

Impact of the NREGP on Rural Livelihoods

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Abstract

This paper looks at the National Rural Employment Guarantee Programme (NREGP) in India that was launched in the year 2005 as a social security measure aimed at providing employment security to the poor in villages. The NREG was also meant to use this labour to construct rural infrastructure that is clearly wanting in India. The National Rural Employment Guarantee Act guarantees 100 days of work to all households. This analysis looks at the direct and the indirect effects that the NREGP has on employment generation and poverty reduction in a local. For this, a detailed survey in a specific village was undertaken to highlight the impact of the NREGP. This survey covered a poor agricultural village with 400 households, nearly 2500 people. The survey recorded income and expenditure levels by type of household (large, small and marginal farmers, agricultural labour, services etc). The survey also recorded production activities undertaken by the inhabitants.

The data was then used to build a Social Accounting Matrix. A SAM is as an organized matrix representation of all transactions and transfers between production activities, factors of production and institutions within the economy with respect to the rest of the world. Each row of the SAM gives receipts of an account while the column gives the expenditure. The total for each row is equal to the total of each corresponding column. The wages paid under NREGP in this village amounted to Rs 582000 leading to an increased output of Rs 452219. The Value added increases by Rs 226577, the additional household income generated was Rs 196823. The multipliers that were obtained showed that Public Distribution Systems (PDS) services have multiplier of 2.08 followed by maize with 1.80 and wheat with 1.79. The sectors where we see maximum impact are wheat, animal husbandry, and education and the maximum impact on the household incomes accrues to the small cultivator followed by the labour household and then the large farmer households.

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The Indian excitement

The excitement about India's economic growth is now for real and is evident all over the world. A country that was written off for much of the twentieth century came into its own in the last decade of the previous millennium. Growth rates went up, the GDP doubling in a six-year period. Incomes and salaries rose too and suddenly a poor nation had become home to more than 300 million middle class consumers, becoming one of the most inviting markets for the world's manufacturers and service providers. Some sectors took off almost immediately as economic reforms began in the mid eighties. The first sector to really grow was the automobile sector and the first big Japanese firm that came to India, Suzuki, transformed the middle class Indian's tastes and preferences in cars.

The banking and the airline sectors became big in the mid nineties, insurance followed suit and real estate boomed. The software story has been repeated so many times that it is now synonymous with India's rise in the global economy. Films, especially Hindi cinema, became global and helped enormously in this fascination for the new India. Exports rose, by more than 20 per cent each year for nearly ten years now. Television, especially cable TV became ubiquitous, especially in urban India. The pride of place however is reserved for the telecom industry. Powered by mobile technology, tele density in India quadrupled in less than five years and the growth just doesn't seem to ebb.

India's GDP growth now is estimated to be 8.5% for the year 2006-07. During the same time, the US economy will grow at 3.2%, Japan at 2.6%, UK at 1.9% and the European Union at 1.7%. There are countries like Azerbaijan and Angola, which are growing at more than 20%, but this is sporadic and unstable growth. An increase in GDP of a country is generally taken as an increase in the standard of living of its inhabitants. Over long periods of time, even small rates of annual growth can have large effects. A growth rate of 2.5% per annum will lead to a doubling of GDP within 28 years, whilst a growth rate of 8% per annum (experienced by India now) will lead to a doubling of GDP within 9 years (Srinivasan, 2000).

This growth has been attributed to a whole host of factors, including the focus on economic reforms, a young population that India currently enjoys due to its demographic transition and a large pool of human capital – young, talented and well-educated workforce. Rapid strides in knowledge-based industries, especially information technology, biotechnology and pharmaceuticals, and resurgence in exports have made India one of the fastest growing economies in the world. Opening of the economy and the growing economies of scale and scope for Indian enterprises, access to 'modern' technology, especially information technology, and the growth in entrepreneurship have made India a sought-after destination for foreign investments. Despite all the problems and struggles on the

political and economic front, the Indian economy recorded an impressive growth rate of 5.7 per cent per annum on an average for the more than 2 decades. In the post reform period, the economy has shown a secular growth path of more than 6 per cent on an average, with growth rates in the last few years being upwards of 7.5 per cent per annum. For the fiscal year 2006-07, GDP growth in the country is expected to be more than 8 per cent. As Goldman Sachs puts it, “*India has the potential to deliver the fastest growth over the next 50 years.....*”

What characterises rural India

Rural India is at the centre-stage of all growth in the future. However it continues to suffer from lack of basic infrastructure. Caught in the vicious poverty-cycle, rural India, in absence of adequate infrastructure, rural India finds it difficult to undertake activities that can accelerate economic growth. Home to close to 69 per cent of India’s total population, rural India faces the daunting task of providing sustainable income and employment opportunities to a major section of the population, especially the lower-income households. In absence of infrastructure facilities, there is lack of market-access to rural population, slow growth in organised retail and thus, limited livelihood opportunities, stagnation in agriculture and aggravation of rural poverty-levels. Absence of infrastructure also makes rural markets fragmented, characterised by high costs of transactions and high information asymmetry. The retail sector offers unprecedented opportunities for rural India, and the only thing that can hold this sector back is the lack of infrastructure.

Two-thirds of India’s consumers live in rural areas and a little more than half the national income is generated here. Therefore it is not surprising that that rural markets form an important part of the Indian market. In more than 630000 villages, there are almost twice as many 'lower middle income' households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas. Middle and high-income households in rural India are expected to grow from 80 million to 111 million by 2008. In urban India, the same is expected to grow from 46 million to 59 million². The size of the rural market therefore will soon be more than double the size of the urban market.

In the modern world where technology is tradable and factor markets (labour and capital) have become integrated both locally (farm labour moves from Bihar to Punjab) and globally (through foreign direct investment), infrastructure plays an enabling role in bringing world markets to local areas. Since infrastructure enables growth, any growth strategy must actively plan for producing the necessary infrastructure to support growth targets. Indeed, instead of trying to engineer growth

² Estimates from the National Council of Applied Economic Research

through interventions in the production of goods and services, governments are better off providing for the infrastructure that supports such growth.

Numerous studies the world over have revealed that investments in rural infrastructure is one of the most potent tools that governments can use to enhance growth and reduce poverty in rural areas. Investments in roads, tele-communications, power supply, drinking water facilities, schools and health care facilities have a positive effect on the quality of life in rural areas. However, there has been stagnation in the level of public investment in rural infrastructure in India, as well as in most developing countries. Even post-reforms, in the period of 1993-94 to 2002-03, there has been a decline not only in the share of budgetary expenditure on all rural development and poverty alleviation programmes from 2.08 to 1.87 per cent, but also the share of rural infrastructure development in all social services and poverty alleviation programmes has declined from 32 per cent to 25 per cent.³

The decline in public investment in rural infrastructure development has been on account of the fact that total government expenditure has been curtailed due to the '*structural adjustment programmes*', and also due to the low priority attached to rural infrastructure by most governments in developing countries (Fan et al. 2000). In absence of complementary and supporting infrastructure from the government, even private investments in infrastructure in rural India have also not really taken-off.⁴

³ Source: Das Keshab (2001), 'Endowments and Rural Infrastructure: Issues Today', India Infrastructure Report: Issues in Regulation and Market Structure, Oxford University Press, New Delhi

⁴ Source: Fan, Shenggen, Peter Hezell and S. K. Thorat (2000), 'Impact of Public Expenditure on Rural Poverty in India', Economic and Political Weekly, Volume 35, No. 40.

The Agricultural sector in India

India's reforms concentrated on industry and services, while the sectors that have been left untouched are agriculture, land, labour and retail. Leading the pack of problems that have been left unsolved is, ironically, the sector where a bulk of population resides. The rural sector in India got completely sidelined by the reform process. In India, rural is synonymous with agricultural and therefore, with the exception of a few issues that are non agricultural, the rural tragedy is indeed the agricultural tragedy. In the twentieth century, agricultural growth stagnated as a result of a series of droughts and famine. The Green Revolution in the 1960s raised productivity levels on the one hand, but was rather harshly criticized for widening income disparities between rich and poor farmers on the other. The late 1960s and early 1970s witnessed a modernized agriculture with new equipment and farm technology. New fertilizers led to high yielding varieties, tractors replaced cattle and the immediate result was that the production of crops such as wheat and rice increased remarkably. But growth was far from uniform.

In this context, it is important to take a look at some of the critical areas of concern where the farmer and agriculture growth are concerned. Firstly, it is important to focus on the skewed nature of agriculture production in India. Despite oft-repeated declarations of intent on the importance of crop diversification, the agriculture sector is heavily dependent on food grains. The relationship between foodgrains and food security is so strong that effectively nothing is done towards diversification. As food crops suffer because of monsoons and prices, the economy suffers. On the other hand stocks pile up and lead to some embarrassment for the policy maker. Productivity levels continue to stagnate putting greater pressure on land and other resources. Intensive agriculture gives way to an extensive route and yields do not show any growth.

Secondly, there is a need to look at the rural employment scenario, an issue much neglected so far. The pattern of employment as it has emerged is indeed a cause of concern. In 1951, 70 per cent of the total work force was engaged in agriculture and has dropped to 54 per cent. The proportion of laborers increased for 20 to 27 per cent and cultivators declined from 50 to 32 percent. However these figures pale in comparison to the developed world. In Australia, 6 per cent and in France, only 7 per cent of the work force is engaged in agriculture. In the US and UK, the percentages are 3 and 2 per cent respectively. Even in Egypt, the work force in agriculture is less than 35 per cent. Third is the disturbing trend in exports. Indian Agriculture, according to Tenth Plan estimates, contributes only 14.7% to total export earnings. What is worse is that almost all of this is due to export of primary goods and very little produce is processed. Even within this, there is a predominance of just five or six crops namely, tea, rice, oilseeds, tobacco, spices and sugar. If overall export growth rate should be

taken to the target of 25 per cent a year, it is imperative that agriculture exports are increased and that processed food replaces primary farm commodities in the export basket.

However, these are but three of a large number of issues that confront any student of the agriculture sector. The number of problems is large and has been extensively discussed. Risk mitigation, credit availability, warehousing, infrastructure, marketing support, information issues, irrigation needs, extension services, quality of seeds, rural industrialization, harsh regulation, movement controls and many others continue to haunt the farmer. What is important here is to realize that growth in agriculture and access to markets for the small farmer is critical if the agriculture sector is to grow. Further, this is crucial if the overall targeted growth rate of 10 per cent is to be sustained. That is why the importance of looking at growth rates and the small farmer. Given this context, the importance of freeing up Agriculture and the need for markets, both domestic and foreign, cannot be neglected any more. The growth rate needs to be sustained and given the pervasive role of agriculture, it is axiomatic that reforms in the agriculture sector are imperative. Input subsidies leading to misuse and over use, support prices causing market distortions and the absence of market information are some of the urgent reform issues that need to be tackled. Therefore, if one were to look at what needs to be done, is simply the enabling and integration of agriculture markets. The farmer deserves the same access that industry has been bestowed with. Granting to the farmer small mercies like markets across state boundaries, export markets, access to information, bank credit, freedom to install machinery including cold storages, warehouses and processing plants, would go a long way in modernising the sector and helping it grow.

Does access to infrastructure matter?

There is a wealth of literature in economics that debates the role of infrastructure in economic growth, and tries to establish the precedence of one over the other. Kessides (1993), the World Bank (1994, 2001), Canning and Bennathan (1999), and Jalan and Ravollion (2002) have all demonstrated through rigorous theoretical, statistical and econometric modelling the role played by infrastructure in poverty reduction. Kessides, in her paper *'The Contributions of Infrastructure to Economic Development – A Review of Experience and Policy Implications'*, highlights that infrastructure contributes to economic growth, both through demand and supply channels. It reduces the cost of production, contributes to the diversification of the economy, provides access to application of modern technology and raises the economic returns to labour and capital. Infrastructure contributes to raising the quality of life by creating amenities, and provides consumption goods. She, however, argues that infrastructure does not create economic potential, but only develops it where appropriate conditions (inputs like labour and capital) exist.

Canning and Bennathan (2000)⁵ argue that a conducive macro-economic environment is essential for efficient resource allocation to reap the positive impacts of infrastructure development. An orientation to economic demand considerations like services prices and user charges is essential as the most enduring benefit of infrastructure is the reliability and quality of the services demanded by the users. User charges should reflect supply and demand conditions, and non-market externalities as far as possible, to ensure that infrastructure is more economically efficient and environmentally favourable. Canning and Bennathan, however, posit that physical infrastructure investment is a form of '*complementary capital*' that supports services necessary for the operation of productive private capital.

Jalan and Ravollion (2002)⁶ have attempted to establish a direct link between infrastructure and economic growth through extensive studies in rural China. As per their estimates, every 1 per cent increase in the road density per capita, the private consumption expenditure increases by 0.08 per cent in rural China. Similarly, poor households living in communes with paved roads have a higher probability of escaping poverty than households living in communes without paved roads. The paper also highlights the importance of rural infrastructure such as public assets like roads in lowering transaction costs and improving incomes to farmers in rural China by providing market access.

The World Development Report 1994 titled '*Infrastructure and Development*' stressed the importance of efficient utilisation of infrastructure facilities. While in most underdeveloped and developing regions, it is important to increase the existing stock of infrastructure facilities, there should also be a focus on improving the effective utilisation of infrastructure facilities. Take for instance, irrigation infrastructure. On the one hand, it is important to invest in expanding the network of irrigation facilities and bring more area under irrigation cover. On the other hand, it is equally important to improve the utilisation rate of the existing irrigation facilities. The effectiveness of infrastructure is significantly dependent on its quality at the time of inception, as well as how well it is maintained over time.

Finally, there is the question of measuring infrastructure. While there do exist many infrastructure indices in India like the *AKC Index*⁷, the *CMIE Index* and the *India Today Index*, each of these indices have some inherent contradictions. Take for instance, the CMIE Index. It is unable to capture an essential ingredient of such an index. Consider two districts with similar population size and the same number of schools, hospitals, road length, etc. In one all the infrastructure facilities are

⁵ Source: Canning D. and Bennathan E. (2000), 'The Social Rate of Return on Infrastructure Investments', Policy Research Working Paper Series, World Bank.

⁶ Source: Jalan J. and M. Ravollion (2002), 'Geographic Poverty Traps? A Micro Model of Consumption Growth in Rural China', Journal of Applied Econometrics.

⁷ Source: Measuring Inter-state Differentials in Infrastructure – T. C. A. Anant (Centre for Development Economics, Delhi School of Economics), K. L. Krishna (Centre for Development Economics, Delhi School of Economics) and Uma Roy Choudhary (National Institute of Public Finance and Policy)

in and around the district headquarters (town) while in the other, they are more dispersed across the villages. For most of the CMIE variables that make up their index, the two districts will be judged to be similar. This is because the CMIE index normalizes every infrastructure variable they use by the size of the population. However, as one has learnt from Kerala, it is more important to uniformly disperse facilities rather than have them concentrated in one place. Indeed, the former Indian President's call for the provision of urban amenities in rural areas is of great significance in this regard.

Also, just the presence or absence of an infrastructure measure is not sufficient. Apart from availability of the resource, the accessibility of the resource is also of paramount importance. None of the infrastructure indices we currently have takes this into account in a systematic fashion. For instance, for proper development planning at the district level, one needs to know at what distance is the infrastructure facility available to the people. Are primary schools situated in such a way that they are accessible to all the children in the district? Is a primary school in the village, or within a reasonably accessible range of the village? Is it at a walk-able distance? If not, are bus services available?

Education

In India, almost 66.5 per cent villages have pre-primary schools within the village (table 1). 72 per cent villages have primary schools within the village. However, 88.5 per cent villages have primary schools within a radius of 2 kms from the village. 84 per cent villages have middle schools within a radius of 5 kms from the village. As far as higher education is concerned, most villages do not have access to college facilities. As per the data, 73 per cent of villages have colleges at a distance of more than 10 kms. Since the exact distance (how much more from 10 kms) is not known, we take these villages as having no access to college facilities. Similarly, 91 per cent villages and 79 per cent villages do not have access to any industrial training institutes and vocational training centres respectively.

Much of the unemployment problem in India can be understood from the above figures. While there is an access to primary and middle schools in most villages in the country, there is hardly any access to vocational training and industrial training centres. In absence of such training centres, most rural people are not able to get training to become 'skilled' labour. In absence of proper skilling, these people find it difficult to seek gainful employment, and end-up working as unskilled labour in the unorganised, informal sector, or as agriculture labour in the farm-sector of the economy. Increasing the access to 'employment-oriented' skilling institutions is the first step towards increasing employment opportunities for the rural workforce.

Health

As far as access to health infrastructure is concerned, the scenario is not very encouraging. While basic healthcare facilities like an integrated child development centre (anganwadi or balwadi) exists within the village in around 55 per cent villages in the country, higher order healthcare facilities are not accessible to a vast majority of villages. For instance, for more than 55 per cent villages, a government hospital is more than 10 kms away from the village. In case of private hospitals, more than 61 per cent villages do not have any access to such facilities. However, 79 per cent villages in the country have private doctors/clinics within a distance of 10 kms from the village. Infact, around 56 per cent villages have private clinics within a manageable distance of less than 5 kms from the village. While only 6.5 per cent villages have a primary health centre within the village, more than 20 per cent villages have private clinics in the village. Thus, much as we would like to deny, majority of the healthcare delivery in rural areas is through private doctors and clinics.

In absence of robust public healthcare system in India, the cost of healthcare facilities is also higher for the poor (usually in rural areas, or urban slums) as compared to the rich (usually in urban areas). For instance, a comparison between Dharavi (a slum in Mumbai) and Warden Road (an up-market suburb of Mumbai) shows a vast disparity in the cost of healthcare services for the poor (slum-dwellers).⁸ While diarrhoea medication in Warden Road costs on an average USD 2, it costs around USD 20 in Dharavi. Thus, there is a poverty-premium in Dharavi equivalent to 10-times the cost of the service in Warden Road. Clearly, the cost of health services is higher for the poor than the rich.

Similarly, there exists a disparity in the cost and quality of health services in rural areas as compared to urban areas – the rural people have to spend a larger proportion of their incomes on health services as compared to urban people. As per the estimates of the National Commission on Macro-economics and Health (2005), the proportion of total outpatient expenditure in total household expenditure is 4.72 per cent in rural areas as compared to 3.62 per cent in urban areas. Also, the proportion of total inpatient and outpatient expenditure in total household expenditure is 6.09 per cent for rural areas as compared to 5.06 per cent in urban areas. Thus, despite the ‘supposed’ government subsidies on rural healthcare, the rural people spend a larger proportion of their household incomes on medical expenses as compared to the urban people. The relatively widespread presence of private clinics and private doctors (at times even quacks) as compared to public healthcare services like primary health centres have led to serious cost (and quality) implications for the rural people, especially the poor.

⁸ Source: Prahalad C.K., and Hammond Allen, ‘Serving the world’s poor, profitably’, Harvard Business Review, September 2002.

Market access

With respect to infrastructure facilities for market access, around 45 per cent of all villages in India have metalled roads in the village, and around 80 per cent villages have metalled roads within a radius of 5 kms. 57 per cent villages are connected through all-weather roads, and around 70 per cent villages have all-weather roads within a radius of 2 kms. 71 per cent villages have a bus-stop within a manageable distance of less than 5 kms from the village. Connectivity through railways, however, is not present for most villages as close to 75 per cent of villages in India do not have any railway stations within a radius of 10 kms.

The postal service in India has covered the length and breadth of the country, and a large section of the rural population has access to communication services through post offices. Almost 80 per cent of villages in the country have postal facilities available within a radius of 5 kms. There has been a substantial improvement in tele-communications infrastructure in the country as well. In a short-span of a decade and a half, the network of telephone facilities has expanded to rural areas. As per the data, in 2002 around 60 per cent villages had access to telephone facilities within a distance of 5 kms. This has also opened-up opportunities of providing internet connectivity through telephone lines to the rural population as the telephone booths can be converted into internet kiosks.

Many corporations in India, both in the public and the private sector, are looking to expand the reach of mobile and internet services to rural India. However, despite the giant strides in the growth of tele-communication infrastructure in rural India, there still needs to be substantial investment as more and more villages are required to be brought under the ambit of telecommunication services as even a distance of 5 kms may be quite high for availing such services as these services are such whose usage-frequency is high. It may not be very cost-effective for any rural household to travel 5 kms to make a phone-call. By making these services accessible right in the village, there shall be an upward spiral in the consumption of such services by the rural people. However, only 20 per cent villages have telecommunication facilities available in the village, and thus quite a daunting task lies ahead for telecom firms in providing greater access to such services in rural areas.

Banking facilities are present within the villages in only 6.5 per cent villages in the country. Another 12 per cent villages have banking services available at a distance of less than 2 kms from the village. Around 34 per cent villages have banking services available within a radius of more than 2 but less than 5 kms. Thus, despite the rapid developments made in extension of banking infrastructure, a large proportion of villages in the country do not have access to banking services. It is in this context that the micro-finance movement through self-help groups gains importance in bridging the gap between the formal banking systems and the rural demand for credit.

Many micro-finance institutions (MFIs) are operating in different regions of the country and are expanding the coverage of banking facilities in rural areas. The SHG-Bank linkage programme of National Bank for Agriculture and Rural Development (NABARD) is a step towards linking the micro-finance system to the formal banking system. Under this programme, more than 3.5 million self-help groups have been linked to the formal banking system⁹. This has contributed to enhancing the spread of banking infrastructure to remote corners of the country.

The weekly markets or haats are the markets where rural people sell their produce, and also buy the items for consumption and daily-use. Around 11 per cent villages have haats or weekly markets within the village, while 15 per cent villages have haats within a radius of less than 2 kms. 33 per cent villages have such haats available within a distance of 2 to 5 kms. The presence of weekly markets or haats in close proximity to the village provides the rural workforce (especially weavers, artisans, potters and so on) an outlet for sale of their goods. These weekly markets and haats are the nodal business-centres in rural India, and numerous transactions take place on a weekly basis in these markets that provides incomes to many rural households.

Wage employment programmes in india

Direct provision of wage employment is obviously an attractive instrument for poverty alleviation wherever the poor depend heavily upon wage employment for their income and also suffer from considerable unemployment and underemployment. Wage employment Programmes have sought to achieve multiple objectives. They not only provide employment opportunities during lean agricultural seasons but also in times of floods, droughts and other natural calamities. They create rural infrastructure which supports further economic activity. These Programmes also put an upward pressure on market wage rates by attracting people to public works Programmes, thereby reducing labour supply and pushing up demand for labour. While public works Programmes to provide employment in times of distress have a long history, major thrust to wage employment Programmes in the country was provided only after the attainment of self-sufficiency in food grains in the 1970s.

Timeline of Wage Employment Programmes

1980: National rural employment programme: The National Rural Employment Programme (NREP) was started in 1980..

1983: Rural landless employment guarantee programme: To this was added the Rural Landless Employment Guarantee Programme (RLEGP) in 1983. These were the first initiatives towards central government sponsored schemes for wage employment

⁹ Source: NABARD Annual Report – 2002-03.

1989: Jawahar rozgar yojana: The NREP and RLEGP were merged in April 1989 under the Jawahar Rozgar Yojana (JRY). The JRY was meant to generate meaningful employment opportunities for the unemployed and underemployed in rural areas through the creation of economic infrastructure and community and social assets.

1993: Employment assurance scheme: The Employment Assurance Scheme (EAS) was launched on 2 October 1993 covering 1,778 drought-prone, desert and tribal and hill area blocks. It was later extended to all the blocks in 1997-98. The EAS was designed to provide employment in the form of manual work in the lean agricultural season.

1999: Jawahar gram samridhi yojana: The JRY was revamped from 1 April 1999 as the Jawahar Gram Samridhi Yojana (JGSY). It now became a programme for the creation of rural economic infrastructure with employment generation as a secondary objective. The Programme is implemented by the village panchayats and provides for specific benefits to SC/STs, the disabled and the maintenance of community assets created in the past.

2001: Sampoorna grameen rozgar yojana: The Sampoorna Grameen Rozgar Yojana (SGRY) was launched on 25 September, 2001 by merging the on-going schemes of EAS and the JGSY with the objective of providing additional wage employment and food security, alongside creation of durable community assets in rural areas. The Programme is self-targeting in nature with provisions for special emphasis on women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. The works taken up under the Programme are labour-intensive and the workers are paid the minimum wages notified by the states. Payment of wages is done partly in cash and partly in kind – 5 kg of food grains and the balance in cash. The Centre and the states share the cost of the cash component of the scheme in the ratio of 75:25

2004: National food for work programme: The Food for Work Programme was started in 2000-01 as a component of the EAS in eight notified drought-affected states of Chhattisgarh, Gujarat, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan, Maharashtra and Uttaranchal. The Programme aims at augmenting food security through wage employment. Food grains are supplied to states free of cost. This programme is now subsumed under the NREGP.

Implementation of NREGA

NREGA was launched across 200 districts in February 2006. The Act was extended to 130 new districts from April 2007. An amount of Rs 11500 crore was allocated by the Union Government for

implementation during 2006-2007. The 27 states could spend only about Rs 8800 crore. The allocation is non-lapsable. Rs 12000 crore was allocated by the Union Government for 2007-2008. The central Government provides 90 per cent of the fund and the rest is provided by the states. More than Rs 15000 crore is available for the current fiscal. Centre will have to provide additional allocation if there is additional demand as NREGA is an Act not a scheme.

Table 1: NREGA in a nutshell – 2006-7*

No of households demanded jobs	2.11 crore
No of households provided jobs	2.10 crore
Total Number of persondays generated	90 crore
Average persondays per family	42.85
Total works taken up	8.3 lakhs
Completed works	3.8 lakhs
Ongoing or Incomplete works	4.5 lakhs

Table 2: NREGA at nutshell: 2007-8 (till December 2007)*

No of households demanded jobs	2.48 crore
No of households provided jobs	2.43 crore
Total Number of persondays generated	78.03 crore
Average persondays per family	28.75
Total works taken up	11.68 lakhs
Completed works	3.36 lakhs
Ongoing or Incomplete works	8.31 lakhs

Table 3: Top five states in terms of spending till April 2007

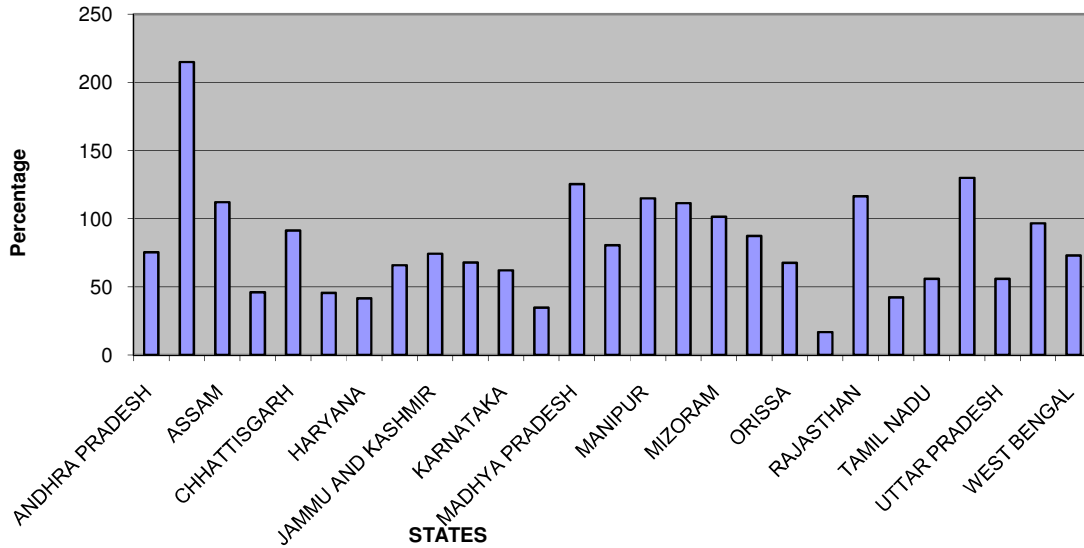
S No.	State	Districts under NREGA (Nos.)	Expenditure (Rs. Crore)
1	Andhra Pradesh	19 districts	544
2	Rajasthan	12 districts	770
3	Madhya Pradesh	31 districts	361

* Source: www.nrega.nic.in

4	Chhattisgarh	15 districts	349
5	Jharkhand	22 districts	270

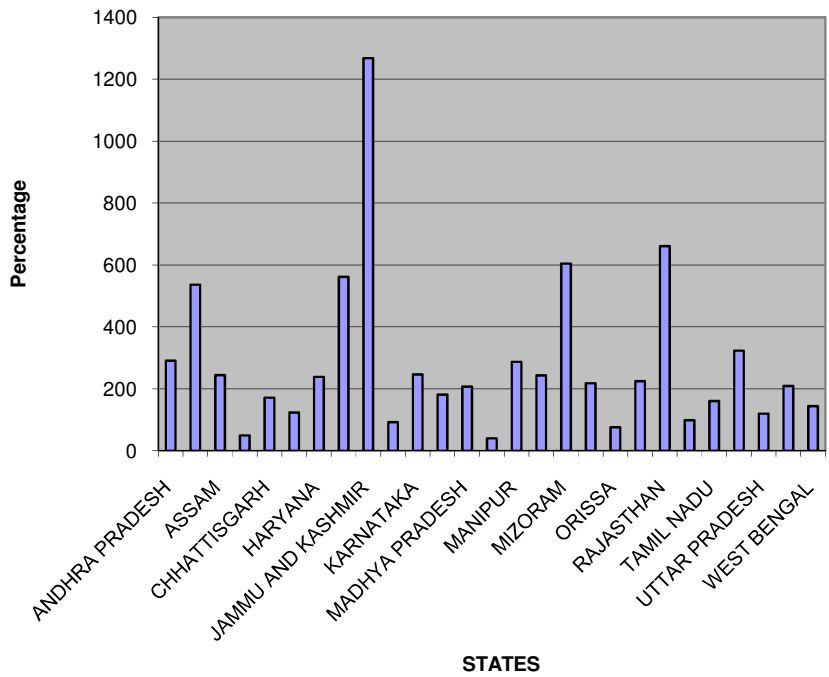
Source: www.nrega.nic.in

Graph 1: Job Cards Issued as % to Rural Household (2006-07)



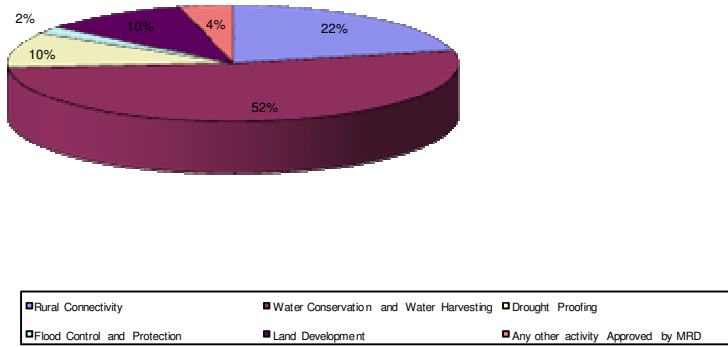
Job cards issued as a percentage of rural household may be reflective of the initial enthusiasm of the state administration towards the NREGA. Almost one-third of the states have issued job cards to 100 percent or more of the rural households.

Graph 2: Demand For Employment as % of Estimated Rural BPL Families (2006-07)

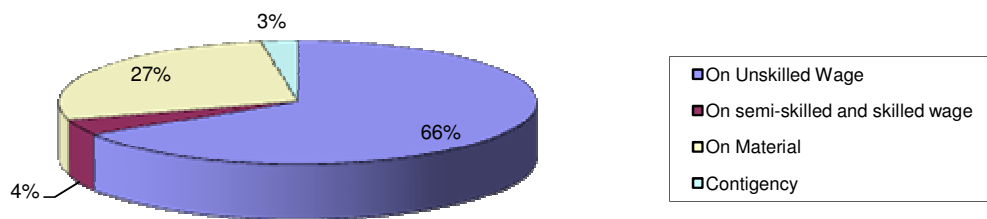


Demand for employment, as a percentage of rural families below poverty line is high in the north east states, Jammu and Kashmir and Rajasthan where as it is low in Bihar, Maharashtra, Orissa, Uttar Pradesh and West Bengal.

Graph 3: Works/Activities 2006-07

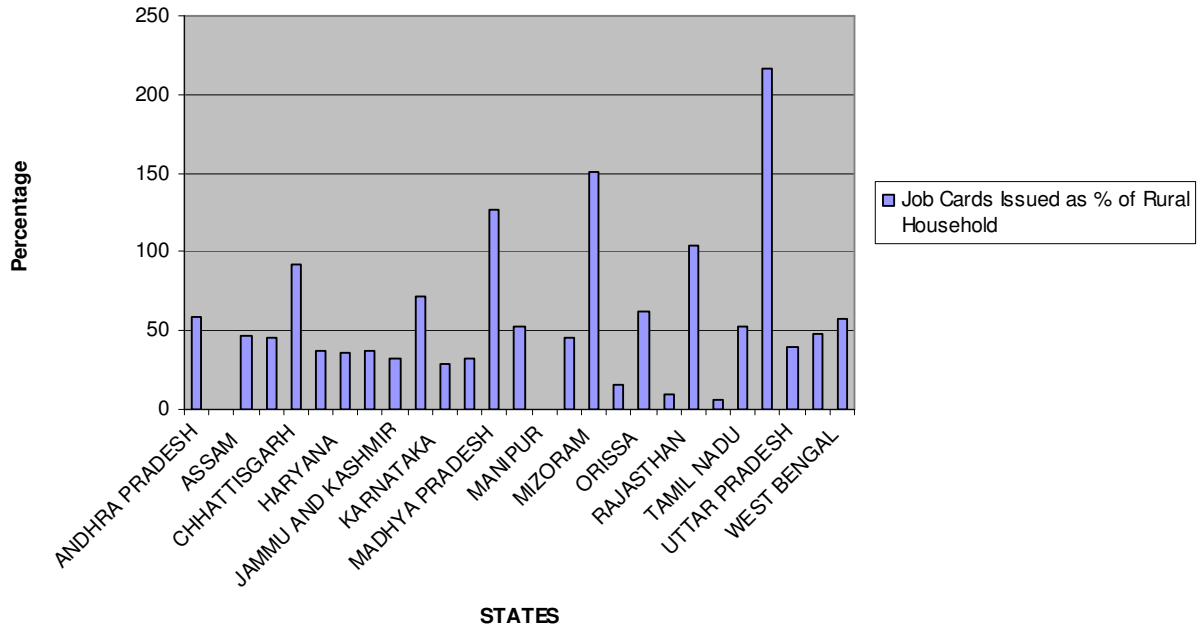


Graph 4: % Expenditure of Total (2006-07)

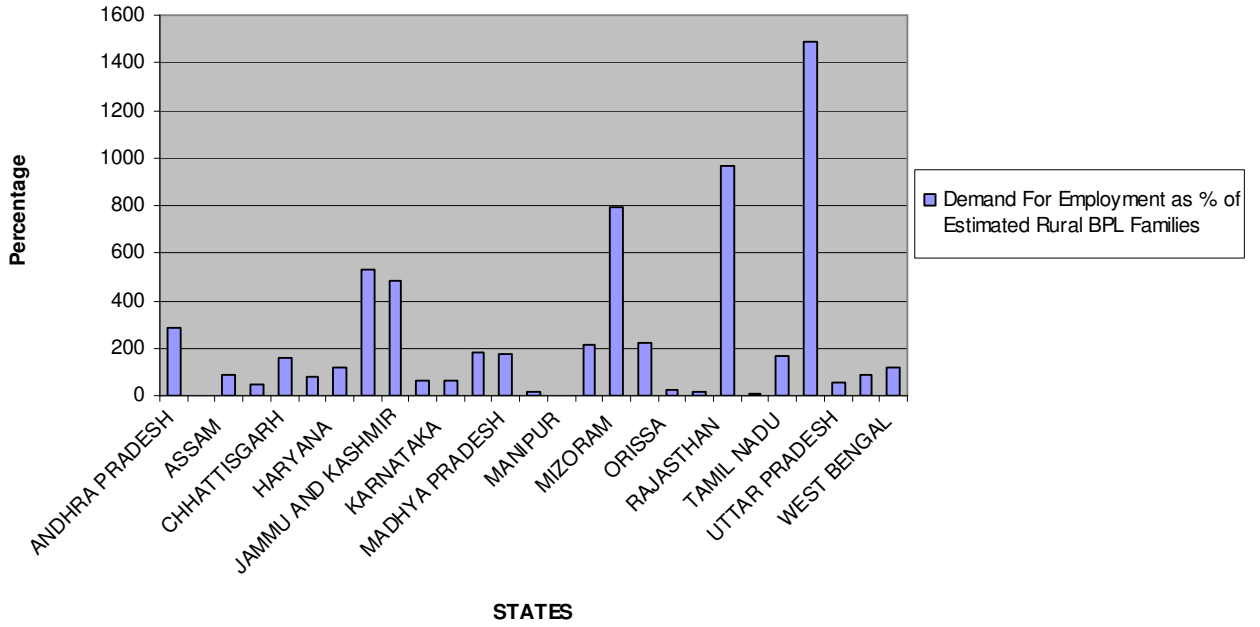


Of the total expenditure maximum amount has been spend on unskilled wage. Second biggest spending is on material. For the financial year 2007-08 until August 2007, a graphical summary has been provided. The trends are similar to 2006-07.

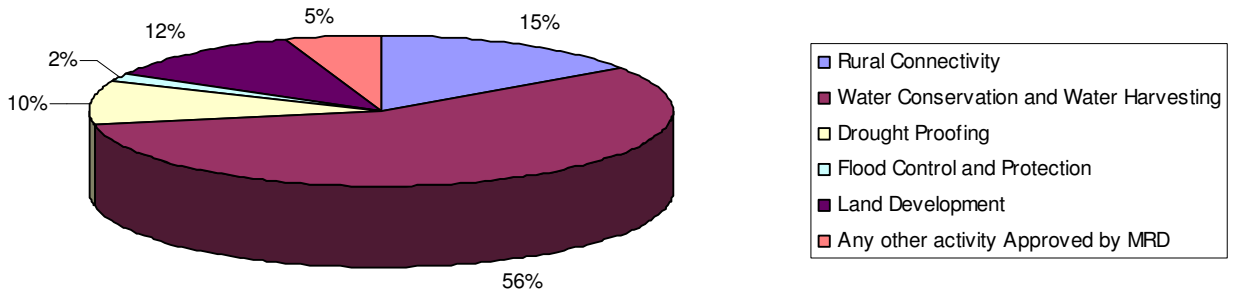
Graph 5: Job Cards Issued as % of Rural Household (2007-08)



Graph 6: Demand For Employment as % of Estimated Rural BPL Families (2007-08)



Graph 7: Works/Activities 2007-08



Graph 8: % Expenditure of Total (2007-08)

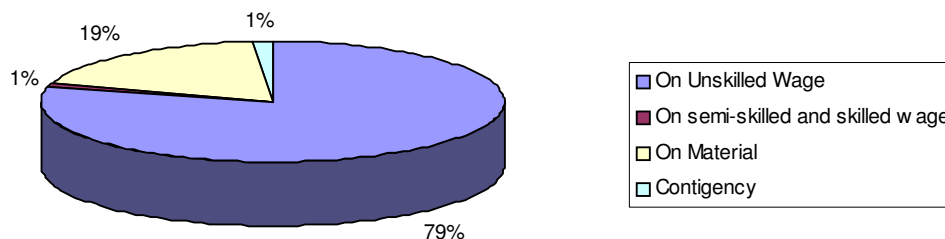


Table 5: Projected Expenditure for all 595 districts classified as rural districts

Districts	Projected Expenditure (@minimum wage Rs 58 for 100 days)	
	For all rural household (Rs. Crore)	For projected no of households based on 2006-07 (Rs. Crore)
595	79750	36540

Conclusion

Trends from the States

The village survey confirms most of the evidence already gathered. Most people do not access the scheme, as they have not heard of the programme. They would like a more proactive role of the panchayat in deciding the infrastructure to be constructed. Almost everyone wants more work from the scheme and better facilities at the work place. There is enough evidence of fudging and mismanagement of records. Large number of works relating to water conservation has been taken up. Tamil Nadu and Rajasthan report large women participation in the scheme. Andhra Pradesh, Gujarat and Tamil Nadu have conducted work, time and motion studies and accordingly wages have been

fixed. Karnataka has copied Andhra Pradesh model but rest of the states continue to pay wages based on old irrigation department norms.

Faulty measurement of work results in lower payment of wages. Minimum wages are still not paid in many states. Distress migration has been partially affected due to NREGA in Andhra Pradesh. Implementation is yet to pick up in Uttar Pradesh and Bihar. Lots of money is being spent in road construction for rural connectivity in Bihar and UP. The impact of monsoon rains on these works needs to be assessed. Uttar Pradesh (39 districts / Rs 76 crore) and Bihar (37 districts / Rs 32 crore) are slow in NREGA implementation. Due to inbuilt transparency norms, beneficiaries are receiving wages but delay in payment remains a key issue. Allegation of tampering of muster roll is rampant. Maintenance of structures created under NREGA is still not thought about. Gram Panchayats share a higher work load. (64 per cent of the works are implemented by Panchayat against a norm of 50 per cent). The Ministry for Rural Development estimate that NREGA would require around Rs 20,000 crore annually, to cover all the 595 districts in the country which are classified as rural. The amount allocated to NREGA for 2006-07 was Rs 11,300 crore (200 districts) and Rs 12,000 crore for 2007-08 (330 districts). A quick calculation shows that a total amount of Rupees 36,500 crore may be needed for the implementation of the project over the entire country.

Policy recommendations from the village SAM and the NREGA study

- The study makes the point that a programme like the NREG has far reaching implications and should be evaluated in its entirety. It has large socio economic implications atht any simple evaluation would not capture.
- The study recommends that the National Rural Employment Guarantee Act be continued.
- It should also be extended to all parts of the country.
- It is also recommended that the works under NREGA be expanded or better still completely decentralised so that the panchayats are free to decide on local priorities.
- The wage calculation is indeed problematic as it uses old norms. Work measurement is also something that must be standardised as this could lead to harassment, underpaid workers and therefore problems in implementation.
- Delays in wage payments go against the Act but there is evidence of such delay already and needs to be done away with.
- The 100 hour cap per household is also a policy decision that needs a review.
- The implementation of the Act has now thrown up issues of leakage and corruption and this needs to be plugged by making the implementation truly decentralised and based on self selection by wage earners.

- The original objective of the Act was to arrest rural urban migration. This needs to be studied, for it should indeed have helped cut down on distress migration.
- The impact of monsoons and rains on infrastructure like roads and check dams needs to be studied too to enable a more sustainable asset development.
- Maintenance of structures that are built with NREAG money is another aspect that has been ignored and could fritter away the benefits.
- There is also a hunch that food processing sectors would get benefitted by NREGA activity and this would result in greater up stream activity. This too needs to be studied and the resultant policy issues looked at as this sector is among the most regulated of industries in India.
- A large number of people also have not heard of the Act and the programme. Wider dissemination is required especially among the more vulnerable areas in the north east and Jammu and Kashmir where the demand seems to be high.
- However, an impact assessment of the kind done for one village should be replicated across states as the indication is that the demand for NREGA work is different for different states. A repeat survey of the same village after one year would also enable estimation over time.
- The impact of the NREGA on rising input costs by way of higher wages to be paid for agriculture labour also needs to be studied as this becomes a political constituency against the Act.
- There is also a feeling that as cash transfers increase disposable incomes, village economies tend to get inflationary and this might provoke resentment. The inflation effect, the need to integrate markets so inflation does not occur and the time lag for equilibrium effects to show up need to be studied.

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61. Appendix

National Rural Employment Guarantee Act 2005 (NREGA)

Objective

NREGA is designed as a safety net to reduce migration by rural poor households in the lean period through at least a hundred days of guaranteed unskilled manual labour provided on demand to each household, at minimum wages prescribed by respective states. It is also expected to enhance people's livelihoods on a sustained basis, by developing the economic and social infrastructure in rural areas. Works focused on water conservation, land development and drought proofing are to be taken up under the Act.

Registration for Employment

The adult member of every house hold who resides in rural area and is willing to do unskilled manual work, may apply for registration of household for issuance of Job Card (Schedule 2(1) of the Act).

Employment in the scheme

Employment must be provided to all applicants within 15 days of receipt of an application and within a radius of 5 km from their place of residence. In case employment can not be provided within 15 days of receipt of the application the applicant shall be entitled to a daily unemployment allowance (Schedule 7(1) of the Act).

Unemployment allowances Rates

The unemployment allowance rate for the first thirty days shall not be less than one-fourth of the wage rate. For the remaining period of the financial year the unemployment allowance rate should not be less than one-half of the wage rates. In the event of any delay in the payment of unemployment allowance, the recipients shall be entitled to compensation based on the same principles as wage compensation under the Payment of Wages Act, 1936. Compensation costs shall be borne by the State Government.

Minimum Wage

Minimum wages for the state shall be such that a person working for 7 hours would normally earn a wage equal to the wage rate. Minimum wages are to be fixed by the state Government under section 3 of the minimum wage Act, 1948 until the time, the wage rate is fixed by the Central Government. However the minimum wages shall not be at a rate less than sixty rupees per day.

Type of works under the scheme

As per Schedule 1 of the Act, the focus of the Rural Employment Guarantee Scheme shall be on the following works:

- Water conservation and Water harvesting
- Drought proofing (Afforestation and tree plantation)
- Irrigation canals
- Provision of irrigation facility to land owned by SC/ST/beneficiaries under Indira Aawas Yojana*
- Renovation of traditional water bodies
- Desilting of tanks
- Land development
- Flood control and protection works including drainage in water logged areas
- Rural connectivity to provide all weather access
- Other works notified by the Central/State Government

Application for work

At the Gram Panchayat level application for work is to be submitted to the Sarpanch of the Gram Panchayat. The application can also be submitted to the Programme Officer. The Sarpanch of Gram Panchayat and the Programme Officer shall be bound to accept the valid applications and to issue a dated receipt to the applicant.

Employment Card

As per Schedule 2(1) of the Act, the Gram Panchayat will issue a job card after registration free of cost to each applicant household. The job card will contain the details of adult members of household such as names, age, address and photographs. Registration will be made for five years and may be renewed from time to time.

* The IAY was launched in 1997-98. The basic objective of the scheme is to help construction of new dwelling units as well as conversion of unserviceable kutcha houses into pacca/semi pacca houses to the marginalised sections of the society who are living below the poverty line by extending them grants-in-aid.

Availability of employment

Under the Act, employment shall be provided within a radius of 5 km from the residence of the applicant (Schedule 2(12) of the Act). If employment is provided outside 5 km it must be provided within the Block with 10 % extra wage to meet additional transportation and living expenses (Schedule 2(14) of the Act). Applicants are to be intimated by written letter and a public notice shall be displayed at the office of Gram Panchayat and Programme Officer (Schedule 2(11) of the Act). Priority shall be given to women and in such a way that at least one third of the beneficiaries shall be women (Schedule 2(6) of the Act).

Facilities at work site

Worksite facilities are to be provided by the implementing agency (Schedule 2(27) of the Act). These include

- Safe drinking water
- Shade for children and periods of rest for workers
- First-aid Box for emergency treatment and minor injuries
- Safety equipments and measures for health hazards connected with work

To look after the women workers' children below the age of six years, one woman worker shall be deputed for every five such children. The deputed woman shall be paid wage rate (Schedule 2(29) of the Act).

Serious accidents at work site

If any person employed under the scheme or a child accompanying any such person is injured he/she shall be entitled to free of charge medical treatment which shall include accommodation, treatment and medicines (Schedule 2(24) of the Act). During the period of hospitalization of injured worker half of the minimum wage per day is to be paid for his upkeep (Schedule 2(25) of the Act). If a person employed under a scheme dies or becomes permanently disabled by the accident at site the legal heirs of the deceased or the disabled shall be paid an ex gratia payment at the rate of Rs.25000 by the Central government.

Wage payment

The wage under the scheme may be paid either wholly in cash or in cash and kind. But at least one fourth of the wages shall be paid in cash only. All payment of wages in cash and the unemployment allowance shall be made to recipients in the presence of eminent persons of the community on pre-announced dates (Schedule 23(4) of the Act). The disbursement of daily wages shall be done on a weekly basis or in any case not later than a fortnight specified under the scheme (Schedule 3(3) of the Act). In case of delay of wage payments labourers shall be entitled to receive payment of compensation as per the provisions of payment of wages Act, 1936.

Implementing Agencies

The Gram Panchayat shall be responsible for identification of projects in the Gram Panchayat area and prepare a development plan as recommended by Gram Sabha and Ward Sabha (Schedule (16(1) of the Act). The Gram Panchayat shall maintain a list of possible works to be taken up as and when demand for work arises. It is also responsible for the execution and supervision of such works. The other implementing agencies can be Intermediate and District Panchayat, line departments of the Government, Public Sector Undertakings of the Central and State Governments, Cooperative Societies with a majority shareholding by the Central and State Governments, and reputed NGOs having a proven track record of performance. Self-Help Groups may also be considered as possible implementing agencies.

Sanctions and allotment of works

The Gram Panchayat shall forward its proposals in the order of priority to the Project Officer for approval. The Programme Officer must be someone not below the rank of BDO at block level (Schedule 15(1) of the Act). The Programme Officer shall allot at least 50 percent of works in terms of cost, to be implemented through Gram Panchayat. The Programme Officer shall supply each Gram Panchayat with muster rolls for the works and a list of employment opportunities (Schedule 16 (4, 5 and 6) of the Act).

Provision of Social Audit

The Gram Panchayat shall make available all relevant documents; muster rolls, bills, vouchers, sanction orders and other books of accounts and papers to the Gram Sabha for the purpose of social Audit (Schedule 17(3) of the Act).

Ban on Contractors and Machines

Machines and Contractors are banned. The Scheme shall not permit engaging any contractor for implementation of the project under this scheme (Schedule 1(11) of the Act). Works under this scheme shall be performed by using manual labour and not by machines (Schedule 1(12) of the Act).

Grievance Redressal Mechanism

The State Government shall make rules and regulations to deal with any complaint at Block and the District level (Schedule 1(19) of the Act). If any dispute or complaint arises under the scheme against the Gram Panchayat the matter shall be referred to Programme Officer (Schedule 23(5) of the Act). The PO shall enter every complaint in a complaint register and shall dispose the disputes and complaints within 7 days of its receipt (Schedule 23(6) of the Act). Appeal against the Programme Officer will be to the District Programme Coordinator. Appeal against the District Programme Coordinator may be with an appropriate authority designated by the State Government.