



GUARANTEED EMPLOYMENT & THE POOR

The Mahatma Gandhi National Rural Employment Guarantee Scheme*

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India's Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is the largest public works employment project in the world, employing 55 million households in 2010-11. The program places an emphasis on rural poverty reduction, granting rural households a legal right to employment of up to 100 days per year in public works programs. In this way, the program aims to boost employment and incomes, especially for the rural poor. How well the MGNREGS actually targets poor households in each state throughout India, as well as how to improve pro-poor targeting, is the focus of this project note.

Using nationally representative data from the National Sample Survey (NSS), we examine which households seek MGNREGS employment and which of those households are denied employment (administratively “rationed”) despite their legal right to participate. This comparison allows us to determine a profile of households that actually benefit from the program. We find that, while the MGNREGS does a reasonably good job overall of targeting the rural poor, the household profile varies considerably among states. While over 75% of states studied see a high rate of pro-poor (“pro-gressive”) targeting, the rest do not. This heterogeneity suggests that the potential exists to considerably improve the program’s pro-poor targeting and ensure that the program’s benefits reach the most vulnerable populations.

OVERVIEW

MGNREGS is a self-targeting employment guarantee scheme, meaning that households enroll themselves in the program. The basic logic is that the households most likely to enroll will be those that are otherwise unemployed or whose other employment options would yield a lower income level than that offered by employment with the MGNREGS.

Sometimes, however, this self-targeting feature can fail. Socially isolated populations, such as religious minorities, scheduled castes or tribes, or women, may not be aware of the program or may be less willing or able to assert their right to participate in the

program. Rural populations may also face market failures that reduce the usual strong positive correlation between the opportunity cost of labor time and household per capita expenditure level.

Furthermore, not every household that seeks MGNREGS employment will receive a job due to the practice of administrative rationing. Administrative rationing can occur due to a variety of features; a series of social audits has found that MGNREGS jobs are often allocated based not on applicants’ actual need, but rather on factors such as social status, personal connections, nepotism, political connections, and corruption. The occurrence of such rationing varies widely among states and jurisdictions; however, the bottom line is that if administrative rationing occurs more frequently against poor households, then the pro-poor intent of the MGNREGS program would be undermined. This project note contributes to the literature surrounding MGNREGS by delving deeper into the heterogeneity that exists in pro-poor targeting among states.

OUR FINDINGS

Our study looks at data from the 66th round of the National Sample Survey (NSS), conducted from July 2009 – June 2010. This round interviewed 59,129 rural households from 35 states and is statistically representative at the state level.

Using this data, we construct three dummy variables: participation (if the household worked in the MGNREGS program), job-seeking (if the household sought MGNREGS employment), and rationing (if the household sought but did not receive MGNREGS employment). Our study focuses on whether or not a household had a member working in the MGNREGS program in the previous 12 months because this margin allows us to identify administrative rationing. Eight states with fewer than 300 sampled households were dropped from our study, leaving a sample of 58,263 rural households from 27 states.

Table 1 presents median per capita monthly household expenditures and per capita landholdings by state, as well as the means of the three dummy variables detailed above. The overall participation rate is 24%, but participation varies considerably across states, from 4-5% in Haryana, Maharashtra, and Punjab to 89% in Mizoram.

* This project note draws on Liu, Y. and Barrett, C.B. March 2013. “Heterogeneous Pro-Poor Targeting in the National Rural Employment Guarantee Scheme.” *Economic & Political Weekly* 48(10): 46-53.

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Table 1: Summary Statistics by State

State	Median Monthly Expenditure PC (Rs)	Median Land Holdings PC (0.000 Ha)	If Worked under MGNREGS	If Sought MGNREGS Job	If Sought But Not Offered MGNREGS Job	Average Number of EGS Days If Worked under MGNREGS	Sample Size	Rural Population from 2011 Census (0,000)	Share of Total MGNREGS Employment 2009-10
Andhra Pradesh	964	6	0.35	0.47	0.25	46.5	3,926	5,631	0.143
Arunachal Pradesh	939	333	0.18	0.43	0.58	53.9	1,042	107	0.001
Assam	812	134	0.18	0.4	0.56	31.5	2,616	2,678	0.026
Bihar	646	10	0.1	0.44	0.79	24.5	3,300	9,208	0.040
Chhattisgarh	576	101	0.48	0.69	0.31	35.2	1,495	1,960	0.037
Gujarat	940	54	0.18	0.32	0.44	24.6	1,721	3,467	0.021
Haryana	1,272	6	0.05	0.2	0.74	38.7	1,440	1,653	0.002
Himachal Pradesh	1,210	80	0.33	0.42	0.2	47.5	1,660	617	0.010
Jammu & Kashmir	1,039	75	0.08	0.28	0.71	33.5	1,448	913	0.005
Jharkhand	670	58	0.16	0.44	0.63	22.9	1,759	2,504	0.030
Karnataka	815	11	0.08	0.23	0.65	29.7	2,038	3,755	0.071
Kerala	1,364	15	0.11	0.23	0.52	26.2	2,606	1,746	0.012
Madhya Pradesh	683	143	0.36	0.58	0.37	29.3	2,735	5,254	0.093
Maharashtra	920	68	0.04	0.28	0.84	33.8	4,017	6,155	0.010
Manipur	871	108	0.74	0.77	0.05	56.8	1,376	190	0.011
Meghalaya	926	40	0.42	0.56	0.25	49.7	864	237	0.005
Mizoram	1,026	123	0.89	0.92	0.04	76.4	632	53	0.006
Nagaland	1,246	260	0.59	0.75	0.21	39.6	704	141	0.010
Odisha	652	74	0.22	0.51	0.57	26.5	2,976	3,495	0.020
Punjab	1,281	4	0.05	0.31	0.83	30.3	1,560	1,732	0.003
Rajasthan	951	177	0.59	0.70	0.16	71.0	2,582	5,154	0.159
Sikkim	1,045	60	0.44	0.46	0.04	59.0	608	46	0.002
Tamil Nadu	882	4	0.34	0.41	0.19	42.8	3,319	3,719	0.084
Tripura	916	30	0.77	0.85	0.09	61.0	1,312	271	0.016
Uttar Pradesh	765	49	0.16	0.35	0.54	31.4	5,903	15,511	0.126
Uttarakhand	1,154	38	0.27	0.38	0.28	23.0	1,048	703	0.006
West Bengal	753	7	0.43	0.66	0.34	16.8	3,576	6,221	0.055
All India	826	29	0.24	0.44	0.44	37.4	58,263	83,309	1

A portion of this variation can be attributed to differences in self-selection, with households in poorer states being more likely to seek MGNREGS employment. For example, in Chhattisgarh, 69% of rural households sought MGNREGS employment, while only 20% of rural households did in Haryana. However, a greater portion of the interstate variation is due to state-level rationing among households who sought MGNREGS work. The rate of rationing is highly variable among states, with 4% in Mizoram and Sikkim to 83-84% in Maharashtra and Punjab. Ideally, rates of job-seeking would be higher among poor households, while rationing rates would be lower (or non-existent). However, this is not always the case. While some states exhibit progressive rationing (low rates of rationing among poor applicants and higher rates as one moves beyond the poverty line), others exhibit regressive rationing, with poor applicants more likely to be denied employment than their better-off neighbors. How a state conducts its administrative rationing will clearly have an impact on whether or not the MGNREGS program benefits the poor (its stated target population). Since job-seeking is a household decision and thus largely not under the control of the MGNREGS administration, we focus in the following sections on the rationing profile, both nationally and interstate.

National Rationing Profile

From the national data, four main findings emerge regarding participation and administrative rationing. First, poor households' likelihood of seeking MGNREGS employment is high, indicating that nationally, the MGNREGS' self-targeting design is, in and of itself, pro-poor. Second, while better-off households are actively rationed out of the program, the poorest households are also highly likely to be denied employment. This means that households closer to the poverty line are more likely to receive employment than poorer households, giving rationing within the national MGNREGS program a relatively middle-class bias. This finding indicates that rationing practices on average are not pro-poor but rather pro-middle class. Third, because the self-selection effects overwhelm the rationing effects, the overall conclusion is that the MGNREGS targeting is noticeably pro-poor, particularly favoring lower caste (ST/SC) households. Finally, although the MGNREGS program offers equal wage rates to both men and women and makes payments directly to the individual worker, the program does not effectively reach poor female-headed households, due to both self-selection and rationing effects.

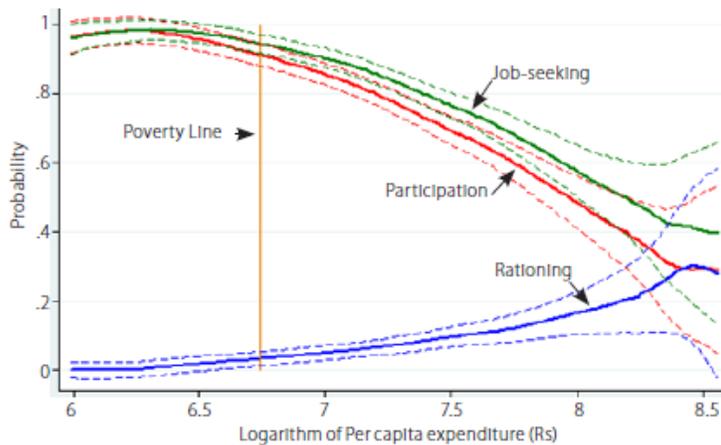
Interstate Rationing Profile

When we disaggregate the national data further, we uncover that in a large number of states, MGNREGS has significantly progressive rationing and participation profiles. However, the data also reveals that in some states, pro-poor targeting is still low.

To analyze the state-level data, we look at four variations of pro-poor targeting performance. The first variation is the ideal: high and pro-poor (progressive) participation with little rationing among poor households. The other three variations are deviations from this ideal: i) low participation rates among the poor, ii) flat or regressive participation and rationing rates, and iii) high rationing rates among the poor. By looking at these three variations, we find that 13 of the 27 states studied do a good job in pro-poor targeting.

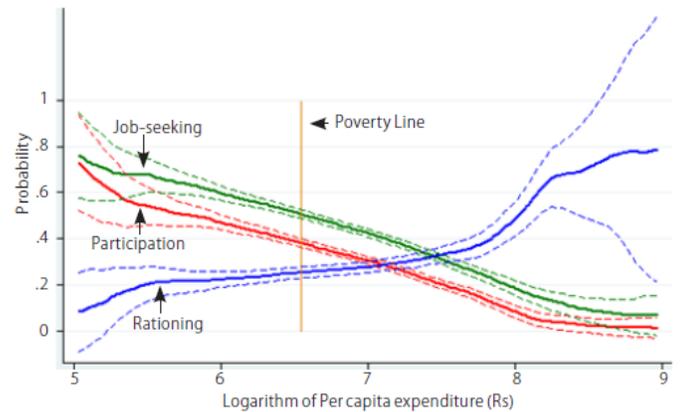
Five states are identified as having exemplary pro-poor targeting: Manipur, Mizoram, Rajasthan, Sikkim, and Tripura. Figure 1 highlights an example of an exemplary rationing and participation profile, showing the estimated probabilities of each of the three targeting indicators (participation, job-seeking, and rationing) conditional on household expenditures for Mizoram. This figure shows that over the lower half of the expenditure distribution (i.e., poor households), more than 80% of households sought MGNREGS employment. Among these poor households that sought employment, close to zero were rationed out of the program; the level of rationing increases at a statistically significant degree as household per capita expenditures increases, showing that rationing in Mizoram was overwhelmingly pro-poor. This pattern held throughout the other four states in the “exemplary” category.

Figure 1: MGNREGS Job-Seeking, Rationing, and Participation in Mizoram



A second category, represented by Figure 2, contains eight states (Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Madhya Pradesh, Meghalaya, Nagaland, Tamil Nadu, and West Bengal) that deviated from the ideal profile only through lower rates of job-seeking among poor households. This figure highlights Andhra Pradesh and shows that self-selection into the MGNREGS program

Figure 2: MGNREGS Job-Seeking, Rationing, and Participation in Andhra Pradesh



among poor households is far lower in this category than in the first, although administrative rationing in these states is still strongly progressive. The participation rate for households in Andhra Pradesh with monthly per capita expenditures below the 2009-10 rural poverty line was only 48%, compared to 98% in Mizoram. Because poor households are less likely to seek MGNREGS employment, for any number of reasons, the program’s pro-poor targeting in these states is less effective than in the first category.

The remaining 14 studied states exhibit more than one deviation from the ideal pro-poor targeting profile, as summarized in Table 2. Eleven of these states (Assam, Bihar, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Maharashtra, Orissa, Punjab, and Uttar Pradesh) had both low MGNREGS participation rates and high rationing among the poor. Looking specifically at data from Orissa, we find that the participation rate among even the poorest households was only 40%. Similarly, at least 50% of all households seeking MGNREGS employment were denied, including those with the lowest expenditure levels. Although these states do exhibit a progressive rationing profile, meaning rationing occurred more frequently for households nearer to and over the poverty line, the poorest households still experienced a high level of rationing (close to 60%). An additional state, Uttarakhand, shows both low participation and flat or regressive rationing. In this state, rationing is statistically significantly higher among poor households than among those households that are better off, while the overall participation rate was below 50% for all households.

Finally, two states (Arunachal Pradesh and Jammu and Kashmir) deviated from the ideal profile in all three indicators: participation, rationing, and job-seeking. In Jammu and Kashmir, the participation rate was below 20%, while rationing reaches 60% for the poorest households. Job-seeking in this category is also low, with no statistically significant variation in households’ likelihood to seek MGNREGS employment no matter what their monthly household expenditure level. Taken together, the failure of all three indicators clearly shows that, in these states, the MGNREGS program is not targeting the poor, and thus not functioning as intended.

Table 2: Summary of Deviations from Pro-Poor Targeting

State	Low Participation	Flator Regressive Targeting	High Rationing
Arunachal Pradesh	X	X	X
Assam	X		X
Bihar	X		X
Gujarat	X		X
Haryana	X		X
Jammu & Kashmir	X	X	X
Jharkhand	X		X
Karnataka	X		X
Kerala	X		X
Maharashtra	X		X
Odisha	X		X
Punjab	X		X
Uttar Pradesh	X		X
Uttarakhand	X	X	

CONCLUSION

With such a large, far-reaching program as the MGNREGS, it is important to gain a clear understanding of how the program is functioning and whether it is reaching its intended targets. Our study delves into both national data and state-level data from 27 states to examine patterns of job-seeking, rationing, and program participation. We find that overall, poorer households are overwhelmingly more likely to self-select into the program (i.e., seek MGNREGS employment) than better-off households, indicating that the self-targeting design of the program is in and of itself pro-poor. While at the national level, administrative rationing patterns exhibit a bias toward the middle class rather than toward the poor, this varies immensely at the state level. Furthermore, because the self-selection effects generally dominate the rationing effects, the overall result is that MGNREGS targeting is noticeably pro-poor, especially favoring lower caste households. However, female-headed households are less likely to benefit from the program, due to both lower job-seeking rates and higher levels of administrative rationing than seen for male-headed households.

Encouragingly, over half of the study households live in states exhibiting both rationing and participation profiles that indicate successful pro-poor targeting. The example of these states shows that the MGNREGS program can be a highly effective tool to employ poor rural households, thus improving their incomes and well-being. Lessons learned from these success stories should be taken seriously by both the national and state governments as a way to ensure the continued growth and success of the MGNREGS program's pro-poor reach.

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IFPRI is a member of the CGIAR Consortium.

This publication has been prepared as an output of the Impact Evaluation of the Indian National Rural Employment Guarantee Scheme Project. It has not been peer reviewed. Any opinions stated herein are those of the author(s) and do not necessarily reflect the policies of the International Food Policy Research Institute.

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