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Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GoI, 2019-20

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, and
- Physical assets created and status of work completion.

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 till FY 2018-19.

HIGHLIGHTS

₹ 1,19,874 cr

GoI allocations for Ministry of Rural Development (MoRD) for FY 2019-20

₹ 60,000 cr

GoI allocations for MGNREGS in FY 2019-20

SUMMARY & ANALYSIS

- As per Financial Year (FY) 2019-20 Budget Estimate (BE), GoI allocated ₹60,000 crore for MGNREGS, a 2 per cent decrease from the Revised Estimate (RE) of the previous year, and same as allocations in the Interim Budget FY 2019-20.
- Expenditure under MGNREGS, however, continues to be higher than funds available (opening balances and releases by both GoI and states). As a result, accumulated payments due, known as pending liabilities, have risen steadily from ₹724 crore in FY 2014-15 to ₹9,842 crore in FY 2018-19.
- While there have been improvements in generation of Fund Transfer Orders (FTOs) - the first step in wage payment, the proportion of delayed compensation paid out of compensation approved has been declining. In FY 2014-15, 93 per cent of approved compensation was paid. This decreased to 72 per cent in FY 2017-18. In FY 2018-19, 65 per cent of the compensation had been paid.
- There are differences between average employment demanded by households and actual employment provided. On average over the last five years, 90 per cent of the employment demanded had been met.

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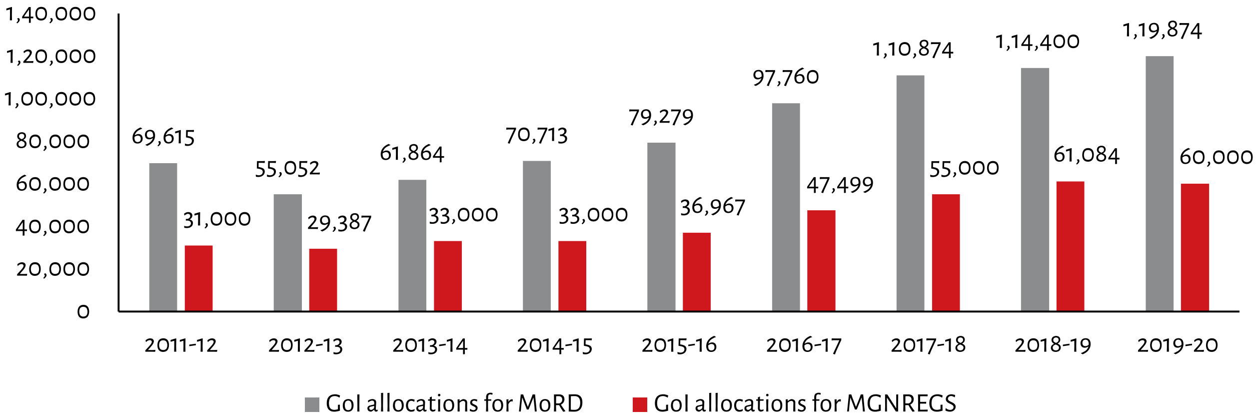
TRENDS IN GOI ALLOCATIONS AND RELEASES

- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was launched by Government of India (GoI), in 2006, to provide 100 days of employment to rural households based on demand for employment. MGNREGS is the largest scheme run by the Ministry of Rural Development (MoRD).
- In FY 2019-20, GoI allocated ₹60,000 crore to MGNREGS. This was a 9 per cent increase from the previous year's Budget Estimate (BE), but was a 2 per cent decrease from the Revised Estimate (RE) for FY 2018-19.
- During the same period, GoI allocations for MoRD increased by 5 per cent from ₹1,14,400 crore in FY 2018-19 RE to ₹1,19,874 crore in FY 2019-20 BE.

2% DECLINE IN GOI ALLOCATIONS FOR MGNREGS FROM 2018-19 TO 2019-20



Source: India Expenditure Budget, Ministry of Rural Development. Available online at: https://www.indiabudget.gov.in. Last accessed on 5 July 2019.
Note: Figures in crores of rupees and are REs, except for FY 2019-20 which are BEs.

Releases

- GoI releases as a proportion of GoI allocations have been consistently high. In FY 2014-15 and FY 2015-16, 97 per cent of GoI's allocation was released. This increased further to 100 per cent in FY 2016-17. Since then, releases have exceeded GoI allocations. In FY 2017-18, ₹55,660 crore had been released by GoI while the allocations stood at ₹55,000 crore for the year. In FY 2018-19, while allocations stood at ₹61,084 crore, ₹62,167 crore had been released. In FY 2019-20, a total of ₹26,538 crore had already been released till 27 June 2019.

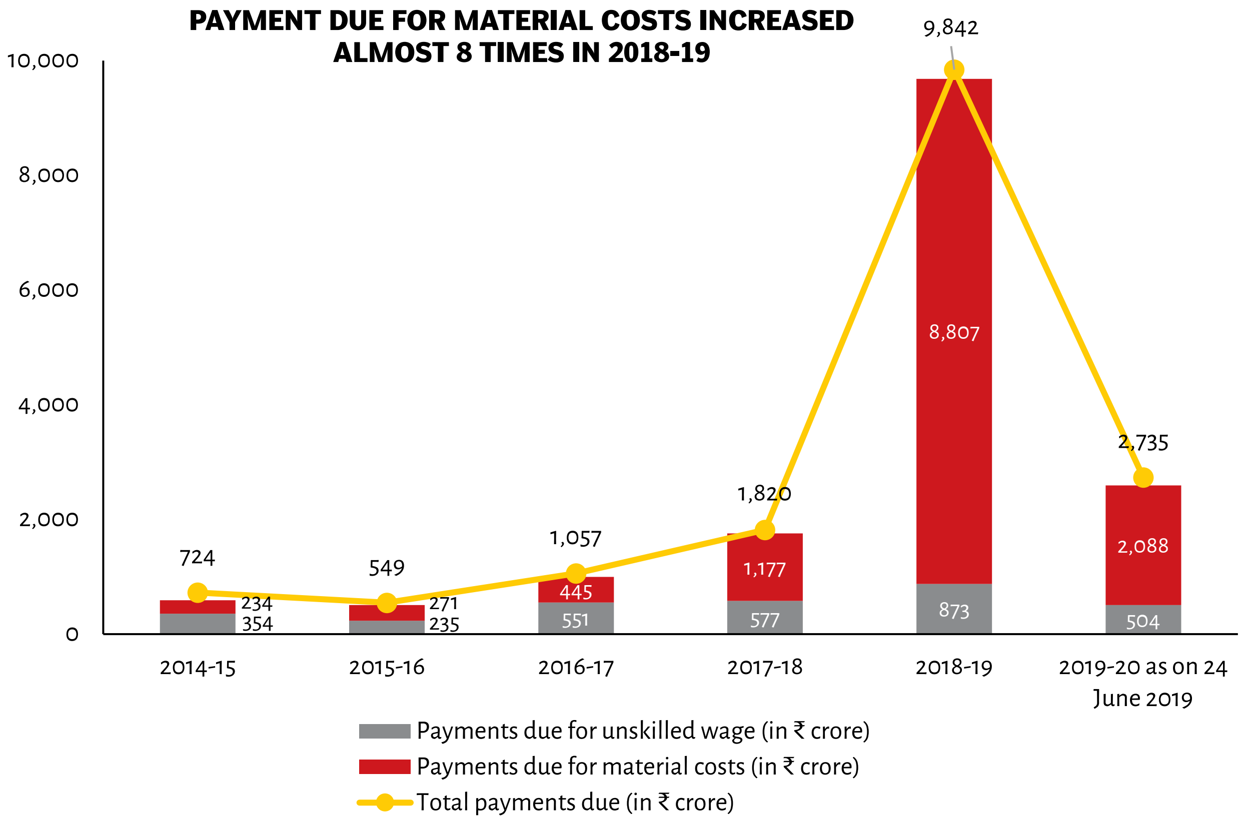
TRENDS IN STATE-WISE AVAILABILITY AND EXPENDITURES

- MGNREGS is a demand-driven scheme and thus, there are no state-wise allocations. Instead, releases are based on labour budget estimates prepared at the start of the year and the actual demand for work during the year. Total funds available for MGNREGS include GoI and state government releases, as well as, unspent balances from previous years.

Pending Liabilities

- Additional expenditure incurred by states, over and above their funds available due to increased demand, are known as pending liabilities due. This additional expenditure is to be reimbursed by GoI. Over the years, the amount of pending liabilities due has been increasing. These liabilities have accumulated as a result of delays in payments for both wages and material costs. In FY 2014-15, total outstanding liabilities were ₹724 crore. Of this, ₹354 crore or 49 per cent was in the form of payments due for wages, and the remaining was for materials. Pending liabilities decreased marginally in FY 2015-16 to ₹549 crore with outstanding liability on unskilled wage declining to ₹235 crore.

- The last few years have seen an increase. In FY 2017-18, the total payment due increased to ₹1,820 crore from ₹1,057 crore in FY 2016-17. A bulk of this increase (65 per cent) was due to significant increase in payments due for material costs. In FY 2018-19, the total payments due increased to ₹9,842 crore. Of this, 89 per cent or ₹8,807 crore was with respect to material costs.
- In FY 2019-20, within the first three months of the fiscal year, total payments due stood at ₹2,735 crore with 76 per cent of the total constituting unpaid cost of material.



Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement (from FY 2014-15 to FY 2019-20). Available online at: http://mnregaweb4.nic.in/netnrega/Citizen_html/financialstatement.aspx?lflag=eng&fin_year=2019-2020&source=national&labels=labels&Digest=cN96LBEGlHkRAwn+MUntcQ . Last accessed on 24 June 2019.

- Expenditure as a proportion of funds available has, on average, exceeded 100 per cent. In FY 2015-16 and FY 2016-17, over 100 per cent of funds available were spent. This declined marginally to 97 per cent in FY 2017-18.
- Expenditure again increased in FY 2018-19 and 112 per cent of funds available were spent. By the first quarter of the year, till 24 June 2019, 74 per cent of funds available had already been spent.
- There are significant state variations. In FY 2018-19, 21 out of a total of 29 states had spent in excess of the funds available to them. Andhra Pradesh (136 per cent), Kerala (131 per cent), and Telangana (121 per cent) spent the highest proportion of the funds available to them. Expenditure was lower than funds available in Gujarat (92 per cent), Chhattisgarh (91 per cent), and Odisha (89 per cent).
- These trends do not hold in the three months of FY 2019-20. Both Odisha (125 per cent) and Gujarat (111 per cent) have exceeded the funds available to them. In fact, 8 out of 29 states had exceeded the funds available to them within the first three months of FY 2019-20.
- In contrast, states such as Punjab (66 per cent), West Bengal (32 per cent), and Kerala (26 per cent) had spent far less than the average within these three months.

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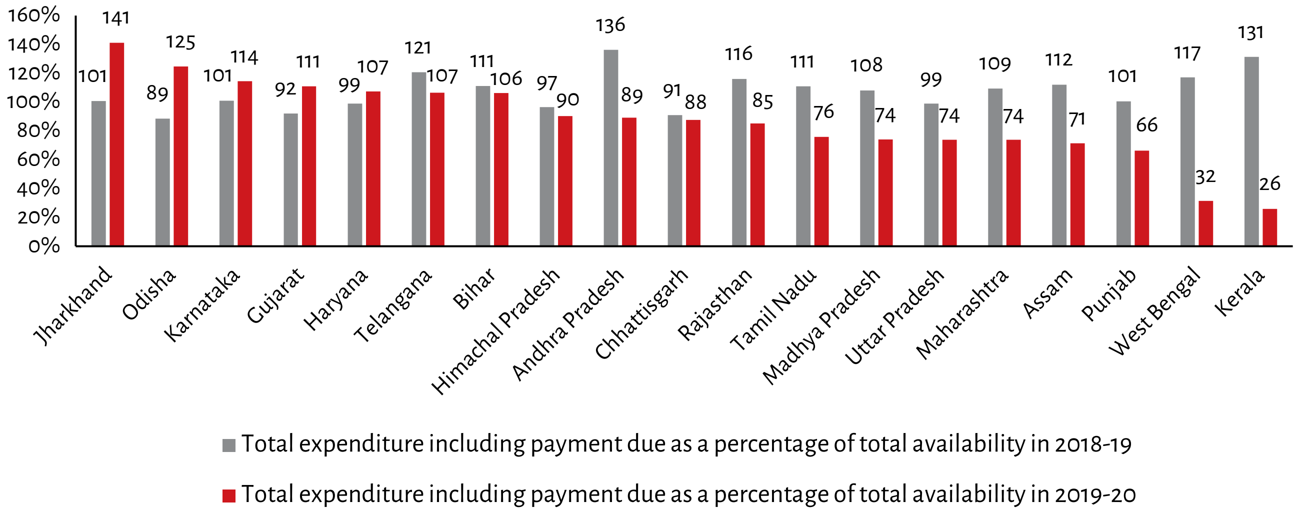


Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement (from FY 2014-15 to FY 2018-19). Available online at: http://mnregaweb4.nic.in/netnrega/Citizen_html/financialstatement.aspx?lflag=eng&fin_year=2019-2020&source=national&labels=labels&Digest=cN96LBEGlHkRAwn+MUntcQ. Last accessed on 24 June 2019.

TRENDS IN WAGE PAYMENTS

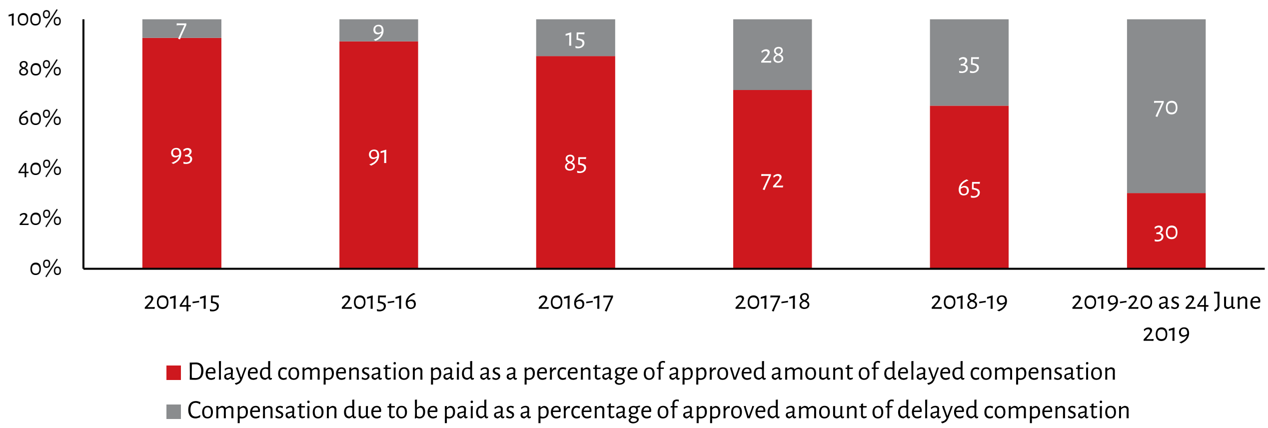
- MGNREGS provides a legal guarantee for wage employment. According to the scheme guidelines, wages must be paid within 15 days of work completion and closure of the muster roll.
- There are a number of steps in the process of wage payments. Under the National Electronic Fund Management System (Ne-FMS) on completion of the work week, a pay order known as a Fund Transfer Order (FTO) is generated at the Block or Panchayat level. 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 workers' bank or postal accounts.
- It is important to highlight that delayed wage payments and corresponding compensation due are automatically calculated by the programme Management Information System (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.
- As per the MIS, there has been an improvement in generation of the pay order – the first step in the wage payment process. In FY 2014-15, payment orders for 27 per cent of all wage payments had been issued within the first 15 days of completion of stipulated work. This further increased to 44 per cent in FY 2016-17 and to over 80 per cent in both FY 2017-18 and FY 2018-19.
- In FY 2019-20, till 24 June 2019, nearly all pay orders (98 per cent) had been issued within the first 15 days.

- There were state variations in the extent of delay as well as the overall delay in the generation of pay orders. In FY 2017-18, delays were highest in the Northeastern states of Mizoram (90 per cent) and Arunachal Pradesh (85 per cent) as well as in Bihar (40 per cent) and Uttar Pradesh (36 per cent).
- In FY 2018-19, there were significant delays in issuance of payment orders to Northeastern states with Nagaland (97 per cent), Arunachal Pradesh (90 per cent), and Mizoram (55 per cent) experiencing among the longest delays. The proportion of delays exceeding 90 days was also very high in Nagaland at 73 per cent, followed by Arunachal Pradesh (35 per cent). Other states with a high proportion of delays include Karnataka (25 per cent), Punjab (21 per cent), and West Bengal (20 per cent).
- In Bihar and Uttar Pradesh, in contrast to their FY 2017-18 trends, less than 15 per cent of pay orders were delayed and delays did not exceed 30 days. Similarly, FTO generation was delayed in only 1 per cent of cases in Tamil Nadu, Kerala, and Jharkhand, and delays were less than 30 days.

Wage Compensation Due and Paid

- In cases of delays in wage payments for work undertaken, MGNREGS 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 is recovered from the agency responsible for the delay.
- Over the years, the share of compensation that is actually paid out to workers has been declining. In FY 2014-15, the compensation paid out was 93 per cent of the total compensation approved with only 7 per cent that remained due. However, this share declined to 91 per cent in FY 2015-16 and further to 72 per cent in FY 2017-18.
- Payment of compensation further declined in FY 2018-19. Of the total ₹5,87,98,167 approved as delayed compensation for the year, only 65 per cent, amounting to ₹3,84,50,891 was paid. Compensation payment is also slow in FY 2019-20. Till 24 June 2019, 70 per cent of the approved compensation for delayed payments remained unpaid in the first three months of the fiscal year.

SHARE OF UNPAID COMPENSATION OUT OF TOTAL APPROVED AMOUNT OF DELAYED COMPENSATION HAS BEEN RISING



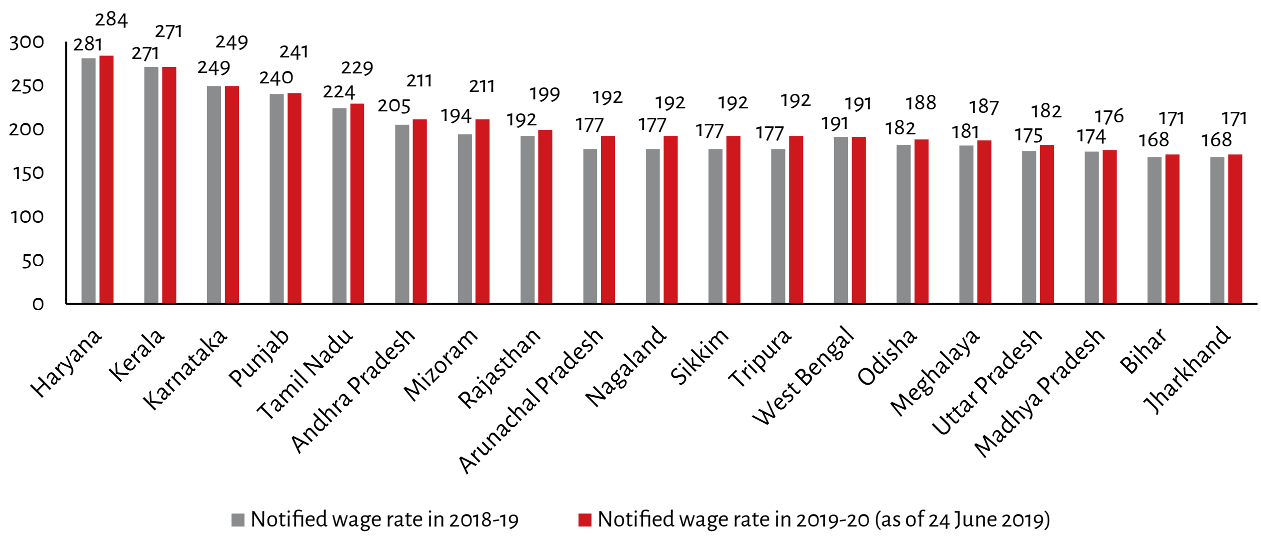
Source: MGNREGS Portal, MIS Report, R 14.1, Delayed Compensation (from FY 2014-15 to FY 2019-20). Available online at: http://mnregaweb4.nic.in/netnrega/state_html/delay_comp.aspx?lflag=eng&fin_year=2019-2020&source=national&labels=labels&Digest=cN96LBEGlHkRAwn+MUntcQ. Last accessed on 24 June 2019.

- In FY 2018-19, West Bengal had the highest amount of delayed compensation that had been approved at around ₹3 crore. Of this, only 41 per cent or ₹1.35 crore had been paid. Andhra Pradesh too had a high amount of delayed payment approved for pay at ₹96 lakh. Payment, however, was also high with 86 per cent paid out.
- Kerala, Haryana, and Assam had very high proportions of their approved amount paid as compensation at ₹5,03,442 (98 per cent), ₹71,113 (98 per cent), and ₹1,88,147 (97 per cent), respectively. Odisha (34 per cent), Karnataka (27 per cent), and Punjab (25 per cent) had much lower shares of the approved amount paid out at ₹260, ₹75,466 and ₹1,85,272, respectively.

Notified and Average Daily Wages

- 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 wages, states may choose to provide a higher wage rate out of their own funds.
- The revised notified wage rate for FY 2019-20 (announced on 26 March 2019) ranged from a maximum of ₹284 in Haryana to ₹171 in both Bihar and Jharkhand.
- Between FY 2018-19 and FY 2019-20, the notified wage rate increased considerably for the Northeastern states of Mizoram (9 per cent), and Arunachal Pradesh, Nagaland, Sikkim and Tripura (8 per cent each). States such as Uttar Pradesh (4 per cent) and Odisha (3 per cent) also increased their notified wage rate for FY 2019-20. The increase in notified wage rate, on average, as per revised estimates for the year has been about 3 per cent.
- States such as Kerala, Karnataka, and West Bengal, on the other hand, saw no change in the notified wage rate for their individual states from ₹271, ₹249 and ₹191, respectively.

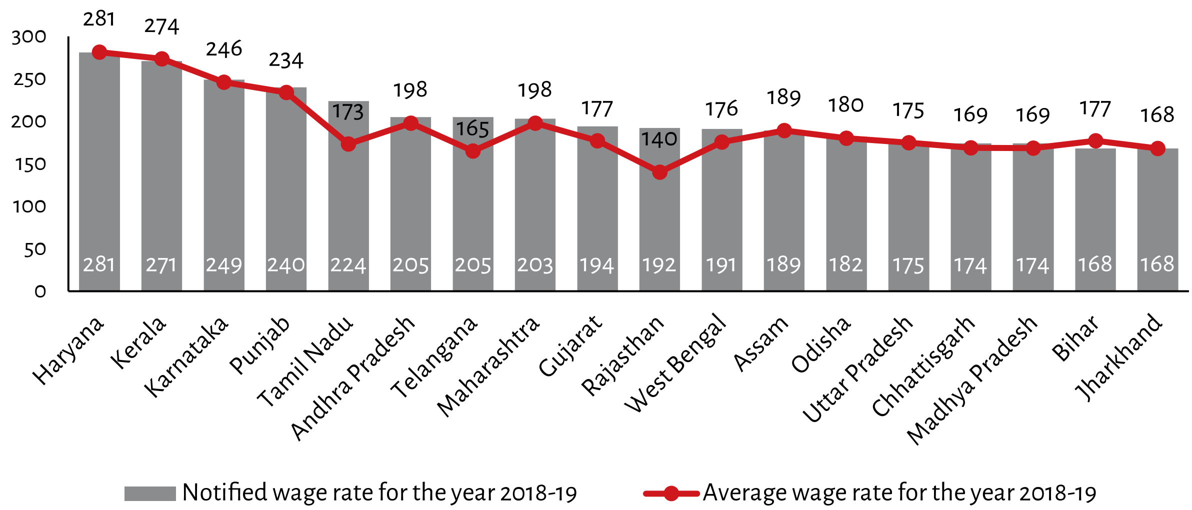
NOTIFIED WAGE RATE INCREASED ON AVERAGE BY 3% FOR THE YEAR 2019-20



Source: MGNREGS Portal, MIS Report, R 7.2.1 Available online at: http://mnregaweb4.nic.in/netnrega/avg_wage_paid.aspx?fin_year=2019-2020&source=national&Digest=dNkpXxad61d0e/fm/86bgg. Last accessed on 24 June 2019.

- In FY 2018-19, 16 out of 32 states and Union Territories paid an average wage rate (or mean wage for a 12 month period) that was less than the notified wage rate.
- Haryana paid the highest average wage at ₹281, similar to FY 2017-18. However, unlike the previous year, it did not exceed the notified wage rate which was also ₹281. Kerala paid an average wage rate (₹274) which was higher than the notified wage rate (₹271).
- Most other states paid a wage rate that equalled the notified wage rate for the state.
- In FY 2018-19, while Bihar increased its average wage rate in comparison to its notified wage rate, the amount paid (₹177) remained the same as in FY 2017-18. Similarly, there was no change in average wage paid in Jharkhand (₹168).
- States that paid significantly lower average wage rates than the notified rate include Rajasthan (difference of ₹52), Tamil Nadu (difference of ₹51), and Telangana (difference of ₹40).

ONLY KERALA AND BIHAR PAID AN AVERAGE WAGE RATE THAT WAS HIGHER THAN THE NOTIFIED WAGE RATE FOR THEIR STATE IN 2018-19



Source: MGNREGS Portal, MIS Report, R 7.2.1 Available online at: http://mnregaweb4.nic.in/netnrega/avg_wage_paid.aspx?fin_year=2019-2020&source=national&Digest=dNkpXxad61d0e/fm/86bgg. Last accessed on 24 June 2019.

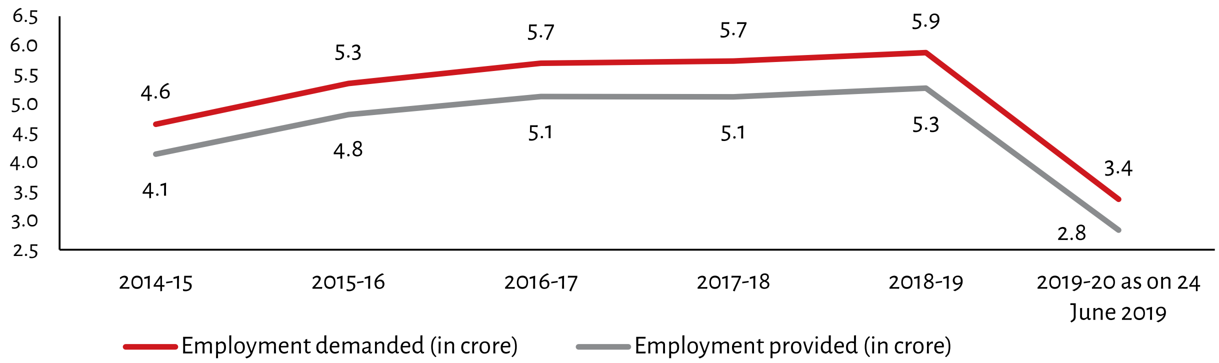
TRENDS IN EMPLOYMENT GENERATION

- The scheme's guidelines stipulate guaranteed 100 days of paid work within a financial year for every rural household whose adult members volunteer to do unskilled manual labour. The MGNREGS labour budget is prepared in the month of December for the successive financial year. Since it is primarily a demand-driven scheme, the labour budget is prepared by taking into account the anticipated labour demand over each month of the financial year in consideration, and the estimated cost of wages and material. It is then submitted for inspection and approval to the Ministry. This estimate is then updated monthly based on actual demand.
- This brief uses three indicators to analyse employment generation under MGNREGS: a) the difference between employment demanded and employment provided, b) the number of persondays of work generated in absolute terms and, c) the average number of persondays generated per household (HH) employed under MGNREGS.

Employment Demanded and Provided

- There are significant differences in the average employment demanded and the actual provision of work.
- On average, over a period of five years, 89 per cent of households who demanded work, received it. This reflects that approximately 0.5 crore to 0.6 crore households, were not provided work. For instance, in FY 2014-15, while the demand was relatively low at 4.6 crore households, 4.1 crore households or 89 per cent were provided work. Similarly, in FY 2017-18, while 5.7 crore households had demanded work, employment was provided to 5.1 crore households.
- In FY 2018-19, of the 5.9 crore households who had demanded employment, 5.3 crore households had been provided with work. In FY 2019-20, 3.4 crore households had demanded work within the first three months of the fiscal year while 2.8 crore, or 84 per cent of the households had received employment.

GAP BETWEEN EMPLOYMENT DEMANDED AND EMPLOYMENT PROVIDED

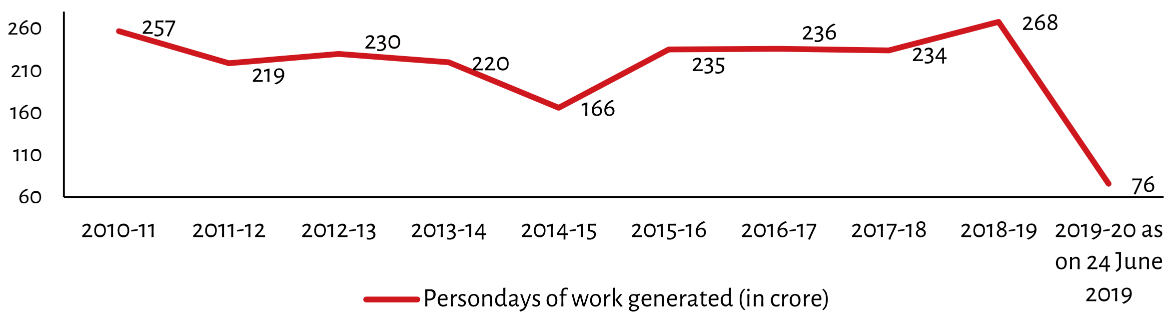


Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated (from FY 2014-15 to FY 2018-19). Available online at: http://mnregaweb4.nic.in/netnrega/citizen_html/demregister.aspx?lflag=eng&fin_year=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q. Last accessed on 24 June 2019.

Persondays

- Persondays under MGNREGS is defined as the total number of work days by a person registered under MGNREGS in a financial year. With the exception of FY 2014-15, over 200 crore persondays of work had been registered under MGNREGS and it has broadly remained the same in the last three years. In FY 2016-17, 236 crore of persondays of work had been generated under the scheme. This declined marginally in FY 2017-18 to 234 crore of persondays. In FY 2018-19, the number of persondays generated increased from 234 crore to 268 crore, the highest in the last decade. In FY 2019-20, 76 crore persondays have been generated in the first three months of the fiscal year.

PERSONDAYS OF WORK INCREASED BY 14% IN 2018-19

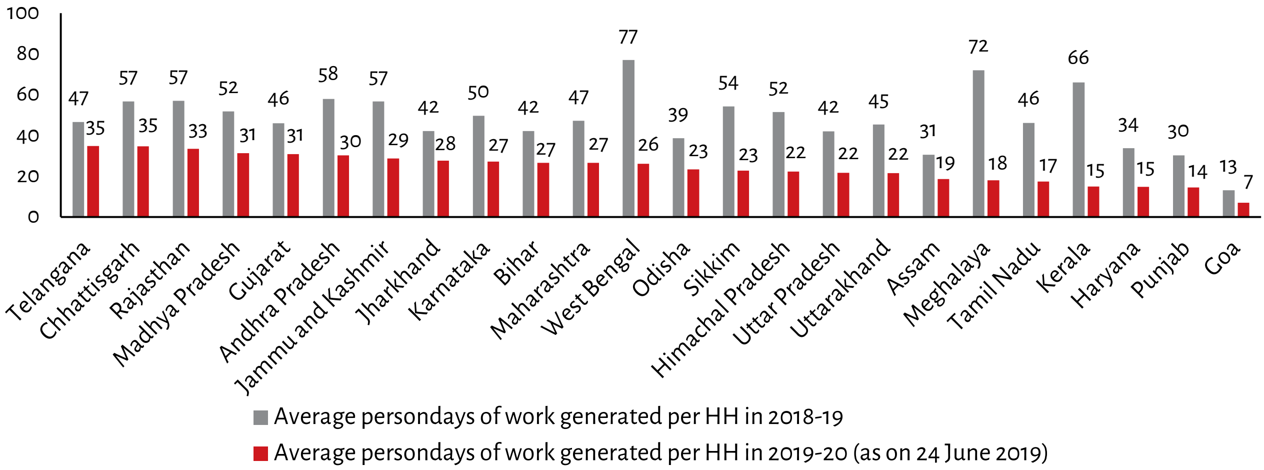


Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated Available online at: http://mnregaweb4.nic.in/netnrega/citizen_html/demregister.aspx?lflag=eng&fin_year=2019-2020&source=national&labels=labels&Digest=cN96LBEGlHkRAwn+MUntcQ. Last accessed on 24 June 2019.

Average Persondays Per Household (HH)

- 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 and remained the same for FY 2017-18 as well.
- In FY 2018-19, it increased marginally to 51 persondays per household. In FY 2019-20, during the first three months of the fiscal year, on average 27 persondays of work had been provided per rural household.
- In FY 2018-19, states such as Mizoram (92), West Bengal (77), Meghalaya (72), and Kerala (66) provided the highest number of work days per household. Other states such as Andhra Pradesh (58), Rajasthan (57), and Chhattisgarh (57) also provided a higher number of work days per household than the national average of 51.
- In contrast, a lower number of days of employment per households was provided by states such as Uttar Pradesh (42), Assam (31), Punjab (30), and Goa (13).
- In FY 2019-20, within the first three months of the fiscal year, Telangana (35), Chhattisgarh (35), and Rajasthan (33) have provided for the highest number of work days. In contrast, states like Kerala (15), Haryana (15), and Punjab (14) have provided the lowest number of work days per household.

11 STATES GENERATED MORE THAN 50 PERSONDAYS OF WORK PER HH IN 2018-19



Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated. Available online at: http://mnregaweb4.nic.in/netnrega/citizen_html/demregister.aspx?lflag=eng&fin_year=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q. Last accessed on 24 June 2019.

Female Participation in MGNREGS Workforce

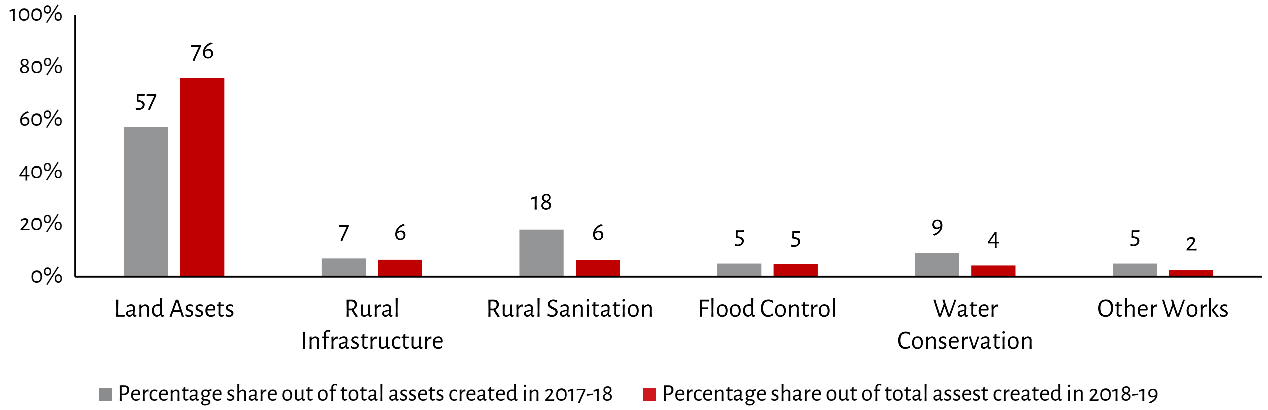
- The MGNREGS prioritises participation of women by stipulating that at least one-third of all beneficiaries shall be women. Female participation under the scheme has been high. In FY 2014-15, 55 per cent of total beneficiaries were women. This increased to 56 per cent in FY 2016-17 and dropped marginally to 54 per cent in FY 2017-18.
- In FY 2018-19 Female participation rate was 55 per cent. In FY 2019-20 within the first three months of the fiscal year, female participation rate was at 57 per cent.

- There were state variations. In FY 2018-19, Kerala, Tamil Nadu, and Rajasthan had the highest rates of participation by women at 90 per cent, 85 per cent, and 66 per cent, respectively.
- On the other hand, states like Uttar Pradesh, Mizoram, and Madhya Pradesh registered low female participation at 35 per cent, 36 per cent, and 37 per cent, respectively.

TRENDS IN PHYSICAL ASSETS CREATED

- Physical assets created under the MGNREGS are now geo-tagged and made available in the public domain to improve and enhance transparency in programme management. In order to optimise public investment there is a focused effort towards convergence of MGNREGS with other schemes.
- Assets created under the category of 'Land Assets', which include 'work on individual land' and 'land development' accounted for the highest share of assets created in FY 2018-19 at 76 per cent. This was marginally higher than the share in FY 2017-18, which stood at 74 per cent. In FY 2019-20, three months into the fiscal year, 80 per cent of all assets created fall in the 'Land assets' category.
- Rural sanitation, which had accounted for nearly 18 per cent of the total assets created in FY 2017-18, declined to 8 per cent in FY 2018-19. Similarly, rural infrastructure that includes components such as building anganwadis, playgrounds, and laying the infrastructure for faster rural connectivity, accounted for only 6 per cent of the total assets, whereas it was close to 18 per cent in FY 2017-18.

LAND ASSETS CONSTITUTE THE HIGHEST SHARE OF PHYSICAL ASSETS CREATED UNDER MGNREGS



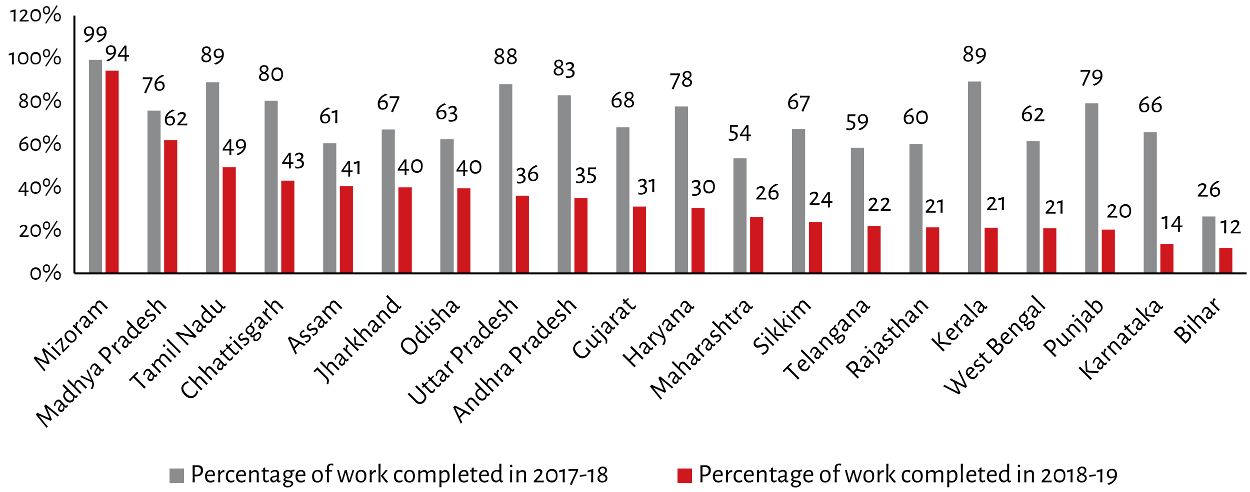
Source: MGNREGS Portal, MIS Report, R 6.7, Assets Created. Available online at: http://mnregaweb4.nic.in/netnrega/citizen_html/wrkstatlink1.aspx?lflag=eng&file1=dmd&fin=2019-2020&finyear=2019-2020&fin_year=2019-2020&workstatus=05&project=ALL&source=national&Digest=W5YJPEOf+JSOSWUWiW473Q. Last accessed on 24 June 2019.

Work Completion Rate

- Work completion rate has been decreasing. In FY 2017-18, 71 per cent of work was completed. This declined to 32 per cent in FY 2018-19

- In FY 2018-19, completion rates were highest in Mizoram (94 per cent), Madhya Pradesh (62 per cent), and Tamil Nadu (49 per cent). All three states, however, recorded a higher rate of work completion in the previous year i.e. FY 2017-18 at 99 per cent, 76 per cent, and 89 per cent, respectively. In fact, Tamil Nadu saw a steep decline in its work completion rate from 89 per cent to 49 per cent during these two years.
- States with the lowest work completion rate include Karnataka (14 per cent) and Bihar (12 per cent).

32% OF WORK COMPLETED ACROSS INDIA UNDER MGNREGS IN 2018-19



Source: MGNREGS Portal, MIS Report, R6, Work Progress, Yearly Work Completion Rate. Available online at: http://mnregaweb4.nic.in/netnrega/takenup_compwrk.aspx?lflag=eng&fin_year=2019-2020&source=national&labels=labels&Digest=cN96LBEGlHkRAwn+MUntcQ. Last accessed on 24 June 2019.