

MGNREGA Impact on Agricultural Wage and Rural Labour Market in Kerala

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ABSTRACT

MGNREGA can be considered as a strategy for inclusive growth by providing sustainable livelihood opportunities to the unskilled rural poor in India who were excluded from social and economic strata. It also serves as an instrument for social protection by preventing deprivation and poverty among the marginalised, by allowing them to participate in Economic activities, and making transformation in the lives through legal provisions guaranteed under MGNREGA. Studies showed that MGNREGA has made significant changes in the lives of both category of workers who work under MGNREGA and the rural agricultural workers in the form of enhanced wage rate and standard of living. This study entirely focused on the positive impact of MGNREGA on the agricultural wage in Kerala. Study found that agricultural wage for both female and male workers are positively related to the wage rate under MGNREGA. Male agricultural wage rate is found to be highly sensitive to MGNREGA wage compared to female agricultural wage rate. MGNREGA can bring significant changes in the structure of labour market in the form of social cohesion among different class of people.

1. INTRODUCTION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2005, was notified on 7 September 2005. It came into force in 200 districts of India on February 2, 2006. It was an act to provide for the enhancement of livelihood security to the rural poor by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. In addition to employment generation, it also has the capacity to create durable community assets for strengthening rural infrastructure on a sustainable basis. It serves as a social safety net by providing a source of guaranteed employment.

In Kerala, the programme was introduced in February 2006 in the rural areas of two districts- Palakkad and Wayanad. The programme extended to Kasaragod and Idukki by February 2007 in second Phase and later extended to whole districts in 2008. MGNREGA Wages are paid as per the State-wise Government of India (GOI) notified MGNREGA wages. Payment of wages is done through the individual/joint bank/post office beneficiary accounts. MGNREGA programme ensure gender equity in wage payment.

2. DISCUSSION AND LITERATURE REVIEW

There are many studies to analyse the impact of the MGNREGA programme on the different spheres of workers and the whole economy. In this paper, literature review is limited to see the impact of programme on rural wage and labour market.

Ratna Sudarshan (2011) noted that MGNREGA promote social protection and labour market outcomes through its impact on agricultural wage and rural labour market. A study by Mona Meurer, (2010) also hold the same view that migration to urban areas has decreased as now decent work is available in rural areas especially in agricultural off season. Radical upward movement in minimum wage and qualitative upgrading effect in working conditions in private sector is impacted by MGNREGA. Gupta and Goldar (2005), have the opinion that MGNREGA raise the bargaining power of rural workers through higher reservation wage and getting more organized which will push up the rural wage. But they raise serious concern regarding the impact on female rural employment. The scheme would help to increase the standard of living of rural BPL households but have adverse effects of women withdrawing from work in terms of awareness and empowerment.

Arumugam and Sulibhavi (2017), found that MGNREGA will benefit the laborers directly by providing assured employment and wage and will enhance the purchasing power of the rural people thus indirectly by increasing the rural market wage rate. The study used regression analysis to estimate the impact of programme on open-market wage rates and found that plough wage rates in AP increased at a rate of Rs.11 per annum during the study period and it has a good effect on the economic and social empowerment of women by reducing the traditional gender wage discrimination in open markets.

Mehrotra found that the factor holding state government back from notifying higher state level minimum wage rates for MGNREGA is that it puts upward pressure on non-mgnrega wages. Dasgupta and Goldar (2005) analysed the rural female labor supply in India, and found that supply of female labor from BPL household in rural areas inversely related to wage rate and the number of earning members in the family. Existence of inverted S shaped supply curve indicate that the bottom segment is downward sloping which implies that if wage level is low, then any further decline in wage rate may lead to an increase in the supply of labor. Families are compelled to work more at reduced wage to meet their subsistence requirement. Recent studies in developing countries shows that an inverse relationship does exist between labour supply and wage rate at low levels.

Rao et al. (2017) in his study presents the positive impact of MGNREGA on labour market in the form of rise in local agricultural wage rates for women and the shortage of manpower for agricultural operations which led to the hike of farm wages in rural areas. It is an effective policy instrument for providing food security, reducing poverty and refining the quality of life of people in rural areas through income generation. Sainath (2008) pointed out that MGNREGA has changed the attitude of the people and the social structure of the villages. With the advent of MGNREGA land owning upper caste groups working in the farms of SC/ST households. Similar opinion has been made by Appu (2009) observed that MGNREGS has facilitated 'people coming together' resulting in formation of mutual trust and social capital. Sameeksha also reported that MGNREGA can play a substantial role in economically empowering women, SCs and STs and laying the basis for greater independence and self-esteem by generating employment at fair wage. Das and Usami (2015) examined trends in real wage rates in rural India and reported that Growth rate of unskilled female rural wage in Kerala for the period of 2006-07 to 2014-15 was 4.5 (post MGNREGA period) which is higher than 3.2 for the period of 1998-99 to 2006-07 (pre MGNREGA period). Growth rate of unskilled male rural wage in Kerala for the period of 2006-07 to 2014-15 was 7.65 compared to 1.2 for the period of 2006-07 to 2014-15. First sub period was a period of stagnation but the second sub period was a period of rapid growth in wage rates. Vijayalakshmi (2016) found that growth in rural wage declined consistently from 20.61% in 2010-11 to 10.12% in 2013-14.

Poverty and unemployment are two severe issues that an economy must tackle. In Kerala, unemployment and underemployment among the marginalised is major issue be resolved. Many programmes were seen to have been implemented in India for up-grading the skills and providing the rural poor with gainful employment. Among the schemes, MGNREGA was observed as the most effective one as it aims at transforming the lives of rural workers through the provision of employment and additional income earning opportunity. This study focuses mainly on the positive impact of MGNREGA on the agricultural wage in Kerala.

3. OBJECTIVES OF THE STUDY

- To analyse the impact of MGNREGA on market wage in Kerala
- To understand the labour market outcomes of MGNREGA in Kerala

4. METHODS

The study used secondary data to see the impact of programme on the market wage rate in Kerala. Secondary data are collected from the official website of MGNREGA, Ministry of labour and Statistics, and Economic Review etc. Simple statistical tools like Percentages, Regression, Trend line etc. have been used for analysing the relationship among the selected variables.

5- ANALYSIS AND FINDINGS

5.1 Impact of MGNREGA wage rate on Agricultural wage rate in Kerala

Studies related to MGNREGA performance in Kerala show that MGNREGA put upward pressure on agricultural wage by creating shortage of rural workers for agricultural operations. Their ability of bargaining has improved a lot through MGNREGA which led to the increased demand for rural wage hike in the agricultural sector. Studies

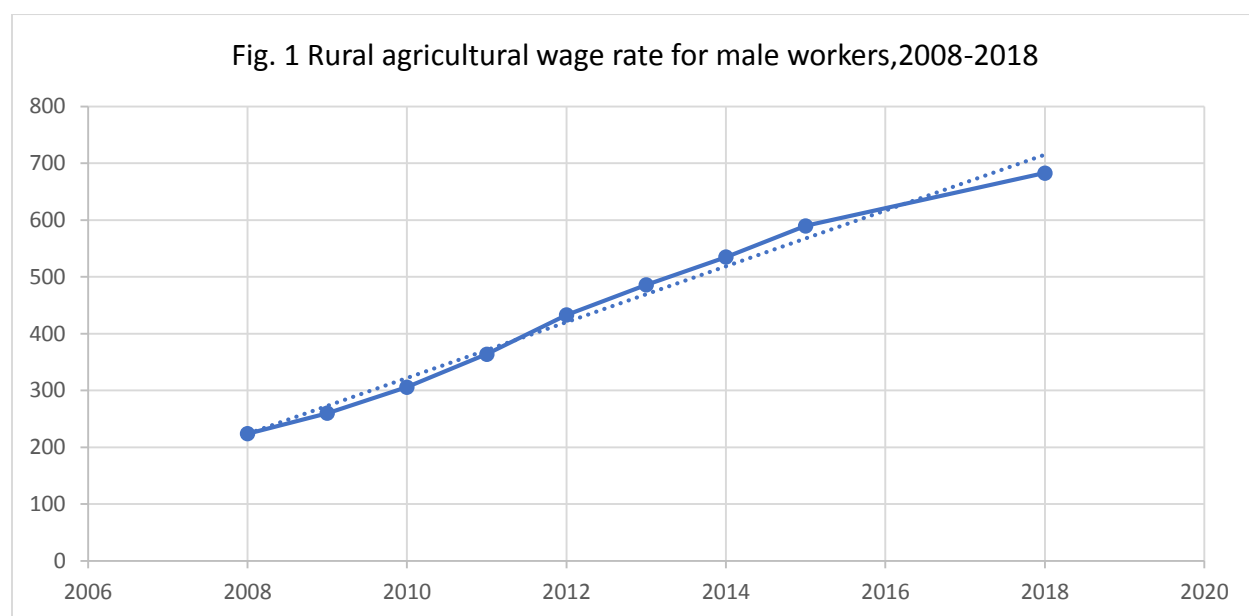
proved that government is reluctant to increase MGNREGA wage rate because of its upward pressure on non MGNREGA wage rate which has a drastic undesirable effect on productivity side.

Table 1: Wage rate of MGNREGA workers and Agricultural workers in Kerala, 2008-18

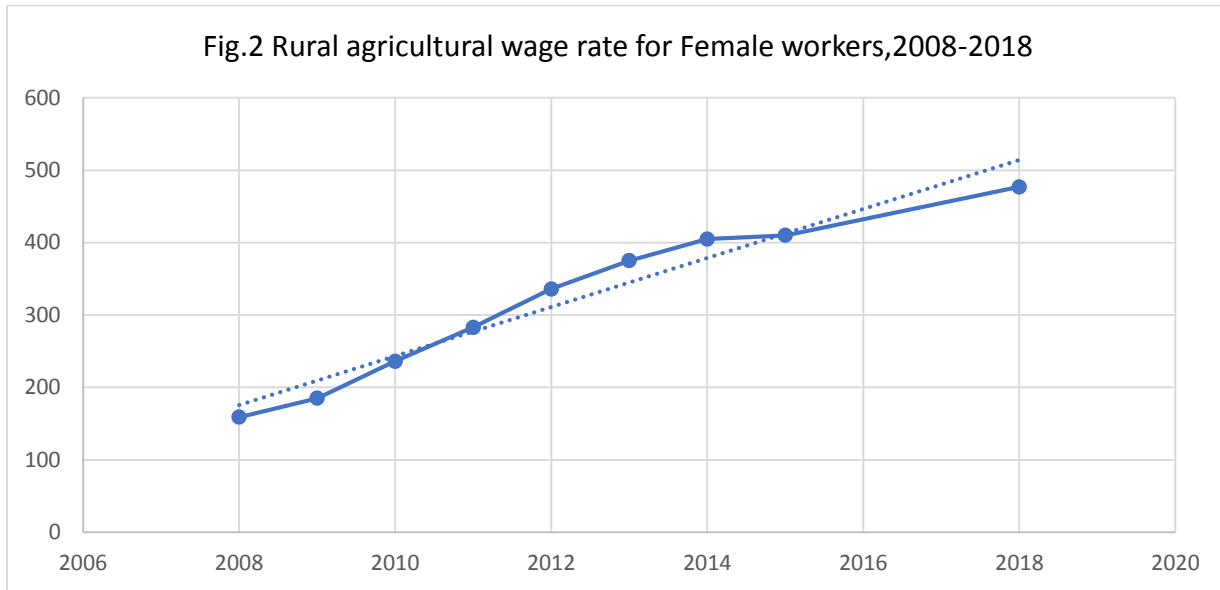
Year		2008	2009	2010	2011	2012	2013	2014	2015	2018
Wage rate for male workers	Agriculture	224	260	306	364	433	486	535	590	683
	Rate of change		16.07143	17.69231	18.95425	18.95604	12.24018	10.0823	10.28037	15.76271
	MGNREGA	125	125	150	164	164	181	214	231	274
	Rate of change		0	20	9.333333	0	10.36585	18.23204	7.943925	18.61472
Wage rate for Female workers	Agriculture	159	185	236	283	336	375	405	410	477
	Rate of change		16.3522	27.56757	19.91525	18.72792	11.60714	8	1.234568	16.34146
	MGNREGA	125	125	150	164	164	181	214	231	274
	Rate of change		0	20	9.333333	0	10.36585	18.23204	7.943925	18.61472

Source: Computed from the data of Directorate of Economics and statistics

Table 1 shows that agricultural wage for both female and male workers are positively related to the wage rate under MGNREGA. Growth rate in rural wage for both category which was near to 20% in 2011 fall rapidly to around 10% in 2014 as given by Vijayalakshmi (2016). Up to 2012, female agricultural wage increased at a rate greater than the increase of male agricultural wage rate. During that time MGNREGA wage rate remained stagnant except for two years. After 2012, male agricultural wage increased at a faster rate than the increase in female agricultural wage. Remarkable change in MGNREGA wage rate (near 10%) during the second half of the study period might be the reason for the shift in the pattern of rate of wage change in the agricultural sector. Another thing noted is that change in agricultural wage is greater than the change in MGNREGA wage for both category except for year 2010 where male agricultural wage rate increased at a low rate than MGNREGA wage. But female agricultural wage rate increased at 7% higher than the increase of MGNREGA wage.



Source: Computed from the data of Directorate of Economics and statistics



Source: Computed from the data of Directorate of Economics and statistics

Comparative analysis of trend lines of male and female agricultural wage rate (see fig.1 and fig.2) indicate that male agricultural wage rate is highly sensitive (steeper curve) to MGNREGA wage compared to female agricultural wage rate (flatter curve).

The agricultural wage rate for rural workers in Kerala regressed on the contributing factors like MGNREGA wage and gender (as a dummy variable) to analyse the relationship between casual wage rate and contributing factors. The extent of relationship between MGNREGA wage and the rural agricultural wage is summarised below. For the analysis regression model is specified as $Y=B_0+B_1X_1+B_2X_2$ (1)

Where B_0 is an intercept, B_1 and B_2 are regression coefficients X_1 is the MGNREGA wage rate and X_2 is the Gender.

Table 2: Regression Analysis

Eq.	Constant (full)	Beta coefficient		R sq
		X ₁ Wage	X ₂ Gender	
1	-143.53**	2.55*	112.77*	.95*

*Significant 0.01 per cent

** Significant at 0.05 per cent

Table 2 shows that 0.95 R square value indicate that independent variables like MGNREGA wage and gender can influence 95% to the dependent variable (agricultural wage). The adjusted R² value for the model was 0.94, indicating a good fit. It further explains that the MGNREGA wage positively influences the agricultural wage. For every one rupee increase in MGNREGA wage, casual wage increased by 2. This relationship is statistically significant. The coefficient of variable gender was positive indicating that a positive relationship between the dependent variable (casual wage rate) and the independent variable (gender).Coefficient of variable gender is 112 which means that if the worker is male, agricultural wage rate increased by Rs.112.States like Kerala faced a high wage differentials in casual labour market and this results a greater participation of women in MGNREGA.

5.2 Labour Market outcomes of MGNREGA

MGNREGA has a positive impact on labour market in the form of rise in local agricultural wage rates for women. It has a significant effect of reducing distress migration. But the shortage of manpower for agricultural operations led to the hike of agricultural wages in rural areas.MGNREGA could enhance the earning capabilities of women in rural Kerala also it has contributed much to bring gender equality in wage payment. It also brought significant changes in the structure of labour market in the form of social cohesion among different groups of people. Reduced migration

to urban areas and improved working conditions in the private sector are the major impacts of MGNREGA in the rural labour market in Kerala.

6. CONCLUSION

MGNREGA, the largest public work programme in India, can provide employment and income to the vast majority of population. It can also influence the rural labour market in the form of change in the labour market structure and change in the rural agricultural wage. Rural agricultural wage rate can be influenced by many factors such as reduced work force participation rates, increased participation in education, withdrawal of female work force, withdrawal of workers from agriculture sector etc. which contributed to labour market tightening and increase in wages. MGNREGA also contributed to the increase of rural agricultural wage for both male and female workers.

ABOUT THE AUTHOR

Shiji K is working as an Assistant Professor in the Department of Economics at Maharaja's College, Ernakulam, Kerala. Shiji K is also a research scholar at the department and conducts research work in the field of labour economics under MG University, Kerala.

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