The Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) is an Indian job-guarantee scheme, enacted by legislation on 25 August 2005. The scheme provides a legal guarantee for 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage of Rs.100 per day. The Act focuses on rural areas, where poverty is higher than in urban areas, and is particularly valuable during lean periods when the rural population are not able to obtain jobs. By providing a legal guarantee to work, it marks a paradigm shift from all earlier and existing wage employment programs. NREGA is an innovative answer to the long-standing problem of providing social safety nets in rural areas. First, it aims to provide gainful employment and reduce poverty, improving the purchasing power of the rural people. Second, it aims to create public assets in the rural areas such as roads, water tanks and other common resources that will help residents overcome other hardships associated with poverty.
**Context**

**Government and decentralization context**

India is the world’s largest democracy, with a consistent rural background. As Mahatma Gandhi said, ‘India lives in its village.’ The policies and solutions chosen for economic development in the country have not helped liberate its citizens from poverty. To the contrary, they have caused the necessity of an entire program to help the lowest levels of the society. The Government of India’s introduction of an anti-poverty programme aims to decrease the overall rate of poverty in the country.

**Governmental decentralization context**

In India, governmental policy power is divided and decentralized across three layers: the first level is the central government, the second level comprises the different states, and the third level is the local system of Panchayati Raj. Panchayati Raj is an organized institutional subdivision enacted through the 73rd and 74th Constitutional Amendments, realized in 1992, which identifies Panchayats and Municipalities as key institutions of local self-government for rural and urban areas respectively. As a World Bank report (2000) explains:

In India, locally elected bodies are the Panchayati Raj Institutions (PRIs) at the district, block and village levels. The decentralization process is distinct for urban and rural areas. The 73rd amendment governs rural decentralization, whereas the 74th amendment mandates urban decentralization. Rules and institutions are different between the two. The system of the hierarchically three-layered rural government is clearly differentiated from local governments in urban areas, which are more autonomous in nature. While the PRIs have hitherto been attached to the state administration, the municipal authorities are disjointed and have had fiscal powers to raise resources for their additional fiscal requirements. In general there are lesser expenditure responsibilities for rural than urban governments. Another important difference is that the area and population under the jurisdiction of different urban bodies is different. (p. vi)

The ongoing decentralization process is important and genuine. State governments, ruled by different political parties, have “begun to compete with each other to design better and more effective mechanisms for reaching to the grass-roots” (World Bank 2000: xiii)

Through these Constitutional Amendments, the National Rural Employment Guarantee Act (NREGA) found its space for participation and inclusion across the rural constituents. The original name of the policy was, as quoted, the National Rural Employment Scheme, which was first implemented in August 2005. After the first implementation, many changes were made before the policy was expanded nationally.

**Institutional level of policy development:** National

**Social context**

**Persistent poverty**

The Indian economy has been growing faster than many of the world’s largest developed economies over the past decade, yet the extent of poverty has not decreased at a desirable rate. Detailed studies by the Planning Commission, based on analyses of National Sample Survey (NSS) data from 1997 and 1998, found that general monthly expenditures are below the ‘poverty line’ level and even after economic reform policy, poverty levels have not declined. The Ministry of Housing and Urban Poverty Alleviation reports that over 81 million of Indians live below the
poverty line (in UNESCO 2010). In order to decrease the rate of poverty through gainful employment, the Government of India introduced the National Anti-Poverty Programme. MGNREA is part of this program.

Urbanization

India’s urban population increased from 17% (63.4 million) in 1950 to 27.7% (288.5 million) in 2000, and by 2010 there were more than 364 million people (30% of the population) living in urban areas across the country (UNESCO 2010). Despite initiatives regarding local governance and planning that are strongly influenced by 73th and 74th Constitutional Amendments and the Jawaharlal Nehru Urban Renewal Mission (JNNURM) launched by the Government of India in 2005, cities in India ‘continue to be plagued by issues of poverty and social exclusion, increasing pressure on land and poor infrastructure and urban services’ (UNESCO 2010: 2). For these reasons, the MGNREA (under the Jawaharlal Nehru National Urban Renewal Mission programme) strives to counter this rapid urbanization, the migratory fluxes from rural to urban areas, and the destruction of the balance between rural and urban areas. Complementary programs initiated to address this situation include major initiatives that link urban development to social equity and justice, such as the National Urban Poverty Reduction Strategy (2010-2020): “A New Deal for the Urban Poor – Slum-free cities”, and important schemes, such as Rajiv Awas Yojana to give property rights to slum dwellers and the Swarna Jayanti Shahari Rozgar Yojana (SJSRY) for self employment and skill development among the urban poor. Basic services to the urban poor and slum dwellers are provided under the umbrella of the Jawaharlal Nehru National Urban Renewal Mission (JNNURM). (UNESCO 2010, Foreword)

Policy development

The Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) is an Indian job-guarantee scheme, enacted by legislation on 25 August 2005. The Preamble to the Act states:

The Act aims to provide the enhancement of livelihood security of the households in rural areas of the country by providing at least one hundred days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work.

Named after the father of the nation, Mahatma Gandhi, in 2009, the Act focuses on rural areas, where poverty is higher than in urban areas, and is particularly valuable during lean periods when the rural population is not able to obtain jobs. The NREGA, by providing a legal guarantee to work, marks a paradigm shift from all earlier and existing wage employment programs because it is an Act and not just a scheme. NREGA is an innovative answer to the long-standing problem of providing social safety nets in rural areas, and is a rights-based approach (IFPRI 2010).

The Act has two-fold objectives: First, it aims to provide gainful employment and reduce poverty, improving the purchasing power of the rural people, primarily semi-skilled or unskilled people living in rural India, and was primarily meant for people living below the poverty line. Second, it aims to create public assets in the rural areas such as roads, water tanks, and other common property resources that will help residents overcome other hardships associated with poverty.

To become part of this programme, a member of a rural household submits their name, age, and address with a photo to the Gram Panchayat. The Gram Panchayat registers the individual after making an enquiry and issues a job card. The job card contains the details of the adult member enrolled and his/her photo. The registered person can submit an application for work in writing (for at least 14 days of continuous work) either to the Gram Panchayat or to a Programme Officer. The Panchayat or programme officer accepts the valid application and issues a dated
receipt of application. A letter providing work will then be sent to the applicant and also displayed at the Panchayat office. The employment is provided within a radius of 5 km. If it is beyond 5 km, a higher wage is paid. Wages are fixed by minimum wage regulation and are deposited directly to a bank by the lowest level of administrative unit, namely, the village Panchayat.

The programme limits the migratory fluxes from the countryside to urban areas, and employs mostly women who did not have paid work previously – around one-third of the stipulated workforce is women. Thus, as Tewari (2010) notes, ‘NREGA serves as an effective safety net for the unemployed, especially during years of famine and drought, supplementing household incomes and reducing migration to cities by villagers in search of work. It helps the rural poor economically by not just putting cash in their hands, but also helping them create sustainable assets.’

At the beginning of 2011, as a result of the positive response to the initial application of the Act, the effective working days have been augmented from 100 to 180 per annum (policy website). Further, while the wage is set as manual work at the statutory minimum wage of Rs.100 per day, all the different States have decided to augment the salary.

### Background

The policy was introduced in 2005 as the National Rural Employment Guarantee Scheme, described as the ‘most radical and largest plan of public employment, poverty reduction and rural development in human history’ (*Capacity Building*, Draft report, 2010). In 2009, the name of Mahatma Gandhi was added to the policy, which has become one of the directive principles and Article 21 of Fundamental Rights of the Constitution of India.

### Policy goals

The overarching objective of the policy is to improve access and support the right to work for the rural poor, thereby creating a real alternative for the people who usually have to find diverse solutions migrating from rural to urban area. The main objectives are partially summarized in a report prepared by the Ministry of Food and Disaster Management of Bangladesh:

- To improve access to and support the right to work;
- To reduce the phenomenon of migration from the countryside to the city;
- To increase the power of the rural people below the poverty line;
- To create local and sustainable assets;
- To create employment for extremely poor, rural unemployed;
- To create more occasions of work for women; and
- To develop and maintain a small-scale rural infrastructure and communication system, which will have an impact on the national economy.

### Chronological development

1 In 2008-09, the Government of Bangladesh choose to repeat the structure of the Indian policy, in Bangladesh, aiming to address seasonal problems like flooding and river erosion by employing the rural extreme poor.
The Act was implemented in three phases beginning in 2006. In Phase 1 (beginning 2 February 2006), the National Rural Employment Guarantee Act was launched in 200 selected districts. In Phase 2 (2007-08), it was extended to 130 more districts. In Phase 3 (from 1 April 2008 onwards), it was extended to the remaining 285 districts. The focus of the Act is on works relating to soil and water conservation, drought proofing, land development, flood protection, rural connectivity, and so forth. The choice of works suggested in the Act aim to address problems of chronic poverty like drought, ground water depletion, deforestation, and soil erosion, so the process of employment generation can proceed with attention to sustainably improving the productivity of land.

**Stakeholders, beneficiaries and participatory methodologies**

**Agents involved**

The promotion of NREGA involves institutions at the central government and state level, and at all three tiers of local government in India: the *Zilla Panchayat* at the district level, the *Taluk Panchayat* at the block level, and the *Gram Panchayat* at the village level. The most important agencies at the central government are the Ministry of Rural Development and the Ministry-founded Central Employment Guarantee Council (CEGC). The Ministry is responsible for ensuring the adequate and timely delivery of resources to the states and for reviewing, monitoring, and evaluating the use of these resources, as well as NREGA processes and outcomes. The CEGC advises the central government on NREGA related matters and monitors and evaluates the implementation of the Act. The CEGC is mandated to prepare annual reports on the implementation of NREGA and to submit these to the Parliament. The Act is also under the guidance of the Prime Minister’s Advisory Council on Economic Affairs.

Local NGOs helped in the development of the Act, substantially working on the improvement of the policy's deficiencies. NGOs at the national level were involved in the design of the programme as well as its implementation. For example, Ms. Aruna Roy, a member of the Advisory Council and also head of an NGO on employment guarantees that was established well before this Act, designed the Social Audit of the programme. Under this Social Audit, NGOs conduct the external evaluations of the programme and offer recommendations at the village level (IFPRI 2010).

**Beneficiaries**

The policy aims to help people who live in rural areas. The application of the Act, in different States, includes several ameliorations and involves a large percentage of women. The policy guarantees the right to work, simultaneously reducing the phenomenon of countryside-to-city migration, enabling women to find a job in their district and near their houses, and allowing men to remain in their village. Entire villages have been improved through such changes, which have occurred from the implementation of the Act.

**Participation processes implemented**

Considerations of participation and inclusiveness of the grassroots level of society are basic themes developed throughout the Act in terms of possibilities of work and improvement of local basic needs. Successful case studies can be described where some local adaptations and solutions were applied by NGOs in local villages to address ‘weak points’ in the implementation of the policy. From a more macro perspective, the NREGA provides ‘the poor with the right to demand, the right to know and the right to dignity. Not the right to beg’ – key features of a ‘mature democracy’ (Aruna Roy in UNDP 2009, cited in IFPRI 2010: 1).
Institutionalization and financing

Institutionalization processes

As the NREGA is an Act, enacted through the nation's Parliament, it will continue forever unless repealed by the Parliament of the country. The program promotes itself through the positive results it has engendered. The NREGA website includes clear explanations of the policy to clarify the situations in each Indian State (http://nrega.nic.in/netnrega/home.aspx).

Financing

The National Rural Employment Guarantee Scheme is a centrally sponsored programme through a cost-sharing agreement between the Government of India and each State government. In fiscal year 2009-10, the Central Government outlay for the scheme was Rs. 39,100 crores (U.S.$8 billion), had been augmented proportionally from 2006.

The salaries of individuals participating in the program are distributed by the National Employment Guarantee Fund. The percentage of the cost-sharing arrangement for the wages differs from state to state, but the central Government of India usually covers a major part of the cost. For example, in the case of Bihar, the proportion is 90% paid by the central government and 10% paid by the local State government (IFPRI 4/2010). There is some variation in the financing percentage based on the type of worker: for skilled or semi-skilled workers, their minimum wages are sponsored by the Government of India at 75%, with the remaining 25% covered by the State. Normally the Government of India will bear the total expenditure incurred on unskilled workers. The administrative costs incurred in paying the unemployment allowance are fully borne by the State government.

Outcomes and reflections

Key results and achievements

The National Rural Employment Guarantee Act of 2005, better known as NREGA, represents a revolutionary step for a government by providing an economic safety net to the country’s rural population. It can be seen as an innovative policy to boost the rural economy, stabilize agricultural production, and reduce the population pressure on urban areas for employment, thereby transforming the ‘geography of poverty’. The general overall assessment of the policy has been positive.

From Tewari (2010), one can find multiple examples of successful cases, where villagers working through NREGA obtained great results for the entire community. Two examples from Rajasthan’s Bhilwara district are included below. Up to January 2010, 481,912 households had been given NREGA job cards in the Bhilwara district and 386,734 had been provided employment under the scheme. Of these, 116,095 had completed 100 days of work that fiscal year. The rural development ministry plans to promote the district as a development model by introducing several pilot projects there.

From the Village of Danta

“People get 100 days of employment in a year and get Rs95-100 per day and, hence, are able to earn close to Rs10,000 every year,” said Ram Deo, a social activist associated with the Mazdoor Kisan Shakti Sangathan (MKSS) in Danta village. “Given that around 80% of the workforce under NREGA comprises women, it means whatever is earned under
the scheme is additional income for the household, something that has helped increase
their purchasing power and disposable income.”

... The programme, recently renamed the Mahatma Gandhi NREGA, gets the most
government money among social welfare schemes. ... For a change, the money seems
to be percolating down to where it needs to reach, resulting in the generation of
income. In Danta village, this has had the effect of stemming the movement of people
to the city.

“Earlier, we would all have to migrate to a city during the lean season. But now, in most
cases, even the men don’t have to go,” said Kamla, an NREGA worker who uses only her
first name.

[Manju Rajpal, district collector of Bhilwara and a former NREGA commissioner,] said
that the impact of the scheme is now visible and one can see how it has increased
“bargaining power” as well as household incomes among the poor in rural areas.

“Around 80% of the workforce is constituted by women, who were previously
unproductive. By working under the scheme, women are able to bring supplementary
income,” she said. (Tewari 2010)

From the Village of Manoharpura:

Manoharpura illustrates the impact of NREGA on the economic lives of the rural poor
and consequently, on migration.

Inhabited primarily by the Bhil and Kalbelia tribes, apart from Rajputs and Brahmins,
the village earlier saw large-scale migration of entire families to cities during lean
periods—a trend that is fading now.

Before NREGA, all the ten Kalbelia families in the village would migrate to cities, said
Harnath Singh, activist and field coordinator for FES. That’s changed – just the men
from six of the families have gone looking for work in cities for a few months, while
everyone from the remaining four families has chosen to stay back in the village, he
said

NREGA, it appears, has succeeded in removing the kind of wrenching poverty that the
community endured. “These Kalbelia families would often go from one house to another
in the village, begging for food,” Singh said. “Now, even that has ended.” (Tewari 2010)

Main obstacles

NREGA involves two challenging features:

First, the program is “transaction-intensive” in terms of time and space: It requires day-
to-day action throughout a country that spans an entire subcontinent. Second, the
program requires discretion, since decision-making on issues such as the type of
infrastructure to be created under the program cannot easily be standardized. (IFPRI
4/2010: 1)

The Act is implemented through a decentralized system of power, and its effectiveness can be
adjusted in a sensitive manner at the local level, so to improve its implementation and correct
some faults in the program. An IFPRI (2010) report notes that implementation is crucial to
determining how the governance challenges of the programme can be met:
In particular, it is essential to identify how the actual process of program implementation differs from what is foreseen in the implementation guidelines, and to identify where exactly the opportunities for leakage and mismanagement arise. Likewise, it is crucial to find out how much influence various actors have on the implementation process, and how local power structures and informal bureaucratic processes affect program implementation. (IFPRI 4/2010: 1)

In pragmatic terms, the Act has had some trouble linked with the payment of wages and the use of funds, which are being addressed through both social audits and technological solutions. While the NREGA stipulates that workers should be paid within 15 days, some workers in Bhilwara, a district in Rajasthan, received their payments only after 3-4 months, a problematic situation in times of rapid inflation (Tewari 2010). In September-October 2009, a social audit of NREGA was conducted by NGOs in Bhilwara (the first district to be covered by such a check), which uncovered ‘some cases of corruption, irregularities and delayed payments’ (Tewari 2010). Delayed payments, however, may be due to non-municipal systems since 75% of the payments are made through post office accounts, rather than the NREGA bureaucracy itself. In different States the local governments have joined with an international NGO to apply a technological system to control the application of the law to the various villages (Manju Rajpal, district collector of Bhilwara and a former NREGA commissioner, 2010)

Overall assessment and replicability

The history of the policy demonstrates its possible application not only in different States in India, but also in different countries. The shared funding arrangement between the central government and local powers provides the possibility to adjust the law according to different interpretations and diverse cases. The positive aim that this policy can export everywhere is the powerful possibility it gives to poor people to not be eradicated from their territory, and to enable them to work within a radius of 5 km from their village. This solution helps to combat the global trend of rapidly growing urbanization, proposing one solution to this issue.

Various authors have written about good achievements of the policy and their application not only in India but also in other nearby states. Bordia (2010), for example, writes about how Bangladesh and Nepal have applied similar laws in their countries’ poor areas, although the differences among the countries, which have caused differing reactions and applications, must be analysed very carefully:

Bangladesh’s EGPP is very different from India’s NREGS. While both are based on a long history of implementing public works, the India program has a guarantee that entitles individuals to receive compensation if the work they seek is not provided within a certain period. The state has accepted and in fact co-opted an “entitlement approach” that was initially pushed hard by a formidable civil society movement. Citizen monitoring is built into the NREGS design and social audits are mandated twice a year even implementation uneven across states. Moreover, NREGS is linked to a larger grass roots movement that questions the manner in which in India’s growth has affected the poorest and the high levels of malnutrition that persist despite overall reduction of poverty. [This movement] is aided by judicial activism, citizen vigilance and an activist intelligentsia. Bangladesh, despite its renowned NGO movement does not have similar movements that demand accountability from the state. (Bordia 2010)

Nonetheless, the practical objectives of local rural territorial amelioration are very similar between India and Bangladesh, probably because of their geographical and cultural similarities.
At the G-20 meeting in Washington in 2010, during the meeting of labour ministers from the largest 20 national economies, the NREGA was presented as an innovative programme that could be transferable to other countries, perhaps even be exportable to the United States:

India's National Rural Employment Generation Scheme has come in for praise from the US, which said the key innovation has been “successful” beyond the expectations of almost everyone and worth emulating.

The Obama administration, which is keenly awaiting a briefing on the UPA government's flagship scheme from Union labour minister Mallikarjun Kharge, said there are lessons that are transferable to other countries at low and middle income levels.

Kharge will give an overview of NREGA at the first ever meet of G-20 labour ministers here convened at the instance of President Barack Obama. …

Top officials from the US department of labour, organizers of the event, said the innovative 100-day rural employment guarantee scheme has been successful beyond the expectations of almost every one.

“India has learnt and has refined the strategy. So there is a great deal of anticipation to hear from Minister Kharge about these policies, how they have worked, and are there lessons that are transferable to other countries at low and middle income levels,” deputy under secretary for international affairs Sandra Polaski told foreign journalists. “The employment minister from India, who is attending the conference, has been asked to speak about that as one of the key innovations that India has made, a policy which has been challenging to implement but at the end of the day very successful. I think successful beyond the expectations of almost everyone,” Polaski told reporters. (PTI 2010)

South Africa has also expressed willingness to apply the policy there. Recently, Zwelinzima Vavi, the general-secretary of the Congress of South African Trade Unions (COSATU), praised the Indian programme as a possible solution for the harsh situation of poverty and unemployment in South Africa: “by offering regular part-time work, the programme creates access to a sustained increase in earnings. This is more likely to have a sustained effect on indicators such as child nutrition” (Philip 2011). Its positive social interpretation was also seen as applicable in other African countries:

… injecting significant funds from the programme into the local economy is not a short-term spike – making this a more effective stimulus to local economic development. While the programme works in partnership with local government, it is implemented by non-profit organisations and is designed to be community driven. The work is identified and prioritised by communities instead of government officials.

Such work must contribute to the public good and must not displace existing jobs. Communities have significant scope to identify their own priorities and needs. (Philip 2011)

Further information

This case was researched and written by Claudia Roselli (PhD student, School of Planning and Architecture, New Delhi, and Department of Urban and Regional Planning, University of Architecture, Florence) under the supervision of Drs. Giovanni Allegretti and Nancy Duxbury at the Centre for Social Studies, University of Coimbra, Portugal, in 2011.
References


International Food Policy Research Institute (IFPRI), 2010 (March), Promise and Realities of Community-Based Agricultural Extension, IFPRI Discussion Paper 00959. URL: http://www.ifpri.org/sites/default/files/publications/ifpridp00959.pdf


PTI, 2010 (20 April), US heaps praise on India's NREGA, India Today. URL: http://indiatoday.intoday.in/site/story/US-heaps-praise-on-Indias-NREGA/1/93694.html

South Asia Media Net, 2010, USA lauds India's 100-day rural employment scheme. URL: http://southasia.oneworld.net/globalheadlines/usa-lauds-indias-100day-rural-employment-scheme

