

# NREG Two Years On: Where Do We Go from Here?

SANTOSH MEHROTRA

This article examines the performance of the National Rural Employment Guarantee programme since its launch in mid-2005. It first provides a summary of progress in certain areas and then highlights specific weaknesses. Finally, it describes the challenges that lie ahead and suggests how these can be overcome.

If the National Rural Employment Guarantee (NREG) achieved two outcomes, it would have achieved its objectives: first, provide work and thus, incomes for landless labour and marginal farmers in the lean season for labour demand; second, create assets that raise land productivity and thus, contribute to the reversal of declines in agricultural yields. By definition, the second outcome would be a second-round effect; hence, one should not even be expecting this outcome in the first three to four years. As the capacity of their own farms to support their family incomes improves, marginal farmers will revert to working almost exclusively on their farms. They will no longer need to depend on public works – although the demand for work from landless labourers may not fall. The NREG is unique in being a demand-driven programme;<sup>1</sup> if labour's need for work falls, the fiscal requirements of the programme will fall. While previous wage employment programmes (for example, the Sampoorna Grameen Rozgar Yojana (SGRY), the nationwide programme that the NREG has replaced since April 1, 2008) might have seen ever-increasing allocations, the allocations for the NREG could well take an inverted-U trend. In other words, if implemented properly, the allocations to the NREG, while rising initially, can fall over time – even though it covers the entire country.

Several second-round effects of the first outcome (i.e., of a rise in lean-season wages in rural areas) are already visible. First, it is raising wages in the areas where NREG works are implemented (Table 1 shows wages by state, p 28). The table shows the prevailing market wage rates for agricultural activities prevailing in 2005, just before the launch of the NREG. Notice the difference in market wage rates and NREG rates; this is especially noticeable in the

case of women, who are paid the same rates as men under the NREG. Even though NREG rates are not time-based but piece-rate wages, by and large those rates are being paid – as awareness among workers about their entitlement has risen. Second, there is anecdotal evidence emerging with workers saying they do not need to migrate to other rural areas (for example, Bihari labourers saying they do not need to find work in Punjab, which in turn will impact wages in Punjab over time).<sup>2</sup> The decline in migration – initially in cyclical and eventually in permanent migration – to urban areas will take the pressure of congestion off already overwhelmed cities [IHD 2006].

We have a long history (of at least four decades in post-independence India) of wage employment programmes and reviews of these programmes had shown the following perennial weaknesses: (i) low programme coverage; (ii) more than 50 per cent beneficiaries not from most needy group; (iii) bureaucracy dominated planning; little participation of community in planning; (iv) work to women lower than stipulated norm of 30 per cent; (v) only 16-29 days employment provided to household; (vi) assets created not durable; and (vii) corruption: reports of false muster rolls; contractors persisted; payment often less than prescribed wages [ARC 2006].

It is also well known that the NREG Act (NREGA) addressed many of the weaknesses of earlier programmes through several features in its design: (i) NREGA introduced a rights-based framework; (ii) it introduced a legal guarantee of work, as opposed to a government programme which could be withdrawn by a government at will; (iii) time bound action to fulfil guarantee of work within 15 days of demand for work; (iv) incentive structure for performance (central government funds 90 per cent of costs of generating employment); (v) disincentive for non-performance (unemployment allowance to be paid within 15 days if work not provided within 15 days is a state government liability); (vi) demand-based resource availability; and (vii) accountability of public delivery system through social audits.

The views expressed here are personal. Thanks are due to Naresh Saxena, Mihir Shah, Jean Dreze, Suhasini Ali and Aruna Roy and participants at two seminars one at NCAER, New Delhi in April 2008 and the other at Centre for Development Studies, Thiruvananthapuram in May 2008, for comments on an earlier draft.

This article draws upon published data from the NREGA web site, discussions with government officials, independent studies, discussions with various NGOs working in the field, and personal field visits by the author as member of the Central Employment Governing Council of NREGA.

Santosh Mehrotra (*santoshmeh@gmail.com*) is at the rural development division, Planning Commission, government of India and the National Governing Council of NREGA.

**Table 1: Wage Rates Number of Person Days**

| States            | Average Daily Wage Rates in Agricultural Occupations in Rural India, 2004-05 (Rs) |       | NREGA Wage Rates (Rs) | Employment Provided – Number of Person-days Per Household |         |
|-------------------|---|-------|-----------------------|---|---------|
|                   | Men   | Women |                       | 2006-07   | 2007-08 |
|                   |   |       |                       |   |         |
| Arunachal Pradesh | –   | –     | 66.00                 | 22.5  | 6.6     |
| Assam             | 30.23   | 15.52 | 66.00                 | 72.5  | 34.7    |
| Bihar             | 45.06   | 26.24 | 77.00                 | 35.3  | 21.1    |
| Gujarat           | 55.48   | 30.14 | 50.00                 | 43.7  | 29.6    |
| Haryana           | 57.83   | 23.35 | 99.21                 | 48.2  | 50.0    |
| Himachal Pradesh  | 12.95   | –     | 75.00                 | 49.8  | 35.9    |
| Jammu and Kashmir | 31.82   | –     | 70.00                 | 26.9  | 31.7    |
| Karnataka         | 49.00   | 27.85 | 74.00                 | 41.1  | 44.4    |
| Kerala            | 55.89   | 27.99 | 125.00                | 22.8  | 28.6    |
| Madhya Pradesh    | 40.61   | 26.54 | 67.00                 | 68.9  | 63.3    |
| Maharashtra       | 52.97   | 31.90 | 69.00                 | 40.8  | 39.0    |
| Manipur           | 38.66   | 19.79 | 81.40                 | 93.0  | 53.7    |
| Meghalaya         | 21.44   | 9.77  | 70.00                 | 26.9  | 38.9    |
| Mizoram           | –   | –     | 91.00                 | 15.6  | 35.8    |
| Nagaland          | –   | –     | 100.00                | 43.6  | 18.7    |
| Orissa            | 44.86   | 14.02 | 70.00                 | 57.5  | 37.0    |
| Punjab            | 32.01   | –     | 94.48                 | 52.0  | 10.5    |
| Rajasthan         | 44.16   | 9.45  | 73.00                 | 85.4  | 75.0    |
| Sikkim            | –   | –     | 85.00                 | 60.0  | 45.3    |
| Tamil Nadu        | 60.79   | 31.23 | 80.00                 | 26.9  | 57.2    |
| Tripura           | 38.18   | –     | 60.00                 | 71.6  | 32.5    |
| Uttar Pradesh     | 47.79   | 26.09 | 100.00                | 32.0  | 33.1    |
| West Bengal       | 44.58   | 32.35 | 70.00                 | 14.3  | 22.5    |
| Chhattisgarh      | –   | –     | 66.70                 | 55.6  | 57.6    |
| Jharkhand         | –   | –     | 76.68                 | 37.4  | 44.5    |
| Uttarakhand       | –   | –     | 73.00                 | 31.2  | 42.5    |
| All India         | 61.23   | 44.59 | –                     | 43.1  | 41.8    |

1 Number of person-days per household has been calculated by dividing the total number of person-days of employment generated in the state by total number of households that were provided employment in the state.

2 Wage rates in 2004-05 are the average of different agricultural occupations (ploughing, sowing, weeding, transplanting, harvesting, winnowing, threshing, picking, hardsman, well digging and cane crushing).

3 NREGA wage rates for Arunachal Pradesh are the average of Area-I and Area-II; NREGA wage rates for Maharashtra – the average of Zone-I, II, III and IV; similarly the average of Hoshiarpur, Jalandhar, Nawanshar and Amritsar for Punjab.

4 – Not reported.

Source: Wage Rates in Rural India (WRII), Labour Bureau, Ministry of Labour and Employment for daily wage rates in rural India, 2004-05; NREGA, 2005, Ministry of Rural Development (MORD) for NREGA wage rates and employment provided-person days.

This article deals with key issues of design and implementation and examines the experience of the programme in its first two years with the latest programme data available. Section 1 summarises key areas of progress as well as weakness in the programme. Section 2 outlines key areas where remedial action to address the weaknesses is either being taken or actively considered.

### 1 Where Do We Stand Now?

**Person-days of Work Generated:** The number of person-days of work provided per household (by those households who demanded work) was 43 days, on average

in India as a whole, in 2006-07 (the state-wise figures are in Table 1).<sup>3</sup> The programme was initiated in the Phase 1 districts (200 most backward districts of the country) in February 2006 and lack of awareness about the programme was widespread. Despite the lack of awareness about the guarantee of 100 days of employment (which was an important novelty compared to earlier wage employment programmes), an average of 43 days was achieved in the very first year of the programme. Perhaps the most important point is that the SGRY, the wage employment programme funded by the central government, which covered all the non-NREG districts in the country till March 31, 2008, had generated only 26 person-days per household of work in 2005-06. This is not surprising since the programme was driven by contractors, who preferred to use machines where human labour could be used. Also, unlike in the NREG, there was no 60:40 ratio applied to the shares of wage:non-wage items in programme expenditure, which also led to machines replacing human labour.<sup>4</sup>

Nevertheless, there is little reason to be complacent about having achieved 43 days of work for rural households demanding work. Table 1 shows that even in 2007-08, only 42 person-days of work had been generated in the 330 districts under the NREG on an average. There is an important implication of the limited number of days of work generated so far. The lack of awareness has had a telling impact and the results in Phase 3 (starting April 1, 2008) will only be better if staff are recruited and trained in adequate numbers in all states to enable work to be generated.

The total employment generated under the NREG is clearly much larger than

earlier employment programmes, for example, SGRY and National Food for Work Programme (NFFWP) (Table 2).<sup>5</sup> The earlier programmes, which covered the whole country, generated 748 million person-days in 2002-03 and 856 million in 2003-04. Under the NREG, the figure was 905 million in 2006-07 for only 200 districts and 1,437 million in 2007-08 (Table 2), partly reflecting the expansion of coverage to 330 districts and also improved preparedness.

Clearly, the demand for work is significant. In just 200 districts, there are 2.1 million households that completed 100 days of work (or 10 per cent of all households that demanded work), despite the lack of awareness. In fact, the number rose to 3.5 million (or 11 per cent of all households getting work) in 2007-08. Chhattisgarh, Madhya Pradesh (MP), Andhra Pradesh (AP) and Rajasthan – all poor states, have the highest number of households completing 100 days of work.

**Differential Performance of States:** The state-wise figures for person-days of employment generated per household (2006-07 and 2007-08) are summarised in Table 1 and show considerable variation across states. The highest number of person-days is for Rajasthan – 85 per household – whereas in Uttar Pradesh (UP) it is only 32 days and in Bihar, 35 (2006-07). Since the incidence of poverty in UP and Bihar is high and this should have led to a demand for jobs, the poor performance of these states almost certainly reflects inadequate effectiveness in the field. Bihar has done worse in 2007-08 than it did in 2006-07 and UP not much better (Table 1). Among the Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh (BIMARU) states, the only ones that did consistently well in both years were MP, Chhattisgarh and Rajasthan, with about half of all Rajasthan households

**Table 2: Employment Generated by SGRY and NFFWP (2002-08, number of person-days in millions)**

| Year    | SGRY + NFFWP (All India) | NREGA                 |
|---------|--------------------------|-----------------------|
| 2002-03 | 748                      | –                     |
| 2003-04 | 856                      | –                     |
| 2004-05 | 912                      | –                     |
| 2005-06 | 1,116                    | –                     |
| 2006-07 | –                        | 905 (200 districts)   |
| 2007-08 | –                        | 1,437 (330 districts) |

Source: Ministry of Rural Development, Government of India, NREGA Act, 2005.

who demanded work getting 100 days of work and a fifth of MP households similarly being offered 100 days.

West Bengal generated only 14 days of work in 2006-07, the lowest for any state with a large number of Phase 1 districts and barely made any improvement in the following year (22.5 days per household provided employment).<sup>6</sup> Given that these states (the BIMARU ones and West Bengal) account for a very significant share of the poor of the country, this performance is doubly disturbing.<sup>7</sup> Among the southern states, Orissa had generated 57.5 days of work per household in the first year but fell back to 37 days in the second. Tamil Nadu picked up significantly from 27 days in the first year to 57 days in the second. Kerala generated 23 days in the first year and 28.6 in the second. Karnataka provided 41 days in the first and 44 days in the second year. In Kerala, where normal wage rates are higher than under the NREGA, only 23 and 28.6 days of work were generated per household in the first two years.

**Performance by District:** One objective here is to assess whether there is any learning going on in the Phase 1 districts, which have now had two years of experience of running the programme. In AP, there is a sharp increase in the number of both total person-days generated, as well as per household; in fact, the average per household falls in 2007-08 as a result of the addition of new districts (from 47 for 2006-07 to 42 in the second year). In Chhattisgarh too, there is a sharp improvement from the first year to the second in terms of employment generated.

In Bihar, there is a consistent decline in almost all districts in the second year compared to the first in respect of the person-days generated per household. The total person-days generated in the second year also show some decline in the Phase 1 districts. As in AP, the Phase 2 districts have generated much less employment than the Phase 1 districts. In MP too, relatively less work was generated in the Phase 2 districts than in the Phase 1 districts. The same applies to Orissa.

Maharashtra is interesting, since it is one of the six states of the country where not only have the number of poor been

growing (in almost all other states the numbers of poor have been declining from 1973 to 2004-05) but poverty is becoming geographically concentrated (along with UP, Bihar, MP, Chhattisgarh, Jharkhand). Maharashtra showed some improvement from the first year to the second. The districts of the Vidarbha region, which have seen a concentration of farmer suicides in recent years, however, do not show much improvement and work generated there has remained relatively low.

In Rajasthan, the star performer in terms of employment generated, all districts have uniformly managed to generate a significant amount of work.

In Tamil Nadu, clearly, there was learning going on between the first and second year in the Phase 1 districts, since the total person-days as well as per household person-days both shot up in the second year. Even in UP, there seems to have been learning going on between the first and second year in the Phase 1 districts, since most districts show an increase in employment generated.

**Self-Targeting Is Working:** While the share of scheduled castes (scs) in India's population is 14 per cent, their share in households who received employment under the NREG is 27 per cent. In fact, while the share of scheduled tribes (STs) in the total population is only 8 per cent, they constituted 32 per cent of the total employed under the NREG. This is of particular significance since National Sample Survey (NSS) data for 2004-05 shows that 80 per cent of the poor in India are either scs, STs or Other Backward Classes (OBCs) (with the incidence of poverty highest among the STs followed by scs). The fact that an overwhelming proportion of workers are scs or STs demonstrates that the self-targeting, seen as an unique selling proposition of the NREG, is actually working [ISWSD 2006].

The act requires that at least one-third of the beneficiaries shall be women who have registered for and requested work. In fact, women constituted 46 per cent of all persons working in 2007-08. This is not surprising since men are more likely to have already migrated in labour-surplus backward districts where the NREG was implemented first. Only in UP (14 per

cent), West Bengal (16 per cent), Bihar (19 per cent) and Assam (23 per cent) are women not one-third of the beneficiaries.<sup>8</sup> These four state governments should examine what is holding back women from taking advantage of the work opportunities afforded by the NREG. However, the fact that women are coming out to do hard labour, which is what NREG works normally entail despite the fact that 56 per cent of India's women suffer from body-debilitating anaemia, cannot be seen as acceptable. It cannot be seen as acceptable also because per capita overall calorie consumption has consistently declined in India since 1983 (according to NSS data). The health ministry of state governments may need to cooperate with the rural development ministry of the state government to ensure that women that come to work are provided iron and folic acid tablets.<sup>9</sup>

**Works Undertaken:** The works carried out so far under the NREG suggest that the groundwork is being laid for raising productivity in the future. Water conservation (60 per cent), land development (13 per cent)

**Table 3: Households Completed 100 Days of Employment (%)**

| States            | % of Households Completed 100 Days of Employment |         |
|-------------------|--|---------|
|                   | 2006-07  | 2007-08 |
| Andhra Pradesh    | 2.7  | 9.0     |
| Assam             | 23.4   | 17.1    |
| Bihar             | 3.6  | 0.7     |
| Chhattisgarh      | 10.4   | 11.2    |
| Gujarat           | 5.4  | 3.9     |
| Haryana           | 11.1   | 10.4    |
| Himachal Pradesh  | 26.5   | 5.1     |
| Jammu and Kashmir | 9.7  | 1.4     |
| Jharkhand         | 3.7  | 3.0     |
| Karnataka         | 12.8   | 4.2     |
| Kerala            | 0.5  | 32.1    |
| Madhya Pradesh    | 18.5   | 21.0    |
| Maharashtra       | 1.5  | 1.8     |
| Meghalaya         | 0.6  | 6.4     |
| Mizoram           | 11.7   | 0.0     |
| Orissa            | 11.1   | 3.4     |
| Punjab            | 16.8   | 5.3     |
| Rajasthan         | 54.4   | 42.0    |
| Sikkim            | 5.4  | 10.2    |
| Tamil Nadu        | 0.3  | 6.2     |
| Tripura           | 26.3   | 0.4     |
| Uttar Pradesh     | 6  | 10.9    |
| Uttarakhand       | 2.8  | 8.3     |
| West Bengal       | 0.6  | 0.8     |
| Total             | 10.2   | 10.8    |

Source: NREGA (2005), MoRD.

and drought proofing (6 per cent) together account for nearly four-fifths of all works; road connectivity constitutes another 16 per cent.<sup>10</sup> Taken together with the considerably increased investment in watershed development during the Eleventh Five-Year Plan, the NREG works in this area should yield fruit in years to come (we return to the critical issue of quality and durability of these works later).

The works being undertaken are consistent with the eight specific types of works listed in the NREGA: (i) water conservation and water harvesting; (ii) drought proofing including afforestation; (iii) irrigation canals; (iv) provision of irrigation facility to land-owned by SC and ST, land of beneficiaries of land reforms and of Indira Awaas Yojana (IAY) (rural housing for poor); (v) renovation of traditional water bodies; (vi) land development; (vii) flood control works; (viii) rural connectivity to provide all weather access; and (ix) any other work, which may be notified by central government in consultation with state government. Some state governments have been suggesting that other works should be added to this list of works, since the process to add new types of works (point 9 above) is dilatory. This is very important point for the continued progress of the scheme.

## 2 Challenges Ahead

**Addressing Lack of Awareness:** Table 1 shows that only 43 days of work was provided; this is despite the fact that almost all the households that demanded work were provided with it. To address the lack of awareness among the poor, several actions have been taken: one day orientation of all sarpanches at the block level; advertisements in local vernacular newspapers, radio, television, films and local cultural forms; leaflets and brochures in simple language; fixing one day as 'rozgar diwas' in a fortnight; and preparation of primers for the workforce and sarpanches. Nevertheless, lack of awareness is still an issue in the existing districts and lessons have to be learnt for Phase 3 districts from that experience, since the programme has become universal with Phase 3. Our field visits demonstrated that the use of spots on the radio are still not being utilised to their

potential. Penetration of radios is widespread in rural areas and in fact, to increase their penetration, civil society organisations, both national and international, should be encouraged to distribute radios to the poor SCs/STs/landless in rural areas. Awareness of not just the NREG but most other government programmes can be easily raised in this manner.

**Monitoring and Evaluation:** Operationalising the monitoring and information system (MIS) has also been carried out for the NREG more effectively than for most other rural development programmes, which are much older. The NREG placed priority on operationalising a web-based MIS ([www.nrega.nic.in](http://www.nrega.nic.in)) as soon as the programme started. Workers' entitlement-related data is also available on the web: registration, job cards, muster rolls, employment demanded and provided. In addition, works-related data is also available: sanctioned shelf of works, work estimates, and work in progress. Finally, financial indicators available include funds available/spent, amount paid as wages, materials and administrative expenses. Computerisation has proceeded apace, with a database having been created on the informations and communications technology (ICT) infrastructure of blocks. The result is that 82 per cent of the 4,141 NREG blocks are already filling out the data on the ICT infrastructure. However, in most states, data is being entered very late – undermining the utility of data for both transparency and managements purposes.

Monitoring has also involved field verification by external and internal agencies. There have been field visits by Central Employment Guarantee Council members to a few states, which included a social audit (Jharkhand, Chhattisgarh and Tamil Nadu). National level monitors have visited almost all the Phase 1 and Phase 2 districts of the NREG. The ministry of rural development (MORD) has itself undertaken a monitoring campaign, with 10 villages visited by each officer. A comprehensive evaluation (with World Bank support) is underway to assess the socio-economic impact at the household level and the quality of assets created in select the states. Research studies have been

conducted by 30 independent agencies covering all states. In addition, the Institute of Applied Manpower Research (under the direction of programme evaluation office of the Planning Commission) is undertaking an evaluation, the results of which are due shortly.

A national consensus is needed about why an MIS is needed for the NREG: is it intended to improve transparency or for better management [Hirway and Singh 2006]. Serious under-staffing means that there are barely one or two people in the block programme officer's office at block level on the NREG. So there could be a six-month backlog in entering muster rolls on the computer; this cannot augur well for transparency. Of course, six-month information will not help much for management purposes, except in a rated belated retrospective sense. One should only put on the computer what is good for management purposes, for example, information relating to labour; funds; works; and inspection. The AP MIS is a model for emulation, since it ensures that there is no delay in putting information on the web. It can serve both the purposes of transparency as well as management.<sup>11</sup>

In social audit and muster roll verification, AP and Rajasthan are leaders but greater efforts are required in all other states [Sastry 2007]. All states are to complete a social audit of all NREG works in the next three months, according to the MORD. So far, however, the social audits conducted have not been done by the gram panchayats (GPs) or gram sabhas but rather by non-governmental organisations (NGOs). So there is little institutionalisation of the social audit process in the NREG, although it was seen to be a unique feature of the NREG (*ibid*).

The comptroller and auditor general's (CAG) report on the NREG (based on its first six months of functioning) points to a number of procedural irregularities but it does not present much evidence of large-scale embezzlement of funds [CAG 2007]. Those of us who have visited the field and had discussions with officers implementing the programme, have found that the officers consider the NREG a very different programme from the public employment programmes of the past (NFFWP, Employment Assurance Scheme (EAS), SGRY).

They repeatedly say that the risks of getting caught in the case of irregularities are much greater in the case of the NREG compared to all other government programmes. In fact, the overwhelming feeling among field level government officers is that it is a far superior programme of public works (from the viewpoint of the poor) than such works in the past; they (the officials) have to work much harder for this programme and partly for this reason they do not prefer to take on the responsibility of the NREG.<sup>12</sup> Whatever the perception of officials of the programme, the need for social audit has been demonstrated and such audits will have to be actively encouraged.

Besides, social audits must be institutionalised, meaning that they must be regularly carried out by gram sabhas once every six months. So far, social audits have tended to be carried out by NGOs or under the aegis of the Central Employment Guarantee Council. AP has put in place a system of institutionalised social audit, involving routine verification of NREG records through the participatory processes. That has to be the main route to ensuring transparency. However, even in AP, there is a danger of the process becoming a top-down one. Greater initiative needs to come from the gram sabha.

**Definition of 'Household':** The number of days of work being given per household is another issue. There are major differences between regions in India in terms of the likely demand for work under the NREG, depending upon whether they are labour-surplus or labour-deficit regions. The programme was initiated in the 200 most backward and thus, mostly labour-surplus districts of the country. The fact that in terms of numbers of days of work offered, no distinction is made between districts is an issue of design; 100 days is not likely to be enough in labour-surplus districts, while in labour-scarce ones, 100 days will probably rarely be demanded. In Phase 1 districts of the NREG, there were at least 2.1 million households that completed 100 days of work in 2006-07 and this is when the awareness of the act is limited. One view could be that the NREG is a minimum guarantee of work and that in areas where there is a lot of labour we

should take up other projects not relying upon a demand-driven scheme in the spirit of the SGRY, in which the use of contractors and machines has been permitted.

An alternative way out of the problem is to clarify the definition of "household". The NREGA is not very clear in defining a household: is an adult son or widowed/separated daughter living with parents separately entitled to work or not? The answer is not clear from reading the act. But the NREG guidelines make it quite clear that adult children, even if living under one roof with the parents, are entitled to 100 days of work, independently of the parents. This issue has arisen repeatedly in field observations and its resolution will remove a source of dissatisfaction with the NREG and also clarify matters for concerned officials. Once interpreted as outlined in the guidelines, it will actually increase both the demand for work as well as entitlement to it.

**Schedule of Rates and Wage Rates:** It has been pointed out that village people have to be involved in the way work will be measured and paid. The last is critical if statutory minimum wages for labour are to be paid. This is the only way to achieve required productivity norms. As Ambasth, Vijay Shankar and Shah (2008) rightly note: "Corruption in employment programmes is not merely a matter of fudged labour payment through muster rolls. The much more creative use of corruption arises from the way the schedule of rates (SOR) is used to manufacture estimates and cheat labour. With current SORS, workers are often unable to earn minimum wages. This can be a serious problem at the heart of the implementation of the NREG."

Work done on employment programmes in India has since independence been measured through the SOR. Employment programmes in the past have generally been implemented by contractors using machines. The rates provided in the SORS assume that machines will be used and contractors will not pay minimum wages. Thus, the way SORS are currently conceived makes mechanisation and the use of contractors almost inevitable and the payment of minimum wages virtually impossible. For example, earthwork excavation takes place across geological strata but SORS

lump strata into a few categories. Average rates prescribed in the SORS also have no reference to the climatic conditions where work takes place (hot summers or humidity can slow work) [Shah 2007]. The underlying notion of the SORS is that the workforce is healthy but the daily productivity of malnourished workers (adult malnutrition is 31 per cent among males and higher among females, National Family Health Survey 2005-06) is likely to be much lower than this average. There is no notion of age or gender difference in productivity in the current SORS.

Since the promulgation of the NREG, there has not been a systematic effort made by states to revise the SORS. Given these circumstances, it might be useful if the central government was to actively encourage the revision of the SORS, based on zonal studies wherever SORS have not been revised. Even if the centre does not engage in the revision of SORS, it will need to actively monitor that all districts have actually revised the SORS. Again, professional support is needed on an urgent basis before the next peak work season begins for the NREG.

Given that all unskilled wages are paid entirely by the central government, state governments have a clear incentive to raise state level minimum wage rates paid under the NREG (as they bear no part of the cost). Perhaps the only factor holding them back from notifying even higher state level minimum wage rates than already announced once the NREG started is the fact that it puts upward pressure on non-NREG related wage rates, which to some extent, are being protested by farmers hiring labour for their farms. Eventually, wage rises can only be maintained if productivity too rises commensurately – another reason why NREG works must be such as to contribute to raising agricultural productivity. Otherwise, with a rise in rural wage rates, food prices may rise thus, cutting away at the wage gains that rural workers are making. However, currently the priority should be that the NREG stabilises as a programme and this may be an inappropriate time to raise the issue of wage rates.

**Convergence:** Only eight types of works are permitted to be carried out under the

NREG. This provision could potentially prove to be a handicap, if it undermines the objective of synergy and convergence of programmes. It is possible for labour component costs of that IAY and Pradhan Mantri Gram Sadak Yojna (rural roads) to be met under the NREG. The operational guidelines of the NREG permit such dovetailing. If labour is in short supply in some districts, this kind of dovetailing would be particularly helpful. The states' view is that the state governments should be left to decide where such dovetailing should occur; currently works other than the permissible eight can only be carried out with the centre's concurrence. States should, in any case, prepare a labour demand projection, saying by when they will exhaust the demand for work for the permissible eight works and present a case for using funds for non-permissible works.

Clearly, this issue needs to be resolved in the interest of flexibility, if only because in our large and extremely diverse country, the needs for both social and economic infrastructure are correspondingly diverse – one list of works does not necessarily fit all conditions. Through convergence not only is synergy likely to be achieved with other programmes but fiscal costs reduced by releasing funds from other programmes through such convergence. The universally – acknowledged advantage of the NREG is that works are carried out with much less “leakage” than has traditionally characterised other government programmes. If that is the case and the need for expanding rural infrastructure is pressing, then the logical conclusion is that convergence should be encouraged. However, care must be taken that the primary purpose of the NREG should remain the eight items listed in the act in the initial years. At the same time, some provision needs to be made (perhaps a fixed percentage of total expenditure, not exceeding say 20 per cent) to allow for building other infrastructure required in rural areas.

**Elaborate Set-up for Central Employment Guarantee Council:** The NREGA in its current stage requires fresh thinking and response to practical problems emerging from the field. Monitoring of the NREGA in the country has to be a

continuous exercise. This kind of effort would need coordinating between various state governments and the MORD. Ongoing performance appraisal in the field, which would include profiling varied state practices on rules, formats for records, staffing, transparency measures, MIS status, delivery of labour entitlements require coordinating systematic field visits, devising formats for statistics from the states, “performance sheet” proforma for state governments. It has been the mandate of the Central Employment Guarantee Council to oversee the implementation of the act in the country but unfortunately, as has also been noted in the CAG report, the body is without a secretariat, staff and functional framework. A technical secretariat is now being created at the central level, attached to the MORD. Similarly, recently completed costing provides for such technical and administrative secretariat at the level of the state capital as well, attached to the states ministry for rural development.

**Release of Funds:** Field reports (our own and those of others) are suggesting that there remain considerable delays in the release of funds, leading to delays in initiating works, abandoning continuing works already started and sometimes, in delays of payment to workers. The guidelines state that the NREG would be different from the SGRY and NFFWP because there would not be predetermined allocations but releases based on state proposals. Each state would formulate and submit a state annual work plan and budget proposal to the MORD. The actual release to a state government will depend upon its actual utilisation of funds released. The MORD will release funds, say the guidelines, to a revolving fund at the district level to be operated as a joint account of which one of the signatories will be the district programme coordinator (usually the district magistrate). After 60 per cent of the allocation given to any GP has been spent, the GP may apply to the block-level programme officer for the NREG for the release of additional funds. However, this process does not seem to be working and requires urgent attention. NREG district senior officers and state government

officials are regularly having to visit Delhi to secure the release of payment.

There is a possibility that the central government will, instead of releasing funds for the NREG directly to districts (as has been done for the last two years), allocate funds to state governments, who would then become responsible for allocating to districts. This would clearly be more efficient and less burdensome for the small number of central government staff dealing with the programme. Nevertheless, procedures would need to be streamlined at the state level to ensure that village works are not stalled in the future by delays in fund flows from state capitals to district headquarters. The emergence of an administrative secretariat at the state capitals for the NREG would thus be an important step in the right direction to ensure (a) speedier smoother flow of funds to the districts; and (b) better monitoring of NREG works.

**Transparency in Wage Payment:** There is growing evidence that to ensure full transparency of payments under the NREG to workers, savings accounts for workers are needed in banks and post offices. This system would almost eliminate any incentive the implementing officers have to fudge the muster rolls, since payments are beyond their reach.<sup>13</sup> To prevent the wrong people from claiming money from the post office accounts, banks/post offices will have to insist on photos on passbooks, which can be matched with the photos on job cards, to identify workers when they come to collect their wages. Although cash payments are preferred by workers where banks/post offices are far (there is an opportunity cost for workers if they have to travel say, 10 km, to a bank/post office to receive their payment), there is almost no alternative to direct payment of wages into bank/post office accounts to avoid poor, illiterate workers being cheated. The postal network is used by AP (at a 2 per cent service charge) and by Jharkhand without service charges. The department of posts has indicated the need to strengthen its sub-post office/branch post office through the computerisation of the sub-post office. A service charge was proposed by the department of posts for opening wage earners' accounts; the issue

now stands resolved, with the central government promising to invest in sub-post offices to enable them to handle the increased workload.

The real issue here is that while on an average in the country there are roughly 20 villages to one bank branch and four villages to each post office, there is a wide variation between states in terms of availability of post offices and banks. A way has to be found to ensure that wage payments are made through either banks or post offices and the problem of distance to these sites for workers has to be overcome through innovative means (for example, perhaps through mobile counters). Where payment through post office or banks is not possible, payments should be made in the presence of the panchayat samiti. However, payment through post offices or banks must continue to be pursued, as is happening in some districts even in UP (which has among the poorest bank/post office to population ratio in the country). The government of AP is paying all NREG wages through post offices [CBGA 2006] and Jharkhand has created bank/post office accounts for two-thirds of its NREG workers. This is an example of the separation of payment agencies from implementation agencies, recommended in the NREG guidelines.

**Watershed Development Programmes and NREG:** The Eleventh Plan will increase allocations for rainfed-area agricultural revival activities in a big way, primarily through the instrument of watershed development programmes. Implemented by the state governments through funding from the department of land resources (in the central government's MORD), serious thought has now begun on how to ensure a proper interface between the NREG's water conservation, drought-proofing and land development activity on the one hand and the grander, watershed-based activity (now under the recently constituted National Rainfed Areas Authority) on the other.<sup>14</sup> Interface is possible with the Command Area Development Programme (CADA), and with the Integrated Watershed Development Programme (now merged with the activities of the National Rainfed Areas Authority). Without this interface, there is a clear risk that money may be wasted, or merely

duplicated. On the other hand, with a well-conceived interface, there is likely to be synergy between the twin objectives of the NREG: creating productive work at remunerative wages and also creating productive assets that are not only created by the community but managed by it.

In fact, the raising of the agricultural growth rate to 4 per cent per annum as planned for the Eleventh Five-Year Plan, from the prevailing rate of roughly 2 per cent per annum, is critically dependent upon raising productivity on rainfed agricultural land [GOI 2006]. Since rainfed agriculture accounts for 60 per cent of all agricultural land, both poverty alleviation and increasing productivity will depend on the efficiency of rainfed agriculture, which in turn implies enhancing the coverage and effectiveness of watershed development programmes. The Eleventh Plan (and the Annual Plan for 2007-08 and 2008-09) has already increased the allocation for centrally-sponsored watershed development programmes. A unified guidelines for the erstwhile three different programmes (Integrated Watershed Development Programme, Desert Development Programme and Drought-Prone Area Programme) has already been notified. A National Rainfed Areas Authority has been created. It is now time to properly integrate the larger watershed development programme with the soil and water conservation and land development works of the NREG (which are inevitably on a smaller scale), so that the water table rises in rainfed areas. That can change erstwhile one-crop areas to double- and triple-cropped areas and raise productivity to supplement the output of the 40 per cent of agricultural land in the country that is irrigated.

**Creating Assets on Private Land:** One issue that needs resolution is whether assets can and should be created on private land. So far, the NREGA only permits the creation of assets on private land belonging to SCs and STs and also all land held by land reform beneficiaries. That has been extended to include land of all below poverty line (BPL) families and also IAY beneficiaries. But the problem is precisely that BPL families increasingly do not hold much land as over time, inheritance

has led to fragmentation of landholdings and holdings becoming smaller and smaller. However, land productivity may well rise faster and the maintenance of water conservation related assets might be greater if it was carried out on private land. If asset-creation on private land was also assisted under the NREG, with the proviso that such asset creation would begin with the small/marginal farmers, both the concerns around the durability and sustainability of assets would be met (since moral hazard around who will maintain assets would be reduced) and productivity gains might be seen sooner rather than later. Moreover, it may weaken farmers' resistance to the NREG on the ground that it is raising agricultural wage rates and thus, raising their costs. After all, water conservation action would improve the water table for all, regardless of whether it is on small or large farms. In any case, all civil works under the Integrated Watershed Development Programme could be covered under the NREG. In some states tribals do have fairly large landholdings, which are lying fallow because of lack of rain/irrigation and these have benefited from these provisions. Also tribal/dalit holdings have been pooled and farm ponds dug, which benefit all the landholders. In Kerala, the addition of all land reform beneficiaries has been very beneficial.

**Professionalism in NREG:** It is only quality works, which will ensure that the required land and labour productivity increase takes place – thus, ensuring the achievement of the second objective of the NREG (mentioned at the beginning of the article). However, quality cannot be ensured merely by putting administrative staff in place (which, in any case, has not happened in many states, as the CAG report notes). Nor is it likely to happen simply by carrying out training (and even here many states have made little effort). The more important need is for technical hand-holding on a regular basis of the administrative and panchayati raj institution (PRI) staff. This technical hand-holding can only be carried out by professional personnel, hired on a contractual basis, who are available on an itinerant basis to sites where the NREG is being implemented.

The CAG report shows that the NREG is being run for all practical purposes with very little professional input. A technical secretariat to the Central Employment Guarantee Council is being created. At the same time, 50 per cent of NREG works are supposed to be implemented by GPS and without the involvement of contractors. While the direct involvement of the GPS is important to ensure local-level accountability, it is entirely unclear from this mode of operation how the quality of works is going to be maintained. There is anecdotal evidence that the quality of works is positively correlated with demand for work from the poor. Without technical and professional support, which is contractually obtained – being employed on a non-permanent basis – there is little likelihood of the quality of works improving. If the quality of works does not improve, there is little likelihood that the productivity gains that were proclaimed as a major benefit of the NREG will be realised.

First, 50 per cent of works are to be carried out by GPS, the remaining by government agencies. But the government does not have the staff to carry out such works, especially in states which have a large number of vacant posts at the district and sub-district levels. At the very least, the staff provided for to implement the NREG have to be appointed (one gram rozgar sewak per GP and one technical assistant for five GPS, plus one full-time programme officer at the block level, as specified in the guidelines). Most government programmes allow for 10 per cent of total expenditure for administrative costs. Hence, the provision for 4 per cent for administrative costs is already proving a serious constraint.<sup>15</sup> However, there is a catch-22 situation here: state governments cannot initiate new works on a large scale under the NREG unless locally available staff have been appointed but with limited works the expenditure on the NREG is correspondingly small and 4 per cent of a small spend limits the appointment of staff, let alone drawing upon professional engineering input. Hence, a serious cost estimate providing the administrative and professional support is required to make the programme work with a modicum of technical professionalism.<sup>16</sup>

Second, there is no management support at the state secretariat level for the NREG. The money for the programme is given to the GPS but the centre is constantly seeking information from the state. With no additional staff, it is not possible to run a programme on the scale of the NREG, certainly not execute it efficiently. Officers are required at the state secretariat level; there is a strong case for such secretariat level staff.

Third, the panchayat level has a rozgar sewak but an accounts person is needed, since the NREG needs a double entry cash-book. After all, at the GP level, there may be multiple schemes that are run through the GP and it is impossible for the GP to effectively run NREG work without such support.

Fourth, despite all its provisions, the act still does not answer the question – what if wages are not paid? If job cards are not distributed? If muster rolls are not maintained? In all these situations, how does the labourer get his grievance redressed? There will hopefully be provisions for a person at the sub-district level throughout the country for such grievance redressal. But it is worth considering state and national Lok Ayuktas.

Fifth, technical people are needed at the district level, who can be hired on a contractual basis and will be available as and when needed for different locations to provide technical support. It is not possible for the junior engineer to perform all the tasks necessary. There could be many works other than the NREG in the area of one GP and the junior engineer would be hard put to cover them all. The State Employment Guarantee Council, now created by all states, is meant to be supported by a technical support group but there is still no provision for district and sub-district level professional support

to conceive and design work and ensure effective execution, from a watershed development perspective.

**State Rules:** It is to be realised that the Act prescribes entitlements for the labourers and basic administrative processes but the nuts and bolts of the Act have been put together in the operational guidelines. The operational guidelines are seen as a good practice manual and run the risk of not being accorded required credence by the state governments. Therefore, it is important to push for rules (model rules can be brought by the central government which can be subsequently adopted by the state governments) on grievance redressal and social audit.

### 3 A Final Word

It is perfectly possible to put in place a system to minimise corruption in the NREG (and in fact other schemes) as discussed above. Equally importantly, the original administrative support for the NREG was pegged at 2 per cent, which was myopic to say the least. However, 4 per cent of programme costs now allocated to administrative costs and professional support is still woefully low and does not recognise the fact that a programme of the scale of the NREG requires serious professional support, not government business as usual. If the 2 per cent per annum agricultural growth rate is to be reversed, the rainfed areas that constitute 60 per cent of the agricultural cropped area in the country have to raise their land productivity; they have to move from one crop per year to preferably two if not three crops per year. The evidence from watershed development programmes in the past has demonstrated that such programmes can repay the investment on them many times quickly. Therefore, if

## Economic & Political WEEKLY

**Unbound Back Volumes** of *Economic and Political Weekly* from 1976 to 2007 are available.

Write to:

Circulation Department,

**Economic and Political Weekly**

320-321, A to Z Industrial Estate, Ganpatrao Kadam Marg,

Lower Parel, Mumbai 400 013.

Circulation@epw.in

the NREG continues along the “business as usual” manner, the programme runs the risk of going the way of most previous wage-employment programmes. On the other hand, if its design weaknesses, as well as the flaws in the design of its implementation are addressed, it can serve as a beacon of light for other rural development programmes, raise the stagnating rural wages, push up productivity, stem the tide of rural-urban migration and have second- and third-round effects that go well beyond the policymakers’ original design.

## NOTES

- 1 Even though it may not have worked very well in that respect so far, reforms underway will push the programme in that direction in future.
- 2 See, for instance, the series of articles by P Sainath (2008) in *The Hindu* on a regular basis based on field visits to various states. As some of the 30 independent studies currently underway on the NREG, more will be learnt on this subject. They are: Indian Institute of Management, Bangalore, Karnataka (two districts), Andhra Pradesh (one district); Centre for Budget and Governance Accountability, Andhra Pradesh (two districts), Chhattisgarh (two districts), Madhya Pradesh (two districts), Jharkhand (two districts); Indian Institute of Public Administration, Jharkhand (four districts); Institute of Human Development, Bihar (seven districts); Centre for Development Alternatives, Ahmedabad, Gujarat (six districts). These studies, however, need to be published and put on the NREG web site as soon as each becomes available; otherwise, independent researchers are completely dependent exclusively on data on the government website.
- 3 The CAG report states that the average employment provided to each registered household was 18 days. However, the CAG report’s estimate is mistaken. We need to divide total mandays generated by total number of households provided employment to arrive at the number of days of work worked by the household. In the CAG report, on the other hand, the average days of employment per household has been calculated by dividing the total number of mandays generated by the total number of registered households – a number which is much higher (since not all registered households actually worked).
- 4 In fact, under the NREG, the share of wages in total programme expenditure has tended to exceed 60 per cent, and has averaged 67 per cent in the country, which is a problem to some extent, discussed later in the paper.
- 5 A key concern about the NREG, based on experience with past programmes is whether the number of persons actually provided with jobs is much less than recorded in the official data because of malpractices such as fudging of muster rolls. It is impossible to pronounce definitively on this issue except by verifying through sample surveys those reported to be employed in field level records have actually been employed. The CAG report has brought out instances where muster rolls were not properly maintained or were tampered with. However, it does not indicate whether the impropriety in maintenance of muster rolls was a major problem. It also does not indicate what percentage of records checked showed irregularities. The key question is not whether there are some irregularities but what is the extent of such irregularities. Discussions with

officers implementing the programme suggest that the officers consider the NREG better structured than the earlier public employment programmes and the risks of getting caught in case of irregularities are much greater.

- 6 Bandyopadhyay (2008) suggests that NREG wages are much higher than market wages and hence, large landlords may fear that NREG works might distort the wage labour market by exerting upward pressure on market wages.
- 7 A problem raised by the West Bengal government is that their suggestions for “works” are not being accepted. They find it impossible to undertake water conservation works in all gram panchayats. They have also asked for the kachha work in school/Indira Awas Yojana houses to be permitted but once again there is a delay in these being approved.
- 8 Even in these states there is a considerable variation between districts in respect of women’s participation in NREG works; we saw in Sonbhadra district in UP that Kol (STs) women were out in their hundreds at sites in this drought-prone area at NREG worksites.
- 9 When we suggested this measure to the principal secretary, UP health, we were told that she has already initiated such action at NREG work sites. In Rajasthan, actually, there is anecdotal evidence that the men are happy to send the women to do this back-breaking work. They do not migrate either.
- 10 However, this does not establish the productivity of these works. That can only be done after the works are completed and even then, our ability to pronounce depends upon (a) collecting base level data on yields; (b) measuring yields after completion of works; and (c) separating out the effects of other interventions to raise yields. This can only be done through scientifically structured ex post evaluation.
- 11 States may claim that they do not have the manpower to undertake this level of computerisation; however, one of the reasons of AP’s success is said to be the Tata Consultancy Services software (National Informatics Centre software is used in all other states). There is an urgent need, therefore, for an independent evaluation of comparative merits and demerits of the TCS and NIC software. Whichever software is used its design should be such that it is not seen as a burden by programme management staff but rather adding value.
- 12 The fact is that evidence is emerging that some state governments are already being quite proactive to prevent corruption and other states need to learn from such good performers [Dreze 2008]. For instance, Tamil Nadu has initiated a good system of muster roll (MR) maintenance, whereby each labourer has to enter her signature or thumbprint in the MR every day by way of marking attendance. This ensures not only that the MR is available for public scrutiny at the worksite, as required by NREG guidelines but also that large numbers of people actually see it every day. This reduces leakage. Similarly, Rajasthan has shown the way in MR verification through the right to information movement. The fact that Orissa has not adopted such methods meant that in Orissa the transition from the traditional system of corruption has not been made, though the situation is improving after the revelations in October 2007.
- 13 Of course, officers may still fudge muster rolls and produce people with fake job cards at banks to enable them to fraudulently withdraw from bank/post office (PO) accounts. To prevent such an occurrence, workers could be given a printed token for each day worked, which are then exchanged for cash at the bank/PO. For example, in one UP district, each job card holder is given a cheque-book style booklet with a counterfoil; the main token is exchanged by the worker at the bank, while the counterfoil is retained by the worker (so the worker too has a record of the number of days worked in a year, in addition to

what is noted in the job card) Thus, the job card and the booklet would supplement each other in ensuring transparency.

- 14 In a seriously drought-affected district like Sonbhadra, we saw that although NREG works were aimed at improving water conservation through check dams, there was no watershed development activity being undertaken. This was despite the fact that the terrain is ideal for watershed development through the building of continuous contour trenches on the ridge surrounding a valley, that labour is available and demanding work, and rainfall for the last four years has been half of the average.
- 15 The 4 per cent is meant to cover the following activities: (1) GP to have one gram rozgar sewak per GP for registration, job card issue, employment demand and provision, work implementation, payment, social audit, records; (2) Block to have one programme officer per block for overall management; technical assistants pooled to service five GPs; computer assistants for IT and MIS; one accountant for finance; (3) District to have works manager with technical assistants; IT manager with computer assistants; accounts manager with accounts assistants for finance; one training coordinator for training; and one coordinator for social audit and grievance redressal.
- 16 For example, in seriously drought-affected Sonbhadra district, the author saw several sites where the terrain permitted watershed development alongside with small bandhs were possible, and would have enormously increased the effectiveness of the rainwater harvesting in a district where the water table has fallen by seven feet within the last year. But there are no senior engineers who are being drawn upon for this purpose.

## REFERENCES

- Administration Reforms Commission (2006): National Rural Employment Guarantee Act, Government of India, New Delhi.
- Ambasth, P, P S Vijay Shankar and M Shah (2008): ‘Two Years of NREGA: The Road Ahead’, *Economic & Political Weekly*, Vol 43, No 8, pp 41-50.
- Bandyopadhyay, D (2008): ‘Mayhem at Dinhat’, *The Statesman*, February 14.
- Centre for Budget and Governance Accountability (2006): ‘Draft Report on Implementation of NREGA in Andhra Pradesh, Chhattisgarh, Jharkhand and Madhya Pradesh’, New Delhi.
- Comptroller and Auditor General (2007): ‘Draft Performance Audit of Implementation of National Rural Employment Guarantee Act’, Office of the Principal Director of Audit, Economic and Service Ministries, New Delhi.
- Dreze, J (2008): ‘Employment Guarantee: Beyond Propaganda’, *The Hindu*, January, 11.
- Gol (2006): *Report of the Technical Committee on Watershed Programmes in India*, Parthasarathy Committee Report, Government of India, New Delhi.
- Hirway, I and Harpreet Singh (2006): ‘Concurrent Monitoring of National Rural Employment Guarantee Act’, feedback from the field, Centre for Development Alternatives, Ahmedabad.
- Indian School of Women’s Studies Development (2006): ‘Monitoring and Evaluation of National Rural Employment Guarantee Scheme with Special Focus on Gender Issues’, New Delhi.
- IHD (2006): ‘Evaluation and Impact Assessment of National Rural Employment Guarantee Scheme in Bihar’, Institute for Human Development New Delhi.
- Sainath, P (2008): ‘NREGA Hits Buses to Mumbai’, *The Hindu*, May 31.
- Sastry, Trilochan (2007): ‘NREGA Surveys in Anantapur, Raichur and Gulbarga’, Indian Institute of Management (IIM), Bangalore.
- Shah, M (2007): ‘Employment Guarantee, Civil Society and Indian Democracy’, *Economic & Political Weekly*, Vol 42, Nos 45 and 46, pp 43-51.