



## 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

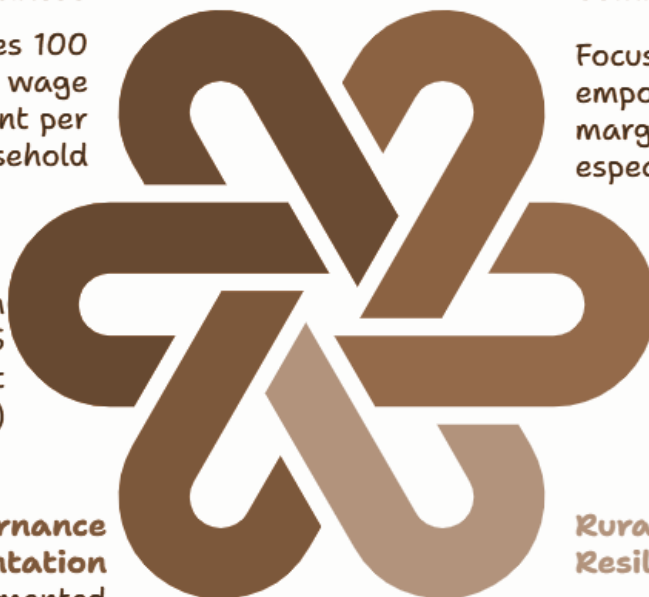
Focuses on empowering marginalized groups, especially women

#### 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)**