

# What should the minimum budget for NREGA be for FY 22-23?

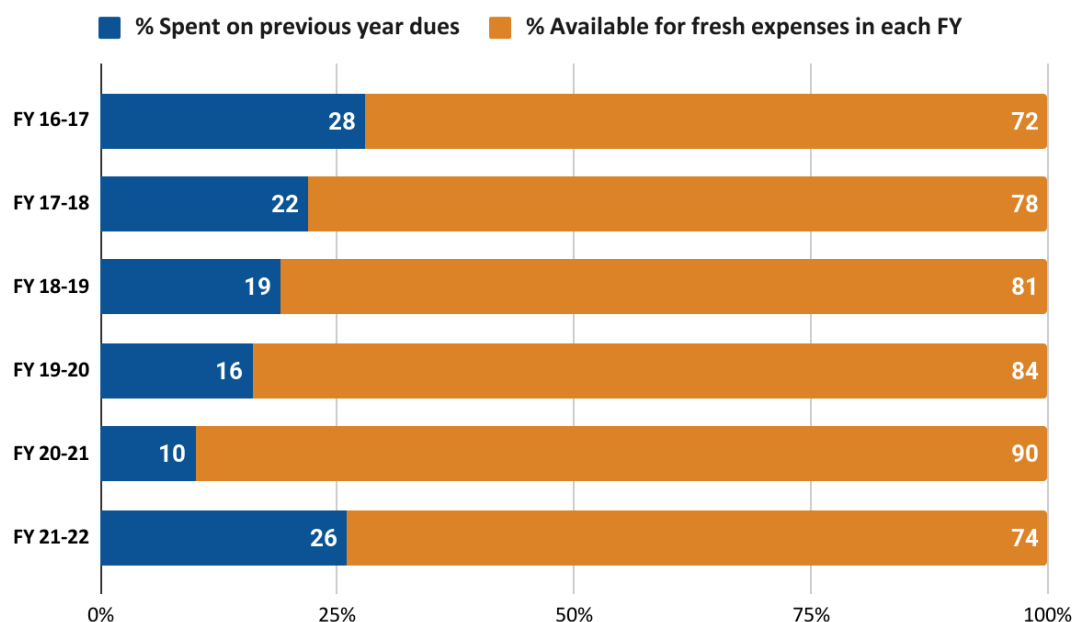
Pre-Budget Statement by Peoples' Action for Employment Guarantee (PAEG)

The destructive impact of the COVID-19 pandemic on health has been near universal across classes. However, the poor have borne an additional burden of income shocks, loss of livelihoods, and food insecurity due to the lockdowns. In this context, the Mahatma Gandhi National Rural Employment Guarantee Act (NREGA) has acted as a crucial shock absorber for the rural poor. For instance, persondays generated increased by 46% in Financial Year (FY) 2020-21, compared to the previous FY.<sup>1</sup> The persondays generated this FY till December 2021 have already exceeded FY 2019-20's total persondays by 10%. In fact, the true demand is even higher than the nationally reported demand, the reasons for which are explained in an [earlier PAEG tracker](#).

In this note, we present the current situation of NREGA and present an estimate on what the minimal budget allocation for NREGA must be for the FY 2022-23.

The FY 2020-21 ended up with unpaid dues of over Rs 17,000 crores despite an allocation of Rs 40,000 cr in addition to the original allocation of Rs 61,500 crores.<sup>2</sup> Consequently, PAEG and NREGA Sangharsh Morcha recommended a budget allocation of at least Rs. 1.5 lakh crores for FY 21-22 to honour the demand driven nature of the Act. However, despite persistent need for work, the government allocated only Rs. 73,000 crores, 26% of which corresponded to previous years' dues. Within the first half of FY 2021-22, [NREGA coffers had become empty](#). PAEG's [half-yearly tracker](#) showed that many states had a negative balance. This prompted the government to allocate an additional Rs. 25,000 cr. in December 2021. However, [official data](#) as of January 24, 2022, shows that only Rs 7,114 cr of those Rs.25,000 cr has been released. **So far, less than 5% of households employed have completed 100 days of work in the current FY.**<sup>3</sup>

On average, over the past 5 years, 20% of the budget has gone into clearing the arrears of previous years (Figure 1). The unpaid dues this year are already at Rs. 12,494 crores. Assuming the expenditure trend so far in this FY continues, we estimate that **over Rs. 21,000 crores would be pending at the end of FY 2021-22.**<sup>4</sup>



**Figure 1:** % of initial budget spent in clearing past dues (Source: MIS Report 7.1.2)

<sup>1</sup> Source: MIS 'At a Glance' report. Can be accessed [here](#). Retrieved January 24, 2022.

<sup>2</sup> Source: MIS Report 7.1.1, 7.1.2. Retrieved January 24, 2022.

<sup>3</sup> According to the NREGA 'At a Glance' report, the number of households who have worked in this FY is 6,69 crore whereas only 29 lakh households have completed 100 days of wage employment as of January 25, 2022.

<sup>4</sup> Our estimation of pending payments by the end of FY 2021-22 can be accessed [here](#).

The MGNREG Act states in Chapter III, Paragraph 6, Section 2, that wages must be at least as much as the minimum agricultural wage for each state. In our estimation, we take the minimum agricultural wages announced by the various state governments as given in [Aggarwal & Paikra \(2020\)](#) and adjust them by 5% for inflation in every successive FY. Using the number of active job cards in each state as weights, we estimate that the national average minimum wage rate is Rs. 269.<sup>5</sup>

Taking Rs. 269 as the wage rate, we estimate that **the minimum budget for FY 2022-23 must be Rs. 2.64 lakh crores, to provide legally guaranteed 100 days of work per household for at least those that worked in the current FY.** This is a conservative estimate that considers only households that were employed this year<sup>6</sup>, at the estimated minimum wage rate. The calculations for the proposed budget are given in Table 1. All data used is taken from the [official NREGA website](#), downloaded on 24 January, 2022.

**Table 1:** Minimum Budget Required for NREGA in FY 2022-23

Wage rate	Rs. 269	A
Wage bill per HH @100 days	Rs. 26,900	$B = A * 100$
Number of HHs	6.68 crores	C [number of HHs that have worked in FY 2021-22]
Total wage bill	Rs. 1,79,692 crores	$D = B * C$
Wage bill + material costs	Rs. 2,50,407 crores	$E = D * (100/71.76)$ [material costs have been assumed to be 28.24% of (wage bill + material costs)]
Total material costs	Rs. 70,715 crores	$F = E - D$
Centre's share of material costs	Rs. 53,036 crores	$G = F * 0.75$ [Centre is responsible for 75% of material costs]
Wage bill + material costs + admin costs	Rs. 2,60,217 crores	$H = E * (100/96.23)$ [admin costs have been assumed to be 3.77% of the total costs]
Admin costs	Rs. 9,810 crores	$I = H - E$ [Centre is responsible for 100% of admin cost]
Estimated pending payments by the end of FY 2021-22	Rs. 21,361 crores	J [as estimated <a href="#">here</a> ]
<b>Required budget</b>	<b>Rs. 2,63,899 crores</b>	<b><math>K = D + G + I + J</math></b>

In Table 2, we present scenarios of how much allocation would approximately correspond to how many days of work per household can be generated. The methodology is identical to that used in Table 1 except the number of days considered. For

<sup>5</sup> The details of all calculations are available [here](#).

<sup>6</sup> A mere 67.34% of the total active job cards as on January 24, 2022.

example, if the allocation is Rs 2.15 lakh cr (row 2 in Table 2), then, on average, 80 days of work can be generated for all the working households.

**Table 2:** Number of possible days of work per household that can be generated based on different budget allocation scenarios

S/L	Budgetary allocation	Average days of work/household (hh) employed	Methodology
1	Rs 2.64 lakh cr	100 days of work per working hh	
2	Rs. 2.15 lakh cr	80 days of work per working hh	$(80/100) * \text{Rs. } 2,42,538 \text{ crores} + \text{Rs. } 21,361 \text{ crores}$
3	Rs. 1.67 lakh cr	60 days of work per working hh	$(60/100) * \text{Rs. } 2,42,538 \text{ crores} + \text{Rs. } 21,361 \text{ crores}$
4	Rs. 1.18 lakh cr	40 days of work per working hh	$(40/100) * \text{Rs. } 2,42,538 \text{ crores} + \text{Rs. } 21,361 \text{ crores}$

**Note:** Rs. 2,42,538 crores = Rs. 2,63,899 crores - Rs. 21,361 crores.

## Wage Delays

Delays in wage payments have persisted in NREGA for many years now and are a consequence of inadequate funds allocation as acknowledged by the Ministry of Finance itself. The Act stipulates that wages must be credited to the workers' accounts within 15 days of completion of work but the Union government continues to violate the Act and the Supreme Court orders by not paying wages on time and not paying the corresponding delay compensation as mandated by the Act. Even using the flawed definition of delay, the delay compensation is rarely paid. **Only 1.69% of payable compensation has been paid this year.**<sup>7</sup> This FY, the Centre took longer than the stipulated 7-day period to process 50.2% of wages - although we don't know the extent of the delay. Currently, 13% of transactions are pending, amounting to more than Rs. 7,047 crores.<sup>8</sup> Not paying wages on time is akin to forced labour and violates several fundamental rights of crores of workers.

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<sup>7</sup> Source: MIS Report 14.1. Retrieved on January 24, 2022.

<sup>8</sup> Source: MIS Report 8.8.1. Retrieved on January 24, 2022.