



Delays in MGNREGA Wages

For Prelims: [Aadhaar Payment Bridge System \(APBS\)](#), [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\) scheme](#), National Electronic Fund Management System (NEFMS),

For Mains: Issue of Delayed Payment under MGNREGA Scheme, Challenges Related to MGNREGA Scheme, Way Forward and Solutions to Strengthen MGNREGA Scheme.

Source: DTE

Why in News?

A recent study in the *Indian Journal of Labour Economics (IJLE)*, revealed that the union government owes **Rs 39 crore** in delayed wages to [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\)](#) workers.

- The study analyzed **31.36 million wage transactions in 2021-22** and found that the [Aadhaar-Based Payment System \(ABPS\)](#) and **caste-based wage distribution**, instead of improving payment speed, have **caused delays**.

What are the Key Findings Related to the MGNREGA Wages?

- **Inefficiency of ABPS: Only 43% of MGNREGA workers were eligible for ABPS** when it became mandatory in **January 2024**.
 - The unaccounted delay compensation caused by ABPS could amount to **Rs 400 crore nationwide**, contrary to the government's claim of streamlining payments and improving transparency.
- **Inadequate Funds:** The reason for delayed payments are primarily due to **inadequate funds released by the central government**.
 - In FY 2021-22, **only 29%** of payments were processed within the mandated 7-day period
- **Budget Allocation Shortfall:** The study highlights **critical underfunding of MGNREGA**, with **budget allocation in FY 2021-22 at just 0.41% of Gross Domestic Product (GDP)**, well below the required level to meet rural employment demand.
 - During the Covid-pandemic year **2020-21**, it was **only 0.56%**, which further declined to **0.2% in FY 2023-24 and FY 2024-25**.
 - Researchers suggest that **to meet the full work demand**, the budget should be at least 4 times higher i.e. around 1.2% to 1.5% of GDP.
- **Caste-Based Wage Payments and Inequities:** The **caste-based wage segregation, introduced in 2021**, which **categorized payments** into [Scheduled Caste \(SC\)](#), [Scheduled Tribes \(ST\)](#), and **'Other' categories** led to delayed payments for 'Other' caste workers compared to SC and ST workers.
 - Only **33% of 'Other' caste payments were processed within 7 days**, compared to **42% for STs and 47% for SCs**.

What is MGNREGA Act?

- **About:**
 - The **MGNREGA** is a Centrally Sponsored Scheme for social security aimed at providing guaranteed rural employment in India.
 - It was enacted in **2005** under the **Ministry of Rural Development** as nodal ministry.
- **Purpose:** To provide **at least 100 days of guaranteed wage employment** to registered adult rural households willing to undertake **unskilled manual work**.
- **Coverage:** The scheme **extends across the entire country, excluding districts with 100% urban populations**.
- **Demand-Driven Framework:** Employment is **provided on demand**; if not granted within **15 days**, workers are entitled to an **unemployment allowance**, which is **one-fourth of the minimum wage** for the first 30 days and half of the minimum wage thereafter.
- **Decentralized Planning:** The scheme emphasizes **grassroots planning**, with at least **50% of work executed by Gram Panchayats** based on Gram Sabha recommendations.
- **Fund Sharing:** The **Central Government covers 100% of unskilled labor costs** and 75% of material costs, while **State Governments contribute 25% of material costs**, ensuring cooperative federalism in implementation.
- **Wage Payment Mechanism:** Wages are linked to **state-specific Minimum Wage rates** and paid directly to **workers' bank or Aadhaar-linked accounts** for transparency.
 - Compensation for delayed payments is provided at **0.05% of unpaid wages per day**, starting from the **16th day after the muster roll closure**.
- **Accident Compensation:** Workers injured on the job are eligible for **compensation**, with **ex-gratia payments** for families in case of death or permanent disability.
 - At least **one-third of MGNREGA beneficiaries must be women**, ensuring equal access to wages and work opportunities.

Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

Employment Guarantee

Provides 100 days of wage employment per household

Work Assurance

Guarantees minimum wages, work within 15 days (else unemployment allowance)

Local Governance Implementation

Implemented through local governance structures like Gram Panchayats

Empowerment of Marginalized Communities

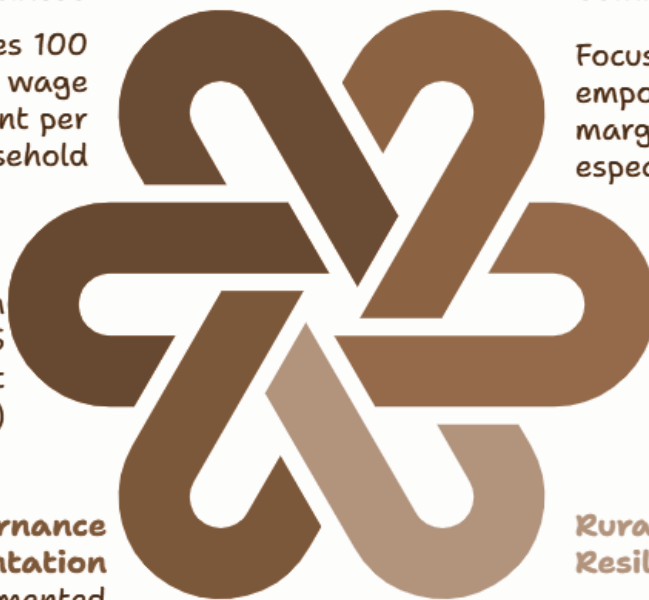
Focuses on empowering marginalized groups, especially women

Poverty Reduction

Aims to reduce poverty through job creation

Rural Economic Resilience

Contributes to rural economic resilience and sustainable development



Key Latest Data on MGNREGA

- **Budget 2024-25:**
 - **MGNREGA Allocation:** The MGNREGA budget increased from Rs 33,000 crore in FY 2013-14 to **Rs 86,000 crore in FY 2024-25.**
 - **Wage Rate Increase:** The minimum average wage rate saw a **7% increase** in FY 2024-25.
- **Economic Survey 2023-24:**
 - **Women Participation:** Women's participation in MGNREGA rose from 54.8% in FY 2019-20 to **58.9% in FY 2023-24.**
 - **Geotagging & Transparency:** MGNREGA ensures **99.9% payment accuracy** through the National Electronic Management System, with **geotagging** of assets.

What Steps Should be Taken For Strengthening MGNREGA Scheme?

- **Adequate Budget Allocation:** The government must **increase MGNREGA's budget allocation** to ensure timely wage payments, meet the **growing demand for rural employment**, and **protect the dignity and livelihood of workers.**
- **Review and Improve Digital Systems:** The government should **review and improve digital systems** like ABPS, addressing technical barriers, enhancing infrastructure, and **ensuring accessibility and user-friendliness**, especially for rural workers.
- **Strengthen Accountability Mechanisms:** The government must take **responsibility for delays**, ensure compensation in line with **MGNREGA provisions**, and **improve reporting, monitoring, and grievance redress systems** to ensure timely wage disbursements.
- **Future Reforms:** Future reforms should **ensure efficient**, transparent, and equitable wage distribution, **avoiding caste-based inequalities** and ensuring fair treatment for all workers.

Drishti Mains Question:

Discuss the objectives and challenges of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). What measures can be taken to address its challenges and enhance its effectiveness?

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. Among the following who are eligible to benefit from the “Mahatma Gandhi National Rural Employment Guarantee Act”? (2011)

- (a) Adult members of only the scheduled caste and scheduled tribe households
- (b) Adult members of below poverty line (BPL) households
- (c) Adult members of households of all backward communities
- (d) Adult members of any household

Ans: (d)