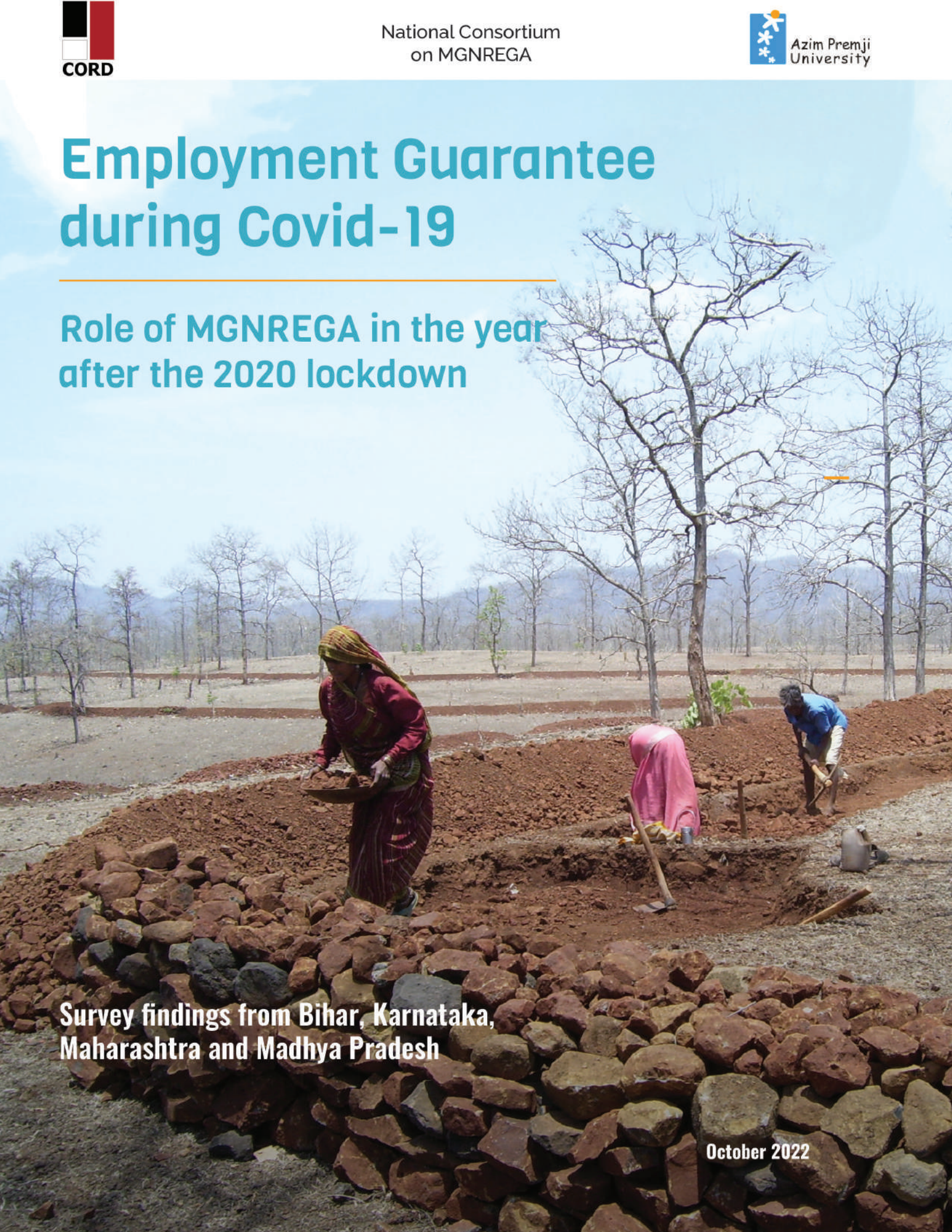


# Employment Guarantee during Covid-19

## Role of MGNREGA in the year after the 2020 lockdown

Survey findings from Bihar, Karnataka,  
Maharashtra and Madhya Pradesh

October 2022









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## About Azim Premji University's Work on Sustainable Employment

Azim Premji University was established in 2010, by the Azim Premji Foundation, with a clear social purpose of working towards a just, equitable, humane, and sustainable society. All of the University's programmes, teaching, research, and practice, work towards this purpose. To contribute to the critical matter of India creating just and sustainable employment, the University has set up the Centre for Sustainable Employment (CSE), which conducts and supports research in areas of work, labour, and employment. The University is attempting to provide empirically grounded, analytical reflections on the state of work and workers in India, as well as to evaluate and propose policies that aim to create sustainable jobs. The University's CSE website is an important part of this agenda. In addition to research papers and policy briefs, it hosts government reports, as well as data and statistics on the Indian labour market.

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## National consortium of civil society organisations on NREGA

The National Consortium on NREGA is a loosely federated collective of civil society organisations (CSOs) that have come together to try and make NREGA a success. The Consortium was born out of a vision of making NREGA effective by active participation of Civil Society Organisations in planning, implementation and social audit of NREGA works.

These CSOs have developed relationships with Panchayati Raj Institutions (PRIs), including Gram Panchayats (GP) and Gram Sabhas (GS), in some of the most backward and neglected districts of India. Reflecting the immense diversity of this vast nation the strategies adopted by the CSOs for building these partnerships have been different in each case. They have supported GPs and GSs in various aspects of planning, implementation and social audit of NREGA work.

On the foundation of this growing engagement with PRIs, the CSOs have sought to partner the state and central governments, in building training material, mainstream innovative ideas, help build capacities of government functionaries and advocate for changes in the policy regarding MGNREGA. Many of the recommendations made by the Consortium in its successive reports have found their way into MGNREGA policy, especially the MGNREGA 2.0 Guidelines of 2013.

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# Contents

<b>Foreword</b>	<b>10</b>
<b>Executive Summary</b>	<b>12</b>
<b>Chapter 1 - Introduction</b>	<b>17</b>
<b>Chapter 2 - Survey Design, Sampling and Block Characteristics</b>	<b>21</b>
<b>Chapter 3 - Impact of Covid-19 on Employment and Incomes</b>	<b>27</b>
<b>Chapter 4 - Functioning and Impact of MGNREGA during the Covid-19 Pandemic</b>	<b>31</b>
<b>Chapter 5 - Conclusion</b>	<b>65</b>
<b>Bibliography</b>	<b>73</b>

## List of figures

<b>2.1</b>	Survey reference periods	23
<b>2.2</b>	Comparison of selected GPs to all GPs in the chosen blocks	24
<b>2.3</b>	Comparison of selected households to all job card holding households in selected GPs	24
	a: Proportion of SC households	25
	b: Proportion of “Other” households	25
	c: Median days of employment per household	
<b>3.1</b>	Fall in workforce participation rate compared to pre-Covid period	27
<b>3.2</b>	Comparison of annual household income pre-Covid and Covid years	28
<b>4.1</b>	Overall impression of MGNREGA	
	a: Helped in overall development of the village	33
	b: Made travel easier	33
	c: Increased incomes	33
<b>4.2</b>	a: Most frequently mentioned aspect of MGNREGA that households like	34
	b: Second most frequently mentioned aspect of MGNREGA that households like	34
<b>4.3</b>	% Households recommending that each individual should get 100 days of work in a year	36
<b>4.4</b>	What are the alternatives to working in MGNREGA	37
<b>4.5</b>	Median daily wages in private village employment versus MGNREGA daily wages in FY20-21	38
<b>4.6</b>	Percentage households that registered their demand for work in the Covid year	40
<b>4.7</b>	Average number of days of work needed among households that did not work in the Covid year	41
<b>4.8</b>	Distribution of unmet demand among households that worked in the Covid year	42

<b>4.9</b>	% households citing 'inadequate works' as the main reason for rationing	43
<b>4.10</b>	Second most frequently cited reason for not getting as much work as desired	44
<b>4.11</b>	Ease or difficulty of getting work in the Covid year compared to the Pre-Covid year	46
<b>4.12</b>	In the Pre-Covid year did households get as many days of work as desired	46
<b>4.13</b>	Need for MGNREGA work in the Covid year compared to the Pre-Covid year	47
<b>4.14</b>	Need for MGNREGA work in the Covid Year among households with very high unmet demand in the Pre-Covid year	48
<b>4.15</b>	% Households that reported receiving wages within 15 days of completion of work in FY 2020-21	50
<b>4.16</b>	Primary payment disbursement agency before Covid	51
<b>4.17</b>	% Households that did not change payment disbursement agency	52
<b>4.18</b>	Compared to the Pre-Covid year, was it easier/same/harder to access money	53
<b>4.19</b>	e-FMS based payment schedule	56
<b>4.20</b>	Ne-fms process flow for transfer of wages from the union government to workers	57
<b>4.21</b>	Distribution of time taken for transfer of wages by Union Government by payment type	59
<b>4.22</b>	MGNREGA earnings in the pre-Covid and Covid year for sample households	60
<b>4.23</b>	Did MGNREGA earnings make a difference to the financial situation	62
<b>4.24</b>	a - How were MGNREGA earnings used by the household (% households)	63
	b - If MGNREGA earnings had not been there, what would have been the consequences	63



## List of tables

<b>2.1</b>	MGNREGA MIS characteristics for the chosen blocks	22
<b>2.2</b>	List of blocks selected for the survey, along with partner organisations	22
<b>2.3</b>	Characteristics of the blocks in the Pre-Covid (FY2019-20) baseline period	26
<b>3.1</b>	Workforce participation rate (%) by block and by gender, pre-Covid and during Covid period	29
<b>3.2</b>	Annual household income pre-Covid compared to Covid period	29
<b>4.1</b>	Min. agriculture wages and MGNREGA wage rates in the four states	39
<b>4.2</b>	% households who wanted to work but did not get even a single day of work	40
<b>4.3</b>	Possible average additional earnings if 60 days of work was made possible through MGNREGA for households that did not work in the Covid year	41
<b>4.4</b>	Sample size of households that worked in the Pre-Covid Year and the Covid year	45
<b>4.5</b>	% households who reported receiving receipts for work demanded always, sometimes or never	45
<b>4.6</b>	Steps, timelines and responsibilities under the Ne-fms for timely payment of wages	49
<b>4.7</b>	Households in the sample that retained or changed the payment disbursement agency in the Covid year compared to the Pre-Covid year	52
<b>4.8</b>	Median number of visits to bank branch to withdraw wages	53
<b>4.9</b>	Median MGNREGA share in the total household income	60
<b>4.10</b>	Extent to which MGNREGA earnings compensated households for lost incomes	61
<b>4.11</b>	Block level statistics for chosen survey blocks from the MGNREGA MIS	61
<b>5.1</b>	How much more funds were needed to pay labour wages to incorporate unmet demand	67

# Foreword

The Covid-19 pandemic has been one of the worst disasters that the world has witnessed in the past century. Apart from being a worldwide health emergency, it has deleteriously impacted the lives of the some of the poorest and most vulnerable populations across the globe. In India too, the poor have been at the receiving end of the pandemic, with multiple lockdowns virtually bringing the economy to a standstill and squeezing the sources of income for the poor across the board.

While the pandemic offers an opportunity to examine complex issues of our interdependence with nature, solutions to which are more long-term, it also forces us to look at how we are equipped as a nation to deal with the immediate fallout of such emergencies, especially for those at the margins.

One of the aims of MGNREGA has been to offer lean-season employment and a degree of social protection to those who need it the most. The Consortium felt that it would be good to examine how well, if at all, MGNREGA stepped up to play its role of sequestering the rural poor in these pandemic times. It would also be an opportunity to reflect on how the policy and implementation of MGNREGA could be strengthened to make it better suited to play the role it is expected to. The Consortium requested Azim Premji University and Collaborative Research and Documentation to carry out a multi-state study to look at the performance of MGNREGA during the Covid-19 pandemic.

The present study looks at the MGNREGA performance in 8 blocks of 4 states – Bihar, Karnataka, Madhya Pradesh and Maharashtra. On the basis of a sample survey, it seeks to look at the overall perceptions about MGNREGA amongst beneficiaries as well as issues of unmet work demand and wage payments. The study records how the pandemic has negatively impacted employment and incomes of the rural poor in these states, particularly a fall in migrant remittances. It is noteworthy though, that overall impressions about MGNREGA were positive amongst stakeholders, especially its role in stemming distress migration. Indeed, a majority of those surveyed suggested that the right should be for each individual rather than a household. Quite understandably, there is a gap between demand for work and the work made available. However, notwithstanding this, MGNREGA had a positive impact on incomes of the poor, especially compensating to a significant extent the losses of income experienced during the pandemic.

Based on the field study, the report goes on to make recommendations for how MGNREGA could play its role more efficaciously. It is hoped that this report will contribute to the policy debate on MGNREGA. There is an urgent need to draw from the experiences of the pandemic and ensure that the most vulnerable in the country are protected.

**P.S. Vijayshankar**

***Samaj Pragati Sahayog***

# Executive Summary

## About the study sample

- This study examines the performance of MGNREGA during the Covid-19 pandemic in eight blocks across four states of India, viz. Bihar, Karnataka, Maharashtra and Madhya Pradesh.
- MGNREGA functioning is analysed along the following dimensions: overall impressions of the programme among job card holding households, extent of unmet demand, wage payments, changes in programme functioning during the pandemic, and effectiveness of MGNREGA as a safety net.
- The blocks were chosen from a list of blocks in which Civil Society Organisations part of the NREGA Consortium are working. All blocks on this list were ranked based on their performance in MGNREGA as reflected in the Management Information System (MIS). Highest and lowest ranked blocks were chosen in each state and are referred to as high performing and low performing blocks in the study
- The blocks chosen were - Phulparas (Madhubani) and Chhatapur (Supaul) in Bihar, Bidar (Bidar) and Devadurga (Raichur) in Karnataka, Khalwa (Khandwa) and Ghatigaon (Gwalior) in Madhya Pradesh, and Wardha (Wardha) and Surgana (Nashik) in Maharashtra.
- A two stage random sampling was followed in the chosen blocks. In the first stage, five Gram Panchayats (GP) were randomly chosen in each block based on the Census 2011 list. In the second stage, 50 households were randomly selected in each GP from the MGNREGA MIS list of job card holders. The sampling method ensures representativeness of the results at the block level for all job card holding households.
- The survey was conducted in November-December 2021. Two reference periods were employed. The first covered the pre-Covid financial year (April 2019 to March 2020) and the second covered the Covid financial year (April 2020 to March 2021).

## Impact of Covid-19

- Households interviewed in the study are relatively more vulnerable than the general population, tending to belong to lower castes, showing higher levels of landlessness, very low household incomes and a preponderance of casual workers.
- We observed large negative effects on employment and incomes in all the surveyed blocks. The vast majority of households reported a loss of income in the Covid year, on average amounting to 30% to 50% depending on the block.
- In three of the study blocks, Khalwa in MP and the two blocks in Bihar, remittances from migrant workers formed a large part of household income. Prior to Covid, remittances were 43% of household income in Khalwa, amounting to ₹37,800 per year. In Chhatapur, prior to Covid, remittances were 50 percent of household income, amounting to ₹61,000 per year and in Phulparas, they were 67% of household income, amounting to ₹48,000 per year.
- The other blocks did not contain a significant number of households with reverse migrants. But those households who did report reverse migration (i.e., migrant workers who had returned home during Covid) were receiving on average an annual remittance of ₹55,600

per year from such workers who were forced to return home.

### **Overall impressions of MGNREGA**

- In Karnataka more than 60% of households in both blocks felt that MGNREGA had contributed to the overall development of the village. This number was lower though still significant in the other states - MP 40-60%, Maharashtra 20-40%, Bihar 20-30%. Further, even households who had not worked in the programme during the Covid year mentioned this aspect as a desirable one in all the states.
- In every survey block, not having to migrate was the most frequently mentioned when asked about specific positive aspects of the programme.
- The popularity of the programme can also be judged from the fact that a large majority of households in each block, reaching 100 percent in Bidar and Ghatigaon, recommended that each individual, rather than each household should get 100 days of work.

### **Unmet demand**

- A large majority of households faced rationing in the programme and could not get as much work as they wanted during the Covid year. Across all blocks, roughly 39 percent of all the job card holding households interested in working in MGNREGA in the Covid year could not get a single day of work.
- On average, such households would have liked at least 77 days of MGNREGA work that year. This was highest in Wardha, Maharashtra where the need for MGNREGA work touched 92 days.
- Even among those households that did find work under the programme during the Covid year, days of work obtained fell far short of days desired- 75 days or more in both the blocks of Bihar, and the low performing blocks in Karnataka (Bidar) and Madhya Pradesh (Khalwa), 70 days in Wardha, Maharashtra (high performing block), and between 50 to 60 days in the remaining blocks.
- Among households that worked for at least one day in the Covid year, the weighted median unmet demand across all blocks was 64 days. In other words, households that worked for at least one day in the Covid year, would have liked to work for 64 more days on average.
- As per the MIS, the total amount spent on labour in the surveyed blocks in the Covid year was INR 152.68 crores. We estimate that to fulfil the true demand for work in these blocks, the allocated labour budget should have been INR 474.27 crores, i.e., more than 3 times the amount actually spent on wages.
- The most frequently mentioned reason for not getting as much work as needed, across all blocks, was lack of adequate works being sanctioned/opened. On average, 63% of all job card holding households cited this reason in the surveyed blocks.
- In five out of the eight blocks, the second biggest reason cited was 'Contractor Did Not Inform.' As per the Act, contractors are banned in MGNREGA. But the study reveals high prevalence of contractors especially in the two blocks of Karnataka where nearly half to two-thirds of the households have picked this reason. And, nearly half the households in the low performing block of Bihar (Phulparas) have alluded to contractors not informing them as a key reason for not getting enough work.



### **Wage payment delays**

- On average, only 36% of all households that worked in the Covid year said that they got their wages within 15 days. This is a weighted average and is representative across all the surveyed blocks.
- The high performing blocks of Karnataka and Maharashtra had the most positive experience concerning timely payment of wages. But even here, only a little less than half the households said that they got their MGNREGA wages within the 15 day period.
- The situation seemed particularly harsh in both the blocks of Madhya Pradesh where only 1% of the households said that they got their wages within the 15 day period in the Covid year. In the high performing block of Bihar, only 15% of the households said that they got their wages within the 15 day period.

### **Effectiveness as a safety net**

- Despite the problems of unmet demand described above, MGNREGA earnings were observed to be a significant share of household income (excluding remittances) in all the surveyed blocks. This ranged from a low of 6% in Bidar to a high of 47% in Phulparas. The share increased in all blocks except Wardha during Covid.
- We estimate that, for households who found work in both the periods (pre-Covid and Covid), increased earnings from MGNREGA were able to compensate for somewhere between 20 to 80 percent of income loss depending on the block. Khalwa emerges as a very good performer in this respect (80 percent). This is supported by MIS data as well, where Khalwa shows the largest increase in person days worked as well as number of households who found work during the Covid period.
- For households who had not worked in the pre-Covid year but did find work during the Covid year, we find that MGNREGA earnings compensated for anywhere between 20% and 100% of income lost from other sources.
- Despite low wages and delays in wage payments, MGNREGA clearly made a difference during the pandemic, insuring some of the most vulnerable households in rural India against income losses. But it fell quite a bit short of fully protecting households either because it did not meet their demand or completely excluded them from finding any work under the programme. This underscores the need for massive expansion of the programme.

### **Implications and recommendations**

- Based on this study we recommend the following steps.
- Increase the number of administrative personnel by at least doubling the field functionaries to deal with increased work demand. This is also likely to reduce corruption.
- Increase the shelf and scope of permissible works and prioritise community works over individual asset creation to absorb more unmet demand.
- Ensure that computerised receipts are given to workers for work demanded.
- Job cards are the only document in the hands of workers where their own information on MGNREGA is available to them. The job cards should be updated with the work done, wages earned etc. In addition to manual updating of information on job cards, equip each panchayat to a job card printing facility similar to passbook updation facilities in banks.
- The Union government must ensure that delay compensation for wage payment delays is paid for the full extent of delay, i.e., till wages are credited to the workers' accounts to be in

compliance with the Act and Supreme Court orders.

- Implement the Government Circular, RE-I (360078), dated 31st July, 2018 concerning the distribution of wage slips to workers. Such wage slips should be generated through NREGAssoft and must also be downloadable from the MIS. It is the responsibility of the Gram Rozgar Sevak to distribute the wage slips to workers at a public place e.g. the worksite, panchayat bhavan, gram sabha.
- The wage slips should minimally contain the following information: Name of the worker, Worker's Job Card number, Scheme on which work was done, Muster Roll Number, Muster Roll Start Date and End Date, Number of days worked on the Muster Roll, Amount of wages credited in the worker's account (Rs), Bank account number in which wages are credited, Name and branch of account in which wages are credited, Date of generation of wage slip, wage rate for the wages.
- Display a 'Know Your Rights (KYR)' concerning MGNREGA and banking rights in public places such as panchayat bhavans.
- Ensure that the 7 registers are manually maintained in every GP. This can help in keeping track of the parity between the workers' experience and the information on the MIS.
- MGNREGA wage rates should be increased to at least the state minimum wages or INR 375 per day as recommended by the Anoop Satpathy Committee and must be indexed with CPI-R instead of CPI-AL.
- MGNREGA is meant to strengthen the 73rd Constitutional Amendment that gives primacy to the Gram Panchayats but the current funds flow system through the Ne-fms has reduced the power and autonomy of GPs. Ensure that the GPs get funds in advance so that more works are available.
- The GPs should have more power in identification of works.
- Owing to more trust in bank branches and to increase financial inclusion, there is a need to increase branches in rural areas.
- Social audit units need adequate capacity to improve fundamental aspects of programme functioning from ensuring that workers get receipts for work demanded to ensuring that contractors are not exploiting MGNREGA.
- Every agency involved in the payment of MGNREGA wages must be brought within the ambit of social audits with clear penalty norms in case of violations. In addition to field functionaries such as the Gram Rozgar Sahayak (GRS), Junior Engineer, the Programme Officer, the following institutions should also be brought under social audit norms: the National Payments Corporation of India (NPCI), UIDAI, banks, and BC/CSPs





As the Covid-19 pandemic fades from media headlines and perhaps even public consciousness, it is important to ensure that lessons learned are not forgotten. India's social protection systems were put to a gruelling test during the two years of the pandemic. We gained valuable insights into what worked and what did not.<sup>1</sup> Two programmes stand out in the role they played protecting vulnerable households from the worst of the pandemic's effects. These are the National Food Security Act (NFSA) and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

This report documents the main findings of a study of eight blocks across four states of India on MGNREGA

functioning during the pandemic year (Financial Year 2020-21). A key motivation of the study was to determine the extent to which working in the programme provided income support or security to vulnerable households during the pandemic. Another important objective was to estimate the extent of and reasons for unmet demand, i.e., a discrepancy between the number of days a household desires to have MGNREGA work and the number of days it actually gets work. Finally, we also investigated other aspects of MGNREGA such as programme awareness, its utility, registration of work demand, modes of work availability, payment of wages etc.

## 1.1 MGNREGA and Covid-19

### 1.1.1 About the programme

MGNREGA is a right to work programme that guarantees 100 days of employment to every rural household that demands work. The types of work undertaken include, but are not limited to, production and maintenance of public goods such as roads, canals, ponds, and forests as well as private goods such as wells. Although building on pre-existing programmes (such as the Maharashtra Employment Guarantee Act, the Sampoorna Gramin Rozgar Yojana, and the National Food For Work Program), MGNREGA is different in seeing employment as a right and therefore legally binding the Government of India to provide employment to those who demand it, within 15 days of the demand being officially made. In case the government fails to provide work in the stipulated period, the household is due an unemployment allowance.

By design, MGNREGA is designed to act as an insurance mechanism against shocks such as the pandemic because it is a demand-driven programme. This means

that the programme budget should rise automatically when more households demand work under it. In practice, the programme is mostly supply-driven, i.e., the allocation of funds decides how many person-days of work can be created in a given year. But despite a chronic situation of unmet demand the programme is one of the largest social safety nets anywhere in the world. As of 2022-23 it has 15.4 crore active workers.

In addition to taking a rights-based approach to employment provisioning, it includes several other innovative features such as equal pay for men and women, on-site child-care facilities, an attempt at grassroots democracy and participatory governance. It has generated tremendous interest in academic, policy, and activist circles. The programme was born out of a civil society movement and workers' organisations across the country have played a key role in ensuring that it functions well. Academics for their part have produced several studies examining almost all aspects of its design

<sup>1</sup> For one overview of social protection during the pandemic see Azim Premji University (2021) and references therein.

and functioning: employment generated, infrastructure created, the impact on wage rates, poverty, income and consumption, impact on local social relations, problems with implementation, corruption, etc.<sup>2</sup>

### 1.1.2 Role during the pandemic

Several reports and field surveys have brought out the crucial role played by MGNREGA during the pandemic. “NREGA trackers” brought out periodically by the Peoples’ Action for Employment Guarantee (PAEG) group using official data from the Management Information System (MIS) of MGNREGA clearly showed a huge increase in demand for work.<sup>3</sup> The 2020 PAEG tracker shows that 35 lakh new job cards were made between April- June 2020 (during the nationwide lockdown) and till November 2020 over 252 crore person-days of work were generated, an increase of 43 percent compared to previous year.

The Parliamentary Standing Committee on Labour noted that, “there is no better scheme than the MGNREGS to provide sustainable livelihood to the unskilled workers, including the inter-state migrant labours.”<sup>4</sup> The committee also recommended an expansion in the list of permissible works. Recognising the importance of MGNREGA during the pandemic, programme allocation was increased by the Union Government during the Covid year (FY 2020-21). INR 1,11,170 crores were spent on the programme in this year, a large increase from the pre-Covid allocations of around INR 60 to 70,000 crores. Subsequent PAEG trackers showed that increased demand for work under the programme continued into 2021 and 2022. However, budget allocations returned to pre-Covid levels in the following year.

Narayanan, Oldiges, and Saha (2020) investigated whether the programme expansion during the Covid year was enough to meet the surge in demand in districts that account for a large share of outmigrants.<sup>5</sup> The study emphasises the continued problem of unmet demand for MGNREGA work. The rationing rate or the percentage of households who demanded work but did not get it, went up in May-August 2020 to 22.7 percent as compared to 15 percent for the same months of 2019. Further these rates are derived from the MGNREGA MIS and are likely to be underestimates of the actual unmet demand. This is because demand for work is often not recorded at the panchayat level if officials know that work cannot be provided due to lack of funds or other reasons.<sup>6</sup>

Estimates of unmet demand for work are also available from various field surveys. The Azim Premji University CLIPS showed large unmet demand for MGNREGA work during October-November 2020. Since April, only 55 per cent of those rural respondents who demanded work had been able to get it, that is a rationing rate of 45 per cent (Azim Premji University 2021). Further almost everyone (98 per cent) who got work said they would like to work for more days. A much larger survey, by Gaon Connection-Lokniti (25,300 respondents in 179 districts across 20 states and three union territories) found a much lower 20 percent of households who wanted work actually getting it during the months of June and July, i.e a very high rationing rate of 80 per cent.<sup>7</sup>

There is evidence to show that continued rationing out of workers from the scheme discourages them from

<sup>2</sup> See Basole and Jayadev (2018) and references therein. See also Desai et al.(2015), Klonner and Oldiges (2014), Himanshu and Kundu (2017), Muralidharan et al. (2018)

<sup>3</sup> The trackers are available at: <https://drive.google.com/drive/folders/1QTdnMp9eooJECpVIYorpwcajgxBoS2-r>

<sup>4</sup> <https://www.telegraphindia.com/india/house-praise-for-employment-scheme-modi-panned/cid/1806621>

<sup>5</sup> See this article for a summary of the research paper: <https://www.ideasforindia.in/topics/poverty-inequality/does-workfare-work-mnrega-during-covid-19.html>

<sup>6</sup> [https://www.business-standard.com/article/economy-policy/govt-uses-off-record-whatsapp-instructing-states-to-cut-back-work-for-mnrega-116102400673\\_1.html](https://www.business-standard.com/article/economy-policy/govt-uses-off-record-whatsapp-instructing-states-to-cut-back-work-for-mnrega-116102400673_1.html)

<sup>7</sup> <https://www.bloombergquint.com/economy-finance/only-20-surveyed-found-jobs-under-mgnrega-during-lockdown-gaon-connection>



demanding work (Narayanan et al. 2016). For example, in Bihar, where the programme has not functioned too well historically, the RCRC survey conducted in June-July 2020 (3,093 households across 12 districts) found that a mere 11 percent of poor rural households with incomes less than INR 2,500, had availed of the programme.<sup>8</sup>

### 1.1.3 Falling short but playing a crucial role

The present study provides another estimate of unmet demand for the study blocks during the Covid period. We find that even this increased spending fell well short of what was required. For the blocks chosen in the study, the MGNREGA labour budget should have been approximately three times what it was to fully meet the demand for households who had found some work under the programme. This is a conservative estimate on at least two counts. First, it excludes those households who wanted work but did not work even one day. If they are included in the unmet demand calculation, the required budget will expand significantly. Second, this estimate is based on the prevailing MGNREGA wage rates which are lower than the minimum agricultural wage rates in each of the four states where we did our survey.

Despite the problems of unmet demand, we find that MGNREGA earnings are a significant share of household income (excluding remittances) in all the surveyed blocks. Further, for households who found work in both the periods (pre-Covid and Covid), increased earnings from MGNREGA were able to compensate for somewhere between 20 to 80 percent of income loss depending on the block. Thus it is reasonable to conclude that devoting greater resources to the programme will pay off in terms of better social protection.

A recent PAEG tracker (July 2022) observes that the MGNREGA budget has hovered between 0.25 to 0.4 percent of GDP over the past few years, with the exception of the Covid year when it reached a high of 0.56 percent. The group recommended that even with the worst of the pandemic behind us, the budget would

need to be around INR 2.69 lakh crores to meet the existing demand. This amounts to roughly 1.2 percent of GDP or double the allocation of the Covid year. Note that in our study blocks even this would have been inadequate given the extent of unmet demand observed.

### 1.2 About the study

The findings reported here are based on a survey of eight blocks in four states of India - Bihar, Karnataka, Maharashtra, and Madhya Pradesh. The blocks chosen for the study were Chhatapur in Supaul district and Phulparas in Madhubani district of Bihar, Devadurga in Raichur district and Bidar in Bidar district of Karnataka, Wardha in Wardha district and Surgana in Nashik district of Maharashtra, and Ghatigaon in Gwalior district and Khalwa in Khandwa district of Madhya Pradesh. Overall 2000 MGNREGA job card holding households were interviewed across 40 Gram Panchayats. The sampling method ensures that all findings are representative at the block level.

The study was carried out by the Centre for Sustainable Employment at Azim Premji University along with Collaborative Research and Dissemination (CORD) and Civil Society partners who are part of the NREGA Consortium. Samaj Pragati Sahyog, a Madhya Pradesh-based CSO, which is part of the Consortium, was the anchor organisation for the study. The survey was carried out in close partnership with local CSOs who have been working in the selected blocks on improving MGNREGA functioning. However, the Gram Panchayats chosen for the survey were selected randomly in each block to ensure that survey findings were not influenced directly by the impact of CSO activity.

The survey was conducted in November and December 2021. Households were asked about employment earnings and programme participation in the pre-Covid year (April 2019 to March 2020) and the first year of Covid-19 (April 2020 to March 2021). The financial year was chosen as a reference period rather than the agricultural or calendar year because we wanted to

<sup>8</sup> <https://www.ideasforindia.in/topics/poverty-inequality/covid-19-how-well-are-government-schemes-supporting-bihar-s-vulnerable-populations.html>

relate findings to official data available in the MGNREGA MIS. The findings thus pertain mainly to the impact of the first nationwide lockdown and its aftermath and not the second series of lockdowns which occurred in May-June 2021.

After the survey was complete, initial results were analysed and shared with state governments in three of the four survey states - Karnataka, Maharashtra and Madhya Pradesh. These state-level consultations included civil society organisations, officials engaged in MGNREGA operations at the state-level, such as the

programme commissioners, as well as policy analysts and concerned citizens.

This present report extends the analysis presented during these consultations. It is organised as follows. Chapter Two describes the sampling procedure and presents baseline socio-economic characteristics of the chosen blocks. Chapter Three presents data on employment and income effects of Covid-19. Chapter Four takes a detailed look at the functioning of MGNREGA in the chosen blocks. Chapter Five concludes with policy implications and recommendations.

# Survey Design, Sampling and Block Characteristics

This chapter describes the sample selection process for the survey. It is well-known that MGNREGA functioning and performance vary widely across states of India (see Peoples' Action for Employment Guarantee various trackers). In part to reflect this variation and in part driven by the locations of Civil Society Organisations (CSOs) who are part of the NREGA Consortium, four states were chosen for the survey: Bihar, Karnataka, Maharashtra and Madhya Pradesh. We first outline the block selection process within a state, followed by the

sampling method for selecting the Gram Panchayats (GP) and households within each panchayat. Then we describe the construction of survey weights which makes our results representative at the block level. We then present some data comparing the selected sample to the universe of job-card households listed in the MGNREGA Management Information System (MIS).<sup>1</sup> Finally we describe the baseline socio-economic characteristics of the selected blocks as found in the survey.

## 2.1 Sampling design and weights

The survey sample was drawn in three stages. First, in each of the four states selected for the survey, a list of blocks was drawn up where a CSO associated with the NREGA Consortium was working on issues related to programme implementation. From this list, two blocks were selected in each state based on performance data from the MGNREGA MIS. A block's performance was ranked over three parameters over a period of three years (2017-18 to 2019-20): average person days of work done per household, percentage of payments generated within 15 days and percentage of National Resource Management (NRM) expenditure. The blocks with the highest and the lowest cumulative ranks were selected for the survey.<sup>2</sup>

done in order to have some variation in programme functioning within each state. It allows us to see whether effectiveness of MGNREGA during Covid was correlated with its pre-Covid functioning in a given block. Table 2.1 provides the MIS characteristics of the chosen blocks and Table 2.2 gives the list of CSO partners who participated in the study.

In subsequent chapters when blocks are referred to as "high performing" or "low performing" this refers to their MIS score on the above mentioned parameters. The first sampling stage was thus purposive in nature. This was

<sup>1</sup> The MIS is a real-time transaction engine for the programme where every step of the programme implementation – from the shelf of works to payment of wages – is digitised. It acts as a rich repository containing data on work days disaggregated at different levels - job card, Gram Panchayats, block, district and state. It also contains the proportion of payment invoices generated within 15 days at each level for each year.

<sup>2</sup> The ranks were arrived at by constructing Z-scores of each of these parameters and comparing these scores with the corresponding state figures. Admittedly, one could use other parameters to assess programme performance but the three parameters we have considered are widely acknowledged as key performance indicators.

**Table 2.1: MGNREGA MIS characteristics for the chosen blocks**

State Name	Bihar		Karnataka		Maharashtra		Madhya Pradesh	
Block	Chhatapur	Phulparas	Devadurga	Bidar	Wardha	Surgana	Ghatigaon	Khalwa
Average household person days	38.6	35.1	53.2	36.7	65	29.2	69	40.5
NRM expenditure (%)	19.7	20.6	68.5	75.9	76.1	51.2	65.5	57.5
Payments generated within 15 days (%)	98.5	65.9	85.3	71.3	92.3	89.9	93.4	85.4

Source: MGNREGA MIS

**Table 2.2: List of blocks selected for the survey, along with partner organisations**

State Name	Rank	Block	District	Partner Organisation
Karnataka	Highest	Devadurga	Raichur	Samuha
	Lowest	Bidar	Bidar	Outreach
Maharashtra	Highest	Wardha	Wardha	Dharamitra
	Lowest	Surgana	Nashik	Pragati Abhiyan
Madhya Pradesh	Highest	Ghatigaon	Gwalior	Sambhav Social Service Organisation
	Lowest	Khalwa	Khandwa	Spandan Samaj Sewa Samiti
Bihar	Highest	Chhatapur	Supaul	Gramyasheel
	Lowest	Phulparas	Madhubani	Gogardiha Prakhanda Swarajya Vikash

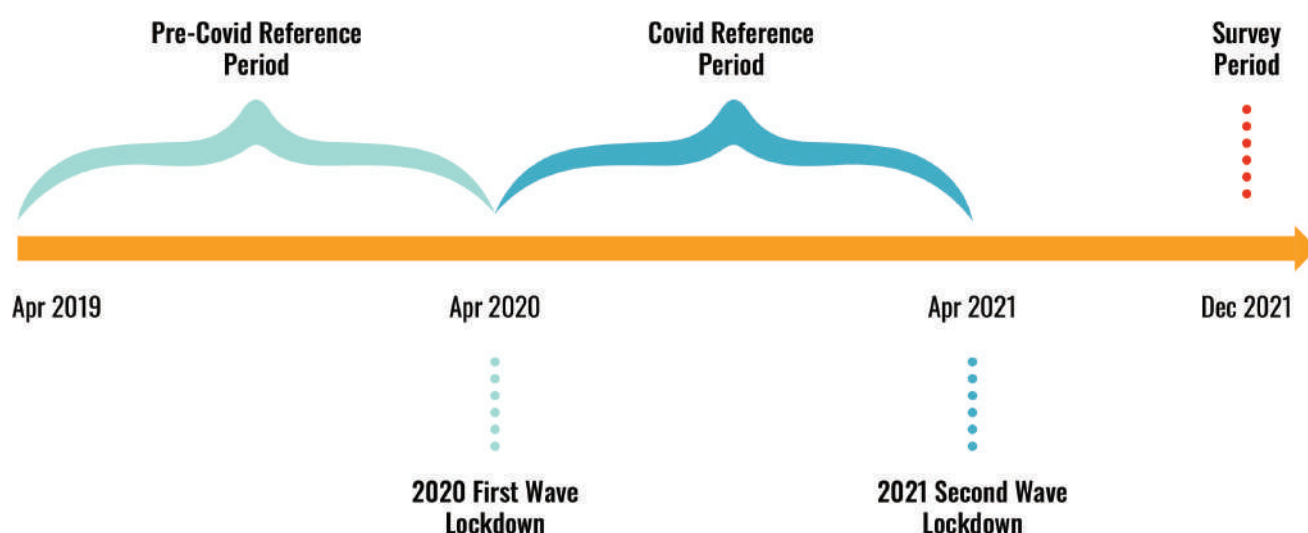
In the second stage, five GPs were randomly sampled in each block based on the Census 2011 list giving us a total of 40 GPs across eight blocks. In the ultimate stage, within each of the 40 GPs, 50 households were randomly sampled from the list of MGNREGA job-card holding households obtained from the MIS. The sample of 50 households was stratified as follows- 35 households who worked in the financial year preceding Covid (FY 2019-20) and in the Covid year (FY 2020-21), referred to as “active households” and 15 households who had not worked in the year preceding Covid but worked in FY 2020-21, referred to as “inactive households”<sup>3</sup>. The total number of households interviewed in a block is

thus 250 (50 households each in 5 GPs). Across eight selected blocks this gives a total sample size of around 2000 households.

To recap, the sampling method is purposive at the block stage and random for the next two stages, viz. GPs within a block and households in a GP. We created multipliers or weights for each surveyed household such that weighted statistics become representative of all job card holding households in the block. Separate weights are generated for active and inactive households such that the distribution of active and inactive households in the sample are similar to the respective job card holding

<sup>3</sup> Note that our nomenclature of “active” and “inactive” households are different from what the MGNREGA MIS refers to as “active” households. As per the MIS, a household in MGNREGA is considered “active” even if it has worked for 1 day in the last years. It is considered “inactive” otherwise.

**Figure 2.1: Survey reference periods**



households in the block. The weight or multiplier for active households is the ratio of the number of all active households in that block as per the MIS to the number of sampled active households in that block. Similarly, the weight or multiplier for inactive households is the ratio of the number of all inactive households in that block listed in the MIS to the number of sampled inactive households.

The survey was carried out as a series of door-to-door interviews by a team of enumerators largely belonging to the same block. The selected sample households were traced based on the job card details of a household, viz. job card number, name of the head of household, names

of members on the job card and caste. The data was collected by using SurveyCTO, a mobile data collection platform. The survey questionnaire elicited information on demographic characteristics, employment status, income from all sources, assets owned, and MGNREGA participation.

For employment, income, and MGNREGA work, two main reference periods were employed: “pre-Covid period” or the financial year going from April 2019 to March 2020 and “Covid period” or the financial year going from April 2020 to May 2021. The survey was conducted in December 2021 (Figure 2.1).

## 2.2 Sample check

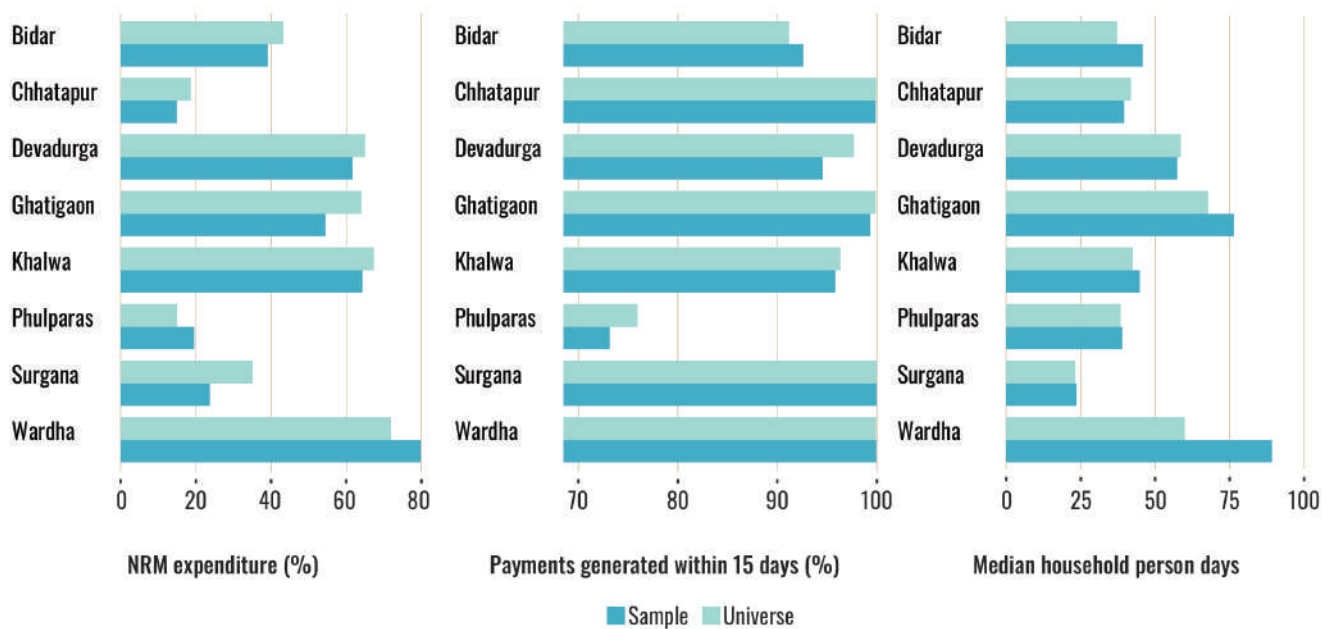
Because the entire universe of households – the sampling frame – from which our sample was drawn is available in the MGNREGA MIS, we are able to check the representativeness of our sample at the block and GP levels. At the block level, we used three indicators, namely days worked per household, percent payment generated within 15 days, and percent NRM expenditure (the same indicators that are used for block ranking). These were obtained from MGNREGA MIS data for 2019-20 for the entire block as well as for our sample GPs. Similarly, at the GP level, we used two indicators, caste category of job card holding households and days worked per household. To check the representativeness of our sample at the GP level, we compare our sample,

which is 50 randomly selected job card holding households in each GP, with the universe - defined as all job card holding households in the selected GP.

Figure 2.2 shows that the random sample of five GPs in each block has characteristics that match the overall block characteristics well on all three chosen indicators. One exception is the number of days worked in Wardha, where the average in the sample was 29 days higher than the corresponding figure for the universe. This is because of two outliers out of five sampled GPs (Talegaon and Waigaon) where the MIS recorded more than 100 days of employment per household during 2019-20. For Surgana and Phulparas sample means



**Figure 2.2: Comparison of selected GPs to all GPs in the chosen blocks**



Sources and notes: GPs randomly selected from the list of all GPs in the chosen blocks are compared to the average of all GPs in the block with respect to three characteristics - NRM expenditure, payments generated within 15 days, and days worked per household.

perfectly match with the universal mean. With respect to payments generated within 15 days and percentage of NRM expenditure, we find that our sample is mostly consistent with the universe of job card holding households in each block.

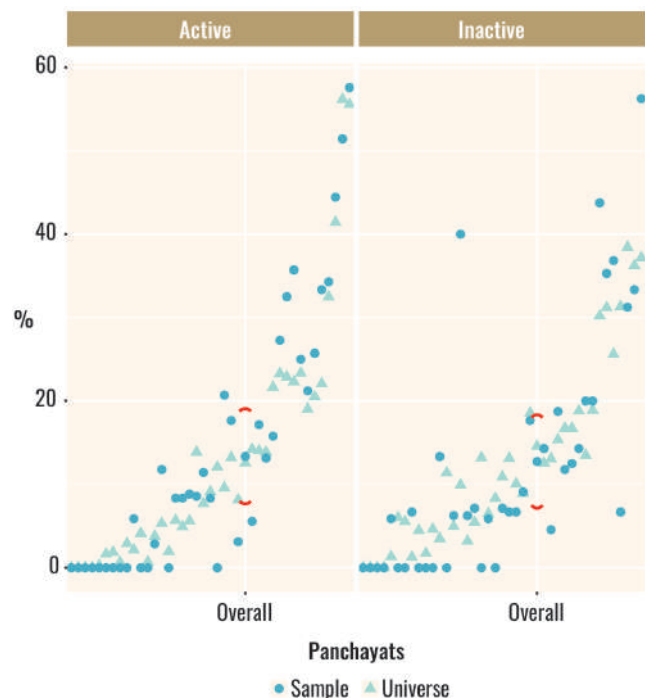
At the GP level, we check the caste group composition of MGNREGA households and days worked per household in our sample against the universe of all job card holding households in that GP. We did this exercise separately for active and inactive households. We find that for active households, the sampled households in each GP well represent all the job card holding households in that GP for both indicators.

In each of these figures we have depicted the standard errors of our sample characteristic. Observe that in each indicator for the active households, the parameter of interest in the universe of all job card holders is sandwiched between the two red bars (standard errors). These indicate that our sample is a very good representative of the corresponding universe we are sampling from.

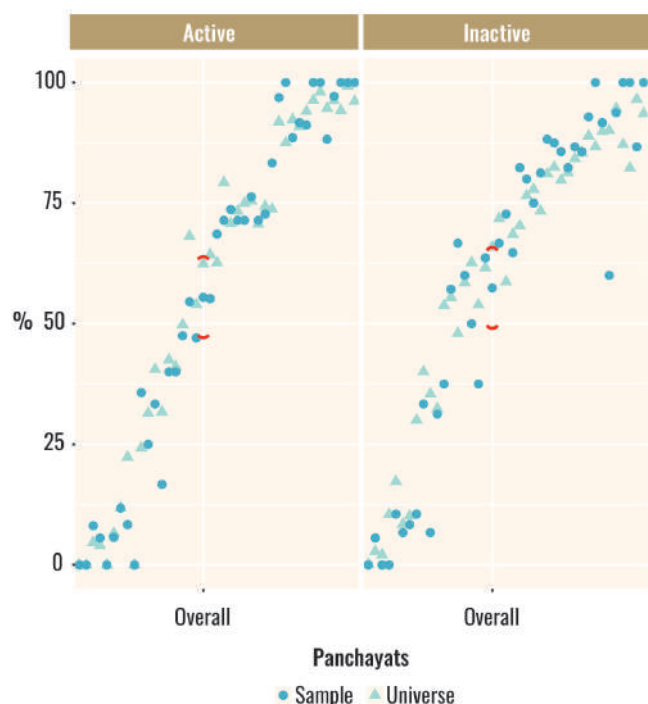
However, we find some variation between our sample and universe for inactive households with respect to the proportion of SC and Other households (Figures

**Figure 2.3: Comparison of selected households to all job card holding households in selected GPs**

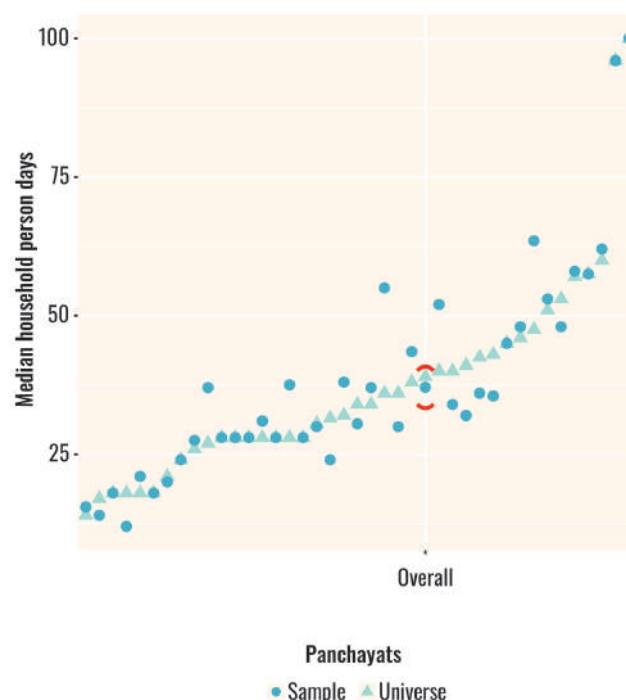
**a: Proportion of SC households**



**b: Proportion of “Other” households**



**c: Median days of employment per household**



Sources and notes: The proportion of Scheduled Caste and “Other” households, as well as median days worked per household in our sample was checked against these parameters among all the job card holding households for each GP. Results are shown separately for “Active” and “Inactive” households.

2.3). This is likely due to the lower sample sizes of inactive households.

Overall the sample check presented above shows that

both the random stages (selecting GPs from the block and selecting households in a GP) have worked well and our sample is representative of the universe.

## 2.3 Baseline characteristics for the selected blocks (2019-20)

Before proceeding to the main findings, we present baseline characteristics of the blocks that were chosen for the survey (Table 2.3). The numbers are weighted as described earlier in the chapter and hence are representative of the MGNREGA job card holding households in the chosen block. As can be seen, for several of the blocks, Scheduled Caste or Scheduled Tribe households (depending on the block) were over-represented among job card holding households as compared to their proportions in the general Indian population. Surgana block in Nashik district of Maharashtra and Khalwa block in Khandwa district of MP were predominantly tribal blocks, while in Phulparas (Madhubani district, Bihar) and Bidar (Bidar district, Karnataka) nearly half of the households were Scheduled Caste.

The extent of landlessness varied widely from a low of 14 percent in the tribal block of Surgana to a high of 75 percent in Wardha. The average size of the landholding also varied nearly ten-fold from a low of 0.4 acres in Bihar to a high of 3.5 acres in MP. The variation in household income was also significant from a high of INR 1,06,558 per year in Ghatigaon block of Gwalior district in MP to a low of INR 23,369 in Surgana in Nashik district of Maharashtra. We also observe significant within-state variation as seen for example in the fact that the average annual household income in Wardha is more than twice compared to that in Surgana. Similarly, the average annual income in Ghatigaon is over three times higher than that in Khalwa, while the average household size is the same in both.

**Table 2.3: Characteristics of the blocks in the Pre-Covid (FY2019-20) baseline period  
(in percent unless stated otherwise)**

State Name	Bihar		Karnataka		Maharashtra		Madhya Pradesh	
Block	Chhatapur	Phulparas	Devadurga	Bidar	Wardha	Surgana	Ghatigaon	Khalwa
<b>Socio-economic profile of households</b>								
Scheduled caste	22.3	46.4	22.6	42.2	14.2	3.0	12.3	19.1
Scheduled tribe	4.5	3.5	33.4	18.5	15.8	97.0	6.9	66.6
Muslim	15.6	8.9	10.9	6.1	4.3	0.0	1.5	1.9
Landless	43.4	38.7	16.7	42.5	74.6	14.0	23.0	22.9
Average land cultivated (in acres)	0.43	0.48	4.26	1.63	1.03	2.48	3.56	3.13
Average pre-Covid annual household income (INR)	44159	33414	63905	82295	56517	23369	106558	33706
Household size (numbers)	5	6	6	5	3	5	6	6
Sample size (households)	251	250	261	254	250	281	246	234
<b>Employment profile of working-age Individuals</b>								
Casual Work	52.2	54.4	28.8	59.7	77	3.4	26	30.2
Self-employed	42.4	33.2	65.7	28.6	20.8	95.4	67.8	65.9
Non-farm	32	36.2	17.4	29.4	12.5	2.6	22.8	23.6
Sample size (individuals)	407	393	893	677	569	591	588	459

Source: Field survey

Despite this variation, overall, the high proportion of SC or ST households, high levels of landlessness, very low household incomes and a preponderance of casual workers in several blocks, paints a picture of high levels of vulnerability and marginalisation in the study population. However, this is to be expected since the population is representative of MGNREGA job card holding households, which are relatively more vulnerable

or marginalised compared to all-India averages. But it should also be borne in mind that the Covid impact described in the next section is on an already extremely low level of income, and hence is indicative of severe hardship. We now turn to findings related to the impact of the Covid-19 pandemic on employment and incomes in the surveyed blocks.

## 03

# Impact of Covid-19 on Employment and Incomes

The severe impact of the Covid-19 pandemic and related lockdowns is by now well-documented. In rural areas, agricultural operations, particularly securing labour arrangements, sourcing inputs and marketing final output were affected. States like Bihar and MP which have

high rates of out-migration witnessed migrant workers returning to their villages during the lockdowns of 2020 and 2021. While there was a recovery in employment and income after the lockdowns, for certain sections of the society economic distress persisted.

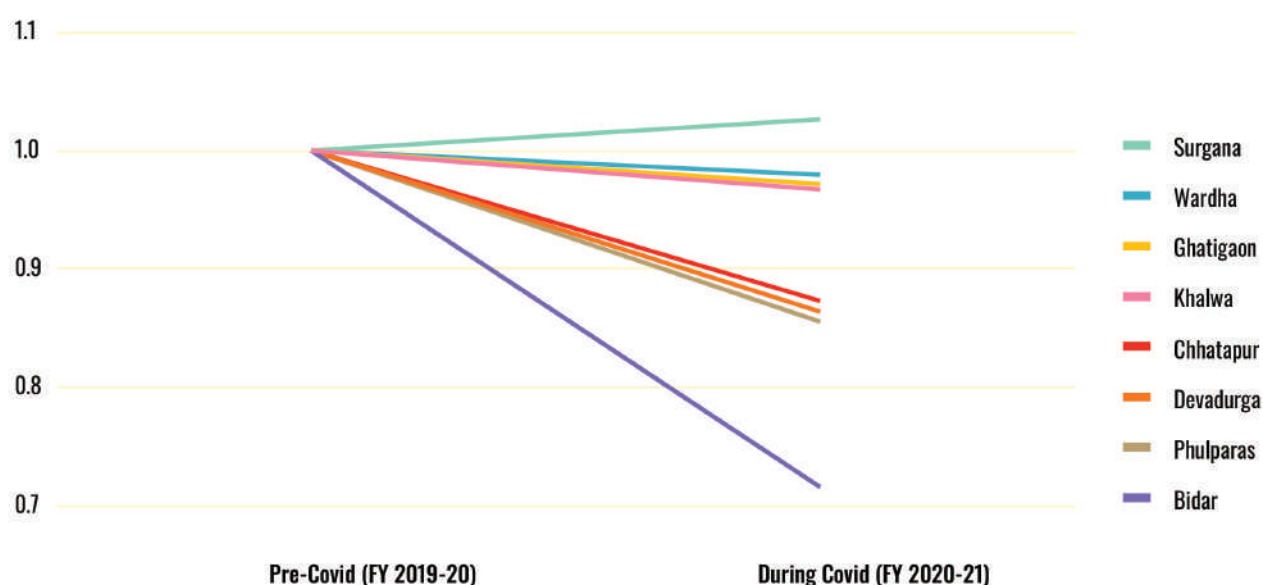
## 3.1 Impact on employment

We start with taking stock of the pandemic on the overall employment situation by comparing the annual workforce participation rate (WPR) for men and women in the pre-Covid versus the Covid year (principal status for each year). The WPR is the percentage of working age adults who are employed. The pre-Covid WPR varied widely across the study blocks, for both men and women (Table 3.1). These numbers are weighted and representative of all MGNREGA job card holding households at the block level. Note that the levels of female WPR as measured in the survey were much higher than those generally observed in national surveys such as the PLFS. In part, this could be because the

study focuses on relatively more vulnerable households where women tend to work in paid employment to a greater extent than in better-off (usually upper-caste) households. In addition, it could also be the result of the fact that survey enumerators were specifically trained to elicit information on women's paid work.

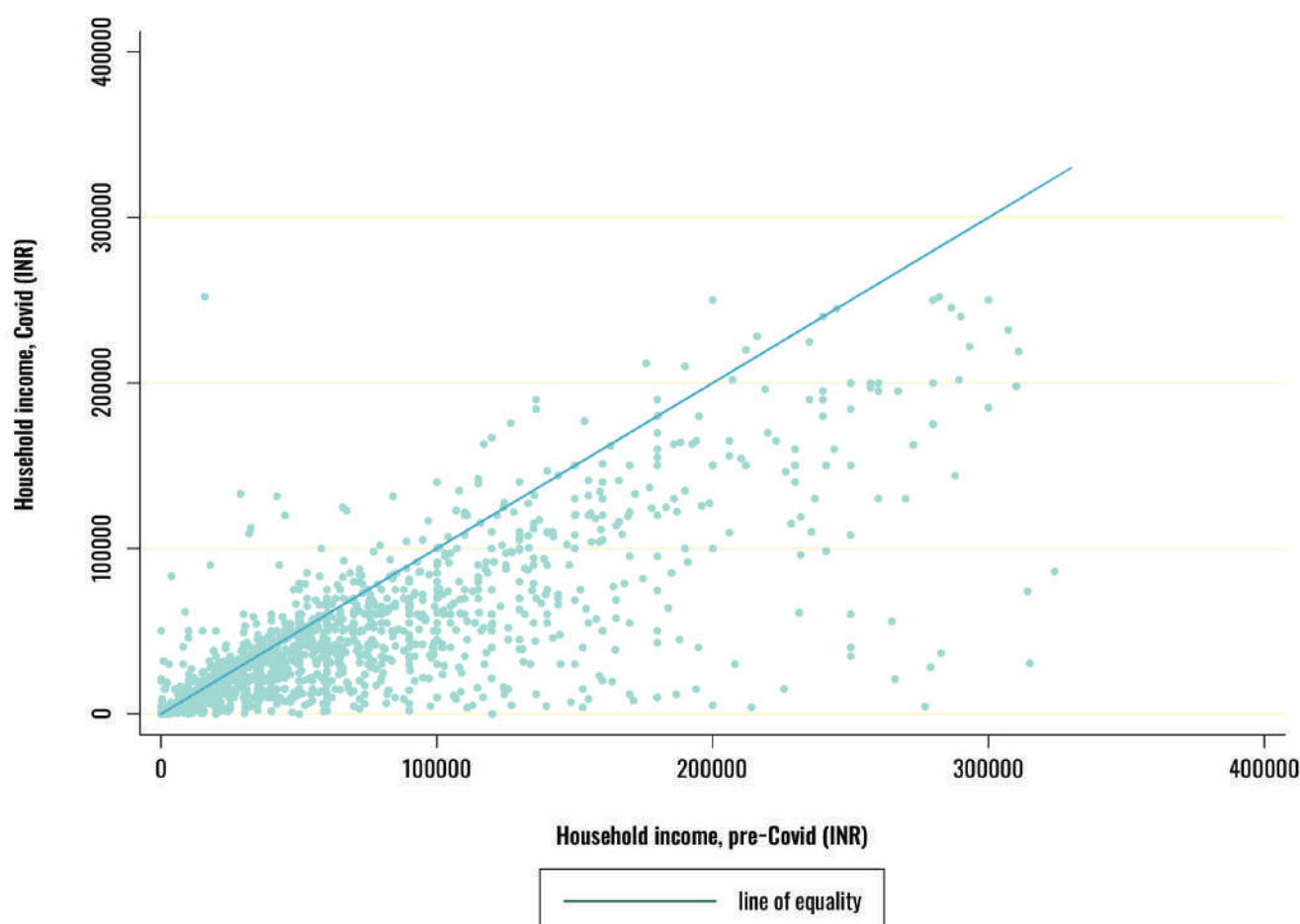
Relative to pre-Covid levels, the WPR fell for both men and women in the majority of surveyed blocks (Figure 3.1). Note that we generally expect the WPR to be stable over short periods such as a year. India has seen a fall in WPR for women in recent years for various reasons, but such a sudden drop for both men and women is a sign

**Figure 3.1: Fall in workforce participation rate compared to pre-Covid period**



*WPR levels differ for each block but have been normalised to 1 here for ease of comparison.*

**Figure 3.2: Comparison of annual household income pre-Covid and Covid years**



*Note: In this plot, each dot represents a sample household. Households lying below the line of equality experienced a loss of income.*

of a severe crisis.

### 3.2 Impact on incomes

As expected, the loss of rural livelihoods is reflected in survey data on household incomes. The survey captured incomes from various local sources including cultivation of own land and livestock, other forms of self-employment, farm and non-farm casual wage labour, and regular wage work. In addition data was also collected on remittance income prior to Covid as well as income from participation in MGNREGA before and during Covid. The impact on household incomes excluding remittances and MGNREGA is shown in Table 3.2. While data is shown here only for total household income, we note that households reported lower incomes from all village sources: cultivation of own land and livestock, casual labour in agriculture as well as

casual labour in non-farm activities. Once again, these numbers are representative at the block level. The table also shows that not only were the average losses significant, but also, with the exception of Khalwa, more than 80 to 90 percent of households reported suffering a negative income shock during the Covid year. This point is also made clear if we examine the scatter plot of our entire sample plotting total household income pre-Covid versus during the Covid year, which clearly shows the devastating impact (Figure 3.2). Moreover, these large reductions in income, in some blocks greater than 50 percent fall, came on an already low base, as mentioned earlier.



**Table 3.1: Workforce participation rate (%) by block and by gender, pre-Covid and during Covid period**

State Name	Bihar		Karnataka		Maharashtra		Madhya Pradesh	
Block	Chhatapur	Phulparas	Devadurga	Bidar	Wardha	Surgana	Ghatigaon	Khalwa
Male - Pre-Covid (FY 2019-20)	60.6	58.8	74.2	71.4	83.1	52.9	74.1	79.1
Male - During Covid (FY 2020-21)	52.9	50.3	64.1	51.1	81.4	54.3	72	76.5
Female - Pre-Covid (FY 2019-20)	36	22.3	69.4	55.3	57.5	46.9	22.4	36
Female - During Covid (FY 2020-21)	34.5	22.4	54.2	45.8	58.5	45.5	23.1	33.5

Sources and notes: Field Survey. WPR is calculated for individuals aged 15 years and above based on yearly principal status.

**Table 3.2: Annual household income pre-Covid compared to Covid period**

State Name	Bihar		Karnataka		Maharashtra		Madhya Pradesh	
Block	Chhatapur	Phulparas	Devadurga	Bidar	Wardha	Surgana	Ghatigaon	Khalwa
Average annual household income, Pre-Covid (FY 2019-2020)	44159	33414	63905	82295	56517	23369	106558	33706
Income loss (%)	-53.3	-36.5	-46.1	-56.4	-32.1	-8.9	-34.7	-23.5
Households who lost income (%)	86.9	83.8	90.8	92.8	83.9	96.8	93.5	48.4

Sources and notes: Field Survey. Pre-Covid refers to FY 2019-20 and Covid period refers to FY 2020-21.

### 3.3 Income loss and reverse migration

While income loss from village sources was lower in Khalwa, it is worth noting that in this block, a significant proportion of households (24 percent) reported at least one member who had returned back to the village during the Covid period. Remittances from such migrant workers formed a large part of household income. Prior to Covid, remittances were 43 percent of household income in Khalwa, amounting to INR 37,800 per year per household. Similarly, in both blocks chosen for Bihar, a significant proportion of households reported reverse migrants. In Chhatapur this proportion was 15 percent and in Phulparas it was 16 percent. In Chhatapur, prior to Covid, remittances were 50 percent of household income, amounting to INR 61,000 per year per household and in Phulparas, they were 67 percent of household income, amounting to INR 48,000 per year per household.

Needless to say, these sources of income were hit during Covid and in cases where the workers returned home, they would have disappeared entirely. The other blocks did not contain a significant number of households with reverse migrants. But it is worth noting that across all blocks, households who did report reverse migration (i.e. migrant workers who had returned home during Covid) received on average an annual remittance of INR 55,600 per year from such workers who were forced to return home. Taken together, the decline in village sources of employment and incomes as well as remittances constituted a huge negative shock to these vulnerable households. We now investigate the extent to which MGNREGA was able to cushion the impact of this shock.







## Functioning and Impact of MGNREGA during the Covid-19 Pandemic

In this chapter, we present the main findings pertaining to the perception, awareness and implementation of MGNREGA in the surveyed blocks. For all the analysis presented here, we refer to FY 2020-21 as the 'Covid Year' and FY 2019-20 as the 'Pre-Covid Year' or just 'pre-Covid'.

The sampling scheme concerning the selection of blocks, panchayats and households has been presented in Chapter Two. In summary, two blocks in each of the four states were selected based on some critical programme performance indicators obtained from the MGNREGA Management Information System (MIS). Based on a combined Z-score of these select indicators, the blocks in each state were characterised as 'High' performing and 'Low' performing. Admittedly, such a characterisation is limited in scope based on only three indicators and should not be considered as a metric of overall performance of MGNREGA in the chosen blocks. As such, we do not present all the results separately for the 'High' and 'Low' performance blocks. However, where relevant, we have retained this characterisation in presenting the findings in this chapter. Reiterating what has been mentioned earlier, the results are weighted such that they are representative at the block level. In other words, all the analyses presented in this section are statistically valid as claims about all job-card holding

households of the surveyed blocks.

For the study, we had four different categories of households to whom the MGNREGA sections of the questionnaire were administered. The categories and the corresponding sample sizes in parenthesis are given below.<sup>1</sup>

- Category 1: Households that worked in the pre-Covid year and the Covid year (801).
- Category 2: Households that did not work in the pre-Covid year but worked in the Covid year (213).
- Category 3: Households that worked in the pre-Covid year but not in the Covid year (316).
- Category 4: Households that did not work in either year (220).

This chapter is organised as follows. In Section 4.1, we discuss some facets concerning the efficacy, utility and perception of MGNREGA as a whole. In section 4.2, we present results pertaining to rationing in the programme resulting in unmet demand. In section 4.3., we discuss aspects concerning payment of wages and payment disbursement agencies. In section 4.4, we offer evidence on the effectiveness of MGNREGA as a safety net. Unless otherwise mentioned all figures and tables are based on the field survey.

### 4.1 General impressions of MGNREGA

Before delving into the details of programme functioning and implementation challenges, we present some survey findings that bring attention to the overall value placed on MGNREGA by the participating households. The programme contributes to several developmental

goals. In addition to being a workfare programme that provides a safety net, it also enables the creation of local assets such as roads, ponds, canals, forests etc. As such it is of interest to see if households who primarily engage with the programme for its workfare function also value

<sup>1</sup> There were few households (less than 10%) in Khalwa block of Madhya Pradesh (depicted as MP-2 in tables and graphs) that belonged to category 4 so we are dropping them for any analysis concerning households that did not work in the Covid year.

its broader goals. For the findings in this section, we present the experience of those households that worked in the Covid year and those households that did not work in the Covid year separately. This is done to bring attention to the fact that even households who did not or were not able to avail of work under the programme are favourably disposed to its role in the village economy. Since there is no discernible difference between the high and low performance blocks concerning their views on the need and utility of MGNREGA our results are not separated by that criterion. Further, since the identity of the block is not relevant to the main point being made here, we have reduced clutter by replacing names with numbers. For example, the 2 blocks in Bihar are called BH-1 and BH-2. Similarly, the blocks in other states are named accordingly.

#### 4.1.1 Village development

We first discuss how households view the impact of works done through MGNREGA on public or common lands such as roads, panchayat bhavans, ponds etc. Figure 4.1 shows the percentage of households in each block that cited that works done through MGNREGA have contributed to the overall development of the village. There is some state-level variation and clustering in responses. Among those that worked in the Covid year, in four of the eight blocks, half to two-thirds of the households said that MGNREGA has contributed to the overall development of their village. All these four blocks are in Karnataka and Madhya Pradesh. Among those that worked in the Covid year, in the blocks of Bihar and Maharashtra, one in five to one in three households said that MGNREGA has contributed to the overall development in their village. However, it is interesting to note that, among those households that did not work in the Covid year, nearly half to about 80 percent of the households in six out of seven blocks have said that although MGNREGA may not have helped them personally, but has contributed to the overall development of their village. This was particularly high among the respondents in both the blocks of Karnataka and one block in Bihar.

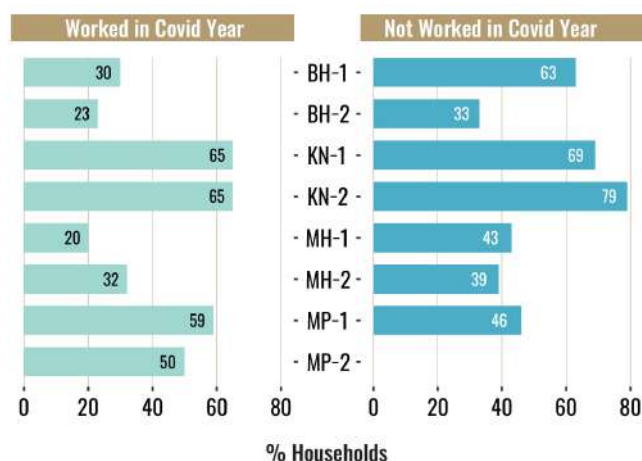
From Figure 4.1a it is evidently clear that in both the blocks in Karnataka, regardless of whether households have

worked in the Covid year, there is a strong notion that MGNREGA has contributed to the overall development in their village. There was also broad agreement on the fact that works undertaken in the programme had made travel easier and resulted in increased incomes. In Figure 4.1b, we show the percentage of households, segregated by whether they worked in the Covid year or not, who said that MGNREGA has helped them in making their travel easier and in Figure 4.1c we present how many households felt that MGNREGA has helped in increasing their incomes. Apart from Wardha block in Maharashtra (MH-1) and Phulparas (BH-2), a significantly higher proportion of households that worked in the Covid year said that projects done through MGNREGA has made travel easier for them compared to those households that did not work in the Covid year. This was particularly strong in Chhatapur (BH-1) and Surgana (MH-2). Interestingly, the response was the opposite in Wardha block in Maharashtra.

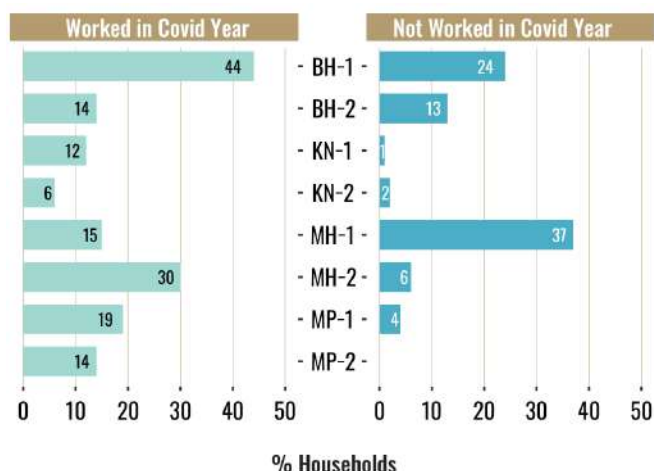
Discussing MGNREGA's role in increasing incomes, there is an observable pattern across the blocks among households that have worked in MGNREGA in the Covid year and those that have not. The increase in income need not only be directly attributed to earnings through MGNREGA but can also be due to indirect increase in incomes through increases in productivity resulting from roads, irrigation work etc. Of course, one would expect that those who have actively engaged in MGNREGA work would have more tangible benefits vis-a-vis increased incomes compared to those who have not. That is indeed what is observed. Among those that have worked in the Covid year, the percentage of households suggesting that it has helped them in increasing their incomes range from 5 percent in Ghatigaon in Madhya Pradesh (MP-1) to 29 percent in Wardha, Maharashtra (MH-1). In at least three out of the eight blocks, at least one in five households have alluded to the positive impact of MGNREGA in increasing their incomes. However, among those households that have not worked in the Covid year, the contribution of MGNREGA in increasing household incomes is scant.

**Figure 4.1: Overall impression of MGNREGA**

**a: Helped in overall development of the village**

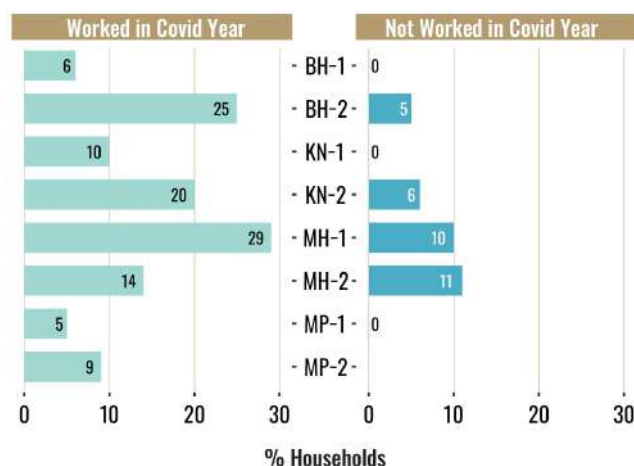


**b: Made travel easier**



Comparing the three figures pertaining to the impact of MGNREGA works, it is evident that an overwhelming majority of households expressed that its main role has been in contributing to the overall development of the village. Aside from one block in Maharashtra, in all the remaining blocks, among those who have said that there is no impact due to MGNREGA, the fraction of those who did not work in MGNREGA is more than those who worked in MGNREGA. In this same block in Maharashtra, a significantly higher proportion of those who worked in MGNREGA in the Covid year said that MGNREGA has resulted in an increase in their incomes (29 percent) -- through irrigation etc -- compared to those who did not work in MGNREGA.

**c: Increased incomes**



**4.1.2 What specific aspects of MGNREGA do households like?**

In addition to soliciting households' views on the overall impact of MGNREGA, we assessed what aspects do households like about MGNREGA. There were a bouquet of options for this question and there was also high variability in the responses given by households across the surveyed blocks. For the sake of clarity, in Figure 4.2a we first show the top aspect of MGNREGA that households like in each block.

The left panel shows what aspect of MGNREGA households like most among those who have worked in the Covid year and the right panel shows the same

*Note: There were few households (less than 10%) in Khalwa block of Madhya Pradesh (depicted as MP-2) that belonged to Category 4 so we are dropping them for any analysis concerning households that did not work in the Covid year.*

among those who did not work in MGNREGA in the Covid year. So overall there are a total of 16 possible groups – 2 types of households in each of the 8 blocks. However, as indicated earlier, since there were very few households in Khalwa block of Madhya Pradesh (MP-2) that did not work in the Covid year, it is excluded.

We can observe that for both these types of households, not having to migrate is the single biggest factor for liking

Figure 4.2a: Most frequently mentioned aspect of MGNREGA that households like

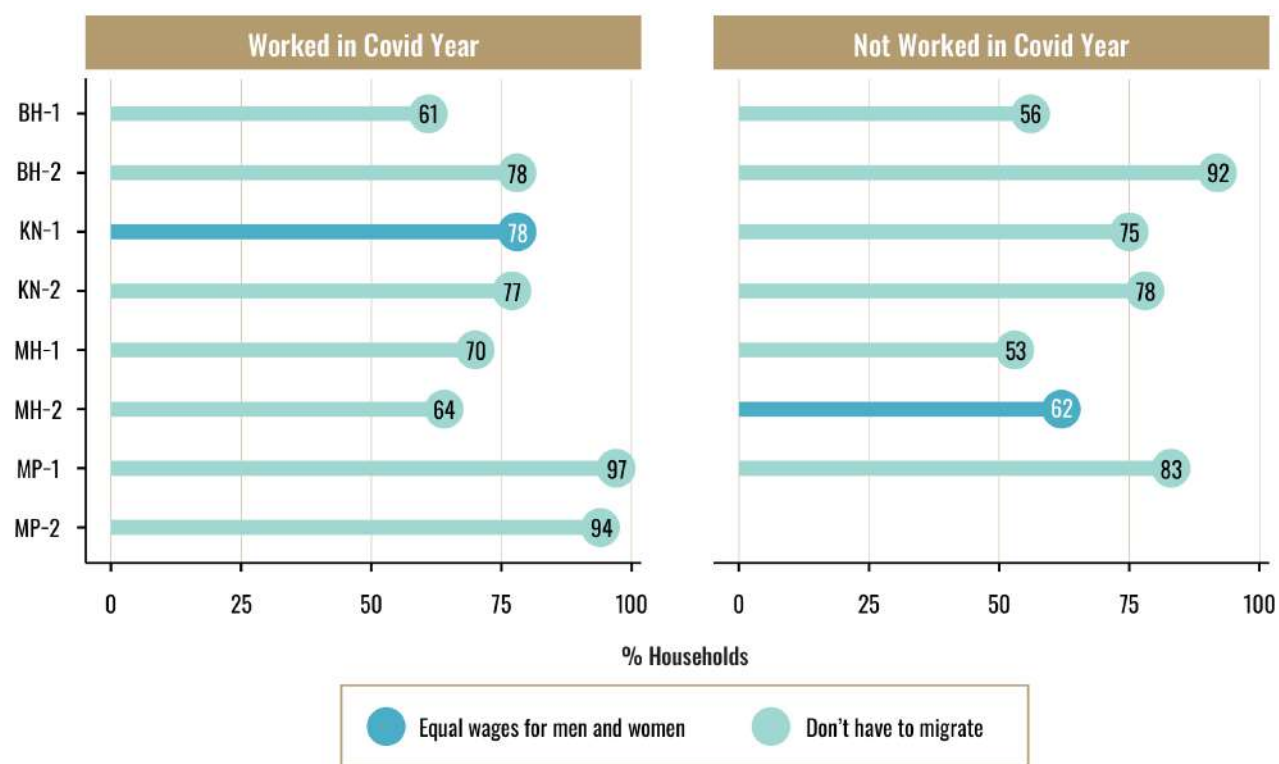
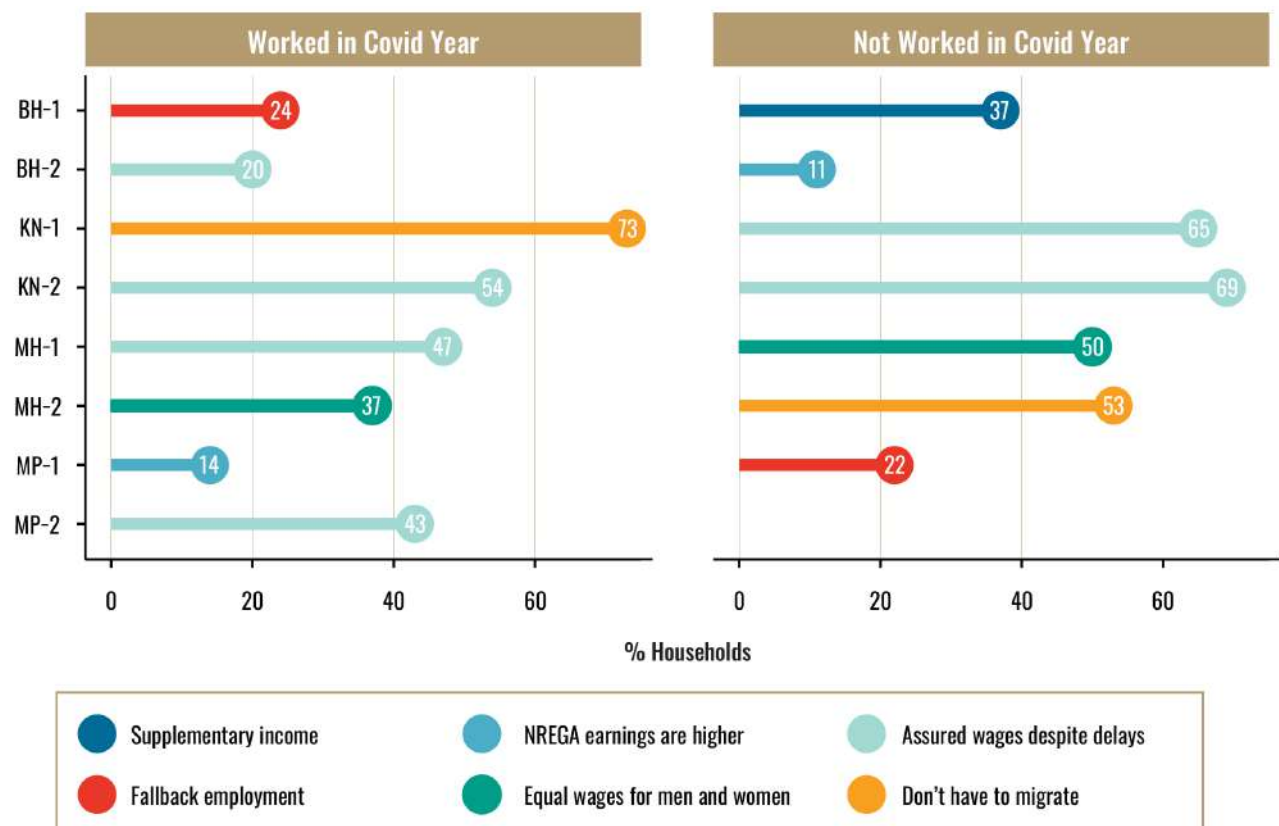


Figure 4.2b: Second most frequently mentioned aspect of MGNREGA that households like





MGNREGA. This was observed in 13 out of 15 possible groups. Among those who worked in the Covid year, this ranges from 61 percent (in Chhatapur block of Bihar, BH-1) to more than 94 percent in the blocks of Madhya Pradesh. Interestingly, even among those who did not work in MGNREGA in the Covid year, in six out of the seven blocks, 50 to 92 percent of households said that not having to migrate was the top aspect of MGNREGA that they like. In fact, in five blocks, among those who did not get to work in MGNREGA in the Covid year, for at least three out of four households, not having to migrate for work is the main reason they like MGNREGA. While some households in the latter group may have opted out of MGNREGA as a choice, as we show later, a significant proportion of them were rationed out owing to various supply constraints.

It is also instructive to observe that in Devadurga block of Karnataka (KN-1), among those that worked in MGNREGA in the Covid year, majority of the households (~78 percent) selected **equal wages for men and women** as the top aspect of MGNREGA that they liked. Similarly, among those households that did not work in MGNREGA in the Covid year, in Surgana block of Maharashtra (MH-2), the majority of households said that equal wages for men and women were the main aspect of MGNREGA they liked.

Figure 4.2b shows the second most frequently mentioned reason for liking MGNREGA. What is interesting here is that the second most dominant reason is different across blocks. However, predominantly, regardless of a household having worked in MGNREGA in the Covid year, **not having to migrate, assured wages despite delays, and equal wages for men and women are the top 3 overall reasons** for liking the programme.

These results are compelling for at least two reasons. First, delays in wage payments have been one of the major concerns with MGNREGA implementation over the years. Second, this seems to suggest precarity in alternative employment options that households are

willing to hedge their risks with MGNREGA.

MGNREGA is a household level right in the sense that each household – and not each individual – is entitled to 100 days of work in a year on demand. There is enough evidence pointing to the substantial increase in MGNREGA work in the Covid year throughout the country.<sup>2</sup> However, our collective understanding on the true extent of need and demand for MGNREGA work needs more analysis. One possible approach to estimate the need for MGNREGA is to ask people if they would prefer MGNREGA to remain a household level entitlement or an individual entitlement.

Figure 4.3 shows the percentage of households in the surveyed blocks for each of the two categories of workers who recommended that each individual in each household must be entitled to 100 days of MGNREGA work each year. It makes a very compelling and resounding case for the expansion of MGNREGA. In 12 out of the 15 groups, more than 9 out of 10 households – regardless of whether they worked in MGNREGA or not – recommended that MGNREGA should be 100 days per year for each individual. Indeed, even in the remaining three groups, more than eight out of ten households recommended that MGNREGA should provide 100 days per year per person. *Every single household among those that did not work in MGNREGA in the Covid year in Bidar block of Karnataka (KN-2) and every single household among those that worked in MGNREGA in the Covid year in Ghatigaon block of Madhya Pradesh (MP-1) recommended that each individual should get 100 days of MGNREGA work in a year.*

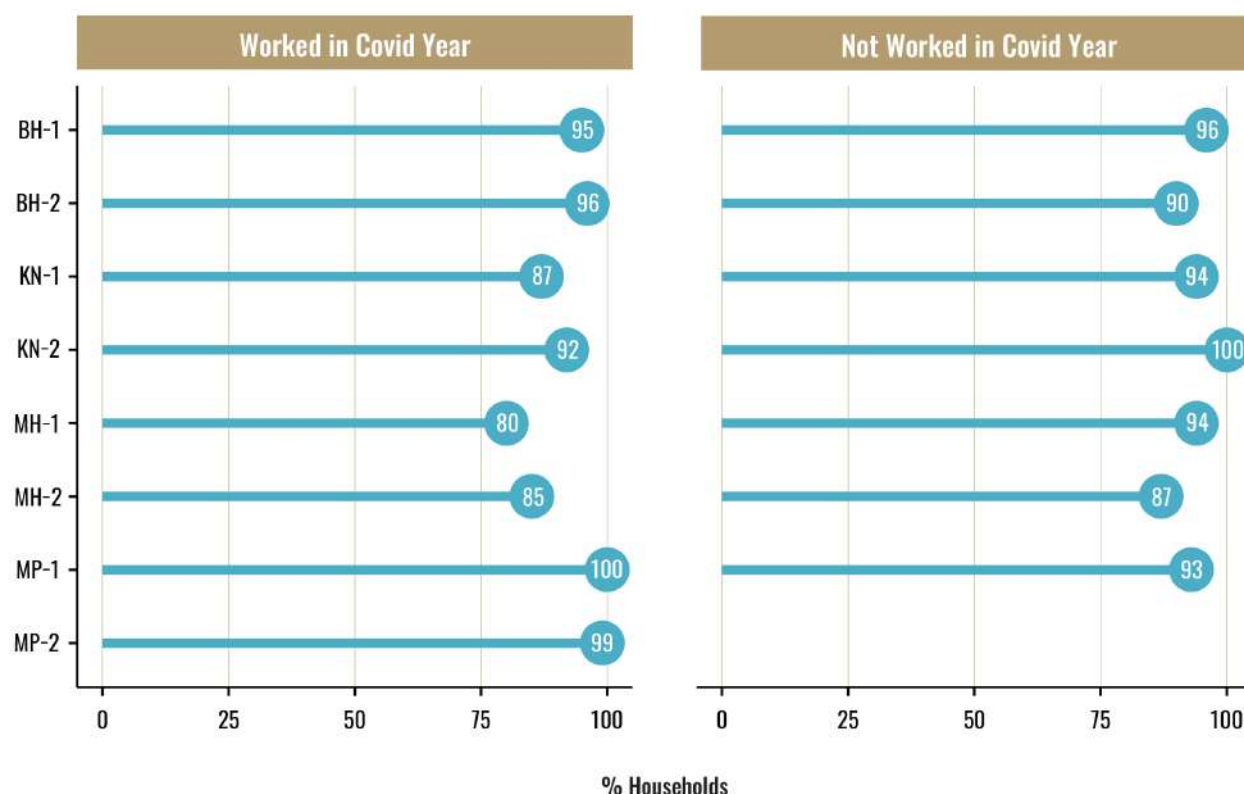
Overall, the results presented above clearly indicate that despite low wages, inadequate works, and delays in wage payments, MGNREGA remains a very popular programme and they underscore the need for its expansion.

#### 4.1.3 What are the alternatives to MGNREGA?

Another way to judge the value of the programme is to

<sup>2</sup> For e.g. see various trackers put out by the People's Action for Employment Guarantee group: <https://drive.google.com/drive/folders/1QTdnMp9eoojECPVlYorpcwajgxBoS2-r>, also see <https://www.microsave.net/2021/05/28/did-mgnrega-mitigate-the-loss-in-income-and-unemployment-caused-by-the-covid-19-pandemic>

**Figure 4.3: % Households recommending that each individual should get 100 days of work in a year**



*Note: There were few households (less than 10%) in Khalwa block of Madhya Pradesh (depicted as MP-2) that belonged to Category 4 so we are dropping them for any analysis concerning households that did not work in the Covid year.*

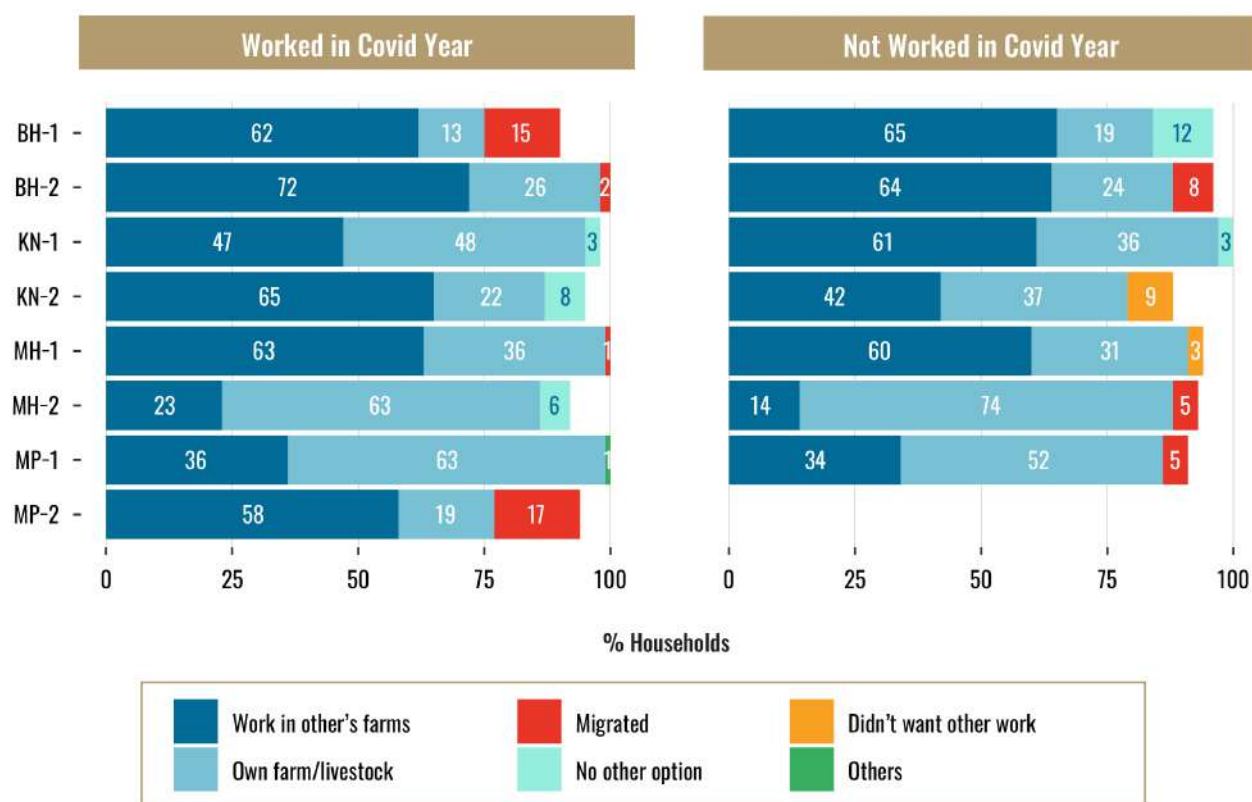
ask what households would have done in the absence of the programme. We approach this question in two ways. Households that worked in MGNREGA in the Covid year were asked what kind of employment options they would have sought had the option of MGNREGA not been there. As a follow up, these households were also asked what kind of wages they would have received from pursuing the alternative employment options. Households that did not work in the programme were asked what they did instead and what were the wages they received by pursuing alternative employment options.

Figure 4.4 shows the top 3 alternative employment options to MGNREGA in each of the eight blocks. We can see that, barring the two blocks of Karnataka, the top two alternatives to MGNREGA are consistent regardless of whether a household worked in MGNREGA in the Covid year or not. In each of the six blocks (barring the Karnataka blocks), for the majority of households, working in others' farms is the main alternative to MGNREGA followed by working on one's own farm/

livestock. Even for the two blocks of Karnataka, the top two alternatives are the same but they are flipped depending on whether a household has worked in MGNREGA in the Covid year or not.

Among those households that worked in MGNREGA in the Covid year, migrating for work ranks third among alternatives. As the third option among the blocks, 17 percent of the households in Khalwa block of Madhya Pradesh (MP-2) and 15 percent of the households in Chhatapur block of Bihar (BH-1) migrate in search of work as an alternative to MGNREGA. Interestingly, among those households that did not work in MGNREGA in the Covid year, migrating for work was the third alternative in three of the blocks, while 'No other option' was chosen as an alternative to MGNREGA. For instance, in Chhatapur, Bihar (BH-1), nearly one in eight households said that there is 'no other option' other than MGNREGA. This is likely an indication of no employment for such households.

**Figure 4.4: What are the alternatives to working in MGNREGA?**



*Note: There were few households (less than 10%) in Khalwa block of Madhya Pradesh (depicted as MP-2) that belonged to Category 4 so we are dropping them for any analysis concerning households that did not work in the Covid year.*

When we looked at landed versus landless households separately, the results were on expected lines. That is, landless households were more likely to report working on someone else's land as the alternative.

For households that worked in MGNREGA in the Covid year, Figure 4.5 compares the median daily wage rates from working elsewhere with the notified MGNREGA wage rates in FY 2020-21<sup>3</sup> and the actual average MGNREGA wage rates paid in those blocks in the same year<sup>4</sup>. The median daily wages are obtained from our survey while the actual average daily MGNREGA wages are obtained from the MGNREGA MIS. Daily wage rates in MGNREGA and in other employment sources would play a vital role in a household's decision to choose to work in MGNREGA. However, daily wage rates in other sources of employment in each block can only be

obtained through a survey and are not readily available. Given this and given that comparison of wage rates elsewhere with wage rates in MGNREGA are meaningful only for those actually working in MGNREGA.

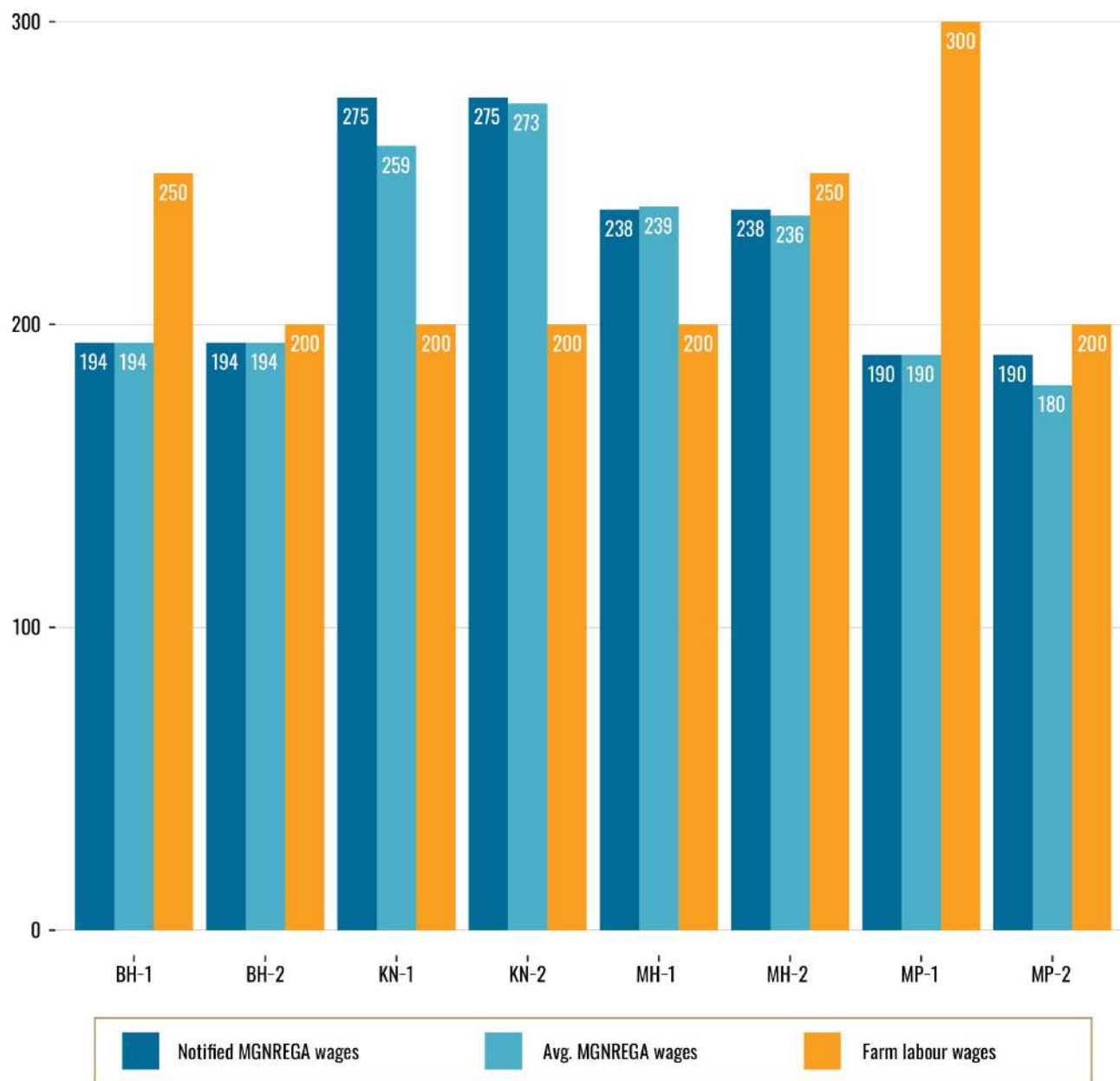
In five out of the eight blocks, the paid MGNREGA wages are lower. The village mate in one of the GPs surveyed in Ghatigaon block observed, "People are less interested in working under NREGA because many people go to Gwalior city for work which is closeby. They earn INR 400 to 500 per day in the city whereas they can only earn INR 200 under NREGA."

Since 2009, MGNREGA wages have been delinked from the Minimum Wages Act (1948). Over the years, three committees have deliberated on this delinking. The Central Employment Guarantee Council (CEGC)'s

<sup>3</sup> <https://mgnrega.cg.nic.in/WageRates.aspx>

<sup>4</sup> As an example, this report on the MGNREGA MIS gives the average daily wage rates for Bidar block in Karnataka: [https://mnregaweb4.nic.in/netnrega/all\\_lvl\\_details\\_dashboard\\_new.aspx?Fin\\_Year=2022-2023&Digest=ftWywj4W7YWKLDX82g-F7Mw](https://mnregaweb4.nic.in/netnrega/all_lvl_details_dashboard_new.aspx?Fin_Year=2022-2023&Digest=ftWywj4W7YWKLDX82g-F7Mw)

**Figure 4.5: Median daily wages in private village employment versus MGNREGA daily wages in FY20-21**



*Note: Notified wage is the official wage rate while the average MGNREGA wage is the wage actually paid based on work done. Farm wages are obtained from the survey.*

'Working Group on Wages' and the Mahendra Dev Committee expressed concern at the legality of such a delinking and have also proposed mechanisms for reconciling the two. However, the Committee headed by Nagesh Singh proposed not to link the MGNREGA wage rates with the minimum wages. See (Aggarwal, 2017) for a full discussion on the legal aspects of delinking and an analysis of the three committee reports. In the Covid year, the MGNREGA wage rates of at least 17 out of the 21 major states were lower than the state minimum

wages for agriculture with shortfalls ranging from 2 percent to 33 percent (Aggarwal and Paikra, 2020).

Table 4.1 gives the percentage deficit between the state minimum agricultural wages and the daily MGNREGA wage rates for the four states we surveyed. As can be observed, the shortfall of MGNREGA wages from the minimum agricultural wages range from 10 percent in Madhya Pradesh to 33 percent in Maharashtra. The shortfall is quite high in Bihar (29 percent) too. Given

the changing consumption patterns in rural India, it would be prudent to use Consumer Price Index- Rural (CPI-R) instead of CPI- Agriculture Labour (CPI-AL) with a revised base year to make MGNREGA an important and viable employment option (Narayanan and Dhorajiwala, 2019). Indeed, this same recommendation has also been corroborated recently by the Parliamentary Standing Committee Report on MGNREGA.<sup>5</sup> These are not only critical in boosting the economy from the demand side but are also needed from the perspective of constitutional compliance (Sanjit Roy v State of Rajasthan, 1983).<sup>6</sup>

## 4.2 Unmet demand

MGNREGA is a demand driven workfare programme. What one means by that is that any rural household can get a job-card, and any household with a job-card is entitled to demand and get work within 15 days of applying for it, failing which the household is entitled to an unemployment allowance. Moreover, every household is entitled to 100 days of work in a year. Upon registering one's demand for work, each household should get a dated receipt. The details of the worker are then entered on the MIS which should automatically track the date of work demanded and calculate the unemployment allowance in case work is not allocated within the stipulated 15 day period. Vitally, given the demand driven nature of the Act, the budget allocation for the programme must be sufficient to honour each household's work demand. In theory, the calculation of the minimal budget allocation for the programme is a bottom-up process, arrived at by aggregating the labour budget of each panchayat.

However, there have been several questions raised by campaigns working on social security, civil society organisations and academics on the inadequacy of budget allocation for MGNREGA. This financial inadequacy has resulted in many forms of rationing,

**Table 4.1: Min. agriculture wages and MGNREGA wage rates in the four states**

State Name	Bihar	Karnataka	Maharashtra	Madhya Pradesh
Min. agricultural wages	275	338	356	211
MGNREGA wage rate	194	275	238	190
Shortfall (%)	-29%	-19%	-33%	-10%

Source: Aggarwal and Paikra (2020)

effectively making it a supply-driven and not a demand-driven programme. Households experience difficulty acquiring job cards, registering their demand for work, acquiring proof of registration, and finally getting the desired number of days of work. In the MIS, generally the discrepancy between work demanded and work given is low. However, there is substantial anecdotal evidence of genuine work demand going unregistered in the MIS leading to an under-estimation of the true extent of work demand. While there are merits of using a technology platform for a massive implementation of a programme of such a scale, there has also been a strong critique on how the MIS has been used in subversion of legal rights of MGNREGA workers such as under registration of work demand.<sup>7</sup> An analysis from 2017-18 based on data from 5,700 panchayats across 20 states revealed that the employment generated was between 30% and 33% lower than work demanded (Narayanan, 2019).

In this study, while investigating the role of MGNREGA as a safety net during the Covid year, we also sought to understand the challenges that people faced in getting work. To this end, we assessed whether households got receipts for work demanded, the extent of unmet demand and on their experience concerning wage

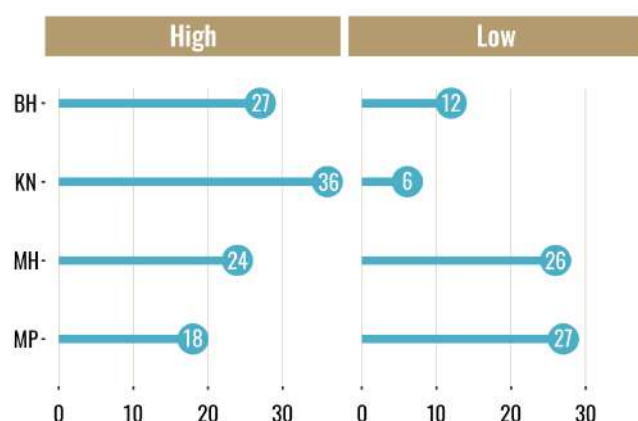
<sup>5</sup> [https://prsindia.org/files/policy/policy\\_committee\\_reports/Report%20Summary%20-%20MGNREGA.pdf](https://prsindia.org/files/policy/policy_committee_reports/Report%20Summary%20-%20MGNREGA.pdf)

<sup>6</sup> <https://indiankanoon.org/doc/1150530/>

<sup>7</sup> See Aggarwal (2017), Nandy (2018), Dutta (2017), Buddha, Dhorajiwala, and Narayanan (2021) among others for more details on this



**Figure 4.6: Percentage households that registered their demand for work in the Covid year**



**Table 4.2 - % households who wanted to work but did not get even a single day of work**

Block	%
BH-1 Chhatapur	61.21
BH-2 Phulparas	82.97
KN-1 Devadurga	17.91
KN-2 Bidar	26.67
MH-1 Wardha	71.83
MH-2 Surgana	50.17
MP-1 Ghatigaon	69.29
MP-2 Khalwa	12.23

payments. For the purpose of this study, *unmet demand is the difference between work made available under the programme and the work desired by the household (as opposed to registered on MIS)*. Rationing occurs when the former falls short of the latter. This can occur in two ways. On the extensive margin, many households needing work do not get it so they are completely rationed out. On the intensive margin side, even households that get some work do not get as many days as they need or desire to. We now present estimates of various forms of rationing during the Covid year. As done for Section 4.1, unless otherwise mentioned, all results have been weighted to be representative of households at the block level.

#### 4.2.1 Registration of work demand

We begin by looking at households that registered their demand for work. Registration for work demand can serve as a signal of a household's awareness of the programme. Overall, in our sample, less than one in four households registered their demand for work in the Covid year and three out of four that registered for work, actually worked in the Covid year. Continuing with the sample characteristic, although just 22.5 percent of all the households registered their demand, we do observe some state to state variation. The conversion rate from registration to actually working in MGNREGA was more than 70 percent in Maharashtra, 87 percent in Madhya Pradesh and 93 percent in Karnataka while it was just 50 percent in Bihar. Even within states, the conversion rate from registration to working was highest in the so-

called low performing block of Madhya Pradesh (Khalwa block).

From sample characteristics to weighted results representative at the block, Figure 4.6 shows the percentage of households that registered for work in the Covid year, disaggregated by the high and low characterisation of blocks. We can see that the proportion of households that registered for work in the high performing block of Karnataka is six times more than those who registered for work in the low performing block in Karnataka. In Bihar, the proportion of households that registered for work demand is two times in the high performing block compared to the low performing block. The numbers are comparable in Maharashtra. However, like most other indicators from the survey, the registration for demand among households in the Khalwa block (low performing) is 1.5 times more than Ghatigaon, Madhya Pradesh (high performing).

Low rates of registration have a direct bearing on availing unemployment allowance in case work is not provided on time. Out of all those who registered, only

**Table 4.3: Possible average additional earnings if 60 days of work was made possible through MGNREGA for households that did not work in the Covid year**

State name	Bihar	Karnataka	Maharashtra	Madhya Pradesh
Notified MGNREGA wage rate	194	275	238	190
Additional possible earnings	11,640	16,500	14,280	11,400

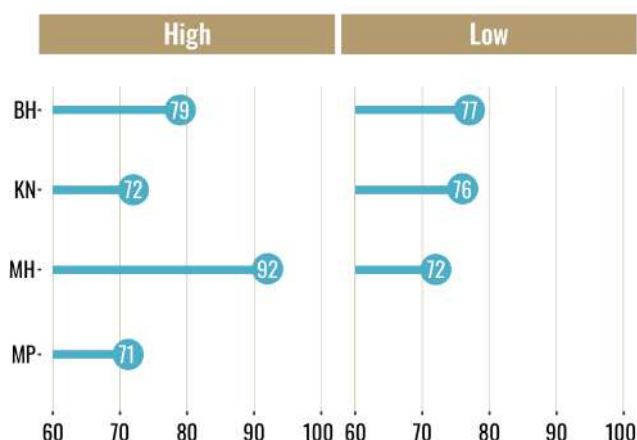
14 percent of households always got receipts while 60 percent of the households never got receipts. Getting a written receipt to workers for registering their demand for work is mandatory as per the Act. It serves as a measure or check on the administration's adherence to the programme as it is meant to function. From the workers' perspective, it is their only documentary claim to unemployment allowance in case they don't get work within the stipulated 15 day period of demanding for work.

#### 4.2.2 Rationing at the extensive and intensive margin

As a follow-up to gauging the broad need for MGNREGA work, we further explored the number of days of MGNREGA work that each household wanted. For this, it is important to make a distinction between households that worked in the Covid year and those that did not or could not. For the former, it helps us to get an estimate of the intensive margin of unmet demand after having worked for at least one day in the financial year. For the latter, despite not having worked a single day in MGNREGA in the Covid year, it shows that had they been able to get MGNREGA work, how many days on average they would have liked to get work.

Across all blocks, roughly 39 percent of all the job card holding households, interested in working in MGNREGA in the Covid year could not get work. Table 4.2 shows the same measure this time at the block level. While there is substantial variation across states, the general level of rationing is very large except for the two blocks in Karnataka and Khalwa in MP.

**Figure 4.7: Average number of days of work needed among households that did not work in the Covid year**



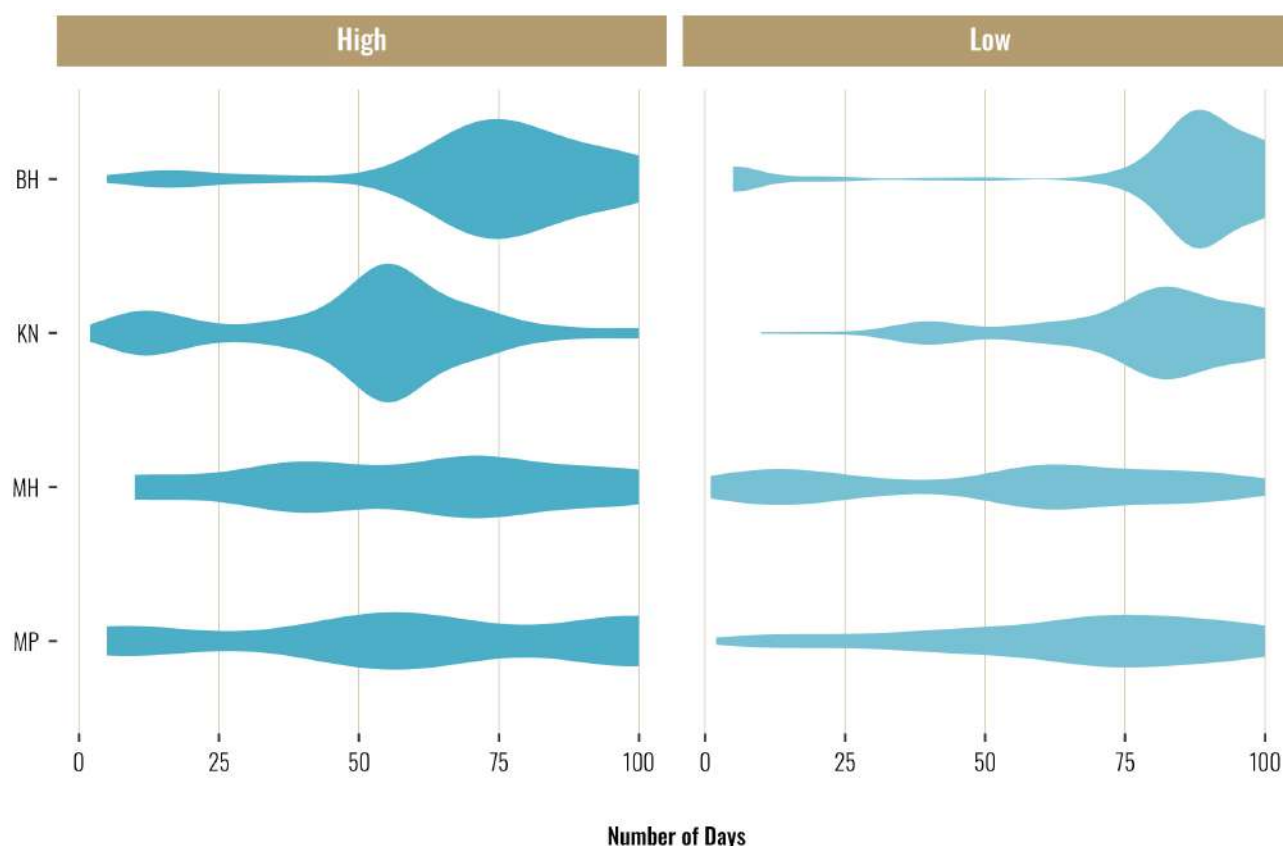
that a household would have liked to work in MGNREGA in the Covid year among those that did not get a single day of MGNREGA work in the Covid year. It presents a compelling picture of the need for MGNREGA in the Covid year. In every surveyed block, among those that did not work, on average, such households would have liked at least 77 days of MGNREGA work that year. This was highest in Wardha, Maharashtra where the need for MGNREGA work touched 92 days. Assuming that even 2 months of work was made possible through MGNREGA in that year, then using the notified wage rate of MGNREGA in the states, Table 4.3 gives the additional earnings that households who did not work a single day in the Covid year in the corresponding states would have earned. This can be considered as an average measure of income lost that MGNREGA could have absorbed had the household demand for MGNREGA been honoured.

This number would be lower for the households that actually worked in the Covid year because their unmet demand through MGNREGA was comparatively lower. We now look at such households. This corresponds to households belonging to categories 1 and 2. For these households, we calculated the intensive margin of unmet demand. To reiterate, unmet demand is defined as the difference between the number of days a household actually worked and the number of days that the household wanted to work.

Figure 4.7 shows the average number of days of work

Figure 4.8 (known as a violin plot) shows the distribution

**Figure 4.8: Distribution of unmet demand among households that worked in the Covid year**



*Note: This is known as a “violin plot.” The thickness of the plot in any region represents the proportion of households that report that level of unmet demand. It allows a visual representation of the distribution of unmet demand at a glance across all blocks. For example, if the plot is the fattest between 75 and 85, this means that most households in that block reported unmet demand of this magnitude.*

of unmet demand among the households that worked in the Covid year.

The regions in which the plot is wide shows that the relative frequency of unmet demand is higher in those regions. For example, in the high performing block in Bihar, the maximum width is when the unmet demand is between 75 and 85. This implies that the majority of the households in this block have reported their unmet demand to be in this range. Similarly, observe a high clustering of reported unmet demand beyond 80 days in the low performing block of Bihar. Very few households in this block have reported unmet demand lower than 80. We can therefore observe that there is a high clustering of unmet demand of around 75 days or more in both the blocks of Bihar, and the low performing blocks in Karnataka (Bidar) and Madhya Pradesh (Khalwa). There is a high cluster of unmet demand of around 70 days

in Wardha, Maharashtra (high performing block) while in the other 3 blocks, there is a high cluster of unmet demand between 50 to 60 days.

Having established high unmet demand, we now turn to the reasons reported by households for not getting as much work as they wanted.

#### 4.2.3 Reasons for rationing

The question that probed reasons for rationing allowed households to choose multiple options. Figure 4.9 shows the most frequently mentioned reason in each of the blocks.

A very high percentage of households in every block cited ‘inadequate works’ as the main reason for not getting as much MGNREGA work as they need. This ranges from a little over half the households in the high

**Figure 4.9: % households citing 'inadequate works' as the main reason for rationing**



performing block of Karnataka to about 87 percent in the high performing block of Maharashtra. In three out of four states, barring Maharashtra, this reason is more predominant in the low performing blocks compared to the high performing ones.

This reason is also corroborated by our collective experience of being at MGNREGA worksites across the country. When workers or members of the civil society ask government officials at panchayats or blocks regarding work demands not being honoured, a common refrain one hears from officials is the works have not opened (in Hindi 'kaam nahin khula hai'). During key informant interviews in this study, a MGNREGA mate in Bidar block reported,

*"Households got only 7 days work under NREGA during lockdown. We submit a shelf of works but the higher authorities reject it. Workers fill up form 6 but no work is allotted. The reason they provide is no funds."*

Another mate in a different GP agreed, noting that,

*"No work under NREGA has been carried out during the lockdown. We have demanded work and got receipts, however, there was no response from the GP. The CO [computer operator] also never responds to our requests. The CO carried out MGNREGA works in his own land and reported that works have been undertaken and funds have been utilized."*

This situation can arise due to various reasons. To begin

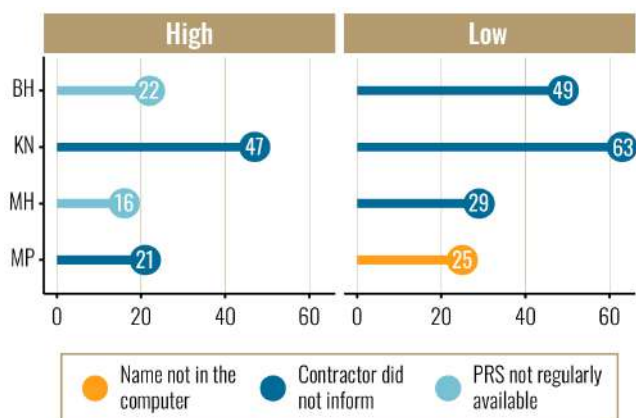
with, as per Section 16(1) of the Act, "The Gram panchayats shall be responsible for identification of projects in the Gram Panchayat area to be taken up under a scheme as per the recommendations of the Gram Sabha and Ward Sabhas and for executing and supervising such works". Section 16(III) adds that " Every Gram Panchayat shall, after considering the recommendations of the Gram Sabha and the ward Sabhas prepare a development plan and maintain a shelf of possible works to be taken up under the scheme as and when demand for work arises." While the Act gives primacy to decentralised planning and implementation, it is observed in many places that strengthening of Gram Sabhas to undertake these has not happened. Consequently, not enough shelves of work get created. This may, therefore, be insufficient to generate employment for all the households demanding work.

Second, since the adoption of the electronic funds management system (e-fms) and subsequently, the National efms, GPs do not get any funds in advance to execute works. As such, even in well functioning Gram Sabhas with adequate shelves of works, owing to lack of available funds from the Union government, work does not start even for sanctioned projects. Third, keen practitioners have also alluded to the centralisation of programme implementation using the MIS as a reason. Centralisation using the MIS created a culture of setting targets for completion of works/assets by higher officials and some field officials learnt to game the system by marking incomplete or ongoing works as 'closed' on the MIS to show that their targets have been met (Dutta, 2018). This not only means that payments get stuck but also leads to unmet demand.

Figure 4.10 shows the second most frequently mentioned reason for not getting as much work as desired by the household. We observe some variation across the blocks. In five out of the eight blocks, the second biggest reason is 'Contractor Did Not Inform.' As per the Act, contractors are banned in MGNREGA. But the study reveals high prevalence of contractors especially in the two blocks of Karnataka where nearly half to two-thirds of the households have picked this reason. And, nearly half the households in the low performing block of Bihar



**Figure 4.10: Second most frequently cited reason for not getting as much work as desired (% households)**



(Phulparas) have alluded to contractors not informing them as a key reason for not getting enough work. This needs urgent attention as such high prevalence of contractors is a sign of massive corruption and elite capture of the programme. Inadequate personnel for programme implementation can be an important reason for the emergence of contractors. For timely generation of electronic invoices to make payments, measurement of designated works have to be completed in 2 to 3 days. In any given panchayat, there are many MGNREGA worksites and they are spread across the villages. It is the responsibility of the Junior Engineer/Technical Assistant to complete all the measurements in a short period of time and enter it on the MIS. In practice, each Junior Engineer is responsible for doing this in 3 to 4 panchayats. This is an arduous task and a route for corruption through contractors. In interviews with many field functionaries, we have learned that having one engineer looking after one panchayat might be a more feasible option to ensure better quality and a deterrent for contractors. These are, of course, subject to better monitoring and better implementation of social audits.

We also see from Figure 4.10 that in the high performing blocks of Bihar and Maharashtra, 'PRS Not Regularly Available' is the second biggest reason according to the households for not getting enough work. PRS or Panchayat Rozgar Sahayak, is the panchayat level government functionary in charge of programme functioning at each panchayat. PRS performs a vital role as the interface between the workers and officials

at the block as they are responsible for overseeing all the worksites, registration of work demand, ensuring musters are uploaded on the computer etc. They are temporary government staff and are on contract. As in most professions, the quality and commitment of PRS has a lot of variation. While some are deeply committed, some others are corrupt and less interested in programme functioning.

Another important concern regarding PRS not being regularly available is the heavy burden placed on them. On occasions, one PRS is made responsible for multiple panchayats. Further, there are multiple villages that come under the jurisdiction of a panchayat. These make it difficult for a conscientious PRS to be able to finish one's weekly task on time as the workload in some seasons can be highly onerous. This not only exacerbates the woes of the PRS but has a direct bearing on workers' rights being violated owing to delays in work demand and payment of wages. Consequently, the overall functioning of the programme at the village takes a beating. For the programme to function as per its intent, it is imperative to have reasonable expectations of the ground staff and also have sufficient numbers of them. This would require an expanded fiscal commitment from the government.

The third option mentioned in the figure, 'Name not in the computer' is also likely to be a reason in many other blocks in the country. As mentioned earlier, work demand is considered to be registered only when it is reflected on the MIS. On many occasions, due to various reasons, technical or otherwise, it takes time for the names to get registered. As such despite having demanded work, workers do not get work leading to violation of workers' rights owing to lack of alternative means of recognising work demand.

Another reason that emerged from the survey but is not depicted above is that many households said that 'workers don't have a role' in demanding work. This is closely related to the presence of contractors and/or the PRS making a decision on work allotment.

Each of these reasons need urgent and concerted



**Table 4.4: Sample size of households that worked in the Pre-Covid Year and the Covid year**

State name	Bihar	Karnataka	Maharashtra	Madhya Pradesh
High performing block	53	157	100	32
Low performing block	35	136	166	122

attention for the programme to function as a demand driven act. We discuss the policy implications in the concluding chapter.

#### 4.2.4 Pre-Covid and Covid year comparisons for work demand

Recall that in our nomenclature, Category 1 households are those that worked in MGNREGA in the pre-Covid year as well as in the Covid year. For any comparison regarding the programme performance between the pre-Covid year and the Covid year, we restrict our analysis to Category 1 households. Table 4.4 gives the sample sizes of Category 1 households in our survey. As a rule of thumb, we only include those households in our analysis for which we have at least 10 percent of the total block-level sample. That condition is satisfied for all the blocks among Category 1 households although there is noticeable variation across the states.

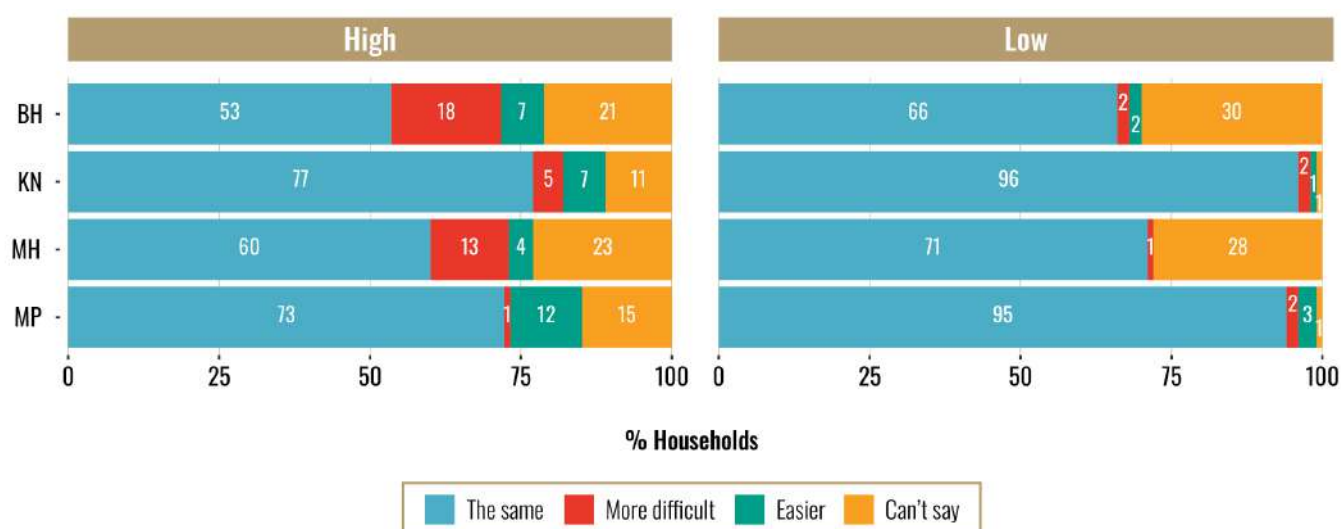
We start by looking at the changes experienced in the Covid period in getting receipts for work demanded. Overall, in our sample, just 13.3 percent of all the surveyed households got written receipts for work demanded in the pre-Covid year and this did not change in the Covid year. As mentioned earlier, in the Covid year, only 14 percent of all the surveyed households in our sample got receipts for work demanded. However, a more concerning story emerges when we analyse the distribution of responses at the block level.

Table 4.5 shows the distribution of receipts in the Pre-Covid and Covid period. These numbers are representative at the block level. As can be seen, regardless of whether a block was considered to be high performing or low performing as per the three indicators used to characterise blocks, a significant majority of households “never” got receipts. This was quite high in both the blocks in Karnataka and the low performing block in Madhya Pradesh. Nearly half of the households in the high performing block in Madhya Pradesh got receipts “sometimes” while nearly one-third of the households got written receipts in the blocks in Maharashtra. Although far from ideal, based on our experience, it is surprising, in a good way, that quite a fraction of the households have reported that they got written receipts “sometimes” and in a few cases

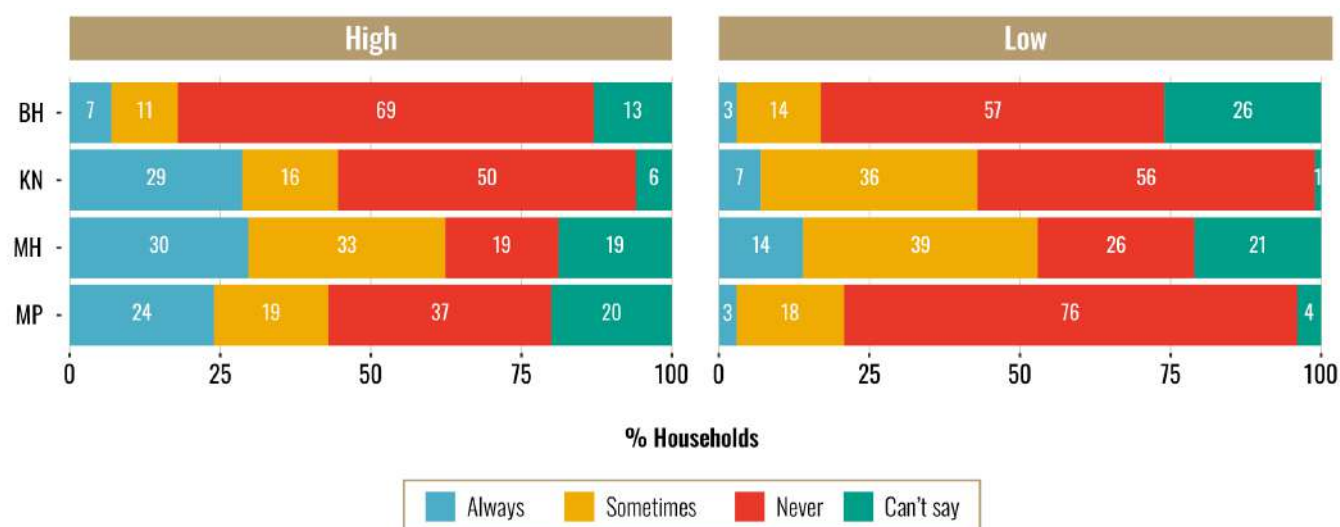
**Table 4.5: % households who reported receiving receipts for work demanded always, sometimes or never**

Block	Pre-Covid			Covid year		
	Always	Sometimes	Never	Always	Sometimes	Never
BH-1 (Chhatapur)	24.5	12.7	36.1	9.3	7.5	73.2
BH-2 (Phulparas)	22.9	10	30.4	0	5.9	64.4
KN-1 (Devadurga)	16.8	3.7	73.9	13.8	5	76.6
KN-2 (Bidar)	3.6	20.3	73.6	2.1	18.8	76.8
MH-1 (Wardha)	17.4	35.7	13.4	2.4	24.8	38.8
MH-2 (Surgana)	15	30.4	27.4	9.8	16.4	49.4
MP-1 (Ghatigaon)	10.8	48.6	37.8	1.9	5.4	60.7
MP-2 (Khalwa)	4.5	8.6	81.6	0	0	98.4

**Figure 4.11: Ease or difficulty of getting work in the Covid year compared to the Pre-Covid year**



**Figure 4.12: In the Pre-Covid year did households get as many days of work as desired**



“always.” However, it is concerning that the proportion of households reporting they never got a receipt increased during Covid.

Next we move to the experience of getting work. Figure 4.11 shows the ease of getting work in the Covid year compared to the process of getting work in the pre-Covid year. We see that, across all the blocks, the process of getting work in the Covid year was largely the same compared to the Pre-Covid year. The jolt of the national lockdown did not give sufficient time for the local administration to plan and do anything novel or different to deal with the crisis. Consequently, the process of getting work remained as good or as bad as the previous year. Indeed, we tried to understand if the local

administration tried anything different to accommodate the twin shocks of health hazard and excess workforce in rural areas. However, the households did not report anything novel in this regard.

Next we present findings related to incidence of unmet demand during the pandemic. In the pre-Covid year, overall, in our sample, roughly 14 percent of all the households said that they “always” got as much work as they wanted, 27 percent of the households said that they “sometimes” got as much work as they wanted, while 48 percent of all the households said that they “never” got as much work as they wanted. The rest could not recollect. Among those 14 percent of the households, a majority of them are concentrated in Devadurga block,

**Figure 4.13: Need for MGNREGA work in the Covid year compared to the Pre-Covid year**



Karnataka. Figure 4.12 shows the distribution regarding the extent of work demand being fulfilled in the Pre-Covid year by state and by block.

In comparison to the low performing blocks, there were more proportion of households in the high performing blocks that said that they 'Always' got as much work as they wanted in the pre-Covid year. This shows that there was significant intra-state variation in terms of work demand being honoured. For instance, in Karnataka, four times as many households in the high performing block always got as much work as they wanted in the pre-Covid year compared to the households in the low performing block. This was double in the case of Maharashtra and eight times in the case of Madhya Pradesh. However, it is important to note that the sample sizes are also quite different. Interestingly, in Karnataka, half the households never got as much work as they wanted in both the blocks. In five of the eight blocks, between half and three-fourths of the households reported that they never got as much work as they wanted in the pre-Covid year. The intra-state variation in this regard is least in Bihar where the majority of the households reported rationing of work demand.

Focussing now on the Covid year, Figure 4.13 shows whether households wanted to work more or less days in MGNREGA in the Covid year compared to the pre-

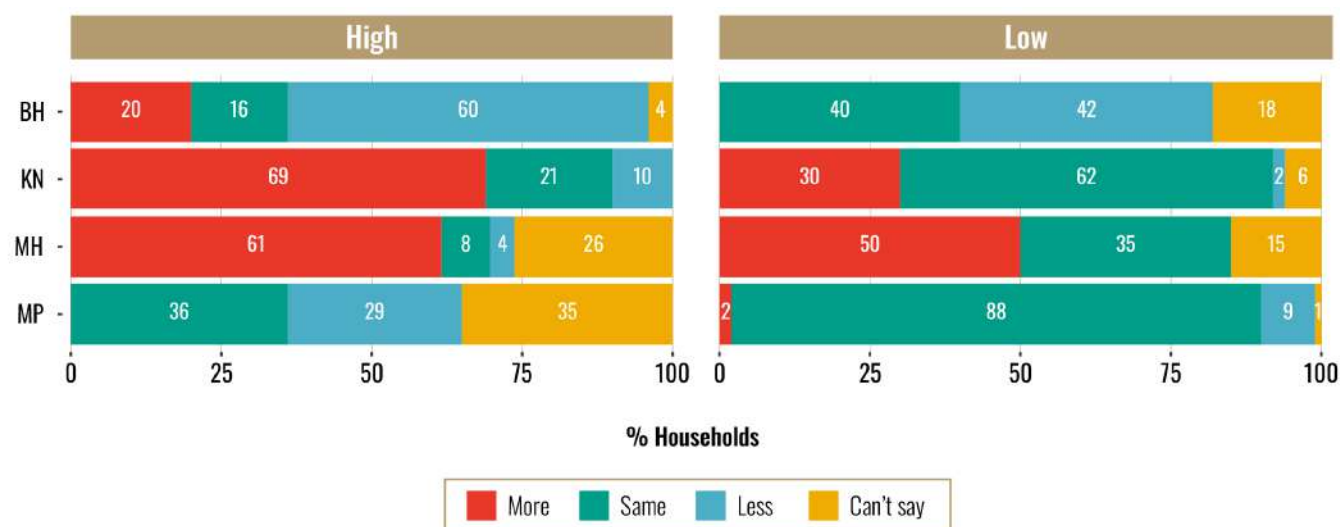
Covid year.

Here we see that the blocks in Bihar stand out compared to the other states. Surprisingly, despite the lockdown shock, more than half of the households in the high performing block in Bihar and nearly one-third of the households in the low performing block of Bihar wanted to work "less" in the Covid year compared to the pre-Covid year. This needs more investigation given that Bihar is one of the high migrant sending states. One plausible hypothesis is that there are more lacunae in the programme functioning in Bihar resulting in workers being discouraged from participating in the programme. In contrast, in each of the other six blocks across the remaining states, the need for MGNREGA work was as much or more compared to the pre-Covid year. This was particularly high (more than 87 percent) in both the blocks of Karnataka, Maharashtra and the low performing block of Madhya Pradesh. In our sample, a statistical test of association between work demanded being honoured in the pre-Covid year and the need for more or less MGNREGA work in the Covid year revealed a high degree of association.<sup>8</sup>

Given that a significant proportion of households who worked in the pre-Covid year never got as much work as they wanted, we focus on these households for now. We could think of such households as those with very

<sup>8</sup> A chi-square test of association yield a p-value of  $3.65 \times 10^{-15}$

**Figure 4.14: Need for MGNREGA work in the Covid Year among households with very high unmet demand in the Pre-Covid year**



*Households with a very high unmet demand are those who reported that they never got as much work as they wanted in the year prior to Covid.*

high unmet demand in the pre- Covid year. For these households, Figure 4.14 shows whether they wanted more MGNREGA work or less MGNREGA work in the Covid year compared to the pre-Covid year.

Among households that had a very high unmet demand in the pre-Covid year, there was as much or more demand for work in the Covid year in five out of the eight blocks. The need for MGNREGA work in the Covid year was particularly more in the high performing block of Karnataka and both the blocks of Maharashtra. There

was already a high demand and employment in the so-called low performing block of Madhya Pradesh so we see a continuation of that in the Covid year.

Households in the two blocks in Bihar, however, indicate they wanted less work in the Covid year, given that these are from households that never got as much work as they wanted in the pre-Covid year. As alluded earlier, this is likely a manifestation of the *discouraged worker effect*.

### 4.3 Wage payments

Timely payment of wages has been a persistent concern ever since the beginning of MGNREGA. In this regard, governments over the years have made various changes to the technical architecture of payments. There have also been some fundamental redesigns of the funds flow process – aided by newer technologies – that have resulted in significant changes in tilting the balance between the implementing agencies (the Gram Panchayats, blocks etc) and the Union government. In this section, we first briefly discuss the current payments process. Then in Section 4.3.1 we present some findings pertaining to wage payments and access to wages from our survey and in Section 4.3.2 we present a brief history of the MGNREGA wage payments process.

Section 3 of the Act says that the wages for a completed muster roll of work have to be paid within 15 days of completion of a muster period (usually a week), failing which the workers are entitled to compensation for each day's delay. Paragraph 29 (1) of Schedule 2 of the Act has the following relevant clauses:

*"In case the payment of wages is not made within fifteen days from the date of closure of muster roll, the wage seekers shall be entitled to receive payment of compensation for the delay, at the rate of 0.05% of the unpaid wages per day of delay beyond the 16th day of closure of the muster roll".*

**Table 4.6: Steps, timelines and responsibilities under the Ne-fms for timely payment of wages**

Steps	Processes	Period	Responsibility
<b>Stage 1</b>		<b>T + 8</b>	<b>State Government</b>
1	Last date of muster roll as per e-muster	T	
2	Data entry of attendance into MIS	T + 2	
3	Measurement of the work and entering the same in NREGASoft	T + 5	
4	Generation of wage list	T + 6	
5	Generation of FTOs (1 signatory)	T + 7	
6	Approval of FTO for payment (2 signatory)	T + 8	
<b>Stage 2</b>		<b>T + 9 to T + 15</b>	<b>Central Government</b>
7	Signing of pay orders by MoRD (in Ne-FMS States/UTs)	T + 9 to T + 11	
8	Crediting into bank accounts of beneficiary by payment agencies	T + 10 to T + 15	

Source: Ne-fms guidelines

It further states that:

*“The computer system shall have a provision to automatically calculate the compensation payable based on the date of closure of muster roll and the date of deposit of wages in the accounts of the wage seekers.”*

The provisions of delay compensation were in compliance with the Payment of Wages Act (1936) and primarily served the purpose of making the government accountable for timely payments.

As on date, the wage payments in MGNREGA are made through the National electronic funds management system (Ne-fms). There are broadly three steps involved for workers to access their wages. After work for a muster roll is completed, a Funds Transfer Order (FTO) with worker details like their job card numbers, their bank account details etc is digitally sent to the Union government by the panchayat/block. This is called Stage 1 and it is the corresponding state government’s responsibility. The Union government then processes the FTOs and transfers wages directly to the workers’ accounts. This is called Stage 2 which is entirely the Union government’s responsibility. As per the Act’s guidelines, Stage 1 must be completed in 8 days and Stage 2 must be completed within 7 days after Stage 1. Table 4.6 outlines

the steps, timelines and the responsibilities under Ne-fms for timely payment of wages.

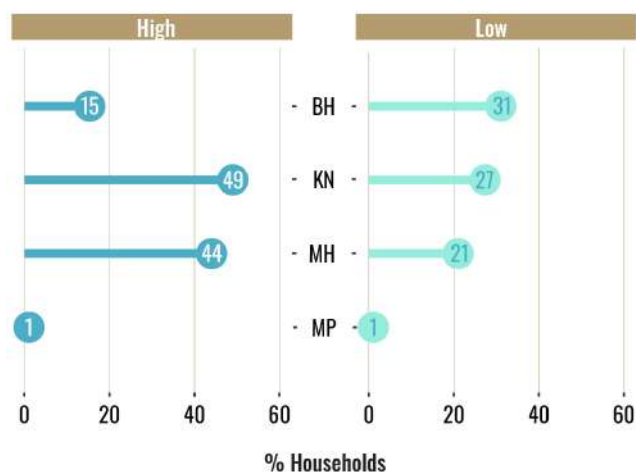
Once the wages are credited to the workers’ accounts, workers can go to their payment disbursement agencies and withdraw their wages. The hurdles faced by workers in accessing their wages once they are credited to their accounts are called *last mile challenges*. Borrowing from the nomenclature introduced in the report titled Length of the Last Mile (LibTech India 2020), we refer to the time taken in dealing with last mile challenges as Stage 3. Information pertaining to stages 1 and 2 is available online in the MGNREGA MIS while there is no online information on stage 3. Even for stages 1 and 2, information for stage 1 is easily available but getting stage 2 time from the MIS for each individual household is a highly complex process. Indeed, our sample selection process involved choosing blocks based on their stage 1 performance.

#### 4.3.1 Wage payment delays

Figure 4.15 shows the percentage of households that said that wages were credited within 15 days of completion of work in the Covid year. Some words of caution in reading this figure are in order. This is based on the workers’ experiences over the course of the entire year in accessing wages and thus corresponds to multiple



**Figure 4.15: % Households that reported receiving wages within 15 days of completion of work in FY 2020-21**



muster rolls of work. For some muster rolls of work, the wages would likely have been credited within the 15 day period while for some other muster rolls, it may have taken longer. In theory, for each household in the sample, one could parse through each muster roll they have worked in and extract the precise time taken for the wages to be credited (stages 1 and 2). For instance, suppose a household has worked for four weeks and a muster roll is issued on a weekly basis, then there would be four different wage credited dates for this household. Using the work start date, work completion date, FTO generation date and the wage credited date, one could precisely arrive at Stage 1 time and Stage 2 time for this transaction. This is a non-trivial process and involves merging multiple disparate MIS reports. We have not undertaken this exercise here.

But we point out that by now, there is sufficient evidence concerning the impact of inadequate funds allocation in causing delays in wage payments, and that wage payment delays are more in the second half of a financial year compared to the first half. We discuss this issue further in Section 4.3.2.

With the above caveats in mind, Figure 4.15 does paint a concerning picture. Overall, only 36 percent of the households said they got their payments within 15 days. In all the surveyed blocks, more than half of the households have said it took more than the stipulated 15 day period to get their wages. The high performing

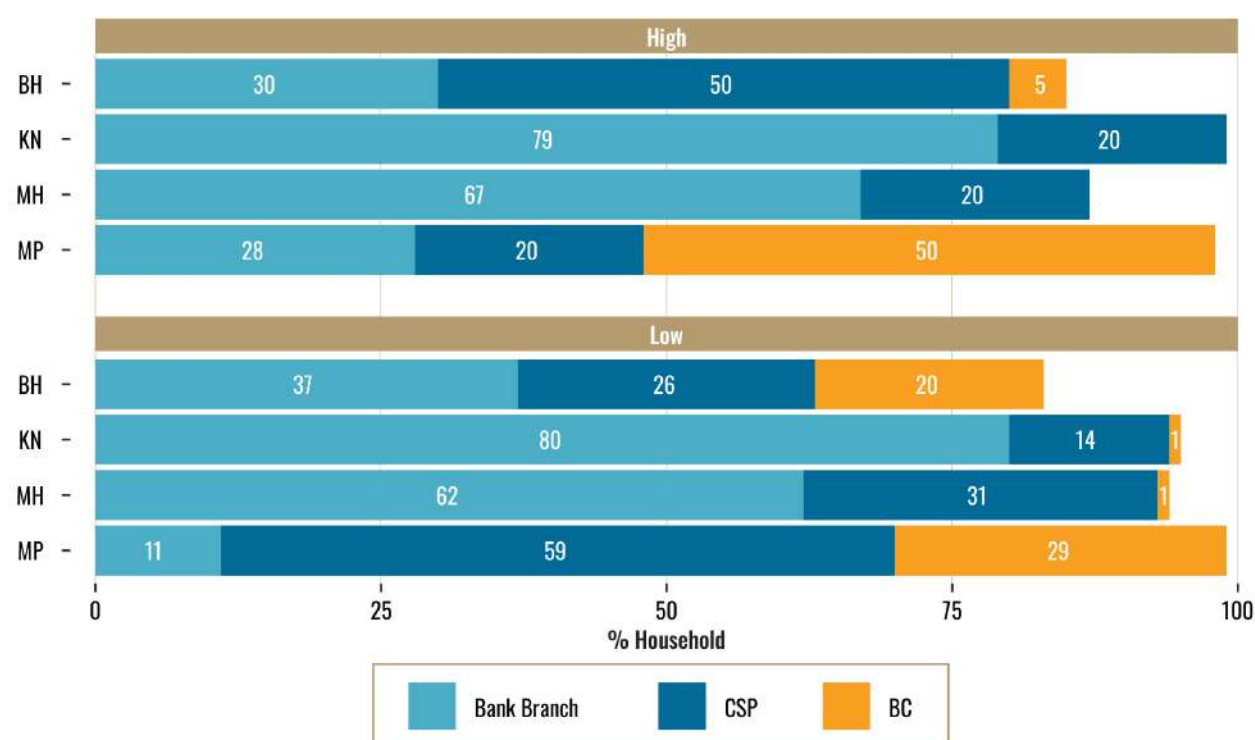
blocks of Karnataka and Maharashtra had the most positive experience concerning timely payment of wages. Even in these blocks, only a little less than half the households said that they got their MGNREGA wages within the 15 day period. The situation seemed particularly harsh in both the blocks of Madhya Pradesh where only 1 percent of the households said that they got their wages within the 15 day period in the Covid year. In the high performing block of Bihar, only 15 percent of the households said that they got their wages within the 15 day period. Since stage 1 time has uniformly improved, there is reason to believe that the delays experienced by households in getting wages are due to delays in transfer of wages by the Union government. We discuss this in detail in Section 4.3.5.

### 4.3.2 - How wages are accessed

We now try to understand a few challenges pertaining to Stage 3 from our survey. Access to banking facilities and financial inclusion has been a central preoccupation for many governments over the years. In 2013, the committee on 'Comprehensive Financial Services for Small Businesses and Low Income Households' under the chairpersonship of Nachiket Mor submitted a detailed report to the RBI. Some of the key recommendations outlined to be achieved by 1st January, 2016 were: (a) every Indian should have a secure electronic bank account, (b) the number and distribution of electronic payment access points would be such that every single resident would be within a fifteen minute walking distance from such a point anywhere in the country. Each such point would allow residents to deposit and withdraw cash to and from their bank accounts and transfer balances from one bank account to another, in a secure environment, and (c) sufficient access to affordable formal credit.

As per World Bank data, there are 14.58 bank branches per 100,000 adults in India.<sup>9</sup> According to RBI data, approximately only 17.2 percent of all the bank branches and ATMs in India are in rural areas of which nearly 80 percent are public sector banks<sup>10</sup>. Even these bank branches are usually located at the block headquarters which make it difficult and costly for people to travel from villages. Moreover, rural bank branches are

**Figure 4.16: Primary payment disbursement agency before Covid**



*Note: CSP stands for Customer Service Point. BC stands for Banking Correspondent.*

extremely short staffed and in many parts of the country they are riddled with various problems such as erratic electricity, infrastructure problems, lack of reliable technical support etc. To mitigate some of these, over the years, additional banking disbursement channels that use Aadhaar based biometric authentication have been created. These are referred to as Aadhaar-enabled payment systems (AePS). There are two such AePS disbursement channels that are supposed to be free for MGNREGA workers:

- **Customer Service Points (CSP):** These are banking kiosks or service points where customers have access to limited banking services such as deposits and withdrawals up to a certain amount, and inquiry about their bank balance. These are usually small shops, operated by individuals in a public-private-partnership model located in panchayats or blocks. Workers have to use Aadhaar-based biometric authentication to perform transactions and the platform for such facilities are provided jointly by the National Payments Corporation

of India (NPCI) and the corresponding banks.

- **Banking/Business Correspondents (BCs):** These are individuals who have a contract with the local bank branch and travel with a point of sale (PoS) machine across villages. They are permitted to do minimal transactions like withdrawals. This also requires Aadhaar based biometric authentication and is also part of the AePS.

Figure 4.16 shows the most frequently used payment disbursement agency by workers in our surveyed blocks in the pre-Covid year.

Aside from the high performing blocks in Bihar (~50 percent) and Madhya Pradesh (~50 percent) and the low performing block in Madhya Pradesh (~29 percent), bank branches were the main payment disbursement agencies used by the households in the pre-Covid year. They were particularly high in the blocks of Karnataka and Maharashtra where between two-thirds and four

<sup>9</sup> <https://data.worldbank.org/indicator/FB.CBK.BRCH.P5?locations=IN>

<sup>10</sup> <https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=20953v>

**Table 4.7: Households in the sample that retained or changed the payment disbursement agency in the Covid year compared to the Pre-Covid year**

	Changed in the Covid year	Did not change in the Covid year	Don't know
Bank branch	91	336	38
CSP	35	183	12
BC	4	51	8
ATM	2	6	2
Can't say	2	15	16

out of five households transacted at a bank branch. On average, density of bank branches, financial inclusion and financial autonomy among women is better off in the southern states of India<sup>11</sup>.

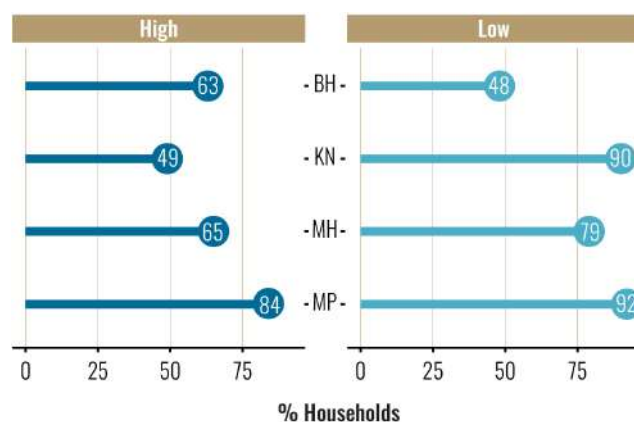
### 4.3.3 Covid induced changes and challenges

With the announcement of the national lockdown, there were several restrictions placed in public spaces. Rural government offices and banks were working with a reduced staff strength. Further, there were also worries of the virus spreading through touch and so usage of biometric devices were also causes for concern. Rural banks tend to get overcrowded (less in the southern states) so we wanted to understand if these had any impact on last mile challenges. We observe that a large fraction of the households did not change their payment disbursement agency in the Covid year. Table 4.7 shows how many households in our sample retained and/or changed their payment disbursement agency in the Covid year compared to the pre-Covid year.

Among all the bank users in our sample (465), roughly one in five changed their payment disbursement agency in the Covid year and among all the CSP users (230), 15 percent of them changed their method of accessing wages in the Covid year.

While Table 4.7 gave a sample characteristic, Figure 4.17 shows the percentage of households that did not change their payment disbursement agency in the Covid

**Figure 4.17: % Households that did not change payment disbursement agency**



year weighted at the block level. So if they accessed wages from a bank branch in the pre-Covid year, they continued to do so in the Covid year too.

Apart from the low performing block in Bihar and the high performing block in Karnataka, a large majority of the households continued to transact in the same payment agency in the Covid year as in the pre-Covid year.

We now present a comparison of ease/difficulty in accessing money in the Covid year compared to the pre-Covid year (Figure 4.18). It is clear that in seven out of eight blocks (barring the high performing block in Bihar), from around two-thirds to nearly 90 percent of the households said that there was no difference (same) in the ease or difficulty of accessing money from their disbursement agency in the Covid year compared to the pre-Covid year. One in five households in the high performing block in Bihar reported that it became harder in the Covid year and for about 30 percent of the households in this block, it became easier.

### 4.3.4 Last mile hurdles

While there have been significant attempts at financial inclusion, it continues to be an area where a lot more effort is needed. Consider, for instance, that each visit to a bank typically is a day-long affair owing to the round trip commuting time plus waiting time at the bank. As mentioned earlier, banks in most states in India are

<sup>11</sup> Based on the authors' own ground experience across states.

**Figure 4.18: Compared to the Pre-Covid year, was it easier/same/harder to access money**



**Table 4.8: Median number of visits to bank branch to withdraw wages**

Year	BH (high)	BH (low)	KN (high)	KN (low)	MH (high)	MH (low)	MP (high)	MP (low)
Pre-Covid year	-	-	1	1	2	2	-	-
Covid year	-	-	2	1	3	2	-	-

*Note: Numbers are not shown for blocks where the sample size for this question is too low to make an inference.*

located at block headquarters and it could easily take three to four hours for just a one way commute to the bank. This is much longer in Adivasi areas. In most cases, a worker spends at least a day's wages to go to a bank to withdraw money. In percentage terms, one could say that roughly five to ten percent of weekly MGNREGA earnings are spent just for one visit to a bank. Given that their base earnings are so low, this is a huge price to pay to access one's own wages. For instance, from Table 4.8, we can see that an average worker would have spent 3 days' wages to withdraw weekly wages in the high performing block in Maharashtra. These hardships are less acknowledged but add significantly to the worker woes. In general, the main reason for multiple visits to a bank branch is overcrowding at rural banks.

On the other hand, for AePS to work smoothly, stable

internet connectivity and stable electricity connection are a minimal pre-requisite. Since it is a biometric authentication system, for it to work, it is necessary that workers' thumb prints would work every time they need to transact. Since CSPs and BCs are not equipped to update bank passbooks, each time there is a withdrawal, a payment slip is meant to be given to the workers free of cost. However, in practice, this is rarely done and workers tend to get charged for each withdrawal. Consequently, for AePS users, workers have no paper trail of their financial health. Moreover, there are numerous surveys and case studies documenting biometric failures. As per a survey conducted in Jharkhand, even CSP owners reported that biometric authentication fails in the first attempt for nearly 42% of the users (Sabhikhi, Lahoti, and Narayanan, 2019). Multiple visits to CSPs are usually owing to biometric failures and lack of network

connectivity and in some places due to overcrowding.

Owing to low sample sizes among CSP users who continued going to the CSP in the Covid year, we do not make any representative claims from our survey in this regard. The sample sizes were reasonable in the low performing blocks of Maharashtra and Madhya Pradesh. The median number of visits to withdraw was 2 in both years in the low performing block in Maharashtra while it increased from 2 to 3 in the Covid year in the low performing block of Madhya Pradesh.

For a more comprehensive deliberation on hurdles in accessing wages in the last mile, the reader is referred to *Length of the Last Mile (LibTech India, 2020)*. It presents a comparative experience of MGNREGA workers across 3 states and across payment disbursement agencies by combining different forms of hardships through a hardship score. Bank passbooks are the only source of information for workers to know whether money has been credited to their account and how much money is left in their account. However, owing to crowding at rural banks, updating passbooks is not a priority for the bank staff which leaves workers with no trail on their financial situation. The workers can still, at some point, get their way done to update passbooks at banks. On the other hand, for AePS transactions, there is no paper trail of transactions. There are also many cases of corruption where the CSP/BC owners withdraw more money from the workers' accounts without their knowledge as there is no accountability and monitoring framework for CSP/BC.

In summary, while there are some positives of AePS, in general, workers have largely preferred using a brick and mortar bank branch for their banking needs. Consequently, while AePS can be a convenience, it cannot be a substitute for brick and mortar bank branches.

#### **4.3.5 A brief history of MGNREGA payments processes**

We divide the history of the wage payments process in MGNREGA into three phases. In Phase 1 (2006 to 2011) MGNREGA funds were given in advance to the Gram Panchayats (GP) for programme implementation and it was the GP's responsibility to pay the workers on time. In

Phase 2 (2012-2015), the electronic funds management system (e-fms) was introduced, whereby funds were transferred directly to the workers' accounts from the state government's accounts. The GP did not receive any advance funds, and payments were made only after completion of works. Phase 3 (2016 to present) marked the introduction of the National electronic funds management system (Ne-fms) whereby funds were transferred directly from the Union government's account to the workers' accounts upon completion of works. Phase 3 also saw the proliferation of Aadhaar based payments in MGNREGA and a steady phasing out of post office accounts for workers. In this section we elaborate on each of these phases.

#### **Phase 1 of MGNREGA Wage Payments (2006-2011)**

At first, wages of workers were sent to the accounts of the GPs and payments would be made in cash to workers at a public place. In 2008, the Ministry of Rural Development (MoRD) decided to separate the payment agency from the implementing agency (*MoRD Operational Guidelines, 2008*). This became the basis for opening bank accounts for MGNREGA workers. Here too, money corresponding to labour wages were made in advance to the GP bank account, after which, money was transferred to the individual bank accounts of workers. There was an attempt to ensure that the accounts of workers were opened in the same bank where the GP had an account. There were several progressive measures in these operational guidelines. Among others, these included:

1. Opening separate accounts for women to increase financial autonomy of women.
2. To avoid delays in clearance of cheques, or staff shortage in the bank branches or reluctance of bankers, state governments could discuss the matter with the State Level Banking Coordination Committee (SLBC).
3. Generation of wage slips with a well defined format to be given to workers so that workers have information about their wage payment status.
4. Measures such as reconciliation of wage slips with entries in job cards, muster rolls and reading out the wage information in public.
5. Design of passbooks should be to facilitate the reconciliation process.



There was some positive impact of these measures as expressed by workers (*Adhikari and Bhatia, 2010*). Till 2011, the GP would receive advance funds from the state government through blocks and districts to pay the workers and funds to the GP were released in tranches upon production of “utilisation certificates” by the GP with details on how the earlier tranches were used.

### **Phase 2 of MGNREGA Wage payments (2012-2015)**

Owing to corruption concerns and to reduce intermediaries, for supposedly better accountability, in 2012, the MoRD initiated the electronic funds management system (e-fms) for all the states based on the e-fms experience of Andhra Pradesh where it was prevalent from 2009 (*Dreze, 2022*). This system replaced the earlier system of giving fund advances to the GP for programme implementation by making payment of wages contingent on completion of works. In the e-fms system, upon completion of work, through a login provided to the GP, the GP would send electronic invoices and the respective state governments would transfer wages directly to the bank or post office accounts of workers.

Subsequently, in the *operational guidelines of 2013, MoRD*, the separation of the payment agency from the implementation agency was reiterated “for ensuring fairness and transparency in wage payments.” These guidelines are critical as they proposed significant departures from the earlier payment systems. As per these guidelines,

*“A significant reason for delay of wage payments is non-availability of sufficient funds at district/block/GP level. Often it happens that while in some districts/blocks/GPs in a State, there is shortage of MGNREGS funds, in others there is surplus fund lying unutilised. Once the MGNREGS fund is allotted to a district/block/GP, it is very difficult to transfer funds across districts/blocks/GPs. Fund allocation, hence becomes an arduous task in implementation of MGNREGS.”*

E-fms was a centrally pooled fund maintained at the state level and was introduced to ensure that funds do not remain idle in districts/blocks/GPs where the

quantum of MGNREGA works was lower than projected. It was envisioned that the implementing agencies could now electronically access the centralised funds. As per its goals, using the e-fms,

*“All electronic transfers are realized in a span of 24 hours. Based on this principle of Centralized fund & de-centralized utility, the e-FMS ensures timely availability of funds at all levels and transparent usage of MGNREGS funds. This improves efficiency of the program on the whole and also has a positive effect on timely payment of wages.”*

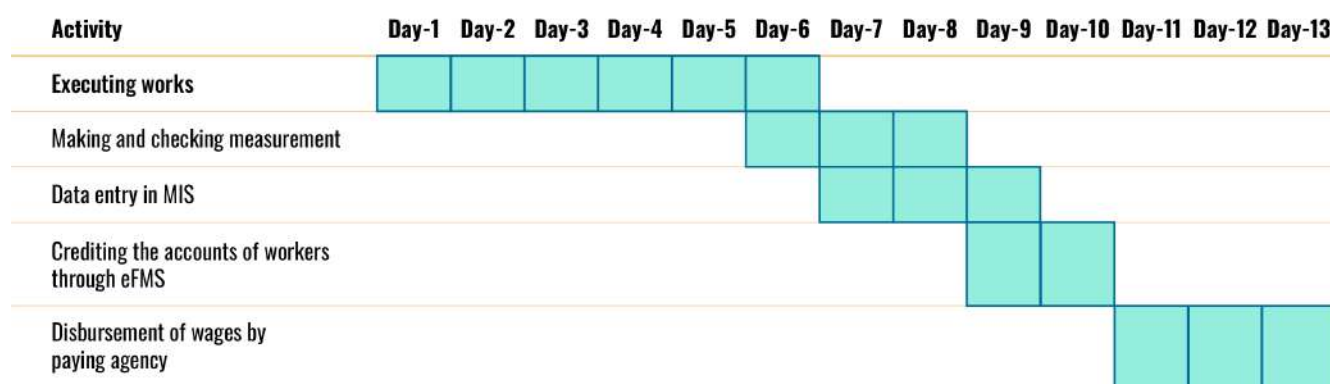
It was believed that prior to e-fms, delays in payment of wages were also caused due to delays in the physical movement of cheques from the panchayats to the banks and subsequently more time taken by banks to process these details. The electronic transfer of data files through e-fms was expected to reduce payment delays. Figure 4.19 from the MoRD guidelines of 2013 depicts the ideal roadmap for timely payment of wages.

Presence of internet enabled Core Banking System (CBS) in GPs and blocks was mandatory for e-fms to work. However, in places where CBS was not in place, non-electronic alternatives could be used. In addition to the introduction of e-fms, these guidelines also, for the first time, brought to light the idea of wage payment using an individual's Aadhaar number. As per these guidelines, there was a decision “to progressively move towards Aadhaar Payment Bridge (APB) and Aadhaar Enabled Payment System (AEPS) using inter-operable micro ATMs for transferring all benefits including wages under MGNREGA. In this system each Aadhaar number will be linked to one account in which the wages and all other benefits will be credited. Disbursals will be made through BCs/ BPOs based on biometric authentication using a PoS machine.” These were significant new proposals in the payment architecture.

### **Phase 3 of MGNREGA wage payments (2016 – till now)**

The payment system underwent further significant changes in 2016 with the introduction of the *Ne-FMS* by the Union Government. While in the e-fms, the state governments had MGNREGA funds parked in their accounts, with Ne-FMS, all the MGNREGA wages were

**Figure 4.19: e-FMS based payment schedule**



Source: MoRD Guidelines 2013

now to be held by the Union government. Funds would now “notionally” travel through the State Employment Guarantee Fund (SEGF) to the workers’ bank accounts based on a Funds Transfer Order (FTO) generated by officials at the GP and the block. The states would now have to maintain two accounts – one for material and administrative funds and the other was a “notional” account for labour wages. To emphasise, the state account for labour wages is notional in the sense no arm of the state governments would have access to MGNREGA funds for labour wages and for 75% of the material costs before any work is completed. The Union government would transfer wages to the workers’ accounts only after the FTOs are electronically transferred from the GP/block. This was supposed to be completed within 2 days of receiving the FTOs according to the Ne-fms guidelines.

The main stated objectives of the introduction of Ne-fms was to streamline the funds flow and to ensure timely payment of wages. It was rolled out in two phases and it was implemented across the country by October, 2016. Payments under Ne-fms could be through account based payments or through the Aadhaar based payments using the Aadhaar Payments Bridge System (APBS). In account based payments, money was transferred to the workers’ accounts using their name, their account number and the bank’s IFSC code. In Aadhaar-based payments, the workers’ Aadhaar number became their financial address where money would be deposited into the

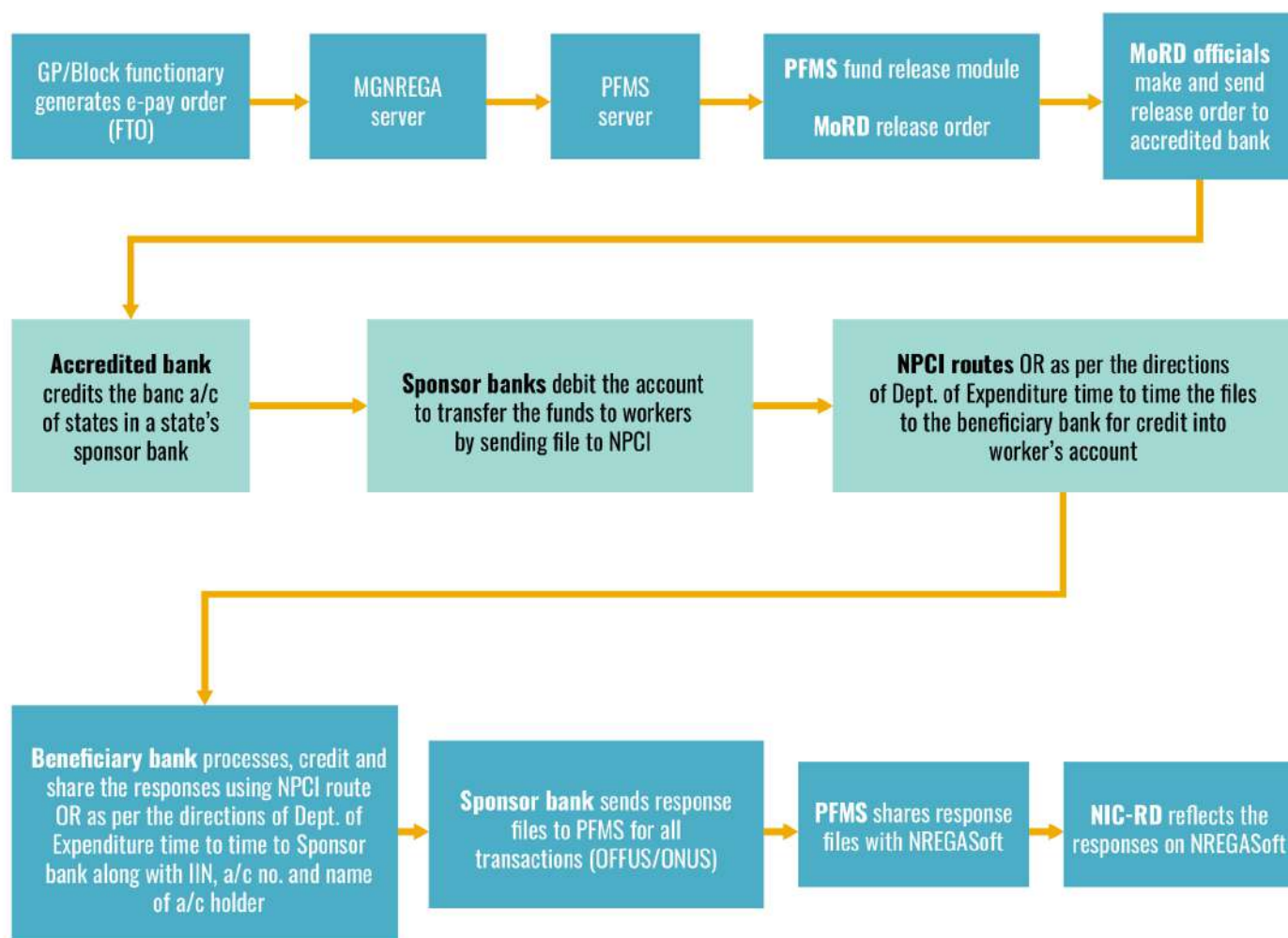
bank account that is linked to their Aadhaar numbers. The push for Aadhaar based payments received a major fillip from 2015. Figure 4.20 – extracted from the Ne-fms guidelines of 2016 – shows the process flow of wages in the Ne-fms.

As outlined in the beginning of this chapter, according to the Ne-fms, stage 1 corresponds to the time taken by the state governments and stage 2 corresponds to the time taken by the Union government in transferring wages to workers’ accounts. However, these changes to the payments architecture did not necessarily reduce the delays in wage payments. An analysis of over 9 million transactions for the financial year 2016-17 showed that only 21% of the wage payments were made within the mandated 15 day period and the Union government alone was taking 50 days on average to electronically transfer the wages (Narayanan, Dhorajiwala, and Golani (2019)). Moreover, the method of calculating delay compensation was flawed and did not account for the time taken by the union government to transfer wages. Acknowledging the correctness of the findings based on an earlier newspaper article by the authors, the Ministry of Finance issued a memorandum<sup>12</sup> admitting that the principal reasons for payment delays were “infrastructural bottlenecks, (un)availability of funds and lack of administrative compliance.”

The matters concerning violations of MGNREGA, such as payment delays and under-calculation of delay

<sup>12</sup> Ministry of Finance memorandum can be found here: <https://drive.google.com/file/d/1lEK2gSrbku24lclMLP8dE59AO1H0mDS/view>

**Figure 4.20: Ne-fms process flow for transfer of wages from the union government to workers**



*Sources and notes: Reproduced from Ne-fms guidelines of 2016. Abbreviations: PFMS- Public Finance Management System. NPCI- National Payments Corporation of India. NIC-RD- National Informatics Centre, Rural Development.*

compensation, were heard by the Supreme Court of India in the writ petition (civil) number 857 of 2015. The Supreme Court took cognizance of the findings concerning wage delays, and the final Orders dated 18 May, 2018<sup>13</sup>, state that “We also cannot countenance the view advanced by the Central Government that it has no responsibility after the second signature is placed on the FTO. The wages due to the worker in terms of Stage II above must be transferred immediately and the payment made to the worker forthwith failing which the prescribed compensation would have to be paid. The Central Government cannot shy away from its responsibility or taking advantage of a person who has been placed in the unfortunate situation of having to seek employment under the Act and then not being

paid wages for the unskilled manual labour within the statutorily prescribed time. The State Governments and Union Territory Administrations may be at fault, but that does not absolve the Central Government of its duty.”

Two broad changes have taken place since the Supreme Court orders. First, there is now a new report on the MGNREGA MIS tracking Stage 2 delays. Second, Stage 1 delays have reduced significantly. However, Stage 2 delays continue.

More recently, in March, 2021, the Union government had introduced further changes in the payments architecture. It issued a circular<sup>14</sup> to change the payment system so that payments would be made separately

<sup>13</sup> Read the full judgement here: <https://indiankanoon.org/doc/59849272/>

based on the caste of workers (SC, ST, and 'Others'). When questioned by the media<sup>15</sup> about this move, the MoRD said that "For better accounting purposes, it has been decided, in consultation with the Department of Expenditure, to have a category-wise (SC, ST and others) wage payment system." This move led to many caste based tensions at MGNREGA worksites since wage payments of some categories of workers were quicker than others. Indeed, an analysis of nearly 1.8 million wage transactions from the first half of the financial year 2021-22 by LibTech India revealed that non SC/ST households experienced twice the delays in getting wages compared to SC/ST households (LibTech India, 2021). Moreover, as per this recent study, stage 2 for 71% of the analysed transactions exceeded the mandated 7 day period and stage 2 for 44% of the transactions exceeded the 15 day period. In fact, some of the poorer states suffered higher delays. Subsequently, owing to much public pressure, the Union government revoked the caste based segregation of wage payments.

These and a few other studies provide substantial evidence that inadequate funds for programme implementation have a direct bearing on delays in wage payments.

One of the stated objectives of MGNREGA was to strengthen the 73rd Constitutional Amendment which is to give more autonomy to the GPs in programme implementation. One way to achieve this goal was to give funds advance to the GPs so that the GPs have the liquidity to take up projects, generate employment and make labour and material payments. What we observe is that the changes in the payments process suggest a steady reduction in the power and control of the programme implementation for the GPs. Critics have cautioned how technological interventions, in particular, in Phase 3 with the adoption of Ne-fms, have excessively centralised the programme implementation leading to more complexity and opacity for workers Dutta (2016), Aggarwal (2017). Such centralisation has led to

an expenditure cap on the programme where labour budgets arrived at through a bottom-up process have been truncated using the MIS (Narayanan and Pothula, 2018), (Nandy, 2021). Some have also argued on how such centralisation has led to a "target-based focus" where budget allocations for different states are based on the number of targeted assets (Nandy, 2021).

In addition to the concerns regarding a steady shift of the programme architecture from being demand driven to supply driven, owed largely to the nature of funds management for the programme, there have also been concerns regarding the introduction of Aadhaar in MGNREGA wage payments. There is evidence suggesting that since the adoption of making payments via the Aadhaar Payment Bridge System (APBS), newer forms of challenges such as rejected payments, diverted payments and locked payments have emerged. In 2016-17, nearly one in six MGNREGA wage payments were rejected due to technical reasons. While the percentage of rejected payments have declined over the years, there are several crores worth of wages that remain rejected without proper resolution (LibTech India, 2020). When a payment gets rejected due to centralised technical errors, it becomes nearly impossible for a rural bank official, let alone a worker, to resolve it correctly.

For instance, one of the official automated reasons for payments getting rejected is called 'Inactive Aadhaar.' A Right to Information (RTI) query filed by James Herenj, the convenor for NREGA Watch in Jharkhand, regarding Inactive Aadhaar neither described the reason nor resolution. Instead the RTI request went in circles from the UIDAI to MoRD.

On the use of Aadhaar in welfare programmes see Khera (2017). In particular, on the types of hurdles created for workers owing to the introduction of Aadhaar in accessing MGNREGA wages, see Sabhikhi (2017) Dreze (2018a), Dreze (2018b), Dutta (2019), Johri (2019), Dhorajiwala and Wagner (2019), Narayanan, Dhorajiwala, and Golani

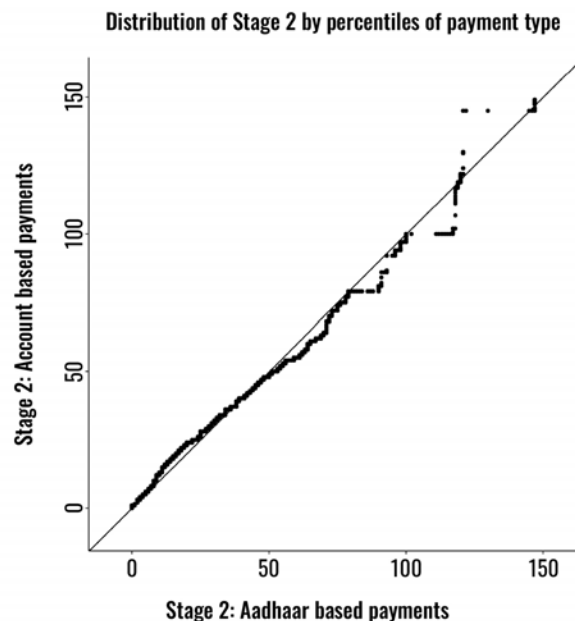
<sup>14</sup> [https://drive.google.com/file/d/1IFRrwaLEW634MUmFC8Z\\_iLDeU-jfl-pb/view](https://drive.google.com/file/d/1IFRrwaLEW634MUmFC8Z_iLDeU-jfl-pb/view)

<sup>15</sup> <https://theprint.in/india/governance/modi-govt-to-rethink-caste-based-payment-of-wages-under-mgnrega-says-aware-of-problems/747506/>

(2019). On the interplay of Aadhaar and the MGNREGA MIS, see Buddha, Dhorajiwala, and Narayanan (2021) and LibTech India (2020) and the references therein.

More recently, contrary to official claims on Aadhaar based payments being quicker, by analysing nearly a million Aadhaar based payments and account based payments in MGNREGA, it was seen that there is no statistical difference in the time taken between the two payment systems (LibTech India, 2021). Figure 4.21 (known as a qqplot) shows the percentiles of stage 2 for Aadhaar based payments and account based payments. It compares the time taken by the Union Government (stage 2) in transferring wages for the two payment methods. The axes represent the number of days taken for two kinds of payments. The 45-degree line shows the percentiles of stage 2 for APBS and the dots represent the percentiles of stage 2 for account-based payments. When dots are below the line, the account-based payments are quicker. Barring a few cases, the dots are practically on or below the line. This is perhaps the first large sample empirical evidence demonstrating that Aadhaar has not “reduced payment delays.” Indeed, there is nothing inherent in the APBS that makes transfers faster. On the contrary, when things go wrong, it is much easier to rectify errors arising in account based systems compared to Aadhaar based systems.

**Figure 4.21: Distribution of time taken for transfer of wages by Union Government by payment type**



Source: (Heavy Wait, LibTech India, 2021)

There have also been several case studies concerning misdirected payments that are near impossible to resolve. These are usually referred to as *teething problems* by many and the hope is that they would wither away in due course. While that may be true, in the interim, what this means is that workers do not have access to wages for work that they have completed.

#### 4.4 Role of MGNREGA as a safety net

Alongside the NFSA, MGNREGA remains the largest social safety net in rural areas. It is thus of great interest to know how effective the programme was in insuring households against Covid-induced income losses. In the foregoing sections, we have analysed various aspects of the functioning of MGNREGA during the pandemic. We have seen that unmet demand and wage payment delays are significant problems. But we have also seen that job card holding households see many positives in the programme as well. In this section we present evidence to show that overall MGNREGA did play a positive role in helping households cope with the income shock despite the hurdles in functioning described earlier in this chapter.

First, it is worth noting that even prior to the pandemic, MGNREGA earnings were an important part of village livelihoods (Table 4.9). The median share of MGNREGA income in total household income ranged from a low of 6 percent in Surgana to a high of 47 percent in Phulparas. For those households who had worked under the programme in the pre-Covid as well as the Covid years, we found that the share of programme income in total household income generally went up during the pandemic (the exception is Wardha where the share fell).

##### 4.4.1 To what extent did MGNREGA earnings compensate households for income losses?

While the increased share of MGNREGA earnings in



**Table 4.9: Median MGNREGA share in the total household income**

Block	Pre-Covid year	Covid year
BH-1 (Chhatapur)	0.33	0.82
BH-2 (Phulparas)	0.47	-
KN-1 (Devadurga)	0.2	0.29
KN-2 (Bidar)	0.06	0.15
MH-1 (Wardha)	0.42	0.34
MH-2 (Surgana)	-	-
MP-1 (Ghatigaon)	0.11	0.17
MP-2 (Khalwa)	0.15	0.3

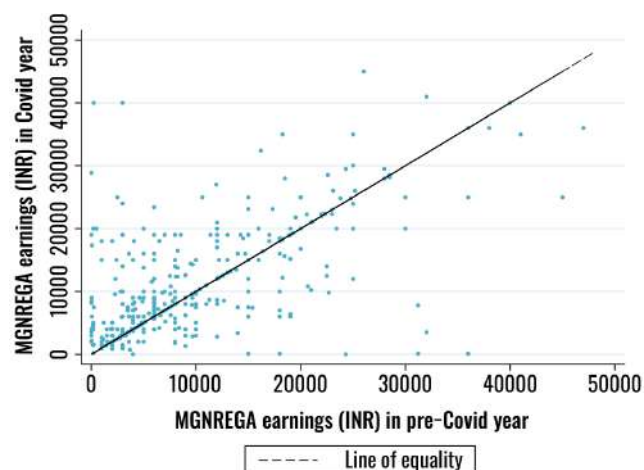
*Note: Owing to inadequate sample size for Phulparas (Covid Year) and Surgana (both years), we are not showing the data for these blocks*

total household income is an important indicator of the extent to which the programme's importance increased during Covid, it should be noted that this share may increase even when earnings from MGNREGA decline, as long as household incomes fall to a greater extent. So it is important to investigate whether and to what extent earnings from working in MGNREGA compensated households for incomes lost from other sources.

For this exercise we consider two types of households separately: those who worked in MGNREGA in the pre-Covid year as well as the Covid year, and those who worked only in the Covid year. For households who worked in MGNREGA in both pre-Covid and Covid years, the role of the programme as a safety net can be judged from the answer to the following question - did income from MGNREGA increase when income from other sources fell? We address this question at the sample level as well as by calculating a safety net measure that is representative at the block level.

Figure 4.22 shows that there are indeed several households in the sample whose earnings from MGNREGA increased (these lie above the diagonal). But across all the interviewed households, the median fall in income for those households who reported working in MGNREGA in both periods, was INR 28,000. But their median MGNREGA earnings only increased by INR

**Figure 4.22: MGNREGA earnings in the pre-Covid and Covid year for sample households**



1000 between the two periods. Thus while MGNREGA earnings did not decline at the aggregate level, they did not increase to the extent necessary to compensate for lost income.

To capture this relationship between MGNREGA income and household income loss more precisely at the block level, we calculated the following ratio for each household and present the weighted block-level estimates: change in MGNREGA earnings divided by change in income from regular (non-MGNREGA) activities. This ratio was calculated only for those households who had experienced a fall in household income (excluding MGNREGA). If income from MGNREGA rose even as income from other sources fell, this means that the programme was effective in performing its function as a safety net.

Table 4.10 shows the proportion of households in each block who lost income from other sources but saw a rise in MGNREGA income during the pandemic. This ranges from a high of 80 percent in Khalwa to 55 percent in Wardha. The next question is the extent to which MGNREGA income rose for these households. If this ratio is close to 1, this means that almost all the loss of earnings was made up by increased earnings in MGNREGA. The ratio ranges from 0.2 for Bidar (20 percent of loss made up through MGNREGA) to 0.81 for Khalwa (more than 80 percent of loss made up). Thus Khalwa block emerges as a strong performer in this analysis, despite being the lower ranked block as per pre-Covid performance in MIS.

**Table 4.10: Extent to which MGNREGA earnings compensated households for lost incomes**

Block	% HH who lost non-MGNREGA income but saw rise in MGNREGA income	Change in MGNREGA income divided by income loss	MGNREGA earnings divided by income loss
BH-1 (Chhatapur)	-	-	0.24
BH-2 (Phulparas)	-	-	-
KN-1 (Devadurga)	73	0.25	0.7
KN-2 (Bidar)	57	0.2	0.2
MH-1 (Wardha)	55	0.32	0.19
MH-2 (Surgana)	-	-	1.48
MP-1 (Ghatigaon)	-	-	1
MP-2 (Khalwa)	80	0.81	1

*Note: The second column shows the weighted median of the following ratio for each block: change in MGNREGA income divided by income loss for those who lost non-MGNREGA income but gained MGNREGA income. The third column is the weighted median the following ratio: Covid period MGNREGA earnings divided by income loss. Owing to inadequate sample size for Phulparas (Covid Year) and Surgana (both years), we are not showing the data for these blocks.*

For the latter type of households (who worked in MGNREGA only during Covid), we calculated the amount of income they had lost from their regular village activities (as before this does not include MGNREGA

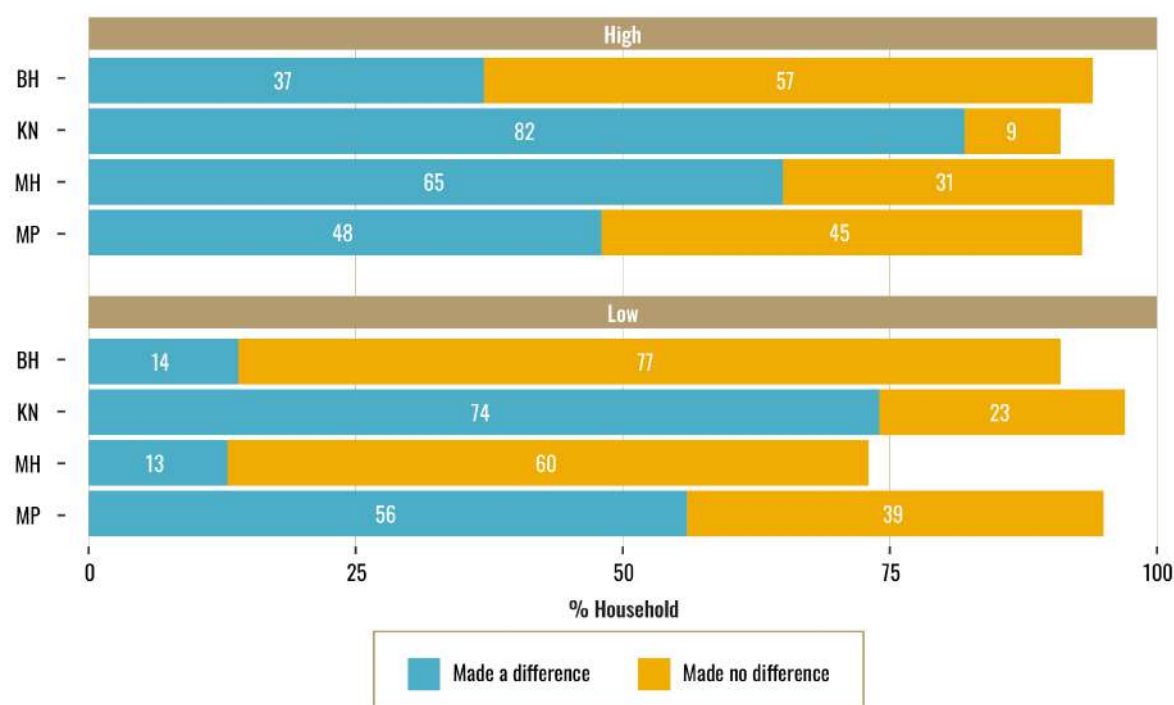
and remittance income). Next we calculated the ratio of income earned via MGNREGA to income lost due to Covid. So, for example, if a household lost INR 10,000 in the form of income from agriculture or other livelihood sources and they earned the same amount through MGNREGA the ratio would be equal to 1. This ratio was close to 0.2 for Bidar and Wardha blocks, indicating that income from MGNREGA during the Covid year was 20 percent of the income loss experienced. The ratio is much higher for Khalwa (1) and Surgana (1.48). That is, in Khalwa, MGNREGA income was the same magnitude as loss of income from other sources, thereby completely making up for the loss. In Surgana it more than made up for the loss. The overall strong performance of Khalwa block is borne out by MIS data as well. Table 4.11 shows data on total person-days of work generated, total households who got work, days worked per household and other parameters in both the pre-Covid and the Covid years. While total person-days generated and total households worked increased significantly in all blocks during Covid, Khalwa stands out in the magnitude of increase. Significantly, with the exception of Bidar and Surgana, in all other blocks, person-days generated increased more rapidly than households worked, resulting in an increase in average days worked per household during Covid.

**Table 4.11: Block level statistics for chosen survey blocks from the MGNREGA MIS**

Block	Total persondays generated		Growth rate (%)	Total households worked		Growth rate (%)	Average days per household		Growth rate (%)
	2019-20	2020-21		2019-20	2020-21		2019-20	2020-21	
Chhatapur	459,235	667,765	45.4	10,972	15,033	37.0	41.9	44.4	6.1
Phulparas	228,614	295,909	29.4	5959	7342	23.2	38.4	40.3	5.1
Devadurga	1,297,533	2,144,202	65.3	22,117	33,218	50.2	58.7	64.5	10.0
Bidar	440,679	691,712	57.0	11,834	20,165	70.4	37.2	34.3	-7.9
Ghatigaon	469,773	881,148	87.6	6929	12,386	78.8	67.8	71.1	4.9
Khalwa	696,336	1,792,835	157.5	16,356	33,029	101.9	42.6	54.3	27.5
Wardha	181,677	308,671	69.9	7859	11,259	43.3	23.1	27.4	18.6
Surgana	148,367	152,302	2.7	2474	2679	8.3	60.0	56.9	-5.2

Source: MGNREGA MIS

**Figure 4.23: Did MGNREGA earnings make a difference to the financial situation**



#### 4.4.2 Perceived importance of MGNREGA earnings and uses of these earnings

Despite varying levels of insurance provided by the programme and despite the significant problem of unmet demand, it was clear in the survey that job-card holding households value the programme highly. 75-80 percent of households in the Karnataka blocks said that the programme had made a difference or a strong difference to their financial situation during Covid (Figure 4.23). Around 50 percent of households in the MP blocks said the same. In Bihar, where, as we have seen, MGNREGA functioning is the least effective of all the states in this study, the numbers are much lower.

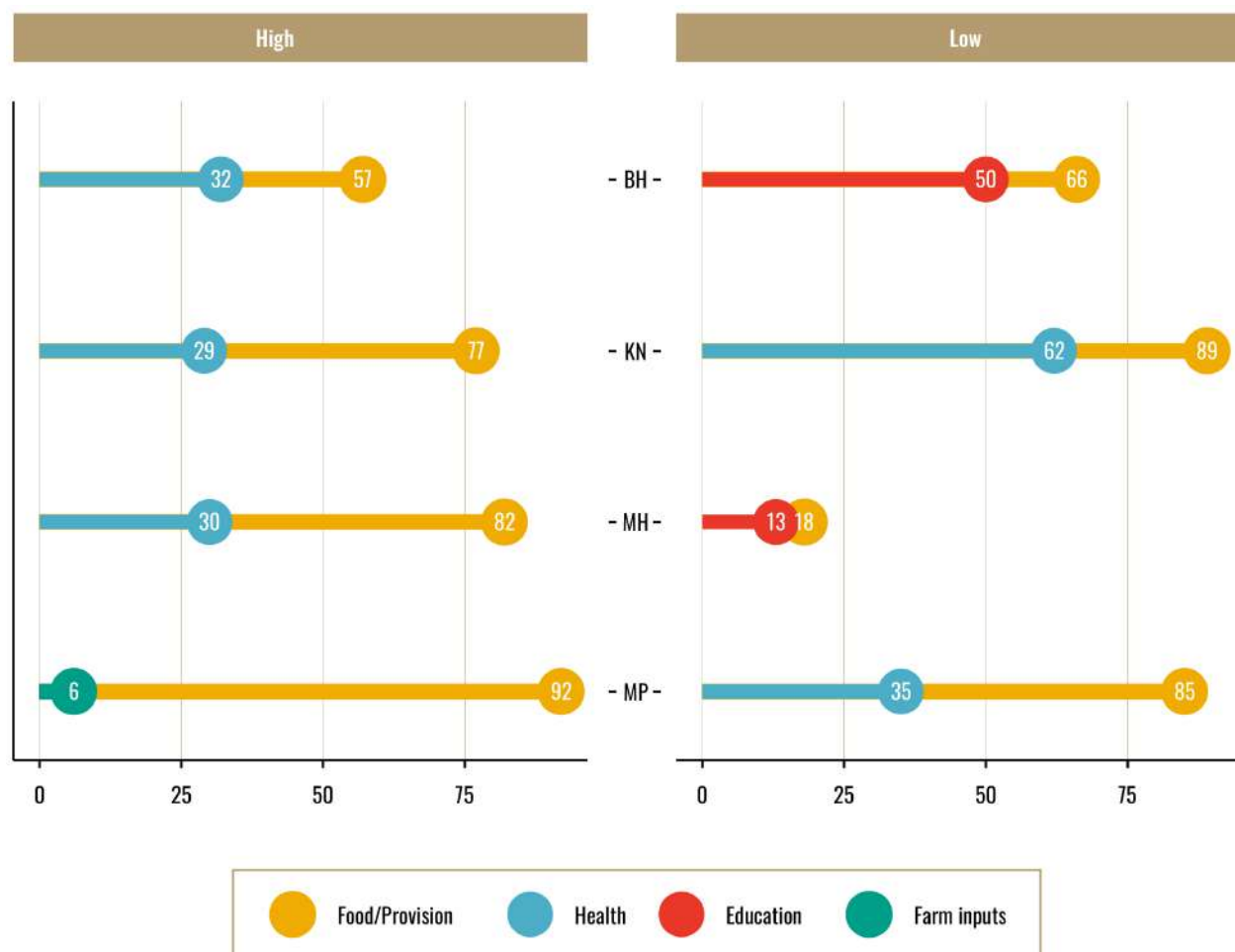
We investigated the particular ways in which programme earnings were useful to the household in two different ways. Half of the interviewed households who had worked during the Covid year were asked how MGNREGA earnings were used by them. The other half were asked what would have been the impact on them if they did not have access to this source of income. We see similar results from both ways of approaching this issue. The majority of households reported that they used the NREGA earnings primarily on food and other household provisions. Following this, the next major use of NREGA earnings was medicines and health related expenditures (Figure 4.24a). Analogously, reduction in

expenditure on food, medicines and education comes across as the main consequence of lack of access to MGNREGA (Figure 4.24b).

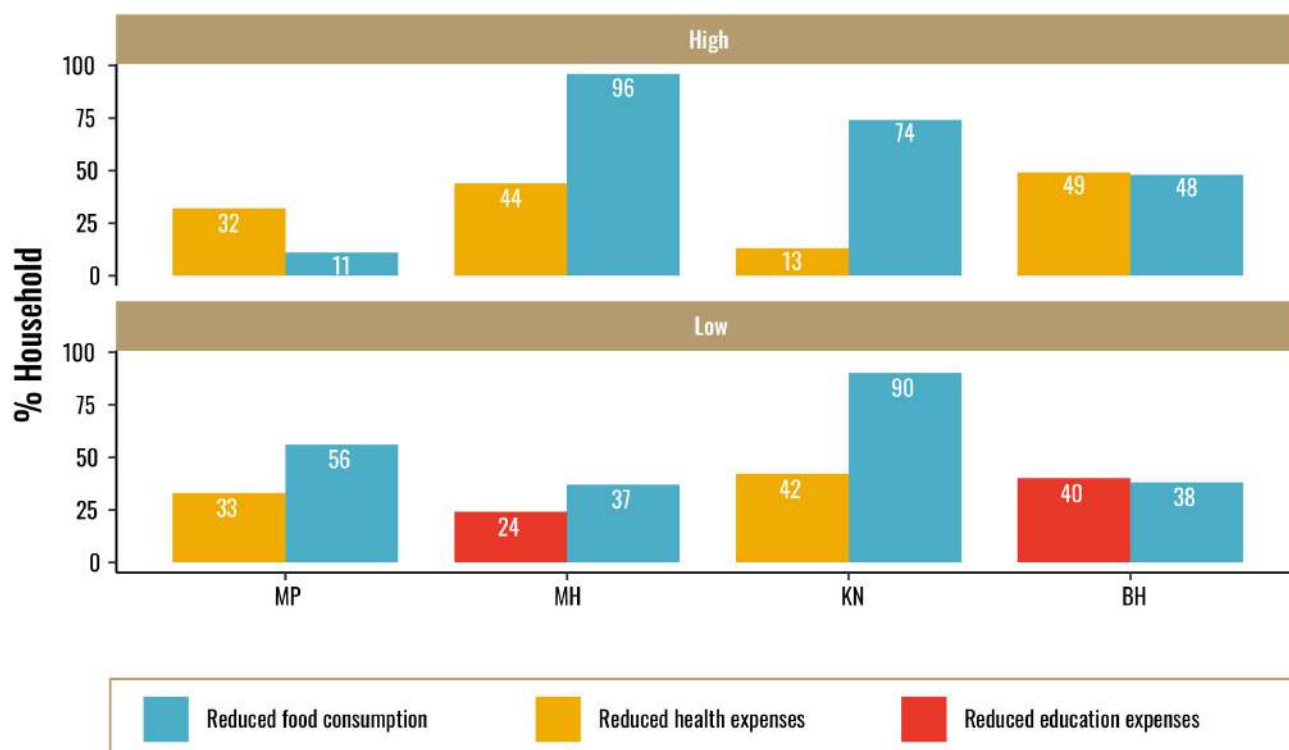
Note that this contribution to the household's welfare is despite various problems with programme implementation that have been described earlier in this chapter. If only 30 to 40 days of work in a year can make such a difference due to the low income base, providing 100 days of work as stipulated under the Act will have much more impact. Thus, we believe that with improved implementation MGNREGA can make an even larger difference in the lives of some of the most vulnerable households in rural India.

Figure 4.24: Uses of MGNREGA earnings

a - How were MGNREGA earnings used by the household (% households)?



b - If MGNREGA earnings had not been there, what would have been the consequences?









## 5.1 Main findings and their implications

The national lockdown announced on March 24, 2020 resulted in an unprecedented economic shock. The existing architecture of MGNREGA had much promise to absorb some of this economic shock. However, MGNREGA worksites were shut in most states immediately after the announcement of the lockdown and so April, 2020 saw historically low levels of employment in MGNREGA. In response to numerous reports of inordinate hardships faced by the poor, the Ministry of Home Affairs issued guidelines permitting MGNREGA works to start on April 15, 2020<sup>1</sup> after which there was a three-fold increase in employment over the next two months (*People's Action for Employment Guarantee, 2020*). Numerous academics and activists appealed for increased budget allocation for MGNREGA in light of the acute distress. The Union government subsequently increased the budgetary allocation for MGNREGA. Although the allocations increased relative to previous years, we sought to understand if the increased allocation resulted in as much work as households needed, and consequently, how effective was MGNREGA as a safety net in the financial year 2020-21 (Covid year). As mentioned in the preceding chapters, unless otherwise specified, all the results we have presented are representative of all the job card holding households at the block level.

### 5.1.1 Some main findings

To begin with, the utility and importance of MGNREGA came through in each of the eight surveyed blocks. In half the blocks, among those who worked in MGNREGA

in the Covid year, more than half to nearly two-thirds of the households cited how MGNREGA has resulted in the overall development of the village. This was particularly high in the two surveyed blocks of Karnataka. Even among those who did not work in MGNREGA in the Covid year, from one in three households in Phulparas, Bihar to 79 percent of the households in Bidar, Karnataka reported that MGNREGA had helped in village development. These are in line with several other studies pointing to the positive impact of productive assets created through MGNREGA.<sup>2</sup>

A significant majority of households that worked in MGNREGA in the Covid year reported not having to migrate as the main aspect of MGNREGA they liked. This ranged from nearly two-thirds of the households in Surgana, Maharashtra to 97 percent households in Khalwa, Madhya Pradesh. Interestingly, this pattern of response was prevalent even among households that did not work in MGNREGA in the Covid year. This further corroborates a comprehensive study that found that seasonal migrants are willing to earn less by working in MGNREGA instead of migrating to cities (Imbert and Papp, 2020).

As a most compelling referendum for strengthening and expanding MGNREGA, we found that a vast majority of households recommended that each individual instead of each household should get 100 days of work in a year. This ranged between 80 percent of households in one block to 100 percent of households in some blocks. In

<sup>1</sup> <https://dst.gov.in/sites/default/files/MHA%20order%20dt%2015.04.2020%2C%20with%20Revised%20Consolidated%20Guidelines.pdf>

<sup>2</sup> Some studies on the positive impact of MGNREGA assets: Tiwari et al.(2011), Verma and Shah (2012), Esteves et al. (2013), Ranaware et al. (2015), Bhaskar, Shah and Gupta (2016)

summary, from multiple counts, substantial evidence has emerged highlighting the utility and the need for MGNREGA.

It is also encouraging to note that, overall, MGNREGA played a positive role in absorbing some of the economic shock. We estimate that, for households who found work in both the periods (pre-Covid and Covid), the increased earnings from MGNREGA were able to compensate for somewhere between 20 to 80 percent of income lost depending on the block. For households who had not worked in the pre-Covid year but did find work during the Covid year, we find that MGNREGA earnings compensated for anywhere between 20 percent and 100 percent of income lost from other sources.

Two lessons are to be kept in mind regarding these findings. First, in several blocks the programme could compensate for the income shock only to a small extent. Second, even in those blocks where compensation exceeded 50 percent, it is worth recalling that pre-Covid income levels are very low in all the blocks studied (see Table 3.1). So even if MGNREGA earnings compensated households for a large proportion of lost income, there are still likely to be significant negative impacts on households so close to subsistence. For example, if household income was INR 50,000 per year which fell to INR 25,000 during Covid, even if MGNREGA earnings compensated for up to 75 percent of the loss (which happened rarely), the resulting income is still only around INR 45,000 per year, which is very low. Two rounds of surveys in 2020 and in 2021 called 'Hunger Watch' by the Right to Food Campaign also highlighted the high levels of food insecurity and undernutrition among the poor (Hunger Watch, 2021, 2022). The fact that the study households are close to subsistence is also supported by the fact that they reported using MGNREGA earnings for basic necessities like food and healthcare. A powerful expression of this situation is a sentiment echoed by hundreds of MGNREGA workers that had gathered recently in Delhi who asserted 'NREGA chalega to chulha jalega' (we will be able to eat only if MGNREGA functions well).

What these suggest is that even with an annual average

of just between one and two months of MGNREGA work for households, its earnings played a critical role in softening the blow of the national lockdown. On the one hand this is a reminder of the extent of catastrophe that would have happened had there been no MGNREGA and, on the other, it is a poignant reminder of the extent of precarity. One infers that with increased budgetary allocation and enhanced capacity, MGNREGA can play a more significant role, not only for subsistence, but also as a means for human development and for the economy at large. It is in this context that we investigated two other key aspects of programme functioning. Did the households get as much MGNREGA work as they wanted? Did they get their wages on time?

The first question pertains to administrative rationing which happens when work is not provided when needed. MGNREGA is a demand-driven act and as per law, every household demanding work must get work within a 15 day period. However, owing to budget and administrative capacity constraints, administrators might have to make one of two choices. First is to give a few days of work to many households and the second is to give many days of work to a few households (Narayanan, Oldiges, and Saha, 2022). These give rise to two levels of rationing and result in unmet demand. The first kind of rationing is called extensive margin of unmet demand. Extensive margin answers the following question. What proportion of households needed work but could not get even a single day of work? The second form of rationing is called intensive margin of unmet demand. Intensive margin means the following. Conditioned on the fact that a household got at least a day of MGNREGA work, what is the difference between the number of days of work demanded and the number of days of work that they got. Both extensive margin and intensive margin of unmet demand should be zero if the programme performed at its best.

We find that the extensive margin across the eight blocks is about 39 percent on average. This means that roughly, two out of five households that needed work in the Covid year, did not get even a single day of MGNREGA work. And, those households that did not get a single day of work, actually wanted 77 days of work in

the year on average. Even if these households had got 60 days of MGNREGA work in the Covid year, they would have additionally earned between INR 11,400 in Madhya Pradesh to INR 16,500 in Karnataka. The intensive margin of unmet demand was 64 days on average. This is the unmet demand among those households that worked at least one day in the Covid year and was obtained as the weighted average of median days unmet demand across the blocks for these households.

The most frequently mentioned reason for not getting as much work as needed, across all blocks, was lack of adequate works being sanctioned/opened. On average, 63 percent of all job card holding households cited this reason in the surveyed blocks.

Another important aspect of programme functioning is timely payment of wages. We find in our survey that on average, only 36 percent of all households that worked in the Covid year said that they got their wages within 15 days. This is a weighted average and is representative across all the surveyed blocks. Even in the most positive scenario observed in two blocks, a little less than half

the households said that they got their MGNREGA wages within the 15 day period. The situation seemed particularly harsh in both the blocks of Madhya Pradesh where only 1 percent of the households said that they got their wages within the 15 day period in the Covid year. We discussed this in more detail in Chapter 4.3 with some words of caution.

### 5.1.2 Estimating the needed labour budget at the block level

The high extent of unmet demand and inadequate quantum of sanctioned/open works prompts us to ask how much additional allocation should have been made to provide as much employment as needed. Table 5.1 presents a conservative estimate of the additional wage component of the total budget allocation for each surveyed block that would have been needed to absorb the intensive margin of unmet demand. Note that we are presenting an estimate of only the wage component of the total additional budget allocation needed in these blocks. The total budget allocation would actually be a sum of the wage component, the material component and administrative expenses.<sup>3</sup>

**Table 5.1: How much more funds were needed to pay labour wages to incorporate unmet demand**

Block	Persondays of unmet demand (in lakhs)	Persondays of employment generated (in lakhs)	Total number of job cards	Amount paid for labour wages (in INR crores)	Additional amount needed to incorporate unmet demand (in INR crores)	Total amount needed for wages incorporating unmet demand (in INR crores)	Number of times the fund should increase in order to pay labour wages to incorporate unmet demand
Chhatapur	11.8	6.68	75,685	12.80	22.89	35.69	2.8
Phulparas	2.6	2.32	33,273	6.61	5.04	11.65	1.8
Devadurga	47.9	21.44	74,913	55.37	131.73	187.1	3.4
Bidar	27.3	6.92	48,164	18.31	75.07	93.38	5.1
Ghatigaon	2.8	8.81	21,868	16.57	5.32	21.89	1.3
Khalwa	24	17.93	36,669	32.10	45.60	77.7	2.4
Wardha	6.2	1.52	30,898	3.61	14.76	18.37	5.1
Surgana	8.9	3.09	39,614	7.31	21.18	28.49	3.9
Total	131.5	68.71	3,61,084	152.68	321.59	474.27	3.1

Note: \* Data accessed on October 7, 2022

<sup>3</sup> The entire wage component of the total budget comes from the budget outlay of the Union government. 75 percent of the material costs are borne by the Union government while 25 percent of the material costs are borne by the state government.

Here is how we obtained Table 5.1. From the MGNREGA MIS, we obtained the persondays of employment generated for each block (column 3), the total number of job cards in the block (column 4) and the amount paid for labour wages in each block (column 5). From our survey, we obtained the number of days of unmet demand for each household that worked at least one day in the Covid year. Using the household survey weight and the GP survey weight as multipliers, we obtain an estimate of the number of days of unmet demand for the block (column 2). This follows from the principles of using weights in statistical random sampling where the weight used as a multiplier for each household symbolises how many households the randomly selected household represents in the universe of all the job card holding households in the block.

Then, using the notified daily wage rate for MGNREGA for that block in that year, we obtain column 6 in Table 5.1, i.e., the additional funds that were needed to pay labour wages to incorporate the unmet demand. Column 7 gives the total amount of funds that was needed in each block to pay wages. This is the sum of what was actually paid as wages and the additional funds that were needed to incorporate unmet demand (column 5+column 6). The last column (column 8) tells us how much more funds to pay wages were needed compared to the amount that was paid as wages. For instance, the actual total wages paid in Chhatapur block in the financial year 2020-21 was INR 12.80 crores. The estimated unmet demand in Chhatapur in 2020-21 is 11.8 lakh persondays. In order to have generated this additional persondays of work, the Union government should have at least allocated an extra amount of INR 22.89 crores just to pay labour wages. The overall allocation just for labour wages in Chhatapur in the year should have been INR 35.69 crores. From these, we obtain that the funds allocation for Chhatapur should have been 2.8 times the amount that was actually allocated to cater to the unmet demand.

Overall, for all the blocks taken together, we estimate that at least three times more funds had to be allocated for labour wages to fulfil the true extent of demand for MGNREGA work. As pointed out in the Introduction, this is a conservative estimate on at least two counts. First,

it excludes those households who wanted work but did not work even one day. If they are included in the unmet demand calculation, the required labour budget will expand significantly. Second, this estimate is based on the prevailing MGNREGA wage rates which were lower than the minimum agricultural wage rates in each of the four states where we did our survey.

We would also like to point out that there seems to be a correlation between the extent of unmet demand and the persondays of employment generated. Places that generate more employment seem to have higher unmet demand. For instance, observe that the total number of job cards in Chhatapur and Devadurga are similar (~75,000) but the persondays of employment generated in Devadurga is more than three times the persondays of employment generated in Chhatapur. And, the unmet demand in Devadurga (~47.9 lakh persondays) is nearly four times the unmet demand in Chhatapur (~11.8 lakh persondays). A similar pattern is observable in Phlparas, Wardha, Surgana and Khalwa. The number of job cards in each of these four blocks is similar but Khalwa stands out in terms of high persondays generated and high unmet demand. These appear to be indications of a discouraged worker effect where workers feel less inclined to seek employment in places where less employment is generated while in places where more employment is generated, workers express a stronger desire to work.

### 5.1.3 Concluding remarks

Unmet demand and delays in wage payments have been an area of persistent concern and we demonstrate with substantial evidence in Chapter 4 on how inadequate funds allocation for MGNREGA have a direct bearing on insufficient employment and wage payment delays.

There have been many changes to the architecture of funds management and payment of wages since the inception of the programme. Initially, funds were given in advance to the Gram Panchayat for implementation. Over the years, there has been a steady centralisation of funds management. In the current system of National electronic funds management system (Ne-fms) labour wages are transferred directly to the workers' accounts

by the Union government. As per official guidelines, the Union government must transfer wages within seven days of receiving electronic wage invoices from the states. An analysis of over 18 lakh wage invoices from even the first half of financial year 2021-22 revealed that the Union government delayed the transfer beyond the mandated seven day period for 71 percent of the payments (LibTech India, 2021). The situation worsens in the second half of the financial year when funds dry out. It has therefore become routine that each new financial year starts with pending wage liabilities from previous years which is about 15 to 18 percent of each year's proposed budget.<sup>4</sup>

The legally mandated delay compensation that workers are entitled to as per the Act continues to be unpaid. As detailed in Chapter 4.3, centralisation of funds management aided by a complex technical apparatus has meant that the programme functioning has become too opaque from the perspective of workers. It is all fine when things work but workers – and local officials alike – feel alienated and powerless when the technical apparatus fails or does not perform as envisioned (Dhorajiwala, 2020). There is also reason to conjecture that a combination of wage payment delays and more power in the hands of some BCs/CSPs without an accountable structure is likely to create room for contractors and petty corruption to gain traction. Contractors are typically the local elite in rural areas and are banned in MGNREGA. But as we see in our survey too, there is a prevalence of contractors in some blocks. These can, to some extent, be mitigated through better accountability framework and careful decentralisation. Banks tend to have a stronger accountability framework compared to private entities doing transactions using the Aadhaar enabled payment systems (AePS). There is also a case to be made to improve penetration of rural bank branches. Using bank branch data from the Reserve Bank of India (RBI), poverty headcount data from the National Sample Survey, agriculture wage data, among other sources, it was demonstrated that branch expansion into rural unbanked locations significantly reduced poverty (Burgess and Pande, 2005). With technological advances, the costs of running rural banks

will also be significantly lower now. Moreover, when the outcome is a significant reduction in poverty due to more bank branches, any additional infrastructure costs should be imperative from a policy perspective.

Decentralisation would mean that workers get to participate in the decision making concerning the programme and know which local officials to approach in case of concerns about work and wages. The local officials, in turn, should also be equipped with sufficient capacity to redress workers' concerns. There already are provisions for this in the Act.

The planning of works for MGNREGA was envisioned to happen through the participation of the resident communities at the Gram Sabha (village councils). The idea was to strengthen institutions of local governance, in line with the 73rd amendment of the Constitution. This was meant to give a platform and opportunity for the poorer and more vulnerable communities to have a better say in local implementation. However, as we have pointed out in this report, centralisation of funds and excessive reliance on technology mediated administration has meant that this aspect has remained largely elusive.

In light of these, it is important to be mindful of the ramifications of technological interventions in MGNREGA and social policies at large. One needs to constantly ask if it is making the lives of workers easier. Is there an accountability framework for digital innovations in administration? Social audits are a part of the programme vision. However, it has been stuck in vicious circles of insufficient funds, leading to further dilution of accountability, thereby aiding corruption (Nair, 2022). Technologies are not an end but only a means. MGNREGA is a powerful tool for providing income security to India's most vulnerable households while aiding overall village development and empowering communities. To achieve these goals effectively, there is an imminent need to increase its allocation significantly, increase government accountability, avoid technical fixes for structural matters, and ensure that the rights are always honoured in letter and spirit.

<sup>4</sup> PAEG(2020), Khan (2022)



## 5.2 Recommendations

In light of our findings in this report and our continued efforts in strengthening MGNREGA we present the following partial list of recommendations. This has been arrived at in collaboration with many civil society organisations and campaigns working on MGNREGA implementation.

- Increase the number of administrative personnel by at least doubling the field functionaries to deal with increased work demand. This is also likely to reduce corruption.
- Increase the shelf and scope of permissible works and prioritise community works over individual asset creation to absorb more unmet demand.
- Ensure that computerised receipts are given to workers for work demanded.
- Job cards are the only document in the hands of workers where their own information on MGNREGA is available to them. The job cards should be updated with the work done, wages earned etc. In addition to manual updating of information on job cards, equip each panchayat to a job card printing facility similar to passbook updation facilities in banks.
- The Union government must ensure that delay compensation for wage payment delays is paid for the full extent of delay, i.e., till wages are credited to the workers' accounts to be in compliance with the Act and Supreme Court orders.
- Implement the Government Circular, RE-I (360078), dated 31st July, 2018 concerning the distribution of wage slips to workers. Such wage slips should be generated through NREGAssoft and must also be downloadable from the MIS. It is the responsibility of the Gram Rozgar Sevak to distribute the wage slips to workers at a public place e.g. the worksite, panchayat bhavan, gram sabha.
- The wage slips should minimally contain the following information: Name of the worker, Worker's Job Card number, Scheme on which work was done, Muster Roll Number, Muster Roll Start Date and End Date, Number of days worked on the Muster Roll, Amount of wages credited in the worker's account (Rs), Bank account number in which wages are credited, Name and branch of account in which wages are credited, Date of generation of wage slip, wage rate for the wages.
- Display a 'Know Your Rights (KYR)' concerning MGNREGA and banking rights in public places such as panchayat bhavans.
- Ensure that the 7 registers are manually maintained in every GP. This can help in keeping track of the parity between the workers' experience and the information on the MIS.
- MGNREGA wage rates should be increased to at least the state minimum wages or INR 375 per day as recommended by the Anoop Satpathy Committee and must be indexed with CPI-R instead of CPI-AL.
- MGNREGA is meant to strengthen the 73rd Constitutional Amendment that gives primacy to the Gram Panchayats but the current funds flow system through the Ne-fms has reduced the power and

autonomy of GPs. Ensure that the GPs get funds in advance so that more works are available.

- The GPs should have more power in identification of works.
- Owing to more trust in bank branches and to increase financial inclusion, there is a need to increase branches in rural areas.
- Social audit units need adequate capacity to improve fundamental aspects of programme functioning from ensuring that workers get receipts for work demanded to ensuring that contractors are not exploiting MGNREGA.
- Every agency involved in the payment of MGNREGA wages must be brought within the ambit of social audits with clear penalty norms in case of violations. In addition to field functionaries such as the Gram Rozgar Sahayak (GRS), Junior Engineer, the Programme Officer, the following institutions should also be brought under social audit norms: the National Payments Corporation of India (NPCI), UIDAI, banks, and BC/CSPs.







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