

RURAL LIVELIHOODS DURING THE COVID-19 PANDEMIC: DEEP DIVE ON MGNREGS

IN A GLANCE

August 2020

The 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.



KEY INFORMATION

The monthly demand for rural jobs under the MGNREGS has grown considerably in the current Financial Year (FY). For the month of July 2020, the demand for work increased by 74% compared to the same period last year (July 2019).

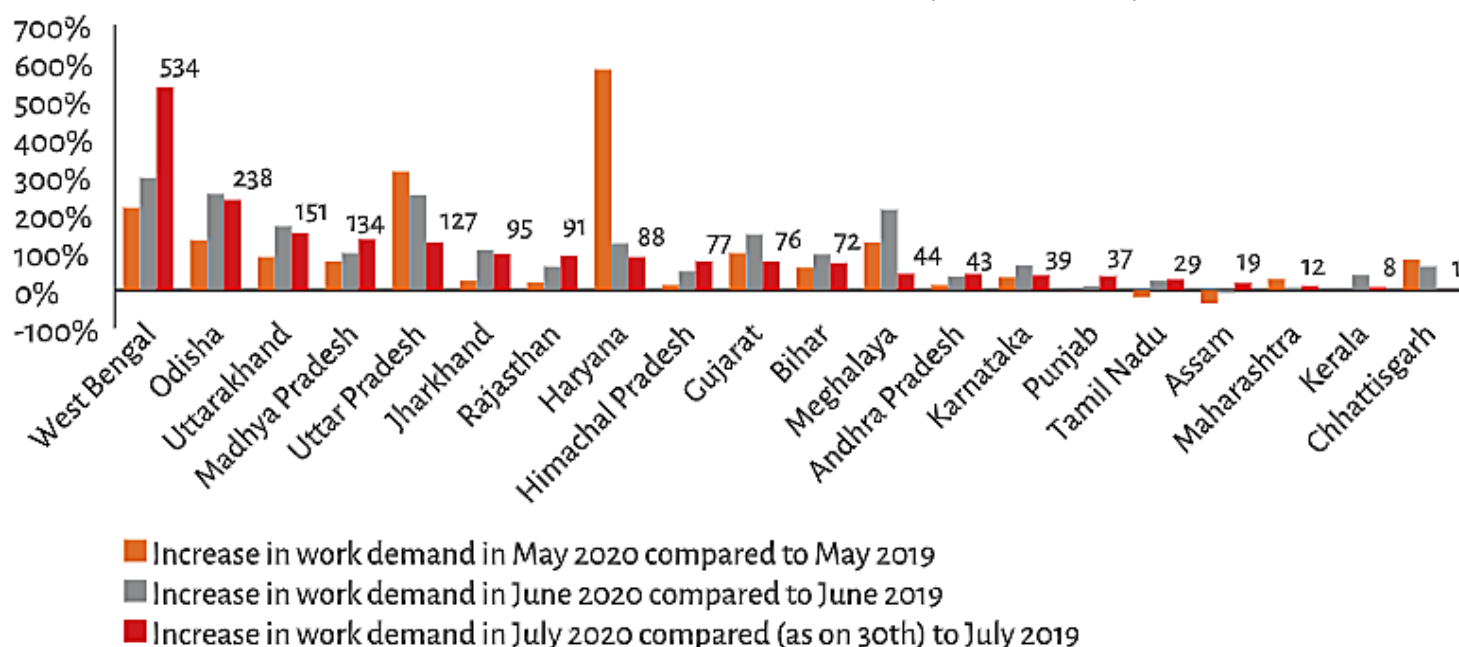
- *Employment Provided:* In FY 2019-20, 5.48 crore households, representing 38% of the 14.37 crore households registered were provided work. As a proportion of work demanded, this was 89%. In FY 2020-21, till July, 5.31 crore households were provided work, representing 35% of the total registered households.
 - The proportion of households provided work out of those that demanded work, however, fell from 91% in May, to 89% in June, and to 72% by July.
- *Wage Rates:* The increase in notified wage rate from ₹182 to ₹202 under Atmanirbhar Bharat is lower than the wages paid by most of the States in FY 2020-21.
- *Budget Allocations and Expenditures:* The total budget allocation was increased to ₹1.05 lakh crore in FY 2020-21. Of this, almost half of the funds allocated have already been spent by States as on 3 August 2020.

**DEMAND FOR WORK UNDER MGNREGS SAW A
74% JUMP IN JULY 2020 AS COMPARED TO THE
SAME PERIOD LAST YEAR.**

Demand for Work

- Monthly demand has grown considerably in the first quarter of FY 2020-21. In May 2020, around 5.21 crore persons sought work under the scheme. This rose to 6.21 crore persons in June of the year. In July, 4.2 crore persons demanded work under the scheme. The increasing demand for work is likely to have arisen from factors including loss in livelihoods and return migration exacerbated by the COVID-19 crisis.
- When compared to the same period last year, work demand has increased by 44% in May this year, and 74% in June and July.
- Uttar Pradesh, West Bengal, Odisha, Madhya Pradesh, and Bihar have shown the maximum increase in work demand in May and June compared to the same period last year. States that have seen the sharpest rise for work demand in July this year are West Bengal, Odisha, Madhya Pradesh, Uttar Pradesh, and Bihar.

Demand for Work under MGNREGS in May, June, and July

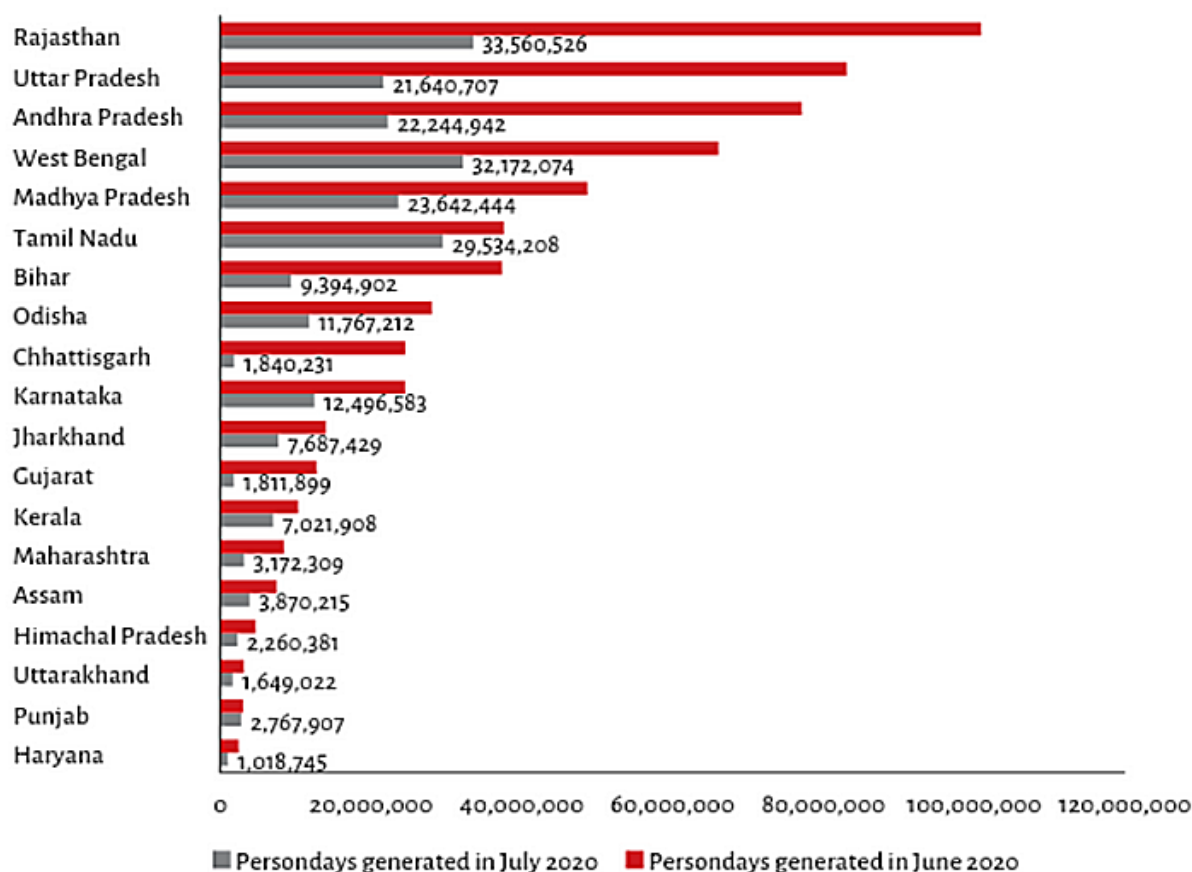


Source: MIS, MGNREGS. R3.1 Work demand pattern, last accessed on 31 July 2020.

Persondays Generated

- An analysis of the persondays work generated under MGNREGS shows that, in response to the rising demand for employment, there has been a steep rise in the number of persondays generated between May-July 2020 when compared to the same period in FY 2019-20.
- May 2020 generated 50.88 crore persondays in comparison to 36.95 crore persondays generated in May 2019. There has also been an upward trend in June this year, with 61.43 crore persondays generated in June 2020 in comparison to 32.14 crore persondays in June 2019.
- July 2020 sees a decline, with 24.15 crore persondays were generated as against 19.41 crore in the same month last year.

Persondays Generated in June and July, 2020



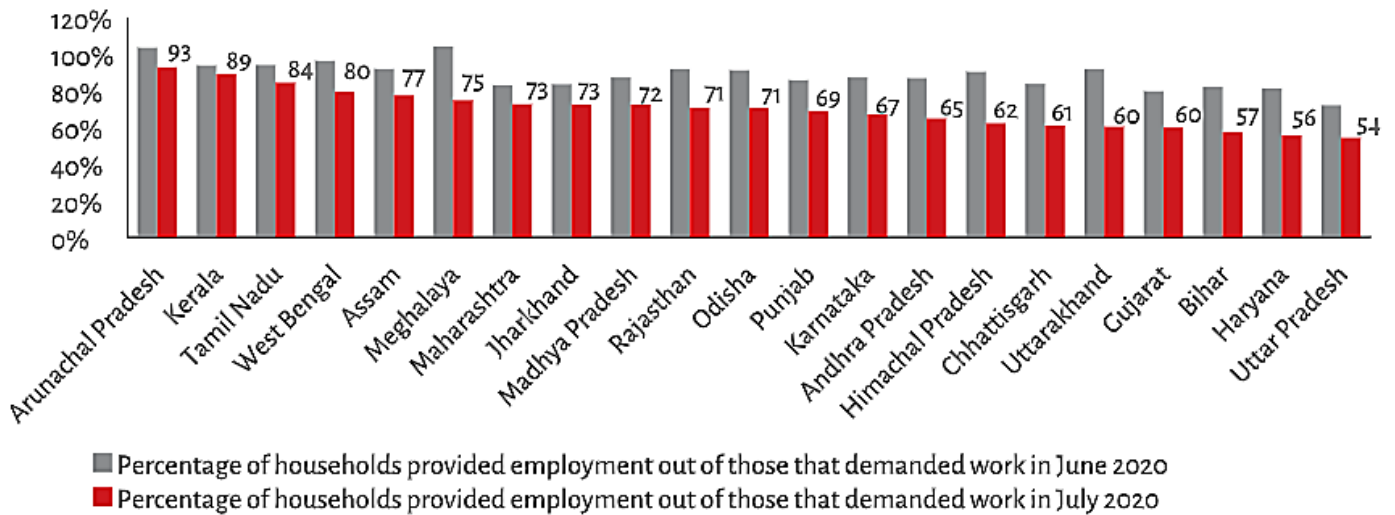
Source: MGNREGS, MIS. R2.2.3 Analysis of personday's generation. Last accessed on 31 July 2020.

Demand-Supply Gap Widened

- Even though the supply of work has increased, it has not kept pace with the rising demand for employment under the scheme.
- Compared to May and June, July usually sees less demand for employment owing to the Kharif sowing season.[1] However, in July 2020, the demand for employment saw a 71% increase compared to July 2019.
- The data suggests that most of the States were unable to cope with the rising demand (with the exception of Andhra Pradesh). Employment provided as a proportion of demand fell from 91% in May, 89% in June, and to 72% by July in FY 2020-21.
 - This amounts to an unmet demand of work to 31 lakh households in May, 50 lakh households in June, and 88 lakh households in July.
- Employment provided as a proportion of demand decreased in Bihar from 87% in May to 57% by July; Haryana from 87% to 56%; Himachal Pradesh from 90% to 62%; Odisha from 92% to 71%; and Uttar Pradesh from 86% to 54%.

¹ "Surge in MGNREGS work demand, sowing of Kharif crops lead to pre-covid rural employment levels", The Hindu, July 1 2020. Press for [link to the source](#). Last accessed on 31 July 2020

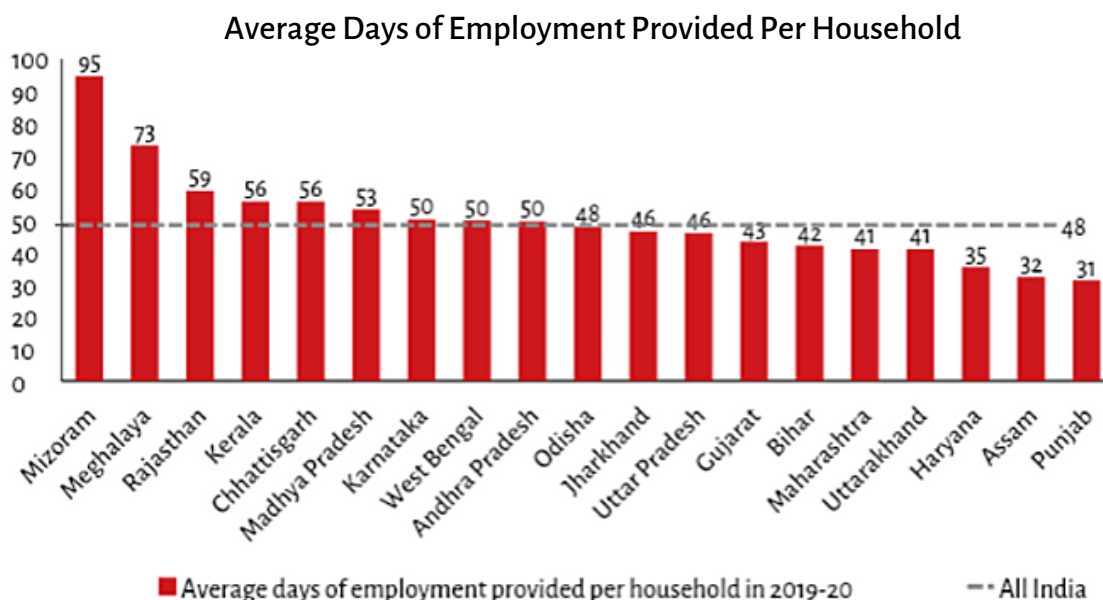
Percentage of Households Provided Employment Out of Those Demanding Work



Source: MGNREGS, MIS. R 3.1 Number of households that demanded work. Last accessed on 31 July 2020.

- Even prior to the pandemic, most States have not been providing 100 days of employment. In FY 2019-20, Mizoram topped the list providing 95 work days, followed by Rajasthan (59 work days), and Kerala (56 work days). In contrast, States such as Haryana, Assam, Punjab provided less than 40 days of work per-household.
 - In total, across the country, only 41 lakh households received 100 days of employment.
- States may find it even more difficult to provide the mandated number of days of employment during the COVID-19 crisis period given the burgeoning demand for work.

ONLY 48 DAYS OF WORK PER HOUSEHOLD GIVEN UNDER MGNREGS IN 2019-20.



Source: MGNREGS MIS, R5.1 progress report. Last accessed on 31 July 2020.

14 STATE'S PAY LESS THAN THE MINIMUM NOTIFIED WAGE RATE UNDER MGNREGS FOR 2020-21

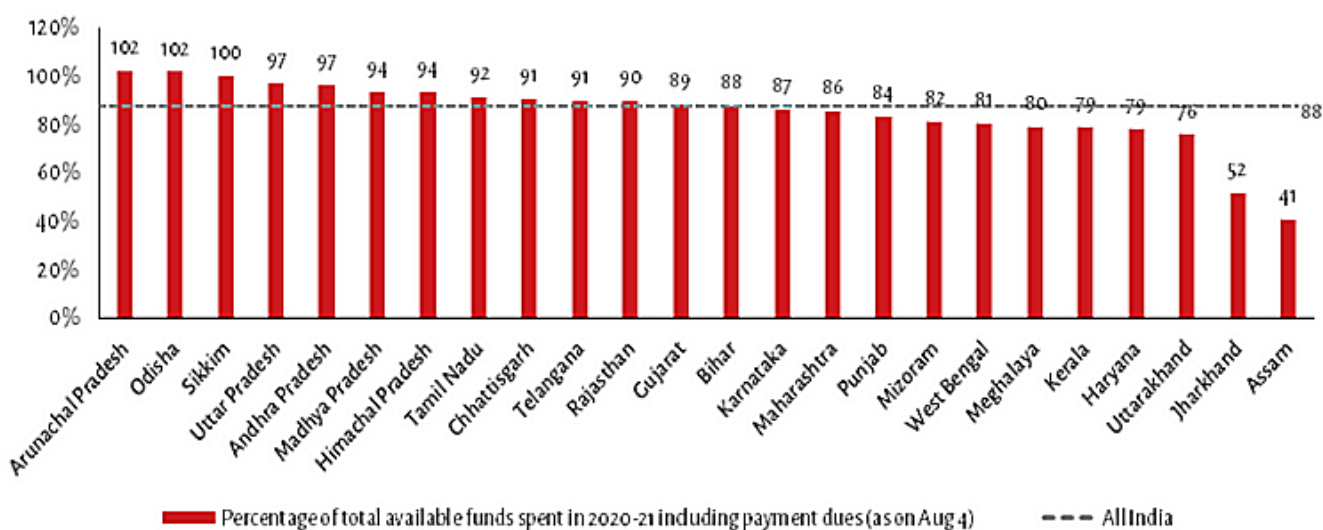
- Both the Union and State governments can notify wage rates. While the Union government sets a minimum norm, State governments may provide a higher wage rate out of their own funds. In the recent announcement under the Atmanirbhar Bharat, the average per-day wage rate for unskilled work was **increased by 11%**, from ₹182 to ₹202 for FY 2020-21. However, it is important to note that the notified wage rates are increased every year.
- A cross-state comparison finds that the increase in notified wage rates between FY 2019-20 and FY 2020-21 varies **between 7%-16%** or between ₹13 to ₹32.
 - Wages for MGNREGS workers in Maharashtra were raised by ₹32 (16%).
 - In contrast, the rise in West Bengal, Himachal Pradesh and some States in North-East was only ₹13 (7%).
 - The wages were increased by ₹19 (10%) in Odisha and Uttar Pradesh, and by ₹23 (13%) in Bihar, and Jharkhand.
 - Despite these increases, for many States notified wage rates remain lower than the prevailing wage rates for unskilled agricultural workers.
- As per the new minimum wages issued by Ministry of Labour (effective from 1 April 2020), an unskilled worker employed in the agricultural sector would get between ₹362-₹400 [2] per day, depending on the region of employment.

48% OF THE TOTAL FUNDS ALLOCATED UNDER MGNREGS HAVE BEEN SPENT ONE-THIRD INTO FY 2020-21.

- The Union government, under the Atmanirbhar Bharat relief package, had raised the budget for MGNREGS by ₹40,000 crore over and above the FY 2020-21 Budget allocation of ₹61,500 crore. The total allocation now stands at over **₹1 lakh crore**.
- As on 15 August 2020, the Union government had released **₹51,494 crore (51%)** of the total allocated funds to the States under the scheme. About **₹10,178 crore** of the total released money this year will go towards clearing last year's arrears.

- Out of the total ₹55,591 crore available funds under MGNREGS, States have already spent ₹48,759 crore (or 88%) by the end of July 2020. As a proportion of the total allocations by the Union government, this amounts to 48%.
- States such as Arunachal Pradesh, Odisha, and Sikkim have already spent over and above what was available with them. Uttar Pradesh, Andhra Pradesh, Madhya Pradesh, and Himachal Pradesh have used more than 90% of their available funds. In contrast, Jharkhand and Assam have spent less than 55%.

Percentage of Total Available Funds Spent in 2020-21



Source: MGNREGS, MIS R 7.1 budget outlays. Last accessed on 3 August 2020.

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