of rural poverty, but also Gujarat, Kerala and Maharashtra, with less than 5 per coverage, and Karnataka with 8 percent, but with moderate levels of poverty prevalence. Uttar Pradesh, with fairly high levels poverty, has extended MGNREGA to only about 20 percent of its rural households. When its comes to providing the maximum number of days of employment, Rajasthan stands out with an average of 77 days, followed by 63 in Madhya Pradesh and 58 in Chhattisgarh. As per MGNREGA (6), households can claim a maximum of 100 days of employment per year. Thus, these three states can be considered as success stories of MGNREGA in India, in spite of their large uncovered targets in terms of coverage and man days of work provisioning. All the other states doing poorly in coverage are also faring badly in terms of maximizing the netting of the number of days of employment.

State Expenditures and Household Wage Accruals

A look at the total expenditures suggests that Madhya Pradesh, Andhra Pradesh and Rajasthan have distributed Rs.10-17 billion as wage payments followed by Uttar Pradesh, Chhattisgarh, West Bengal and Bihar, with the utilized amounts ranging between Rs.5 and 10 billion each. Notwithstanding a considerable variation in MGNREGA wage which ranges between the high levels of Rs.136 in Haryana, Rs.125 in Kerala, and Rs.100 in Rajasthan and Uttar Pradesh each, and a low of just over Rs.70 in many of the remaining states; the average accruals per household has been the highest at Rs.7733 in Rajasthan (with 31 per cent of the households being covered), Rs.6862 in Haryana (but with only 2.8 per cent of the households covered), Rs.5383 in Madhya Pradesh (with 54 per cent of the households covered) and Rs.4032 in Chhattisgarh (with 70 per cent of the households covered). The amount of wage accruals is a meager Rs.1795 in Bihar, Rs.1549 in Gujarat, Rs.1981 in West Bengal, Rs.2726 in Maharashtra (all with low coverage), and Rs.3327 in Uttar Pradesh (covering 20 per cent of the households). Three states, namely, Madhya Pradesh, Rajasthan and Chhattisgarh, again stand out in terms of the annual size of wage accruals, followed by Andhra Pradesh and Jharkhand.. The two relatively backward states that are not performing well are Bihar and Uttar Pradesh.(9)

MGNREGA's State-Level Administration of Funds

The government's flagship rural employment scheme is struggling to make an impact as the capacity building in the scheme has slowed down to a crawl. The overall fund utilization in the Mahatma Gandhi National Rural Employment Guarantee Act, or MGNREGA, has plummeted to 60%.

Most states were unable to utilize even half of the funds slotted for administrative expenses, stalling administrative reforms that are expected to increase the efficiency of the scheme. "Administrative costs are important because the money is used to improve the knowledge base of the scheme like technology, monitoring mechanisms infrastructure, personnel capacity etc," said an official at the rural development ministry. The states can use 6% of allocation under the scheme for administrative purposes, to build capacity for the kind of expenditure the scheme targets to ensure income support for the poor.

The following table shows the MGNREGA administrative performance of various States:

Table – 1.0

A State-Wise Comparison of MGNREGS Performance					
TOP PERFORMING STATES	**Total**	**Allocation**	**Expenditure**	**Utilisation in %**	
Andhra Pradesh	4138.6	248.32	181.32	72.9	
Tripura	636.01	38.16	28.28	74.1	
West Bengal	2732.75	163.96	82.04	50	
Andaman & Nicobar	11.13	0.67	0.48	71.8	
POOR PERFOMING STATES					
Rajasthan	5625.53	337.53	120.64	35.74	
Orrisa	1776.17	106.57	34.35	32.23	
Madhya Pradesh	4892.38	293.54	82.31	28.04	
Bihar	2171.51	130.29	9.61	7.38	
Uttar Pradesh	7173.19	430.39	166.98	38.8	
Other State	13570.98	814.22	326.1		
Total	42728.25	2563.65	1031.92		

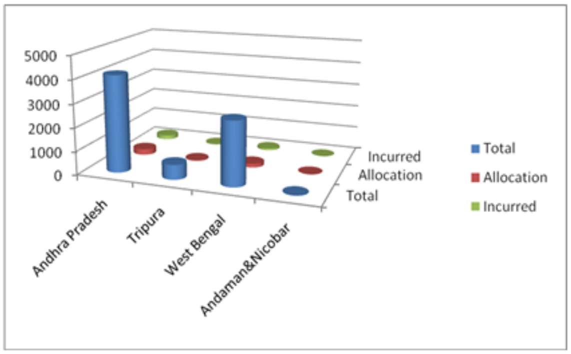

Fig - 1.1: Top performing states on MGNREGA'S administration (figure in crore rupees)

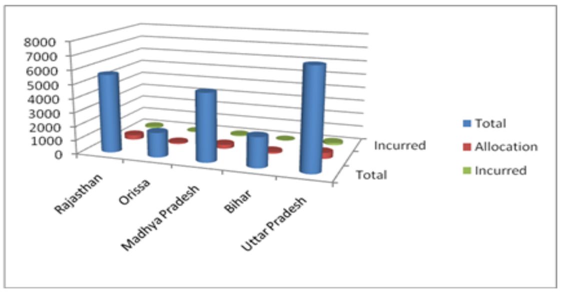

Fig-1.2: Poor performing states on MGNREGA'S administration (figure in crore rupees)

Explanation of the Table and Figures

In the above Table and Figures, the overall utilization of funds for administrative costs under the scheme was 40.3% in 2010-11.

Government officials say the drop in utilization – down from 80% in 2009-10 to 60% in 2010-11 – is due tot the lower demand for work because of the good monsoon.

But the lower utilization of administrative allocations is baffling when the scheme lack capacity to spend the 40,100 crores the centre has set aside last year.

"The scheme suffers through major human resources constraint especially at the level where money needs to be channelized," a planning commission official said.

"The administrative set up is not developing as it should,"

On the brighter side, there is improvement in the utilization numbers in comparison to 2009-10 when only 31% of the funds for administrative expenses were used by the states.

"There has been some improvement this year as we focused on building capacity, however, one cannot say the performance is up to the mark," the official from the rural development ministry said.

For 2011-12, the ministry is going to ask states to show better utilization in the category as a condition to release of funds.

The stats that have spent most towards improving administrative issues are Andhra Pradesh and West Bengal. Other states like Tripura, Andaman and Nicobar Islands, Goa have also spent around 70% of the funds, albeit the allocations were lower than other big states where the demand for work is concentrated.

The states that have failed to improve their performance have been Bihar, Madhya Pradesh, Rajasthan and some north-eastern states like Mizoram, Meghalaya and Manipur among others. The average rate of utilization for other states is around 30%.

People on the ground assert that it is not only about allocations, but extensive planning needs to be done to augments skilled administrative workforce.

Its is perhaps not well known that according to data produced by the Labour Bureau, Shimla (Business Line May 15, 2011) wage rates for agriculture operations increased rather sharply in 2009 and 2010. Farm wages increased by 15% to 20% in the states like Haryana, Bihar, West Bengal, Assam, Punjab and in Orissa (2).

MGNREGA Pressured to increase the MAWR

The following table shows the impact of MGNREGA on Minimum Agricultural Wage Rate (MAWR), Table – 2.0

States	Minimum Agriculture Wage Rate	MNREGP Wage Rate
Assam	130	87
Andhra Pradesh	121	125
Bihar	120	109
Gujarat	124	100
Madhya Pradesh	122	110
Uttar Pradesh	120	100
West Bengal	130	96
Haryana	179	167
Kerala	150	200

In the above stated table, we could see the pressure caused by the scheme on the regular wage on some states. Apart from few states, most of others show the increment of wage on the MAWR because of the scheme. This is an indirect advantage MGNREGA in India.

MGNREGS AND FARM MECHANIZATION

Another important thing to consider about the scheme is about the impact on farm mechanization. While the data on labour productivity in agriculture is not readily available, there are clear signs that Indian agriculture is becoming more capital –intensive and mechanization is increasing. This is confirmed by the rise in demand for agricultural equipment like tractors, harvest combines and threshers, reported by manufacturing companies, as also in the rise in agriculture non-crop credit off – take.

This would surely result in higher labour productivity in agriculture a good productivity in agriculture – a good outcome. At present, the sector is a laggard in productivity, as it contributes only about 13 percent of the GDP while employing more than half the workforce of the country. There are some direct implications of this increasing trend in agriculture mechanization. First, this will soon bring pressure for enlarging the size of land holdings to make them more amenable for mechanization. State governments should now begin to take steps, like cleaning up and computerizing land records, to facilitate the emergence of a well regulated agriculture land market and remove unnecessary impediments and opacity in procedures.

Second, new skills for running and repairing the larger number of farm machines will be in higher demand and shortages have emerged already. Finally, the rising wages (corresponding to productivity in creases) and farmers' affluence is resulting in higher demand of non-cereal food articles like proteins, milk, fruits and vegetables, where again supply shortages have emerged, spurring food inflation. This kind of price rise can hardly be reined in by raising interest rates!

It is perhaps beyond argument by now that a strong driver of this upward movement in farm wages has been the working of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) for the last six years.

NREGS has generated 2.5 billion man days of work in 2010, which is a mere 2 percent of all work but affects wages at the margin both in agriculture and industry. Having become and entitlement scheme, it has raised the reserve price of labour and is forcing industry like construction and garments to become more capital – intensive.

In a recent Ficci survey on the impact of NREGS on over 100 companies, it was found that 90 percent of companies were faced with labour shortages; 94 percent have seen wage increases and 82 percent reported wage increases of more than 10 percent.

As many as 89 percent of the respondents found it difficult to meet their orders due to labour shortages and 66 percent are faced with a potential loss of 10 percent of their demand as a result of labour shortages. Therefore, firms have suggested that work done in industrial units should also qualify for coverage under NREGS and state governments should be far more flexible in permitting labour movement across state borders.

Suggestions for Improvements

i) Empowering Workers – MGNREGA is a right – based statute and its effectiveness lies eventually in the extent to which wage seekers can exercise their choice and assert their rights to claim entitlements under the Act. The issues involved in empowering workers are in the range of enhancement of knowledge levels, development of literacy skills, organizing workers, and enhancing social security levels of workers. Opening savings accounts of workers' in banks and post offices that has been initiated needs to be supported on a larger scale so that thrift and small savings can be encouraged among workers. The inclusion of MGNREGA workers under the cover of various life and health insurance schemes will also raise their security thresholds.

ii) Linkages with other Development Programmes – Empowerment of workers and creation of durable assets depend to a great extent on the linkages between MGNREGA and other development programmes. In that way, programmes like Indira Awas Yojna, Total Sanitation Campaign etc. should be linked to MGNREGA.

iii) Exploring the Possibility of other Works – the allocation for the Eleventh Plan (at current price) is tentatively provided at Rs.1,00,000 crore. However, since MGNREGA is a demand driven programme and the government is legally bound to provide employment mandated under the act, this figure is only indicate.

CONCLUSION

In a continental country with vast variations in the availability of natural resources and agro climatic conditions three is a need to understand the local, regional and state level dynamics, and the social and economic relevance of the MNREGA amongst the rural households. It must be stated that MNREGA has immense potential to provide social security to the masses only if its implementation is efficient and its synergies are optimally exploited. India should not miss another opportunity to demonstrate that the world's largest democracy also cares for its people, especially the deprived and the vulnerable, and that it is truly marching ahead in its quest to become a welfare state.

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