Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) GoI, 2020-21

**HIGHLIGHTS**

<table>
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<th>₹ 1,22,398 cr</th>
<th>₹ 61,500 cr</th>
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<td>GoI allocations for Ministry of Rural Development (MoRD) in FY 2020-21</td>
<td>GoI allocations for MGNREGS in FY 2020-21</td>
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**SUMMARY & ANALYSIS**

- In Financial Year (FY) 2020-21, GoI allocated ₹61,500 crore for MGNREGS, a 13 per cent decline from the Revised Estimates (REs) of the previous year.

- Expenditure under MGNREGS, however, continues to be higher than funds available (opening balances and releases by both GoI and states). Accumulated payments due, known as pending liabilities, have thus risen steadily from ₹591 crore in FY 2014-15 to ₹4,193 crore in FY 2018-19. In FY 2019-20, till the end of the third quarter, total payments due stood at ₹6,430 crore.

- Proportion of delayed compensation paid out of approved compensation has been declining. In FY 2014-15, 94 per cent of approved compensation had been paid. This decreased to 88 per cent in FY 2017-18. In FY 2018-19, 69 per cent of the compensation had been paid. In FY 2019-20, till the end of the third quarter, only 33 per cent of compensation due had been paid.

- In FY 2018-19, 19 states paid an average wage less than the notified wage rate.

- 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.

- Work completion rate has decreased over the years. In FY 2019-20, at the end of the third quarter, only 12 per cent of works had been fully completed.

Using government reported data, this brief reports on:
- Trends in GoI allocations, releases, and total 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 2018-19. Expenditure figures for FY 2019-20 are as on 31 December 2019, unless mentioned otherwise.
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 guaranteed employment to rural households based on employment demand. It is the largest scheme run by the Ministry of Rural Development (MoRD).

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.

- In FY 2020-21, GoI allocated ₹61,500 crore to MGNREGS. This is a 3 per cent increase from the previous year’s Budget Estimates (BEs) but a 13 per cent decline from the Revised Estimates (REs) for FY 2019-20.

- During the same period, GoI allocations for MoRD decreased by 2 per cent from ₹1,24,549 crore in FY 2019-20 RE to ₹1,22,398 crore in FY 2020-21 BE.

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**GOI ALLOCATIONS FOR MGNREGS DECREASED BY 13% FROM 2019-20 TO 2020-21**

![Graph showing GOI allocations for MGNREGS and MoRD from 2014-15 to 2020-21.](image)


**Note:** Figures in Rupees crore and are Revised Estimates (REs) except for FY 2020-21, which are Budget Estimates (BEs).

Pending Liabilities

- Over the years, the amount of pending liabilities due or expenditure incurred by states over and above their funds available has been increasing. These liabilities have accumulated as a result of delays in payments for both wages and material costs and are to be reimbursed by GoI.

- At the end of FY 2014-15, total outstanding liabilities were ₹591 crore. Of this, ₹255 crore or 43 per cent was in the form of payments due for wages, and the remaining for materials. Pending liabilities decreased marginally in FY 2015-16 to ₹520 crore with the outstanding liability on unskilled wage declining to ₹214 crore.

- However, the last few years have seen an increase again. In FY 2017-18, the total payment due increased to ₹1,127 crore, up from ₹998 crore in FY 2016-17. A bulk of this increase (70 per cent) was due to significant increase in payments due for material costs. In FY 2018-19, the total payments due increased further to ₹4,193 crore. Of this, ₹3,778 crore or 90 per cent was with respect to material costs.

- In FY 2019-20, till the end of the third quarter, total payments due stood at ₹6,430 crore. Again, a majority (79 per cent) of these pending payments pertained to the unpaid material costs.
As on 1 January 2020, total payments due in 2019-20 stood at ₹6,430 crore.

- Funds available under MGNREGS have failed to keep up with expenditures incurred. In FY 2014-15, 97 per cent of the funds available were spent. From FY 2015-16 onwards, expenditures exceeded 100 per cent. In FY 2017-18, expenditure (including payments due) as a proportion of funds available stood at 101 per cent. This increased further in FY 2018-19 to 104 per cent.

- The trend continues in FY 2019-20. After accounting for payments due, 95 per cent of funds available had already been spent by the third quarter.

- There are significant state variations. In FY 2018-19, 12 out of a total of 28 states had spent in excess of the funds available to them. Kerala (121 per cent) and Tamil Nadu (109 per cent) spent the highest proportion of the funds available. Expenditure, however, was lower than funds available in Gujarat (89 per cent), Odisha (88 per cent), and Chhattisgarh (85 per cent).

- By contrast, in FY 2019-20, spending by Odisha (141 per cent) and Gujarat (103 per cent) had exceeded the funds available to them by the third quarter of the financial year. These states were among 16 others that had exceeded the funds available to them within the first three quarters of FY 2019-20.

- Jharkhand (88 per cent), Maharashtra (80 per cent), and West Bengal (70 per cent) were among the few states that had spent far less than the average till December 2019.

TRENDS IN WAGE PAYMENTS

- 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 several 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 at the state level, 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 account.

- 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.

- As per the MIS, there has been an improvement in generation of the pay order or FTO – 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 1 January 2020, nearly all pay orders (96 per cent) had been issued within the first 15 days of completion of stipulated work.

- There were state-wise variations in the extent of delays as well as the overall delay in the generation of pay orders. In FY 2018-19, delays were highest in states in the North Eastern Region (NER) including Nagaland (98 per cent), Arunachal Pradesh (92 per cent), and Mizoram (55 per cent).
The proportion of delays exceeding 90 days was also very high in Nagaland (85 per cent), followed by Arunachal Pradesh (51 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).

Lower delays were reported in Tamil Nadu, Kerala, and Jharkhand in FY 2018-19, with only 1 per cent of the FTOs delayed by more than 15 days.

In FY 2019-20, till 1 January 2020, Nagaland (90 per cent), Arunachal Pradesh (81 per cent), and Manipur (77 per cent) were the states with the largest share of payments delayed by more than 15 days. A majority of these delays were by more than 90 days.

Most other states had over 90 per cent of total wages paid within the first 15 days of generation of the FTO. Rajasthan, Tamil Nadu, Kerala, and Jharkhand did not register any delays in payment beyond the first 15 day period of generation of the FTO.

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 are 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, 94 per cent of the total compensation approved was released. This share, however, declined to 93 per cent in FY 2015-16, 91 per cent in FY 2016-17, and 88 per cent in FY 2017-18.

Payment of compensation further declined in FY 2018-19. Of the total ₹6 crore approved as delayed compensation for the year, only 69 per cent, amounting to ₹4 crore was paid to workers.

Compensation payment has also been very low in FY 2019-20. Till 1 January 2020, 67 per cent of the approved compensation for delayed payments remained unpaid.

In FY 2018-19, West Bengal had the highest amount of delayed compensation that had been approved at around ₹336 lakh. Of this, only 48 per cent or ₹160 lakh had been paid. This was followed by Madhya Pradesh at ₹44 lakh, of which ₹41 lakh or 90 per cent had already been paid out.

Payment of delayed compensation was high in Kerala (98 per cent of approved amount of ₹5 lakh), Himachal Pradesh (96 per cent of approved amount of ₹4 lakh), and Assam (95 per cent of approved amount of ₹2 lakh). In contrast, Karnataka paid out only 23 per cent of total delay amount approved (₹1 lakh out of total approved amount of ₹4 lakh), Odisha paid less than 13 per cent of payments due (₹274 of approved amount of ₹2,128), and Chhattisgarh paid only 4 per cent of the approved delay amount of ₹1,080.

In the first three quarters of FY 2019-20, West Bengal continues to have a high approved payment for delayed compensation at ₹31 lakh, approximately. Out of this 48 per cent or approximately ₹15 lakh had been paid.

States with a high share of approved funds paid out in FY 2019-20 (till December 2019) include: Gujarat (95 per cent of approved amount of ₹2 lakh), Kerala (94 per cent of approved amount of ₹10 lakh), and Maharashtra (93 per cent of approved amount of ₹6 lakh).

In contrast, Karnataka paid only 20 per cent of a total approved amount of ₹2 lakh, Rajasthan (20 per cent of approved amount of ₹0.4 lakh), and Assam (19 per cent of approved amount of ₹1 lakh).

### NOTIFIED AND AVERAGE WAGES PAID

As per Section 6(1) of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), 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.

The revised wage rate for FY 2019-20 (announced on 26 March 2019) as notified under Section 6(1) of the Act, ranged from a maximum of ₹284 in Haryana to ₹171 in Bihar and Jharkhand.

Between FY 2018-19 and FY 2019-20 (till 31 December 2019), the notified wage rate increased considerably for the NER states of Mizoram (9 per cent), and Arunachal Pradesh, Nagaland, Sikkim, and Tripura (by 8 per cent each). Uttar Pradesh (4 per cent) and Odisha (3 per cent) also increased their notified wage rates for FY 2019-20.

On the other hand, Kerala, Karnataka, and West Bengal, saw no change in the notified wage rate.

In order to reduce regional inequality and distress migration, the Economic Survey for FY 2018-19 advocated the notification of a “national floor minimum wage” across five geographical regions.

The report of the internal Labour Ministry Committee recommended a national minimum wage (NMW) for India at ₹375 per day (or ₹9,750 a month) irrespective of sectors, skills, occupations, and rural-urban locations. However, these were not accepted and instead, the Union Cabinet approved a ‘mandatory national minimum wage floor’ which increased the previous minimum wage floor from ₹176 to ₹178.

In FY 2018-19, six states paid an average wage rate less than ₹176, including Uttar Pradesh, Uttarakhand, Chhattisgarh, Madhya Pradesh, Bihar, and Jharkhand.

This improved in FY 2019-20, with only Chhattisgarh (₹176), Madhya Pradesh (₹176), Bihar (₹171), and Jharkhand (₹171) paying a notified wage rate less than or equal to ₹176.
9 STATES AND UTS REGISTERED AN INCREASE IN NOTIFIED WAGE RATE OF 4% OR HIGHER


- Actual wage rates (or mean wage for a 12 month period) were lower than even the notified wage rate for many states. In FY 2018-19, 19 states and UTs paid an average wage less than the notified wage rate. These include Rajasthan, Tamil Nadu, Telangana, Gujarat, West Bengal, Tripura, Andhra Pradesh, Punjab, Madhya Pradesh, Maharashtra, Chhattisgarh, Himachal Pradesh, Karnataka, and Odisha.

- Haryana paid the highest average wage at ₹281, similar to the amount paid in 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 of ₹274 which was higher than the notified wage rate of ₹271.

- While Bihar increased its average wage rate in comparison to its notified wage rate, the amount paid (₹177) remained the same as in FY 2016-17. 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) and Tamil Nadu (difference of ₹51).

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

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 considering the anticipated labour demand over each month and the estimated cost of wages and material. It is then submitted for inspection and approval by MoRD and the demand is updated monthly based on actual demand.

- This brief uses four 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; c) the average number of persondays generated per household (HH) employed under MGNREGS; and d) the percentage of households which received 100 days of employment.

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, 90 per cent of households who demanded work received it. This reflects approximately 0.5 crore to 0.6 crore households who 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 work. In FY 2019-20, within the first three quarters of the financial year, 5.4 crore households had demanded work of which 4.7 crore or 87 per cent of households had received employment.

![THE GAP BETWEEN EMPLOYMENT DEMANDED AND EMPLOYMENT PROVIDED HAS, ON AVERAGE, FALLEN SHORT BY ABOUT 0.5 CRORE HOUSEHOLDS](chart.png)

Persondays

- ‘Persondays’ under MGNREGS is defined as the total number of workdays by a person registered under MGNREGS in a financial year. With the exception of FY 2014-15, when the persondays of work generated amounted to 166 crore, in all other years since then, the persondays of work generated have, on average, been higher than 200 crore.

- In FY 2018-19, the number of persondays generated increased from 234 crore in the previous year to 268 crore, the highest in the last decade. In FY 2019-20, 188 crore persondays have been generated in the first three quarters of the fiscal year.

![Graph showing Persondays of work generated (in crore) from 2014-15 to 2019-20](image-url)


Persondays per HH

- In FY 2018-19, 46 persondays of work were generated, on average, per household. In FY 2019-20, within the first three quarters of the fiscal year, on average 37 persondays of work had been provided per rural household.

- In FY 2018-19, Mizoram (92), West Bengal (77), Meghalaya (72), and Kerala (66) provided the highest number of persondays per household. Other states such as Andhra Pradesh (58), Rajasthan (57), and Chhattisgarh (57) also provided more than the national average of 46 persondays of work.

- In contrast, a lower number of persondays of employment per household was provided in Assam (31), Punjab (30), Manipur (23), and Goa (13).

- In FY 2019-20, within the first three quarters of the fiscal year, Rajasthan (51), Madhya Pradesh (47), and Karnataka (43) had provided for the highest number of persondays. In contrast, states like Haryana (28), Assam (27), and Punjab (27) had provided the lowest number.
11 STATES GENERATED MORE THAN 50 PERSONDAYS OF WORK PER HH IN 2018-19


Provision of 100 days of Employment

- The total number of families completing 100 days of work out of total number of households provided work for FY 2018-19 was quite low.

- In states like Mizoram, 1.95 lakh households were provided employment in FY 2018-19 out of which 0.82 lakh families (42 per cent) completed 100 days of work. In West Bengal, 43.92 lakh households were provided employment in FY 2018-19 out of which 13.37 lakh families (30 per cent) completed 100 days of work in the same year. Kerala too had 30 per cent of total number of households (14.78 lakh) completing 100 days of work or approximately 4.41 lakh families out of the total number that were provided work.

- States like Haryana (2 per cent out of 2.31 lakh households), Uttar Pradesh (1 per cent out of 50.46 lakh households), Assam (1 per cent out of 17.43 lakh households), and Punjab (1 per cent out of 6.75 lakh households) had a low share of families completing 100 days of work out of total number of households provided work in FY 2018-19.

PERCENTAGE OF FAMILIES COMPLETING 100 DAYS OF WORK WAS LOW IN 2018-19 ACROSS STATES

TRENDS IN PHYSICAL ASSETS CREATED

- Physical assets created under the MGNREGS scheme are now geotagged and made available in the public domain to improve and enhance transparency in programme management. Additionally, 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 includes 'work on individual land' and 'land development', accounted for the highest share of assets created in FY 2018-19 at 76 per cent. In FY 2019-20, three quarters into the fiscal year, 76 per cent of all assets also fall within this category.

- Assets under rural infrastructure, which includes 'rural drinking water supply', 'anganwadi centres', 'micro-irrigation works', 'rural connectivity', and 'others', constituted 8 per cent of the total assets created in FY 2018-19. In FY 2019-20, within the first three quarters of the fiscal year, rural infrastructure accounted for 7 per cent of total assets created.

- The category of flood control, which includes 'coastal areas', 'drought proofing', and 'flood control and protection measures', constituted 5 per cent of the total assets in FY 2018-19 and 6 per cent of the total assets in FY 2019-20, till the end of the third quarter of the financial year.

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

![Graph showing land assets and other categories]


WORK COMPLETION RATE

- Work completion rate has been decreasing. In FY 2016-17, 97 per cent of the works were completed. This declined to 83 per cent in FY 2017-18, and further to 56 per cent in FY 2018-19.

- In FY 2019-20, within the first three quarters of the fiscal year, only 12 per cent of works had been fully completed.

- In FY 2018-19, completion rates were highest in Tamil Nadu (78 per cent), Madhya Pradesh (74 per cent), and Chhattisgarh (74 per cent). In FY 2019-20, within the first three quarters of the financial year, Tamil Nadu had the highest work completion rate at 32 per cent, followed by Haryana at 29 per cent, and Andhra Pradesh at 20 per cent.

- States with the lowest work completion rate in FY 2018-19 were Karnataka (42 per cent), Arunachal Pradesh (37 per cent), and Bihar (31 per cent). In FY 2019-20, within the first three quarters of the financial year, Punjab (6 per cent), Himachal Pradesh (6 per cent), and Rajasthan (2 per cent) had some of the lowest work completion rates.
ONLY 12 PER CENT OF WORK UNDERTAKEN HAD BEEN COMPLETED IN 2019-20 TILL THE END OF DECEMBER

Percentage of works completed in 2018-19  Percentage of works completed in 2019-20 till 1 January 2020