

Choking the Lifeline of the Rural Economy

MGNREGS during the COVID-19 Lockdown

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When the entire country is under a lockdown and many economic activities stopped, thousands of unemployed workers are returning to their home states due to lack of money and food. In such a situation, the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) could have played a very important role in generating income and demand in the economy. However, the official data available from the MGNREGS website of the Ministry of Rural Development show that the employment generation in the MGNREGS has been abysmally low during the period of lockdown.

The MGNREGS has been subject to an overall neglect under the NDA government. Under the current regime, the processes of social oversight and auditing were progressively weakened, the scheme was bureaucratised, and allowed to be used to serve narrow local political interests. There is also a growing problem of delays in payment of wages in the scheme. In terms of the overall political narrative, the scheme has been subjected to the typical double-speak of the present government. In 2015, the Prime Minister characterised the MGNREGS as a symbol of failure of previous governments.¹ On the other hand, in 2016, the PM underlined the scheme as “a landmark in our history in removing poverty from the face of the nation”.² Although the scheme has been retained, its implementation has been marred by paucity of funds and delays in release of allocated funds. In the current financial year (2020-21), the Government has reduced the allocation for the scheme to Rs. 61.5 thousand crores from Rs. 71 thousand crore spent last year.

April 2020 was the Worst Month for the MGNREGS in the Last 10 Years

Monthly data on person-days of employment created in the MGNREGS presented in Figure 1 shows that the amount of employment created in the month of April this year, 30.8 million person days, was the lowest in any single month in the last ten years. In the past six years, even in months like October and November, when demand for labour is high in agriculture, the amount of employment generation was more than double this level in every year. The lowest employment creation in a single month before this was about 69 million person-days in October 2014.

There is a very clear seasonal pattern of employment creation in the MGNREGS. As shown in Figure 1, employment creation is lowest in the months of October-November, when *Kharif* crops are harvested in many parts of the country and bulk of the rural workforce is required in agriculture. The employment creation starts to rise from December onwards, after the *Kharif* harvest is over and little employment is available in rainfed areas which do not have a second crop. April is usually a month in which a substantial amount of the MGNREGS works are undertaken and a significant amount of employment is generated. Employment generation peaks in the months of May and June, after the harvesting of *Rabi* crops is over in most

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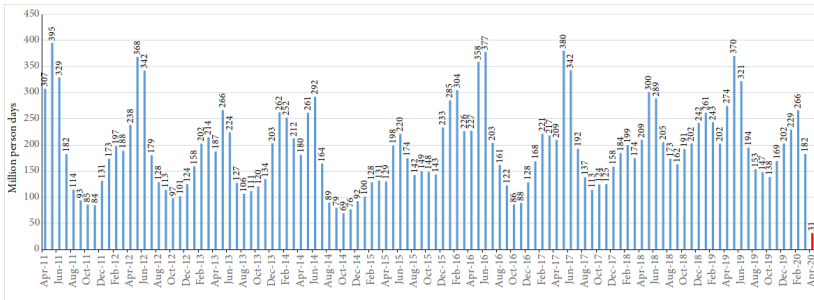
¹<https://www.ndtv.com/india-news/mnrega-to-continue-it-is-living-example-of-congress-failure-says-pm-742916>

²<https://timesofindia.indiatimes.com/good-governance/centre/Govt-praises-MGNREGA-as-scheme-to-complete-10-years/articleshow/50804831.cms>

parts of the country and it is a lean season in agriculture almost everywhere in the country.

In other words, the first quarter of a financial year — April, May and June — accounts for a substantial part of the total employment generated in the MGNREGS in any year. In the financial year 2019-20, 37 per cent of the total person-days were generated only in the first quarter.

Figure 1: Creation of employment in the MGNREGS, by month, India, April 2011 to April 2020 (in million person days)

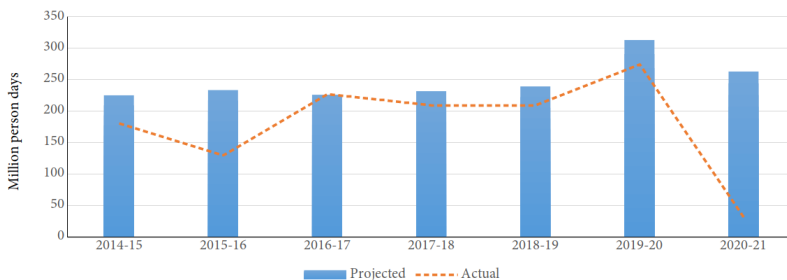


Source: Based on data from the Ministry of Rural Development, Government of India.

Unprecedented Gap Between Projected and Actual Creation of Employment

Regular monthly projections on the number of person-days of work that would be created through the MGNREGS are made by the Ministry of Rural Development. Figure 2 shows the projected and actual person-days of employment generated in the MGNREGS in April of the last seven years. The graph shows that, in the past, actual employment created was very close to the projected employment creation. However, in contrast, in April 2020, the actual days of employment created was less than 12 per cent of the projected estimate of 262 million person days.

Figure 2: Projected and generated employment in the month of April, 2011-2020 (in million person days)



Source: Based on data from the Ministry of Rural Development, Government of India.

What Choked the Lifeline of Rural Economy during the Crisis?

The MGNREGS could work as a lifeline for the rural economy at the time of a crisis such as the one created by COVID-19 lockdown. Why has this not happened?

First, the lockdown was announced without any preparation for the continuation of the MGNREGS. When the lockdown was first announced, COVID-19 infections were still mostly localised in large cities and, barring a few exceptions, infections had not yet spread to rural India. At that stage, stopping all the MGNREGS work with the announcement of the lockdown was unnecessary and a result of lack of planning.

In fact, the spread of COVID infections into the hinterland, to the extent that it has taken place, was accelerated because of return migration triggered by sudden announcement of lockdown. Lack of social security measures for the urban poor in the cities forced these migrants to flee towards their native villages. In fact, it could well be argued that continuation of economic activities in rural India, and a lockdown in cities with a significant extension of social security for the urban households, could have avoided the distress to a significant degree and may have been more effective in containing the spread of COVID infections.

It was only on April 15th that the Ministry of Home Affairs came out with a notification which exempted the MGNREGS from lockdown restrictions; the exemptions came into effect only from April 20th, almost a month after March 22, when the first lockdown was imposed in the form of *Janta Curfew*.³ This delay in allowing MGNREGS works to continue was particularly inconsistent with the decision, announced on March 26th as part of the PM Garib Kalyan Yojana package, to increase the MGNREGS wages by Rs. 20 per day with effect from April 1st.

Secondly, irregular and grossly inadequate release of funds by the Central government and inability of State governments to contribute their share because of their poor financial situation has meant that, even after the MGNREGS work was exempted from the lockdown, it was resumed only partially in most States. While the exemption was in place for one third of the month, the employment creation was only about 12 per cent of what was originally planned for. Only Chhattisgarh (46 per cent) and Andhra Pradesh (33 per cent) managed to create at least one third of the projected employment in the MGNREGS in the last ten days of April. Karnataka (32 per cent), Bihar (28 per cent), West Bengal (23 per cent) and Odisha (22 per cent) also managed to create some employment. Very little employment could be created in the remaining States (Table 1).

Table 2 shows the opening balance of funds available to all States (including State contribution) on April 1st, when the financial year started. In most of the states, the opening balance for April was inadequate to carry out work under the scheme even for a month. The opening balance was negative in case of Kerala. Table 2 also shows that all the states that managed to create some employment in the last ten days of April ended up spending more than the opening balance they had for the MGNREGS at the starting of the month. There were Rs. 366 crore of pending dues at the end of the last financial year of which Rs. 128 crore was for payment of wages to workers who had worked in the scheme last year. On March 27, the Centre

³Ministry of Home Affairs, Government of India, Order No 40-3/2020-DM-I(A) dated 15th April, 2020, <https://bit.ly/2LnmSAU>

Table 1: Projected and actual employment created in top twenty states, April 2020 (in thousand person-days)

States	Projected employment creation	Actual employment creation
Andhra Pradesh	28,223	9258(33)
Assam	9100	2(0)
Bihar	12,500	3455(28)
Chhattisgarh	14,927	6844(46)
Gujarat	2800	51(2)
Jharkhand	8744	790(9)
Karnataka	7540	2424(32)
Kerala	2530	14(1)
Madhya Pradesh	24,600	656(3)
Maharashtra	11,250	560(5)
Manipur	5696	13(0)
Meghalaya	2614	34(1)
Mizoram	2596	149(6)
Odisha	9253	2010(22)
Punjab	2920	85(3)
Rajasthan	29,800	868(3)
Tamil Nadu	25,739	270(1)
Telangana	19,500	0(0)
Uttar Pradesh	20,143	430(2)
West Bengal	11,513	2651(23)
All-India	262,236	30,784(12)

Note: Figures in parentheses show the ratio of actual employment generated to projected employment in per cent.

Source: Based on data from the Ministry of Rural Development, Government of India.

released Rs. 4431 crore towards pending payments and, after much dilly-dallying, another Rs. 12,230 crore to the states on April 9.⁴

In addition, the financial constraints faced by the states due to a combination of the extraordinary loss of revenue on account of large-scale closure of economic activities, non-payment of GST dues by the Centre, and the exceptional demands on their resources created by the pandemic, have meant that many States were hard put to contribute their own resources to keep the works continuing.

⁴<https://economictimes.indiatimes.com/news/economy/finance/centre-releases-its-share-of-funds-for-mgnrega/printarticle/51754711.cms>

Table 2: Opening balance on April 1, 2020 and expenditure between April 1 and May 5, 2020 on the MGNREGS selected States (Rs. lakh)

State	Opening balance on April 1, 2020	Expenditure between April 1 and May 5, 2020
Andhra Pradesh	0	162,111
Assam	16,576	482
Bihar	17,916	111,589
Chhattisgarh	12,654	38,002
Gujarat	958	1184
Jharkhand	155,372	2901
Karnataka	25,004	11,224
Kerala	-3579	1072
Madhya Pradesh	4266	5932
Maharashtra	69,435	7402
Manipur	21,092	17,693
Meghalaya	3995	14,985
Mizoram	0	932
Odisha	906	18,189
Punjab	4744	2257
Rajasthan	20,023	41,661
Tamil Nadu	510,148	6909
Uttar Pradesh	616	116,862
West Bengal	4260	64,283

Source: Based on data from the Ministry of Rural Development, Government of India.

While the Lockdown and Lack of Funds Impeded Functioning of the MGNREGS, Demand for Work Has Been Unusually High

It is difficult to estimate the demand for employment in the MGNREGS. Although the scheme was originally designed to be demand-driven (as the Act guarantees provision of employment up to 100 days within 15 days of demand), in reality, the scheme functions as a supply-driven programme like any other public works programme. The bureaucratic restrictions on the process have been designed in such a way that the applications for work are only created when the employment is ready to be provided. This has also meant that the government almost never pays unemployment allowance that is mandated by the Act for situations when the government is unable to provide employment within 15 days of demand. For example, in 2019-20, only Rs. 12000 was paid as unemployment allowance in the country as a whole.

Despite the Act providing a guarantee of 100 days of employment per household, the MGNREGS functions as a supply-driven programme rather than a demand-driven programme. Although employment creation is counter-cyclical to

labour demand in agriculture, this is so not because the pattern of demand for work in the MGNREGS is such but because the supply of work in MGNREGS is counter-cyclical to labour demand in agriculture. This is evident from the fact that, in many states, agricultural wages are lower than the wages in the MGNREGS.

As has been shown in Figure 1, the first quarter of the financial year is the peak season for employment in the MGNREGS. This year, with widespread loss of employment during lockdown and return of migrant workers to villages means that even greater than usual level of rural workforce is available to work in the MGNREGS. While one does not have a way of estimating the level of demand for employment in the MGNREGS, an important sign of considerable increase in the demand for employment is the fact that, despite the lock down, there has been a net increase of 7.1 lakhs in number of applications for job cards after March 31st, despite the lockdown (Table 3). The largest increase in applications is seen in Uttar Pradesh, Bihar and Chhattisgarh. All of these states have also seen a large influx of return migrants.

Reviving the MGNREGS Can be Crucial for the Recovery of the Rural Economy and Livelihoods

It may be noted that, together with States' own funds, the amount released for the MGNREGS so far (in financial year 2020-21) is only Rs. 22259 crore. After adjusting for the total expenditure (Rs. 7158 crore) made until May 5, the remaining amount is only Rs. 15101 crore. Unless the Centre releases substantial part of the allocation for this year immediately, the States will not be able to create much employment through the MGNREGS during this lockdown.

In Table 4, I have estimated the funds required for achieving the projected level of employment generation in the first quarter. These estimates are based on per person-day expenditure last year to which Rs. 20 per person-day was added on account of increase in wages that has already been announced by the government. It must be noted that this estimate of funds required is likely to be an underestimate because it neither accounts for increased demand for employment due to the lockdown nor does it take into account the inflation in other costs. The estimates also do not take into account the additional cost of implementing safety measures at the MGNREGS sites in view of the COVID-19 pandemic. Despite this, these estimates show that there is likely to be a shortfall of about Rs. 7418 crore between funds that are available to the States and funds that are required to run the programme just until June. It is pertinent to mention once again that the requirement of the MGNREGS employment is highest in this quarter, when little employment is available in agriculture or outside, and failure to run the scheme at full capacity during these months would immensely exacerbate rural distress.

To sum, lack of planning and preparation before implementation of the lockdown resulted in closure of all the MGNREGS work for about one month during the COVID-19 lockdown period. Although the government exempted the MGNREGS from lockdown restrictions on April 20th, the revival of work under the scheme has been slow. Problems in availability of funds and other administrative hurdles are the main reasons for this.

As per the constitutional provisions of the MGNREGA, the government is obliged to provide unemployment allowance to workers if employment cannot be provided to them. This is particularly relevant in view of the fact that the

Table 3: Number of applications for job cards as of March 31, 2020 and May 12, 2020 (lakhs)

States	As of March 31, 2020	As of May 12, 2020
Andaman and Nicobar	0.3	0.3
Andhra Pradesh	89.4	89.8
Arunachal Pradesh	2.4	2.4
Assam	52.1	52.1
Bihar	181.1	182.4
Chhattisgarh	39.7	40.5
Dadra & Nagar Haveli	0.1	0.1
Daman & Diu	0.0	0.0
Goa	0.4	0.4
Gujarat	39.9	40.1
Haryana	9.8	9.8
Himachal Pradesh	12.9	12.9
Jammu and Kashmir	13.3	13.3
Jharkhand	49.4	49.6
Karnataka	63.2	63.7
Kerala	36.4	36.4
Lakshadweep	0.1	0.1
Madhya Pradesh	70.6	70.8
Maharashtra	93.8	93.7
Manipur	5.7	5.7
Meghalaya	5.9	5.9
Mizoram	2.0	2.0
Nagaland	4.4	4.4
Odisha	68.5	68.8
Puducherry	0.7	0.7
Punjab	18.0	18.0
Rajasthan	106.3	106.7
Sikkim	0.8	0.8
Tamil Nadu	84.8	84.9
Telangana	55.8	55.8
Tripura	6.3	6.3
Uttar Pradesh	175.1	177.8
Uttarakhand	11.2	11.2
West Bengal	126.2	126.3
All-India	1426.6	1433.7

Note: There is a small discrepancy in the data for Assam, Maharashtra and Punjab where the total number of applications for March, 2020 are recorded to be marginally higher than the number of applications in May, 2020. The table reports the data as provided by the Ministry.

Source: Based on data from the Ministry of Rural Development, Government of India.

Table 4: Availability and estimated requirement of funds in the first quarter of 2020-21 (Rs. crore)

States	Funds available as of May 5	Funds required for the first quarter of 2020-21 ¹	Gap in availability of funds
Andhra Pradesh	2685	3876	-1191
Arunachal Pradesh	218	74	144
Assam	589	756	-167
Bihar	1765	1802	-37
Chhattisgarh	830	1376	-546
Goa	0	1	-1
Gujarat	354	540	-185
Haryana	93	147	-54
Himachal Pradesh	204	148	56
Jammu And Kashmir	328	314	14
Jharkhand	946	1014	-68
Karnataka	1249	2175	-927
Kerala	825	665	160
Madhya Pradesh	1104	2309	-1205
Maharashtra	369	883	-514
Manipur	738	424	314
Meghalaya	463	285	177
Mizoram	105	219	-114
Nagaland	328	298	29
Odisha	353	1071	-718
Punjab	176	309	-133
Rajasthan	1487	2929	-1443
Sikkim	14	29	-15
Tamil Nadu	1349	2144	-795
Telangana	468	1763	-1295
Tripura	279	231	48
Uttar Pradesh	1944	2091	-147
Uttarakhand	165	118	46
West Bengal	2826	1408	1417
Puducherry	3	10	-6
All India	22,259	29,677	-7418

Note: 1. Estimated using per person-day expenditure incurred in 2019-20 and after accounting for an increase of Rs.20 per day wage as announced by the government.

Source: Author's calculation based on data from the Ministry of Rural Development, Government of India.

government has asked all enterprises to pay their workers even if the enterprises are closed because of the lockdowns. Instead of taking refuge in bureaucratic rigmarole, the government should honour its constitutional obligations and provide unemployment allowance to all the MGNREGS job card holders who have not been provided unemployment since the lockdown was imposed. Further, it should release more funds to State governments so that they can respond to the increased need for employment creation in rural areas and provide employment to the MGNREGS workers as per the provisions of the scheme. This is important not just for alleviating rural distress. A significant enhancement of employment creation through the MGNREGS can be critical for the revival of the economy for which collapse of demand is currently the biggest hurdle. Every penny spent on rural employment comes back to the government many times over because of its strong multiplier effects. The importance of this lesson cannot be overstated in a time of crisis such as the present.

This paper shows that the lack of planning and preparation before implementation of the lockdown resulted in closure of all MGNREGS work for about one month during the COVID-19 lockdown period. Although the government exempted the MGNREGS from lockdown restrictions on April 20th, the revival of work under the scheme has been slow. Problems in availability of funds and other administrative hurdles are the main reasons for this. The paper argues that a significant enhancement of employment creation through the the MGNREGS can be critical for the revival of the economy for which collapse of demand is currently the biggest hurdle.

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NREGA, MGNREGS, employment, labour, India

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