

# *eSays*

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## DEBATING POVERTY



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# Can the Rights based NREGA Reduce Poverty?

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*The poverty alleviation programmes of the Ministry of Rural Development are designed to act as safety nets to the poor during the times of crisis even while addressing partly the multi-dimensional poverty. The National Rural Employment Guarantee Act (NREGA) (2005), a social protection programme, has emerged as a major theme in development discourses perhaps due to its scale of finance and adoption of 'rights' based framework. What has been its overall impact and in particular on rural poverty?*

## **Can NREGS Reduce Rural Poverty?**

The impact of the National Rural Employment Guarantee Schemes (NREGS) on rural poverty depends on a number of factors such as the outreach of the programme, participation of the poor (days of work) in the NREGS as supplementary employment, wage earnings as well as the effect of NREGA on the rise in market wages in agriculture and non agricultural employment. For instance the capacity of small and marginal farmer households in rain fed areas to absorb the burden of wage rise needs to be reckoned since their proportion in these areas is higher than in others. The effect of NREGS would be positive for these farm households if the community and individual works undertaken under the scheme help in productivity enhancement of agriculture. Field evidence needs to be systematically analyzed before drawing conclusions of the programme impact.

If we accept the official poverty line of Rs 816 per capita per month for rural areas for 2011-12, a typical five-member household would have to earn at least Rs 48,960 per annum to be considered as non-poor. If the household participates in NREGS for 100 days, it would earn Rs 11,354 (at the average wage paid), which works out to about 23.2 per cent of the poverty line. It is obvious that if the household is moderate poor (i.e., with an income between 75 to 100 per cent of the poverty line) it can move out of the poverty for that year if it is provided 100 days (transient poverty) of work. However, if the year happens to be an agriculturally bad year then the chances of such households crossing the poverty line even after fully participating in the scheme would diminish. The chances of getting more than 100 days of employment in the scheme and in particular, in periods of crisis depend upon the commitment of the state to poverty reduction. For the other (ultra) poor, 100 days of work in NREGS would certainly reduce the intensity of poverty but they would remain in poverty.

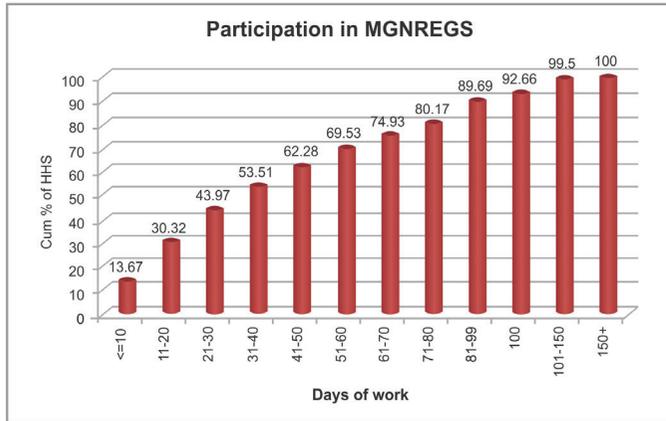
Thus, several conditions have to be fulfilled for NREGS to make a lasting impact on poverty. When poverty alleviation is the main objective of the rural development programmes and the core concern of the states, why should there be a ceiling on employment days? Of late, the upper limit on working days has been relaxed to 150 in drought hit and LWE areas. Another welcome sign is that more and more states are willing to provide more than 100 days. As per available data, during 2012-13 about 7.3 per cent of the participating households were provided more than 100 days of work and their share in total employment was almost one-fifth. States should be pro-poor in extending such benefits to the chronic poor even in periods of normalcy.

**NREGA and Market Wage:** The Labour Bureau data on rural wages indicate that the nominal wages have risen sharply during the last seven years at the rate of 14-15 per cent per annum, while the real wages grew at 5-6 per cent. Some have ascribed this rise in wages largely to growth in agriculture and construction, since employment under NREGS accounts for only a small proportion of the total rural employment. However, other field based studies have acknowledged NREGA as the major driving force for the hike in wages. The 68th Round NSS data on wage earnings of casual workers indicate that for most of the key farm and non-farm operations, the NREGS wage rate has become the floor wage in many states. The NREGA wage has gone up from Rs.65 in 2006-07 to Rs.113 by 2011-12 registering an annual growth of 14.77 per cent per annum. Thus, NREGA effect on market wages has been significant. Whether this rise in real wage rates will be sustained depends upon several factors including the rise in the productivity of farm and non-farm sectors.

**Outreach of NREGS:** The databases relating to the programme throw divergent and conflicting results in regard to the extent of participation of the poor in the NREGS. For instance, the official statistics point out that nearly 5.25 crore households were provided work in 2009-10. The National Sample Survey Organisation (NSSO) data, on the other hand, indicate that an estimated 5.65 crore households took part in the scheme during 2009-10. Further, as per the official data, about 22 per cent of the rural households have been covered during 2011-12. The National Sample Survey (NSS) data, on the other hand, reported a participation of 12.9 per cent of the adult workers in the scheme and denial of work to 2.8 per cent. The average employment days per participant household was 54 in 2009-10 and 43 days in 2011-12 as per official statistics while the corresponding estimates based on NSS data were 43 days and 46 days respectively. Whether the NSS design for estimating employment and unemployment is also appropriate for estimating the participation of households/persons in the NREGS is an issue which needs to be examined. Nonetheless, the data from the two sources confirm the skewed allocation of the total employment opportunities. For instance, the MIS data for 2012-13 indicate that 53 per cent of households were provided work for less than 40 days with an average employment as low as 13.8 days of work. At the other extreme, about 10.31 per cent of

households were provided almost 25 per cent of the employment days. The participation of households in NREGS is depicted in the Fig. 1.

**Figure 1: Participation of households in MGNREGS**



Source: MIs data

From the NSS data for 2009-10, it can be gleaned that all the rural poor had not participated in the NREGS work; in fact the scheme has been mainly designed for the poor. The 66th round data of NSS (2009-10) show that 39 per cent of the bottom 30 per cent households had job cards and 70 per cent of them took part in NREGS. The share of bottom 30 per cent of the rural households in total NREGS employment was 70 per cent. Among the households without job cards 14.6 per cent also worked in the scheme. In all, nearly half of the bottom 30 per cent of the households did not participate in the NREGS. The top three deciles of rural households accounted for 2.86 per cent of the total employment days under NREGS. The average number of days of work per participating households in these two groups was not significantly different. The participation of the economically better off households in NREGS raises a number of doubts. In drought prone areas, the participation of large farmers in the NREGS is more significant in years of severe drought. But the reliability of this data has to be examined further.

A study on the factors influencing the participation in NREGS by National Institute of Rural Development NIRD (2013) in 16 Gram Panchayats from the states of Karnataka, MP, Maharashtra and Rajasthan observed higher rates of attrition in work participation in 2010-11 over 2009-10. and very high in the subsequent year among the sample households. The estimated unmet demand was moderate in 2009-10 but went up steeply in 2010-11. Further, about 75-80 per cent of the households reporting unmet demand have been withdrawing from the scheme involuntarily. These facts confirm that the NREGA is not totally demand driven and that the confidence levels of the poor on the timely provision of adequate work have been eroding.

***NREGA and Land Productivity:*** Landlessness is not high in the poverty stricken rain fed regions but the agriculture is highly vulnerable due to erratic and low rainfall compounded by volatile market prices. The land works under NREGS have been introduced to enhance the productivity of land which would help reduce the poverty among those included in the scheme. However, field studies point out the irregularities in implementation such as, the inclusion of ineligible farmers, the exclusion of the target groups, the resort to adhoc planning of works and the failure to attract matching private investment. On the other hand however, there are successful practices which helped the SC, ST and small farmers in making their lands productive. Such practices need to be replicated and strengthened.

### **Successful case of group farming**

The participatory and convergent approach adopted by the District Water Management Agency (DWMA) in the drought prone Punganur Mandal of Chittoor district in Andhra Pradesh for poverty reduction of SC households is a good illustration of planning for productivity enhancement. In the Chandramakula palli Gram Panchayat, 53 SC chronic poor households were given individual land works in 2006-07 to develop the 159 acres of marginal lands assigned to them by the state.

These lands are on the outskirts of the village, on a hillock. These SC households were formed into self help groups (SHG ) to enable collective action and for promoting thrift and credit activities. A comprehensive land development plan with NRM framework has been prepared in consultation with the beneficiaries and eight schemes such as Horticulture Mission and Micro-irrigation Plan have converged with the NREGS. The state has been providing support consistently and continuously for over six years. The SC farmers have also responded to the opportunity very well with total commitment and opted for a crop mix to meet the food needs (jowar, maize, tomatoes, etc) and income gains (rain fed horticulture such as mango). The market value of the land has gone up five fold and the returns per acre are about Rs 10,000. The intangible benefits to the SC farmers are the increased level of confidence and experiential learning. The beneficiary farmers are confident of moving out of poverty with the provision of some livestock by the state since this would ensure multiple sources of income and a continuous flow of income even while utilising human resources optimally. The vertical mobility of these farmers has been endorsed by the local rich and powerful community; an indication of the improved economic status of the poor SC farmers.

### **Conclusion**

The above evidence and observations unambiguously indicate that while the impact of the NREGA on overall poverty reduction may be moderate, it certainly results in

reducing the intensity of poverty of the beneficiary households, which is directly related to the days of participation in the scheme and innovative ways of planning the works.

‘Rights’ based interventions such as NREGA *per se* cannot resolve the socio-economic problems of the rural poor community that has been experiencing multiple deprivations and has been denied justice over a long time.

- NREGA can be construed as an appropriate step by the state to correct governance deficit by promoting people’s participation, ensuring transparency and accountability. The contribution of NREGA to poverty reduction would undoubtedly be substantial if similar programmes were to be built into a comprehensive natural resource management plan which can address the larger ecological concerns, as well as the particular problems of tiny land owners. The Ministry of Rural Development along with Ministries of Agriculture, Environment & Forests and Water Resources has evolved a framework for the convergence of NREGS with the schemes of the other Ministries in terms of works, planning and management to create durable and productive assets.
- Last January 4, a workshop on ‘Greening Rural Development in India’ held jointly by MoRD and UNDP in New Delhi dealt with the issues of sustainable development and strengthening of rural livelihoods, by adopting innovative approaches for realizing sustainable poverty reduction and improved natural resource conservation and use. The Planning Commission’s Task Force under the chairmanship of Rajwant Sandhu has underscored the need for wider application of information and communication technologies for operationalising the concept of participative planning at the grassroots level. The technological advances (e.g. geo-informatics applications) should be made people friendly in assessing the capabilities of local resources and for developing a perspective plan for optimal resource use along with the subject matter specialists. Such an approach ensures natural convergence of schemes and effective coordination of departments / agencies, participation of all stakeholders as partners and pooling of (limited) resources. A number of attempts are currently being made in this direction by several (research) institutes such as CGARD of NIRD and KILA of Kerala in action research mode.
- It is time to give up preparation of detailed perspective plan for each centrally sponsored scheme and instead, derive them from the integrated natural resource management (INRM) plan.
- It is imperative that the Panchayati Raj Institutions should prove themselves as an effective local governance system. The capacity building of these local bodies and functional autonomy backed by adequate funds should receive high priority so that decentralized participatory planning becomes a reality.

- Most importantly, for sustainable poverty reduction, a resource development and use plan should be supported by a comprehensive social and human resource development plan in order to make the growth process inclusive and sustainable.

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