

Report of the Committee on Alignment of MGNREGA Wages with Minimum Agricultural Wages

July, 2017

**Ministry of Rural Development
MGNREGA Division**

INDEX

Chapter 1

Constitution of the Committee on Alignment of MGNREGA Wages with Minimum Agricultural Wages

1.0 The National Rural Employment Guarantee Act, 2005 provides for payment of wage rates to the workers performing unskilled manual work on projects taken under MGNREGA Scheme. The Act under article 3, article 2 provides that “*every person who has done work given to him under the scheme shall be entitled to receive wages at the wage rate for each day of work*”. The Act provides for determination of wage rates.

Article 6(1) provides that “*Notwithstanding anything contained in the Minimum Wages Act, 1948, the Central Government may, by notification, specify the wage rate for the purposes of this Act:*

Provided that different rates of wages may be specified for different areas:

Provided further that the wage rate specified from time to time under any such notification shall not be at a rate less than sixty rupees per day”

Article 6(2) provides that “*Until such time as 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 labourers, shall be considered as the wage rate applicable to that area*”.

2.0 The Wages paid under MGNREGA Schemes launched on 2nd February, 2006 was initially based on Minimum Wages notified by the State Governments. The Provisions 6(1) of the Act was activated by a notification of the Ministry on 1st January, 2009 and Minimum Wage under Section 6(1) were notified. The issue of wage payment under MGNREGA has been adopted intensively in the past. Though, the Act clearly provides for notification of wage rates for works under MGNREGA and does not make it mandatory for adoption of minimum wages adequate for each State, as wage to be paid under MGNREGA works. There has been demand from various quarters for payment of Minimum Agricultural Wages as the floor for MGNREGA wages. Committees has been set up at different points of time to determine the linkage between minimum wage rates for minimum wages identified for agricultural labourers and wages paid under MGNREGA. The issue of indexation of MGNREGA wages has also been a matter of debate.

3.0 The Central Employment Guarantee Council's "Working Group on Wages" which was headed by Professor Jean Dreze, had recommended that NREGA wages should be immediately indexed to the price level, using the Consumer Price Index for Agricultural Labourers (CPI-AL), with 1st April, 2009 as the "base", so that the real value of the wage is at least Rs. 100 per day at April, 2009 prices. As long as NREGA wage rates are set by the Central Government, they should be promptly revised upwards every six months – or at most every twelve months – in line with the CPIAL. (States that had wages notified at more than Rs. 100/day at the time of the 1 January, 2009 notification should have their wages indexed with their notified wage as a base.

4.0 The Ministry had set up another Committee on MGNREGA Wage Rate Indexation which was headed by Prof. Mahendra Dev, Director & Vice-Chancellor, Indira Gandhi Institute of Development Research, Mumbai, which had submitted its report in 2015. The Committee recommended as under:-

(i) "The baseline for MGNREGA wage indexation from 2014 may be the current minimum wage rate for unskilled agricultural labourers fixed by the States under the Minimum Wages Act' or the 'current MGNREGA wage rate', whichever is higher; and

(ii) Consumer Price Index for Rural (CPI-Rural) may be considered as the appropriate index for protecting the wages against inflation and as such the CPI-Rural be adopted for revising wage rates every year under the Mahatma Gandhi National Rural Employment Act.

5.0 The Issue of parity between Minimum Wages and Wages paid under MGNREGA is a long standing issue. The other questions that are important for taking a considered view on the matter are the schedule of rates for work to get minimum wages for agricultural labour and MGNREGA worker, the schedule of rates prevalent across states, schedule of rates for women and persons with disabilities. The issue of the Price Index for indexation was needs to be examined. The Ministry of Rural Development, therefore, constituted a Committee headed by Additional Secretary, Department Rural Development, Government of India with

representatives from relevant Ministries of Government of India and five States. The Terms of Reference of the Committee are as under:-

- I. Review the Schedule of rates of work for MGNREGA wages across the States.
- II. Examine the Schedule of Rates across states for Agricultural wages, including the legal framework for revision of Agricultural Wages.
- III. Examine the feasibility of aligning MGNREGA wages notified by the Government of India for MGNREGA under Article 6(1) of NREGA Act, 2005, with Agricultural Wages notified by State Governments, keeping in view the commonality/divergence in schedule of rates of the two wage rates.
- IV. Review specific provisions for works and wage rates for Women and Divyang persons under MGNREGA, and Agricultural Wages, if any, and recommend measures to promote participation of Divyang in MGNREGA.
- V. Any other issue that committee may decide.

The Office order constituting the Committee and its ToR are at Annexure I.

6.0 The Committee met on three occasions. The draft report was discussed in the third meeting of the committee held on 27th April, 2017.

The Report is organized in _____ Chapters. The First Chapter deals with _____

CHAPTER-II

Schedule of Rates of Work under MGNREGA

1.0 The payment of wages under MGNREGA is based on piece rate work. The worker are expected to complete a pre-specified quantity of work which is measured before wage payments are made to the workers. For piece rate work, Schedule of Rates of work are an important component for determination of work done and the concomitant payment. Schedule-I of MGNREGA as notified on _____ in Article 17 to 19 lays down the broad framework for fixation of Schedule of Rates for work under MGNREGA. These are reproduced as under:-

Article (17)

The State Government shall link the wages, without any gender bias, with the quality of work done and it shall be paid according to the rural schedule of rates fixed after time and motion studies for different types of work and different seasons and revised periodically.

Article (18)

A separate Schedule of rates shall be finalized for women, elderly, people with disabilities and people with debilitating ailments so to improve their participation through productive work.

Article (19)

The State Government shall, by rules, determine appropriate grievance redressal mechanisms at the Block level and the district level for dealing with any complaint by any person in respect of implementation of the Scheme and lay down the procedure for disposal of such complaints.

2.0 As payments under MGNREGA depend on the work accomplished and the schedule of rates, the Committee decided to constitute a Sub-Committee of Engineers to study Schedule of Rates across States and make recommendations. The Committee was headed Shri Arun Surana. The composition of the Committee of Engineers and its Terms of Reference are at Annex-II.

3.0 The Committee collected the Schedule of Rates from different States. The Schedule of Rates for a typical item of work is indicated in the Table below:-

Table to be inserted from Gaya Prasad

4.0 This Table indicates that there is significant divergence among the Schedule of Rates across States even for the work done in the same soil type. The range of variation in Schedule of Rates within a particular State between hard soil and ordinary soil also varies significantly. The Committee of Engineers, after detailed review of SORs in the States, recommended as under :-

(i) Most of the States have not prepared exclusive MGNREGS SOR covering items to execute all permitted work items. Some of the States have defined labour outturn for earth work items and follow state PWD/RD SOR for rest of the work items.

(ii) There is lot of variation in labour outturn amongst States. The reasons are not clear. There is a need for Time and Motion Study to be done by institutions of national repute based on geographic and agro-climatic conditions of the regions in time bound manner. The format of work items for study should be kept common with state specific variations.

(iii) The MGNREGS SOR should include the final recommendations of Time and Motion Studies (TMS) and should be prepared to cover as many districts/blocks as possible so that same cover geological climatic and people's gender, age and cultural variations.

5.0 The MGNREGA Scheme allows 154 types of work to be taken up for creation of employment. The analysis of works taken up in the last year (2016-17) indicates that roughly 50% of the works relate to 25 permissible works. The list of major works taken up under MGNREGA is indicated in the Table below:-

(Table on Major Works from Shri Gaya Prasad to be inserted here)

6.0 The MGNREGA schedule 1 under article 18 also calls for a separate schedule of rates for women labourer and people with disabilities. The participation of women in MGNREGA has increased steadily over the years and has currently at 56 percent at all India level. In some states the participation of women is as high as 90 percent. The table below (Table from Gaya Prasad) provides information on some of the states where women participation has been

very high. Table reveals that in many states MGNREGA has become an exclusive programme for women workers only.

7.0 The Committee recommends that a Technical Team with Members drawn from a few States and National level Engineering Institutions, be drawn up to work out templates for preparing Schedule of Rates for major items of work under MGNREGA. This Committee should also examine the issue of State specific variation and the range of variation that could justifiably be permitted in Schedule of Rates across States. This may be accomplished within next three months. The template may be circulated to the States for working out Schedule of Rates for major activities taken up under MGNREGA.

8.0 This Committee also recommends that there should be convergence on Schedule of Rates across States and the wide variation currently seen in the Schedule of Rates is untenable for a programme where wage component is fully funded by Government of India. The template should be worked out separately for working out a schedule of rates for women, elderly and disabled.

9.0 The Committee strongly recommends that the MGNREGA wages for 2018-19 should be based on the revised Schedule of Rates prepared on the basis of a uniform template.

CHAPTER-III

Minimum Wages for Agricultural Labour and MGNREGA Wage Rate

1.0 NREGA Act, 2005 was enacted to provide atleast 100 days of wage employment to people willing to work as manual casual labour. The second important objective of the programme was to create durable assets to improve livelihood resource base of the rural poor. Though the programme was open to all, creation of productive assets under the programme was specifically targeted to Scheduled Castes/Scheduled Tribes and small and marginal farmers. The programme is supplemental in nature in the sense that guaranteed employment is for at least 100 days and people are expected to get employment in agriculture and other rural non-farm activities in the remaining 265 days.

2.0 The list of works that was included in Schedule-I of the Act, comprised water conservation and harvesting, irrigation, flood control and protection and rural connectivity, activities which are different from activities which an agricultural worker normally performs.

3.0 Article 2 of the Act stipulates payment of wage rate for persons who have done the work given to them. Article 6.1, clearly stipulated notwithstanding anything contained in the Minimum Wages Act, 1948, the Central Government could notify wage rate for the purposes of this Act and till such time as the Central Government notified a wage rate, minimum wages for agricultural labour notified by the State would be paid to NREGA workers. The NREGA Act, therefore, clearly provides for notification of NREGA wage rate which could be different from minimum wages notified for agricultural labour by the State Governments.

4.0 The Scheme was launched on 2nd February, 2005. The Government had not notified any wage rate for NREGA workers to begin with. The Central Government started notifying wages under MGNREGA from the financial year 2008-09, under Article 6.1 of NREGA Act, 2005. On 1st January, 2009 Minimum Agricultural Wages prevalent in December, 2008 were notified as wage rates under section 6.1 of NREGA Act, 2005. Before that minimum wages for Agricultural Labour notified by the State Governments were paid to the workers. The Finance Minister in his budget speech on 6th July, 2009 had indicated that Government would provide a real wage of Rs. 100/-. Pursuant to Finance Minister's announcement wage rates under MGNREGA were again notified on December 15, 2009 and wage rates for all the states was notified as Rs. 100/- or higher except for states of Arunachal Pradesh (Rs. 80), Odisha (Rs.90) and Jharkhand (Rs. 99). The Wage rates under MGNREGA were again notified on 14th January, 2011. It was assumed that the MGNREGA wage rate on 01/04/2009 was Rs. 100/-. In case of States where minimum agricultural wages were more than Rs. 100/-

, they were taken as MGNREGA Wage Rate for indexation. Only four states had minimum agricultural wages which were higher than Rs.100 in 2009-10. These were Goa (Rs.110), Haryana (Rs.141), Mizoram (Rs.110) and Kerala (Rs.125). Based on this principle the wage rates were increased based on Consumer Price Index for agricultural labour. This notification was effective from 1st January, 2011 and remained in force till March, 2012. The subsequent wage notifications were effective from 1st April of every financial year. This indexation method has been adopted based on recommendation of a Committee.

5.0 The analysis in the above para shows clearly that MGNREGA wages and agricultural wages were aligned in December, 2009. The MGNREGA wages that were notified on 1.1.2011 were notified based on the assumption that MGNREGA wage rate in every State was at least Rs. 100/- as on 1st April, 2009. In States where minimum agricultural wage as on 1.4.2009 was higher than Rs.100/-, these were protected.

6.0 The issue of divergence between wage rates under NREGA and minimum agricultural wages is on account of the fact that States do not follow a uniform policy of wage revision for minimum agricultural wage. This is illustrated in the Table below which traces the trajectory of wage revision in 4 major States :

Trajectory of Wage Revision in Major States

(Rs.)

	Minimum Ag. lab. Wage in 2005-06	Wage notified under 6.1 of MGNREGA on 1.1.2009	Wage notified under 6.1 of MGNREGA on 15.12.2009	Wage notified under 6.1 of MGNREGA for 2016-17	Minimum wage for Agri labour for 2016-17 (Latest available)
Bihar	68.0	89.0	100.0	167.0	177.0
Karnataka	63.0	82.0	100.0	224.0	289.0
Uttar Pradesh	58.0	100.0	100.0	174.0	161.0
West Bengal	67.0	75.0	100.0	176.0	216.0

7.0 The NREGA wages are indexed to CPI-AL. Bihar also follows an indexation principle but indexes minimum wages of agricultural labour to All India Consumer Price Index. Uttar Pradesh indexes minimum wages to CPI-AL. Since in 2005-06, the minimum wages for agricultural labour in Uttar Pradesh were only Rs.58/-, they have been continuously indexed to CPI-AL and were Rs.161/- per day in 2016-17 whereas the NREGA wages rate was Rs.174/- per day. Karnataka revises agricultural wages every three years based on recommendations of a Wage Revision Committee. Though a few notifications of Government of West Bengal indicate that the State follows indexation of minimum wages for

agricultural labour linked to CPI-AL, the divergence between NREGA wage rate and minimum agricultural wage rate in the State indicates that the State in some years had announced minimum agricultural wage rates beyond the indexation.

8.0 State Governments follow different methods for fixation of minimum wages for Agricultural Labour. Wages also differ for different agricultural activities. The methods vary enormously across states and there is no commonality. MGNREGA rates are notified every year based on increase in CPI-AL. In many states minimum agricultural wages are revised after 3 years. Some states do not follow a system of indexation and wages rates for agricultural labour are decided by a Committee. The states which follow a scientific method of indexation do not show a major divergence between MGNREGA wages and minimum wages for agricultural labour. Annexure 1 provides information on MGNREGA wages first notified in January, 2009. Annexure II provides details of MGNREGA wages for 2016-17 and Minimum wage for Agricultural Labour (the latest data available with the Department). 17 States and UTs have MGNREGA wages higher than State's minimum wages for Agriculture Labour while in other 17 states minimum agricultural wages are higher than MGNREGA wages. Annexure III indicates notified MGNREGA wages for the year 2017-18.

9.0 There is a major difference in the work done by the agricultural labourers and the work performed by NREGA workers. The wage rate for agricultural labourer is basically a time rate. Notification of the States indicates that by and large an agricultural worker is expected to have a 9 hour work day with 8 hours of work and one hour of rest. In a few States, it is 8½ hours work day with an half hour rest. Wages under NREGA are for piece rate work with fixed schedule of rates for work which is measured and only then payment is made. A NREGA worker is expected to have an eight hour work day with 7 hours of work and one hour of rest.

10.0 The second major difficulty in aligning NREGA wages with agricultural minimum wages would stem from extremely wide variation in SORs across the States, which has been discussed in Chapter-II.

11.0 The minimum agricultural wages though notified by the State Governments are hard to enforce especially in the case of women workers. On the other hand, the wages under MGNREGA are paid by the States, are enforced and enforceable and no discrimination exists between male and female worker wage rate as opposed to the market reality of agricultural wages where wage rates for female workers at all India level were 78% of the

male workers. In some States, like Tamil Nadu, women workers earn just over half of male workers' wages. In Karnataka and Kerala, women workers received only 65.22% and 73.56% of the male workers' wages. This difference is brought out in the Table below :-

Wages of Agricultural Labour

State	Male			Female			Female wages as a % of Male wages
	2014- 15	2015- 16	2016- 17*	2014- 15	2015- 16	2016- 17*	2016-17
Andhra Pradesh	240	256	276	168	173	204	73.83%
Assam	228	239	256	189	202	211	82.36%
Bihar	224	246	249	191	210	212	85.04%
Gujarat	194	207	223	178	189	202	90.62%
Haryana	345	358	365	333	342	350	95.84%
Himachal Pradesh	351	372	394	315	326	NA	87.63%**
Karnataka	249	281	297	160	180	194	65.22%
Kerala	622	662	671	433	458	494	73.56%
Madhya Pradesh	178	186	201	166	168	183	90.83%
Maharashtra	226	234	256	154	150	168	65.70%
Odisha	201	201	216	159	162	177	81.96%
Punjab	299	303	312	230	249	267	85.68%
Rajasthan	296	285	281	227	246	259	91.91%
Tamil Nadu	410	393	411	227	222	222	54.16%
Uttar Pradesh	202	217	230	173	178	190	82.58%
West Bengal	237	247	258	196	197	206	79.68%
All-India	247	257	270	191	199	210	77.78%

Source: Labour Bureau,
Shimla

All figures Rupees per
day

* Data pertains to the period July-May 2016-

17

**Data for 2015-

16

12.0 In view of the analysis given above, the Committee is of the opinion that the wage rates under NREGA are notified based on scientific principles of indexation. They also take into account the price level differences across States as the CPI-AL used for indexation of NREGA wages is taken for each State separately. The Committee feels strongly that States should be persuaded to follow a uniform and scientific policy for indexation and notification of minimum wages for agricultural wages. In Committee's opinion, there is no compelling argument for convergence of minimum wages for agricultural labour and wages notified for NREGA workers in view of the differences in activities performed by these two set of workers which have been enumerated above.

CHAPTER IV

Method of Indexation of MGNREGA Wages

1.0 The Government had set up a Committee under the Chairmanship of Prof. S. Mahendra Dev, Director & Vice Chancellor, Indira Gandhi Institute of Development Research, Mumbai. The Committee had the following ToR:-

- (i) To examine whether the Consumer Price Index for Agriculture Labour (CPIAL) is the appropriate index for protecting the wages against inflation? If not, what would be the proper index for revising MGNREGA wage rates every year?
- (ii) To arrive at the modalities of resetting the baseline in 2014 and thereafter every five years: and
- (iii) Any other matter that has bearing on the issue.

2.0 The Committee submitted its report in ___ 2015. On Indexation of wages rates the Committee noted that the consumption basket for both CPI-AL and CPI-RL, was based on 1983-NSSO, Consumption Expenditure Survey, which was outdated. The Committee noted that CPI-Rural, which was introduced in 2010, had a weighting diagram which was more recent. They, therefore, recommended wage indexation linked to CPI-R.

3.0 In CPI-AL and CPI-RL, food beverages and tobacco account for over 70 percent of the consumption basket. In CPI-Rural, they account for only 59 percent. CPI-Rural also provided for higher expenditure on Education, Medical care and Transport and Communication.

This is indicated in the table below:-

Sl.	Table 1: All India Weights of various CPI Series			
	Sub Group/Group	CPI-R	CPI-AL	CPI-RL
01	Cereals and Products	19.08	40.94	38.15
02	Pulses and Products	3.25	3.39	3.4
03	Milk and Milk Products	8.59	3.74	3.94
04	Oil and Fats	4.67	3.83	3.79
05	Egg, Fish and Meat	3.38	3.1	3.31
06	Vegetables	6.57	4.18	4.05
07	Fruits	1.9	0.88	1
08	Sugar etc.	2.41	2.58	2.59
09	Condiments and Spices	2.13	4.12	3.92
10	Non-alcoholic beverages	2.04	2.39	2.62
11	Prepared meals etc.	2.57	--	--
12	Pan, Tobacco and Intoxicants	2.73	3.79	3.7
13	Food, Beverages and Tobacco	59.31	72.94	70.47
14	Fuel and Light	10.42	8.35	7.9
15	Clothing and Bedding	4.6	6.28	6.17
16	Footwear	0.77	0.7	3.59
17	Clothing, Bedding and Footwear	5.36	6.98	9.76
18	Housing	0	0	0
19	Education	2.71	0.41	0.39
20	Medical Care	6.72	4.38	4.23
21	Recreation and Amusement	1	0.53	0.6
22	Transport and Communication	5.83	1.67	1.8
23	Personal Care and Effects	3.05	2.04	2.28
24	Household requisites	4.48	2.7	2.57
25	Others	1.12	--	--
26	Miscellaneous	24.91	11.73	11.87
27	Total	100	100	100

Source: (1) Consumer Price Index Numbers for Agricultural and Rural Labourers-Annual Report 2011-12-Minsitry of Labour & Employment, Government of India; (2) Brochure on Consumer Price Index Numbers-Separately for Rural and Urban Areas and also Combined (Rural plus Urban)-Central Statistics Office, Ministry of Statistics & Programme Implementation, Government of India.

4.0 The Committee, therefore, recommends that indexation of MGNREGA wages may be linked to CPI-Rural, as the consumption basket of CPI-R is of more recent vintage than CPI-AL, though, even the CPI-R consumption weights pertain to 2004 - 05.

5.0 Committee has been noted the fact that MGNREGA wages are currently indexed to CPI-AL of December month. The Committee recommends that CPI-Rural Index for average of 12 months should be the proper index for indexing MGNREGA wages. This new

indexation method could be followed for notification of wages to be effective from 01/04/2018.