

**RURAL EMPLOYMENT  
GUARANTEE  
SCHEME—TWO VIEWS**

Prof. GANGADHAR GADGIL  
N. G. ABHYANKAR, I.A.S. (Retd.)



**FORUM OF FREE ENTERPRISE**  
SOHRAB HOUSE, 235 DR. D. N. ROAD, BOMBAY-1

"Free Enterprise was born with man and  
shall survive as long as man survives."

—A. D. Shroff

1899-1965

Founder-President

Forum of Free Enterprise

## INTRODUCTION

The Maharashtra Government's Employment Guarantee Scheme has evoked a great deal of public interest all over the country. It is hailed as a measure of social justice in that it provides guaranteed employment — dignity of work and livelihood — to those who need it most. It has also been criticised on several counts such as diversion of scarce resources.

In accordance with its practice of public education in such matters, the Forum of Free Enterprise had arranged a symposium on the subject. Two conflicting views, both based on sound reasoning and well documented arguments, emerged at the meeting held on 28th April, 1975.

For the benefit of the general public, the authors of these views have provided the text of their talks for publication.

Prof. Gangadhar Gadgil, who favours the scheme, is a well-known economist and author of several articles on economics. He is at present Economic Adviser to the Apte Group of Industries.

Mr. N. G. Abhyankar, I.A.S. (Retd.), who argues the other viewpoint, is a former Development Commissioner and Finance Secretary of the Government of Maharashtra. Presently, he is the Executive Director of the All-India Manufacturers' Organisation.

It is hoped that this publication will be useful to all students of economics as also policymakers.

# **RURAL EMPLOYMENT GUARANTEE SCHEME — TWO VIEWS**

## **I**

### **A WELCOME MEASURE**

**Prof. GANGADHAR GADGIL**

It must be conceded, despite the various reservations one may have, that the Employment Guarantee Scheme of the Government of Maharashtra is a welcome and revolutionary measure. The directive principle embodied in Article 41 of the Constitution of India recognizes that every citizen of India has a right to work. Being a directive principle, however, it involves not a legal but a moral obligation. This obligation has so far remained unfulfilled due to inadequacy of resources and the staggering scale of the problem of unemployment. The problem has become more acute over the years and the Union and State Governments are faced with an increasing paucity of resources. Even under such adverse circumstances, the Government of Maharashtra has launched an Employment Guarantee Scheme and in doing so it has displayed courage, imagination and a high sense of moral duty towards the poorest sections of the community. The programme will do more to mitigate poverty than any other programme of the Union or State Government and its impact will be direct and immediate.

The programme is not altogether new. It was launched in May 1972 on a limited scale and has been continuing since then. In 1974-75 as against a budget provision of Rs. 10 crores, the actual expenditure was around Rs. 15 crores. The average daily attendance under the programme was around 10 lakhs in the earlier part of the year and rose to around 15 lakhs in the last quarter of the year. An average worker

was paid around Rs. 3 per day for seven hours of work. The labour was utilized to create durable community assets such as minor irrigation works, soil conservation and land development, afforestation etc.

Whatever the worth of the assets generated by this programme, it relieved acute economic distress in the rural areas and prevented starvation during the years of drought and scarce rainfall. It also reduced considerably the large scale migration to urban areas which takes place in periods of drought. Such migration, apart from putting an unbearable pressure on urban civic amenities, causes great economic misery and gives rise to numerous social evils.

The Scheme has been modified from time to time and it is being launched on a more ambitious scale now.

This will involve a cost of Rs. 50 crores, as against Rs. 15 to 16 crores spent last year. The Government of Maharashtra has to raise half the amount, i.e. Rs. 25 crores, to finance the programme. Even this more ambitious Scheme for the current year does not cover the unemployed in the urban areas. However, in the current year a beginning in that direction has been made and the Scheme has been extended to workers residing in 'C' class municipal areas.

Even apart from the paucity of resources, there is a good case for not extending the Scheme to the larger cities. This is because, the social cost of maintaining an unemployed person in urban areas is much larger than the cost of maintaining him in a rural area. The Scheme should therefore aim at preventing the migration of the unemployed to urban areas and also at siphoning off the urban unemployed to rural areas. Moreover, there is considerable migration of labour from other states to the larger cities of Maharashtra. The extension of his Scheme to these cities may, therefore, trigger off a further larger scale migration of unemployed in other states to the cities of Maharashtra.

The extension of the Scheme to the "C" Class municipal areas would not raise such a problem. These

small towns do not attract labour from other states or even from the surrounding countryside to a significant degree. Moreover, they have a closer affinity with the surrounding countryside and the labourers they attract from it return to their homes after the day's work is over.

The launching of this modified scheme is particularly timely today. With rapid growth of population and the slowing down of economic progress, the problem of unemployment has become particularly acute in recent years. Moreover, inflation and scarcity of foodgrains has greatly added to the hardship of the poor. Lastly, with the growing social awakening, no orderly economic life and progress would be possible if the smouldering discontent of the poor is not taken care of through positive measures.

The Scheme is welcome even if it creates no productive assets and involves only a transfer of incomes from the relatively better off to the poorest sections of the community. Such a transfer of income is particularly necessary in Maharashtra where over 85 p.c. of the area has no irrigation facilities. These unirrigated areas are poor and offer very limited employment opportunities in normal course. Besides, if we consider the size of farm holdings, the majority of farmers are poor. About 50 per cent of the rural households have operating land holdings which are below 2.5 acres per household.

Certain precautions have been taken to ensure that the Scheme does not have undesirable economic consequences. Thus, it has been specified that, under the Scheme, work will be provided, as far as possible in the Panchayat Samiti Area to which a worker belongs. Thus, uprooting of workers from their homes will be avoided. However, if it becomes necessary to uproot workers, adequate camping facilities will be provided. The facilities will include huts, water and sanitation, medical aid and a fair price shop.

The Government has noted the possibility that works under the Scheme may divert workers from essential agricul-

tural operations and thereby adversely affect agricultural production in the areas. It is specifically provided that steps should be taken to prevent this from happening.

It has been decided that only labour intensive productive works should be undertaken under the Scheme. The nature of the productive works to be undertaken has been specified and the term labour intensive work has been defined. It is basically a sound idea to ensure that works under the Scheme provide a maximum of employment to unskilled labourers who need it most and that such works do not absorb a large amount of scarce capital equipment.

The works under the scheme are not to be entrusted to contractors nor are there to be any deductions in the specified wages, which are to be paid on a weekly basis. Thus, the Government has taken care to ensure that there is no exploitation of needy workers by those who administer the Scheme. The Scheme incidentally will have the effect of fixing minimum wages for labour in Maharashtra and will raise the wages that are being actually earned by rural labour today.

The Rs. 25 crores needed to finance the Scheme are to be raised through additional taxation. This takes the form of an employment cess, a tax on professions and surcharges on sales tax, education cess, tax on motor vehicles and land revenue. The Government expects that the surcharge on sales tax would be absorbed by the traders. However, as a precautionary measure essential articles of consumption and raw materials for the industry have been exempted from the surcharge.

The tax on professions is subject to a legal maximum of Rs. 250 per year. Thus, there is not much scope for making it progressive. However, within these limits, it has been made progressive. The employment cess covers all persons drawing salaries of Rs. 400 or more per month and ranges from Rs. 2 to Rs. 20 a month.

Incidentally, Rs. 50 crores constitutes less than 5 per cent of the revenue and capital budget of Maharashtra. Such

a small expenditure will make a tremendous contribution to social good by ameliorating the grinding poverty of the lowest economic strata of society. This expenditure is, therefore, not only justified but is far more productive of social good than the much larger expenditure under several heads, which at present does precious little for those whose need is the greatest. There is, therefore, an excellent case for even increasing this expenditure, if necessary, in years to come.

Another beneficial effect of this expenditure would be to give an employment orientation to the economic thinking and developmental effort of the Government. Once it is recognized that the unemployed have to be given employment and wages, there would develop a bias in favour of labour-intensive techniques and projects. These projects will inevitably be in the rural areas and will be of such a nature as to add to the production and employment-potential of those areas. This increase in employment potential will benefit the poorest sections of the community.

Before offering some constructive suggestions for the improvement of the Scheme it is necessary to dispose of some of the unwarranted criticism to which it has been subjected.

Interestingly enough, the criticism comes mainly from those who claim to be the champions of the poor. Their attitudes make one wonder whether their main interest lies in improvement of the conditions of the poor or in intensifying class hatred and conflict.

It is contended that the so-called Kulaks or big farmers in Maharashtra will oppose this Scheme or obstruct its implementation in order to ensure for themselves a supply of adequate cheap labour. Such eventuality seems to be altogether unlikely in the context of the present social awakening and the growing strength of democratic forces in Maharashtra.

It is also contended that the present pattern of land ownership will create problems in respect of employment of



labour for creation of communal assets. Private property rights may place a hurdle in the implementation of a comprehensive land development programme. Alternatively, all the benefits from such development works would go to the small class of big farmers. This would add to economic inequalities and create discontent among those who work for the development of communal assets.

There is certainly some substance in this line of argument. However, as observed earlier, even if the Scheme results merely in the transfer of incomes, it is worth while to implement it. Secondly, some communal assets that will benefit all the people can be created even under the present pattern of land ownership, e.g., wells for drinking water, afforestation etc. Thirdly, it would be possible to ensure that the benefits of the newly created communal assets go to the small and marginal farmers and even the landless labourers. This can be done, through the development of co-operatives of these classes of people. Finally, a general increase in agricultural productivity will increase employment opportunities in an area and thereby benefit the landless labourers and marginal farmers.

The manner in which the Government of Maharashtra proposes to raise the additional Rs. 25/- crores needed to finance the Scheme has been severely criticised on two counts. One criticism is that the big farmers or the so-called Kulaks have not been subjected to adequate taxation, while they have benefited the most from large expenditure under the plans on agricultural development. There is certainly some substance in this criticism. But it presents a totally exaggerated picture of the situation. Firstly, it is not true that the class of big farmers has not been taxed at all. Even under the taxation levied to finance this Scheme, he will pay Rs. 5.34 crores in the form of land revenue surcharge and a cess on irrigated land. Moreover, the big farmers bear their share of all indirect taxes which provide over 75 p.c. of the revenue of the Union and State Governments. Thirdly, they are already being made to pay enhanced irrigation and electricity charges etc. Finally, the number of big farmers

in Maharashtra is not large. The prosperous big farmers exist mainly in the irrigated areas and we all know that less than 10 or 12 per cent of the farm lands of Maharashtra are irrigated. These farmers moreover have generally far larger families, so that the *per capita* income of the members of these families is not large. Thirdly, a large percentage of them earn less than the clerks in nationalised banks.

The criticism against the small employment cess on those with low salaries is totally unwarranted. It must be realised that even a person earning Rs. 400 a month is affluent by Indian standards and has to make a contribution for the well-being of the poorer sections of the community. Secondly, it is not true that he is not being taxed at present. He pays heavy taxes on the sugar, cloth, match boxes etc. which he buys and this burden of indirect taxes is far higher than the small employment cess he will pay. Thus, the cess will not tax those who formerly paid no taxes nor is its burden significant. At the same time, it will serve a moral purpose by making the employed people in this country realize that they have a responsibility towards those who are unemployed.

The envisaged expenditure on the Scheme seems to be an underestimate. It seems unlikely that even the present more ambitious Scheme would cover fully the unemployed in the areas it seeks to cover. A few years ago, on the basis of data provided by Professor Dandekar and Rath, it was estimated that any scheme to provide employment to all rural unemployed persons in the state would require an outlay of Rs. 100 crores. Since then, there has been a rise in population and prices. We can, therefore, safely estimate that an expenditure of at least Rs. 150 crores would be required to fully meet the requirements of the rural unemployed. Thus the Government should be prepared to face additional financial burden for fully implementing the Scheme.

Basically, the Government envisages a continuing expenditure out of current revenue to finance the Scheme. This means that the capital assets created under the Scheme will not yield any direct monetary return. They will result

in indirect benefits to agricultural production. It must be conceded that this would be inevitable in the case of, say, 60 p.c. to 70 p.c. of the expenditure under the Scheme. However, it is possible to use some part of the expenditure in such a way as to generate a monetary return. Thus, the schemes of afforestation if properly managed on commercial principles can yield a monetary return. The same can be said about certain kinds of small irrigation projects.

It would be also possible to form co-operatives of small and marginal farmers to improve their lands. These farmers would, therefore, work on their own lands under the Scheme. The benefits will go mainly or entirely to them. At the same time, a small share of the increased income from these benefits can constitute a return on the funds utilised for the development of lands covered by these co-operatives.

Similarly, it is well-known that there are hardly any forests on some of the lands reserved by the Government as forests. These lands can be handed over to co-operatives of landless labourers for development of commercial forests. The yield from forest products would then constitute a direct monetary return on the investment made under the Scheme for developing them.

There is also some scope for bunding and developing *Khar* lands in the coastal areas. This work could be similarly entrusted to co-operatives of landless labourers.

Such schemes will not only result in generating financial resources, but will also have a profound influence on the attitudes of small farmers and landless labourers doing work under the EGS. It would avoid wasteful expenditure on breaking stones, which lie unused in heaps or on repairs of roads which do not really need repairs.

The formation of co-operatives will prevent the worker from being a passive recipient of wages who has no responsibility to see that his work is productive and generates employment. Instead, he will be made to some degree responsible for productive use of his labour and for creating

productive employment for himself in future. Such a change in attitudes is worth crores of rupees.

The present administrative set-up of Government's developmental machinery is one of the biggest hurdles in the way of development of rural areas. The laws, rules and procedures are not designed to suit the needs of specific regions. There is a multiplicity of agencies whose work cannot be co-ordinated. The collector is supposed to be the person who co-ordinates. But one often finds that there is very little that he can do. Experience also shows that a substantial part of outlays for development work is spent on the administrative set-up of the Government. It is hoped that administrative expenses for implementing the Scheme will be kept at a minimum so that the money spent under the Scheme would provide maximum benefit to the unemployed.

I had occasion to see for myself this failure of Government machinery, when I visited the Chiplun area of Konkan where the Koyna water runs to waste while potentially productive areas on both the banks of the flow remain uncultivated. A small investment of capital and certain amount of flexibility and modification of administrative structure and procedures could sort out the problem and the water can yield rich dividends. Similarly, the barren hillsides of Konkan can develop into productive orchards of cashew and mango trees. But this is not happening and the people of that area continue to live in poverty.

Thus if the Scheme is to result in rural development, a revolution in administration is necessary. I hope it takes place. Otherwise the huge funds to be spent under the Scheme will go down the drain. Moreover, the financial burden of the Scheme will increase eventually to staggering proportions with the growth of population. The landless labourers would be demoralized. They will constitute another large addition to the classes of parasites who seem to flourish in this country.

Incidentally, it is possible that the workers employed under the Scheme would provide a ready material to the organisers of trade unions. We shall then have demands for less work and higher wages for these workers, engaged in any case in financially unproductive labour. This sort of development has to be avoided.

It is absolutely essential to tie up employment under the Scheme with the Family Planning Programme. All those seeking work under the programme should be compelled to undergo vasectomy (which seems to be the only dependable means of family planning for the poor) if they have two or more children. Such a tie-up would prove more fruitful than organizing sporadic camps and giving cash prizes of promote family planning.

While we must prevent the birth of more children, we must take care of those already born. I would, therefore, suggest that when camps are organized for workers employed under Scheme, a teacher should be attached to the camp to teach the children of those who live there.

The Scheme will assure a minimum wage of around Rs. 3/- per day for all those who seek employment in the rural areas. This minimum wage is barely adequate to provide food and other minimum requirements to a worker at current high prices. Yet it would mark an improvement over the present situation. For workers not only in rural areas (during offseason) but also in the unorganised sector in urban areas are known to work for less.

While raising the effective minimum wage to Rs. 3/- per day would be a welcome development, it may have certain undesirable economic consequences. It may lead to stoppage of productive activities of a marginal character, which are undertaken only because cheap labour is available. Alternatively such activities may shift to other states which do not have an Employment Guarantee Scheme. In either case, there would be a substantial reduction in employment as literally thousands of persons are employed

in such marginal productive activity. This may add to the financial burden the Government would have to bear for implementing the Scheme.

The EGS will mean a transfer of incomes from the relatively rich to those who are poor. Inevitably a much larger percentage of this transferred income would be spent on food than was the case previously. Thus the Scheme would involve an increase in the demand for foodgrains and other essential commodities. The Government will have, therefore, to take steps to increase the production and availability of these essential goods.

The Scheme can be the harbinger of a great social and economic revolution. Alternatively, it could be another avenue of waste, corruption, inflation and frustration. What it turns out to be, depends on the manner in which it is implemented.

## II

### DIVERSION OF SCARCE RESOURCES

**N. G. Abhyankar I.A.S. (Retd.)**

At the outset it is necessary to understand that the scheme does not provide employment guarantee to all unemployed—in urban as well as rural areas—but is the specific Rural Employment Guarantee Scheme of the Government of Maharashtra. This distinction is important because it brings out that the State Government is less concerned with the problem of employment as a whole, and mainly with the problem of providing relief to the rural unemployed population.

Few schemes would involve such a large diversion of the scarce and limited real resources to what may prove to be totally unproductive ends. It is, therefore, important that public opinion should be educated about the real nature and significance of the scheme so that this politically attractive and economically wasteful expedient would not spread to other States.

The Maharashtra Government regards the Rural Employment Guarantee Scheme as a prestige project. Some members of the Government have persuaded themselves that the scheme represents a pioneering and path-breaking effort at solving the historical and age-old problem of acute unemployment and under-employment in the rural areas of the country. The State Government has tried, without success, to persuade the Government of India and the Planning Commission to share the cost of the scheme on a 50:50 basis and to get them to recommend the scheme to other State Governments.

To present the discussion of the Scheme in a proper perspective, the following issues deserves a critical appraisal:-

- (a) Does the Rural Employment Guarantee Scheme of the Maharashtra Government represent a path-breaking experiment in the field of Employment and an attempt to solve the chronic problem of unemployment and under-employment in the rural areas?
- (b) Is the Scheme capable of building up durable productive assets capable of generating further employment, and in that process, provide productive employment to the unemployed rural population?
- (c) Is the Scheme virtually a permanent system of scarcity relief for all areas of the State?
- (d) Would the Scheme amount to an exercise of digging holes and filling them up again and degenerate into a system of doles by way of relief to the rural population?
- (e) In the face of the acute shortage of financial and physical resources for approved priority productive schemes, is a diversion of funds and resources to the Rural Employment Guarantee Scheme on the scale contemplated justified in the context of the over-all economic problems of the State and of the country as a whole?

To appreciate these issues, one has to take into account what the Scheme is and what it purports to do. The Rural Employment Guarantee Scheme seeks to provide guaranteed employment to men and women above 18 in the rural areas who offer themselves for work in **non-agricultural seasons** in approved works at the approved scale of wages. The State Government has drawn up a list of works which it believes to be productive such as open surface wells, percolation tanks, storage tanks, contour-bunds and rural roads. Funds will be placed at the disposal of the District Collectors who have to activate the Scheme for providing employment as and when demand for work is made by unemployed rural workers in any area of their district. The State Government believes that this form of employment will not divert agricultural labour from normal farm operations, as the Employment Guarantee Scheme would offer work only in non-agricultural seasons, and the execution of the works would help to build up productive assets in the countryside.

The crucial questions which arise are : (i) whether the types of works envisaged under the Scheme would provide employment on a large-scale and (ii) whether the works will result in productive assets being built in such a manner that the assets would generate further employment in the rural areas.

The employment potential of the types of schemes suggested by the Government is an important factor in deciding this issue. It is common knowledge that open surface or dug wells offer opportunities for employment to a limited number of persons. Explosives have to be used to break the ground/rock until water is struck at the site where the well is to be dug and this involves the employment of a one or two persons. The clearance of the debris which might take three or four weeks would provide employment to not more than 10 or 15 persons. Once this is completed, the construction of the top of the well, the installation of pump sets and their operation involve the employment of only skilled workers such as masons, electricians, etc. Similarly, percolation tanks and storage tanks require the employment of overseers,



engineers and the use of road-rollers for their completion. Contour-bunds at the margins of every field are the only type of work which have a large employment potential because, like rural roads, all that is involved is to dig up black soil in the neighbouring fields and to put up the bunds at the borders of each field. In general, the ratio of skilled and unskilled workers for the execution of these works is 40:60.

Moreover, the activation of any of these schemes, as and when demand for work develops in different areas, postulates advance engineering studies and assessment of the availability of the ground water resources if the schemes are to be productive. It was only a few years ago that the State Government established a Groundwater Surveys and Development Unit in the Department of Agriculture. It is common knowledge that underground water is not readily available over large tracts of different districts. Open surface wells, therefore, would not produce reliable productive assets, nor do they have a large employment potential. The normal wells programme of the Agriculture Department under the Five-Year Plans has shown that in a number of districts the wells constructed under the programmes have turned out to be holes without water. Similarly, sites for percolation tanks or storage tanks may not be available in every district. Once a demand for work develops in one area, it would stimulate demand from other areas, and the District Collectors may be pressurised by local bosses to start works in great hurry. In the upshot, the easiest of the so-called productive works, viz., contour-bunding, would be taken up on a large-scale in different areas.

The Maharashtra Government has undertaken contour-bunding on a massive scale under its Agricultural Plans since 1952. Agricultural and Banking experts have challenged the productive nature of the contour-bunding programme in Maharashtra in which as much as Rs. 60 crores have been invested as loans to the beneficiary farmers and insignificant amounts of loan/instalments have been recovered. The Agricultural Re-finance Corporation carried out a special

field study into the productivity of the contour-bunding programme of Maharashtra and came to the conclusion that over a substantial part of the sample taken for the survey, the increase in agricultural productivity as a result of the contour-bunding programme was nil.

The facts mentioned about the employment potential and productive nature of the works envisaged under the Scheme would bear out that the contention that work to be provided would produce productive assets has little validity.

It may be mentioned that the same types of schemes were prescribed for the large-scale scarcity relief programmes which the State Government undertook during 1969-70, 1970-71 and 71-72. The experience of the scarcity relief programmes made it abundantly clear that the bulk of the expenditure amounted to no more or not less than humanitarian relief by way of doles to the rural population affected by droughts and crop failures. During these three years, the failure of crops in one district stimulated claims of similar situation existing in other districts, and the authorities were under constant and continuous pressure to start scarcity relief works in all districts. In the absence of adequate preparation for any type of irrigation works such as engineering surveys, geological surveys, etc., the main reliance of the scarcity relief programmes was on the construction of rural roads. Competent observers have come to the conclusion that the so-called rural roads have been no more than tracks opened up in the rural areas with a thin coverage of black soil from the neighbouring fields, and most of these roads disappeared without a trace in the following year when the monsoons tended to be normal. The scarcity relief programmes of rural roads fully qualify for the description of an exercise of digging holes and filling them up again, and contour-bunding under the Employment Guarantee Scheme would prove equally unproductive.

It is also important to consider and contrast the mechanics of the implementation of the works under the Scheme with comparable works under the normal Plan programmes.

The categories of schemes envisaged under the Scheme are exactly the same as those which form the substance of the normal Agricultural Plan/Programmes. The Agricultural Plan/programmes lay emphasis on irrigation works such as open surface wells, percolation tanks, storage tanks as well as on contour-bunding and rural roads. Once the Plan programmes are approved and funds are allocated for them, it is the responsibility of the Engineering Division in charge to start them and to ensure their completion which is often delayed due to constraints of one kind or another. In the case of Plan works, there is a firm date for the commencement of the works and a firm target for the completion of the works. The responsibility for their completion is squarely placed on the Engineers in charge who employ organised gangs of labour for completion of the works within the scheduled time.

In contrast with the Plan implementation procedures, under the Rural Employment Guarantee Scheme, there would not be any fixed group of labourers or agricultural workers for the execution of particular works. The employment is to be provided only in non-agricultural seasons, lest farmers, especially the large farmers, should complain that Government is diverting agricultural labour from normal agricultural operations on the fields. The workers employed on particular works can voluntarily offer themselves for work on the days they choose and walk out at their own sweet will. It is common knowledge that the crushing season of sugar factories has increased from year to year, and in many areas in Maharashtra, it lasts from the middle of October to the middle of May or end of May of each year. In districts having large-scale sugar cultivation and a cluster of co-operative sugar factories, it is inconceivable that, once the sugar factories start operations and offer Rs. 5 or Rs. 6 per day to the agricultural workers, any of the able-bodied workers would remain on the Employment Guarantee Scheme works on wages of Rs. 3 or so per day. The nature of the Scheme basically involves that there would be (i) no constant, fixed group of workers to execute the works which might be started; (ii) no definite starting date for each work, and (iii)

no time limit for the completion of the works that may be started because the works may have to be stopped during normal agricultural seasons and operations and part of the workers may move away to the more paying agricultural operations. Moreover, though the decision to start a particular work theoretically rests with the district Collectors, it would in fact be made by powerfully-entrenched local vested interests. In many municipalities, it happens that the roads in front of the residence of the Chief elected officers of the municipalities are taken up for construction and are watered daily as a part of basic civic services. Since the demand for the starting of works would arise locally and would be stimulated by powerful local bosses, the actual works which might be started may not be necessarily the most deserving or the most useful or the most productive.

The Rural Employment Guarantee Scheme can hardly be treated as a path-breaking experiment in the field of employment, because basically it is intended to provide casual employment to the rural unemployed in non-agricultural seasons as and when they demand it, and with a changing group of workers on these works, there would be little or no guarantee of the completion of each work within any specified time limit. The Employment Guarantee Scheme, by its very nature and the mechanics of operation, amounts to a permanent scarcity relief programme. This being the case, the question arises whether such a programme is justified for every single district of the State. It is common knowledge that a number of districts such as Sangli, Kolhapur, Nanded, Jalgaon, have relatively more prosperous agriculture with diversified nature of crops and agricultural processing industries as compared with other districts such as Bhir or Osmanabad. The allotment of Employment Guarantee Scheme funds to every district would be hardly consistent with the objective of the Scheme or the genuine requirements of the rural population of different districts.

During the last decade, Maharashtra administration has become accustomed only to the scarcity-psychology. It is common knowledge that large contiguous areas

of six districts—Nasik, Ahmednagar, Poona, Sholapur, Satara and Sangli—and border tehsils of Aurangabad, Bhir and Osmanabad are chronically drought-prone areas. The total rainfall in these areas is inadequate as compared to the State average. Moreover, rains may not come till late July or August or not at all, as these areas are within the shadows of the Sahyadri Mountains. There occurs a failure of rains and crops on a wide scale in these areas almost in alternate years and their solution requires massive special drought relief programme for these six districts and in the border tehsils of the remaining three districts. Unfortunately, the occurrence of the failure of rains and crops in these districts encourages other districts to claim that scarcity conditions in their areas are as serious as those in chronically drought-affected area in order to get a large slice of the cake of scarcity expenditure and works. The administration has not countered this trend of accepting most districts as totally or partially scarcity-affected, because a substantial portion of the scarcity expenditure was paid for as grants and loans by the Central Government.

The Sixth Finance Commission under the chairmanship of Mr. Brahmanand Reddy reviewed the large-scale scarcity relief programmes in States such as Rajasthan and Maharashtra and came to the conclusion that these programmes involved a large and wasteful expenditure. The Sixth Finance Commission, therefore unanimously recommended that scarcity relief expenditure should not be financed by special grants or loan funds by the Central Government and the States concerned should meet the expenditure out of their normal Plan funds or Central Plan assistance. The Government of India has accepted the recommendations of the Sixth Finance Commission. The main incentive to inflate the magnitude of scarcity conditions and to enlarge and extended scarcity relief works more or less to all districts of the State disappeared, since the financial burden would in future have to be borne by the State Government alone or funds will have to be found from the Central Plan assistance in each 5-Year Plan period. This fact, more than any other factor,

reinforced the demand for a comparable scarcity relief programme and the so-called Rural Employment Guarantee Scheme was an answer to the prayer. The State Government fondly believes that the Central Government would yet agree to share the cost of financing the Scheme even on a 50:50 basis. The unanimous view about the utterly unproductive nature of the scarcity relief programme would be equally valid so far as the Rural Employment Guarantee Scheme is concerned.

The enthusiastic advocates of the Scheme have offered specious and high-sounding arguments in its support. For example, it is pointed out that the Right to work at a reasonable wage is a part and parcel of the Directive Principles of the Constitution and only a progressive Government such as Maharashtra has taken positive steps to implement the Directive Principle through the Rural Employment Guarantee Scheme. Whether this claim is justified or not can be judged by the experience of all countries in the world as well as the recent decision of the Government of India on the same issue. All Governments in the world ardently desire to provide full, gainful productive employment to all their citizens. None of them, including those of the most advanced countries, have, however, found it practical and feasible to guarantee employment on a remunerative wage to its citizens. In the final analysis, the volume of employment of a productive nature depends upon the capacity of the economic machine to sustain a high level of productive investment, output and thus create large employment outlets. Since the capacity to achieve this is limited, most Governments have regarded the provision of employment as only a distant goal. Only a few months ago, the Union Labour Minister stated in Parliament that the Government of India was opposed to the demand made in some quarters in Parliament that the right to work included in the Directive Principles of the Constitution should be made "a justiciable right", because the Government of India did not think it a practical proposition. However, what the Central Government has found it difficult to do is found to be a relatively easy matter by the Maharashtra Government.

It is also pointed by the advocates that the Maharashtra Rural Employment Guarantee Scheme is on par with the experiments such as the Public Works Programme initiated by President Roosevelt during the Great Depression of 1930s. These advocates fail to appreciate two fundamental points. First, the Public Works Programme, initiated, conceived, prepared and executed by the U.S. Department of the Interior through the departmental agencies was an instrument of reflation to stimulate economic revival and the governmental effort resulted in the construction of modern up-to-date roads like the Sky-Line Drive in Virginia which provided employment to skilled and unskilled workers, urban as well as rural. Secondly, the advocates overlook that the process of economic growth and development of less developed countries, which involves a frontal and effective attack on the age-old problem of poverty, differs from the process of rehabilitation and restoration of well-developed industrial and agricultural economies shattered by war or affected by general depression. The less developed countries can tackle the challenge of poverty, employment and development only through the maximum mobilisation of **bona fide** domestic savings and available physical resources, their judicious deployment on carefully-selected priority areas and schemes, and above all, a firm national will and vigorous national efforts which places duties above rights and responsibilities above privileges.

Judged by the hard reality of the severely limited availability of physical and financial resources and the imperative need of deploying the limited real resources on the carefully-screened top priority schemes, the Rural Employment Guarantee Scheme would involve a lamentable diversion of scarce resources to totally unproductive ends.

The financing of the Rural Employment Guarantee Scheme is also discriminatory and unfair. The main beneficiaries of such works under the Employment Guarantee Scheme as might hopefully be completed would be cultivators and farmers in the areas of operations. For example, if open surface wells, percolation tanks, storage tanks do

become part of the programme of work and such items of work are actually completed, the question is why the farmers who benefit from the additional supplies of water should not be made to pay a cess or some form of tax for the water supplies. Similarly, if contour-bunds are constructed on the private fields of cultivators, there is no reason why the beneficiary cultivators should not be required to pay the cost. No attempt has been made to make the beneficiary cultivators to pay for financing the scheme for the benefits they would receive from complete works under the Scheme.

A total provision of Rs 50 crores is envisaged for 1975-76. Rs 25 crores would be obtained by readjusting the schemes under the regular Plan and the remaining Rs 25 crores are sought to be raised by a special Employment Guarantee cess. About Rs 20 crores of the total of Rs 25 crores will be raised by special taxation of the urban tax-payers in the form of surcharges on sales tax, urban education cess, tax on professions, trades, employment, etc., and only Rs 5 crores will be raised from the agriculturists in the form of a surcharge on land revenue on the holdings of 8 hectares and 12 hectares and a cess on irrigated crops of holders of 0.4 hectare.

There is general agreement that agriculture has been lightly taxed in India and the affluent portion of the agricultural sector does not contribute to the national revenues anything in proportion to the development expenditure incurred on agriculture in the broadest sense of the term. For example, against the total estimated budget revenues of the Maharashtra State Government of Rs 1,455.31 crores, land revenue, tax on agricultural income, education cess on irrigated crops contribute only about Rs 20 crores, which is a fraction of the tax resources raised by Government mostly from the urban tax-payers. Over Rs. 1,000 crores have been spent as development expenditure on agriculture in the State during the past 25 years. The State Government has rejected the Raj Committee recommendation for imposing an agricultural holding tax. The State Government's own Study Group had suggested as a practical alternative,



the imposition of a surcharge on land-holdings on a progressive scale, ranging from 25 per cent. to 200 per cent on holdings above two hectares or 5 acres. The State Government has rejected even this moderate recommendation and has imposed a surcharge on land revenue on holdings above 8 hectares or 20 acres and 12 hectares or 30 acres. The inequitable nature of the additional burden on urban taxpayers in the name of social justice as against the light treatment accorded to the affluent agricultural sector of Maharashtra which has benefited most from the Plan expenditure hardly needs elaboration.

A limited employment guarantee scheme, known as the Page Scheme, has been operated by the State Government over the past few years in some Districts. Experience has shown that the demand for work from employable rural labour in non-agricultural seasons, under the Scheme, has been very limited and the actual expenditure has been relatively insignificant. In the face of this experience, the State Government proposes to earmark Rs 50 crores for the Employment Guarantee Scheme and raise 50 per cent of the amount by additional taxation mainly on urban taxpayers. Normally, the legislature tends to approve a budgetary provision and then require specific demands for grants for specific items to be voted. In the case of the Employment Guarantee Scheme, the legislature has not insisted on specific demands for grants including detailed description of the works proposed to be financed by the expenditure, and approved the provision of a lump sum of Rs 50 crores. This has two dangers. First, if demand for work does not develop in particular districts where there are adequate employment opportunities practically round the year in the rural areas such as the sugar-cane growing districts of Maharashtra, the notional provision for the Employment Guarantee Scheme would stimulate artificial demands for works to be started under the Scheme even in these districts, which would obviously be unproductive and unnecessary expenditure. Moreover, the category and the nature of works proposed to be undertaken under the Scheme are exactly the same as the category of works which are included in

the Agricultural Plan programmes. If this is so, there does not appear to be any justification for a special programme and a special supplemental provision, and all that is required is to consider and decide whether the proposed Employment Guarantee Scheme works have the same priority as the normal Plan schemes and then to restructure the Plan allocations so as to accommodate the Scheme works within the Plan Schemes.

It would be stretching imagination too much to call the Rural Employment Guarantee Scheme of Maharashtra as a path-breaking new innovation to solve the traditional problem of chronic unemployment and under-employment in the rural areas. Basically it is a humanitarian scheme of scarcity relief on a permanent basis or rural relief works for the population which is assumed to be distressed or affected by natural calamities, initiated mainly under pressure of local bosses, with an ever-changing group of workers who may walk off the job at any moment of their choice, and with no guarantee of the date of completion of any work. The works initiated under the scheme would be a wasteful diversion of the extremely limited real resources — physical and financial — to uneconomic ends. The Maharashtra Government would be well advised to treat it as a purely humanitarian relief scheme involving mostly a system of doles, and not give it a misleading status as a path-breaking innovation in the field of providing gainful productive rural employment. If this were done, there would be an opportunity to limit the scope of the scheme to areas and districts where distress really exists and thereby to limit the expenditure so that there would be neither the uncalled for burden on the tax-payers nor a diversion of scarce resources to unproductive purposes. For example, if a question were to be asked whether the Government would prefer to utilise Rs 50 crores for completing within a single 5-Year Plan period the entire Jayakwadi Project or the entire Bhima River Project rather than dissipating the financial resources on hastily undertaken relief works, the answer even from the spokesmen of Government will be unequivocally in favour of completing the more productive irrigation schemes

such as Jayakwadi or Bhima within the shortest possible time with the newly mobilised additional financial resources.

There is no denying that Maharashtra suffers drought conditions over large areas once in three years. In these areas, the affected population suffers real hardship. There is imperative need on the part of the State Government to meet the hardship by provision of financial relief to the affected population. This should not, however, permit the luxury of inflating the magnitude of the scarcity conditions and enlarging and extending the scope of the scarcity relief works to the entire State. The same applies to the Employment Guarantee Scheme which should be implemented as a humanitarian measure, involving a transfer of funds from the urban to the rural population, on a limited scale for affording relief to areas and people who really deserve it. An omnibus scheme of a relief nature in the name of guaranteed employment to rural population for application throughout the State would only be a diversion of resources from a large number of highly productive and top priority schemes which are crying for additional allocations of financial funds and physical resources with a view to strengthening the productive base of the State and creating enduring and continuing opportunities of larger employment through irrigated and more diversified agriculture and agro-based industries.

*The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.*

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

—Eugene Black

# Have you joined the Forum?

The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on economic issues, specially on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as benefit a democratic society.

Membership is open to all who agree with the Manifesto of the Forum. Annual membership fee is Rs. 15/- (entrance fee, Rs. 10/-) and Associate Membership fee Rs. 7/- only (entrance fee Rs. 5/-). College students can get every month one or more booklets published by the Forum by becoming Student Associates on payment of Rs. 3/- only. (No entrance fee).

Write for further particulars (state whether Membership or Student Associateship) to the Secretary, Forum of Free Enterprise, 235, Dr. Dadabhai Naoroji Road, Post Box No. 48-A, Bombay-1.

---

Published by M. R. PAI for the Forum of Free Enterprise, "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay-1, and printed by B. D. Nadirshaw at Bombay Chronicle Press, Sayed Abdulla Brelvi Road, Fort, Bombay-1.