

# The Status of Implementation of MGNREG Act, 2005

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## Foreword

The Rajiv Gandhi Institute for Contemporary Studies (RGICS) is an independent national policy think tank promoted by the Rajiv Gandhi Foundation. RGICS carries out research and policy development on contemporary challenges facing India. RGICS currently undertakes research studies on the following five themes of general public utility including:

- i. Constitutional Values and Democratic Institutions
- ii. Growth with Employment
- iii. Governance and Development
- iv. Environment, Natural Resources and Sustainability
- v. India's Place in the World

Under the theme of Governance and Development, to mark 15 years of the enactment of the Mahatma Gandhi National Rural Employment Guarantee Act, (MGNREGA) and 12 years after its roll-out nationwide as the MGNREG Scheme, the RGICS commissioned this paper as part of a series of papers on Rights Based Legislations enacted in the last 20 years.

MGNREGA was enacted in 2005 and represented the culmination of a long history of wage employment in public works programs, starting with the Employment Guarantee Scheme (EGS) a major drought in the summer of 1973 in Maharashtra. Thereafter it was adopted as the Food for Work program in 1977 during the Janata Government at the all India level. On being re-elected as the Prime Minister, Smt Indira Gandhi launched it as the National Rural Employment Program in 1980. Then the Rural Landless Employment Guarantee Program RLEGP was launched on 15th Aug 1983 to provide an employment guarantee to at least one member of every landless labour household up to 100 days in a year and create durable assets for strengthening rural infrastructure. This was the seed of the NREGA idea.

In 1989, under Prime Minister Rajiv Gandhi, the two programs, NREP and RLEGP were merged and the unified program renamed the Jawahar Rozgar Yojana (JRY) to streamline implementation in the field. But the need for assured employment for the poor was felt and the Employment Assurance Scheme (EAS) was launched in 1993 in 1788 backward blocks of the country. On 15 August 2001, the then Prime Minister Atal Bihari Vajpayee announced a new wage employment program, the Sampoorna Grameen Rozgar Yojana (SGRY). Rs. 10,000 crore was allocated for the scheme. The expenditure was shared between the Centre and the states in 75–25 ratio. In addition, 50 lakh tons of food grains provided free by the Centre.

Throughout this long history of such programs, the problem of the poor needing work not getting paid work when they needed it nor where they needed it, remained. By then, the rights based thinking had taken hold of the development world and increasingly the “right to work” “was sought to be a guarantee by the state. The fact the Indian Constitution, under the Part IV - Directive Principles of State Policy - Article 39-A lays down that “The State shall, in particular, direct its policy towards securing— (a) that the citizens, men and women equally, have the right to an adequate means of livelihood;” became an enabling provision.

Thereafter, when the United Progressive Alliance government came to power in 2004, it established a National Advisory Council (NAC) chaired by Smt Sonia Gandhi, UPA Chairperson and it deliberated on the matter and advised the Government to enact a law guaranteed 100 days of employment year at the minimum wage, to anyone seeking it. The MGNREG Act, 2005, in contrast to earlier employment programs legally enshrined the right of the rural population to 100 days of paid work a year. Participation in the scheme was to be based on demand, and must be provided within 15 days from the date of application for work within a 5 km radius of their village. In the event no work could be provided, a specified unemployment allowance was to be paid. The Act gave preference to unskilled work and discouraged the use of labour saving machinery. It also specified that the materials component of the program should not exceed 40% of the total cost, averaged at the Gram Panchayat level. The Act also prohibited the use of contractors and empowered the Panchayati Raj Institutions to implement it. Further, the Act prescribed a minimum one third participation rate for women and it emphasized the participation of Scheduled Caste and Scheduled Tribe populations. It provided that at least 50 per cent of the works carried out would have to be locally decided.

This was also the era when the Right to Information Act was passed and thus the MGNREGA provided for disclosure, monitoring and accountability of a completely new order. It introduced the concept of a Social Audit and annual reports to be submitted respectively to the State legislature and the Union Parliament by the respective Employment Guarantee Councils, The Act also ensured a stable pattern of funding for the program, with the Central Government paying 100% of wages for unskilled work, 75% of the material cost of the schemes including payment of wages to skilled and semi-skilled workers and the respective State Government paying 25% of material cost and wages of any skilled and semi-skilled workers required. To ensure that the States were not lax in implementing the program, 100% of the unemployment allowance was to be paid by the state government. As can be seen the Act represented a new paradigm in the relationship between the State and the citizens, particularly the neediest ones.

The RGICS commissioned Mr Arnab Bose, a public policy graduate from the National Law School University of India, Bangalore, to undertake a detailed study of the status of MGNREGA in 2020. The paper begins with a brief introduction of the main provisions of the Act and some concerns that emerged related to the provisions as they were tried to be implemented. Thereafter the paper focuses on the performance vis-à-vis the provisions, in which here are major shortfalls, and the bottlenecks faced in implementation. The paper ends with a number of suggestions for the way forward. We hope the paper is found useful by policy makers involved in economic thinking, the media as well as NGOs involved in the MGNREGA. This is of great relevance in 2020 as MGNREGA will be a major enabler for providing employment and income to rural people in the post-Covid recovery phase of the economy.

**Vijay Mahajan, Director,  
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## Executive Summary

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a legislation enacted by the parliament of India in September 2005. It is a social security measure providing a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage. It is considered as the largest and most ambitious public works programme in the world. Over the last 15 years of implementation MGNREGA has had many important achievements. Rural populations across the country have reported positive changes such as a reduced dependence on moneylenders and a reduction in distress migration. However, in spite of its successes there are many remaining bottlenecks which have reduced the efficacy of the programme.

This report seeks to highlight some of the key challenges in implementing the MGNREGA Act. It is divided into five sections. The first section provides a brief introduction to the programme. It emphasizes the innovative policy framework which makes it different from the previous social security schemes in the country. The second section provides an assessment of the challenges on the demand side of the programme. It has highlighted the major concerns of workers such as a shortage in employment provided, low wage rates, delays in wage payments, the use of contractors and labour displacing machinery, problems in social auditing and the lack of awareness about worker's rights which have resulted in dissuading many workers from seeking employment under the scheme. The third section lists the major roadblocks on the supply side. It begins by highlighting the inadequacy in funding which has a cascading effect and is at the root of many of the implementation problems. It then looks at some of the issues related to governance such as the problems in use of technology as well as convergence with other schemes, both of which have led to excessive centralization and made it a supply driven programme. The fourth section looks at the way forward and provides some recommendations to the government in dealing with these challenges. Section 5 finally concludes the report.





## 1. MGNREGA: A Brief Introduction

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) constitutes a major component of the India's national social protection floor, and it provides the legal basis for the biggest employment programme in the world. Since its inception in 2006, it has provided a source of income to rural workers, increased wage rates, achieved high female participation rates and created durable assets. The participation rate coverage of the relevant population is higher in MGNREGA than in any other major Indian social protection scheme (World Bank 2011).

Although MGNREGA is relatively a new act, it is embedded in a long history of social protection initiatives for the disadvantaged and rural groups. However, most of these initiatives have had significant gaps in coverage and have not achieved the desired results. To fill some of these gaps and provide a source of income to India's rural population the MGNREGA Act was enacted in 2005. Following its unanimous adoption by the Indian Parliament on 7 September 2005 under the UPA, it was implemented in three phases, starting with 200 districts in the year 2006-07, followed by another 130 in 2007-08. The remaining rural districts were included under the scheme with effect from 1 April 2008. Today the Act is hailed as landmark legislation nationally and internationally for its innovative policy framework

MGNREGA is innovative in comparison to earlier employment and welfare schemes in India in terms of its legal basis as an Act of Parliament and its rights-based character. The employment guarantee clause of the MGNREGA legally enshrines universal access for the rural population. The Act gives preference to unskilled works, encouraging everyone to participate regardless of their level of training, and the use of contractors is officially banned (Schedule I)<sup>1</sup>. To ensure accessibility employment has to be provided within a 5 km radius of the village (Schedule II)<sup>2</sup>. Participation in the scheme is designed to be based on demand, and must be provided within 15 days from the date of application. Further, the Act prescribes a minimum one third participation rate for women (Schedule II)<sup>3</sup>. It also favours the participation of Scheduled Caste (SC) and Scheduled Tribe (ST) populations<sup>4</sup>. Given the rights-based entitlement to demand-based employment, the Act centrally depends on the knowledge of potential participants about their rights, and their ability to claim these rights. Therefore other provisions of the Act, such as mandatory information and education campaigns and statutory access to grievance redressal mechanisms are of particular importance. The respect for rights and dignity of people covered by the Act is additionally strengthened through their involvement in decision-making on the works to be performed in their village. MGNREGA delegates decision-making and implementation responsibilities to local political bodies of the Panchayati Raj Institutions (PRI) (Art. 16)<sup>5</sup>, and states that at least 50 per cent of the works carried out have to be locally decided. Rights and dignity are further reinforced through citizen-centred monitoring structures that increase accountability. While the policy framework of MGNREGA combines rights-based entitlements with demand-

<sup>1</sup> NREGA Act, 2005

<sup>2,3,4,5</sup> *ibid*

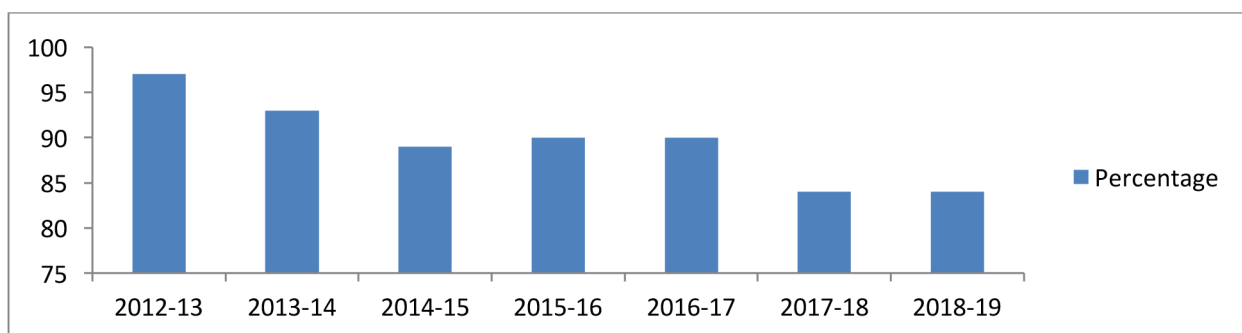
driven employment and citizen-centred monitoring, when we turn from the provisions of the Act to the practice of implementation it becomes evident that not all of these innovative features are fully realised. The following sections highlight some of the major roadblocks in implementation of the programme

## 2. Demand Side Challenges

### 2.1 Shortage in Employment Provided

MGNREGA is a demand driven scheme where any worker that demands work needs to be provided with work within 15 days of the demand. However, the households provided employment as a percentage of households demanding employment has seen a steady decline from 2012-13 to 2018-19<sup>6</sup>. As shown in figure 1, in 2012-13 97% of households that demanded work received employment but this has declined to 84% over the last 2 years. .

**Figure 1: Number of Households Provided Employment as a Percentage of Households that Demanded Employment**



Source: MGNREGA MIS Reports from 2012-13 to 2018-19 PRS

Under MGNREGA it is mandated that at least 100 days of guaranteed wage employment in a fiscal year is provided to any rural household whose adult members volunteer to do unskilled manual work on demand. However, while the scheme aims at providing 100 days of guaranteed employment, on an average at an all-India level in between 2012-18 (Table 4) only 45.5 days of employment was actually provided, with a maximum of 49 days in 2015-16<sup>7</sup>.

**Table 4: Employment Provided under MNREGA (All India Average)**

Year	Average days of employment provided per household
2012-13	46
2013-14	46
2014-15	40
2015-16	49

Source: MGNREGA MIS Reports from 2012-13 to 2018-19 PRS

<sup>6</sup> <https://prsindia.org/parliamenttrack/budgets/demand-grants-analysis-rural-development>

<sup>7</sup> *ibid*

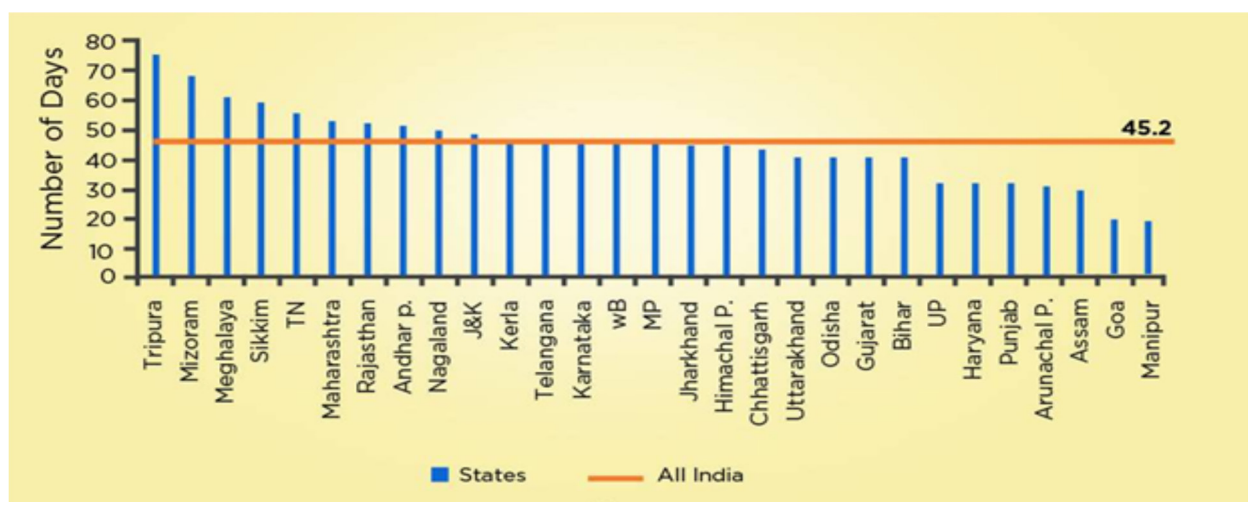


2016-17	46
2017-18	46

The state wise breakup for a 4 year period between 2014-15 and 2017-18 is shown in figure 2. As per the data, the average days of employment provided in the 4 years was a mere 45.2. Tripura reported the highest figure with close to 75 days of employment. While Manipur reported only 20 days of employment.

Further, as per the latest government data there is a steep decline in employment generated in the current fiscal year 2019-20 over 2018-19<sup>8</sup>. The data shows that only

**Figure 2: State Wise Average Days of Employment Provided between 2014-15 and 2017-18**



Source: www.nrega.nic.in

14,55,805 households have completed 100 days of guaranteed employment this year till January 19th 2020, against 52,59,912 households in FY 2018-19, which is a decline of 72 percent. And, the scheme has generated only 199 crore person days (till January 19th 2020) against 267 crore person days in 2018-19. Even the number of households which have worked in this fiscal year is down at 4.81 crore against 5.27 crore last year.

Another important concern is the non-payment of unemployment allowance. In case work is not provided within 15 days of the demand the Act requires payment of an unemployment allowance. However, the 2018 data shows that a total of 8.4 crore persons had demanded work in the year 2017-18, but only 7.2 crore got the opportunity to work. The remaining 1.2 crore did not get any unemployment allowance<sup>9</sup>.

## 2.2 Low Wages

An analysis by the NREGA Sangharsh Morcha in 2019 had revealed that the wage rates for the programme are below than the minimum wage rate for agriculture in 33 states and union territories<sup>10</sup>. As shown in table 1, the hike in the wages in 2019-20 ranged

<sup>8</sup> <https://www.asianage.com/business/in-other-news/200120/over-70-per-cent-dip-in-100-days-work-under-mgnrega.html>  
<sup>9</sup> <https://www.newsclick.in/BJP-Government-Efforts-Reduce-MGNREGA-Just-Another-Scheme>

from Rs 1 to 17, with an average hike of 2.6 percent over 2018-19. Goa had the biggest gap in wages at only 62 per cent of the state minimum wage for agriculture. Many other states, like Bihar, Gujarat and Odisha, also fell in the 60-70 per cent range. Nagaland was the only state where workers' wages under MNREGA was more than their minimum wage.

**Table 1: NREGA Wage Rates in States**

S. No	Name of state	NREGA wage rate in 2018-19 (Rs.)	Current Agricultural minimum wage rate	NREGA wage rate in 2019-20 (Rs.)	Increase in NREGA wage rate	What proportion of the minimum wage is the NREGA wage (%)
1	Andhra Pradesh	205	312	211	6	67.63
2	Arunachal Pradesh	177	220	192	15	87.27
3	Assam	189	255	193	4	75.69
4	Bihar	168	246	171	3	69.51
5	Chhattisgarh	174	237	176	2	74.26
6	Goa	254	409	254	0	62.10
7	Gujarat	194	312	199	5	63.78
8	Haryana	281	339	284	3	83.78
9	Himachal Pradesh	184	225	185	1	82.22
10	Jammu and Kashmir	186	225	189	3	84.00
11	Jharkhand	168	239	171	3	71.55
12	Karnataka	249	269	249	0	92.57
13	Kerala	271	287	271	0	94.43
14	Madhya Pradesh	174	231	176	2	76.19
15	Maharashtra	203	247	206	3	83.40
16	Manipur	209	225	219	10	97.33
17	Meghalaya	181	196	187	6	95.41
18	Mizoram	194	250	211	17	84.40
19	Nagaland	177	115	192	15	166.96
20	Odisha	182	280	188	6	67.14
21	Punjab	240	315	241	1	76.51

<sup>10</sup> <https://www.downtoearth.org.in/news/agriculture/mnrega-wage-hike-less-than-minimum-wage-in-33-states-63791>

22	Rajasthan	192	213	199	7	93.43
23	Sikkim	177	300	192	15	64.00
24	Tamil Nadu	224	243	229	5	94.24
25	Telangana	205	312	211	6	67.62
26	Tripura	177	302	192	15	63.58
27	Uttar Pradesh	175	192	182	7	94.79
28	Uttarakhand	175	260.5	182	7	69.87
29	West Bengal	191	245	191	0	77.96
30	Andaman and Nicobar	250	451	250	0	44.57
31	Chandigarh	273	376	NA	NA	NA
32	Dadra and Nagar Haveli	220	294	224	4	76.19
33	Daman and Diu	197	294	202	5	68.71
34	Lakshadweep	248	401	248	0	61.85
35	Puducherry	224	368	229	5	62.23

Source: NREGA Sangharsh Morcha

The Supreme Court has repeatedly upheld minimum wages as a fundamental right. The Anoop Satapathy Committee had recommended setting minimum wage at Rs 375/day as of July 2018<sup>11</sup>. Many Central Committees have suggested that the NREGA wages need to be linked the rural Consumer Price Index instead of the CPI for agricultural labour. However, the government has not implemented these recommendations<sup>12</sup>. The low wage rates have resulted in a lack of interest among workers and have made way for contractors and middle men to take control locally. Following from the recommendations of the seventh pay commission of Rs. 18,000 as the minimum monthly wage, the NREGA Sangharsh Morcha has demanded the minimum wage rate of NREGA to be Rs 600/day<sup>13</sup>.

### 2.3 Delays in Wage Payment and Inadequate Compensation

The Act requires that workers should receive wages within 15 days of completion of the work week, failing which a compensation allowance is to be paid per day of delay. However, several studies have shown that there are frequent delays in payments and the compensation paid is inadequate. The National Level Monitoring report of 2016-17 had shown wage disbursements were delayed by a month in nearly 17% of villages surveyed and delayed by more than a month in 40% of the villages<sup>14</sup>. As per the current figures, more than 30% wages pending since October 2019<sup>15</sup>.

In an attempt to improve the payments process, the government migrated to the National electronic Fund Management System (Ne-FMS) in April 2016. Under the Ne-FMS on

<sup>11</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1564590>

<sup>12</sup> <https://www.financialexpress.com/economy/government-awaits-labour-ministrys-decision-on-modifying-consumer-price-indices/1772408/>

<sup>13</sup> <https://www.newsclick.in/rural-development-minister-mockery-MGNREGA-activist-group>

completion of the work week a Fund Transfer Order (FTO) is generated at the block/ panchayat. Subsequently, the Centre approves the FTO digitally and the payment is processed electronically. After passing through a notional State government bank account the wage is directly transferred to the individual worker's bank or postal account. But according to this approach a delay is only calculated up to the point of the FTO and does not account for the delay in actual receipt of payment. This suggests that the delays captured by the government is also an under estimation. A 2018 study<sup>16</sup> on 10 states by the Azim Premji University for the first 2 quarters of FY 2017-18 had shown that for all transactions where FTO generation was completed within 15 days but payments were made beyond 15 days of muster roll closure no compensation was calculated. On the other hand if FTO generation occurred beyond 15 days only a partial delay was captured up to the generation of FTO. As reported by the study (Table 2), out of the 10 states Jharkhand had 68% timely payments and MP had 63% timely payments. For all other states timely payments were made in less the 40% of the cases. Overall 32% of the wages were paid on time. However, for 45% of the cases even though the payments were received beyond 15 days no delay was captured due to FTO generation within 15 days, and for 23% of the cases on partial delays were captured up to the point of FTO generation (which occurred beyond 15 days)..

**Table 2: Payment Delays in 10 States (First 2 Quarters FY 2017-18)**

States	Percentage of Payments made on Time	Percentage of Payments where No Delay was Captured	Percentage of Payments where only Partial Delays were Captured
Uttar Pradesh	20	30	50
Chattisgarh	28	64	9
Madhya Pradesh	63	17	19
Jharkhand	68	25	7
Rajasthan	36	56	8
Bihar	20	26	54
Karnataka	31	44	24
Kerala	33	62	5
Odisha	19	56	25
West Bengal	17	64	19
<b>Overall</b>	<b>32</b>	<b>45</b>	<b>23</b>

Source: Azim Premji University Study 2018

<sup>14</sup> <https://nrega.nic.in/netnrega/writereaddata/Circulars/2243findings.pdf>

<sup>15</sup> <https://www.livemint.com/news/india/is-mgnregs-the-answer-to-the-rural-slowdown-11579685377701.html>

<sup>16</sup> <https://azimpremjiuniversity.edu.in/SitePages/pdf/PaymentDelayAnalysisWorkingPaper-2018.pdf>



The under estimation of delays has also resulted in under estimation of compensation to be paid. The study shows that 86% of the compensation amount was unaccounted for due to non recording of delays post FTO generation. Amongst the states Kerala, Chattisgarh and West Bengal had more than 90% of unaccounted compensation, whereas Bihar had the lowest at 53%.

**Table 3: Compensation Paid in 10 States (First 2 Quarters FY 2017-18)**

States	Delay Compensation Calculated in MIS (Rs.)	Delay Compensation Unaccounted by MIS (Rs.)	Total Compensation Due (Rs.)	Percentage of Compensation Unaccounted by MIS
Uttar Pradesh	7,59,674	32,86,032	40,45,706	81
Chattisgarh	2,51,947	29,40,104	31,92,051	92
Madhya Pradesh	5,79,517	8,55,195	14,34,712	60
Jharkhand	1,36,026	8,57,912	9,93,938	86
Rajasthan	6,08,411	30,78,106	36,86,517	83
Bihar	29,00,271	33,08,440	62,08,711	53
Karnataka	12,93,535	58,99,298	71,92,833	82
Kerala	1,38,373	61,79,941	63,18,314	98
Odisha	11,01,796	38,60,618	49,62,414	78
West Bengal	25,38,610	3,46,74,719	3,72,13,329	93
<b>Overall</b>	<b>1,03,08,160</b>	<b>6,49,40,365</b>	<b>7,52,48,525</b>	<b>86</b>

Source: Azim Premji University Study 2018

Despite the order of the Supreme Court<sup>17</sup> and Government Order by the Union Ministry of Finance, no provision has yet been worked out in the MIS for calculation of full wage delays and payment of compensation for the same. These delays not only affect the enrolled workers but also dissuade workers from seeking work in the future.

## 2.4 Use of Contractors and Labour Displacing Machines

There are specific guidelines under MNREGA for the use of machines and the nature of work. Para 22 of Schedule-1, MGNREGA, reads, “As far as practicable, works executed by the programme implementing agencies shall be performed by using manual labour, and no labour displacing machines shall be used. However, there may be activities in executing works, which cannot be carried out by manual labor, where the use of the machines may become essential for maintaining the quality and durability of works. Specific permission for use of machines listed above must be sought from the competent authority and the operation of such machines should be duly recorded/ documented in each such case and be made part of the case record.” However, the guidelines meant to protect the workers are

<sup>17</sup> <http://www.indiaenvironmentportal.org.in/files/MGNREGA%20Supreme%20Court%20Judgement%202018%20wage%20payment.pdf>

being misused at a massive scale. In a lot of places workers are not aware of the purpose of their job cards. This enables local politicians, in a nexus with contractors, to collect documents from villagers and carry out all the necessary procedures required to get them job cards. Subsequently, the cards that are issued are kept with local politicians-cum-contractors, who then carry out MGNREGA works with the help of machines, whereas, on paper it is shown that the job is being done by the cardholders. In many cases even simple work like 'trench work' is also being done with the help of JCB machines.

The use of contractors has been reported by the Hindu Businessline on the 18th of December, 2018<sup>18</sup>. This report was based on Jat taluka of Sangli district, in Maharashtra. A similar observation has been made by the National Level Monitoring Committee<sup>19</sup> in 2016-17. The National Level Monitoring Committee conducted a study on the implementation of MGNREGA in 327 districts assigned by the Ministry of Rural Development in 28 states across India during 2016-17. The study observed the use of contractors and labour displacing machinery in some districts of states such as Assam, Maharashtra, Jammu and Kashmir and Karnataka.

Various kinds of work under MNREGA are designed to generate employment for rural poor which is central to the idea. But the use of machines which is profit-motivated completely undermines the right to work.

## 2.5 Lack of Social Audits

According to the NLM study<sup>20</sup>, the PRI members in only 42% of the villages were 'fully aware' of the concept of social audit and its procedures. In another 44% of villages, the PRI members were 'somewhat aware', while in 10% villages, they were completely ignorant about the social audit provisions. The mandated 2 social audit meetings were conducted in just 14% of the villages surveyed in 2016-17. Further, the percentage of villages where not even a single social audit meeting was conducted was at a high 44 percent. The study also noted that only 50% of the job card holders interviewed had participated in social audit meetings.

## 2.6 Lack of Awareness

Awareness is regarded as a major factor responsible for the successful implementation of poverty alleviation schemes including employment guarantee schemes (Das et al. 2012). Various studies conducted in different parts of the country have highlighted how inadequate awareness among the beneficiaries and the poor is one of the major obstacles in the implementation of MGNREGA. The National Level Monitoring Committee found that awareness amongst job card holders in 9% of the sample villages was so poor that none of them were aware about 100 days' entitlement. Such poor levels of awareness was observed in nearly one third (30%) of the villages in states like Arunachal Pradesh,

<sup>18</sup> <https://www.thehindubusinessline.com/specials/india-file/making-a-mockery-of-mgnrega/article25766079.ece>

<sup>19</sup> <https://nrega.nic.in/netnrega/writereaddata/Circulars/2243findings.pdf>

<sup>20</sup> <https://nrega.nic.in/netnrega/writereaddata/Circulars/2243findings.pdf>

Jharkhand and West Bengal, and in more than one fourth of the villages in Haryana, Bihar and Gujrat. In villages of certain districts of Himachal Pradesh, Karnataka, Madhya Pradesh and Uttar Pradesh the lack of awareness about the right to demand work for 100 days was even higher at 90%. Further, none of the wage seekers' were aware of the provision of acknowledgement receipt in 29% of the sample villages while very few of them were aware in 12% of the villages. And none of the wage seekers were aware of the entitlements about unemployment allowance in majority of the sample villages in Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Punjab and Uttarakhand. The lack of awareness amongst potential beneficiaries not only affects demand for employment but also affects the ability of individuals to avail full benefits from MGNREGA.

### 3. Supply Side Roadblocks

#### 3.1 Insufficient Funding

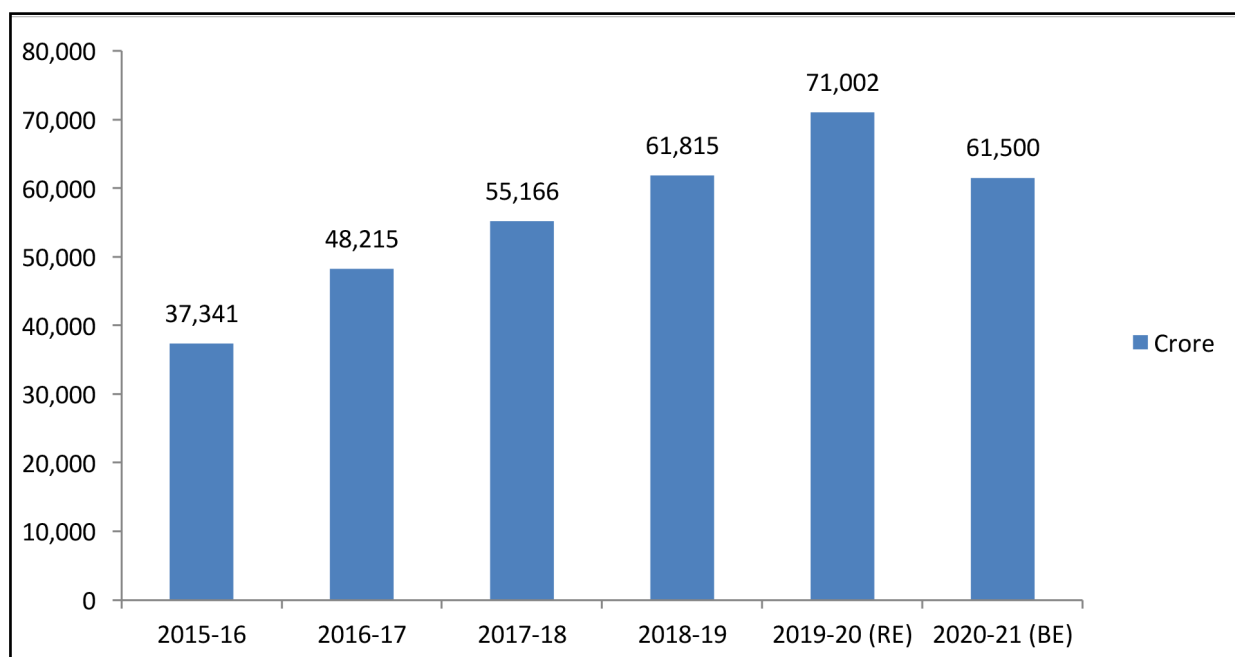
NREGA's success at the ground level is subject to a proper and uninterrupted fund flow to the states. Almost every year, more than 80 per cent of funds get exhausted within the first six months. According to a report in *The Hindu*<sup>21</sup>, as of 26th January this year more than 96% of the allocated money had already been spent or was needed to pay pending dues. Less than Rs 2,500 crore was left to sustain the scheme for the next few months. The financial statement as of January 26 had shown as many as 15 states in the red. However, in spite of the fund crunch in this years the Union Budget 2020-21, the government has allocated only Rs 61,500 crore for the scheme, which is lower than last year's revised estimates of Rs 71,002 crore by 13.4 per cent. Figure 3 highlights the annual funding trends for this programme. As shown, the allocation has seen a consistent year-on-year decline between FY16 and FY19 at 29.1 per cent, 14.4 per cent and 12.1 per cent, respectively.

According to the NREGA Sangarsh Morcha<sup>22</sup> the required allocation for smooth implementation is around 1 lakh crore. Rs. 66,960 crore is required for payment of wages if only Rs 248 per day is paid for a projected labour of 270 crore days, Rs 16,740 crore is required for material costs, and Rs. 13,252 crores for pending liabilities of the previous year, coming to a total of 92,767 crore. Considering 10% inflation the figure would be more than 1 lakh crore. Thus, the fund allocation is insufficient to ensure proper implementation on the ground.

In the last five years nearly one-sixth of each year's allocation have been pending wage liabilities. Taking the budgetary distributions and the supplementary allocation of funds to the programme for the last few years into account, it can be deduced that though the demand for employment under the scheme has been on a steady rise in the past years, but the government has failed to address it fully.

<sup>21</sup> <https://www.thehindu.com/news/national/fund-crunch-hits-mgnrega-scheme/article30660683.ece?homepage=true>

<sup>22</sup> <https://thewire.in/labour/budget-2020-nirmala-sitharaman-mgnrega>

**Figure 3: Allocation to MGNREGA (Rs. Crore)**

Source: Union Budget 2016-2020

Another concern with the funding of NREGA is that the Centre frequently withholds state funds for those states that do not meet administrative requirements within the stipulated time period<sup>23</sup> (for instance, submission of the previous financial year's audited fund statements, utilisation certificates, bank reconciliation certificates etc). As a result the workers do not get their wages and end up being penalized for the fault of the state administration.

### 3.2 Problems with Use of Technology

From the very beginning due to the dominant discourse of corruption the implementation of MGNREGA has been increasingly dependent on technology. Firstly the NREGASoft, which is a management information system (MIS) was introduced. Then, by 2008-09 MGNREGA wages started being paid through bank and post office accounts instead of cash. The use of these technologies, while having its flaws, did bring some transparency to the programme (Dreze 2014). However, due to the continued emphasis on leakages, post 2008 the electronic muster rolls (EMRs) were introduced replacing the attendance sheets. As per activists<sup>24</sup>, it is at this point when the system started shifting from being 'technology friendly to technocracy servient'.

The idea behind EMRs was that when labourers demanded work, they could have a dated receipt as proof to claim their unemployment allowance. It was also felt that with paper MRs, fake names were being entered and EMRs could put an end to this malpractice. In practice however, the EMRs solved neither of these problems. Many work sites continued

<sup>23</sup> <https://www.indiaspend.com/19-states-freeze-mgnrega-payments-centre-not-releasing-funds-2/>



to use paper muster rolls for attendance and fake names also continued being entered. The use of EMRs only brought extra paperwork and in some areas brought back middlemen, thereby, undermining the right to demand work.

The shift from cash payments to bank (or post office) accounts, then to electronic payments, and finally to Aadhaar-based payments were also supposed to enhance transparency and reduce leakages. But biometric authentication has also not been able to curb corruption. With wages being paid into bank accounts, wage corruption is only possible by coercing (where money is forcefully taken away from labourers post withdrawal) or colluding with fake labourers who are on the Muster Rolls but have never worked. Both these practices continue even post Aadhar.

Since 2013, the Supreme Court has ordered several times that Aadhaar is not compulsory. However, the Ministry has repeatedly attempted to evade these orders. NREGAsoft has been reworked so that work demand can only be registered if it is accompanied by the Aadhaar number. While an exemption feature exists, is not understood by field staff, and there is extensive pressure by the government to achieve Aadhar integration. The pressure has been so immense that in some states the field staff has deleted job cards when the Aadhaar number is unavailable. There is evidence showing how the use of Aadhar with NREGAsoft is leaving lakhs of workers unpaid every year<sup>25</sup>.

### 3.3 Excessive Centralization

The real-time MIS-based implementation and centralised payment has left Panchayati Raj Institutions with no role in implementation, monitoring and grievance redress of NREGA schemes<sup>26</sup>. Convergence with other schemes without considering local priorities such as linking NREGA to Pradhan Mantri Awas Yojana (PMAY), construction of household toilets and anganwadi centres have meant that the plans of gram sabhas and gram panchayats are not being honoured, thereby violating the Act. Further, the Centre through the arbitrary ‘Approved Labour Budget’ has put a cap on funds through the National Electronic Fund Management System. According to Ne-FMS guidelines, states won’t be allowed to generate employment above the limits agreed by Approved labour Budget making it supply driven rather than demand driven<sup>27</sup>. All these measures have led to an excessive centralization of the programme undermining one of its primary objectives of decentralized planning.



<sup>24</sup> <https://www.ideasforindia.in/topics/poverty-inequality/mnrega-technology-vs-technocracy.html>

<sup>25</sup> <https://www.epw.in/journal/2017/6/web-exclusives/ten-ways-mgnrega-workers-do-not-get-paid.html>

<sup>26</sup> <https://www.ideasforindia.in/topics/poverty-inequality/mnrega-technology-vs-technocracy.html>

## 4. Recommendations

- To ensure the demand driven character of the programme is maintained it is important to provide employment to all households that apply for work. In case of unavailability of work unemployment allowance must be paid.
- Currently, the average days of employment provided is far below the mandated 100 days. A roadmap needs to be put in place to ensure that the days of employment is increased gradually and the mandated 100 work days are provided in the near future. This is primarily dependent on the funding which needs to be increased.
- The Government needs to increase the wage rate. Further the centre should act on the Mahendra Dev Committee report on MGNREGA wage rate indexation. It should also be ensured that the wage rates are similar across similar states with similar working conditions.
- Rigorous analysis of delay in wage payments in terms of FTO pendency should be carried out on daily basis and appropriate action needs to be taken at the Central and State level.
- Dated receipts for demanded work should be issued so that workers can claim unemployment allowance and compensation whenever applicable.
- The use of labour displacing machinery and contractors needs to be completely prohibited and strict action needs to be taken in case of violation.
- Social Audits, Grievance redress and Ombudspersons need to be strengthened. Set up an independent social audit unit and frame detailed training programmes for Social Audit functionaries.
- The awareness about provisions continues to be low. Appropriate IEC campaigns need to be increased in partnership with CSOs.
- A lack of funding is at the root of a majority of the problems associated with MGNREGA implementation. There needs to be a roadmap to ensure funding requirements are met. It also needs to be ensured that the fund flow to the states by the centre is smooth. The delay in payment to the states, due to shortage of funds needs to be resolved by the Centre.
- Need independent audit of all technological features to understand the major gaps in implementation using technology. The Tamil Nadu Model where technology has been put to good use needs to be studied further to assess the possibility of replication.
- Training and capacity building of elected representatives and other functionaries of PRIs especially in use of technology must be done regularly.
- The tendency to over-centralise implementation of the programme needs to be stopped. It has to be ensured that the programme remains demand driven.
- The Central Government needs to ensure effective implementation of appropriate grievance redressal.
- Independent audit needs to be conducted regularly and good practices need to be replicated.

## 5. Conclusion

MGNREGA in its first fifteen years of implementation has had major achievements. The benefits of the scheme have been widely reported across the country. However, as shown in this report there are currently many challenges associated with its implementation process. There are many implementation bottlenecks such as lack of funding, low wages and delays in payment, use of labour displacing machinery, and a lack of awareness which are dissuading people from demanding work under the scheme. But there are many areas where the scheme has worked, where employment as well as wage payment is provided regularly and reliably, and the infrastructure built is useful and sustainable. People have reported positive changes such as reduced dependence on moneylenders and a reduction in distress migration.

Many advocates of MGNREGA share the conviction that if properly implemented, the scheme has potential to transform the face of rural India. To achieve this potential, however, additional reforms are needed across the process of implementation, ranging from the demand for work, timely payments of wages and unemployment allowances, as well as monitoring and auditing processes. Such reforms can help further strengthen the innovative legislative framework that the MGNREGA provides. Consequently, it can strengthen India's social protection system and ensure a greater level of income security for the rural populations.



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