

India's National Rural Employment Guarantee Scheme as it Is – Interpreting the Official Report*

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ABSTRACT

Using official data this paper evaluates India's National Rural Employment Guarantee Scheme (NREGS) according to the following criteria: a) average number of days of employment per household; b) percentage of households completing 100 days of employment under NREGS; c) percentage of expenditure against total available funds; and d) percentage of work completed. Performance across the first two criteria has been disappointing and has deteriorated over time. Percentage of expenditure against total available funds has risen sharply, particularly since 2010–11 and has been consistently higher than work completed as a percentage of work planned. Further, the two trends have begun to diverge since 2010–11. It is difficult to escape the conclusion that the NREGS has not performed well. The paper makes a number of policy suggestions to improve the performance of the NREGS.

Keywords: India's National Rural Employment Guarantee Program, employment, public expenditure, work completed.

JEL Classification Code: D02, D61, H53, J21

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* We are grateful to the editor for very helpful comments on an earlier draft and Manoj Pandey for statistical assistance. The usual caveat applies.

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I. Introduction

The National Rural Employment Guarantee Scheme (henceforth NREGS) has been hailed as India's most ambitious anti-poverty intervention. The NREGS came into effect in November 2005. The act guarantees 100 days of employment a year to at least one member of any rural household who is willing to perform unskilled labour for the minimum wage. By combining rural development with livelihood protection, the work is designed to develop infrastructure such as roads, irrigation and flood protection measures. Beginning with the poorest 200 districts, NREGS became a nationwide program in April, 2008. During its first year of operation the NREGS was expected to generate 2 billion days of employment. NREGS's performance is also crucial to the success of the Millennium Development Goal of halving poverty between 1990 and 2015.

In the budget of 2012–13 the amount set aside for NREGS was Rs. 40,000 crores. Although there has been earmarking of the class of projects that would be taken up by NREGS workers, it was never made clear how this resulting work would be assessed. No cost-benefit analysis or impact assessment was ever done.

Against this backdrop, it is important to ask three key questions: a) how much benefits have accrued from this program to eligible workers, b) whether these benefits have persisted over time, and c) how much and what type of work was completed using labour employed in NREGS projects and how useful were they?

The first issue can be addressed using household level cross section data and some dimensions have been addressed in a series of papers for *selected* states (Jha et al. 2009, 2012a, for employment and Jha et al. 2011a, for nutritional impact and Jha et al. 2012b for net transfers).¹ The second issue can only be addressed using household level panel data to track the movement of workers in and out of employment in the NREGS. Jha et al. (2011b) provide some evidence on this using household level panel data for Rajasthan. The present

¹ Shankar and Gaiha (2012) blend economic and ethnographic arguments to provide further evidence on the impact of the NREGS on the poor.

paper addresses the third question. In doing so, we rely on the government's own reports on the NREGS (GOI, 2012a) for 2009–10 and 2011–12. The 2009–10 report contains data from April 2009 to December 2010 whereas the 2011–12 report contains data from April 2011 to December 2011. We also use data reported by the Ministry of Rural Development in Government of India (2012b) for 2006–07 to 2011–12.

We analyze the results according to four criteria: a) average number of days of employment per household; b) percentage of households completing 100 days of employment under NREGS; c) percentage of expenditure against total available funds; and d) percentage of work completed. The first two criteria are addressed using data from Government of India (2012a) whereas the third and fourth criteria are addressed using data from Government of India (2012b). The plan of this paper is as follows. In section II we report on the results and section III concludes with some policy recommendations.

II. Results

Despite rapid economic growth in recent years India's problem of unemployment remains well entrenched. The National Sample Survey estimated aggregate unemployment at 8.28 per cent on a Current Daily Status (CDS) basis for 2004–05 but the first survey on employment and unemployment (GOI, 2010) estimated 2009–10 unemployment in the economy as a whole at 9.4 per cent with 7.3 per cent of the urban labour force unemployed whereas rural unemployment stood at a staggering 10.1 per cent. In addition, a large part of the Indian labour force is underemployed. Hence, if implemented properly, the NREGS should help meet a basic need in rural India.

However, the performance of the NREGS, even as revealed by government statistics, has been disappointing and, if anything, has deteriorated over time. Data on average number of days per household are available only for nine months (April to December) of 2009–10 and 2011–12. Table 1 indicates the average person days of employment under NREGS per household in India and various constituent states in 2009–10 and 2011–12. Data are arranged in ascending order.

Table 1 here

For the country as a whole average person days of employment fell from 46.83 in 2009–10 to 32 in 2011–12. Across the states of India the median, mode and standard deviation were all lower in 2011–12. The lowest (highest) number of days of employment was 14 (68) in 2009–10 and 6 (55) in 2011–12.

Data on percentage of households completing 100 days of employment are available only for nine months (April to December) of 2009–10 and 2011–12. Table 2 shows that the percentage of households completing 100 days of employment went down sharply from 7.08 in 2009–10 to 1.39 in 2011–12. Across the states of India the mean was lower and the median was only slightly higher at 2.15 whereas there was a sharp fall in the standard deviation. The mode was 0 per cent in both years.

Table 2 here

In Table 3 we report on percentage of expenditure undertaken of funds set aside for six years: 2006–07 to 2011–12 for various states and the country as a whole. Also presented are values of the mean, median and standard deviation across states for each year as well as the mean, median and standard deviation for each state and India for the period 2006–12 and the mean, median and standard deviations of the state level (and national) mean, median standard deviation over the period 2006–12.

Table 3 here

Table 4 reports on completed work against planned work for the six years 2006–12 for various states and the country as a whole. Also presented are values of the mean, median and standard deviation across states for each year as well as the mean, median and standard deviation for each state and India for the period 2006–12 and the mean, median and standard deviations of the state level (and national) mean, median standard deviation over the period 2006–12.

Table 4 here

Some key aspects of these two tables are summarised in Figures 1 and 2.

Figures 1 and 2 here

Figure 1 shows the median percentage across states of actual expenditure as a percentage of planned expenditure vs. median percentage across states of work completed. Whereas the median actual expenditure rose steadily (except for 2008–09 where it fell marginally perhaps in response to the budgetary pressures emanating from the global financial crisis), median work completed has always been lower than median expenditure. Further, median work completed fell sharply between 2010–11 and 2011–12, indicating a divergence of the two trends.

These basic trends in Figure 1 are confirmed in Figure 2 which shows the mean percentage across states and India of actual expenditure as a percentage of planned expenditure vs. mean percentage across states and India of work completed. Once again there has been a divergence in the trends of the two series.

The jump in mean expenditure across states is further confirmed in Figure 3 which plots the standard deviation of expenditure across states against the standard deviation of work completed across states. Whereas the standard deviation of work completed as a share of total work has remained relatively unchanged there has been a sharp jump in the standard deviation of actual expenditure against planned expenditure. The latter has been dominated essentially by Andhra Pradesh where actual expenditure as a percentage of total expenditure was exceptionally high in 2011–12.

Figure 3 here.

III. Conclusions

This paper has assessed India's NREGS according to four criteria: i) average number of days worked per household under NREGS; ii) percentage of households completing 100 days of employment; iii) percentage of allocated funds spent; and iv) percentage of work completed. Performance across all four criteria has been disappointing and deteriorated over time.

It is difficult to escape the conclusion that the NREGS has not performed well. In these days of very high fiscal and current account deficits it is difficult to rationalize providing even more funds to this initiative. Documents of the 2012–13 budget (GOI, 2012c) reveal that in 2011–12 the fertilizer subsidy was Rs. 62,301.21 crore, food subsidy was Rs. 63,843.79 crore, and the Petroleum subsidy was 38,371.32 crore. When these figures are juxtaposed against the nearly Rs.17,000 crore which was the unspent amount in the NREGS

budget in 2011–12 (Economic Times, 2011) it is evident that this alone amounted to almost 44 per cent of the fuel subsidy. This is a stark manifestation of failure in designing and implementing appropriate projects with a likely substantial impact on the village economy. Another serious failure is tiny fractions of households availing of the mandated employment of 100 days of work *despite* a hugely attractive wage rate far in excess of prevailing agricultural wage rates. Reports abound of corruption at all stages with participants obtaining wages that are often long delayed and, worse, unrelated to work done and wages earned. Project activity is dull or highly uneven with siphoning-off of funds earmarked. Village Panchayats and local officials are not silent or helpless spectators of the gravy train but *key* to keeping it going. Even though official claims of higher agricultural wage rates and lower migration are mostly exaggerated, if not fantasized, field-reports suggest a growing sense of entitlements among the deprived. For this reason alone, the temptation to scrap NREGS must be resisted. Instead, a solution lies in a drastic overhaul of this scheme with greater transparency and accountability through social audits. The new guidelines announced by the Ministry of Rural Development are a substantive response to these concerns. But whether the impact on the poor will be much greater, in particular to justify the expenditure on the program, time alone will tell.

Table 1: Average Person Days of Employment under NREGS per Household			
	2009-10		2011-12
	Average person days per household		Average person days per household
ARUNACHAL PRADESH	14	ARUNACHAL PRADESH	6
PONDICHERRY	20	WESTBENGAL	14
GOA	21	PONDICHERRY	20
KERALA	22	ASSAM	21
ANDAMAN & NICOBAR	22	PUNJAB	22
DADRA & NAGAR HAVELI	22	MANIPUR	23
PUNJAB	25	GOA	26
LAKSHADWEEP	26	KERALA	28
WESTBENGAL	28	ORISSA	29
GUJARAT	29	ANDAMAN & NICOBAR	29
ASSAM	30	KARNATAKA	30
HARYANA	32	UTTAR PRADESH	30
ORISSA	32	BIHAR	31
UTTRANCHAL	32	HARYANA	31
JAMMU & KASHMIR	35	JAMMU & KASHMIR	31
MEGHALAYA	38	MEGHALAYA	31
MAHARASHTRA	41	UTTRANCHAL	31
SIKKIM	45	JHARKHAND	32
CHHATTISGARH	46	INDIA	32
HIMACHAL PRADESH	46	GUJARAT	33
TRIPURA	46	MADHYA PRADESH	33
INDIA	46.83	CHHATTISGARH	34
JHARKHAND	49	TAMILNADU	34
KARNATAKA	50	MAHARASHTRA	35
MADHYA PRADESH	50	LAKSHADWEEP	35
ANDHRA PRADESH	51	RAJASTHAN	36
UTTAR PRADESH	51	MIZORAM	37
MANIPUR	55	HIMACHAL PRADESH	40
TAMILNADU	58	ANDHRA PRADESH	41
MIZORAM	62	SIKKIM	41
RAJASTHAN	65	TRIPURA	55
NAGALAND	68	NAGALAND	NR
DAMAN&DIU	NR	DADRA & NAGAR HAVELI	NR
CHANDIGARH	NR	DAMAN&DIU	NR
BIHAR		CHANDIGARH	
2009 (Summary statistics across states)		2011 (Summary statistics across states)	
Mean =39.06 Median =38; Standard deviation =14.7; Mode=46		Mean = 30.63 Median =31, Standard deviation =8.89 Mode= 31	

NR = Not reporting

Table 2: Percentage of Households completing 100 days of employment under NREGS			
	2009-10		2011-12
	Percentage of Households completing 100 days of employment under NREGS		Percentage of Households completing 100 days of employment under NREGS
ARUNACHAL PRADESH	0	ANDHRA PRADESH	8.45
KERALA	0	ARUNACHAL PRADESH	0
MANIPUR	0	ASSAM	0.89
MEGHALAYA	0	BIHAR	5.89
MIZORAM	0	CHHATTISGARH	2.66
NAGALAND	0	GUJARAT	3.05
PUNJAB	0	HARYANA	2.36
UTTRANCHAL	0	HIMACHAL PRADESH	2.44
WESTBENGAL	0	JAMMU & KASHMIR	2.53
ANDAMAN & NICOBAR	0	JHARKHAND	1.74
DADRA & NAGAR HAVELI	0	KARNATAKA	1.9
GOA	0	KERALA	0.65
LAKSHADWEEP	0	MADHYA PRADESH	2.83
TRIPURA	1	MAHARASHTRA	5.81
PONDICHERRY	1	MANIPUR	0.04
ORISSA	2	MEGHALAYA	1.19
SIKKIM	2	MIZORAM	0
ASSAM	3	NAGALAND	NR
CHHATTISGARH	3	INDIA	1.39
HARYANA	3	ODISHA	1.39
HIMACHAL PRADESH	3	PUNJAB	0.82
MAHARASHTRA	3	RAJASTHAN	2.58
GUJARAT	4	SIKKIM	4.63
JHARKHAND	5	TAMIL NADU	2.31
TAMILNADU	5	TRIPURA	2.71
JAMMU & KASHMIR	6	UTTAR PRADESH	1.9
MADHYA PRADESH	7	UTTARAKHAND	1.99
UTTAR PRADESH	7	WEST BENGAL	0.3
INDIA	7.08	ANDAMAN & NICOBAR	2.51
KARNATAKA	9	DADRA & NAGAR HAVELI	NR
ANDHRA PRADESH	14	DAMAN & DIU	NR
RAJASTHAN	15	GOA	0.61
DAMAN&DIU	NR	LAKSHADWEEP	3.95
CHANDIGARH	NR	PUDUCHERRY	0.18
BIHAR		CHANDIGARH	NR
2009 (Summary statistics across states)		2011 (Summary statistics across states)	
Mean = 3 Median =2 Standard deviation=3.99 Mode=0		Mean = 2.27 Median =2.15 Standard deviation=1.94 Mode=0	

NR = Not reporting

Table 3: Actual Expenditure (percentage) against Planned Expenditure

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Mean (2006- 2012)	Median (2006- 2012)	SD (2006- 12)
Andhra Pradesh	59.55	90.87	82.87	93.65	59.81	1472.94	309.95	86.87	569.94
Arunchachal Pradesh	18.27	81.59	105.37	78.38	95.62	1.36	63.43	79.98	42.99
Assam	83.73	68.12	72.13	78.78	72.84	89.21	77.47	75.81	7.95
Bihar	59.84	69.02	62.79	82.08	81.46	93.63	74.80	75.24	13.07
Gujarat	69.38	64.54	69.69	78.21	62.09	70.13	69.01	69.53	5.56
Haryana	77.26	90.22	68.61	75.82	89.40	115.27	86.10	83.33	16.55
Himachal Pradesh	68.89	77.80	66.34	92.33	69.53	81.04	75.99	73.67	9.81
Jammu & Kashmir	68.92	63.76	60.01	88.97	88.92	39.66	68.37	66.34	18.77
Karnataka	72.75	54.16	55.70	120.39	109.84	114.12	87.83	91.29	30.43
Kerala	57.70	83.59	75.42	79.76	83.52	96.10	79.35	81.64	12.65
Madhya Pradesh	87.30	87.93	73.38	66.84	70.78	69.60	75.97	72.08	9.26
Maharashtra	35.86	37.98	56.80	52.91	60.14	109.70	58.90	54.86	26.80
Punjab	65.12	59.76	63.00	71.69	73.09	79.64	68.72	68.41	7.39
Rajasthan	80.95	102.54	88.65	78.73	53.62	72.76	79.54	79.84	16.32
Sikkim	57.37	82.78	88.87	62.49	102.13	64.38	76.34	73.58	17.66
Tamil Nadu	60.15	73.65	55.95	73.04	82.67	81.39	71.14	73.35	10.95
Tripura	90.56	95.47	95.48	75.82	99.04	93.74	91.68	94.61	8.25
Uttar Pradesh	75.79	85.23	77.70	86.50	81.59	81.33	81.36	81.46	4.14
West Bengal	62.62	75.43	73.51	90.71	91.44	97.34	81.84	83.07	13.35
Chhatisgarh	79.53	92.37	72.68	81.79	73.17	81.60	80.19	80.57	7.20
Jharkhand	72.44	84.69	57.14	72.00	78.40	70.64	72.55	72.22	9.20
Uttarakhand	68.25	62.50	77.44	81.16	93.79	89.17	78.72	79.30	11.97
Manipur	99.41	97.83	109.85	98.82	97.04	38.62	90.26	98.33	25.73
Meghalaya	81.74	79.68	75.28	84.38	95.82	82.39	83.21	82.06	6.91
Mizoram	63.24	91.41	94.43	97.47	95.69	52.45	82.45	92.92	19.46
Nagaland	91.33	99.28	101.88	98.23	95.23	65.83	91.96	96.73	13.31
Odisha	82.39	71.74	64.52	93.93	85.65	75.20	78.91	78.80	10.54
Puducherry	NR	NR	17.16	72.66	35.44	51.13	44.10	43.28	23.56
Andaman & Nicobar	NR	NR	20.94	80.90	75.39	80.43	64.42	77.91	29.09
Lakshwadeep	NR	NR	41.06	76.87	66.29	65.08	62.32	65.69	15.13
Dadra & Nagar Haveli	NR	NR	65.61	67.97	96.84	0.00	57.60	66.79	40.94
Goa	NR	NR	20.57	39.14	61.71	76.65	49.52	50.43	24.70
Mean	70.01	78.66	69.088	80.38	80.56	117.26	82.66	79.52	17.703
Median	69.38	81.59	70.91	79.27	82.13	80.035	77.21	79.65	5.59
SD	16.89	15.28	22.46	14.73	16.57	248.79	55.79	16.73	94.59
India	73.08	82.26	75.07	82.99	74.79	90.34	79.75	78.66	6.63

NR = Not reporting

Source: Computed from NREGA Website, Ministry of Rural Development

Table 4: Completed Work (percentage) against Planned Work

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Mean (2006- 2012)	Median (2006- 2012)	SD (2006- 12)
Andhra Pradesh	39.57	38.63	31.24	51.96	67.25	2.15	38.47	39.10	21.83
Arunchachal Pradesh	80.04	94.35	33.13	44.58	37.73	0.00	48.31	41.16	34.11
Assam	61.78	53.47	41.73	41.99	34.20	17.05	41.70	41.86	15.53
Bihar	48.09	51.40	50.82	45.73	40.68	0.23	39.49	46.91	19.63
Gujarat	37.22	67.48	69.72	88.86	53.07	29.12	57.58	60.28	22.22
Haryana	59.62	59.77	55.70	52.73	58.75	70.09	59.44	59.19	5.88
Himachal Pradesh	54.11	47.04	48.91	57.46	54.58	44.76	51.14	51.51	4.96
Jammu & Kashmir	36.87	45.49	54.95	63.42	65.12	3.77	44.94	50.22	22.84
Karnataka	59.03	68.91	60.90	22.86	20.93	19.61	42.04	40.94	23.16
Kerala		82.80	88.30	51.52	71.04	92.38	77.21	82.80	16.45
Madhya Pradesh	48.80	39.82	40.36	44.05	42.38	14.56	38.33	41.37	12.09
Maharashtra	48.88	34.88	42.96	42.58	38.02	2.52	34.97	40.30	16.60
Punjab	56.40	24.76	26.40	53.28	45.47	40.13	41.07	42.80	13.31
Rajasthan	39.78	28.61	42.54	45.39	26.25	7.79	31.72	34.19	14.01
Sikkim	65.19	39.11	47.16	67.01	66.29	18.38	50.52	56.17	19.55
Tamil Nadu	32.94	45.05	32.58	38.71	45.16	19.82	35.71	35.83	9.54
Tripura	82.60	88.72	91.93	26.61	90.98	73.53	75.73	85.66	25.02
Uttar Pradesh	65.34	69.09	61.23	65.86	59.59	36.31	59.57	63.28	11.89
West Bengal	56.39	47.95	54.49	66.41	58.12	40.44	53.97	55.44	8.91
Chhatisgarh	49.61	64.05	53.43	56.39	57.15	29.33	51.66	54.91	11.93
Jharkhand	37.68	31.08	40.85	47.11	20.26	17.32	32.38	34.38	11.77
Uttarakhand	61.02	57.49	51.03	66.74	70.49	17.15	53.99	59.26	19.30
Manipur	55.79	9.37	74.56	81.26	89.62	0.00	51.77	65.17	38.25
Meghalaya	29.07	50.22	48.83	62.77	55.25	19.74	44.31	49.53	16.44
Mizoram	82.13	45.36	73.31	82.10	85.34	8.48	62.79	77.71	30.40
Nagaland	96.88	36.87	83.20	63.44	84.86	7.78	62.17	73.32	33.95
Odisha	36.50	30.51	7.04	12.53	26.83	32.09	24.25	28.67	11.76
Puducherry	NR	NR	100.00	97.27	0.15	4.99	50.60	51.13	55.51
Andaman & Nicobar	NR	NR	47.14	69.28	65.91	59.67	60.50	62.79	9.75
Lakshwadeep	NR	NR	23.45	79.61	0.00	0.00	25.76	11.73	37.56
Dadra & Nagar Haveli	NR	NR	0.00	47.83	22.58	NR	23.47	22.58	23.93
Goa	NR	NR	NR	63.83	73.55	32.18	56.52	63.83	21.63
Mean	54.66	50.08	50.89	56.28	50.86	24.56	47.88	50.87	11.68
Median	54.95	47.04	48.91	54.83	54.91	18.38	46.50	51.87	14.20
SD	17.06	19.85	22.79	18.59	23.95	23.73	20.99	21.32	2.893
India	47.15	46.04	43.76	48.94	50.88	20.25	42.83	46.59	11.33

NR = Not reporting

Source: Computed from NREGA Website, Ministry of Rural Development

Figure 1: Median across states of Actual Expenditure as a percentage of Planned Expenditure vs. Median across States of Work Completed (percentage)

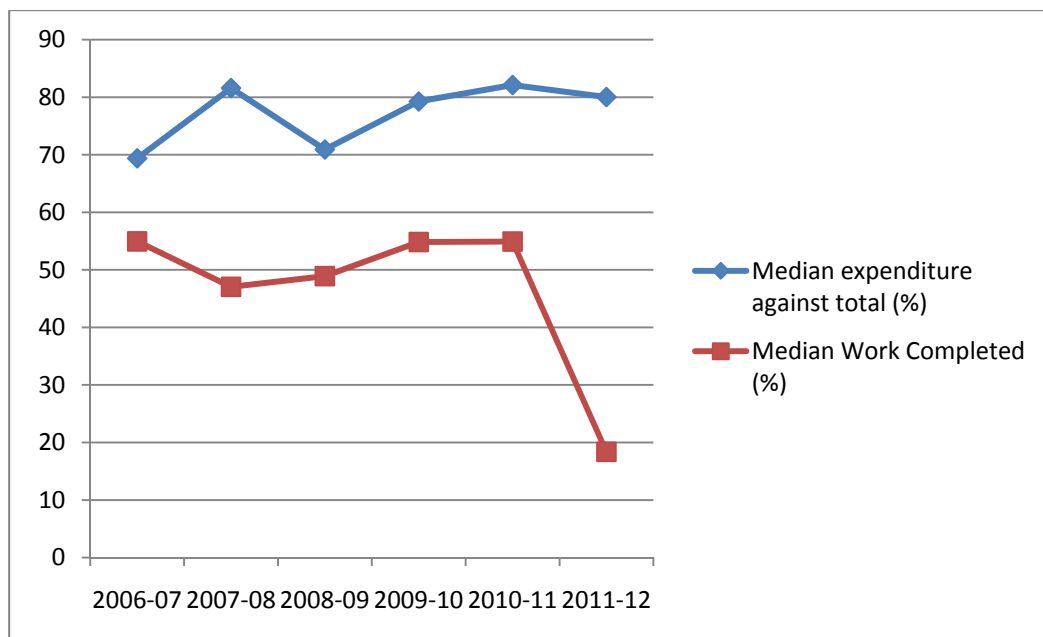


Figure 2: Average across states and India of Actual Expenditure as a percentage of Planned Expenditure vs. Average across States of Work Completed (percentage)

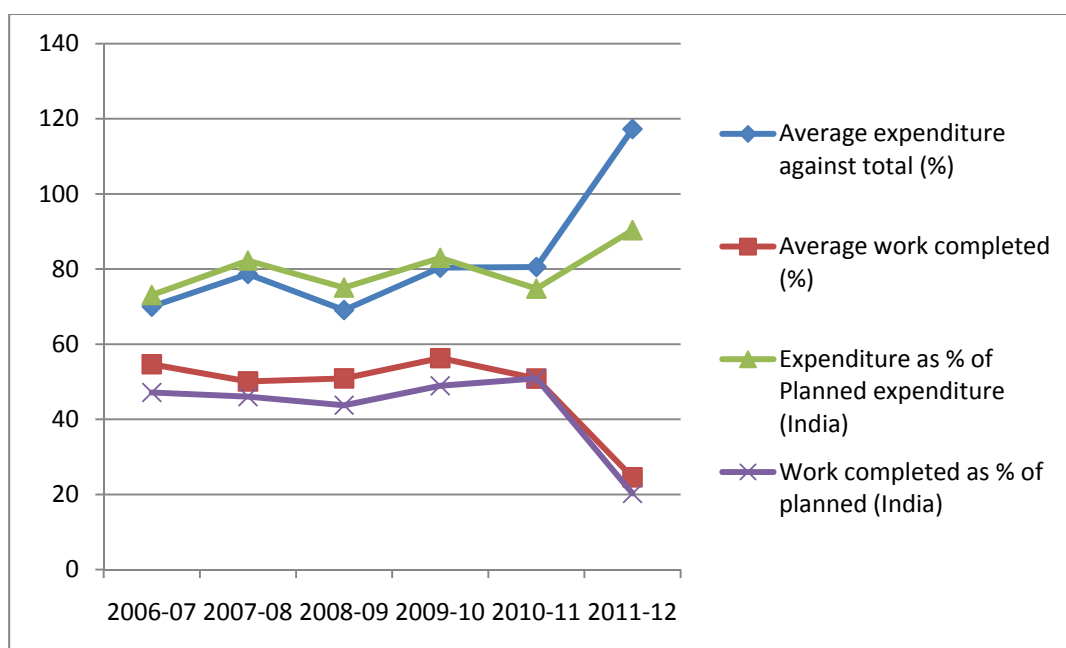
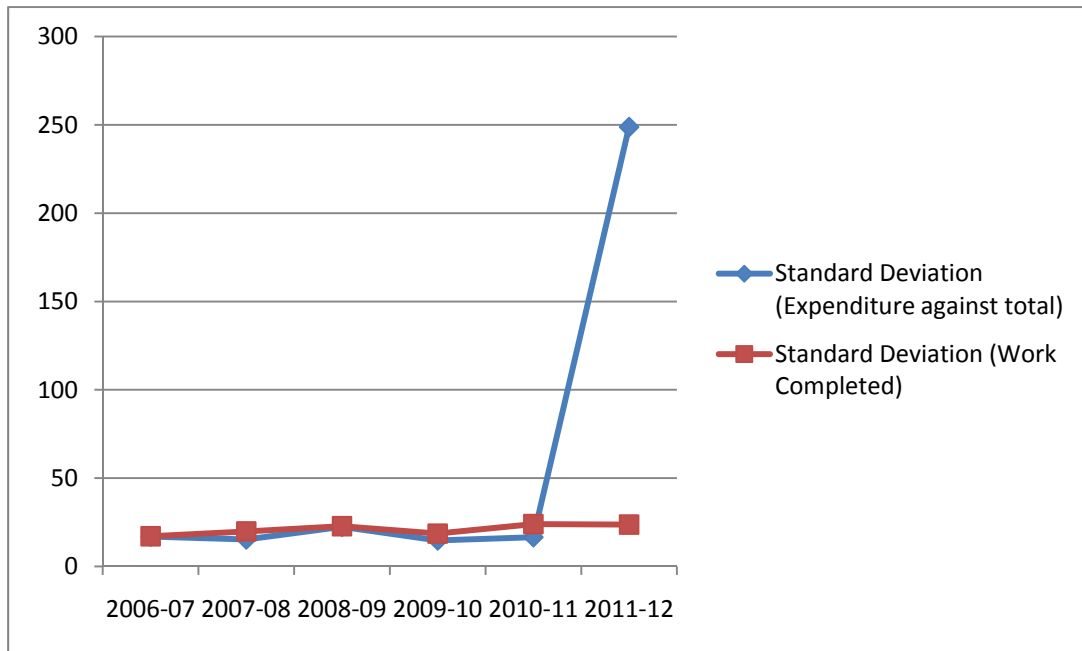


Figure 3: Standard Deviation across states of Actual Expenditure as a percentage of Planned Expenditure vs. Standard Deviation across States of Work Completed



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