

# NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (NREGS) BRIEF

A flagship programme of the UPA government, the NREGS was announced in 2005. It was introduced in 200 of the country's most backward districts in 2006 and was expanded to cover all 615 rural districts across India in 2008. Today, NREGS is the largest work guarantee programme in the world. This scheme brief examines some of the challenges the scheme faces and also summarises evidence regarding progress towards meeting the scheme's stated objectives.

## BACKGROUND

The National Rural Employment Guarantee Act (NREGA) was passed by the Parliament in 2005 with the objective of enhancing livelihood security in rural areas by providing at least 100 days of guaranteed wage employment each financial year to every household with adult members willing to do unskilled manual work. In providing basic wage security, the scheme provides a social safety net for India's most vulnerable households, providing an impetus for the development of a vibrant agricultural economy. Precursors to the NREGS include Employment Assurance Scheme, National Rural Employment Programme, Jawahar Rozgar Yojana, Sampoorna Grameen Rozgar Yojana and National Food for Work Programme.

**Funding** The central government bears 100 percent of the cost of wages for all unskilled manual labour, 75 percent of the costs of materials and wages for skilled and semi-skilled workers, and all administrative expenses incurred by the Central Employment Guarantee Council. State governments bear 25 percent of costs of material, wages for skilled and semi-skilled workers, unemployment allowance payable if employment is not provided within 15 days of application, and the administrative expenses incurred by the State Employment Guarantee Council.

**How does it work?** The scheme is coordinated by the Ministry of Rural Development (MoRD) and implemented by state governments, with panchayats having the responsibility for planning and scheme implementation at the district, block and village levels. NREGS stipulates that at least 50 percent of the projects should be implemented by gram panchayats, which in many states are also responsible for conducting social audits. Other implementing agencies can include intermediate and district panchayats, line departments of the government, public sector undertakings of central and state governments, and reputed NGOs that have a strong performance record. The main responsibility of line departments is to give technical support on developing estimates, measurement and supervising works. Blocks form the basic unit of implementation and have a Programme Officer who is responsible for the implementation of the scheme. Programme Officers are accountable to the intermediate panchayat as well as the District Coordinator.

Ministry	Ministry of Rural Development
Sector	Employment
Goal	Provide a safety net for vulnerable groups Empower the rural poor Promote the development of a vibrant agricultural economy Provide a model for governance reform
Output/ Scheme Indicators	Job cards, Asset creation, Labour force profile
Funding	Shared by centre and states
Year of Inception	2005
Expiration date	None
2009-2010 Budget outlay	Rs.39,100 crore

Table 1: NREGS at a glance

Due to the fact that it provides a statutory guarantee of wage employment, which can be upheld in a court of law, NREGS marks a paradigm shift in employment programmes. Additionally, it contributes to providing the right to an adequate means of livelihood, which is currently a directive principle for state policy.

NREGS seeks to provide economic security to households, stem migration to urban areas, empower women, create useful assets in rural areas, and fosters a more equitable social order. As a result, it reflects larger socio-economic concerns beyond a simple wage-earning scheme. NREGS employs a rights-based framework and is driven by demand for employment rather than on correctly identifying eligible beneficiaries, a hallmark of many government programmes. Perhaps the most important aspect of guaranteeing employment is that it effectively provides an insurance mechanism to the rural poor. Sudden income shocks caused by adverse weather, pests, etc. can disrupt cash flows in rural households. Providing access to work can help such families cope with income shortcomings.

In order to gain employment through NREGS an individual must register with the gram panchayat and apply for work. Individuals must register once every five years, but must submit applications each time they would like to obtain work. The main purpose of the registration process is to facilitate advance planning of works. Key elements of the scheme include:

- ◆ Any adult member of a rural household can apply for employment in unskilled manual work.
- ◆ Within 15 days of receiving an application the gram panchayat must issue a job card after due verification with photographs of all adult members in the family seeking employment.
- ◆ Job card holders must submit written applications for employment stating the duration for which they seek work. The gram panchayat issues a dated receipt guaranteeing employment within 15 days of receiving these applications.
- ◆ Employment must be provided within 15 days. If work is not provided in this timeframe, job seekers are entitled to an unemployment allowance. Work should be provided within 5 km radius a job seeker's village. If the work site is more than that, the job seeker is to be paid an extra 10 percent of wages to meet additional transportation costs.
- ◆ Men and women must be paid equal wages and the wage rate is set according to the minimum agricultural wage prevalent in the state. Wages are calculated on a daily basis and are disbursed on a weekly basis.
- ◆ At least one-third of the beneficiaries should be women and every work-site should have facilities such as a crèche, drinking water and shade.

## PROGRESS

NREGS was introduced in 200 of the country's most backward districts in 2006, extended to 130 more districts in 2007, and expanded to cover the entire country in 2008 with the exception of those districts that have 100 percent urban population.

**How much money is being spent?** Budget allocations have increased steadily since the enacting of the NREGA in 2005 (Figure 1). Even with the 2009-10 budget outlay increasing to Rs.39,100 crore, allocation to NREGS remains close to 1 percent of GDP (estimated growth for 2009-10 being pegged at 6 percent). The utilisation of funds available improved from 73 percent in 2006-07 to 82 percent in 2007-08 but fell to 75 percent in 2008-09 (Table 2 and 3).

Year	Funds available (in lakhs)	Total expenditure (in lakhs)	Expenditure as a percentage of available funds
2006-07	12,40,280	9,06,151	73.06
2007-08	19,51,627	15,99,978	81.98
2008-09	36,30,046	27,25,069	75.07
2009-10	37,39,556	29,55,341	79.03

Table 2: Expenditure as a percentage of Total funds available

Source: www.nregs.nic.in (Website accessed on January 31, 2010)

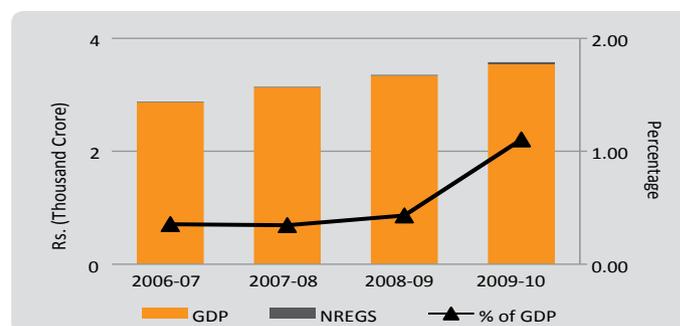


Figure 1: Budget Outlay on NREGS

Source: Union budget

### NREGS focuses on eight categories of work:

- water conservation and water harvesting, new tanks, ponds and check dams
- drought proofing including afforestation and tree plantation
- irrigation canals including micro and minor irrigation works
- provision of irrigation facility to land owned by households belonging to SCs and STs, beneficiaries of land reforms, or beneficiaries of Indira Awas Yojana
- renovation of traditional (existing) water bodies including de-silting of tanks
- land development including plantation, land levelling
- flood control and protection works including drainage in water logged areas
- rural connectivity to provide all-weather access
- any other work which may be notified by the MoRD

**How has the scheme performed?** NREGS has been criticised by many stakeholders for being burden on the exchequer. However, many public policy analysts have hailed the programme as being opportune in a period of high yet urban-centric growth with fewer benefits for rural populations.

**Employment** Since its inception, NREGS has provided 4.62 crore households with employment. Of a total of 226.67 crore person-days of employment nearly 30 percent were for scheduled castes and 22 percent for scheduled tribes. Overall, women account for nearly half the work days created which has implications for household gender dynamics as well as financial inclusion. Statistics about the scheme are now being maintained online in an attempt to improve data collection, maintenance and verification.

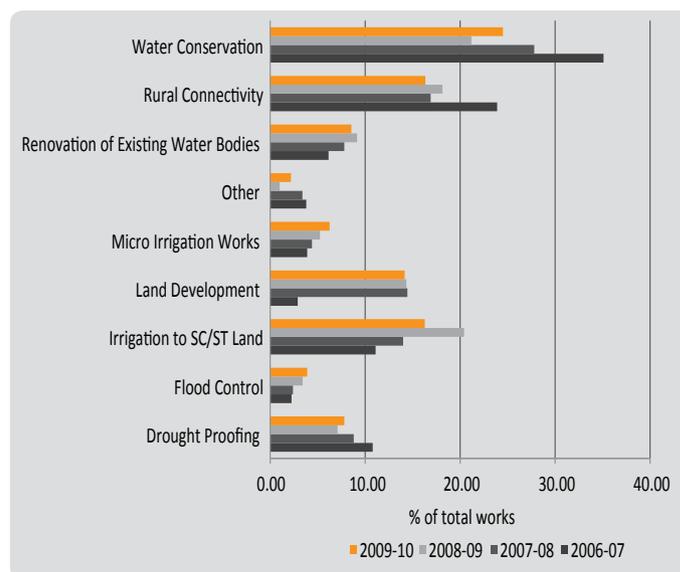
		Total (in lakhs)	
Opening Balance as on 1st April of the year		11,44,533	
Release of the last year received during current year	Central	1,02,362	
	State	10,894	
Release during current year	Centre	Sanctioned	9,79,753
		Receipt	21,14,771
	State		3,48,067
	Miscellaneous receipt		18,928
Total Availability		37,39,556	
Cumulative Labour Budget estimation of Total Expenditure (Till the reporting month)		50,82,484	
Cumulative Expenditure	On Wages		20,19,314
	On semi-skilled and skilled wages		56,822
	On Material		7,95,781
	Administrative Expenses	Recurring	66,161
		Non Recurring	17,261
Total		29,55,341	
Percentage of Expenditure against Total available funds		79	

**Table 3: Financial Performance under NREGA during the year 2009-10**

Source: [www.nregs.nic.in](http://www.nregs.nic.in) (website accessed on March 1, 2010)

**Works** The total works undertaken increased by almost 70 percent between 2006-07 and 2007-08, and equally impressively in 2008-09 at 114 percent. However, between 2008-09 and 2009-10 (as of March 2010), the increase is a mere 38 percent. Within the total works undertaken (Figure 3) land development works increased seven-fold and replaced water conservation and flood control projects from 2006-07 to 2007-08. Different wage payment methods for each work category may account for this shift (CSE 2008)<sup>1</sup>. Wages for land development and rural connectivity works are calculated on a per-day basis while water conservation projects

use a task-based method to calculate wages. As reflected in the type of projects villages demand, projects that employ task-based wage calculations appear less popular with labourers. Since the scheme



**Figure 3: Work details under NREGS**

Source: [www.nregs.nic.in](http://www.nregs.nic.in) (Website accessed on March 1, 2010)

has no provision for maintenance, water conservation structures have fallen in to disuse and many water conservation projects were abandoned before completion.

**Inclusion** While the participation of women increased for the country as a whole, there was a high degree of variation among states. The southern states of Kerala, Tamil Nadu and Andhra Pradesh saw a consistent increase in women's participation from 2006 to 2009. Among the northern states this proportion has seen a smaller increase, with the gap being particularly pronounced for Jammu and Kashmir, Punjab and Uttarakhand. Rajasthan is the only exception to this pattern and has seen a significant increase in women's work participation.

A similar pattern can be observed in the north-eastern states of Assam, Arunachal Pradesh and Meghalaya, which experienced decreases in women's participation. For the other two socially and economically backward groups, SCs and STs, an overall increase can be observed in their participation as well. However, Orissa, Assam, Karnataka and Gujarat witnessed a steady decline in the participation of both groups while Tamil Nadu, Andhra Pradesh, Madhya Pradesh and Rajasthan observed the opposite.

No clear pattern for inter-state variation can be observed for STs. This may be due to the fact that the first 200 districts in the country where NREGS was implemented were chosen because of their backwardness and most were dominated by STs. Also, proximity of habitation to the work site could be a major determinant for their participation since in hilly terrains the intended beneficiaries may find it difficult to commute long distances.

<sup>1</sup> Mahapatra, Richard, Sakhuja, Neha, Das, Sandip, Singh, Supriya. 2008. The National Rural Employment Guarantee Scheme: Opportunities and Challenges. Centre for Science and Environment

## PROBLEMS

**Vital records not maintained** Data collection and maintenance at the gram panchayat and block levels are poor, which hinders verification of whether households are eligible for payment of unemployment allowances. Moreover, job cards did not have photographs and that delays in payment of wages were not penalised (CAG 11 of 2008).

**Irregularities in execution of works** In several states works were carried out without obtaining stipulated administrative and technical sanctions in advance. Additionally, many states used contractors and machinery to carry out the work in clear violation of the guidelines which specify that only manual labour should be used. Still others paid non-qualified persons such as peons and private secretaries to carry out the work in the absence of technical staff, and many works did not adhere to the specified wage to material costs ratio (CAG 11 of 2008).

**Non-payment of wages** NREGS guidelines stipulate that every worker is entitled to a wage equal to the state minimum wage for agricultural labour and delays beyond 15 days must be compensated. However, many cases of non-payment of full wages, wages less than minimum wages, and non-compensation for delays in providing work were observed (CAG 11 of 2008). As of March 2010, delayed payments amounting to Rs. 15,592 crore and unemployment allowance for 16,29,747 persondays remained outstanding from 24 states<sup>2</sup>.

**Inadequate project pipeline** Gram panchayats are required to prepare a development plan that includes a pipeline of potential projects. Typically, the development plans should outline more projects than the projected demand for work to ensure fast processing of work requests. However, many states do not prepare development plans citing a lack of professional capacity. This causes unnecessary delays in providing work to individuals and hinders the creation of assets despite a demand for wage labour.

## RECOMMENDATIONS

The foundation of NREGS lies in the Act ratified by the Parliament, which makes it different from several other government schemes. In comparison to other workfare schemes, NREGS's novelty lies in features such as minimum wages and unemployment allowances. However, the timing of wage payments and lack of training provided to gram panchayats raises concerns about its implementation. As a demand-driven programme, the success of NREGS depends on the awareness of the people and their involvement in planning, delivery, and monitoring through social audits that have been built in to the scheme.

<sup>2</sup> [http://nrega.nic.in/netnrega/MISAlert.aspx?fin\\_year=2009-2010](http://nrega.nic.in/netnrega/MISAlert.aspx?fin_year=2009-2010) Website accessed on March 1, 2010

**Payment through bank accounts and post offices** To overcome problems of non-payment of wages and to separate the implementing agency from the payment agency, the scheme's guidelines advocate for state governments to make payments through bank accounts or post offices. To date states have been slow in doing this but are now accelerating the process. However, since many labourers do not have experience using bank accounts, post offices have emerged as the preferred mode of receipt of wages.

**Online data collection and verification** Due to the fact that verification of data has proven difficult, MoRD has made it mandatory to use online data collection systems. This adds to transparency and may help curtail financial and physical irregularities. For example, it will help monitor payment of unemployment allowances that arise from delays in providing employment within the stipulated 15 days after receipt of application.

**Measurement of wages and impact of work** Data on works undertaken highlight a shift from water conservation to land development. The most likely reason is differences in wage calculation methods and employing the same method across works would remove this constraint (CAG 11 of 2008). According to the current guidelines, only wages are measured and not assets created. This focus on expenditure over outcomes has resulted in many projects not being completed. Measuring the value of assets created could help track the status of projects, ensure the completion of works, and gauge their impact on the village economy.

**Strengthen village-level planning and implementation** Providing gram panchayats the necessary training to evaluate and develop projects may help expedite the process from planning to implementation. This would also reduce the incidences of project delays and inaccurate estimation of project duration and costs (CAG 11 of 2008).

**District Perspective Plans and Annual Plans** Despite the NREGS guidelines stressing the importance of making five-year and annual plans, not all states do so. One exception is Andhra Pradesh's Integrated Natural Resource Management plans for each gram panchayat, which identified works for the next 6-7 years. Other states would benefit from adopting similar procedures (CAG 11 of 2008). Annual plans help prioritise works and can facilitate more accurate estimation of the demand for labour. Maintaining a long-term pipeline of projects is also essential to minimise delays in providing employment in a timely manner and thus minimising the amount of unemployment allowances the states must pay.

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## FOR MORE INFORMATION

[www.rural.nic.in](http://www.rural.nic.in)

Website for the Ministry of Rural Development

[www.nrega.nic.in](http://www.nrega.nic.in)

Official website of NREGS

[www.cag.gov.in](http://www.cag.gov.in)

The Comptroller and Auditor General of India audits schemes and undertakings at the behest of the principal authority. The CAG report 11 of 2008 summarises the audit of NREGS.

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