

**SOCIAL SECURITY SYSTEM IN INDIA FOR RURAL
UNEMPLOYED AND UNORGANISED SECTOR**

*Dissertation submitted to Jawaharlal Nehru University
in partial fulfillment of the requirements
for the award of the degree of*

MASTER OF PHILOSOPHY



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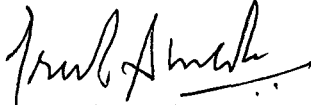
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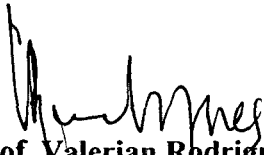
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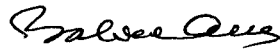
CERTIFICATE

I hereby, declare that the dissertation entitled, '**Social Security System in India for Rural Unemployed and Unorganised Sector**' submitted by Arvind Shanker Shukla, Centre for Political Studies, School of Social Sciences, Jawaharlal Nehru University, New Delhi, is in partial fulfillment of the requirements for the award of the degree of Master of Philosophy of this University. This Dissertation is original and has not been submitted in part or in full for any other degree or diploma in any other University.


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We recommend that this Dissertation be placed before the examiners for the evaluation for the award of the degree of **Master of Philosophy**.


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To my Grandfather... ..

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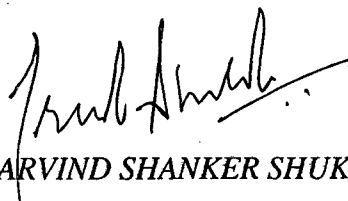

ARVIND SHANKER SHUKLA

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List of Abbreviations:

BDO	Block Development Officer
BPL	Below Poverty Line
CAG	Comptroller and Auditor General
CDP	Community Development Programmes
EAS	Employment Assurance Scheme
ELR	Employment Last Resort
SEWA	Self Employment Women's Association
NCL	National Commission
FFW	Food for Work Programme
HRD	Human Resource Development
ILO	International Labour Organisation
JGSY	Jawahar Gram Samridhi Yojana
JRY	Jawahar Rozgar Yojana
MIS	Management Information System
MKSS	Mazdoor Kisan Shakti Sanghatan
NAC	National Advisory Council
NCEUS	National Commission for the Enterprise of unorganised Sector
NFBS	National Family Benefit Scheme
NFFWP	National Food for Work Programme
NGO	Non Governmental Organisation
NMBS	National Maternity Benefit Scheme
NOAPS	National Old Age Pension Scheme
NREGA	National Rural Employment Guarantee Act
NSAP	National Social Assistance Programme
NSDP	Net state domestic product
PDS	Public Distribution System
PESA	Panchayats Extension to the Scheduled Areas Act
PETS	Public Expenditure Tracking Surveys
PMGSY	Pradhan Mantri Gram Sadak Yojana
PMRY	Prime Minister Rozgar Yojana
PO	Programme Officer
PRI	Panchayati Raj Institution
REGP	Rural Employment Generation Programme
RIA	Right to Information Act
SEGC	State Employment Guarantee Council
SEZ	Special Economic Zones
SGRY	Sampoorna Gram Swarozgar Yojana
SHG	Self Help Groups
TPDS	Targeted Public Distribution System
UPA	United Progressive Alliance

Chapter 1
Introduction

There is an increasing awareness that the goal of development has to be social justice and not economic growth alone. In other words, economic growth is worthwhile only if it leads to social justice in the form of equitable distribution, reduction in poverty, and reasonable incomes, and if it meets basic securities such as health and education and promotes political, cultural and economic freedom¹.

In developing economies with a large informal component in the labour force, the notion of social justice requires social protection measures to cover both basic needs and economic security. That is, poor quality of employment on a large scale would mean that economic growth does not cater to the needs of a large segment of the workforce. The original concept of social security which covered only contingencies is not sufficient. The growth of the informal economy, particularly in developing countries, implies increasing income insecurity and vulnerability of the workers. Jeemol Uni and Uma Rani have an objection that the concept of social protection needs to be broadened to include economic security, and not just social security for contingencies. Many terms are currently in use in different parts of the world and by different international agencies concerned with social protection for the poor².

Understanding Social Security

Social security can be thought of as the product of centuries of effort to provide people with a means of support in times of individual, social or economic distress. The social norms that mould and infiltrate society's perceptions of social security are the result of an accumulation of preferences generated by a people as they shape their specific society. The institution of social security has both a past and a future. Indeed, its future is chiselled from its past by the practice of incremental change. This is true of social security policy development. The dominant values, in essence, mould the broad contours of the building blocks that social security technocrats sculpt and adorn to construct their systems. Since the 16th century, social security has been evolving both as an idea and as an institution. Traditions have been developed that promote and enforce patterns of beliefs, prejudices and preconceptions about social security, about its gainers and losers. Over time, this has shaped the way societies view social security³.

On a global basis, social security practices have spread far and wide, well beyond the

¹Jeemol Uni and Uma Rani: 'Social Protection For Informal Workers in India: Insecurities, Instruments and Institutional Mechanisms', *Development and Change*, Vol 34, no.1, 2003, p 127-161

²Ibid. p-128

³ John Dixon and Robert P Scheurell(eds): *Social Security:A Cross-cultural Perspective, Policy Studies Review*, Spring 1993, p-85

clique of industrialized countries that dominated the field in the late 19th century. Now, most countries provide some form of social security. As a mechanism for meeting at least some human needs, social security has achieved near-universal acceptance. Indeed, more than 150 countries can be identified as having one or more social security programs. Access to social security has become a fundamental right proclaimed in numerous national constitutions (Australia, Japan and the People's Republic of China).⁴ Formal social security systems (government sponsored or publicly regulated private systems) already exist in almost all developing and newly industrialised countries, but often cover very limited population segments. The Universal Declaration of Human Rights (1948) states, "Everyone, as a member of society, has the right to social security" (Article 22). The Declaration makes special references to the right to medical care and social services; to security in the event of sickness, disability, widowhood, old age and unemployment; and to special care and assistance for motherhood and childhood (Article 25). The International Covenant on Economic, Social and Cultural Rights (1966) similarly recognises 'the right of everyone to social security, including social insurance' (Article 9). These texts represent statements of intent on behalf of United Nations (UN) member countries to extend social security to all residents⁵.

Various conventions adopted by the International Labour Office (ILO) have sought to specify and operationalize the content of such obligations. The most important of these is the Social Security (Minimum Standards) Convention 1952 (No. 102). It identifies nine social risk areas with a corresponding demand for social security: medical care, and benefits in case of sickness, unemployment, old age, employment injury, disability, family circumstances, maternity and surviving a provider. Later conventions addressing social security provision include the Plantations Convention 1958 (No. 110), the Invalidity, Old-Age and Survivor's Benefits Convention 1967 (No. 128), the Part-Time Work Convention 1994 (No. 175) and the Home Work Convention 1996 (No. 177). These ILO conventions carry legal bite for countries that have ratified them (40 countries in the case of 1952 (No. 102); fewer with regard to later conventions)⁶.

If we look at the definition side of the Social Security, there is no commonly accepted definition of the term "SOCIAL SECURITY". According to the I.L.O. Social Security

⁴ Art.Cit. John Dixon and Robert P Scheurell, p-86

⁵ E Overbye: ' Extending social security in developing countries: a review of three main strategies, *International Journal of Social Welfare*, Vol. 14 ,2005, p- 305

⁶ Ibid.

means- "the result achieved by a comprehensive and successful series of measures for protecting the public (or a large sector of it) from the economic distress that, in the absence of such measures, would be caused by the stoppage of earnings in sickness, unemployment or old age and after death; for making available to that same public, medical care as needed; and for subsidising families bringing up young children". again ILO redefines Social Security as protection given by society to its members through a series of public measures from economic and social distress that otherwise would be caused by stoppage of or substantial reduction of earnings resulting from sickness, maternity, employment, injury, unemployment, invalidity, old age and death; the provision of medical care and the provision of subsidies for families with children. ILO further defines Social Security as - "The security furnished through appropriate organisation against certain risks to which its members are exposed. These risks are essentially contingencies against which the individual of small means cannot effectively provide for by his own ability or foresight alone or even in private combination with fellows"⁷

According to Dr. Amartya Sen and Jean Dreze "The basic idea of Social Security is to use social means to prevent deprivation and vulnerability to deprivation"⁸. Clarifying this view Robin Burgers and Nicholas Stern say: "Deprivation and vulnerability are integral to the lives of many in poor countries. In developed countries unfavourable outcome in economic activity frequently means real hardship but in poor countries they often lead to death or destitution. For many severe deprivation is not a matter of an unfortunate fall from a previously more comfortable position but a chronic state arising, for example, from the absence of any asset or resource that can ensure adequate livelihood can be made more secure against adversity and deprivation. Accordingly, we define the objective of Social Security as being the prevention by social means of very low standards of living irrespective of whether there are the results of chronic deprivation or temporary diversity. The term Social Security may then be viewed as a means of success in meeting this objective"⁹

Social Security is the security that society furnishes through appropriate organisation against certain risks to which its members are perennially exposed. These risks are essential contingencies against which the individual of small means cannot effectively provide by his

⁷ International Labour Organisation : *Introduction to Social Security*, ILO, Geneva, 1984, p-34

⁸ Jean Dreze and Amartya Sen: *Public Action for Social Security Foundation and Strategy*, Oxford University press, New Delhi, 1991, p-5

⁹ Robin Burgers and Nicolas Stern: 'Social Security in Developing Countries: What, Why, Who and How?' in Ehtisham Ahmad, Jean Dreze, Amartya Sen, J Hills (eds): *Social Security in Developing Countries*, Clarendon Press, London, 1991, p 221-222

own ability or foresight alone or even in private combination with his fellows. The mechanics of social security therefore consists in counteracting the blind injustice of nature and economic activities by rational planned justice with a touch of benevolence to temper it¹⁰.

Following the widespread adoption of the institutional definition of social security in developed countries, this concept was extended to developing countries as well. However, such an application was problematic as large informal sectors, incomplete structural transformation and high levels of poverty characterize developing countries, particularly in South Asia. The dualistic economic structure that characterises these economies implies very different conditions of employment in the traditional and modern sectors. Based on these conditions, Dreze and Sen argued that the provision of social security in developing countries needed to be viewed from a broader perspective and essentially as an objective to be pursued through public means rather than as a narrowly defined set of particular strategies. The suggestions by Dreze and Sen of this approach extended the scope of the term social security and several other researchers followed it¹¹

The scope of the term social security was thus expanded to include not only contingency related measures but also several programmes aimed at improving endowments, exchange entitlements, real incomes and social consumption. The emphasis on measures to tackle persistent poverty through enhanced income levels was important in adapting the definition to the context of low-income countries with high levels of poverty. The distinction between various connotations of the term social security has been maintained in the literature by referring to the conventional ILO set of measures as protective (or formal) social security and the latter as promotional social security. The promotional category is rather broad and its scope is often ambiguous. A package containing both protective and promotional measures is often referred to as the wider concept of social security¹²

Objectives of Social Security¹³

The meaning of the Social Security as discussed above clearly indicates the objectives of Social Security in the developing countries. These objectives are to ensure: 1. Support in the event of unemployment or non-employment for young orphans, destitute women, incurably

¹⁰National Academy for Training & Research in Social Security (NATRSS): *Concepts of Social Security*, New Delhi, 1999, p-3

¹¹ Jean Dreze and Amartya Sen.: *Hunger and Public Action*, Oxford, Clarendon Press, London, 1989, p 5-6

¹² Madhava P Rao: 'Social Security Administration in India-study of Provident funds and Pension Scheme', MPRA Paper No. 1919, accessed at <http://mpra.ub.uni-muenchen.de/1919> on 18-10-2007

¹³ International Labour Organisation : *Introduction to Social Security*, ILO, Geneva, 1984, p-36

sick, old persons when there is none to take care of them.² Showing or providing work to those who can work which includes job security and income guarantee.³ Standardisation of income for maintenance of life at an optimum level.⁴ Protection against fall in income due to any contingency.

Emergence of Social Security in India

Within the group of developing countries, while there is indeed some relationship between per capita income and social security expenditures, the relationship is not strong. Ghai suggests that there are four groups of developing countries that have relatively more adequate social security coverage. These are those with broad based growth, mineral rich countries, countries with a socialist orientation, and those with a social welfare approach. The fourth category (among developing countries) comprises a diverse range of countries that have succeeded in building most of the key elements of a comprehensive social security system, albeit at modest levels. These countries have succeeded in providing universal primary education and health services, as well as food subsidies for the poor. They include Sri Lanka, the Indian state of Kerala, Costa Rica and Chile. These countries have followed a combination of models based on state contribution and social insurance. One also needs to take note of the large body of evidence in the developing countries which suggests that higher levels of social security translates itself into higher productivity and growth and lower levels of poverty, although these effects may be felt with a lag¹⁴.

Constitutional Provisions for Social Security in India

The Constitution of India has various provisions that stress provision of socio economic security. A perusal of the contents indicates that several constituents that facilitate the provision and effectiveness of the wider concept of socio economic security are included as individual fundamental rights: equality before the law, prohibition of discrimination on the grounds of religion, caste, sex, place of birth, equality of opportunity in public employment and abolition of untouchables. The right against exploitation was stipulated through the prohibition of traffic in human beings and forced labour and prohibition of children in factories. In addition to fundamental Rights, the Indian Constitution gives a pride of place to the Directive Principles which link political democracy with economic and social

¹⁴ Dharam Ghai, op cit.; Jean Drèze and Amartya Sen, 'Public Action for Social Security: Foundations and Strategy', in Ehtisham Ahmad, J. Dreze, J. Hills and A. Sen (eds.): *Social Security in Developing Countries*, Oxford University Press, New Delhi, 1991, 2002, p 141-42

democracy¹⁵.

The Directive Principles of the Indian Constitution lay down directions and goal posts in the achievement of economic rights, but they are not justiciable. They are, however, to be used by the government in making laws. Article 41 which directs the state to 'within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want'¹⁶.

There has been an increased focus on the rights-based approach in India and how elements of rights contained in the Directive Principles could be converted into entitlements and/or legal claims. This debate first arose in the context of education on the basis of judgements in the Supreme Court which interpreted the 'Right to Life' (a fundamental human right) with a right to life with dignity, and indicated that access to basic education, health and food were part of a citizen's claim. This judgement catalysed the civil society movements in India, since the Directive Principles of the Indian Constitution could now be interpreted in terms of their linkage with fundamental rights. Using this broad interpretation, civil society initiatives sought to convert Article 45 of the Directive Principles into a Fundamental Right. The broad-based campaign resulted in the government bringing in an amendment in 2002 in the Indian Constitution making the right to education of all children in the 6 to 14 year age group a fundamental right. However, for the Article to become justiciable, the government needs to legislate a model bill on the obligations of the Centre and the provinces which is still pending¹⁷.

The Constitution includes Directive Principles of State Policy referring to the state's responsibility in ensuring a social order for the promotion of welfare of the people and securing adequate means of livelihood. It is stipulated in these Principles that the health and the strength of workers be safeguarded and children protected from exploitation. Furthermore, the Directive Principles also includes the right to work, access to elementary education, public health and nutrition, and to public assistance in certain cases such as unemployment, old age, sickness and disablement. Provision of just and humane conditions of work and maternity relief is also within the ambit of the Directive Principles as is free and

¹⁵ Government of India: *The Constitution of India* (as on 1st September, 1991), Ministry of Rules, Law and Company Works, New Delhi, 1992, p 13 -14

¹⁶ Jean Dréze and Amartya Sen: *India: Development and Participation*, Oxford University Press, New Delhi, 2002, p 2

¹⁷ Government of India: *The Constitution of India* (as on 1st September, 1991), Ministry of Rules, Law and Company Works, New Delhi, 1992, p 13 -14

compulsory education. The Directive Principles further states that the economic interests of scheduled castes and scheduled tribes should be promoted. It is evident that the Constitution and Directive Principles together set forth a vision that is in consonance with socio-economic security in the sense of Freedom from Want stressed by the Beveridge Committee Report. Thus, the Constitution of India did provide the scaffolding for the provision of social security in the country. However, the provision was not considered a fundamental right, presumably in view of the practical difficulties in implementing them. Nonetheless, it is amply clear that the provision of socio-economic security was considered an important obligation that the government had to fulfill in ensuring equality and social justice for the deprived sections of the population. The implementation of the vision enshrined in the Constitution depended on the policies that the governments at the central and state levels followed in subsequent years. The Directive Principles of State Policy contain directions aimed at physical, social and moral improvements of Labour¹⁸.

There have been campaigns to justiciable claims to information, food, health and employment. Some of these rights are complex and difficult to translate into specific claims, but as Dreze has observed in the case of the right, some parts of this right can be converted into a claim, perhaps even backed by a legal entitlement. In this case on the right to food, the court has directed the government to provide for mid-day meals in primary schools and to open ICDS centres (which, among other things, provide supplementary nutrition to young children) in every habitation¹⁹.

It may be noted that formal social security arrangements (including health care, accidents, and old age benefits) cover about 8% of the work-force in the formal sector. Another 6% of the informal workforce is estimated to be covered under some sort of social security mechanism based on social insurance principles and state contributions. In the state of Kerala, 57% of the informal workforce has some social security protection, provided through the mechanism of occupation based 'welfare funds'. Although, the state is expected to be the main provider of health services, in actual fact, a majority of hospitalisations occur in the private sector, while the private sector (both qualified and unqualified) is responsible more than 90% of out-patient care²⁰.

While there are a large plethora of schemes and programmes to provide social assistance,

¹⁸ Jean Dreze: 'Democracy and Right to Food', *Economic and Political Weekly*, 24 April 2004, p- 1723

¹⁹ Ravi Srivastava: 'Through The Prism of Human Rights', *Seminar*, No.568, December 2006, p 24-26

²⁰ Report of National Commission for Enterprises in the Unorganised Sector (NCEUS): *Social Security for Unorganised Workers*, New Delhi, May 2006, p 34-36

generate employment during slack seasons and droughts, improve access of the poor to land and other productive assets etc., with some exceptions (such as the Employment Guarantee Scheme in Maharashtra), these schemes are non-statutory in character and have a thin spread²¹.

The country's social security expenditure is a relatively small part of GDP and total public expenditure – approximately 3.6 to 4.8% in the former case and 12 to 16% respectively – depending on the items that one chooses to include in the rubric of social security. The extent of persistent capability deprivation in the country is high and the rate of improvement is low and uncorrelated with the high rate of growth (5.5 to 6%) experienced in the last two and a half decades. There are also large regional differences with the deprivation in some areas being on par with sub-Saharan Africa, while other regions (states such as Kerala, Goa and Himachal) show high levels of social development. The successful states, especially Kerala, underwent large-scale political mobilization, on the one hand, and state policy which favoured land reforms, labour rights, social development and social security, on the other. This generated a great deal of discussion on the specificities of the 'Kerala model of development'. Subsequently, however, Kerala's rate of growth picked up and there has been a rapid decline in income poverty, bringing the state (a middle income state) on par with Punjab, the highest income state. Thus, international comparison apart, the Indian regional experience has also highlighted the scope of expansion of social opportunities at present levels of income²². The Five year plans that followed enactment of Constitution have emphasised the need for Social Security Schemes to achieve the desired result. The plan wise observations and recommendations are the following: The planners summed up the basic objectives of the First Five Years Plan in the following terms: The plan has two main objectives: (1) a better standard of life for the people and (2) social justice²³.

Social Security Initiatives under UPA Government:

A survey conducted by the National Sample Survey Organization (NSSO), shows that the total employment in both the organized and the unorganised sectors in the country is 39.7 crore, of which 2.8 crore are in the organized sector and 36.9 crore (about 93%) are in the

²¹Op.Cit. Report of National Commission for Enterprises in the Unorganised Sector (NCEUS), *Social Security for Unorganised Workers*

²² Ibid.

²³ Five Year Plans of India online at http://en.wikipedia.org/wiki/five_year_plans_of_India/ accessed on 20-10-2007

unorganised sector. Of this, 23.7 crore workers are in the agricultural sector and 1.7 crore are engaged in construction sector²⁴. Remaining workers are engaged in mining, manufacturing and services sector. On account of their unorganised nature, these workers do not get adequate social security and welfare. Some welfare schemes are being implemented by the Central Government for specific occupational groups of unorganised sector workers such as beedi workers, non-coal mine workers, cine workers, handloom weavers, fishermen, etc. These are apart from the National old Age Pension Scheme and National Rural Health Mission. Some of the State Governments have also been implementing welfare programmes for certain categories of the unorganised sector workers. Some NGOs are also providing social security to certain categories of workers. Despite all these efforts, there is a deficit in the coverage of the unorganised sector workers in the matter of labour protection and social security measures²⁵.

In line with the commitment made by the United Progressive Alliance (UPA) Government in the National Common Minimum Programme (NCMP), the National Commission for Enterprises in the Unorganised Sector (NCEUS) was set up in September 2004 under the chairmanship of Dr. Arjun Sengupta as an advisory body and as a watchdog for the unorganized sector. The Commission has the mandate to examine the problems of the unorganized sector (also referred to as informal sector) and suggest measures to overcome them. The Commission has been focusing on a few significant programmatic interventions, which could be adopted in the immediate term. These interventions are aimed at bringing about improvement in the productivity of enterprises in the unorganized/Informal Sector, generation of large-scale employment opportunities on a sustainable basis and enhancing the welfare of the workers in the unorganised sector²⁶

The Second major initiative by the UPA government was the National Rural Employment Guarantee Act in September, 2005. The basic objective of this Act is to provide by law, guaranteed wage employment in enhance the livelihood security of the people in the rural areas by generating wage employment through works that develop the infrastructure base (in the rural areas). The spirit of the act lies in rejuvenating the natural resources of the area and particularly water resources in order to stimulate economy and in this process the poor people would be enabled to take advantage (of this process) by participating in wage employment

²⁴ National Sample Survey (NSSO): Unit level data of NSS 55th Round, 1999-2000, Employment-Unemployment Survey

²⁵ Manoj Gupta: 'Lending A Helping Hand to Unorganised Workers', *Press Information Bureau*, June 4, 2007, p 1-2

²⁶ Ibid.

activities which will help augment their income levels. Under the act, each rural household whose adult member volunteer to do unskilled manual work would be provided with at least one hundred days of guaranteed wage employment in a financial year. Planning is one of the key elements that determine the success of employment guarantee scheme. As per the provisions of the act, a perspective plan (the perspective plan that was prepared for NFFWP can be adopted with some modifications, if need be) and Annual Action Plan need to be prepared under the scheme. The Gram Panchayat has to prepare a development plan spelling out details in regard to the demand for work, works going on, likely cost, agencies to execute the works etc²⁷.

The act lays special emphasis on Right to Information (RTI) and social audit. Social audit needs to be encouraged by involving ordinary citizens in monitoring and vigilance of implementation of the scheme. To implement the Act, the State Governments are required besides designating a District level official as the District Programme Coordinator and Block level official as Programme officer, to formulate schemes spelling out modalities for implementation within six months from the date of commencement of the Act. This calls for a proper understanding and appreciation of the guidelines issued by Central Government and also building the capacities of the functionaries, both Governmental and People's Representatives, (to be) involved in the implementation of the act. For success of the schemes to be implemented under the act and also realization of goal of provided guaranteed employment, these functionaries also need to be informed of their roles and responsibilities. Needless to say, a coordinated effort among different players including State Government, PR bodies, Non-Government organizations, Activists and Media is called for to ensure effective implementation of the Scheme²⁸.

Proposed Bills

The Commission had initially proposed a draft Bill “Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Bill, 2005”²⁹ for comments and feedback. Based on the comments received from states, trade unions and other stake holders, the Commission revised the earlier proposal and has now proposed two Bills “Unorganised Non-agricultural Sector Workers (Conditions of Work and Livelihood Promotion) Bill, 2007” and the “Unorganised Agricultural Sector Workers (Conditions of Work and Livelihood

²⁷ National Institute of Rural Development (NIRD): *A Suggestive Framework for Planning and Organizing Training Programmes under NREGA*, Hyderabad, p 23-26

²⁸ Ibid.

²⁹ See Complete Bills on <http://nceuis.nic.in/>

Promotion) Bill, 2007” to cover unorganised agricultural workers and non-agricultural workers respectively. Part 1 of each of the Bills contains provisions relating to the regulation of conditions of work of wage workers. Part 2 of the Bill relates to the protection and promotion of livelihoods of the unorganised workers. The Draft Bills provide for basic and minimum conditions of work for all unorganised wage workers and home workers. Instead of relying on bureaucratic implementation and costly and time consuming legal redressal procedures, the Commission has accorded priority to conciliation and has proposed the participation of workers’ representatives and elected representatives of the local bodies in the conciliation and dispute resolution committees. The proposed Bills also mandate that the appropriate governments take the necessary steps to protect and promote these livelihoods through appropriate policies and programmes, and have provided for an institutional machinery to take a holistic view of the sector and to mobilise the necessary resources to help the sector overcome such constraints and facilitate its growth³⁰.

In a significant move the Union Cabinet on 24th May, 2007 gave its approval for social security for the unorganised sector workers. It said that the welfare schemes for workers in the unorganized sector would be introduced in a phased manner to fulfil the commitment made in the National Common Minimum Programme. Besides, the Government would constitute a National Advisory Board to design, from time to time, suitable welfare schemes for different sections of unorganized workers and recommend the same to the Government. On the recommendations of the National Advisory Board, the Central Government will, from time to time, notify scheme or schemes for one or more sections of unorganized workers³¹.

The schemes notified by the Central Government will contain provisions for: (a) life and disability cover; (b) health benefits; (c) old age protection; or (d) any other benefit as decided by the Central Govt. The present UPA Government attach high priority to the welfare of all workers. The Ministry of Labour & Employment drafted the “Unorganised Sector Workers Bill, 2004” which, inter-alia, envisages to provide for safety, social security, health and welfare matters³²

The National Advisory Council (NAC) has forwarded a draft Bill namely, ‘the Unorganised Sector Workers Social Security Bill, 2005. All the four draft Bills are being examined in consultation with all stakeholders. The discussions are being held with LIC and

³⁰Manoj Gupta: 'Lending A Helping Hand to Unorganised Workers', *Press Information Bureau*, June 4, 2007, p-2

³¹ Ibid.

³²The bill is available on the <http://msme.gov.in/>

other insurance agencies to formulate a social security scheme comprising of life/accidental insurance, maternity benefits, health insurance and pension³³.

The National Commission for Enterprises in the Unorganised Sector (NCEUS) has presented its report on the Social Security for the Unorganized Sector Workers to the Government in May, 2006. Amongst its various recommendations the Commission has recommended old age pension of Rs.200/- per month to all workers aged 60 years and above and belonging to BPL families. Similarly, the Commission has also recommended provision of provident fund to all other workers (above poverty line) with a minimum guaranteed return of ten per cent to the workers, under the proposed provident fund scheme. The Social Security Scheme, as recommended by the Commission includes a hospitalization cover of Rs.15,000/- per year, maternity benefit of Rs.1,000/- per delivery, a personal accident cover of Rs.25,000/- and sickness cover of 15 days to all registered workers. The sum assured for natural death of the worker as per the scheme is Rs.15, 000/-. All above proposals are being examined in consultation with all stake holders. It is the endeavour of the Government to enact legislation and formulate a social security scheme for the unorganized sector workers during 11th Five Year Plan. The Government, however, in anticipation of finalization of a social security scheme for the workers in the unorganized sector has allocated a token outlay of Rs. 5 crore for the annual plan of year 2006-07³⁴.

Literature Review

The literature available in India on Social security is very limited. In addition to these there are some individual efforts made by Professors like S.Mahendra dev, and Alok Sharma. Gandhi Labour Institute, Ahmedabad has also conducted one seminar on social Security for the Unorganized where some policy issues were discussed, some papers by the researchers on Social Security for the Unorganized Sector, V.V.Giri National Labour Institute; Noida has brought some good research papers as well as books, Indian Institute of Human Development, New Delhi is studying NREGA extensively and has organised a seminar concerning the overall development of NREGA since it's inception and some articles in the Economic and Political Weekly. Some leading NGOs like Mazdoor Kisan Shakti Sanghatan (MKSS), Rajasthan, Centre for Science and Environment (CSE), New Delhi, Participatory Research in Asia (PRIA), New Delhi, Samarthan with PACS, Madhya Pradesh and Chhattisgarh and many more have contributed significantly towards the implementation of NREGA in each part of the country.

³³ The Bill prepared by National Advisory Council is available on <http://nac.nic.in/> -

³⁴ The detail of NCEUS will be discussed in next chapter

The National Consultation on social security for Unorganised Workers held on 10th April 2007 at ISI, New Delhi where Professor Amit Bhaduri, an eminent economist stated that unorganised workers produce food grains and goods, construct the country, provide basic services and amenities to people but they have no political voice and no fighting power. If any one who deserve the right of social security most it is unorganised workers. They are exploited and so arduously engaged in earning their bread and butter that they do not have time and energy to organise. Their compulsions for earning their next meal keep them away from raising collective voice. Besides they are dispersed in vast area, their nature of occupations, skills and works are different; there are divisions between unorganised workers. Their circumstances in Kerala are different then the circumstances in Haryana or Punjab. Therefore social security protection for different groups of workers should be different. Professor Amit Bhaduri said unless employment or livelihoods are ensured and protected social security will have no meaning. Employment or livelihood is the main social security for them. He said that full employment in the economy is very much possible. Prof. Bhaduri also emphasized that there was no alternative to unions. There should be an alternate forum where unionization happens—based on occupation. There should then be a 2nd level developed for coordination between various unions. Professor Amit Bhaduri said that social security should be linked with employment. We should demand minimum comprehensive social security for all unorganised workers until full employment is achieved.

Mr J John of CEC He emphasized that job security and employment regulation are essential components of social security. Now we have to build the demand for social security into a people's movement because unless unorganised workers initiate and lead the movement they will not get comprehensive social security. He said that in this consultation meeting we would examine recent government bills, deliberate on strategies and action plan and try to form larger alliances. Who is poor in India? Poor are not unemployed. Those who are employed in the informal sector are poor. Poor are the dalits and adivasies, who are employed in the informal sector. There are only 4% unemployed in India. However there are 30 crores poor. Therefore, informal sector employed people are poor. The quality of work of informal and unorganised workers has been deteriorating. The increasing informal and unorganised workers, number of small farmers, number of rural workers, increase in contract labour, with all round incidences of long hours of work, non payment or less payment of wages (less than minimum wages), atrocities on women workers, unsafe working conditions, gender discrimination in wages, ignoring skill development and absence of social security and absence of organisations make people poor and exploited.

Mr Jeeva of National Centre for Labour said that the NCL demanded for a comprehensive law incorporating employment protection, regulation and dispute resolution with labour rights. We drafted a bill which was comprehensive and it included labour rights, details of social security and employment protection. The NCL demanded for 50 per cent of last drawn wages as pension. There are different minimum wages, with wide gap in the states and central minimum wages. We know that unorganised workers do not get work for many days. How we will regulate their employment. Mr Jeeva said that tactically we support a bill on social security even if it does not regulate employment. We will have a tool in our hand.

Ms Pratibha Shinde a tribal activist of Lok Sangharsh Morcha stated that the social security law should have employment-linked social security. She said that we compromised during NREGA and accepted 100 days of employment per able bodied person per household and we can observe the impacts of this. There is no improvement in anyone's life. We therefore should make sure that we get comprehensive legislation on social security and not give in this time. Dr Onkar Sharma said that a comprehensive draft law may be prepared and introduced in the parliament as private member Bill. He said there will be no transparency in the working of boards if the board is constituted.

Ms Medha Patkar of NAPM asked why not to target this remaining budget session of the parliament why wait for two budget sessions. She suggested that one Jatha may go round the states for nation wide campaign for social security law and to reach to MPs, MLAs, and Village Panchayati Raj institutions. We should begin a signature campaign. She said the lawyers should also have one voice on issues of inequalities, livelihood, employment and social security. Our non-negotiables should be similar. Medha suggested developing very simple, easy to follow Hindi and regional language booklets on various social security issues. A few symbols (*prateek*) should be created. There should be a detailed planning, programme and strategy. Mr P Ravindranathan said that as struggle gains momentum doubts will be cleared. He said that if we have to develop concepts, we have to develop organizations from struggles.

The available literature, in India, centres on the social security programs for the unorganized and on the Social Assistance programmes designed for poverty alleviation only. Critiques, Authors, and Social Scientists are using these terms as they are without much emphasis on the definition part. The first National Commission on Labour (1966-69) defined unorganized labour as those who have not been able to organise themselves in pursuit of common objectives on account of constraints like casual nature of employment, ignorance

and illiteracy, small and scattered size of establishments and position of power enjoyed by employers because of the nature of industry etc. Nearly 20 years later the National Commission on Rural Labour (NCRL: 1987-91) visualised the same scenario and the same contributory factors leading to the present status of unorganized rural labour in India. Employment related Social Security programmes are aimed at reducing contingent poverty and they are understood to be the programmes for the Organized Sector. The literature available on the unorganized sector also does not make concrete proposals to the policy makers on the social security systems to be developed for the unorganized sector

Babu P.Remesh of V.V.Giri gave an overview of the growing informal sector in India and explains its labour market implications; He also provides a critical overview of hitherto implemented national and state level social security measures for the unorganised sector labour in the country. On the whole, he sees an unprecedented revival in the social security scenario of India, in an era of globalisation of economies and production systems. A.K.Bhattacharai, former secretary of Ministry of Labour had explained the hitherto social security policies in India. He also opined the conventional view of Social Security which only protects the society from the various contingencies. He says, "The concept of social security is now generally understood as meaning the protection furnished by society to its members through a series of public measures against the economic and social distress that otherwise would be caused by the stoppage or substantial reduction of earnings resulting from sickness, maternity, employment injury, occupational diseases, unemployment, invalidity, old age and death. Social security programmes thus provide a series of benefits to cover these contingencies. The main benefits provided are medical care, sickness benefit, employment-injury benefit, old-age benefit, invalidity benefit, survivors' benefit, unemployment benefit and family benefit. Apart from medical care and cash benefits, several social security programmes also provide various welfare services to persons protected by them".

Einar Overbye focuses his research on extension of Social Security strategies and coverage towards developing and newly industrialised countries. The three major options are to extend social insurance coverage, to rely on mutual or micro-insurance or to bring in social assistance in one form or another. Social insurance usually covers small population segments. Insiders are seldom willing to extend coverage to poorer groups, as poorer groups are usually higher risk groups. Micro-insurance and mutual societies work primarily among people with similar risk profiles. Discretionary social assistance targets poorer groups, but is open to patronage and misuse. However, some social assistance designs are less open to misuse than others. Whether or not a developing country provides such benefits can be considered an indicator of the willingness of the ruling elite to alleviate hardship among 'unproductive'

population groups.³⁵ A.K. Shiva Kumar was influenced by Amartya Sen and Jean Dreze's idea of development discourse and studied the Social Security from a human development perspective and commented on some aspects of the NCEUS proposal to introduce a Social Security Bill for unorganized sector workers in India.

Ravi Srivastava interestingly argues that Social Security should be considered as a human right. He states, "Once the right to social security is accepted as a human right, it entails an obligation on the part of the state (the primary duty holder), its international partners, and the community to 'try to realise, as expeditiously as possible, the whole range of substantive rights – such as the right to food, health, education etc'. Furthermore, since fulfilment requires resources, there exists not only complementarity between rights, but also trade-offs and the 'speedy realisation of rights calls for softening the resource constraint, which in turn calls for economic growth'"

Johannes Jutting had analysed the institutional strengths and weakness of the existing social security systems in developing countries, he identified four major providers of Social Security namely the State, the market, member-based organisations and private households. Given the strengths and weakness of each system, he explained the possibilities of public-private partnership which should be based on the use of local information on the one hand while profiting from possibilities of risk sharing on the other³⁶.

Economists such as C.P. Chandrashekhara and Jayati Ghosh had invited the attention towards the problem of employment in India and the feasibility of National Rural Employment Guarantee Act 2005. After realizing its potential to reduce the rural poverty; they give the optimistic picture of NREGA's workability. They said, "The employment guarantee scheme has much to recommend for itself. It costs about as much or far less than many other lower priority activities, which have in some cases have been rightly emphasised by this and previous governments. It can be dealt with in a manner which simultaneously ensures the realisation of the pressing need to increase capital formation in rural India. If properly planned and implemented it can help deliver much needed quality public services in rural India. By providing incomes to those who need it most it can help redress an unacceptable feature of the Indian economy - the persistence of large scale poverty."³⁷

³⁵Einar Overbye: 'Extending social security in developing countries: a review of three main strategies', *International Journal of Social Welfare*, Issue. 14, 2005, p 305-314

³⁶ Johannes Jutting: 'Social Security Systems in Low-income Countries: Concepts, constraints and the need for cooperation', *International Social Security Review*, Vol.53, No.4, 2000, p 21

³⁷ C.P.Chandrashekhara and Jayati Ghosh: 'How Feasible Is National Rural Employment Guarantee Act?', *Social Scientist*, Vol.32, No.7/8, July-Aug. 2004, p 52-57

Raghbendra Jha, Raghav Gaiha and Shylashri Shankar present results on the participation of rural workers in the National Rural Employment Guarantee Program based on a pilot survey of three villages in Udaipur district, Rajasthan, India. Three villages (Dhundiya, Karanpur and Prithvisingh Ji Ka Khera) were covered. Total number of households interviewed in December, 2007, was 340. Their focus was on the participation in NREG of different socio-economic groups and the determinants of the participation of these groups. It is discovered that the mean participation was 59 days and that targeting was efficient with other labour, self employed in agriculture, SC and ST as well as those with smaller landholdings benefiting the most from the program. Thus the performance of the National Rural Employment Guarantee program has been far from dismal³⁸

Raghav Gaiha gave the overall picture of the economic conditions of Maharashtra after the implementation of EGS. He argued however the scheme had fallen in the corruption, its contribution towards the upliftment of rural poor of Maharashtra can not be ignored.³⁹

T.S.Papola, focuses on the strategies and means for embedding employment in the development agenda, It generated a good deal of debate, in the course of which a number of important suggestions were made on how the researchers and policy practitioners of India should address the employment problem and how they could develop practical solutions, taking into account the overarching concerns for growth, productivity and equitable distribution.

Pinaki Chakraborty had discussed the demand and supply aspect of NREGA; she found that, although it is a demand-driven scheme, there are significant interstate differences in the supply of employment. The supply falls far short of demand, particularly in low-income states, where the organizational capacity to implement the scheme is limited. It is also noted that the NREGA-induced fiscal expansion has not contributed to higher fiscal imbalances.

Centre for Science and Environment, a New Delhi based non governmental organisation has kept an eye on the NREGA implementation and particularly on the ecological regeneration works. The report made by CSE has told the challenges in front of NREGA implementation.

Samarthan with the collaboration of PACS (Poorest Area Civil Society programme) produced the audit report of the NREGA in Madhya Pradesh and Chhattisgarh. This

³⁸ Raghbendra Jha, Raghav Gaiha and Shylashri Shankar: 'National Rural Employment Guarantee Programme in India — A Review', ASARC Working Paper 2008/01 accessed at http://rsdgs.anu.edu.au/papers/asarc/wp2008_01.pdf on 11-11-2007

³⁹ Raghav Gaiha: 'How dependent are the rural poor on the employment guarantee scheme in India?', *Journal of Development Studies*, Vol. 32, No.5, 1996, p 669 - 694

organisation has produced two monitoring reports which have become very useful for this study.

There are some websites which deals the social sector issues have been used also for this study have been mentioned in the bibliography.

The ILO was consulting the World Bank and the I.M.F about the future of Social Security. The message from these international organisations that whatever schemes were introduced, they should be affordable and sustainable with reference to the capacity of the national economy. Many countries were passing through recession and the pace of Social Security funding had slowed down with the result that some countries were thinking in terms of dismantling Social Security; others were thinking in terms of reducing the level of benefits to the minimum, and leave higher protection to private efforts. Thus, a situation had arisen where the entire concept of Social Security as well as the programmes called for a serious review. It is clear from the foregoing that the issues of Social Security are multidimensional. While discussing at length the adequacy of the available benefits; some also speak of the sustainability of the schemes and their problems of funding. The argument for coverage of entire population looks unsustainable in the views of Director General; I.L.O. who feels that coverage of already better offs bears more heavily on the poorest. The issue regarding extending the protection to unorganised and rural lot is more serious than adequacy of benefits to the already enjoying segments. While the social security practitioners think that social security for the entire population is some thing which should be thought of more cautiously considering the burden on the national economies and the burden on the poorer sections of the society, Prof Amartya Sen and Jean Dreze say that the focus of the social security is to enhance and protect people's capabilities to be adequately nourished, to be comfortably clothed, to avoid escapable morbidity and preventable mortality. The average experience of poorer populations understates the precarious nature of their existence, since a certain proportion of them undergo severe and often sudden dispossession, and the threat of such a thing happening is ever present in the lives of many more. The decline may result from changes in personal circumstances or from fluctuations in the social surroundings. Therefore, we may understand the social security as the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining standard of living arising from a number of basic risks and needs⁴⁰.

⁴⁰Amartya Sen and Jean Dreze: "*Public Action for Social Security Foundation and Strategy*". Oxford University press, New Delhi, 1991, p 4

The studies conducted by ILO in India have focused on the social security for the workers in the unorganized sector. In one of its papers, the author of the paper Wouter Van Ginneken has stated .The availability of contingent social security in India is extremely skewed in favour of public employees and workers in the organized sector who constitute only 10 percent of the workforce. The poor in the unorganized sector, who are the bulk of the workforce- dependent on self employment and casual labour, have recourse only to limited social assistance schemes implemented by state Governments with widely varying levels of effectiveness. In the organized private sector employment, formal social security schemes suffer from shortcomings in coverage, access, and efficient delivery. They also largely leave out casual or contract employees who fall outside the purview of the organized private sector and who are nearly three times the number of the employees within this sector⁴¹ .

I L O also went in the same direction without concretely saying what actually be done to cover vast majority of uncovered lot in its own words, ILO says .The social security package, as gleaned from the study, seems to indicated that either as adjuncts or components of welfare activities, the programmes and measures broadly connoting the concept of social security, however sporadic have acquired a fair degree of responsibility, though the total effort might seem wholly inadequate if judged in the context of the enormous proportion of the population still excluded from the ambit of social security protection. Social security measures for the informal sector are indeed noteworthy steps in filling the vacuum bit by bit and in building an infrastructure environment for social security development. Prof. Indira Hirway went to the extent of saying that one important question, however, is regarding integration of poverty issues in these programmes. It will be useful, therefore, to examine the present set of social security programs from this point of view. It is recognized that social security measures are an essential component of anti poverty programs as: a) the poverty of the population in the bottom-most deciles, which is mainly due to destitution, can be eased only by appropriate social assistance schemes. b) The poverty of the un/under employed also can be eradicated by guarantee of work, and c) the poor can be supported in vulnerable situations (i.e. old age, sickness, and death) and protected from exploiters through appropriate social security measures. In other words it is an income guarantee or income security to the labour force.

On the other hand, Professor Mahendra Dev says that the social security programs would be successful only when utilization of funds is proper and which is possible with the improvements in the literary standards of the population. In his own words, .It is true that

⁴¹Wouter Van Ginneken: "*Social Security For All Indians*," Oxford University Press, New Delhi, 1998, p 78

there is a need for increase in social expenditure for a poor country like India. Nevertheless, merely increasing funds is not enough if our aim is to reach the poor effectively. Between allocation of funds and effective utilization of the existing funds, more weightage should be given to the latter. Education for the poor seems to be a crucial parameter for the success of social security programs in India. The workers in the organized sector are regarded as socially protected and those in the unorganized sector as socially unprotected. The socially un-protected workers tend to be poor and constitute a high priority target group for social policy and action.

The Planning Commission also many times felt the need to have carefully drafted social security programs. When the planning for the country has been taken up for the overall growth of the country in terms of economic and social well being of population and work force within the population, the very first five years plan had envisaged establishment of programmers for old age income and survivor benefits. The plan document says, "The mandays lost on account of sickness and disability constitute a heavy drain not only on the slender resources of the industrial workers but also on the industrial output of the country. Lack of social security impedes increased production, leads to larger labour turn-over and prevents building up of a stable and efficient labour force.. The plan document further says. In all advanced countries the worker is protected against various types of risks such as, sickness, unemployment, old age, employment injury, maternity, invalidity, etc. In India also, some of the risks to which a worker is exposed have been covered by the Workmen' Compensation Act and the Maternity Benefit Acts of the various State Governments. .. Another measure which can provide for the future of the workers is the institution of provident funds. It would be desirable to make a modest beginning in respect of three groups of persons, the physically handicapped, old persons unable to work, and women and children where they are altogether lacking in the means of livelihood and support. Assistance for them will have to come from voluntary and charitable organisations, municipal bodies, Panchayat Samitis and panchayats and voluntary organisations. The existing social security schemes would be reviewed for their efficient and cost effective functioning and to ensure high level of workers satisfaction. The emphasis would be on automation and computerization, human resource development and effective public relations besides restructuring of the organisations to undertake vastly expanded responsibility when the schemes are extended to the entire working population. A well-formulated scheme of social security for the unorganized rural labour would be designed to provide protection in contingencies resulting in stoppage or



diminution of income. The existing welfare schemes of the unorganized sector being widely scattered and fragmented, attempts would be made to properly integrate these schemes. Labour regarding social security for the workers in the rural unorganized sector would be examined⁴². In the unorganised sector, there are a large number of self-employed persons with a reasonable level of income, but do not have a mechanism for earning a risk-free and reasonable return on their savings for retirement. And the low-income groups have no credible institution, where they can save during their active working life and earn an assured return for income support during retirement. Moreover, there is no prospect of a single employer employee relationship in the unorganised sector, whether for the self-employed or for the wage employed. The self employed persons and the low-income wage employed frequently take recourse to informal market, where the failure rate is high. The second national commission on labour, which has submitted its report after 43 years of the first national commissions report very, clearly mentioned that:

- There is a need to consider social security as fundamental right. State should bear the responsibility to provide a basic level of social security, leaving room for partly or wholly contributory schemes.
- The benefit structure of the Employees State Insurance (ESI) scheme should be unpacked.
- Immediate steps should be taken to extend the scope of the Act for the purposes of employment injury benefit and maternity benefit throughout the country.
- A law to place all the provident funds under a common regime.⁴³

The literature so far reviewed however, does not go in to the details of the functioning of the organizations established for the delivery of Social Security Benefits for attacking contingent poverty, though the recent initiatives can not be ignored. There are several stray comments on the efficiencies of the organizations but empirical approach to examining the shortfalls is not seen. However, it can be inferred from the literature that not only the reforms to social security systems in India are an urgent need in terms of their administration, benefit delivery, coverage of target population and sustainability of funding but the proper implementation is also necessary.

In this dissertation my focus should be analyse some questions which has emerged out of

⁴² Planning Commission of India: 'Plan Document', GOI, accessed at <http://planningcommission.nic.in/> on 11-11-2007

⁴³ Report of the second National Commission on Labour, 2002

the review of the available literature .In this study, I have attempted to understand the status of Indian state ,whether it has emerged as the welfare state or still remain a state with a welfarist or developmentalist orientation, with the tool of social security .For this I have divided this dissertation into five chapters, In chapter 1,which is the introductory chapter , in this chapter I have attempted to sketch a brief overview of Social Security System in India . Chapter 2 outlines an understanding of the preparation of National Rural Employment Guarantee Act. Chapter 3 describes how far NREGA has been able to fulfil its promise? , How successful have been the NREGA in poverty alleviation and employment generation in rural areas? What has been the impact of NREGA on wage rates, poverty and unemployment in rural areas? , Chapter 4 describes the status of NREGA's performance so far. What is the regional dimension regarding implementation of the NREGA. Why are some states doing better than others in implementing NREGA? In what ways, provisions of NREGA such as social audit help in effective implementation of NREGA? , states where NREGA is doing well (for example Rajasthan, Madhya Pradesh, Chhattisgarh) and the states who fail (for example Jharkhand, Uttar Pradesh and Bihar) to implement NREGA? Is there any change of People's life after the implementation of NREGA? Chapter-5 focuses the social security provisions for the unorganised sector of workers in India, this chapter analyses the importance of unorganised sector and government's initiative to secure them from the economic adversaries. Chapter-6 concludes the study

Chapter 2

Precursors and Preparation of NREGS

Socio-Economic Background of the making of NREGA

There is no doubt that employment generation has emerged as not only the most important socio-economic issue in the country today, but also the most pressing political concern. The mandate of the last general elections was clear on this: the people of the country had decisively rejected policies that had implied reduced employment opportunities and reduced access to and quality of public goods and services. Indeed, one of the main reasons for the defeat of the previous government was the widespread dissatisfaction with that government's economic policies. The complete collapse of rural employment generation (which that government tried to cover up through statistical jugglery and false, even insulting claims about "India shining") was a dominant cause of public dissatisfaction.⁴⁴

The latter part of the 1990s witnessed total rural employment (of all kinds - that is self-employed and wage labour, principal or subsidiary occupation, full-time or part-time) growing at the miserable rate of only 0.58 per cent per year, at a time when the rural population was growing at around 1.7 per cent per year. Subsequently, matters have hardly improved, although the lack of comparable data does not allow making meaningful calculations of the rate of change. This was why almost all the political parties that formed the ruling United Progressive Alliance, as well as the Left parties that have extended outside support, made the issue of employment a major plank in their electoral campaigns and their manifestos. And the promise to do something about rural employment generation in particular was probably one of the most significant promises that actually resonated with the electorate. Therefore, it was only to be expected that the promise of generating rural employment through public works programmes would find major expression in the declared programme of the UPA government - avoiding it would have meant a major retraction from all the promises that have actually won this new government its current power. Fortunately, the UPA government has recognised the importance of this issue, and the need to do something to regenerate rural economic activity in particular. One of the first sections of the Common Minimum Programme of the UPA government makes the following promise: "The UPA government will immediately enact a National Employment Guarantee Act. This will provide a legal guarantee for at least 100 days of employment on asset-creating public works programmes every year at minimum wage for every rural household."⁴⁵ This is not a new idea

⁴⁴ C. P. Chandrasekhar, Jayati Ghosh: 'How Feasible Is a Rural Employment Guarantee?' *Social Scientist*, Vol. 32, No. 7/8, (Jul. - Aug, 2004), p 52-53

⁴⁵ Common Minimum Programme of UPA government, document accessed at <http://pmindia.nic.in/upa-en-2004-07.pdf> on 12-01-2008

- the United Front government in 1991 had floated such a scheme, and it has already been sought to be implemented in some form by state governments such as those of Maharashtra over several decades. However, such a commitment by the UPA government was indeed new, firstly because it promised to make this a legal right of all citizens, and secondly because the onus of finding the funds for such a programme (if not the actual implementation) rests squarely with the central government rather than with the states.⁴⁶

Another important initiative of UPA government was to pass the Right to Information Act 2005⁴⁷. It is because of this act, NREGA could have implemented. The MKSS (Majdoor Kisan Shakti Sanghatan)⁴⁸ worked hard to raise people's awareness in Rajasthan, not only of the mechanics of corruption, but also of their own efficacy as agents of collective action. As a result, the MKSS spearheaded a movement to pressure the state government of Rajasthan to enact a law recognising people's Right to Information, a necessary precondition for this kind of grassroots anti-corruption activism to proliferate. There have been similar developments in other states, though the methods and outcomes have varied enormously. In the state of Kerala, India's most far-reaching programme of democratic decentralisation, initiated by a leftwing coalition government in the mid 1990s, included provisions for participatory auditing of public expenditure in each village. Both in Kerala and in other states (including Goa, Maharashtra, Madhya Pradesh and Tamil Nadu), governments passed Right to Information laws. Some were more liberal than others, and the take-up of this right by people seeking to expose corruption has been uneven at best⁴⁹.

But, by 2000, the link between access to government-held information and the ability of ordinary people to combat corruption at levels that afflict them in direct personal terms had been firmly established in public debate and in policy discussions at the national level. Indeed, in 2000, the previous government in New Delhi – the National Democratic Alliance, headed by the Bharatiya Janata Party's Atal Behari Vajpayee – passed India's first nationwide Freedom of Information legislation. A wide range of activist groups, including a Delhi-based organisation called Parivartan⁵⁰, have used its provisions to expose malfeasance and to help improve the responsiveness of service providers in the capital. Parivartan, the MKSS and

⁴⁶ Art.Cit. Common Minimum Programme of UPA government, document accessed at <http://pmindia.nic.in/upa-en-2004-07.pdf> on 12-01-2008, p-55

⁴⁷ The Entire Bill of Right to Information is available in the website <http://RTI.gov.in/>

⁴⁸ Mazdoor Kisan Shakti Sanghatan (MKSS): A Rajasthan based Organisation headed by Aruna Roy <http://www.mkss.org>

⁴⁹ Rob Jenkins: 'Democracy, Development and India's Struggle against Corruption', *Public Policy Research*, sep-dec 2006, p 153

⁵⁰ Parivartan: A Delhi based NGO <http://www.parivartan.org.in/>

other groups pressed the UPA government to replace this initial Freedom of Information Act with more substantial legislation. In June 2005, the UPA government engineered the passage of a new Right to Information Act, which provides access to information from virtually all levels of government, as well as, from state-owned firms and other parastatal entities. These and other developments are promising signs that segments of India's vast civil society may be in a position to work with sympathetic elements within the state to peel back the veil of secrecy that, as much as over-regulation, permits corruption to flourish.

The NREGA is the flagship scheme of the ruling United Progressive Alliance (UPA) government. During the 2004 general elections, the Congress party had promised to bring in such a legislation keeping in mind India's widespread rural unemployment and poverty. In August 2005, the Indian Parliament unanimously passed the Act. It came into force in 200 districts on February 2, 2006 and aims to cover the whole of rural India by 2010. The Act is a significant legislation in many ways⁵¹.

The NREGA is one of the largest single rights-based social protection initiatives in the world. The national budget for the financial year 2006-2007 was Rs 11,300 crores (about US\$2.5bn and almost 0.3% of GDP). Once fully operational — by which time it will cover 40 million households living below the poverty line — it is estimated that the scheme will cost about four times this amount. Jean Dreze and others have suggested that funds of this magnitude could be mobilised from better tax administration and reforms. Critics argue that the government has so far done little to impose taxes on prosperous sections of society and has missed many opportunities to extract funds for such programmes⁵².

The affordability of NREGA has been an issue of wide debate in India, and opponents have warned that the programme will contribute to a fiscal crisis. Estimates of how costly the programme will end up being vary between 1% and 5% of GDP. It has been argued that the programme is too open-ended — i.e. it entitles anyone to obtain employment, which could also lead to escalating costs⁵³. The Ministry of Finance, which has been concerned over the potential cost of the programme since its inception, has insisted that the low current absorption of funds means that the additional districts can be accommodated with a marginal

⁵¹ Raghendra Jha, Raghav Gaiha and Shylashri Shankar: 'National Rural Guarantee Programme in India--A Review', Australia South Asia Research Centre (ASARC) Working Paper 2008/01 accessed at http://rspgs.anu.edu.au/papers/asarc/wp_2008_01.pdf on 03-02-2008

⁵² Disa Sjoblom and John Farrington: 'The Indian National Rural Employment Guarantee Act: Will it reduce poverty and boost the Economy?' Project Briefing, Overseas Development Institute. accessed at <http://www.odi.org.uk/publications/briefing/project.briefings/pb7-o801-nrega.pdf> on 03-02-2008

⁵³ Prabhat Patnaik: 'Bad Economics Zone?', *The Indian Express*, June 21, 2006

increase in the budget, attracting criticism from Dreze and others who maintain that the Government is not living up to its stated principles of 'inclusive growth'. When the act was passed, there was a fairly strong consensus that this was an initiative that would have the potential to transform rural India. The national coalition government described NREGA as revolutionary, and maintained that it would impact on poverty in a major way by building infrastructure and enhancing growth in rural areas. The National Advisory Council, which prepared the draft bill, was also convinced that the act would cause a major decline in rural poverty⁵⁴.

Many development professionals and writers on rural development and decentralisation referred to the act as a 'historic piece of legislation'. A large part of civil society, including the Right to Food Campaign, welcomed NREGA because the rights-based platform of the programme could make a difference to rural livelihood security by guaranteeing 100 days of employment. NREGA was also internationally recognised as an outstanding initiative seeking to safeguard the right to work, which forms a part of the Indian Constitution⁵⁵.

However, as the programme has unfolded, certain questions are being raised. Many, including some of those involved in drafting the bill, now recognise that much still needs to be done to support the rights of the poor, and to defend them against corrupt officials. The financing of the scheme continues to be an issue of debate. Criticism is also mounting from civil society: many argue that the poor implementation of NREGA makes beneficiaries believe that it is no better than other government schemes that have had little impact on poverty. Although NREGA is a path breaking project of the governing coalition, there is much political rivalry over the scheme. Ironically, the act has been far more successful in, for example, Rajasthan (a state ruled by the opposition party, the BJP) than in some of the states ruled by national coalition members. Dreze believes that this kind of competition is healthy, and may ultimately serve to enhance the overall success of the programme

The economic architect of NREGA 2005 is Jean Drèze from the National Advisory Council. Drèze (2004) estimates that guaranteeing 100 days of employment per poor household in India will cost Rs 40,000 crores per year at 2004–05 prices, or 1.3% of GDP. Once the program is phased in, it is expected that the number of poor households will decrease and with GDP rising, the program could be revised, such as to guarantee

⁵⁴ The Draft Bill NREGA is available in <http://www.nac.nic.in>

⁵⁵ Bela Bhatia and Jean Dreze: 'Employment Guarantee on the Ground: Insights from Jharkhand' accessed at http://right to food India.org/data/bhatiadreze06jharkhand_ega.pdf on 03-02-2008

employment to every adult instead of every household, or to increase the cap to more than 100 days per year. The program is targeted at labour-intensive work in the field of environmental conservation and restoration, involving asset-creating public works such as watershed development, land regeneration, prevention of soil erosion, and restoration of tanks. NREGA 2005 is a first step towards a full-fledged ELR program⁵⁶. It has been designed for the specific needs of India and it will be carefully phased in and merged with the pre existing public works programs over the next five years. It is expected that rural poverty will diminish significantly and that land productivity and environmental conditions will be enhanced as well. The Indian experience shows that ELR schemes are not exclusively for rich countries, and that developing countries are also capable of implementing full employment policies.⁵⁷

Predecessor of the NREGA

The EGS of Maharashtra is the only precedent to the NREGA. This Employment Guarantee Scheme (EGS) was an entitlement scheme. It entitled any rural resident of the state to a job and fulfils this guarantee by creating a system of public works designed to promote rural development. EGS is the brainchild of the Congress socialist leader, *V S Page* by which it takes its name, the Page scheme.⁵⁸

While this scheme was indeed shepherded through the legislature by Page, it was conceptualised as a demand by a movement that emerged in Maharashtra against the state, on account of the drought that affected it in the late 1960s and especially in the early 1970s. This scheme was adopted by the state after the people's movements, led by the socialist and left parties and other activist groups perfected its design. It thus included specific provisions, which were sensitive to workers' rights, and to issues and processes relating to an unequal sexual division of labour. More generally, this scheme incorporated three dimensions in its design that articulated people's aspirations. These are (a) that work will be given on demand

⁵⁶ The idea of government as the employment guarantee, or the employer of last resort (ELR), has been present in economic literature since the seventeenth century. The need for an employment guarantee, or ELR, program became more urgent after the industrial revolution. Capitalist economies lack an inherent mechanism to create full employment. The Great Depression was the worst episode of the system's failure to deliver full employment. At that time, John Maynard Keynes was one of the few economists who challenged the conventional wisdom by arguing that capitalism, when left to its own devices, will not gravitate towards full employment, and suggested that government intervention was required in order to jump-start the economy and help achieve and maintain full employment.

⁵⁷ Centre for Science and Environment(CSE): An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA), A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, NEW DELHI accessed at <http://www.cse.india.org/> on 20-02-2008

⁵⁸ John Echeverri-Gent: 'Guaranteed Employment in an Indian State: The Maharashtra Experience' *Asian Survey*, Vol. 28, No. 12. (Dec., 1988), p 1294-95

to all, (b) that this is a statutory right, protected by law, and (c) that a separate and autonomous EGS fund, accrued from taxes levied on urban professionals is used to finance this scheme.⁵⁹

The EGS had generated 178 million work days in 1984-5, approximately 10 days of employment for each worker in the rural labour force, or a 300-day work year for 593,337 workers-3.4% of the rural work force. Expenditures had risen steadily over the years and totalled Rs.2.3 billion in 1985-6. In those years the program had accounted for more than 12% of all expenditures in Maharashtra's annual plan, this scheme even caused warnings that the EGS could lead to a fiscal crisis.⁶⁰

Seven departments were responsible for the implementation of the EGS. At the state level, the Planning Department was supposed to manage the EGS Fund and budgets expenditures for each of the state's districts. The structure of EGS administration at the district level had been described as an organizational matrix officers in the technical departments were responsible for implementing EGS projects (i.e., Irrigation, Public Works, Agriculture including Soil Conservation, and Forestry) and the *zilla parishads* (district councils) were subject to the authority of officials in the Revenue Department as well as to their departmental superiors. Coordination among them was achieved through the Revenue Department as well as through EGS committees that had been established at the state, district and *tahsil* (sub district) levels. The membership of these committees included officials from the Revenue and technical departments, politicians and, at the state level, academic experts. Matrix organizational structures were particularly suitable for an organization with competing objectives, each of which was equally important to achieve.⁶¹

EGS planning work took place primarily in the state's 289 *tahsils*. Local politicians suggested projects at *tahsil* EGS committee meetings or under more informal circumstances- at the offices of technical officers or at EGS project sites. Technical department officers investigated the practicality of the suggestions, survey sites, and draw up plans that were reviewed and given technical sanction by departmental superiors at the district level. The senior Revenue Department official at the *tahsil* level, the *tahsildar*, was responsible to collect these plans and assembled them into what was known as a "blueprint" that contained a "shelf" of project plans sufficient to supply two years of EGS employment for the *tahsil*.

⁵⁹ Art.Cit. John Echeverri-Gent: 'Guaranteed Employment in an Indian State: The Maharashtra Experience'

⁶⁰ Ibid.

⁶¹ Ibid.

Tahsil blueprints were then forwarded to the district collector who assembled them into a district-level blueprint and submitted them for approval to the district EGS committee. The district blueprint was then reviewed by the Planning Department.⁶²

People desiring work in the EGS were supposed to register with either the *tahsildar* or a designated village-level official. The *tahsildar* could either assigned these applicants to an ongoing work site or, upon receipt of at least 50 requests, begin a new project. To initiate a new project, the *tahsildar* selected a plan from the blueprint and submitted it to the district collector for review and administrative sanction. Upon his sanction, the collector selected a technical department to implement the project and allocated the necessary funds. Revenue Department officials were encouraged to provide work in projects located not more than seven kilometres from a labourer's residence even though the statutory guarantee required only that workers were to be given employment within the district where they lived.⁶³

If the *tahsildar* failed to assign them to a project within 15 days of their requests, applicants were legally entitled to unemployment compensation of one rupee per day. In sum, the government of Maharashtra had fashioned an administrative structure that responded to the formidable challenge of implementing the EGS throughout Maharashtra's 36,000 villages. The matrix structure of administrative authority, decentralized planning, and the Revenue Department's coordination of work performed by the various technical departments combined to make it possible for the EGS to meet local developmental needs.⁶⁴

Coming back to NREGA, given the rising demand for food grains in future and irrigated areas having reached their plateau of productivity, development of rain-fed areas holds the key to future food security. But India's rain-fed areas have been in the throes of an agrarian and unemployment crisis. That is the reason why the Act gives importance to agriculture and irrigation. Additionally, to meet this huge employment demand, it advocates productive use of the forestry sector for livelihood generation. The Act attempts to unlock the potential of the rural poor to contribute to the reconstruction of their environment. To achieve this, it has laid emphasis on creation of productive assets in villages. Out of nine preferred areas of works under the NREGA, seven focuses on water and soil conservation. The attention of the scheme is on the following works in their order of priority:

A) Water conservation and water harvesting B) Drought proofing (including afforestation and

⁶² John Echeverri-Gent: 'Guaranteed Employment in an Indian State: The Maharashtra Experience', Art.Cit, p 1297-98

⁶³ Ibid.

⁶⁴ Ibid

tree plantation) *C*) Irrigation canals (including micro and minor irrigation works) *D*) Provision of irrigation facility to land owned by households belonging to Scheduled Castes and Scheduled Tribes or to land of beneficiaries of land reforms or that of the beneficiaries under the Indira Awas Yojana of the government of India *E*) Renovation of traditional water bodies (including desilting of tanks) *F*) Land development *G*) Flood control and protection works (including drainage in water-logged areas) *H*) Rural connectivity to provide all-weather access *I*) Any other work, which may be notified by the Central government in consultation with the state government⁶⁵.

Under the NREGA each state is required to formulate a Rural Employment Guarantee Scheme within six months of its enactment. As mentioned above the broad features like preferred works are non-negotiable. Thus no state can change it under its state scheme. Till the time the state has not formulated the scheme and its guidelines, the annual or perspective plan under the SGRY or the NFFWP, whichever is in force in the state, will work as action plan for NREGA implementation. Broadly, the village and intermediary Panchayats manage the implementation activities while coordination activities are done at the district Panchayat level. Planning, supervision and monitoring take place at all levels. However, at every level the agencies concerned are accountable to the communities. Village Panchayats are the nodal implementing bodies for the NREGA. Local bodies will plan, design and execute the works to be taken up. This is a step towards making this Act a participatory process and empowering people at the grassroots level. At least 50 percent of the works under the scheme will be implemented through village panchayats⁶⁶.

Currently, according to the Union ministry of rural development, village panchayats are implementing close to 85 percent of all works under the Act. The Act mandates the Panchayats to prepare village-level plans based on local resources and needs. These plans are then implemented using the NREGA, which effectively insulates them from political whims and pressures⁶⁷.

The Gram Sabha (village council) is the statutorily mandated institutional mechanism for community participation. In addition, other methods of community participation could be instituted: local vigilance and monitoring committees, workers associations, local beneficiary committees, self-help groups, users groups and other grassroots structures. The village

⁶⁵See the National Rural Employment Guarantee Act (NREGA), is available on the Website of NREGA-
<http://www.nrega.nic.in>

⁶⁶ Ibid

⁶⁷ Ministry of Rural Development <http://www.rural.nic.in/>

council takes the decision to formulate such users groups. Implementation of the NREGA starts from the Gram Sabha, which first declares the implementation of the scheme. The Gram Sabha also takes charge of popularizing the scheme for registration of people and also the procedures to demand works. The Act authorises the Gram Sabha to recommend works to be taken up under the scheme, to monitor and supervise these works, and to conduct social audits of the implementation. The village Panchayat is responsible for planning of works, registering households, issuing job cards and monitoring implementation of the scheme at village level⁶⁸.

The Act advises appointment of employment guarantee assistant in each panchayat for this purpose. The intermediary Panchayat is responsible for planning at the block level, and for monitoring and supervision. This tier of Panchayat is also given works for implementation from the 50 percent not implemented under the village Panchayat. District Panchayat is responsible for finalising the district plans for NREGA which is a comprehensive plan of action for the scheme for the district. District Panchayat can also implement works from the 50 percent non-village Panchayat pool. The state government formulates regulations to facilitate the overall implementation. It sets up the State Employment Guarantee Council to advise the government on implementation of the scheme, and to evaluate and monitor it. The council also takes decisions on the preferred works to be undertaken in the state. The central government's rural development ministry is the nodal ministry for implementation and fund disbursement. It also monitors and evaluates the scheme. Besides it sets up the Central Employment Guarantee Council for advising it on various issues related to NREGA⁶⁹.

NREGA is primarily implemented through two planning documents at district level called district perspective plan and annual plan though the district Panchayat coordinates these planning the other two tiers of Panchayat play crucial roles in the exercise. These two documents are designed as local five-year plans that take care of local needs. Based on these plans the Panchayats identify works. The annual plan is basically a shelf of works to be taken up under the schemes and must be completed by December for the next year plan. The works are selected keeping in mind its impact on local development. The district perspective plan is intended to facilitate advance planning and to provide a development perspective for the district. This plan is prepared based on the linkages of assets to be created that will help in

⁶⁸See the National Rural Employment Guarantee Act (NREGA), is available on the Website of NREGA-
<http://www.nrega.nic.in>

⁶⁹Ibid

local development. This plan is usually for five years and based village level inputs from Panchayat⁷⁰.

However, this particular promise is already being excoriated in the financial press, and by sceptical observers who find any public outlays that benefit the common people to be "populist" and undesirable, even when they wholeheartedly approve of fiscal measures that end up transferring huge amounts of public assets and resources to large capital and the already rich. The main criticism that is being raised against this programme is that it would simply be too expensive and therefore impossible for the government to fulfil this particular promise. All kinds of extravagant claims are being made about the fiscal outlays that are required, and the numbers are so inflated as to make the attempt appear to be impossible. In this context, it is worth investigating the actual costs likely to be associated with this programme in a more realistic way. The first point to bear in mind is that, while the employment guarantee is a legal guarantee provided to every rural household, quite obviously every such household would not take up the offer. Employment schemes have the great virtue of being self-selecting by the poor (and therefore not requiring targeting) since anyone who can get income above the minimum wage through any other activity would not be interested. Therefore, it is likely that only a proportion of rural households would choose to avail of the offer and take up such employment, and even among such households, not all of them would choose to take up such employment for the full 100 days that are promised⁷¹.

Given the prevailing estimates of rural poverty, wage incomes and occupational structure of the rural population, the chances are that between one-third to around 40 per cent of all rural households would choose to exercise this right across the country - which is between 49 to 59 million households. This does not necessarily mean that only this number of households would be involved in such a programme; rather, that the total number of employment days that would require to be generated would be around that number, with possibly more households than that participating but some households taking less days of work from such programmes⁷².

In these circumstances, there is a clear need for targeted anti-poverty programmes. The results of these programmes have been mixed. Although there are so many schemes which

⁷⁰ Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, New Delhi accessed at <http://www.cse.india.org/> on 20-02-2008

⁷¹ C. P. Chandrasekhar, Jayati Ghosh: 'How Feasible Is a Rural Employment Guarantee?', *Social Scientist*, Vol. 32, No. 7/8, (Jul. - Aug, 2004), p-53

⁷²Ibid, p-54

are formulated to affect poverty directly or indirectly, some of them are worth mentioning. . One of the major reasons for less effectiveness is the lack of proper implementation and right targeting. Moreover, there has been a lot of overlapping of schemes. Despite good intentions, the benefits of these schemes are not fully reached to the deserving poor. Therefore, the major emphasis in recent years is on proper monitoring of all the poverty alleviation programmes⁷³.

Analysis of the Anti Poverty Schemes from 1997-2006

Here the aim is to analyse some of the anti-poverty programmes (APP) between 1997 and 2006, and discuss the extent to which the performance of APP since the 9th Plan measures up to the pro-poor objectives which schemes set for themselves. It also provides a set of recommendations for policy makers and programme implementers which could help to improve APP performance. The programmes selected are: Integrated Rural Development Programme (IRDP)/*Swarnjayanti Gram Swarozgar Yojna* (SGSY); *Jawahar Rozgar Yojna* (JRY)/Employment Assurance Scheme (EAS)/ *Sampoorna Grameen Rozgar Yojna* (SGRY) and National Food for Work (NFFW); *Indira Awas Yojna* (IAY); National Social Assistance Programme (NSAP), especially pensions; Drought Prone Area Programme (DPAP), Desert Prone Programme (DPP) and Integrated Wastelands Development Programme (IWDP); Targeted Public Distribution System (TPDS)/Antyodaya; and two major tribal welfare schemes - Special Central Assistance (SCA) to Tribal Sub-Plan (TSP) and Grants under 2751⁷⁴.

Although the Constitution of India does not mandate any significant role for the central government in poverty alleviation programmes, such schemes have been a part of Government of India's (GoI's) budget right from the early 1970s. These were basically of three types; (i) schemes to promote self-employment; (ii) creating new work opportunities for wage labour; and (iii) the third category focused on backward areas, arid areas, hilly regions, etc., of the country. Since then the names have changed, but objectives have not; and the current schemes in the Ministry such as SGSY, SGRY, National Rural Employment Guarantee Programme (NREGA) and IWDP (including DPAP and DDP) too are serving the three good old aims of promoting self-employment, wage employment and area development respectively⁷⁵.

⁷³Poverty as a Challenge, Chapter-3, *Economics*, accessed at <http://www.knowledgewithoutlimits.com/madira/Economics%201X%20003.pdf> on 03-03-2008

⁷⁴N.C. Saxena: 'Rural poverty reduction through centrally sponsored schemes', *Indian J Med Res*, Vol. 126, October 2007, p 381-82

⁷⁵ Ibid.

In addition, there are now programmes for providing basic infrastructures for better quality of life in rural areas, such as rural housing, and programmes for social security of the poor and destitute, such as old age pensions. The annual allocation for the tribal schemes and NSAP is part of the Additional Central Assistance, which is decided and allocated annually by the Planning Commission, and is released by the Finance Ministry to the State governments. Food allocations are done by the Food Ministry to the States for TPDS on the basis of their share in poverty, and on the directions of other Ministries for welfare schemes (RD) for SGRY, Human Resource Development (HRD) for Mid-day Meals, *etc.* Allocations for the rest four schemes are decided annually by the RD Ministry, on the basis of its overall annual plan ceiling, as also the five yearly allocation of each scheme indicated by the Planning Commission in the current Five-Year Plan. These funds are transferred by the Ministry direct to the districts, bypassing the State legislatures and the State Finance Departments. The Plan budget of the RD Ministry was Rs 7,070 crores in 1994-1995, increased to Rs 9,760 crores in 2000-2001, and to Rs 24,480 crores in 2005-2006. The share of this Ministry in the total plan of central Ministries supported by the budget has generally been more than 20 per cent. The increase in the allocation of the RD Ministry over the last 15 years is part of the general strategy of GoI to increase transfers to the States via the central Ministries at the cost of general purpose transfer via the Planning Commission⁷⁶.

Within the central Ministries, the social sector schemes receive a higher share now as compared to the previous Plan periods. GoI has thus increased its control over the schemes implemented by the States in three ways, firstly through substantial funding of Centrally Sponsored Schemes (CSS), the budget for which is now more than the Central Plan Assistance as against a norm of 1/6th fixed by National Development Council (NDC); secondly much of it goes straight to the districts, thus bypassing the States and placing district bureaucracy somewhat directly under the supervision of the GoI; and thirdly more than half of Central Assistance even from the Planning Commission is given in the form of Additional Central Assistance (ACA) for specific schemes, which is often not formula based but where the GoI Ministries often have some control over the State allocations and releases⁷⁷.

National Rural Employment Guarantee Act (NREGA) 2005. One third of the proposed jobs would be reserved for women. The central government will also establish National Employment Guarantee Funds. Similarly state governments will establish State Employment

⁷⁶ Op.Cit, N.C. Saxena: 'Rural poverty reduction through centrally sponsored schemes', p 384-85

⁷⁷ Ibid.

Guarantee Funds for implementation of the scheme. Under the programme if an applicant is not provided employment within fifteen days he/she will be entitled to a daily unemployment allowance.

Another important scheme has been the *National Food for Work Programme* (NFWP), which was launched in 2004 in 150 most backward districts of the country. The programme is open to all rural poor who are in need of wage employment and desire to do manual unskilled work. It is implemented as a 100 per cent centrally sponsored scheme and food grains are provided free of cost to the states. Once the NREGA is in force, the NFWP will be subsumed within this programme⁷⁸.

Prime Minister Rozgar Yojana (PMRY) is another scheme which was started in 1993. The aim of the programme is to create self-employment opportunities for educated unemployed youth in rural areas and small towns. They are helped in setting up small business and industries⁷⁹.

Rural Employment Generation Programme (REGP) was launched in 1995. The aim of the programme is to create self employment opportunities in rural areas and small towns. A target for creating 25 lakh new jobs has been set for the programme under the Tenth Five Year plan⁸⁰.

Swarnajayanti Gram Swarozgar Yojana (SGSY) was launched in 1999. The programme aims at bringing the assisted poor families above the poverty line by organising them into self help groups through a mix of bank credit and government subsidy. Under the *Pradhan Mantri Gramodaya Yojana* (PMGY) launched in 2000, additional central assistance is given to states for basic services such as primary health, primary education, rural shelter, rural drinking water and rural electrification. Another important scheme is *Antyodaya Anna Yojana* (AAY)⁸¹

The Mid-term Appraisal of the 9th Plan had assessed some of the rural development schemes. The IRDP/ SGSY appears suffers from numerous defects including sub-critical investment levels; non-viable projects; lack of technological and institutional capabilities in designing and executing projects utilizing local resources and expertise; illiterate and

⁷⁸For more information of *National Food for Work Programme*, follow this link, accessed at <http://rural.nic.in/nffwpguidelines.htm> on 05-03-2008

⁷⁹For more information of *Prime Minister Rozgar Yojana*, follow this link, accessed at <http://megindustry.nic.in/citizen/html> on 05-03-2008

⁸⁰For more information of *Rural Employment Generation Programme*, follow this link, accessed at <http://megindustry.nic.in/regprog.htm> on 05-03-2008

⁸¹For more information of *Antyodaya Anna Yojana*, follow this link, accessed at <http://fcamin.nic.in/dfpd/Eventdetails.asp?eventId=29%section=PD&ParentID=o&Parent=1&check=0> on 05-03-2008

unskilled beneficiaries with no experience in managing an enterprise; indifferent delivery of credit by banks (high transaction cost, complex procedure, corruption, onetime credit, poor recovery); overcrowding of lending in certain projects such as dairy; poor targeting with a high proportion of the non-poor included; absence of linkage between different components of the SGSY; rising indebtedness; poor access to markets, and the capacity of government and banks to implement the SGSY being outstripped by the increase in its scale⁸². A disturbing feature of the SGSY in several States has been the rising indebtedness of its beneficiaries.

Evaluation of the programmes for wage employment also reveals serious weaknesses: inadequate employment and thin spread of resources; widespread use of machines, violation of material labour (60:40) norms; fudging of muster rolls; and schemes implemented universally through contractors who sometimes hired outside labourers at lower wages. Central norms of earmarking, such as 40 per cent of funds for watershed development and 20 per cent for minor irrigation, have not been followed. Today Rs 60 out of Rs 100 in wage schemes is reserved for wages, but in reality only Rs 10 to Rs 15 actually goes to the labourer, the rest is illegal income for bureaucracy, contractors and politicians⁸. With the declaration of an employment guarantee, districts will find it even more difficult to prepare suitable labour intensive projects, and supervise the quality of works and genuineness of payment⁸³.

The programme for rural housing, although quite popular because of the large sum involved, has led to a strengthening of dependence of the rural poor on the elite. Given the large number of potential beneficiaries awaiting the allotment of a free house and limited resources a situation has been created wherein the poor are divided among themselves. There is pressure from the local MLAs and MPs to ensure that their followers are prioritized for the allocation of a house. Thus the scheme dis-empowers the poor collectively while providing a small number of them individually with a valuable asset. Instances of corruption to the tune of Rs 5,000 to 8,000 per house (out of Rs 25,000) have also been detected⁸⁴.

As regards the schemes of NSAP, the procedure of registration involves production of several proofs and certificates, which makes it very cumbersome. As a consequence, potential

⁸²An analysis of Swarnajayanti Grameen Swarozgar Yojana(SGSY) by Ministry of Tribal Affairs accessed at <http://tribal.nic.in> accessed on 24-12-2007

⁸³N.C. Saxena: 'Rural poverty reduction through centrally sponsored schemes', *Indian J Med Res*, Vol. 126, October 2007, p- 385

⁸⁴ *Ibid*, p-386

applicants have to undergo substantial transaction costs dealing with the bureaucracy in the application process. However, once the registration formality is completed, the pension holders did receive their entitlement without much harassment. But after 2001-2002, release of funds to the district became erratic, resulting in huge delays and uncertainty. There were complaints that the State Finance Departments did not release funds, though they received it from GoI as ACA. Huge backlogs were reported for NFBS also⁸⁵.

The three watersheds related schemes - DPAP, DDP and IWDP - should theoretically improve land productivity. Although 27.5 m ha has been treated by the end of the 9th Plan, its overall impact on agricultural production is not visible. Lack of maintenance of structures and inadequate local capacity to deal with issues of common lands are the most important causes for poor sustainability. Many successful and sustainable projects run by NGOs show that success is due to the emphasis on social issues, people's mobilization, and clear direction to government machinery to accept principles of participatory management, explicit project monitoring and strong sense of ownership by the local community. Therefore, funds should be disbursed only when State and district governments show that they are making progress in adopting more participatory approaches. With a network of more than 4 lakh Fair Price Shops (FPS) claiming to distribute annually commodities worth more than Rs 15,000 crore to about 16 crore families, the public distribution system (PDS) in India is perhaps the largest distribution network of its type in the world, at least on paper. The percentage off take of below poverty line (BPL)/*Antyodaya Anna Yojana* (AAY) food grains as percentage of allocation has gradually improved since 2001-2002 from 59.2 to 81.9 per cent in 2004-2005. However, not all States lift their entire quota, Bihar and Jharkhand being the worst defaulters, lifting less than half their allotment.⁸⁶

A Planning Evaluation Organisation (PEO) study (2005) finds that about 58 per cent of the subsidized food grain issued from the Central Pool does not reach the BPL families because of identification errors, non transparent operation and corrupt practices in the implementation of TPDS. During 2003-2004, it is estimated that of 14.1 million tonnes of BPL quota from the Central Pool, 6.1 million tonnes reached the BPL families while 8 million tonnes did not. There are errors of wrong inclusion of ghost cards and non-BPL households; only about 57 per cent of the BPL households are covered by it. As regard schemes for scheduled tribes, the total expenditure of Ministry for Tribal Affairs during the

⁸⁵Jean Dreze: Right to Food India Campaign accesses at <http://righttofoodindia.org> on 24-12-2007

⁸⁶N.C. Saxena: 'Rural poverty reduction through centrally sponsored schemes', *Indian J Med Res*, Vol. 126, October 2007, p- 386

9th Plan period was Rs 3387 crores, out of which Rs 2005 and 741 crores were on the SCA to TSP and Grants under 275 (1) respectively. SCA is primarily meant for family-oriented income-generation schemes, but non-release of SCA funds on time by the State Finance Departments to the nodal department has been adversely affecting the smooth running of income generating programmes. Moreover, SCA and SGSY have similar objectives, and it amounts to duplication of efforts. Under Article 275(1) of the Constitution, grants from the Consolidated Fund of India are extended annually to various State Governments to raise the level of administration in the Tribal Areas to that of the rest of the State, besides promoting the welfare of the scheduled tribes living therein. Here too delays by the State Finance Departments and lack of monitoring affect implementation. These funds are meant for improving infrastructure, for which there are other schemes too, thus resulting in duplication.⁸⁷

General Problems and the role of Panchayats

Besides, there are general problems, relating to lack of credible monitoring and impact analysis, and poor capacity among *panchayats* and district administration. Although the Ministry of Rural Development has always generated a lot of reports on concurrent evaluation, the quality of these reports is poor, and these do not present the correct field picture. There appears to be a great deal of difference in the conclusions drawn by the studies done by the Ministry, when compared with independent assessment by academic organizations or even the Planning Commission. However, lately, the Department of Land Resources has devised a methodology to review and rate States' performance on all watershed projects. RD and other Ministries could evolve similar methodology for all programmes, as information on financial expenditure is readily available with them⁸⁸.

As regards *panchayats*, although some village level *panchayat* leaders have done commendable work, *Panchayati Raj* Institutions (PRIs) on the whole have not benefited the people to the extent of funds provided by government. Their record in empowering the excluded people is even more disappointing. There are also administrative and personnel problems, such as shortage of technical staff at the village and block levels. Today the PRIs hesitate to levy and collect taxes, as they prefer the soft option of receiving grants from GoI. This must be discouraged. The *panchayats* should levy and collect taxes on their own in order

⁸⁷An analysis of Swarnajayanti Grameen Swarozgar Yojana(SGSY) by Ministry of Tribal Affairs, accessed at <http://tribal.nic.in> on 24-12-2007

⁸⁸Ministry of Rural Development (MoRD): 'Rural Development and the Role of Panchayats', Government of India, New Delhi, accessed at <http://rural.nic.in> on 26-12-2007

to reduce their dependence on State and central governments. For instance, Tamil Nadu collects land tax through government machinery and then transfers 85 per cent to the *panchayats*. It will strengthen horizontal accountability of *panchayat* to their constituents if the entire burden of collection is shifted to the village *panchayats*, and then receive matching grants from the Centre/States. The formula of transfer should no doubt give weightage to population and poverty, but also to efficiency, so that there is incentive to them for increasing the sources of own revenues of PRIs through own and assigned taxes and increasing their capacity to collect. State grants should be given to them only when the PRIs are able to collect a minimum percentage of the taxes assigned to them.⁸⁹

In a condition of major economic slack, such as operates in the rural economy of India today, this would have large beneficial implications for material conditions, and even contribute to increased tax revenues because of higher levels of economic activity. Second, it must be remembered that such a programme does not involve an expenditure of resources for the sole purpose of creating employment. Rather, the idea is to use the workers productively in activities which will build or maintain assets in the countryside, or provide important social or economic services. So such expenditure will yield dividends not only in terms of higher levels of economic activity in the present but also through improving the conditions of production in rural areas⁹⁰.

There is a huge range of social services that must be performed, which are now systematically underprovided across rural India. These include activities such as those performed by workers in educational and health institutions who provide maintenance and support, the provision of mid-day meals in schools, sanitation services, and the like. There is no question that greater provision of such necessary public services would greatly improve the quality of life of rural residents, and also contribute directly and indirectly to economic growth. So this amount is really not very much when seen as part of a broader public investment and development programme that is particularly focused on rural regeneration, which is unquestionably the most urgent policy focus today. In any case, some Rs. 6100 crores were already committed to rural employment schemes in the interim budget, so this involves an additional outlay of around Rs. 40,000 crores. It is evident that the proposed new outlay is well below the anticipated defence expenditure, and even below the projected expenditure on subsidies. In any case, this projected amount likely to be spent on

⁸⁹N.C. Saxena: 'Rural poverty reduction through centrally sponsored schemes', *Indian J Med Res*, Vol. 126, October 2007, p- 386

⁹⁰ *Ibid*, p- 387

employment guarantee is a trifling percentage of projected GDP - amounting to only 1.55 per cent of projected GDP at the coverage of one-third of rural households and still only 1.86 per cent of GDP at 40 per cent coverage. This is well below the proposed increased expenditure of this government on education, and indeed well below a large range of other less productive expenditures of the government. More to the point, it is substantially below the fiscal effect of the large tax give-aways of the central government, which over the period since 1980- 81, have caused the central tax-GDP ratio to fall from more than 13 per cent to less than 10 per cent⁹¹.

In sum, the employment guarantee scheme has much to recommend for itself. It costs about as much or far less than many other lower priority activities, which have in some cases have been rightly emphasised by this and previous governments. It can be dealt with in a manner which simultaneously ensures the realisation of the pressing need to increase capital formation in rural India. If properly planned and implemented it can help deliver much needed quality public services in rural India. By providing incomes to those who need it most it can help redress an unacceptable feature of the Indian economy - the persistence of large scale poverty⁹².

Though not a panacea for India's structural employment problems, the NREGA is still an important piece of legislation, both substantively and as a symbol of the Indian state's commitment to providing a safety net for its most vulnerable citizens. But perhaps the most widespread concern, expressed by many critics of the NREGA, is that the programme will be a huge source of corruption. There are ample grounds for such fears. While it is impossible to quantify the percentage of funds filched from Maharashtra's Employment Guarantee Scheme (EGS) over the years, there is no doubt that much of the money has not made it to the mainly landless people who were its intended beneficiaries (Gaiha 1996). A nexus of politicians, bureaucrats, local elites, and labour contractors have colluded to divert a large portion of EGS resources to their own pockets⁹³.

Scholars who have studied EGS' functioning in Maharashtra such as Acharya 1990; Dev 1995; Dev and Ranade 2001; Datar 1986; Herring and Edwards 1983; and Echeverri-Gent 1988 have indeed noted how this scheme emerged due to political mobilisation of the poor

⁹¹C. P. Chandrasekhar, Jayati Ghosh: 'How Feasible Is a Rural Employment Guarantee?', *Social Scientist*, Vol. 32, No. 7/8, (Jul. - Aug, 2004), p 55-56

⁹² Ibid.

⁹³ Rob Jenkins: 'Democracy, Development and India's Struggle against Corruption', *Public Policy Research*, sep-dec 2006, p -150

and also allowed for such mobilisation after it was enacted. However, there has been little or no documentation and analysis of the way this movement has emerged and how it has influenced the making of the EGS as also the way it has continued to mould the various changes that have taken place in it. Nor has there been any study, which examines the nature of this movement. They have documented and analysed this movement, launched in the late 1960s, and analysed how it consolidated itself in the early 1970s and continued to make an impact till the mid-1980s in various pockets of Maharashtra. They argue that while in its earlier stages this movement was organically connected to the mainstream established opposition parties, later it developed an ideology that critiqued the state and its development policies. At this stage, it fragmented into various sub-movements led by the left and left-oriented activist groups and disassociated itself from mainstream opposition parties and its leadership. They showed how this movement when it emerged mobilised the poor, across class, caste and gender divisions, to demand work and also posited a new vision to build an equitable agrarian society. They argue that over time, as this movement consolidated itself, it raised political consciousness regarding class, caste, tribe and gender inequalities prevalent then and confronted the state to demand protection from the processes of exploitation⁹⁴.

It may well be that corruption in employment-generation schemes such as the NREGA is relatively small potatoes compared to the massive kickbacks involved in defence procurement, or the huge bribes paid by industrialists to ensure that regulatory decisions are taken in their favour, or even the payoffs that allow urban real-estate projects to violate zoning and environmental rules. But from the perspective of the complex relationship between corruption, democracy, and growth, the abuses that afflict schemes such as the NREGA may be more consequential. After all, programmes like the NREGA are designed to compensate the 'losers' from economic reform. They are the means by which, in a democracy, it is theoretically possible to ensure that conditions among poorer people do not deteriorate to the point where the political sustainability of liberal economic policies (and the continued globalisation of the Indian economy) is endangered. If, because of pervasive abuses in the systems through which they are administered, these compensatory programmes cannot perform their key function of cushioning the poor from the shocks of economic adjustment, then corruption can threaten the viability of future growth by further undermining

⁹⁴ Sujata Patel: 'Employment Guarantee Scheme as an Instrument of Social Change', *Samaj Prabodhan Patrika* (Marathi Journal) April/June 2006, p 1-13, accessed at <http://www2.ids.ac.uk/futurestate/pdfs/sujatamarathiart.pdf> on 05-03-2008

support for the still-fragile consensus behind market reform⁹⁵

NREGA aims at eradication of extreme poverty and at making villages self-sustaining through productive assets creation (such as water tanks and soil conservation works). This is meant to regenerate the rural natural resource base, which in turn will result in sustainable livelihoods for residents. The Act puts Panchayati Raj Institutions (the third tier of government in India i.e. the village level) at the helm of affairs -- beginning with identifying the eligible households to planning the works to be undertaken. The government has referred to it as an “Act of the people, by the people, and for the people”⁹⁶

⁹⁵Rob Jenkins: ‘Democracy, Development and India’s Struggle against Corruption’, *Public Policy Research*, sep-dec 2006, p- 155

⁹⁶ Centre for Science and Environment(CSE): ‘An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)’, A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, New Delhi accessed at <http://www.cse.india.org/> on 20-02-2008

Chapter-3
NREGA: Promise

There has been a vast array of Government of India anti-poverty policies since independence. Policymaking has been informed by three main views of the causes of, and best approaches to combating poverty. Structuralist theories have suggested efforts to redistribute productive resources and break down social barriers; another approach views this as problematic, and focuses on extending growth into marginalised areas and population sectors. A third highlights the multi-dimensional deprivations of poverty and calls for social security measures, both to address these deprivations themselves and support poor people's participation in growth. The major anti-poverty programmes represent a mix of all these approaches. They can be grouped into six categories: Land distribution and land reforms; Area-based approaches for community and rural development, focusing on marginal and small farmers, and areas with particular problems e.g. those that are drought-prone; Individual-based targeted approaches, providing access to productive capital and skills among the poor, including vulnerable groups like women, SC, ST and the landless; Social security or safety-net programmes, comprising the National Social Assistance Programme (which includes the National Old Age Pension Scheme (NOAPS)), employment and self-employment programmes and relief works, distribution of commodities of basic needs like food (Public Distribution System (PDS) and others), clothing, housing for the poor and the vulnerable groups; Special schemes for education among socially marginalised groups such as Scheduled Castes and Tribes, subsidised primary education especially for girls, and special nutrition and health care programmes for women and children; Reservation policies, in employment, education and political representation, for particular groups⁹⁷.

Policies in action India's anti-poverty programmes in total amount to some 6-7 per cent of total Government of India budgetary expenditure, or 1 per cent of GDP. Poverty rates have declined and there have been notable successes – e.g. the building of a social contract around famine prevention. Despite this, there remains a chasm between official policies on the one hand, and the experience of the poor on the other. In terms of technical policy design, while all the policy approaches outlined earlier contain useful insights, a disaggregated and dynamic analysis is generally lacking from all of them: weakening their effectiveness at engaging with the specific processes that drive people into poverty, or enable them to escape, in particular contexts. Policy on poverty has tended to become part of a political economy that proliferates 'doles', which often exist more to allow political power bases to be

⁹⁷Chronic poverty in India: Policy responses, *Policy Brief*, March 2007, No.4

Accessed at http://www.chronicpoverty.org/pdfs/Briefs_summaries/CPRC_PB4.pdf on 23-03-2008

consolidated than to help the poor. Thus, while there has been poverty reduction, anti-poverty budget increases have not made the contribution that was hoped for; and the targeting of anti-poverty programmes is poorly handled, producing both errors of inclusion and exclusion. State level implementation of programmes and the performance of Panchayati Raj institutions, has also been variable. In some cases, alliances that include some chronically poor groups have had success, in others lack of financial resources or patronage politics have weakened and distorted implementation⁹⁸.

At state and national level, anti-poverty programmes have been subject to redesign and change in recent years. For example, even in Orissa, which remains one of the poorest states in monetary terms, notable improvements in human development indicators such as child malnutrition, infant mortality and literacy have been achieved. Several schemes have undergone reforms, rationalisation and better targeting with a greater role for local government in implementation and for beneficiary selection and monitoring, a stress on transparency, making information available at the village level, and on social audits. This shows the tremendous positive potential of better central-local cooperation and the mobilisation of poorer people. Structural factors constrain government's ability to bring about any rapid change, despite repeated attempts to implement land reform, anti-discrimination policies, etc. In some areas, enduring conflicts have erupted over land issues along caste-class lines. Tenancy reform has helped poverty reduction in West Bengal, and tensions (generally) remain lower than in neighbouring Bihar, where the poorest have rarely benefited⁹⁹.

Violent reactions to political awakening and activity among sections of the poor, in particular scheduled castes and women continue to cause many tragedies. Meanwhile, at the level of national policy, growth, while important, has perhaps sometimes been over-emphasised at the expense of specific policies for poverty reduction. Yet this is not inevitable. There are a number of promising policies and policy areas that government should consider, to stop the operation of the processes that drive people into poverty and maintain them there by blocking exit routes, and increase opportunities to exit. *National Rural Employment Guarantee Act (NREGA)*¹⁰⁰. The NREGA guarantees 100 days of wage employment per financial year to those adult members of rural households who demand employment and are willing to do manual work in 200 districts. Now it has been extended to the entire country. Work is to be provided within 15 days of demanding it. The choice of works suggested

⁹⁸ Art. Cit, Chronic Poverty in India: Policy Responses

⁹⁹ Ibid.

¹⁰⁰ See the summary of NREGA in Appendix-1

address causes of chronic poverty like drought, deforestation and soil erosion. If effectively implemented, the employment generated could reduce severe poverty. Extension of the scheme to mandatory work on demand for individuals rather than households could enable escape from poverty for those willing and able to undertake manual work¹⁰¹.

As noted above, political support and long-term commitment is the key to asset transfer schemes reaching their intended beneficiaries but the kind of “political contract” that has been built around famine response does not yet exist for “ordinary” hunger. Building a policy constituency that will develop and enforce such a contract requires action from media, civil society and grassroots organisations. Government has an important role to play too, recent shifts towards a more “empowerment” approach, looking at building social and political capital through self-help groups, and the Antyodaya principle of starting with the poorest and most vulnerable, hold promise. Research from around the world suggests pensions not only alleviate the poverty experienced by the elderly but can also reduce the burden on household expenditure and reduce vulnerability¹⁰².

NREGA: The Scheme of Demand and Supply

However, NREGA goes beyond poverty reduction and recognizes employment as a legal right. Sceptics considered it as a populist measure while others have considered it as a landmark initiative towards poverty alleviation and empowerment of poor. It is argued that this would not only increase the income of the poor, but the asset creation through the process of employment would generate a much needed productive infrastructure for poverty alleviation on a permanent basis. It is also seen as an initiative to operationalize the concept of the right to work, enshrined in the Constitution under the Directive Principles of State Policy, by guaranteeing work to those who are demanding employment¹⁰³. However, if one looks at the employment scenario in the country during the 1980s and 1990s, one would observe that during the tenth Five Year Plan, the growth rate of employment has slowed down considerably¹⁰⁴. The annual rate of growth of rural employment was around 0.5 percent per annum between 1993–94 and 1999–2000, as compared to 1.7 percent per annum between 1983 and 1993–94 and also the current daily status unemployment rate in rural areas

¹⁰¹ Art. Cit, Chronic Poverty in India: Policy responses , p-4

¹⁰² Ibid.

¹⁰³ T. S .Papola: ‘A Universal Programme is Feasible,’ *Economic and Political Weekly*, Vol. 40, No.7, 2005, p 594–599.

¹⁰⁴ Indira Hirway: *Providing Employment Guarantee in India: Some Critical Issues*, Centre for Development Alternatives, Ahmedabad, India, 2005, p 146-49

increased from 5.63 percent in 1993–94 to 7.21 percent in 1999–2000. The deceleration in employment growth was further reinforced by a sharp cut back in public spending on rural employment programs¹⁰⁵.

Hirway argues that the Indian experience with a large number of wage employment programmes during the past few decades has shown that if wage employment on public works has to result in poverty reduction, it is necessary that (1) the employment is made available on a scale that meets the demand, (2) it is provided at the minimum wage rate for adequate number of days to ensure minimum incomes, (3) the employment is made available locally so as to reduce distressed out migration, (4) the employment is accompanied by a minimum package social security (i.e. security against injury, sickness and death, old age, maternity), (5) there is a good public distribution system (PDS) to ensure access of workers to food grains etc., (5) the distribution of the benefits / incomes from the assets is equitable and (6) the assets created are owned and maintained by workers/community. The programme can also impact on the labour market in a way that favours the poor. To start with, generation of large scale wage employment at a minimum wage rate will tend to push up the market wage rate, which will benefit the other workers. Secondly, it will reduce the segregation of the labour market based on caste, gender etc. (as there will be no discrimination based on these factors under wage employment programmes), leading to integration of the labour market. Thirdly, these programmes will encourage workers to get organized to improve their bargaining strength, which will enable them to demand for their rights – wages, social security, working condition – collectively.¹⁰⁶

Government of India has implemented a series of wage employment programmes, right from the 1960s, Though she observes some improvement in the performance of these programmes over the years, the basic weaknesses of the programmes have always been there: (1) The programmes have had a limited impact in terms of generation of man-days employment per worker, (2) they have had limited impact in terms of production of durable good quality – assets, (3) frequently there has been poor maintenance of the assets and (4) the planning component of the programmes has been weak in terms of selection and sequencing of assets and in terms of ensuring productive use of the assets for generating sustainable

¹⁰⁵ M. S.Dev 2002. 'Bold Initiatives Needed in Agriculture and Rural Employment,' *Economic and Political Weekly*, Vol. 37, No.12, 2002, p 1088–1091

¹⁰⁶ Indira Hirway: 'India's National Rural Employment Guarantee Act Challenges Ahead', Working paper 9, accessed at <http://www.cfda.ac.in/download/Indias%20National%20Employment%20Guarantee%20Act%20challenges%20Ahead.pdf> on 04-04-2008

employment in the main stream. Though there have been some pockets of success, where the mainstream employment has grown through the assets generated under the programmes, the overall scene has not been very encouraging. In other words, these programmes have neither reduced poverty levels in a sustainable manner, nor have they expanded the labour absorbing capacity of the mainstream economy on any significant scale. Consequently, these programmes have remained a long term financial drain on the economy.¹⁰⁷

A wage employment programme, with a legal guarantee of work can remove many of these weaknesses. To start with, a legal guarantee gives a legal right to the poor to demand work and thereby transfers some power to the powerless at the bottom. Secondly, under the guarantee, the demand for work (by workers) and not the supply of work (by officials) determines the size of the programme. Starvation deaths and related sufferings can be avoided only through the guarantee. Thirdly, the element of guarantee provides the required flexibility to the programme, as the size of the programme will expand when the demand for work increases and vice versa. Fourthly, the guarantee will also result in reduced delays in starting works and in wage payment; as such delays can be challenged in the Court of Law. Fifthly, it will reduce distressed migration, as workers are ensured of the availability of work during the lean season, which in turn will improve the access of the workers to education, health and other welfare facilities. And lastly, the guarantee of work can ensure asset generation, particularly ecological regeneration and infrastructure development in backward regions, both of which can promote economic growth of the regions.¹⁰⁸

In this context, the enactment of NREGA is appropriate and timely. Although, the aggregate employment figure shows a decline, national sample survey estimates of unemployment rates in 1999–2000 showed that the rate of unemployment in “usually unemployed” category in 1999–2000 was only 2 percent for the male labour force and less than 2 percent for the female labour force. Despite low unemployment rates, the incidence of income poverty in rural areas is at least four times the incidence of unemployment as per the current daily status, which implies that the number of poor far outweighs the number of poor for want of work¹⁰⁹.

Thus, if NREGA has to make a perceptible dent on poverty, the applicable wage rate assumes paramount importance. Though there is a cost implication of a particular wage rate

¹⁰⁷ Art. Cit, Indira Hirway: ‘India’s National Rural Employment Guarantee Act Challenges Ahead’

¹⁰⁸ Ibid.

¹⁰⁹ K. P. Kannan: ‘Linking Guarantee to Human Development,’ *Economic and Political Weekly*, Vol .40, No.42, 2005, p 4518–4522.

from the budgetary point of view, in order to make a significant impact on rural poverty, it should be such that it provides “livelihood security.” In this context, Papola emphasised that wages should be high enough to meet the daily subsistence need of the workers’ households; and in order that the really needy avail of the guaranteed work and no diversion of labour takes place from other regular productive work, wages should not be significantly higher than the market wage rate. The statutory minimum wage rate for an agricultural labourer is being offered under NREGA¹¹⁰.

A state by state comparison of the average daily rural wages for casual workers and the statutory minimum wage rates in the respective states reveals that, in many of the states, the statutory minimum wage rate is much lower than the market wage rate. Given this large positive differential between the market and the statutory wage rate, the demand for work under NREGA may not be as high as one would assume and the possibility of a labourer shifting from other sectors to NREGA based employment seems remote in this context in many of the states. But the same may not hold well in the context of a state like Bihar, where both the wage rates are more or less equal, and in Madhya Pradesh and Uttar Pradesh where the statutory wage rate is higher than the market wage rate¹¹¹.

Table 3.1: Average Daily Wages for Casual Workers: Rural (in Rs.)

	Male	Female	Persons	St. Min. Rate
Andhra Pradesh	48.32	31.08	40.86	25.96
Assam	58.88	54.17	57.98	33.10
Bihar	44.29	37.46	42.91	41.02
Chhattisgarh	35.40	30.21	33.19	
Gujarat	49.22	36.31	45.20	46.80

¹¹⁰T. S. Papola: ‘A Universal Programme is Feasible,’ *Economic and Political Weekly*, Vol. 40, No.7, 2005, p-596

¹¹¹Pinaki Chakraborty: ‘Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications’, Working Paper No.505, *The Levy Economics Institute*, accessed at http://www.levy.org/pubs/wp_505 on 07-04-2008

Haryana	79.92	67.65	78.00	73.65
Himachal Pradesh	83.21	72.51	82.29	51.00
Jammu & Kashmir	94.79	77.64	93.58	30.00
Jharkhand	53.53	42.00	51.48	
Karnataka	50.61	31.27	43.67	40.55
Kerala	123.65	68.15	112.20	30.00
Madhya Pradesh	46.56	31.47	41.36	51.80
Maharashtra	51.48	35.48	44.94	8.46
Orissa	46.72	29.48	43.22	40.00
Punjab	78.37	59.57	77.07	70.85
Rajasthan	64.68	48.73	61.55	47.05
Tamil Nadu	71.35	35.52	57.78	32.00
Uttaranchal	60.88	52.69	58.65	
Uttar Pradesh	58.84	39.80	56.22	58.00
West Bengal	49.96	40.36	48.60	48.22
North Eastern States	66.22	48.97	63.27	
All India	56.53	36.15	50.70	47.53

Source: Average daily wage data from NSS 60th Round (January 2004–June 2005)

Published in November 2005 and <http://labourbureau.wagetab.htm.nic.in/>

The important components involved in the implementation of the NREGA are: (i) selection of beneficiaries and the wage rate; (ii) design of system and institutions for implementation of the scheme; (iii) provisioning of resources and the pattern of funding; (iv)

capacity building for effective implementation of the scheme; and (v) safeguarding against corruption with regard to the use of funds and the selection of beneficiaries¹¹².

It has been specified in the act that “if an applicant under this act is not provided such employment within fifteen days of his application seeking employment,” he/she shall be entitled to a daily unemployment allowance which will be paid by the state government. This implies a built-in structure of incentive for performance and disincentive for non performance for the state government, as inability to provide employment would cause the state government to pay unemployment allowance for which there is no contribution from the central government. In other words, individual state governments will have to evolve a well-coordinated approach to equate supply of employment in accordance with the demand. This becomes all the more important as there is no supply-side selection of beneficiaries. This requires in-depth understanding of region-specific labour demand and its seasonality so that a demand-based scheme of projects can be implemented at a frequency matching with the demand for work instead of supply-side provisioning. Failure to do this may result in imprudent use of funds, as inability to provide employment on demand will impose the burden of compensation, in the form of unemployment allowance, to the state government. Thus, there is a need to design a monitoring mechanism by strengthening institutional structure at the local level so that resources can be used optimally. As it is a demand-based provisioning, the flow of resources from the higher levels of government to the Panchayats needs to be ensured according to the demand. This would also require good coordination between providing work and provision of funding. The conditionalities with regard to the use of funds are stringent and the demand based provisioning may be potentially regressive. The funds will be released based on the Annual Work Plan and Budget Proposal (AWPB) by the states. As the capacity to formulate AWPB by the states is low in poorer states, actual release may fall far short of potential demand for funds¹¹³.

Fiscal Restraints in the Implementation of NREGA

It needs to be mentioned that the data provided in the latest report on NREGA, published by the Ministry of Rural Development, also indicate that the fund utilization ratio remains as low as 51 percent, even after the completion of one full year of operation of NREGA. In other words, only half the total available funds were utilized during the year. The utilization

¹¹²Art. Cit, Pinaki Chakraborty: ‘Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications’, p-11

¹¹³ Ibid.

ratio is particularly low in poorer states. If we look at the fund utilization ratio, defined as the fund allocation to actual utilization, it is again low in the poorer states of country. The trend line plotted through the scatter shows a positive slope, implying the states with higher per capita income could manage to spend better. It is evident from the figure that there is no clear one-to-one relationship between share of BPL households and the fund release, rather it depends on the enrollment, which is quite likely as it is a demand-driven scheme. A quick regression of the functional form specified in Equation (1) reveals that the release of funds is positively related to wage rate and enrollment, not on the per capita income of the state and the share of BPL households. This, in other words, implies that the states that are making a better assessment of demand are obtaining more of the resources. This is potentially regressive, as the states at low levels of organizational capacity in terms of planning, management, and forecasting of labour demand of the schemes would receive less resource, even when the actual demand may be far higher than what is actually realized¹¹⁴.

Budgetary Allocation of NREGS

The budgetary allocation to the National Rural Employment Guarantee Scheme, originally estimated to cost around Rs.40, 000 crore per annum, has been relatively conservative, with an allocation of Rs.12, 000 crore for covering 330 districts in the year 2007-08. The current budget of 2008-09 entails a mere Rs 4,000 crore increase in allocation despite its extension to all 596 districts¹¹⁵. The allocation forms 37.5 per cent of the total central plan outlay for rural development, and amounts to less than 0.3 per cent of the GDP at current price level. More than Rs 8,823 crores was spent in the implementation of NREGA across 200 districts during 2006-07 against an allocation of more than Rs 12,000 crore. As NREGA funds are non lapsable, the unutilised funds to the tune of Rs 3250 crore during 2006-7 were added to NREGA kitty for the year 2007-2008. States, which are implementing NREGA, have already spent more than Rs 3938 crore till mid-August 2007. Given that works have started in all the new 130 districts, the central government expects to spend about Rs 10,000 crore in the current fiscal. With all the 596 districts under NREGA now, government is expected to spend around Rs 20,000 crore annually on the implementation of NREGA during 2008-2009. In order to understand whether NREGA implementation is a huge fiscal strain, it is necessary to examine budgetary incidence of other employment programs (self and wage employment) prior to NREGA and compared them with NREGA-based allocation, though the central

¹¹⁴Pinaki Chakraborty: 'Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications', Art.Cit, p-21

¹¹⁵ figures cited in the Union Budget of 2007-08

government mobilizes around 10 percent of GDP as revenue and size of the government measured as a percentage of GDP is around 15 percent, the direct expenditure on rural employment constituted 0.2 percent of GDP in 1996–97, which declined to 0.13 percent of GDP in 2001, particularly at a time when human deprivation increased in rural India. Although there was an increase in the direct expenditure on rural employment to 0.40 percent of GDP, it tended to decline thereafter and reached to 0.33 percent of GDP in 2006–07, even with the introduction of a NREG program in that year¹¹⁶.

In terms of budgetary incidence of rural employment program (REP), it is evident from Figure 3 that expenditure on REP as a percentage of revenues and expenditure of the government declined sharply in the first three years of the current decade, with a marginal increase in the years 2005–06, revised estimates (RE) and 2006–07, budget estimates (BE). Despite introduction of NREGA, no spurt in the budgetary incidence of this expenditure is worth exploring. The NFFWP has been stopped with the introduction of NREGA in 2005–06. A sharp decline in SGRY is evident in 2006–07, with a corresponding increase in the share of allocation under NREGA. In absolute volume, the SGRY allocation declined from Rs. 9639.99 crores in 2003–04 to Rs. 2700 crores in 2006–07 (BE). The total NREGA allocation in the year 2006–07 is Rs. 10170 crores¹¹⁷.

NREGA: A Solution of Poverty, Unemployment and Wage disparities

Besides providing regular good quality jobs to a large number of workers in the Government and in public-sector undertakings, the Government also provides short-term wage employment and direct assistance for creating self-employment, as its legitimate function. This is not just an emergency relief measure, but a sustained effort towards poverty alleviation. As part of this function several special poverty alleviation programmes have been implemented since the 1970s, using employment generation as a means of poverty alleviation. They recognize that the cause of much poverty is the non-availability of wage employment throughout the year or a lack of productive assets within households which would permit them to engage in gainful self-employment. One set of programmes, therefore, aimed at creating wage employment in public works and infrastructure building, particularly in rural areas, to provide supplementary wage employment to the underemployed. They

¹¹⁶ Centre of Science and Environment (CSE): 'The National Rural Employment Guarantee Act (NREGA): Opportunities and Challenges,' Natural Resource Management and Livelihood Unit, CSE, New Delhi, accessed at http://www.cseindia.org/programme/nrml/pdf/NREGA_policy_paper_2008.pdf on 17-04-2008

¹¹⁷ Art.Cit, Pinaki Chakraborty: 'Implementation of the National Rural Employment Guarantee Act in India: Spatial Dimensions and Fiscal Implications', 2007, p-20

guaranteed employment for all the people and days available for work (e.g. in the Maharashtra Employment Guarantee Scheme), or a minimum number of days (e.g. 100 days in the Employment Assurance Scheme of the Government of India) to the members of identified poor households. These programmes have received large budgetary allocations every year and besides creating millions of person days of employment, have also exerted an upward pressure on wages in agriculture and other activities¹¹⁸.

In 2004–05, for example, the Central Government spent over Rs.65 billion on rural employment programmes, creating over 900 million person days of wage employment. The employment guarantee programme under the NREGA is an important initiative in this category. The other type of programme aims at creating self-employment among poor rural households by enabling them to acquire productive assets through a package of financial assistance consisting of subsidies and targeted bank credit. Millions of households have been assisted under this programme (for example, 6,275 million households were assisted with a budgetary expenditure of Rs.81 billion during April – November 2005, raising income in most cases and crossing the poverty line income level in the case of around 15 per cent of the assisted households¹¹⁹).

These programmes, generally classed as rural development, are seen primarily as poverty alleviation programmes, but seek to achieve this objective through creating employment both of a sustained and temporary nature. They are also part of the package aimed at generating about 50 million new employment opportunities during the Tenth Plan, though their contribution is estimated to be relatively small (around 2 out of the 50 million). In other words, these programmes, particularly those of the wage employment variety, are still primarily seen as measures to create temporary or supplementary employment to alleviate current poverty and not as sources of permanent employment and sustained poverty alleviation. The need for large-scale wage employment programmes to provide supplementary income is considered urgent. This is evident in the large budgetary allocations made for such programmes, in the enactment of the National Rural Employment Guarantee Act, 2005 and in the launching of employment programmes to implement the Act in February 2006. In other words, underemployment is still seen to be a major form of unemployment and short-term wage employment is therefore an important mechanism for poverty alleviation. It

¹¹⁸ Gaurav Datt: 'Poverty alleviation through rural public works: The experience of Maharashtra's Employment Guarantee Scheme', in Radhakrishna, R. and Sharma, Alakh, N. (eds.): *Empowering rural labour in India: Market, state and mobilisation*, Institute for Human Development, New Delhi, 1998, p 34-37

¹¹⁹ Planning Commission: 'Report of the Working Group on Rural Poverty Alleviation Programmes', New Delhi, Govt. of India, 2001, p-36

was expected that the nature of unemployment would change with technological innovation and greater formalization of productive activities. It was also expected that underemployment would decline and most unemployment would take the form of open unemployment. In other words, underemployed will need to continue as one of its important elements for some time to come. It is in this context that the NREGA employment programmes have direct relevance for poverty alleviation through the utilization of underemployed labour¹²⁰.

NREGA does not obviously aim at creating full-time jobs as it guarantees only up to 100 days of unskilled work to a household, and thus has the underemployed poor as its main target group. As earlier wage employment programmes had similar goals and target groups, a question often asked is: How are the programmes under NREGA going to be different and more effective than their predecessors? First, the work to be provided under the Act is legally guaranteed and is not contingent upon the availability of resources and projects. Obviously, the amount of work and income generated will be proportionately much larger. NREGA basically envisages a wage employment programme with a legal guarantee to provide work for a given number of days at statutory minimum wages and thus a minimum assured income supplement to rural households. It has been rightly claimed and acclaimed as a historic and unique initiative in so far as no such provision for legally guaranteeing paid work exists anywhere else, nor has there ever been one in India on a nationwide scale, though an employment guarantee scheme of a similar nature has been in operation in one state, viz., Maharashtra for over three decades. But, at the same time, it is important that its potential achievements be realistically assessed, to avoid unjustified criticism if it does not achieve what it is not aimed at or capable of achieving¹²¹.

It is in this context that some important contentious issues are raised and discussed in the following paragraphs. NREGA is seen by some as a step towards operationalization of the right to work enshrined in the Constitution under the Directive Principles of State Policy (Part IV, Article 41). Neither the Common Minimum Programme (CMP) of the multi-party United Progressive Alliance (UPA) which formed the Government in 2004, which announced that it would immediately enact a National Employment Guarantee, nor the statement of objects of the Act specifically, mentioned such an intention. Yet, guaranteeing work on the basis of legislation which also provides for compensation in the event of failure to deliver does reflect the basic notion of a right to work. It would, however, be unfair to assess its

¹²⁰ T.S.Papola: 'Employment in the development agenda: Economic and social policies', Discussion Paper *International Institute for Labour Studies*, Geneva, 2007, p-10

¹²¹ Ibid.

implementation by any absolute criterion for such a right. It needs to be clearly understood that the guarantee to be provided under the Act is not a full-fledged realization of the right to work, but a measure legally ensuring that those seeking but not finding remunerative work are provided such employment under certain conditions. The right to work obviously could not be an absolute right – no right, in fact, is absolute; even the relevant article in the Constitution calls upon the state to make the provision to secure it “within the limits of its economic capacity”. Certain restrictions, therefore, are expected to be laid down in the legal provision guaranteeing employment to those wanting it. At the same time, the conditions have to be reasonable for the guarantee to be meaningful¹²².

What are the conditions under which work is to be provided under the NREGA? The first condition relates to the kind of work: only unskilled manual work is to be guaranteed. This condition has two considerations: the convenience of implementing the guarantee, as unskilled work is expected to be generally available in plenty; and self-selection of claimants, as only the poor and needy are expected to opt for such work. The second condition relates to the amount of work guaranteed: up to 100 days of work will be provided to a household. This condition has no rationale other than the capacity of the state to fund the programme. The case is similar with respect to restricting implementation of the Act to 200 districts at the beginning, with the commitment to apply it to all districts eventually. Another condition is that the work must result in the creation of productive assets; the responsibility for fulfilling this condition, of course, lies with the implementing authority and not with the worker. Besides these restrictions on the nature and amount of work, there are positive conditions to make the guarantee meaningful and substantive for the worker¹²³.

In order that the guaranteed work results in a reasonable income, the Act stipulates payment of the minimum wage statutorily fixed for the location of work. The actual payment is, however, to be determined according to the amount of work performed, the rate per piece of work so fixed that a day’s (eight hours) work with normal strength and reasonable diligence will result in payment equivalent to the statutory minimum wage. While this provision appears reasonable in so far as it meets the requirements of reasonable payment as well as productivity, there is always the likelihood of a mismatch between payment based on work norms and minimum wages. In most cases where this has been noticed, the worker has been paid less than the minimum wage. The need to revise work norms and rates has been expressed, as minimum wages are fixed by separate authorities under the Minimum Wages

¹²² Art. Cit, T. S .Papola: ‘Employment in the development agenda: Economic and social policies’, 2007, p- 13

¹²³ Ibid

Act and cannot be changed by NREGA implementing agencies. Similarly, the provision to offer work in the vicinity (within 5 km) of the workers' homes is meant to make the benefits easily accessible to them. This is particularly relevant for women who generally find it difficult to travel long distances away from home. Access to guaranteed work is sought to be improved by providing a transport allowance if work is offered beyond the 5 km distance. Failure to provide work on demand makes it incumbent upon the State to pay compensation, albeit at a much lower rate than the minimum wage to be paid if work is provided and performed it is, no doubt, justified by consideration of the "limits of economic capacity of the State". But, it can be reasonably argued that with this restriction, the initiative substantially loses its character of a "right", and is reduced to the level of a programme to alleviate poverty¹²⁴.

Besides the rights dimension, NREGA also has a developmental perspective. Its statement of goals includes two objectives; providing gainful employment to the rural poor and *creating productive assets*. At the level of individual workers, the two objectives are combined by linking payment with the amount of work, as mentioned earlier. But at the level of the programme, it is to be ensured by providing work on projects for building assets to raise the productive potential of the area and population. The problems that can arise in matching the amount of work with the level of payment to ensure minimum wages and the way they might be resolved have been pointed out earlier. But past experience of wage employment programmes, including that of the three decades old Maharashtra Employment Guarantee Scheme has clearly brought out the difficulties involved in creating durable, productive infrastructure assets. Part of the problem arises out of the primacy of the employment creation objective, which means that most funds are spent on wages and very little is left for materials that may be necessary to create permanent assets. Another part of the problem lies in the capability of the local implementation agencies to prepare projects that can build productive assets. These difficulties are likely to be greater in a large-scale employment guarantee programme. There could be ways to improve the asset building capacity of the programme by better planning and integration with other development projects and programmes at the local level, and it would be unwise to condemn the programme if it failed to achieve this objective very effectively¹²⁵.

The scheme in essence does not guarantee the creation of assets while it does guarantee a minimum amount of work to those who offer themselves for it. And people seeking work and

¹²⁴ Art.Cit, T. S .Papola: 'Employment in the development agenda: Economic and social policies', 2007, p-12

¹²⁵ Ibid

fulfilling the necessary conditions can claim compensation, and perhaps sue the Government, if they are not given work; but there is no such provision in the case of failure to create durable productive assets! Similarly, certain other expectations raised by different groups also need to be more realistically assessed. Some political groups and civil society organizations are looking at the NREGA as an opportunity for large scale *social and political mobilization of the poor* towards raising awareness and consciousness about their rights.

It is true that the participation of a large number of rural people as workers in the programme will provide a huge mass with potential for mobilization, but whether they could be turned into an organized movement would primarily depend on the capability and commitment of the political groups and civil society organizations which have generally been found lacking in most parts of the country in the past. Therefore, the claim that NREGA will bring a “social revolution” in rural India is likely to be exaggerated. The prospects of a large increase in purchasing power among the rural masses, triggering diversified and faster development in rural areas is another aspect of NREGA highlighted by some observers and economists; this needs careful examination. Assuming that the rural economy is suffering from a deficiency of effective demand, the infusion of thousands of crores of rupees by way of wages paid to workers under the guarantee will obviously boost rural demand for goods and services¹²⁶.

The actual result depends on various factors. Will the increase in demand be for rural-produced goods? Do supply conditions exist in rural areas to meet this demand? If urban goods are demanded, will the supply and distribution of such goods in rural areas meet this demand? If the rural production system fails to respond to increased demand for rural goods or if urban goods cannot be supplied, then the likelihood of rising prices and at least partial offsetting of the gains in purchasing power by the rural poor would be imminent. This apprehension certainly should not be an argument against the NREGA programme, but the multiplier effects that it will produce need to be carefully examined before judging its impact on the rural production system. If the purchasing power generated by the programme is to be channelled into development in rural areas, it may be necessary to simultaneously create conditions to raise the productive capacity of these areas¹²⁷.

Orissa's Kalahandi-Balangir-Koraput (KBK), Chhattisgarh's undivided Bastar and Jharkhand's Dumka and Hazaribagh districts are the targets of India's all poverty eradication

¹²⁶ Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, New Delhi accessed at <http://www.cse.india.org/> on 20-02-2008

¹²⁷ Ibid

schemes since 1951. After 55 years of such targeted poverty eradication schemes, they still remain the poorest districts of India, and arguably not the best governed also. They have more poor now than 1980. These states are the poorest states of India, and these districts are the poorest areas inside the states. Ironically these districts are very rich in natural resources like forests, land and minerals. Though states GDP are growing at high rate, these areas remain untouched by economic development. The long-term trends in the incidence of poverty in Orissa point at a steady decline on the poverty ratio in the state till mid-1990s. In the second half of 1990s it has remained stagnated, and the trend continues. However, in the KBK region poverty has increased between 1993-94 and 1999-2000. And this region has the state's 75 percent poor. Out of this 40% are very poor, i.e. their income is 3/4th below the poverty line. In these districts almost 85 percent people depend on agriculture and forests for survival. While agriculture is fast becoming unproductive due to soil degradation and frequent drought, forest laws restrict forests access¹²⁸.

The poverty eradication programmes so far in implementation have hardly contributed to local development as they remain out of focus or being not implemented affectively. The 200 backward districts where the NREGA is being implemented share the same development trends. All the districts are resource rich but extremely poor. India's tribal areas, forested region and minerals resources are the same region as the NREGA areas. This makes the NREGA more desirable, but at the same time, more difficult to implement. Thus, the Act is both an opportunity as well as a challenge¹²⁹.

The 200 backward districts, identified by the Planning Commission, can pose major challenges to the implementation of the NREGA because of their special problems. These districts are, arguably, India's richest in terms of natural resources. In 38 percent of India's areas, the total geographical coverage of 200 NREGA districts, the districts host close to 44.8 per cent of forests and 85 per cent of mineral resources in the country¹³⁰. These districts account for 35 percent of India's cultivable areas. Agriculture and forest sustain close to 87 percent of population in these districts. They are also the least developed areas of the country, inhabited mostly by marginal farmers and forest dwellers. They hold 70 per cent of India's poor. A survey of human development reports of 12 states point that all the NREGA districts feature in the bottom 10 positions in the per capita income list. A large number of these

¹²⁸ Art.Cit, Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', 2007, p-34

¹²⁹ Ibid

¹³⁰ Planning Commission of India: 'The most Backward Districts of India', GOI, accessed at <http://planningcommission.nic.in/> on 17-04-2008

districts are located in the arid and semi-arid regions: 94 of these are covered under the Drought Prone Areas Programme (DPAP) and eight under the Desert Development Programme (DDP). Close to 80 per cent of India's rain-fed areas are in these districts¹³¹.

These districts are primarily agricultural with 70 percent population depending on it for survival. Most of the farmers are marginal with landholding less than one hectare. These districts account for 39 per cent of India's total rural workforce¹³². In 115 of them, the percentage of agricultural labourers in the total rural working population is higher than the national average of 33 per cent, indicating the large-scale landlessness in these districts combined with the lack of effective employment opportunities in the non-agricultural sector. Situation Assessment of Farmers, done by the NSSO, points at rampant indebtedness of farmers in NREGS states in general and in NREGS district particularly. In 19 out of the 27 NREGS states close to half (48.6) of the farmers are indebted. In 1991 assessment the percentage was 26 percent. It is significant that the dominant cause of taking loans was found to be for productive purposes. Two most important purposes of taking loans were stated to be capital expenditure in farm business and current expenditure in farm business. Out of every Rs. 1000 taken as loan, Rs. 584 had been borrowed for these two purposes¹³³.

Table 3.2: Farmer Indebtedness In select NREGA states

States	Percentage of Farmers indebted
West Bengal	50.1
Uttar Pradesh	40.3
Tamil Nadu	74.3
Rajasthan	52.4
Punjab	65.4
Orissa	47.8
Maharashtra	54.8
Madhya Pradesh	50.8
Kerala	64.4

¹³¹ Art. Cit, Planning Commission of India: 'The most Backward Districts of India'

¹³² Statistical profile of states under NREGA based on primary Census abstract, Census of India, 2001

¹³³ Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, New Delhi accessed at <http://www.cse.india.org/> on 20-02-2008

Karnataka	61.6
Jharkhand	20.9
Jammu and Kashmir	31.8
Himachal Pradesh	33.4
Haryana	53.1
Gujarat	51.9
Bihar	33
Assam	18.1
Andhra Pradesh	82
India	48.6

Source: National Sample Survey Organisation, 59th Round

Given that the NREGS cover most of India's forested areas, the contribution of this sector to the local economy is substantial. The NREGS districts cover close to 40 percent of India's very dense forests and 47 percent of moderately dense forests. Dependence of local people on forests for survival in these districts is very high. Studies in Orissa, MP, Chhattisgarh and Jharkhand indicate that over 80 percent of forest dwellers depend entirely on minor forest produces; 17 percent of landless people depend on the daily wage labour of collecting forest produce; and 39 percent of people are involved in minor forest produce collection as subsidiary occupation¹³⁴.

However, forest degradation and restrictive forest laws are stripping this vital source of livelihood. Out of 27 states under NREGS, 13 states have reported forest loss. It means 138 districts out of the 200 are reporting deforestation. The alienation of forest dwellers from forest is widely believed to be triggering conflicts leading to collapse of governance. Out of the 200 districts, 64 districts are under firm grip of extreme Left insurgency known as Naxalism. In these districts, the mobility of local government officials and members of panchayats becomes limited¹³⁵.

The first challenge, therefore, is to bring back governance to these districts. The NREGS can target development in these districts using the huge demand for casual jobs. For effective implementation of the NREGS, it is imperative to understand the complex socio-economic

¹³⁴Art. Cit, Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', 2007, p-36

¹³⁵Ibid

and governance challenges of these backward districts. It can be said that these districts hold the key to the overall success of the NREGA. Less governed The Panchayati Raj institutions are the principal players for the NREGA implementation. According to the Union ministry of rural development, there are 61,763 village panchayats and 1,894 block panchayats in these 200 districts. The number of implementing agencies, thus, is very high. They are also extremely diverse in their political and socioeconomic structures. While village panchayats are reportedly implementing close to 83 per cent of total NREGA works, others including independent implementing agencies and block panchayats are implementing around 17 per cent of the works. The size and area of gram panchayats also vary considerably; these variations have a direct impact on the norms for administrative staffing, thereby making the delivery mechanism for all the 200 districts untenable, says the Second Administrative Reform Commission Report¹³⁶.

There is ample evidence that the delivery of basic public services, particularly those intended to benefit the poor and weaker sections, has functioned relatively ineffectively in the backward districts even when funds have not been a constraint. This delivery has suffered due to, on one hand, weak administration, understaffing and lack of motivation and on the other, large-scale leakages. The state of Panchayats in these districts is a cause of concern. Only six out of the 27 states have devolved the 29 functions to the local bodies as listed in the constitution. Secondly, only Kerala and Karnataka have devolved functions, functionaries and funds to the Panchayats, which are necessary to make them effective. So the implementation of NREGA with such local governance states is difficult and is prone to bureaucratic interferences. The Second Administrative Reform Commission found that Panchayats in NREGA districts had no regular and dedicated functionaries; the Gram sabhas that are required to choose the projects, were dormant as well. The nature of local bodies varies considerably in these 200 districts as many of them belong to different constitutional categories. The constitution of local bodies in the Fifth Schedule areas is considerably different from those falling under the Sixth Schedule areas (such as Mizoram and Meghalaya where Part IX of the constitution is not applicable). In the areas under the Fifth Schedule, where as many as 63 of these backward districts are located, the quality of local bodies was expected to improve after the enactment of the (Panchayats Extension to the Scheduled Areas) Act (PESA), 1996. But going by the recently released State of Panchayati Raj report

¹³⁶ Second Administrative Reform Commission, *Report* is available on <http://arc.gov.in/2ndrep.pdf> accessed on 20-04-2008

of the Union Ministry of Panchayati Raj, progress in this aspect is discouraging¹³⁷.

The ministry has cautioned non-implementation of the PESA may further trigger tribal unrest (Naxalism). It is thus the success in the implementation of the PESA, which might have a bearing on the implementation of the NREGA. Though most states in the Fifth Schedule areas have enacted requisite compliance legislations by amending the respective Panchayati Raj acts, some states are yet to amend the subject laws and rules, which are inconsistent with those in PESA. Added to these problems are the governance pressures that the NREGA itself puts on panchayats. Under the NREGA, each panchayat has to make a perspective plan and annual plans for implementing the scheme. The perspective plan is an extensive exercise that includes charting of the village's resources, its poverty, its demands, work situations and then — based on these facts — prescribing a template for future development requirements. The annual plan involves identifying the needy people, scoping works for them in advance, and also preparing the accounts. There is a need to recognise the fact that conditions prevailing in these backward districts may impede the smooth flow of funds for the implementation of the NREGA¹³⁸.

Impact of Wage-Employment Programmes

Wage-employment programmes are self-targeting in nature which is considered a major strength of these programmes. However, a number of studies report widespread mis-targeting where the benefits meant for the poor fail to reach them altogether. This is a serious problem even in Kerala, which is a highly developed State, as studies report widespread inclusion of ineligible beneficiaries in the anti-poverty programmes in the State. Mistargeting tends to occur via the level of wages offered under the JRY and EAS. Where these wages are higher than the prevailing market wage rate in the village, there is incentive for the non-poor to participate in the programmes.

The outlays for JRY and EAS increased rapidly from the early to the mid 90s as shown in Table 3. However, thereafter, there was an apparent decline, which is really illusory. This is attributable to the fact that from 1995-96, two special schemes of the erstwhile JRY, namely, the Indira Awas Yojana (Rural Housing) and the Million Wells Schemes, were delinked and made into independent schemes. With the exclusion of these two schemes, the outlays were perhaps constant. However, in the year 2000-01, there is a sharp decline in the outlay as a

¹³⁷ Art. Cit, Second Administrative Reform Commission, *Report, 2008*

¹³⁸ Centre for Science and Environment(CSE): 'An Ecological Act: A backgrounder to the National Rural Employment Guarantee Act (NREGA)', A Draft paper prepared by Natural Resource Management and Livelihood Unit, CSE, New Delhi accessed at <http://www.cse.india.org/> on 20-02-2008, p-40

conscious decision was made to allocate more for watershed development while keeping the overall outlay for the rural development sector more or less constant. It may be noted that in terms of man days of employment generated, there is a significant decline over the period 1996-97 to 2000-01. Part of the explanation lies in the fact that from 1999-2000, JRY became a rural infrastructure development programme without the stipulation that 60 per cent be spent on wages and 40 per cent on materials. This obviously had a noticeable impact on the extent of employment generated in 1999-2000. With the earlier stipulation of 60:40 for labour material component on these works, it was felt that there was wide scale fudging of muster rolls and of measurement books in order to meet these mandatory conditions. Clearly the relaxation of the stipulation may have reduced the fudging of muster rolls as there was no pressure on meeting targets consistent with the stipulated wage material norm.

Several attempts have been made to quantify the employment and income benefits, both direct and indirect, of these programmes. The World Bank has summarised the results of 'a benefit incidence analysis of the alternative poverty alleviation programmes carried out by several researchers in the Indian context. These studies show that wage employment programmes are by far the most effective in reaching the poor'¹³⁹. Direct income benefits accrue to the poor through income transfers. In a study of Ahmednagar, it was found that the direct transfer benefits to the EGS participants were high and, given the lack of alternative employment opportunities, the income stabilization effects were also substantial. In the absence of EGS some of the poorest would have been without incomes for survival. Considering the paucity of funds, the participation was less than it would have been, given the extent of demand for work. Yet, the programme was more honestly and effectively implemented and hence had a positive impact. In another study, it was again observed that the EGS projects did generate net income gains to the participants and these direct transfer benefits led to a reduction in poverty'¹⁴⁰

Wage-employment programmes can also make an impact on income levels through wages. Firstly, one mechanism operates through the effects the employment projects have on agricultural productivity and via that on the agricultural demand for labour. Second, to the extent that the employment programmes contribute to a greater awareness of the potential for collective action among rural workers, the oligopsonistic power of large landholders in wage bargaining is likely to be weakened. This puts further upward pressure on agricultural wages.

¹³⁹ World Bank: *Reducing Poverty in India Options for More Effective Public Services*, Washington, 1998, p 34

¹⁴⁰ Raghav Gaiha, Imai Katsushi and D.D. Kaushik: 'On the Targeting and Cost Effectiveness of Anti-poverty Programmes in Rural India', *Development and Change*, Oxford, 2001, p 56-57

The additional employment opportunities created during the agricultural lean season, via these programmes, prevent the market wage rate from falling below a certain minimum level and help to reduce out-migration to the urban areas. For instance, Parthasarathy points out that employment programmes led to upward pressures on the minimum wages in rural Andhra Pradesh. In effect, by providing an alternative, these programmes lead to a uniform wage rate rather than a segmented labour market in a single locality, as suggested by the experience of West Bengal. An evaluation of the Employment Guarantee Scheme (EGS) in Maharashtra by Gaiha reveals that the short-term impact of EGS on agricultural wages is small while the long-term effect is relatively large. Sharma (1995) cites evidence from Bihar to show that the JRY influenced the rural labour market and led to upward pressures on the agricultural wage rate. In a more recent survey of 36 villages in Bihar, it has been shown that where the presence of Government programmes was larger the market wage rates were higher than in the other districts. A cross-section regression analysis reveals that the percentage of beneficiaries covered has a significant and positive impact on the daily average wage rates within the village¹⁴¹.

The indirect benefits of a programme like EGS, through wage-increases have also been observed. In a study for the period 1979-89, it was found that participation under EGS dropped from 17.7 per cent to 9.4 per cent. This drop took place between 1986-87 and 1989-90. In 1986-87, 186.7 million person days of employment had been generated while in 1989-90 it was only 78 million person days. This was largely attributable to the wage increase that took place in 1988¹⁴².

This has been attributed to rationing, which was inevitable as wages increased without a matching increase in the outlays for EGS. Further, it is likely that the reduction in attendance was due to an expansion in farm and non-farm activities. Clearly, the impact of this reduction in employment would have adversely affected the poor as many of them would have been excluded from EGS work opportunities¹⁴³.

However, it is difficult to estimate the aggregate welfare measure of the poor consequent

¹⁴¹ Alakh, N Sharma (et.al): '*Dynamics of Supply, Poverty and Human Development in Bihar*', Institute of Human Development, New Delhi, 2001, p-121

¹⁴² Raghav Gaiha and Imai Katsushi : '*Rural Public Works and Poverty Alleviation - The Cost of the Employment Guarantee Scheme, Maharashtra*', Faculty of Management Studies, University of Delhi, Mimeo, 2000, p 54-58

¹⁴³ Rohini Nayyar: 'The Contribution of Public Works and Other Labour-Based Infrastructure to Poverty Alleviation: The Indian Experience', International Labour Office, Geneva, August 2002, accessed at <http://www-ilo-mirror.cornell.edu/public/english/employment/recon/poverty/download/disc3.pdf> on 15-03-08

on the reduction in employment consequent on a rise in wages. It could be argued that fewer persons would have been able to get employment on EGS works, given the same quantity of funds. However, it must be remembered that the EGS programme guaranteed employment to those who had registered for work and were willing to do manual jobs. Hence it could be presumed that more people were not looking for employment on EGS works as there is no case reported of people seeking work and not getting it with compensation having to be paid to them. Both under JRY and EAS the employment generated per person has been too inadequate to bring about any meaningful increase in the earnings of the beneficiaries¹⁴⁴.

As per the concurrent evaluation carried out by independent researcher agencies, 11 days of employment was generated per person in 1993-94. Again in a recent evaluation of the EAS, it is estimated that on an average 31 days of employment had been generated on EAS works and an annual 25 per cent of those who registered themselves in work got employed. In a quick evaluation study of JRY it has also been pointed out that on an average only 16.67 man days of employment were generated per beneficiary over a three-month period. This certainly brings out the inadequacy of the programme to create direct employment even in lean seasons¹⁴⁵.

The study shows in Orissa, 52 days of employment were generated, in Madhya Pradesh; it was as low as 3 days. This suggests that in some areas the programme is able to meet the minimum requirements in lean seasons, while in others there is need to upscale the programme. However, it should be noted that 75 per cent of the beneficiaries derived income benefits, 22 per cent were able to save more, while the others were able to spend more on health, safe drinking water, and nutrition. Hence, the employment was viewed as having a positive impact on the quality of life of the poor. While wage employment programmes do generate employment in lean seasons and have also pushed up market wages, it is important to note that the projects taken up under these programmes have tended to benefit the land owners more, especially, the larger ones. It is widely accepted that agricultural growth is one of the major factors contributing to poverty alleviation¹⁴⁶ the case of Punjab underscores the importance of agricultural growth for poverty alleviation. It was found that the proportion and absolute number of poor declined at a steady rate both during the initial and major phase of

¹⁴⁴Art.Cit, Rohini Nayyar: 'The Contribution of Public Works and Other Labour-Based Infrastructure to Poverty Alleviation: The Indian Experience', 2002, p-26

¹⁴⁵ Ministry of Rural Development (MoRD): 'Concurrent Evaluation of JRY', Government of India, New Delhi, 1996

¹⁴⁶Raghav Gaiha, Imai Katsushi and D.D. Kaushik: 'On the Targeting and Cost Effectiveness of Anti poverty Programmes in Rural India', *Development and Change*, Oxford, 2001, p 59

the green revolution technology. Hence they assigned an important role to agricultural growth in eliminating rural poverty.

This has been further stressed in a study of Haryana. However, in this study the allocations for public works were marginal to the process of agricultural growth. These programmes generated demand for unskilled workers for which they were not too many takers in the prosperous state, particularly, as the market rate was higher in many cases than the wages offered under the programme. In practice poverty alleviation and agricultural development are viewed as different issues. For instance, a case study of the performance of the Poverty Alleviation Programmes in Karnataka reveals there was no coordination between the irrigation and other rural development activities which led to the misuse and even wastage of valuable resources. As such he advocates that programmes like the JRY and EAS should be merged into one scheme for 'soil and water conservation' and be run by a single department. This would also save wasteful expenditure currently incurred in the absence of interdepartmental co-ordination. Hirway has also drawn attention to the need for concentrating on works, which lead to better management of natural resources, especially works which can assist in drought proofing so as to reduce short-term drought relief works¹⁴⁷.

The need for a better coordination between programmes of agricultural development and poverty alleviation have been spelt out and reiterated by Prof. C.H. Hanumantha Rao. According to him there has been a complete dichotomy between the two, the former being concerned with increasing yields of individual farmers without any assessment of local needs and the latter much less concerned with increasing productivity and employment on a sustainable basis.

As mentioned earlier, this scheme has been implemented in two hundred backward districts in the country, spread over 27 states. In these districts, Panchayats will be the principal agency through which the act will be implemented. As mentioned earlier, Panchayats will be responsible for the identification, execution, and supervision of projects as per the recommendations of Gram Sabha and the Ward Sabhas, and the Gram Sabhas are given the power to conduct a regular social audit of individual schemes. A number of questions arise in this context. Out of these two hundred districts, some are covered under Scheduled Area Act. Of the remaining districts, a good proportion in Andhra Pradesh, Bihar, and Jharkhand are virtually under extremist control. There are also other districts where

¹⁴⁷Indira Hirway: 'How Far Can Poverty Alleviation Programmes Go? The Case of Gujarat: Interim Report', Centre for Development Alternatives, Ahmedabad, 2001, p-23

Panchayats are simply nonexistent and, in many places, non functional. There is also the problem of not having regular and dedicated functionaries for many of the Panchayats. Given these constraints, evolving a policy design and implementation strategy for NREGA becomes extremely difficult and thus, challenging , out of the two hundred districts, 119 of them fall in seven states, viz., Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan, and Uttar Pradesh. Needless to mention, these states rank low in socioeconomic development of the country. These states are predominantly rural and 53.73 percent of the rural Indian households and 67.95 percent of the rural below poverty line (BPL) households reside in these 119 districts of seven states. This distribution pattern of districts in terms of rural BPL households reinforces the argument that NREGA intends to attack the poverty stricken regions of the country. These regions are also the most backward regions in terms of rural connectivity, spread of banking, the nature of rural power structure, and the quality of governance. On the other hand, we have districts that are to be covered in the northeast region having their own special problems and are under scheduled areas. However, the number of districts to be covered in the northeast, including Sikkim, is only 16.

Chapter 4

NREGA: Performance

Journey of NREGS from 2006 to 2008:-

National Rural Employment Guarantee Act (NREGA) 2005 which aims at providing enhancement of livelihood security of the households in rural areas was notified on 2nd February, 2006 in 200 identified districts in 27 States in its first phase of implementation. 130 additional districts were included in the 2nd phase of NREGA during the last financial year (2007-08) making a total of 330 districts.

Table4.1: Progress of NREGS

	2006-07	2007-2008*
No of households demanded jobs(in million)	21.1	17.1
No of households provided jobs(in million)	21.0	16.6
Total Number of persondays generated(in million)	90	46
Total works taken up(in million)	0.83	0.7
Completed works(in million)	0.38	0.16
Incomplete works(in million)	0.45	0.61

***Note: till September 2007**

Source: Union Ministry of Rural Development, September, 2007

Although NREGA was formally launched in February 2006, the first two months (February and March 2006) were used by the states mainly in activities such as registering applications for job cards, making and distribution of job cards and passage of confirmatory legislations by states, Effectively, only in May-June 2006 that all the 27 states could implement the NREGA. In April 2007 the Union government further added 133 districts to the NREGA list. From April 2008 all districts in the country will be covered under the NREGA. For all practical purposes, NREGA is in preparation level in the 133 districts added in April 2007. The 200 districts are where the NREGA is being practically implemented. Low participation Since August 2006 when the first figures on employment generation were released, the success of NREGA has been measured in terms of ratio of jobs demanded and

provided. During 2006-2007, 21.2 million people demanded works while 21 million people were provided jobs under NREGA (around two per cent of India's population)¹⁴⁸.

Ministry of rural development has been claiming success of NREGA on the basis of this data that more than 90 per cent people who demanded jobs were provided with employment opportunities. During 2006-07, NREGA created 9 million person days of employment¹⁴⁹. This means that on an average 42.85 person days were generated for each family across the year covering 39 per cent of all rural households. This is around 60 per cent less than the promised 100 days employment guarantee under NREGA. On the other hand this is around seven per cent participation from a casual worker population of 140 million in the country. It indicates that large number of people didn't demand job under the scheme. When NREGS was conceived government made an estimate that most of the 57 million rural households would ask for job under the scheme. Based on this assumption, proponents of NREGS made an estimate of Rs.40, 000 crore expenditure for the Act's implementation. Interestingly, the states with maximum casual labours like Andhra Pradesh, Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh, Orissa and Madhya Pradesh are reporting the minimum job demands under the NREGS during 2006-07. These are the states that account for around 100 districts out of 200 initially targeted for NREGS for this reason. Twenty out of 27 states reported an average of less than 50 employment days per households. Only Rajasthan was able to generate more than 50 average persons days of employment against the guarantee of 100 days during 2006-07. States such as Andhra Pradesh (25.37 person days), Uttar Pradesh (22.23 person days), Bihar (18.46 person days), Chhattisgarh (38.65 person days), Orissa (32.27 person days) and Madhya Pradesh (39.9 persons days) are far behind from the target of providing 100 days of employment at the half way mark of the current fiscal¹⁵⁰.

During 2007-08 (till September 2007), according to latest data released by the Union Ministry of rural development, 16.6 million people have got works under NREGS against the demand from 17.1 million people. Till September 2007, 460 million person days have been generated. On an average 28.75 person days per household have been generated in 330 districts. "We expect a massive increase in NREGS works over the next few months, as agricultural works have been largely completed following the monsoon rains," says a

¹⁴⁸ Ministry of Rural Development (MoRD): 'Status of NREGA Implementation', a note for Parliament, November 2007, New Delhi, accessed at <http://rural.nic.in> on 28-03-2008

¹⁴⁹ Ibid.

¹⁵⁰ Ministry of Rural Development (MoRD): 'National Rural Employment Guarantee Act (NREGA): Two Years 2006-08', Department of Rural Development, Government of India New Delhi, accessed at http://Reports/NREGA_two_years_report.pdf on 28-03-2008

Planning Commission official. During 2007-08 (till September) only Rajasthan and Tamil Nadu out of 27 states have provided average employment of 50 days and 52 days ¹⁵¹ (See table: State indicators). This is a very low demand given that most of the states didn't implement the NREGS during the monsoon period. State governments of Andhra Pradesh, Karnataka, Chhattisgarh, Orissa and Jharkhand had stopped works under NREGS during June and July 2007 so that workers could take up agricultural activities prior to the onset of monsoons in these states. This means at the peak period of job scarcity, the NREGS couldn't solicit response. In Orissa, only 13 per cent households, who have been issued job cards, have sought for jobs in four months of this financial year¹⁵².

Table4.2: State Indicators- 2007-2008

States	Average persons days Generated (%)	Share of women in employment (in per cent)	Expenditure(Rs in crore) with number of districts in the bracket
Andhra Pradesh	25.37	56.77	696 (19)
Assam	20.8	21.75	109 (13)
Bihar	18.47	19.32	309 (37)
Chhattisgarh	38.65	40.45	454 (16)
Gujarat	27.32	36.42	42.72 (9)
Haryana	12.18	36.81	8.12 (4)
Himachal Pradesh	NA	27	19.59 (4)
Jammu & Kashmir	20.38	0.16	2.19 (5)
Jharkhand	26.60	27.79	353 (22)
Karnataka	31.5	50.4	69.18 (11)
Kerala	18.53	74.63	26.62 (4)
Madhya Pradesh	39.92	40.36	921 (31)

¹⁵¹ figures cited in the Union Budget of 2007-08

¹⁵² Ministry of Rural Development (MoRD): 'National Rural Employment Guarantee Act (NREGA): Two Years 2006-08', Department of Rural Development, Government of India New Delhi, accessed at http://Reports/NREGA_two_years_report.pdf on 28-03-2008

Maharashtra	44.69	41.24	3.79 (18)
Orissa	31.96	61.65	186 (24)
Punjab	29	1.84	0.46 (4)
Rajasthan	50.66	66.72	592 (12)
Tamil Nadu	52.71	83.25	293 (10)
Uttar Pradesh	21.4	9.12	61.09 (39)
Uttaranchal	22.74	39.78	16.59 (5)
West Bengal	11.05	17.24	172 (17)

Note: NA-not available

Source: Union Ministry of Rural Development, September, 2007

In 2006-07, 54 per cent of households demanded for job and less than 6 per cent of those households demanded work for full 100 days. Low demand of job has the potential to make the NREGS redundant like other wage employment programmes of past. In the past most of the public work programmes failed miserably in their reach. Governments attribute the low participation to lack of spread and funds. In this context the low participation in NREGS, a demand driven programme, raises critical questions. Due to this NREGS's capacity to produce productive assets thus making an impact on local economy would also be strained. This, on the other hand, would defeat the Act's prime objective of raising agricultural productivity. Productive but for few, the effectiveness of the NREGS crucially depends on what types of works it gives priority to. Lack of focus on creation of productive assets has been a major reason for failure of wage employment programmes¹⁵³.

In the first year of NREGS (February 2006 to March 2007), 7, 65,132 works were taken up. Out of this, 3, 15,743 were related to water conservation and renovation of traditional water bodies thus constituting around 41 per cent of the total works. Rural connectivity comprised of 1, 82,900 works i.e. around 23 per cent of total works. During the current financial year (April 2007 till Jan 2008), 12, 99,025 works (both completed and ongoing) have been taken up. Out of this, 4, 62,796 works are related to water conservation and

¹⁵³ Art.Cit, Ministry of Rural Development (MoRD): 'National Rural Employment Guarantee Act (NREGA): Two Years 2006-08', 2008, p- 17

renovation of water bodies i.e. around 35 per cent of total works. Rural connectivity in the same year accounted for 16 per cent (2, 18, 955) of total works. Land development works has also increased from 2 per cent in 2006- 07 to 14 per cent in 2007- 08. What is startling is that the overall productive assets creation, particularly water conservation, hardly reflects the national trend.

In the current financial year going by state level data Bihar, UP and HP had more road connectivity works than water conservation works while Orissa, West Bengal, Jharkhand, Chhattisgarh and Karnataka had given same priority to water conservation and road connectivity. Basics are to be fixed State governments seem to have faulted in not putting in place the basic minimum institutional infrastructure needed to implement the scheme. In October 2006 CSE made a situational analysis of state governments' efforts in establishing the necessary institutional set up. After a year and half, states are now moving in to set up the most basic institutional mechanism for the act to be implemented With this the scheme lost not only time but also people's interests on it¹⁵⁴.

After the passage of NREGA in Parliament, each state government was to formulate Rural Employment Guarantee Scheme under Section 4 of NREGA within six months. The Act gave flexibility to state governments to formulate their own act according to their 'contextual requirements'. This is the same provision under the Panchayati Raj Act (1992) that allowed states the right to evolve their own decentralised governance structure. However, the NREGA makes it mandatory for the states to have their schemes within the 'legally non-negotiable parameters'. Essentially it implies that states must keep the objective of enhancing livelihood security in core of their respective schemes. All the 27 states have notified their schemes. But on another important provision, most of the states have failed. Under the Act, all states are supposed to create a nodal advisory body called the State Employment Guarantee Council (SEGC). But many states have not yet set up the mandatory guidelines and advisory bodies. The formation of SEGCS has been skewed across states. The councils are crucial in making the Act relevant to local needs as they advise the respective governments on 'preferred works' to be undertaken under the NREGA. Going by the implementation data of various states, during the first year only three states constituted this council. In the last six months, however, all the states have formed the council. While Rajasthan was proactive in setting up the SEGC just after formulation of state specific act in 2006, Jharkhand with one of the largest number of districts under NREGA, notified formation of SEGC in June 2007. On the

¹⁵⁴ Centre of Science and Environment (CSE): 'The National Rural Employment Guarantee Act (NREGA): Opportunities and Challenges,' Natural Resource Management and Livelihood Unit, CSE, New Delhi, accessed at http://www.cseindia.org/programme/nrml/pdf/NREGA_policy_paper_2008.pdf on 17-04-2008

other hand states have constituted the SEGC in such a manner that the state bureaucracy remains in firm control of the NREGA. This defeats the very purpose of the Act. It designs the council as a pool of experts, panchayat members and minimal government officials. First, most of the state councils have government official in dominance contrary to the idea of getting non-government and panchayat representation. Secondly, councils are not meeting often to monitor and guide implementation¹⁵⁵.

In Madhya Pradesh and Chhattisgarh the state councils are packed with government officials with only token presence of NGOs and other independent observers. "In Madhya Pradesh and Chhattisgarh state governments have hijacked the independent functioning of the councils," says Yogesh Kumar, Director, Samarthan, a NGO based in Bhopal. Many members of the Jharkhand state employment guarantee council are not even aware about the provisions of NREGA and this has hampered implementation of several provisions of NREGA such as revised wage payments and analysis of time and motion study conducted in various districts. Without any peer guidance, the district collectors are calling the shots in NREGA implementation in the state. The Orissa government only recently notified formation of employment guarantee council after more than one and half years after launch of NREGA. Bihar is yet to form the council mandatory under NREGA. Uttar Pradesh, with highest number of districts under NREGA, although notified the formation of the council in July 2007, but there is hardly representation of NGOs or independent observers in the council and the meeting of the council is yet to be convened. "Uttar Pradesh government is yet to wake up to the opportunities NREGA offers and the state government is still treating it as wage earning scheme," says Awanesh Kumar, Programme Officer, Shabhagi Sikshan Kendra, a Lucknow based NGO.

Records of other states regarding the formation of councils have not been encouraging. Gujarat and Haryana have not yet notified formation of councils. R R Solanki, additional commissioner at Rural Development department of the Gujarat, says that the state government is in the process of setting up the council to monitor the scheme. With the elections to state assembly is scheduled for December 2007, the formation of council would be further delayed. "Absence of council implies delays, slow progress and inefficient implementation of NREGS,"¹⁵⁶

Many states have not drafted guidelines to implement the scheme even though the NREGA

¹⁵⁵ Art..Cit, Centre of Science and Environment (CSE): 'The National Rural Employment Guarantee Act (NREGA): Opportunities and Challenges,' 2008,p-38

¹⁵⁶ Participatory Research in Asia (PRIA): national study conducted by an NGO working on participatory governance, across 14 states on the implementation of NREGA

is in implementation since long. Orissa, Uttaranchal and most north eastern states except Assam and Meghalaya have not finished drafting their state-specific guidelines. Jharkhand, Rajasthan and Uttaranchal have not issued state REG schemes till now. In the states, which have drafted their own guidelines, some of their aspects show a major drift from the national Act and might have negative implications on the implementation. Says Union rural development minister Raghuvansh Prasad Singh, “The initial problem has been in states not implementing the NREGA.” In fact Raghuvansh Singh met the members of Parliament from backward districts to influence the state governments to take the scheme implementation seriously. Under the act a new set of guidelines has to be drafted and the guidelines of NFFWP to be followed in the interim period. Most of the states are still managing with the latter option. This results in confusion over types of works to be taken up and also on the exact roles of various agencies like the panchayats. Because most of the NFFWP guidelines have pre-fixed list of works while the NREGA gives panchayats the right to select and identify works¹⁵⁷.

Sunita Narain, director, CSE: “The Act brings with it huge possibilities of making a difference to the lives of 45 million rural households of our country. Over the two years that it has been in existence, NREGS has already created half-a-million assets and provided jobs to around three per cent of India’s population. The CSE study finds that despite NREGA’s official focus on jobs, the programme is witnessing a dipping demand for employment under it. This is not because rural India does not need jobs any more, but because of the Act’s lopsided focus and its imperfect wage-for-jobs scheme. To begin with, governments have failed to articulate the Act’s development potential. Instead of implementing and evaluating the Act purely in terms of employment creation, the focus should have been on the real impacts on local development through productive assets creation. In terms of assets creation, most of the NREGS money has gone to road construction projects, instead of works related to water conservation and harvesting¹⁵⁸.

Of the 27 states where the NREGA was implemented, only five have made substantial allocation to water conservation. During 2006-07, Andhra Pradesh alone accounted for about 67 per cent of the total water conservation works under NREGA in the country. This has happened because “irrational wage calculations have made projects like water conservation less lucrative,” says Richard Mahapatra, lead researcher of the CSE study and coordinator of

¹⁵⁷ Press Release, Centre for Science and Environment, accessed on 18-03-2008
http://www.cseindia.org/AboutUs/press_releases/press_20080331.htm

¹⁵⁸ Press Release, Centre for Science and Environment

CSE's Natural Resource Management and Livelihoods programme. The programme is also plagued by another set of problems, finds the CSE analysis – that of incomplete and abandoned works, and lack of maintenance of completed works. Out of a total of 769,582 works under progress, only 158,277 (20.56 per cent) have been completed. Till August 2007, only about 14 per cent of water conservation works under NREGA had been completed. In fact, road construction projects were getting done at a faster rate. The study has found that bad planning for water conservation structures is putting a large number of the assets created into disuse. For instance, water harvesting structures have been created without any provision for catchment protection. On top of this, 'maintenance work' does not come under the ambit of NREGA as a permissible activity. As a result, districts, which already have large numbers of water harvesting structures and want to use NREGA money for their maintenance, can't do so¹⁵⁹

Financial Status of NREGS

Funds for NREGS are released based on employment demand in a district. Central Government makes a budget provision to meet the initial anticipated demand. A budget provision of Rs.11300 crores for the year 2006-07 was made for NREGS. During the year, an amount of Rs. 12073.56 crores was available with 200 phase I districts for implementing NREGS. This included Central release of Rs. 8263.66 crores, State share of Rs. 802.92 crores and Opening Balance as on 1/4/2006 of Rs. 2052.92 crores. Besides, an amount of Rs. 377.20 crores was released to 113 phase II NREGS districts for preparatory arrangements and initial expenses. A total central release of Rs. 8640.86 crores was made to the 313 districts during 2006-07 under NREGS. Against the total available funds of Rs. 12073.56 crore with the States during 2006-07, a sum of Rs. 8823.36 crore was utilised under the Programme. The average fund utilisation per district was Rs. 44.12 crore in 2006-07¹⁶⁰.

As the Programme is demand based, 2.12 crore households had demanded employment, out of which 2.10 crore households were provided employment during 2006-07 and a total of 90.51 crore person days of employment was provided under the Programme. Under NREGA, an average of 45.2 lakh person days of employment per districts were generated, while under SGRY in 2005-2006, the average persondays generated were 14.02 lakh per district. Out of total 90.51 crore person days, the share of Scheduled Castes was 22.95 crore persondays

¹⁵⁹ Ibid

¹⁶⁰ Press Information Bureau (PIB): Status of National Rural Employment Guarantee Act (NREGA), Government Of India New Delhi, November 28 <http://pib.nic.in/>

(25.36%) and Scheduled Tribes was 32.99(36.45%) constituting a total of 55.94 crore persondays for SCs/STs which comes to about 62%. As per NREG Act, the share of women persondays should be 1/3 and the same was 36.79 crore persondays which is about 41% as compared to 24% under SGRY during 2006-07. An amount of Rs. 5842.37 crore was paid as unskilled wages which was 66.21% of total utilization of Rs. 8823.36 crore. A total of 8.34 lakh works were opened under the Programme, out of which 3.86 lakh works were completed. Category wise break up is mentioned in Table below-

Table 4.3: Assests Created Under NREGS 2006-07

Type of Work	Total works taken (no)	Works completed (no.)	Ongoing Works (no.)	Benefit Created
Water Conservation and Water Harvesting	266365	121921	144444	737 Lakh Cu Mt. of water storage capacity through Digging new tanks/Ponds, percolation tanks, Small Check Dams
Flood Control and Protection	17113	10206	6907	3 Lakh Km of Drainage in water logged areas through Construction & repair of embankment
Micro Irrigation Works	27682	12151	15531	0.13 Lakh Km of canals
Provision of	80794	27362	53432	0.16 Lakh

Irrigation facility to Land Owned by SC/ST				Hectares of land provided with irrigation facilities
Renovation of Traditional Water bodies	59924	25472	34452	481 Lakh Cu Mt. of water storage capacity through desilting of tanks/ponds ,desilting of old canals ,Desilting of traditional open wells
Land Development	88557	43370	45187	3.35 Lakh Hectares of land leveling & bunding
Drought Proofing	77305	30989	46316	3.45 Lakh Hectares of land Afforestation and tree plantation
Rural Connectivity	179661	91244	88417	2.37 Lakh Km of Roads
Any Other activity.	33537	20776	12761	
TOTAL	830938	383491	447447	

Source: <http://pib.nic.in/> November 28, 2007

Table4.4: ASSETS CREATED UNDER NREGS (2007-08 – up to September)

Type of Work	Total works taken (no.)	Works Completed (no.)	Ongoing Works (no.)	Benefit Created
Water Conservation and Water Harvesting (CU.MT.)	273548	62366	211182	756.36 Lakh Cu Mt. of water storage capacity through Digging new tanks/Ponds ,percolation tanks ,Small Check Dams
Flood Control and Protection (KM)	17544	6814	10730	2.67 Lakh Km of Drainage in wager logged areas through Construction & repair of embankment
Micro Irrigation Works (KM)	38718	8521	30197	0.20 Lakh Km of canals

Provision of Irrigation facility to Land Owned by SC/ST (HECTARE)	104977	27945	77032	0.26 Lakh Hectares of land provided with irrigation facilities
Renovation of Traditional Water bodies (CU.MT.)	72130	18750	53380	578.98 Lakh Cu Mt. of water storage capacity through desilting of tanks/ponds, desilting of old canals, Desilting of traditional open wells
Land Development (HECTARE)	119754	25462	94292	4.53 Lakh Hectares of land leveling & bunding
Drought Proofing (HECTARE)	83445	11020	72425	4.09 Lakh Hectares of land Afforestation and tree plantation

Rural Connectivity (KM)	136565	46573	89992	1.80 Lakh Km of Road
Any Other activity	45175	7541	37634	
Total	891856	214992	676864	

Source: <http://pib.nic.in>, November 28, 2007

In order to make the process of payment of wages transparent and to ensure that wages are directly paid to the beneficiaries, States are being encouraged to make payment of wages through banks and post offices. Some State which have taken initiative in this regard are Andhra Pradesh where in 18 districts payment is being made through post offices, Karnataka where payment is made through the banks in 5 districts and Jharkhand where payment is being made in all the 22 NREGA districts through banks and post offices. At the national level the matter is being pursued with the Ministry of Posts in order to facilitate payment of wages through post offices¹⁶¹.

As is well known, the southern and western States (Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu) routinely do better than most of the northern and eastern States when it comes to social policy and rural development programmes. The large north Indian States, for their part, tend to lag far behind. But when it comes to NREGA, the pattern is reversed: only one of the southern or western States (Karnataka) has generated more than 10 person-days of employment per rural household in 2006-07, while the eastern and northern States have done comparatively well in this respect. Of course, this pattern has to be read in the light of the fact that the need for fallback employment may be greater in the eastern and northern regions. Nevertheless, it is encouraging to find that the NREGS made an early start in these deprived regions (with the significant exceptions of Bihar and West

¹⁶¹ Press Information Bureau (PIB): Status of National Rural Employment Guarantee Act (NREGA), Government Of India, New Delhi, November 28 <http://pib.nic.in/> accessed on 1-12-2007

Bengal)¹⁶².

Jean Dreze and others have mentioned that NREGA doing better in States ruled by the Bharatiya Janata Party (BJP) ruling states. Indeed, among the major States, the four best performers in terms of employment generation under NREGA are Rajasthan, Assam, Madhya Pradesh and Chhattisgarh, all of which, except Assam, had BJP governments in 2006-07. As far as the minimum wages are concerned some States are evidently paying less than the statutory minimum wage, in flagrant violation of the Act. The most glaring offender in this respect is none other than Rajasthan, where NREGA workers earned a meagre Rs.51 a day on an average in 2006-07 even though the statutory minimum wage was Rs.73 a day. This is a trifle paradoxical, since workers' organisations in Rajasthan have been at the forefront of recent struggles for minimum wages. Similarly, while women's share of NREGA employment is above 80 per cent in most districts of Tamil Nadu, it is less than one per cent in five districts of Uttar Pradesh. The inter-district contrasts are illustrated in the graphic, with reference to the level of NREGA employment (measured, as before, in terms of person-days per rural household)¹⁶³.

The Central releases fund during the year 2007-08 were Rs. 12353.22 crore under the programme. Against the total available funds of Rs. 19028.58 crore, the States have reported an expenditure of Rs. 15678.86 Crore. 3.37 crores households have been provided employment during the year 2007-08. A total of 142 crore person-days of employment were generated under the programme, of which 38.70 crore person-days of employment for SCs, 41.36 crore person-days for STs and 61.55 crore person-days for others. 60.39 Crore person-days of employment were provided to women. Over 36 lakh families got full 100 days employment. A total of 17.76 lakh works were taken up during the year 2007-08 of which 8.05 lakh works were completed. For transparency, the states have been asked to ensure payment of wages to workers through banks or post office accounts only. So far, over 1.6 crore accounts have been opened. This is the largest financial inclusion effort after independence. RBI has assured that all banks have been advised to take up account opening on a large scale for NREGS. With the view of enhancing banking expansion, all Regional Rural banks have been advised by RBI to open new bank branches. Officials from the Department of Posts have assured fullest co-operation and follow up to ensure opening of accounts to all NREGS beneficiaries. It was decided that RBI and DoP shall monitor financial

¹⁶² Art.Cit. Press Information Bureau (PIB): Status of National Rural Employment Guarantee Act (NREGA), November 28

¹⁶³ Jean Dreze and Christian Olidges: 'Commendable Act', *Frontline*, Vol. 24, No.14, 2007, p-56

inclusion efforts closely. The states have to develop mechanisms to ensure timely verification of works, with 2% of the works to be verified at state level, 10% to be verified at district level and 100% at block level. So far over 1% of the works have been inspected by state officials, over 8% by district officials and over 70% by block officials, the states have also been asked to effectively operationalize Gram Sabhas for selection of works & social audit. So far, social audit has been conducted in over 80,000 Gram Panchayats¹⁶⁴.

NREGS has strengthened rural development administration at the field level by way of additional recruitment of 1685 programme officers, over 80,000 Panchayat Rozgar Sewaks, over 6000 computer/account personnel and over 12000 Engineers for maintaining the highest standards of transparency. Accordingly, all states have to compulsorily operationalize the Management Information System (MIS). The flow of funds from mid-current year shall be based on reports of MIS. Assurance of full compliance with all guidelines of the scheme from all the states has been received and the results of implementation during 2007-08 are encouraging across the country and it is hoped that in 2008-09 the programme shall further stabilize and shall bring sustainable employment opportunities in rural areas, the ministry of Rural Development has decided to promote IT applications for NREGA solutions. Some IT companies like HCL, Zero Mass foundation, FINO & IMFAST have made presentation of their products. Ministry has decided to study all possible options and to draw out their better features for improving upon NREGA and processes related to NREGA¹⁶⁵.

Social Audit

The NREGA guidelines dedicate an entire chapter (11) to compulsory social audit. The guidelines state: “An innovative feature of the National Rural Employment Guarantee Act is that it gives a central role to ‘social audits’ as a means of continuous public vigilance. One simple form of social audit is a public assembly where all the details of a project are scrutinized. However, ‘social audit’ can also be understood in a broader sense, as a continuous process of public vigilance.” The chapter lists eleven stages of the programme where an individual or group can intervene to ensure public vigilance. The last stage is the mandatory six monthly social audit forum, where the gram sabha is to come together to look at a mandatory set of questions related to all the work carried out in the preceding period.

¹⁶⁴ Press Information Bureau (PIB): ‘The next step for NREGA is Right to Work’, May 13, 2008, <http://www.pib.nic.in/> accessed on 15-05-2008

¹⁶⁵ Ibid.

These include, but are not restricted to a set of sixty questions that citizens can ask about implementation of the programme at its various stages. To understand this process deeply, it is important to understand the meaning of an “Audit” extensively¹⁶⁶ which is given in the following paragraphs.

A scan of available literature suggests that the definitions of social audits are diffuse and broad. Many interventions have been variously called social audits. It is more appropriate, therefore, to view social audits as a continuum that ranges over several techniques or methodologies. At one end of the continuum we find that global practices such as the Public Expenditure Tracking Surveys (PETS)¹⁶⁷ in Tanzania, Citizens’ Report Cards in India and the Philippines¹⁶⁸, Community Score Cards in Kenya and the Gambia, social audits conducted under the Right to Information Campaign in India¹⁶⁹, participatory audits in the Philippines¹⁷⁰, and budgetary audits conducted by Japanese farmers in Indonesia¹⁷¹ are all loosely and interchangeably called social audits.

At the other end, a more limited set of characteristics is on view, wherein social auditing is posited as similar to financial auditing, except that “it is about [an audit of] everything else that an organisation does apart from handling money.” In a way, “the social auditor is a “critical friend” (ideally an outsider) who periodically checks the books and asks probing questions to help the organisation reflect systematically on the effectiveness of its internal operations as well as its broad external impact.”¹⁷² Other definitions are available: The

¹⁶⁶ Mazdoor Kisan Shakti Sangathan (MKSS): ‘Transparency, Accountability – Using the Peoples Right to Information for Proper Implementation of the NREGA’, MKSS Collective, http://www.righttofoodindia.org/data/ega_english.pdf accessed on 18-03-2008

¹⁶⁷ Geir Sundet, HakiElimu: A paper on Public Expenditure and Service Delivery Monitoring in Tanzania: Some International Best Practices and a Discussion of Present and Planned Tanzanian Initiatives’ Working papers, Series No. 2004.7, Dar es Salaam, Tanzania, 2004. http://www.hakielimu.org/WP/WPSeries7_2004.pdf accessed on 18-03-2008

¹⁶⁸ Filipino: ‘Report Card on Pro-Poor Services’, Chapter VIII: Institutionalization of the Report Card. <http://www.worldbank.org/participation/web/webfiles/philipreport.htm> accessed on 18-03-2008

¹⁶⁹ Upala Devi Banerjee, Vinay Naidoo and Colin Gonsalves: ‘Study on The Right to Food Campaign in India: A Case Study of Entitlement-Oriented Strategies Used to Reclaim the Right to Food for Vulnerable and Marginalized Groups, by 2005. Accessible in the LLP volume of case studies from the “Case Studies” section of the website at: <http://www.unescobkk.org/appeal/llp> on 18-03-2008

¹⁷⁰ Upala Devi Banerjee: Case study on ‘Promoting Media-Community Action for Shaping Desired Outcomes: The UNDP Philippines and Centre for Community Journalism and Development Partnership in the Western Visayas Region, by 2005. Accessible in the LLP volume of case studies from the “Case Studies” section of the website at: <http://www.unescobkk.org/appeal/llp> on 18-03-2008

¹⁷¹ Upala Devi Banerjee: Case study on “Ensuring Sustainable Livelihoods – Using Rights-Based Mechanisms for Implementing Pro-Small Farmers’ Oriented Policies in Klaten District, Central Java, Indonesia – An OXFAM Great Britain-Indonesia Case Study,’ 2005. Accessible in the LLP volume of case studies from the “Case Studies” section of the website at: <http://www.unescobkk.org/appeal/llp> on 18-03-2008

¹⁷² George Clark on “Social Auditing: Feedback Control for Organisations”. Accessed at: <http://www.caledonia.org.uk/social2.htm> on 18-03-2008

Northern Ireland Co-operative Development Agency (NICDA) terms social auditing as “a process which enables organisations and agencies to assess and demonstrate their social, community and environmental benefits and limitations. It is a way to measure the extent to which an organisation lives up to the shared values and objectives it has committed itself to promote.”¹⁷³ Similarly, the New Economics Development Foundation (NEF) defines social auditing as “a process whereby an organisation can account for its social performance, report on and improve that performance. It assesses the social impact and ethical behaviour of an organisation in relation to its aims and those of its stakeholders”¹⁷⁴.

These definitions resonate with the form of audits undertaken by AAN, as documented under an LLP case study via the Regenerated Freirian Literacy through Empowerment Community Technique (REFLECT) to periodically review and evaluate its programmes and end results jointly by all stakeholders on a regular basis¹⁷⁵. What can be reconciled from this large spectrum of definitions is that social auditing as a process is firmly rooted in a framework of values, ethics and focus on the community¹⁷⁶.

In other words, there is a strong human rights-focused component to social auditing; it is not simply technical auditing of the nature conducted by public sector agencies or audit bodies. Audits are not only assessments of performance (outputs), but also of the integrity of the process that leads to the performance and the impact of such performance (outcomes). In that sense, audits can be used through a lens of rights and applied to test the integrity of a given process through, particularly, the lens of the rights holders. However, audits are not only relevant from the point of view of the demand for rights and services; the ‘supply side’ is equally deserving of the practitioner’s attention. It will also be evident in the course of this note that roles of ‘auditor’ and ‘auditee’ can change or overlap based on the nature of the audit being conducted (i.e. by whom and on whom/what). It is worth re-stating how rights holders and duty bearers stack up in the context of social audits because of the relative nature of their positions. For example, while a municipal council is a duty bearer in relation to the community that it services, it is a rights holder (a citizen/client) in relation to the

¹⁷³ Ibid

¹⁷⁴ Ibid.

¹⁷⁵ Upala Devi Banerjee: Case study on ‘Using Rights-Based Approaches to Mobilize for Social Justice: The Action Aid Nepal RELECT Process, 2005. Accessible in the LLP volume of case studies from the “Case Studies” section of the website at: <http://www.unescobkk.org/appeal/llp> on 18-03-2008

¹⁷⁶ Geir Sundet, HakiElimu: A paper on Public Expenditure and Service Delivery Monitoring in Tanzania: Some International Best Practices and a Discussion of Present and Planned Tanzanian Initiatives, Working papers, Series No. 2004.7, Dar es Salaam, Tanzania, 2004. http://www.hakielimu.org/WP/WPSeries7_2004.pdf accessed on 18-03-2008

lawmakers/policymakers in that it looks to the latter for mandates, guidance and financial allocations. It goes without saying that many globally-acclaimed instances of social audits have been undertaken mainly due to pressure from rights holders in influencing policy planning and resultant policy implementation, especially as this relates to the securing of effective and efficient delivery of services. Influencing policy planning and implementation via audits is related primarily to delivery of obligations in terms of adequate budgetary allocations and associated disbursements and use (since the manner in which a budget is planned and implemented has consequences on the poor in a society) and in claiming entitlements such as access to information that are an outcome of legislative frameworks. Social audits represent the application of standard accounting procedures (rooted firmly in the science of accounting) applied within a strong value and ethical premise. In this regard, by applying a normative, value-based overlay on a technocratic process such as an audit that would ideally only be used by service providers and the State, social audits bring two distinct domains of accountability – hard numbers and ‘soft’ values – closer. Furthermore, the use of standard financial techniques gives credibility to the normative assessment. This makes them worthy of further enquiry¹⁷⁷.

Accountability can be defined as being answerable and responsible for one’s actions and decisions. The concept of accountability refers to stakeholders being answerable and responsible for performing their duties and fulfilling responsibilities/obligations. Duty bearers are accountable for fulfilling obligations as they relate to, for instance, public sector delivery, financial allocations, provision of speedy and fair justice remedies for all without any discrimination and abiding by frameworks as stipulated in international treaties and conventions that a country has signed and ratified. At the same time, rights holders are also accountable for ensuring that there exist universal basic human rights standards that they abide by when realizing various individual rights that are sanctioned by a country’s government – the right to bear arms for self-defence being a case in point. There are various frameworks via which accountability can be ensured. While a country’s constitution, laws and policies provide a framework for ensuring State and service provider accountability when performing duties and fulfilling obligations, such accountability is often found lacking due to the presence of a host of “on-the-ground” local factors. In the past decade or so, various tools – social audits being one amongst them – have been employed for soliciting increased

¹⁷⁷ UNESCO: ‘Social Audits for Strengthening Accountability: Building blocks for human rights-based programming – Practice note’. Bangkok: Bangkok, 2007, Accessed at <http://unesdoc.unesco.org/images/0015/001570/157021e.pdf> on 18-03-2008

transparency and accountability. Country case illustrations in this note will demonstrate how such accountability of all stakeholders can be solicited via the usage of social audits. In other words, social audits are not simply linear, unidirectional chains of citizens/clients conducting audits on the State by way of accountability for performance and delivery of obligations. There is a more complex set of causalities and workflow processes in operation, and there is also a degree of relativism in who the auditor and auditee. Audits are mostly a unidirectional “bottom up” process, wherein citizens/clients participate in conducting audits to bring to notice, to access or to improve transparency and accountability in respect of policy implementation (including allocating and spending under public budgets) and on delivery of public services¹⁷⁸.

Audit Reports from Various States of India

A substantial social audit reveals that in the harsh terrain of Dungarpur, Rajasthan, where daily living poses a constant challenge, employment on public works has risen to unprecedented levels over the last two months. A quiet revolution appears to be taking place in many impoverished rural districts across the country. The National Rural Employment Guarantee Act (NREGA) is having a perceptible impact on these districts. In Dungarpur in Rajasthan, one of the six districts in the State chosen for the first phase of the NREGS implementation, a substantial social audit revealed that in this harsh terrain, where daily living poses a constant challenge, employment on public works has risen to unprecedented levels over the last two months. About half of all families in rural Dungarpur now have one household member employed under the NREGS¹⁷⁹.

The social audit, which took place at the end of April, involved around 600 participants from 11 States. *The Astha Sansthan and Mazdoor Kisan Shakti Sangathan (MKSS)* helped in the implementation of the social audit. The audit participants organised themselves into groups of *padyatris*, and in a ten-day march, these groups spread awareness about the NREGS and compiled reports on implementation of the NREGS across the district. They also verified the extent to which the entitlements promised by the legislation had reached the people. The NREGS essentially addresses urgent and immediate issues of hunger and deprivation, since it

¹⁷⁸ Art. Cit, UNESCO: ‘Social Audits for Strengthening Accountability: Building blocks for human rights-based programming – Practice note,’ 2007, p-11

¹⁷⁹ Ministry of Rural Development (MoRD): ‘National Rural Employment Guarantee Act (NREGA): Two Years 2006-08’, Department of Rural Development, Government of India New Delhi, accessed at http://Reports/NREGA_two_years_report.pdf on 28-03-2008

is this lack of livelihood, lack of food security, and endemic poverty that sends rural households into the downward spiral of destitution. In the context of acute distress and deprivation in many parts of the country, the new law impels the state to take clear responsibility for providing a social safety net for every poor rural household. However, as economist and social activist Jean Dreze says, legislation alone will not guarantee employment, continuous mobilisation is required¹⁸⁰.

During the social audit exercise in Dungarpur district, the padyatris found that in almost every village, people were aware of their entitlement to 100 days of work a year although many were not aware of the specific details of the entitlement. While there will obviously be a great deal of variability in NREGA implementation across States and across regions, the Dungarpur experience shows that despite some problems, there is a significant leap forward in employment, and the local administration is giving the issue highest priority, according to Jean Dreze. The social audit found that all the work was organised by gram sabhas, and the sense of legal entitlement shored up by the significant impact of the Right to Information Act in Rajasthan has led to a culture of transparency and accountability in this district. For example, muster rolls were found at almost every worksite without any evidence of having been tampered with. Another positive outcome is that close to 80 per cent of the labourers in this area were women (as the men would typically migrate for work), and therefore the NREGA is making an impact on the earning capacities of women as well, which will positively affect gender equations in the community¹⁸¹.

The audit found that working women faced several problems. For instance, worksite facilities were almost non-existent. There was no medical or child care and in most cases mothers had to keep young infants in the open in the blistering heat, or leave them at home, often in the care of older children or other family members. As Aruna Roy pointed out, the lack of crèche facilities (required by the new law) meant that many mothers could not feed their children for up to eight hours in a day and this in turn would adversely affect their children's nutrition. The social audit revealed that there were problems with regard to the measurement of work as well as the wages paid. Many workers expressed the view that the quantum of work that was required from an individual worker was excessive. There was no consideration of variations in the soil or the conditions of lift and lead that have a bearing on individual work output. Most people ended up being paid only between Rs.40 and 60 a day

¹⁸⁰ Employment Guarantee-Signs of Transformation, *The Hindu*, May 11, 2006

¹⁸¹ Art.Cit, Employment Guarantee-Signs of Transformation, *The Hindu*, May 11, 2006

(as opposed to the Rajasthan minimum daily wage of Rs.73). Social activist Nikhil Dey of the MKSS said most tasks were too difficult to complete. Mihir Shah says that with regard to measuring labour, “there appears to be a genuine difficulty, a deep contradiction at the heart of NREG implementation.” “The ‘Schedule of Rates’ by which work done is valued needs reform to bring it in line with legal entitlements under the NREGA.” Shah also rightly points out that average rates do not give room for differences in soil, gender, age, and other factors that have a bearing on productivity. In Dungarpur, this aspect was also stressed by K. Raju, Principal Secretary Government of Andhra Pradesh, who said there was a need to quantify actual productivity in every district through work-time-motion studies, and for tasks to be fixed according to soil conditions so that every worker can earn the minimum wage in seven hours. Interestingly, it is reported that Andhra Pradesh has recently revised the schedule of rates on such task-related norms. Apart from this, there were other problems that the Dungarpur social audit revealed, such as the lack of adequate administrative staff, which affected the NREGS implementation.¹⁸²

An observer from Andhra Pradesh also reported that there was no work available in some villages and the people had to travel to neighbouring villages to find it. However, Jean Dreze says, “With the activation of the administrative machinery, employment is being generated on an unprecedented scale. This has never happened before, outside periods of severe drought (and) further employment opportunities are likely to be created through ‘multiplier effects’, as NREGA wages represent a big injection of purchasing power in this district, where non-agricultural economic activities are few and far between.” Creating water harvesting facilities and making roads and bunds would enhance the economic productivity of the region. Reetika Khara points out, “the usefulness of works undertaken through the NREGS can be enhanced considerably if shelf of works are evolved with greater public participation.” Raja Kutty, Director of the National Institute of Rural Development, said that while the social audit revealed many positive trends, several administrative and policy issues remain that have to be squarely dealt with¹⁸³.

In the context of a fairly responsive and sensitive local government in Dungarpur, these issues could be raised and corrective measures could be evolved because of continuous monitoring. As Nikhil Dey emphasised, the gram sabhas should monitor work under NREGS every six months and take up the responsibility of examining records, checking muster rolls,

¹⁸² Ibid

¹⁸³ Art.Cit, Employment Guarantee-Signs of Transformation, *The Hindu*, May 11, 2006

looking at expenditure, and assessing work site situations. Whatever the problems, the experience of Dungarpur can be replicated across the country if there is a strong commitment from various stakeholders involved in rural governance. The Dungarpur social audit clearly demonstrates that with public monitoring, transparency of administrative functioning, and an empowered population, not only is corruption minimised, but development that transforms the lives of the poor is an attainable reality¹⁸⁴.

Though the State Average was 207% in 2006-07, the percentage was very low in Khargon (25%), in this financial year the State average as a whole is 104% being 131% in phase-I districts and 49% in phase-II districts. The Average is low in some of the phase-I districts: 56% in Chhatarpur, Shivpuri (61%), Shahdole (65%), Betul (87%), and Satna (82%). In the current financial year the women participation is very low: Rajgarh (4%), Guna (11%), Dindori (14%), Tikamgarh (20%), Ashok Nagar (25%), and Panna (24%). The State's average for the number of days of employment provided to a household was 69 days in financial year 2006-07. While this average in the first quarter of the current financial year for phase-I districts is only 41 days, it is only 19 days in Tikamgarh, 23 days in Sddhi and 29 Days in East Nimar¹⁸⁵.

The percentage of fund utilization is very low in Phase-II districts. These districts need to step up the pace of work. In the current financial year Dewas has reported 35% of expenditure under contingency, Anuppur (32%), Harda (20%), Damoh (12%), Panna (6%), Burhanpur (7%), Rewa (10%), which is much higher than the stipulated 4%. In the first year of the NREGA implementation (2006-07), In districts like Balaghat, Betul, Chattarpur, Dindori, East Timar, Jhabua, Shahdole, Sheopur works have been reported completed but no benefit created was reported. In East Nimar average benefit created per work is reported 73.5 Km. under Flood control and protection. Where as in 2007-08, the percentage of works completed against total works in Phase-I districts is very low: Chattarpur (2%), Shivpuri (6%), Betul (7%), East Nimar (10%), Shahdol (11%), Tikamgarh (13%), Khargone (17%) and Dhindori (20%). In most of the districts works have been reported completed but no benefit created was reported. The percentage of works taken up under provision of irrigation facility against total works is very low in most of the districts. Datia has not reported on

¹⁸⁴ Ministry of Rural Development (MoRD): National Rural Employment Guarantee Act (NREGA). Some Reports from the Field, Department of Rural Development, Government of India, New Delhi. http://nrega.nic.in/best_pre_doc.pdf accessed on 22-03-2008

¹⁸⁵ Samarthan: 'Status of NREGA Implementation: Grassroots Learning and Ways Forward', <http://www.empowerpoor.org/downloads/satus> accessed on 28-03-2008

details of works¹⁸⁶.

As per the secondary sources, the total families registered as of now in Madhya Pradesh is 4446195 of which, 41.2% belong to the ST category and 14.2% belong to the SC category. From the field data it is evident that job cards have been distributed most of the families that are registered under the scheme. It is also interesting to see that Madhya Pradesh is way ahead as far as providing 100 days of guaranteed employment to the households. While the national average is 5.7%, it has been observed in Madhya Pradesh that nearly 12% of all the registered households have received 100 days of employment¹⁸⁷.

In Chhattisgarh total 1802348 households are registered. In the whole state 88.68% households which include 47.5% persons in the rural area are covered under the program. Highest number of households registered out of the total household in rural area of the district is found in Jashpur which is 97% and lowest is found in Bilaspur, which is 79% of the total household in the rural area of the district. Similarly, Rajnandgaon is leading in highest number of registration of persons (57% of the rural population) and least is found in Surguja (43% of the rural population). If district wise total household registration is compared with that of total registration at the state level then highest registration is found in Surguja (19%) and least in Korea (4%). Regarding sample districts Surguja, Rajnandgaon and Bastar ranks 1, 2 and 3 respectively as far as household registration is concerned. In Bilaspur and Kawardha 100% families have been issued job cards as per the data mentioned in the table below. In all the districts of the state on an average 97-99% of the households have been issued job cards except for the Dantewada, which is lagging much behind than the others. Here only 40.31% of the households are issued job cards as against the total registration of the families. It is observed from the data available that the household coverage in the district is 84.79 but still job cards are not yet issued. In many places job cards are with Sarpanchs as in the remote and tribal areas of Bastar block.¹⁸⁸

Within the state, there is variance among the districts that have issued job cards to the households. Sidhi stands apart with the maximum number of families which have been issued job cards (more than 4.26 lakh which is nearly 10% of the state total). According to official

¹⁸⁶ Ibid.

¹⁸⁷ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

¹⁸⁸ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Chhattisgarh', Bhopal, Aug-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20chhattisgarh.pdf> accessed on 28-03-2008

estimates, 100 % families in the NREGS districts are registered. Thus the number of families registered in Madhya Pradesh appears to be very high. Though this looks impressive, people have not actually applied for registration. Rather the Panchayats have done the registration on their own and have issued the job cards. This fails the purpose of registration to an extent. The purpose of registering families for the scheme was to ensure that only the deserving families (or families willing to do manual labour) get the job cards and the job cards are not misused. As of now, in Madhya Pradesh, most of the families in the NREGS districts are registered and there are more job cards than that are actually required. It was observed that in 96% Panchayats registers for registers were kept and maintained (though partially). These registers are mostly being maintained by the Panchayat secretaries¹⁸⁹.

Madhya Pradesh has been one of the leading states as far as distribution of the job cards to the registered households is concerned. It was however observed that while, the job cards have been prepared and distributed to a large proportion of the registered families, these documents are not being used properly. In most of the districts the job cards are not being filled. Out of the total families surveyed, it has been observed that job cards have been issued to 91.99% families. However, job card distribution figure shows that only 79% registered families have received the job cards yet. It has also been observed that once the work is done, the job cards issued to the families are taken back by the Panchayats for making entries in it. However it has been observed in most of the Panchayats that the job cards are often kept with the Sarpanchs or Sachivs¹⁹⁰.

Demand of Job

The demand for employment in Madhya Pradesh has been higher than the national average. While the national average of demand for employment from the registered households is around 56%, the demand in Madhya Pradesh is nearly 62%. The number of households that have received employment under the scheme has also been quite satisfactory. In the first monitoring report¹⁹¹ it emerged that only 44% of the registered households received jobs whereas during this phase it was observed that 65% registered households had received jobs under the scheme. The percentage of registered households which have

¹⁸⁹ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

¹⁹⁰ Art.Cit, Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' 2007, p-13

¹⁹¹ Samarthan: 'Status of NREGA Implementation: Grassroots Learning and Ways Forward', <http://www.empowerpoor.org/downloads/satus> accessed on 28-03-2008

completed 100 days of employment in the last financial year is also high in Madhya Pradesh. While the national average for households which have completed 100 days of employment is 5.6% it stands at almost 12% in Madhya Pradesh. It has been observed in the field that people are not actually applying or demanding jobs as a right. Invariably in all the districts, works being undertaken by the Panchayats (or other agencies) are being done as any other developmental work¹⁹².

Among the 27 states where NREGA is being implemented, Madhya Pradesh ranks first as far as employment generation is concerned. In the number of households that have demanded employment, the state ranks 2nd. Within the state, Sidhi has been the best performing state as far as number of person days generated. Till March 07, more than 2.2 crore person days of work were generated in the district. The lowest was recorded in Sheopur with around 40 lakh person days of employment generated. Cumulative, in Madhya Pradesh more than 19.17 crore person days work have been generated till March 2007¹⁹³. Within the state Sidhi has provided maximum employment opportunities for women with the figure of more than 1.15 crore person days. Cumulative, the state has provided more than 8.5 crore person days employment to women in the state. Madhya Pradesh has also made provisions for employment opportunities for disabled in the scheme. Till March 2007, Madhya Pradesh has provided employment opportunities to more than twenty four thousand disabled persons. Tikamgarh has provided the maximum opportunity with more than four thousand and seven hundred disabled persons engaged under the scheme¹⁹⁴. Since the launch of the scheme under the NREGA, Madhya Pradesh has been one of the better performing states in the country.

At the national level 99.18% households have been provided employment against the applications given and the contribution of Chattisgarh state in it is of 5.98%. In Bastar, Dhamtari, Jashpur, Raigarh and Surguja 100% employment is given to those who demanded for it. But the MIS data available on the web site in these 5 districts employment provided against applications given is 90.58%, 37.59%, 4.55%, 0.21%, 42.99% respectively, which is much less than 100% as mentioned in earlier lines. In the state 691.43 Lakhs person days is generated in the fiscal year 2006- 07. Highest is seen in Bilaspur district which is 103.09 lakhs person days and the lowest in Dantewada district which is 25.73 lakhs person days.

¹⁹² Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

¹⁹³ Ibid

¹⁹⁴ Art.Cit, Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' 2007, p-15

Probably Dantewada being naxalites effected the pace of work is slow¹⁹⁵.

In the sampled households as per the primary data total of 41.48% job card holders applied for the job. Out of these 12.48% are SC, 42.13% are ST and 64.58% are other. As far as activeness of BPL families is concerned, it was found that they are not much capable in applying. Out of the total sample households 42.77% families belongs to BPL category and 32.33% BPL families got the job cards but only 11.68% families applied for the job. It was very strange that in predominant area of scheduled tribe & scheduled caste, other caste was more active. Even till date 100% applications against job provided is not available at the block¹⁹⁶.

Total availability of funds in Chattisgarh under NREGS for the year 2006-07 is Rs.84088.78 Lakhs, which is 6.97% of the total funds available at the national level. If we compare the availability of funds with that of total number of households registered in the state then per family availability is coming to Rs.4548. Of the total availability 6.87% or 5776.8 lakhs is the opening balance, 83.55% is the fund released by Centre, 9.24% of the funds is released by State. Status of State's matching share contribution can be said to be good as it is almost approaching 10% of the central released. Almost 95% sample GPs reported that they have prepared five year perspective plan under NREGS, but at the grass root level these plans were failed. According to primary data Surguja has got its plans prepared and the responses of the community in Rajnandgaon and Bastar is 0. The probable reason is that people are not aware that any plan is being prepared for NREGA. The general feeling is it is the relief works and as per the wishes of panchayats works are being done. This feeling is the result of non participatory mode of plan preparation by the concerned authorities. Among the sample districts Bastar is leading in average cost of plans prepared. Cost of these proposed annual plans varies from Rs.11 lakhs to 15 lakhs. By this 275 families are being benefited by generating 33 days of employment per family in a financial year. Each of the registered family who got employment is supposed to get Rs.4482 in the financial year¹⁹⁷.

¹⁹⁵ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Chhattisgarh', Bhopal, Aug-2007
<http://www.samarthan.org/status%20of%20NREGA%20in%20chattisgarh.pdf> accessed on 28-03-2008

¹⁹⁶ Ibid

¹⁹⁷ Samarthan: 'Status of NREGA Implementation: Grassroots Learning and Ways Forward', 2nd Monitoring Report (Apr06-Mar07)
<http://www.empowerpoor.org/downloads/Revised%20Report%20status%20of%20NREGA%20101007.pdf> accessed on 28-03-2008

Job Card Preparation and Distribution

At the state level data of Chhattisgarh reflects that 94.85% of families are issued job cards as against the total registration and is quite higher than the national average which is 86.86%. As NREGP is still new thing for the community it is observed in many cases that they still do not know that they need to apply for the registration. Gram Panchayats on being directed by the administration took initiatives in registering and issuing job cards to the families Dantewada is a very remote district of the state and high insurgencies by naxalites is evident making the functioning of Panchayats difficult. In some of the places number of copies of job cards is less than the requirement. In the sampled districts as per the primary data available 42.77% of the households covered under the program are BPL families and the coverage is found to be highest in Surguja and lowest in Bastar. Out of the total number of households, job cards of 76.51% households are prepared. Almost 98-99% job cards are distributed to the concerned families. Although preparation and distribution of the card shows very high percentage but in most of the places it is found that card is not in the possession of people. It usually remains with secretary, Rozgar assistant, Sarpanch for entry. Daily entry is not being made and also it is not demanded at the worksite¹⁹⁸.

In Madhya Pradesh, most of the plans were prepared by NGOs working in the districts. While some plans were prepared in a participatory manner, several plans have been prepared at the best on the basis of the observations of the surveyors. In most districts it has been observed that there is a striking similarity in the kind of works being undertaken by the Panchayats. This happens when the works to be done is decided by the block or district level official. Though, the Gram Sabha can reprioritise the plans according to their needs, there are no clear instructions in this regard. Overall it was observed that of the total sample Panchayats covered under the study, five year plans were prepared in 93% Panchayats. Among the surveyed districts, it was observed that the average value of an annual plan of the Panchayat is slightly above Rs 25 Lakh benefiting on an average 317 families per Panchayat with an outlay of approximately Rs 8000 per family¹⁹⁹.

In Madhya Pradesh, the works have been undertaken at a reasonably good pace. One of the reasons for this has been the speed with which the technical sanctions have been granted. In some Panchayats the technical sanction of work takes more than 15 days which results in

¹⁹⁸ Ibid

¹⁹⁹ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

delay in beginning of the work. It has also been observed in Madhya Pradesh that in 59% cases, the Panchayats have received the funds within 15 days of the technical approval. The expenditure pattern of Madhya Pradesh in the scheme has more or less remained the same in the first as well as second monitoring report. The expenditure on wages (skilled as well as semi-skilled) still accounts for nearly 70% of the total expenditure incurred. During the first monitoring report it was observed that the expenditure on wages was slightly above 70%, on material around 29% and on contingency 0.68% during the current round of monitoring, the percentage expenditure on Wages, Material and Contingency has been 68%, 30% and 1.6% respectively²⁰⁰.

Madhya Pradesh has been front runner as far as expenditure on wages and material is concerned. The contingency expenditure of the state has been amongst the lowest in the country. The cumulative expenditure (wages, material and contingency) for Madhya Pradesh has also been the highest in the country. There is a trend in Madhya Pradesh that the Panchayats make part payment to the labourers on completion of the work and the remaining amount is paid after the evaluation. In more than 66 % cases, the wages were being paid after 15 days.

As far as expenditure is concerned at the national level, Chattisgarh ranks 7th and among the sampled states, it ranks 4th. Again when percentage of expenditure against total availability is concerned at the national level Chattisgarh ranks 8th but among the sampled states it ranks 2nd. Till April 2007, 16105 (49.61%) works were completed and 16358 (50.39%) works were ongoing. Of the total funds available in Chattisgarh, 79.54% is utilized. If we compare the total expenditure of the state with total expenditure in all the states at the national level, it is coming to 7.59%. In Chattisgarh expenditure on skilled and unskilled wage is 64.53% and 2.85% respectively and together the wage expenditure is 67.37% of the total expenditure. On material 31.06% and on contingency 1.57% is spent. Expenditure on wages is high because soil based and labour intensive work has been undertaken²⁰¹.

Among all the districts of the state, Bastar shows highest expenditure, which is 91.43% of the total available funds and Kawardha and Dantewada are the districts with lowest expenditure in the State, which is 61.91% and 61.98% respectively. Expenditure in the other sample districts is Rajnandgaon 82.64% and Surguja 80.08%. In the State out of the total

²⁰⁰ Ibid

²⁰¹ Art.Cit, Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' , 2007, p-22

employment generation of 700.21 lakhs person days, 12.01% is of SCs, 45.55% is of STs, 39.32% is of women and 42.44% is of others. National average for these heads is 25.39%, 36.38%, 40.63% and 38.24% respectively. Expenditure incurred per work is Rs. 2.06 lakhs. Hence except for SCs employment generation in all other heads CG's data is above the national average²⁰².

In Madhya Pradesh there are also instances where the labourers have to move more than 5 kms from their village for work under NREGS. In the surveyed Panchayats it was found that in 5.45% cases people reported that they had to move more than 5 kms for work. However of the total cases where people had got work at such a distance from their own village, it was also observed that the 10% additional wages were paid in only in 33% cases. Labour migration is a prominent phenomenon in rural livelihood sector especially in the NREGA district. The Scheme under the Act has been designed in such a way that it addresses the issue of migration to quite an extent. If the timing of the work is planned properly then NREGA provides opportunity to the people to work within the village²⁰³.

Madhya Pradesh has perhaps been the only state which has provided unemployment allowance to the workers. According to official estimates unemployment allowance has been paid to more than 1500 people in the state. Of the surveyed villages, it was observed that in only 53% cases, people got employment within 15 days of applying for jobs. In 34% cases people got jobs within one month of applying for the jobs. However unemployment allowance has been paid in only around 5 % cases. It has been observed that in most sites, people are not actually applying for work. The Panchayat initiates the work and people who need work join the work without applying formally. In order to maintain the records, the secretary or the mate then prepares standard application which is signed by the workers. It has also been observed that in several cases, people are neither provided receipts of the applications nor the date of application is entered on the job cards. In absence of adequate proof for the date of applying for work, these workers cannot claim unemployment allowance²⁰⁴.

The Act has made provisions to ensure that some basic facilities are made available to the

²⁰² Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Chhattisgarh', Bhopal, Aug-2007

<http://www.samarthan.org/status%20of%20NREGA%20in%20chattisgarh.pdf> accessed on 28-03-2008

²⁰³ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

²⁰⁴ Art.Cit, Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' , 2007,p-23

labourers during the work. In Madhya Pradesh, it was observed that these facilities were not available in all the villages. Out of the surveyed villages, it was observed that apart from the availability of drinking water, the other facilities were inadequate in all the districts. . Generally water is kept in the bucket or the earthen pot at a place and workers are supposed to go and take. However workers even say when person responsible for bringing water is paid minimum wage too he/she should serve water even to them at the place of their work Crèche were available only in 23% cases and first aid box in only 39% cases. There were also cases of accidents at worksites. In the surveyed 110 villages (from 50 Panchayats), there were cases of accidents in 9 villages while the worker received benefit in only 2 cases²⁰⁵.

In Chhattisgarh 12.68% worksites crèche is available in which one of the female worker takes care of babies and she too is paid minimum wage. At 91.57% places drinking water is made available at the work place and the person responsible for it is paid daily wages. At 66.67% places first aid box is kept in which general medicines are kept. At the worksite 6.02% accidental cases have been reported but only 2.22% cases got compensatory benefits. At 57.50% places tent is provided for shelter. If we go through the district wise it is quite evident that Bastar is leading in providing worksite facilities where as the situation in Sarguja is not satisfactory. Except for the availability of crèche state level data regarding worksite facilities is some what satisfactory²⁰⁶.

The Act has provided the community with several options which ensures transparency and accountability of the implementing agency. The Panchayat (or the implementing agency) has to keep the community engaged at each stage of implementation of the scheme. There are also provisions of social audit to ensure that the implementing agency remains accountable to the community. It has been observed during the study that the provisions for transparency and accountability were not being followed adequately. Of the 110 villages covered under the study it was observed that in more than 61% cases muster rolls were not read in the Gram Sabha. In almost 74% cases Muster roll information were not displayed on notice boards. The Act has made provisions for formation of vigilance committees for monitoring the implementation of the scheme. Though the Madhya Pradesh scheme mentions that the Gram Sabha can form vigilance and monitoring committee, it has not clarified on the structure of the committee and its roles. While these committees were found to be formed in more than

²⁰⁵Ibid

²⁰⁶ Samarthan (Centre for Development Support): ' Second Monitoring Report on Status of NREGA in Chhattisgarh', Bhopal, Aug-2007
<http://www.samarthan.org/status%20of%20NREGA%20in%20chhattisgarh.pdf> accessed on 28-03-2008

67% cases, in absence of clear guidelines the committees are not functional. Of the total villages where these committees were formed, it was observed that work completion certificates were issued in only around 20% cases²⁰⁷.

In Chhattisgarh at 81.08% places this committee is formed and among the sampled districts in Bastar at 90%, Rajnandgaon 62.50% and Surguja 70% places it is formed. At the state level training to this committee is imparted at 40% places and among the sampled districts in Bastar at 60% places training has been given where as in Rajnandgaon only at 10% places training is given. Similarly at the state level work completion certificate is issued by this committee in 45% cases and in sampled districts in Bastar in 80% cases, Rajnandgaon 20% and Surguja 30% cases. At the state level social audit for the completed works held at 30.14% places and in sampled districts in Surguja at 26.67% places, Rajnandgaon at 25% places. In Bastar transparency regarding muster roll reading is reported in 80% cases, in Rajnandgaon 72.92% cases and least in Surguja i.e. 33.33% cases. There is a provision to display all information regarding work on the display board which is being done at 60% places in Bastar, 33% places in Surguja and 31% places in Rajnandgaon. Complaint register is kept on the work site and mainly complaints regarding lack of success in providing employment in stipulated time, non payment of unemployment allowance, non receipt of unemployment allowance, less wage payment, lack of facilities at the work site, use of contractor and machine etc. were written. In Chhattisgarh, in all the sampled districts, Bastar is quite ahead of maintaining transparency and accountability whereas the position of Surguja is not satisfactory²⁰⁸.

As far as payment is concerned, the average payment was Rs. 61 for both male and female workers. In 20% of the cases wages were paid within 7 days, in 40% of cases wages were paid after 15 days, and in 20% cases it took more than 20 days to pay the wages. In just 30% of cases muster rolls were openly read in the GS, whereas in 70% of villages the muster roll was not openly available. In 20% of cases worksites were more than 5 km away from the village, but in none of the instances an extra 10% was paid as wages. In cases where multiple works were going on, women were given preference in working closer to the village in all such cases. At none of the sites was an additional personnel deputed to monitor work.

²⁰⁷ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Madhya Pradesh,' Bhopal, Oct-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20MP.pdf> accessed on 28-03-2008

²⁰⁸ Samarthan (Centre for Development Support): 'Second Monitoring Report on Status of NREGA in Chhattisgarh', Bhopal, Aug-2007 <http://www.samarthan.org/status%20of%20NREGA%20in%20chhattisgarh.pdf> accessed on 28-03-2008

Monitoring was done by the Panchayat Secretary, Panchs or Sarpanchs themselves. There has been no instance of people applying for jobs. No case of worksite injury was reported from any site²⁰⁹.

Gram Panchayats are central to the implementation of NREGA at the grassroots. The National Employment Guarantee Act envisages that at least 50% of the total works are to be executed by the Gram Panchayats. Remaining 50% jobs may be executed by other agencies such as the higher tier of panchayats, government departments or voluntary organizations.²¹⁰

Table 4.5: Status of Registration and Job Card distribution in Sample Villages of Selected States

State	Chattisgarh	Madhya Pradesh
Total HH of the surveyed villages	27021	28568
SC % in total sample households	16.62	29.23
ST % in total sample households	53.50	31.93
Others % in total sample households	29.88	38.85
% households registration (job cards)	76.51	86.26
SC %	20.72	27.80
ST %	54.36	25.66
Others %	24.92	46.54
Job Card Issued against registration (%)	99.21	91.99

²⁰⁹ Samarthan: 'Status of NREGA Implementation: Grassroots Learning and Ways Forward', <http://www.empowerpoor.org/downloads/satus> accessed on 28-03-2008

²¹⁰ Ibid

Job Card distributed to Total sample HH (%)	75.91	79.35
SC %	19.65	29.63
ST %	57.28	41.53
Others %	23.07	28.80
BPL HH covered in sample GPs (%)	42.77	29.96
% of BPL Households registered for job cards	69.91	59.11
% of BPL Households registered and issued Job Cards	32.33	39.82

Source: PACS CSOs Field Survey 2007

The NREG Act clearly mentioned that 100 days guaranteed employment is provided to every registered family and wage rate should not be less than Rs.60 per day. The share of wages and material should be in the ratio of 60:40 respectively. But the analysis of annual plans revealed that no such provision followed. Regarding submission of plans to block office the data presents a satisfactory picture that 92% plans are submitted. In other hand 91% GPs reported that they have sent their annual plan for technical sanction to block office. An analysis on duration of technical sanction & allocation revealed that two out of five will get technical sanction before 15 days while three out of five GPs stated that they received technical sanction after 15 days. As per the rule technical sanction should not take more than 15 days but in majority of cases (44%) it is stated that it takes 16-30 days. Similarly duration between technical sanction and allocation too is 16-30 days²¹¹.

CAG assessment of NREGS

NREGA bans the use of such machines, places central emphasis on payment of statutory minimum wages and provides legal entitlements to labour on working hours, rest, drinking water, and medical aid and crèche facilities. There is also provision for unemployment

²¹¹ Art.Cit, 'Status of NREGA Implementation: Grassroots Learning and Ways Forward', 2007, p 38-40

allowance being paid to workers in case the state is unable to provide the guaranteed days of work. All of this is obviously incompatible with programmes where the main goal becomes maximisation of profits of the contractor. NREGS visualises a programme where the local people are centrally involved at all stages – planning, implementation and social audit. The official guidelines outline in meticulous detail completely new mechanisms for social audit, which reflect the influence of civil society in the formulation of NREGA. It is recognised that corruption is a major contributor to lack of quality in rural works (roads that get washed away every monsoon and earthen dams that are unable to stand peak run-off, being the most frequently encountered examples), apart from its negative impact on the rights of labour. Great emphasis has been placed on transparency and accountability at every stage of the programme. There is also an unprecedented emphasis on the use of information technology (IT). This is meant to facilitate the right to information, more intensive monitoring of the programme, as also greater speed of execution. All these features put together signal the possible inauguration of a wholly new chapter in rural governance in India. One of the key factors endangering the very roots of democracy is the falling apart at the seams of systems of service delivery and programme implementation. The failure of the public sector in rural development is one of the least understood but most threatening features of life for the poor in post-independence India²¹².

The central proposition of this commentary is that there is no way NREGA can realise its full potential if implemented within the same moribund structure of governance that has characterised rural India since independence. A bureaucracy that is both unmotivated and corrupt and which, in any case, has its hands full with a whole host of pre-existing responsibilities, can hardly be expected to muster the imagination and energy required by NREGA. A radically new programme also makes dramatically new demands from the system, requirements that the public sector in rural development, as it exists today, is completely unprepared for. Every state government was required to appoint, in each block, a full-time programme officer (PO), exclusively dedicated to the implementation of NREGA, with necessary support staff²¹³.

However, the CAG report finds that 19 states had not appointed these officers in 70 per cent of the blocks it surveyed. The existing block development officers (BDOs) had been

²¹² Mihir Shah: 'Employment Guarantee, Civil Society and Indian Democracy', *Economic & Political Weekly*, November 17, 2007, p- 21

²¹³ Pramathesh Ambasta, P S Vijay Shankar, Mihir Shah: 'Two Years of NREGA: The Road Ahead', *Economic & Political Weekly*, Vol. xliii , No.8, 2008, p41-50

appointed POs and given “additional charge” of NREGS. Unfortunately, NREGS is not a programme that can work on an “additional charge” basis. An employment guarantee assistant (EGA) was to be appointed in each gram panchayat, in view of the pivotal role of PRIs in NREGA implementation. According to the CAG report, “52 per cent of the 513 gram panchayats it surveyed had not appointed EGAs. The state governments were also required to constitute panels of accredited engineers at the district and block levels. Without timely and transparent costing of works and their measurement and valuation by such a panel, neither sanction of works nor payment to labour can happen on schedule. CAG found the panel missing in as many as 20 of the states it studied. The state governments were also to appoint Technical Resource Support Groups at the state and district levels to assist in planning, design, monitoring, evaluation, quality audit, training and handholding. The CAG report finds that 23 states had not set up such groups at the state or district levels”²¹⁴.

According to the report, “Non-appointment of a full-time dedicated PO, who is pivotal to the successful implementation of NREGA, and giving the additional charge of PO to BDOs, who were responsible for other developmental schemes at the block level, strikes at the root of effective implementation of NREGA. In the absence of dedicated technical resources, the administrative and technical scrutiny and approval of works was, thus, routed through the normal departmental channels burdened with existing responsibilities. This was further compounded by the failure to specify time frames for processing and approval of proposals at different levels. This was reflected in the poor progress in taking up works”²¹⁵.

The CAG report summarises “Significant deficiencies” and their impact on NREGA implementation: The main deficiency was the lack of adequate administrative and technical manpower at the block and GP levels. The lack of manpower adversely affected the preparation of plans, scrutiny, approval, monitoring and measurement of works, and maintenance of the stipulated records at the block and GP level. Besides affecting the implementation of the scheme and the provision of employment, this also impacted adversely on transparency, and made it difficult to verify the provision of the legal guarantee of 100 days of employment on demand. Planning was inadequate and delayed, which resulted in poor progress of works. Systems for financial management and tracking were deficient, with numerous instances of diversion/ misutilisation, and delay in transfer of state share. Monthly squaring of accounts at different levels to maintain financial accountability and transparency

²¹⁴ Ibid

²¹⁵ CAG: Draft Performance Audit of Implementation of NREGA, Office of the Principal Director of Audit, Economic and Service Ministries, New Delhi, 2007, p 16-17

was also not being done. Maintenance of records at the block and GP levels was extremely poor, and the status of monitoring, evaluation and social audit was also not up to the mark”²¹⁶

All of this meant that of the 2.10 crore households who were employed under NREGS during its first year, only 0.22 crore received the full 100 days promised under the Act. The average employment per household was 43 days in 2006-07 and 35 days in 2007-08. Field reports of the partners of the national consortium provide more details, confirming the picture presented in the CAG report. In Bolangir and Nuapada districts of Orissa, BDOs are doubling up as NREGS programme officers. In Dahod and Panchmahals districts in Gujarat, officers are being sent on deputation from other government departments, particularly the irrigation department, as POs. In Pohri block of Shivpuri district in Madhya Pradesh, the panchayat inspector is also the PO of NREGS. In Tikamgarh and Khandwa districts of MP, the CEOs of block panchayats have been given additional charge of NREGA. In Raigarh, Sarguja and Rajnandgaon districts of Chhattisgarh, uncertainty of tenure and resulting discontinuity have had an adverse impact on NREGS work. POs are demoralised and unmotivated and feel that the work done by them has come to nothing²¹⁷.

In Orissa’s Bolangir district, engineers of line departments have been given additional responsibility of NREGS. For a block of 140 villages, there are only four to five junior engineers (JEs), two of whom are given additional responsibility for NREGS, while the others continue with their normal departmental work. These two JEs in-charge of NREGS also look after other schemes such as the Backward Region Grant Fund, Indira Awas Yojana, and Revised Long Term Action Plan for KBK, Biju-KBK Scheme, MPLAD and DPAP. The documentation and procedural requirements of NREGS often make it an unattractive proposition as compared to these other schemes where financial leakages are seen to be easier. Thus, the whole process of planning and design of works, implementation, measurement and payment is marked with poor attention to quality and long delays. In Chhattisgarh, the situation is no different. In Wardrafnagar block of Sarguja district, for instance, four technical assistants are shared across 72 gram panchayats. There is no pool of engineers available at the district either. In Raigarh and Jashpur districts, where fresh JEs have been appointed, their tenure is again for a period of one year, after which it has to be renewed. The number of such JEs falls far short of what is required. Similar shortages of

²¹⁶ CAG: Draft Performance Audit of Implementation of NREGA, Office of the Principal Director of Audit, Economic and Service Ministries, 2007, p-18

²¹⁷ Pramathesh Ambasta, P S Vijay Shankar, Mihir Shah: ‘Two Years of NREGA: The Road Ahead’, *Economic & Political Weekly*, Vol. xliii , No.8, 2008, p 41-50

technical staff are reported from the Dahod and Panchmahals districts in Gujarat. In Tikamgarh and Shivpuri districts of MP, the Regional Engineering Services (RES) and other line department engineers have been given additional charge of NREGS. In Tikamgarh, some appointment of engineers at the block or district level have been made but under contract for a limited tenure. In Khandwa, there have been some contractual appointments but too few to make any difference. In Anuppur, also there is a shortage of technical personnel at the disposal of the GPs, as a result of which they are dependent on engineers of line departments posted at the block level²¹⁸.

Another serious consequence of shortage of professional staff is that there is little effort at social mobilisation without which there is no chance of NREGS emerging as a people-centred programme. In Rajnandgaon, Raigarh, Sarguja and Jashpur districts of Chhattisgarh, works are focused mainly on activities for which standardised estimates are available. Plans are made and approved at the “top” and sent downwards for implementation by the GPs. For instance, in the entire Wardrafnagar block of Sarguja, 75 per cent of funds have been utilised on roads of different types. Since this area is one of the poorest tribal pockets of the country, with a long history of droughts, the focus should naturally have been on drought proofing. The topography is naturally suited to watershed works too. But these are not the priority of NREGS plans. In Mandla district, MP there is an absence of annual plans. The shelf of projects exists but it is very broad in nature and the activities are not well defined. The general practice is that funds are first released by the DP and then activities are identified. In Shivpuri, the focus continues to be roads. The gram sabha is not aware of the plans nor do people know that without their approval, works cannot start or be completed²¹⁹.

The perspective plans are photocopies of those prepared for the National Food for Work Programme (NFFWP). A list of such works compiled together has formed the perspective plan. The annual plans also are prepared in the form of lists culled out from previously prepared “plans”. Activities may be subtracted from these lists or added to them by the PO and the RES engineers on their own. In Tikamgarh district there are no annual working plans ratified by the gram sabha. The plans are prepared by the CEO block panchayat and GP secretary and forwarded for fund release to the DP. In Anuppur, plan ratification by the gram sabha was a mere formality since people were reportedly excluded from the whole process.

²¹⁸ Art.Cit, Pramathesh Ambasta, P S Vijay Shankar, Mihir Shah: ‘Two Years of NREGA: The Road Ahead’, 2008, p 42-43

²¹⁹ Pramathesh, Ambasta, P S Vijay Shankar, Mihir Shah: ‘Two Years of NREGA: The Road Ahead’, Art. Cit. 2008, p-42.

The panchayats are forced to implement action plans made by the district. In Khandwa district too, gram sabhas are not actively involved in the process of planning. Focus seems to be on rural connectivity and wells to the exclusion of other works. In Gujarat, the planning process again does not involve the people directly²²⁰.

There has been a spate of comments — mostly critical — following an audit of National Rural Employment Guarantee Programme by the Comptroller and Auditor General of India. This audit has revealed several weaknesses of this anti-poverty programme and huge leakages. For example, a bare 3.2 per cent of registered needy households in 200 of India's poorest districts managed to get the guaranteed hundred days of employment in a year²²¹. The average employment provided was 18 days per needy household. Another assessment draws attention to the unevenness in its implementation. Emphasising that while a total estimated expenditure of \$4.5 billion was expected to generate 2 billion days of employment, the actual was about 1 billion, and the benefits varied across different states²²².

In Uttar Pradesh, the most populous state, large segments of the rural population were ignorant of the scheme. By contrast, Rajasthan was among the top performers—the average employment per participating household was 77 days of work. The share of wages was 73 per cent. The small north-eastern state of Tripura performed well too, as the average number of days of employment per rural family was 87 days. Somewhat surprisingly, Kerala—a state with a superb record of human development—was at the bottom. In fact, only one of the southern and western states (Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra and Tamil Nadu)—Karnataka—generated more than 10 days of employment per rural family during 2006-07, while the eastern and northern states performed better²²³.

Some encouraging features of this scheme include a high share of female employment (about 40 per cent nationally rising to 81 per cent in Tamil Nadu, and a low of 12 per cent in Himachal Pradesh), 20 districts spent more than \$25 million on this scheme, and the benefits are reflected in greater economic security, higher farm wages, lower migration, and building of infrastructure. However, no general conclusions can be drawn about the accuracy of targeting and prompt disbursement of wages. Two examples suffice. In Chhattisgarh, 95 per cent

²²⁰ Ibid, p 44

²²¹ A recent survey of the NREG by PRIA in 14 states shows that a mere 6 per cent of the households secured 100 days of employment in a year, *Outlook*, 2007

²²² S. Biswas: 'India Job Scheme Disappointing', *BBC News*, 10 November, 2007

²²³ Raghendra Jha, Raghav Gaiha and Shylashri Shankar: 'National Rural Employment Guarantee Programme in India—A Review' ASARC Working Paper 2008/01 http://rsrpgs.anu.edu.au/papers/asarc/wp_2008_01.pdf accessed on 11-11-2007

of wages were paid to the actual workers while in eastern Jharkhand the corresponding share was barely 15 per cent²²⁴.

Other failures relate to distribution of job cards — large numbers of needy households are in the queue — the selection, design and execution of projects, resulting in huge leakages. More specifically, Dreze highlights a quiet sabotage of the transparency safeguards in NREGS in western Orissa. In a survey of 30 worksites, the investigators found evidence that a contractor was involved in some ways. What is worse the job card does not have a column for 'wages paid'. Even the number of days worked is hard to verify, as the names of the labourer and worksite have been replaced by numerical codes. Yet Dreze and among others remain optimistic about its potential mainly because the awareness of employment as an entitlement has grown²²⁵.

The draft performance audit of implementation of the National Rural Employment Guarantee Act (NREGA) prepared by the CAG has not presented a holistic picture of the status of the scheme and there are glaring discrepancies in its data and that of Government records. There are two important flaws in the CAG's audit, which has covered the period of 2006-07. First, it starts with the presumption that every registered household has to be provided 100 days employment under the scheme; second, in many cases its data contrasts with the Government records.

The report did not explain if the jobseekers were indeed not provided employment on demand, though it claimed that only 3.2 per cent registered households got 100 days of employment. In the absence of any figure or finding to show that jobseekers were denied employment, such claims could be misleading altogether. While the Government is supposed to provide job cards to every aspirant, it is bound to give jobs to only those who demand them. In many cases, job seekers don't come forward to work for 100 days as they are drawn to other more remunerative employment opportunities. In the employment generation section of the report it is stark and vivid. "The average employment provided to each registered household was 18 days," the CAG report says. But according to the data with the Ministry of Rural Development, average 44 days of work was provided per household during 2006-07. The Ministry records also showed that out of the 2.12 crore persons who sought employment under the scheme, 2.10 crore were provided jobs. Of them, 22 lakh, nearly 10.38 per cent were provided 100 days work. The total mandays created under this period was 90.50 crore.

²²⁴Jean Dreze: 'NREGA: Dismantling the Contractor Raj', *The Hindu*, 20 November, 2007.

²²⁵Aruna Roy, Jean Dreze and N. Dey: 'Finish the Job' *Hindustan Times*, 31 January, 2008

Among them 36 per cent jobs went to ST households and 25 per cent to SCs. But the CAG report says that only 3.2 per cent of the registered households received 100 days of work. The contradiction in CAG findings and the Government records is baffling²²⁶.

The generalisation by the CAG on the basis of sample survey gives the impression that the programme failed to touch 96 per cent of job card holders. On the contrary, just within 13 months of its implementation 128 per cent (more than one person in each BPL family) of the BPL households in the 200 project districts of the period were actually given jobs. According to latest Ministry figures, between April and November 2007, as many as 33 days of work was given per household. Similarly, while according to the NREGA, the wage-material ratio of 60:40 per cent has to be maintained at the district level, the CAG audit team has checked at block level by going out of its mandate. "Taking the analysis block wise, 35 test-checked blocks (in various States) did not maintain a wage material ratio of 60:40," the CAG report said. However, the Ministry data shows that in the prescribed year, Rs 5,834 crore were spent on workers wages that constitutes 66 per cent of the total utilised fund. While the Union Rural Development Ministry had requested the CAG to undertake performance audit after a series of interaction with the audit team, there seems to be a serious lapse on the part of the CAG team in interpretation of the NREGA. Experts feel that considering the extent of the population and diversity in social structures, the States should be given credit for transparency in data delivery, which is filed on day-to-day basis²²⁷.

The Union Minister for Rural Development Dr. Raghuvansh Prasad Singh has termed the Implementation Performance of National Rural Employment Guarantee Act (NREGA) as steady going. The minister said that it was his ministry that requested the Comptroller and Auditor General (CAG) office to have a thorough scanning of the implementation part of NREGA and other Rural Development schemes currently being implemented across the country. Giving details he said during the current financial year (2007-08) Upto Nov., 2007, 2.59 crore household demanded employment of which 2.54 crore household were given employment. A total of 84.49 crore person - days of employment have been generated. The average person-days per household while 33 people till November, 07 (going as high as 46 in Madhya Pradesh, 54 in Rajasthan and 62 in Tamil Nadu). Nearly 9.47 lakh households availed of 100 days of employment during the same period. A total of 12.07 works were taken up of which 3.64 lakhs have been completed and 8.43 lakhs works are in progress. In the first

²²⁶ CAG report on NREGA has loose ends, jan,10,2008 <http://southasianmedia.net/> accessed on 13-02-2008 -

²²⁷ Ibid

phase of implementation of NREGA during 2006-07, 2.10 crore people got employed. An average 44 person-days work was generated and 22 lakh people got 100 days employment during the period. This includes water conservation and water harvesting (3.40 lakh), renovation of traditional water bodies (96 thousand), provision of irrigation facility (1.58 lakh), micro-irrigation works (53 thousands), drought proofing (1.13 lakhs), flood control and protection (20 thousands), rural connectivity (2.03 lakh) and land development (1.17 lakh)²²⁸.

Criticism of the NREGA is not new: even when the law was being formulated, there was protest among those who felt that the money would be dissipated in local-level corruption and amount to a huge wastage of public resources. Hugely inflated projections of the likely cost were presented without any attempt at statistical backing, and it was argued that the country simply could not afford such an expensive and wasteful programme. The most recent media frenzy has centred on a recent CAG draft report. The negative findings of this report have been widely publicised in the mainstream media, and misrepresented to argue that there are massive leakages and widespread corruption, that the benefits are not reaching the intended beneficiaries and useful assets are not being created. Some columnists have even argued that the entire programme should simply be wound up, to be replaced by a strategy of "giving skills" to the population²²⁹.

The CAG Report actually says something quite different. In fact, the report is not about corruption – the word does not appear even once in the entire document – and only tangentially about specific instances of diversion or misutilisation of funds. True, it does note that the promise of 100 days of employment per household has not been met, but that is well known even from the official figures which show an all-India average of 33 days of work provided to 25.5 million households. The main focus of the report is on the lack of the administrative capacity to run this scheme in the desired decentralised manner and the need to build this capacity quickly and effectively. This is plainly evident from the main conclusion: "The main deficiency was the lack of adequate administrative and technical manpower at the Block and GP levels, especially the Programme Officer, Technical Assistants, and Employment Guarantee Assistants. The lack of manpower adversely affected the preparation of plans, scrutiny, approval, monitoring and measurement of works, and maintenance of the stipulated records at the block and GP level. Besides affecting the implementation of the scheme and the provision of employment, this also impacted adversely on transparency, and

²²⁸Press Information Bureau (PIB) <http://pib.nic.in/>, Jan 14,2008,accessed on 13-02-2008

²²⁹Jayati Ghosh: 'The NREGA and its Critics', *Macroscan*, 2008
<http://www.macrosan.org/cur/mar08/cur100308NREGA.htm>

made it difficult to verify the provision of the legal guarantee of 100 days of employment on demand."²³⁰

In other words, Economist Jayati Ghosh moves by saying that the CAG Report has pointed out that the programme so far has not done what it was supposed to do to the full extent, mainly because of the shortage of administrative and technical staff. What it stresses therefore is the urgent need to ensure more administrative assistance for the programme at all levels, which really means both resources and personnel devoted to the actual implementation, monitoring and financial management of the programme. The Report does not by any means suggest that the programme should be reduced or wound up. Instead, it refers to the need to ensure the administrative and technical capacity for the expansion of the programme to all districts of the country.

It is increasingly recognised that the NREGA has the potential not only to generate more employment directly and indirectly, but also to transform rural economic and social relations at many levels. The huge potential of the NREGA has already been evident particularly in the enthusiastic response of local people, landless and marginal farmers and women workers in particular, wherever information about the programme has been properly disseminated. But there is also no doubt that this enormous potential is still incipient and requires to be substantially supported in many different ways. The programme reverses the way the Indian state has traditionally dealt with the citizenry, and envisages a complete change in the manner of interaction of the state, the local power elites and the local working classes in rural India. The NREGA is completely different in conception from earlier government employment schemes since it treats employment as a right and the programme is intended to be demand-driven. Furthermore, the Act and Guidelines anticipate very substantial participation of the local people in the planning and monitoring of the specific schemes, to a degree which has not been at all common.²³¹

The very notion of employment as a right of citizens (even if it is limited to 100 days per household in the Act); of the obligation of the government to meet the demand for work within a specified time period, and to have developed a shelf of public works that can be drawn upon to meet this demand; of the panchayat participation in planning and monitoring; and the provision for social audit, are all very new concepts. For this to work, it requires, at the minimum, two things: the ability and willingness of local government and panchayats to

²³⁰ Art. Cit, Jayati Ghosh: 'The NREGA and its Critics', 2008

²³¹ Jayati Ghosh: 'The NREGA and its Critics', Art. Cit, 2008

plan works and run the programme effectively; and the dissemination about the programme and its guidelines to local people who can make use of it to register, demand work and run social audits. Obviously, all this will take time to permeate down to the local levels. There are bound to be difficulties and time lags in making local officials and others responsive to this very different approach. And of course, it necessarily challenges the prevailing power structures, in some cases quite substantially. Therefore attempts to oppose or subvert the correct and full implementation of the scheme in rural areas are only to be expected.

Even with these variations, the overall story is still positive. Many households have not been covered, but many have. 100 days of work have not yet been provided, but an average of 33 days has, which is clearly a step forward. And this will obviously increase over time. There are also some clear successes, in certain states and districts. It is already evident from field reports that there has been some improvement in consumption of the poor, reduction of distress migration and slight increases in lean season wage rates (especially for women) in the areas where the programme has functioned successfully. Maybe this is actually what the critics of the NREGA fear: that, far from being an expensive failure, it will prove to be an extremely cost-effective way of increasing employment directly and indirectly, reviving the rural economy, providing basic consumption stability to poor households and improving the bargaining power of rural workers. If it does all that, it would point to the potential success of active government intervention to generate output and employment, which is seen as impossible by some of these critics²³².

Impact of NREGS

Though the complete effect of NREGS will be visible in more concrete terms only after the completion of at least 3 years of the scheme, however, certain trends as well as output and outcome oriented impacts have been captured at this stage of the programme. NREGA's impacts are visible at two levels (a) employment guarantee or assured wage income for the poor families (b) creation of assets providing short term or long term benefits. We have put up an attempt to capture the gains of the NREGS in the following section²³³.

²³² Ibid

²³³ Centre of Science and Environment (CSE): 'The National Rural Employment Guarantee Act (NREGA): Opportunities and Challenges,' Natural Resource Management and Livelihood Unit, CSE, New Delhi, accessed at http://www.cseindia.org/programme/nrml/pdf/NREGA_policy_paper_2008.pdf on 17-04-2008

Migration

The NREGS income in wages has two dimensions. The families owning small agricultural land which is insufficient to generate food security for the whole of the year or create additional surplus of cash to meet other basic needs, families are supplementing agricultural income with wage income of NREGS. There are large numbers of small land holding families having low agricultural produce; NREGS income provides a significant value addition to meet their higher order needs critical for their survival or growth and development of their family. There are families who are completely landless and depend on wage labour, look for work in agriculture sector or civil works. In the off season of agriculture, such families migrate to towns. Civil works opened up in village have given them options to earn in the village even if the wage rates are lower in the NREGS civil works. Even if the younger family members migrate as skilled labourers, middle aged unskilled family members prefer to stay in the village and work under NREGS. Among the sample villages overall half of the villages reported that migration has considerably decreased due to availability of jobs at local level. The graph shows the responses of sample villages about decrease in migration. Now migration has reduced in the NREGS villages and labourers are able to spend more time with their families as they do not have to migrate in search of work. The guaranteed employment increased income of labour it could be used for fulfilling daily needs like food, cloth etc. and ensure dignity of labours.

Improved Food Security and Nutrition

It was general responses that due to employment generation under the scheme some change occurred in their food security, which resulted in improvement in diet. An analysis on better food for children revealed that villagers are able to include vegetables in their food and can ensure food security for family. In some cases the diet pattern of labourers has also changed considerably as some people have reported that they have been able to include meat occasionally in their diet.

Infrastructure Development

The prime object of NREGA is to provide guaranteed wage employment to rural poor through creating community assets. At the grassroots these community assets Village Jatarua is situated 30 km west from National Highway in Kasmanda Block of Sitapur in UP. There was an old *kachchi sadak* in dilapidated condition for transportation. Moreover, in the rainy season, the condition used to become so dismal that it was not possible for even animals to walk over. Kunj Bihari, a 28 years male from Jataura village talked with the Sarpanch and

held a meeting with the villagers regarding the matter and told that it was possible to construct a road through NREGA. A proposal for construction of road was passed in Panchayat. An application was given to Pradhan of the village for the same and was accepted. Now there is a new stone brick road on that way which has made the life easier in the village. It linked the village to the main road to the city Musaffier Yadav, a villager in Mahiyara village of Navada district, Bihar told that there was a drain in this village which remained filled with water during monsoon season. As it was adjacent to a passage. The elderly and children faced many difficulties in crossing it. Recently a bridge was constructed under National Rural Employment Guarantee Act (NREGA). It helped villagers a lot and they now feel very convenient in crossing it and use it. The villagers are very much satisfied with NREGA and their standards of living has improved.

Health Benefits

As far as impact of NREGA on health is concerned in some of the sample village peoples stated that they are using NREGA payment for treatment of their family member. The employment generation increased income and now villagers have more money in hand hence they are able to spend it on health of family members to go to the town for better treatment. The additional income especially payments in cash for the daily wages, immensely help poor families to spend it on health issues. The health treatment in towns requires cash to seek advice of the professional private doctors.

NREGA Wages Improved

It was found that some of the villagers spent their NREGA income to improve quality of education of their wards by paying admission fee, purchasing books, providing tuitions, buying of school uniform, bicycle etc. Due to construction of connectivity road children get better transport to go to school by bicycle or foot and now children are more regular in attending the school.

Impact of the sustainable productive assets created under NREGS

The NREGS has a strong focus on creation of such structures which may enhance livelihood opportunities for the poor families. Works related to improve the water structures or building/wells on the lands of the SC/ST families will definitely enhance the agricultural productivity for the small and marginal farmers. We feel that impact on such aspects will take medium term and any detailed impact assessment will be premature at this stage. We will

design instruments to capture this in our next/third monitoring report.

Some of the outcomes of the works as mentioned on the NREGS work sites have been presented here as illustrations:

Table4.6: Responses on Impact of NREGS in Sample Panchayats in Sample States

Particular	Bihar	Chhattisgarh	Jharkhand	Madhya Pradesh	Maharashtra	Uttar Pradesh	Total
Women Participation in NREGA	31%	72%	66%	44%	17%	28%	47%
Women Participation as per norms	33%	33%	33%	33%	33%	33%	33%
Equal Wages to Women	39%	79%	82%	86%	33%	13%	60%
Change in daily routine	24%	68%	57%	66%	17%	48%	49%
Reduce Migration	38%	77%	59%	70%	20%	48%	56%
Increase Food Security	25%	59%	39%	46%	20%	31%	38%
Change in Diet of Children	25%	58%	51%	58%	20%	31%	43%
Health benefits to child/women	35%	62%	57%	65%	20%	51%	52%

Willingness increase to send child in school	39%	70%	60%	73%	20%	50%	57%
Increase Enrolment in the School	24%	47%	49%	53%	20%	27%	39%
Payment Use for Child Education	33%	58%	63%	73%	0%	38%	52%

Source: PACS CSO Field Survey 2007

Some of the key impacts of NREGS are:

- The infrastructure created under NREGA as illustrated above has significantly benefited agricultural productivity especially for the small and medium size cultivators. Moreover, fishing and other water related production has enhanced opportunities for the poor, especially SC/ST families, who depend on the water structures for their livelihoods.
- Families working under NREGA for wages have got additional wage income above the agricultural work/wages. The additional monetised wage income has been useful in meeting the contingency needs viz attention for health for the family.
- The additional income has transformed composition of food consumption pattern. Very poor families could supplement nutritional items like vegetables and pulses having more balanced diets. The evidences are illustrative and over a period of time, if there is a reduction in malnourishment of children (Grade- IV and Grade-III malnutrition) in NREGA Panchayats, the impact of additional income will be sufficiently substantiated.
- There is a clear tendency of use of additional wage income on the education of children. It builds a case of inherent demand for children's better education. Most of

the NREGA benefited families utilised their income for accessing children's education or supplementing with additional facilities to improve the quality of education. This long term investment of NREGA wage income will build potential for the families for their upward mobility.

Chapter 5

Securing Unorganised Sector: Past and Present Initiatives

The social security laws in India could be broadly divided into two categories, namely the contributory and the non-contributory. The contributory laws are those which provide for the financing of the social security programme by contributions paid by workers and employers and, in some cases, supplemented by contributions or grants from the Government. The non-contributory laws are those under which the workers are entitled to certain social security benefits without payment of any contribution, the cost of benefit being met by the employers. The contributory schemes in India are the Employees' State Insurance Scheme framed under the Employees' State Insurance Act 1948 and the Provident Fund, Family Pension and Deposit-Linked Insurance Scheme framed under the Employees' Provident Funds and Miscellaneous Provisions Act 1952, the Coal Mines Provident Fund Miscellaneous Provisions Act 1948, the Assam Tea Plantations' Provident Fund and Pension Fund Act 1955 and the Seamen's Provident Fund Act 1966. The Non-contributory laws are the Workmen's Compensation Act 1923, the Maternity Benefit Act 1961 and the Payment of Gratuity Act 1972²³⁴.

The country's social security expenditure is a relatively small part of GDP and total public expenditure – approximately 3.6 to 4.8% in the former case and 12 to 16% respectively – depending on the items that one chooses to include in the rubric of social security. The extent of persistent capability deprivation in the country is high and the rate of improvement is low and uncorrelated with the high rate of growth (5.5 to 6%) experienced in the last two and a half decades. There are also large regional differences with the deprivation in some areas being on par with sub-Saharan Africa, while other regions (states such as Kerala, Goa and Himachal) show high levels of social development. The successful states, especially Kerala, underwent large-scale political mobilization, on the one hand, and state policy which favoured land reforms, labour rights, social development and social security, on the other. In the 1980s, Kerala's high level of social development was seen to co-exist with economic stagnation, and this was partly explained on the basis of labour market conditions. This generated a great deal of discussion on the specificities of the 'Kerala model of development'. Subsequently, however, Kerala's rate of growth picked up and there has been a rapid decline in income poverty, bringing the state (a middle income state) on par with Punjab, the highest income state. Thus, international comparison apart, the Indian regional experience has also highlighted the scope of expansion of social opportunities at present levels of income²³⁵.

²³⁴ A.K.Bhattarai: 'Social Security Programmes in India', *International Social Security Review*, Vol.42, No.4, Oct-1989, p 479-482

²³⁵ National Commission for Enterprises in the Unorganised Sector (NCEUS): *Report of Social Security for Unorganised Workers*, New Delhi, May 2006, p 89-90.

Planning Commission and Social Security in India

India has a planned economy. It means that the development happens through proper planning. The Five year plans of India that followed enactment of Constitution have emphasised the need for Social Security Schemes to achieve the desired result. It is not possible here to sketch the Social Security issue since first five year plan but to know the background of Social Security System in India and the role of hitherto governments with regard to social security, it is necessary to study all the five year plans in great detail but in this chapter the period between third five year plan to eighth plan has been analysed briefly, ninth and tenth plan have been discussed extensively because the attention towards social security had been started changing since then. Thus the plan wise observations and recommendations are the following: The planners summed up the basic objectives of the First Five Years Plan in the following terms: The plan has two main objectives: (1) a better standard of life for the people and (2) social justice²³⁶.

The objectives of the Plan reflect the idealism of the community and are derived from the Directive Principles of State Policy embodied in the Constitution while the first two plans outlined the schemes of social insurance to cover a limited number of urban wage-earners, the Third Plan sought to break new ground of social assistance. Thus the Third Five Years Plan states: "It would be desirable to make a modest beginning in respect of three groups of persons, the physically handicapped, old persons unable to work, and women and children, where they are altogether lacking in the means of livelihood and support. Assistance for them will have to come from voluntary and charitable organisations, municipal bodies, panchayat samitis and panchayats and voluntary organisations. With a view to enabling these organisations to develop their activities with the help of local communities and giving them a little support, it might be useful to constitute a small relief and assistance fund"²³⁷.

The Fifth Five Years Plan found that stray progress was being achieved in social security measures. It reiterated the suggestion of the Committee on Perspective Planning appointed by the Employees' State Insurance Corporation that the Employees' State Insurance Scheme should carry out a 5-year phased programme of extension of additional categories of establishments, including smaller factories, shops and commercial establishments, mines and other establishments. The Plan also stated that the scope for integrating certain important

²³⁶Five Year Plans of India http://en.wikipedia.org/wiki/five_year_plans_of_India accessed on 01-04-2008

²³⁷Planning Commission of India, Third Five year Plan(1961-66) [http://planningcommission.nic.in/third five year plan/](http://planningcommission.nic.in/third%20five%20year%20plan/) accessed on 01-04-2008

social security measures had been studied²³⁸.

The Sixth Five Years Plan report marked the progress made in the social security scheme in India. It recommended that the provident fund scheme should be gradually extended to smaller establishments and to rural areas. Similarly, effort should be made to remove the difficulties of limitation of financial and physical resources of the State Governments and to extend the coverage to new areas. Several social security measures like Employees State Insurance, Employees Provident Fund, Gratuity, Maternity benefits, etc. had been in operation. However, their coverage was limited mostly to the organized sector. The Employees Provident Fund assumed significance in terms of accruals which were sizeable. A major portion of these accruals form an important source for financing development. Together with employers' contribution and the availability of accumulated benefits, it was also to act as an important redistributive measure benefiting the lower income class. The coverage of the scheme was extended to 157 industries/classes of establishments with a total membership of about ten million. The scheme was supposed to extend gradually to smaller establishments and to the rural areas. With increase in membership and a possible enhancement in the rate of contribution, the size of the fund could be augmented considerably and, among other things, this could be used to finance important direct benefit programmes like housing for workers which had so far lagged behind due to paucity of resources²³⁹.

The planners also suggested that as "welfare and social security service overlap in areas of medical care and income security during sickness and disability, it will be conducive to efficiency and economy if services in such common areas can be integrated". There were statutory welfare schemes for workers in mining industries like coal, iron ore, manganese ore, limestone and mica and for workers in the beedi industry which provided facilities of drinking water, housing, education and recreation.²⁴⁰

The thrust of the Seventh Plan was on improvement in capacity utilisation, efficiency and productivity. By that time Labour had entered in the production process from the supply side as well as from the demand side. The focal point for both aspects was higher productivity because it was through higher productivity that higher real wages could be ensured, cost of production could be brought down and higher demand for products could be generated, which

²³⁸Planning Commission: Fifth Five Year Plan (1974-79), Government of India, <http://planningcommission.nic.in/fifth five year plan> accessed on 01-04-2008

²³⁹Planning Commission: Sixth Five Year Plan (1980-85), chapter-24, Government of India, <http://planningcommission.nic.in/sixth five year plan> accessed on 01-04-2008

²⁴⁰ Ibid, chapter-24

would lead to further growth. The Planners of this plan perceived the role of Labour in that broad perspective.

In the period of Seventh Five Years Plan, It was accepted by the government that Labour policy should necessarily have provisions for the welfare and working and living conditions of unorganised labour not only in the rural sector, but also in the urban areas. Although a great majority of unorganised labour was found in the rural areas, an increasing number of workers were shifting to the metropolitan cities and small and medium towns in search of better employment opportunities. In the unorganised urban sector, incomes were not protected, legal regulations of employment and wages were almost non-existent and it was extremely difficult to enforce the rules where they exist²⁴¹.

The rural unorganised labour includes the landless labourers and small and marginal farmers, share croppers, rural artisans, forest labour, fishermen and persons engaged in self-employment like beedi workers, leather workers and handloom workers. Apart from the general problem of unemployment, rural labour faced problems of under-employment, low wages, lack of education and organisation. The transformation of their socio-economic conditions was admittedly a challenging task demanding commitment, dedication and hard work. As the basic malady afflicting the rural unorganised workers had been the lack of employment opportunities, particularly during the slack seasons, emphasis was continued to be placed on the special target group programmes for employment creation and income generation. Yet another important area was industrial safety requiring constant attention due to its significant impact on the working conditions and welfare of the workers and also on the production mechanism. Safety in the work place was related to several factors like the state of the machinery, maintenance, protective/preventive arrangements, training of workers in the proper handling of the machinery, safety practices, concern of the management and effective supervision.²⁴²

The Eighth Five Years Plan gave considerable importance to enhancing social capabilities in pursuance of the objective of human development, which was considered the ultimate goal of the Plan, improvement in the quality of labour, productivity, skills and working conditions and provision of welfare and social security measures, especially of those working in the unorganised sector, were crucial elements of the strategy for quantitative and qualitative

²⁴¹ Planning Commission: Seventh Five Year Plan (1985-91), chapter-5, Government of India, <http://planningcommission.nic.in/seventh five year plan> accessed on 01-04-2008

²⁴² Ibid, chapter-5

enhancement of employment opportunities. The 8th Five Year Plan laid emphasis on skill formation and development, strengthening and modernisation of employment service, promotion of industrial and mines safety, workers' education, promotion of self-employment, rehabilitation of bonded labour, enforcement of labour laws especially those relating to unorganised labour and women and child labour, promotion of a healthy industrial relations situation and encouragement of workers' participation in management²⁴³.

A National Child Labour Programme had been taken up to make effective intervention to prevent exploitation of child labour in the unorganised sector. Nine Child Labour Projects with the main aim of suitable rehabilitation, of the children withdrawn from employment, by providing them welfare inputs had been launched. Programmes for women labour include financial assistance to voluntary organisations for taking up action-oriented projects, studies relating to women labour, organisation of child care centres for the benefit of women workers, welfare projects for women workers in the construction industry and strengthening of the enforcement of the provisions of the Equal Remuneration Act²⁴⁴.

The Ninth Plan aimed at reducing the number of laws which determine relations between workers and employers, with the objective that a much smaller number of laws can reach the entire workforce. The labour laws encompass areas like industrial disputes, wages and minimum wages, security measures like Workmen's Compensation Act, Equal Remuneration Act, Maternity Benefit Act, Child Labour Act, Factories Act, Mines Act, Contract Labour Act, Welfare Fund related legislation etc. The basic objectives of all these laws were to create a safe work environment, provide the mechanism and the procedure to settle industrial disputes and ensure minimum wages, payment of provident fund, gratuity and bonus etc²⁴⁵.

It was seen, that in the changed economic scenario, where displacement of labour was inevitable and existing labour force was expected to get retrenched, the workers thus retrenched were not affected adversely. With this in mind, the National Renewal Fund had been created out of which payments were made to the workers who were voluntarily retiring and funds were also provided for retraining and redeployment of the retrenched workers. During the Ninth Plan period, action was taken to (a) identify the laws which were no longer needed and repeal them; (b) identify the laws which were in harmony with the climate of

²⁴³Planning Commission: Eight Five Year Plan (1992-97), chapter-7, Government of India, [http://planningcommission.nic.in/eight five year plan/chap-7/pdf](http://planningcommission.nic.in/eight%20five%20year%20plan/chap-7/pdf) accessed on 01-04-2008

²⁴⁴ Ibid, Chapter-7

²⁴⁵ Planning Commission, Ninth Five Year Plan(1997-2002), chapter-3, Government of India, [http://planningcommission.nic.in/ninth five year plan/chap-3/pdf](http://planningcommission.nic.in/ninth%20five%20year%20plan/chap-3/pdf) accessed on 01-04-2008

economic liberalisation and hence need no change; (c) amend the laws which required changes and (d) revise the rules, regulations, orders and notifications etc. The Ministry of Labour had taken the preparatory steps in that direction²⁴⁶.

Till the 9th Five Year Plan, labour laws were targeted towards the organised labour force. The unorganised sector did not get much benefit out of the existing labour laws. Particularly vulnerable groups among the unorganised sector are urban informal sector, agricultural labour, migrant labour, women and child labour and poor landless workers who are poverty stricken. One of the laws which were widely applicable to these vulnerable groups is enforcement of minimum wages. The Minimum Wages Act, 1948 is primarily applicable to unorganised sector/sweated sector and empowers both Central and State Governments to fix/revise the minimum rates of wages in respect of scheduled employments under their respective jurisdiction. The minimum wages have been fixed at different levels by the different State Governments²⁴⁷.

The approach which was present to provide social security to the population had been framed in the context of a low recorded unemployment (less than 3 % of labour force) but high incidence of poverty (more than 30% of households). A large number of those employed were getting wages that did not provide them an acceptable minimum level of living. The attempts at providing social security were targeted at the poor through special employment generation programmes on the one hand and provision of free or heavily subsidised basic needs like health, nutrition, housing and education on the other. Though 20 per cent of the Plan and the non-Plan expenditure of the Governments at the Centre and the States were directed towards the creation and maintenance of social infrastructure, the gap between what was needed and what can be made available within the available resources of Governments was too large. The 9th five year Plan laid emphasis to the extension of the insurance schemes of the Governments of Gujarat, Kerala, Karnataka and Madhya Pradesh for the landless agricultural labourers to the entire country. The Welfare Boards for Mine Workers, Beedi and Cigar Workers etc. were financed by the cess levied on these commodities. The states namely, Karnataka, Kerala and Tamil Nadu demonstrated the viability and potential of old age pension scheme. Some form of social assistance was also given to the workers in the unorganised sector. This could be considered by the other states. However, it was accepted that social security must be targeted to particular vulnerable groups like informal urban

²⁴⁶Planning Commission, Ninth Five Year Plan(1997-2002), chapter-3, Government of India
[http://planningcommission.nic.in/ninth five year plan/chap-3/pdf](http://planningcommission.nic.in/ninth%20five%20year%20plan/chap-3/pdf) accessed on 01-04-2008

²⁴⁷ Ibid, Chapter-3

workers, migrant workers, women and children etc. However, multiple social assistance schemes were not effective. According to the 9th Five Year plan document, the efforts for providing social security to the poor were initiated in the Eighth Plan period in the form of a National Social Assistance Programme (NSAP). The Programme comprises (i) Old Age Pension, (ii) Maternity Benefit and (iii) Family Benefit for the girl child in particular. This had been implemented mainly as a programme for the poor under the broad head 'Poverty Alleviation in Rural Areas'²⁴⁸.

Although the need for social security for the poor had been identified since 6th Five year Plan but no concrete steps had been taken in this direction to secure the poor by providing social security. 7th Five Year Plan took some initiatives for the employment generation for the poor but the makers of this plan had not given importance on the issue of social security. However the problem of increasing unorganised workers and their problems had already been identified but none of the previous governments showed their interest to initiate any step towards unorganised sector. In the Ninth Plan, an effort was made to extend the coverage of NSAP to the casual and the self-employed workers in informal sector both in the rural and the urban areas. The objective was to cover the economically active population outside the organised sector. To begin with, the beneficiaries will be those having income at a level below the average income. As discussed earlier, such a scheme always requires contribution by local authorities and the State Governments. Since the objective is to cover economically active population, the role of employers and the local authorities have become crucial in identification of beneficiaries. This was the condition of social security in India till the completion of 9th five year Plan was over. With this background the makers of 10th Five Year plan had been successful to provide some relief to the poor or not have been analysed in following:

The Tenth Five Years Plan has extensively dealt with the social security. It has emphasized the need to develop social security programs, particularly pension programs for the unorganized sector in a phased manner during the plan period itself. With the support of consecutive five year plans and with the help of the Directive principles of State Policy, in pursuit of objectives of Social Security, the Government of India has enacted much legislation for the social security of working class in India. The major ones in this direction are: Employees' Provident Funds and Miscellaneous Provisions Act, 1952, which provides

²⁴⁸ Planning Commission, ninth Five Year Plan (1997-2002), chapter-3, Government of India, [http://planningcommission.nic.in/ninth five year plan/chap-3/pdf](http://planningcommission.nic.in/ninth%20five%20year%20plan/chap-3/pdf)

the institution of compulsory Provident Fund in which both the employee and employer would contribute. The Miscellaneous Provisions were added during 1971 with Employees Family Pension Scheme 1971, during 1976 with Employees' Deposit Linked Insurance Scheme. But Amendment of 1995 with an ordinance of 16th October, 1995 the Employees' Provident Funds and Miscellaneous Provisions Act underwent a major change. Other legislations in the direction are: Maternity Benefits Act 1961, Payment of Gratuity Act, 1972, Group Insurance Scheme for Agricultural Labour 1987 etc. The list of all the schemes drafted goes very long. However, all of these have been carved out of the principle of social insurance, social assistance and compulsory savings. The population statistics and the working class component in it clearly indicate the need to have comprehensive Social Security programs for the vast majority of the vulnerable groups²⁴⁹.

The 10th Five Year plan has emphasised on convergence of various social security schemes run by different ministries. At the same time the plan document laid stress on the unorganised sector. In its own words "The present pension system is confined to organised sector, which covers less than a tenth of the labour force employed. Employers, who are mainly government and public sector, have severe financial limitations. And the organised sector pension systems, including those for the private corporate sector establishments, are designed for a single lifelong employer-employee relationship. These features curtail the possibility of any significant expansion of coverage of workers by the pension system. In the unorganised sector, there are a large number of self-employed persons with a reasonable level of income, but do not have a mechanism for earning a risk-free and reasonable return on their savings for retirement and the low-income groups have no credible institution, where they can save during their active working life and earn an assured return for income support during retirement. Moreover, there is no prospect of a single employer employee relationship in the unorganised sector, whether for the self-employed or for the wage employed. The self employed persons and the low-income wage employed frequently take recourse to informal market, where the failure rate is high"²⁵⁰

Why Social Security for Unorganised Sector Workers?

Rising attention towards social security issues of unorganised labour, in recent times,

²⁴⁹ Planning Commission: Tenth Five Year Plan (2002-2007), chapter-3, Government of India, p-382-383, [http://planningcommission.nic.in/tenth five year plan/chap-3/pdf](http://planningcommission.nic.in/tenth%20five%20year%20plan/chap-3/pdf)

²⁵⁰ Planning Commission: Overview of Tenth Five Year Plan, Government of India, p 8-9, [http://planningcommission.nic.in/overview tenth five year plan/pdf](http://planningcommission.nic.in/overview%20tenth%20five%20year%20plan/pdf)

needs to be understood as a historical juncture in the trajectory of development planning in India, where the labour markets have been undergoing tremendous transformations, along with dwindling levels of employment and social protection to the workforce. The proportion of workforce in the organised segment of the labour market has been shrinking considerably, along with marked decline in the long-term social security provisions hitherto available to the workforce. All these *inter alia* necessitated a need for seeking alternatives in the provision of social security, with partial or complete participation of other social partners or at times, the beneficiaries themselves²⁵¹.

The significance of informal sector is on the rise in recent years, with a visible shrink in the formal sector employment. As per NSSO data (55th Round) the size of formal sector with higher earnings and secure jobs was just about 7 per cent of the total employment in 1999-2000²⁵². The enhanced prominence of the informal sector is duly recognised in the recent policy documents of the Government of India, which discusses the ways and means of employment generation, to benefit the growing mass of unemployed. For instance, a special group constituted by the apex-planning agency of the country (i.e., Planning Commission of India) on “Targeting 10 Million Employment Opportunities per year over the 10th Plan Period (2002-2007)” explains that – “exclusively for generating the desirable high level of employment in the country, one has to target the unorganised sector, including small and medium enterprises”. Apart from its prominence in terms of employment, the contribution of informal economy to the national income of the country is also equally significant. The sector’s share in the country’s total net state domestic product (NSDP) was around 60 per cent in 1997-98²⁵³.

The alarming expansion of informal sector, in recent times, has adversely affected employment and income security for the large majority of the workforce, along with a marked reduction in the scale of social welfare/security programmes. Thus, an important challenge raised by the exploding informal economy is the need for ensuring adequate social safety nets and welfare measures to provide social security to the growing segment of unorganised sector workers. Accordingly, during the past decades, government of India (both

²⁵¹ Babu P.Remesh: ‘Social Security for Unorganised Sector Workers in India Alternative Approaches and New Initiatives’, 5th International Research Conference on Social Security, Warsaw, 5-7 March 2007, <http://www.issa.int/pdf/warsaw07/2remesh.pdf>, accessed on 09-02-2008, p 2-3

²⁵² Anoop Satpathy: ‘Size, Composition and Structure of Informal Economy in India’, NLI Research Study Series No.56, V.V.Giri National Labour Institute, Noida, 2004, p 23

²⁵³ Sheila Bhalla: ‘Analysing the Unorganised Non-Farm Sector in India: Issues of Methodology and Main Findings of a Recent Report to the Planning Commission’, Special Lecture delivered at the V. V. Giri National Labour Institute, NOIDA, 2003, p-12

at the centre and state levels) have been striving towards designing and implementing more effective measures to strengthen and expand the social protection in the unorganised sector workers²⁵⁴.

In India, the organised sector, which accounts for about 7 per cent of the total workforce, benefit from a fair minimum standard of social security. The provisions of social security for organised workers are mainly protective in nature and are ensured through a legal framework and institutional infrastructure created under enabling legislations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Provisions Act, 1952. In contrast to this, the social security arrangements for vulnerable poor in general and informal workers in particular have been very minimal. For instance, rough estimates shows that only less than 3 per cent of informal sector workers are covered by some social security measures.

Nonetheless, the government and other societal institutions have launched various social security programmes to meet the basic subsistence needs and contingencies of the poor and informal sector workers since long, starting with the community development programmes (CDP) in 1950s. So far, there no specific and comprehensive schemes or legislation at the national level, which exclusively address the issues of unorganised sector. Nevertheless, the workers in the unorganised sector benefit from several of the labour laws and social protection measures, which are more or less generic in nature. For instance, The Minimum Wages Act, 1948 directs both the Central and State Governments to periodically notify the minimum wage rates for various categories of informal labour. The other important legislations, which have some bearing on the welfare of unorganised sector workers include: Bonded Labour System (Abolition) Act, 1976, Payment of Wages Act, 1936, Employees State Insurance Act, 1948, Maternity Benefit Act, 1961, Personal Injuries (compensation Insurance) Act, 1963, Payment of Gratuity Act, 1972, Workmen's Compensation Act, 1923, Plantation Labour Act, 1948, Employees Provident Fund and Misc. Provisions Act, 1976, Inter-state Migrant Workmen (RECS) Act, 1979 and Child Labour (Prohibition and Regulation) Act, 1986. However, all these Acts are either benefiting to select organised segments of the unorganised workforce or mostly with certain limited enabling provisions. Further, it is generally understood that the above acts have not been able to adequately address the social security concerns of the workers in the informal sector or to provide them

²⁵⁴ Babu P.Remesh: 'Social Security for Unorganised Sector Workers in India Alternative Approaches and New Initiatives', 5th International Research Conference on Social Security, Warsaw, 5-7 March 2007, <http://www.issa.int/pdf/warsaw07/2remesh.pdf>, accessed on 09-02-2008, p-4

any specific welfare measures. Despite the implementation of all these acts, the workers in the sector are mostly inadequately protected in terms of security of employment; better working conditions (prescribed times of work and reasonable wages); and effective systems/machineries for identification of eligible beneficiaries, dispute resolution and so on²⁵⁵.

During the past five decades, starting with the Community Development Programmes (CDP) in 1950s till the post 2000 period, there have been some consistent efforts towards enacting a comprehensive legislation, which will be discussed further in the subsequent section on new initiatives. Broadly, it is possible to group these measures into three categories, such as: (i) Social Assistance Programmes; (ii) Social Insurance Schemes; and (iii) Welfare Funds.²⁵⁶

The social assistance programmes constitutes a varieties of measures such as food-based transfer programmes, income transfer programmes and cash-transfer programmes. The Public Distribution System (PDS) is the key component in the overall food security arrangements in the country. Over the years, the PDS has played an important role in moderating open market prices and ensuring food security at the household level by providing food grains and other essential prices at lower prices. Nevertheless, in the past few decades, the mounting burden of food subsidies coupled with the limited effectiveness in targeting the poor households, led the government to streamline the system. As a result of these efforts, from 1997 onwards the Targeted Public Distribution System (TPDS) is being implemented in the country. The main objective of the TPDS is to improve the PDS consumption of the 'identified poor' by offering a specific quantum of cereals at highly subsidised prices. The current systems involved in the distribution of the programme is vehemently criticised by commentators on account of issues such as inefficiency in targeting, increased per unit cost of transfer of benefits, leakages, unequal and skewed distribution of benefits to higher income classes (among the poor), regional disparities in performances and so on²⁵⁷.

Notwithstanding all these comments there are evidences to suggest that the TPDS has improved coverage of poor households residing in rural areas of poor states, thereby ensuring

²⁵⁵ Art.Cit. Babu P.Remesh, 'Social Security for Unorganised Sector Workers in India Alternative Approaches and New Initiatives', 2007, p 4-5

²⁵⁶ Babu P.Remesh, Anoop, Satpathy et.al : 'Assessing the Social Security Measures and Promoting Effective Participation of Beneficiaries: An Action Research Project', Report Submitted to HDRC/UNDP (New Delhi), V.V.Giri National Labour Institute, NOIDA, 2006, p- 23

²⁵⁷ Ibid. , p-54

food subsidy reaching them effectively²⁵⁸. Despite the functioning of TPDS, along with other food transfer schemes introduced subsequently (namely The Annapurna Scheme²⁵⁹; Antyodaya Anna Yojana), it is widely reviewed that the overall improvement in nutritional status of the population due to these schemes are rather low, which highlights the need for further strengthening the existing food transfer measures. Antyodaya Anna Scheme of the central government targets to cover 10 million poorest of the poor households from amongst 65 million below poverty line (BPL) families by making available 25 kg of wheat and rice at highly subsidised rates. The prospective beneficiaries of the programme were identified by local-self government institutions in open meetings. A few recent studies suggest that there are substantial drawbacks for the programme in terms of beneficiary identification and targeting errors, inadequate and improper coverage, faulty implementation and leakages.

Income transfer programmes in India basically include the labour-based public works and infrastructure programmes (or workfare programmes) to promote rural and urban livelihoods. The first such scheme was started in early 1960s in the form of Rural Works Programme largely due to recognition of the fact that growth alone could not take care of poverty. Subsequent to this, a number of wage employment programmes such as Food for Work Programme (FFW-1977), Jawahar Rozgar Yojana (JRY), Sampoorna Gram Swarozgar Yojana ((SGRY), Jawahar Gram Samridhi Yojana (JGSY), Employment Assurance Scheme (EAS), Pradhan Mantri Gram Sadak Yojana (JGSY), Food for Work Programme for Calamity Hit States (FFW-2002) and so on were initiated from time to time. The latest addition to this set of schemes is the recently introduced Employment Guarantee Act, 2005. Among the state level schemes in the same direction, Employment Guarantee Scheme (Maharashtra) requires a special mention²⁶⁰.

Among the cash transfer programmes in the social security front, which are equally applicable to the workers in the agricultural workers National Social Assistance Programme (NSAP) are prominent. NSAP, which is a social security programme for the welfare of poor households, has three components such as National Old Age Pension Scheme (NOAPS),

²⁵⁸ Amitabh Kundu and Ravi Srivastava : 'Meeting the Food Security Challenges in India: Medium Term Goals and Strategies', Paper prepared for Ministry of Food and Consumer Welfare, Government of India, 2004, p-32-35

²⁵⁹ Annapurna Scheme was launched by the central government in which 10 kgs of rice or wheat will have to be given to the destitute elderly who is not at all supported by any means either formally or informally. The scheme is in operation through the Department of Civil Supplies of the state governments and beneficiary estimation was provided by the central government. Due to administrative and procedural problems, in some of the states, the scheme could not be started and in some states, the scheme was dropped (Remesh and Satpathy, et.al, 2006).

²⁶⁰ NREGA and EGS(Maharashtra) schemes have already been discussed in detail in previous chapters

National Family Benefit Scheme (NFBS) and National Maternity Benefit Scheme (NMBS). A component wise review of the efficacy of these programmes suggests that the physical coverage and financial performance of NOAPS was better compared to the other schemes. However, the amount of pension for NOAPS has been abysmally low. Data regarding the schemes' working indicate that the average payment has been even less than the stipulated amount, which indicates that some of the eligible beneficiaries may not have been provided with pensions. The scheme thus acts as yet another addition to the impressive number of governmental programmes in the social security front²⁶¹. The standard criticisms against government sponsored schemes in terms of poor design, inadequate allocation, improper implementation and weak beneficiary participation also hold true in the case of the above cash transfer programmes.

Another major category of social protection in India for unorganised sector labour (and thus for agricultural labour) is the social insurance schemes, which are meant to improve ability of the poor individuals and households to resist sudden shocks or losses caused by social and other contingencies. The two major generic schemes under this are the Janshree Bima Yojana (JBY), 2000 and the Universal Health Insurance Schemes (UHS), 2004. While the former envisages life insurance protections to persons between 18-60 years old, living below or marginally above poverty line in rural areas, the latter assures hospital care to poor persons and families. Other centrally sponsored schemes that benefit agricultural labourers are 'Personal Accident Insurance Scheme for Poor Families' and 'Group Insurance Scheme for Landless Agricultural Labourers'. Though detailed evaluations of the above schemes are yet to be done, it is commonly observed that, these measures suffer generally from several drawbacks such as inadequate coverage, lack of effective beneficiary participation, improper implementation and so on. Further, the resource allocations towards these schemes are far from adequate that their sustainability would be in question, if all the eligible beneficiaries effectively utilise it²⁶².

Welfare funds represent a slightly different mode and innovative way of providing social security to the workers in specific occupational categories. The various welfare funds, which

²⁶¹ Seeta K.Prabhu: 'Socio-economic Security in the Context of Pervasive Poverty: A Case Study of India', SES papers, International Labour Office, Geneva, 2001, p-56
http://www_ilo_mirror.cornell.edu/public/english/protection/ses/download/docs/india.pdf accessed on 12-04-2008

²⁶² Babu P.Remesh, Anoop, Satpathy et.al : 'Assessing the Social Security Measures and Promoting Effective Participation of Beneficiaries: An Action Research Project', Report Submitted to HDRC/UNDP (New Delhi), V.V.Giri National Labour Institute, NOIDA, 2006, p -25

are currently catering to different informal sector occupations in India, provide different types of welfare amenities to the workers such as healthcare, housing, educational assistance for children, drinking water and so on. However, at the central government level, there are no specific welfare funds functioning so far, which provide certain levels of social security to all the workers in the informal sector²⁶³.

The impressive performance of welfare funds in southern states, particularly in the state of Kerala, in the past few decades has been widely discussed in the literature and several similar state level schemes (for instance, in Karnataka and Kerala) are currently being contemplated. A unique aspect of welfare funds is its effective involvement of multiple stakeholders in designing and implementing social safety nets. Despite the fact that many of the older welfare funds functioning at state levels are facing severe bottlenecks and administrative problems currently, in view of their impressive track record, it is desirable to examine the replicability of the model in the national level, while designing more viable social security interventions for informal labour²⁶⁴.

In 2004, UPA Government launched a Comprehensive Social Security Scheme for the Unorganised Sector Workers, as a follow up to the recommendations of the Second National Commission on Labour. However, as against the initial expectations the performance of the scheme, was not impressive and within two years of its launching, it has become virtually non-operational. Despite the fact many of the above mentioned schemes could not bring in any considerable solutions to the social security issues of unorganised sector labour, it is evident from the planning of these measures that, unlike the earlier periods, in the recent past, the Government has been attaching more attention and care towards involving other social partners (such as insurance companies; employers, community organisations, local bodies, SHGs and so on) as well as the beneficiaries themselves towards mobilising resources and effectively implementing the programmes²⁶⁵.

Of late, there have been some commendable legislative initiatives in India that have

²⁶³ At present the central government runs five occupation-based welfare funds set up under various acts of Parliament. They are for: Beedi Workers, Limestone & Dolomite Mine Workers, Iron Ore, Chrome Ore & Manganese Ore Mine Workers, and Mica Mine Workers & Cine Workers
http://labour.nic.in/ss/UNORGANISED_SECTOR_IN_INDIA_Social_Security_and_Welfare_Funds.Pdf
accessed on 12-04-2008

²⁶⁴ K.P.Kannan: 'The Welfare Fund Model of Social Security for Informal Sector Workers: The Kerala Experience', *The Indian Journal of Labour Economics*, Vol. 45, No.2, 2002, p 245-50

²⁶⁵ Babu P.Remesh, Anoop, Satpathy et.al : 'Assessing the Social Security Measures and Promoting Effective Participation of Beneficiaries: An Action Research Project', Report Submitted to HDRC/UNDP (New Delhi), V.V.Giri National Labour Institute, NOIDA, 2006, p-27

bearings on the social security of unorganised sector workers. In 1996, two umbrella legislations towards regulating the conditions of work and provision of a measure of social security to the group of construction workers, which constitutes one of the largest segments of workers in the unorganised sector – were passed by the Parliament of India. On the basis of these legislations, The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 & The Building and Other Construction Workers Welfare Cess Act, 1996], various states are expected to enact state level legislations. Subsequently, the Government notified the Building and Other Construction Workers (ECS) Central Rules, 1998, which stipulated several social security benefits to the construction workers including accident relief, old age pension, housing loans, payment of insurance premium, payment towards educational expenses of children, medical and maternity benefits and so on. Following these Acts, various state governments are currently in the process of enacting their own legislations. So far, six states have enacted such legislations and functioning of the new schemes under these legislations have been attaining momentum in states like Kerala and Tamil Nadu. The Second National Commission on Labour (NCL), constituted by the Government in 1999 dealt with the social security concerns of unorganised sector in a detailed manner. One of the six special study groups constituted by the commission was on social security and in its final report submitted in 2002, the Commission provided detailed recommendations towards strengthening the social security system in the country²⁶⁶.

The efforts of the government, that too half hearted, to cover unorganised workers under some kind of social security system could not crystallize so far. The government, however, circulated different versions of unorganised sector bills proposing only enabling provisions, and ultimately introduced a scheme for social security of unorganised workers in early 2004²⁶⁷. Subsequently Labour Ministry floated one more draft bill (2004)²⁶⁸ and the bill (2006) of National Commission for Enterprises in the Unorganised Sector had also come. The government referred the earlier bill to the National Commission for Enterprises in the Unorganised Sector, which recommended that a single bill might not be the best way to address the problems of the workers in this sector. Thereafter, two bills were proposed in

²⁶⁶ 2nd National Commission for Labour http://labour.nic.in/lcomm2/2ncl_pdfs/chap_7finalA.pdf

²⁶⁷ The Unorganised Sector Workers' Bill, 2004, <http://labour.nic.in/> accessed on 12-04-2008

²⁶⁸ See the complete Bill on the Website of Ministry of Labour and Employment 2004, <http://labour.nic.in/> accessed on 12-04-2008

Parliament in 2005 namely (a) the Unorganised Sector Workers Social Security Bill, 2005 and (b) the Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill 2005²⁶⁹.

National Advisory Council (NAC) and Social Security for Unorganised Sector

The National Advisory Council, chaired by UPA chairperson Sonia Gandhi, on June, 2005 finalised draft social security legislation for unorganised sector workers that will benefit about 30 crore workers not covered under labour laws. The draft Bill redefines workers to bring self-employed, casual, contract and home-based workers under its purview. The bill was found wanting on several grounds, particularly in terms of the very limited number of people it sought to cover. The commission (NCEUS) subsequently decided that instead of a single bill, two separate bills were needed to deal with what it called the “heterogeneous and highly differentiated universe”. Thus, in mid-2005, there emerged two pieces of draft legislation: the Unorganised Sector Workers Social Security Bill, and the Unorganised Sector Workers (Conditions of Work and Livelihood Promotion) Bill. Together, an estimated 300 million workers could be covered within five years. The first bill, dealing with social security, is more or less comprehensive in that it will cover all workers in the unorganised sector with a monthly income of INR 5000 or below. This will include wage-earners, self-employed (including small and marginal farmers) and home-based workers. In addition, coverage will be extended to casual unorganised-sector workers. The only problem with this legislation had been its approach to the identification of employers. Here the suggestions of some of the trade unions have been accepted, such that wherever the employer is not identifiable and the worker is compelled to change jobs frequently, the contribution of the employer should be borne by the appropriate government or board (state or central), or shared between the state and central governments. More troubling has been the second bill. Since this draft was made public, the Communist Party of India (Marxist)-aligned Centre of Indian Trade Unions has suggested several improvements. These include more specific and concrete provisions on “protection against retrenchment/dismissal”, appropriate compensation, working hours, labour inspection, appropriate dispute/grievance settlement machinery and punishment for contravention. It has also demanded that workers in the unorganised sector be given the benefits that have already been mandated under other industrial legislation, such as the Trade Union, Minimum Wages, and Maternity Benefit acts. The hope for these two draft bills is in

²⁶⁹See this Bill, “Unorganised Sector Workers (Conditions of Work & Livelihood Promotion) Bill”, (draft), 2005 on <http://nceus.nic.in/> accessed on 12-04-2008

creating what is called the 'social floor', for providing a measure of social security and ensuring a core of minimum acceptable standards of decent work. Though it may be that the unorganised sector in India is being taken up seriously for the first time, much depends on how keen the government machinery is to implement even the minimum currently envisaged²⁷⁰.

Report of National Commission for the Enterprise of Unorganised Sector (NCEUS)

The Unorganised Sector Social Security Bill 2006²⁷¹ prepared by NCEUS is a modified version of previous bills. The intention of the government is in question because they have been delaying the legislation and denying social security to unorganised workers since last many years. The cost of social security, the share of central and state governments under the contributory system, deters them from enacting the law. The government is under pressure from World Bank and other international pressure groups to withdraw from public social security provisions. The central government would not be willing to part with Rs 25000 crores and each state Rs 500 crores every year for unorganised sector workers especially in the absence of any strong movement or struggle for such social security coverage.²⁷²

The present Central Government also continues to uphold the priority attached to social security issues, and in its Common Minimum Programme (CMP), *inter alia*, recognized as one of its basic principles of governance the need to "enhance the welfare and well being of farmers, farm labour and workers, particularly those in the unorganised sector and assure a secure future for their families in every respect"²⁷³

It is widely acknowledged that Draft Bill proposed by the NCEUS is a substantive step towards provision of social security to informal sector workers. As per the plan of NCEUS, three forms of social security would be provided to about 300 million workers in the unorganised sector. These are health insurance, life insurance and old age security – involving joint financing by the workers, employers and the central and state governments. The NCEUS scheme is hailed as the first ever-comprehensive social security scheme for the unorganised sector in India²⁷⁴. The salient features of the NCEUS's proposed social security scheme are summarized in Table 5.1.

²⁷⁰ Rajashri: 'Looking to the Shadows', *Himal South Asia*, August, 2006, p1-3

²⁷¹ Report on Social Security for Unorganised Sector, (The full text and Draft Bill is available in the Website of the Commission), NCEUS 2006, <http://nceuis.nic.in/> accessed on 12-04-2008

²⁷² Social Security for Unorganised Workers, [http://www.cec-india.org/Labour and Society/Social Security. Migrant and Contract Labour/Social Security for Unorganised Workers](http://www.cec-india.org/Labour%20and%20Society/Social%20Security.%20Migrant%20and%20Contract%20Labour/Social%20Security%20for%20Unorganised%20Workers) accessed on 12-04-2008

²⁷³ Common Minimum Programme of UPA Government, 2004 <http://pmindia.gov.in/cmp.pdf>

²⁷⁴ K.P.Kannan (et. al.) : 'A Major National Initiative', *Economic and Political Weekly*, Vol. XLI, No. 32, 2006, p 3478-80

A distinct feature of the NCEUS's proposal is that it is a right based one, as it envisages the scheme in the form of a legally enforceable entitlement. Unlike many other earlier schemes, it makes all unorganised sector workers eligible for the social security, irrespective of their occupation and duration of employment. Yet another important aspect is that, if implemented, the NCEUS plan would provide a national floor level social security for all the informal workers throughout the country.

Table5.1: Salient Features of the NCEUS Social Security Scheme, 2006

Item	Details
Coverage	30 crores of workers to be covered in five years
Benefits	
<i>Health insurance</i>	For self and family. Cover for hospitalization up to Rs. 15,000; maternity up to 1,000 per delivery; disability allowance up to 15 days at Rs. 50 per day; accidental death cover for worker of Rs.25, 000.
<i>Life insurance</i>	Rs.15, 000.
<i>Old age security</i>	All workers above 60 years belonging to below the poverty line households to receive pension at Rs.200 per month. Other workers will have a provident fund.
Contribution	Re 1 per day for Rs. 365 per year by worker, employer and government. In view of the difficulties in identifying employers, government to pay employer's contribution also. i.e, Rs.730 per year in the ratio of 3:1 by central and state governments. The contribution of workers belonging to BPL households to be paid by the central government.
Financing	Through a cess or social security tax
Additional commitments by central government organisation	Payment of Rs.200 as old age pension to BPL workers plus administrative expenses. National Social Security Board at the central level to manage a national social security fund; state level boards to manage state social security funds; and workers facilitation centers (WFCs) at the local level for registration, etc. Department of posts to collect contributions and bookkeeping.

Source: Kannan, et.al (2006)

Notes: (a) 1 crore = 10 million; (b) 1 USD = Rs.44.2 or Re. 1 = USD 0.02

The Draft Bill prepared by the NCEUS intends to provide social security to workers in the unorganized sector by demarcating the responsibility and mandate of the state and central governments to implement a national level social security scheme. The scheme shall entail old age pensions to all workers above the age of 60 years, health insurance for the self, spouse and children below 18 years, nominal maternity benefits and death/disability insurance in case of accidents. For this a National Social Security Fund shall be constituted with contributions of Re 1 per day from the worker (for those in the BPL list, the GOI shall contribute), Re 1 per day per worker from the employer (if employer is unidentifiable, then the GOI and the state government will share the burden in the ratio 3:1) and a contribution of Re 1 per day per worker shared by the GOI and the state government in the ratio of 3:1. There are other sources of this fund such as grants and loans from the central government, and earmarked cess and donations²⁷⁵.

The proceedings of the 'fund' shall be utilized through a central level National Social Security Board and the corollary state boards. The National Board (comprising of state boards, national level trade union of unorganized workers, NGOs related to the sector and national level organizations of employers in the unorganized sector) shall manage the 'fund' and administer the Act and formulation of policies at the national level. In similar fashion, state boards shall also be formed. A district level committee headed by the district collector shall manage the registration process of the scheme. There shall also be local level worker facilitation centres and district level dispute resolution councils for the successful implementation of the scheme. Well intentioned with a substantial outreach, in many ways, the proposed legislation bears a close resemblance to those applicable to factories and enterprises under the Factories Act, including the clause of penalty for contravention of the provisions of the bill. There are issues of finer details which may require greater attention to the messy structural features of the unorganised sector²⁷⁶.

As per the NCEUS estimates, the total cost of the scheme will be Rs 7,367 crore (0.20% of GDP) in the first year, i.e., 2006-07 and Rs 25,401 crore (0.48% of GDP) in the fifth year, i.e., 2010-11. Of this total amount, the contribution of the central government will be around Rs 6674 crore in 2006-07 which will increase to Rs 20,582 crore in 2010-11. As a percentage of

²⁷⁵ Praveen Jha and Siba Sankar Mohanty: 'Raising Resources', *Seminar*, No.568, Dec 2006, p29-30

²⁷⁶ *Ibid*, p 32-33

GDP, the additional burden on the central government works out to 0.17% in the first year and 0.39% in the fifth year. As a percentage of gross tax, the additional financial requirement works out to 1.51% in the first year and 2.74% in the fifth year. Assuming that the above estimates take into account the upper limits to the proposed contributions and expenditure, it can be said that over a five-year period the total expenditure to be incurred for the implementation of the provisions in the bill shall range from 0.2% to 0.5% of GDP at market prices (see Table).

<i>Components</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>
Number of workers (crore)	6	12	18	24	30
Health and insurance for all	2362	4725	7087	9449	11811
Centre	1834	3668	5501	7335	9169
States	528	1057	1585	2114	2642
Provident Fund for APL workers	1742	3483	5225	6967	8709
Centre	1306	2613	3919	5225	6532
States	435	871	1306	1742	2177
Pension to BPL workers (60+ workers)	3244	3292	3340	3387	3434
Centre	3244	3292	3340	3387	3434

States	0	0	0	0	0
Total expenditure of centre and states	7348	11500	15652	19803	23954
Centre	6384	9572	12760	15947	19134
States	964	1928	2892	3856	4819
Administrative costs	290	579	869	1158	1448
Total (centre +states)+administrative costs	7637	12079	16520	20961	25401
Centre + administrative costs	6674	10151	13629	17105	20582

Source: Unorganised Sector Social Security Bill 2006, NCEUS.

Notwithstanding these merits, there are still discussions going on indicating some of the shortcomings of the proposals of NCEUS and suggestions for further refinement of the proposed plan of action. These include: the need for focusing first on promotional security measures rather than rushing with protective measures (as suggested by NCEUS); impracticability of the defined contribution model suggested (by which all workers will have to make a contribution); the meagreness of benefits envisaged; aspects of exclusion some segments (for instance, unpaid women workers) and so on. These suggestions/shortcomings, however, no way undermine the importance of the proposals put forth by the NCEUS. It is generally expected that after informed discussions and some modifications, the Draft Bill would be discussed in the Parliament for further enactment. Once passed in Parliament, the Act will be executed through a Central social security authority that will have a supervisory board. The proposed Bill empowers the Government to levy a cess or an appropriate tax, or even create an appropriate mechanism for collection of contribution from individual

employers (or contractors)²⁷⁷.

The proposed legislation seeks to create a participatory structure that builds on already existing civil society, government and semi-government organisations which have a good record and the benefits will be extended to children's education, housing and skill development, once the scheme gets going and adequate funds flow in. The Act will be implemented through worker facilitation centres in every village and mohalla. Workers will have to get registered for receiving the social security number for which he will be required to pay a nominal sum. Upon registration, every worker will be entitled to floor level scheme to be funded by the Centre directly, through cess, contribution or any other means, including donations. The centres will be managed and run by a network of facilitating agencies which will be reputed organisations that work directly with the unorganised sector such as cooperative societies, self-help groups, trade unions, welfare boards and even panchayats²⁷⁸.

Two other recent legislative initiatives of Government of India also require special mention in the ongoing discussion, as they undoubtedly act as promotional and enabling measures towards the realisation of social security to the informal sector. The first one, the National Employment Guarantee Act (NREGA), 2005 is a step towards legal enforcement of the right to work, as aspect of the fundamental right to live with dignity.

To conclude this chapter this can only be said that there is a need to evolve a National Social Security Policy for the unorganised sector and formulate a detailed action plan to cover as many segments of the unorganised workforce as possible under some form of social security with the ultimate goal of covering all unorganized workers in the long run. In the task of implementation of the action plan, it may be necessary to get the active participation of Panchayati Raj Institutions and NGOs. There are a number of agencies and institutions e.g. SEWA in the country which impart various forms of social security for workers in unorganised sector. These could be strengthened and a national network created which would reinforce their efforts at all levels. Several NGOs, public and co-operative institutions, like SEWA and Mathadi Workers Welfare Boards, have undertaken innovative measures to provide social security to small segments of the underprivileged workforce. There is a need

²⁷⁷ Babu P.Remesh, Anoop, Satpathy et.al : 'Assessing the Social Security Measures and Promoting Effective Participation of Beneficiaries: An Action Research Project', Report Submitted to HDRC/UNDP (New Delhi), V.V.Giri National Labour Institute, NOIDA, 2006, p-31

²⁷⁸ Aarti Dhar: 'Social Security Bill Draft Finalised', *The Hindu*, June 26, 2005

to carefully study their success stories with a view to replicating or adopting them in other regions according to their requirements. The welfare fund mechanism needs to be extended wherever feasible to hitherto uncovered sections of the unorganized sector. New welfare funds, such as a welfare fund for fish processing workers, carpet weavers, salt workers, leather workers, etc. may be considered to be set up and funds generated may be utilized for extending the health facilities through ESIC scheme, wherever possible, or through alternate arrangements²⁷⁹.

There is an urgent need to improve the administration and delivery of the existing social security schemes. We have to learn lessons of successful experiments carried out so far to improve the coverage of social security for the workers in the unorganised sector where only negligible persons are covered. At present, many workers in unorganised sector in rural areas are below poverty line. Unless there is greater flow of resources and creation of more jobs with better income distribution it will not be possible to ensure economic security which is required as well for social security. More thrust needs to be given to poverty alleviation programmes, spread of education, skill training for ensuring better quality jobs. Given the vast network of existing schemes, legislations, policy initiatives and organizations already functioning in this sector, social security for the unorganised sector can become a distinct reality. In order to achieve this goal, all concerned social partners need to work in a coordinated and purposeful way²⁸⁰.

A major obstacle in expanding social opportunity is the supposed inability of the state to meet the fiscal requirements. However, the state constantly makes choices for both revenue and expenditure in terms of its priorities. By one token, tax exemptions (mainly on corporate income tax and customs duty) amounted to 52% of tax revenue collected in 2004-05.³⁰ a similar approach can be seen in the creation of Special Economic Zones. As the ILO powerfully points out, in the current climate of globalization, moves that promote labour rights and social security are often seen as being inimical to the interests of growth.³¹ The NCEUS's advocacy of a rights-based approach to social security also arises from the understanding that such an approach can help to create a different understanding of the relationship between social security and development, and leverage and commit financial

²⁷⁹Planning Commission of India: Working Group on Social Security: http://planningcommission.nic.in/Working_group_of_Social_Security/pdf. accessed on 12-04-2008

²⁸⁰Ibid

resources for social security. We are arguably in a situation where, while on the one hand, the pattern of growth accentuates insecurities, on the other, growth no longer remains a necessary or sufficient condition for achieving social security. Perhaps the only answer lies in greater democratisation at the national and international levels, which can sustain the move to social security as a right²⁸¹

²⁸¹ Ravi Srivastava: 'Through The Prism of Human Rights', *Seminar*, No.568, December 2006 , p 24

Chapter 6
Conclusion

India's recently introduced National Rural Employment Guarantee Act (NREGA) provides a 'rights based' framework for social security. Entitlement approach enhances the accountability of the state. It has currently been implemented in about 200 districts of the country; the initial assessment is a guarded optimism as several field level inadequacies have been identified. Nevertheless, specific features of NREGS in India are worth emulating as they attempt to provide comprehensive and near universal program actualising the basic right i.e. 'right to work'.

NREGS has been envisaged from the perspective of 'right to employment' and guarantees 100 days employment for poor at a minimum fixed rate of wage, but more importantly it bestows an entitlement. The act has also identified roles and responsibilities for the central and state government, district & block administration and the panchayats. The onus of guaranteeing 100 days of employment rests with the government and the applicant can demand for unemployment allowance in case he/she does not get work. Being implemented in rural areas, the scheme not only focuses on providing employment but also on building village assets through the employment. These assets would further help in development of the village.

Chapter 3 and 4 have cleared the entire picture of NREGA and its implementation all over the country. The result for this study shows the varying levels of implementation and success of the scheme. Though the level of success is not uniform across the states and districts, yet most of the states and districts have started in right earnest. The reason for the success of the NREGA is the inbuilt mechanism. But the reasons for the varying performance of the states and districts are generally specific to the state or district. A few may be illustrated here. Firstly, the state of Jharkhand faced problem in implementation because of the non-constitution of Panchayat Raj Institutions (PRIs) in the state. The state of Bihar has problem related to shortage of staff, poor infrastructure, low administrative capacity of the state, etc. Again the success stories too have specific reason. For example, Dungarpur district in Rajasthan, made it more successful because of the presence of effective grassroots NGOs and their ability to mobilize the poor. Andhra Pradesh has equally done well and has successfully used computerization and e-governance mechanism. For, example, the fund in the state is being transferred electronically; every jobs seeker has got a bank account and wages are paid through bank account; the whole process from job application to registration is computerized. Even in Bihar, despite low level of administrative capacity, there was high level of social awareness; benefits reached mostly to the target groups; the process was found non-

discriminatory. The nature of the Act and its provisions if properly implemented, have the potentiality to make it a very successful programme of social security. Moreover, the response of the society has been very encouraging. Members of Parliament, political parties, intelligentsia, NGOs are actively involved in planning and implementation of the scheme. All these are expected to make it a successful social security programme. As discussed, the implementation level issues emerging from field studies reflect concerns about setting up of facilities, identification of jobs suitable for the poor, lack of monitoring systems and inability of the local level officials to appreciate provisions of the scheme etc.

NREGA is a relatively new legislation with only two years of implementation on the ground so far. However, given the wide reach and the stated objectives of the Act, its performance is of concern to everybody including academicians, planners, policy makers and grass root level activists. It is also expected that the programme will take time to mature and be of relevance in fulfilling its stated objectives. This is critical in designing not only appropriate policies for wage employment programmes but also for other rural development programmes. Besides, it will also contribute, theoretically and empirically, to a better understanding of the issues involved in designing public welfare programmes either for redistribution or for growth.

Mihir Shah points out some flaws in NREGA. The flaw is the restriction of the entitlement to those belonging to the official Below Poverty Line (BPL) list of households. After all, only those really poor or really needy will come forward to do the kind of arduous manual labour to be performed under the programme. So the restriction is even more severe than being limited to BPL cardholders. Thus, if there are 3 BPL card holders living under one roof, sharing meals in one family, the total days of employment they will together be entitled to in a year will be 100 and not 300 days. In any case, BPL surveys in India lack all credibility. Many really deserving families get left out simply because they are migrant or homeless. This point needs to be particularly stressed because official estimates of poverty have recently been questioned from many other points of view as well.

The village survey confirms most of the evidence already gathered. Most people do not access the scheme, as they have not heard of the programme. They would like a more proactive role of the panchayat in deciding the infrastructure to be constructed. Almost everyone wants more work from the scheme and better facilities at the work place. There is enough evidence of fudging and mismanagement of records. Large number of works relating to water conservation has been taken up. Faulty measurement of work results in lower

payment of wages. Minimum wages are still not paid in many states. Distress migration has been partially affected due to NREGA in Andhra Pradesh. Implementation is yet to pick up in Uttar Pradesh and Bihar. Lots of money is being spent in road construction for rural connectivity in Bihar and UP. The impact of monsoon rains on these works needs to be assessed. Uttar Pradesh (39 districts / Rs 76 crore) and Bihar (37 districts / Rs 32 crore) are slow in NREGA implementation. Due to inbuilt transparency norms, beneficiaries are receiving wages but delay in payment remains a key issue. Allegation of tampering of muster roll is rampant. Maintenance of structures created under NREGA is still not thought about. Gram Panchayats share a higher work load. (64 per cent of the works are implemented by Panchayat against a norm of 50 per cent).

Although making very different critiques of the official poverty estimates, each of these writers bring out the severe underestimation of poverty by the government. Thus, it is clear that targeting the employment guarantee to the "official" poor will leave out millions of really poor people in rural India. On the other hand, it is also very well-known that there is widespread corruption in the way households get included in the BPL list. Local vested interests are able to muscle their own people into the list quite irrespective of whether they are really poor or not. Such people are highly unlikely to offer themselves to do the arduous manual labour involved in the programme. Problems would be further compounded especially if allocations to panchayats for the employment programme are made on the basis of number of BPL cardholders (as in the Public Distribution System).

Apart from those who should have been on the BPL list in the first place, there are millions of families in India whose existence hangs precariously in balance around the official poverty line. In years of distress these households regularly slip below subsistence levels. Restricting the entitlement to BPL families would deprive these deserving households when they most need state support. In any case, it is difficult to visualise in practical terms how authorities would turn away non-BPL people in search of work. People who may be even migrating out of the area for employment, As thousands do every year from villages in Orissa, Jharkhand, Bihar and Chhattisgarh. Not all of those who migrate belong to the BPL list, especially not in years of drought. The incredible thing is that under the current employment programmes all these people are eligible for work. But the present employment guarantee bill could actually reduce employment opportunities for such people, given that the existing Sampurna Grameen Rozgar Yojana and the National Food for Work Programme are to be merged into the National Rural Employment Guarantee Programme. Indeed, the most

innovative feature of the NREGA is that it seeks to make a clean break with the long history of government welfare schemes of the past.

So far government employment programmes have been essentially relief works. A welfare state initiates these programmes to lower the pain of people in distress. The NREGA is different. It puts the onus on the people to demand work. Government responds to their demand. This makes a big difference. The only possible check to corruption in government works is a vigilant people. When work starts in response to a demand from the people, the chances are that people will be more involved and vigilant. This is the only way leakages can be checked. The onus of success of the NREGA is on the people themselves. It will succeed only if they are aware of it to begin with. And then are active in deciding what works their Gram Panchayat should take up and finally in exercising the necessary vigilance to check corruption. This is no passivity-inducing dole of a moodily munificent welfare state. It is a programme of and by the people. If they are not active, if they are not vigilant, it will not succeed. This is why Parliament must also simultaneously pass an undiluted Right to Information Act (RIA) so that people have the requisite powers to exercise this vigilance. The NREGA will be incomplete without the RIA. Grass-roots people's organisations have a critical role to play here. .

In India with over 90 per cent of the workforce in the unorganised sector in all the countries of the region, addressing social security for *all* (and workers) remains and should become an urgent agenda. Here too, the equity and growth oriented models of social security are needed in place of those which distort the labour markets. The other important step is towards formulating comprehensive social security legislation for low income workers in the informal sector. The National Commission on Enterprises in the Unorganised Sector (NCEUS), has prepared a *Report and Draft Bill* for ensuring protective social security for all means-tested workers according to which all workers below a ceiling level of income, whether paid or self-employed, will be eligible for the social security package upon payment of a small premium by themselves or (if they are poor) by the government.

The objective is to institute, with legislative backing, a national minimum social security that will act as a floor level to the estimated 300 million unorganized workers with independent earnings. The minimum social security include: health insurance for the worker and family and maternity benefit for the worker /spouse; life insurance for the worker; and old age security for the worker after reaching the age of 60, in the form of Provident Fund, or pension (for below poverty line workers). Except the old-age security, all the other social security

benefits are based on the insurance model. It will be the responsibility of the national board as well as state boards to ensure the best possible deal by selecting the appropriate service provider. Registration of workers will be encouraged and facilitated through 'facilitation centres'. The registration and ID cards issued to the workers will be 'portable' and it will be possible to change addresses upon request. The scheme could be co-financed by employers (where they are identifiable) or through specific taxes or cesses. The total cost of the exchequer of financing this social security package, when all informal sector workers are covered, is estimated at Rs. 254000 millions of which around three-fourth contribution would be by the Central government and the rest by the state governments. However, the whole scheme is envisaged to be implemented within a period of five years covering one-fifth of the eligible informal workers every year.

The proposed ideas of basic minimum universal social security catches the imagination of ordinary people or concerned citizens but unfortunately policy makers and rural elite engage in rhetoric and such ideas there by translate into truncated programs. For example, the some of the protective social security provisions are now being 'targeted' to unorganised sector workers who are *below poverty line!* Similarly pensions for old age population, widows and destitute too remained confined to small numbers Both the NREGS and the proposed draft bill for a minimum comprehensive social security for unorganized sector workers are fundamentally different from the earlier schemes. They are rights-based in the form of legally enforceable entitlement unlike the very many schemes floated by the central and state governments at different points of time. Secondly, they are universal in nature. All workers in the rural areas in the NREGS and all unorganized earning workers in the proposed NCEUS are eligible. Further, while the former guarantees a minimum income to the rural workers, the latter proposes to provide a national floor level social security to all the informal workers throughout the country to which state governments may add on their contributions or additional benefits, if they so choose.

In the past decade, the largest out-of-pocket expenditures have been by some of India's poorest on private healthcare. Economic hawks use this to argue for less government and more economic growth. Certainly, the latter probably will. However, there is little evidence that India cannot afford a universal health insurance scheme, or a universal Social Security mandate. Deep institutional cleavages also need much further attention and investigation. The Indian State, through the idea of a binding national social compact has attempted in various ways to provide several programs to minimize risks. This model was primarily articulated as

a modernizing fabric linking together diverse 'traditional' elements in a secular way leading to 'modern' India. How more localized programs for social security (of which there are now many) might link, scale-up, or fragment, has received little attention, which is surprising given the increasing dynamism of several cities in the country and the very real challenges to pooling risks and administering registration rolls across large distances.

In 2004, the United Progressive Alliance government announced that it would seek the advice of an expert task force, the National Commission for Enterprises in the Unorganized Sector (NCEUS), to advance a social security program for all the workers in that sector, numbering roughly 355 million. In May 2006, the NCEUS placed its recommendations before the government. The process through which this will be reviewed, implemented and administered is one with significant economic implications for India over the next 50 years. But there has been no serious discussion by the UPA or state governments about financing future social security program expansion. These financing and institutional design questions are crucial at a time when numerous districts have unspent budgets for poverty-related programmes.

It is must to pay much closer attention not just to the vibrant grassroots organizations that are attempting to create territorially and financially bounded social programs, but to the increasingly fragmented role of the Indian state and its inability to see that basic health care needs and other risks are attended to. The difficulty may be that Indian economic discourse has never seriously considered social security to be a vital part of economic policy. However, the issue of labour registration and enrolment into both the employment guarantee programs and all social security programs deserves much closer attention. Especially absent is any attention to the everyday realities of municipal and district governance, and economic planning for small townships and large urban centres alike. The illegality and insecurity of most types of informal work are state-regulated, confined and coerced. In this atmosphere of uncertainty and violence, full employment guarantee schemes can go far towards a security that a working person needs. However such programs seek no role for business and some argue, build no solidarity amongst workers. In several states these programs have no obvious reconciliation with social policies or programs for increasing productivity of workers.

Currently, social security policy makers and administrators are engaged in a wide-ranging debate to redress the problems in providing social security in the country. This debate has thrown up various arguments on the efficacy of publicly managed social security schemes as opposed to privately managed schemes. There is no standard model that can be adopted on

this issue. In the Indian context the privately managed schemes can at best be considered as supplementary schemes after the mandatory schemes managed publicly. It is only the publicly managed scheme, which will extend to all the sectors of the workforce. The challenge of closing the coverage gap in social security provisions has to be developed at two levels. The first level involves the re-engineering of the institutional arrangements to increase efficiency. The second level is to create an appropriate legislative and administrative framework for significant increase in the social security coverage especially in the unorganized sector.

The making of Social Security Bill for Unorganised sector workers and the enactment of rural employment guarantee is a step towards the strengthening of Democracy in India as it marks the great democratic victory of civil society and people's struggle for right to food. Though the Act is regarded as a silver line in our long history of social security legislation, it is not free from criticism. There is an equally strong perspective that since Indian social structure is too weak to provide an effective participatory linkage in terms of civil society engagement, NREGA will lead to wide spread corruption and enormous wastage of public investment. Further the experience reveals that NREGA cannot be treated as an isolated piece of legislation. It is a guarantee, which has to be demanded with the proper support of right to information.

The moot point is that the entire cost of social security of the workforce is not bestowed on the employers, but only a part of it, to be precise, only a miniscule part of it; it is being proposed to be collected as cess or tax from the employers while a large part of the cost comes from people's money in the guise of government contribution. The worker, the employer and the governments – central and the state – are to pay Re.1 each so as to accumulate a yearly sum of Rs.1095 in each account. The central and state governments are to share at the ratio of 3:1 while the government will also contribute the share of the employer where the employer is not identifiable and also the share of the worker where worker is from a BPL household. But, it is being projected as if it is very much justified as the worker is getting the benefit. Social security is not a benefit scheme but a contributory scheme. The worker is to pay Re.1 a day throughout the year. Ironically, one does not know if the worker's employment is guaranteed all through the year, though NREGA guarantees only 100 days of employment. Thus the contribution of Re.1 per day through the year to avail the benefits of social security can not be justified at any grounds. Still, irrespective of whether one is getting a job throughout the year or not, one is bound to pay Re.1 a day throughout the

year for the intended social security benefit. In this way it can be said that no proper research has been done by the NAC before drafting the bill.

The Bill also says that if the worker fails to continuously pay the contribution for about one year, then the account will become invalid unless valid and reasonable grounds are cited. Expecting an unorganized sector worker to pay Re.1 a day in an organized manner is totally unreasonable. It is a simpler system and affordable money that can really work. Instead, expecting Rs.365 a year from an unorganized worker, who neither has a job security nor a regular flow of income, is a tall order. This may discourage, instead of encouraging the worker to become part of the scheme. Simpler way is to design the scheme as a benefit scheme, in place of contributory one and to make workers' contribution a small amount of one time or intermittent payment. Moreover, the worker should be allowed to revive one's account even if it is discontinued at any point of time for whatever reasons. But, the same bill has not come up with any penal provisions for employers who would not comply with the provisions of the act.

The definition of unorganised sector worker, according to the bill “ means a person who works for wages or income; directly or through any agency or contractor; or who works on his own or her own account or is self-employed; in any place of work including his or her home, field or any public place; and who is not availing of benefits under the ESIC Act and the P.F Act, individual insurance and pension schemes of LIC, private insurance companies, or other benefits as decided by the Authority from time to time”. This definition needs further clarification because many workers, for example contract workers in hazardous occupations, who might avail ESI benefits, may not get any other benefits like PF or insurance. But, the bill is silent on the entry of workers under the purview of the bill who avail either of these benefits. The categorization of unorganized workers as wage earners and self-employed workers needs to be qualified. For example, a worker might be working under numerous employers and at the same time, one may not be a self-employed but a wage earner. In this case, the bill should find effective method to identify the employers and put the onus of responsibility on the employer.

The bill does not have any stringent penal provision for employers who contravene the provisions of the bill, but for some soft approach of laying down a penalty of a maximum of Rs.5000/, which is very less. Even Food Security Bill has proposed a penalty of Rs.1 lakh while the bill for labour is not prepared to go beyond Rs.5000. The bill mocks itself when it equates a penalty that extends up to Rs.5000/ to the imprisonment that extends up to one year

mentioned in the Food Security Bill. The track record of labour legislations that include similar provisions have never seen any employer arrested in the whole country for violating labour laws while workers are arrested and severely punished for exercising their legal rights. Penal provisions should be much stringent on employers who violate the law. It is appreciable that the onus of responsibility of proof of compliance with the provisions of the act lies with the employer instead of the employee. But, at the same time, the criteria for fixing the employer who mostly operates with no records in the unorganized sector and the responsibility for fixing the same should be clarified in the bill. Otherwise, it will be a big loophole for the employers who habitually engage in unfair labour practices.

The bill has suggested provision of credit, access to banking institutions, right over common property and natural resources, right to share public space to engage in economic activities, more concern for street vendors and hawkers in city and rural development planning, etc. But, it has not offered anything in concrete but for expressing its wishes. It is not possible to make it a practical plan unless and otherwise the vision is inked to a concrete plan. The bill has to go a long way in this regard

In summary, India presents a case in point to attempt an over arching social security regime for all informal workers and all poor and vulnerable populations. Employment generation programs (NREGA) is another major wage for work program that has inbuilt components of transfers in kind (health insurance, child care facility, transport facility etc). Given the predominantly target oriented approach, efficacy of service delivery mechanisms needs to be constantly examined and the track record of India on this front is dismal. The institutional mechanism for targeted schemes often tends to be controlled by the bureaucracy and political elite thereby reducing their effectiveness. Another important feature is that most schemes are that they are 'paternalistic' and not grounded in reality in terms of needs of the poor. Thus it can be concluded that the Indian experience of social security and poverty reduction programs demonstrate the scope for institutional reform, a shift in approach from 'welfare' to 'capabilities' is necessary in order to make such programs comprehensive and universal. The benefits of universalisation of several basic social security schemes outweigh costs of targeting. Similarly a marked shift in engaging with contingency social security measures from a 'rights perspective' also demonstrates the need for universalism. What is important as examples demonstrate is that institutional mechanisms with community at the centre of social security would yield dividends in comparison to schemes and programs that are designed and driven from the top.

Appendix: 1

National Rural Employment Guarantee Act 2005 (NREGA)

Objective

NREGA is designed as a safety net to reduce migration by rural poor households in the lean period through at least a hundred days of guaranteed unskilled manual labour provided on demand to each household, at minimum wages prescribed by respective states. It is also expected to enhance people's livelihoods on a sustained basis, by developing the economic and social infrastructure in rural areas. Works focused on water conservation, land development and drought proofing are to be taken up under the Act.

Registration for Employment

The adult member of every house hold who resides in rural area and is willing to do unskilled manual work, may apply for registration of household for issuance of Job Card (Schedule 2(1) of the Act).

Employment in the scheme

Employment must be provided to all applicants within 15 days of receipt of an application and within a radius of 5 km from their place of residence. In case employment can not be provided within 15 days of receipt of the application the applicant shall be entitled to a daily unemployment allowance (Schedule 7(1) of the Act).

Unemployment allowances Rates

The unemployment allowance rate for the first thirty days shall not be less than one-fourth of the wage rate. For the remaining period of the financial year the unemployment allowance rate should not be less than one-half of the wage rates. In the event of any delay in the

payment of unemployment allowance, the recipients shall be entitled to compensation based on the same principles as wage compensation under the Payment of Wages Act, 1936. Compensation costs shall be borne by the State Government.

Minimum Wage

Minimum wages for the state shall be such that a person working for 7 hours would normally earn a wage equal to the wage rate. Minimum wages are to be fixed by the state Government under section 3 of the minimum wage Act, 1948 until the time, the wage rate is fixed by the Central Government. However the minimum wages shall not be at a rate less than sixty rupees per day.

Type of works under the scheme

As per Schedule 1 of the Act, the focus of the Rural Employment Guarantee Scheme shall be on the following works:

- Water conservation and Water harvesting
- Drought proofing (Afforestation and tree plantation)
- Irrigation canals
- Provision of irrigation facility to land owned by SC/ST/beneficiaries under Indira Aawas Yojana
- Renovation of traditional water bodies
- Desilting of tanks
- Land development
- Flood control and protection works including drainage in water logged areas
- Rural connectivity to provide all weather access
- Other works notified by the Central/State Government

Application for work

At the Gram Panchayat level application for work is to be submitted to the Sarpanch of the Gram Panchayat. The application can also be submitted to the Programme Officer. The Sarpanch of Gram Panchayat and the Programme Officer shall be bound to accept the valid applications and to issue a dated receipt to the applicant.

Employment Card

As per Schedule 2(1) of the Act, the Gram Panchayat will issue a job card after registration free of cost to each applicant household. The job card will contain the details of adult members of household such as names, age, address and photographs. Registration will be made for five years and may be renewed from time to time.

Availability of employment

Under the Act, employment shall be provided within a radius of 5 km from the residence of the applicant (Schedule 2(12) of the Act). If employment is provided outside 5 km it must be provided within the Block with 10 % extra wage to meet additional transportation and living expenses (Schedule 2(14) of the Act). Applicants are to be intimated by written letter and a public notice shall be displayed at the office of Gram Panchayat and Programme Officer (Schedule 2(11) of the Act). Priority shall be given to women and in such a way that at least one third of the beneficiaries shall be women (Schedule 2(6) of the Act).

Facilities at work site

Worksite facilities are to be provided by the implementing agency (Schedule 2(27) of the Act). These include _

- Safe drinking water
- Shade for children and periods of rest for workers
- First-aid Box for emergency treatment and minor injuries
- Safety equipments and measures for health hazards connected with work

To look after the women workers' children below the age of six years, one woman worker shall be deputed for every five such children. The deputed woman shall be paid wage rate (Schedule 2(29) of the Act).

Serious accidents at work site

If any person employed under the scheme or a child accompanying any such person is injured he/she shall be entitled to free of charge medical treatment which shall include accommodation, treatment and medicines (Schedule 2(24) of the Act). During the period of hospitalization of injured worker half of the minimum wage per day is to be paid for his upkeep (Schedule 2(25) of the Act). If a person employed under a scheme dies or becomes permanently disabled by the accident at site the legal heirs of the deceased or the disabled shall be paid an ex gratia payment at the rate of Rs.25000 by the Central government.

Wage payment

The wage under the scheme may be paid either wholly in cash or in cash and kind. But at least one fourth of the wages shall be paid in cash only. All payment of wages in cash and the unemployment allowance shall be made to recipients in the presence of eminent persons of the community on preannounce dates (Schedule 23(4) of the Act). The disbursement of daily wages shall be done on a weekly basis or in any case not later than a fortnight specified under the scheme (Schedule 3(3) of the Act). In case of delay of wage payments labourers shall be entitled to receive payment of compensation as per the provisions of payment of wages Act, 1936.

Implementing Agencies

The Gram Panchayat shall be responsible for identification of projects in the Gram Panchayat area and prepare a development plan as recommended by Gram Sabha and Ward Sabha (Schedule (16(1) of the Act). The Gram Panchayat shall maintain a list of possible works to be taken up as and when demand for work arises. It is also responsible for the execution and supervision of such works. The other implementing agencies can be Intermediate and District Panchayat, line departments of the Government, Public Sector Undertakings of the Central and State Governments, Cooperative Societies with a majority shareholding by the Central and State Governments, and reputed NGOs having a proven track record of performance. Self-Help Groups may also be considered as possible implementing agencies.

Sanctions and allotment of works

The Gram Panchayat shall forward its proposals in the order of priority to the Project Officer for approval. The Programme Officer must be someone not below the rank of BDO at block level (Schedule 15(1) of the Act). The Programme Officer shall allot at least 50 percent of works in terms of cost, to be implemented through Gram Panchayat. The Programme Officer shall supply each Gram Panchayat with muster rolls for the works and a list of employment opportunities (Schedule 16 (4, 5 and 6) of the Act).

Provision of Social Audit

The Gram Panchayat shall make available all relevant documents; muster rolls, bills, vouchers, sanction orders and other books of accounts and papers to the Gram Sabha for the purpose of social Audit (Schedule 17(3) of the Act).

Ban on Contractors and Machines

Machines and Contractors are banned. The Scheme shall not permit engaging any contractor

for implementation of the project under this scheme (Schedule 1(11) of the Act). Works under this scheme shall be performed by using manual labour and not by machines (Schedule 1(12) of the Act).

Grievance Redressal Mechanism

The State Government shall make rules and regulations to deal with any complaint at Block and the District level (Schedule 1(19) of the Act). If any dispute or complaint arises under the scheme against the Gram Panchayat the matter shall be referred to Programme Officer (Schedule 23(5) of the Act). The PO shall enter every complaint in a complaint register and shall dispose the disputes and complaints within 7 days of its receipt (Schedule 23(6) of the Act). Appeal against the Programme Officer will be to the District Programme Coordinator. Appeal against the District Programme Coordinator may be with an appropriate authority designated by the State Government.

Appendix 2

Summary of the Draft CAG report on NREGA

Requirement	Status
<p>Employment Guarantee Councils</p> <ul style="list-style-type: none"> • States are expected to set up Rural Employment Guarantee scheme (REGS) and associated rules pertinent to its implementation, State Employment Guarantee Councils (SEGC's) and designate Employment Guarantee Commissioners (EGC's) 	<ul style="list-style-type: none"> • 14 states did not formulate rules pertinent to implementation of the scheme. • 8 states did not designate State Rural Employment guarantee Commissioners (ECGs) • 4 states did not constitute State Employment Guarantee Councils (SEGCs)
<p>Resource Support</p> <ul style="list-style-type: none"> • Every State government is required to appoint a full time Program officer with necessary supporting staff. • Gram Rozgar Sevak or Employment Guarantee Assistant in each gram panchayat for implementation of REGS. • The State Governments should constitute panels of accredited engineers at the District and Block Levels for the purpose of assisting with the estimation and measurement of works for timely approval of projects. • States should appoint a technical resource support group at the state and district level to assist in the planning, design, monitoring and evaluation and quality audit of the scheme. 	<ul style="list-style-type: none"> • 19 states did not appoint a full time dedicated Program Officer in 89 blocks. Existing Block Development Officers were appointed as Program officers and given additional charge of the Scheme. • 18 states did not appoint Gram Rozgar Sewaks in 268 panchayats. Non constitution of panels of accredited engineers in 20 states. • 23 states did not set up a Technical Resource Support Group at state or district level. • The average block in 200 districts in NREGA Phase I have 20 gram panchayats and 56 villages, non-appointment of full time dedicated Program Officers, and giving additional charge to Block Development officers has severely affected the implementation of the scheme.

	<ul style="list-style-type: none"> • Lack of technical staff and failure to specify time frames for processing and approval of different proposals was reflected in the poor progress in taking up of works in Annual Plans. • Absence of GRAM Rozgar Sewaks severely affected the maintenance of basic records at the gram panchayat level, without which verification of employment demand and allocation of work for each household was difficult.
<p>Planning</p> <ul style="list-style-type: none"> • Districts are expected to prepare a five year District Perspective Plan (DPP) to facilitate advance planning and provide a developmental perspective for the district. • Every village must prepare an Annual Plan. 	<ul style="list-style-type: none"> • 43 gram panchayats in 20 states did not prepare effective DPP's. 32 districts in 16 states continued to adopt the perspective plans made under the National Food for Work programme (NFFWP) and failed to revise them. • 168 gram panchayats in 14 states failed to document their village annual plans. • Gram Sabhas in 91 gram panchayats in 12 states did not identify Works. • The District Plans in 8 districts in 8 states did not ensure that 50 per cent of the works to be executed by the gram panchayats.
<p>Works</p> <ul style="list-style-type: none"> • Projects in low wage areas, where demand for work at minimum wage is likely to be large, must be formulated on priority basis. • Administrative and technical sanction 	<ul style="list-style-type: none"> • Low wage areas were not identified in 53 districts in 22 states. • Administrative and Technical sanction of works was not obtained in advance in 96 gram panchayats in 12 states. • 35 blocks in 15 districts in 6 states did

<p>should be obtained for all works in advance, by December previous year.</p> <ul style="list-style-type: none"> • Wage Material Ratio of 60: 40 or higher has to be maintained at district level. 	<p>not follow the mandated 60: 40 wage material ratio.</p>
<p>Employment and Wages</p> <ul style="list-style-type: none"> • Every person working under the Scheme is entitled to wages at the minimum wage rate fixed by the State Government for agricultural labourers. A district Schedule of Rates should be prepared for each district, and should be prepared for each district. • State governments should undertake comprehensive work, time and motion studies for observing out turn and fixing wage rates, specific to ecological and geo morphological conditions. 	<ul style="list-style-type: none"> • District Schedule of Rates were not prepared in 23 states. • 46 districts in 21 states did not prepare the matrix of wage rates for the same kind of work based upon different ecological and geo morphological conditions. • 20 states did not undertake any time and motion studies to observe out turn of labour. • 90 gram panchayats in 11 states paid wage rates lesser than the minimum wage rate.

Note: The CAG audit covered 513 gram panchayats in 128 blocks in 68 districts

Source: Performance audit of implementation of National Rural Employment Guarantee Act, 2005(NREGA)

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