

# Mahatma Gandhi National Rural Employment Guarantee Scheme – An Overview

## 1.1 Introduction

The Eleventh Five Year Plan document estimated that India had more than 30 crore people below the poverty line. It also noted that the number of poor had barely declined over the last three decades and also that the absolute number of poor had actually increased in some of the larger states like Bihar (including Jharkhand), Madhya Pradesh (including Chhattisgarh), Maharashtra, Rajasthan and Uttar Pradesh.

**Table 1: Percentage of People Below Poverty Line in India (1973-2004)**

Years	Rural	Urban	Combined
1973	56.4	49.0	54.9
1983	45.7	40.8	44.5
1993	37.3	32.3	36.0
2004	28.3	25.7	27.5

Source: Eleventh Five Year Plan 2007-12 Volume III

The Eleventh Five Year Plan document recognised that poverty would be reduced through rapid growth, increase in employment opportunities and directly targeted poverty-reduction programmes. It also recognised the fact that Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) would be one of the main planks of rapid poverty reduction during the Eleventh Five Year Plan period.

Employment generation programmes had always been important Government interventions in India for reducing poverty. These programmes provided short-term employment on public works to unskilled workers. They were based on the premise that in areas with high unemployment rates and under employment, such programmes can prevent poverty from worsening, especially during lean periods of seasonal unemployment. Durable assets created by these programmes were also expected to have the potential to generate second-round employment benefits as the requisite infrastructure had been developed.

Employment generation programmes had always been a staple of planning initiatives, both at the Central and the state level, though it was only with the introduction of Jawahar Rojagar Yojana in

1989 that the outreach of these programmes increased. The expansion in both the size and number of such programmes ultimately culminated in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

MGNREGA was notified on 7 September 2005. The objective of MGNREGA was enhancement of livelihood security of households in rural areas of the country by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer for unskilled manual work. Creation of durable assets and strengthening the livelihood resource base of the rural poor were other important objectives of the Scheme.

Through MGNREGA, the Government was committed to providing employment to every rural family which demands such work and whose adult members volunteer to do such work. Such work was to be provided at the minimum wage rate and, as far as possible, within a radius of five kilometer of the village where the applicant resided. Failure to provide such wage employment within 15 days of the receipt of the application entitled the applicant to receive unemployment allowance.

The principal implementing agencies under the Act were the gram panchayats (GPs). MGNREGA also emphasized community participation in planning, implementation, social audit and transparency. Another important feature of MGNREGA was that it placed a complete ban on the use of contractors. It also laid emphasis on labour-intensive works for water conservation, drought and flood-proofing as priority works under MGNREGA.

## 1.2 Coverage of MGNREGS

Starting with 200 districts across the country in Phase-I during 2006–07, MGNREGS was extended to an additional 130 districts in Phase-II during 2007–08. From 1 April 2008 onwards MGNREGS covered the whole of rural India.

As a district was notified under the Act (i.e., it was covered under MGNREGS), two existing schemes, namely, Sampoorna Grameen Rozgar Yojana (SGRY) and the National Food for Work Programme (NFFWP) were automatically merged in MGNREGS. Hence, SGRY and NFFWP fully ceased to exist with effect from 1 April 2008, after MGNREGS covered all the districts.

## 1.3 Funding Pattern

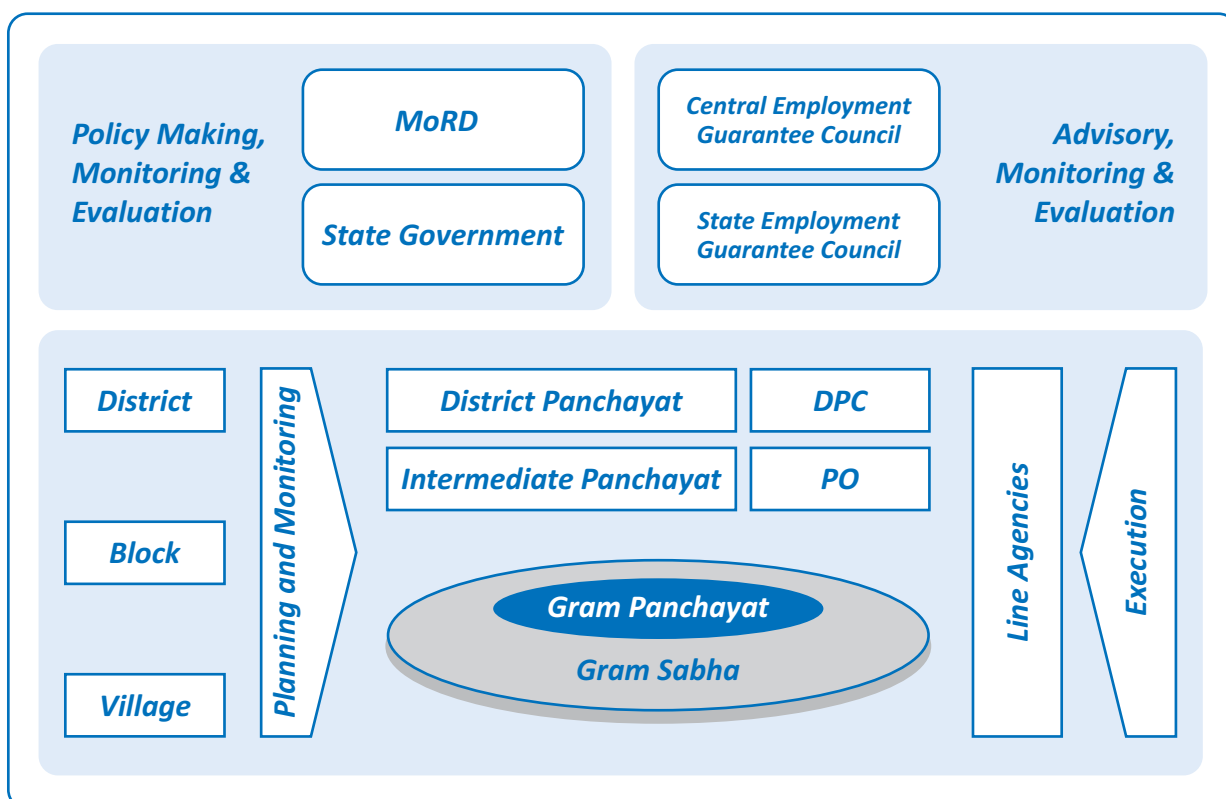
The bulk of the expenditure for implementation of the Scheme was borne by Central Government in the form of grants-in-aid. The funding pattern of the Scheme is depicted in **Table-2**:

**Table-2: Funding Pattern**

Component	Central Share	State Share
Wages for unskilled labour	100 per cent	-
Wages for skilled and semi-skilled labour and cost of material	75 per cent	25 per cent
Other components	Administrative expenses as may be determined by the Central Government.	Unemployment allowance payable in case wage employment was not provided within 15 days of application.
Employment Guarantee Councils	Administrative expenses of the Central Employment Guarantee Council.	Administrative expenses of the State Employment Guarantee Council.

## 1.4 Organisational Setup

The nodal Ministry in the Government of India (GoI) for MGNREGS was the Ministry of Rural Development (MoRD). **Chart-1** depicts the role of the various authorities at the Central and State level in planning, execution and monitoring of the Scheme.

**Chart-1: Organisational structure of MGNREGS**

## 1.5 Financial Outlay and Physical Performance

A summary of expenditure reported on MGNREGS along with some performance parameters during the period 2007-08 to 2011-12 is given below:

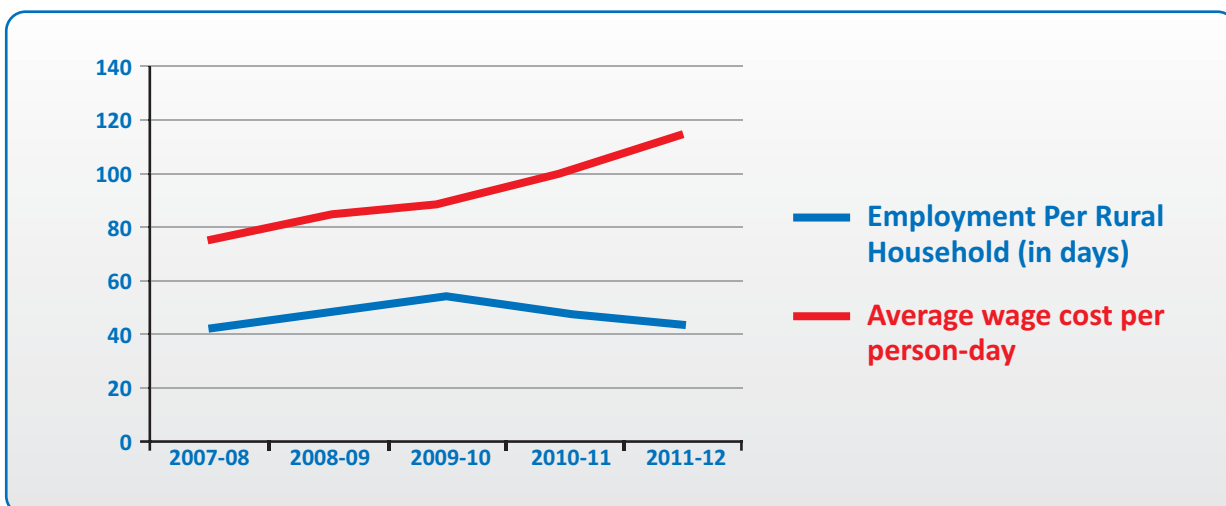
**Table-3: Performance Parameters of MGNREGS**

	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Expenditure on MGNREGS</b>					
Total expenditure (₹ in crore)	15,856.89	27,250.10	37,905.23	39,377.27	38,034.70
Average expenditure per District (₹ in crore)	48.05	44.31	61.24	63.61	49.35
Average expenditure per personday (in ₹)	110	126	134	153	176
Average wage cost per personday (in ₹)	75	84	90	100	115
<b>Persondays of employment generated</b>					
Total (in crore)	143.59	216.32	283.59	257.15	216.34
Per rural household (in days)	42	48	54	47	43

**Source: Information provided by Central Employment Guarantee Council**

The above table shows that expenditure on the Scheme in the last three years had not increased significantly; rather it declined in 2011-12. The chart below also indicates that even though the average wage cost or wages paid was rising, the benefits to a rural household was negated by the decline in employment provided per household.

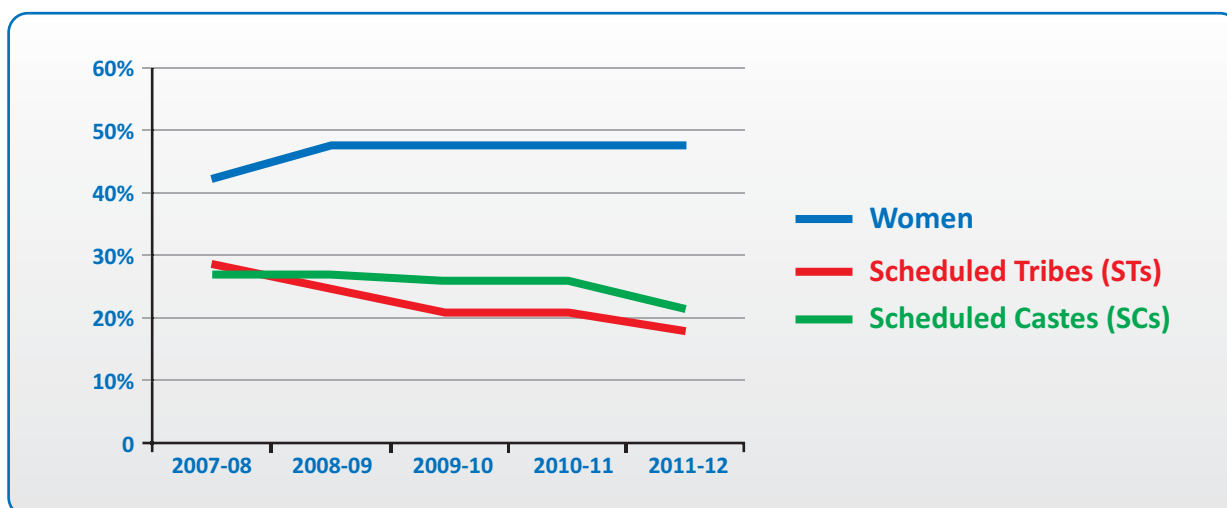
**Chart-2: Average wages (in ₹) and employment per household**



**Source: Information Provided by Central Employment Guarantee Council**

The chart below shows the share of Scheduled Castes (SCs), Scheduled Tribes (STs) and women in the employment provided under the Scheme. As per the data, women were fairly represented at around 48 per cent during the last three years. However, the share of both SCs and STs showed a declining trend, with the share of STs declining from 29 per cent in 2007-08 to 19 per cent in 2011-12.

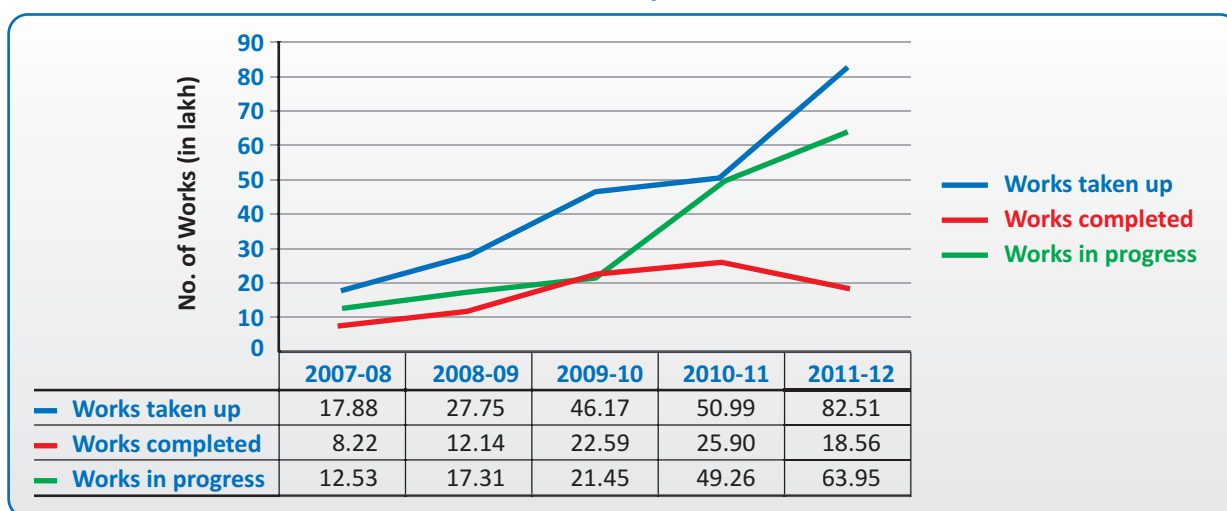
**Chart-3: Share of SC, ST and Women in Employment Generation**



Source: Information provided by Central Employment Guarantee Council

An analysis of the works taken up under the Scheme shows that while the number of works taken up increased steadily, the number of works completed declined by 28 per cent in 2011-12 with reference to the previous year and stood at 22.5 per cent of the total works undertaken in 2011-12. The decline in per household employment generation and in the completion of works indicates a disturbing trend in achieving the primary objective of the Scheme i.e., providing livelihood security and creation of assets.

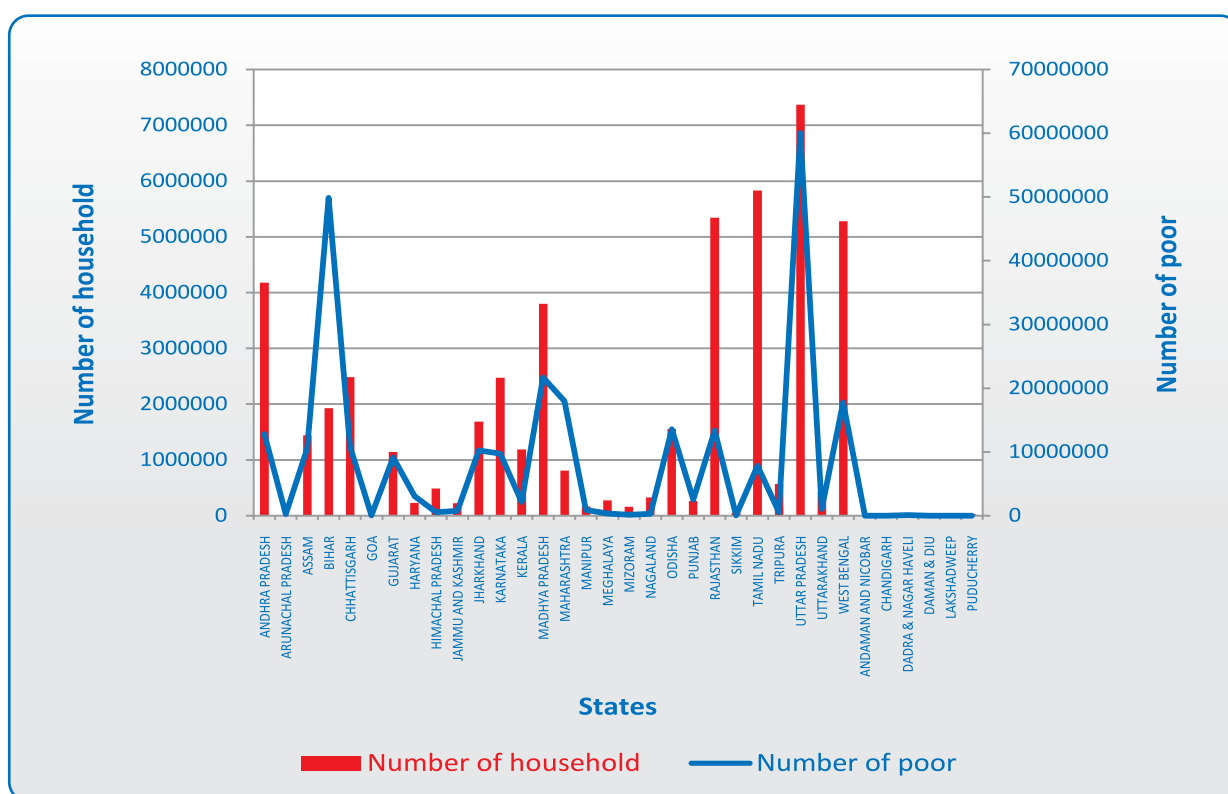
**Chart-4: Works taken up under MGNREGS**



Source: Information provided by Central Employment Guarantee Council

As noted, MGNREGS was the main plank of the Eleventh Five Year Plan for poverty eradication. The graph below correlates the state rural poverty figures (2009-10) with the average number of households provided employment (during 2009-10, 2010-11 and 2011-12). At an aggregate level there appeared to be a correlation between the number of rural poor in a state and the number of households given employment under MGNREGS. There were, however, some notable exceptions to this. States like Andhra Pradesh, Chhattisgarh, Rajasthan, Tamil Nadu and West Bengal seem to have made greater utilisation of MGNREGS as compared to the poverty levels in these states. At the same time states like Bihar, Maharashtra, Odisha and Uttar Pradesh seem to be relative laggards in utilization of MGNREGS funds when compared to their poverty levels.

**Chart-5: Poverty Levels and Average Annual Number of Households Provided Employment in States**



Source: Planning Commission data on poverty and NREGASoft for employment data

Analysis of state-wise releases made by the Ministry showed that four states (Andhra Pradesh, Madhya Pradesh, Rajasthan and Uttar Pradesh) accounted for 50 per cent of the total expenditure made under the Scheme. It was also seen that three states, viz. Bihar, Maharashtra and Uttar Pradesh accounted for 46 per cent of the rural poor but utilized about 20 per cent of the funds and consequently only 20 per cent of total households were provided employment under the Scheme. This indicates that there was little correlation between poverty level in a state and the implementation of MGNREGS. State-wise details are given in **Annex-1A**.