

Meagre Funds and Unlawfully Low Wages: How the MGNREGA is Being Squeezed

The Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) has proved to be a lifeline for millions of Indian rural poor, especially during economic distress such as now. The programme guarantees 100 days of employment to each household at minimum wages. Yet, the provisioning has been significantly less than required, despite soaring demand for employment in recent years. In this tracker, we highlight the inadequacy of funds in the context of high demand for employment, as well as the need to raise wage rates in the programme.

By July 21, 2022, the Union government had already exhausted two-thirds of its budget, as shown in Table 1 below. With eight months remaining, the pending dues are expected to increase.

Table 1: Utilization of NREGA budget for FY 2022-23

Heads	In Rs. Crores	% of the Total Budget
Total Budget Allocation	73,000	100.00%
Total Actual Expenditure	36,112	49.47%
Payments Due* (For Expenditure Made in Current Financial Year and Previous Years) (Unskilled Wages + Material + Administrative Expenses)	12,390	16.97%
Total Expenditure Including Payments Due	48,502	66.44%
Net Balance (Budget Remaining)	24,498	33.56%
Source: MGNREGA MIS Report 7.1.1		

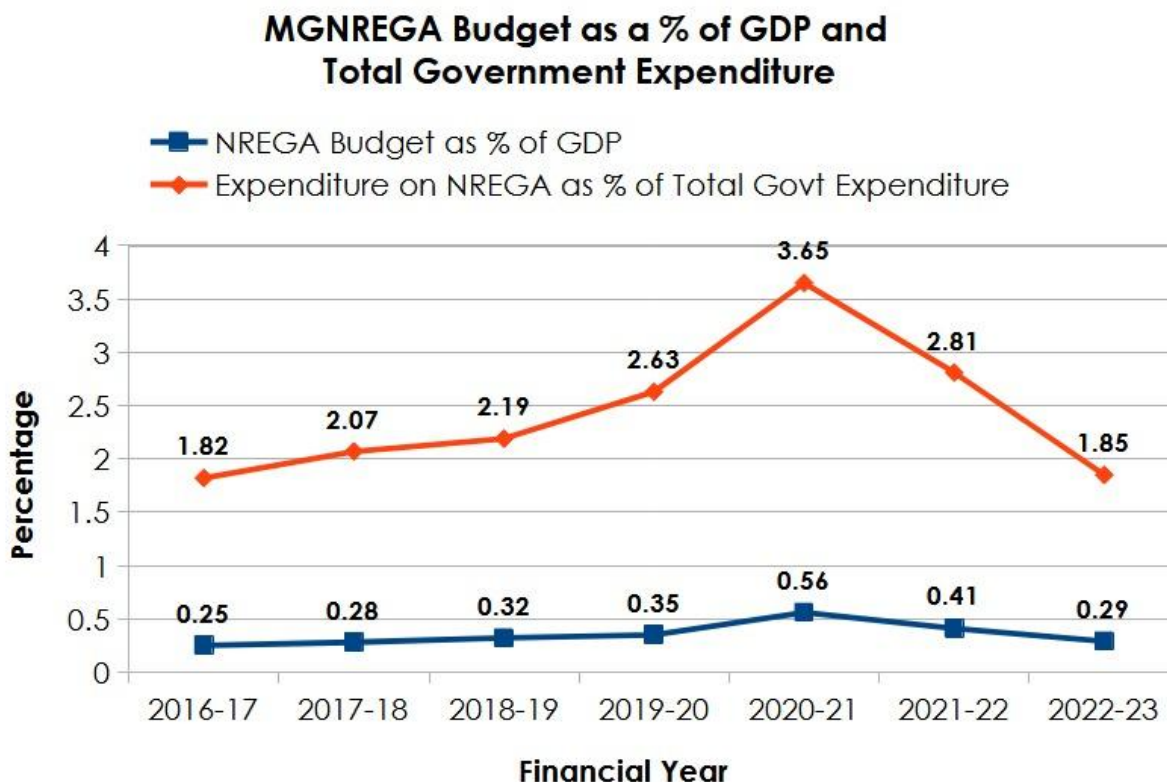
*Includes all pending payments including wage transactions for which Stage 2 payments have not been completed

NREGA Budget Allocation is Only 0.29% of GDP and 1.85% of Total Government Expenditure

Figure 1 gives estimates of NREGA Budget as % of GDP since FY 2016-17. In FY 2022-23, the budget is a meagre 0.3% of GDP. As per estimates of researchers of the World Bank, for NREGA to run robustly,

the NREGA allocation must at least be 1.6% of the GDP¹ The NREGA budget as % of the total government expenditure has also decreased since FY 2021-22 and stands at 1.85% for FY 2022-23 - just about half the level in FY 2020-21 (3.65%).

Figure 1: NREGA Budget as % of GDP and Total Government Expenditure



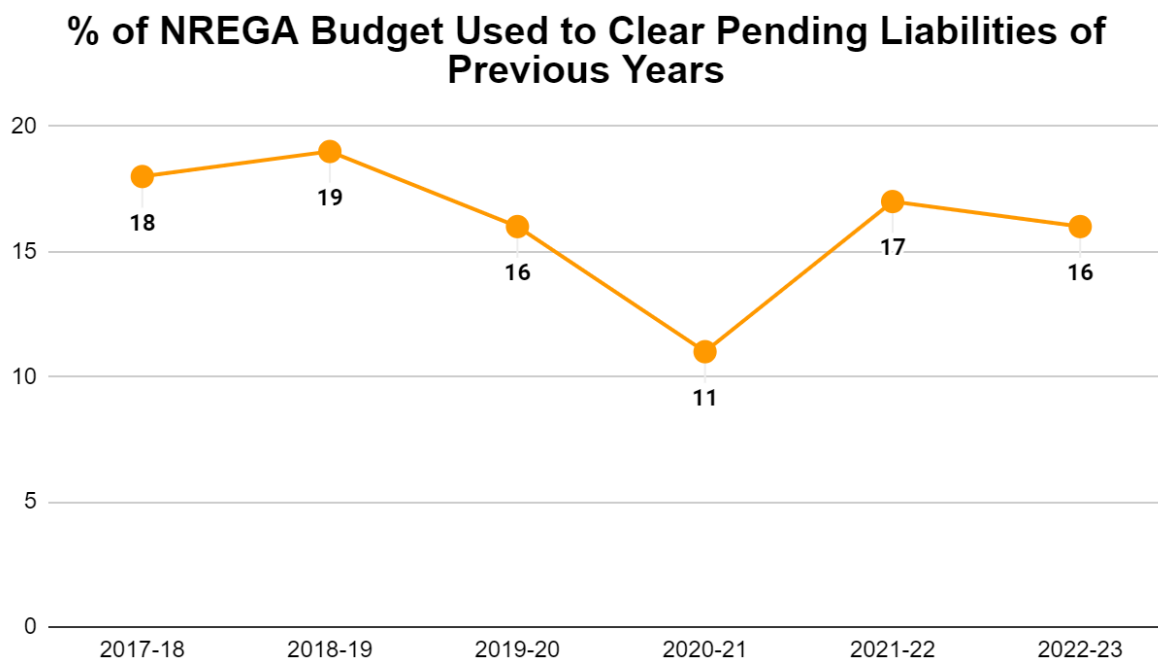
Notes: 1. GDP for FYs 2021-22 and 2022-23 are estimates.

2. GDP growth for FY 2022-23 is forecast at 7.2% according to the Reserve Bank of India.

Pending Payments at the End of FY 2021-22 amount to 16% of Budget Allocation for FY 2022-23

The percentage of the budget allocated for MGNREGA for each financial year that is used to pay for pending liabilities from previous financial years is shown in Figure 1. Except for the pandemic year, FY 2020-21, it has been higher than 15%. Each year, a significant proportion of the budget allocated to NREGA is used to pay for previous years' pending liabilities, leaving the budget remaining grossly inadequate for the current financial year. In FY 2022-23, Rs. 11,464 crores have been spent as on 31.07.22 to clear previous years' liabilities.

¹ Rinku Murgai and Martin Ravallion, 'Employment Guarantee in Rural India: What Would It Cost and How Much Would It Reduce Poverty?'. *Economic and Political Weekly* 40, no. 31 (2005), pp. 3450–55.

Figure 2: % of Each Year's NREGA Budget used to Clear Previous Years' Liabilities

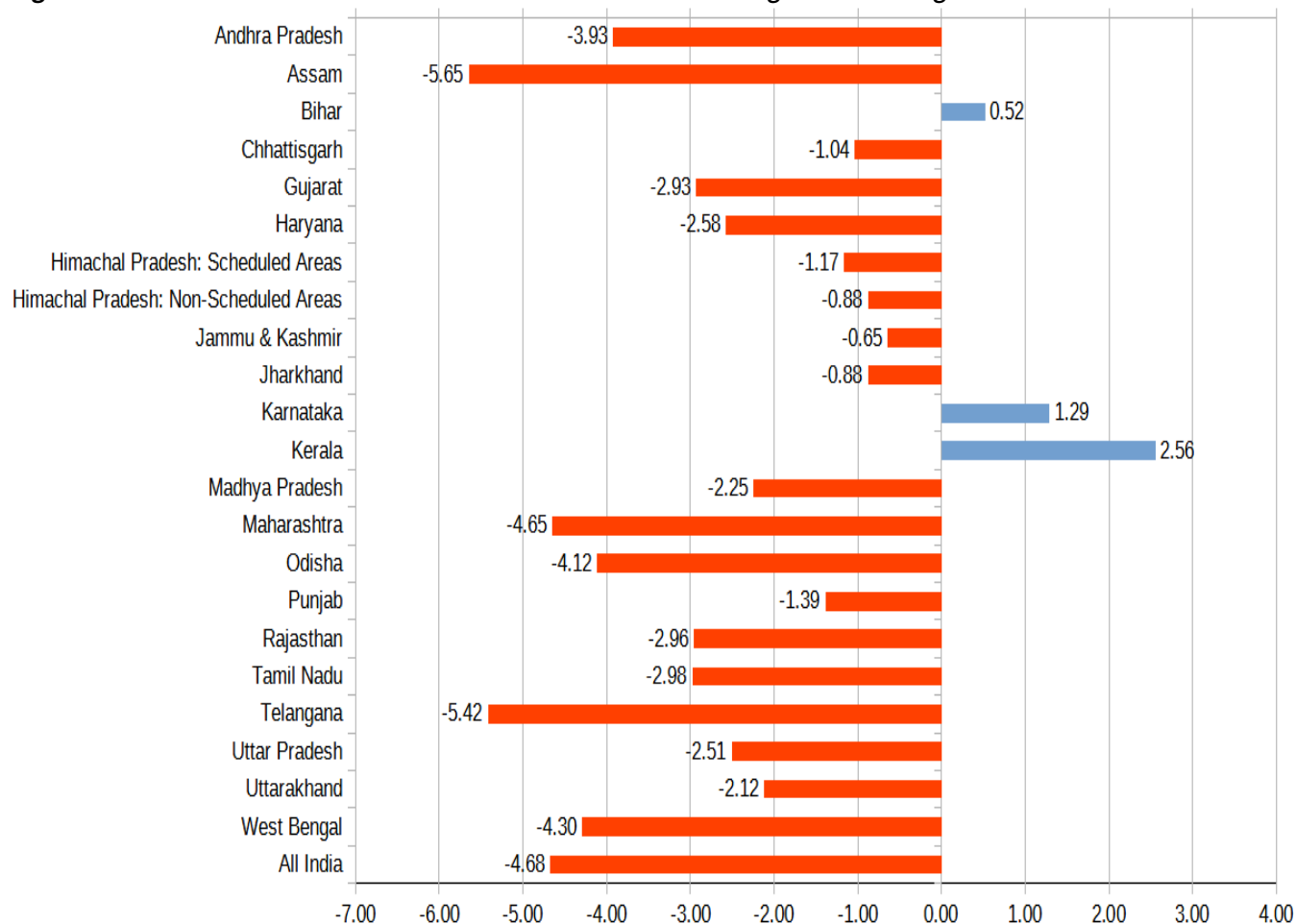
Source: MGNREGA MIS Reports 7.1.1 and 7.1.2

Note: The data is as on 31.07.2022.

% Increase in NREGA Wages is 4.7 percentage points less than the Average Rural Inflation Rate

Another worrying concern here is that the NREGA wages have not increased in tandem with inflation. In Figure 3, we show the difference between % increase in notified NREGA wages (from FY 2021–22 to FY 2022-23) and average rural inflation rate (for May 2021 - May 2022). When we look at the national average, we find that the % increase in NREGA wages was about 4.7 percentage points less than the average rural inflation rate. Only in Kerala, Karnataka and Bihar was the % increase in NREGA wages higher than the rural inflation rate.

NREGA wage rates remain much below the [need-based national minimum wage of Rs. 375](#) recommended by the expert committee under the chairmanship of Anoop Satpathy in early 2019.

Figure 3: Difference between % Increase in Notified NREGA Wages and Average Rural Inflation Rate

Notes: 1. Rural inflation rate has been calculated on a year-on-year basis from May '21 to May '22.

2. Our calculations are given [here](#).

Source: MGNREGA MIS Report 7.2.1; Annual Reports of the Ministry of Statistics and Programme Implementation <https://mospi.gov.in/>

Average Daily NREGA Wage per Personday is 13.8% less than the National Average Notified NREGA Wage Rate

Table 2 shows the difference between the notified wage rate for FY 2022-23 and the average wage paid per personday of work under NREGA. While this difference is close to 0 in some states, it is about 40% in Telangana.

Table 2: Difference between Notified Wage Rate and Average Wage per Personday under NREGA

Select States	Average Wage Paid per Personday of Work	FY 2022-23 Notified Wage Rate	Difference Between Average Wage Paid and Notified Wage Rate	% Difference
Andhra Pradesh	204.46	257	52.54	20.44%
Assam	228.96	229	0.04	0.02%
Bihar	209.88	210	0.12	0.06%
Chhattisgarh	189.87	204	14.13	6.93%
Gujarat	210.54	239	28.46	11.91%
Haryana	327.82	331	3.18	0.96%
Himachal Pradesh	211.2	266	54.80	20.60%
Jammu & Kashmir	226.72	227	0.28	0.12%
Karnataka	295.8	309	13.20	4.27%
Kerala	310.23	311	0.77	0.25%
Madhya Pradesh	198.18	204	5.82	2.85%
Maharashtra	230.97	256	25.03	9.78%
Odisha	212.61	222	9.39	4.23%
Punjab	274.8	282	7.20	2.55%
Rajasthan	188.72	231	42.28	18.30%
Tamil Nadu	225.66	281	55.34	19.69%
Telangana	154.89	257	102.11	39.73%
Uttar Pradesh	212.84	213	0.16	0.08%
Uttarakhand	212.98	213	0.02	0.01%

West Bengal	213.7	223	9.30	4.17%
All India	211.03	244.86	33.83	13.82%

Note: 1. The Notified Wage Rate for Himachal Pradesh is for Non-Scheduled Areas

Source: MGNREGA MIS Reports R 7.2.1 and R 7.1.2

In its [pre-budget statement](#), the People's Action for Employment Guarantee (PAEG) warned that with the pending dues of over Rs 21,000 crore by the end of FY 2021-22, and a meagre budget of Rs 73,000 crore for FY 2022-23, the programme would be able to provide employment of only 21 days on minimum wage to each household that demanded work in FY 2021-22. The immediate result of the budget shortfall is reflected in the fact that the recorded unmet demand for employment is currently as high as 20.6%.² That is, 1 out of every 5 households that have demanded employment in these four months has not been provided employment.

PAEG had also recommended budgetary allocation of Rs. 2.69 lakh crores for the programme. The government can and must allocate this much in order to ensure those who demand work under NREGA are employed for 100 days and are paid the minimum wages for their work, as guaranteed in the Act. In 2018, the government spent Rs. 2.64 lakh crores on advertising the inauguration of the Statue of Unity.³ More recently, the government reduced the corporate tax rates by 8-10% that resulted in a revenue loss of Rs. 2.09 lakh crores.⁴ Despite such high levels of corporate tax cuts, corporations have not created significant employment, while they have been registering record profits year after year.⁵ The tax cuts have also not increased investment, or thereby demand.⁶ Unemployment rates have reached record highs and demand for NREGA work is still higher than pre-pandemic levels.

At present, the economy is in a downturn and employment has still not recovered to pre-pandemic levels. Steep levels of unemployment and inflation add further distress to an already COVID affected rural poor. In such a situation, NREGA becomes a crucial safeguard that ensures that poor workers can have at least some minimal incomes and security, by guaranteeing them the right to work.

The Act specifies that up to the limit of 100 days of work per household, the actual employment provided must be driven by the demand for work, and not constrained by prior budgetary allocations. The Government of India, by constantly allocating inadequate funding for NREGA, and not providing funds as required by states, has contravened both the letter and the spirit of the Act. In addition, by illegally fixing low wage rates, and not paying even these low wages fully, it has also slowly eroded workers' interest in the Act. If the current trend continues, it will not be long before the Act becomes a hollow shell. The government has to ensure transparency and uphold the Act in its letter and spirit, and ensure the right to work for all of the rural poor. We demand that the

² NREGA MIS Report 5.1.1, retrieved on July 21, 2022.

³https://www.business-standard.com/article/current-affairs/govt-spent-rs-3-000-cr-on-patel-statue-rs-2-64-cr-more-in-advertising-it-119011600405_1.html

⁴ <https://www.hindustantimes.com/india-news/corporate-tax-cut-a-bad-gamble/story-mM1aiOUhEgB1oSHcdzCEFI.html>

⁵ <https://www.newsclick.in/record-profits-boost-corporate-sector-pandemic>

⁶<https://www.fortuneindia.com/opinion/now-states-desperately-want-private-sector-to-provide-jobs/107221>

government immediately allocate adequate additional funding for NREGA in the current Parliament session to achieve this.

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People's Action for Employment Guarantee (PAEG) is a group of activists, academics and members of people's organizations that came together to advocate for NREGA in 2004. PAEG hopes to play the role of a catalyst in provoking discussion, people's monitoring and convening coalitions to strengthen NREGA implementation through research and advocacy. PAEG is also facilitating a series of consultations on an urban employment guarantee in collaboration with various campaigns, institutions and organizations.