

Good Intentions vs Sensible Action

Few public policy debates have been as ferocious and polarizing as the one on the National Rural Employment Guarantee Bill (NREGB), the revised version of which was introduced in Parliament last week.

Perpetual hunger and starvation, mass poverty, drudgery, preventable sickness and the sheer helplessness that comes out of illiteracy in modern world are blots on our civilization and economy. While rapid economic growth is both necessary and welcome, islands of prosperity and wealth creation in the midst of drudgery and deprivation are both morally reprehensible and economically and socially unsustainable. Therefore rapid growth cannot be the sole answer to the challenge of poverty. Massive state interventions to combat poverty are vital.

The debate on NREGB should therefore focus on not whether huge outlays and interventions are required to combat poverty, but on the best ways of reducing the burden of poverty. The supporters of the Bill have argued that employment guarantee is the most direct and effective assault on poverty. As the programme envisages manual labour, the employment seekers are self-selecting and poor. As 90% funds come from the Union, work can be provided to all those who seek it. The wages earned over a hundred days at Rs 60 a day will at least provide basic sustenance during periods of seasonal unemployment. With panchayats actively involved, there will be community accountability. If we assume 40 million rural households below poverty line, and 40% non-wage component of rural works under the programme (costing Rs 100 for every day's work created), the total cost of the guarantee for the whole country would be about Rs 40,000 crore per annum. The proponents argue that while this is a large sum, it still is only about 1.3 percent of our GDP (at current prices, 2004-05), and is worth investing to reduce poverty.

The skeptics argue that in a country with Union government tax revenues in the range of 10% of GDP, additional expenditure to a tune of 1.3% is a lot, and we should make sure that the money is well-spent. In this day and age, earth work, removing boulders and filling pits cannot constitute gainful employment. The real causes of poverty lie in inadequate skills denying opportunities to participate in wealth creation in a modern economy, and poor health access and the crushing burden of costs of illhealth. When resources are limited, we must get the best value for every rupee spent. A lot more investment in education and health care is needed to really help eradicate poverty. If the bulk of the resources go towards employment guarantee in the form of drudgerous work, it may actually divert scarce resources from the truly empowering sectors which give people the tools to combat poverty. And of course, there is real danger of bulk of the funds being misappropriated by the 'rent-seekers' in the name of the poor.

Both sides have strong arguments to support their case. But if we have to have a reasoned public debate and a productive outcome, then the intentions of both sides should be respected. We must stick to facts and logic, instead of arousing emotions and anger. And now that the Bill in the current form will certainly be the law soon, we should focus on creative and meaningful responses to promote maximum public good. Who knows, the employment guarantee may well have positive unanticipated consequences, if genuinely implemented without leakages. Witness the dramatic impact of mid-day meal programme on female literacy, population stabilization, skills and investment in Tamil Nadu, and the positive fallout of subsidized rice on public awareness, fertility rates, and poverty reduction in Andhra Pradesh. These outcomes were possible because both schemes were well-implemented, and the parties in power regarded them as their political life-lines.

If the employment guarantee law is here to stay, what can be done to maximize its gains and accelerate economic growth at the same time? First, the programme must substantially be dovetailed with soil-conservation, watershed development, and drought proofing. Rural poverty, degraded soils, drought, and low productivity go together. All other beneficiary-oriented rural development schemes should be scrapped, and the employment guarantee works must be almost wholly land-based. We can review the impact of the programme on land productivity and poverty after five years, and then chalk out a fresh course of action.

The fiscal challenge the programme poses is real, and cannot be wished away. The last few years have witnessed low inflation and moderately high growth rates. With the rising burden of global oil prices, if retail price is not enhanced, the oil companies will lose about Rs. 40,000 crore. This, coupled with employment guarantee allocations will seriously undermine our fiscal health, fueling inflation. If fuel prices are raised, it will add to inflationary pressures hurting the poor disproportionately. Fiscal prudence and low inflation must be recognized as important anti-poverty and pro-poor measures. Therefore everything possible should be done to eliminate unnecessary or unviable subsidies. The Rs.16,000 crore fertilizer subsidy, and an even larger (and increasing) kerosene and LPG subsidy are prime candidates. We cannot have our cake and eat it too. Belt-tightening is absolutely necessary.

Finally, real reduction of poverty in the long-term will be possible only by providing good quality school education (not merely enrolment and retention in under-staffed schools), improving skills to enable productive participation in wealth creation, and creating a decent, accessible, accountable health care system which eliminates most avoidable suffering and removes the crushing burden of costs of sickness. Employment guarantee is merely a palliative. Real cure lies in skills, productivity and good health. Any deviation of focus from these critical areas will cause immeasurable harm to the poor, and to the economy.

We must remember that good intentions are no substitute to sensible action. The challenge lies in maintaining the required balance in our policies and their execution. India has had too many panaceas which would eradicate poverty and remove unemployment. We would do well to recognize that there is no single silver bullet to combat poverty. We need to evolve a package of practices and policies to enhance productivity and skills, reduce disease burden, and improve economic opportunities. The current euphoria and cynicism – both are unwarranted. Healthy skepticism, a multi-pronged strategy to help the poor help themselves, a capacity to rise above dogmas, and the ability to apply the mid-course corrections based on evidence and logic are all vital in the next few years.

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