

Employment Generation in India: An Analysis of MGNREGA

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Abstract

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is one of the largest rights-based social protection programmes in India aimed at improving livelihood security through guaranteed wage employment in rural areas. The present paper discusses the role of MGNREGA in creation of rural employment in India. The study uses a conceptual and descriptive approach to review the relevant literature and secondary data on person-days generated under MGNREGA during 2006-07 to 2023-24. The results show that the programme generated a substantial increase in employment in the initial years of its operation, varied with the changing economic conditions and policy interventions, and reached its highest point in 2020–21 during the COVID-19 pandemic. Further trend analysis reveals that demand for employment under MGNREGA is intricately linked with rural economic conditions and labour market dynamics. The paper concludes that MGNREGA continues to be a critical tool for employment generation and inclusive rural development in India.

Keywords: *MGNREGA, employment generation, rural development, livelihood security, person-days, rural employment, India.*

Introduction

Since independence employment generation has been a basic goal of India's development planning. Despite significant economic growth in the Indian economy over the past three decades, rural India continues to be plagued by persistent problems such as poverty, unemployment, underemployment, low agricultural productivity, poor infrastructure, income inequality, and lack of access to basic services. Hence the key issues of public policy have been the generation of sustainable employment and livelihood security.

The Government of India has introduced several rural employment programmes over the years, including the National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Jawahar Rozgar Yojana (JRY), Employment Assurance Scheme (EAS) and Sampoorna Gramin Rozgar Yojana (SGRY). These initiatives were supply driven and lacked legal accountability, though they did help generate employment in rural areas. Jobs were filled according to administrative decisions and budgetary allocations, not actual demand for labor. Thus, many deserving rural households still remained excluded from these programmes.

Thus, government introduced the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, which came into force on 2 February 2006. MGNREGA brought about a major change in the policy of rural development in India by making employment a legal right. The Act provides for up to 100 days of wage employment in a financial year to every household in rural areas in which adult members are willing to do unskilled manual work. Unlike the earlier schemes, MGNREGA is demand driven and legally enforceable. If employment is not given to the applicant within fifteen days of application, then he is entitled to unemployment allowance and the state is under legal obligation to give employment.

MGNREGA is one of the biggest public employment initiatives in the world. Since it was put into place, it has improved livelihood security for millions of rural households, created billions of person-days of employment, boosted women's labor force participation, and helped to build productive rural assets. By offering an instant source of income and lowering livelihood vulnerability, the program has also been extremely helpful during times of economic hardship, especially during droughts, floods, and the COVID-19 pandemic.

The importance of the programme goes beyond creating jobs it has also help to reduce poverty; food security is improved; women's economic participation is strengthened; natural resource management is supported through land development and water conservation; agricultural productivity is increased through the creation of productive assets; and decentralized governance is encouraged through social audits and Gram Sabhas. As a result, MGNREGA has emerged as a key tool for accomplishing a number of Sustainable

Development Goals (SDGs) and inclusive rural development, especially those pertaining to poverty, hunger, gender equality, decent work, decreased inequality, and climate action.

The socioeconomic effects of MGNREGA have been the subject of a sizable body of empirical research, but the majority of this literature focuses on specific outcomes like program implementation, employment creation, wage effects, and poverty reduction. Relatively few studies have made an effort to combine these disparate results into a logical theoretical framework that explains how MGNREGA supports rural development. Because rural development is a multifaceted process that involves institutional, social, economic, and environmental changes rather than just expanding employment opportunities, a conceptual understanding is crucial.

The present study shows that MGNREGA serves as a comprehensive scheme for the upliftment of rural people with the employment generation in India.

Employment Generation

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has as its main goal the creation of jobs, which is one of its most important contributions. By offering a legal guarantee of up to 100 days of wage employment in a fiscal year to every rural household whose adult members are willing to perform unskilled manual labor, the program was implemented to address the ongoing issues of rural unemployment and underemployment (Government of India, 2005). In contrast to previous wage employment programs, MGNREGA is demand-driven, which means that jobs are given out based on demand rather than through fixed allocations. By guaranteeing rural households a legal right to work, this rights-based strategy improves livelihood security and lowers economic vulnerability (Drèze & Khera, 2009).

Guaranteed employment has greatly increased rural households' chances of making a living, especially during lean agricultural seasons when jobs are hard to come by. MGNREGA reduces seasonal earnings fluctuations and helps stabilize household income by generating an alternative source of wage employment. According to studies, the program has decreased reliance on unofficial labor markets and given landless laborers, marginal farmers, and economically disadvantaged groups in society job opportunities (Dutta et al., 2012; Imbert and Papp, 2015).

By raising household income and enhancing purchasing power, jobs created under MGNREGA have also helped to reduce poverty. Beneficiary households can improve their overall standard of living by spending more on food, healthcare, children's education, and other necessities thanks to regular wage earnings. According to Zimmermann (2014) and Narayanan, Liu, and Gulati (2017), increased rural income creates multiplier effects that support broader rural economic development by stimulating local markets through increased demand for goods and services.

MGNREGA's emphasis on inclusive employment is one of its unique characteristics. Scheduled Castes (SCs), Scheduled Tribes (STs), and other marginalized communities are encouraged to participate in the program, which offers equal pay rates for men and women. According to Khera and Nayak (2009) and Narayanan and Das (2014), women's participation in MGNREGA has continuously exceeded the statutory minimum of one-third, which has improved gender equality, increased financial independence, and increased decision-making power in rural households. Because of its inclusive approach, MGNREGA is now a significant tool for social empowerment in addition to being an employment program.

During times of economic hardship, the program has also had a counter-cyclical effect. MGNREGA served as a social safety net by giving vulnerable rural households and returning migrant workers jobs during droughts, floods, and especially the COVID-19 pandemic. The program's ability to safeguard livelihoods and lessen income shocks during crises was demonstrated by the increased demand for employment during the pandemic (Afridi, Mahajan, & Sangwan, 2021; Ministry of Rural Development, 2021).

Despite its successes, MGNREGA's ability to create jobs is still hampered by a number of implementation issues. The program's efficacy is frequently diminished by wage payment delays, insufficient budgetary allocations, technical staff shortages, low beneficiary awareness, and regional implementation disparities. The program's effect on livelihood security is limited because households in many states receive less than the 100 days of employment that are guaranteed. Program performance can only be improved by strengthening institutional capacity, making sure wages are paid on time, improving planning, and increasing transparency through social audits and digital governance (Drèze & Khera, 2009; Dutta et al., 2012).

All things considered, creating jobs continues to be the cornerstone of MGNREGA and serves as the basis for accomplishing more general goals related to rural development. MGNREGA makes a substantial contribution to inclusive rural development and poverty reduction by boosting household income, generating wage employment, lowering seasonal unemployment, encouraging social inclusion, and bolstering rural livelihoods (Kaur, 2024). The initiative shows how employment guarantee programs can support long-term economic and human development while acting as efficient social protection tools (Sen, 1999; Imbert & Papp, 2015).

Table 3. Employment Generation under MGNREGA in India

Years	Person-days Generated (Crore)
2006–07	90.5
2007–08	143.6
2008–09	216
2009–10	283.6
2010–11	257.2
2011–12	216.3

2012–13	230
2013–14	220.4
2014–15	166.2
2015–16	235.4
2016–17	235.8
2017–18	233.7
2018–19	267.9
2019–20	265.4
2020–21	389.1
2021–22	363.3
2022–23	293.7
2023–24	309

Source: Ministry of Rural Development, Government of India, MGNREGA

Employment creation rose quickly in the early years of implementation, from 90.5 crore person-days in 2006–07 to 283.6 crore person-days in 2009–10. This increase is a result of the program's steady rollout throughout all rural districts, rising awareness among rural households, and increased government spending on creating jobs.

Employment generation fell to 166.2 crore person-days in 2014–15 after peaking in 2009–10. Improvements in agricultural employment, administrative limitations, implementation difficulties, and decreased demand for jobs in some areas can all be blamed for this decline.

During this time, employment generation steadily increased to between 235 and 268 crore person-days. Recurring drought conditions in several states, better program execution, and increased budgetary allocations all contributed to a resurgence of demand for MGNREGA employment.

The COVID-19 pandemic caused widespread reverse migration and a greater reliance on rural employment opportunities, resulting in the highest level of employment generation in 2020–21 (389.1 crore person-days). When economic activity picked up again in 2022–2023, employment fell to 293.7 crore person-days from an exceptionally high 363.3 crore in 2021–2022. Employment rose marginally to 309.0 crore person-days in 2023–2024, demonstrating the continued significance of MGNREGA as a livelihood support program for rural households.

The long-term trend shows that in rural India, MGNREGA has emerged as a vital source of employment and livelihood security. Since its launch, the program has produced billions of person-days of employment and served as a successful social safety net in times of financial hardship, especially during the COVID-19 pandemic. The trend also demonstrates the close relationship between rural economic conditions, climate shocks, and labor market opportunities and employment demand under MGNREGA.

Conclusion

The analysis shows the employment creation under MGNREGA shows that the initiative has been crucial in improving livelihood security and advancing rural development in India. MGNREGA has created significant job opportunities for rural households since its establishment, especially during times of seasonal unemployment and financial hardship. The pattern shows that employment grew quickly in the early years of implementation, then fluctuated depending on labor market dynamics, policy changes, and economic conditions.

During the COVID-19 pandemic, there was a notable increase in the creation of jobs, which resulted in reverse migration and a sharp increase in demand for jobs in rural areas. By giving millions of rural households instant wage employment, the program successfully served as a social safety net. Even though the number of person-days produced decreased during the post-pandemic period, employment levels were still higher than those observed in a number of pre-pandemic years, demonstrating the ongoing importance of MGNREGA in sustaining rural livelihoods.

Thus, the results indicate that MGNREGA has made a significant contribution to lowering rural unemployment, raising household income, reducing distress migration, and bolstering the resilience of vulnerable rural communities. The program's full potential is nevertheless constrained by issues like inadequate availability of the full 100 days of employment, regional disparities, delayed wage payments, and ineffective implementation. The program's effectiveness will be increased by addressing these issues through prompt funding allocation, better planning, efficient monitoring, and increased institutional capacity.

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