



BUDGET BRIEFS

Vol 14/Issue 8

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GoI, 2022-23 (Pre-Budget)

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is

Government of India's (GoI's) flagship scheme 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, releases, 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 for FY 2020-21. Expenditure figures for FY 2021-22 are as on 31 December 2021, unless mentioned otherwise.

HIGHLIGHTS

₹ 1,78,558 cr

GoI allocations for Ministry of Rural Development (MoRD) in FY 2021-22 (including supplementary budgets)

₹ 98,000 cr

GoI allocations for MGNREGS in FY 2021-22 (including supplementary budgets)

SUMMARY & ANALYSIS

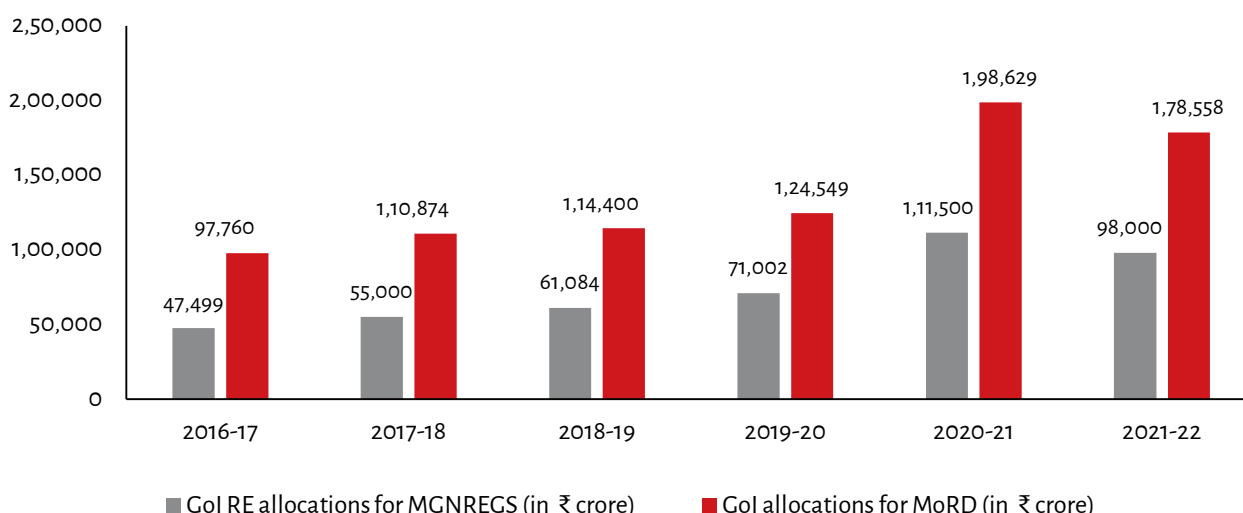
- For Financial Year (FY) 2021-22 Budget Estimates (BEs), GoI allocated ₹73,000 crore to MGNREGS. Even after the inclusion of additional funds amounting to ₹25,000 crore via supplementary budgets, allocations were 12 per cent less than the previous year's Revised Estimates (REs).
- Expenditures continued to be higher than the funds available, and by the third quarter of FY 2020-21, 111 per cent of available funds had already been spent by states. Accumulated payments due, known as pending liabilities, had thus risen to ₹10,654 crore as on 31 December 2021.
- Notified wage rates increased by 4 per cent between FY 2020-21 and FY 2021-22, but actual wages paid remained lower than the notified wage rates for most states till 31 December 2021.
- Percentage of unmet demand, which is the difference between employment demanded and employment provided, was highest in April and September 2021 at 33 per cent and 31 per cent, respectively. For FY 2021-22 till 31 December 2021, around 91 lakh households that demanded work had not yet received it.
- According to a 2019 survey by the National Statistical Office (NSO), there was not much difference in who participated in the scheme. The proportion of rural agricultural households that undertook work under MGNREGS was similar for the bottom (22 per cent) and top quintile (20 per cent).

- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is Government of India's (GoI's) flagship rural employment programme which aims to provide at least 100 days of guaranteed wage employment based on demand. The scheme was launched in 2006 and is the largest scheme of the Ministry of Rural Development (MoRD).
- The scheme has three key provisions:
 - **At least 100 days of guaranteed employment:** The scheme mandates at least 100 days of guaranteed wage employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work.
 - **Unemployment allowance:** Provision of a daily unemployment allowance if an applicant is not provided employment within 15 days of having demanded work.
 - **Delayed compensation:** In case of failure of wage payment within 15 days from work completion, workers are entitled to a per day compensation of 0.05 per cent of the wages earned, till the payment of wages.

TRENDS IN ALLOCATIONS AND RELEASES

- MGNREGS is the largest Centrally Sponsored Scheme (CSS), accounting for between 17 to 30 per cent of the GoI's total CSS budget and around 54 per cent of the budget for MoRD.
- At the start of FY 2021-22 Budget Estimates (BEs), GoI allocated ₹73,000 crore for MGNREGS. This was 19 per cent higher from the previous year's BEs but 35 per cent lower than the REs for the previous year which stood at ₹1,11,500 crore. During the year, to accommodate the increased demand for work due to the COVID-19 pandemic, supplementary budgets of an additional ₹25,000 crore were allocated to the scheme, bringing the total allocations to ₹98,000 crore. Even after the additional allocations, the total allocations remain 12 per cent lower than the REs of FY 2020-21.

12% DECREASE IN GOI ALLOCATIONS FOR MGNREGS BETWEEN 2020-21 AND 2021-22 EVEN AFTER INCLUDING THE SUPPLEMENTARY BUDGET



Source: (1) Union Expenditure Budget, MoRD for FY 2016-17 to FY 2021-22. Available online at: <https://www.indiabudget.gov.in/>. (2) Supplementary Demands for Grants 2021-22. Available online at: <https://dea.gov.in/budgetdivision/supplementary-demands-grants>. Last accessed on 20 January 2022.

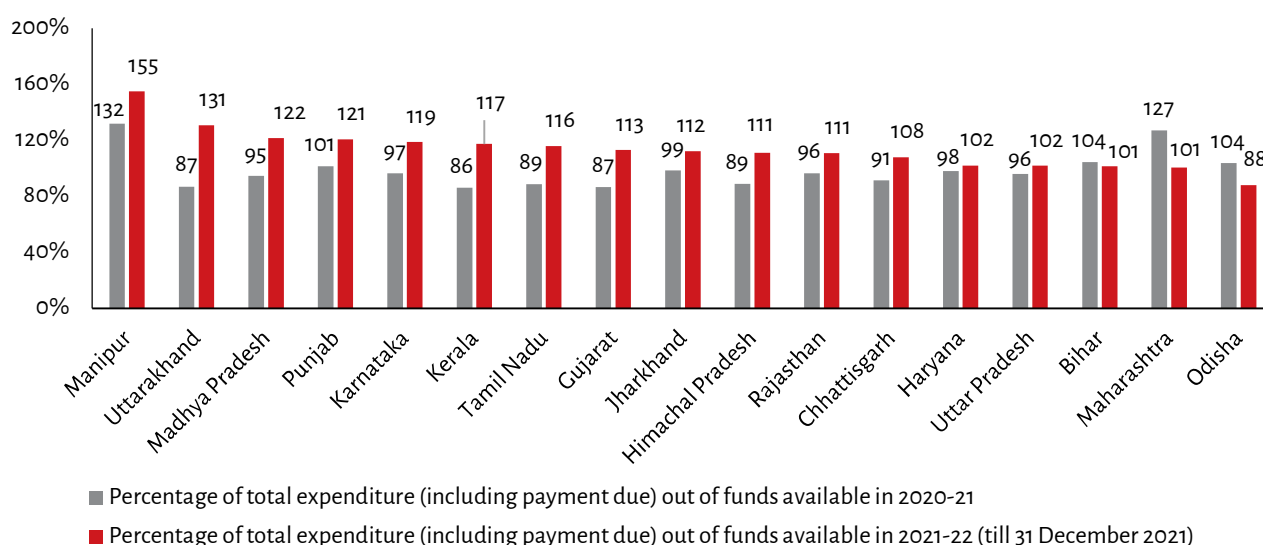
Note: Figures in crores of Rupees and are Revised Estimates (REs) except for FY 2021-21, which are Budget Estimates (BEs). Allocations for FY 2021-22 include the ₹25,000 crore passed in the supplementary budget.

- Analysis of past allocation trends finds that REs for the scheme have consistently been higher than BEs. The biggest difference between REs and BEs were in years where economic slowdown was most prevalent. For instance, during the global financial crisis, the RE was 155 per cent greater than BE for FY 2008-09. Similarly, owing to the pandemic, the RE was 81 per cent higher than BE for FY 2020-21.

STATE-WISE RELEASES AND EXPENDITURES

- MGNREGS is a demand-driven scheme; the release of funds is based on both labour budget estimates prepared at the start of the year, and the actual demand for work during the year. The preparation of labour budgets follows a bottom-up process, starting at the Gram Panchayat level. Labour budgets contain information on the anticipated demand for unskilled manual work and number of employment days required to complete planned works.
- Total funds available for MGNREGS include Gol and state government releases, as well as unspent balances from previous years.
- Fund releases under MGNREGS have failed to keep up with expenditures. In FY 2020-21, 97 per cent of the available funds, including liabilities due, had been spent by the states. In FY 2021-22, till 31 December 2021, ₹87,731 crore or 111 per cent of the funds available had already been spent. Even with the additional allocations, with utilisation being only ₹10,269 crore less than the revised allocations, funding is likely to be lower than demand.
- With respect to states, in FY 2020-21, 11 out of 28 states had spent more than their funds available, including payments due, leaving them with large negative balances (the difference between funds available and expenditure). These states included Goa (206 per cent), Manipur (132 per cent), Maharashtra (127 per cent), Bihar (104 per cent), and Odisha (104 per cent).
- Utilisation of funds available was even higher in FY 2021-22, till 31 December 2021, 22 out of 28 states had already spent more than the funds available to them. States with the highest expenditure as a proportion of funds available included Manipur (155 per cent), Uttarakhand (131 per cent), Madhya Pradesh (122 per cent), Punjab (121 per cent), Karnataka (119 per cent), Kerala (117 per cent), Tamil Nadu (116 per cent), Gujarat (113 per cent), Jharkhand (112 per cent), Himachal Pradesh (111 per cent), Rajasthan (111 per cent), Chhattisgarh (108 per cent), Haryana (102 per cent), Uttar Pradesh (102 per cent), Bihar (104 per cent), Maharashtra (127 per cent), and Odisha (104 per cent).

22 OUT OF 28 STATES HAD ALREADY SPENT IN EXCESS OF THE FUNDS AVAILABLE TO THEM IN 2021-22 TILL 31 DECEMBER 2021

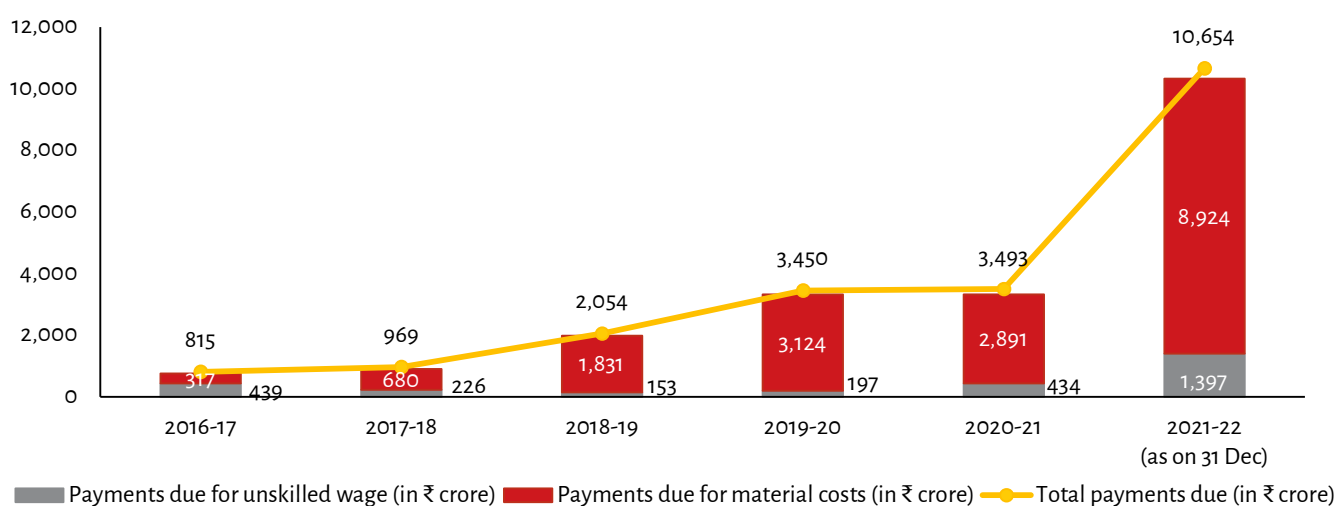


Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement from FY 2019-20 to FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 1 January 2022.

Pending Liabilities

- Expenditure incurred by states over and above the funds available to them has resulted in large pending liabilities. These liabilities have accumulated as a result of delays in payments for both wages and material costs and are to be reimbursed by GoI.
- Pending liabilities increased from ₹815 crore in FY 2016-17 to ₹3,493 crore in FY 2020-21. In FY 2021-22, till 31 December 2021, pending liabilities had increased significantly to ₹10,654 crore. A comparison with 31 December 2020, however, shows that this was 11 per cent less than the same period last year.
- Most of this increase in pending liabilities has been due to from a significant increase in payments due for material costs. In FY 2015-16, payments due for material costs accounted for 39 per cent of the pending liabilities. This increased to 91 per cent in FY 2019-20.
- The share of pending liabilities coming from wages has increased in the last two years. In FY 2020-21, pending wage liability stood at ₹434 crore (12 per cent of total payment due); this increased to ₹1,397 crore (13 per cent of total payments due) in FY 2021-22 till 31 December 2021.

PAYMENT OF ₹10,654 CRORE OF PAYMENTS WERE DUE AS ON 31 DECEMBER 2021, OUT OF WHICH ₹1,397 CRORE WERE FOR PENDING WAGES



Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement from FY 2014-15 to FY 2021-22. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>.

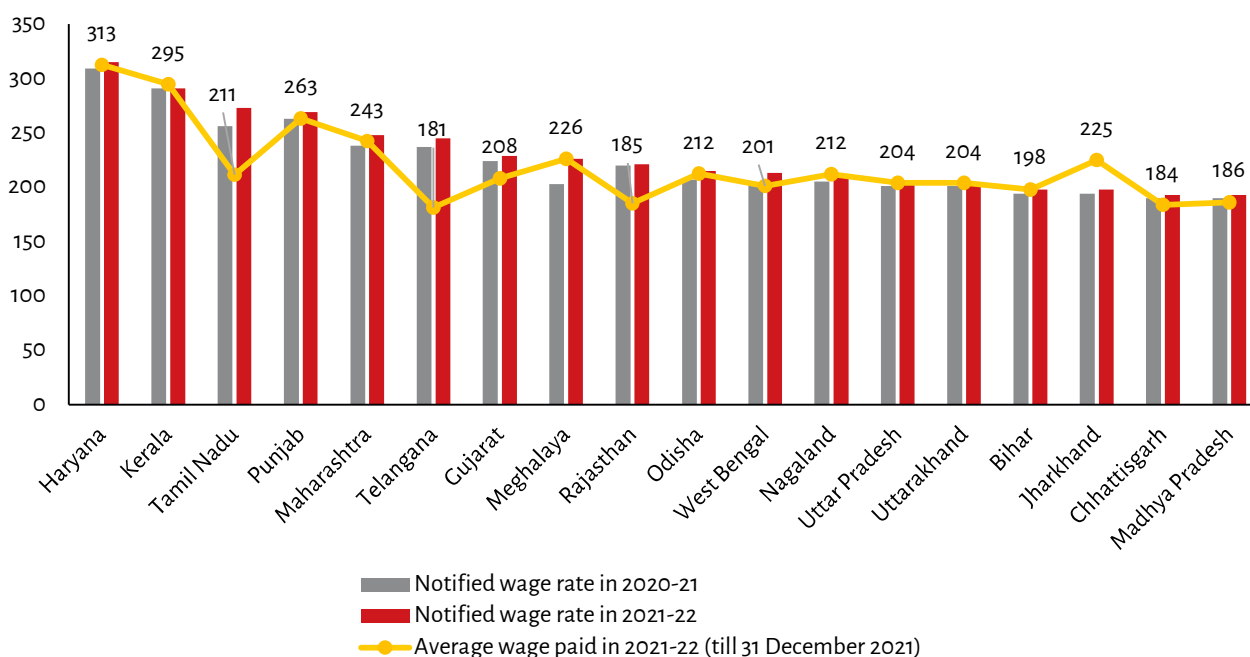
Note: Total payments due also include administration costs which have not been showcased in the graph. Last accessed on 1 January 2022.

WAGE RATES AND PAYMENTS

- As per Section 6(1) of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 2006, GoI may notify state-wise minimum wage rates for each financial year. These wage rates are based on the Consumer Price Index for Agricultural Labourers (CPI-AL). While these notified wage rates specify the minimum amount, states may provide a higher wage rate out of their own funds.
- The notified wage rates are increased every year. Between FY 2020-21 and FY 2021-22, during the COVID-19 pandemic, notified wage rate increased by 4 per cent, compared to the 3 per cent increase in inflation rate for the period.
- The quantum of increase, however, varies significantly from state to state. Kerala did not see an increase between FY 2020-21 and FY 2021-22. On the other hand, notified wage rates increased by 11 per cent, from ₹203 to ₹226, in Meghalaya.

- Actual wage rates, calculated as the mean wages paid between April-December 2021, were lower than the notified wage rate in 16 out of 28 states. Only Kerala and Jharkhand paid on average a wage rate greater than notified wage rates.
- Haryana paid the highest average wage at ₹313, which is 2 per cent (or ₹5) more than the average wage rate in FY 2020-21. However, the actual wages paid did not exceed the notified wage rate in both the FYs.
- States that paid significantly lower average wage rates than the notified rate included Telangana (difference of ₹64), Tamil Nadu (difference of ₹62), and Rajasthan (difference of ₹36).

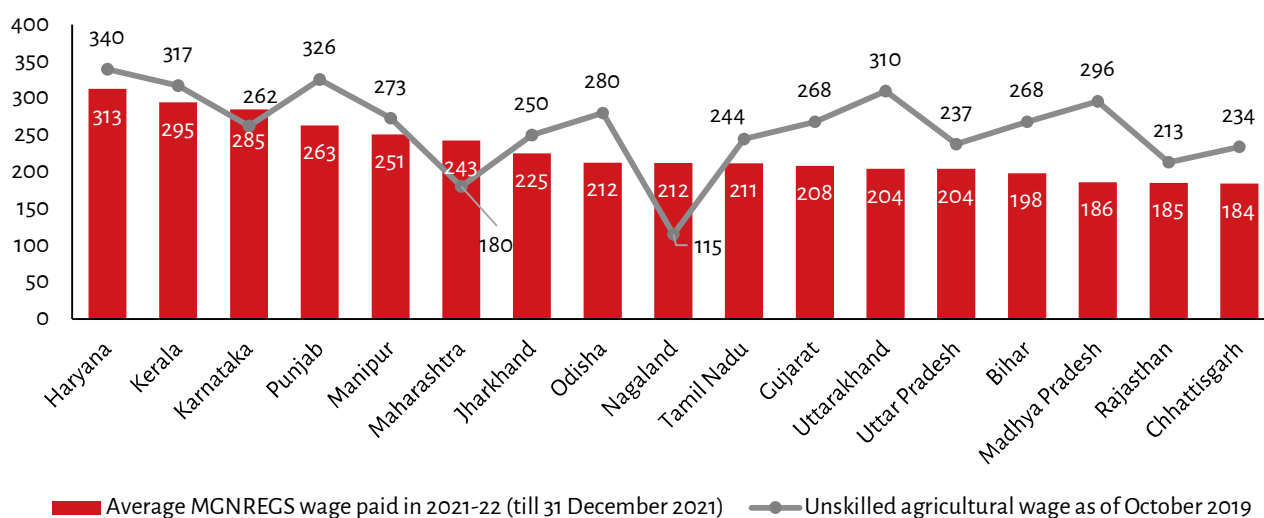
NOTIFIED WAGES INCREASED BY 4% BETWEEN 2020-21 AND 2021-22



Source: MGNREGS Portal, MIS Report, R 7.1, Financial Statement from FY 2020-21 to FY 2021-22. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022.

- It is also useful to compare MGNREGS wage rates with the minimum wages for unskilled agricultural workers. As per the Ministry of Labour and Employment (MoLE), as on 1 October 2019, an unskilled worker employed in the agricultural sector would get between ₹115 (Nagaland) and ₹340 (Haryana) per day, depending on the region of employment.
- Average wages paid till 31 December 2021 were lower than the minimum wages for unskilled agricultural workers for most states. The gap is highest in Madhya Pradesh (difference of ₹110) and Uttarakhand (₹106).
- These differences were also visible in states that saw highest numbers of incoming migrants — like Punjab, Gujarat, Kerala, Haryana, Tamil Nadu, and Maharashtra. For these states, except Maharashtra, the minimum agricultural wage was higher than the average wage paid by MGNREGS. However, for Maharashtra, the minimum agricultural wage (₹180) was among the lowest.
- In contrast, states such as Nagaland paid ₹212, which was ₹97 higher than the minimum wages for unskilled agricultural workers.

AVERAGE WAGES PAID IN 2021-22 ARE LOWER THAN THE MINIMUM WAGES FOR UNSKILLED AGRICULTURAL WORKERS FOR MOST STATES TILL 31 DECEMBER 2021



Source: (1) MGNREGS Portal, MIS Report, R 7.1, Financial Statement for FY 2021-22. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022. (2) Minimum wage rates for unskilled agricultural workers as of October 2019. Available online at: <https://foodprocessingindia.gov.in/uploads/publication/Agricultural-statistics-at-a-Glance-2020.pdf>. Last accessed 1 January 2022.

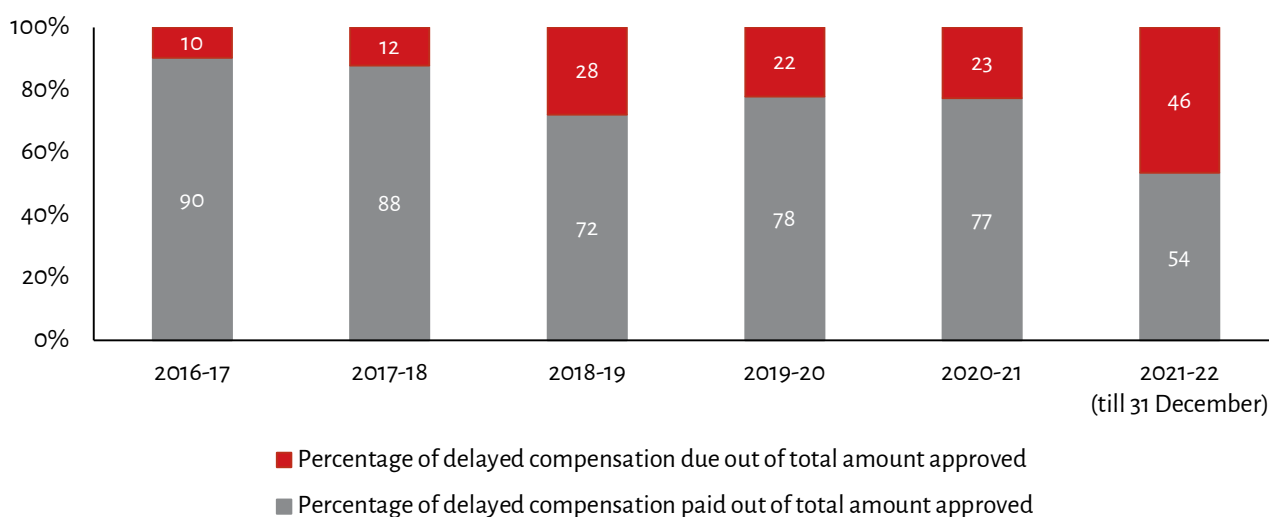
Delay in Wage Payments

- In 2016, MoRD introduced the National electronic - Fund Management System (Ne-FMS), enabling direct transfer of payments to workers from Gol. The main objective of introducing Ne-FMS was to streamline fund flow and reduce delays in payments to workers.
- Under the current system of payments, a successful payment could get delayed broadly at the following three stages:
 - **Stage 1:** At the state-level, while getting the muster details uploaded and the Funds Transfer Order (FTO) generated.
 - **Stage 2:** At the Gol-level, when the funds have to be released as per the FTOs and transferred directly to the workers' bank accounts.
 - **Stage 3:** When there are delays in accessing wages after they have been credited in the respective accounts.
- For delays in stages 1 and 2, workers are entitled to a delayed compensation - a penalty - payable by Gol in case the workers do not receive their wages within 15 days of completion of work. As per the Act, the delayed compensation should be calculated based on delays in stage 1 plus delays in stage 2.
- The Management Information System (MIS), however, calculates delayed compensation only at the stage 1 level. In other words, if a state generates FTOs on time but the delay is solely due to the time taken by Gol (stage 2), then delayed compensation is not calculated by the MIS.
- Looking at just stage 1 level delays, there have been improvements in recent years. In FY 2016-17, payment orders for 36 per cent of all wage payments had been issued within the first 15 days of completion of stipulated work. This significantly increased to 85 per cent in FY 2017-18, and to over 90 per cent in FY 2018-19 and FY 2019-20. During the current FY (as on 31 December 2021), over 99 per cent Fund Transfer Orders (FTOs) have been generated within 15 days from the date of closure of the muster roll.

Wage Compensation

- 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 is the sum of the wages due and delayed compensation. Compensation paid due to delays are recovered from the agency responsible for the delay.
- Over the years, the share of compensation that is actually paid to workers has been declining. In FY 2016-17, 90 per cent of the total approved compensation was released. This share, however, declined to 88 per cent in FY 2017-18, 72 per cent in FY 2018-19, and 78 per cent in FY 2019-20.
- In FY 2020-21, the first year of the pandemic, payment of compensation decreased to 77 per cent, with ₹1.04 crore of the approved ₹1.3 crore delayed compensation for the year being paid to workers.
- Compensation payment was also low, in FY 2021-22 till 31 December 2021, with only 54 per cent of the approved compensation for delayed payments having been paid.

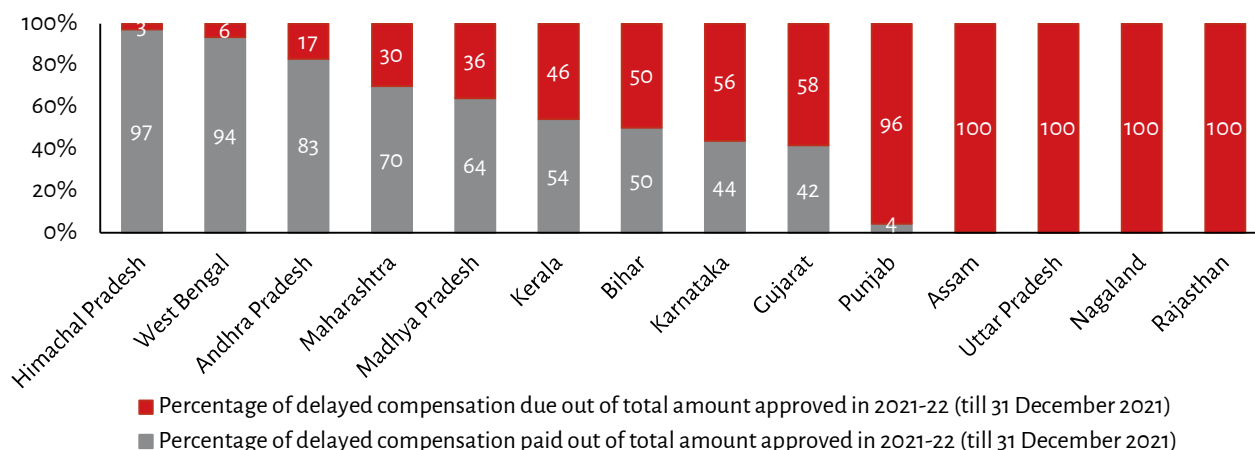
DELAYED COMPENSATION DUE TO BE PAID AS A SHARE OF TOTAL AMOUNT APPROVED HAS BEEN INCREASING OVER THE YEARS



Source: (1) MGNREGS Portal, MIS Report, R 14.1, Delayed Compensation from FY 2016-17 to FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022. (2) MGNREGS Portal, MIS Report, R 14.1, Delayed Compensation for FY 2021-22. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 1 January 2022.

- In the first three quarters of FY 2021-22 till 31 December 2021, states with high approved delayed compensation included Maharashtra at ₹8.9 lakh, of which only ₹6.2 lakh or 70 per cent had been paid out. Followed by Madhya Pradesh at around ₹7.2 lakh, of which this amount, 64 per cent or 4.6 lakh had been paid.
- In contrast, states with low compensations paid despite high approved amount included Uttar Pradesh (₹3.4 lakh), Nagaland (₹2.3 lakh), Assam (₹0.2 Lakh), and Rajasthan (₹0.1 lakh). All these states had not paid any of the approved amount till 31 December 2021.

OVERALL, 4 STATES HAD NOT PAID ANY OF THE APPROVED DELAYED COMPENSATION



Source: MGNREGS Portal, MIS Report, R14.1, Delayed Compensation from FY 2021-22. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 1 January 2022.

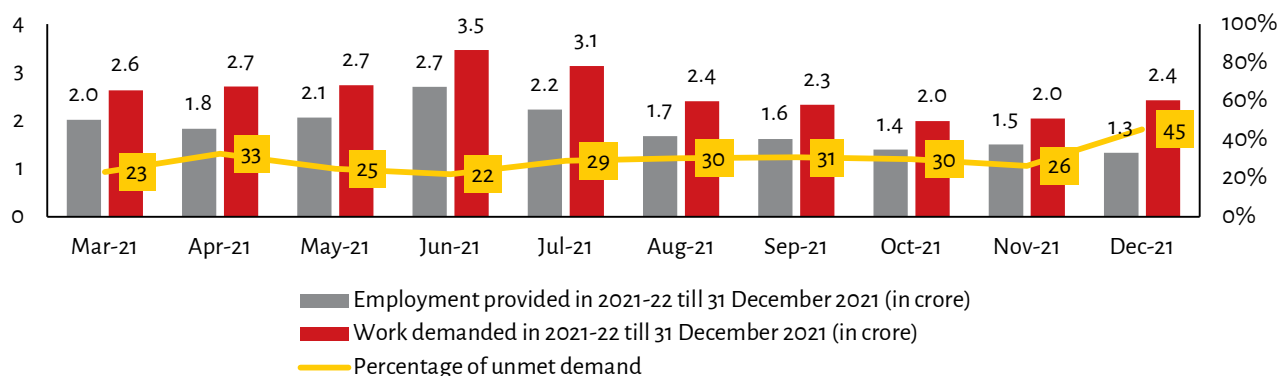
TRENDS IN EMPLOYMENT GENERATION

- 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 and consistent differences in the employment demanded and the actual provision of work, ranging between 80 and 90 per cent. Even in FY 2020-21, when both employment demanded (8.6 crore HH) and employment provided (7.6 crore HH) was at an all-time high, only 88 per cent of HHs who demanded work were provided employment.
- Month-wise analysis of employment demanded and provided shows that unmet demand (the difference between employment demanded and provided) was the highest in April 2021 but fell in the subsequent months of May and June 2021. However, it once again started to rise from July, peaking in September at 31 per cent.
- By 31 December 2021, 7.6 crore HHs sought work under the scheme compared to 8.6 crore HHs during FY 2020-21. This was a decrease of 11 per cent.

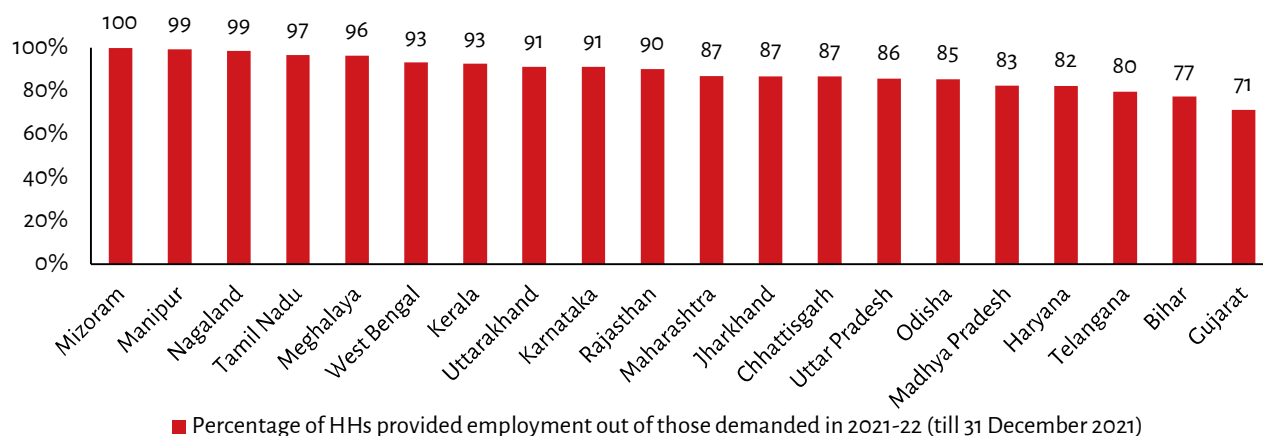
91 LAKH HHS THAT HAD DEMANDED WORK HAD NOT RECEIVED WORKAS ON 31 DECEMBER 2021



Source: MGNREGS Portal, MIS Report, R3.1 Work Demand Pattern for FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 1 January 2022.

- Employment provided as a proportion of demand was highest among North-Eastern Region (NER) states such as Mizoram (100 per cent), Manipur, and Nagaland (both 99 per cent). It was also high in Tamil Nadu (97 per cent), Meghalaya (96 per cent), and Kerala (93 per cent).
- In contrast, states with the highest unmet demand included Haryana, Telangana, Bihar, and Gujarat.

MIZORAM PROVIDED ALL HHS WHO DEMANDED WORK WITH EMPLOYMENT; HIGHEST UNMET DEMAND IN GUJARAT

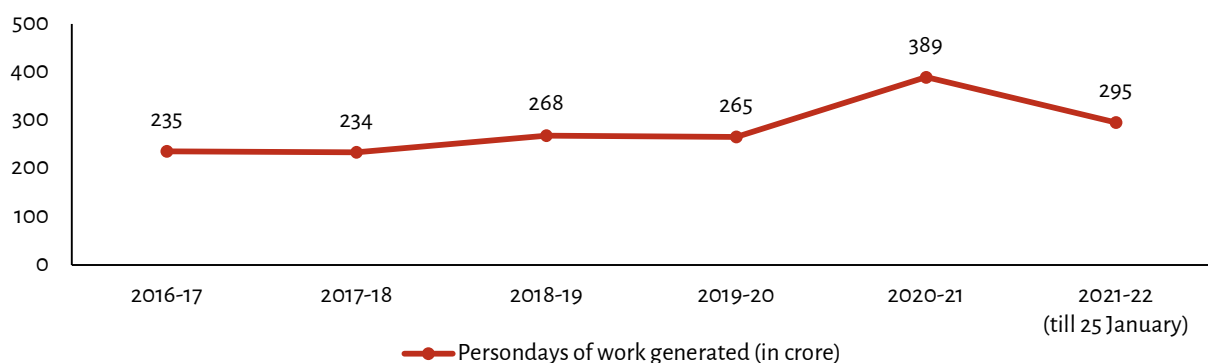


Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated for FY 2016-17 to FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022.

Persondays

- Persondays under MGNREGS is defined as the total number of workdays by a person registered under the scheme in a financial year.
- There has been an upward trend in the persondays of employment generated over the last few years; the highest in FY 2020-21 was during the first wave of the COVID pandemic. During the year, 389 crore persondays of work had been generated.
- In FY 2021-22, till 25 January 2022, 295 crore persondays of work had been generated, only 94 crore less than FY 2020-21.

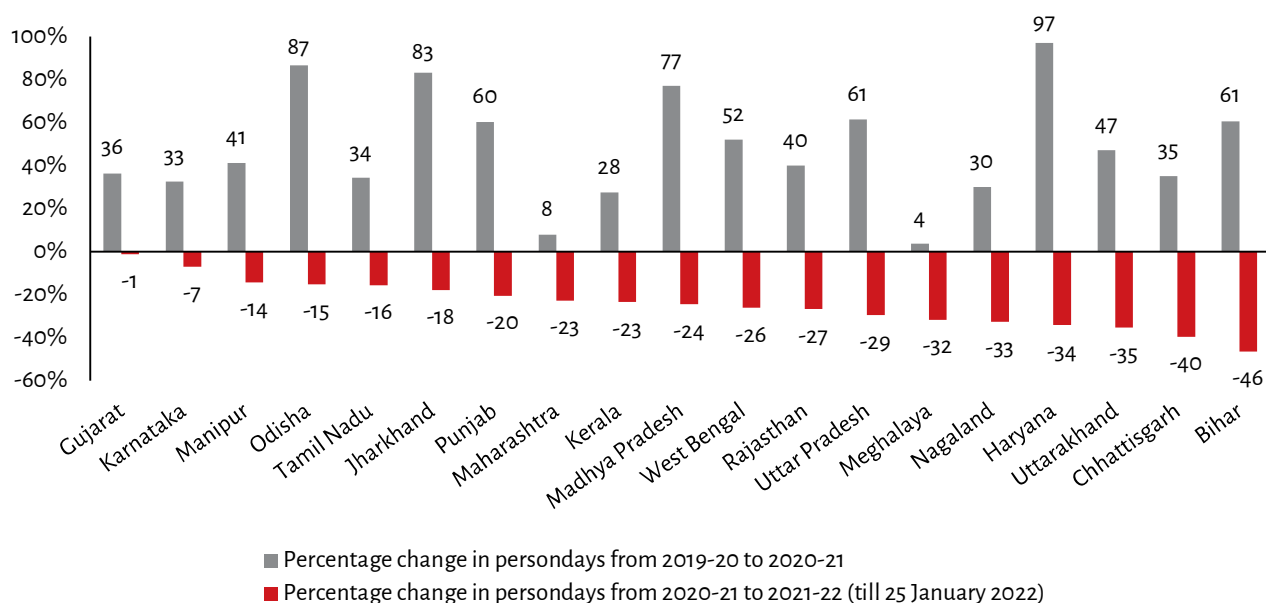
295 CRORE PERSONDAYS OF WORK GENERATED TILL 25 JANUARY 2022



Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated for FY 2016-17 to FY 2020-21. Available online at: http://164.100.129.6/netnrega/citizen_html/demregister.aspx?lflag=eng&fin_year=2020-2021&source=national&labels=labels&Digest=CVETyMaktj6zoZj/EYWg. Last accessed on 25 January 2022.

- There are differences across states in the number of persondays generated. Between FY 2019-20 and FY 2020-21, states with the highest increase in persondays generated included Haryana (97 per cent), Odisha (87 per cent), Jharkhand (83 per cent), Madhya Pradesh (77 per cent), and Bihar (61 per cent). These states were also the ones that had an influx of migrant workers.
- Between FY 2020-21 and FY 2021-22, till 25 January 2022, the number of persondays decreased across states, with the highest fall in Bihar (46 per cent), followed by Chhattisgarh (40 per cent), Uttarakhand (35 per cent), Haryana (34 per cent), Nagaland (33 per cent), and Meghalaya (32 per cent).

NUMBER OF PERSONDAYS GENERATED FELL SUBSTANTIALLY IN BIHAR IN 2021-22 TILL 25 JANUARY 2022

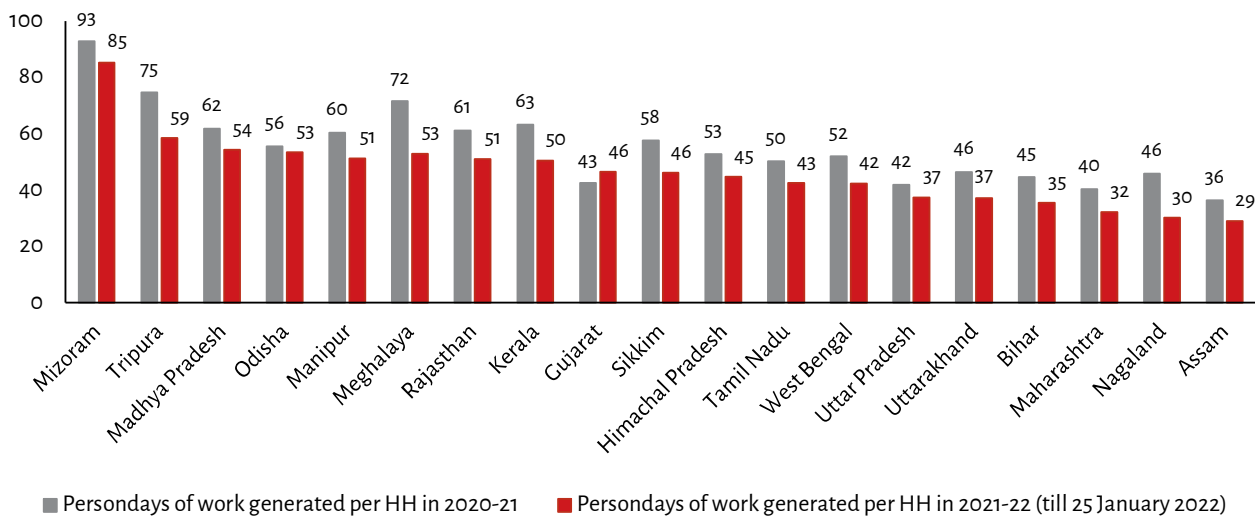


Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated for FY 2016-17 to FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022.

Persondays of Work Generated per Household (HH)

- The guidelines mandate at least 100 days of work to be provided to HH. While the total number of persondays increased during the pandemic, the number of persondays of work generated per HH remained less than 100. In FY 2020-21, 52 persondays of work had been provided per rural HH. In FY 2021-22, till 25 January 2022, the figure stood at 44 persondays of work.
- Even prior to the pandemic, most states had not been providing 100 days of employment. In FY 2019-20, for instance, 48 persondays of work were generated per rural HH on average.
- In FY 2021-22, till 25 January 2022, states that had provided the highest number of persondays per HH included Mizoram (85), Tripura (59), Madhya Pradesh (54), and Odisha (53). In contrast, states providing low persondays per HH included Maharashtra (32), Nagaland (30), and Assam (29).

SIGNIFICANTLY LOWER PERSONDAYS PER HH GENERATED IN 2021-22 TILL 25 JANUARY 2022



Source: MGNREGS Portal, MIS Report, R 5.1.1, Employment Generated for FY 2019-20 to FY 2020-21. Available online at: <https://mnregaweb4.nic.in/netnrega/MISreport4.aspx>. Last accessed on 25 January 2022.

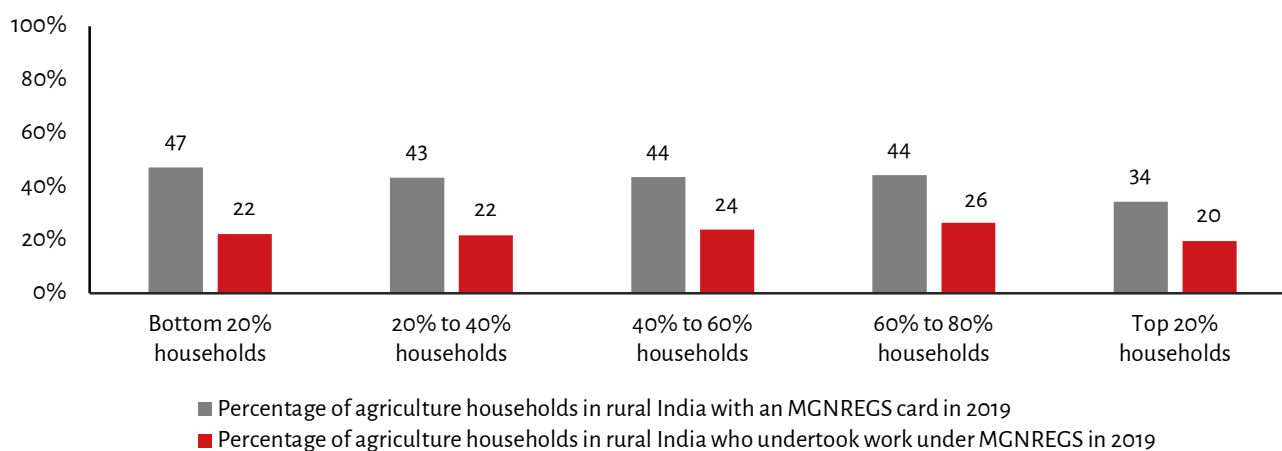
- Consequently, in FY 2021, only 10 per cent of households had completed 100 days of employment on average. In FY 2021-22, till the third quarter, 29 lakh (or 4 per cent) of total HHs provided employment had completed 100 days of work.
- States with a relatively higher proportion of HHs completing 100 days of employment included Telangana (11 per cent), Odisha (10 per cent), and Andhra Pradesh (8 per cent). On the other hand, Mizoram, which in the previous financial year had 1.7 lakh HHs complete 100 days of work, did not have any HHs completing 100 days of work in FY 2021-22.

COVERAGE AND PARTICIPATION

- The National Statistical Office (NSO) carried out a survey of rural household across the country between January and December 2019, titled 'Situation Assessment of Agricultural Households and Land and Livestock Holdings of Households in Rural India'. Among other details, the survey collected information regarding ownership of MGNREGS job cards by the households, and whether any work had been undertaken by these households under the scheme during the one year before the survey.
- Nationally, 47 percent of rural agriculture households had at least one member with a MGNREGS card in 2019. Agriculture households refer to households with total value of agricultural produce exceeding ₹4,000 during one year prior to the survey.
- We tried to understand how access to MGNREGS differ across economic status of households by categorising them into five quintiles of 20 per cent each based on their Monthly Per capita Consumption Expenditures (MPCE).
- While MGNREGS was designed as a social safety net, households with higher monthly per capita consumption expenditure appear to be participating in the scheme. As compared to 47 per cent of the households from bottom quintile having at least one member as MGNREGS job cardholder, 34 per cent households from the top quintile also owned a card. For the middle three quintiles of households, ownership was similar at around 44 per cent each.

- Nationally, even though 43 per cent of rural agriculture households had an MGNREGS card, only around half of them (23 per cent of total households) had undertaken any work under the scheme during the year preceding the survey.
- Again, there was not much difference between top 20 per cent and bottom 20 per cent households in terms of participation in MGNREGS work. Compared to 22 per cent households from the bottom quintile, 20 percent from the top quintile participated in such work. In comparison, relatively higher proportions of households from the middle quintile (24 per cent) and upper-middle quintile (26 per cent) had undertaken work under the scheme.

OF THE TOTAL RURAL AGRICULTURE HOUSEHOLDS, 22% FROM THE BOTTOM QUINTILE AND 20% FROM THE TOP QUINTILE HAD WORKERD UNDER THE MGNREGS SCHEME IN 2019



Source: Authors' estimates based on National Sample Survey (NSS) 77th round, "Situation Assessment of Agricultural Households and Land and Livestock Holdings of Households in Rural India, 2019", National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), GoI, January to December 2019. Available online at: <https://mospi.gov.in/web/mospi/download-tables-data/-/reports/view/templateFour/25302?q=TBDCAT>.

Note: Households are categorised based on monthly per capita consumption expenditure. Last accessed on 25 January 2022.