



Role of MGNREGA in Agricultural Labour Markets

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The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), launched in 2005, is one of the world's largest public employment programmes aimed at enhancing livelihood security in rural India. By guaranteeing 100 days of wage employment to rural households, MGNREGA has significantly influenced rural labour dynamics, particularly agricultural labour markets. This article examines the role of MGNREGA in shaping agricultural labour supply, wage rates, bargaining power of labourers, seasonal employment patterns, and overall rural economic stability. The study highlights both positive and adverse impacts of MGNREGA on agriculture and suggests policy measures for better convergence between MGNREGA and agricultural development.

Keywords: MGNREGA, Agricultural Labour, Rural Employment, Wage Rates, Labour Market, India

Introduction

Agriculture remains the backbone of the Indian rural economy, employing a large proportion of the workforce, particularly marginal and landless labourers. Agricultural labour markets in India are characterized by seasonality, low wages, underemployment, and high vulnerability to climatic and market risks. To address rural unemployment and poverty, the Government of India introduced the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in 2005. MGNREGA provides a legal guarantee of wage employment for unskilled manual work, primarily during the agricultural off-season. Over the years, the scheme has emerged not only as a social security programme but also as a major factor influencing agricultural labour markets. Its impact on labour availability, wage structure, and labour relations has been widely debated among economists, policymakers, and farmers.

Overview of MGNREGA

MGNREGA aims to enhance livelihood security by providing at least 100 days of guaranteed wage employment to rural households whose adult members volunteer to do unskilled manual work. The programme emphasizes:

- Creation of durable rural assets
- Strengthening of natural resource base
- Decentralized planning through Panchayati Raj Institutions
- Inclusion of women, SCs, and STs

Works under MGNREGA include water conservation, land development, rural connectivity, drought-proofing, and soil conservation, which have direct and indirect linkages with agricultural productivity.

Impact of MGNREGA on Agricultural Labour Supply

Reduction in Distress Labour Supply: Before MGNREGA, agricultural labourers were often forced to work at very low wages due to lack of alternative employment. MGNREGA

has provided a fallback employment option, reducing distress-driven labour supply to agriculture, especially during lean seasons.

Seasonal Redistribution of Labour: MGNREGA employment is largely concentrated during the agricultural off-season, which helps absorb surplus labour without directly competing with peak agricultural operations. However, in some regions, overlap between MGNREGA work and agricultural peak seasons has led to temporary labour shortages.

Impact on Agricultural Wages

One of the most significant effects of MGNREGA has been its influence on rural wage rates.

- MGNREGA wages act as a **floor wage** in rural areas.
- Increased bargaining power of agricultural labourers has led to higher real wages.
- Empirical studies indicate a rise in both male and female agricultural wages after the implementation of MGNREGA.

While higher wages improve labour welfare, they also increase the cost of cultivation for farmers, particularly small and marginal farmers.

Bargaining Power and Labour Relations

MGNREGA has strengthened the bargaining position of agricultural labourers by providing them with an alternative employment option. Labourers are now less dependent on landlords and large farmers, leading to:

- Reduction in exploitative labour arrangements
- Decline in bonded and attached labour systems
- Greater dignity and social security for rural workers

Women have particularly benefited, as MGNREGA mandates equal wages for men and women, narrowing the gender wage gap in rural labour markets.

Effects on Agricultural Productivity and Cost of Cultivation

The impact of MGNREGA on agricultural productivity is mixed:

Positive Effects

- Creation of irrigation facilities, water harvesting structures, and soil conservation works has improved agricultural productivity in many regions.
- Improved rural infrastructure reduces production risks and enhances cropping intensity.

Negative Effects

- Increased wage rates raise the cost of cultivation.
- Labour scarcity during peak seasons may delay agricultural operations, affecting productivity.

Thus, the net impact depends on effective planning and synchronization of MGNREGA works with agricultural calendars.

Impact on Migration and Rural Stability

MGNREGA has significantly reduced seasonal and distress migration by providing local employment opportunities. Reduced migration ensures:

- Availability of family labour for agriculture
- Social stability in rural areas
- Better human capital formation through improved nutrition and education

This stabilization of rural livelihoods indirectly supports agricultural development.

Challenges and Criticisms

Despite its positive contributions, MGNREGA faces several challenges:

- Delayed wage payments
- Inadequate funding in some states
- Poor asset quality in certain regions
- Allegations of corruption and leakages

From an agricultural perspective, farmers often criticize MGNREGA for increasing labour costs and causing labour shortages during peak seasons.

Policy Suggestions

To improve synergy between MGNREGA and agricultural labour markets, the following measures are suggested:

1. Better alignment of MGNREGA works with agricultural off-seasons
2. Promotion of labour-intensive agricultural assets under MGNREGA
3. Timely wage payments to ensure programme credibility
4. Convergence with agricultural schemes like PMKSY and NFSM
5. Region-specific wage rationalization

Conclusion

MGNREGA has played a transformative role in India's agricultural labour markets by providing employment security, raising wage levels, and improving the bargaining power of labourers. While it has increased the cost of agricultural labour, its long-term benefits in terms of rural stability, asset creation, and poverty reduction outweigh the short-term challenges. With better planning and coordination, MGNREGA can serve as a complementary instrument for sustainable agricultural and rural development.