

On 30th July 2014, Shri Nitin Gadkari, Union Minister of Rural Development, stated in Parliament his intent to change the ratio of expenditure between labour and material from the current level of 60:40 respectively applicable at the Gram Panchayat level, to a ratio of 51:49 applicable at the District Level.

The change in the ratio of expenditure incurred between labour and material has been proposed due to the alleged inability of project implementation agencies to create “durable and productive” assets because of the constraint on incurring the required expenditure on the material component, as imposed by the ratio. However, this intent is both dubious and counter-productive for the following reasons:

1) Currently the use of material component in MGNREGA works across the country stands at 27% as opposed to the permissible limit of 40% after having completed 6,38,555 assets ranging from land development, toilets, flood control works, rural roads, renovation of traditional water bodies etc. Therefore, the argument that State Governments are unable to direct MGNREGA work towards the creation of more durable assets because of the outer limit of curtailing their material expenditure to 40% of the expenditure of MGNREGA in the Gram Panchayat is one that is unsubstantiated and entirely misguided.

2) Given the current budget allocation, an increase in permissible expenditure on material will result in a shortfall of funds for wage payments. To protect the capacity of MGNREGA to generate employment at the rate it has been, additional resources to the tune of Rs 20000 crore will need to be raised immediately which is an unlikely event. Therefore the increase in the material component will instead result in a fall of employment provision by at least 40%. Such a steep fall in employment generation will be disastrous for the rural poor of the country already reeling under the impact of a drought year

3) By moving the final decision of the nature of works to be undertaken at the District instead of the Panchayat, allocation of the spread of works within a District will be one that is based on political considerations instead of socio-economic reasons in favor of the poor. In addition, this will be in a violation of the act because Section 16 of the MGNREGA clearly states that “The Gram Panchayat shall be responsible for identification of the projects in the Gram Panchayat area to be taken up under a Scheme as per the recommendations of the Gram Sabha and the Ward Sabhas and for executing and supervising such works.” Therefore taking away from the Gram Panchayats the power to identify and finally select the works that it wants to undertake under MGNREGA and placing it with the District instead is entirely in violation of the Act

4) The expansion of the labor material ratio to 51:49 will automatically pave the way in for contractors and machines in the implementation of the Act thereby refuting the core intent of the Act of preventing the use of machines and contractors to maximize the employment potential of labor as far as possible. In the note circulated within the Ministry of Rural Development to the Minister on the issue, the former states in an unequivocal manner the following:

“In the past employment schemes it was observed that whenever highly material intensive structures have been taken up, it brought ‘benami contractors’ which result in corruption and their ultimate deterioration”.

The most substantial consequence of increasing the material component of works taken up under MGNREGA is the “imminent entry” of contractors in its implementation which result in the following:

- Payment of wages to workers through contractors as intermediaries which prevents the transfer of the full amount of minimum wages as notified by the MoRD to workers
- Identification of those works that are material heavy and located in more accessible areas, due to the preference of contractors. This prevents the most vulnerable and backward classes of people from identifying those works that are most needed for their livelihood enhancement
- Weakening of measures of transparency and accountability as mandated in the Act that can play out in an employment provision scheme that assures the direct interface between Government and workers
- Access to work for only those workers who have access to the contractors. This will lead to a situation where there will be no direct interface between workers and the Government with respect to demand registration under MGNREGA. People would be able to get work under the MGNREGA only through a contractor

Here it is important to reiterate that the statement as made by the Union Minister of Rural Development is one that has been disagreed with by experts even within the Ministry of Rural Development as reflected in Annex3 that indicates the communication between the Joint Secretary, MGNREGA and the Minister, Rural Development. The opinion of the former clearly illustrates the multitude of reasons why a change in the labor material ratio to 51:49 is one that is retrograde, regressive, unviable and will damage the interests of the rural poor.

However, the decision to go ahead with the change in the labor material ratio is one that has been arrived at with no public consultation with the stakeholders. In fact, it is being pursued even when there is no evidence brought forward to demand for such a decision, In fact, all the available experience and lessons from implementation are clearly pointing towards the opposite and the costs that will have to be incurred by the rural poor. Since this is a decision that continues to be backed by the political authorities in contrast with expert advice being placed on record for the contrary, it indicates the political agenda behind introducing such a change, while holding a programme that is currently employing 10 crore rural households hostage to immediate political gains