

What should the minimum budget for NREGA be for FY 23-24?

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

Despite inadequate budgets and implementation challenges, NREGA continues to be a lifeline. A [study](#) by Azim Premji University, NREGA Consortium & CORD showed how NREGA played a crucial role in compensating income losses during the pandemic, up to **80% in some geographies**. The study also highlighted the extent of unmet demand in NREGA — **39% of households could not get a single day of work in NREGA in the surveyed blocks**. Unmet demand indicates that NREGA budgets need to be higher to allow citizens to exercise their right to work, as echoed in this [recent article](#) as well. And yet, NREGA continues to be underfunded leading to massive delays in wage payments. Excessive digitisation and centralisation of the programme, as well as changes introduced with no worker-consultation, makes it harder for workers to access their right to employment in NREGA. 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 FY 2023-24.

At the end of FY 2021-22, there were unpaid dues of over Rs. 24,403.73 crores over the budget allocation of Rs 73,000 crs for NREGA.¹ Consequently, PAEG and NREGA Sangharsh Morcha recommended a budget allocation of at least [Rs. 2.64 lakh crores for FY 22-23](#) to fully honour the demand driven nature of the Act. However, despite persistent need for work, the government allocated less than a third of the recommended estimate. Of this, 25% was used to clear previous years' dues. By July 2022, two-thirds of the budget allocated for NREGA was used up as per [PAEG's tracker](#). **So far, less than 3% of households employed have completed 100 days of work in the current FY.**² **Our previous pre-budget statement had highlighted that even with an allocation of Rs. 1.1 lakh crores it would be possible to only generate 40 Persondays for each active Household - which is exactly what happened this FY.**³

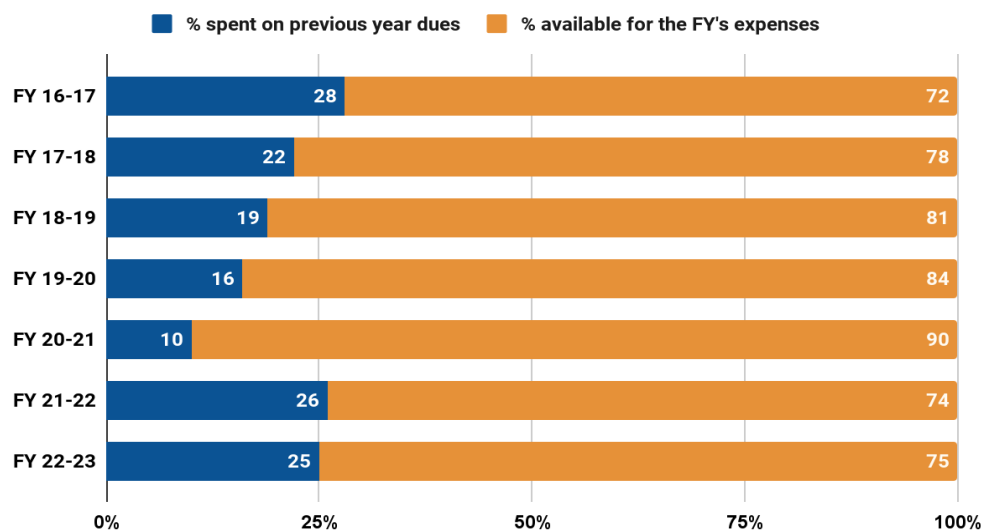


Figure 1: % of initial budget spent in clearing past dues

(Source: MIS Report 7.1.2)

On average, over the past 5 years, 21% of the budget has gone into clearing the arrears of previous years (Figure 1). The unpaid dues this year are already at Rs. 16,070.75 crores, when 106% of the funds available have already been utilised.⁴ Assuming the expenditure trend so far in this FY continues, we estimate that **over Rs. 25,800 crores would be pending at the end of FY 2022-23.**⁵

The 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 for each successive FY. For the current FY, we have

¹ Source: MIS Report 7.1.1, 7.1.2. Retrieved 31 March, 2022.

² Source: NREGA 'At a Glance' report, retrieved January 23, 2022. Active Households in this FY = 5.68 crore, and only 16 lakh households have completed 100 days of wage employment.

³ Average persondays/households = 42. Accounting for differences in estimation, most importantly the wages assumed, our estimate was roughly correct.

⁴ Source: MIS Reports 7.1.1, 8.8.1 and 'At a Glance' report Retrieved January 24, 2023.

⁵ Our estimation of pending payments by the end of FY 2022-23 can be accessed [here](#). PAEG had [estimated](#) FY 21-22 would end with over 21,000 in pending payments, and in reality it ended with over Rs. 24,000 crores pending. This shows that our methodology is a conservative estimate.

assumed a 6% rate of inflation as per the CPI estimates released by the government in December 2022.⁶ Using the number of active job cards in each state as weights, we estimate that the national average minimum wage rate is Rs. 311.⁷ Taking Rs. 311 as the wage rate, we estimate that **the minimum budget for FY 2023-24 must be Rs. 2.72 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 year⁸, at the estimated minimum wage rate. The calculations for the proposed budget are given in Table 1.

Table 1: Minimum Budget Required for NREGA in FY 2023-24⁹

Wage rate	Rs. 311	A
Wage bill per HH @100 days	Rs. 31,100	$B = A * 100$
Number of HHs	5.68 crores	C [number of HHs that have worked in FY 2022-23]
Total wage bill	Rs. 1,76,648 crores	$D = B * C$
Wage bill + material costs	Rs. 2,56,012 crores	$E = D * (100/69)$ [material costs have been assumed to be 31% of (wage bill + material costs)]
Total material costs	Rs. 79,364 crores	$F = E - D$
Centre's share of material costs	Rs. 59,523 crores	$G = F * 0.75$ [Centre is responsible for 75% of material costs]
Wage bill + material costs + admin costs	Rs. 2,65,903 crores	$H = E * (100/96.28)$ [admin costs have been assumed to be 3.72% of the total costs]
Admin costs	Rs. 9,892 crores	$I = H - E$ [Centre is responsible for 100% of admin cost]
Required budget estimate (excluding pending payments)	Rs. 2,46,062 crores	$J = D + G + I$
Estimated pending payments by the end of FY 2022-23	Rs. 25,800 crores	K [as estimated here]
Required budget	Rs. 2,71,862 crores	$L = D + G + I + K$

In Table 2, we present scenarios of how much allocation would approximately correspond to how many days of work per household. The methodology is identical to that used in Table 1 except the number of days considered. For example, if the allocation is Rs 2.23 lakh cr (row 2 in Table 2), then, on average, 80 days of work can be generated.

Table 2: How much allocation will translate to how many days of work per household on average?

S/L	Budgetary allocation	Avg days of work/HH employed	Methodology
1	Rs 2.72 lakh cr	100 days of work per HH	
2	Rs. 2.23 lakh cr	80 days of work per HH	$(80/100) * Rs. 2,46,062 \text{ crores} + Rs. 25,800 \text{ cr}$

⁶ <https://pib.gov.in/PressReleasePage.aspx?PRID=1882801>

⁷ The details of all calculations are available [here](#).

⁸ A mere 56.56% of the total active job cards as on January 24, 2023.

⁹ All data used is taken from the [official NREGA website](#), downloaded on 21 January, 2023.

3	Rs. 1.73 lakh cr	60 days of work per HH	(60/100) * Rs. 2,46,062 crores + Rs. 25,800 cr
4	Rs. 1.24 lakh cr	40 days of work per HH	(40/100) * Rs. 2,46,062 crores + Rs. 25,800 cr

Other issues in the current financial year

Wage Delays & Social Audits

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. The Act stipulates 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 compensation is rarely paid. **Only 1.7% of payable compensation has been paid this year.**¹⁰ 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 wage transactions are pending, more than Rs. 7,047 crores in wages.¹¹

In the past few months, the Ministry of Rural Development (MoRD) has taken unprecedented steps of withholding the release of funds to State Governments on the pretext of States not ensuring that social audits take place and are acted upon. Based on information collected from State Social Audit Units (SAU), it is evident that social audit units are not being provided funds by the Union Government as required. This has undermined and prevented social audits from being carried out, as mandated by the Comptroller and Auditor General's (C&AG) standards. Here is a [detailed note](#) (with figures as of September 2022) in this regard.

The West Bengal case

West Bengal is the most stark example of the above.¹² There have been **no payments made since December 2021**, an unbelievable violation of workers' rights and of Supreme Court orders. The Centre has withheld payment of Rs. 7500 crores, with non-functional social audits being one of the reasons given - except the Centre funds social audits as well. No work has been taking place. Despite this, as per the MIS, only Rs. 4.65 lakh of delay compensation has been approved for FY 21-22, a tiny sum as compared to the number of days of delays faced by lakhs of workers. Not paying wages on time is akin to forced labour and violates several fundamental rights of crores of workers.

National Mobile Monitoring System (NMMS)

This year also saw the [country-wide adoption](#) of the NMMS app, with ongoing protests by workers across states. NMMS digitises attendance-taking in NREGA, and has already caused a [host of issues](#) that make it harder for workers to access NREGA work. The app was introduced and mandated with zero discussions with stakeholders, including workers and frontline govt. functionaries.

For more information contact

Anuj Goyal (+91-83680 42125)

Laavanya Tamang (+91-99107 46743)

Nikhil Dey (+91-99104 21260)

Anuradha Talwar (+91 94330 02064)

Jayati Ghosh (+91-98103 71353)

Ashish Ranjan (+91 99733 63664)

¹⁰ Source: MIS Report 14.1. Retrieved on January 24, 2022.

¹¹ Source: MIS Report 8.8.1. Retrieved on January 24, 2022.

¹² [Link](#) to press statement on the West Bengal situation.