Indian government launches rural employment guarantee

Band-aid for a social calamity

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Indian Prime Minister Manmohan Singh and Congress Party President Sonia Gandhi inaugurated the much-touted National Rural Employment Guarantee Program (NREGP) at a ceremony in an impoverished Andhra Pradesh village February 2.

A public works program for India's jobless was a key pledge in the Common Minimum Programme (CMP)—the accord that is supposed to form the basis for the legislative program of the Congress-led United Progressive Alliance (UPA) coalition government and which was drafted with the assistance of the Left Front. The Communist Party of India (Marxist)-led Left Front is supporting the government "from the outside."

Although the NREGP was approved by parliament six months ago, implementation of the scheme was held up because much of India's political and corporate elite considers it too generous.

In reality the job guarantee is the equivalent of using a band-aid to staunch a haemorrhage. Under conditions of acute distress in India's countryside, the government has pledged to provide one member of every rural household 100 days work per year at something on the order of 60 rupees ($1.33) per day.

Initially the guarantee will only cover one-third of the country. In his speech inaugurating the scheme, the Prime Minister emphasized this point by stating: "While we are committed to extend [NREGP] to the entire country, our focus is presently on the 200 most backward districts."

To discourage unemployed from enrolling in the scheme, the government has stipulated that the work should be unskilled hard labor, in particular earthwork for irrigation, water preservation, road-building and construction projects.

According to the National Advisory Council established by Sonia Gandhi, the NREGP will, when fully implemented five years from now, cost 400 billion rupees (about $9 billion) per year. (See http://nac.nic.in/communication/FinancialREGA.pdf) This is the equivalent of $30 per year for each of the 300 million or so Indians deemed by the government to be living on less than a dollar per day.

Nine billion dollars represents about 1 percent of India's GDP, but will represent considerably less than that in 2012, if the government meets its target of 8 percent annual economic growth. Nine billion dollars, it should be further noted, represents about half the current military budget, but India is expected to boost its military spending sharply in coming years. Prime Minister Singh recently said he wants to see the military budget raised to 3 percent of GDP.

Nor will all the $9 billion per year in NREGP spending constitute new money for fighting poverty. Some of the money for the NREGP is being taken from existing poverty-alleviation schemes.

The launch of the job guarantee program comes at a time of mounting opposition to the UPA government's relentless movement to the right. The government has adopted a series of disinvestment and other investor-friendly policies—most recently throwing open the retail sector to foreign direst investment— that threaten workers' jobs, and has repeatedly proclaimed its intention to gut restrictions on layoffs, the contracting-out of work and plant closures. Social distress in rural areas—a pivotal factor in the UPA's surprise election victory of May 2004—has according to most observers continued to deepen. There is also growing popular anger over the UPA government's eagerness to ally with the Bush administration.

The NREGP is a patent attempt by the Congress-led UPA to portray itself as concerned with the plight of India's rural masses, whose already precarious socio-economic position has been ravaged by fifteen years of neo-liberal "economic reforms". It will also be used by the UPA as a political shield, behind which to accelerate implementation of the very economic policies that are the root cause of the misery that stalks rural India.

The timing of the NREGA's implementation has no doubt been influenced by Congress strategy for five coming state and Union territory elections. In his speech at the Feb. 2 inauguration ceremony, Prime Minister Singh said the act will give the government an opportunity to strengthen grass roots democratic processes, a reference to the fact that much of the implementation of the scheme is to be delegated to *panchayats* (elected local village bodies).

Given previous history and the venal character of India's political elite, there is every likelihood local party bosses will use the scheme as a form of patronage to solicit votes and siphon funds for themselves and business cronies. Singh was himself forced to publicly raise such a possibility, saying that the scheme needs a "sound monitoring system" so that "the benefits reach the poor to the maximum extent possible."

While the Congress leadership is now touting the NREGP as proof of its pro-poor credentials, it has shown no urgency in creating and implementing the scheme. Passed last August, the NREGP was only proclaimed this month and under the terms of the legislation the state governments, which have responsibility for administering the program, have at least a further six months before the guarantee comes into force.

A guarantee of 100 days work for one member of every poor and lower middle-class household rural **and** urban was central to the Congress' 2004 election campaign, yet there was no mention of any plans to enact such an employment scheme in the UPA's first budget. And the initial legislation for the scheme was so miserly, it sparked a political outcry.

The scheme that was finally adopted some 15 months after the UPA took office is little better. There is no provision for the urban poor and unemployed. The NREG Act defines a "household" as "members of a family related to each other by blood, marriage or adoption and normally residing together and sharing meals or holding a common ration card." The bad faith inherent in such a definition and the utter inadequacy of the NREGP become obvious when it is realized that the act equates

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"households" consisting of a single person with those comprising a large extended family living in separate residences if their members are jointly listed on a single ration card (a government-issued booklet that allows a household to purchase a minimum amount of poor quality basic food items such as rice, wheat and sugar at cheaper prices).

Although the press has widely reported that the NREG Act stipulates that those employed under the scheme are to be paid 60 rupees (about $1.33) per day, the act itself says that the central government "*may*" stipulate a 60-rupee minimum wage. Until the government issues such an order, however, the daily wage will be the region-based rural minimum daily wage in each state. In 2002 these varied from Rs. 19.25 (about $0.43) in the Yanam region of Pondicherry to Rs. 102.60 (about $2.28) in New Delhi.

The act makes no provision for meals and provides an allowance of only ten percent of daily wages if the location of employment is more than 5 km. away from the worker's residence. In the event of a work-related injury or death, a common occurrence in construction work, especially when the workers are supplied with neither boots nor hard-hats, the state is obliged to pay only a pittance in compensation. Under the NREG Act, the authorities must pay just 25,000 rupees (about $575) in the event of an accident causing death or permanent disability.

The passing of the NREG Act elicited criticism and even hostility from many state governments. They object to the fact that the legislation requires them to fund one quarter of the wages of skilled and unskilled laborers employed on NREG infrastructure projects, plus a quarter of the material costs, and to give some form of unemployment compensation (considerably less than a dollar a day) if they cannot provide work to the requisite one-person-per-enrolled-household. Given the fiscal crisis facing the state governments, a crisis that has been aggravated by loans undertaken at the urging of the World Bank and other financial agencies, there is a great likelihood they will utilize the many loopholes in the act to sabotage its proper implementation—including simply not informing those eligible of their work-entitlement.

As much as three quarters of the wages can be paid in kind, with local authorities apparently having the power to determine the wage-food equivalents. This is almost an open authorization to local authorities to indulge in financial shenanigans.

The post-1991 economic reforms implemented by the Indian ruling class have had a devastating impact on the rural masses, pushing many who previously eked out a living close to starvation. Both the central and state governments have either sharply cut back or entirely eliminated the meager aid they used to provide in the form of subsidized fertilizers, seeds and electric power to small peasants Although six in every 10 Indians works in agriculture, central government expenditure on agriculture has fallen below 2 percent of all budget outlays.

With the rural economy in decline, the landless—some 40 percent of India's rural households have no land—are finding it ever more difficult to find work. While Indian socio-economic statistics are far from exact, it is generally accepted that about 30 percent of the rural population is unemployed.

The corporate media and political establishment like to paint India's transition from a nationally-regulated economy to one orientated toward export-led growth as a great success story. But even Union Agriculture Minister Sharad Pawar is forced to admit, "the Indian farmer is facing a serious crisis." It is "100 percent correct" that peasant living standards have fallen.

The availability of rural credit through government banks and cooperative societies has been sharply curtailed forcing peasants to turn to private moneylenders for loans to purchase seeds, fertilizer and other agricultural inputs. To service these debts, which can carry exorbitant interest rates of in excess of 40 percent, farmers have been compelled to try to dramatically increase their farm-income, often with catastrophic results.

Take for example what has happened to cotton farmers. Coincident with rising cotton prices on the world market in the early nineties, sizeable number of farmers switched, with government encouragement, from producing food grains to growing cotton. As a result, small and tenant farmers who were used to selling their meager produce on the domestic market through the state at guaranteed minimum prices, found themselves at the mercy of the world market. When cotton prices collapsed during the mid nineties, farmers' income also collapsed, preventing them from making their loan payments. Many lost their meager landholdings and as a result larger numbers of such small farmers have been transformed into landless laborers, enormously increasing rural unemployment. This in turn has fed a huge mass migration into cities and towns greatly swelling the ranks of the urban poor.

One result of the growing poverty and economic insecurity in the countryside is the phenomenon of farmer suicides. Since 1997 more than 25,000 farmers have taken their lives.

Food grain availability has also been impacted, with average availability falling from 178 kilograms per capita in 1991 to a shockingly low 154 kg in 2005. When it is realized that this average includes urban areas, where availability is more plentiful, the reduction for the rural masses is even more extreme.

According to data for the year 2000 released by the of the Ministry of Statistics and Program Implementation, three quarters of India's rural population and half of the urban population consumes less than the minimum recommended caloric intake.

The NREGP is patterned after the Maharashtran state government's Employment Guarantee Scheme (EGS). Yet neither the UPA government nor its Left Front allies insisted upon a detailed examination of its workings and results before proceeding with the NREGP. Two facts stand out, however. Officials reportedly siphoned off some100 million rupees from the scheme. Despite the EGS there were many thousands of deaths due to malnutrition in Maharashtra in 2004-5 and hundreds of indebted farmers committed suicide.

While the UPA government is cynically using the NREGP to claim that it is pursuing "reforms" with a "human face," the CPI (M)-led Left Front is perpetrating no less cruel a hoax. It is holding up the job guarantee as proof of the efficacy of its policy of sustaining a government led by the Congress, the Indian bourgeoisie's traditional ruling party, in power.

This claim is doubly false. First, the government promise of back-breaking labor for one member of a rural household for 100 days a year or, failing that, a few rupees a day in unemployment benefit, will do little to dispel what the CPI (M) itself describes as the worst rural distress since independence.

Second, the Left Front, by sustaining Congress-led UPA, is politically smothering the working class and enabling the Indian bourgeoisie to intensify its socially regressive neo-liberal reform program, although there is mass opposition to mounting poverty and economic security as revealed in the shock election results of May 2004 and a wave of combative strikes, including last September's one-day nationwide general strike.

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