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*Research Note*

## **Impact of MGNREGS on Labour Supply to Agricultural Sector of Wayanad District in Kerala**

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### **Abstract**

The study has explored the impact of MGNREGS on the labour supply in the agricultural sector of the agrarian district Wayanad in Kerala. The study conducted using primary and secondary data has found that MGNREGS did have an impact on the agricultural sector at the time of its introduction, and does have a role in the hike in the labour wages. The MGNREGS wage acts as a standard minimum wage, keeping the labour market wage high. But, it is not really responsible for the movement of labour from the agricultural sector today. The scheme has been found effective in rural poverty alleviation and women empowerment. It was also found that Neighbourhood help Groups (NHGs) like *Kudumbasree* have played a major role in the success of MGNREGS in the Wayanad district. The study has outlined some suggestions also for the effective implementation of the MGNREGS.

**Key words:** MGNREGA, agricultural labour supply, women empowerment, NHGs, Wayanad district

**JEL Classification:** I 38, J 21, J 22

### **Introduction**

With the rate of unemployment touching the 10 per cent mark, pressure mounted on the government to implement some new and productive measures which could keep unemployment and poverty under check. Under such a situation, the Government of India launched the National Rural Employment Guarantee Scheme, the largest ever public works programme in the world. The scheme provides guaranteed employment for 100 days in a financial year to one member of eligible household. The Act which came into force in February 2006, was rechristened as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) on 2<sup>nd</sup> October 2009. After six years of its implementation, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)<sup>1</sup> is regarded as a 'boon to the poor' as it has conferred several benefits, especially to

the rural poor. A rural family can utilize its manpower to earn an annual income of say ₹ 10000/-. The scheme has also enhanced the socio-economic status of both men and women from the weaker sections. The scheme has created precious assets and infrastructure in the rural areas. However, despite this success, the scheme faces criticism from several corners. One of the major criticisms is that it has adversely affected the availability of labourers in the agricultural sector and has hiked their wages. It is also alleged that labourers prefer works in MGNREGS over other labour, owing to its less toil, less supervision and provision of other facilities. The extent of seriousness of the issue became evident when the Ministry of Agriculture had to request the Ministry of Rural Development to put a hold on the scheme during the harvesting period so as to make

<sup>1</sup> The implementation of MGNREGA is to be done by state governments. For this purpose, each state government is supposed to frame an Employment Guarantee Scheme, often called as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS).

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labourers available for the harvest. This directive has raised many questions like: Is MGNREGS really responsible for the shortage of labourers in the agricultural sector? Is it responsible for the hike in the labour wage in the agriculture sector? Is the scheme really successful in its declared objective of poverty alleviation and empowerment of the weaker sections (the SC/ST and rural women)? It was against this backdrop that the present study was taken up in the Wayanad district in Kerala with the following objectives:

- To analyse the impact of MGNREGS on the labour supply in the agricultural sector
- To identify the extent of the transfer of labour, if any, from the agriculture to MGNREGS
- To analyse the extent of women empowerment and reduction in rural poverty consequent to the introduction of MGNREGS.

### Methodology

For the study, both primary and secondary data were collected. A thorough review of the secondary data related to the MGNREGS at national, state and Panchayat levels was undertaken. A comprehensive household survey was prepared to check the reality at the grass root level and an interview schedule was administered to collect the data from the sample beneficiaries. Target group discussions and interviews with the key informants were conducted to supplement and complement the inferences drawn from the survey.

### Sample Design

The state of Kerala was chosen because of its reputation as an agrarian state and its commendable performance in the implementation of the MGNREGS. Multi-stage sampling process was adopted for selecting the sample for the study. From the fourteen districts in the state, Wayanad was chosen for its exemplary performance in agricultural production and implementation of the MGNREGS. Wayanad had 3 blocks, namely Kalpatta, Mananthavady and Sulthan Bathery at the time of the implementation of MGNREGS. A few months ago a fourth block named 'Panamaram' was also formed. Hence, while selecting the blocks for the study, the formation of the new block was ignored and only former blocks were selected for the study.

Four Panchayats, namely Tavinjal, Edavaka, Poothady and Mepaddy were selected from the three blocks. Tavinjal and Edavaka belong to Mananthavady block, Poothady belongs to Sulthan Bathery block and Mepaddy belongs to Kalpatta block. During the years 2005-2010, the three Grama Panchayats, viz. Tavinjal, Poothady and Edavaka have invariably been in the first three positions at the national level for making the highest expenditure on MGNREGS (MGNREGS Cell, 2011). Mepaddy was chosen from the Kalpatta block for its best performance at the block as well district level. From the list of workers obtained from the panchayats, 50 workers were selected from each Panchayat randomly. Thus, the total number of respondents selected for the study was 200.

### Results and Discussion

The socio-economic profile of MGNREGS beneficiaries was studied in terms of age, gender, caste, religion, educational level, occupation and economic status and is described below:

#### Socio-economic Profile of Sample Beneficiaries

**Age Composition** — The age-wise distribution of the sample population showed that the majority (75%) of the MGNREGS workers belonged to the age group of 30-50 years. The aged population (50-70 years) constituted 17 per cent and the young population (20-30 years) formed mere 8 per cent of the sample population. The age group of 50-70 years was formed to capture the special situation in Wayanad, where the majority of workers work in the plantations and retire after the age of 50 years. Further, the group of 20-30 years was formed to find the participation of educated unemployed youth in the high literacy state of Kerala.

**Gender** — The gender-wise distribution of sample population showed a very high percentage of female population (95%) among the MGNREGS workers. It depicted the commendable role played by MGNREGS in the economic empowerment of rural women in Kerala.

**Religion** — The religion-wise distribution of sample population showed that nearly 50 per cent of the MGNREGS workers were Hindus, 42 per cent were Christians and 8 per cent were Muslims. On comparing it with the district-wise distribution, it was observed

that the participation of the Muslim community in the MGNREGS was very low. While Muslims formed 27 per cent of the total district population, they were only 8 per cent in MGNREGS workers. On the other hand, Christians, who were only 23 per cent of the total district population, constituted 42 per cent of MGNREGS workers. This shows a higher work participation of the Christian community, especially Christian women in the MGNREGS in Wayanad, whereas the Muslim community, especially the Muslim women were not attracted towards MGNREGS.

**Caste** — The caste-wise distribution among the MGNREGS workers showed that 54 per cent belonged to the General Category, 32.5 per cent belonged to Other Backward Castes (OBCs) and 13.5 per cent belonged to the Scheduled Caste (SC) and Scheduled Tribe (ST) category. This shows that though 21 per cent of the total population of Wayanad belongs to SC/ST communities, their participation in MGNREGS was quite low.

**Educational Status** — The education-wise study of MGNREGS workers revealed a high literacy rate of 91.5 per cent. It was astonishing to find that a majority of them had studied up to high school (40.5%), followed by middle school (25%) and primary level (20.5%). About 5.5 per cent of the workers had studied up to higher secondary level also.

**Economic Status** — The economic status-wise analysis showed that 59 per cent of the workers belonged to the 'Above Poverty Line' category, while 41 per cent belonged to 'Below Poverty Line' category. The economic status given in the ration card of the workers was taken into consideration for this analysis. The higher participation of APL population indicates that the benefits of the scheme were not really reaching the targeted group, viz. the rural BPL population.

**Basic Occupation** — The basic occupation-wise study revealed that 41 per cent of the workers in the sample population were those who were continuing as agricultural labourers and 36 per cent were non-agricultural labourers. The remaining 23 per cent workers were once agricultural labourers but were not any more. It was this 23 per cent population that captured our focus in this study as they could explain whether MGNREGS was really responsible for the labour shortage in the agricultural sector.

## Impacts of MGNREGS

**Wage Hike** — It was found that MGNREGS had a major impact on the agriculture of Wayanad at the time of its introduction in 2006. Wayanad was under severe agrarian crisis at that time and many farmers had committed suicide. The wages of the agricultural workers were low; ₹ 100/day for a male worker and ₹ 70/day for a female worker, as revealed by the respondents. So when the scheme was introduced, there was a massive flow of agricultural labourers towards the MGNREGS because of a higher wage rate of ₹ 125 provided by it. But later when the market wages of the workers increased, the male workers shifted back to their earlier occupations. It was corroborated by the low number of males in the sample population (5%) presently. Thus, MGNREGS is responsible in a way for the wage hike in the agricultural labour market. The wage rate fixed by the MGNREGS is considered as a standard minimum wage below which the market wages cannot go because any such reduction would again lead to transfer of labour from the agricultural sector to the MGNREGS. The hike in wage rates from 2006 to 2011 in the market and under MGNREGS for both male and female workers is depicted in Figure 1.

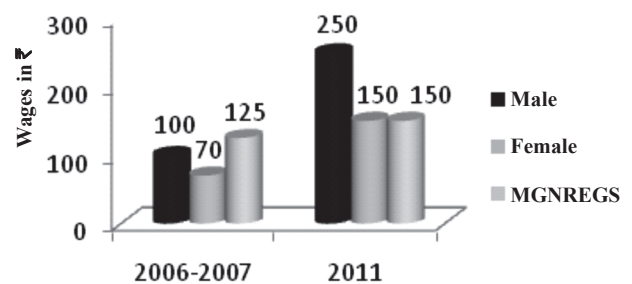


Figure 1. Wage hike in Wayanad district after implementation of MGNREGS in 2006-07

**Economic Empowerment** — The implementation of MGNREGS has provided economic empowerment to rural women in the Wayanad district because it offers same wage rates to male and female workers. Hence, there is a high incidence of female work participation in the MGNREGS because they get a wage equivalent to the market wage and find it more comfortable because it involves less toil. Another attraction for the female workers is that MGNREGS provides 100 days of guaranteed work, which the female workers are not sure of getting on working elsewhere. Some of the female respondents opined that working in a government scheme was more respectful than working

as an ordinary labourer. Thus, this sense of elevated social status brought many women who were agricultural labourers, non-agricultural labourers or housewives to join MGNREGS. Again the policy of MGNREGS to credit the wage in bulk to the bank account of the workers after the completion of a project has proved helpful to the women workers as they were no longer dependent on their husbands for their needs and were also able to have some savings. Not only that, out of the total sample population, women who left agriculture and joined MGNREGS, belonging to the age group of 20-50 years, formed only 16 per cent. Thus, it is proved from this analysis that MGNREGS has provided economic empowerment to women in rural India and has not taken away labourers from the agricultural sector.

**Blessing to Illiterate and Aged Males** — It was interesting to find why in spite of higher wage rates in the market, there was still male participation in MGNREGS. It was more relevant because the majority of agricultural labourers in the Wayanad district work in plantations and are not preferred in the labour market on crossing the age of 50 years. Also, there is incidence of illiteracy in this district. The participation of male workers in MGNREGS, though small (5%) was analysed on the basis of the age group and educational level. It was found that 50 per cent of the sample male population was in the age bracket of 50-70 years and the young workers (20-30 years) were only 10 per cent. The education-wise distribution of the sample male population showed that 20 per cent were illiterates and 80 per cent had education only up to middle level. Thus, MGNREGS has been a blessing for these aged and illiterate/low-educated male workers whose demand in the labour market was negligible. Also, these workers were not willing/able to undertake hard labour but could be absorbed in MGNREGS due to soft work.

**Source of Off-season Employment** — It was found that a significant number of agricultural workers (41% of sample population) opted for employment under MGNREGS during the off-season when they had no other work to do. Thus, MGNREGS has proved to be a source of additional employment during off-season.

### Neighbourhood Help Groups

Some Neighbourhood Help Groups (NHGs) like *Kudumbasree* have played a major role in the

substantial success of MGNREGS through their motivation in the Wayanad district. In the total sample, 75 per cent belonged to *Kudumbasree* or other NHGs. It was found that the majority of the members (62%) of the NHGs in the sample belonged to General - APL category.

### Non-lucrative for Youths

The analysis has shown that the participation of the young workers (20-30 years) in MGNREGS was very less (only 8% of sample population) and among them most were non-agricultural workers. It shows that MGNREGS has not been able to attract the literate unemployed youth in the rural Kerala.

### MGNREGS and Shortage of Agricultural Labourers

It was seen from the analysis that the workers who had left agriculture and joined MGNREGS constituted only 16 per cent of the sample population, out of which 30 per cent workers were in the age group of 50-70 years. This provides a fairly good idea that MGNREGS is not responsible for the shifting of labour from agricultural sector, rather it has only supported those who had given up agriculture owing to their age.

### Conclusions and Policy Recommendations

The study has revealed that MGNREGS was introduced at a time when the district of Wayanad in Kerala was under severe agrarian crisis. Hence, introduction of the scheme saw a massive movement of labour from the agricultural sector to the MGNREGS because of its higher wages. But at the time of the study, the situation was different. Agricultural sector has been on a recovering path and there existed a high market wage for labourers, higher than the MGNREGS wages. This higher market wage has resulted in a reverse movement of workers back to their basic occupations. Among the workers of MGNREGS, those who had left agriculture and joined MGNREGS formed a very small number and even among that group, a considerable number of workers was of higher age group — those who had retired from plantations and sought a work of lesser toil. Hence, it can be substantiated that MGNREGS, under the present situation of Wayanad, does not hold much of the potential agricultural labourers.

It has also been revealed that the majority of the workers in MGNREGS are women, because women get a wage equivalent to a male worker. Not only that, they consider it as a matter of status to be a government worker rather than a mere labourer. So women who were mainly housewives and labourers of higher age group resorted to MGNREGS as it involves less toil and provides guaranteed employment. The NHGs like 'Kudumbasree' have done commendable job in the success of MGNREGS in Wayanad as majority of workers in MGNREGS are their members. Thus, MGNREGS has contributed substantially towards the economic empowerment of rural women.

With these merits, the MGNREGS also has some problems that need addressal. MGNREGS has a role in the hike of market wage of the labourers. The wage rate fixed by the MGNREGS acts as a standard minimum wage below which the market wages cannot go because any such reduction would again lead to transfer of labour from the agricultural sector to the MGNREGS. These are also reports about mismanagement in the MGNREGS which needs immediate attention.

### Policy Suggestions

The study has brought out following suggestions to make MGNREGS more effective:

- MGNREGS should take up agricultural works in collaboration with private farmers, on a 50:50 share of the labour cost. It would help the individual farmers in bringing down the high cost of farming owing to the higher market wage and also will eliminate the labour shortage experienced in the agricultural sector. The 50:50 share will also reduce the expenditure of government on MGNREGS wage by half. Thus, it could turn out to be a win-win situation. The government could also acquire the agricultural products produced under this PPP mechanism and market them through its PDS machinery which could bring down the inflationary tendencies in the market.
- Since MGNREGS wage acts as a standard minimum wage and any hike in it will result in

increase in the market wage, the government should consider all these aspects before increasing wage rate in MGNREGS

- The MGNREGS projects should be planned as to utilize the period of off-season for agricultural labourers. Such a planning will provide off-season employment to labourers.
- NHGs like Kudumbasree should increase their visibility and should cover more areas, particularly among SC/ST communities. This will bring more women empowerment in the backward sections of the society.
- The MGNREGS projects should be made time-bound and more regressive so that workers do not consider it as an easy way of earning money and guaranteed employment without much toil.

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