

RGICS



RAJIV GANDHI INSTITUTE FOR CONTEMPORARY STUDIES
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RGICS ISSUE BRIEF

15 September, 2017)

**Mahatma Gandhi National Rural
Employment Guarantee Act: Current
Issues & Challenges**

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Mahatma Gandhi National Rural Employment Guarantee Act: Current Issues & Challenges



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KEY MESSAGES

- **Payment delays:** MGNREGA compensation delayed by the Centre or States due to miscalculations based on flawed methods; States claim lack of adequate funds for payment.
- **Disempowering the Panchayats:** Panchayats and the local population and villages are often not part of the decision making process regarding the type or the amount of work despite it being a demand driven scheme by design.
- **Impact assessment largely missing:** The objective of social audits of the MGNREGA is to find out if the funds are spent properly and whether it had made a difference to people's lives, , urging the Ministry to conduct follow-up action at all levels, as per provision of the rules. The recent CAG report on Social Audits states that, as per the data provided by the website www.nrega.nic.in, at the national-level only one-third of all districts were covered under social audit during the financial year 2015-16, as on 26 March, 2016
- **Aadhaar's role in undermining a core objective of the Act, i.e. social inclusion:** There is virtually no evidence to show that introducing Aadhaar identification into the Employment Guarantee Act has reduced corruption, in fact it may well increase the struggles of certain section of vulnerable citizens
- **Apparent bias against non-BJP ruled states:** Centre has been biased towards the BJP ruled states by settling their compensation claims faster than the non BJP states according to a recent study conducted on MGNREGA.

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PART I. INTRODUCTION

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is an Act that aims at enhancing livelihood security of people in the rural areas, whereby any adult who applies for employment has to be given work on local public works within 15 days. If employment is not given, then an unemployment allowance has to be paid. The employment guarantee is subject to a limit of 100 days per household per year. The main objective of MGNREGA is to protect rural households from poverty and hunger. The Act requires that workers receive their wages within 15 days of completing a week's work cycle. Failing this, the government has to pay compensation to the workers. The compensation, over and above the due wages, is calculated at 0.05% of the unpaid wages for each day of delay. The provision is meant to deter delays in payments to rural workers who are often in need of immediate money.

Changes in MGNREGA under NDA Government	Issues with the Implementation process	Impact on the Rural Population
The Government approved changes to the payment system, initiating payments directly to the bank accounts of worker with the help Direct Benefit Transfer system	Researchers have identified flaws in measurement process of compensation practiced by the Government that has resulted in the delay of payment.	The worker is not compensated for the last mile delays.
The Centre decided to permit an additional 50 days of work in drought-hit areas under the MGNREGA scheme to provide a relief to farmers in various parts of the country	The payments under the livelihood programme are delayed. Demonetization further lead to unemployment in the informal sector which is heavily dependent on cash.	Workers have to look for other jobs while many migrant workers returned back to their hometowns due to unemployment.
Aadhaar identification for Employment Guarantee Act to reduce corruption	Aadhaar in MGNREGA proved to be hugely disruptive for workers.	The manner, in which the Aadhaar project has been driven over the past few years, has lead to wide-scale errors and new forms of corruption for instance, NREGA Sahayta Kendra, in Lohardaga district of Jharkhand, workers protested at the Kisko block office claiming wage delay for at least 1000 workers have actually been because of Aadhaar errors

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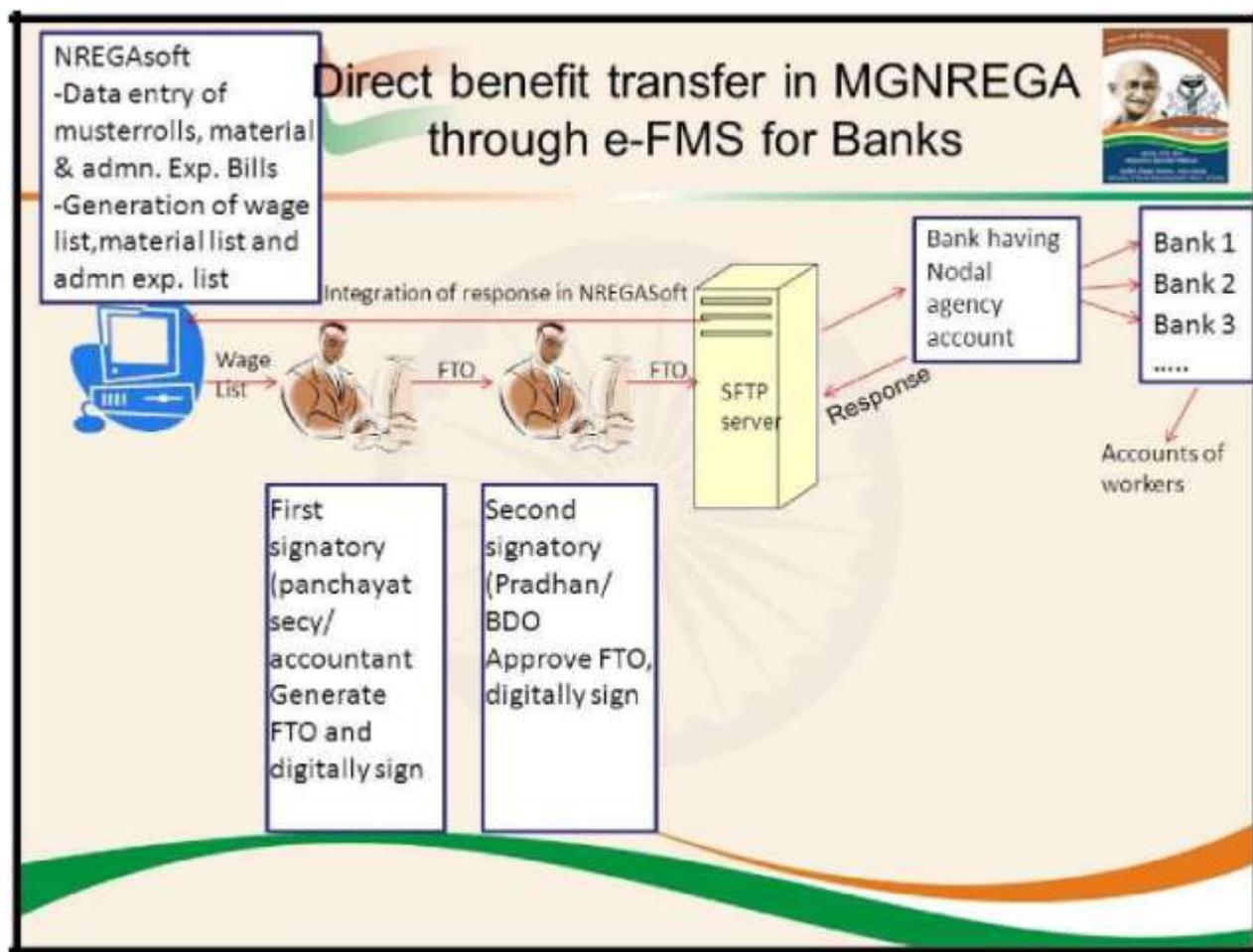
PART II: KEY ISSUES

- An independent study on 92 lakh MGNREGA transactions across 10 states has found that the central government does not calculate or pay any compensation for a part of the last-mile delay before money reaches bank accounts of rural worker. The data was taken from the MIS transactions of the Mahatma Gandhi National Rural Employment Guarantee Scheme, which is in the public domain. In the 92 lakh transactions made for the year 2016-17, the amount of money calculated as compensation for delay was Rs 15 crore. But the delay not taken into account after the FTO generation would have meant a cumulative compensation of Rs 20.3 crore which means that 57 per cent of the compensation payable has not been calculated by the government. When the findings are projected nationally; the compensation amount being officially acknowledged is Rs 519 crore, while an additional amount of Rs 689 crore (accumulated amount of delayed compensation) is not even being calculated.
- The Centre in its master circular of 2017-18 has said that Management Information System (MIS) is designed to calculate delays only up to the time the Fund Transfer Order (FTO), an electronic voucher which is generated by the MGNREGA software and generated by the State Government for the second time. Activists claim that according to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), wage delays and compensation for the delay have to be calculated till wages are to be deposited in the bank account of workers. Giving an example of how the delay occurs, the study says, a week's wage for a worker in 2016 was Rs 1002. Since this worker's muster was closed on July 5, 2016, the official deadline before compensation starts getting calculated was July 20, 2016. In this case, the second signature on the FTO was made on September 24, 2016, i.e. 67 days after the official deadline. Based on this, at 0.5% per day delay, he would get Rs 34. However, the worker received the compensation in his bank account (credited date) on November 3, 2016. This amounted to an additional delay of 40 days, making the total delay in the payment of wages to 67 + 40 = 107 days. Yet, the "government does not even calculate the delay compensation for the additional 40 days' delay", which came to Rs 20.

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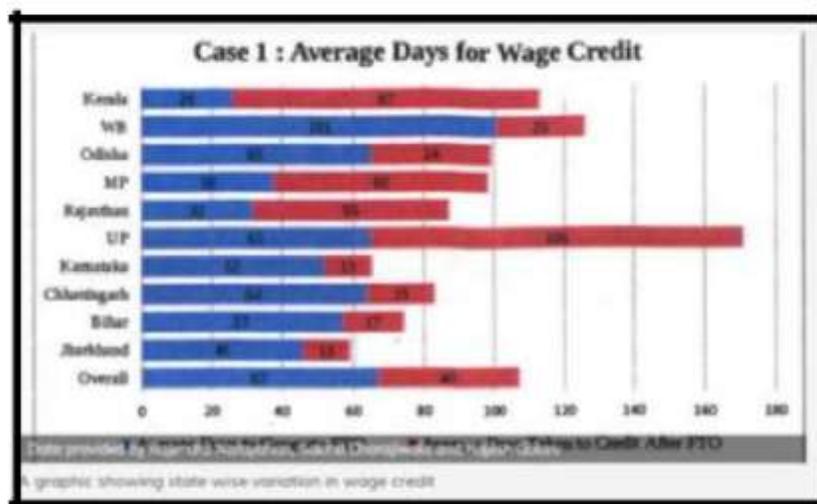


- Yogendra Yadav of Swaraj Abhiyan, which is the petitioner in a case relating to implementation of MGNREGA in drought-hit states, said the unaccounted for delay has been seen more in non BJP-ruled states. “In Jharkhand it is nine days, Chhattisgarh 13 days, Karnataka 19 days, Rajasthan 12 days and Madhya Pradesh 6 days. According to the research, on an average the delay in crediting wages in the accounts of beneficiaries is 63 days across the ten states. It is interesting to note that while the delay in BJP ruled states vary from 6 to 12 days, it varies from 39 to 89 days in the non-BJP states.

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State	Number of Transactions for which FTO 2 nd Signature is within 15 days	# Transactions for which FTO 2 nd Signature is within 15 days but Crediting to Workers' Accounts Exceeds 15 days	Percentage of Transactions for which Delays are not Calculated	Average Days Taken to Credit into Accounts when FTO 2 nd signature is within 15 days	Delay Compensation not Calculated (in Rs)
Jharkhand	5,11,796	1,57,182	31	5	7,25,961
Bihar	1,42,034	65,831	46	41	23,78,290
Chhattisgarh	77,018	25,521	46	15	2,00,303
Karnataka	2,40,870	86,704	34	19	13,64,841
UP	29,551	15,038	34	40	3,65,833
Rajasthan	8,49,963	3,99,120	46	12	20,92,843
MP	1,94,483	29,214	20	20	1,14,469
Odisha	1,76,252	93,142	53	34	16,44,133
West Bengal	3,76,953	1,99,415	53	26	24,22,197
Kerala	21,74,254	1,83,028	70	20	8,79,09,013
Total	12,09,214	4,29,117	35	25	5,79,09,013



- Going by the statement released by the Government, the Centre claims a big drop in the delay in payment of wages of rural job scheme workers in the first four months of 2017-18. The government has paid 86% wages of nearly one crore workers under the MNREGS scheme within 15 days in 2017-18 so far. "98 per cent payments are through the Electronic Fund Management System (e-FMS) and the Central Government has ensured timely release of funds and states have responded by strengthening the implementation machinery to provide timely payments," it said. However, Yadav alleged that almost 80 per cent of the total funds allocated for MGNREGA in 2017-18 had been exhausted in the first four months, while just around 48 per cent of the approved labor budget for the year has been used by the states. On the other hand, many State Governments including Haryana, Chattisgarh and Jharkhand have submitted an affidavit to the Supreme Court stating the reason behind the delay in wage payments as a result of lack of funds given by the Centre.

- Despite a series of Supreme Court orders that Aadhaar will not be made mandatory, earlier this month, the Ministry of Rural Development under the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act 2016 notified that citizens will have to “furnish proof of possession of Aadhaar” to access work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). The NREGA Sahayta Kendra, in Lohardaga district of Jharkhand, saw about a thousand workers, who had not received their wage payments under MGNREGA, protesting at the Kisko block office. Several of these cases of wage delay have actually been because of Aadhaar errors. Thus, there is hardly any evidence to show that introducing Aadhaar identification into the Employment Guarantee Act has reduced corruption; in fact chances are it has increased the struggles of vulnerable citizens.

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PART III. CONCLUSION

At a time when the NDA government came to power, there was a discussion on whether the scheme will be discontinued or its fund allocation will be curtailed. But with the new government coming in, it not only took forward the scheme but also increased allocations converting it into a demand driven scheme. As per some reports the job scheme, once derided by Prime Minister Narendra Modi as a "living monument of Congress's failures", even provided assistance to those who lost jobs after note bandi through alternative employment- thereby ensuring that there were virtually no large scale outcry against the pain that DeMonetization unleashed on people at the bottom of the pyramid.

Despite it providing succor to those who are at greatest risk, the fact is that Mr. Modi's government seems to have turned insensitive towards the needs of the farmers and poor, whose conditions has been made worse in a slowing economy. The MGNREGA, also known as the world's largest social welfare program that aims to bring about a positive change in the rural labor, hardly takes into consideration the views and decisions of the local population and villages hardly have any say in deciding the type of work or the amount of work as it decided by the higher authority bodies whereas the ideology behind a demand driven policy/scheme is to promote on ground participation that will enhance the efficiency of the scheme leading to its successful implementation. This is one of the main reasons why workers in the less developed states of India, suffered badly after demonetization happened in the country. On one hand, where the Modi government persevered with the scheme and argued that it has made it more productive and leak proof, according to a survey conducted during that same period claims that, the constraints on the ability of local government to supply MGNREGA work lead to a state of absence of cash, failing to fulfill the demands of workers. That resulted in the unemployment of a large section of workers. The Government needs to analyze the on-ground issues of the scheme, and also come up with a minimum wage for all workers in order to plug the leakages. The villagers and the Gram Panchayats need to be empowered to make decisions on behalf of the local people in order to increase participation and employment under the scheme. There also has to be a systematic monitoring mechanism through regular social audit and constant vigil.

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