

INDIA'S STORY:

Progress in providing
employment for the
poor: The national
public works
programme in India

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Development Progress



Progress in providing employment for the poor:

The national public works programme in India

Key messages

1. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is the largest rights-based employment guarantee programme in the world, reaching over 40 million households across India, with a strong focus on social equity through the participation of the poorest and most excluded in India.
2. The programme is contributing to reduced vulnerability to seasonal and household shocks, as well as improved food security and use of basic services.
3. Among the key factors driving MGNREGA's success are: high levels of national ownership and commitment to pro-poor policies; a vibrant civil society at national and local level; and an existing decentralised government system.

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Summary

India is one of the fastest growing economies in the world. Second only to China in Asia, growth of gross domestic product (GDP) averaged 8.7% between 2003 and 2007.¹ Meanwhile, although growth has slowed as a result of the recent global economic crisis, the country has escaped severe recession. However, the benefits of growth have not been distributed equally, and high rates of poverty persist, heavily concentrated in rural areas and strongly correlated with particular social and ethnic groups. In 2000, the poverty headcount in rural areas was highest among Scheduled Castes (SCs) and Scheduled Tribes (STs) – 45.8% and 35.9%, respectively – compared with 21% among non-SCs/STs.²

The Indian government has a long history of social safety net interventions, dating back to before independence in 1947. India is the only country in South Asia where, theoretically, 100% of the poor are targeted by either national or state-led social assistance programmes.³ Public works programmes have been a central component in safety net policies since the 1960s. Coverage of such programmes has increased significantly during the 1990s and 2000s, ultimately culminating in the passing of MGNREGA in September 2005.

MGNREGA is one of the government's flagship programmes within the overarching national development strategy, the 11th Five-Year Plan (2007-2012). This plan focuses on measures of "inclusive growth" through a three-pronged strategy: economic growth, income poverty reduction through targeted programmes and human capital formation.

There are three overarching goals in MGNREGA: i) employment creation; ii) regeneration of the natural resource base and creation of productive assets in rural areas; and iii) strengthened grassroots processes of democracy through transparent and accountable governance.

What has been achieved?

Rapid scale-up of coverage

Through MGNREGA, the government of India has successfully integrated a sustainable rights-based poverty reduction programme into the Indian Constitution. The programme has been scaled up rapidly in a short space of time and now reaches over 40 million households (since its inception in 2006).

Rights-based employment guarantee

MGNREGA is the largest rights-based employment guarantee programme in the world, going beyond providing a social safety net to guarantee employment as a right. It entitles any rural household to 100 days of employment per year. If the local government (*panchayat*) does not generate requested work within 15 days, it must provide an unemployment allowance for each day employment is not given. The Act stipulates equal wages for men and women workers, set at the minimum unskilled agricultural wage in each state.

In 2009/10, over 43 million rural households received work, although implementation of MGNREGA varies widely between states. In Rajasthan, a total of over 344 million person days have been created, in Uttar Pradesh over 248 million and in Tamil Nadu over 222 million. Overall, however, only a national average of 7% of households employed under MGNREGA completed 100 days of work.⁴

Focus on social equity

MGNREGA has a focus on social equity and has ensured a high participation rate of the poorest and most excluded households (SC and ST), which represent 14% and 8% of the population in India, respectively. Overall, SC and ST households make up 20% of MGNREGA participants. Overall, women's participation exceeds the one-third quota: in 2009/10, it was at 46% of participants. However, this is highly variable by state, with some states achieving much higher rates than others. In Rajasthan and Tamil Nadu, for instance, the proportion of women receiving days under MGNREGA was much higher than the national average, at 64% and 78%, respectively; in Uttar Pradesh, it was much

1 PCI (2008) Eleventh Five Year Plan 2007-2012, Volume I Inclusive Growth. New Delhi: PCI.

2 NSSO (2009) 55th Round Survey Report, 1999-2000. New Delhi: NSSO.

3 Baulch, B., Weber, A. and Wood, J. (2008) Social Protection Index for Committed Poverty Reduction Volume 2: Asia. Manila: ADB.

4 DoRD (2010) 'Employment Status Report 2009/10.' New Delhi: DoRD.



lower, at only 14%.⁵ Many factors influence the number of women employed in MGNREGA, including existing cultural and social norms, wage rates and provision and quality of child care facilities. Moreover, the *quality* of participation for women remains a challenge, in particular in cases of unequal wages and the allocation of inappropriate work.

Reduced vulnerability of poor and socially excluded households

Given the short time frame 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 towards reduced vulnerability to seasonal and household shocks, as well as improved food security and use of services. For example, in Andhra Pradesh, MGNREGA has reduced household vulnerability to external shocks and allows households to smooth consumption⁶ and a study from Nuapada district in Orissa, where communities are highly dependent on forest land, found that 43% of the community felt that the availability of fuel wood and / or fodder had increased due to MGNREGA works.⁷ Furthermore, income from MGNREGA supports households to meet health expenses – one of the key drivers of poverty in India.⁸ For instance, a survey from six states in northern India found that the majority (57 per cent) of the sample workers had used a part of their wages to buy medicine or treat an illness in the family.⁹ In Andhra Pradesh, 13% of household earnings from MGNREGA are spent on health security.¹⁰ MGNREGA has also supported rural purchasing power and boosted overall spending, particularly in the face of drought and higher food prices. Moreover, in relation to human capital development, households use wages to increase access to children's education, by paying admission fees, purchasing books, providing tuition and buying school uniforms. For instance, in Andhra Pradesh 18% of household earnings from MGNREGA is spent on education.¹¹ Children are also more able to go to school because of the improved road connectivity generated under the public works.¹² Reductions in child labour and improvements in child health have also been noted where parents are MGNREGA participants.¹³

What has driven change?

National ownership, governance and the Constitution

MGNREGA is enshrined in the Indian Constitution, ensuring its sustainability and continuity into the future. MGNREGA is the flagship programme of the current government (Indian National Congress), and was a key component of the party's election campaign in 2004. Once elected, the government started to implement the programme and put in place financing mechanisms to scale up the programme nationally.

The first Act of its kind at a national level, MGNREGA has been carefully designed to incentivise effective delivery. Although implementation challenges remain, the legal guarantee technically holds the *state* responsible for ensuring the delivery of entitlements: if the legal guarantee of work is not fulfilled within the time limit prescribed, the state must provide an unemployment allowance. A number of other acts provide support to MGNREGA implementation, including the Payment of Wages Act (1936), the Equal Remuneration Act (1976) and the Right to Information (RTI) (2005). The RTI in particular empowers India's citizens to access information to support government accountability and transparency.

Strong civil society at national and local level

A vibrant national civil society was instrumental in achieving a rural employment guarantee act as a social security mechanism on behalf of the rural poor in India. The process involved a wide range of actors, including academics, social movement activists, political

5 Ibid.

6 Johnson, D. (2009) 'Can Workfare Serve as a Substitute for Weather Insurance? The Case of NREGA in Andhra Pradesh.' Working Paper 32. Chennai: IFMR.

7 Centre for Science and the Environment (2008) NREGA Opportunities and Challenges, Centre for Science and the Environment, New Delhi

8 Dreze, J. and Khera, R. (2009) 'The Battle for Employment Guarantee.' *Frontline* 26(1), 3 January.

9 Dreze, J. and Khera, R. (2009) 'The Battle for Employment Guarantee.' *Frontline* 26(1), 3 January.

10 Kareemulla, K., Sriniva Reddy, K., Rama Rao, C. A., Shalander, K. and Venkateswarlu, B. (2009) Soil and water conservation works through national rural employment guarantee scheme (NREGS) in Andhra Pradesh – An analysis of livelihoods impact. *Agricultural Economics Review*, Vol. 22 (2009), pp.443 – 450

11 Kareemulla, K., Sriniva Reddy, K., Rama Rao, C. A., Shalander, K. and Venkateswarlu, B. (2009) Soil and water conservation works through national rural employment guarantee scheme (NREGS) in Andhra Pradesh – An analysis of livelihoods impact. *Agricultural Economics Review*, Vol. 22 (2009), pp.443 – 450

12 Samarthan Centre for Development Support (2007) 'Status of NREGA Implementation, Grassroots Learning and Ways Forward.' Bhopal: Samarthan Centre for Development Support.

13 Uppal, V. (2009) 'Is NREGS a Safety Net for Children?' University of Oxford.

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parties, trade unions and bureaucrats. Civil society has also been integral to the programme's design. India's longstanding experience of implementing public works enabled previous lessons to inform MGNREGA, including demand-led components, and civil society's recognition of issues of corruption and inefficiency was vital in designing MGNREGA with such strong transparency and accountability provisions.¹⁴ At local level, civil society plays an important but distinct role in supporting implementation, most notably raising awareness on legal entitlements, supporting *panchayats* to deliver the programme and mobilising communities to utilise monitoring and accountability tools, such as community social audit forums and the RTI.

Capacity of institutions

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 a system of decentralised governance – the *Panchayati Raj*. The capacity and functioning of the *panchayats* is highly variable by district and by state, however, and new roles and responsibilities, coupled with a complex planning process, have challenged existing capacities within them and also opened up avenues for corruption. In recognition of these capacity constraints, a number of mechanisms have been put in place in an attempt to overcome such challenges, including capacity building and training for government officials, community monitoring activities and the use of monitoring through information technology.

Lessons learnt

- Strong political commitment, broad-based public support and a powerful lobby on behalf of the poor played a key role in translating policy into legislation and securing sustainable domestic funding.
- Enshrining the Act in the Indian Constitution has ensured its sustainability, regardless of 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 and the 100-day guarantee. The demand-driven nature of the programme acts as ‘insurance’ for poor households, whose members are able to demand work when they need it.
- Existing decentralised institutions have 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 overcome challenges in programme delivery, not only technical expertise to plan and carry out public works, but also awareness raising and sensitisation of the administration to overcome socio-cultural attitudes which perpetuate institutional discrimination (e.g. towards SCs, STs and women in MGNREGA).
- Support to mobilise and empower communities to participate in programme governance structures is also important, as are ongoing communication efforts to inform communities of their *right* to work.
- Reducing corruption and promoting accountability and transparency also remain critical areas in public works programmes, particularly MGNREGA in this case.



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