

POST BUDGET NOTE
People's Action for Employment Guarantee

The pandemic and the inadequate measures to contain it have created a multidimensional crisis – economic, nutritional and in the field of education -- in addition to the original, and still ongoing, health crisis. [Many surveys](#) have shown by now that the majority of informal sector workers as well as salaried workers without job security lost employment during the lockdown, and a sizable fraction had not recovered even as late as November 2020. [Studies](#) based on nationally representative data from the CMIE also show large livelihood losses and a dramatic increase in inequality. During the first six months of the pandemic (March to August 2020), the average household had 17% lower income relative to what they earned in the corresponding six months in the previous year. This is equivalent to losing 36 days of income. Even worse, the bottom 10 percent of the households lost three months of income in this period. The Right to Food Campaign with a network of civil society organisations conducted a survey of nearly 4,000 households in 11 states called '[Hunger Watch](#).' As per this, out of those who didn't have any income in April-May, 57 percent continued to have no income in October, 2020. One in three respondents reported members having to skip meals "sometimes" or "often".

It is in this context that the Union Budget of 2021-22 was eagerly watched by many. Some expectations from the budget were, continued and increased support for MGNREGA, continuation of increased food subsidies at least for another year, a comprehensive round of cash transfers, and possibly the introduction of a new urban employment guarantee programme. Any or all of these would have had two important effects – directly, they would have helped in compensating those who have lost several months of work and earnings, and indirectly, they would have increased demand in an inclusive way. However, these expectations were not fulfilled. The budget has acknowledged the challenge of reviving growth but largely failed to address the challenge of increasing inequality and declining welfare during the pandemic. In fact, well before the onset of the pandemic, before the budget of FY 2020-21, [a minimal allocation of Rs 1 lakh crore for MGNREGA was needed and demanded](#) to mitigate the unemployment and agrarian distress.

Rural India was able to absorb the shock of lockdown better than urban India primarily due to safety nets such as the MGNREGA and a larger coverage of National Food Security Act (NFSA). Recognising the role of MGNREGA, it was hoped that the budget would provide a much needed fillip to the programme. The initial budget estimate for MGNREGA in 2020-21 was Rs 61,500 crores. As part of the stimulus package during lockdown, the Finance Minister announced an additional allocation of Rs 40,000 crores. While this was a welcome step, it was inadequate. Given the massive dearth of employment opportunities, the labour budget of MGNREGA underwent many revisions in the last few months. It now stands at 349 crore persondays (PD) out of which 321 crore PD have already been generated leaving just 6% of the labour budget to last till the end of FY 2020-21. Considering the persistence of the employment crisis and given that this is the peak season for MGNREGA, the revised estimate of FY 2020-21 appears inadequate. Indeed, there is evidence to show that the additional allocation of Rs 40,000 crores has been insufficient to meet the increased work demand. For example, the Azim Premji University Livelihoods survey covering 12 states indicates that 45% of the MGNREGA job card holders could not get work despite wanting work. Further, of those who got work under MGNREGA, almost all (98 %) reported that they would have liked to work more days under the Act had work been available. Numerous other ground reports have routinely indicated suppression of work demand due to lack of funds.

For the FY 2021-22, Rs. 73,000 crore has been allocated, which although greater than the original allocation of Rs.61,500 crore for 2020-21, is 34.5% lower than the revised estimate of Rs.1,11,500 crore. This means that the budget will be insufficient as can be understood as follows :

1. In the last 5 years on an average, 20% of the budget has been used to settle the pending liabilities of previous years. If we expect the same in the coming financial year, then essentially around Rs.60,000 crore will be left to generate employment.

2. As per our calculations for this year,
 - a. The current pending liabilities are over Rs. 1,500 crores for wages and Rs. 11,502 for material costs, which makes the total Rs. 13,295 crores
 - b. Of the allocated revised estimate, roughly Rs. 92,000 crores has been disbursed at the time of writing this note. This leaves Rs. 19,500 crore to meet the expenditure in the last two months of the year and to clear pending liabilities till now.
 - c. After clearing liabilities, Rs. 6,305 crore is left to generate fresh employment. This is 5.6% of the revised estimate.
 - d. About 16% of the labour budget is used to generate fresh employment in the months of February and March each year, as per trends in the last 5 years. So clearly, we can expect a revision of the labour budget in the coming months. But a corresponding revision of the NREGA funds is not visible. As it stands, the revised estimate also clearly is not enough to meet this year's demand and pending liabilities will be generated. These liabilities will be even higher due to the pandemic. Even with a modest figure of an additional Rs. 48,000 crore, the pending liabilities of the current year to be paid in the next year will swell over Rs.13,500 crore.

[As per official records](#), the average cost per day per person in FY 2020-21 is Rs 278. Using this cost, with the current budget allocation, only 262 crore persondays of work can be generated. This is 15 crore persondays lower than the approved labour budget of 2019-20.

Additionally, with the job market shrinking in cities, and a surplus of labour hitting the market, working conditions and wages will receive a blow as more jobs become informal. This was what prompted experts to call for an Urban Employment Guarantee scheme, which has found no mention in the budget despite its success in Kerala, Himachal Pradesh and Odisha. Migrant workers are left ailing both in cities and in villages, with no recourse or security.

To meet the current crisis, we demand that :

- a. The government must allocate 150 days to each person during the pandemic, as per section 4.2.3 of the Annual Master Circular 2020-21.
- b. The NREGA wage rate is Rs. 85 below the agricultural minimum wage rate. This must be rectified, bringing the cost per personday to Rs. 350.
- c. The central government should increase the allocation to at-least 1.75 Lakh Crore towards NREGA for 2021-22.
- d. Additionally, it should be kept in mind that the ideal budget would allocate 1% to the scheme, which happened in the year 2006. This year's budget is drastically lagging behind on this ideal.

It is absolutely not clear how the centre has allocated the budget and on what basis the numbers have been estimated. Therefore we also demand that the central government should put the state wise proposed labour budget on the public domain. As per the Act, the central government has to acknowledge the plans made by the Gram Sabhas and allocate budget accordingly. It seems that the centre is violating this key aspect by bypassing the recommendations made by the Gram Sabhas across the country and allocating arbitrary numbers based on their own convenience.

The government has failed on all these counts, and it remains to be seen how the government will address the rising demand this year, failing which, crores of families will be left with no recourse, widening the gulf between the rich and the poor.