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Impact of Higher Salary on Common Men Welfare: A Study of Haryana Budget 2023-24

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Abstract

The Haryana state budget for 2023-24 has been announced with a focus on welfare measures, infrastructure development, and economic growth. This research paper aims to analyze the impact of higher salary expenditure on the common man's welfare in Haryana, given that the salary and pension expenditure account for 38% of the total revenue receipts. The paper will also explore potential solutions to balance the needs of government employees with the welfare of the common man. The state is relying heavily on borrowing and state-owned tax revenue to finance its budget, and its debt liability is projected to increase, raising concerns about financial sustainability. With a large portion of the budget allocated to salaries and pensions of government employees, it becomes crucial to understand the impact of higher salaries on the welfare of the common man, given the challenges Haryana faces in providing adequate resources and infrastructure to its citizens.

Introduction:

The Haryana Budget 2023-24 has been recently announced with a focus on welfare measures, infrastructure development, and economic growth. The budget's primary objective is to improve the living standards of the people in the state, especially the common men. However, the impact of the budget on common men welfare is not straightforward, and it requires a comprehensive analysis of the expenditure and revenue measures. This research paper aims to provide such an analysis and evaluate the impact of higher salary expenditure on Haryana's common men welfare.The paper will also explore the potential solutions that can help the government balance the needs of its employees with the welfare of the common man.

Background:

Haryana is a state in northern India with a population of 2.9 crores. The per capita income in Haryana is Rs. 181,961 (constant prices 2011-12) and Rs. 296,685 (current prices), which is higher than the national average. However, according to the Social Economic Survey of India(2014-15) 90% of the rural population in India earns less than Rs. 10,000 per month.The state of Haryana is one of the fastest-growing economies in India, with a gross state domestic product (GSDP) of INR 994,154 crore in the year 2023-24. The state has been consistently growing at a healthy rate over the past few years, with a significant contribution from agriculture, manufacturing, and services sectors.

The Haryana state budget for the fiscal year 2023-24:

The Haryana state budget for the fiscal year 2023-24 is estimated to be Rs. 1,83,950 crore. The budget includes various expenditures, including salary and pension expenditure, social service expenditure, economic service expenditure, and general service expenditure. The salary expenditure in the budget is estimated to be Rs. 28,601 crore, and the pension expenditure is estimated to be Rs. 13,000 crore. This research paper aims to analyze the impact of higher salary expenditure on the common man's welfare in

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the state of Haryana, taking into account the state budget for 2023-24.The state debt liability is expected to increase to Rs. 285,885 crore in the coming year, which raises concerns about the state's financial sustainability. Haryana State Budget for 2023-24:

The Haryana state budget for 2023-24 is estimated to be 183,950 crores. The budget is primarily funded through borrowing (35.96%), state own tax revenue (42%), devolution from the center (11.51%), non-tax revenue (7.02%), and other receipts (3.51%). The budget is allocated towards various sectors, with 30.86% going towards repayment of debt, 30.51% for social services, 24.13% for economic services, and 14.5% for general services.

The state debt liability is projected to be 285,885 crores in 2023-24, while the fiscal deficit to Gross State Domestic Product (GSDP) is estimated to be 2.96%. Haryana's GSDP at constant prices 2010-11 is 608,420 crores, and at current prices, it is 994,154 crores.

Salary and Pension Expenditure:

The salary expenditure in the Haryana state budget for 2023-24 is estimated to be 28,601 crores, while the pension expenditure is estimated to be 13,000 crores. The total revenue receipts from salary and pension expenditure are 38% of the total budget. The state has a total of 445,346 sanctioned employees, of which 262,849 are working, and 182,497 posts are vacant. In this context, the salary and pension expenditure of Haryana's government employees, who constitute only 1% of the population(5% if include family members) but receive 38% of the total revenue receipts, is a cause for concern.The impact of higher salary expenditure on the welfare of the common men in Haryana is a matter of debate. The total budget of Haryana is ₹183950.

Out of this, 35.96% will be managed by credit, which means Rs 66148 crore will be arranged through borrowings.

The amount remaining in the budget is ₹117802 crore.

Out of this, ₹36353 crore will go to pay the principal and interest of old loans.

So, the actual amount remaining in Haryana's budget is ₹81449 crore.

Out of this, a total of ₹41601 crore is to be paid for salary and pension.

For all the remaining works, including agriculture, industry, infrastructure, education, and health, there are ₹39848 crore left. Government employees in Haryana earn significantly higher salaries than the common men, with even group D employees earning more than Rs. 25,000 per month and professors earning more than Rs. 2.5 lakh per month. The demand for the old pension scheme by the government employees, which would further increase the burden on the state's finances, is not justifiable given their already high salaries. The budget share of the common men would decline if the government were to accept the demand for the old pension scheme.

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Impact of Higher Salary Expenditure on Common Men Welfare:

1. Direct impact on common man's welfare: The higher salary expenditure in Haryana's budget can have a direct impact on the welfare of the common man in the state. This can happen as it leads to a reduction in resources for social service and economic service expenditure, affecting the overall welfare of the common man.
2. Reduced resources for education sector: Higher salary expenditure can lead to a reduction in resources for the education sector, which is crucial for the development of the state and its citizens. This can result in a decline in the quality of education and a reduction in the overall welfare of the common man.
3. Reduced resources for healthcare: Higher salary expenditure can also lead to a reduction in resources for the healthcare sector, which is crucial for citizens' well-being, especially during the ongoing COVID-19 pandemic. This can result in a decline in the quality of healthcare and a reduction in the overall welfare of the common man.
4. Increased inflation: Higher salaries can lead to increased inflation, as the prices of goods and services tend to rise when there is more money in circulation. This can have a negative impact on the purchasing power of the common man, leading to a decrease in their standard of living.
5. Increased taxes: Higher salaries for government employees can lead to an increase in taxes, as the government may need to raise more revenue to cover the increased expenditure. This can have a significant impact on the disposable income of the common man, leading to a decrease in their overall welfare.
6. Limitations due to high debt liability and fiscal deficit: The state's high debt liability and fiscal deficit may limit the government's ability to allocate funds towards the common man's welfare. The state may be forced to borrow more, leading to a further rise in debt liability and fiscal deficit.
7. Decline in standard of living: The increased spending on employee salaries may result in reduced spending on social and economic services that benefit the common man. This could lead to a decline in the standard of living and quality of life for the people of Haryana.

Overall, while higher salaries for government employees may be necessary in some cases, it is important to ensure that they do not have a negative impact on the welfare of the common man. The government must find a balance between providing competitive salaries to its employees while also allocating sufficient resources for the welfare of its citizens

Solutions:

The state government of Haryana is facing a financial burden due to the high salary expenditure of government employees, which may adversely affect the welfare of the common man. To address this issue, the government needs to adopt a multi-pronged approach.

One possible solution is to revise the salary structure of government employees and link their salaries to their performance. This performance-based pay structure would incentivize employees to work harder and contribute more to the growth of the state. This is a common practice in the private sector, and the government could adopt similar structures to promote efficiency and productivity.

Encouraging private sector employment and entrepreneurship is another solution that could help reduce the burden on the state's finances. The government could provide incentives to private companies to set

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up their operations in Haryana, thereby creating more job opportunities for the common man. This would also lead to a reduction in the state's dependence on government jobs and pensions.

Innovative revenue generation is also crucial to address the financial burden. The government could implement new tax structures or increase non-tax revenue. Moreover, reducing expenditure in non-essential areas could free up funds for common men.

The Haryana government needs to explore multiple options to address the impact of higher salaries on the welfare of the common man. Reducing the number of vacant posts in the government sector could reduce overall expenditure on salaries and pensions. This will ensure that the government has sufficient resources to allocate to social welfare programs.

The government has implemented the National Pension Scheme (NPS) for new employees, which helps reduce the burden on the state's finances. Under this scheme, employees contribute to their pension funds, which are managed by a government-appointed fund manager.

Conclusion:

In conclusion, the Haryana government needs to adopt a multi-pronged approach to address the financial burden of high employee salaries and old pension schemes. The government must explore various options such as performance-based pay, private sector employment, revenue generation, and reducing vacant posts. The NPS for new employees is a step in the right direction to reduce the burden on the state's finances. The government also needs to ensure that higher salary expenditure does not adversely affect the welfare of the common man by taking measures to promote inclusive growth and reduce income disparities. A comprehensive approach is required to address the persistent issue of income inequality in India. It is crucial for the government to strike a balance between the interests of government employees and the welfare of the common man to ensure sustainable economic growth and development.

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