

# Efficacy of MGNREGA in mitigating the loss in income and unemployment caused by the COVID-19 pandemic

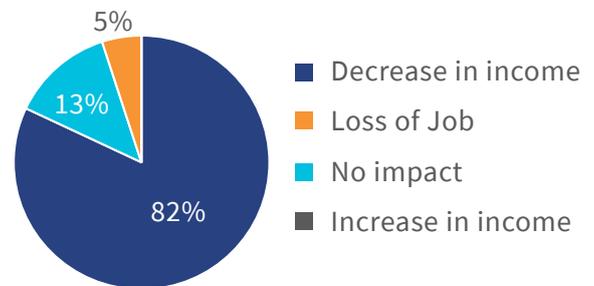
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According to India's most recent census conducted in 2011, the country is home to 456 million migrants, who represent 38% of the total population. The pandemic and the consequent lockdown to curb the spread of COVID-19 left these migrants stranded in their host communities and desperate to return to their familial homes.<sup>1</sup> Stories of lost livelihoods and families that walked hundreds of kilometers to reach their villages dominated the news. Even after reaching their native homes, the lack of employment opportunities in villages offered migrants little solace.

The Government of India (GoI) attempted to mitigate the impact of the pandemic on vulnerable populations by announcing various relief measures under the *Pradhan Mantri Garib Kalyan Yojana* (PMGKY). PMGKY supported the rural unemployed population, including migrant workers, through the government's flagship cash-for-work program, the *Mahatma Gandhi National Rural Employment Guarantee Act* (MGNREGA). The GoI also increased the daily wage rate of workers from USD 2.44 (INR 182) to USD 2.70 (INR 202)

and raised the allocated budget for MGNREGA to support this measure.

**Figure 1: Impact of the pandemic and lockdown on household income (in May, 2020)**



MSC conducted two rounds<sup>2</sup> of demand-side research<sup>3</sup> to evaluate GoI's response to COVID-19. We discuss the key lessons and findings extracted through the MGNREGA experience below.

1

**The government absorbed more workers under MGNREGA to tackle reduced incomes and job losses due to the pandemic. MGNREGA's vast network and digitized infrastructure made this task easier**

**Governments can create adequate income-generating opportunities for people who lose their jobs due to natural disasters, including pandemics. Established, digitized, and effective programs can make this easier—governments can scale these programs and offer employment support timely.**

<sup>1</sup> Details of the effect of the pandemic and lockdown on migrants can be found [here](#).

<sup>2</sup> The first round was conducted during the three-month lockdown in May, 2020 while the second round was conducted in September, 2020 after the lockdown.

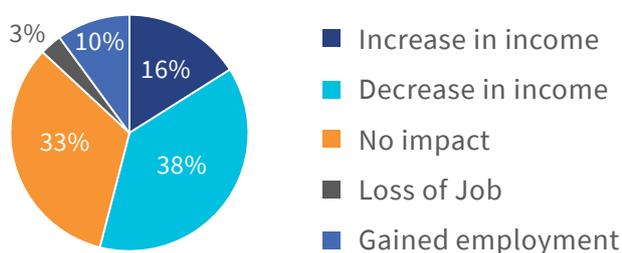
<sup>3</sup> Details of the methodology can be found [here](#).

Our study indicated a high rate of job losses and decreased income among respondents, especially during the first wave of the pandemic and the consequent lockdown in India. Only 5% of respondents reported no impact on their income or job due to the pandemic. The situation remained similar even after the government eased restrictions imposed during the lockdown due to uncertainty around COVID-19. Only 10% of respondents reported that they found employment, and the incomes of only 16% increased after the relaxation in restrictions during Round 2 of the study, conducted in September, 2020.

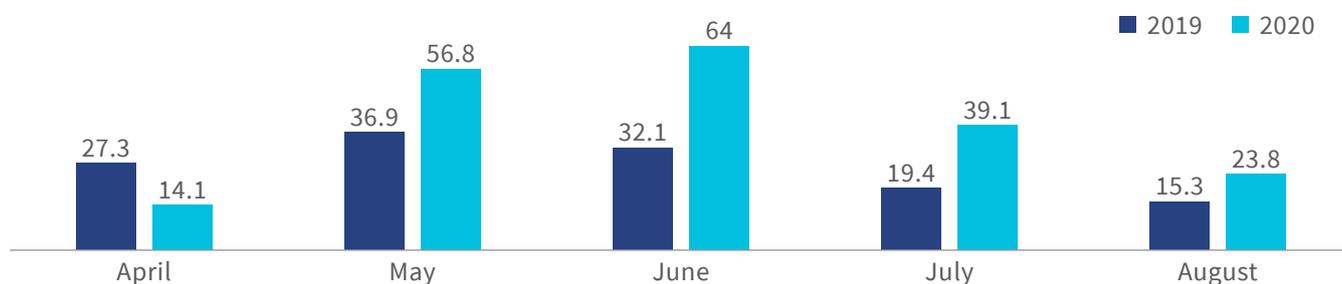
The government attempted to tackle this loss of income and unemployment by absorbing as many people as possible under MGNREGA. However, the significantly high demand for work made the task challenging. In just 50 days, between 1<sup>st</sup> April and 20<sup>th</sup> May, 2020, 3.5 million workers sought employment under the program. In comparison, only 1.5 million workers had applied for MGNREGA jobs in 2019-20.

The government provided more work to address the higher demand, as evident from the greater number of person-days<sup>4</sup> generated in all months of 2020 except April, when the lockdown restricted work. The graph below compares the number of person-days generated under MGNREGA in 2019 and 2020. As per our data, only 15% of households enrolled under the program reported receiving work in Round 1 of our study. This number increased to 53% in Round 2.

**Figure 2: Impact of relaxation in lockdown restrictions on household income (in September, 2020)**



**Figure 3: Employment provided by MGNREGA (in tens of millions): 2019 vs 2020**



**2**

**MGNREGA continued to provide higher employment to women over men. All government programs must be gender-inclusive and ensure equal opportunities for women**

**Government programs must provide sufficient work and income to women and ensure that the work offered is favorable for them.<sup>5</sup> Other countries can draw lessons from MGNREGA to improve their cash-for-work programs.**

<sup>4</sup> Person-days is the number of people who work per day multiplied by the number of days worked.

<sup>5</sup> As most women in rural areas cannot travel far from their houses, the work should be provided within a 5km radius.

Economic crises often have a disproportionate impact on women. Our study indicates that households with women as primary wage earners were less likely to get reemployed after the lockdown.<sup>6</sup>

The Indian government mandates that at least one-third of beneficiaries under MGNREGA should be women. In 2020-21,<sup>7</sup> women represented 53% of the workforce employed under MGNREGA. Moreover, local *panchayats*<sup>8</sup> implement MGNREGA, which must have 50% of women representatives.

Reservation for women in the program and its implementing body has led to a massive increase in their participation.

Another reason for the active participation of women in the program is the unwillingness of male laborers across many states to work under MGNREGA. More women and the elderly seek work under MGNREGA to support their family income, while men prefer to work on private sites due to better wages.

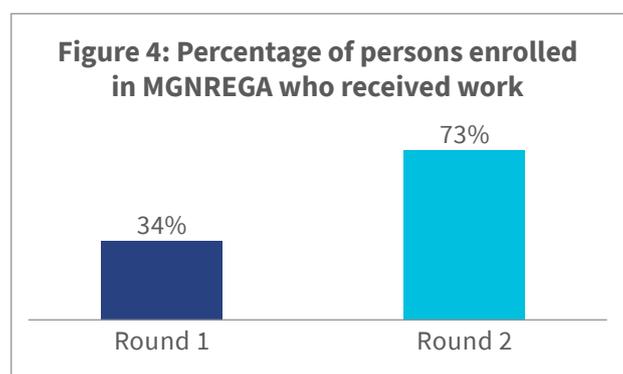
### 3 The government should create new work avenues of employment to address its inability to cater to the high demand for work during the pandemic

**Governments can create new avenues of employment and expand areas of permissible work to manage surges in demand for jobs. The Indian government can employ MGNREGA workers in short-staffed positions, such as guards for national parks and forests.**

**While relief provided through MGNREGA or direct income support provides immediate assistance, it often fails to sufficiently protect the vulnerable from the next shock. This lesson holds greater significance for the people of India, which struggled with the second wave of COVID-19 and continues to wait anxiously for the third wave to hit. The government should stay prepared with a plan to absorb the unemployed population. It must also create policies and guidelines for industries to ensure the safety of their workers through shelter and food. These steps will ensure that a considerable segment of the population does not have to return to their villages again.**

Despite the government’s efforts to absorb more people under MGNREGA, the program could not accommodate everyone due to excessive demand for jobs during the pandemic. A respondent said, “More than 200 people are available to do a job that needs just 20 people.” Consequently, only 34% of respondents received work under MGNREGA during Round 1 of the study. However, government action improved the situation by Round 2 of the study, and 73% of the total enrolled beneficiaries received work under MGNREGA.

On average, beneficiaries worked for only seven days per month as more labor was available during the lockdowns. The abundance of labor also accelerated the pace of the projects, which reduced the number of days needed to complete a



project. Consequently, people were employed for fewer days, which reduced their wages. Only 7 million of the 75 million employed under MGNREGA received work for the full 100 days in 2020-21.

<sup>6</sup> 17% of households with men as primary wage earners reported an increase in income after the lockdown restrictions were eased, compared to only 8% of households with women as primary wage earners. 10% of households with men as primary wage earners were re-employed, compared to only 5% of households with women as primary wage earners.

<sup>7</sup> The percentage of women participation decreased slightly from 56% in 2016-17 to 53% in 2020-21.

<sup>8</sup> A *panchayat* is a key village-level government institution responsible for fulfilment of the community's aspirations with respect to development of the village. It usually consists of five respected village elders.

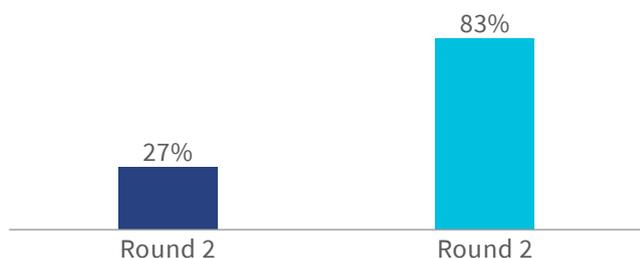
4

While the government has cleared all MGNREGA dues, it should ensure timely payments of wages

Irregularities and delays in MGNREGA payments have decreased. However, the government can further reduce such issues through automated processes, human resources, and technology investments. The government can introduce Mobile Monitoring Systems (MMS) across all village councils to update the database on demand for work, work allocation, attendance, and measurement of work. These steps can help curb administrative delays at each stage and ensure beneficiaries get their dues on time.

In May, 2020, 41% of respondents reported that they had not received their pending MGNREGA wages yet. The uncertainty around the receipt of payments, especially when they desperately needed money, discouraged them from working under MGNREGA during the lockdown.

Figure 5: Respondents who received wages for MGNREGA work



In September, 2020, the government cleared all dues as 83% of respondents reported that they had received all payments pending for the work done in the preceding months. According to official data, the government has cleared 87% of the total payments in 2020-21.

We do not prefer working under MGNREGA due to low wage rates and delayed payments. My family members visit private construction sites or the labor market to find work.

- A MGNREGA beneficiary



5

**The government should launch an urban employment program or expand MGNREGA to cover the urban poor**

**MGNREGA offers employment only to those who live in rural areas, excluding vulnerable populations in cities or urban areas that suffered the devastating impact of the pandemic. COVID-19 has highlighted the need for an employment guarantee program for the urban poor. For instance, the government could employ urban workers in municipalities to solve the dual problems of unemployment and poor sanitation.**

Data from the Centre for Monitoring Indian Economy also highlights the urban distress—the unemployment rate in India in September, 2020 stood at 5.88% in rural areas and

8.45% in urban areas. Despite the greater levels of unemployment among the urban poor, they do not get any employment relief from the government.

6

**The government should improve awareness of its interventions as most beneficiaries remained unaware of the MGNREGA benefits under PMGKY**

**The issues of poor communication and lack of awareness around social protection programs continue to persist across the globe. Governments should ensure workers have complete knowledge of the amount and timing of payment of wages. Better communication will empower workers to demand timely resolution in case of irregular, insufficient, or delayed payments.**

In Round 1 of our study, only 24% of respondents knew the MGNREGA benefits (provision of work and hike in wages) under PMGKY. If beneficiaries remain unaware of their entitled benefits, they cannot raise queries if they do not receive the payment or receive less than the entitled amount. The government has implemented various measures to improve the communication channels of MGNREGA, such as an online GRM portal, a publicly available complaint register, and a portal to check the status of complaints. However, the awareness and use of such mechanisms remain low among beneficiaries.



## Conclusion

MGNREGA provided relief to numerous households struggling with reduced incomes and unemployment during the COVID-19 pandemic. However, the government should further improve the lives of vulnerable families and shelter them from economic shocks using the existing infrastructure and network. It should expand MGNREGA

and create new avenues of work to cover more vulnerable households. These steps, coupled with automated payments and monitoring processes, can help make the program more efficient and drive recovery in the post-COVID period in the country.

## About MSC's study

MSC conducted two rounds<sup>9</sup> of demand-side research to gauge the effectiveness of PMGKY and support measures<sup>10</sup> announced by the Indian government using a mixed-method approach. [See this link for the research approach in detail.](#) We conducted the first round during the three-month lockdown in May, 2020 and the second after the lockdown<sup>11</sup> in September, 2020. The study's objective was to assess various social protection interventions of the central and state governments during COVID-19 and suggest improvements to the programs.

We designed the research as a panel study with respondents selected using a multi-stage sampling approach from the BPL (below poverty line) database. The study is nationally representative and provides both national and state-level estimates for critical indicators.<sup>12</sup> MSC covered beneficiaries who received benefits from at least one cash transfer program under PMGKY and benefited from the [Public Distribution System](#). The study covered a total sample<sup>13</sup> of 5,081 respondents in both rounds across 18 states and union territories. Both rounds (the panel) had 4,082 respondents in common.

This note is part of a series of publications from MSC's "Evaluation of the Indian government's response to COVID-19." The complete list of publications is as follows:

- 1 India's gender-responsive policies during COVID-19
- 2 A review of the effectiveness of India's Direct Benefit Transfer (DBT) system during COVID-19: Lessons for India and the world
- 3 Efficacy of India's food security response during COVID-19
- 4 Beyond the barriers of affordability: An analysis of India's cooking fuel support program under the COVID-19 assistance package
- 5 Efficacy of MGNREGA in mitigating the loss in income and unemployment caused by the COVID-19 pandemic

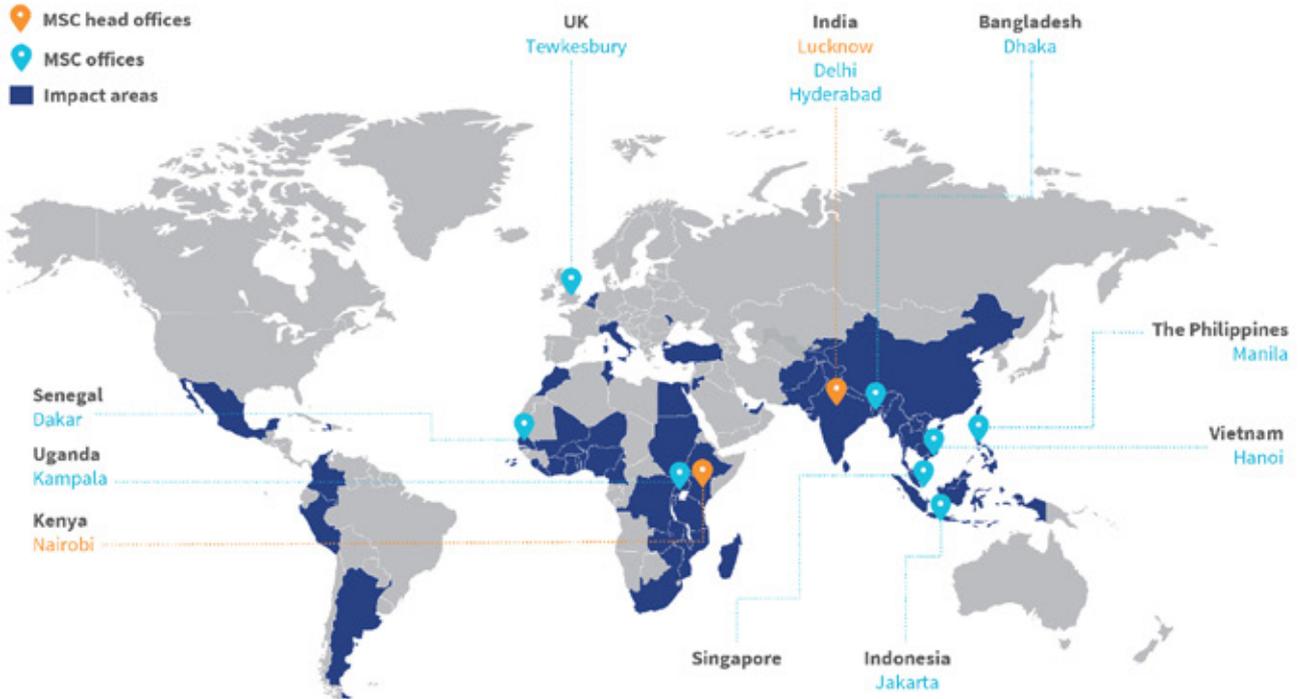
<sup>9</sup> The first study was conducted in May, 2020 and the second in September, 2020.

<sup>10</sup> The [Public Distribution System](#), [Midday Meal program](#), [PM Ujjwala Yojana](#), [National Social Assistance Programme](#), [PM Kisan](#), [PM Jan Dhan Yojana](#), and [Mahatma Gandhi National Rural Employment Act](#)

<sup>11</sup> India remained in lockdown from 24th March, 2020 to 31st May, 2020. The country started to relax restrictions from June, 2020, except those imposed in containment zones.

<sup>12</sup> A sample size of 270 households was estimated for each state with a 95% confidence level and a 6% margin of error. The quantitative data was collected using Computer Aided Telephonic Interviews (CATI) system and MSC staff conducted the qualitative research over the telephone.

<sup>13</sup> In Round 2, some respondents could not participate in interviews while we could not reach others over the phone. This led to the attrition of 999 respondents between rounds 1 and 2. We replaced this missing sample with 999 new respondents with similar profiles to ensure we had the required sample size to provide state- and national level-point estimates.



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