GOVERNMENT OF INDIA
MINISTRY OF RURAL DEVELOPMENT
DEPARTMENT OF RURAL DEVELOPMENT

RAJYA SABHA
UNSTARRED QUESTION NO. 3328
TO BE ANSWERED ON 28/03/2025

WAGES UNDER MGNREGA

3328 SMT. RANJEET RANJAN:

Will the Minister of RURAL DEVELOPMENT be pleased to state:

(a) the reasons for substantial variations in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) wages across different states for Financial Year 2024-25;

(b) mechanisms followed by Government in allocating the annual budget for MGNREGA; and

(c) whether Government plans to revise the methodology for calculating wage rates that is currently based on the Consumer Price Index - Agricultural Labourers (CPI-AL) which uses 2010-11 as the base year, in order to ensure that wages are more reflective of inflation?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF RURAL DEVELOPMENT
(SHRI KAMLESH PASWAN)

(a)& (c): Mahatma Gandhi National Rural Employment Guarantee Scheme (Mahatma Gandhi NREGS) is a demand-driven wage employment Scheme. It provides a fallback option for livelihood security for rural households when no better employment opportunity is available.

As per Section 6 (1) of the Mahatma Gandhi National Rural Employment Guarantee Act (Mahatma Gandhi NREGA), 2005, the Central Government may by notification, specify the wage rate for its beneficiaries. Further, section 6 (2) of the Act, provides that until such time a wage rate is fixed by the Central Government in respect of any area in a State, the minimum wage fixed by the State Government under section 3 of the Minimum wages Act, 1948 for Agricultural Laborers shall be considered as the wage rate applicable to that area. Accordingly, as per provision of Section 6(2) of the Act, from the inception of the scheme till the financial year 2010-11, the wage rate in Mahatma Gandhi NREGA was determined based on the minimum wage set by the respective State Governments. However, from the financial year 2011-12, the Government of India started determining the wage rates using the Consumer Price Index for Agricultural labourers (CPI-AL).

To compensate the Mahatma Gandhi NREGA workers against inflation, the Ministry of Rural Development revises the wage rate every financial year, based on changes in the Consumer Price Index for Agricultural Labourers (CPI-AL). The index is different for different States/UTs as notified by the Labour Bureau Shimla, Ministry of Labour and Employment. If the calculated wage rate of any State/UT is coming lower than the wage rate of the previous year, it is being protected by maintaining the previous year's wage rate. The wage rate is made applicable from 1st April of each financial year. The average increase in the notified wage rate from FY 2023-24 to FY 2024-25 is 7%. Further, State can also give additional wages to workers over and above the notified wage rate of Government of India from their own resources.

(b): With regard to allocation of Budget for Mahatma Gandhi NREGS it is stated that the projected Budget Estimate (BE) for the incoming financial year is prepared by the Department of Rural Development as per the timeline fixed by the Ministry of Finance. While preparing the BE for the incoming financial year, various factors are taken into account which include central releases so far, persondays generated, pending liability if any, of the previous financial year, average increase in the wage rate as well as material and admin cost over the year.

Once the projected BE is approved by the competent authority, it is shared with the Ministry of Finance for allocation of funds. Based on demand projected by the Ministry and availability of funds, necessary budgetary allocations are made in the Union Budget. It is stated since Mahatma Gandhi NREGS is a demand driven Scheme, based on the pace of expenditure and demand for work on the ground, Government of India is committed to make the required funds available. Accordingly, based on requirements projected by the Department of Rural Development, allocation made at BE stage is enhanced in Revised Estimate (RE)/ Final Estimate during the course of the year.

With regard to allocation of the “Agreed to" Labour Budget to the States/Union Territories, it is stated that in the October month of the current financial year, States/UTs are requested to send the proposal for the annual action plan for incoming financial year after following due process. Based on the proposal received from States/UTs an Empowered Committee under the Chairpersonship of the Secretary (Rural Development) approves the “Agreed to Labour Budget”. The Empowered Committee also consists of the Secretary in charge of the Rural Department of States/UTs as a member. This “Agreed to Labour Budget” is an indicative number for better planning so that work can be provided against demand on time. During the course of the year, the “Agreed to" Labour Budget can be revised by the Empowered Committee, depending upon the demand for employment by enrolled households.

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