CAN MGNREGA BE RESHAPED AND REORIENTED TO HELP INDIA'S FARMERS?

Due to sudden lock down and resultant job losses, about 44 lakh people returned to their homes, some walking hundreds of miles, others using all conceivable means of transport - buses, trucks, trailers, concrete mixers, Shramik trains, motorcycles, scooters, bicycles, auto rickshaws, cycle and trolly rickshaws and even boats. Many of them may be so upset psychologically with the travails they had to face that they may choose not to return at all. A sizable number may take several months to return to the cities and towns to earn a living.

This extraordinary scenario of a pandemic poses a formidable challenge for the governments of the 'home states' to arrange suitable job opportunities for securing their livelihoods. While some state governments, most notably Uttar Pradesh, are claiming to map their skills to productively engage them in the Small and Medium Enterprises (SMEs), others are facilitating their absorption in the rural economy through farm operations. In this bleak scenario, much criticised MGNREGA is providing a ray of hope.

In this context, two suggestions have been offered to "repurpose" MGNREGA to utilise this additional labour force.

First, there is a suggestion to use it to meet the wage cost of their employment in SMEs. Accordingly, skilled migrant workers may be placed in SMEs and their wages would be charged to MGNREGA. In a recent article, published in the *Indian Express*, Kulkarni and Ambasta have cogently discussed this proposal and have argued that it does not merit consideration.

The second suggestion, examined by a committee of seven chief ministers, under the aegis of Niti Aayog, is to allow farmers to employ MGNREGA workers in agricultural operations like land preparation, sowing, transplantation of paddy, plucking of cotton, intercultural operations and harvesting of crops, etc. so as to reduce the cost of cultivation. The idea is to pay part of wages of labour in agricultural operations from MGNREGA.

If MGNREGA workers are allowed to be paid for agricultural operations, the overall demand for labour in the rural areas will shrink. In many states, such works are not carried out during sowing and harvesting periods. Due to the impact of Covid-19 induced lockdown, there is additional labour in poorer states and many of the migrant workers may also seek employment in MGNREGA. As per a CMIE report, 12.2 crore jobs were lost in April 2020 alone.

In the last few years, un-remunerative prices of several crops have been the root cause of widespread agrarian distress. This can be alleviated by substantially raising the Minimum Support Price of crops or by reducing the cost of cultivation or by increasing the crop productivity. The first option is ruled out since this will be highly inflationary and if it is completely divorced from domestic and export demand, it will hit the export competitiveness of several commodities (e.g. rice, cotton, sugar). The procurement of wheat, rice, pulses and cotton at prices fixed by the government is already being seriously contested in the World Trade Organisation by several developing and developed countries. The Fair and Remunerative Price (FRP) mechanism of sugar is also under challenge.

So, the option of reducing the cost of cultivation, by reducing labour cost, looks attractive for enhancing farmers' earnings.

For several crops, labour component is quite high in the cost of cultivation. For example, in sugarcane, labour cost accounted for 56.6 percent of the total cost of production (A2+FL) in triennium to 2016-17.

However, there are at least three reasons why this is not a sound idea.

First, the MGNREG Act 2005 mentions that one of its core objectives is to create durable productive assets (Clause 3 of schedule I of the Act). Further, in clause 4(3) of the same schedule, it is expressly mentioned that *works which are non-tangible, not measurable, repetitive such as, removing grass, pebbles,* agricultural operations, *shall not be taken up*. Thus, the employment of MGNREGA workers for farm operations is not within the provisions of the Act.

Secondly, MGNREGA is, by its legislative intent, is expected to provide *supplementary employment* to the rural households, especially the landless households largely dependent on manual labour for sustenance. This is in addition to the work available in the agricultural operations. This is why MGNREGA provides for only 100 days of employment.

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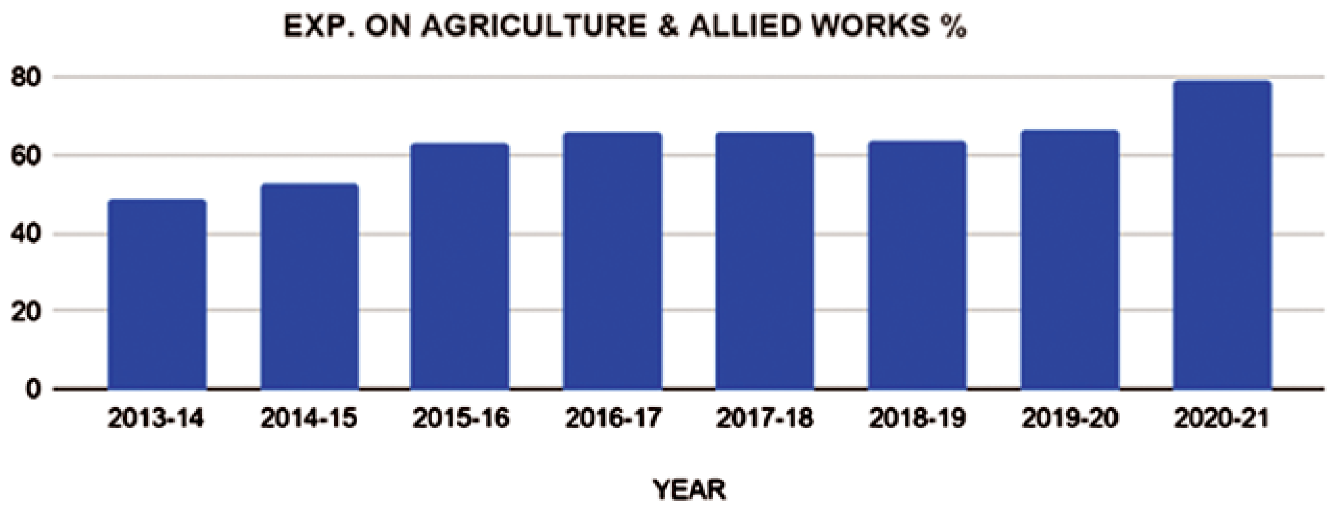
The third reason for not changing the foundational structure of MGNREGA is that the programme already has several features which directly support the farm sector. Proviso to clause 4(2) of schedule of the Act, inserted through an amendment in July, 2014, specifically mandates that at least 60% of the expenditure in a district shall be for creation of productive assets, directly linked to agriculture and allied activities, through development of land, water and trees. Accordingly, a variety of works for improving land productivity, water harvesting and irrigation, production of organic manure, horticulture, individual as well as common infrastructure for promotion of livestock and fisheries, and post-harvest facilities for storage of agro- produce in the villages can be taken up.

MGNREGA guidelines already allow payment of wages for certain works (e.g. digging of tanks) on the land owned by SCs/STs and small and marginal farmers. Therefore, these vulnerable groups of farmers, who do not have easy access to credit from the institutional sources, are already permitted to use MGNREGA for undertaking such investment to augment productivity of their livelihood assets.

As a result of this amendment in July 2014, expenditure on agriculture and allied works under MGNREGA has consistently exceeded 60% of total expenditure, since 2015-16:



The answer for reducing labour cost of farmers in relatively richer states is in mechanisation. For ensuing kharif operations in 2020, either the farmers in these states will go for more mechanisation or they will have to get migrant labour back by paying them higher wages and better facilities.

Some studies have found that the quality of agricultural work on farmers' fields has been quite good. Bhaskar and Yadav (2015) through a well-designed study, have documented that MGNREGA wells in Jharkhand had impressive returns of 6%. In a more recent survey conducted by the Institute of Economic growth covering 30 districts spread over 21 states and 14 agro-climatic zones, productivity growth of about 12% for rice and wheat, 16-17% for *bajra*, maize, pulses and oilseeds was reported. On balance of considerations, we are persuaded to argue that the proposed repurposing of MGNREGA to meet part of expenditure on labour for recurring agricultural operations would not be justified for promoting efficiency nor would it enhance equity.

In the past MGNREGA has attracted criticism (Bhagwati and Panagariya in *Times of India*, October 23,2014) that it is an inefficient instrument of shifting income to the poor as it costs five rupees to transfer one rupee to MGNREGA workers. This was based on the explicit assumption that leakages were as high as 25% and the assets created had no value. A recent study by Muralidharan et al (2017) shows that the programme raised households' earnings by 13% leading to a 17.4% reduction in income poverty.

There is no doubt that MGNREGA is still grappling with some critical implementation hurdles, notably quality of work in states, particularly those where panchayati raj institutions are weak and there are long delays in disbursement of wages. Since the adverse impact of Covid-19 pandemic on employment is going to persist in 2020-21 and the Government does not seem to be considering direct cash assistance, what is warranted is more effective implementation and strengthening of the oversight of MGNREGA through mandated social audit.

At this point in time what is needed is neither dismantling of the programme nor its slow suffocation. ■

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