

## CHAPTER 2

### OVERVIEW OF EMPLOYMENT GUARANTEE PROGRAMS

This chapter provides an overview of employment guarantee program in India and abroad. The first section of the chapter discusses the different types of impacts associated with employment guarantee programs. The second section deals with design and implementation issues of employment guarantee programs, and the final section of the chapter presents the experience with MGNREGA in light of the issues discussed in the first two sections.

#### 2.1 Impacts of employment guarantee programs

Employment guarantee programs (public works or workfare programs) have been frequently implemented by countries to assist the poor during periods of crises. Dreze and Sen (1989) argue that workfare programs are perhaps the only politically acceptable scheme to operate large scale transfer of resources to the poor. A public works program can impact the economy in several ways (see O'Keefe, 2005). The different types of impacts are:

- A. The transfer impact (i.e. direct transfer benefits in cash or kind to participating households)
- B. Impact on overall wage levels, which will be felt both by participating households and non-participating households whose incomes are below the post-program area wage. This positive impact may be offset by negative impacts on labour demand due to higher mean wages in the program area.
- C. Indirect impacts from the economic benefits of assets created under the scheme. These benefits would typically be spread among a wider population.

D. Consumption smoothing that public works may perform by lowering income variability.

And,

E. Impacts on gender and other social and economic relations due to features of programs such as equal pay for equal work.

The different types of impacts are presented in greater detail below. It is clear both in theory and from available evidence internationally that studies which focus only on the direct transfer benefits of workfare programs are likely to underestimate aggregate economic impacts of public works programs. The aggregate economic impacts of public works programs are likely to be substantial.

The transfer benefit to a worker amounts to the wage he/she gets from the scheme, minus any costs of participation (such as the cost of transport) and any earnings lost from alternative employment (foregone income). If the costs of participation and income from alternative sources are negligible and if the program has no effect on the labour market and market wages, the transfer benefit should be approximately the same as the program wage times the duration of employment. In reality, these assumptions are unlikely to hold. For example, the costs of participation and foregone earnings are rarely zero. Most workers have to walk long distances to the program's work sites or incur transport costs. In the absence of the scheme, workers typically work for a few days in alternative jobs, which they give up when slightly longer-term employment is offered by a public works project. Moreover, unless the scale of the public works program is very limited, the program is likely to put an upward pressure on the market wage rate, in which case the net transfer benefit (the direct program wage benefit and the indirect benefit of an increment in market wage resulting from the program) may be higher than the program wage. Thus, depending upon what impact the scheme has on the wage rate, on workers' foregone earnings, and on their costs of participation, the net transfer benefit may be higher or lower than the program wage.

Workfare program wages are paid in cash or in kind, and wage rates can be set on a daily basis or on a piece-rate basis. Ideally, the best form of payment is cash since it gives participants the freedom to spend their meager earnings in the most optimal way. However, the availability of food aid sometimes makes paying wages in kind preferable. Payments in the early public works programs in India and Bangladesh were largely in-kind, usually food staples that had been made available through donors. Wage payments in the form of food staples continue in some countries, especially those in Sub-Saharan Africa. In Lesotho and Zambia, payment of 50 percent of the wage in kind (food) attracted more women than men to project sites (Subbarao et al, 1997). Given the role that women play in household food security, this may have great indirect benefits in Africa.

In order to enable workers to self-select themselves into a public works program, it is desirable to keep the wage paid by the program low, in other words, somewhat lower than the prevailing market wage for unskilled labour. A low wage makes the program unattractive to the non-poor. A low wage will keep the overall participation rate low and at the same time ensure that a disproportionate number of poor workers will participate in the program, a higher proportion than would be the case if the program wage were higher. Given a strictly defined budget, a low wage would avoid job rationing. However, a low wage rate will also result in lower earnings for participants.

The potential welfare gains from a public works program also depend on the source of financing. If a public works program is entirely financed through aid from donors, the transfer benefits to workers are a net addition to all other benefits flowing from programs that are funded out of tax revenues. However, if the program is funded out of general tax revenues, it is important to look at the counterfactual situation, that is, what would have been the benefits accruing to participants from alternative ways of spending the same amount of budgetary resources. Also, it is useful to know if a public works program has been introduced or extended at the expense of other activities that give non-labour benefits, such as education or hospital services to poor participants. It is rarely possible

to evaluate this counterfactual empirically, but it is important to bear in mind the source of financing for a public works program in trying to estimate the true benefits of the program.

The consumption smoothing benefit of the program reflects the program's "insurance" function. In countries like India household incomes increase or decrease depending upon agricultural activities that are often seasonal in nature. Poor rural households often suffer from shortfalls in consumption and nutritional status in slack seasons and during periods or years of drought. A workfare program targeted to those regions most affected by monsoon failures or by seasonal drops in economic activity can enable poor participants to smooth their consumption, thus significantly reducing their exposure to risk. Stabilizing their income can prevent acute distress and prevent poor households from having to sell off their assets during years or seasons of crop failure. In other words, the risk-coping benefits of a public works program can be as important as the transfer benefit to poor households who lack options or who cannot afford to insure themselves. However, it is not always possible to implement a program precisely at those times when the poor are most likely to sustain consumption shortfalls. For example, during periods of heavy rainfall when all economic activities come to a halt, logistics may not permit the implementation of a public works program especially in remote villages.

An important issue regarding public works programs is the number of person days of employment that the program should provide. The answer depends on: (a) the duration and frequency of climatic (or systemic) risk in a given region; (b) the degree of uninsured risk confronted by the poor; and (c) the size of the poverty gap. Experience in various countries suggests that workfare programs have a significant role to play in regions or countries that suffer from periodic monsoon failures. Since a workfare program can be geographically targeted, the poor living in any specific region subject to drought conditions could benefit from such a program. The poor find it hard to insure themselves against risks, both natural and idiosyncratic. For example, in very few countries can poor farmers

and landless labourers insure themselves against monsoon failures and other natural risks, so the degree of "uninsured risk" tend to be very high for poor households. In countries and in regions within countries where the degree of uninsured risk is high and the poverty gap is wide, the poor may be very reliant on a public workfare program to the extent that the program confers significant "risk coping" benefits on poor households. Jawahar Rojgar Yojna (JRY), for example, conferred significant consumption-smoothing benefits by providing employment during the agricultural off peak season, even if it did not provide adequate transfer benefits. In the Maharashtra Employment Guarantee Scheme (MEGS), however, the transfer benefit has been substantially higher than under JRY. The transfer benefit in MEGS declined following the wage hike in 1988, since fewer person days of employment per person were generated. However, Walker and Ryan (1990) showed that the consumption smoothing benefits remained significant and continued to be so even after 1988 because the scheme continued to operate intensively in off-peak agricultural seasons (Subbarao, 1997). In sum, the transfer benefit is important for the poor especially if the level of seasonal unemployment is high. For some segments of the very poor, the consumption smoothing benefits may be as important as transfer benefits. Careful timing of the program can enhance such benefits.

## **2.2 Design and implementation issues of employment guarantee programs**

There are a common set of design and implementation challenges in employment guarantee programs (see O'Keefe, 2005). These are discussed below.

### **2.2.1 Wage rate**

The wage rate is an important factor, and the literature suggests that it should be set slightly below the prevailing market wage rate for unskilled agricultural labour. Setting the wage rate at such a level has several benefits - (i) targeting is improved (ii) participants' incentive to take up regular work when available is preserved (iii) rationing of participation can more easily be avoided or minimized and (iv) fiscal costs are kept under control. Beyond direct impacts, a full and effective

employment guarantee would be expected to raise the market wage rate in cases where program wage exceeds the market wage.

The relationship between program wage (PW), statutory minimum wage (MW) and market wage (MKW) for different countries is presented in the table below (Table 2.1). The first point to note is that there are examples of countries that have set PW less than MW, including Bangladesh, Chile and Argentina. There are also examples like MEGS in Maharashtra where the MW was less than the MKW until 1988, though this situation changed with the doubling of MW in that year and subsequent rationing of jobs. On the other hand, there are a number of examples of PW being equal to official MW, which is in many developing countries higher than market wages. The political economy of each country has had a major impact on wage setting in workfare schemes.

**Table 2.1: Relationship between program wage (PW), minimum wage (MW) and market wage (MKW) for different public works programs**

Country	Program	Program wage (PW) in relation to minimum wage (MW) and market wage (MKW)
Bangladesh	Cash for work, 1991-92	PW<MKW
Pakistan	IGPRA III, 1992	PW<MKW
Philippines	Cash for work, 1990 Food for work, 1987	PW>MW PW>MW
Botswana	Cash for work	PW<MW but >MKW
Kenya	Cash for work, 1992-93	PW=MW>MKW
Thailand	1998 crisis program	PW = MW
Korea	1998 crisis program	PW = MW < MKW
India (Maharashtra)	MEGS till 1988 MEGS after 1988	PW=MW<MKW PW=MW>MKW
Chile	Cash for work 1987	PW = 70 percent of MW/MKW
Argentina	Trabajar, 1997-2000 Trabajar, 2000- to date	PW=MW<MW PW<MW<MW
Indonesia	Reformed program, 1999	PW<MKW

Source: Subbarao (2003)

In India it is assumed that state agricultural minimum wages should be the program wage rate. The table below (Table 2.2) shows the relationship between state agricultural minimum wage, casual wage and percent of casual labourers working for less than the minimum wage, using adjusted NSS

wage data from 1999-2000. The table shows that 75 percent of casual labourers work for less than the minimum wage. This in turn suggests that an employment guarantee set at state-level minimum wages would be both very attractive to workers and expensive to the government.

**Table 2.2: State agricultural MW, average casual wage, and share of casual labour days (1999-2000)**

State	State minimum wage for agricultural labour (Rs/day)	Average casual wage (Rs/day)	Casual labour days worked at less than state minimum wage (percent)
AP	80	35	96.5
Assam	46	47	31.9
Bihar	59	36	93.0
Gujarat	60	40	73.4
Haryana	80	63	60.7
Karnataka	46	37	59.2
Kerala	91	91	40.1
MP	53	29	91.5
Maharashtra	45	34	63.9
Orissa	50	29	93.3
Punjab	82	68	58.5
Rajasthan	60	53	60.8
TN	54	45	51.5
UP	58	41	66.4
W.Bengal	62	44	83.9
<b>All-India</b>		<b>40</b>	<b>75.2</b>

*Source:* NSS 55<sup>th</sup> round; Dreze for minimum wages. *Notes:* For comparison of current minimum wage rates with casual labour wages in 1999-00 NSS data, minimum wages were adjusted to 1999-00 prices using state-specific CPIAL indexes, and further deflated to account for the discrepancy in average wages reported in the NSS and AWI wage series.

The targeting effectiveness achieved by setting the public works wage below the minimum wage depends on whether or not that minimum wage rate is really the market minimum. This is clearly illustrated by the case of the Maharashtra Employment Guarantee Scheme (MEGS). In this program, every registered participant is "guaranteed" employment at the minimum wage rate within a radius of five kilometers from his or her home. The program was enormously successful in drawing vast numbers of the poor, especially women, to work sites. Right from its inception in 1973, the program wage was equal to the minimum wage, which was low enough to promote the self-selection of the poor into the program. In 1988, the minimum wage was doubled so the

program wage also had to be doubled. The consequence has been a significant drop in the number of person days of employment generated. Research by Datt and Ravallion (1994) has confirmed that the upward revision of the wage rate in 1988 contributed to job rationing and eroded the "guarantee" of employment expected of the program. Gaiha (2000) also noted that targeting efficiency had been eroded following the wage hike in 1988. The relatively more affluent have joined the program, whereas some poor participants were rationed out.

### **2.2.2 Labour intensity**

Labour intensity of work programs is another important design issue. Under crisis conditions (macroeconomic or agro-climatic shocks), greater weight is put on the direct transfer benefits, which deliver short-term income gains to the poor. International experience demonstrates significant variation in labour intensity between types of works (e.g. road construction typically uses 40-50 percent labour costs, as against drainage maintenance and reforestation projects, which use 70-80 percent on labour). The table below (Table 2.3) provides labour intensity of different public works programs. It is important not to equate higher levels of labour intensity with better outcomes for the poor in the long term, as non-transfer benefits of workfare programs may exceed direct transfer benefits. Labour intensity appears to help with targeting, but it is not the only factor when non-transfer benefits to the poor are significant. Analysis of the MEGS suggests that indirect benefits of around 40 percent of project costs are reasonable (Ravallion and Datt, 1995). Recent analysis (Gaiha, 2001) suggests that indirect wage benefits alone from MEGS were between 17 percent (short run) and 28 percent (long run). Gaiha (2000) found that if MEGS wages were to rise by Rs.1, rural farm wages would increase by Rs.0.17 in the short run and by Rs.0.28 in the long run. The author also noted that the benefits to the rural economy of Maharashtra of the assets created by the MEGS program have been considerable. The importance of non-transfer benefits in



workfare programs thus cannot be overlooked, yet they are frequently ignored in policymaking and evaluation.

**Table 2.3: Labour intensity in public works programs**

Country	Program	Average labour cost as share of total cost
Bangladesh	FFW	60-70 percent
Argentina	Trabajar	40-50 percent on average
Korea	1998 crisis program	About 70 percent
Maharashtra	MEGS	60-70 percent
South Africa	FFW (Western Cape)	39 percent on average

Source: Subbarao (2003)

### 2.2.3 Poverty alleviation

The poverty alleviation impact of workfare schemes needs to be assessed net of foregone income and other participation costs to households. Analysis of MEGS has come to somewhat different conclusions on the extent of foregone incomes, but all studies confirm that they are substantial. One estimate (Datt and Ravallion, 1994) found foregone income of around 25 percent (on average) of the program wage rate. Another survey (Acharya and Panwalkar, 1988) found that foregone income of participating households accounted for just over half of the average program wage. Simulations of a full-year rural employment guarantee program for India using data from 1999-00 found an average gain per participant of around 40 percent of the estimated program wage. Analysis from Bangladesh FFWP found a net income gain to participating households of around 57 percent of gross program earnings. These findings combine with the level of labour intensity to give an estimated range of direct transfer benefits to participating households - assuming a 60 percent wage share in total spending on the program and 50-60 percent net income gain, an annual estimate of direct income gains would be 30-40 percent of total spending, with the figure higher in the lean season.

#### **2.2.4 Targeting**

One element of targeting which has received considerable attention is women's participation in public works programs. This seems to exhibit far greater variation worldwide than some other indicators such as labour intensity. The variations are driven by a range of factors related to nature of the work, cultural factors, extent of reservations for women, compensation structure, overall gender differentials in labour force participation etc (see Swamy, 2003). For example, the share of women in workfare participants ranges from zero (Bolivia social fund) to low rates of around 15 percent (Trabajar) and close to 50 percent (MEGS in 1978-9 and 1989-90).

Public works programs internationally have almost always excluded those without the ability to work due to reasons such as age, disability or other factors. This is a significant shortcoming of such programs given the prevalence of higher poverty rates among such groups. Even with legislated reservations for people with disabilities, this shortcoming has been observed in Indian public works programs.

#### **2.2.5 Institutional roles**

Public works programs worldwide operate under three basic models of institutional roles and responsibilities:

- (i) Social Fund Model -where a special purpose institution outside regular government structures develops scheme implementation rules and guidelines, and is responsible for assessing work proposals from communities according to program criteria. This has been common in parts of Sub-Saharan Africa and Latin America.
- (ii) Government institutions -with a strong role for civil works and related line agencies in implementation

(iii) Mixed implementation - with public financing but a much stronger role for communities in proposing, implementing and monitoring projects

Out of the three models, operation through regular line agencies has proved to be the least responsive to community needs, often failing to respond to seasonality in demand, typically using capital intensive methods in the execution of works, and frequently making delayed payment for work. In contrast, social funds have generally proven more responsive to community demand, but have tended to remain as parallel institutions, without positive spillovers to public programs. India has been pursuing the mixed model to strike a balance between the social fund model and the government machinery model.

In order to significantly contribute public works programs must have the necessary flexibility to provide jobs where and when needed and avoid interference with the development of markets. Employment guarantee schemes thus can potentially be a powerful instrument to reduce poverty. In the context of developed economies, these schemes play the role of employer of last resort. In the context of structural under- and un-employment, that is observed in many developing economies, these schemes could play the role of a catalyst to develop markets and reduce poverty.

### **2.2.6 Location**

Employment guarantee schemes might be implemented in cities, but it is in rural areas where their potential to reduce poverty is best. In rural economies where labour markets are rudimentary an effective employment guarantee scheme can break the monopsony or oligopsony of rich local employers. By bringing competition to local labour markets employment guarantee schemes can help the development of labour markets where such markets are most needed. The flexibility that the guarantee attribute gives to the program increases the degree of competition in labour markets

regardless of the quantity of employment generated by the program. The simple possibility of getting a job at the program wage rate is enough to make labour markets more competitive. Keeping in place a continuous and long term guarantee scheme can deliver positive effects, sometimes making available needed jobs, at other times by simply ensuring that markets remain competitive without necessarily replacing market employment.

### **2.3 Performance of MGNREGA**

The performance of MGNREGA in light of the discussion above is presented now. One of the ways of assessing the performance of MGNREGA in the different states (see Table 2.4) is by comparing the shares of the states in man-days generated under MGNREGA with their shares of rural BPL households. On this basis, Uttar Pradesh and Bihar emerge as the worst performers as their share in rural BPL households is about 10 per cent higher than their share in employment generated under MGNREGA. West Bengal, Orissa, Madhya Pradesh, Gujarat, and Karnataka show a 5 per cent gap. On the other hand, Rajasthan and Andhra Pradesh have a much higher share in the work generated under MGNREGA than their share in national rural poverty. This differential performance across states reflects differences in organizational and institutional capabilities, as also in attention paid to MGNREGA. A major reason for the poor performance in states where poverty is otherwise high, could be the lack of awareness about the entitlements provided under MGNREGA.

Why is MGNREGA not more active in poorer states? According to Dutta et al (2012) being a poor state has two opposing effects on participation. First, there is an effect of greater poverty via a higher demand for MGNREGS work (demand effect). The second effect is that poorer states tend to have greater un-met demand for work on the scheme (rationing effect). The authors suggest three reasons why the rationing effect would work in the opposite direction to the demand effect. First, poorer states will be less able to afford the share of the costs that are borne by the state and local

**Table 2.4: State-wise performance of MGNREGA (2008-09)**

State	Average number of days provided work per household	Person days of work (lakh)	Person days of work (percent)	Expenditure (Rs crore)	Expenditure (percent)	Number of households provided work (lakh)	Number of households provided work (percent)
Rajasthan	76	4,827	22	6,171	23	63	14
Mizoram	73	125	1	159	1	2	0
Nagaland	68	203	1	272	1	3	1
Manipur	64	237	1	300	1	4	1
Tripura	60	328	2	452	2	5	1
Madhya Pradesh	57	2,947	14	3,551	13	52	12
Chhattisgarh	55	1,244	6	1,434	5	23	5
Arunachal Pradesh	54	14	0	15	0	0	0
Uttar Pradesh	54	2,341	11	3,582	13	43	10
Sikkim	49	25	0	44	0	1	0
Andhra Pradesh	48	2,735	13	2,964	11	57	13
Jharkhand	48	750	3	1,327	5	16	4
Himachal Pradesh	46	204	1	332	1	4	1
Maharashtra	45	400	2	338	1	9	2
Haryana	43	69	0	110	0	2	0
Assam	40	749	3	950	4	19	4
Meghalaya	38	86	0	89	0	2	1
Tamil Nadu	38	1,199	6	1,004	4	31	7
Jammu & Kashmir	36	61	0	66	0	2	0
Uttarakhand	35	104	0	136	1	3	1
Orissa	35	381	2	597	2	11	2
Karnataka	32	289	1	358	1	9	2
Punjab	31	40	0	72	0	1	0
West Bengal	26	764	4	911	3	30	7
Bihar	26	991	5	1,320	5	38	9
Gujarat	25	213	1	196	1	9	2
Kerala	22	154	1	224	1	7	2
<b>All-India</b>	<b>48</b>	<b>21,479</b>	<b>100</b>	<b>26,975</b>	<b>100</b>	<b>445</b>	<b>100</b>

Source: Mid term appraisal of the Eleventh Five Year Plan, Planning Commission

governments. Second, poorer states tend to have weaker capacity for administering such a scheme. Third, the poor may be less empowered in poorer states. If poor people tend to have less power to influence local decision making (reflected in lower awareness of their rights under the Act), then a higher poverty rate will lead the state government to put less weight on the need to accommodate the demand for work. Poorer states have greater unmet demand for MGNREGS. However, it should be also noted that there is variation among poorer states. Some of the poorest states (Bihar, Jharkhand and Orissa) have low participation rates and high levels of unmet demand. This is in contrast to other poor states like Chhattisgarh, Rajasthan, Madhya Pradesh and West Bengal that

perform better in providing employment under the scheme. For example, at a similar poverty rate, Chhattisgarh has a participation rate almost five times that of Bihar. Public spending is also lower in Bihar at roughly one-third of the level in Chhattisgarh.

There have been a number of concerns about the stipulated wage rates (Table 2.5) for the program. On the one hand, it is argued that setting scheme wages below the state-mandated rates under the Minimum Wages Act is a violation of the law and tantamount to - forced labour a stand that has been recently upheld by the Supreme Court. On the other hand, concerns have been raised that the wage rate of MGNREGA is being set too high relative to actual casual labour market wages.

**Table 2.5: State-wise comparison of MGNREGA and casual wage rates (2009-10)**

State	MGNREGA wages (Rs/day)	Casual wages (Rs/day)		
		Overall	Male	Female
Andhra	91.9	98.5	115.4	75.7
Assam	87	90.1	94.4	74.9
Bihar	97.5	79.4	81	65.8
Chhattisgarh	82.3	68.8	70.8	65.5
Gujarat	89.3	83.3	87.3	71
Haryana	150.9	139.6	146.1	99.1
Himachal	109.5	139.6	141.4	110.2
Jammu	93.3	158.3	157.5	
Jharkhand	97.7	101.2	103.6	82.2
Karnataka	86	84.5	96.9	62.8
Kerala	120.6	206.5	226.6	119.3
Madhya	83.7	69	74.5	58.1
Maharashtra	94.3	75.2	86	58.2
Orissa	105.9	75.6	81	59.1
Punjab	123.5	130.4	133.5	91.8
Rajasthan	87.4	125.7	132.3	94.3
Tamil	71.6	110.8	132.1	72.6
Uttar	99.5	94.3	97	69.2
Uttarakhand	99	118.7	122.1	96.7
West	90.4	85.3	87.8	65.9
All	90.2	93.1	101.5	68.9

Source: Dutta et al (2012)

What does the evidence suggest? It is not the case that the MGNREGA wage rate is everywhere well above the market wage rate. Indeed, for India as a whole the two wages are quite close. If rural India was one labour market one might conjecture that the scheme has indeed brought the two wage

rates into parity. However, rural India is not one labour market, as mobility is clearly imperfect. Across states we see that for half of them the MGNREGA wage rate in 2009-10 is actually lower than the average wage rate for casual labour (Dutta et al, 2012).

An interesting aspect of the uneven performance of MGNREGA across states is regarding the participation of women. Kerala, Tamil Nadu, and Rajasthan provided more than two-thirds of their work to women (Table 2.6). On the other hand, nine states failed to meet the stipulated one-third mark for women workers. The worst performers were Jammu and Kashmir (6 per cent) and Uttar Pradesh (18 per cent).

**Table 2.6: Participation of women in MGNREGA (2008-09)**

State	Share of women in total employment (percent)
Kerala	85
Tamil Nadu	80
Rajasthan	67
Andhra Pradesh	58
Tripura	51
Karnataka	50
Chhattisgarh	47
Maharashtra	46
Manipur	46
Gujarat	43
Madhya Pradesh	43
Meghalaya	41
Orissa	40
Himachal Pradesh	39
Sikkim	38
Uttarakhand	37
Mizoram	37
Nagaland	37
Haryana	31
Bihar	30
Jharkhand	29
Assam	27
West Bengal	27
Arunachal Pradesh	26
Punjab	25
Uttar Pradesh	18
Jammu & Kashmir	6
<b>All-India</b>	<b>48</b>

Source: Mid term appraisal of the Eleventh Five Year Plan, Planning Commission

A critical issue in evaluating MGNREGA relates to the quality of the work executed. Experience thus far suggests that the quality of work undertaken under MGNREGA has yet to come up to expectations both in terms of PRI involvement and also in terms of the technical soundness of design. Work priorities in many states tend to follow orders from the state or district level rather than reflecting the needs and aspirations of the community. The required technical input is also inadequate. Part of the problem is the lack of supporting technical staff. During 2009-10 (up to September 2009), 25.21 lakh works had already been taken up under MGNREGA, but, there were only 21,533 engineers/technical assistants (TAs) to execute these works. This means that an average of 117 works per engineer/TA. The lack of adequate personnel to oversee the works is one of the reasons why a high percentage of the works is left incomplete. The total number of works taken up under MGNREGA from February 2006 to September 2009 was over 79 lakh but only 31 lakh (39 percent) were completed.

The success of MGNREGA depends to a large extent on the availability of qualified personnel for performing different functions associated with the implementation of MGNREGA. While the target of one Employment Guarantee Assistant (EGA) has just about been achieved, what is required is at least one EGA per village, especially in blocks where there is high demand for MGNREGA work. In addition, one 'barefoot' social mobilizer would be needed in each village for generating awareness, facilitating demand for work, thrashing out the social aspects of micro-planning, forming and mobilizing vigilance committees, and helping in social audits, grievance redressal, and conflict resolution. There is also a case for a barefoot engineer at the village level who would work under the guidance of TAs to help out with technical surveys and readings, worksite layouts, and maintenance of technical records. The best way of ensuring that adequate human resources are made available is to stipulate that a definite proportion of the 6 per cent now allotted for administrative costs is spent on professional support at the block level and below. Since, on



average, not more than 3 per cent of the administrative costs are being utilized currently, there is ample scope to improve performance if this money were to be properly utilized.

Delays in wage payments have emerged as the most frequently heard complaint under MGNREGA. At times payments have not been made even after nine months and workers are rarely being paid compensation for the delay. The major reason for the delay is that measurement of work is not being done on time. This is mainly due to lack of adequate technical staff at the block level. Besides, there are also bottlenecks in the flow of funds through the system, at times (as in Orissa) because data on the Management Information System (MIS) is not being filled up in time. The MIS currently used by MGNREGA is one of the best the country has ever had. More than 2 crore muster rolls and nearly 9 crore job cards have been placed online. There is however scope for further improvement as shown by the software used in Andhra Pradesh. For instance, the present MGNREGA MIS used in most states is not able to raise an alert on delays in wage payments because data are normally updated post-facto. By contrast, wage payments in Andhra Pradesh are increasingly being made within a week of completion of the previous week's work.

Even with several safeguards against corruption, there are instances both of 'elite capture' of job cards and of fake muster rolls resulting in leakages to vested interests. The problem has been compounded because workers are unable to travel long distances to get their payments from banks/post offices. In such cases, especially common in sparsely populated tribal areas, middlemen have stepped in. They get hold of job cards of workers who are unable to travel to banks and in alleged collusion with bank officials swindle the money. Cases have also been reported where powerful middlemen have cornered ATM cards issued by banks to MGNREGA workers and drawn out cash from ATM counters. Thus, a measure to reduce corruption (ban on payments in cash and mandatory account opening of MGNREGA workers) has not yielded the expected results mainly because of inadequate density of banks/post offices, as also shortage of staff in banks/post offices.

In other instances, there have been reports of fake and hand-written bills for materials used in MGNREGA work, exaggerated claims, use of sub-standard material, and payment by cash or bearer cheques. These represent violations of government orders outlining strict norms for sourcing supplies only through registered firms, and inviting open tenders for purchases.

The process of social audit has the potential to deal with the problem of corruption effectively. Unfortunately social audit has been conspicuous by its absence in most states. The problem seems to be the deeply entrenched corruption in field bureaucracy that resists any mechanism of enforcing accountability. Where political leadership has taken the lead and developed partnerships with civil society, social audit has taken off. The success of social audits in Andhra Pradesh results from the unique partnership between the Mazdoor Kisan Shakti Sangathan (MKSS) and the state government. Nevertheless, it remains a largely top-down approach and needs to be complemented with greater mobilization from below by civil society. There is an urgent need to widen the space for civil society action in support of MGNREGA, whether it is helping grampanchayats to plan, implement, and conduct a social audit of MGNREGA work, or for generating greater awareness among workers about their entitlements under the Act.

An important step taken towards the end of 2009 was the appointment of persons of eminence and proven integrity as ombudsmen in every district to ensure redressal of grievances and disposal of complaints under MGNREGA. The ombudsmen are independent of the jurisdiction of the Central or State governments. The powers of the ombudsmen include the following - receiving complaints from MGNREGA workers; considering such complaints and facilitating their disposal in accordance with law; requiring the MGNREGA official complained against to provide any information or furnish certified copies of any document relating to the subject matter of the complaint which is in his possession; issuing directions for conducting spot investigation; lodging FIRs against erring parties; initiating proceedings suo moto in the event of any circumstance arising

within their jurisdiction that may cause any grievance; engaging experts for facilitating the disposal of complaints; and, directing redressal, disciplinary, and punitive actions

The UID number, coupled with biometric identification, is likely to solve the problem of fake job cards and muster rolls as both these documents will show the UID number of the worker. The 'non-repudiation' feature of UID will be a further check on leakages as the MGNREGA worker will biometrically confirm receipt after the payment has been made.

MGNREGA is an act that was designed to be friendly to the differently-abled. Madhya Pradesh is the only state which has moved decisively by issuing specific orders enabling people with different kinds of disabilities to be employed on MGNREGA worksites on carefully specified matching work. Other states need to follow the example set by Madhya Pradesh in this regard.

One of the deficiencies in MGNREGA relates to reports of workers earning less than statutory minimum wages. The main reason for lower than statutory wages in many states is that payments are still based on work done that is measured using outmoded schedules of rates (SoRs), which were appropriate for a contractor-led, machine-based system of implementation. In the absence of machines, the application of these SoRs inevitably leads to underpayment. Another problem is that existing SoRs make inadequate provisions for variations in geology and climate, discriminate against women, tend to underpay workers by lumping various activities together, and do not revise rates in line with increments in statutory minimum wages. Deploying the old SoRs also makes it impossible for implementers like gram panchayats to correctly cost the work undertaken by them. The result is a varying combination of malpractices - more work is shown than actually undertaken on the ground, there is poor quality of work, work is left incomplete as actual costs exceed sanctions, labour is underpaid, and bogus workers are shown as paid while machines actually do the work. However, efforts are being made by different state to revise the SoRs.

The Ministry of Rural Development (MoRD) notified revision of MGNREGA wages to Rs 100 per day in December 2009 for states which were below this level. Now 27 states and UTs are paying Rs 100 or more. The Department of Statistics and Programme Implementation has been asked to set up an expert group to develop a separate price index for MGNREGA wages so that the real level contributed by the Central Government could be pegged at Rs 100 per day. The SoRs also need to be indexed to the wage level, so that each rise in inflation-indexed wages is accompanied by an automatic adjustment in the SoRs.

The above discussion has provided a brief overview of employment guarantee programs along with the performance, potential and challenges of MGNREGA. In the following chapter we present the findings of specific studies related to employment guarantee programs.