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## Undermining the Legal Guarantee of MGNREGA: Right, Left, and Centre

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*Governments of every political dispensation have sought to hollow out India's rural employment guarantee scheme. Only a mass movement that keeps the vulnerable at its centre can make the MGNREGA what it is supposed to be.*

The central government has cut budgetary allocations to the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for 2022-23 by a fourth over the revised estimates for 2021-22. The allocation is so low that the budgeted amount **will run out** even if just a sixth of the 9.94 crore **eligible** households demanded 100 days of work.

A record 11 crore workers from 7.5 crore households worked under the scheme in 2020-21, the year the pandemic struck. Even in the pre-pandemic 'normal' of 2019-20, this figure was about 7.9 crore individuals from 5.48 crore Why would the government cut allocation to a legally guaranteed scheme that has saved millions of lives through the pandemic crisis; when the employment record is still fragile, and five states were at polls? **households**.

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The dominant thread of analysis, even from supporters of the scheme, explains this as yet another site of a slugfest between the ruling Bharatiya Janata Party and the Congress. They would point to Prime Minister Narendra Modi's known disdain for the MGNREGA and how his government has repeatedly tried to stifle the programme.

This analysis, however, prevents us from seeing the larger picture.

MGNREGA is neither a case of poor implementation, bad planning, or down-the-road corruption ruining an otherwise well-intended scheme; nor the victim of a turf war. We are looking at very deliberate attempts to undermine the act, right from the time of its very passage.

To understand what is going on, we need to travel back — to the winter of 2004 in Delhi.

### UPA's track record

A nationwide employment guarantee act was long in the making. By 2003-04, a broad pan-India civil society movement had mobilised thousands of rural workers in nearly every state. The organisations in the campaign came up with an initial draft for the employment guarantee act, drawing on lessons from the experiences of existing lifesaving, but corrupted, public works programmes in the drought-prone western states. **Articles** were written both in favour and against, and a healthy debate flourished.

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The then-opposition Congress was convinced that such a rural employment guarantee would be a persuasive poll plank for the 2004 Lok Sabha elections. A promise to enact such legislation found its way into its manifesto. With the defeat of the National Democratic Alliance in the polls, the Congress-led United Progressive Alliance (UPA) formed a government with Left support.

It was time to deliver. But the National Rural Employment Guarantee Bill that was tabled in Parliament was a hugely watered-down version of drafts from civil society and the government's own National Advisory Council. The bill tried to introduce targeting, defeating the entire purpose of a universal guarantee. It restricted the scheme to certain areas and periods of the government's choice. Most significantly, it did not guarantee workers the prevailing statutory minimum wages in different states.

Thanks to mobilisation and pushback from people's movements, some of these dilutions were removed. But one stayed. Sub-section 6(1), **inserted** a week before the bill was tabled in Parliament, delinked the MGNREGA wages from the legal minimum wages (of the centre and states) and gave the centre powers to arbitrarily fix wages under the act.

Comfortably back in power for a second term, the UPA fast lost interest in the MGNREGA.

This section was held **unconstitutional** by at least one high court. Yet it remains in practice till date — in complete disregard of Supreme Court **directions** in 2012 and an expert panel’s **recommendations** in 2014 to bring parity of MGNREGA wages with the state minimum wages and link it to Consumer Price Index – Rural (CPI-R). As recently as 2020, the MGNREGA wage was **below** the minimum wage for agricultural rural workers in 17 out of 21 major states.

### A shift in priorities

By the 2009 Lok Sabha elections, the UPA went back one more step. While it “**promised** to provide ‘at least’ 100 days of work at a ‘real wage’ of Rs 100 per day,” in its **manifesto**, what the government did, in reality, was to cap the ‘**nominal**’ wages at Rs 100 on 1 January that year. India’s inflation rate at the time touched crippling double-digit levels. If states wanted to pay MGNREGA workers higher wages, they had to get the new rates approved by the centre and shell out the additional cost.

Comfortably back in power for a second term, the UPA fast lost interest in the MGNREGA. Allocation fell to Rs 33,000 crore in 2012-13 from Rs 40,100 crore in 2010-11. The centre **disregarded** states’ demands under the scheme. To top it all, a Comptroller and Audit General **report** on the scheme’s performance between 2007 and 2012 found that the poorest were not fully able to exercise their rights under the scheme. There was a lack of transparency in the release of funds, non-maintenance of records, widespread staff shortages, and a shortfall of information, education, and communication expenditure. Across states, unemployment allowance was not being paid.

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In plain sight, UPA’s strategy for 2014 had shifted — from MGNREGA to the ‘**game-changing**’ Aadhaar-linked direct cash transfers. In 2013, the government **announced** it would disburse Rs 3–4 lakh crore of subsidies in direct cash transfers to people through various schemes. But the rollout faced stiff opposition around linking to Aadhaar.

In each of these instances — in 2005 (delinking MGNREGA from statutory payment of minimum wages), 2009 (cap on wages,) and 2013 (cuts in allocation) — it was clear that the finance ministry wielded the pen. The then finance minister, P. Chidambaram, who often **accuses** the BJP of starving the scheme of funds, practically **froze** MGNREGA allocations at Rs 33,000 crore during the second term of the UPA tenure. He **claimed** it would cause agricultural wages to rise and the fiscal deficit to spin out of control. Government **officials** were quick to point out that any breach in fiscal deficit could lead to a sovereign rating downgrade, which would scare away financial investors.

The point of bringing out this earlier history of MGNREGA’s abuse is not only to say that Congress-led and BJP-led governments have behaved in similar ways. Rather, it is a necessary background to understand what we are up against.

### The ‘missing’ Left

What were the national Left parties doing through all this?

In two words: not enough. To be sure, they played a critical role in the act’s passage. They raised issues of low wages and demanded the expansion of the scheme. But they had little to show on the ground in terms of mass political organisation of MGNREGA workers at the village level across the country. It has been mainly the **civil society groups** that have made sporadic and localised efforts to build such unions in different states.

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What could be the reasons for this inaction — by parties that claim to mainly represent worker interests — around the single largest rural employment scheme in the country that supports some of the most vulnerable sections among the working class? As Himanshu **writes**, “The answer to this puzzle may partly lie in the nature of the rural political economy [...] It is the farmer unions that agitated

against NREGA and in some states even managed to get it suspended during peak agricultural seasons.”

That said, the Left included the MGNREGA as one of the issues raised during the Kisan Long March in 2018 organised by the All India Kisan Sabha, the peasants’ wing of the Communist Party of India (Marxist).

In this context, Jens Lerche (2021), while noting the importance of a “broad-based political challenge to the increasingly repressive BJP government,” writes that “There is less reason to believe that this protest [farmers’ movement of 2020-21] will also usher in enduring popular alliances across the caste-class divide, between Dalit labourers and petty commodity producers as well as agrarian capitalists from farming castes. For most farmers, this is a contingent phase, a phase of alliance between groups that right now have interests that are sufficiently aligned for them to take action together, but in other ways are opposed to each other. When this struggle is over, one should not expect all farmers to stand up for demands by Dalits, Muslims, informal workers, let alone agricultural labourers.”

It is this inherent class-caste contradiction between the interests of farmers and MGNREGA workers — both of whose causes the Left claims to support — that puts a huge question mark on the demands of the landless workers seeking MGNREGA work taking centre stage of such struggles.

### The corporate lobby

No analysis of the labour market would be complete without looking at the larger operations of capital. ‘Fiscal deficit’ is the bogeyman that every government brings up to cut what they deem as welfare or social expenditure. But behind every finance ministry decision is the invisible hand of the finance lobby, going right up to Wall Street.

Corporates view any large-scale public welfare programme for unprotected workers as a threat to their infinite supply of ‘cheap labour’.

India Inc has resented the MGNREGA from the very beginning<sup>1</sup>, apparent from a steady stream of editorials and opinion pieces in the financial media, both in India and abroad, right from the days of its launch. Corporates view any large-scale public welfare programme for unprotected workers as a threat to their infinite supply of ‘cheap labour’.

But times of slumps and crises are slightly different.

Post pandemic, corporates have cut costs and fired workers. There is only that much they can do. But what if demand does not revive? Corporates might acknowledge, if only temporarily, that the MGNREGA, by putting money in workers’ hands, could stimulate the near-term demand they are looking for.

That does not mean they have ceased to view labour as a cost.

Input costs are increasing. Domestic manufacturers can ill-afford a rising wage bill, especially when the global environment pushes them to be ‘competitive’ with countries that are worse exploiters of their labour. So it is in their core interest to keep MGNREGA wages as low as possible.

### Kalecki’s political business cycles

If there is anything businesses value more than profits, it is “discipline in the factories” and “political stability”, the Polish economist Michal Kalecki wrote in 1943 in his classic *Political Aspects of Full Employment*.

‘The neglected prophet’ clearly foresaw the “political business cycles” that play out today. Kalecki has two very relevant takeaways for the MGNREGA and its defenders.

Workers know at an intuitive level what they are up against, as they experience ‘the establishment’ every single day.

First, these cycles will continue to operate, no matter which government is in power and as long as we live in a capitalist democracy. Two opposing forces will keep them in motion. One, the need to keep labour costs low and labour ‘disciplined’. The interests of the powerful big business-rentier class would limit government spending — especially on anything that directly addresses employment.

Two, the acceptance by these same interests that ‘something must be done (only) during a slump’ to avert mass unemployment. It recognises the need to reproduce labour and keep it at sustenance levels and for the government to appease labour closer to election time.

The second takeaway is that these cycles are not inevitable<sup>2</sup>. Workers know at an intuitive level what they are up against, as they experience ‘the establishment’ every single day. If enough workers organise to demand a living wage and entitlements under a job-guarantee scheme, any democratically elected government will have a difficult time yielding to only one side.

### Restoring the promise

A distinctive feature of MGNREGA – that it is an act passed by Parliament and not just another rural scheme – is often lost on many. The government violates workers’ legal rights every time it does not match funds to demand, turns back job seekers, pays them below minimum wages, or does not pay them on time.

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Some might argue that budgetary allocations can be and are subsequently increased over the year. However, the experience is that [these increased allocations do not reach on time](#), snuffing out the existing work demand. There are inordinate delays in wage payments, which amounts to the government extracting forced labour.

India needs to get to a point where the government’s central question is no longer *How do we control expenditure and keep the fiscal deficit low?* but becomes *How do we provide for and sustain a healthy, fulfilled workforce?* We have seen the power of a unified, democratic, collective bargaining force in the case of the farm laws. We are yet to see anything close to it for the most vulnerable: migrant and landless workers and those in the informal sector.

As long as that does not happen — either through a renewed Left organisation or through an entirely new impetus — legally guaranteed, universal job schemes like the MGNREGA will get used and abused by governments of no matter which dispensation.

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### Footnotes:

**1** An exception to that might be fast-moving consumer goods, or FMCG, industry, or those that directly benefit from an increase in purchasing power of rural Indians, which would directly improve the bottom line of these sectors.

**2** As Kalecki put it, “Full employment capitalism” will, of course, have to develop new social and political institutions which will reflect the increased power of the working class. If capitalism can adjust itself to full employment, a fundamental reform will have been incorporated in it. If not, it will show itself an outmoded system which must be scrapped.”