

Welfare Implications Of Poverty Eradication Through Employment Guarantee: A Case Study On MGNREGS

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Abstract

Employment generation programmes occupy a central role in the eradication of poverty. Among the schemes for employment generation implemented across different countries, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in India occupies a unique position owing to its statutory nature. The ambitious wage-employment programme that came into force following the passing of the MGNREG Act, 2005 guarantees 100 days of employment every year to every household. It was a milestone in the mission of poverty eradication undertaken by the country since its independence. The programme which primarily aims at mitigating unemployment has the potential to contribute to the enhancement of welfare in various dimensions. This paper examines the welfare implications of job guarantee programmes with special reference to MGNREGS that has completed 20 years of implementation.

Keywords: *MGNREGS, wage-employment, inclusion, skill enhancement*

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I. Introduction

Poverty is a socio-economic phenomenon in which a section of society is unable to fulfill even its basic necessities of life food, clothing, housing, education and health. ^[1] According to the World Bank Group, poverty refers to the pronounced deprivation in well-being. Those who do not have enough income to put them above some adequate minimum threshold are said to be poor. ^[2] A broader view of poverty observes that it is a multi-dimensional concept which is understood both in terms of income as well as its non-income dimensions. In terms of income, poverty refers to low level of income which prevents a household from obtaining the basic necessities of life such as minimum quantities of food, access to safe-drinking water, clothing and shelter. Non-income approach of poverty, on the contrary, represents social deprivations in terms of lack of proper access to health, education, sanitation, insurance against mishaps, economic vulnerability, lack of information and participation, political powerlessness and social disadvantages. ^[3]

The eradication of poverty requires planned and coordinated measures that are targeted at the most vulnerable sections which remain backward in income and human development. The key policies which can make an impact on poverty include: (a) growth based strategies and its 'trickling down'; (b) institutional policies, including land reforms and changes in property relations; (c) provision of basic needs and social welfare; and (d) employment based programmes which can encourage self-employment as well as employment through public works. ^[4]

II. Relevance Of The Study

A single strategy which can have a substantial effect on extreme poverty is the generation of sustainable employment opportunities, primarily for the poorer sections who are mainly employed in the unorganized sectors. Employment not only provides income but also allows access to all human development facilities, thereby increasing labour productivity and contributing to employment sustainability. Employment generation programmes in the informal sector should essentially be based on three measures namely, skill development, financing facilities and market connectivity. By giving thrust on skill development, the targeted people must get access to training for the acquirement of specific skills that cater to the market demand. Expanding the avenues of finance, especially microfinance facilities, and reorienting the existing financial intermediary institutions of a country with adequate refinancing and appropriate risk-sharing can mitigate the problem of financial exclusion as well as financial inadequacy faced by the deprived sections. Connectivity with markets, both product as well as input markets, supplemented by access to essential services such as access to power, water, shelter and sanitation can further prompt the weaker sections to engage in production activities.

However it is imperative that the sustainability of such programmes rests upon allowing them to expand so as to include the entire unemployed labour force of the country. ^[5]

The schemes for employment generation may be broadly classified into two: (a) Schemes for self-employment creation; and (b) Schemes for wage employment creation. The key elements of self-employment schemes comprise of asset endowment, skill development and entrepreneurship training programmes. The main objective of such schemes is the raising of the productivity of the target group on a long-term basis through asset endowment and skill development. On the other hand, wage employment schemes consist mainly of public works programmes which combine short-term employment with improvement or creation of physical infrastructure. There is a growing consensus that self-employment and wage-employment are not to be treated as independent parallel programmes and that there exists a complementarity of the two sets of programmes. Self-employment activities can be effectively implemented only in regions which already have good organizational and marketing infrastructure and to the benefit of households who have previous experience in self-employment. Wage employment schemes, conversely, can be beneficial in regions with weak supporting infrastructure and to purely labor-based households without any prior experiences in entrepreneurship or business. But on the front of sustainability, wage-employment programmes are clearly subject to criticisms when scrutinized with a long term perspective. ^[6] The relative merit of the two approaches is thus highly subjective and debatable, particularly in the context of countries like India with a lot of regional disparities.

III. Statement Of The Problem

The study is prompted by the facts that the poverty estimates of India, as per the World Bank figures, has significantly declined and that the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has completed two decades of its implementation in the country. In this backdrop, the study is undertaken to enquire into the welfare implications of employment guarantee through a case study of MGNREGS.

IV. Methodology

The study is explorative in nature and is entirely based on descriptive analysis that relies upon the literature on poverty eradication programmes in general and MGNREGS in particular. The study also makes use of some key statistical data published in authentic sources such as official websites of government departments.

V. Conceptual Framework

The MGNREGS was a flagship programme of the government launched in India after the passing of the NREG Act, 2005 Renamed in 2009 after the Father of the Nation, Mahatma Gandhi, this Act provides at least one hundred days of guaranteed wage paid public employment in a financial year to every household whose adult members volunteer to engage in unskilled manual labour. It is widely considered as a bold attempt to make the development process more participative and inclusive. This legislation embodies the true spirit of the Directive Principles of State Policy enshrined in the Constitution of India by providing the right to work to the poorest sections of society in rural India. In order to boost economic growth through inclusive development policies that reduce rural unemployment and under-employment, this legislation aims at (i) providing guarantee of gainful employment within the vicinity of the rural people with a statutory minimum wage; and (ii) creation of durable assets and strengthening the resource base of the rural poor. ^[7]

The MGNREGA was implemented in the country in three phases. In the first phase, the backwardness status of the districts was examined to determine the priority of roll-out, simultaneously providing representation to each state. The Planning Commission of India calculated and ranked the backward status of Indian districts, based on criteria such as the population of Scheduled Castes and Scheduled Tribes in 1991, agricultural wages in 1996-97, and output per agricultural worker in 1990-93. During the first phase, 200 backward districts implemented the program in February 2006. In the second phase, additional 130 districts were introduced in the programme in April 2007 and all the remaining 270 districts received the program in the last phase in April 2008. The scale of the programme is so massive that by its fifth year, the program provided employment opportunities to 53 million households for 2.3 billion man-days, making it the world's largest operating employment guarantee scheme. ^[8]

The focal areas of the works undertaken in the scheme include water conservation and water harvesting; drought proofing including afforestation and tree plantation; irrigation canals including micro and minor irrigation works; provision of irrigation facility to land owned by households belonging to SC/ST or to land of the beneficiaries of land reforms or to land of beneficiaries under Indira Awas Yojana; renovation of traditional water bodies including de-silting of tanks, land development; flood-control and protection works including drainage in water-logged areas, rural connectivity to provide all-weather access and any other work that may be notified by Central Government in consultation with the State Government. No contractor or machinery is allowed to work under the scheme since only manual labour is permissible. ^[9]

VI. Evaluation

A study using structural equations approach found that MGNREGS exerted a significant impact on socio-economic outcomes, environmental outcomes and infrastructural outcomes. The positive trends in socio-economic outcomes indicate the scheme's ability to provide a safety net for rural households which is one of the primary objectives of the scheme. The socio-economic impact of the scheme could be deduced from the increasing trends in women beneficiaries, in food consumption levels and in market wages due to the lower supply of labour. It was also evident from the decreasing trends in migration and in school drop-out rates. The study results also point to a significant change in infrastructure and environment factors as a result of the implementation of MGNREGS. The scheme's impact on infrastructure was recognized through the increasing trends in road connections, rural drinking water and durable community assets. The environmental impact of MGNREGS was mainly witnessed through the increasing trends in water conservation, drought proofing, flood control and prevention.^[10]

Another study observes that MGNREGS has made direct as well as indirect effects on welfare in the society. The most direct and explicit effect is that the world's largest works-based social protection programme provides jobs to almost 5 crore households annually, which is equivalent to one-fourth of India's total rural households. The rural average wages across the country rose from Rs. 65 per person per day to Rs. 154 per person per day in 2017 over the first ten years of the implementation of the programme. The positive impact of the programme on the livelihood security of rural people could also be inferred from the increase in income and the resultant increase in consumption expenditure on food, clothing, education and health. The stable access to jobs has been helpful for the poor to withstand economic shocks and inflation. The additional purchasing power has further multiplier effects across rural economies. The indirect welfare effects of the scheme have been multifarious and most prominently the scheme has been successful in strengthening the institutional capacity of local self-government bodies by raising their capacity to manage various rural development schemes. The works under MGNREGS has led to 15 per cent increase in cultivated areas and an improvement in food security for a time period of nearly two or three quarters in a year. Another implicit yet noteworthy achievement of the scheme is the financial inclusion. This can be inferred from the fact that nearly 90 million rural-household bank accounts were opened which pave the way for MGNREGA wage disbursement. The programme is also considered to have a remarkable role in women empowerment and gender mainstreaming since women's share of work in the programme is higher than their share in the casual wage labour market. They are more likely to engage in paid work through the programme and earn cash income when otherwise they would have remained at home or unemployed. The programme has been found to reduce the traditional wage discrimination in public works. It is equally pertinent that MGNREGS has some environmental impacts as well, which could be traced in public works investments in soil and water conservation including water harvesting, small-scale irrigation, water supply schemes, afforestation, rural infrastructure development and social services. Almost 53 per cent of the works under the scheme are linked to soil and water conservation.^[11]

The 100 days of employment in a year is regarded as a valuable backup for the rural population during the off-season, especially for those who depend heavily upon agriculture. A 2012 study reported that nearly 60 per cent of the rural households are participating in the MGNREGA program in rural areas, earning additional annual off-season incomes of nearly Rs. 10,000 per household.^[12] This was further justified by another study in which over 25 per cent of its survey respondents said they had built adaptive resilience by improving income, consumption, assets and capabilities. These respondents strongly linked the scheme's qualitative interventions — institutional strengthening, infrastructure investment and skills training — with their ability to increase their own wellbeing. This, in turn, reduced the sensitivity of their livelihoods to climate hazards and helped them develop adaptive resilience. The study also found that the impact of MGNREGS extends beyond the household into the local economy by improving wages and skills in the rural labour market and increasing the number of rural enterprises. More than 85 per cent of the respondents reported that MGNREGS helped them develop agricultural and non-agricultural enterprises and new livelihoods such as rubber processing, handicraft production for external markets and production of fruits like mango, cashew and guava. Another 35 per cent reported increase in skills, and nearly 35 per cent increase in the local wage rate. MGNREGS has also led to improvements in ecosystem services, with 90 per cent reporting improvements in agricultural production, 85 per cent stating increased crop diversity and 40 per cent pointing out increased irrigation and availability of agricultural land. MGNREGS has helped to step up natural and physical capital through investment in horticulture plantations and water infrastructure and also in terms of improved skills training delivered. These improvements in ecosystem services have ultimately helped many households enhance or transform their livelihoods in the face of droughts and flooding.^[13]

VII. Conclusion

From the above evaluation of MGNREGS, it is clear that the scheme has made direct as well as indirect effects on the lives of the rural population in India. This experience of the most populated country in the

world, with substantial proportion of the people poverty-stricken, is a testimony that employment guarantee, in the form of wage-employment, is more or less an effective strategy in the combat of poverty. The discussion on the multi-dimensional impacts of the MGNREGS provides an insight that a wage-employment can even deliver benefits like skill enhancement which is otherwise attributed to self-employment programmes. Thus it can be concluded that employment guarantee programmes have many welfare implications, which may turn out to be instrumental in poverty eradication.

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