

STATE GOVERNMENTS' RELIEF PACKAGES FOR CASUAL LABOURERS

IN A GLANCE

April 2020



On 24th March, the Government of India (GoI) directed all states and Union Territories (UTs) to make use of the unutilised cess* funds collected by Labour Welfare Boards to support unorganised construction workers. The aim is to provide them some financial assistance to sustain their livelihoods during the lockdown period which is a measure of the COVID-19 pandemic response.

KEY INFORMATION

- As of March 2020, the cess fund estimated by the Labour Ministry was Rs 52,000 crore. Similarly, during the same time a year ago (till 31 March 2019), the cess collected by the Labour Welfare Boards was up to Rs 49,674 crore. Of this total cess amount, Rs 19,379 crore had been spent till then.
- Some state governments had announced and released financial packages for daily wage labourers and construction workers in their states around the time when the Union government advisory was released (Table 1).

Table 1: Details of relief-packages to support wage labourers

State	Relief Package for Unorganised sector workforce
Bihar	<ul style="list-style-type: none"> Provide free one month ration to 1.68 crore families, Rs 1,000 each to bank accounts of over 1 lakh stranded migrant workers and Rs 184 crores into the bank accounts of around 18 lakh ration card holding families in the state to help them fight the outbreak of novel coronavirus
Gujarat	<ul style="list-style-type: none"> Families of labourers, unorganised workers, construction workers, house-helpers in the state will be provided Rs 1,000 for the month of April. CM has announced Rs 650 crore package for 65 lakh families
Haryana	<ul style="list-style-type: none"> Poor persons who were earning on daily basis such as mazdoors, street vendors etc.who are found eligible and have a bank account will be directly provided an assistance of Rs. 1000/- per week
Rajasthan	<ul style="list-style-type: none"> Rs 1,000 ex-gratia will be given to construction workers and registered street vendors who are not covered under the social security pension scheme.
Tamil Nadu	<ul style="list-style-type: none"> Rs 1,000 financial assistance given to construction workers, auto rickshaw and taxi drivers and others would be extended to workers engaged in other jobs in the unorganised sector.
Uttar Pradesh	<ul style="list-style-type: none"> State government will provide Rs 1,000 per person for maintenance to labourers, daily wage labourers and construction workers
West Bengal	<ul style="list-style-type: none"> Unorganised sector workers will get a one-time payment of Rs 1,000

Source: Relief amount per worker data is gathered from state specific press releases.

*Cess is an additional tax levied on the basic tax liability of a taxpayer, and is imposed when the government looks to raise funds for a specific purpose. As per the "Building and other Construction Workers' Welfare Cess Act, 1996, states and local authorities are empowered to levy and collect cess on the construction costs incurred by employers - government, public and private companies. The rate of cess imposed should be in the range of 1% to 2%, and the amount collected is passed on to Labour Welfare Boards.

- While some of these packages are in the form of one-time payment, others are weekly payments. There are also differences in the coverage of the fiscal packages with some extending beyond construction workers to include unorganised workers such as house-helps, auto rickshaw drivers and taxi drivers. However, most states have made it mandatory for these eligible beneficiaries to have bank accounts with proper identification.
- **Table 2** presents a state-wise snapshot of relief amount allocated per worker in March 2020 and amount sanctioned by some states. It also shows the number of registered construction workers and total unspent cess balance in each state as on 31 March 2019.

Table 2: State wise cash transfers to construction workers during COVID-19 pandemic lockdown

State	A Relief amount allotted per worker, (₹), March 2020	B Total Relief amount sanctioned (₹ crore), March 2020	C Number of workers registered with the Board (31 March 2019)	D Estimated amount required to pay all workers as per allotment (₹ crore)	E Unspent Cess Balance (31 March 2019), (₹ crore)	F % share of available cess required to pay all workers
Bihar	1,000		12,39,470	124	1,379	9%
Delhi	5,000	16.18	5,40,631	274	1,983	14%
Goa	9,174*		5,117	5	146	3%
Gujarat	1,000		6,54,550	65	1,900	3%
Haryana	4,500		8,56,980	386	1,857	21%
Himachal Pradesh	2,000	30	1,74,968	35	596	6%
Karnataka	2,000*		15,42,432	308	552	56%
Madhya Pradesh	1,000		30,97,889	310	1,251	25%
Maharashtra	1,000	120	16,10,619	161	7,000	2%
Punjab	3,000	96	8,67,223	260	610	43%
Rajasthan	1,000		22,22,924	222	996	22%
Tamil Nadu	1,000		28,28,553	283	2,170	13%
Uttar Pradesh	1,000		48,56,323	486	3,473	14%
West Bengal	1,000		31,01,362	310	1,182	26%

Source: Lok Sabha Unstarred Question No. 278, answered on 29 June 2019. Available online at:

<http://164.100.24.220/loksabhaquestions/annex/171/AU278.pdf> Last accessed on 7 April 2020.

Lok Sabha Unstarred Question No. 1284, answered on 25 November 2019. Available online at:

<http://164.100.24.220/loksabhaquestions/annex/172/AU1284.pdf> Last accessed on 7 April 2020 and Relief amount per worker data is gathered from state specific press releases.

Note: *Per worker relief amount is inclusive of 15 days of wages of a semi-skilled worker and a one-time relief amount.

**Per worker relief amount for 2 months

- There are substantial differences in the amount of financial assistance announced by different states for daily-wage labourers and construction workers. While states such as Goa (Rs. 9,174), Delhi (Rs. 5,000), Haryana (Rs. 4,500) and Punjab (Rs. 3,000) have announced higher amounts per worker, most other states have provided Rs. 1,000.
- Assuming similar number of construction workers today (at the least) as the number around the same time last year, and multiplying by per-worker allocated amount, gives us an estimate of the total funds required by each state to pay the amount announced to all workers at least once (**Table 2, column D**).
- Again, total cess funds available to Labour Welfare Boards as of March 2020 (Rs 52,000 crore), is considerably higher than total unspent cess available a year back (Rs 30,300 crore). Since, state-wise break-up of current cess funds could not be accessed, we can assume that currently, at least that much cess will be available to each state as was there last year during this time. With the above two assumptions, the share of unspent cess required by each state to pay the allocated amount to all workers is also presented in **Table 2 column F**.

- As per our estimates, states such as Bihar, Gujarat, Himachal Pradesh and Maharashtra, would require less than 10 per cent of their unspent cess balance to make payment to all registered workers.
- Maharashtra, which has one of the largest pool of unspent cess balance, would require only around 2 per cent of these funds to pay the required amount to all workers. The situation is similar in Gujarat. There is thus ample scope for these states to raise the allocated amount per worker, and maybe make it equivalent to the minimum daily wage for unskilled workers, which for a state like Maharashtra stands at Rs. 9,425 per month.
- Considering the fact that Maharashtra, Tamil Nadu and Delhi are among the worst affected at present in terms of the number of people who have contracted COVID-19, they also have a significant proportion of unspent cess funds. These funds can be utilised through direct transfers to poor households or through provision of free ration and other essential services, helping them cope during the lockdown period.

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