

**Research Summary #12 - The Politics and Bureaucrats of Rural Public Works:
Maharashtra's Employment Guarantee Scheme**
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This paper forms part of a five year research programme under the Centre for the Future State, based at the Institute of Development Studies. Below is a summary of principal findings. Further details are available at www.ids.ac.uk/gdr/cfs/index.html

Introduction

The Employment Guarantee Scheme (EGS) is a huge, long-standing and ambitious public works programme, which has been running in the state of Maharashtra in India for some thirty years. This book chapter traces the scheme's history in order to draw lessons for policymakers – especially relevant in view of a recent decision by the Government of India to introduce a national public works programme which incorporates a guarantee of employment.

Special Features of the EGS

The EGS is not so much a project as a major component of a state welfare scheme. At its peak in the 1980s it accounted for a fifth of the state's capital expenditure. There are special design features that distinguish it from other public works programmes, and have contributed to its relative success and durability. It is a mandatory scheme, with assured financing (from a hypothecated tax). It offers a formal guarantee of work to any group of fifty destitute people who organise to demand it, within their own locality, and within a given period of time. There are thus clear channels and incentives for poor people to mobilise, and this encouraged political parties and activists to get involved in supporting them. To address the significant logistical and institutional challenges involved in meeting unpredictable demands for employment in drought-prone areas, operational responsibility for the EGS is divided between territorial authorities (at district and tehsil level), and technical departments, which are obliged to maintain a reserve of projects that can be operationalised at short notice. There are special state level arrangements for the oversight of EGS funds.

Political Commitment to the EGS

The scheme was initiated by political activists, and coincided with a devastating drought in 1972-74, which generated widespread public sympathy. The EGS served the electoral interests of the dominant Maratha political elite, whose supporters in the low rainfall areas of Western Maharashtra stood to benefit. The scheme was carefully negotiated with large landowners to ensure that they did not see it as undermining their ability to attract agricultural labour. Support also came from urban taxpayers in Mumbai, concerned about the threat of agrarian revolution, and from leftist political activists and trade unions.

Political Decline of the EGS

Over time, political and bureaucratic support for the scheme declined – in part because the legal guarantee of funding meant there was little need to mobilise (e.g. to defend it in annual budget negotiations); in part because shared administrative responsibilities led to a low a sense of ownership

among bureaucrats. Other long term changes, including reduced demand for EGS employment, and changes in the scheme itself (for instance a shift from large irrigation projects to smaller schemes managed by less influential agencies) contributed to a decline in support. There was a shift in electoral politics, from the rural based Maratha elite to the urban based Shiv Sena, which reduced political interest in a scheme aimed at the rural poor. But in addition to these longer term trends, there was also a sudden, sustained decline in funding of the EGS from 1987/88, due to a government policy of covertly restricting demand by administrative means. This reflected concern about the rapid growth in expenditure on the EGS in the late 1980s (fuelled by a doubling of the minimum wage to which the EGS rate was linked), and worry about the size of the fiscal deficit. There was also concern about the large number of incomplete projects, which was used as an excuse not to open new work sites. Finally the state government was able to access Government of India money for public works schemes. Reductions in EGS funding in turn changed behaviour, making bureaucrats, activists and poor people themselves less willing to invest in making the scheme work.

Political Lessons from the Maharashtra EGS

Careful design of the scheme and its mandatory provisions were not sufficient to prevent its decline when political conditions changed. Nevertheless, unlike other public works schemes not embedded in law, it has survived, and has continued to meet the need for employment when the rains fail. Seven key political lessons are highlighted for policymakers. Firstly, an ambitious programme such as the EGS, which seeks to create useful rural infrastructure while meeting employment needs, would have got mired in corruption without the mobilisation of potential jobseekers and their supporters. Secondly, the design and implementation of public programmes can play a key role in generating political organisation and mobilisation of major stakeholders. Key features of the EGS which encouraged this were the legal right to work, and dedicated, generous budgeting arrangements. Thirdly, changes in the behaviour of government can have a strong impact on incentives for political mobilisation – the rights-based incentives for the poor to mobilise can be undermined by a centralised public bureaucracy. Fourthly, political ‘ownership’ matters. In the case of the EGS the support of powerful landed employers was critical. Fifthly, the way development programmes are funded and managed affects how various stakeholders experience and report them: bureaucrats responsible for the EGS were uncomfortable with many of the administrative arrangements. Sixthly, the value of different public works schemes depends partly on the physical and economic environment. The EGS model works well only in some parts of rural India. Finally, it is difficult to design and implement a public works programme that is both (i) sufficiently independent of the annual budgetary process to meet variable and unpredictable local employment needs, and (ii) subject to financial controls adequate to ensure that money is well used. For all its merits, the EGS has not been able to achieve such a balance. The absence of tight public expenditure controls helped make the case for covert suppression of the scheme in the late 1990s.