International Employment Policies

ANTI-POVERTY AND SPECIAL EMPLOYMENT PROGRAMMES
IN INDIA: THEIR ROLE AND EFFECTIVENESS UNDER
THE STRUCTURAL ADJUSTMENT PROGRAMME

by

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PREFACE

It is now widely acknowledged that policy measures adopted as part of a stabilization and structural adjustment package have a negative impact on the poor mainly as a result of reduced employment, fall in real wages, increase in food prices and reductions in expenditure on education, health and other social services. These negative effects on the poor are, however, believed to be temporary until growth is resumed and the economy moves on to a more efficient growth path. In many cases, however, this "temporary" slowing down of the economy may continue much longer than was first assumed and even last a long time - up to five or more years in some cases. To protect the poor or compensate them over this period it is now widely accepted that some action is necessary and the World Bank/IMF, the main proponents of the stabilization and structural adjustment package, encourage governments to add on special compensatory programmes to the policy package to reduce the negative effects of the measures adopted.

Given that these protective/compensatory programmes (which often take the form of "social funds" set up to finance these programmes) are now a standard response to minimize the negative effects of adjustment it is important to evaluate their effects in terms of: (a) their effectiveness as a mechanism for countering the poverty impact of stabilization and adjustment, in terms of who benefited, by how much and when; (b) the productivity of the resources used, compared with alternative uses; (c) the sustainability of the schemes, from the perspective of finance, administration and politics; (d) the satisfactory performance of the administrative structure; and (e) political support for the schemes, and also more generally for adjustment programmes as a result of the schemes.

In making such an evaluation it is important to bear in mind that besides newly initiated externally financed social funds there are a number of existing schemes in different countries designed to protect the poor as part of an overall anti-poverty programme or in response to specific crisis (eg. arising from drought or floods) which have been launched and financed by governments. By undertaking a systematic evaluation and comparison of a large number of schemes, including both externally financed and internally, one could come up with some valuable conclusions which can inform and hopefully influence the design of such compensatory schemes in the future.

With this objective in mind the Employment Strategies Branch has initiated a study of nine schemes in different countries - three externally financed and six internally financed (in practice some are a mixture of the two). Since a number of these schemes have been quite thoroughly evaluated use is made of existing evaluations as far as possible. Some have been or are being subject to review within the ILO and for a few countries new studies were initiated. The result of this evaluation will be published separately as a synthesis study.

The present study by T.S.Papola on India is one of the selected country studies which attempts to evaluate how a country with a large on-going anti-poverty programme has approached the problem of providing a safety net to the poor against the possible adverse effects of the stabilization and structural adjustment programme adopted almost two years ago. Given the size of the country, the large number and diverse nature of existing
programmes and the extreme difficulty of being able to accurately measure the adverse impact of the emerging situation under economic reforms the study can at best only draw some very broad conclusions about the adequacy of the existing programmes, the additional measures that have been initiated by the government and what more can or needs to be done to expand, better focus and target special poverty alleviation measures during the period of adjustment.

The study concludes that the existence of large scale employment and anti-poverty programmes certainly places India at an advantage in dealing with the possible adverse effects of the stabilization and structural adjustment programme. The approach adopted by the Government of India for providing a safety net in the new situation has been primarily in terms of expanding the existing programmes with some modifications to improve their effectiveness. The major new initiative that has been taken is the setting up of a National Renewal Fund to deal with redundancies that may arise in the restructuring of industrial enterprises. However, these measures must be viewed as an integral part of the overall poverty alleviation strategy and the extent to which poverty can generally be alleviated and the adverse effects of structural adjustment can be mitigated would primarily depend on the pace at which the generation of productive employment is accelerated. This in turn would depend on how quickly the economy can attain a high and sustainable growth rate.

The study suggests that certain changes in coverage and direction in the existing programmes seem necessary both for the short term purpose of providing an effective safety net to the poor in the period of adjustment as well as for making them more effective in poverty alleviation in the long run. In this regard the existing programmes for the urban poor are still highly inadequate. An expansion of the programmes on infrastructure development in urban areas is suggested for generating additional employment. However, given the preference of a substantially large proportion of the urban unemployed to find more regular employment and given the slow growth of employment in the organized sector, the programme of self-employment needs to be expanded, and necessary environment and support structure need to be created for the promotion of self employment, particularly in the urban informal sector.

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III. STRUCTURAL ADJUSTMENT PROGRAMME: CONTEXT AND CONTENTS

Though the Indian economy registered a relatively high growth during the decade 1980-81 to 1990-91, it became apparent by the later half of 1990-91, that the sustainability of similar growth rate would be difficult, as a serious financial and balance-of-payments crisis was on hand. A substantial part of the growth in 1980s had been financed from borrowing both internal and external, due to stagnation in the domestic savings rate on the one hand, and slower growth of exports in relation to imports, on the other. The first signs of the payments crisis had become evident in the second half of 1990-91 when the Gulf War led to a sharp increase in oil prices. Foreign exchange reserves had begun to decline from September 1990. The Government of India had to take recourse to the IMF by drawing US$ 660 million from the reserve tranche during July-September 1990 and $ 1.025 billion under the Compensatory and Contingency Financing Facility (CCFF) and $ 789 million under a First Credit Tranche (FCT) arrangement in January 1991. The decline in reserves, however, continued unabated, because of, first, a sharp rise in the cost of imports of oil and refined products, loss of exports to West Asia due to the Kuwait crisis and, later on, also because of the drying up of short-term credit and outflow of the foreign currency non-resident (FCNR) deposits. The crisis became acute when by the middle of 1991 inflation reached the peak of 16.7 per cent and foreign currency reserves fell to a low of US $ 1.1 billion, equivalent to a mere two weeks’ requirements of imports.

Rapidly deteriorating reserve position had compelled the Government in 1990-91 itself to take certain measures on the credit and fiscal fronts primarily with a view to restricting imports. Increase in the cash margin on the imports of non-capital goods, permitting capital goods imports only against foreign sources of credit, increase in auxiliary customs duty and surcharge on interest on bank credit for imports were among the important measures introduced during October 1990 to March 1991. By June 1991, it had, however, become clear that the import compression was proving counter productive as an instrument for management of balance of payments. Adverse effects of import compression has started getting reflected in a decline in the index of industrial production. Further, it had also been realized by that time that the trade deficit was no longer the primary cause of the payments crisis. The trade deficit had, in fact, come down from $ 781 million per month during October-December 1990 to $ 382 million per month in April-June 1991. The outflow of FCNR deposits had, however, accelerated from $ 59 million a month during October-December 1990 to $ 310 million a month during April-June 1991. Longer leads in the payments for imports and longer lags in realization of export proceeds, caused by apprehension of default and, therefore, of devaluation further exacerbated the foreign exchange shortage. By June 1991, the balance of payments problem had assumed the nature of a crisis of confidence. The ability of the Government to manage the balance of payments seemed in doubt and a default on payments looked a real possibility for the first time in the history of independent India [GOI, Economic Survey 1991-92].

The new Government that assumed office in June 1991, after the uncertainty and instability in the political governance for a certain period, had to take some emergency measures to avoid the risk of default in payments. Twenty tonnes of gold had already been leased to the State Bank of India in May 1990 for sale abroad, with a buy back option for six months. Another 70 tonnes of gold were allowed to be placed by the Reserve Bank of India with the Bank of England in July 1991 to raise foreign exchange worth about $ 600
million. Further, a substantial exchange rate adjustment resulting in the effective depreciation of the exchange value of the rupee by about 30 per cent, was made in July 1991.

At the same time, it was recognized that in order to overcome the crisis fully and on a sustainable basis, the economy would need to be substantially reformed in fiscal, trade, industry and public enterprise sectors. The need and urgency of these reforms was further highlighted when the Government of India, subsequently decided to go in for facilities and loans for stabilization and structural adjustment programmes from the IMF and World Bank which insisted on these reforms. The reform package consisted of two major components: stabilization and economic restructuring. The stabilization programme aimed at corrections in the fiscal and current account imbalances. A reduction in budget deficit to bring it down from 8.5 per cent of GDP in 1990-91 to 6 per cent in 1991-92 and to further lower levels over the years, was targeted. It was sought to be achieved, in the 1991-92 budget by abolition of export subsidies, reduction in fertiliser subsidies and reduction in non-plan expenditure.

With a view to ensuring sustainability of the growth process over the medium term, it was considered necessary to introduce certain major policy reforms on industrial, trade and public sector fronts, almost simultaneously with the measures of stabilization for reduction in fiscal and current account deficits. The exchange rate adjustment made in July 1991, was accompanied by several other changes in trade policy. More important of them were: replacement of a large part of licensing of imports by import entitlements linked to export earnings in the form of freely tradeable and premium earning 'eximscrips', removal of requirement of clearance for import of capital goods under certain conditions and limits, and removal of 'actual' user condition for the import of capital goods.

The trade and exchange rate regime was further liberalized in 1992 and 1993. On the exchange rate front first Eximscrips system was replaced by Liberalized Exchange Rate Management System (LERMS), which permitted exporters to hold 40 per cent of foreign exchange earned in foreign currency accounts at market rate. This implied partial convertibility of the rupee on trade account and a dual exchange rate. Subsequently in 1993, the rupee was made fully convertible on trade account. Important reform measures introduced on trade front since 1991 include virtually complete removal of import licensing on raw material, components, intermediates and capital goods, and a substantial lowering of customs tariffs.

The new industrial policy announced in July 1991 effected a substantial deregulation. Industrial licensing was abolished for all projects except in 18 industries of strategic and environmental importance. The number has further been reduced to 8 by delicensing more industries. The condition of prior approval under the Monopolies and Restrictive Practices Act was removed. The number of industries reserved for public sector was reduced from 17 to 8 thus permitting larger role of the private sector in core and basic industries. Foreign investment regime was liberalized by raising the limit of foreign equity holdings from 40 to 51 per cent in a wide range of priority industries, expeditious clearance of foreign investment proposals by Foreign Investment Promotion Board (FIPB), allowing facilities for portfolio investment by foreign investment institutions and granting permission to reputed Indian companies to float equity abroad.
In the public sector, besides opening up a large part of the core and basic industries earlier reserved for it, for private sector investment, measures were introduced towards giving greater autonomy to the public enterprises in their functioning, towards a system of full accountability and responsibility. A limited disinvestment programme was also initiated by offering a part of the equity of selected enterprises to public. Increasingly, the loss-making public sector enterprises were told that the budgetary support may no longer be available to meet their losses and they have to restructure themselves to achieve commercial viability. The Board for Industrial and Financial Reconstruction (BIFR), which earlier considered the cases of only private sector units for restructuring and closures, was also made available to sick public sector enterprises.

The above measures adopted in various sectors of the Indian economy over the past two years aimed at correcting imbalances which had resulted in high rate of inflation and crisis in balance of payments, in the short-run, and to lead the economy on a higher and sustainable growth path with greater reliance on private initiative and market forces and internal and international competitiveness, in the medium to long run. The short-term objectives of the stabilization measures which primarily consisted of reduction in fiscal deficit and improvement in the balance of payment position seem to have been achieved to a significant extent [GOI, Economic Survey 1992-93]. The annual rate of inflation declined from 13.6 per cent at the end of 1991-92 to 6.9 per cent by the end of January 1993. By middle of June 1993, it is closer to 6 per cent. Part of the reduction in the rate of inflation was, of course, due to good performance of agriculture, but a large part is attributed to the reduction in the Central Government's fiscal deficit, which was brought down from 8.4 per cent of GDP in 1990-91 to 6.2 per cent in 1991-92 and further to about 5.7 per cent in 1992-93.

The balance of payments position slowly stabilized during 1991-92. The current account deficit which had reached a high of US $ 7,727 million in 1990-91 was brought down to US $ 2,835 million in 1991-92. In terms of percentage of GDP, the decline was from 2.6 to 1.1. The foreign currency assets improved from a low of US$ 2,236 million in 1990-91 to $ 5,631 million in 1992-93. This improvement obviously was not due to increase in exports; in fact, exports declined in 1991-92 by 1.5 per cent in current dollar terms; and grew only by about 3.5 per cent during April - December 1992. But imports declined sharply by about 19.4 per cent in 1991-92 and revived to more normal levels in 1992-93 with the gradual lifting of import restrictions imposed earlier. The improvement in balance of payment position and particularly in foreign currency asset holding was primarily achieved through mobilization of external financing from multilateral and bilateral sources. The major external financing arrangements during 1991-92 consisted of a standby arrangement with IMF in October 1991 for $ 2.3 billion, a Structural Adjustment Loan with the World Bank of $ 500 million and a Hydrocarbon Sector Loan with the Asian Development Bank for $ 250 million. The gross inflows under external assistance from both multilateral and bilateral sources increased from $ 3.74 billion in 1990-91 by about 25 per cent to $ 4.69 billion in 1991-92. The Aid India Consortium in its meeting in Paris in June 1992, pledged to provide US $ 7.2 billion of assistance in 1992-93, representing an increase of $ 500 million or about 7.5 per cent over the assistance pledged for the previous year. The objective of restoring international confidence by assurance of visible support from multilateral agencies was thus achieved to a significant extent.
III. THE REFORMS PROGRAMME AND THE POOR

On the face of it, the economic reform programme appears to have no relationship with poverty and thus to be neutral to the conditions of the poor. Poverty, in any case, is widespread and manifest in deficiency in several aspects of living of a large mass of the Indian population: inadequate levels of consumption of essential items like food, nutrition, clothing and shelter, illiteracy and ill-health. These are results of low income levels, unemployment and underemployment and lack of access to items of public consumption like education, health and welfare. How will the reforms programme of stabilization and structural reforms affect these variables in general and for the poor in particular? The medium and long-term effects of the programme on the poor will primarily depend on the pace and pattern of post-reform growth, the rate at which the economy could grow and the degree to which this growth would be equitable in providing an increasingly larger number of productive employment opportunities for the unemployed and the poor. In the short-run, however, an adverse impact on the poor is apprehended due to the following reasons [Mundle, 1992; Singh, 1993].

(i) Measures of stabilization aiming at reduction in government spending, restriction on imports of essential raw material and capital goods and restrictions of credit, are likely to lead to a slow down in the aggregate growth of the economy, resulting in increase in unemployment, stagnation in wages and incomes of the self-employed poor.

(ii) While the growth may be slow, the stabilization measures such as devaluation, and demand pressure from the non-poor groups, may lead to continuing rise in prices and high rates of inflation, thus resulting in the rapid erosion of the real incomes of the poor.

(iii) The burden of the cut in government expenditure may largely fall on social sectors like education, health and welfare which are provided by the government on a highly subsidized basis, particularly to the poor. Similarly, the necessity to raise resources to contain the fiscal deficit would require reduction in subsidies on various inputs and goods and services, which may hit the poor harder as they cannot afford to buy them at non-subsidized rate.

(iv) Restructuring of enterprises with a view to ensuring efficiency and competitiveness on an international scale may require reduction in the workforce, resulting in redundancies and increase in unemployment. Privatization of public enterprises would also lead to similar results in so far as employment has been protected in the public sector as a social objective.

The Structural Adjustment Programme (SAP) has been in operation in India for less than two years. As such, it is difficult to assess its impact, particularly on the poor. Most assessments made so far are in the nature of hypotheses and conjectures, based on a priori propositions and, to some extent, on the experience of some other countries having undergone the process of adjustment of a similar kind. We attempt here an assessment of the trends in the Indian economy during the last two years particularly in relation to the 'apprehensions' for the poor listed above.
The Indian economy, after growing at an average annual rate of about 5.5 per cent during the ten year period 1980-81 to 1990-91, registered a low growth of 1.2 per cent during 1991-92. This implied an absolute decline of one per cent in per capita income. Though an important reason for the poor performance of the economy during the year was a negative rate of growth in agriculture, which was caused by unfavourable weather conditions, a factor unrelated to reforms programme, it is recognized that a negative growth in manufacturing and very low growth in other sectors were largely a result of the stabilization measures such as restrictions on credit and imports and slow growth of public expenditure. Growth of GDP in 1992-93 has been estimated at 4.2 per cent, largely on account of a better performance of agricultural sector. Still, the economy continues to be on a low growth path, providing only a small cushion for improvements in the per capita income levels.

There are reasons to believe that the low growth scenario would have hit the poor harder than others. There was a decline in the production of foodgrains from 176 million tonnes in 1990-91 to 167 million tonnes in 1991-92. As a result, the per capita per day net availability of foodgrains declined from 511.0 grams in 1991 to 476.4 grams in 1992. Public distribution of foodgrains was also lower at 19.1 million tonnes in 1992 compared to 20.6 million tonnes in 1991. In the manufacturing sector, the decline in GDP was sharper at 4.4 per cent in the unregistered sector which supplies a large part of the essential non-food items for the low-income groups.

Inflation, as measured by the Wholesale Price Index, on the other hand, continued to be high; the annual rate being 13.6 per cent at the end of 1991-92. In terms of the average of weeks, the index showed an increase of 11.78 per cent in 1991-92 over the previous year. Consumer price index for industrial workers showed a higher rise of about 14.6 per cent in June 1992 over June 1991; the index for agricultural labourers showed a much sharper increase of about 22 per cent.

Growth of employment is assessed to have been lower during 1991-92 due primarily to the low growth of the economy. The deceleration in the employment growth, of course, is not likely to have been of the same order as that in GDP growth, as a low growth is generally associated with a high employment elasticity, employment being a more stable variable than GDP. It is estimated that as against an average of about 6 million employment opportunities generated per year during the preceding three years, the figure for 1991-92 is estimated to be around 3.0 million (GOI, Planning Commission, 1993). Employment growth is likely to have been slower in the sectors which provide the major source of casual and informal employment for the poor e.g. agriculture and unregistered manufacturing, due to their significant negative growth.

It is, however, unlikely that the reforms programme and low GDP growth would have had any significant impact on employment in the organized sector, both public and private. A slow growth in the public sector and a virtual stagnation in the private manufacturing sector have characterized the trends in the organized sector employment during the past few years. Redundancies resulting from restructuring of enterprises are not likely to have accelerated in the very first year of the structural adjustment programme, beyond the continuation of past trends. Nor a slow or even negative growth in certain sectors of the economy during 1991-92 would have had any adverse effect on organized sector employment
as the institutional rigidities make it difficult to instantaneously adjust the workforce in line with production requirements.

The budgetary resource constraint impelled by the urgency to reduce fiscal deficit, resulted in very slow growth in public expenditure. The nominal growth of total budget outlays of the Central and State Governments was of an order of about 13.5 per cent in 1991-92 over the previous year, which in real terms implied a zero growth. Because of the relative inflexibility in the non-development expenditure, which is of a committed and recurrent nature, the major axe of the resource constraint seems to have fallen on the development expenditure, which even in nominal terms increased only by about 10.5 per cent. Among the developmental heads again sectors like rural development and education experienced a slower growth. Rural development, major part of which consists of employment and anti-poverty programmes, experienced a decline in outlays in real terms, as its nominal outlay increased only by 7.8 per cent.

Even in 1992-93, the situation did not improve significantly in so far as the public expenditure on developmental heads, and more specifically on such heads as are of direct benefit to the poor is concerned. Total outlays of the Central and State Governments increased by only about 7.8 per cent in 1992-93 over 1991-92. With an inflation rate of 6.9 per cent, it implied only a marginal increase. But the plan outlay increased by only about 4.7 per cent. The plan outlay for rural development increased by only about 2 per cent and that on social services by about 9 per cent.

The Union Budget for 1993-94 proposes an increase of Central plan outlay by about 29 per cent over the revised estimates for 1992-93. Central Plan outlay for Rural Development has been raised significantly by about 36 per cent, that for education by 29 per cent and for health including family welfare by 17.6 per cent over the revised estimates for the previous year. Part of these increases have been made possible through the World Bank assistance for Social Safety Net (SSN), in the education and health sectors. Thus, the outlays for social sectors and for poverty alleviation have been enhanced substantially in the budget for 1993-94. On the growth front, the year 1992-93 is expected to have fared better than 1991-92. According to the advance estimates made by the Central Statistical Organization (CSO), gross domestic product at factor cost at constant(1980-81) prices is likely to have grown by 4.2 per cent in 1992-93 over 1991-92. This would imply a per capita real income growth of 2.2 per cent. The composition of growth is also seen to have been favourable to the poor in so far as sectors like agriculture, the main provider of livelihood to the majority of the poor and supplier of essential food, and construction which provides employment to a large number of poor, have shown much better performance during the year. In the manufacturing sector also, major part of the growth is likely to have taken place in the unregistered sector, another important source of employment and income for the poor.

Likewise, employment growth is also expected to have picked up during the year 1992-93. It is estimated that employment opportunities would have grown by about 6 million; mostly in agriculture, construction and unregistered manufacturing (GOI, Planning Commission, 1993). In fact, the aggregate elasticity of employment to value added growth is estimated to have increased from the earlier trend of about 0.40 to 0.47 during the year. This is primarily due to a regionally diversified growth of agriculture with faster growth in areas with high employment content of agricultural growth, faster growth of construction and
unorganized manufacturing. In spite of a higher growth of employment, however, the backlog of open unemployment is likely to have increased to about 18 million at the end of 1992-93 as against 17 million at the end of 1991-92, as the labour force is estimated to have grown by 6.7 million during the year.

It is hoped that the structural adjustment programme with its emphasis on efficiency and liberalized environment for investment will lead to acceleration in the rate of economic growth on a sustainable basis. At the same time, it is recognised that the effect of economic restructuring on the poor would at best be neutral, if not adverse, in the short run. Poverty continues to be endemic, in spite of a decline in its incidence over the years. According to the official, rather restrictive, estimates, about 30 per cent of Indian population lived below the poverty line, incidence was 33.4 per cent in rural and 20.1 per cent in urban areas. In terms of numbers, the figures were 238 million in aggregate and 196 million in rural and 41.7 million in urban areas. If one applies the same rate of decline in incidence as was observed during 1983 to 1987-88 (that is 1.76 percentage points per year in total, 1.65 per cent in rural and 1.88 per cent in urban areas), for the period 1987-88 to 1990-91, the incidence in 1991 would be about 24.6 per cent in aggregate, 28.5 per cent in rural and 14.5 per cent in urban areas. The numbers, using the total population of 846 million (628.69 million rural and 217.61 million urban), as per 1991 Census, would be 209 million, 179 million and 30 million respectively.

The number of poor could have increased during the year 1991-92 due to an absolute decline in average income levels, slow growth of employment, high rate of inflation and a general reduction in public expenditure on poverty alleviation programmes. The performance of the economy in 1992-93, in terms of rate and composition of growth as indicated earlier may have had a positive effect on poverty situation, but lower levels of public expenditure on poor-related sectors would have negated it to certain extent. A similar rate of decline in incidence of poverty cannot, therefore, be assumed during these two years. There may, in fact, have been an increase. But even assuming the same rate as in 1991, the numbers in 1993 would at the minimum be 219 million in aggregate: 186 million in rural and 33 million in urban areas.

Poverty will, therefore, continue to be a major concern in the near future to the extent the structural adjustment is likely to be at best neutral on its effects on poverty in the short run and the restructured growth at a high rate could have a positive and sustainable effect through generation of large scale productive employment, only in the long run. Special poverty alleviation measures would not only need to be continued, but also expanded and better focused and targeted during the period of structural adjustment.
IV. MAJOR ANTI-POVERTY PROGRAMMES: AN ACCOUNT
AND ASSESSMENT

As mentioned in the first part of the paper, a number of poverty alleviation and employment programmes have been in operation in India, particularly since the beginning of the 1980s. Some basic features of each of these major programmes are described and a broad account of their performance is attempted below, as a backdrop to an assessment of their adequacy in the emerging situation under economic reforms.

(i) Integrated Rural Development Programme (IRDP)

The programme effectively started in the year 1980-81, the first year of the Seventh Five Year Plan though in a limited form it had been initiated in 1977-78. It provides support to the rural households below the poverty line, with a package of assistance consisting of a subsidy and bank loan to enable them to acquire productive assets like livestock, manufacturing and processing equipment and business space. Assistance is provided to households with annual income below the "cut-off" point which is generally fixed at a lower level than the poverty line income in order to reach the poorest among the poor. A minimum coverage of disadvantaged groups and women is also stipulated.

The amount of assistance varies with the requirements of the identified assets to be acquired. The loan amount is to be equal to total project cost minus the subsidy admissible as a percentage of the project cost, subject to a ceiling. The percentage of subsidy varies for different groups between 25 to 50 and ceiling between Rs. 3000 to Rs. 5000, depending upon the economic and social status of the beneficiaries. A second loan, along with the subsidy is given to a beneficiary, if he failed to cross the poverty line in spite of his best efforts to utilize the earlier assistance. In order to provide training support for self-employment under the programme and to provide special focus on women and children, two sub-programmes allied to IRDP, namely, Training of Rural Youth for Self-Employment (TRYSEM) and Development of Women and Children in Rural Areas (DWCRA) are also in operation.

The administrative set up for the programme has four levels: Central, State, District and Block. The Central Level Coordination Committee is responsible for policy formulation, monitoring and evaluation of the programme. The State Level Coordination Committee is entrusted with the task of planning, implementation, monitoring and evaluation in the State. District Rural Development Agencies provide the link between the Central and State administration and the villages, and are responsible for implementation of the programme in the District. Block is the basic unit for preparation of plans, and detailed implementation of the programme in all its aspects in villages within its jurisdiction.

Since the initiation of the programme till 1991-92, a total sum of Rs. 64 billion has been spent as subsidy by the Union and State Governments, and a total credit of about Rs.110 billion has been provided by the banks as loan under IRDP. About 35 million households have been provided assistance, of which about 6.6 million were given a second dose of assistance to supplement the initial assistance. Average level of investment per beneficiary household was about Rs.3,000 during 1980-85 and has been around Rs.6,000 in recent years of which about 40 per cent is in the form of government subsidy. In the initial years, primary sector activities consisting mainly of animal husbandry accounted for over 70 per
cent of the assisted cases. The composition of assisted activities has changed over the years: primary sector activities now account for about 45 per cent, secondary sector for 20 per cent and tertiary sector 35 per cent.

The programme, as envisaged in its design, has succeeded in reaching the poor and amongst them the more disadvantaged groups like the Scheduled Castes and Scheduled Tribes. According to the concurrent evaluation of the programme about 88 per cent of the assisted families belong to destitute and very very poor groups as per official records of their pre-assistance income; but the percentage of assisted families in these two groups was about 47 according to assessment at the time of evaluation [GOI, DRD, 1990]. This percentage is significantly higher than the proportion of these groups in total rural population, viz. 29 per cent. Most of the other beneficiaries also belonged to the group of households with income below the poverty line. Those belonging to the non-poor group also got assisted, their proportion was higher at about 11 per cent in early years, but has got reduced to less than 5 per cent over the years. The percentage of those not officially eligible, that is, those with higher income than the cut-off point was, however, higher. Of the assisted families, 29 per cent belonged to the Scheduled Castes and 16 per cent to Scheduled Tribes and 20 per cent were women.

According to the concurrent evaluation during 1985-1989, about 80 to 85 per cent of the assisted families could raise their income levels by smaller or larger extent: about 17 per cent at least doubled their income, 23 per cent had an increase of 50 to 100 per cent, about 22 per cent between 25 and 50 per cent. About 17 per cent did not have any gain in income, because either the assets were not, in fact, supplied, were unsuitable or defective, or sold out, or the complementary assistance for inputs was not available. The percentage of assisted households having crossed the threshold of poverty line income has been estimated to be around 20. It should, however, be noted that about 5 per cent of the assisted households were already above the poverty line at the time of assistance and, therefore, only 15 per cent of the all assisted households, in fact, crossed the poverty line.

What is the overall impact that IRDP made to the poverty situation in rural India? It is important to make such an assessment, first, because it is the only special programme aiming at alleviating poverty on a sustainable basis by providing permanent self-employment through asset endowment, and secondly, because an assessment of its contribution to a reduction in the incidence of poverty relative to that of the normal growth process could provide significant insights for improving the poverty alleviation strategy. We will attempt this assessment for the period 1977-78 to 1987-88, for the reason of availability of estimates of poverty. The total number of poor households were estimated to be 45.28 million in 1977-78 and 34.69 million in 1987-88. If no reduction took place in the incidence of poverty, the number of poor households would have increased by about 20 per cent, that is to 54.34 million. That the number of poor households in 1987-88 was 34.67 million, implies that about 19.67 million households crossed poverty line during this period. Under IRDP, 25.34 million households were assisted during 1977-78 to 1987-88. Of these, 15 per cent, or about 3.80 million households were reported to have crossed poverty line. On this basis, it can be said that IRDP was responsible for alleviating poverty of about 19 per cent of the total households which crossed poverty line during 1977-78 to 1987-88.
Another aspect of the story is that a larger proportion of unassisted households than of the assisted were able to cross the poverty line. Of the 54.34 million households which could have been poor in 1987-88, in the absence of poverty alleviation effect of growth and without IRDP, 25.34 million were assisted under IRDP. Only 15 per cent of them crossed the poverty line. On the other hand, of the remaining unassisted 29 million households, 15.87 households, about 55 per cent crossed the poverty line or were prevented from falling below poverty line by the normal growth process. An obvious reason for this may be found in the deliberate concentration of IRDP assistance among the poorest and disadvantaged among the poor, as the programme stipulated a lower eligibility level than the poverty line income as well as significantly large coverage of Scheduled Castes, Scheduled Tribes and women. It would, therefore, be more appropriate to assess the programme not merely in terms of the percentage of assisted families having crossed the poverty line, but the proportion of families and extent to which, the incomes have risen as a result of assistance. On this score, as the facts noted earlier suggest, the performance of the programme has been quite significant.

However, the programme suffers from certain serious limitations, as an effective instrument to raise the income levels of assisted household substantially and permanently to lift them above the poverty line. First, the level of investment per assisted household, averaging currently to about Rs.6,000 is too low for this purpose. Even with relatively favourable incremental capital output ratio (ICOR) of about 1.20 estimated on the basis of concurrent evaluation, a much larger investment would be needed to generate an annual household income above the poverty line, which stands around Rs.11,000 currently. Secondly, though the programme is titled as ‘integrated’, it is in fact, not at all integrated with other development programmes of the area and thus tends to ignore input and market linkages and infrastructure requirements of assisted activities. Third, due to the requirements of meeting a quantitative target in terms of the number of families covered, the identification of activities and projects often tends to be arbitrary, and viability and sustainability aspects often get ignored. Fourth, the provision of outright cash subsidy often leads to applications with lack of stake and interest from the beneficiaries.

(ii) Wage Employment Programme

Short-term wage employment on public works has been an old and conventional device used by the governments to provide relief to the poor households from the hardships caused by drought, flood and other natural calamities. During the last two decades, this device has been used even in normal situations to provide supplementary income to those living in poverty. The first major programme was initiated in India during the 1970s under the title ‘Food For Work’, though a few small pilot programme of this kind have been in operation even earlier. Food For Work programme primarily aimed at making foodgrains available to the poor, mainly landless labour households, in lieu of work on public construction projects, during the lean agricultural season. The first large scale rural wage employment programme, called the National Rural Employment Programme (NREP) was started in 1980, replacing the on-going Food For Work programme. The basic objectives of NREP was to generate additional gainful employment for the unemployed and underemployed persons in the rural areas and simultaneously create productive community assets for direct and continuing benefits to the poverty groups and for strengthening the rural community and economic infrastructure. A total expenditure of Rs.18.44 billion was
incurred under the programme during 1980-81 to 1984-85, shared equally by the Central and the State Governments. An aggregate of 1774 million persondays of employment was created. About 65 per cent of expenditure was on wages. About 2.1 million tonnes of foodgrains were utilized, for payment of part of the wages, at a subsidized rate.

An evaluation by the Programme Evaluation Organization (PEO) of the Planning Commission [GOI, Planning Commission, 1987], revealed that the programme increased employment availability to the beneficiaries by about 17 per cent and contributed about 22 per cent of total employment in rural areas. Households participating in the programme got employment for 46 persondays, on an average. But in most cases, no shelves of projects were prepared and the projects taken were thus decided on an ad hoc and unprepared manner, resulting into creation of assets which were not suitable, and durable. The works related to apparently useful sectors like social forestry, soil conservation, schools and other buildings, roads, tanks and irrigation and flood control. But roads and buildings accounted for major part of the expenditure, and their quality in terms of durability and suitability and potential benefits was found rather doubtful.

The programme continued during the Seventh Five Year Plan (1985-90) as an important part of the anti-poverty strategy. Land development and water conservation were identified as important new priority areas for projects under the programme. Distribution of foodgrains under the programme was also proposed to be stepped up. With a view to ensuring quality of works undertaken in the programme, it was reemphasized that the wage to material ratio of 50 : 50 is to be maintained on an average at the district level, individual projects may have varying ratio according to their nature and requirements. A total amount of Rs.29.40 billion was spent on the programme and 1.48 billion persondays of employment was generated during 1985-86 to 1988-89.

Besides NREP, a new programme called Rural Landless Employment Guarantee Programme (RLEGP) was started in 1983, with the objective of expanding employment opportunities for the rural landless by providing guarantee of employment to at least one member of every landless household up to 100 days in a year in the projects for building community assets and rural infrastructure. An outlay of Rs.5 billion to be fully funded by the Central Government was provided for the programme. In fact, over Rs. 9 billion worth of projects were sanctioned and over 260 million persondays of employment was generated during 1983-85. The programme along with NREP continued during the Seventh Five Year Plan up to 1988-89 after which both programmes were merged and a new programme Jawahar Rozgar Yojana was initiated from 1989-90. During 1985-89, a total sum of Rs.24.12 billion was spent on RLEGP, generating total employment of 1.15 billion persondays. The programme, however, was not successful in providing the guaranteed employment of 100 days to every landless household as envisaged. The experience of its implementation also cast doubts on the efficacy and feasibility of a programme of employment on public and community works, meant to benefit certain groups exclusively as the labour requirements of a project need not necessarily correspond with the supply of labour from that particular group within the area.
Jawahar Rozgar Yojana

Experience of implementation of NREP and RLEGP was mixed: employment was generated, but the large investments made in generating employment did not yield commensurate returns in terms of creation of durable and useful assets. Even on the employment generation front, the administrative procedures were not cost effective and thus, a sizeable part of the funds got utilized in overheads. The needs and requirements of the people at the local level did not necessarily get reflected in planning of projects and employment generation. With the intention of removing some of these limitations, it was decided, with the financial year 1989-90, to develop a new programme, Jawahar Rozgar Yojana (JRY) and merge NREP and RLEGP into it. Some basic changes in the *modus operandi* of the implementation were also introduced. The basic objectives of the programme, however, remained the same, except that the creation of additional employment opportunities for unemployed and underemployed was emphasized as a *primary objective* and creation of sustained employment by strengthening rural economic infrastructure and also assets in favour of the rural poor and improvement in the quality of life in rural areas as *secondary objective*. A major change introduced in JRY, in comparison to the earlier programmes, was that a certain amount of funds based on a pre-determined criteria would be provided to every village panchayat for utilization towards employment generation in various works within the village to be decided by the village panchayat itself within the overall guidelines provided by the Central and State Governments. The outlays for the programme were also substantially enhanced as compared to the combined outlays of the earlier programme. NREP and RLEGP together had an outlay of Rs. 15.70 billion during 1988-89, the JRY outlays for 1989-90 were fixed at Rs. 26.30 billion. The programme continued during the years 1990-91 and 1991-92, and has also been included in the Eighth Five Year Plan (1992-97). Discussion on its reorientation towards better integration with sectoral development programmes with a view to raising its effectiveness for a more sustained employment generation are going on, to which we will refer later.

With a view to concentrating the efforts of employment creation in States, districts and villages with a high incidence of poverty and requirements of supplementary gainful employment, the programme funds are allocated to different States on the basis of the relative percentage of population below poverty line in each State. From States to districts, allocations are made on the index of backwardness as reflected in the proportion of agricultural labourers to total workers, percentage of Scheduled Castes and Scheduled Tribes population and inverse of agricultural productivity; and to the village panchayats on the basis of population of each village. Indirect criteria are used below the State level due to non-availability of estimates of poverty and unemployment. The total funds for the programme, which are jointly provided by the Central and State Governments in the ratio of 80 : 20 are allocated to various sub-programmes and levels as follows:

(i) 6 per cent for a sub-programme of housing for the rural poor, particularly the poor among Scheduled Castes and Scheduled Tribes groups;

(ii) 20 per cent of the total resources available for JRY at the State level for a programme for providing irrigation wells free of cost to poor, small and marginal farmers belonging to SC/ST and freed bonded labourers;
(iii) 2 per cent of the total allocation, for administrative and contingent expenditure;

(iv) up to Rs.50,000 per year for training of officials/non-officials involved in the implementation of the programme, out of the funds at the district level;

(v) up to 20 per cent of the funds to be spent by district level authorities for district level schemes; and

(vi) the rest to be distributed to the village panchayats for works at the village level. About 60 per cent of the total funds allocated for the programme are thus available for use at the level of the village panchayats.

Generally, all rural works which result in the creation of durable productive community assets can be taken up under JRY. But preference is to be given to works which will particularly benefit the poor and those which are complementary to the other poverty alleviation programmes like IRDP. JRY funds are also allowed to be used for works on private lands of small and marginal farmers identified as below the poverty line. The works to be undertaken under the programme are to be selected on the basis of felt needs of the people and priorities indicated through the village assembly meeting. Projects are to be approved by village panchayats, after they have been technically appraised by the officials of Panchayat Samiti or in its absence, district officials. Implementation of the programme at the village level is to be done through village panchayats. No contractors are to be used for executing the works under JRY.

The programme is monitored at the Central level by a Central Coordination Committee and by a similar committee at the State level. The former is, of course, a national level body overseeing broad contours of the implementation of the programme in different States on the basis of periodical returns, meetings and analysis. Actual monitoring of the programme in its implementation at the district and village level is the responsibility of the State level coordination committee. A scheme of concurrent evaluation involving reputed research and consultancy organizations in different parts of the country has also been made a part of the system of monitoring the programme.

Jawahar Rozgar Yojana is probably the largest wage employment programme of its kind implemented anywhere in the world. Since its inception in 1988-89, it has claimed financial resources of about Rs.25 billion annually on an average up to 1992-93. For 1993-94, the amount provided at the Central and State level together is over Rs.39 billion. About 850 million persondays of employment has been generated annually on an average and the target fixed for 1993-94 is 1,100 million persondays of employment. It is seen as a major instrument for alleviating rural poverty and, of late, also as an important element of the safety net to prevent deterioration in the condition of rural poor due to the possible short-run adverse effect of structural adjustment. It is, therefore, important to briefly assess its working both in terms of the programme objectives and adequacy for guaranteeing a minimum level of gainful employment to all in rural India. The programme is meant neither to provide full-time employment to the unemployed and main source of individual or household income, nor sustained employment over the years. It only aims at providing a measure of supplementary income to the poor households in rural areas on the basis of
temporary wage employment. As such, the exercise and expenditure need to be repeated every year till the unemployed and underemployed poor are able to find productive and gainful employment on their own in the process of growth and, therefore, are in no need for supplementary casual employment. It is, therefore, pertinent to ask as to what extent has JRY been successful in meeting the requirements of supplementary employment of the rural poor?

A ‘quick’ evaluation of JRY undertaken during 1991-92 by the Programme Evaluation Organization (PEO) of the Planning Commission, revealed that during 1989-92, the workers participating in the programme got employment for an average of about 11.44 days in 1989-90 and 15.68 days in 1990-91 [GOI, Planning Commission, 1992]. From the study, it is not possible to see as to what proportion of those wanting work were able to get it under the programme. The study does give the figures of those available for employment, but they seem to represent the labour force rather than the unemployed, thus assuming that every worker required supplementary work. On the basis of data available from the National Sample Survey Organization for 1987-88, on the distribution of workers by the persondays of employment and unemployment, it is seen that while 4.2 per cent of those in the labour force are unemployed, another 10 per cent may be underemployed requiring supplementary employment for varying extent of time. Some of them, particularly those educated and belonging to better off households may not be willing to do the manual work usually available under JRY. But even assuming that all the unemployed and underemployed would come forward to work on JRY projects for a short or long period, they would account for 14 to 15 per cent of the labour force. And according to the PEO evaluation study, those participating in JRY works accounted for about 15 per cent of labour force in 1989-90 and 14.25 per cent in 1990-91. Thus, it seems that JRY reaches almost everyone who is looking for temporary wage work in rural India. The average employment per participant is, of course, low at about 15 days in a year and at wage rates of Rs.20 per day, it would mean a supplementary income of Rs.300 to the household.

What is the extent of employment provided to each participant in comparison to the time he or she is available for work? Again, using the data from PEO study in combination with the NSS rates of daily status unemployment for rural areas, we can arrive at a rough estimate. According to NSS survey of 1987-88, unemployment by daily status in rural areas was 5.25 per cent, i.e. 5.25 per cent of all available labour force days were without work. According to the PEO study, the total employment generated under JRY in the sample areas accounted for 0.62 per cent of all the labour force days. Part of these labour force days belongs to the persons who though unemployed may not be willing to come forward to work in JRY schemes. Some other studies, including those of Maharashtra Employment Guarantee Scheme, suggest that only about 60 per cent of the unemployed, in fact, opt for work under such programmes. Accounting for this factor, the actual requirements of the persondays of work under programmes like JRY, may be around 3.15 per cent of all the labour force days. On this basis, the work provided by JRY, according to the PEO study, would make up about 20 per cent of the total requirements of supplementary employment in 1989-90. Given the resources for the programme and the cost per personday of employment, this was the contribution expected of JRY. The total provision for JRY in 1989-90 was Rs.24.58 billion, per unit cost of personday of employment was Rs.28.44 and total employment of 864.39 million persondays of employment was created. Total unemployment and underemployment
in rural India in that year would have been around 4,800 million persondays, without JRY and other similar programmes.

Thus, the contribution of JRY in employment generation has not been insignificant as the PEO Study may suggest. Even with relatively large outlays, the per person employment generation has been low, primarily because of a thin spread of the funds over the entire length and width of rural India. It is, therefore, often argued that since the possibility of making substantially larger funds available to the programme is limited, and even the necessity and desirability of such a move may be doubtful, it would be preferable to concentrate the efforts more in the areas of high incidence of poverty and unemployment. Even after introducing poverty and other indicators of backwardness as the criteria for allocation of funds, the link between the requirements of employment generation and availability of funds across areas is still weak, because of the concern that every State and particularly, every district and village panchayat should get a minimum allocation. Some agriculturally developed States and districts have very little use of a rural works programme like JRY. They have low incidence of poverty, and relatively high unemployment rates in these areas are mainly accounted for by the openly unemployed educated, who are unlikely to opt for work in JRY. JRY could be a very suitable instrument for poverty alleviation through supplementary employment in the States and regions having underemployment as a significant part of aggregate unemployment. It may be politically difficult to discontinue the programme in some States, involving as it does a substantial transfer of funds from the Centre, which shares 80 per cent of the cost, to the States. But applying a selective approach to the substantial addition to the outlays of the programme during 1993-94, is being considered by attempting to allocate the enhanced funds to about 120 districts in the country selected on the basis of backwardness.

The conflict between the employment generation and asset creation objective, common to all wage employment programmes, has assumed greater significance in the case of JRY, particularly in view of its large outlays. The outlays for 1993-94 at over Rs.39 billion, for example, account for about 3.9 per cent of the total Central and State plan outlays for the year. It is, therefore, argued that while the provision of additional gainful employment to the rural poor is the primary objective of the programme and it is being met to a significant extent, it is desirable to ensure that such large outlays do not get spent without simultaneously creating useful community and productive assets for sustaining development and employment generation in rural areas. The resource constraints posed by the necessity to reduce fiscal deficit under structural adjustment programme has limited the scope of substantial enhancement of allocations to the sectors which are directly responsible for creating infrastructure in the rural areas and utilization of JRY funds for this purpose is also, therefore, considered necessary.

There are two specific aspects currently under debate in relation to the asset creation objective of JRY. First, it is claimed by States and implementing agencies that the 60:40 wage to material ratio stipulated under the programme limits the scope of building durable all weather roads, culverts, bridges, irrigation works, schools and other community buildings, and therefore, only the poor quality and temporary assets can be created. Though the wage-material ratio is to be maintained on an average and each project can have varying ratio, if the construction projects involve major part of the resources, maintenance of the ratio even in aggregate may prove difficult. But removal of the wage-material stipulation,
it is feared, will tend to defeat the basic objective of the programme, namely, employment
generation. Lowering the ratio to say 50 : 50 is thus one of the alternatives, which would
also imply a reduction in persondays of employment generation. Thus, there is a trade-off,
but a complete disregard of the productivity consideration in a programme involving such
large resources may not be prudent.

The other aspect of the more productive use of JRY resources, without sacrificing the
employment objective relates to the "dovetailing" of JRY and sectoral programmes. It is
suggested that the wage component of the sectoral projects like school buildings, public
health centres, all weather roads and irrigation canals, could be met out of the JRY funds,
so that a larger number of durable assets could be created under different sectors and
simultaneously, employment is generated as per the programme of JRY. This may also
ensure better maintenance of assets as the departments will take up that responsibility as a
part of their usual activity.

(b) Employment Guarantee Scheme (Maharashtra) [EGS-M]

Besides, the major rural employment and poverty alleviation programmes sponsored
by the Government of India, described above, a unique initiative for guaranteeing gainful
employment has been experimented in the State of Maharashtra for last about twenty years.
The scheme aims at the operationalization of the 'right to work' provided under the Directive
Principles of State Policy of the Indian Constitution in the rural areas of the State.

Aiming at providing gainful and productive employment to the people in the rural
areas and small towns, who are prepared to do manual work but cannot find it on their own,
the EGS guarantees work to any person above the age of 18 years normally residing in
villages requiring work. The work can be provided anywhere within the district of the
applicants' residence, though the work is normally provided within 8 kms. of the residence
of the work-seeker. The guarantee is restricted to only unskilled manual work. Failure to
provide work creates liability on the State to pay an unemployment allowance.

Only productive works are permitted under the scheme. Priority is to be accorded
to moisture conservation and water conservation works with a view to minimizing recurrence
of drought in the State. The works are designed in such a way that expenditure on wages
forms at least 50 per cent of the total. The wages are paid on a piece rate basis, but are so
fixed for different items of work that an average person working diligently for 7 hours a day
will earn an amount equal to the minimum wages prescribed for agricultural labour in that
area under the Minimum Wages Act. The courts have, however, ruled in this connection
that wages paid in any case will not fall below the statutorily fixed minimum wages for
agricultural labour.

Only the works benefitting the community were normally undertaken under the
scheme. With effect from 1990-91, however, a horticultural development programme has
been linked with EGS, under which the works can be undertaken on private lands belonging
to any individual or cooperative society. The cost of plantation is fully met from the EGS
funds in the case of SC/ST and small farmer beneficiaries. In the case of others, full cost
of unskilled labour and 75 per cent of the skilled labour and material cost is met by the
government from the EGS funds and the rest by the owner of the land. Similarly, work on
the construction of wells belonging to the poor households has also been undertaken at government's cost under EGS since 1988.

A unique feature of the EGS in Maharashtra is the provision of a special Fund for financing the programme. The Fund consists of the proceeds of specially levied taxes for the scheme and budgetary provision by the State Government on a 50 : 50 basis. The amount of taxes collected for the Fund has increased from Rs. 105 million in 1975-76 to over Rs. 2.4 billion in 1989-90. The total expenditure on EGS has also correspondingly increased over the years. Starting from a modest amount of Rs.18.8 million in 1972-73, it really picked up with 1975-76 (Rs.511 million), had reached over Rs.1 billion by 1980, ranged between Rs.2.3 billion and Rs.2.9 billion during 1985-90, and crossed the Rs.3 billion mark in 1991-92. Estimated expenditure for 1992-93 was Rs.4.26 billion. Budget provision for 1993-94 is, however, proposed only at Rs.2.25 billion.

The magnitude of employment generated has, of course, not increased correspondingly on account of the rise in cost per person day of employment generated, both on account of rise in wages and other costs. In 1976-77, the average cost per person day of employment was estimated at Rs.3.74 with an average daily wage of Rs.2.81. During the 1980s, the cost was in the range of Rs.10-Rs.14, but shot up to around Rs.30 by 1988-89, due to the sharp upward revision of wages. Minimum wages were revised from a range of Rs.6 - Rs.10, to Rs.12 - Rs.20 in 1988. Employment generated varied between 109 to 163 million person days during 1975-79, was highest at 205 million in 1979-80, remained in the range of 130 to 190 million person days during 1980-1988 and has been lower between 80 million to 120 million during 1988-93.

The Employment Guarantee Scheme, it is generally agreed, has made a significant impact on the current employment and unemployment situation in rural Maharashtra. The daily status unemployment rate has sharply declined from 7.2 per cent in 1977-78 to 3.17 per cent in 1987-88. It has declined in the rural India as a whole but by a smaller extent from 7.7 to 5.25 per cent. According to a study, unemployment among agricultural workers could have been up by 3.59 per cent in 1981 in the absence of EGS [Acharya, 1990]. A rough estimate for 1991 suggests that without about 90 million person days of employment generated under EGS, unemployment in rural Maharashtra would have been around 254 million person days, and thus EGS reduced the magnitude of unemployment by 35 per cent and daily status unemployment rate by 1.69 per cent, from 4.82 per cent to 3.13 per cent, of labour force.

The programme also appears to have made significant impact on the incidence of current poverty. Incidence of poverty in rural Maharashtra declined from 60.4 per cent in 1977-78 to 36.7 per cent in 1987-88, against from 51.2 per cent to 33.4 per cent in entire rural India. Overall development and other programmes must have contributed to the reduction in poverty, but the composition of EGS participants suggests that a major part of the wage income generated under the programme should have gone to the poorer and disadvantaged groups. Of the labourers registered under EGS till 1984, 64 per cent belonged to the families with less than poverty line income. Forty five per cent of them were landless and 32 per cent belonged to the categories of marginal and small farmers. Over 40 per cent were women during 1979-87, and their proportion has increased of late [Sathe, 1991].
The data under the scheme are recorded and maintained in the form of monthly labour attendance and it is not possible to estimate either the number of workers having worked in EGS or the average number of days for which each worker got employment. Independent studies have yielded widely varying estimates of days of employment per EGS participant. An official evaluation in 1975-76 estimated it to be 25 days [GOI, Planning Commission, 1980], but another study by an independent organization in 1983-84 estimated it at 170 days [RDC, 1985]. A study for 1987-88 estimated it at 102 days for male and 104 days for female workers [Sathe, 1991]. At an average wage rate of Rs.6-7 during the year, the income from EGS per worker was thus around Rs.700 for males and Rs.625 for females. According to the study, for all households, contribution of EGS to family income was 7 per cent, but if only 54 per cent households which participated in EGS were considered, the contribution would be around 14 per cent of the family incomes. Some earlier studies had noted a higher contribution, ranging between 21 to 36 per cent of EGS to family income [Deshpande, 1988; Acharya and Panwalkar, 1988; Datar, 1987].

Thus though EGS by itself may not have enabled the participating households to cross the poverty line, it has raised income levels of the participating households to a significant extent. In any case, it is meant to be a programme of supplementary employment and income rather than the sole vocation of a family. In fact, it is noted in a study that even if EGS provided work for all 365 days to the workers of the participating households, those very much below the poverty line income will not be able to earn sufficient income to cross the poverty line [Acharya, 1988]. The equivalent to full year (say 300 days) work for two members in a household under EGS would have fetched a total income of about Rs.3,600 in 1987-88, when the poverty line income for rural households was estimated to be Rs.6,400 per annum. Thus, the programme should be assessed on the criterion of reducing the severity of poverty rather than the head count incidence of poverty, and on that score, it has contributed significantly as is indicated by a substantial supplementation made by it to the incomes of the poor households [Datt and Ravallion, 1991; Mahendra Dev, 1992].

The quality, durability and usefulness of assets created under EGS have been a matter of concern, as in any other programme of this kind. Inadequate planning of works has led to a large number of them remaining incomplete while new ones are initiated. Different studies have reported that majority of works were incomplete long after their scheduled completion date [GOM, 1982; Bagchi, 1984; Patkar and Acharya, 1986; Acharya, 1990]. Maintenance of assets has also been found to be poor. The assets created under EGS works have, however, been found useful particularly for agricultural development in the area; and a majority of the households participating in EGS reported rise in production by utilizing these assets. A recent study, in fact, concludes that the assets created under EGS has led to positive developments in agriculture as well as non-agricultural activities and, as a result, employment opportunities have increased in the mainstream and need for EGS employment has consequently declined [Sathe, 1991].

The decline in EGS employment since 1987-88, from a level of around 190 million person-days during 1985-86 and 1986-87 to an average of 83 million per year during 1988-89 to 1990-91 and about 120 million during 1991-93, has been a matter of debate. To a certain extent, this decline has been compensated by the introduction of JRY, under which an average of 80 million person-days of employment per year was generated in Maharashtra during 1989-90 and 1990-91, and thus the total employment generation under both the
programmes was maintained at the level of about 158 and 175 million persondays during these two years and at 177 million during 1991-92. This level is, however, still lower than total employment generated at around 230 to 250 million persondays per year under all the existing schemes, EGS, NREP and RLEG, during 1984-85 to 1986-87.

According to one view, supported by a World Bank study, the decline in EGS employment is a result of 'rationing' necessitated by a doubling of wage rates in 1988 [Ravallion, 1991]. It, therefore, suggests that an anti-poverty employment programme can provide assured employment to the poor with the limited budgetary resources, only if the wage rates to be paid under the programme are significantly low. On this basis, the World Bank study also advocates that wage payment must be kept well below the market level to ensure self-targeting and guarantee should be offered only in most poverished areas.

The question of wage rates to be paid under programmes like the Employment Guarantee Scheme has been widely commented upon and debated. It may be noted that the law courts in India have unequivocally ruled that wage paid under these programmes cannot be less than the statutorily fixed minimum wage. Besides the legal aspect, the very purpose of such programmes, that is the provision of safety net to the poor would require that a minimum subsistence income is guaranteed while guaranteeing work, and the minimum wage is, in principle, the guarantee only for such level of income. Being the subsistence minimum, it is only the needy and the poor which are likely to come forward for work at such a wage, thus ensuring self-targeting in the programmes. On the economic plane, it is argued that wages should be set low so that there is no diversion of labour from other more productive, for example, agricultural activities. EGS in Maharashtra, in principle, envisaged work under the scheme only when work was not available in agriculture and other productive activities. Wages paid under the programme, from time to time, have been at best equal to the minimum wages fixed for agricultural labourers. Initially, the rates of payment on EGS works, based on piece-rate were so designed that an average person would be able to earn an amount equal to the lowest minimum wages for agricultural labour. In fact, the average earnings per worker per day turned out to be somewhat lower than the minimum wages. After the courts' ruling, payment of minimum wages has been adhered to.

Attraction of 'better wages' were considered to be a major reason by EGS participants for opting for work under the scheme and average wages on EGS were 18 per cent higher than in other works according to an evaluation done during 1977-78 [GOI, Planning Commission, 1980]. But various studies undertaken subsequently have generally not found evidence to suggest any dislocation in agricultural work due to the diversion of labour to EGS. They have, however, conceded that the EGS has succeeded in keeping an upward pressure on rural wages. EGS effective wage rates have, in fact, come to be considered as the floor wage rate below which private farm wages cannot fall [Sundaram and Mishra, 1985; Kurulkar, 1989; Godbole, 1990].

The view that the decline in employment under EGS in recent years was a result of rationing due to rise in wages is rather suspect on the following grounds. First, the decline in total employment generated under different programmes has, in fact, not been as large as shown by EGS figures above; a large part of the decline has been offset by employment generated under JRY since 1989-90. Second, the wage rates were no doubt doubled in 1988, but EGS being an open ended scheme, larger provision would have been necessarily made
if there was demand for work. Such provision should, in fact, not have been constrained by lack of resources, as the EGS Fund, in fact, showed a positive balance of Rs.444.6 million at the end of 1988-89. Third, ‘rationing’ would imply failure to provide employment to some of those who asked for it and, therefore, liability to pay compensation (at the rate of Rs.2 per day as currently fixed). But no such liability is reported to have fallen on the government suggesting that all those asking for more work were provided work under EGS. Failure to provide work and refusal to pay compensation on a large scale would not have gone unnoticed with a large number of aspirants, observers and public interest groups closely observing the functioning of the scheme.

According to a recent study, based on a household survey, while 36 per cent of the workers never participated in the EGS, of the rest, 49 per cent had earlier worked in EGS but have now discontinued; 43 per cent have consistently participated in EGS over the years and 8 per cent were new entrants [Sathe, 1991]. As for withdrawing from EGS and moving to alternative wage employment, as reported by the respondents, consistency of employment and longer period of work in a year in non-EGS employment were found to be the reasons in the case of majority of workers. It is, therefore, inferred by the study, that the demand for EGS work has declined as larger and more regular employment opportunities have been created in rural areas of Maharashtra as a result of general developmental work as well as assets created under EGS. The State Government of Maharashtra also has similar assessment of the situation [Mahendra Dev, 1992].

It is, however, observed that participation in EGS work has become less convenient for workers over the years due to the saturation of works within the village or block and consequently availability of work only at somewhat distant locations, though within the district. This factor may have also led to a decline in demand for employment under EGS. With the introduction of new elements of horticulture and well construction on private lands in 1990 and 1991 and thus availability of work within or in the vicinity of the village, the declining trend in employment under EGS seems to have been arrested: an average of 115 million person days of employment were created during 1991-92 and 1992-93, as compared to an average of 78 million during the previous two years. Though the use of public works programme for development of land and provision of irrigation for private farmers, even of the relatively large landholders could be questioned on the principle of equity, it does seem that inclusion of these elements have increased employment under EGS by making the location of works more favourable to the workers.

(iii) Urban employment and anti-poverty programmes

Special programmes for employment generation and poverty alleviation in India have mostly concentrated in rural areas, for, the major part of the poverty problem lies in rural areas. Incidence of poverty has always been significantly lower in urban than in rural areas: for example, for 1987-88, the incidence for urban areas is estimated to be 20.1 per cent as compared to 33.4 per cent for rural areas. In absolute terms, 82.5 per cent of the poor live in rural areas. Also, it was believed, at least initially when direct attack on poverty was conceived necessary in view of the failure of ‘trickle down’ hypothesis that the urban poverty is mostly a spill over of rural poverty through the migration of the rural poor to urban areas.
Over the years, it has been realized that poverty in urban areas is as persistent as in rural areas even though its magnitude is smaller. Therefore, it was decided to initiate some anti-poverty programmes in urban areas as well. The first initiative in this direction was taken in 1986 with the introduction of the Self-Employment Programme for Urban Poor (SEPUP). It provided assistance to the urban households living below the poverty line for starting self-employment ventures on the basis of a bank loan up to Rs.5,000 of which 25 per cent was to be a government subsidy. The loans were to carry a concessional rate of interest and were repayable in 33 monthly instalments after a grace period of three months. During four years 1986-90, a total number of about 900,000 persons were assisted under the programme, with a total capital subsidy of Rs.1.2 billion from the government and Rs.3.7 billion of bank loans. The programme was scaled down substantially during 1990-91 when a budgetary provision of Rs.176.5 million only was made as compared to Rs.400 million in the two earlier years. In 1991-92, the provision was further reduced to Rs.142.5 million, and no amount was, in fact, released for the subsidy payment. After that payments only for areas of subsidy have been made. The main reason for scaling down the programme was relative lack of interest on the part of the banks through which it was implemented.

(a) Nehru Rozgar Yojana (NRY)

A somewhat more substantial initiative in urban employment programmes was taken in 1989 with the introduction of the Nehru Employment Scheme (Nehru Rozgar Yojana - NRY). The scheme aims at providing employment to the urban unemployed and under-employed poor, through wage work and self-employment as well as upgradation of housing of the poor. The earlier scheme (SEPUP) has been merged into NRY, with effect from 1992-93. The Nehru Rozgar Yojana (NRY) consists of the following three schemes:

(i) Scheme of Urban Micro-Enterprises (SUME)

Under this scheme, the unemployed and under-employed persons belonging to poor families are encouraged to set up small enterprises in servicing, petty business and manufacturing. The assistance is given on a bank loan-cum-subsidy basis. Twenty five per cent of the project cost subject to a ceiling of Rs.4,000 (Rs.5,000 for SC/ST and women) is provided as subsidy by the government and the rest is to be the bank loan. Provision for training also exists for the beneficiary entrepreneurs with a permissible expenditure of upto Rs.1,200 per trainee. Beneficiaries are identified by municipal bodies. The scheme is applicable in all urban settlements.

(ii) Scheme of Urban Wage Employment (SUWE)

Under this scheme, wage employment is sought to be provided to the unemployed and under-employed persons from poor families in public works in the urban settlement with less than 100,000 population. The works to be undertaken are to be decided by urban local bodies and could be in the nature of construction of public utilities.

(iii) Scheme of Employment through Housing and Shelter Upgradation (SHASU)

This scheme aims at improving the shelters of the urban poor through repair, construction and additions to their existing housing units. The assistance consists of
government subsidy of 25 per cent of the cost subject to a ceiling of Rs.1,000 and loan from the Housing and Urban Development Corporation (HUDCO), at a concessional rate of interest and with a repayment period of 10 years. Provision of training in building and construction trades has also been made a part of the scheme. The scheme is applicable in urban settlements with a population of 100,000 to 2 million.

The expenditure on subsidy under SUME is equally shared by the Central and State Governments. Sharing of expenditure between the Central and State Governments under SUWE as well as that of expenditure on subsidy under SHASU is in the ratio of 80:20. A total provision of Rs. 1.2 billion in 1990-91 and Rs. 1.13 billion in 1991-92 were made in the Central budget for all the schemes together. The Eighth Plan outlay in the Central Sector for all schemes of NRY is Rs.2.27 billion. During the first three years of its operation, from 1989-90 to 1991-92, the government expenditure on NRY was distributed among the three schemes as follows: SUME 40 per cent, SUWE 44 per cent and SHASU 16 per cent. The 1992-93 outlays were allocated to the three schemes in the ratio of 33, 42 and 20 per cent, about 5 per cent being provided for assistance to municipal bodies for strengthening infrastructure and administrative capabilities to implement the programmes.

There has been no evaluation or assessment of the programme which has been in operation effectively for about three years now. The administrative returns received under the programme show that during the period 1989-92, 341,000 enterprises were assisted to start under SUME, which was about 67 per cent of the targets fixed. Under SUWE, 24.89 million persondays of employment were generated falling short of the target by only 4 per cent. And about 119,000 dwellings were upgraded under SHASU against the target of 745,000, thus showing an achievement of only 16 per cent. About 4.7 million persondays of employment was generated under this part of the programme.

It may be noted that even if the envisaged targets were fulfilled and the programme were effectively implemented, the coverage of the programme would still be too meagre in relation to the magnitude of the problem in urban areas. NRY is found to have generated about 114,000 self-employment and 30 million persondays of wage employment opportunities per year during the first three years of its operation. In view of a declining trend in total budgetary provision, the numbers are likely to be much less in the current and coming years. As against an average outlay of Rs. 1.21 billion per year in the Central budget during 1989-92, the Plan outlay for 1992-97 imply an average of only Rs. 454 million per year.

The total wage employment generation in terms of persondays under NRY accounted for only about two per cent of the estimated 1492 million persondays of unemployment in urban areas in 1990. It may, however, be noted that all urban unemployment cannot be sought to be tackled on the basis of wage employment in public works. A large part of the urban unemployed are educated and openly unemployed and looking for full time regular work. The need and scope for wage employment programmes like the rural JRY is limited in urban areas, but self-employment offers substantial scope in urban settlements, particularly in the informal sector. The SUME scheme under NRY seems to be a very limited attempt in this regard in relation to the total potential.
V. ADEQUACY OF EXISTING PROGRAMMES IN THE CONTEXT OF STRUCTURAL ADJUSTMENT AND SUGGESTED MEASURES

It was generally recognised by the government, international financial institutions and independent scholars that the structural adjustment programme introduced in 1991 may have an adverse effect on the poverty and employment situation, particularly during the initial years when stabilization measures were to be strictly followed. On employment, the Planning Commission estimated the additional employment opportunities generated during 1991-92 at 3 million against an average of about 6 million during the earlier six years. Thus, estimating the backlog of unemployment in 1992 at 17 million, as against 14 million in 1991, the Eighth Plan document further admitted that "the ongoing structural reforms may entail a slow down in the growth rate of GDP and, therefore, of employment during the initial one or two years of the Eighth Plan" (GOI, Planning Commission, 1992, p. 127). That adjustment involves social cost, the burden of which may particularly fall on the poor was recognised, and the need for evolving an appropriate safety net to minimize hardship to the poor was emphasized in various other official policy documents and statements. In his Budget Speech for 1992-93, the Finance Minister stated that "we cannot postpone structural reform and adjustment, but we must ensure that the burden of adjustment on the poorer and weaker sections is ameliorated to the maximum possible extent" (GOI, Ministry of Finance, 1992). The Economic Survey of the year accompanying the Budget expressed commitment of the government to expand the scope and coverage of direct poverty reduction programmes to extend the safety net to the weak and the poor (GOI, Ministry of Finance, Economic Survey, 1992-93, p.26).

The World Bank devoted a full chapter on Economic Reform and India's poor in its Country Economic Memorandum for The Aid India Consortium Meeting of 1992. After reviewing the development policies and programmes for poverty alleviation and their efficacy in poverty alleviation over the years and in protecting the poor since the introduction of reforms programme, it recognised the necessity of additional action. It suggested action particularly on three fronts: one, improvement in the cost-effectiveness of poverty alleviation programmes, particularly of JRY and Public Distribution System (PDS); two, expansion of such programmes, particularly those with self-targeting features, such as JRY; and three, mechanism to ensure the access of the poor to primary health and education (World Bank, 1992, pp. 87-89).

Several independent scholars expressed apprehensions about the deterioration in the conditions of the poor during structural adjustment. Only a few, however, seriously attempted to assess the nature and extent of the impact of reforms on poverty and unemployment. Expansion of PDS with better targeting and introduction of a Rural Works Programme on the lines of EGS of Maharashtra were among the major steps earlier suggested by some studies to provide the safety net to the poor in the context of structural adjustment programme (Mahendra Dev, Parikh and Suryanaranana, 1991). A study made in 1991 (Mundle, 1992) assessed the impact of stabilization measures on open unemployment, and visible underemployment and on that basis concluded that the adverse effect would mostly be on communities already marginalized and there would be a substantial increase in the incidence of poverty of the working population. The study advocated an expanded relief employment programme as a safety net for the unemployed and
underemployed at an estimated cost of Rs.40 billion per year in addition to the expenditure already being incurred on existing employment programmes.

The existence of large scale employment and anti-poverty programmes was generally regarded a point of advantage in dealing with the possible adverse effect of stabilization and structural adjustment on the poor. The World Bank's Country Economic Memorandum of 1992, for example, observed that India is better equipped than many other developing countries to ensure that the adjustment process is carried out without serious adverse effect on the poor, as it has well equipped poverty alleviation programmes and a variety of other social programmes. Therefore, the approach to the provision of safety net has been primarily in terms of expanding these programmes with some modifications to improve their effectiveness. Thus, the outlays of JRY have been substantially raised to increase the extent of employment that can be provided to the rural poor. A programme of assured employment for at least 100 days in a year to poor rural households has also been introduced in 1993, in selected areas of high incidence of poverty and unemployment. PDS coverage has also been expanded particularly in rural areas. And budgetary allocations for social sectors like primary education and health have been substantially raised, particularly in the year 1993-94.

The approach of the Indian Government to provide a safety net to the poor against the possible adverse effects of structural adjustment programme has generally been that of treating it as an integral part of the overall poverty alleviation strategy. Poverty, in any case, is a widespread phenomenon, and the objective of minimizing the hardships of the poor during the period of structural adjustment would best be met by ensuring that the overall strategy and programmes for poverty alleviation are suitably revamped and expanded. Given the vast magnitude of poverty, unemployment and underemployment, it would not be feasible to try to remove them on the basis of direct government expenditure. Such expenditure is being enhanced to the extent that resources permit and the coverage of existing programmes is being substantially expanded, particularly in the rural areas. But the extent to which poverty could generally be alleviated and adverse effects of structural adjustment on the poor could be mitigated would primarily depend on the pace at which the generation of productive employment opportunities is accelerated. And that, in turn, would depend on how quickly the economy can attain a high and sustainable growth rate. With the containment of inflation at a level of around 5 to 6 per cent, and with some expansion of the sizeable anti-poverty and special employment programmes already in place, a rate of economic growth at around 6 to 7 per cent, if achieved, would not only be able to mitigate the short-term effects of adjustment on the poor, but will also make a substantial dent on the problem of poverty on a sustainable basis.

National Renewal Fund (NRF)

With a view to dealing with the redundancies that may arise in the restructuring of industrial enterprises, however, a new initiative, in the form of a National Renewal Fund, has been taken. Such redundancies have occurred in the past also particularly in old industries like cotton textiles in which the organized sector employment declined by 250,000 workers during the period 1977-78 to 1987-88. It is difficult to estimate the number of workers who may be affected adversely in the restructuring of public and private enterprises over the years. According to an estimate, the 58 Central public enterprises and over 1,000 private enterprises in the medium and large size groups, assessed as chronically sick by
financial institutions, if closed, will involve redundancy of about one million workers. Studies to trace the post-redundancy status of retrenched workers as well as those eliciting the views of 'endangered' workers in enterprises likely to be closed, suggest that self-employment in small ventures in processing, repair and services would provide the major mode of rehabilitation of the redundant workers [Patel, 1990; Singh, 1988]. While the terminal benefits they would get can serve as base on which they can start, it would need to be supplemented by certain amount of public assistance, training and guidance and loans from banks. Recognizing that economic reforms would entail restructuring of enterprises, resulting in redundancies, Government of India constituted a National Renewal Fund (NRF) in the annual budget for 1992-93 with the objective of ensuring that "the cost of technical change and modernization of the productive apparatus does not devolve on workers. This Fund will provide a social safety net which will protect the workers from the adverse consequences of technological transformation. .... The Fund will not merely provide ameliorative measures for the workers affected in the course of technical change but more importantly provide retraining to them, so that they are in a position to remain active productive partners in the process of modernization." The process of operationalizing the NRF is still not complete. The concept paper prepared for this purpose, identified three types of situations in which the Fund could be of assistance. One, where the enterprise, though in no need of restructuring at present, can foresee such a need, could be provided with necessary funds for restructuring by building a corpus of fund over time to which industry also contributes. Two, enterprises, intrinsically viable, but in need of immediate technological upgradation and consequent restructuring, can avail of assistance from NRF for restructuring of labour, to be repaid in the future. And three, sick enterprises fit for closure or major restructuring for revival, involving labour redundancies in either case could avail of assistance from NRF for meeting the obligation to labour, without possibility of repayment. Accordingly, it was proposed that NRF will have three parts to deal with the above three different types of requirements. In operational form, the concept paper proposed that the NRF will be constituted in three parts:

(a) An Employment Generation Fund (EGF) to provide resources for approved employment schemes, to regenerate employment opportunities for employees affected by industrial restructuring in the unorganized sector.

(b) The National Renewal Fund (NRF) to deal with the immediate requirements of labour in sick units arising from revival or closure of such units.

(c) An Insurance Fund for Employees (IFE) to deal with the future changes in employment structure in the context of changes in technology and modernization.

NRF, according to the concept paper would provide assistance specifically for retraining, redeployment and counselling and placement services for the workers rendered surplus, for payment of compensation to such workers, for interest subsidies to enable financial institutions to provide soft loans for funding requirements of labour arising out of restructuring of weak units, and for approved programmes for employment generation.

The National Renewal Fund has not yet taken the final shape as envisaged in the concept paper. But a provision of Rs.2 billion by way of transfer to the NRF was made in the annual budget for 1992-93, which was subsequently revised upwards to about Rs.8.30
billion. According to the note on the budget item "the Fund has been established to provide assistance to cover the cost of retraining and redeployment of labour arising as a result of modernization and technology upgradation and also to provide a social safety net to workers affected by industrial restructuring." The resources for the funds have been augmented by setting aside a part of the proceeds of the sale of equity of public enterprises and a Rs.5 billion allocation from IDA, which is also available for 1993-94. A provision of Rs.7 billion has been made in the budget for 1993-94 and the purpose of the fund has been further clarified in following terms: "The fund will be used for assisting employees affected by technology upgradation, modernization, restructuring and revival of industrial undertakings and for compensation payments to the employees affected by rationalization in industrial undertakings. These payments, inter-alia, include payments under Voluntary Retirement Scheme."

Terms like closures, retrenchment, and redundancies have been carefully avoided in the official documents in view of the resentment of the trade unions. The trade unions are opposed to the concept of NRF, as according to them, the establishment of NRF presumed large scale redundancies in the process of industrial restructuring which will not be acceptable to them. From the government, there have been public pronouncements to the effect that closures and retrenchments will be resorted to only after all efforts to revive the sick public units and rationalization without redundancies have been exhausted; and the NRF provides a suitable mechanism to protect the interests of labour in such an inevitability, by providing them adequate compensation and retrain and help them resettle.

For the present, the NRF is being primarily utilized to assist the sick central public enterprises to reduce their workforce through Voluntary Retirement Schemes (VRS). A sum of Rs. 6.50 billion was spent for the payment of compensation to about 63,000 workers of sick central public sector undertakings who availed of VRS, during 1992-93. The VRS for Central Government undertakings envisages payment of an amount equivalent to 45 days (as against 15 days stipulated in the Industrial Disputes Act) salary for every year of completed service, to every worker who opts to retire. The requirements of all the Central Government sick enterprises for this purposes at present may themselves be in excess of the resources available with NRF. Therefore, the fund is likely to be used mainly for this purpose. But it is necessary that the Fund is augmented to operationalize the other parts of the scheme proposed in the concept paper. The insurance fund proposed in the scheme to which the industrial enterprises are also expected to contribute deserves serious consideration in view of the fact that restructuring and consequent labour adjustments are not a one-shot affair, but are likely to be a continuing phenomenon, as modernization and technological changes would be required continuously over the years in the interest of competitive efficiency of industrial production. Similarly, the schemes for retraining and redeployment are needed to be expeditiously operationalized, with the active involvement and participation of industry so as to see that the relevant type of training is imparted and re-employment is ensured. It may, however, be recognised that the NRF even with adequate resources and after full operationalization in all the parts conceived, would be able to cater to the requirements mainly of the workers directly affected in the process of restructuring in terms of payment of separation benefits and assistance in rehabilitation and its benefits may not extend to poor in general or those indirectly affected by structural adjustment.
Suggested Measures

A large number of special programmes for generating self employment and supplementary wage employment aimed at providing safety net to the poor as well as raising their income generating capacity, were already in place, when the programmes of stabilization and structural adjustments were initiated in India during 1990-91. In view of the facts that control over inflation has been relatively effective and the economy is expected to achieve a quick turn around in terms of growth rate, the adverse effect of the programme may not be very large and the addition to the numbers of the poor may be, if at all, marginal. There may, therefore, be no need to start new programmes for the 'new poor'; an expansion of the existing programmes to a certain extent may, however, be necessary. And so far as those directly affected in industrial restructuring by losing jobs are concerned, a full scale operationalization of the National Renewal Fund with larger resources is certainly needed.

Certain changes in coverage and direction in the existing programmes, however, seem necessary both for the short term purpose of providing an effective safety net to the poor in the period of adjustment as well as for making them more effective in poverty alleviation in the long run. First, the programmes for the urban poor are highly inadequate. Since a programme of wage employment has little relevance in urban areas, the only worthwhile programme for the urban poor at present is the Scheme of Macro Enterprises (SUME) under the Nehru Rozgar Yojana (NRY) programme. As seen earlier, it is rather limited in size and coverage. Of about 1600 million persondays of unemployment in urban areas, about one-third or 530 million would be of the persons willing to offer themselves for casual wage employment. An expansion of the programmes of infrastructure development in urban areas of various sizes would be the most suitable and useful way to provide such employment. But a substantially large proportion of urban unemployed would have to find regular employment on a wage/salary or self-employment basis. Given the slow growth of employment in the organized sector, which is likely to continue during the period of structural adjustment, self-employment would provide the major avenue of work. The programmes of self-employment, therefore, need to be expanded, and the necessary environment and support structure would need to be created for the promotion of self-employment, particularly in the urban informal sector.

In the rural areas, the employment and anti-poverty programmes are proposed to be substantially expanded with considerably enhanced outlays in the Eighth Plan. As against an expenditure of about Rs. 110 billion during the Seventh Plan, the outlay for rural development in the Eighth Plan has been raised to Rs. 300 billion. For the year 1993-94, the Central and State Governments together will be spending Rs. 61.88 billion on rural development of which Rs. 39 billion would be only for the rural employment programme, Jawahar Rozgar Yojana (JRY). A target of generating 1100 million persondays of employment has been fixed, which will account for about 30 per cent of the total persondays of unemployment in rural areas. It must, however, be noted that only about 60 per cent of the unemployed persondays would be offered for JRY work as the educated and better off unemployed would not opt for it. On that basis, JRY would meet about 46 per cent of the employment requirements of the poor. If all the poor households in rural areas participated in the programme, an average of 27 days of employment per household would be available.
and at an average wage rate of about Rs. 20 a day, their annual household income would be supplemented by Rs. 540 on an average.

It is proposed that from 1993-94, a certain degree of selectivity will be applied in the implementation of JRY. A part of the outlays i.e Rs. 9 million would be allocated to some 120 districts (out of 500 districts in the country) which are identified on the basis of certain indicators of backwardness. It is expected that about 80 to 100 days of supplementary employment on an average would be available to poor households in these districts where the JRY would be better dovetailed with the overall development plans for building productive infrastructure as well.

The Jawahar Rozgar Yojana (JRY), along with the Integrated Rural Development Programme with an outlay of about Rs. 1.2 billion for subsidy and other expenditure for providing assistance to a target number of 2.6 million poor households, may be able to make a significant impact on at least the transient poverty problem in the rural areas. These programmes should be able to offset adverse effects of structural adjustment to a large extent and should also lead to an improvement in the income generating capacities of the rural poor. The efforts towards providing safety net to the poor as well as enabling them to combat poverty on a sustainable basis have, however, been, as indicated earlier, quite inadequate in urban areas. There is, therefore, an urgent need to focus attention on urban poverty and devise suitable strategies and programmes of safety net and poverty alleviation for the urban poor. For this purpose, appropriate policy environment and support programmes for the promotion of self-employment in the informal sector and micro-enterprises is required to be developed. Such programmes could also be linked up with the National Renewal Fund which itself needs to be made fully operational expeditiously by starting the programmes of retraining and support for employment generation schemes.
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