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Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), GoI, 2018-19

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is a flagship scheme of the Government of India (GoI) which aims to provide at least 100 days of guaranteed wage employment in a financial year (FY) to every rural household that demands work.

Using government reported data, this brief reports on :

- Trends in allocations and expenditures
- Trends in employment provided and wages paid
- Coverage and participation

Cost share and Implementation: 100 per cent of the unskilled labour cost and 75 per cent of the material cost is borne by GoI. Funds are released by GoI to the State Employment Guarantee Fund (SEGF).

Complete expenditure data is available for FY 2016-17. Expenditure figures for FY 2017-18 are as on 10 January 2018.

HIGHLIGHTS

₹ 1,14,915 cr

GoI allocations for Ministry of Rural Development (MoRD) in FY 2018-19

₹ 55,000 cr

GoI allocations for MGNREGS in FY 2018-19

SUMMARY & ANALYSIS

- In Financial Year (FY) 2018-19, GoI allocated ₹55,000 crore for MGNREGS, a 15 per cent increase from previous year's Budget Estimate (BE) but is same as the FY 2017-18 Revised Estimate (RE).
- Expenditure on the scheme has been higher than funds available with states. In FY 2016-17, 17 states had spent more than the funds available to them. In FY 2017-18 till 10 January 2018, expenditure had exceeded funds available in 5 states.
- In FY 2017-18, till 10 January 2018, 176 crore persondays of work had been generated under the scheme. The final figure is likely to be lower than the 236 crore persondays generated in FY 2016-17.
- More than 50 per cent of states paid an average wage per persondays less than the notified wage rate for FY 2016-17.
- The percentage of delayed compensation paid for delayed wages has been declining. In FY 2014-15, 93 per cent of the approved amount of delayed compensation was paid. This decreased to 85 per cent in FY 2016-17. In FY 2017-18 till 10 January 2018, 72 per cent of the approved delayed compensation has been paid.
- Work completion on assets created has been slow in FY 2017-18. In FY 2017-18, till 10 January 2018, 11 per cent of total works had been completed.

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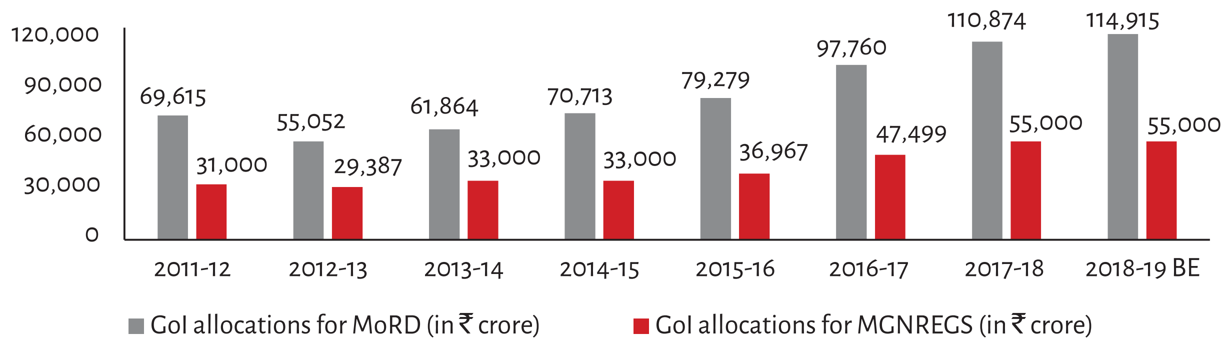
TRENDS IN GOI ALLOCATIONS, RELEASES AND EXPENDITURES

- GoI allocation for the Ministry of Rural Development (MoRD) increased by 4 per cent from ₹1,10,874 crore in FY 20117-18 Revised Estimates (REs) to ₹1,14,915 crore in FY 2018-19 Budget Estimate (BE).
- In 2006, GoI launched the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to provide 100 days of employment to rural households based on demand. MGNREGS is the largest scheme run by MoRD accounting for 48 per cent of total MoRD allocations in FY 2018-19.
- In FY 2018-19 (BE), GoI allocated ₹55,000 crore to MGNREGS. This is a 15 per cent increase from previous years BE but is same as in FY 2017-18 RE.

4% INCREASE IN GOI ALLOCATIONS FOR MoRD AND NO CHANGE IN MGNREGS BETWEEN 2017-18 AND 2018-19



Source: India Expenditure Budget, Vol. 2, Ministry of Rural Development. Available online at: http://indiabudget.nic.in.
Note: Figures are in crore of rupees and are REs, except for FY 2018-19 which are BEs. Last accessed on 1 February 2018.

- MGNREGS is a demand-driven scheme. Release of funds by GoI is determined on the basis of an annual labour budget submitted by states. This labour budget includes estimates of the anticipated demand for unskilled manual work and a draft plan for providing employment to workers.

Releases

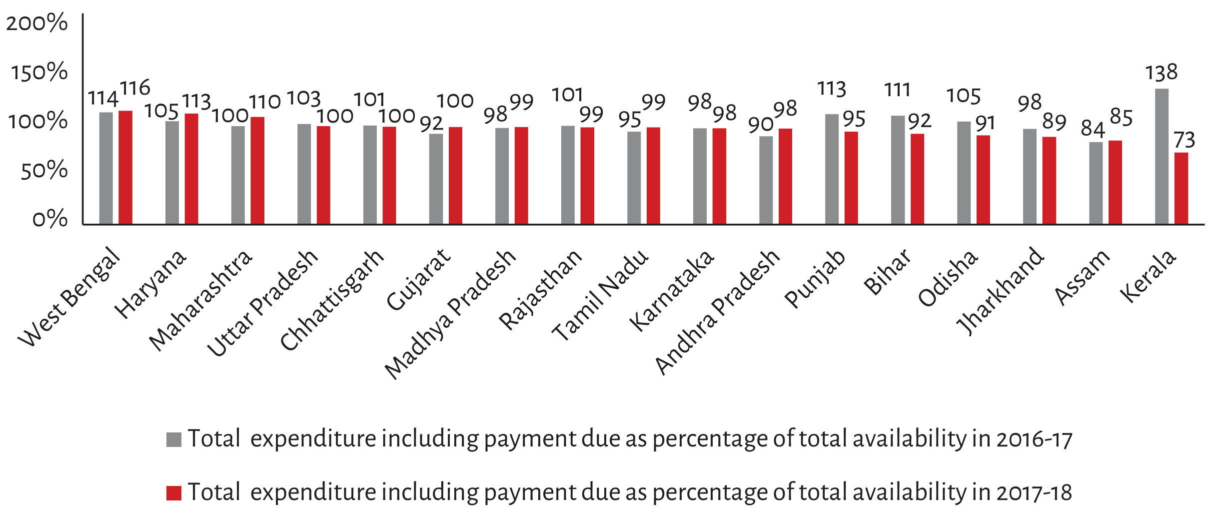
- Release of funds as a proportion of GoI allocations has been high. In FY 2014-15 and FY 2015-16, 98 per cent and 99 per cent of GoI allocations were released, respectively. Release of funds were higher than allocations in FY 2016-17. The trend continues in FY 2017-18, with 103 per cent of GoI allocations already released by 16 January 2018.

TRENDS IN STATE ALLOCATIONS AND EXPENDITURES

- The total funds available for MGNREGS include GoI and state releases and unspent balances from previous years. Expenditure as a proportion of total funds available has been consistently high. In FY 2015-16, 102 per cent of funds available were spent. This decreased marginally to 99 per cent in FY 2016-17. In FY 2017-18, 89 per cent of the funds available had been spent by 10 January 2018.
- These expenditure figures do not include pending liabilities. Within a financial year, additional expenditure incurred by states over and above their funds available due to increased demand is known as pending liabilities due. Given the demand driven nature of the scheme, GoI is meant to reimburse states for this additional expenditure.
- Over the years, the amount of pending liabilities due has been increasing. In FY 2015-16, states had payments due amounting to ₹765 crore. This increased to ₹2,069 crore in FY 2016-17. In FY 2017-18, by 10 January 2018, states had already accumulated pending liabilities amounting to ₹4,669 crore.

- Expenditure as a proportion of funds available (including pending liabilities) was 103 per cent in both FY 2015-16 and FY 2016-17. In FY 2017-18, till 10 January 2018, 98 per cent of funds available had been spent.
- There are, however, state variations. In FY 2016-17, 20 states and UTs had incurred total expenditures including pending liabilities in excess of total funds available to them. In fact, Mizoram had spent more than double the funds available with it.
- The exceptions to this were Madhya Pradesh, Karnataka, Jharkhand, Meghalaya, Tamil Nadu, Gujarat, Nagaland, Manipur, Andhra Pradesh, Assam and Goa. In FY 2016-17, Assam had spent only 84 per cent of its funds available, while Goa had spent 65 per cent.
- The trend of higher expenditure as a proportion of funds available observed in FY 2016-17 continued in FY 2017-18. As on 10 January 2018, Mizoram, West Bengal, Haryana, Maharashtra, and Nagaland had already incurred expenditure in excess of their funds available. Uttar Pradesh, Chhattisgarh and Gujarat are likely to exceed their funds available. Till 10 January 2018, all three states had already spent all the funds available with them.

98% OF FUNDS AVAILABLE (INCLUDING PENDING LIABILITIES) SPENT BY 10 JANUARY 2018

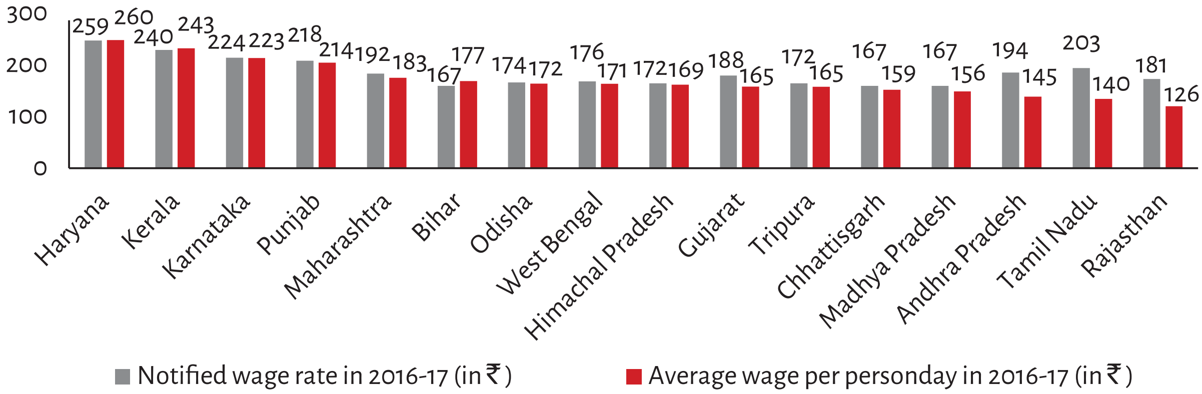


Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

Wages Paid

- As per Section 6(1) of the Mahatma Gandhi National Rural Employment Guarantee Act, 2006, GoI may notify minimum wage rates for states for each financial year. While these notified wage rates specify the minimum wage rate, states may provide a higher wage rate out of their own funds.
- In March 2016, GoI notified wage rates applicable for FY 2016-17. The notified wage varies from a minimum of ₹167 in Madhya Pradesh and maximum of ₹259 in Haryana in FY 2016-17.
- In FY 2016-17, a majority of states paid an average wage less than the notified wage rate. These included Karnataka, Punjab, Maharashtra, Odisha, West Bengal, Himachal Pradesh, Gujarat, Tripura, Chhattisgarh, Madhya Pradesh, Andhra Pradesh, Tamil Nadu and Rajasthan.
- The wage gap is highest in Tamil Nadu, Rajasthan and Andhra Pradesh. For instance, while the notified wage rate for Tamil Nadu was ₹203, the average wage per personday was only ₹140. Similarly, while the minimum notified wage rate for Rajasthan was ₹181, the average wage per personday was only ₹126.

MORE THAN 50% OF STATES PAID AVERAGE WAGE PER PERSONDAY LESS THAN NOTIFIED WAGE RATE IN 2016-17

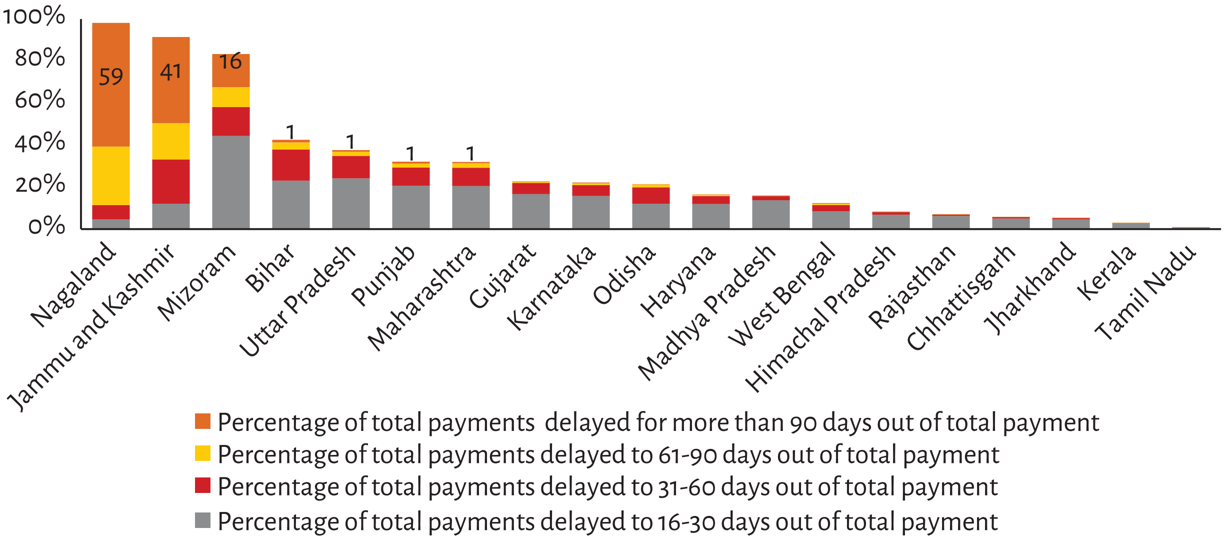


Source: MGNREGS Portal, MIS Report, R7.1.2 Outlays & Outcomes during Financial Year, R7.2.1, Average Wage as per Measurement Pattern. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

Delayed Wage Payment and Delayed Compensation

- The MGNREGS provides a legal guarantee for wage employment. According to the scheme guidelines, wages must be paid within 15 days of the completion of work and closure of the muster roll.
- There are a number of steps in the process of wage payments. Under the National Electronic Fund Management System (Ne-FMS) on completion of the work week a pay order known as a Fund Transfer Order (FTO) is generated at the Block or Panchayat. Once approved and signed by states, GoI approves the FTO digitally and wages are electronically transferred to the State Employment Guarantee Fund. Funds are then transferred to individual worker's bank or postal account.
- As per the Management Information System (MIS), there has been an improvement in the timeliness of wage payments. In FY 2014-15, 73 per cent of all wage payments were delayed. This decreased to 56 per cent in FY 2016-17. In FY 2017-18, till 10 January 2018, 17 per cent of wage payments had been delayed.
- It is important to highlight that delayed wage payments and corresponding compensation due are automatically calculated by the programme MIS based on the difference between the date of closure of muster rolls and date of generation of the FTO by the Block or Panchayat. The MIS thus does not capture delays in the approval and signing of the FTO and actual payment of wages to workers.
- A study conducted by Rajendran, Dhorajiwala and Golani in 2017 found that there were significant delays between the generation of the FTO and the actual payment of wages to workers. Using MIS data, the authors analysed over 9 million transactions across 10 states in FY 2016-17, and found that only 21 per cent of the payments made in FY 2016-17 were made on time. In another study conducted for FY 2017-18, the authors found that only 32 per cent of the wage payments made in the first two quarters of the financial year had been made on time.
- Despite the underestimation of actual wage delays, a state comparison in FY 2017-18 shows that there are significant delays even in terms of time taken for FTO generation. For instance, delayed payments in Nagaland and Jammu and Kashmir were 98 per cent and 91 per cent, respectively as on 10 January 2018. Moreover, 59 per cent of total payments were delayed by more than 90 days in Nagaland and 41 per cent in Jammu and Kashmir.
- On the other hand, delays in FTO generation were lower in Tamil Nadu and Kerala.

STATE-WISE VARIATION OF DELAYED PAYMENTS AS PERCENTAGE OF TOTAL PAYMENTS IN 2017-18

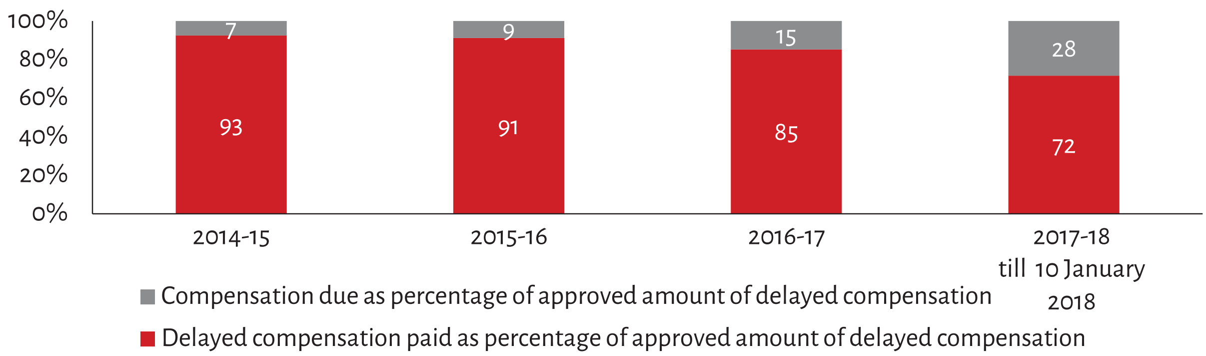


Source: MGNREGS, MIS Report, R14.Delay Compensation, R7.2.2 Delayed Payment. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

Compensation Due and Compensation Paid

- In cases of delays in wage payments for work undertaken, the workers are entitled to a delayed compensation at the rate of 0.05 per cent of the unpaid wages per day for the duration of the delay beyond the 16th day of the closure of muster rolls. The total amount payable to a worker in case of delayed payments is the sum of the wages due and calculated delayed compensation. Compensation paid due to delays are recovered from the agency responsible for the delay.
- Despite underestimation of the proportion of wage payments delayed, the delayed compensation paid as percentage of approved amount has been declining. In FY 2014-15, 93 per cent of the approved amount of delayed compensation was paid. This decreased to 85 per cent in FY 2016-17. In FY 2017-18 till 10 January 2018, 72 per cent of the approved delayed compensation had been paid. As a result, the share of compensation due has increased from 7 per cent in FY 2014-15 to 28 per cent in FY 2017-18 till 10 January 2018.

INCREASE IN THE SHARE OF COMPENSATION DUE AS A PERCENTAGE OF TOTAL APPROVED DELAYED COMPENSATION

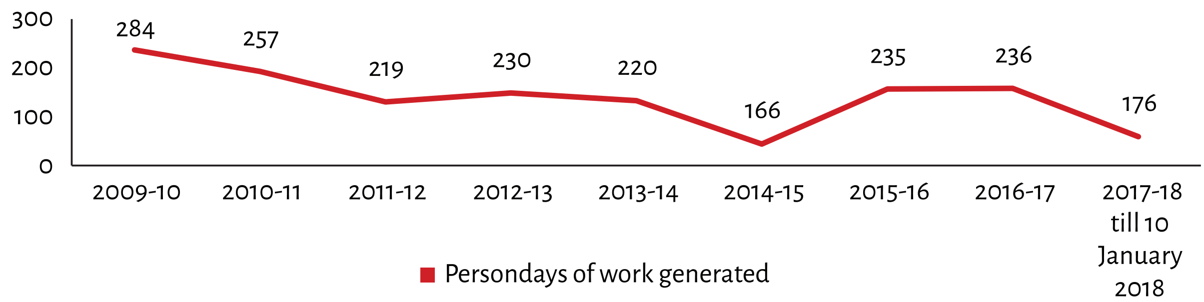


Source: MGNREGS Portal, MIS Report, R14.1 Delay Compensation. Available at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

IMPLEMENTATION HIGHLIGHTS

- This brief uses two indicators to analyse employment generation under MGNREGS: a) the number of persondays of work generated in absolute terms and, b) the average number of persondays generated per households (HH) employed under MGNREGS.

176 CRORE PERSONDAYS OF WORK GENERATED TILL 10 JANUARY 2018

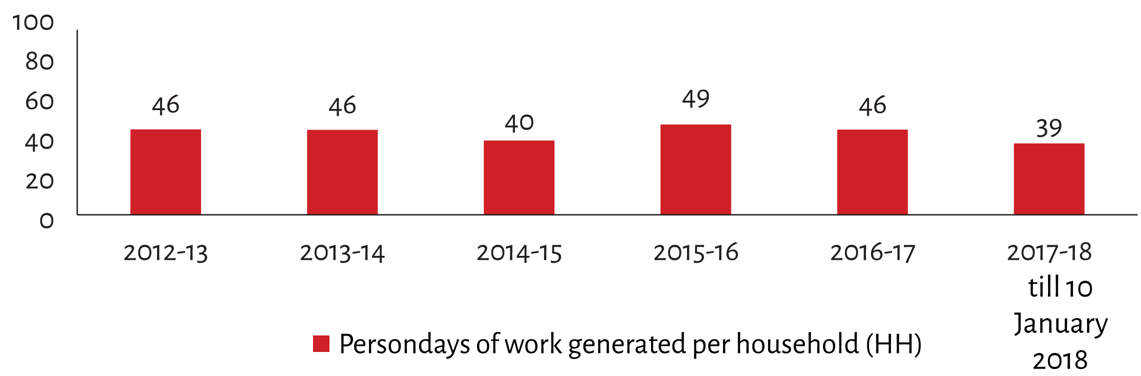


Source: MGNREGS Portal, MIS Report, R5.1.1, Employment Generated. Avaliable online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

Persondays of Work Generated

- Persondays under MGNREGS is defined as the total number of work days by a person registered under MGNREGS in a financial year. In FY 2016-17, 236 crore of persondays of work had been generated under the scheme. In FY 2017-18 till 10 January 2018, this had come down to 176 crore of persondays.
- The core objective of MGNREGS is to enhance rural livelihood by providing at least 100 days of guaranteed wage employment in a financial year to every rural household (HH) which demands employment.
- The average persondays of work generated per HH has remained less than 50 across years. In FY 2015-16, the average persondays of work generated per HH was 49. This decreased in FY 2016-17 to 46. In FY 2017-18, till 10 January 2018, 39 persondays of work per rural HH had been generated.

PERSONDAYS OF WORK PER HOUSEHOLD (HH) DECREASED FROM 49 IN 2015-16 TO 39 IN 2017-18 TILL 10 JANUARY 2018



Source: MGNREGS Portal, MIS Report,R5.1.1. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

- There are however significant variations across states. In FY 2016-17, Mizoram and Tripura came close to the stipulated target of 100 days, generating 89 and 80 persondays per rural HH, respectively. Persondays of work per rural HH were also higher than the all-India average in Tamil Nadu and Rajasthan at 64 and 56 days, respectively.

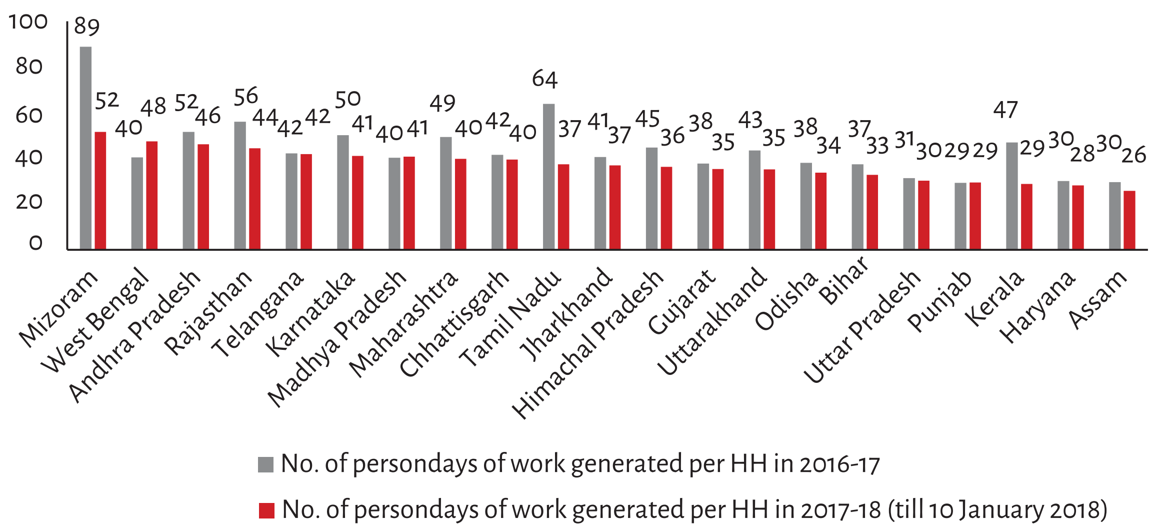
- In contrast, Haryana and Assam generated only 30 persondays of work per rural HH. The numbers were also low in Punjab (29 persondays per HH), Manipur (23 persondays per HH), and Goa (19 persondays per HH).

- The generation of persondays per HH is lower in FY 2017-18. Till 10 January 2018, no state had generated more than 55 persondays of work per rural HH. In fact, 8 states and UTs had generated less than 30 persondays per HH in 2017-18. These include: Punjab (29 days), Tripura (29), Kerala (29 days), Haryana (28 days), Assam (26 days), Arunachal Pradesh (18 days), Goa (14 days) and Manipur (7 days).

- Given the demand driven nature of the scheme, anticipated demand is first projected on the basis of budget estimates submitted by state governments to GoI.

- There are gaps between the projections made in the labour budget on anticipated demand and actual persondays of work generated. The persondays generated have been consistently higher than projected in the last few years. For instance, in FY 2016-17, 7 percentage point more persondays of work was generated than projected. In FY 2017-18, till 10 January 2018, 2 per cent less persondays had been generated as a proportion of projected persondays.

NO STATE HAD GENERATED MORE THAN 55 PERSONDAYS OF WORK PER HH IN 2017-18



Source: MGNREGS Portal, MIS Report,R5.1.1,Physical Progress, Employment Generation, Progress Report. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.

Female Participation Rate

- The MGNREGS prioritises participation of women by stipulating that at least one-third of all beneficiaries shall be women. Women participation under the scheme has been high. In FY 2014-15, 55 per cent of total beneficiaries were women. This increased to 56 percent in FY 2016-17. In FY 2017-18, on 10 January 2018, 54 per cent of all participants were women.

- There were state variations. In FY 2016-17, 91 per cent and 89 per cent of all participants were women in Kerala and Tamil Nadu. In contrast, participation of women was low in Nagaland and Jammu and Kashmir at 30 and 27, respectively.

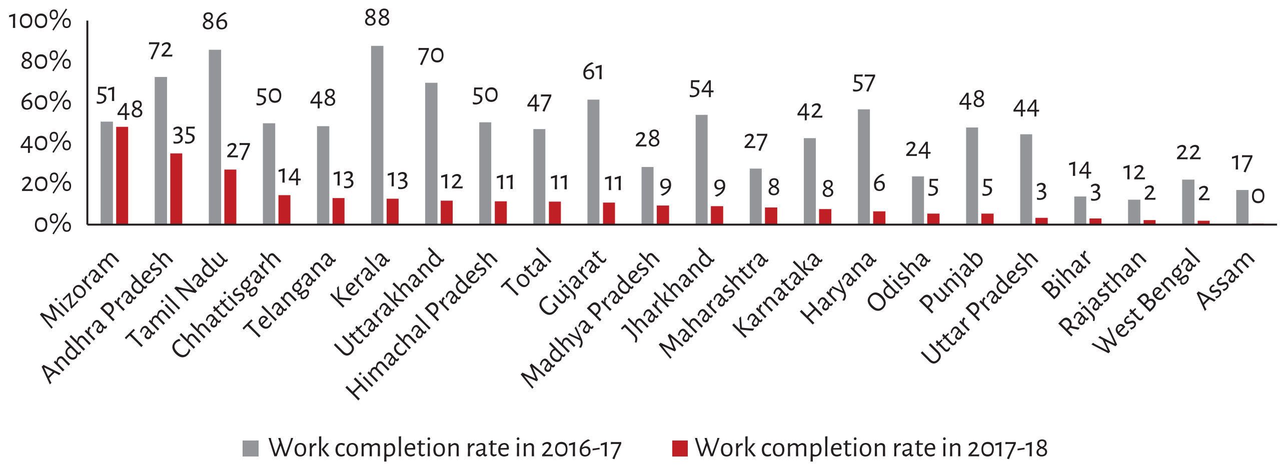
Physical Assets Created

- An important objective of MGNREGS is the creation of durable assets and strengthening livelihood resources of the rural poor. The work under MGNREGS include various categories such as flood control, rural connectivity, renovation of water bodies, drought proofing, water conservation and water harvesting, rural connectivity, irrigation canals, and other works.
- In FY 2017-18 till 10 January 2018, works on irrigation facilities to Scheduled Caste (SC))/Scheduled Tribe (ST)/ Beneficiaries of Indira Awas Yojana (IAY) and Land Reform (LR) accounted for the largest share (48 per cent) in total completed MGNREGS works, up from 38 per cent in FY 2016-17.
- Rural sanitation captured the second largest share in total completed works in FY 2017-18 at 21 per cent, an increase from 18 per cent in FY 2016-17.

Work Completion Rate

- Work completion rate has decreased over the years from 77 per cent in FY 2015-16 to 47 per cent in FY 2016-17. In FY 2017-18, till 10 January 2018, 11 per cent of total works had been completed.
- There were however significant state-wise variation in work completion rates. In FY 2016-17, the highest completion rate was in Nagaland (93 per cent), Kerala (88 per cent), Tripura (86 per cent) and Tamil Nadu (86 per cent). On the other hand, Bihar and Rajasthan reported low work completion rate at 3 per cent and 2 per cent, respectively.
- In FY 2017-18 till 10 January 2018, nearly 50 per cent of the works had been completed in Mizoram and Tripura. Work completion rate however was less than 5 per cent in Bihar and Rajasthan.

11% OF WORKS COMPLETED UNDER MGNREGS IN FY 2017-18



Source: MGNREGS Portal, MIS Report, R6,work progress, Yearly Work Completion Rate. Available online at http://www.nrega.nic.in/netnrega/home.aspx. Last accessed on 10 January 2018.