



ANALYSE THE ECONOMIC POLICY IN PRE-REFORMS PERIOD AND POST-REFORMS PERIOD IN INDIA WITH SPECIAL REFERENCE TO FIVE YEAR PLANS IN INDIA REFERENCE TO MGNREGA

Ch.Venu Babu

Research Scholar, Dept. of Economics, Acharya Nagarjuna University, Guntur, Andhra Pradesh.

Abstract

Article 41 of the constitution of India under the chapter IV “Directive Principles of State Policy” has directed the State; will in the limits of its economic capacity make effective provisions for securing right to work among the other society desirable provisions. The Government of India has recently enacted National Rural Employment Guarantee Act (NREGA), which provides a legal guarantee for at least 100 days of employment to begin with on asset creation public works programmes every year at minimum wages for at least one able-bodied person in every rural household in selected districts. It is in this context that this paper discusses the historical background of employment guarantee scheme and highlights and some areas which require immediate attention, and also a detailed critique of employment policies and programmes pursued in India with special reference to employment generation in rural areas. It argues that the success of employment generate in rural areas depends on the proper functioning and supervision of Panchayati Raj Institutions provided such institutions are free of “power seekers - forming a dominant ‘elite group’ through caste politics, violent behavior and pressure tactics. The paper also highlight the NGOs can be a critical institutions in creation of employment opportunities and for the successful implement of employment guarantee progemme as well as arguing the poor people as rural beneficiaries so that the benefit of employment schemes may be not be diverted towards the richer section of the society.

Key words: MNREGA, Growth, Benefit, Provision, Society, Food.

Introduction

Article 41 of the constitution of India under the chapter IV “Directive Principles of State Policy” has directed the State; will in the limits of its economic capacity make effective provisions for securing right to work among the other society desirable provisions. The Government of India has recently enacted National Rural Employment Guarantee Act (NREGA), which provides a legal guarantee for at least 100 days of employment to begin with on asset creation public works programmes every year at minimum wages for at least one able-bodied person in every rural household in selected districts. Jobless growth is bound to enhance social tension and disequilibrium. In any labour surplus economy, any worthwhile planning strategies should have employment expansion as one its key objectives. Undoubtedly plans as well as election manifesto of various political parties have stressed the need of full employment, but live shifting away. So, it is imperative for commentators and analysts to look into the fabric of employment policy and programmes to dive deep to unveil the mystery behind poor achievements on this front.

The Objective the Paper

To analyse the economic policy in Pre-Reforms Period and Post-Reforms Period in India with special reference to Five Year Plans in India. And also discuss the highlights and immediate reactions regarding the programme. This paper also evaluates briefly the performance of the MGNREGA-AP.

II) Employment Policy: Pre-reform Period

Employment component of economic policy in a country like India, policy makers, would take the ship of economic growth away from the shore of “social Justice” as well as social equilibrium. Policy makers have shown more inclination to output growth than to employment growth. A strong faith was imposed in tricked-down mechanism, but practically employment growth rate lagged behind the output growth rate. Employment elasticity to GDP has been practically less than unity in India. Policy makers have complete faith in economic improvement



in employment situation as a result of economic growth. The First Plan clearly lay down, “Development is in a sense but another name for employment opportunities”. Second Five Year Plan proclaimed, “It is now widely recognized that the problem of employment specially in an underdeveloped economy like ours can only be solved after a period of intensive development”. Further, “employment is implicit in and follows investment” such dream remained simply a dream. No doubt, the Second Five Year Plan recognized the poor performance on the employment front leading to increase in backlog of unemployment and underemployment, but the policy makers did not advocate effectively an interventionist policy” or package of direct measures to fight the evil of unemployment.

The Third five year plan projections uncovered addition of 3 million persons to the backlog of unemployment and underemployment. However instead of initiating a review of the basic approach to the question of employment, the suggestion of starting fire-fighting tactical moves in the form of rural public works programme with some emphasis on programmes of rural industrialization by means of a strengthened economic infrastructure and industrial estates was regarded as the soft option Policymakers, however, emphasized area approach to favor specific occupational and skill groups. But like second Five Year Plan., the Third Plan also regarded employment generation as a residual effect of development. It repeated the faith that full utilization of available manpower resources can be achieved after a considerable period of intensive development. It happened so, because planners had great faith in “trickle down” hypothesis which devotes positive impact of growth on poverty alleviation and generation of employment opportunities. P.K. Bardhan noted that “the adoption of labour displacing machinery minimized a section of wage labourers”. So, one finds a departure from Trickle-down to Target Group Approach in respect of employment policy since the Forth Five Year Plan.

Planners as well as economic thinker’s agree two decades could realize the slow pace of Trickle down mechanism. Even such analysts as M.S. Ahluwalia who argues about potentiality of trickle down mechanism, in India opined that trickle down process alone would probably take and inordinately long time. T.NB. Srinivasan (1986) exposed that there has not been enough growth for tickle down mechanism to make any significant impact. So, as Kamat Prasad (1983) observes, “The failure of the so called “trickle down” effect strategy in alleviating rural poverty led to the adoption of target group approach from the fourth plan”. The fourth five year plan laid emphasis on labour intensive scheme and favored crash programme of Rural Employment (CSRE). Dandekar observed that crash programme become the “Style of the day” but he took it to be incapable of correcting in rural unemployment problem. It can’t be denied that the fourth five year plan sought to explicitly link, “Social justice and equity” and improvement of the condition of common and weaker section” to provision of employment and education. For declining with the consequences of the betting a strong strategy initiated by the green revolution package, special target group oriented programmer like SFDA, IRDP, NREP, etc.

By the time of fifth five year plan, Mahalanobis strategy of development received much attack. The planners were led to accept “Elimination of poverty must therefore, have the highest priority”. However the policy measures took help of the insight evolved by the fourth plan and emphasized further the comprehensive area approach. One thing to be critically observed is that up to fifth five year plan, there was nothing like long term employment policy, a gap which was aimed to be controlled during the sixth five year plan which aimed at “cutting down on long term unemployment.

Employment policy: Features of Sixth Five Year Plan

Employment policy as adopted during the Sixth Five Year Plan is attractive due to the following three distinct features:

- a) A learning towards long-term employment policy
- b) An indication for self-employment scheme like JRYSEM, since the planners opined that policy measures should be guided for self-employment ventures and



- c) Favour for 'disaggregate approach' instead of old fashioned macro approach to the problem of unemployment, prepare districts employment budget, encourage group of self-employment and assess employment impact of development and modernization projects. Besides, target – group oriented and ad-hoc programmes were also carried on.

Further, the seventh plan followed broadly the employment strategy of the 6th Five year plan with added emphasis and technological up-gradation and modernization of productive process. It also emphasized creation of conditions for additional self-employment. Hence, during 1980's on hardly does found any revolutionary step towards, employment planning.

Critically approached, during 1980's employment planner have artfully managed employment planning by adding a put here or a screw there (through announcing fresh schemes) and sometime introducing an 'umbrella type' of scheme like JRY (with low employment content and more asset criteria content). The labour market in India remained deprived of the benefits of a comprehensive employment planning – a lapse that eclipses even the post-reform employment policy in India.

III) Employment Policy: Post-reform Period

It is difficult to say that planners have adopted a revolution making approach to employment during the post-reform period; through they have added some new feature to the fabric of strategy to tackle unemployment. The dream of full employment is repeated in historic of stretched over 'down-sizing' practices and job-cuts introduced under labour market reforms. In practical steps the name of improving productive efficiency creates doubt about genuine approach to employment during post-reform period.

Still, the textual content of employment policy during three plans (from eight to tenth five year plan) may be focused below.

The eighth plan made frequent references to the need to ensure adequate growth of employment to achieve full employment by the turn of the century. Under it, there was emphasis on fourth the growth of the economy and restricting of output composition of growth. It categorically laid down, the employment potential of growth can be raised by readjusting the sectoral composition of output in favour of section and sub-sectors having higher employment elasticity.

The Ninth five year plan (1997-2002) aimed at generation of production were opportunities in the growth process itself by concentrating on sectors, sub-sectors and technologies which are more labour intensive and in regions characterized by higher rates of unemployment and underemployment. It projected increase of work opportunities by 50.12 million, of which 24.2 million employment opportunities were to be created in agriculture. The employment Assurance Programme was strengthened and universalized to cover the entire country. About the strategy of ninth plan, Datt (2004) observer, "the entire arithmetic of employment growth is linked with output growth in various sectors more specially such sectors which display higher employment potential.

In the tenth plan planners have estimated job opportunity need of 70.14 million inclusive of both the backlog of unemployment and addition to labour force. Against such need, it aimed at 49 million job opportunities over a period of five years, comprising of 29.67 million growth generated and 19.32 million programme generated job opportunities.

IV) Employment Programmes

The inflationary aspect of an ambition scheme like National Rural Employment Guarantee Scheme, must, add to inflationary pressure, a course against for the same class whose wellbeing consideration from the foundation of this scheme. Wage earner will have to suffer or consumers.



In India, employment generation today is situated from two perspectives:

- i) Growth based employment generation
- ii) Programme based employment generation

For 50 million employment generation during Tenth Plan, special Group's exercise hopes there two to yield result in the ratio of 3:2 (30 Million job opportunities from growth buoyancy and 20 million from specific employment programmes). Currently the employment programmes meant either for rural or urban areas, are of two types, viz. a) wage related and b) self-employment related.. And as such the wage related is preferred to 'self-employment relate' by the poor labour force lying critically below the poverty line finding difficult to meet the food and necessary expenditure to sustain the family. The second type of schemes definitely contain the merit of 'skill development' and capability creation but in entrepreneurship development, such schemes face a lot of difficulties. Since Indian labour market witnesses join demand from heterogeneous type of job-seekers, some is having physical strength but zero skill, some having low skill, while others possessing potentiality and scope for skill development. So, both types of schemes are needed under the present labour market situation of India, and in this respect Planning Commission's approach for wage employment as well as self-employment programmes may be taken as a good compromise. Now, operation of such major schemes deserves a brief mention here before any comment.

Now participation of Panchayati Raj Institutions (PRIs) in implementation of the rural employment programme (e.g. in case of SGSY, the list of beneficiary families below poverty line (BPL) is approved by Gram Sabha and the SGSY, is implemented through Panchayati Raj Institutions) is supposed to be a healthy step as it involves people's participation. PRIs management may do away with the evils of bureaucratic management provided such institutions are free of power seekers- forming dominant elite -group through caste politics, violent behavior and pressure- tactics.

Much glamour is being accorded to the National Rural Employment Guarantee Scheme. For which a bill was placed in Lok Sabha, three days after Independence day this year. The bill contains provision of 200 days of guaranteed wage employment for all rural households. It makes guarantee for jobs for one person from each rural household at a daily wage rate of Rs. 60 Congress President, Sonia Gandhi (2005) remarked that through the National Rural Employment guarantee Bill 2005, "We are start in to give them their right so that they have better future." This scheme is also to be implemented through PRIs - and as such shortcomings associated with Panchayati Raj Institution many more or less eclipses effective performance of this scheme a well, if strong political determination is not shown at the implantation stage. The inflationary aspect of an ambitious scheme like National Rural Employment Guarantee Scheme, must add to inflationary pressure a curse against for the same class whose wellbeing consideration from the foundation of this scheme wage earners will have to suffer as consumers.

So, in this context of these schemes, it is needed that the government as well as NGOs should encourage creation and functioning of the organization of poor and prospective beneficiaries so that the benefit of the employment scheme reached the genuine person, and does not leak away to benefit the emerging modern 'social parasites'. Again for sustainable employment effect, resources of these schemes should be directed into high quality infrastructure- which can regenerate employment opportunities facilitating expansion of vital rural production sectors.

V) Employment Guarantee Scheme: Some experiences

Employment Guarantee Scheme in Maharashtra (MEGS)

Employment Guarantee Scheme in Maharashtra (MEGS) was initially launched in 1972-73, but the 'right to work' was explicitly recognized in 1978, by an enactment where in any adult seeking work in rural Maharashtra



had to be given employment within 15 days of registration for work or else be paid an unemployment allowance. While the primary objective of the scheme was creating employment, the secondary objective was the creation of rural infrastructure. Several studies have been made on the efficiency and impact of this programme. It is estimate that 8.10 per cent of the 'causal labour' in Maharashtra is employed on the MEGS. Given that this is only supplementary and not much larger group: also during the lean season, twice the number one employed than during other times. In fact, on the model of the MEGS, the government of India introduced the Employment Assurance Scheme (EAS) in 1993-94 in selected blocks covering about half the country.

Rural Employment Guarantee Scheme of Andhra Pradesh

In May 1981, the Government of Andhra Pradesh proposed to implement the employment Guarantee Scheme in three Villages in each of the then 330 blocks in the state and sectioned an amount of Rs. 1.10 crores as a first installment. Preferably all three villages were to be in the jurisdiction of the same village development officer. The allocation was a uniform Rs. 5 lakhs per district to be distributed by the District Collector to the blocks based on the number of registrants' seeking employment and opportunities under other normal plan and non-plan schemes.

The registrants were to be guaranteed work for a period of 100-120 days during the lean months either in normal plan/ non- plan schemes or in works taken up especially with the funds allocated under this scheme. Labour and material components were to be in the ratio 60:40. The design required all normal plan and non-plan schemes to utilize EGs registrants for their unskilled manual component so coordinated as to provide assured employment to the workforce in the rural areas.

VI) Employment Guarantee: National Experience

Employment Guarantee Scheme Maharashtra (MEGS), show that the programme have reduced unemployment in many participating households, have impact an agriculture growth and again wages, made rural poor as a political force and have considerable impact an women. JGSY (Jawahar Gram Samridhi Yojana and Employment Assurance Scheme (EAS) are the major rural public waver programme in India. JGSY was introduced in April 1991 by restricting Jawahar Rojgar Yojana (JRY) for generation of wage employment of a the rural unemployed wavers as centrally sponsor scheme on a cost sharing ratio of 75.25 between centre and states. Employment Assurance Scheme (EAS) was started on October 2, 1993 for providing 100 days of unskilled casual workers up to two members of a family in the age group of 18 to 60 years during lean agricultural season.

The Integrated Rural Development Programme (IRDP) and its rural schemes like DWACRA, TRYSEM and MWS were merged into Swarna Jayanthi Gram Swarozgar Yojana (SGSY). The SGSY is implemented in a phased manner during the Tenth Five year plan. Linkages with the NGO's and mobilization of self-help groups are pre-requisite for the success of SGSY.

VII) National Rural Employment Guarantee Act (NREGA)

The proposed NREGA was first presented on the floor of the Parliament on 21st December, 2004. This bill was introduced by the UPA Government to empower the poorer section of society. The Government aimed to provide a legal guarantee for at least 100 days of employment on asset creating public works programmes annually at a minimum wage for every rural household. There has been dilution of the original National Employment Guarantee Programme in the sense that originally the programme envisaged employment for "at least one able bodied person in every rural, Urban poor and lower middle class household."

The National Advisory Council (NAC) draft said that it would safeguard the right to work by providing guaranteed employment at the statutory minimum wages to at least one adult poor household who volunteers to do casual manual labour in rural areas.



Further, as against the original time frame of “gradual extension to the whole county within five years. Starting from districts with high levels of poverty, the drag now states that the Act” shall come into force immediately in such areas and for such periods as may be notified and shall be extended to cover all rural areas in India after evaluating the implementation in the districts chosen.”

A Brief Abstract of MGNREGA: 2011-12 Financial Years

Over the last six years, the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) has delivered the largest employment programme in human history, which is unlike any other in its scale, architecture and thrust. Its bottom-up, people-centered, Demand-driven, self-selecting, rights-based design is new and unprecedented. Never have in such a short period so many crores of poor people benefited from a government programme. In 2010-11, nearly 5.50 crore families were provided over 250 crore person-days of work under the programme. Over the last six years, MGNREGA has generated more than 1,100 crore person-days of work at a total expenditure of over Rs.150,000 crores. The share of SC/ST families in the work provided under MGNREGA has been 55 per cent and 45 per cent of workers are women. Average wages of workers have gone up by 54 per cent over the last five years and Wages have now been so indexed that workers will be protected from the ravages of inflation. Nearly 10 crore bank/post office accounts of our poorest people have been opened and around 80 per cent of MGNREGA payments are made through this route, an unprecedented step in the direction of financial inclusion

VIII) Highlight and Positive Aspect of NREGA

a. Reduce Economic Inequalities

The main objectives of the proposed NREGA is to reduce economic inequalities through direct government intervention creation employment generation and hence income to the rural poor. As an economic programme, the NREGA aims to bring below the poverty line rural families above the poverty line.

b. Benefiting weaker section

The NREGA is based on decentralized micro-level planning at the block level and offers a package of programmes for the rural poor, especially weaker sectors. The NREGA is a total approach to improve the economic condition of families living below the poverty line.

c. Provide Social Justice & Minimize Economic gap

The NREGA is also essential to maintain or provide social justice by minimizing the economic gap in the society. The socio-economic structure is more and more vitiated in the villages due to economic and social inequality. Therefore the main task of the NREGA is the economic aspect of development and the social aspect of countering and correcting the repercussion of a marked unequal distribution both of status and of possession.

IX) Issues to be require immediate attention

a. Ignored Minimum Wage Act

The Act provides sanction to the flouting of the MINIMUM Wages Act proposing that the minimum wages Act should not apply to wages for work provided under the Bill. The right to minimum wages is to be treated as a fundamental right which is absolute and inalienable and it can not be denied in any circumstances. The right to livelihood and minimum wage are seen as being derived from the fundamental right to life.

b. Gender bias

The All India Democratic Women's Association (AIDWA) has criticized the proposal for its gender bias. The draft defines a household on the basis of a shared dwelling or a common ration card ignoring the reality of joint families.

c. Switch off Anywhere and at Anytime

The Act states that the Act “Shall come into force immediately in such areas and for such periods as may be notified and shall be extended to cover all rural areas in India after evaluation the implementation in the



districts chosen.“ Critics argue that his clause empowers the government to “switch off” their employment guarantee Programme anywhere and at any time.

d. Rural, Urban Division

Globalization that our country is toeing with ever since 1991, has widened the inequalities between the urban and rural areas. There has been a dilution of the original NREGP in the sense that originally lthe programme envisaged employment for “at least one able bodied person in every rural, urban poor and lower middle class household”

e. Corruption

The growth of a strong politician corrupt official nexus is well-known to all. Late Rajiv Gandhi once remarked that only 15 per cent of the funds allocated for the programmes were reaching the beneficiaries. There is no doubt that if implemented after effectively and efficiently, this Act can go a long way in improving the plight and predicament of poor in our country.

References

1. V.K.R.V.Rao (1979), “Changing Structure of Indian Economy”, Economic Political Weekly, December.
2. Government of India, Planning Commission, First five year plan (1953), New Delhi.
3. Government of India Planning Commission, Second five year plan (1956), New Delhi.
4. Government of India Planning Commission, Third five year plan (1962), New Delhi.
5. Government of India Planning Commission, Fourth five year plan (1972), New Delhi.
6. Government of India Planning Commission, Draft Fifth five year plan (1974-79), New Delhi.
7. Government of India Planning Commission, Sixth five year plan (1981), New Delhi.
8. Government of India Planning Commission, Eighth five year plan, Vol No.1, (1992), New Delhi.
9. Government of India Planning Commission (2002), Report of the Special Group on targeting 10 million Employment opportunities for the year, New Delhi.
10. T.S.Papola (2004), “Globalization, Employment and Social Protection: Emerging perspectives for Indian workers”. The Journal of Labour Economics, Vol.No.47, No.3.
11. Datt and Sundaram K.P.M (2004), Indian Economy, S.Chand and Co., New Delhi.
12. Gandhi Sonia (2005), The Hindustan Times.