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The funding and demand for MGNREGA

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Why is in news? In line with the recent trend of slashing the budget of its flagship rural jobs scheme, the Union Budget allocated only ₹60,000 crore for the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme for 2023-24. That is 18% lower than the ₹73,000 crore budget estimates for the current year, and 33% lower than the ₹89,000 crore revised estimates for the scheme.

A brief about the Scheme

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was passed in 2005 and aimed at enhancing the livelihood security of households in rural areas.

Under it, the MGNREGS is a demand-driven scheme that guarantees 100 days of unskilled work per year for every rural household that wants it, covering all districts in the country except those with a 100% urban population.

There are currently 15.51 crore active workers enrolled under the scheme.

The types of projects undertaken for employment generation under MGNREGA include those related to water conservation, land development, construction, agriculture and allied works.

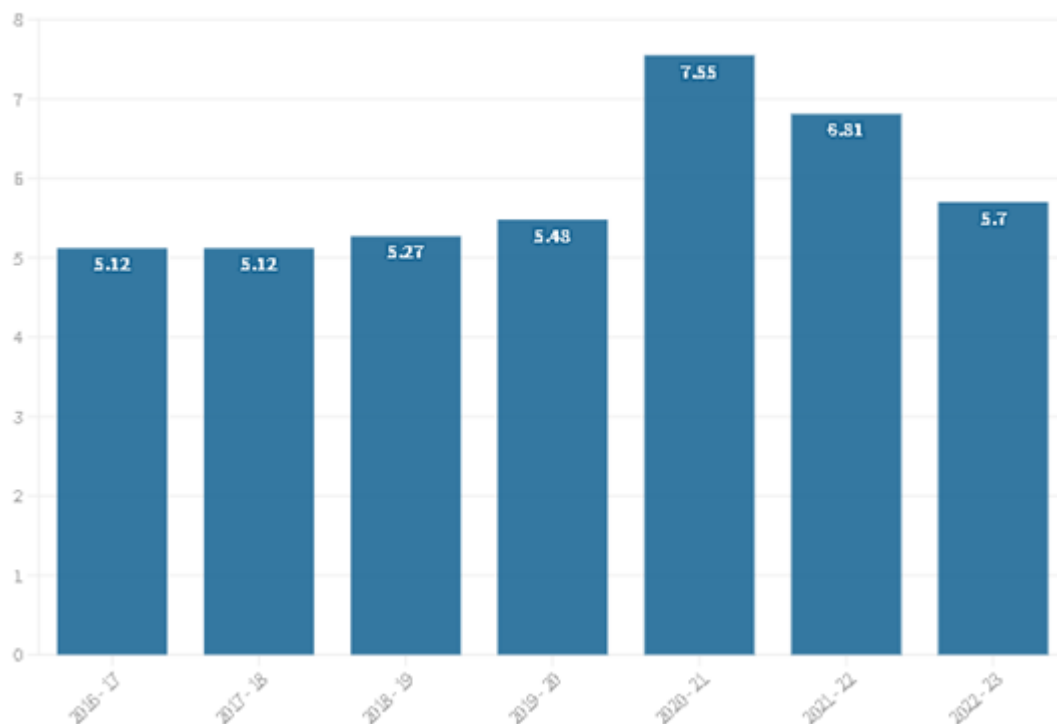
Under the scheme, if work is not provided within 15 days from when it is demanded, the worker has to be given a daily unemployment allowance. Additionally, the wages of unskilled workers also have to be paid within 15 days and in case of a delay, the Centre has to compensate them.

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Total households worked (in crore)



Role of MGNREGA during COVID 19 Pandemic

Beyond being a form of insurance or safety net for the country's poorest rural households, the scheme proved to be beneficial not just for rural workers but migrant labourers as well especially during the COVID-19 pandemic which saw large-scale reverse migration.

During the first COVID-19 lockdown in 2020, when the scheme was ramped up, and given its highest-ever budget of ₹1.11 lakh crore, it provided a critical lifeline for a record 11 crore workers.

Studies gave empirical evidence that wages earned under MGNREGA helped compensate somewhere between 20% and 80% of the income loss incurred because of the lockdown.

This is reflected in the fact that the demand for work under MGNREGA spiked to record-high levels during the pandemic years.

About 8.55 crore households demanded MGNREGA work in 2020-21, followed by 8.05 crore in 2021-22, compared to a total of 6.16 crore households asking for work in the pre-pandemic year 2019-20.

While Finance Minister said in the Lok Sabha during the Winter Session in December 2022 that the demand for jobs under MGNREGA has been declining in the recent past, the new economic survey data revealed that as of January 24 this year, 6.49 crore households had already demanded work under the scheme with two more months till the financial year ends.

Notably, this demand-side figure is still larger than pre-pandemic levels, which indicates that despite the lifting of pandemic curbs and changes in migration trends, rural households are still demanding work under the scheme.

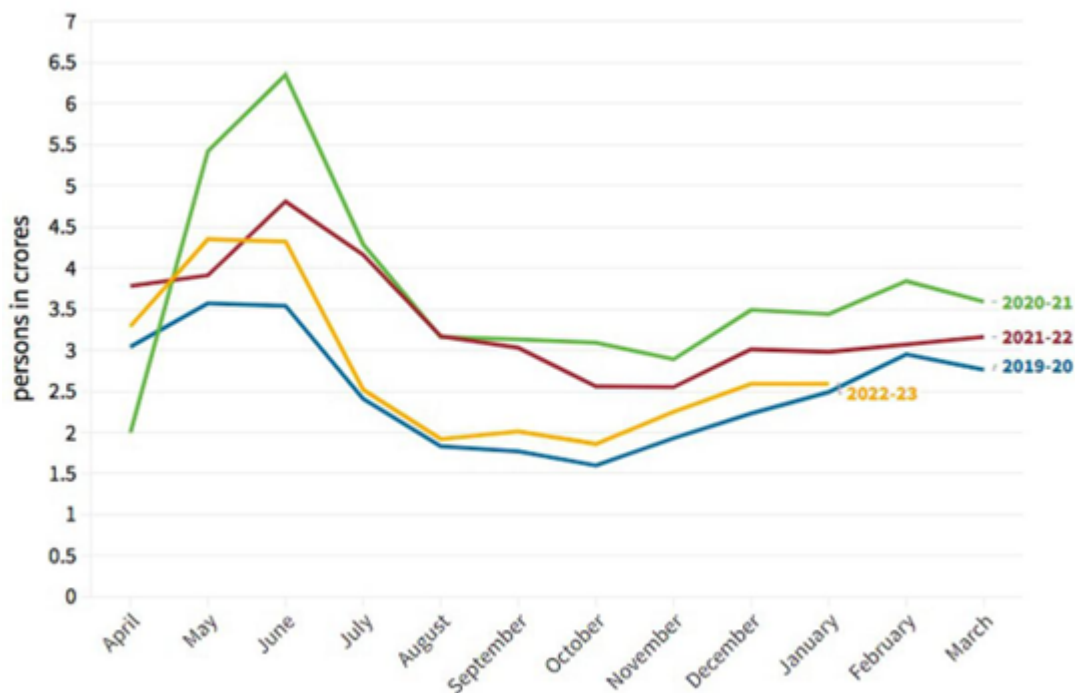
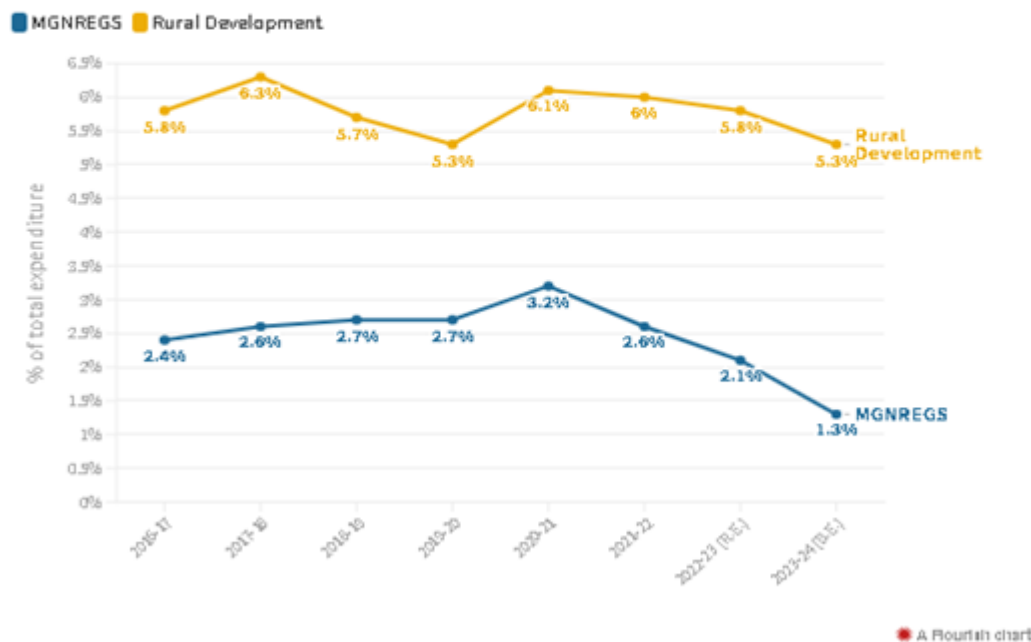
Besides, the pandemic-induced demand surge notwithstanding, the Ministry of Rural Development informed Parliament in August last year that demand under MGNREGS has doubled in the last seven years, that is, 3.07 crore households demanded work in May 2022 compared to 1.64 in the same month in 2015.

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Funds allocated to MGNREGS and Rural Development as a share of Total Expenditure

Funds allocated to MGNREGS fell by 33% as compared FY23, making up only 1.3% of the total expenditure as compared to 2.1% last year.



Trends in Centre's allocation for MGNREGS

Budgetary allocations to the flagship scheme has increased successively since 2013 from ₹32,992 crore in the 2013-14 Union Budget to ₹73,000 crore in 2021-22.

However, in recent years, the actual expenditure on the scheme has successively been higher than the amount allocated to it at the budget stage.

For instance, in 2021-22, while ₹73,000 crore was allocated to MGNREGS, supplementary allocations made later pushed up the revised estimates to ₹98,000 crore, as funds had run out in the middle of the year.

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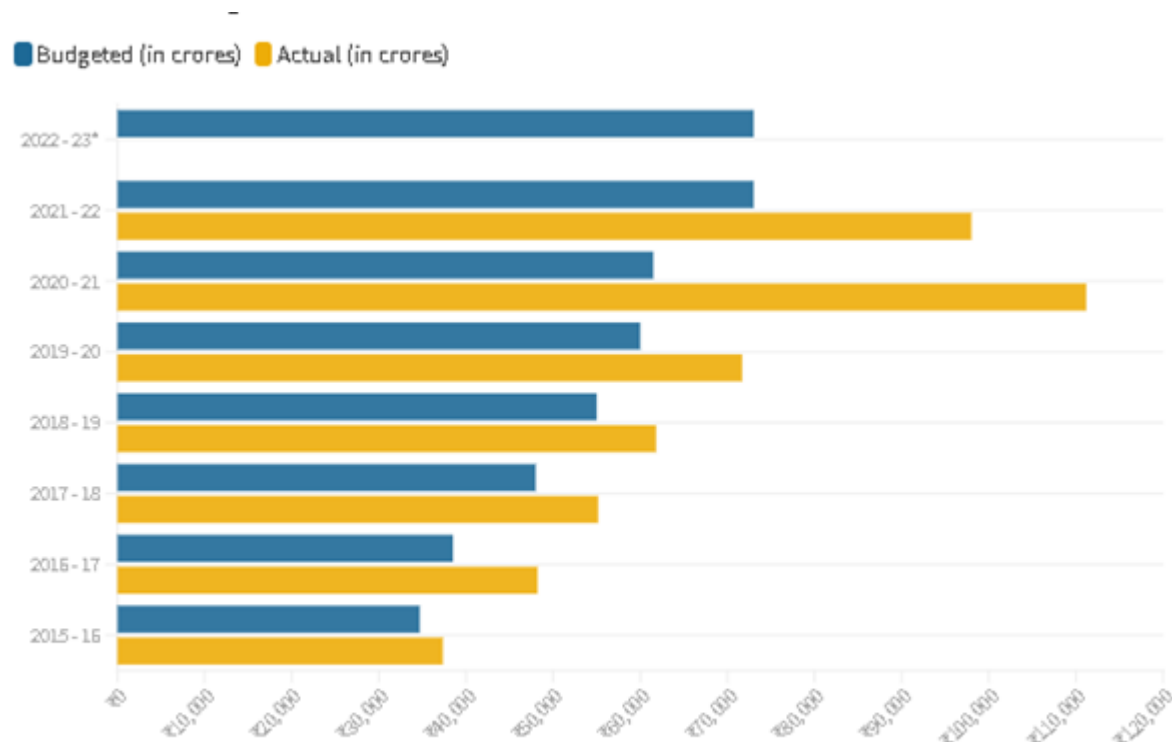
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Even so, the Central government once again allocated ₹73,000 crore (25% lower than the previous year's revised estimate) for the scheme in budget 2022-23, then seeking an additional ₹45,000 crore as supplementary grants in the Winter Session in December.

The Parliamentary Standing Committee on Rural Development last year questioned the rationale behind the Centre's budgetary allocations to MGNREGA.

Pointing out that despite the total expenditure on the scheme in 2020-21 being around ₹1,11,170.86 crore, the panel found it "perplexing" that the budget estimate (BE) for 2021-22 was just ₹73,000 crore.

It also flagged the substantial hike in allocation at the revised estimates stage in order to augment the initial sum each year.



₹45,174 crore supplementary grants sought for MGNREGA in December 2022 | THE HINDU GRAPHICS

Challenges in Implementation of the Scheme

While the scheme guarantees 100 days of employment per household per year, an analysis by PRS Legislative Research shows that since 2016-17, on average, less than 10% of the households completed 100 days of wage employment.

Besides, the average days of employment provided per household under the MGNREGS fell to a five-year low this financial year.

As of January 20 this year, the average days of employment provided per household is just 42 days, while it was 50 days in 2021-22, 52 days in 2020-21, 48 days in 2019-20 and 51 days in 2018-19.

While a full 100 days of employment has not been provided per year, the Parliament Committee and activist groups have strongly recommended an increase in the number of guaranteed days of work per household from 100 to 150 so that rural populations have a safety net for a longer period in the year.

Notably, if the government intends to provide legally guaranteed 100 days of work per household for at least those that worked in the scheme in the current financial year, that minimum budget for it in the upcoming financial year

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2023-24 should be at least ₹2.72 lakh crore.

Another issue that continues to hamper the scheme's proper implementation is the delay in wage payments. As per data released by the Centre, it owed ₹4,700 crore in MGNREGA wages to 18 States as of December 14, 2022, when just three months remained for the financial year to end.

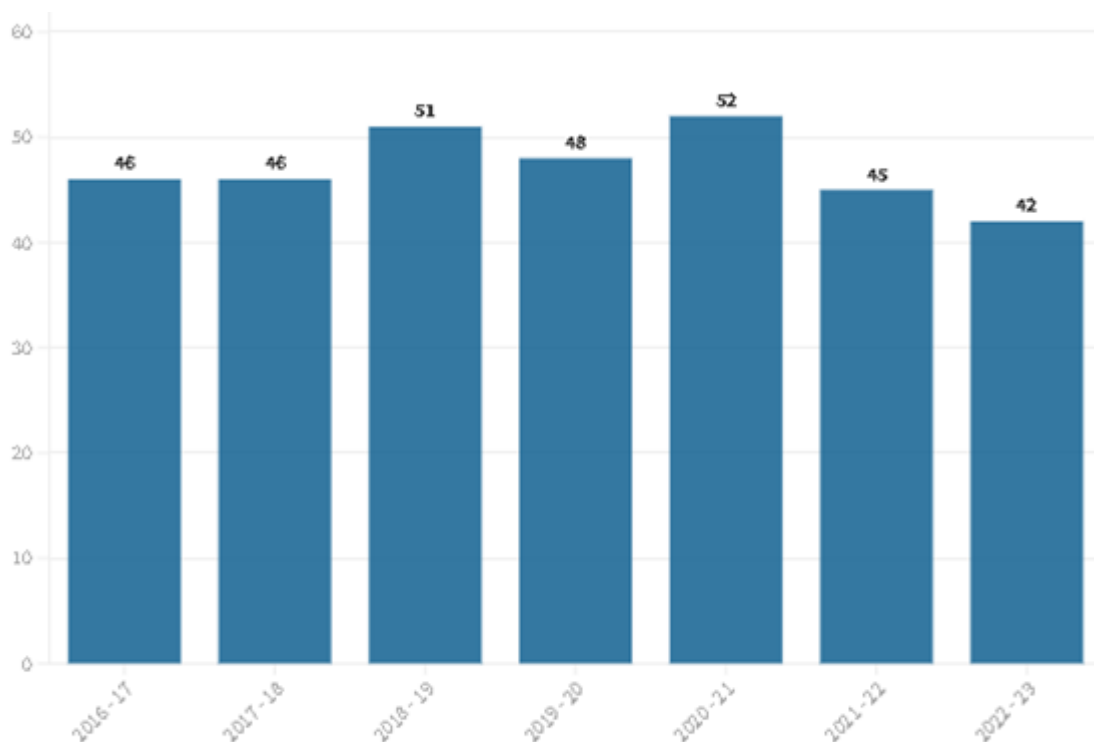
Notably, in 2016, the Supreme Court of India directed the government to ensure that wages were paid on time, calling the act of making workers wait for wages for months equal to "forced labour".

Additionally, as of December 14, the government also owed ₹5,450 crore worth of material costs (for MGNREGA projects) to 19 States.

Furthermore, the delay in material costs, has a domino impact on the MGNREGA work, since a delay in payment breaks the supply chain. Because of the prolonged delays in payments, vendors are reluctant to supply materials for any new work.

Another concern pointed out by a panel of the Rural Development Ministry is that the minimum wage rate under MGNREGS is fixed by the central government on the basis of the Consumer Price Index-Agricultural Labourers.

It noted that the type of work done by agricultural labourers and MGNREGS workers was different, suggesting that minimum wage be decided vis-a-vis the Consumer Price Index-Rural, which it said was more recent and provided for higher expenditure on education and medical care.



Source: Dashboard, Mahatma Gandhi National Rural Employment Guarantee Act, Ministry of Rural Development, last accessed on February 11, 2022; PRS • THE HINDU GRAPHICS