

29-Apr-2006

Revising the Schedule of Rates: An Imperative for NREGA

P.S. Vijay Shankar, Rangu Rao, Nivedita Banerji and Mihir Shah

The launch earlier this year of employment guarantee schemes in various states, based on legal entitlements under the National Rural Employment Guarantee Act (NREGA), is a development of historic significance. Regions of India where scores of farmers have been committing suicides and children are dying of starvation, now have something to look forward to. It is heartening to note that NREGA simultaneously commits itself to payment of minimum wages, while banning both contractors and machines. It also seeks to put into place elaborate mechanisms for preventing leakages and corruption. And it is committed to enhancing the productive capacity of the rural economy through creation of durable assets.

However, some key aspects within the architecture of NREGA need urgent reform, without which much of its promise could be extinguished, even before it takes off. One of these is the way the value of work done by labour is currently estimated using the Schedules of Rates (SoRs) prepared by state government departments. In this note we argue that the SoRs as presently conceived and used have an inherent pro-contractor bias, encourage (virtually necessitate) the use of machinery and make it virtually impossible for labourers to earn the statutory minimum wages.¹ It is, therefore, an imperative if NREGA objectives are to be achieved, that the SoRs are revised in a truly transparent and participatory manner.

What SoRs do in effect is to set up equivalence between the physical quantum of work performed and the financial payments to be made for this work. This equivalence is arrived at on the basis of the estimated quantum of work an *average* worker can perform in different strata. The SoRs are meant to tell us the amount of work that an *average* worker, under *average* working conditions is supposed to do in a normal 8-hour working day (with a 1-hour break in the middle), if she is to earn the daily minimum wage. The SoRs assume that the average productivity of an average worker will be uniform throughout the state or any other administrative unit. Though this assumption is fundamental to the whole rate structure of the SoRs, it is rarely spelt out.

Based on the work done by our organisation and its partners over half a million acres of land in 50 of the most backward districts of India, we argue in this note that many of the

¹ In this note, we will be mainly discussing task rates for earthwork and excavation.

underlying presumptions in arriving at these rates need to be questioned.

1. Problems of using Schedules of Rates and Possible Modifications

1.1 Inability to Address Variations

The notions of “average” underlying the SoRs (average rate for whole state and that of an average worker) are endemically unjust. There are various ways in which this injustice manifests itself. The amount of work performed by a hypothetical *average* worker acts as the implicit productivity norm for all workers to adhere to. It follows that to earn the statutory minimum wage, each worker has to work at a pace equal to that of the *average* worker. The slower she works, the wider will be the gap between actual earnings and the statutory minimum wage. Many factors specific to the location of work could be responsible for slowing down the pace of work.

1.1a Variations in Geological Strata

Earthwork excavation takes place across geological strata that vary in hardness and compaction. The SoRs usually recognise only a few types of strata. The rates are different for each of these strata. But the fact is that nature cannot be straitjacketed into a few strata. Geological strata in hard rock areas in particular vary quite substantially within even a small micro-watershed. SoRs as they exist now cannot address these variations as they lump various strata into a few categories. The problem becomes very acute when there are sharp jumps in rates of excavation between the strata whereas in actual world, what one would find is a gradual change, with a number of intermediate strata. To give an example from Madhya Pradesh, the rates across strata move as follows:

	Excavation and Earthwork	Rs/Cum
301(a)	Soft Soil	17.90
301(b)	Hard Soil	23.20
301(c)	Hard Mooram (HM)	30.70
302(a)	Disintegrated Rock (DR)	77.10
302(b)	Hard Rock Requiring Blasting	98.40
302(c)	Hard Rock Requiring where Blasting is Prohibited	162.90

Source: Combined Schedule of Rates, Rural Engineering Service, GoMP, 2003

There is a massive jump from the rate for HM to that for DR. Usually, DR rates are not allowed to be used in watershed works. As a result, only HM rates can be used. And these tend to underpay workers. The way out, therefore, is to devise at least two or three intermediate rates between HM and DR.

1.1b Variations in Climate

Average rates prescribed in the SoRs usually have no reference to the climatic conditions where work takes place. For instance, in areas characterised by hot summers, work pace slows down considerably during the peak summer months. In coastal plains and hot sub-humid regions, humidity could be a very important factor influencing the quantum of work done. None

of these factors seem to have informed the SoRs in use in these areas. In areas with high temperature, deviation from average temperature at the state level must be considered. If the daily mean temperature of an area is higher than the state average, then a percentage should be added to the existing rate. Peak summer months in a year can be declared as "hot months" and the rate should automatically be higher than normal. In these hot months, the length of the working day could be restricted to 6 hours, without reducing the minimum wage rate. This effectively means that we downscale the output norm for these areas.

1.1c Variations within Workforce and Weeding Out "Slow Workers"

The underlying notion of the SoRs is that the workforce is healthy and capable of hard work ("good workers"). The daily productivity of a poor, malnourished and physically challenged worker will be lower than this average. Hence, even when the SoRs are strictly implemented, such persons ("slow workers") will get weeded out. The good workers are often the able-bodied, young men and women and the slow workers are the physically weaker men and women, the aged and the physically challenged. The notion of the average worker does not allow for gender and age differences in productivity. Again, such persons will not get a just treatment even when the SoRs are followed honestly. Studies have shown that particular communities such as the Primitive Tribe Groups (like the Sahariyas in MP and Rajasthan) have for a variety of historical factors inherited a weaker physical constitution. In all such instances, payments should be made only on time-rates and no reference will be made to the Schedule of Rates. Special provisions for extra rates above the normal should be provided for in the SoRs for work undertaken in severely drought-prone, malnourished, hazardous, disability-prone and tribal areas.

1.2 Non-Payment of Minimum Wages

If, due to variations listed above, the actual work output is less than that of the productivity of the average worker, workers will not be able to earn the minimum wage for a day's work. Therefore, the contractor will pay less than minimum wages on the grounds that "the workers have not worked enough".² Alternatively, the contractor can make the workers work more by extending the working day so that the average productivity norm is achieved. At times, this happens "invisibly", whereby the productivity target is given to a group of workers and they are asked to do it "at their convenience". This means that the time taken for the task is not reflected in the payment made or in other words, no compensation is provided for "overtime" work. Unpaid work is sometimes also increased by employing children as low paid workers, i.e., those who are paid less than minimum wages.

1.3 Delay in Revising Basic Rates

The task rates in the SoRs are derived from the statutory minimum wage of the region. Minimum wages undergo revision every year depending on inflation and the movement of cost of living indices. The SoRs, on the other hand, are revised only periodically, once in 3 to 5 years. Inflation is, therefore, not taken into account. A standard indexing procedure needs to be

² The contractor also gains because the rate as specified in the SoR is inclusive of provisions for contractor's profit and overheads, tools & plants and sundries. This percentage works out to 13% in GoMP, 2003 (p.5).

followed by which rates must customarily be raised in line with the rise in statutory minimum wages.

There can be two methods to cover cost escalations. In the first method, one can (as done by GoWB) come upfront with the implicit productivity norm underlying a rate. Dividing the minimum wage of each year with this figure, we arrive at the cost per cubic metre of that particular type of work. Whenever the minimum wage goes up, the exercise can be repeated to get the new rates in line with the revised wage rate. The other method could be to peg SoR rates to changes in minimum wage rates (since labour cost would account for 60-100% of the total cost). The rate of escalation of minimum wage per annum can be used to escalate the rates of the SoR as well. The simplest, of course, is to revise the SoR itself every year (as recommended for Karnataka, GoK, 2003).

1.4 Composite Items

The list of items for earthwork excavation includes some composite items such as puddle filling, embankment construction or stone pitching. For instance, Item No. 415(c) of GoMP, 2003 gives the following full description of the activity:

"Earth work for bund in hearting or casing with approved soils including dressing, breaking of clods, laying layers of 15 cm thickness, cutting and finishing U/S and D/S slopes of bunds including 50 m lead and 1.5 m lift of all materials and other charges but excluding watering and compaction".

As we can see within this one item, many different activities have been lumped together -- dressing of layers, breaking of clods, laying layers of soil, cutting of slopes and finishing of slopes. In addition there is a "hidden" activity that is not mentioned at all – excavation of the mud that is being used to do all the work described in this item. Many of these end up becoming under-paid activities. There is a need to break up these kinds of composite items into distinct activities, many of which have (or need to have) separate rates within the SoRs. The most onerous sub-activity should be pegged at the minimum wage.³

1.5 No Provision to Accommodate Social Security of Labour

As opposed to contractor based systems where no protection is offered to unskilled and semi-skilled workforce, the NREGA contains several provisions for insurance against accidents, disability and death while on duty, provision of medical aid, drinking water, care of children etc. The Guidelines of NREGA state that, "if workers are willing, then a State Government may consider dovetailing wage payments under REGS with social security arrangements... such as health insurance, accident insurance, survivor benefits, maternity benefits and other social security arrangements."(p.26-27). Since the SoR have no provision to accommodate such payments, these are sometimes referred to as the "hidden costs" of labour (GoK, 2003). The NREGA should be able to finance such costs by including them as part of the SoRs. The SoR

³ Moreover, these activities are sequentially arranged and delay in one might cause delays down the line. For instance, unless the first layer of soil is watered and compacted, the next layer cannot be placed on top of it. Unless puddle filling proceeds at the same pace, embankment construction will get delayed. The workers down-the-line will, therefore, be unable to meet productivity targets and hence not earn minimum wages. This calls for better organisation of work at the site

of Karnataka has shown a way forward in this direction by including the hidden costs (albeit with an upper ceiling of 15%) as part of the wage cost (GoK, 2003). The rates in SoRs include an element for Contractor's Profit (usually around 10 – 13% of total cost). Since contractors are not allowed in NREGS, this part of the total cost could be used for providing social security to workers.

1.6 Endemic Tendency towards Mechanisation

It should be remembered that the SoRs essentially comprise rates paid to contractors for work undertaken. Their refusal to address variations coupled with delays in upward revisions, implies that SoR rates are structured to provide a powerful incentive to replace labour with machines. Since the productivity of machines is higher than that of labour, the required quantity will be achieved faster and at a lower cost by employing machines. Once machines are banned⁴, with the existing rates it will be impossible to meet the costs of employing labour that is paid minimum wages. This is perhaps the single most important ground for revising all labour rates upwards.

2. Transparency in Preparation of SoRs

Thus, in their orientation, the SoRs are fundamentally anti-labour. If the SoRs, in their current status, are used to value work done under NREGA, it would inevitably lead to violation of minimum wage laws, use of contractors and use of machines. Hence, the SoRs need to be fundamentally modified to take care of these aspects.

However, given the current thinking among those in-charge of making these rates, this may not prove an easy task. Some makers of SoRs (such as the Schedule of Rates Committee appointed to review the existing SoR in Karnataka, SRC, 2003), argue that it is neither possible nor desirable to accommodate regional variations while deciding on rates. Their fear is that this leaves too much in the hands of the implementers and could lead to proliferation of different rates for same kind of activity. Thus, contrary to what would follow from our discussion on variations, the leading philosophy guiding formulation of SoRs is to assume away variations and centralise all decisions about fixing of rates and their revision. There is an urgent need for a change in the mindset of those formulating the SoRs.

Not only that, the entire process of arriving at these rates needs to be made much more transparent and participatory. The process of making and revising SoRs is entirely shrouded in mystery. The SoRs never come out in the open about how the rates for different works are arrived at. The whole process is a highly centralised departmental affair. The SoRs prescribe a "Competent Authority" (usually an Executive Engineer) who can effect a change in the SoR. It is heartening to note that the official NREGA Guidelines (GoI, 2005) prescribe that a watch shall be kept "on the average wages earned under a task-based system. If necessary, the schedule of

⁴ Although NREGA places a blanket ban on all machines, it is our considered view that where machines are not labour-displacing but merely reduce the drudgery of work, they must be encouraged. This includes, for example, the use of tractors for transporting material from long distances and the use of pumpsets for lifting water. There are also instances where the use of machines may become critical for protecting a structure from collapse. For instance, rollers may need to be used in large earthen dams for compaction where reliance on human labour could irreparably delay matters, apart from the sheer drudgery of the work itself.

rates may be revised to ensure that the earnings are near the wage rate.” The Guidelines also provide that “norms for measurement of work should be updated in advance of the implementation of the Employment Guarantee Scheme to a) ensure that all tasks/works are identified clearly and that nothing remains invisible and underpaid in piece-rate work; b) delineate tasks properly and carefully and to fix rates separately to the extent possible. Each such task should be specified and defined properly, and the clubbing/bundling of separable tasks should be avoided; c) devise productivity norms for all the tasks listed under piece-rate works for the different local conditions of soil, slope and geology types in such a way that normal work for seven hours results in earnings at least equal to the minimum wage.”

The Guidelines also direct State Governments to “undertake comprehensive work, time and motion studies. These studies will observe outturn and fix rates after detailed location-specific observations. This implies that productivity norms must follow possible outturn under different geo-morphological and climatic conditions, across and within Districts. This is of particular significance in areas with a high degree of location specificity and variability in the soil, slope and geological conditions and seasonal variation. Therefore, a matrix of rates for the same task needs to be drawn up that follows ecological rather than administrative boundaries. Based on these studies, separate Schedules of Rates should be prepared for each District, to be called ‘District Schedule of Rates’ (DSR). The DSR may also have further disaggregation within the District, e.g. separate Schedules of Rates for different geographical areas. These rates with standard designs should be proactively disclosed and widely publicized. In particular, the District Schedule of Rates should be posted at worksites in the vernacular, in a manner that is legible and comprehensible to labourers using the simple terminology of people’s estimates.”

Ideally, a Working Group should be set up in each district to carry out this exercise. This Group should include Gram and Zila Panchayat representatives, local NGOs, independent professionals and government officials and engineers. The role of this Group should not only be to prepare and revise District Schedule of Rates but also to arrange for the dissemination of these rates in Gram Sabha meetings across the district. It is only through such efforts that the black box of the SoRs can be opened up and a check be placed on what can be a major potential source of corruption in the NREGA.

References

- 1.GoB (2005): *Schedule of Rates*, Vol. 1 &II, Bhawan Nirman Evam Awas Vibhag, South Bihar Circle, Patna Division, Government of Bihar, Patna
- 2.GoC (2004): *Nirman Karya Hetu Dar Anusoochi*, Grameen Yantriki Sewa, Panchayat Evam Grameen Vikas Vibhag, Government of Chhatisgarh, Raipur (in Hindi)
- 3.GoI (2005): *The National Rural Employment Guarantee Act 2005 Operational Guidelines*, Ministry of Rural Development, Government of India, New Delhi
- 4.GoJ (2004): *Schedule of Rates for South Chhotanagpur Division*, Public Works Department, Government of Jharkhand, Hazaribagh
- 5.GoJ (2005): *Schedule of Rates for North Chhotanagpur Division*, Public Works Department, Government of Jharkhand, Hazaribagh
- 6.GoK (2004): *Schedule of Rates*, Water Resources Department, Government of Karnataka, Bangalore
- 7.GoM (2001): *Schedule of Rates for the Year 2000-01*, Maharashtra Jeevan Pradhikaran,

Government of Maharashtra, Mumbai

8.GoMP (2003): *Unified Schedule of Rates*, Water Resources Department, Government of Madhya Pradesh, Bhopal

9.GoMP (2003a): *Current Schedule of Rates for Rural Engineering Service*, Rural Development Department, Government of Madhya Pradesh, Bhopal

10.GoR (2004): *Zilla Stariya Dar Anusoochi, Grameen Karya Nirdeshika*, Zilla Parishad, Bundi, Government of Rajasthan (in Hindi)

11.GoWB (2005): *Revised Schedule for Earthwork and Other Related Works*, Office of the District Magistrate, Government of West Bengal, Purulia

12.SRC (2003): *Report of the Schedule of Rates Committee*, Ministry of Water Resources, Government of Karnataka