

Mahatma Gandhi National Rural Employment Guarantee Scheme



International
Labour
Office

India

Enacted on 7 September 2005, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in India entitles, by demand, every rural household to a minimum of 100 days of paid work each year at minimum wage. The ensuing public works programme represents an innovative rights-based approach towards supporting income security of rural households while creating productive assets and strengthening local governance.

The first phase of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was launched in February 2006. Initially covering 200 of the poorest districts, all districts with sizeable rural populations were eventually included by 1 April 2008 (DRD, 2014). MGNREGS is the largest public works programme in the world, providing unskilled manual work to 57.8 million adults from 38.9 million rural households during the fiscal year of 2014-15 (MORD, 2015).

National social protection floors (SPFs) guarantee access to essential health care and basic income security for children, persons of working age and older persons.

185 countries have adopted the Social Protection Floors Recommendation, 2012 (No. 202), an approach to achieve universal social protection.

This note presents a successful country experience of expanding social protection.

Main lessons learned

- Since its inception in 2006, MGNREGS has provided an alternative source of income to workers in rural areas, particularly women and economically backward communities, created productive assets and empowered the local *Panchayati Raj* Institutions (PRIs) through the implementation and monitoring processes.
- A recent ILO study concludes that MGNREGA satisfies many of the provisions under Recommendation No. 202, such as “universality of protection”, “entitlement to benefits prescribed by national law”, “social inclusion” and “respect for the rights and dignity of people covered by the social security guarantees” (Ehmke, 2015). The legal framework of MGNREGA also reinforces programme sustainability.
- To realize the full potential of an ambitious programme like MGNREGS, policy-makers and implementing agents will need to address several key issues, such as limited public awareness, low administrative and delivery capacities (with large gaps between states), low quality control of assets created and ineffective monitoring and auditing mechanisms (CAG, 2013).
- In states and localities where MGNREGS has been implemented well, many of its social and economic objectives are found to have been achieved (Ehmke, 2015). Hence, MGNREGS serves as a South-South learning example for other developing countries looking to design and implement public works programmes targeted at poor rural households and deliver the social protection floor (SPF).

1. Why was there a need for MGNREGS?

Almost 270 million people live below the poverty line in India, 80.3 per cent of which live in rural areas (RBI, 2014). Poverty and unemployment increasingly afflict the growing population of small and marginal farmers and landless agricultural labourers, fuelling mass migration to urban areas (Sharma, 2011). Poverty is also most acute among female-headed households and the marginalized communities, namely the scheduled castes (SCs) and scheduled tribes (STs).

MGNREGS was introduced in the context of the then-ruling Government's inclusive growth and rights-based policies that recognized social and economic development as entitlements of citizens. MGNREGS aims to:

- provide an alternative source of income during the low agricultural season and poor monsoons;
- empower grassroots governance;
- create durable assets such as roads and irrigation canals that would generate sustainable rural livelihoods and discourage migration to urban areas; and
- encourage conservation of the environment.

2. How does the programme work?

MGNREGA enforces the right of Indian citizens to work and is based on certain articles of the Indian constitution. The programme is demand-based and self-targeting for rural households who are in need of minimum income support. During the fiscal year 2014-15, MGNREGS employed 57.8 million workers, approximately 16.9 per cent of the rural labour force (MORD, 2015; Misra and Suresh, 2014).

MGNREGA is modelled on the principles of transparency and grassroots democracy. It stipulates decentralized administration and governance, in line with which, every state implements its own MGNREGS and funds it jointly with the national Ministry of Rural Development (MORD). Most of the planning, implementation, monitoring and evaluation activities are delegated to the local PRIs.

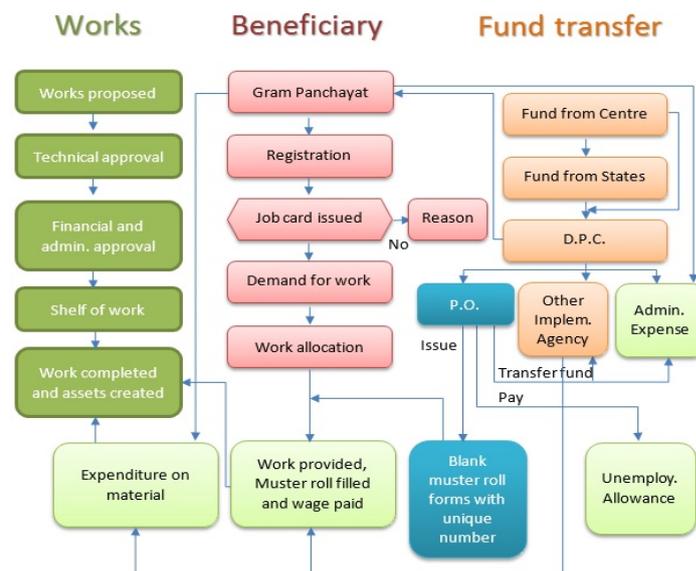
The uniqueness of MNGREGS lies in its largely bottom-up, multi-agency and multi-level processes for proposing works, registering beneficiaries,

financing and sharing costs, measuring output and paying wages (see figure 1). At the lowest level, the *Gram Sabha* (village assembly) is designated with recommending appropriate projects. The elected *Gram Panchayat* (village committee) is responsible for decision-making, planning and implementation (at least 50 per cent of works by law).

Work should be provided within a 5-kilometre radius of the village, otherwise monetary compensation is given for the additional travel and living expenses. If work is not provided within 15 days of a worker's application, state governments are liable to provide an unemployment cash benefit. Contractors and labour-replacing machinery are banned and at most 40 per cent of the total project cost can be used for materials, skilled labour and administrative costs. The rest is safeguarded as wages for beneficiaries performing unskilled manual work.

NREGASoft is a specialized management information system used for management and monitoring of MGNREGS.

Figure 1. Work flow of MGNREGS



D.P.C.: District Planning Committee. P.O.: Post Office.

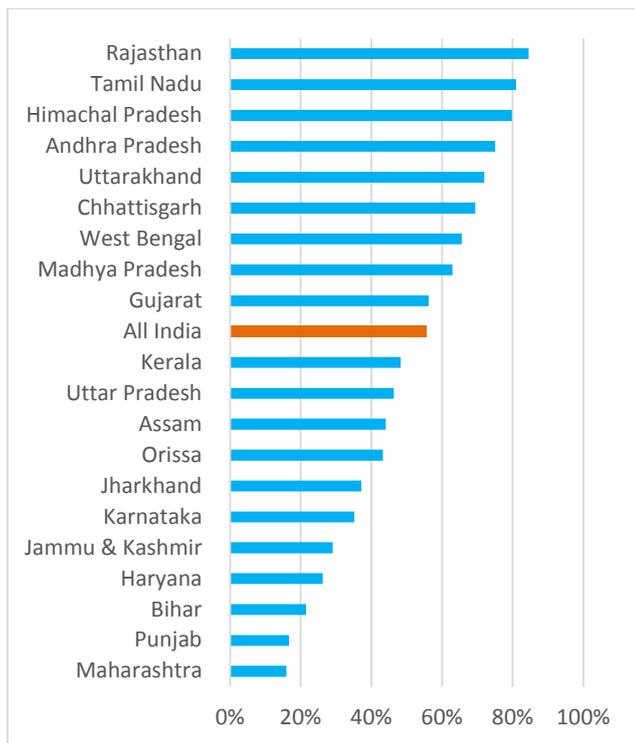
Source: MORD 2015, www.nrega.nic.in.

3. How has MGNREGS performed in recent years?

By design, the MGNREGA fulfils many of the provisions under Recommendation No. 202, such as universality of protection, entitlement to benefits

prescribed by national law, social inclusion and respect for the rights and dignity of people (Ehmke, 2015). Administrative data from 2014-15 show that MGNREGS has been successful at ensuring the participation of women and the disadvantaged SC and ST communities. More than half (54.5 per cent) of the work provided has benefited women while 39.1 per cent has benefited SC and ST communities. With 98 million new bank/post office accounts opened for MGNREGS work payments, it has encouraged the financial inclusion of the rural poor (MORD, 2015).

Figure 2. MGNREGS coverage rate, 2009-10



Source: Adapted from Dutta et al., 2012.

However, some rural households, especially the poor, remain excluded from the scheme due to a lack of awareness or inability to perform manual work (Ehmke, 2015). Figure 2 illustrates the estimated MGNREGS coverage rate, i.e. the proportion of rural households that have expressed the desire to work and received work, based on the National Sample Survey 2009/10. Nationally, 56 per cent of households that expressed the desire to work received work. Differences across states are large, varying between 16 and 85 per cent. This being said, almost all households that have officially demanded

work were allocated work. This shows that there are several households who are in need of the benefits but do not demand work.

Despite contributing to poverty reduction among rural households, the scheme has faced several setbacks. Some of the problems identified during the public audit carried out by the Comptroller and Auditor General of India (CAG) include shortage of staff, insufficient public awareness of the scheme, lack of effective monitoring and audit mechanisms at the local levels and late wage payments, which reduce the reliability of the scheme as a livelihood coping mechanism (CAG, 2013). Furthermore, the decentralized organization of MGNREGS does not fully address the large inter-state differences in administrative and service delivery capacities (Ehmke, 2015). In particular, states with large populations of rural poor – Bihar, Maharashtra and Uttar Pradesh – have been found to underutilize central Government funds to implement MGNREGS (CAG, 2013).

4. What's next?

To increase the effectiveness of MGNREGS, the following steps, among others, have been identified (CAG, 2013):

- hire more staff where there are staff shortages;
- utilize Information, Education and Communication (IEC) funds to increase beneficiary awareness;
- encourage state governments to pay unemployment allowances through co-funding and monitoring; and
- improve administrative records and programme monitoring, especially at the local level, to ensure compliance, prevent misappropriation of funds and evaluate performance of MGNREGS.

MGNREGS has since introduced guidelines on compensation for late wage payments, initiated mass media campaigns and provided financial assistance to states for the staffing of social audit units and training of MGNREGS staff (MORD, 2015).

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