

## **IDF Roundtable on the Employment Guarantee Act: Dec 11, 2004 Summary of Discussion**

### There was broad agreement on:

- The objective of the EGA is to mitigate the risks of chronic unemployment, as well as the regularly occurring seasonal unemployment among a large section of the rural population. If the objective is achieved, it will not only help in alleviating poverty but also prevent the incidence of transient poverty.
- Its fundamental principle is that of self-selection.

### Important concerns:

- The cost calculations are based on ideal situations. In particular, if the programme guarantees minimum wages, how is the self-selection going to work? If the self-selection does not work, then the current cost estimates are gross under-estimates.
- Most importantly, can we extrapolate from the experiences of Maharashtra, one of the better administered Indian states?
- Requiring the work to be one of asset creation is an unnecessary complication. Why not allow provision of public services like keeping the neighbourhood clean, helping the physically challenged, senior citizens, children, etc., which are “public” services, in addition to asset creation.
- If it is a poverty alleviation programme, what happens to the existing programmes? Viewed as an unemployment insurance mechanism, the EGA should replace most, if not all, the existing programmes.
- Simple calculations suggest that the project/programme officer will have to manage 650,000 persondays and provide work at 15 days’ notice! Greater work needs to be done regarding the implementation plan.

### Proposals for improvement:

- For the self-selection mechanism to work, the wage rate will have to be less than the statutory minimum wage in the state. That has been the principal determinant of the success of the Maharashtra programme.
- Make it an enabling regulation. Let the panchayats decide what sort of work to carry out under this programme, e.g., asset creation, provision of community services, developing skills, etc.
- Take a closer look at the Maharashtra EGA. It does not contain any limit on the number of days, nor does it have any restrictions on which households and how many members from a household can apply. In addition, the money for this programme is earmarked and the amount unspent in any year is rolled into the next year. Most importantly, it does not guarantee the state minimum wage.
- Do a serious cost calculation along with the provisions of the proposed Act. Currently, the cost estimates have no relation to the assumptions being made on how the Act will be enforced.
- Do serious thinking on how to build sustainability into employment generation programs. Will the large sums of money on these programs need to be spent year after year to generate employment or will there be a plan such that after 3-5 years these spends can be lowered or no longer be required?
- The success of the programme requires simplicity, transparency and local participation in the design of its implementation.
- We should estimate the true administrative costs --- e.g., there are no estimates of the cost necessary to create the office of a full time programme officer in every district that the Act needs.
- The Act must have an inbuilt monitoring mechanism, including periodic reviews, after every three years.