Insufficient Funds for MGNREGA: Undermining the Right to Work

Background: Rights Based Law

The Mahatma Gandhi National Rural Employment Guarantee Act 2005 was enacted to provide livelihood security to the rural poor by providing at least one hundred days of guaranteed wage employment to every household. It is a significant departure from earlier rural development programs and public works schemes as it provides a right to work. This is enforced through timelines and penalties prescribed in The Act. Upon registering demand of a worker, the administration is bound to open works within 15 days or else pay unemployment allowance. Upon completing work, the administration is bound to pay wages within 15 days or else pay compensation for delayed wages.

The most fundamental departure between an Act and a Scheme is that funds for an Act cannot be fixed. Since it is a demand based program, State Governments have to provide work whenever demanded by rural citizens. Based on the continuous incurred expenditure to create wage employment, State Governments' are reimbursed by the Central Government.

Undermining the Right to Work:

Contrary to this system, funds for the MGNREGA are being consistently reduced which is leading to damaging impacts on the ground and an undermining of the Right to Work. Briefly the vicious cycle can be explained like so; over the last three years, funds allocated the MGNREGA are decreasing in nominal and real terms, despite being a demand based legislation. Thus apart from the fact that a fixed allocation is being given to run a demand based legislation which itself is illegal, the allocated funds are severely insufficient to run the program. As a result of the insufficient funds, a system of rationing of funds is being undertaken wherein states are being given lesser funds than initially approved. In response to this, States are either restricting wage employment in spite of demand for it. Else they are opening works but not being reimbursed sufficiently or in a timely manner by the Centre thus undermining the Act and its entitlements. In fact, it is the states with the highest expenditure who are suffering from this budget squeeze the most. Since they have actually gone ahead and run the program as they should, they now have large pending liabilities and are unable to pay worker wages on time. This note details some of these aspects.

Year	GDP* [Rs. Crore]	Inflation** %	MGNREGA [Rs. Crore]	MGNREGA as % of GDP factor cost	Average Wage Paid (Rs.)

2006-07	3564364	6.7	11300	0.32	
2007-08	3896636	6.2	12000	0.31	
2008-09	4158676	9.1	30000	0.72	
2009-10	4516071	12.4	39100	0.87	
2010-11	4918533	10.4	40100	0.82	
2011-12	5247530	8.4	40100	0.76	114.50
2012-13	5482111	10.4	33000	0.60	121.40
2013-14	5741791	9.7	33000	0.59	132.70

Budgetary Allocations of MGNREGA:

Despite expenditure remaining largely consistent around Rs. 38,000 crores per annum, the annual allocation for MGNREGA has been approximately only around Rs. 33,000 crores. With inflation rising steadily and budgetary allocation facing a cut, funds to the programme are being systematically squeezed.

Table 1: MGNREGA Budgetary Allocation[1]

As this table indicates, since 2012-13 the budgetary allocation to MGNREGA has been decreasing. This financial year, Rs. 34,000 crore was allocated to the program, just a thousand crore more than the previous year.

Though much has been made of the large social sector spending of the government, in actuality, the percentage of the MGNREGA allocation to the GDP has been steadily decreasing with its peak at 0.87% in 2009-10 to 0.59% in 2013-14. To put this amount of Rs. 34,000 crore in further context, in 2013-2014, tax revenues foregone in just the corporate sector amount to more than Rs. 76,116.3 crores.[2]

Apart from a nominal decrease in the allocation, the allocations are also decreasing in real terms as the average wage paid has been increasing over the years. This translates into lesser person-days of employment being generated for the same amount of allocated funds.

MGNREGA funds are arrived at through a detailed participatory process and scientific method. The 'approved person days as per the labour budget' is 227 crore which by the Ministry's own calculations amounts toapproxRs 60,000 crore at the rate of approximately Rs 270 per person day. However the budgetary allocation for financial year 2014-15 is only Rs 34,000 which is more than a 45% reduction from the labour budget proposed by states. Thus, through the own calculations' of the government, the funds allocated itself to the program are insufficient.

Impact of Insufficient Funds: Rationing to States

[1] Source: Economic Survey 2013-14, 2012013, 2011-12 Table 1 http://indiabudget.nic.in/es2013-14/echap-01.pdf
Source: CBGA, Response to Budget, Table 4b
http://www.cbgaindia.org/files/budget_responses/RUB-2012-13.pdf
Source: Planning Commission, Table 17.1
http://planningcommission.gov.in/hackathon/Rural_Development.pdf
* GDP is at factor cost, 2004-05 base
** Inflation is CPI (IW) (average)
*** www.nrega.nic.inNREGA At a Glance

[2] http://indiabudget.nic.in/ub2014-15/statrevfor/annex12.pdf

As a result of the insufficient funds to the program, the Central Government is forced to ration funds to State Government's. Largely, the reaction of the states has been one of the following:

1. Restrict program on ground – Demand is not registered when people seek work. Based on fund availability only limited number of works are opened. Therefore actual demand is never reflected in official figures, instead the official figures portray a false picture of cent percent met demand.

2. Open works but unable to pay wages on time - This vicious cycle of state governments having to constantly implement MGNREGA on credit with that has been set in motion is demonstrated through the first release from the Centre to states for the financial year 2014-15. The amount received from Vote on Account for the first four months is Rs.13,833 core (Refer Annexe 1: RTI filed with MoRD). Of this Rs. 7309 crore was released to states as their first tranche. As per governments own records, the amount released as part of the first tranche is enough only to pay off pending liabilities of the previous year and expected costs of April (based on the performance of the last 3 years) minus the opening balance.This is evident from the analysis of liabilities due across states at the end of the financial year i.e. 31st March 2014 (Refer Table 2). Further it is noted that pending liabilities at the end of the financial year have steadily been increasing.

Year	Total Liabilities (Rs. Crore)	Wage Liability (Rs. Crore)
2013-14	4550.03	3377.43
2012-13	3425	2218.63
2011-12	2034.11	1534.09

Table 2: Pending Liabilities Increasing over the years
Source: Report on Outlays & Outcome from nrega.nic.in

3. This is leading to a situation where State Government's which are actually implementing the Act in a demand based manner are forced into a position where they are in violation of the Act. For example, the communication of the Bihar Government to the Central Government on 6th June and 28th August (Refer Annexe 2), repeatedly requests for more funds to be released to meet the demand of the program.

Wage Delays: Killing the MGNREGA

The most pernicious result of the fund stagnation and rationing to States, is the illegal delays in wage payments to workers. This leads to a lack of trust in a hollow entitlement program.

This system of wage payments as prescribed by The Act has completely broken down and is not working. Firstly, the timelines as prescribed by the Act are continuously violated. Secondly, in the case of violation, penalties are not paid. This is leading to a situation where workers are delayed their wages for months.

Given that The Act is intended to alleviate the distress of workers and provide livelihood security, it is paramount that wages be paid on time. However, an average worker on the MGNREGA is delayed wages by an average of 2-3 months. Given that most rural workers are daily wage earners, each day of delay in wages has direct impact on purchasing power and availability of food in the household. Thus the MGNREGA is becoming a *source* of distress instead of alleviating distress.

As per Ministry of Rural Development own records, up to September 2014 in the financial year 2014-15, 56% of the total wages disbursed are delayed (refer Table 3).

Further there is a trend of delays in wage payments actually increasing over time. Where in 2012-13, 61% wages were paid on time, in 2014-15 only 44% wages are paid on time. Take for example the financial year 2012-13. Rs. 2753 crores were disbursed with a delay of 15-30 days, Rs. 2431 crore were delayed by 30-60 days, Rs. 1364 crore were delayed 60-90 days and Rs. 2850 crore were delayed over 90 days.

These are just figures of delays in paid wages. The universe of delayed wages is one part of the wages that are as yet still unpaid and pending for one reason or another.

For the worker who has done hard manual labour and for whom this wage is intended as livelihood security, a wait for over ninety days surely defeats the purpose. The uncertainty of not knowing when the wage will be paid means that it is unable to provide any kind of dependable security.

	Wages paid within 15 days		Wages Delayed beyond statutory limit	
Year	Percentage	Amount (Rs. Crore)	Percentage	Amount (Rs. Crore)
2014-15	43.7	1836.3	56.3	2361.2
2013-14	47.7	11478.9	52.3	12569
2012-13	61.1	14779.9	38.9	9399.8

Table 3: Wages paid on time versus delayed
Source: Report on Delayed Payment from nrega.nic.in