

India's National Rural Employment Guarantee Act: A Case Study for *How Change Happens*

Ian MacAuslan

1. Introduction

For the first time in India, citizens are guaranteed employment by the government. Under the terms of the National Rural Employment Guarantee Act (NREGA), passed by the Government of India in August 2005, each rural Indian household is now entitled by law to one hundred days of unskilled work per year on public works programmes. Although countless schemes have provided temporary employment on public works programmes at the government's discretion, no national Indian policy or legislation has ever before provided any guarantee of employment. Now, within fifteen days of a valid application, the government must provide work or unemployment allowance.¹ Countless activists, politicians, and academics have hailed the NREGA as vital legislation for improving the situation of rural workers. How did this change happen?

Working within the *How Change Happens* framework of context, institutions, actors and events, this case study identifies critical elements to the passage of the NREGA.² To summarise, the context included drought and rural distress. This was well publicised by the Indian media, particularly in Rajasthan. The key institutions were the Congress political party, which included guaranteed employment in their manifesto for the 2004 general elections, the civil service and the democratic political system that shaped the development of the Act after the 2004 elections, and prevailing attitudes that predisposed key decision-makers towards employment programmes and rights-based approaches. Activists campaigning for guaranteed employment and powerful members of the government (particularly Congress Party Chairperson Sonia Gandhi) were critical actors in pushing through the change against resistance from other actors in the government. The 2004 general election, won by the Congress alliance (to the surprise of almost everyone), was the critical catalyst that turned guaranteed employment from a relatively minor policy suggestion in the Congress Party into part of the national policy agenda. Evidence is taken from numerous interviews, media reports, and secondary sources. The paper is organised as follows: Section 2 provides the context, Section 3 describes the process of including guaranteed employment on the Congress manifesto for the 2004 election, Section 4 describes the passage of the Act after the 2004 election, (highlighting the role of institutions, events, and actors), and Section 5 makes some tentative points about early signs from the implementation. Section 6 offers conclusions.

This case study was written as a contribution to the development of *From Poverty to Power: How Active Citizens and Effective States Can Change the World*, Oxfam International 2008. It is published in order to share widely the results of commissioned research and programme experience. The views it expresses are those of the author and do not necessarily reflect those of Oxfam International or its affiliate organisations.

2. Context

India is the world's largest democracy. In the last decade, the growth rate of India's Gross Domestic Product has been around 7%. However, India also contains more poor people than any other country. Estimates of what percentage of India's 1.15 billion people are in poverty vary widely, depending on what features of poverty are analysed and which data and methodologies are used. At one end, the official National Sample Survey Organisation finds that 1-5% of the population is 'hungry'. At the other, calorie-based poverty is estimated at around 60%.³ Official Planning Commission estimates of head-count ratios for consumption poverty are around 23.6% in urban areas and 27.1% in rural areas, but other estimates using the same data rise to 34.6% and 45.3% respectively.⁴

Within this 'great debate', the rural poor are generally understood to be worst off. Many argue their situation is worsening. For instance, one recent analysis found that although official data estimate that the percentage of rural households below the income poverty line has fallen from 45.65% in 1993 to 27.9% in 2000, other estimates suggest that the percentage of rural people consuming less than 90% of the required calories has risen from 40.9% to 45.2% over the same period.⁵ Official estimates of unemployment among agricultural labour households have increased from 9.5% in 1993-1994 to 15.3% in 2004-2005.⁶

Reports of 'rural distress' abound in India's vibrant media. Many concern farmer suicides, usually on the part of smallholder farmers who cannot maintain their agricultural practices in the face of rising input and credit costs and uncertainties in yield and market prices.⁷ Others address a separate (though related) phenomenon, more relevant to the NREGA: starvation deaths resulting from inadequate employment, poverty, and the failure of subsistence production during droughts.⁸ These latter reports have been particularly prevalent in Rajasthan, which endured a drought from 1998 to 2004, and where a strong network of civil society organisations (the Akal Sangharsh Samiti and the Right to Food campaign) has publicised tragic cases.

This activist network has also emphasised the government's failure to prevent starvation both through its food distribution and its employment programmes. This narrative is closely bound up with criticism of 'neoliberal' economic reforms that the Congress government initiated in the early 1990s. As part of this advocacy, the People's Union for Civil Liberties submitted a Public Interest Litigation on the 'Right to Food' to the Supreme Court in 2001. The Supreme Court has, as a result, issued various directives ordering the government to improve the performance of its programmes. Although these directives did not directly influence the progress of the NREGA, the Supreme Court's favourable opinion encouraged activists to increase the intensity and scope of their demands for improved government programmes.⁹

3. Progress up to the Congress manifesto

Activists demanding improved government action on rural poverty tended to focus on one institution: the Congress party. The Congress party organised much of the struggle for Independence under Mahatma Gandhi and subsequently pursued a broadly left-of-centre model of development for thirty years led by Prime Ministers Jawaharlal Nehru and his daughter Indira Gandhi. After the 1970s, however, the Congress' political pre-eminence declined and a right-wing Hindu nationalist party, now called the Bharatiya Janata Party (BJP), gained greater influence. In 2001, the Congress party held power in Rajasthan, but the BJP had controlled the central government since 1996. Activists were in any case ideologically predisposed against working with the BJP (particularly after the events of communalist violence following Godhara train burning in Gujarat in 2002), and the Congress government in Rajasthan made the Congress party a logical target for lobbying, despite their recent poor performance in elections and opinion polls.

Interactions between actors within the Congress party and actors in the activist network encouraged the development of guaranteed employment as an issue. First, activists came from a variety of institutions with different objectives. Whether the goal was rural poverty reduction, women's

empowerment, democratisation, or workers' rights, these actors perceived guaranteed employment as the most appropriate instrument. This perception was no doubt influenced by the recognition that a united activist front was more persuasive, by the context of rural distress described above, by India's long history of employment programmes, including the Maharashtra Employment Guarantee Scheme, and by the broader developing discourse in India on rights-based approaches. The rights discourse was important for various reasons. In brief, however, it was felt that a demand-based system (where applicants must apply for work) would strengthen civil action. If work was not provided, applicants would be entitled to unemployment allowance. These constitute major changes from the passive beneficiary employment programmes of the past. This activist group drafted a Rajasthan State Employment Guarantee Act in 2003.

Second, Congress leaders responded favourably to representations and encouraged activists. Crucially, Congress Party president Sonia Gandhi took up the issue, writing to Congress Chief Ministers in 2001 to explore the idea. Two Congress leaders involved in framing the manifesto for the 2004 elections, Manmohan Singh and Jairam Ramesh, were also in direct contact with activists. The idea of an employment guarantee act (EGA) gained some credence in Congress State leaderships (who felt that such an Act would have to be centrally-financed) and at various Congress party meetings.

In 2003, the Congress party lost the Rajasthan State election (and other States) to the BJP and its allies. This defeat contributed to a feeling of demoralisation in the Congress party and to a belief that Congress was very unlikely to win the 2004 national election. This weakened the resistance of fiscal conservatives in the Congress leadership to the inclusion of a potentially costly EGA in their 2004 manifesto, and also strengthened the position of those who argued that the Congress needed a strong positive policy programme to add to their anti-communalism stance. Moreover, the context of rural distress juxtaposed with the BJP's campaign focus on economic growth and 'India Shining' indicated that including policies directed to the welfare of the rural poor could pay off electorally. An EGA was included in the 2004 Congress manifesto.

4. The post-election passage

The critical event in the passage of the NREGA was the Congress alliance's surprising victory in the 2004 general election. This alliance formed the United Progressive Alliance (UPA) government, which achieved a majority with the outside support of the Left parties (the CPIM and CPI), which had achieved unprecedented success. The UPA-Left coalition's hastily prepared policy programme, the National Common Minimum Programme (NCMP), included an EGA.

In the immediate aftermath of the election, some commentators argued that the election provided a mandate for Congress and Left policies, including the EGA, and a dismissal of the BJP's supposed anti-rural poor policy programme. This has subsequently been shown to be largely false: the Congress victory was primarily the result of strategic alliances and favourable vote-seat ratios.¹⁰ In Rajasthan, where the BJP faced Congress directly and employment programmes were an issue, the Congress lost, suggesting that guaranteed employment was not an important electoral issue.

However, the election result had three important immediate consequences. First, it may have created the *perception* among Congress leaders that an EGA was politically sensible. Second, the Congress leadership needed to prepare a policy programme rapidly: as the most relevant document available, the manifesto would thus form a central part of this. Third, the Left parties' presence would in any case have made it difficult to remove employment guarantee from the programme even if Congress leaders had wanted to - which they did not.

A directive for an EGA thus entered the institutions of the bureaucracy and the democratic policy process (the Cabinet, Parliament, and so on). First, however, Sonia Gandhi's Italian birth became a political issue and instead of becoming Prime Minister, she chaired the newly formed National Advisory Council (NAC). This extra-constitutional group would oversee the implementation of the

NCMP, and included several actors closely committed to the employment guarantee agenda, including professor and activist Jean Drèze, activist Aruna Roy, and Congress leader Jairam Ramesh. The NAC released a draft EGA based on the civil society draft from Rajasthan.

The Ministry of Rural Development was instructed by the Prime Minister's Office (PMO) to work on this draft, in consultation with representatives from other concerned Ministries: primarily Finance, Panchayati Raj (Village Government), and Labour. The passage of the draft through these bureaucracies is too complex to describe here. In brief, however, the Ministry of Finance was able to introduce a number of clauses intended to limit the government's potential financial liability but which, in the view of activists and Left leaders would seriously compromise the ability of the proposed Act to achieve the multiple objectives they envisaged. The Ministry of Rural Development was opposed to many (not all) of these insertions on the grounds that they would complicate the administrative handling of the schemes, but were over-ridden by Finance, supported usually by the Planning Commission (the powerful government-appointed body responsible for economic planning) and the PMO. The National Rural Employment Guarantee Bill (NREGB) that was submitted to the Parliament on the 21st December 2004 was met with an outcry from activists and politicians, particularly from the Left.

The NREGB was referred on the 23rd December to the Standing Committee on Rural Development (a bi-partisan group of MPs) for improvement, and a Group of Ministers was constituted to oversee its progress. From this stage onwards, the institutions through which the Bill passed meant that politicians exercised greater control over the draft relative to bureaucrats, and activists were largely excluded from direct contribution. The prevailing public discourse around poverty and rural distress made it very risky for politicians to openly support the restrictions introduced by the Ministry of Finance, because they were seen as 'anti-poor'. Given the large numbers of rural poor in India, such support was widely considered political suicide.

In large part, this association of fiscal restraint with being anti-poor was deliberately driven by a determined campaign by activists and (increasingly) left parties. This campaign involved a rural march sit-in protests, direct contacts with politicians, and public hearings, all given strong media coverage, especially by the left-of-centre media. Although this was effective in mobilising awareness of the NREGA, some other civil society actors, who considered themselves pro-poor, were concerned that the stridency of the campaign foreclosed a reasoned debate about other policy or legislative options. There was a tendency in public discourse, it was felt, to group the many who were vocal in the (usually right-wing) media in arguing against the NREGA on the basis that growth is a more appropriate government objective than redistribution, with those who argued against the NREGA but were in favour of other redistributive measures.

The Ministry of Rural Development was again given responsibility for incorporating the Standing Committee's report, which was transferred to the Ministry on the 5th July 2005. This report recommended removing most of Finance's insertions into the NAC draft and making the guarantee offered in the NAC draft more expansive. However, as the draft passed through the Group of Ministers to the Cabinet and was again submitted to Parliament on the 18th August 2005, several important issues were resolved by the intervention of key actors in the UPA government.

First, Sonia Gandhi intervened to ensure that two of Finance's demands were over-ridden: that the guarantee of employment could not be terminated by administrative decree; and that employment would not be restricted to applicants holding Below Poverty Line cards. She was also successful in ensuring that the scheme would be implemented mainly through the *panchayats* (elected village governments) rather than State bureaucracies as the Ministry of Rural Development had wished. There had been bitter debate between the Ministries of Rural Development and Panchayati Raj on this issue. The empowerment of the *panchayats* was an issue taken up initially by Sonia Gandhi's husband and Congress Prime Minister Rajiv Gandhi in the late 1980s, and this association undoubtedly played

a role in her firmness on this issue. All three of Sonia Gandhi's interventions were supported by most activists.

Second, at the behest of the Ministry of Finance, a 'corruption clause' was inserted at the last moment. This clause, not present in earlier drafts, permitted the stoppage of funds to the scheme if there evidence of corruption. Activists were extremely critical of this clause because they believed it introduced incentives not to expose corruption, and this went against much of their other arguments and efforts around transparency, empowerment, and the importance of the newly passed Right to Information Act.

Finally, despite attempts by the Left and by many activists to secure State minimum wages under the scheme, the Minister of Rural Development successfully moved an amendment in Parliament to allow the Central government to over-ride State minimums, subject to the Centrally notified wage being a minimum of Rs 60/day. This was lower than the national floor wage of Rs 66 notified by the Ministry of Labour, but higher than some (not all) State minimums. This amendment was bitterly resented by many on the Left, because it creates the possibility for the government to set wages paid under the scheme below the State minimum in States where the minimum wage is above Rs 60.

Despite strong reservations on these and other issues from activists, bureaucrats, and some politicians, the NREGA was passed unanimously on the 23rd August 2005. The final text was a compromise, but one which many felt had the potential to achieve much. With the law in place, the struggles over implementation began in February 2006.

5. Early implementation signs

It is generally agreed that implementation has lasted insufficiently long to draw strong conclusions about the efficacy of the NREGA in achieving outcomes. NREGA is initially implemented in 200 'backward' districts across India. The backwardness of the districts (often in terms also of their administration) and the early stages of implementation (such that administrations did not have time to set up systems by the peak demand months between April and June) imply that current data may underestimate the NREGA's potential effectiveness. Nevertheless, Drèze and Oldiges (2007) summarise data that are available from the Ministry of Rural Development for the first financial year (April 2006-2007).¹¹ These show that 900 million person-days of employment were created, or 17 person-days per rural household (against an allocation of 100). Thus while this is, Drèze and Oldiges argue, a vast improvement on previous wage employment programmes, the NREGA is currently falling well short of its potential in terms of employment creation.

Some tentative points about the pattern of implementation can be made. First, civil society organisations and advocates of the NREGA are reporting that it is making a significant difference to the livelihoods of rural households, and is reportedly reducing distress migration from some areas.¹² Second, the effectiveness of the NREGA varies significantly across States and Districts. For example, Ministry data show that person-days of employment per rural household range from 77 in Rajasthan to 3 in Kerala. Reports by civil society organisations confirm that this variation reflects variations in other parameters (wages paid, working conditions, and so on). In some cases, the stipulated wages are paid; in others, adverse piece rates or cheating coupled with lack of workers' knowledge of the correct rates leads to significant underpayment. Discerning a pattern is currently difficult because of the relative paucity of data and because although better administrated States (such as Kerala) are likely to be more efficient, their citizens also tend to have less need for guaranteed employment, which might explain the low person-days generated in Kerala. Third, it seems that some States with high need (including poor Northern States Bihar, Uttar Pradesh, and West Bengal) are performing quite badly in terms of person-days, wage rates, female participation, and so on. Finally, the States governed by the Congress and the Left parties are not working assiduously to 'own' the NREGA; rather, their implementation appears quite poor in comparison with States governed by the BJP. This tentative

finding confirms the thesis that the passage of the NREGA was entrepreneurial rather than driven by electoral political concerns.

6. Conclusions

The NREGA is closely bound up with notions of entitlement and citizenship. It was associated with a rights-based agenda pushed in the Supreme Court. Its supporters claimed it would empower the poor and foster democracy, unlike passive beneficiary employment programmes. Some argued it was mandated by the 2004 election. However, the NREGA was an elite creation. Leaders in civil society and politics shaped its progress, building coalitions between them to generate support for guaranteed employment. Champions in government were critical in pushing the NREGA onto the agenda and in overcoming the resistance of their colleagues.

The model of the 'tipping point' fits this process very well. Once on the national agenda, the only real opposition to the NREGA came from fiscal conservatives in the government and bureaucracy. Political opposition was notably absent. Rural employers who may have lost out through rising wages were far too poorly organised to protest, and not represented politically. Right-of-centre commentators expressed displeasure at the Act in the media, but their political representatives dared not echo them. Yet, political parties had not previously taken the idea forward seriously. The 'tipping point' was the Congress' surprise victory in the 2004 election. More specifically, it was the combination of a determined activist campaign targeted on the Congress party and the belief in the Congress party that the 2004 election was not winnable that allowed the inclusion of a commitment to an EGA in the Congress manifesto. To the amazement and jubilation of the EGA's advocates, one year later, that manifesto formed the basis of the national government's policy programme, and the passage of the NREGA was underway.

Abbreviations

BJP	Bharatiya Janata Party
EGA	Employment Guarantee Act
NAC	National Advisory Council
NCMP	National Common Minimum Programme
NREGA	National Rural Employment Guarantee Act
NREGB	National Rural Employment Guarantee Bill
PMO	Prime Minister's Office
UPA	United Progressive Alliance

© Oxfam International June 2008

This case study was written by Ian MacAuslan in July 2007. It is one of a series written to inform the development of the Oxfam International publication *From Poverty to Power: How Active Citizens and Effective States Can Change the World*, Oxfam International 2008.

Ian MacAuslan is an Assistant Consultant at Oxford Policy Management.

The paper may be used free of charge for the purposes of education and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured. Email publish@oxfam.org.uk

For further information on the issues raised in this paper, please email enquiries@oxfam.org.uk

Notes

¹ The full text of the Act, along with other key documents mentioned below, and numerous articles, is available at www.righttofoodindia.org, a website maintained by activist coalition the Right to Food campaign. Detailed official information can be found at www.nrega.nic.in. An explanation (by activists) of the salient features of the Act is given in Dey, N., Drèze, J., and Khera, R., 2006, *Employment Guarantee Act: A Primer*. New Delhi: National Book Trust.

² This paper draws heavily on MacAuslan, I., 2007, 'Working the System: Elites and the Passage of India's National Rural Employment Guarantee Act', *draft in preparation*. It should be emphasised that in confining itself to the passage of the Act, this paper does not analyse the implementation of the NREGA, where many critical battles are currently being fought.

³ Calorie estimates of around 60% in Mehra, D., 2004, 'Calorie Based Poverty', *Official Statistics Seminar Series 1*. Central Statistical Organization, Statistics and Programme Implementation, Government of India; and Patnaik, U., 2004, 'The Republic of Hunger', *Social Scientist, September-October*.

⁴ Chandrashekar, C.P., and Ghosh, J., 2004, *The Market that Failed. Neoliberal Economic Reforms in India*. New Delhi: Left Word. Pages 154-156.

⁵ Macroscan Features, 2003, 'The Calorie Consumption Puzzle'. Available at www.macroscan.com/fet/feb03/fet110203_Calorie_Puzzle_1.htm

⁶ Planning Commission, 2007, *Towards Faster and More Inclusive Growth: Approach Paper to the 11th Five Year Plan (2007-2012)*. New Delhi: Government of India. Page 72.

⁷ Surendra, P., 2001, 'Rains fall, prices fall', *The Hindu*, 21st October 2001.

⁸ Mishra, N., 2001, 'Drought and Deaths', *Frontline*, 14th April 2001.

⁹ Details are in Gonsalves, C., Kumar, P.R., and Srivastava, A.R., (eds.), 2005, *Right to Food*. New Delhi: Human Rights Law Network.

¹⁰ Yadav, Y., 2004, 'The Elusive Mandate of 2004', *Economic and Political Weekly* 39(51).

¹¹ Drèze, J., and Oldiges, C., 2007, 'Commendable Act', *Frontline* 24(14).

¹² See for summaries: Drèze, J., 2007, 'Employment Guarantee in Rural India: Some Critical Issues', *note prepared for a workshop on the National Rural Employment Guarantee Act, held at the Lal Bahadur Shastri National Academy of Administration, Mussoorie, on 17-19 July 2007*, and Drèze and Oldiges (2007).