

General Studies-2; Topic: Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes;

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

1) Introduction

- The MGNREGA was launched in 2006 in order to provide at least 100 days of guaranteed employment to rural households.
- It is the largest scheme run by the Ministry of Rural Development (MoRD).

2) Impact of MGNREGA

- It has helped in increasing rural household income.
- It has not only helped in increasing groundwater table in the last one decade, but also agriculture productivity, mainly cereals and vegetables and fodders.
- The water conservation measures, including farm ponds and dug wells, have made a difference to the lives of the poor.
- While the scheme was earlier focused on creation of community assets, in the last three years, individual assets have also been emphasised.
- It has provided goat, poultry and cattle shed as per the need of poor households.

3) Revision in the Wages

- The current MGNREGA national average wage is about ₹178 per day.
- The Centre is planning to revise the wages paid out to workers under the MGNREGA by linking wages to an updated inflation index.
- It hopes this will increase wages, thus increasing purchasing power and reviving rural demand.
- This is one of the demand-side interventions that the government is carrying out in light of the current scenario in the rural economy.
- Rural wages could increase and that could percolate down into more purchasing power in the hands of the consumer.
- The Reserve Bank of India, in its annual report, has pointed to weakening rural demand since the third quarter of 2018-19 as a serious concern.

Kickstarting rural demand

The government aims to revise wages of MGNREGA workers to address the slowdown in the rural economy



- MGNREGA wages will be linked to an updated inflation index
- Higher wages will increase MGNREGA expenditure by 10%
- They may also increase purchasing power and revive rural demand
- MGNREGA budgetary allocation for FY20: **₹60,000 crore**
- Funds released till Sept. 17: **₹46,486 cr.**
- Additional funds requested: **₹15,000-20,000 crore**

4) Concerns / Challenges

- In the last five years, the average person days of work generated per household under MGNREGA remained less than 50 across years
- The scheme is running out of funds due to increased demand for work.
- Droughts and floods in several States have led to an increased demand for work.
- Data show disparity in MGNREGA wages across States.
- Agricultural minimum wages exceed MGNREGA wages in almost all states.
- The total MGNREGA expenditure reported by States has risen, but the year-on-year growth has fallen below 5%.
- The act continues to fight widespread corruption and administrative negligence.
- In some areas of certain states, MGNREGA work opens only during specific seasons and time.
- Since April 2014, the work completion rate has been declining.
- Jharkhand being one of the poorest states and having huge dependence on MGNREGA, has the lowest wage rates.

5) Various Recommendations

- Workers across the nation have been demanding higher wages in accordance with the recommendations of the Seventh Pay Commission.
- Different committees constituted by the Centre vouched for higher MGNREGA wages.
- The recent central committee for fixation of national minimum wage recommended that the national minimum wage should be fixed at Rs 375 per day.
- Many civil society organisations has been demanding that the person work days under MGNREGA be increased to 200 days per rural household

6) Way Forward

- **MGNREGA can be revived through**
 - a. Adequate allocation of Budget funds
 - b. Timely payments to workers
 - c. Completely decentralising implementation
 - d. Improving entitlements (ie, wages, compensations and worksite facilities)
- There is a need to upgrade skills of MGNREGA workers.
- The centre needs to ensure uninterrupted operations by primarily ensuring allocation of adequate funds for the programme.