

Employment and Poverty trends under MGNREGA

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ARTICLE DETAILS

Article History

Published Online: 30 November 2017

Keywords

MGNREGA
Employment
Poverty

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ABSTRACT

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), enacted by the Government of India in 2005, is perhaps the most ambitious anti-poverty scheme launched anywhere in the world. The programme's efficacy is based on the logic of using the productive capacity of unskilled rural workers to build and nurture productive and infrastructural assets, with the aim to alleviate the problem of chronic unemployment and poverty by providing employment to them in their villages. MGNREGA is a rights based programme, which guarantees 100 days of employment to poor household in rural areas.

INTRODUCTION

Though there have been rapid strides in growth in the past two decades in India, there is a widely shared view that the decline in poverty level is not commensurate with growth. While faster growth is necessary, it is well recognized that the approach to reduction of poverty needs a multi-pronged strategy. Here we shall concentrate on one of the major initiatives viz. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and the resultant scheme. Given the magnitude of rural poverty, the MGNREGA has evoked wide interest because it is expected to ease this burden by providing a way to move out. The argument for developing and implementing strategies to reduce poverty by increasing productive employment opportunities in rural areas is compelling.

MGNREGA was enacted in 2005 and it was implemented in February 2006 in 200 districts of the country. Since April 1, 2008, it has been extended to all 625 districts of the country.

The scheme provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work related unskilled manual work at the statutory minimum wage of Rs. 120/-, fixed on the basis of prices in the year 2009.

Under MGNREGA there is a provision of unemployment allowance in case the local authorities fail to provide employment. However, there is widespread ignorance about how to avail the allowance.

REVIEW OF LITERATURE

With a budget of almost 4 billion USD or 2.3 percent of total central government spending, the program is by far the best endowed anti-poverty program in India (Ministry of Rural Development, 2008a).

In 2007-08, 33.9 million households were provided employment and 1.4 billion working days were generated in 330 districts (Ministry of Rural Development, 2010).

Pankaj and Tankha (2010) based on their descriptive analysis of a field survey of NREGA workers

Sumedha Pandey, Department of Economics, University of Allahabad, report that women as individuals have gained because of their ability to earn independently, made possible due to the paid employment opportunity under NREGA.

Ravi and Englar (2009) and Liu and Deininger (2010) try to estimate the impact of NREGA on the 'participants' known as the effect of "Treatment-on-Treated" (TOT).

OBJECTIVE

The present paper aims at analysing the impact of MGNREGA on rural employment and poverty reduction.

METHODOLOGY

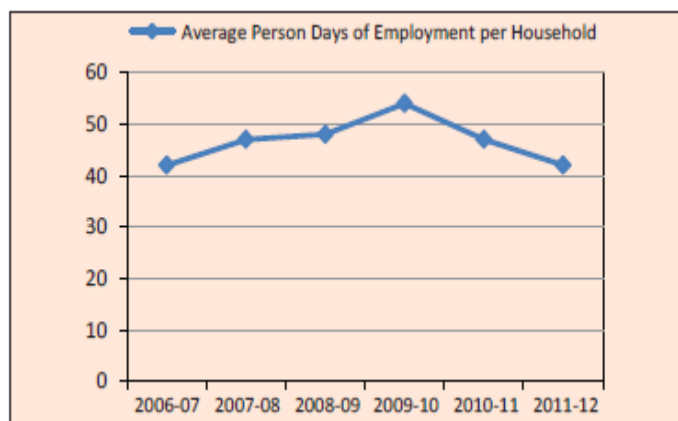
The method used for data collection has been based on secondary data sources. Various editorials, articles and reports of the Government on MGNREGA have been used for the purpose of information used in this paper.

MGNREGA: IMPACT ON EMPLOYMENT AND POVERTY

Employment

The overall performance of the scheme as a measure of social protection depends on not only ensuring better wages but also on achieving the objective of ensuring that more households are brought under the fold of one hundred days of employment. Evidences show that there is no state which could provide 100 days of employment even to 50% of the participating households in 2011-12. Tripura, Mizoram and Manipur are the only states where at least one-third of the households get 100 days of employment. Of the other five states which have reached more than ten percent, three are Nagaland, Meghalaya and Sikkim. Of the large states only Andhra Pradesh (17.8%) and Maharashtra (11.3%) show hundred days of employment per household crossing two digits level. The overall performance of providing employment under

the scheme shows a tendency towards deceleration in recent years. The macro picture of the average person-days of employment captured in the following figure shows a clear downward trend.



National Average Person Days of Employment per Household
Source: www.nrega.nic.in

Poverty

An attempt is made here to estimate the impact of earnings under MGNREGA. State-specific estimates of annual earnings

of participating households are derived by dividing the total wage expenditure by the average person-days of employment per participating household. Comparing the average household earnings from the scheme with the state-specific estimates of rural household poverty thresholds would indicate the possible extent of the impact of MGNREGA on rural poverty. Following table provides the results of these estimates. For the country as a whole the earnings from the scheme are a little over 12% of the poverty threshold income. These results suggest that in all those cases where the poverty gap is relatively low, there would have been substantial reduction in rural poverty. Perhaps the steep decline in rural poverty in Tripura from 44.5% in 2004-05 to 19.8% in 2009-10 could be substantially attributed to MGNREGA. The highest impact is seen in Tripura where the MGNREGA earnings are as high as over 20% of the poverty threshold income. Mizoram is another high performing state with a share as high as 19.4%. The performance of some of the relatively backward states like Odisha, Madhya Pradesh, Uttar Pradesh and Rajasthan is better than the national average. But Bihar still lags much behind, which is also reflected in no decline in rural poverty which continued to be as high as 55% in 2009-10 just as it was in 2004-05.

Impact of MGNREGA on rural poverty (2009-10)

Sl. No.	States	Average earnings per household under MGNREGA (Rs) 2009-10	Rural household poverty threshold income	MGNREGA earnings of % of poverty threshold income
1	Andhra Pradesh	6032	41580	14.5
2	Arunachal Pradesh	1711	46420	3.7
3	Assam	2982	41500	7.2
4	Bihar	2687	39336	6.8
5	Chhattisgarh	4228	37038	11.4
6	Gujarat	3272	43500	7.5
7	Haryana	5695	47496	12.0
8	Himachal Pradesh	6276	42480	14.8
9	Jammu And Kashmir	3573	43374	8.2
10	Jharkhand	4834	36398	13.1
11	Karnataka	4874	37764	12.9
12	Kerala	4284	46518	9.2
13	Madhya Pradesh	4659	37914	12.3
14	Maharashtra	4814	44622	10.8
15	Manipur	5681	52260	10.9
16	Meghalaya	3901	41214	9.5
17	Mizoram	9872	57000	19.4
18	Nagaland	8987	61008	14.7
19	Odisha	4196	34026	12.3
20	Puducherry	1708	38460	4.4
21	Punjab	3504	49800	7.0
22	Rajasthan	6027	45300	13.3
23	Sikkim	7625	43734	17.4
24	Tamil Nadu	3912	38340	10.2
25	Tripura	8028	39804	20.2
26	Uttar Pradesh	6458	39822	16.2
27	Uttarakhand	3455	43170	8.0
28	West Bengal	4029	38592	10.4
	All India	4870	40368	12.1

Note: 1. Average Earnings per Household under MGNREGA is derived by dividing the total wage expenditure by average person days of employment per household.

2. Calculated on the basis of the State specific poverty line threshold expenditure for 2009-10 based on the Tendulkar Committee revision and assuming household as comprising five consumption units.

Source: 1. <http://www.nrega.nic.in>.

2. Upscportal.com fro State Specific Poverty Lines

India has its 71.9% of the population is still residing in rural areas and a majority of them are poor. Among the 487 million labourers from rural areas 40 per cent are unskilled and 400 million people are below poverty line, and looking to solve this issue, the NREGA was brought up as a policy to boost rural income, stabilize agricultural production and reduce the population pressure in urban areas which occurs due to migration. The main reason was to give employment to the rural poor so they can survive and rise above the poverty line.

So, the government contribution plays a very important role for helping BPL citizens come out and live a sustainable life with their family. Both Central and State governments are still working very hard for poverty eradication and are also successful in many states in reducing the poverty through various schemes.

The southern and western states (Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Tamil Nadu) routinely do better than most of the northern and eastern states when it comes to social policy and rural development programmes. But when it comes to NREGA, the pattern is reversed. Among the major states, the four best-performers in terms of employment generation under NREGA are Rajasthan, Assam, Madhya Pradesh and Chhattisgarh.

According to the household consumer expenditure surveys between 2004-05 and 2009-10, where the number of people below the poverty line were around 400 million, and during the five-year period around 52.5 million people were pulled above the poverty line, but this still leaves around 354.7 million below it. Rural poverty fell faster from 42 per cent to 33.8 per cent during the five-year period. National Sample Survey (NSS) jobs data for 2004-05 and 2009-10 show that in this five-year period only 2.2 million jobs were created, while in the previous five-year period, 92.7 million were created. It only indicates that 7.4 per cent drop in poverty between 2004-05 and 2009-10 which we can relate how difference a job creation scheme has helped in reducing poverty.

The indicators which have measured the poverty reduction and reported that states which fall over 15 per cent between 2004-05 and 2009-10 are Orissa, Sikkim, Tripura and Goa and those in the 10-15 per cent range are Maharashtra, Tamil Nadu, Himachal, Uttarakhand and Madhya Pradesh. Those who fall in 5-10 per cent range are Andhra Pradesh, Gujarat, Rajasthan, Karnataka, Kerala and West Bengal where 7.4% was observed. Bihar, Uttar Pradesh, Haryana, Punjab, and Chhattisgarh lie in 0-5 per cent range and Bihar, Uttar Pradesh and the North East, where again poverty has increased due to no PDS reform. The only direct correlation between the reduction in poverty and official action to remove it seems to be the MGNREGA.

CONCLUSION

MGNREGA is the only Act which has given rural people right to employment. It has a vital role to play because of its humane approach. It has served as an effective safety net for the unemployed. It has enabled them with sufficient purchasing power to fulfil their basic necessity i.e. food. The Act has confined the rural poor to their areas and stopped migration to the cities. It has not only generated rural livelihoods but also involved them in other non-agricultural work. This has helped in handling disguised unemployment. Employment in other non-agricultural work will also improve the rural infrastructure

i.e. rural asset building. It will ultimately lead to sustainable development

But MGNREGA has yet to cover a long distance as its performance has not been satisfactory especially in the field of unemployment and poverty reduction.

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