ACCOUNTABILITY INITIATIVE

CENTRE FOR POLICY RESEARCH

BUDGET BRIEFS

Vol 11/ Issue 9

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

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
- 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 2016-17. Expenditure figures for FY 2017-18 are as on 31 December 2018 unless otherwise mentioned.

HIGHLIGHTS

₹ 1,20,999 cr

GoI allocations for Ministry of Rural Development (MoRD) in FY 2018-19 (including additional supplementary budget for MGNREGS)

₹ 61,084 cr

GoI allocations for MGNREGS in FY 2018-19 (including supplementary budget)

SUMMARY & ANALYSIS

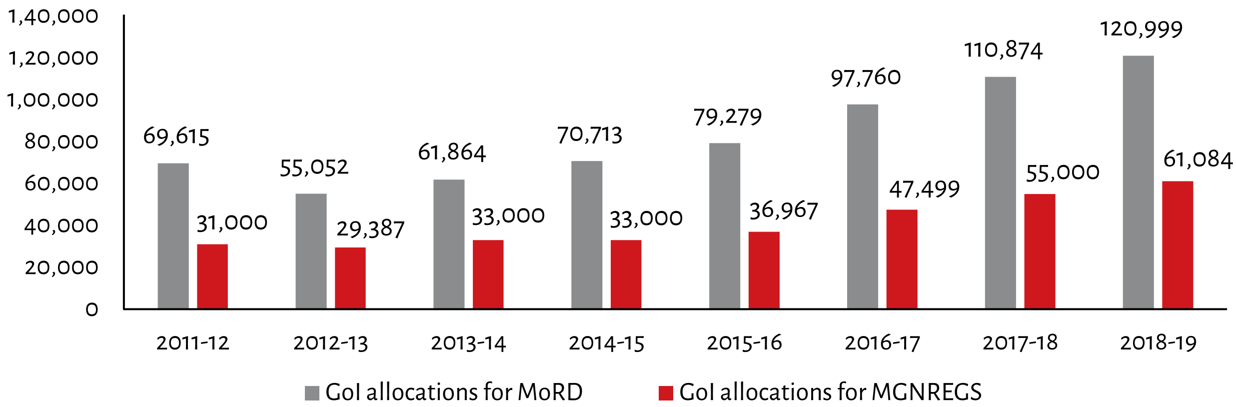
- In Financial Year (FY) 2018-19, GoI allocated ₹55,000 crore for MGNREGS, same as the Revised Estimates (REs) of the previous year. On 15 January 2019, Parliament passed a supplementary budget further enhancing allocations by ₹6,084 crore bringing the total allocations up to ₹61,084 crore. This is the highest ever allocation for the scheme.
- 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 ₹724 crore in FY 2015-16 to ₹5,923 crore in FY 2018-19.
- 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 77 per cent in FY 2017-18. In FY 2018-19, till the end of the third quarter, 54 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, 89 per cent of the employment demanded had been met.
- Work completion rate has decreased over the years. In FY 2018-19, only 18 per cent of the work hadbeen completed till 31 December 2018.

Accountability Initiative, Centre for Policy Research, Dharam Marg, Chanakyapuri, New Delhi - 110021
Prepared by: **Avani Kapur,** *akapur@accountabilityindia.org* & **Meghna Paul,** *mpaul@accountabilityindia.org*

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 2018-19, GoI allocated ₹55,000 crore to MGNREGS. This was a 15 per cent increase from the previous year's Budget Estimates (BE) but is the same as the Revised Estimates (REs) for FY 2017-18. On 15 January 2019, Parliament passed a supplementary budget further enhancing MGNREGS allocations by ₹6,084 crore. Including these supplementary allocations, total GoI allocations for MGNREGS stand at ₹61,084 crore, a 11 per cent increase over the previous financial year's and the highest ever allocation for MGNREGS.
- During the same period, accounting for the supplementary budgets passed, GoI allocations for MoRD increased by 9 per cent from ₹1,10,874 crore in FY 2017-18 RE to ₹1,20,999 crore in FY 2018-19 BE.

HIGHEST EVER ALLOCATIONS FOR MGNREGS IN 2018-19 (INCLUDING SUPPLEMENTARIES)



Source: India Expenditure Budget, Ministry of Rural Development. Available online at: https://www.indiabudget.gov.in/ub2018-19/eb/sbe82.pdf. Figures in crores of Rupees and are REs except for FY 2018-19 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 GoI's allocation was released. This increased further to 100 per cent in FY 2016-17. In FY 2018-19, till 17 January 2019, 87 per cent of the revised allocation had already been released.

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.

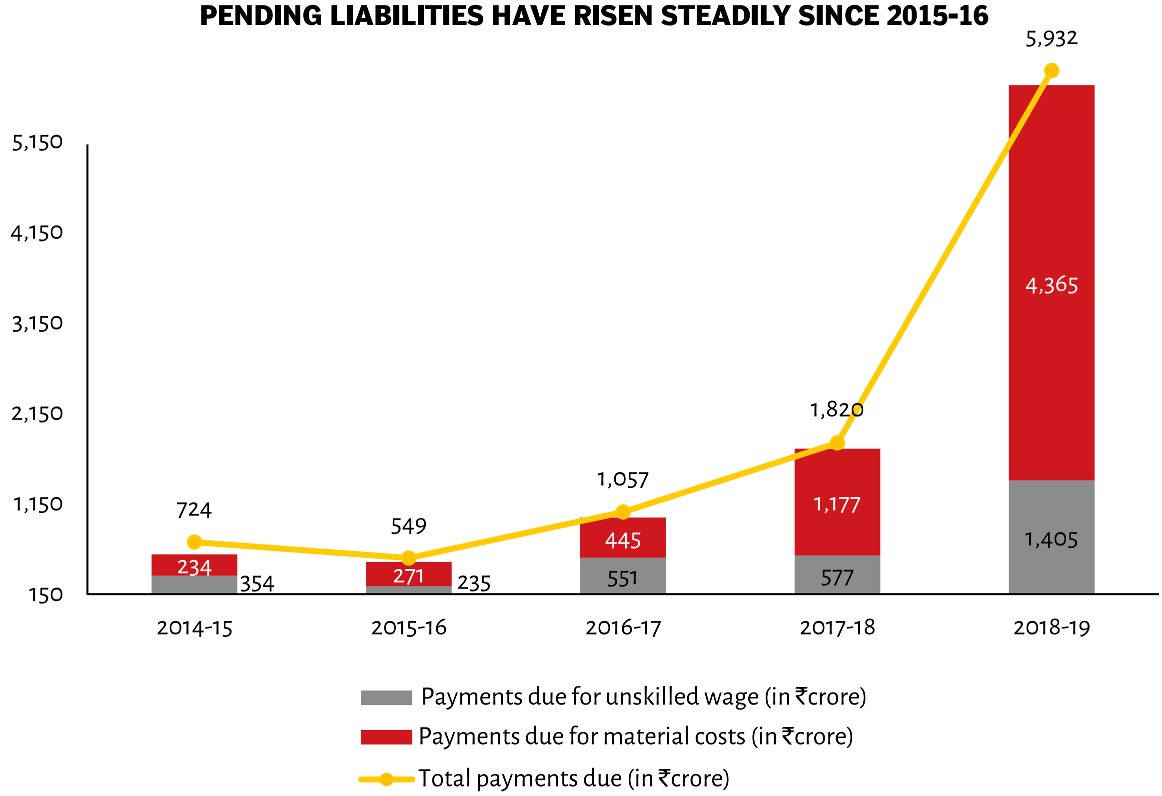
Pending Liabilities

- 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 for materials. Pending liabilities decreased marginally in FY 2015-16 to ₹549 crore with outstanding liability on unskilled wage declining to ₹235 crore.

- However, the last few years have seen an increase again. In FY 2017-18, the total payment due increased to ₹1,820 crore up 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, till 31 December 2018, the amount of payment due stood at ₹5,932 crore.

PENDING LIABILITIES HAVE RISEN STEADILY SINCE 2015-16



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=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q . Last accessed on 31 December 2018.

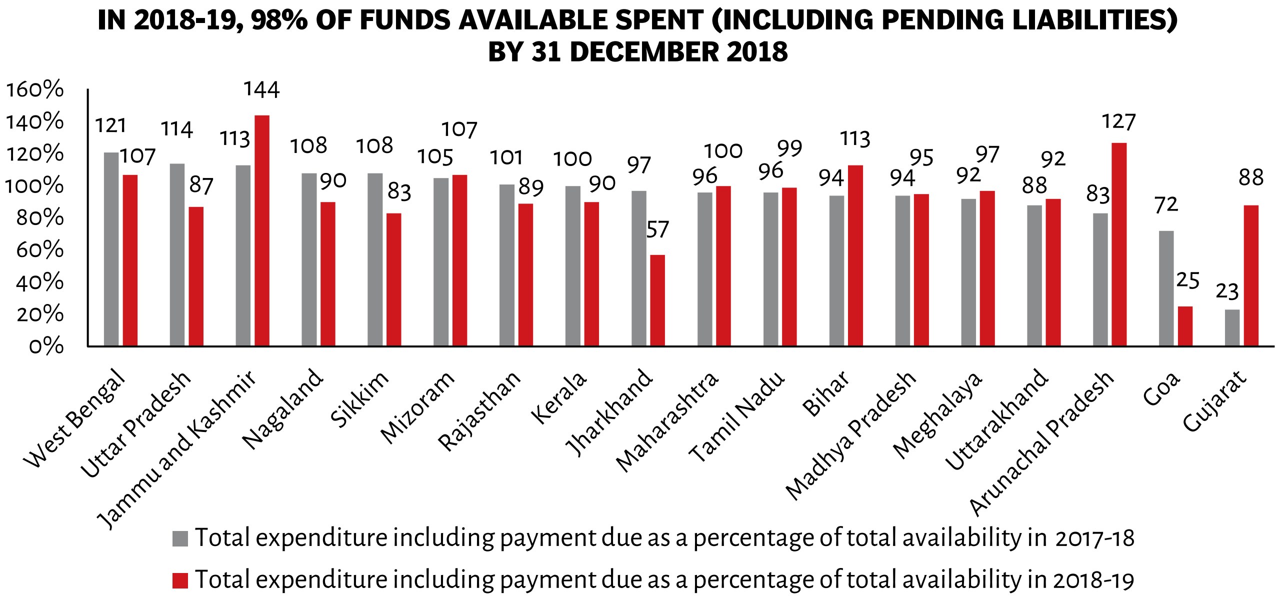
- Expenditure as a proportion of funds available (including pending liabilities) has been high. For FY 2015-16 and FY 2016-17, over 100 per cent of the funds available were spent. This dropped marginally in FY 2017-18 to 97 per cent. In FY 2018-19, till 31 December 2018, 98 per cent of the total funds available had already been spent.

- There are significant state variations. In FY 2017-18, 11 states and Union Territories (UTs) spent in excess of their total fund availability with West Bengal spending nearly 20 per cent more than its available pool of funds. It was followed closely by Uttar Pradesh and Jammu and Kashmir which spent 14 and 13 per cent more than their available funds, respectively. Expenditure trends in Northeastern states such as Nagaland, Sikkim and Mizoram too exceeded the total fund available to them.

- States such as Gujarat, Goa and Arunachal Pradesh, on the other hand, had spent far less than the average. In FY 2017-18 Gujarat had spent only 23 per cent of its available funds.

- High expenditure continues in FY 2018-19. Nine states and UTs had already spent more than their funds available till the end of the third quarter. These include; West Bengal (107 per cent), Bihar (113 per cent), Mizoram (107 per cent) and Arunachal Pradesh (127 per cent).

- Expenditure as a share of funds available, however, has been low in Goa (25 per cent) and Jharkhand (57 per cent).



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=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q. Last accessed on 31 December 2018.

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.
- 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 fifteen days of completion of stipulated work. This further increased to 44 per cent in FY 2016-17 and to 82 per cent in FY 2017-18. In FY 2018-19, till 31 December 2018, 90 per cent of the wage payment orders had been issued within 15 days.
- 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.
- There were state variations in the extent of delay as well as the overall delay in 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, till 31 December 2018, Arunachal Pradesh

(84 per cent) and Mizoram (70 per cent) continue to have a high proportion of delayed payments. Other states with a high proportion of delays include Punjab (20 per cent), Rajasthan (20 per cent) and West Bengal (17 per cent).

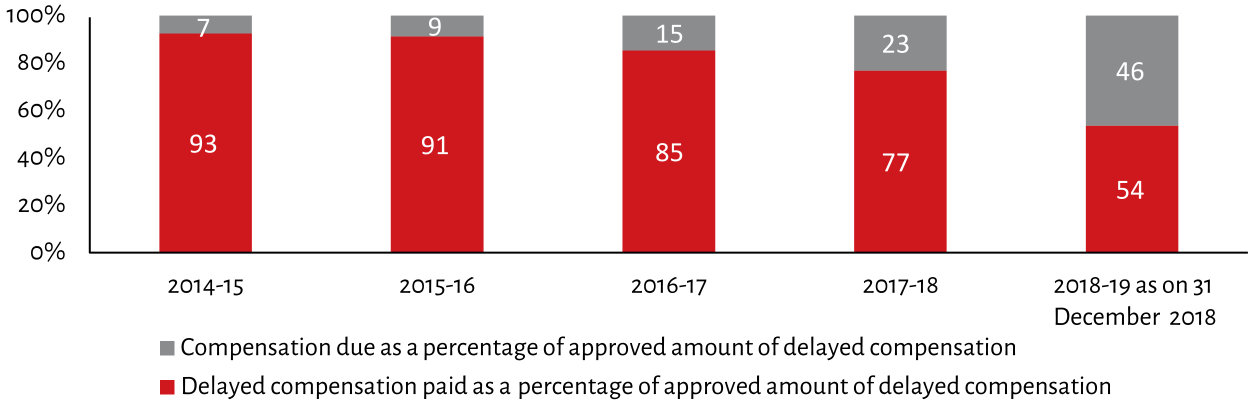
- In Arunachal Pradesh, Nagaland, Mizoram, and Jammu and Kashmir over 20 per cent of the payment orders were delayed by more than 60 days.

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 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, 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 77 per cent in FY 2017-18. In other words, in FY 2017-18, out of the total compensation of ₹8,49,24,688 (approved amount) only ₹6,51,70,328 was paid. In FY 2018-19, till 31 December 2018, 54 per cent for the delayed compensation had been paid amounting to ₹1,31,45,957 with nearly half of the total approved compensation (46 per cent) amounting to ₹1,13,95,729 still remaining due.

PROPORTION OF DELAYED COMPENSATION PAID OUT OF THOSE APPROVED HAS BEEN DECLINING



Source: MGNREGS Portal, MIS Report, R 14.1, Delayed Compensation (from FY 2014-15 to FY 2018-19). Available online at: http://mnregaweb4.nic.in/netnrega/state_html/delay_comp.aspx?lflag=eng&fin_year=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q. Last accessed on 31 December 2018.

- In FY 2018-19, till 31 December 2018, West Bengal had the highest amount of delayed compensation that had been approved for pay at ₹1,34,64,657. Of this ₹59,06,986 or 44 per cent had been paid. Similarly, while Rajasthan had ₹31,17,748 of compensation due approved, ₹16,35,596 (52 per cent) had been paid.

- Compensation amounts approved were low in Tamil Nadu and Chhattisghar. In contrast, payments of approved compensation were high in Madhya Pradesh. Of the ₹30,25,523 approved, nearly 92 per cent (or ₹27,72,870) had been paid.

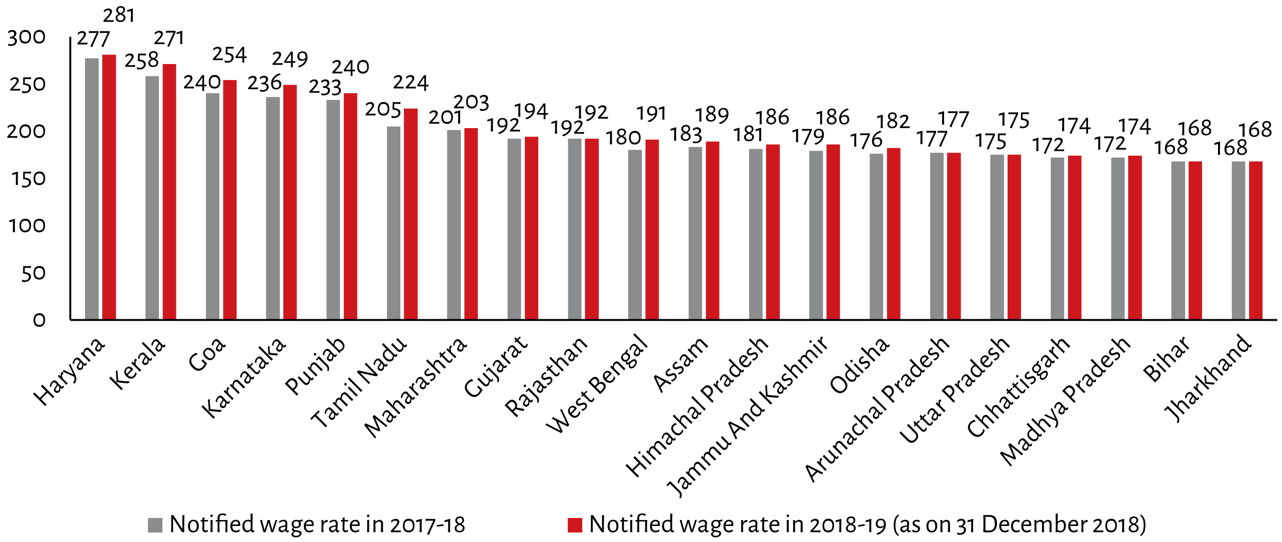
Notified and Average Wages Paid

- 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 wages states may provide a higher wage rate out of their own funds.

- The revised notified wage rate for FY 2017-18 ranged from a maximum of ₹277 in Haryana to a minimum of ₹168 in Jharkhand and Bihar.

- Between FY 2017-18 and FY 2018-19, the notified wage rate increased by 9 per cent in Tamil Nadu, 6 per cent each in Karnataka and West Bengal and 5 per cent in Madhya Pradesh. In contrast, wage rates remained the same in Jharkhand, Uttar Pradesh, and Bihar over the same period.

NOTIFIED WAGE RATE IN FIVE STATES INCREASED BY MORE THAN 5 PER CENT

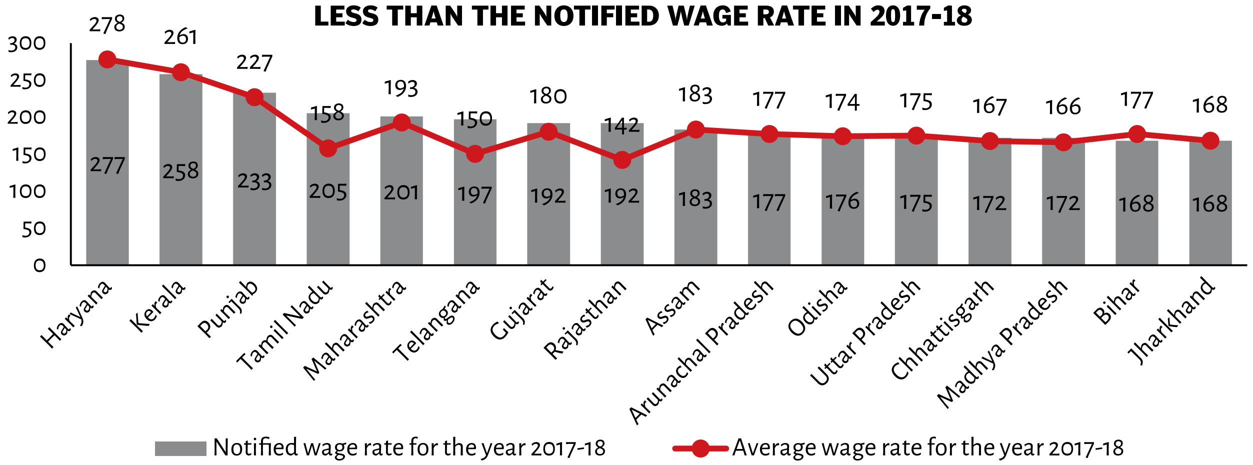


Source: MGNREGS Portal, MIS Report, R 7.2.1, Average wage paid pattern (from FY 2017-18 to FY 2018-19). Available online at: http://mnregaweb4.nic.in/netnrega/avg_wage_paid.aspx?fin_year=2018-2019&source=national&Digest=9f1pShQ9mvbrqZyG1sMlSw. Last accessed: 31 December 2018

- Much like in FY 2017-18, a majority of the states paid average wages (average wage paid over twelve months) less than their notified wage rates. Haryana paid the highest average wage at ₹278 which was marginally higher than its notified wage rate of ₹277. Similarly, Kerala paid an average rate of ₹261 against a notified wage rate of ₹258.

- Average wages paid were low in Rajasthan (₹142), Tamil Nadu (₹158), and Madhya Pradesh (₹172). The corresponding notified wage rates for these states were much higher at ₹192, ₹205 and ₹172 respectively. States with the biggest difference between the average wage rate and notified wage rate include Tamil Nadu and Telangana with a difference of ₹47 each, and Rajasthan with a difference of ₹50.

MORE THAN 50% OF STATES PAID AN AVERAGE WAGE PER PERSONDAY LESS THAN THE NOTIFIED WAGE RATE IN 2017-18



Source: MGNREGS Portal, MIS Report, R 7.2.1, Average wage paid pattern (from FY 2014-15 to FY 2018-19). Available online at: http://mnregaweb4.nic.in/netnrega/avg_wage_paid.aspx?fin_year=2018-2019&source=national&Digest=9f1pShQ9mvbrqZyG1sMlSw. Last accessed: 31 December 2018

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.

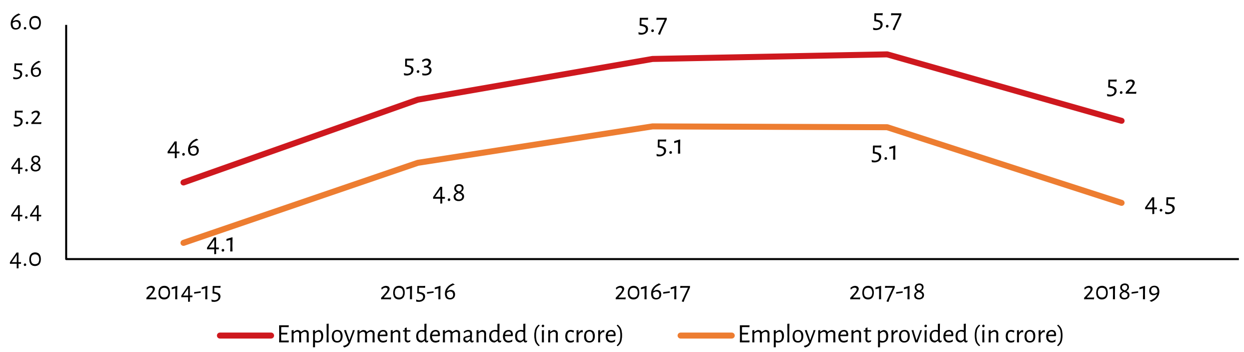
- This brief uses three indicators to analyse employment generation under MGNREGS: a) the difference between employment demanded and employment provided, b) the number of persondays of work generated in absolute terms and, c) the average number of persondays generated per households (HH) employed under 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 approximately 0.5 crore to 0.6 core 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, till 17 January, 2018, of the 5.2 crore households who had demanded employment, 4.5 crore households had been provided with work.

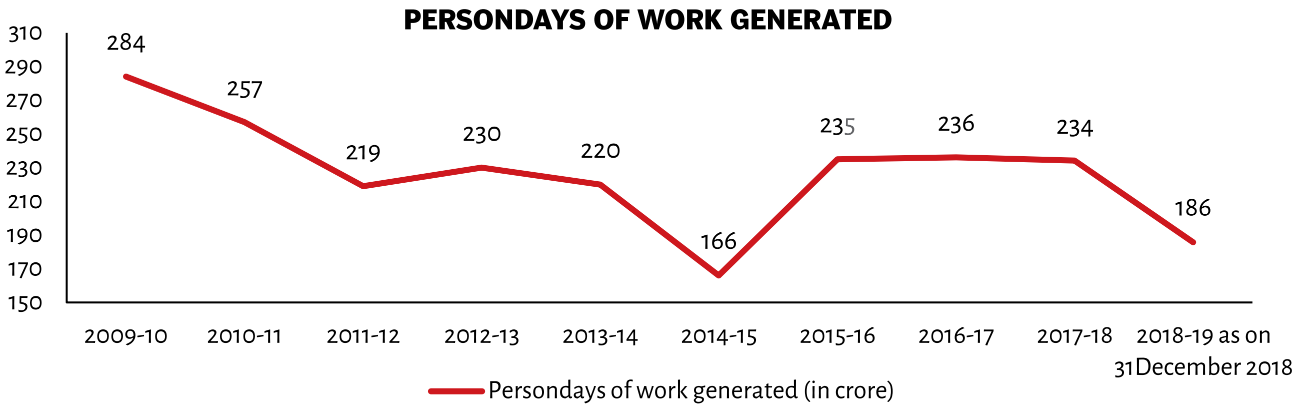
GAP BETWEEN EMPLOYMENT DEMANDED BY HH AND EMPLOYMENT GENERATED



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 17 January 2019.

Persondays

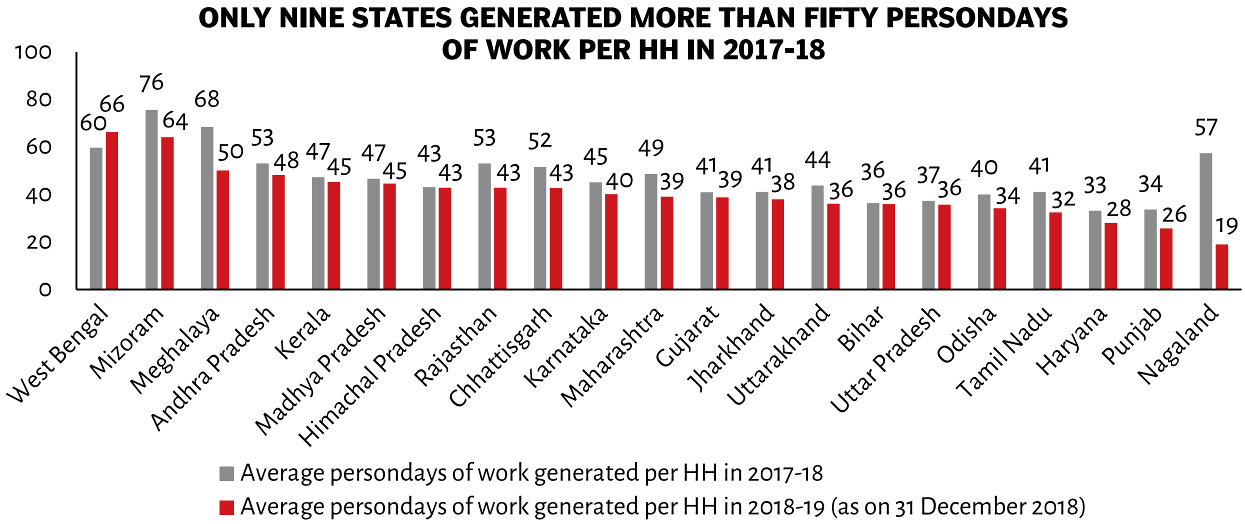
- Persondays under MGNREGS is defined as the total number of work days by a person registered under MGNREGS in a financial year. With the exception of FY 2014-15, over 200 persondays of work have been registered under MGNREGS and it has broadly remained the same in the last three years. In FY 2016-17, 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, till 31 December 2018, the number of persondays of work generated stood at 186 crore. This is higher than the FY 2017-18 figure around the same time last year.



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 31 December 2018.

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 to 46 and remained the same for FY 2017-18 as well. In FY 2018-19, till 31 December 2018, 41 persondays of work per rural household had been generated.
- Northeastern states like Mizoram (76), Meghalaya (68) and Nagaland (57), on average had a higher number of days of employment provided to households. Other states which recorded higher numbers than the India average were; West Bengal (60 persondays per household), Rajasthan (53), Andhra Pradesh (53), and Chhattisgarh (52). In contrast, states like Odisha (40), Uttar Pradesh (37), Bihar (36), Punjab (34), and Haryana (33) on average generated less persondays per household.
- Similar trends continue in FY 2018-19. Till 31 December 2018, West Bengal had the highest average days of employment provided per HH at 66, followed by Mizoram (64), and Meghalaya (50). Persondays of work per HH continued to be low in Bihar (36), Uttar Pradesh (36), Odisha(34), Tamil Nadu (32), Haryana (28), and Punjab (26).



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 31 December 2018.

Female Participation in MGNREGS Workforce

- 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 and dropped marginally to 54 per cent in FY 2017-18. The trend continues in FY 2018-19 when women participation rate was 54 per cent till 31 December 2018.

- 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 respectively. In contrast, participation of women was low in Nagaland (30 per cent) and Jammu and Kashmir (27 per cent).

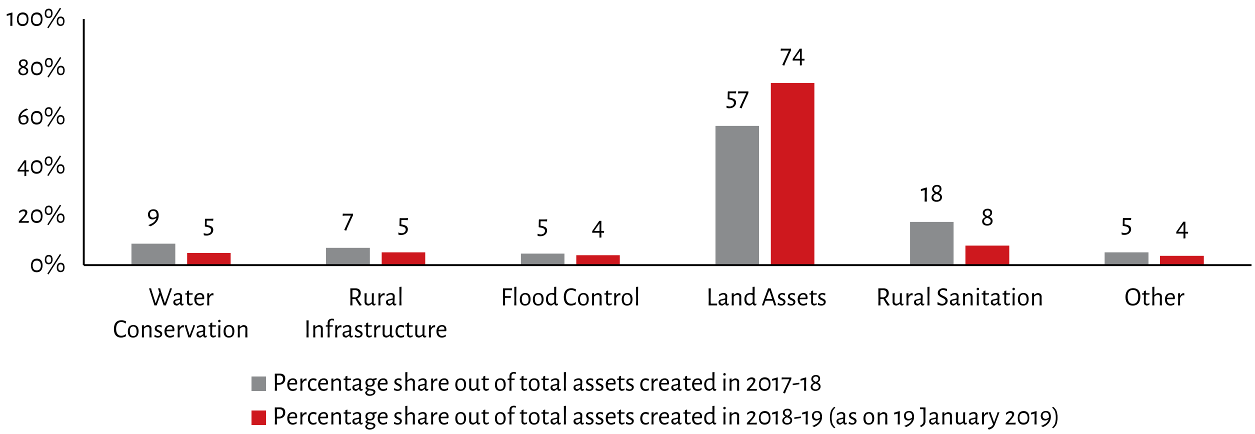
- In FY 2018-19, Kerala and Tamil Nadu continued to have a high women participation in MGNREGS at 90 per cent and 85 per cent, respectively. Participation of female workers, however, remained low in Jammu and Kashmir (39 per cent), Mizoram (35 per cent), and Nagaland (31 per cent).

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.

- Works under individuals' land and land development, accounted for the highest share of assets created at 57 per cent and 74 per cent in FY 2017-18 and FY 2018-19 (till 19 January, 2018) respectively. Rural sanitation accounted for nearly 18 per cent of the total assets in FY 2017-18 but declined to 8 per cent in FY 2018-19. Rural infrastructure that includes components like construction of anganwadis, play grounds, rural connectivity and other infrastructure, accounted for 7 per cent of the total assets in FY 2017-18 and 5 per cent in FY 2018-19 till 19 January 2018. Water conservation and harvesting and renovation of traditional water bodies accounted for 9 per cent of the total assets in FY 2017-18 and 5 per cent in FY 2018-19.

PHYSICAL LAND ASSETS INCREASED IN 2018-19 WHILE ALL OTHERS MARGINALLY DECREASED



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=2018-2019&finyear=2018-2019&fin_year=2018-2019&workstatus=05&project=ALL&source=national&Digest=eZM19y1PPTczgKjICddeaw. Last accessed on 19 January 2019.

- There are differences in the number of assets created year on year. In FY 2015-16, assets created for water conservation and harvesting (including renovation of traditional water bodies) were 4,29,589. This increased to 7,90,943 in FY 2016-17 – or an 84 per cent increase ovrer the previous year. It however decreased in FY 2017-18 to 5,41,344. In FY 2018-19, till 18 January 2019, another 3,30,329 crore assets had been created. The total number of toilets built under MGNREGS was 10,96,451 in FY 2017-18 and 5,31,245 in FY2018-19 till 19 January 2018.

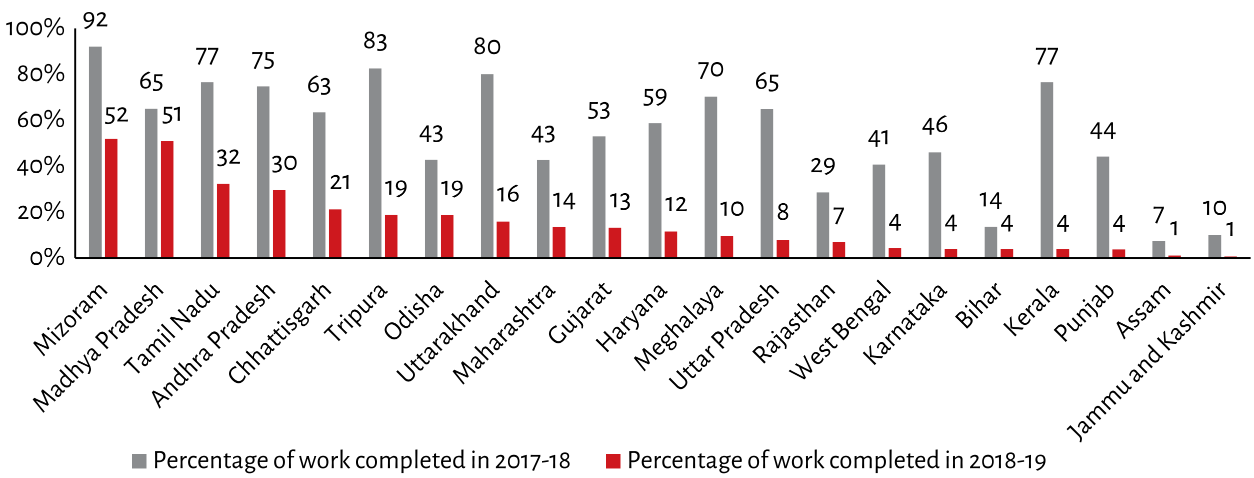
Work Completion Rate

- Work completion rate has decreased over the years from 98 per cent in FY 2015-16 to 82 per cent in FY 2016-17. In FY 2017-18, 51 per cent of total works had been completed. In FY 2018-19 till the third quarter, only 18 per cent of the work had been completed.

- In FY 2017-18, completion rates were highest in Mizoram (92 per cent), Tamil Nadu (77 per cent), Kerala (77 per cent), and Andhra Pradesh (75 per cent). Amongst the Northerastern states, Tripura (83 per cent) and Meghalaya (70 per cent) had also completed a large share of the work. In contrast, work completion rates was low in Rajasthan (29 per cent), Bihar (14 per cent), and Assam (7 per cent).

- In FY 2018-19, till 31 December, 2018, Mizoram (52 per cent), followed by Madhya Pradesh (51 per cent), Tamil Nadu (32 per cent), and Andhra Pradesh (30 per cent) had the highest completion rates amongst states. In contrast, less than 5 per cent of the work had been completed in Kerala, Punjab, Goa, and Assam.

18% 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=2018-2019&source=national&labels=labels&Digest=2sK2jsi9G7FHeqD/Cv4G1Q. Last accessed on 31 December 2018.