

# Covid 19 corollaries

August 25, 2020

## MGNREGA hauls up rural wages

Average income per person per month under the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) doubled to ~Rs 1,000 in the first four months of this fiscal compared with Rs ~509 in fiscal 2020.

The April-July period typically sees ~25% greater work execution (in terms of person-days) under the scheme compared with the rest of the fiscal, thereby aiding rural income.

This fiscal, however, these four months saw a growth of ~46% on-year in person-days, coupled with an increase of ~12% in average wage under the scheme.

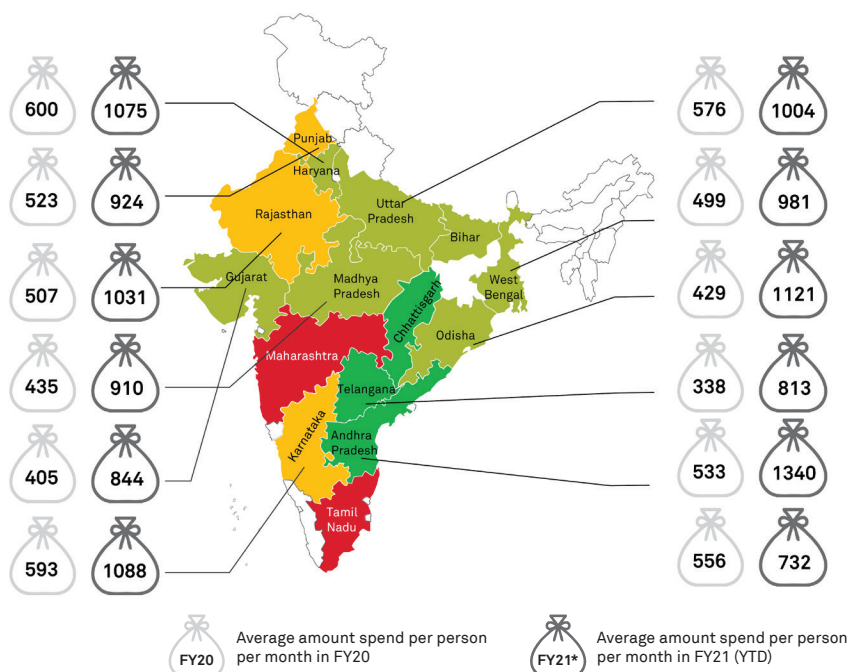
The primary reason for the government's thrust on MGNREGA is the Covid-19 pandemic, which has pushed urban labourers back into their villages.

The scheme has the mandate of providing at least 100 days of wage employment in a financial year to every rural household whose adult members volunteer for unskilled manual work, and has been a key mechanism of providing employment to the rural labour force.

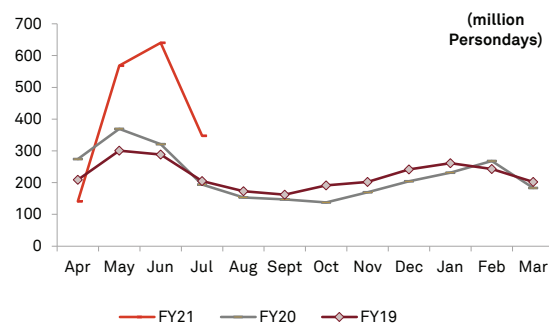
The government allocated Rs 61,500 crore for this scheme under Union budget 2020-21, and later increased the allocation by Rs 40,000 crore amid the pandemic to support the rural economy. Of the Rs 101,500 crore, Rs 11,500 crore has to be spent on clearing pending dues of fiscal 2020, thus leaving Rs 90,000 crore for the current fiscal. Even after considering the revised allocation, more than 50% of the funds have been spent in first four months of the fiscal.

The push to the scheme has been higher in Haryana, Uttar Pradesh, Bihar, West Bengal, Odisha and Gujarat, where work allocation increased more than 50% on-year in the first four months.

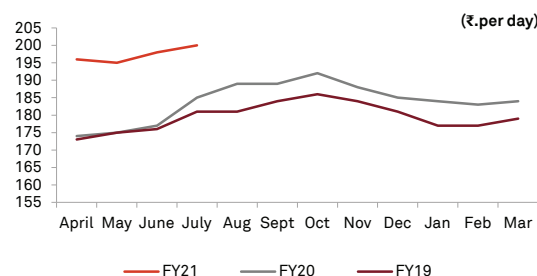
### Average disbursement per worker per month under MGNREGA in the first four months of this fiscal doubled compared with the average for last fiscal



Average increase in work under MGNREGA over April-July this fiscal jumped 46% on-year



Average monthly wage rates over April-July this fiscal increased 12% on-year



Source: CRISIL Research