

## ***National Rural Employment Guarantee Scheme and Its Pitfalls***

The Government of India (GOI) has been showcasing the National Rural Employment Guarantee Scheme (NREGS) as one of its flagship programmes for social welfare of the rural people of the country. This scheme is designed to provide employment for 100 days per year to one member of a rural household at the rate of Rs.100/- per day per person. Though, the NREGS entitles a person to get work on demand but various surveys carried out so far have revealed that only 10 percent were given job for 100 days on demand in the year 2006-07, whereas this figure was slightly higher at about 11 percent in the year 2007-08. The NREGS mainly aims at providing limited employment guarantee to the rural people in distress, as a safety net, as well as to augment rural infrastructure, like, building of roads for rural connectivity; digging canals, ponds, and building check dams for water management; tree plantation for improvement of environment; etc.

For the financial year 2008-09, the GOI budgeted Rs.160 billion for the NREGS programme, with a view to bring all the 596 districts of the country within its fold. Whereas in 2007-08, the NREGS covered only 330 districts and generated 42 man-days per annum per household (source: *Business Standard* dated 25<sup>th</sup> September, 2008). It implies that a sum of Rs.4200/- was the average income per rural household per annum under the NREGS. Compare this with outright assistance, as proposed under the basic comprehensive social

security scheme, whereby every person is entitled for about Rs.2000/- per annum (Rs.1770/- towards the UPDS and Rs.200/- towards the Universal Healthcare Insurance Plan), and thus considering five persons in a household, entitlement for every household, rural as well as urban, comes out to be around Rs.10,000/- per annum. It is true that the poor, including rural households, also, get some subsidized food-grains, under the quota sanctioned for the *BPL* category and the *Antyodaya* category, as well as avail of some more benefits under other scattered welfare schemes of the Government, but, at the same time, about 20% of the total poor people possess neither a *BPL* card nor an *Antyodaya* card and thus effectively remain deprived of these welfare measures initiated by the Government for alleviating sufferings of the poor.

Besides the above, there are many other serious lacunae in the execution of the NREGS, which prompt one to suggest that the NREGS should be replaced with some better alternative. First, I list out the major lacunae and their implications as under:

1. It is an acknowledged fact that substantial pilferage takes place in execution of the NREGS works. Various studies have shown that sometimes only 25 percent of the NREGS funds have actually been spent on real works (including wages of the people as well as the material cost) and up to 75 percent funds were siphoned off by the middlemen and the government officials.
2. Corruption in administration of the NREGS works will get entrenched deeper in the system with the passage of time, when people will learn more tricks to short-change the procedures, as has been the case with almost all the poverty eradication schemes or other

welfare schemes of the Government so far. Take for example, the TPDS (scheme for distribution of subsidized food-grains and kerosene fuel to targeted people), the Mid-day Meal scheme, subsidized LPG for domestic use, etc., all of which are embedded neck deep in corrupt practices as already discussed earlier in this book. That is why our former Prime Minister, Rajiv Gandhi, once very distressingly remarked that only 15 percent of the government grants, allocated for social welfare programmes, reach the intended beneficiaries.

It is observed that corruption usually raises its head during disbursement of funds to the beneficiaries. Therefore, in order to circumvent this problem and in a bid to separate payment making authorities from the NREGS work sanctioning authorities, the Government decided that payment of wages to the workers undertaking the NREGS jobs, should be accomplished through direct transfer of funds in their savings accounts in the post offices and the banks. But here, also, various irregularities have been noticed. Now, even the staff of the post offices and the banks have been found involved in the racket of making fictitious payment from the NREGS funds, where ghost workers are receiving payment for ghost man-days, which are spent on ghost jobs. It has also been found out in some studies that even ghost bank accounts are being opened up and operated in collusion with concerned officials. And sometimes at the time of opening of bank accounts, the workers are asked by the middlemen to sign or put up their thumb impressions on the withdrawal slips in bulk, which are later used for proxy withdrawals, by creating fudged job works.

3. I fear that after some time only wages will be distributed under the NREGS without the creation of any rural assets and when all the potential whistle blowers will also get some crumbs, without doing anything, nothing will surface on the ground. The NREGS envisages that at least 60 percent of the money earmarked for a NREGS work should be spent on payment of wages to the people whereas up to 40 percent can be spent on material cost. Perhaps this is possible only when we build structures/roads with mud because if concrete/stone is used, which can only create permanent assets, it may sometime exceed the limit of 40 percent towards the material cost, which will flout the rules of the NREGS and thus will attract prosecution for concerned persons. However, anyone can guess that mud structures will eventually disappear without trace. Similarly, if ponds and canals are not maintained and cleared of silt regularly, these will soon disappear without serving the people for long, even if these were actually built. Likewise, millions of tree saplings can be planted and workers can be paid for these, but nothing will survive, if follow up care is not entrusted to any accountable authority/groups of people. Thus, it looks as if the money earmarked for the NREGS programme, is just for distribution among the people, the middlemen, and the government officials.
4. Why should there be a limit that only one person from one household is to be given work under the NREGS? It will either split the work-sites of the working population of the households or else it will lead to another wave of corruption whereby people of the same household will be given job under the NREGS

with pseudo names, for some consideration. Sometimes even older people of around 70 years of age have been found breaking hard ground under scorching sun to earn wages under the NREGS, who are otherwise barred from taking up hard manual labour under the NREGS rules. Similarly, even young girls have been found working on the NREGS sites, wearing saris to mask their actual age, because younger persons are also not allowed to work under the NREGS rules. But absolute deprivation has derived all these people to seek solace in the meagre earnings they can receive through the NREGS. But all this leads to various kinds of adjustments, which will eventually culminate in all pervasive corruption everywhere.

5. With a view to monitor progress of the NREGS in various parts of the country, a number of NGOs sponsored social audits as well as government directed audits are being undertaken. Recently, as per a news-report appearing in the daily, *The Hindu* dated 20<sup>th</sup> January, 2009, three government officials, including a Sub-Divisional Officer and two Sub-Engineers were sent to judicial custody for some reported irregularities in the NREGS works. Now, prosecution of these officials will follow. In India, about 38.5 million cases are already pending for disposal in the various Courts of India. So by the NREGS, with rampant corruption, more court cases would be added up in the long list of pending cases. Moreover, a lot of man-days will also be wasted by way of scores of social audits, prosecution of tainted officials, and in administering the entire NREGS scheme. It is like eroding productivity of the nation by increasing its NPM (Non Productive Man-days), in the same way, as the profitability of banks is

dented by increasing NPA (Non Performing Assets) in their balance sheets. I fear that with the passage of time, corruption will increase menacingly in the NREGS programme, which will give rise to a higher number of NPM for the nation, which cannot be termed as a healthy sign for the growth of the country by any count.

A time will come; when villagers will themselves contribute to bribe the concerned officials, to get projects sanctioned expeditiously under the NREGS programme. The Government can incorporate any number of safeguards in the NREGS rules, like, mandatory upkeep of muster-rolls on work-sites, display of muster-rolls at *Panchayat Bhawans*, reading out record of wage-payment to workers in public, completion of job-card with details of work carried out by the workers along with their wage payment record, etc., but none of it can stop corruption in the NREGS works. I quote only one simple fact, though there might be scores of others in this context, in support of my observation: Even retired government officials, who are well versed with government rules, are sometimes harassed so much in payment of their pensions or arrears - at the government treasuries - that they find it easier to pay bribe and get their work done early instead to fight it out for justice through official channel, so the corruption thrives under the nose of the Government. Thus, when corruption is practised so blatantly and accepted as a way of life, then we cannot think of weeding it out from the NREGS programme which has so many loose ends. So why should we open up another Pandora's Box, which provides temptation to people to indulge in corrupt

practices? Accordingly, we should look for better alternatives.

6. When the audits of the works carried out under the NREGS will reveal irregularities, it will lead to allegations and counter-allegations which will vitiate the whole atmosphere and will develop animosity among people. In the recent past, it was also observed that some audit teams were forcibly prevented from carrying out audit of the NREGS works. Moreover, a few social activists, also, had to pay with their lives while they tried to bring transparency in operation of the NREGS works. The above argument does not mean that we should stop conducting audit of the funds which are spent by the Government for the welfare of the people. But it surely means that we should not undertake porous schemes, like the NREGS, which have inherent scope for pilferage and thus entice people to indulge in corruption, which in turn give rise to law and order problems.
7. The track record of the GOI in fixing up accountability of the defaulters is extremely poor. For example, the GOI boasts that so many new schools have been opened up, so many new class-rooms have been added, so many new school-teachers have been appointed but has it ever bothered to check whether the school-children are also learning satisfactorily or not? Similarly, the NREGS appears to be a big road show of the Government, whereby it administers palliatives and pain killers to the rural poor, so that they maintain silence and stay hopeful that something would fall on their way, too, with which they can carry on their lives. In such conditions, can NREGS provide real empowerment in the lives of the people?

Some scholars will brush aside the problem of corruption in the NREGS, citing that even large scale corruption has been reported in military purchase contracts. To them, I would plead that occurrence of corruption at one place, whether bigger or smaller in quantum, cannot justify that the seed of corruption be sowed at other places, too. Though, I would add in a lighter vein, that monetary benefits in military purchases will debase character of a few individuals only but the spread of corruption through the NREGS has the potential to infect much bigger section of the society and thus it may be more harmful. Because corruption breeds further corruption, and it can be weeded out only when the scope to practise corruption gets eliminated. Therefore, if we indeed want to alleviate sufferings of the poor then the UPDS should be launched in the country, as discussed earlier in this book. The UPDS can provide dependable assistance to the poor as their right, without their being made a party to all-around bungling through the NREGS programme.

I have listed above some of the problems regarding the NREGS, which are widely debated in the print media. The NREGS was launched primarily for the creation of employment opportunities for the rural poor - as a desperate attempt on the part of the GOI - as it could not bring necessary labour-market reforms for improving employment opportunities for the people. Besides the political reasons, lack of a viable safety net for the people was another significant reason which has held back labour-reforms in our country so far. Since the proposed UPDS can act as a safety net for the people, other pragmatic measures can now be initiated to increase productivity of the nation, which can also increase high-end employment opportunities for the people.

However, before talking further about higher level of employment opportunities, which will also give fillip to the



productivity of the nation, I would like to mention that people talk about two main benefits from the NREGS programme (a) empowerment of the poor thus boosting their bargaining power for demanding higher wages from their employers and (b) creation of rural infrastructure for mass welfare of the people. These two aspects can be covered in an even better manner without much effort even after disbanding the NREGS. First, because of the proposed UPDS, the rural poor as well as the urban poor will always have a viable lifeline for their survival, come what may, and thus they will have desired bargaining power to demand commensurate wages from their employers. Second, the GOI can allocate the total sum of Rs.300 billion or even more, which it has allocated for the NREGS programme in the interim budget of 2009-10, for building up permanent rural infrastructure for speedier uplift of rural areas, through big infrastructure companies of the country. Then the Government can also relieve itself from day to day administration of paraphernalia of the NREGS programme. Instead, it will just be required to have a record of the permanent assets which will be created in the respective rural areas. I will go one step further and assert that these big infrastructure companies should also be paid some cost for regular maintenance of these rural assets, which will help in sustaining long-term and planned growth of the country. This will also create sizeable employment opportunities but with a difference that human labour will be valued more and the jobs which can easily be done with machines - with improved productivity - will not be required to be done with hard manual labour of the people, whereas presently deployment of machines is restricted under the NREGS rules.

Also, managerial skills of big infrastructure companies of our country have excellent track record, whereas the GOI cannot boast of as much managerial skills in its day to day

administration. Thus, when we hand over development of rural infrastructure to the big private/public companies of the country on competitive basis, it will expedite development of rural areas at much faster pace as well as at lesser cost, and thus will serve much larger public good, except hurting those who have vested interest and scope to siphon off government funds in the name of rural development. Moreover, these companies can also be held accountable in case of lapses, which is hardly feasible under the existing NREGS programme.

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