

NREGA: A Component of Full Employment Strategy in India

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This Paper

- This paper argues that NREGA could be an important first step of a full employment strategy for India, as it could promote strategic use of surplus to move towards full employment
- However, this calls for several changes in its implementation and its design in NREGA
- If it is treated merely as a welfare programme meant for temporary relief, it may end up as a huge permanent burden on the Indian exchequer or as an indifferently implemented intervention (Maharashtra EGS)

Employment Generation under Neo-liberal Policies

- The economic reforms achieve faster economic growth through a jump in technical progress and in labour productivity, but with lower employment coefficients,
- Though improved labour productivity is welcome in a country where the masses of the poor are employed at a very low level of productivity, it is necessary that (1) increased productivity is accessible, at least in the medium term, to all the sections of the population and (2) it does not create a wide / wider gaps between the productivities of workers in the economy, resulting a dualistic growth of the economy.
- In other words, there has to be a mechanism that assures employment with higher productivity to all in the short or in the medium term.
- Neo-liberal policy framework does not have any built-in mechanism to ensure this.

Recent Trends in Employment in India

- Rate of growth of employment declined from 2.1 during 1983-93/94 to 1.84 during 1993/94 – 2004/05
- The rate seems to have risen to 2.82 during 1999/00 – 2004/05, (1) the increase is almost entirely in part time or subsidiary employment, (2) in self employment, and (3) in informal employment – all with poor quality
- This indicates dualistic growth and not diversification of workforce in to high productivity areas
- We need an alternative path to move towards inclusive growth that ensures productive employment to all.

Core problems of rural economy

- A large proportion of labour depends on agriculture which (1) has low productivity (2) is highly unstable, with wide fluctuations in agricultural incomes in most regions and (3) has experienced a poor rate of growth around 2 percent, in the last decade.
- Most small and marginal farms are unviable in the sense that (1) they are not able to make net profits from crop cultivation and / or (2) are not able to generate enough income for the survival of their families.
- Majority of the poor are located in this sector, i.e. in agriculture, forestry, animal husbandry, fishery etc.
- Among other things, high investments in agricultural infrastructure and in land and water management are urgently needed for agricultural growth, poverty reduction, for diversification in agriculture and for diversification of workforce in to productive non agriculture sector

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- Natural resources like forests, water, common lands and other common resources, around which the livelihood of the rural poor depends, are depleted and degraded, and are getting more depleted and degraded with economic growth.
- The productivity and incomes of those employed in these low productivity sectors has resulted in their low incomes. Strengthening these natural resources through systematic natural resource management (NRM) is another necessity for the poor located in these sectors.
- There are the poor at the bottom, with low / no assets, who depend on their hard labour for survival. The poverty of these poor, who suffer from acute deprivation including starvation, can be eradicated mainly by massive wage employment programmes.

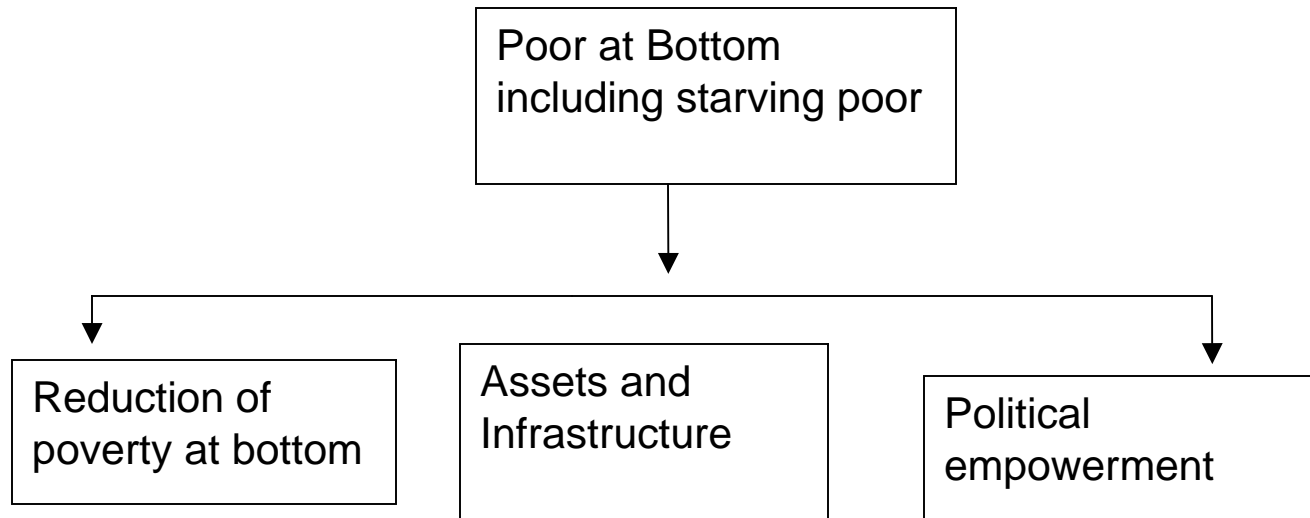
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- The poor and particularly poor women are forced to take up unpaid SNA and non-SNA work for survival: (1) Collecting fuel wood, fodder, water as well as raw material for crafts or building material for their homes. With the depletion and degradation of common lands, the time taken in this work is getting increasingly longer. (2) women are engaged in care activities (child care and care of the old, the sick and the disabled) and other household activities which are frequently time consuming as well as drudgery.
- This unpaid work at a very low productivity is a burden on them, which deprives them of other productive employment in the labour market on the one hand and creates time stress and depletion of human capital on the other hand.
- Addressing this unpaid work through basic infrastructural provisions like water, energy, child care services, health services etc has to be an essential component of any anti poverty strategy.

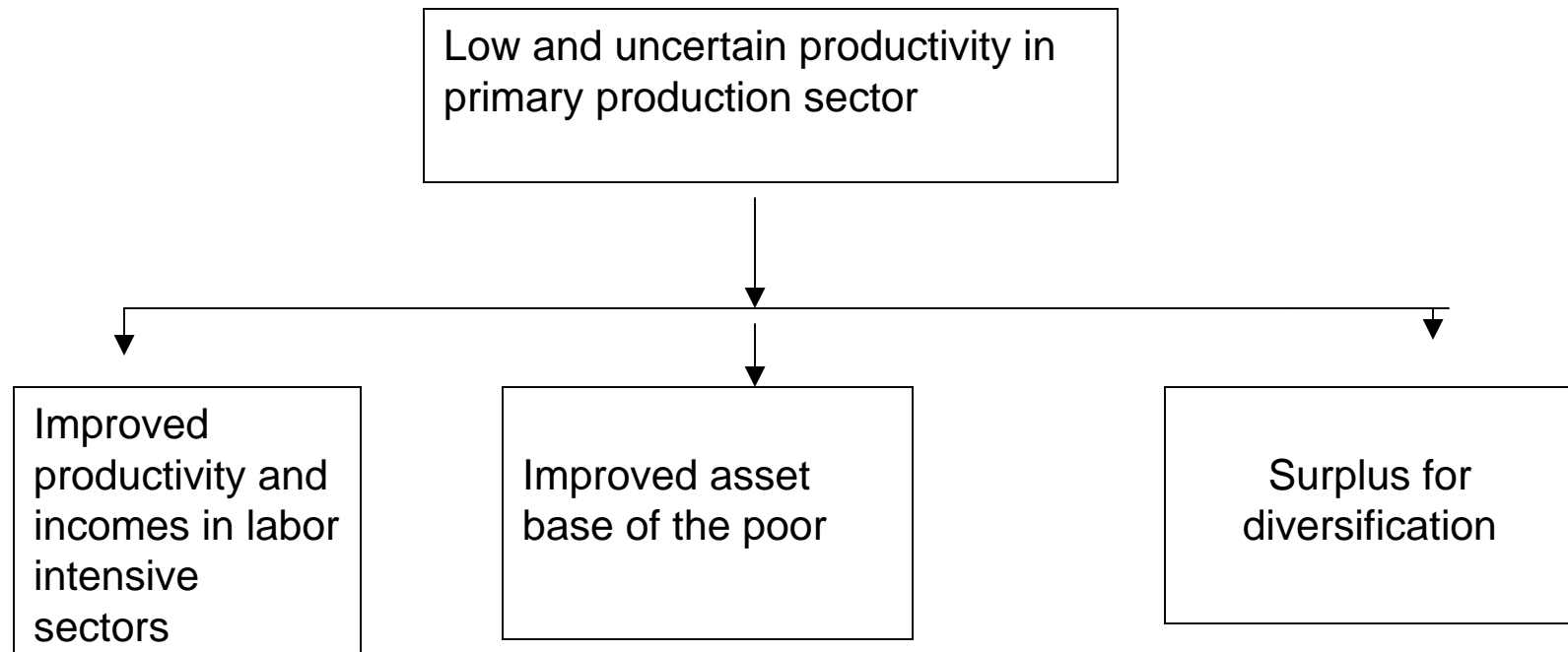
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- The poor suffer from low human development, i.e. poor access to education and health services. This is largely because of the poor infrastructure facilities on the one hand and engagement of children and adults on collection of necessities (like water, fuel wood, fodder etc) and distress out-migration on the other hand.
- There are shortages in infrastructure like child care centers, school rooms, mid-day meal kitchens, toilets and drinking water facilities in schools as well as proper sanitation and hygiene and health centers – all essential for ensuring human development
- Need to fill in the gaps in basic services and infrastructure

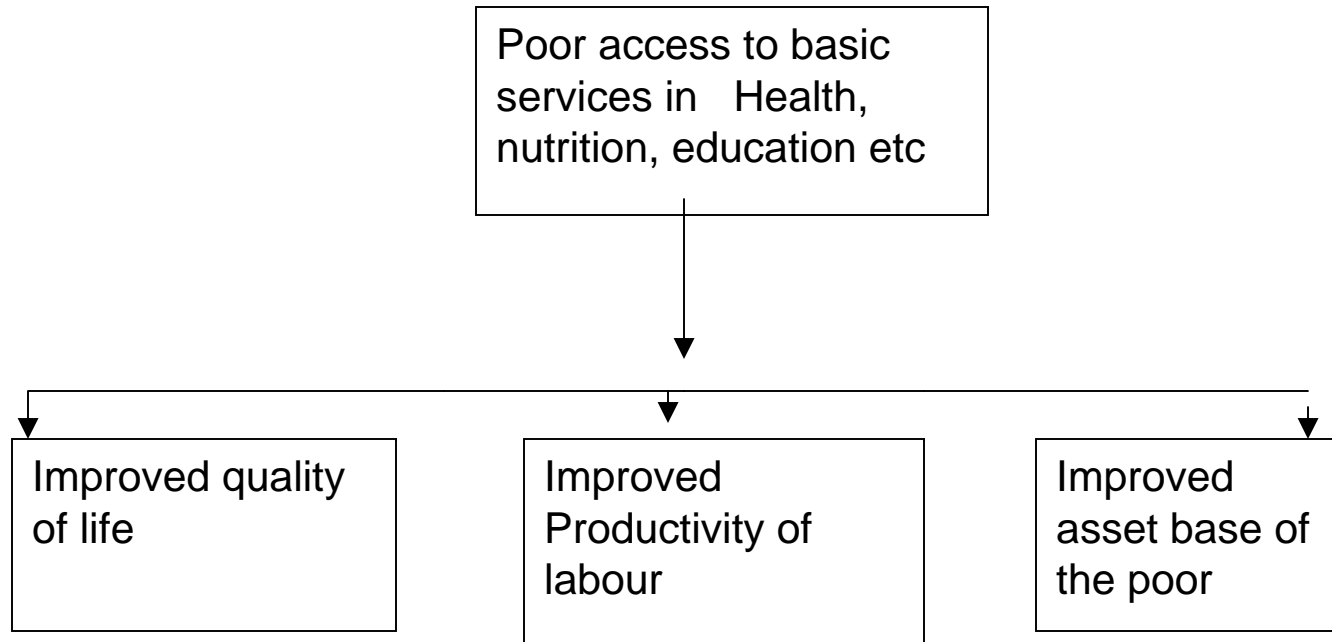
NREGA Addresses Poverty



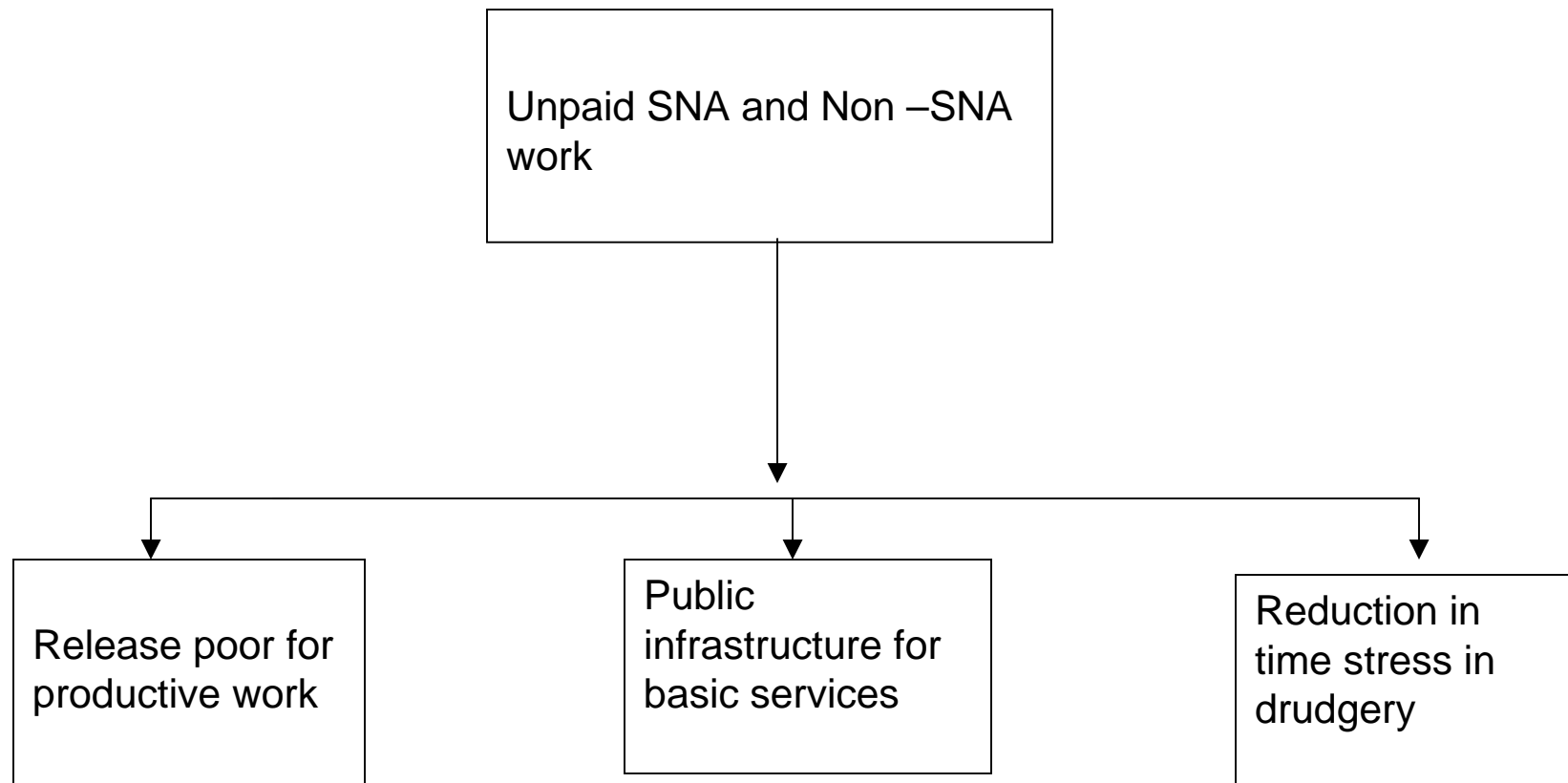
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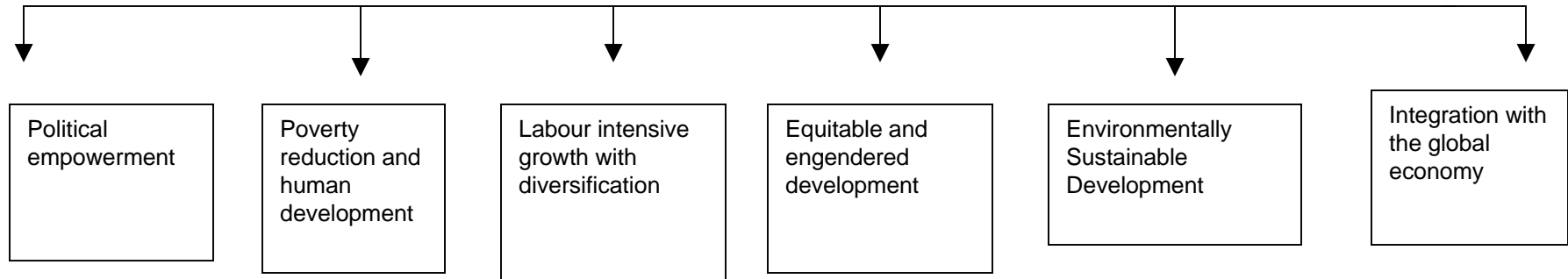
NREGA Addresses Poverty



NREGA Addresses Poverty



NREGA Addresses Poverty and promotes growth



Additional Outcomes

- Labour market outcomes: increase in local wages, decline in wage differentials, reduction in distress migration and increase in wages of migrants in the place of destination
- Increase in aggregate demand to give a push to economic growth

Why do we need NREGA for this?

- The present efforts do not address all the critical needs of the poor
- Needed massive scale of efforts with a sharp focus
- NREGA ensures the size of efforts with empowering the poor
- This is not to achieve a low level equilibrium at low income levels, but this is for globalizing the domestic economy through an alternative path.
- This path strengthens the sectors where major workforce including the poor is located and promotes diversification of the primary sector and diversification in to non primary sectors at a later stage and
- To reach higher growth rates with integrating with the global economy from a different path that ensures sustainability and labour intensity of growth.

NREGA is a component

- NREGA is an essential starting point, but not enough to reach labour intensive growth in the economy
- It needs supplementary efforts : skills and capacity building, credit, markets etc
- The need for NREGA will decline with growth, as the mainstream will absorb more labour

Performance of NREGA

	2006-07	2007-08	% Change
No of Districts	200	330	+ 65.00
HH demanded work (In millions)	21.19	30.88	+ 46.90
HH provided work (In millions)	21.02	30.72	+ 46.15
HH provided work per district	105100	93090	-11.43
Person days (In millions)	905.06	1204.63	+ 33.09
Person days per HH	43.05	39.21	- 8.92
% women	40.65	46.13	+ 35.48
% SC	25.36	27.10	+ 1.74
% ST	36.45	29.92	- 6.53
% Others	38.19	42.95	+ 4.76
Person days per district (In millions)	4.52	3.65	- 19.25
Funds Allotted (In millions)	120735.55	178908.67	+ 65.36
Funds used (In millions)	88233.55	129884.02	+ 47.20
% of funds used	73.08	72.59	- 0.70
Funds used per district (In millions)	441.17	393.58	- 10.21
Works: Total	841588	1556379	+ 84.93
Ongoing	444806	1062124	
Completed	396782	494255	+ 24.24
No of works per district	4207	4716	+ 20.98
No completed per district	1984	1497	- 32.78

Broad Assessment

- An overall decline in the level of employment generated in the second year as compared to the first year: Decline in the average number of days of work per participating household from 43 days to 39 days; and there has been a 10 percent decline in the amount of the funds used per district.
- Women's share has increased from 40.65 % to 46.13 % in the second year.
- Share of SC population increased from 25.36 % to 27.10 %
- Share of the ST population declined to 30 % . .
- Number of works increased by 85 %
- In short, the second year of the NREGA shows mixed results. There is no dramatic improvement in the performance of NREGA in the second year.

Performance at State Level

- Wide inter state variations
- At the top are Andhra, Tamil Nadu, Rajasthan, Haryana etc
- At the bottom are J & K, Orissa, Arunachal, Punjab etc
- About 30 districts have done very well in all respects
- Needed careful investigation

Major Observations From Evaluation studies

- Some of the basic goals are not yet achieved at the macro level: Guarantee of 100 days of work, poverty reduction at the bottom, access to all entitlements, reduction in distress migration,
- Durability and quality of assets
- Women's empowerment

Implementation related problems:

- Information dissemination and awareness generation
- Registration, job cards, application of works,
- Poor mechanism for ensuring guarantee of work and other entitlements
- Adequacy of capable technical and admin staff and their training
- Poor supervision and monitoring to ensure timely payment of wages
- Weak and non participatory planning
- Ensuring social audit

Poor Commitment of Stakeholders

- Commitment of Central and state governments
- State governments focus on economic growth and NREGA is out of focus
- NREGA will disturb political equilibrium
- No collective strength to demand work in this demand driven programme
- There is nothing in the programme that addresses these issues

Recommendations: Improving Implementation

- Information, Communication and Extension of the EGS by involving people and people's organization, allocation of funds for the purpose, and promotion in a campaign mode with the support from media and other agencies.
- Facilitating Speedy Registration, Job Cards and Application for Works: One can suggest (a) free availability of all the forms to people, (b) short and simple form for demanding work, and (c) space for all the required details on job cards.



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- Urgent need to develop and establish a procedure for ensuring guarantee of work and continuous work
- Strong mechanism exclusively for supervising the enforcement of the guarantee of work as well as other entitlements and monitoring them on a regular basis.
- Ensuring Timely Payment of Minimum Wages
- Appointment and capacity building of staff
- Setting up all prescribed institutions at different levels, as vibrant institutions at all the levels will contribute significantly to the success

Strengthening Planning Component

- Long term perspective of development (Nana Kotda)
- Multi level planning: NRM and Infrastructure – dovetailing will help
- Local level planning Each area has different needs of EGS
- Coordination and convergence: RIDF, WSD, Bharat Nirman etc – it is not that difficult- at the village and micro level
- Assessing supply of labour and balancing it with demand
- Engendering planning
- Involving experts, PRIs and local people

Addressing Political Challenges

- Commitment at the top and state levels – monitoring by National Council
- Setting up of all institutions at all levels
- Creating space for outsiders: people and people's organizations
- Promoting effective social audit
- Encourage social mobilization
- Capacity building in PRIs
- Strong monitoring and evaluation systems

Changes in designing and Guidelines

- Clear set of long term goals
- The goals should be reflected in the designing of NREGS: planning component
- Dovetailing and coordination should be made mandatory
- Special funds for dissemination and awareness generation
- Durability of assets: 60:40 ratio
- Increase 100 days limit: (1) some need and some do not need, (2) reducing distress migration (3) for labour market outcomes
- Works allowed: Drinking water, sanitation, and basic infrastructure
- Provision for asset maintenance, ownership and use

- **THANK YOU !**