



MGNREGA and Budget 2022

This editorial is based on [“Questions on MGNREGA Budget Estimation”](#) which was published in The Hindu on 22/02/2022. It talks about the issue of low budgetary allocations for MGNREGA and associated challenges.

For Prelims: Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Minimum Wages Act, 1948, Dr. Anoop Satpathy Committee.

For Mains: Analysis of MGNREGA, MGNREGA and low budget allocation.

[Mahatma Gandhi National Rural Employment Guarantee Scheme \(MGNREGA\)](#) has made immense contributions towards livelihood security and the creation of durable assets in rural areas. It has been a valuable employment tool and safety net as seen in the [migrant crisis](#).

Despite the high demands of the scheme as suggested in the [Economic Survey 2021-22](#), the allocation for the MGNREGS in the [FY 2022-23 budget](#) has been disappointing.

Organisations such as the All India Kisan Sabha and NREGA Sangharsh Morcha (NSM) have raised concerns about the inadequacy of the amount.

MGNREGA and the Issue of Budgetary Allocations

What is MGNREGA?

- MGNREGA is one of the **largest work guarantee programmes in the world** which was launched in 2005.
- The primary objective of the scheme is to **guarantee 100 days of employment in every financial year** to adult members of **any rural household** willing to do public work-related **unskilled manual work**.
- Unlike earlier employment guarantee schemes, MGNREGA aims at **addressing the causes of chronic poverty** through a **rights-based framework**.
 - At least **one-third of beneficiaries have to be women**.
 - Wages must be paid according to the statutory minimum wages specified for agricultural labourers in the state under the [Minimum Wages Act, 1948](#).

What is the Issue of Low Budgetary Allocations for MGNREGA?

- The initial allocations in the past two FYs (2020-21 and 2021-22) have been just **about half of what was recommended** by groups like the **People’s Action for Employment Guarantee (PAEG)** and NSM.

- The consistent shortage of funds has caused a situation endemic to MGNREGA — that of **deficits for State governments**, long **delays in wage payments**, **decline in the work provided** in the last two quarters of the FYs, and significant **pending dues at the end of the FYs**.
- Even for FY 2022-23, this flagship rural employment programme has **received lower allocation — by about ₹25,000 crore** (25% decrease) from RE 2021-22 of ₹98,000 crore.
 - The NSM has argued that the **current allocation provides for only 16 days of employment** to all the active job card-holding households.

What are the Issues in Calculating Projected Persondays?

- Projected persondays are the **total days of work anticipated for the year**. Projected person days and the wage rate are the two important variables on which budget calculations depend.
- In FYs 2019-20 and 2020-21, the persondays generated was about **18.4% higher in Q4 when compared to Q3**.
 - However, the projected **persondays for Q4 in FY 2021-22 was significantly lower** than that in Q3.
- The projection of Q4 for FY 2021-22 was **only about 40% of the Q4 of FY 2020-21**.
 - This is despite only a slight difference in the persondays generated (only 7% lower) in the first three quarters of FY 2021-22 as compared to FY 2020-21.
- What this data suggests is that the **government has not revised its projections for the Q4 of FY 21-22** even though it recently announced supplementary grants worth ₹25,000 crore for MGNREGA.

What is the Consequence of Underestimated Projection of Persondays?

- Since budget allocations are based on projected persondays, **underestimated projections will lead to inadequate allocation**.
- The unusually low projections of the Q4 of FY 21-22 contributed to the supplementary allocation of only ₹25,000 crore, when activists had been demanding an additional allocation of at least ₹50,000 crore.
- The low allocation for FY 2022-23 is also likely to be an outcome of artificially low persondays projections.

What is the Problem of MGNREGA Wage Rates?

- According to the **NREGA 'At a Glance' report**, the average MGNREGA wages paid in FY 21-22 remain at a **meagre ₹209 per day**. The official MGNREGA wages also **contribute to keeping the budget low**.
- Despite a clear mandate of the MGNREGA Act that the **wage remuneration cannot be lower than the minimum wage in each State**, the former remains much below the latter.
- This has led to the **violation of the provisions of the Act**, as well as the **fundamental rights of MGNREGA workers**.

What Steps Could Be Taken?

- **Adequate Budget Allocations for MGNREGA:** MGNREGA treats **employment guarantee as a legal right**, any rural household can demand work up to 100 days every year, and the government has to provide it. As and when demand arises, the government must fulfil it.
 - Correcting for the mentioned discrepancies, the PAEG recommended a **minimal budget of ₹2.64 lakh crore for FY 2022-23**, considering only the households that were active this year.
 - Although this number is much lower than the number of households that are registered under the scheme, a beginner's effort in this direction will be appreciated.
- **Replenishing MGNREGA Funds:** Treating the budget allocation as a **'ceiling' to the work** that can be provided **erodes the core premise of the scheme**.
 - While an initial budget allocation has to be made, **MGNREGA funds must be regularly replenished by supplementary grants provided based on actual work demand in each State**.

- The approach to estimating projections, keeping the wages illegally low, and treating the budget as an upper limit to the work that can be provided has eroded the very premise of MGNREGA.
- **Revising Minimum Wage Rates:** There have been estimates devised of what the average MGNREGA wage should be.
 - For instance, an **expert committee under the chairmanship of Dr. Anoop Satpathy** estimated a need-based national **minimum wage of ₹375 per day as of July 2018**.
 - In comparison, PAEG used a **conservative estimate of ₹269 per day** in its recently released pre-budget brief.
 - Either way, there is an urgent need to increase the minimum wage rates for the scheme to fulfil its purpose.
- **Strengthening the Scheme:** There is a need for **better coordination between various government departments** and the mechanism to allot and measure the work.
 - This is one of the best welfare schemes in recent years and it has helped the rural poor. However, **government officials need to take the initiative** to implement the scheme and must not block the work.
 - The government must ensure that **work is provided notwithstanding the demand** and should **expand the scheme and focus on value addition** and multiply community asset works.

Drishti Mains Question

“Treating the budget allocation as a ‘ceiling’ to the work that can be provided erodes the core premise of the scheme”. Comment.