

# THE HINDU

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## Employment guarantee – MPs lead the way

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On the 23<sup>rd</sup> of December 2004, the National Rural Employment Guarantee Bill (NREGB) was referred to the Standing Committee on Rural Development, whose final report has now been placed before Parliament. The report represents a triumph of sorts for Indian democracy. The process which began with the Lok Sabha verdict of 2004 appears to be moving forward, albeit with many twists and turns. The forgotten people of India, living in the remote hinterlands, have begun to be heard. While the committee deliberated the bill, the voice of these people echoed during the Rozgar Adhikar Yatra that criss-crossed ten states of India for seven weeks in May-June 2005. Cutting across party lines, 31 MPs comprising the committee, have shown great sensitivity in listening to India's deprived and unemployed, who are yet to find a place in the "new economy".

The report of the committee addresses most of the concerns raised by the critics of the NREGB originally placed before Parliament. Through a press communiqué, the committee initiated a process of public consultation. It received 105 written and 15 oral representations. The committee also solicited the views of state governments and heard from 16 States and 3 Union Territories, apart from the Union Ministry of Rural Development itself.

The most important suggestion the committee makes is that the employment guarantee must not be restricted to those below the official poverty line (BPL). It favours a universal, self-targeting guarantee, ensured by the nature of the work to be done and the wage to be provided for it. As the committee observes the "BPL concept is defective. As per the directions of the Planning Commission an arbitrary cut-off limit has been imposed, according to which the number of BPL persons identified should not exceed those as per the 1999-2000 survey". The MPs do not like the idea of the Planning Commission pre-deciding the number of poor people in the country. And then using that number to decide who will be eligible for employment guarantee. The confusion would in any case be further compounded because a Supreme Court intervention, made after complaints of irregularities in the BPL survey, means that the 2002 BPL census results have been "stayed".

The committee, therefore, recommends that whoever is willing to work at the prescribed wage must be provided employment. The BPL condition should be removed. At the same time, the guarantee should be not to a household but to each worker. In one stroke this reduces possible gender discrimination, ensures simplicity and lowers administrative costs. Also, as the committee says "the scope for corruption or misuse of power by the bureaucracy or the implementing agency will be minimised".

In its present form a key weakness of the NREGB is that the guarantee it provides can be "switched off" at will by the government. One of the most important recommendations of the committee is that once enacted in an area, the legislation should not be withdrawn at the discretion of the central or state government. Such withdrawal would require prior approval by Parliament. What is more the NREGB at present contains no specified time-schedule for its extension to all rural areas of the country. The Standing Committee has prescribed a time-limit of four years to coincide with the term of the 14<sup>th</sup> Lok Sabha. Strict directions are provided so that the most

backward districts in any State get due priority in sequencing the application of the Act. It is also clearly stated that in areas not covered by the Act, the existing Sampoorna Grameen Rozgar Yojana (SGRY) must continue.

The NREGB had placed roughly 10% of the financial burden on the States, leaving the Centre to bear 90%. But given the precarious fiscal condition of most states, the committee has correctly, in my view, placed the entire responsibility on the Centre. Otherwise, we could have had a lame-duck guarantee. At the same time, showing great imaginativeness, the committee places the onus of paying unemployment allowance on the state governments, given that the responsibility of implementing the guarantee lies with the states. This becomes a powerful incentive for them to do their job. The allowance has also been raised substantially. The draft NREGB had stipulated that if a person who applies for work is not provided employment within 15 days, she would be eligible to an unemployment allowance of at least one-fourth the daily wage for the first 30 days and at least half the wage for the rest of the financial year. The MPs suggest raising the allowance to half the wage for the first 30 days and at least 75% of the wage after that. The draft NREGB also disentitled those not taking up the work offered from getting the unemployment allowance for 3 months. This has been considered too harsh by the MPs. They suggest the disentanglement apply only for the period for which the person does not work.

It is well-known that the Finance Ministry has raised strong objections to the NREGB due to its implications for meeting "fiscal responsibility" targets. The burden will greatly increase after the committee's recommendations, each of which are of the greatest importance. Without them in place, the guarantee is virtually meaningless. In view of this, it is unfortunate that the section on "Financial Implication" remains the weakest part of the committee's report. In their calculations the MPs retain the BPL condition. No estimate is attempted of the financial implications of a universal, worker-based guarantee. Only the assurance is provided that the Ministry of Finance has agreed to shoulder the liability. What this means in precise terms is not clear. As I see it the legislation is likely to now go through Parliament. A beginning will be made, most probably in the 150 most backward districts identified by the Planning Commission. But the issue will finally boil down to the speed with which the guarantee can be extended to the entire country. That is where pressure can be expected from the Finance Ministry for a slowdown. Given the way the tax-GDP ratio has moved in recent years, fiscal concerns are likely to mount. As an ardent proponent of a universal guarantee, I have argued that the nation must commit necessary resources for a programme that potentially holds the key to redressing the neglect of large parts of India's remote, rural hinterlands. But I would also add that moving slowly forward, in the initial teething years, may not be such a bad idea. Given the dismal experience of employment programmes in India so far, it may be advisable to make the programme really work in the initial bunch of districts, before extending it further.

For two main reasons. One, great care has to be taken to ensure that the money spent under the programme is well-directed. We need to increase the labour-supporting capacity of India's small farms through massive rainwater harvesting, soil conservation and treatment of their catchment areas. This should be the focus of the National Rural Employment Guarantee Programme. Such public investment will also fuel successive rounds of private investment, creating secondary employment opportunities. Not just relief in times of distress, but a real movement towards long-

term drought- and flood-proofing of Indian agriculture. To this must be added investments in education and health care. Studies have shown that the impact of growth on poverty is higher in areas where social infrastructure is more developed. Where people are educated and healthy, and have access to safe drinking water, they are better able to seize upon development opportunities. This would make the employment guarantee truly sustainable in both environmental and fiscal terms. It will fuel growth and actually help lower the fiscal deficit. For as incomes rise, so would government revenues.

Two, we have to ensure that institutional mechanisms are in place to check rampant corruption that has plagued employment programmes in India. Hundreds of thousands of crores over the last several decades have ended up going down the drain or have lined various pockets. We need strong social audit mechanisms and penalties to check these malpractices. The Standing Committee has done its part in strengthening many of these provisions in the NREGB. Irregular or downright non-payment of minimum wages is a key weakness of rural employment programmes. The committee recommends that wages be paid on a weekly basis. It also suggests that statutory minimum wages be paid as fixed for agricultural labourers under section 3 of the Minimum Wages Act, 1948, with a proviso that they should not be less than 75% of a national floor wage. The NREGB at present has left it entirely open for the central government to specify the wage, without any floor whatsoever. In cases where a part of the wage is paid in kind, the MPs suggest that the Act should clearly specify that such grain will be valued at BPL rather than APL rates. They also find too limiting, the requirement in Para13 of Schedule II of the draft NREGB, which states "A new work under the Scheme shall be commenced only if (a) at least 50 labourers become available for such work and (b) the labourers cannot be absorbed in ongoing works". The committee suggests that the minimum number of labourers required for a new work to be started be brought down to ten.

The MPs want the penalty for non-compliance with the Act to be raised from Rs.1000 to Rs 5000 or three months imprisonment. They also suggest an adverse entry in the confidential report of the concerned official. Where public representatives contravene provisions of the Act, they want them to be debarred from any public office for five years. They also recommend that criminal liability should devolve on the implementing agency if unemployment allowance is not paid.

The MPs want Panchayat Raj Institutions (PRIs) to be the sole implementing agencies. They suggest PRIs maintain a separate Employment Guarantee Fund. They emphasise that the Gram Sabha should be the designated elected body for social audit. They argue that all facts, figures and muster rolls relating to the implementation of the programme should be made available for public scrutiny in the Gram Sabha. And they advise a design of works to be taken up that can be "conveniently performed" by women and the disabled. The MPs feel that the NREGB is not sensitive towards the disabled. They recommend that each State in its own Act should make specific provisions for inclusion of handicapped persons as per the Persons with Disabilities (Equal Opportunity, Protection of Rights and Full Participation), Act, 1996.

Even with these provisions in place, however, a great deal of work remains to be done at the grass-roots to ensure effective implementation of the Act. The Gram Sabha is a deeply divided body in most (even tribal) parts of the country and has not shown any spontaneous inclination to even meet, let alone transact the difficult business of ensuring transparency, accountability or equity. Several years of social mobilisation by grass-roots organisations biased in favour of women, dalits, adivasis and the poor is required for them to become effective assemblies of the public will. Rather than

supporting such initiatives the state has tended to view them with hostility. This must change. The state must facilitate rather than block such mobilisation at each step. State support needs to be embodied in the form of an institutional structure that enables participatory planning of works under the employment guarantee programme as also their regular monitoring. PRIs are today ill-equipped to carry out the responsibilities devolved upon them. Attempts were made, for example, in Kerala to ensure genuine decentralised planning. This has not really happened anywhere else in the country and even in Kerala it is not clear what remains of that initiative. Detailed micro-planning exercises, led by the intended beneficiaries of the programme, are an imperative if the employment guarantee programme has to make a decisive break from the past drain on resources. This remains a big gaping hole in the programme at the moment. It needs urgent filling.