

SIX REASONS WHY THE ECONOMIC SURVEY'S PRESENTATION OF MGNREGA IS MISLEADING

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

A chapter in the recent Economic Survey on the “transformational” impact of Aadhaar on the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) merits scrutiny. It presents a skewed and unbalanced view of the programme’s technical interventions instead of taking a comprehensive view of the implementation. The Survey draws heavily from the Indian School of Business’s working paper titled “A Friend Indeed: Does The Use of Digital Identity Make Welfare Programs Truly Counter-Cyclical?”

A rebuttal of this working paper, published in November 2018, highlighted glaring flaws on three counts — factual, methodological and conceptual. Yet the paper has been uncritically accepted and widely cited in the Survey. This raises questions about the credibility of the Chief Economic Adviser’s (an affiliate of the ISB) office. Here are six reasons why the Economic Survey’s presentation of the MGNREGA is misleading.

Aadhaar has to be understood as merely being a pipeline for funds transfer in the MGNREGA. A lack of adequate financial allocation, pending liabilities and low wages have dogged the programme over the past eight years. About 20% of the Budget allocation in each of the last five years is of pending wage liabilities from previous years. It was worst in 2016-17, when pending liabilities were 35% (13,220 crore) out of a total allocation of 38,500 crore. MGNREGA wages in many States are about 40% lower than the Ministry of Labour’s national minimum wage. Instead of sufficiently funding MGNREGA, a legal right, in times of severe drought, there is disproportionate attention by the government towards creating a complex architecture based on technical solutions.

Second, the Economic Survey misrepresents the continuous technological interventions in the MGNREGA since its inception. Electronic funds transfer started as far back as in 2011 through the Electronic Fund Management System (eFMS), and became symbolic of the Direct Benefit Transfers (DBT). This served as the basis for the National Electronic Fund Management System (N-eFMS), introduced, in 2016. The Survey uses the term “ALP” for Aadhaar-linked payments and conflates it with the DBT by repeatedly referring to the time before 2015 as “pre-DBT” to make its claims. The conflation of terms prevents one from making an honest assessment on the effect that different interventions have had.

Third, the Survey makes strong assertions that timely payment of wages have positively impacted worker participation. To support this, the Survey makes dubious causal claims on reduction in payment delays due to the introduction of Aadhaar. However, their understanding of payment delays is faulty.

Wage payments to MGNREGA workers happen in two stages. The first is the time taken by the blocks to generate the electronic Funds Transfer Orders (FTO) and send it digitally to the Central government. The second is the time taken by the Central government to process these FTOs and transfer wages to workers’ accounts. While it is true that delays in the first stage have reduced, those in the second stage continue to be unacceptably high. Only about 30% of the payments are credited on time; the Central government takes more than than 50 days (which is the second stage) to transfer wages to workers.

The Survey only considers the delays in the first stage. Aadhaar has no role in reducing the delays in the first stage but comes into play only in the second stage. Therefore the claim in the Survey that the “ALP has positively impacted the flow of payments under the scheme” is a manipulation of facts.

Fourth, the Survey attributes an increase in demand for and supply of work in drought-affected areas to Aadhaar ignoring other crucial factors. For instance, it ignores the Supreme Court’s orders on drought (*Swaraj Abhiyan vs. Union of India* (2015), which coincided with the duration of the working paper’s analysis. Taking cognisance of the Court’s orders and continuing monitoring, the Ministry of Rural Development issued strict directives (between 2014 and 2017) to ensure allocation of works and on-time payment of wages.

These judicial-administrative directives, which came into effect after Aadhaar was introduced, played an important role in the increase in the MGNREGA work uptake in drought areas. Not accounting for the Court’s orders as a contributing factor in their “causal” analysis makes their findings unreliable. In fact, in Rajasthan, under the new State government, the ‘work demand’ campaign initiated in December 2018 has resulted in a 67% increase in employment generated and a record number of households having completed 100 days of work under the MGNREGA. There is a three-fold increase in employment generation in Karnataka in 2019 compared to 2018. This demonstrates how political and administrative priorities can have a strong positive impact on the programme.

Fifth, while the Survey rightfully acknowledges the nature of positive targeting of the MGNREGA — with women, Dalits and Adivasis benefitting the most — it wrongfully attributes it wholly to the introduction of Aadhaar. The argument denies the unambiguous impact of the universal access of the MGNREGA without having to meet any eligibility criteria. It is disappointing that in independent India, an official document on the state of the economy compares a constitutionally backed legal guarantee to the largesse of feudal kings. This should have been expected as the Survey misses the point that the programme was introduced as a legal right and not as an act of charity. Indeed, to this end, the Minister for Rural Development recently made an odd comment: “I am not in favour of continuing with MNREGA because it is for the poor and the government wants to eradicate poverty.”

Sixth, the Survey’s claims about the ALP identifying “ghost beneficiaries” is exaggerated as an RTI query showed that they accounted for only about 1.4% of total households in 2016-17.

The technology historian, Melvin Kranzberg, wrote, “Technology is neither good nor bad; nor is it neutral.” It is telling that the Survey completely ignores numerous instances where technology has resulted in violation of workers’ rights under the MGNREGA — some examples are not registering work demand, not paying unemployment allowance and compensation for payment delays among others.

In fact, another ISB study, not cited in the Economic Survey shows that 38% of the Aadhaar-based transactions in Jharkhand were diverted to a different account. Overlooking these fundamental issues, cherry-picking studies and using flawed analyses to justify technocracy is an example of ethical paralysis. While the Economic Survey harps about an ill-designed technological pipeline, the fact is that a landmark labour programme is being put on a ventilator.

Rakshita is affiliated with the Social Accountability Resource Unit. Rajendran Narayanan teaches at Azim Premji University, Bangalore

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