Human capital scheme in Maharashtra (India)

Abstract
Object: The main objective of this paper is to try and ascertain how far the implementation of EGS in Maharashtra state has been effective as an instrument to reduce poverty.

Methods: The method focuses on just two «theories of change» due to a shortage of space, namely, income maintenance and addressing exclusion as underpinning anti-poverty transfer. Trends in poverty and the drawbacks of the project will also be examined via literature review of articles and reports.

Findings: The «win-win» approach of the government has created employment opportunities for poor people, improving the rural infrastructure and involving vulnerable groups within society in the project. This represents a successful example of an anti-poverty programme, as adopted in different developing countries of Asia and Africa, to reduce the high levels of chronic poverty. However, such a scheme operating in isolation cannot rapidly alleviate poverty.

Conclusions: EGS reduces poverty, reflecting on the experience of the scheme’s implementation in Maharashtra state. In order to successfully combat chronic poverty in developing countries’ government institutes need to establish strong, comprehensive and effective strategies to benefit anti-poverty transfer programmes. Maharashtra state has excelled in this respect. Targeted cash transfers in the form of public works have greatly reduced poverty in rural districts of the state.

Keywords: human capital, policy strategy, poverty, anti-poverty programmes, sustainability, policy, Employment Guarantee Scheme.

Introduction
In many developing countries, the introduction of rural works programmes has long been considered a powerful policy strategy for combating chronic poverty and famine. India is one such country. The extent and diversity of poverty in India have resulted in the testing of a range of anti-poverty programmes there. One of the most successful and best-known anti-poverty programmes is the Employment Guarantee Scheme (EGS), which was trialled in Maharashtra State in India. This project is characterised by high efficiency and sustainability and evolved from what was initially a modest drought relief programme in a single state to the foundation of Mahatma Ghandi National Rural Employment Guarantee Scheme, which covers all India. The main objective of this paper is to try and ascertain how far the implementation of EGS in Maharashtra state has been effective as an instrument to reduce poverty. It presents an overview and detailed profile of the scheme, identifying the principal features of poverty in this state. The following two sections focus on just two «theories of change» due to a shortage of space, namely, income maintenance and addressing exclusion as underpinning anti-poverty transfer. Trends in poverty and the drawbacks of the project will also be examined. The final part of the paper offers some concluding remarks and recommendations.

Literature Review
Origin and design of EGS
The planning Commission (2006) calculated that approximately 28 percent of the entire population of India, which is 302 million people in total, is living below the poverty line. Despite the rapid economic growth in recent years, poverty reduction is slower than predicted. Chronic poverty is the scourge of Indian society, wherein the chronically poor remain below the poverty line their whole lives, transmitting the same fate to the next generation (Hulme et al., 2001).

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Maharashtra is the third largest state in India in terms of geographical area and population, with a huge per capita output (the second highest in India). Nevertheless, relative economic development throughout the state masks the high level of chronic poverty among its rural inhabitants (Dev, 1995). Evidently, in a state where more than half the population is reliant on agrarian employment, living conditions are directly dependent on the performance of the agriculture sector. Unfortunately, this region is vulnerable to repeated droughts caused by low rainfall. Additionally, before the establishment of the EGS, the state’s infrastructure, i.e., the irrigation system, percolation tanks and roads, was weak, which exaggerated the difficulties of the poor during seasonal shocks or droughts. The infrequent employment and the lack of appropriate infrastructure in rural areas meant many people could not escape poverty (Ingle, 2007). The objective of the government was to change this situation.

Following an overview of the factors contributing to chronic poverty, the Government of Maharashtra passed the EGS Act in 1978 to establish a project to be implemented throughout the state in January 1979. Providing employment to poor people in rural areas in a more effective way and developing productive assets were the major aims of the programme (Government of Maharashtra, 2004). The implementation of the project was accompanied by the slogan «magel tyala kam», meaning «whoever desires work will get it» (Vatsa, 2005). The scheme was implemented in 33 of the 35 districts of Maharashtra; the exceptions being the urbanised Mumbai Suburban District and Mumbai City District. The EGS guarantees work to all rural participants (over 18 years old) able to do manual unskilled work, ideally within a radius of 8 kilometers from their homes, on a piece-rate basis. The requirement set by the scheme for the average labourer is to work diligently for 7 hours a day to earn a fixed amount of money, which is usually below the minimum wage paid to agricultural labourers (Shah and Mehta, 2008). The government is obliged to provide a workplace within 15 days of an application being submitted by a rural inhabitant. In the case of failure to do so within this period, the local authority has to provide an unemployment allowance to those applicants recorded as actively seeking a job (Jha et al., 2005). Further, in order to stimulate poor people in rural areas to participate in the scheme, state officials provided basic worksite facilities, such as rest shelter, drinking water, and first aid boxes. Their programme is based on self-targeting, and is totally funded by the state government, through levies on professionals, traders, and urban sector employees, and other special taxes such as tax on motor vehicles, additional tax on land revenue, buildings and sales (Herring and Edwards, 1983).

The design of the EGS focuses on minimising information costs and disincentives to work due to conditional transfers. The work requirements and types of job vacancies ensure that members of society not in poverty are excluded, ensuring they are unlikely to pretend to be poor in order to benefit from the scheme. Additionally, the work requirements mean that those involved in the scheme are not dissuaded from job seeking or entrepreneurship (Jha et al., 2005).

In the three decades since its implementation, the EGS has proved to be an outstanding example of a successful public works programme; it fulfils the requirement for a social safety net and reduces poverty in less developed regions (Vatsa, 2005). The scheme incorporates various channels through which poor households can benefit from participation. For example, immediate access to employment brings income gain in the short run. In terms of indirect benefits, it influences the market wage and community asset creation in the long term (Gaiha, 1997). Bhide and Mehta (2004) state that employment opportunities and wages are critical to the survival of the chronically poor. The next sections focus on two «theories of change» (income maintenance and addressing women’s exclusion) and demonstrate why EGS implemented by the Government of Maharashtra reduces chronic poverty.

Methods

The method concentrates on just two «theories of change» due to a shortage of space, namely, income maintenance and addressing exclusion as underpinning anti-poverty transfer. Trends in poverty and the drawbacks of the project will also be examined through an analysis of articles written by experts and reports on these programmes.

Results and discussions

Income maintenance or antipoverty transfers as an «automatic stabilizer»

The benefits of stabilisation derived from the EGS can be accrued by participants in the programme. The programme provides rural people with jobs during the lean season and enables them to maintain their income and consumption at a relatively stable level. This limits sharp income fluctuations among the population, thereby eliminating migration to better — irrigated villages, and preventing the poor from being forced
to undergo the distress selling of assets. In summary, the scheme ensures the income of the poorest classes can be maintained effectively (Nayyar, 2002).

In three decades, employment rose from its modest beginnings of 5 million person-days in 1972/73, to over 200 million person-days in 2004/5 (Shah and Mehta, 2008). Figure 1 effectively illustrates that enrolment in the EGS varied over time. Despite the sharp decline in 1989/90 and 1994/95 (brought about by the “rationing of jobs”), the general trend towards a consistent employment rate is growing. Acharya (1990) argues that the poorer segments of the state predominantly benefited from the EGS because the scheme was one of the most important sources of employment for them. Moreover, Vatsa (2005) points out that average wages also increased steadily over time, from 3 rupees per person initially to 51 rupees (Figure 1).

![Figure 1. Employment generated through the EGS in Maharashtra in the period 1972/73 — 2004/2005 (person-days in 10 millions). Source: Shah and Mehta (2008).](attachment:image)

Acharya and Panwalkar (1988) conducted a comparative analysis with two sample populations (100 households each) from the same socio-economic background: EGS participants and non-EGS households never involved in the scheme. The average annual earnings of the participants in the scheme were 286 rupees higher than that of the non-EGS households. Thus, per capita monthly consumption among EGS-participants was 18 percent higher than that of the non-EGS household. According to another study based on the same model conducted by Datar (1987), the difference between the two groups studied was 820 rupees per annum.

Somewhat later, Gaiha (2003) reported similar findings based on his microstudies of two villages in the Ahmednagar districts. He stressed that participation in the EGS resulted in a substantial income stabilisation effect. For instance, in the absence of such a scheme, the rural poor are forced to apply for job vacancies in more developed neighbouring suburbs. This option results in two problems: firstly, the process of searching for employment is costly; and secondly, they must spend a lot of time travelling away from their homes. The EGS helps the rural poor avoid such strains brought about by the usual process of job searching.

Some authors have criticised the EGS’ efficiency, explaining that the programme did not affect an immediate and marked poverty reduction in Maharashtra in comparison to the average level of poverty reduction nationally (Gaiha and Imai, 2002; Ingle, 2007). Indeed, Bhende et al. (1992), evaluated longitudinal data for 40 households in two villages in Maharashtra, and claimed that a relatively small percentage of the households who participated in the EGS were able to cross the poverty line as a result. In their estimation, just 5 out of 41 households crossed the poverty line in 1979, 2 out of 46 in 1980, 3 out of 40 in 1981, 3 out of 33 in 1982 and none in 1983.
Despite the fact that the EGS might not have heavily influenced the poverty headcount ratio, the project sought to reduce the intensity of the poverty being experienced by augmenting poor people’s income (Dev and Ranade, 2001). The scheme offers basic assistance to the ultra-poor, and its implementation has narrowed the gap between the poor and the ultra-poor. Gaiha (1996) added that even if the programme did not elevate many poor households above the poverty line, the large group of EGS participants classified as chronically poor had boosted their income moderately. Furthermore, many studies have highlighted the role of the EGS in effectively targeting the vulnerable sections of society. Dandekar and Sathe (1980) collected data from 1544 participants involved in about 60 projects and stated that 90 % of workers in their scheme were living below the poverty line. Thus, the EGS sustained the income of the very poor, which was the main objective of the project.

In addition, a huge contribution of the EGS has been the curation of durable assets in rural areas, which positively affected the income stability of the poor. Approximately 173 000 projects were approved by the government, of which 68 % were completed between the years 1975 and 1986 (Dev, 1995). This means that poor people were able to reap ongoing benefits from the resultant agricultural development in terms of further income stability. Sathe (1991) notes that assets constructed under the scheme can improve the economic well-being of poor households, not only in the agriculture sector but also in non-agriculture areas.

The distinctive feature of the EGS, when compared to other rural employment programmes designed for income maintenance, is the guarantee of work extended by the government. Nevertheless, Dev (1995) identifies several aspects of the EGS design that reveal that employment under the scheme sometimes is not necessarily guaranteed to recipients. Poor people can suffer from the length of the operational processes and bureaucracy in place, which lengthens the time before they can access employment through the project. In addition, rural workers are expected to complete many forms, which is a barrier, as some are illiterate. Another factor noted is the vulnerability of the complicated piece-rate payment system to corruption and financial machinations, resulting in recipients often receiving less than the stated standard EGS wage.

In summary, in order to maintain stability of consumption and income smoothly, eliminating the impact of the seasonal shocks in the agriculture sector, the government sought to improve household welfare via the EGS. Overall, the poor people involved in the scheme gained some advantages from the existence of guaranteed employment and the development opportunities for rural infrastructure, evening out the income of the poor in the short and long run. Even if the scheme failed to increase income on a large scale, the opportunity to access employment in a sustainable and regular manner is often crucial for the rural poor. Many studies have illustrated that the scheme had a positive impact on maintaining income among the poor in Maharashtra and also helped ultra-poor rural people escape from extreme poverty.

Addressing women’s exclusion

Historically, persistent gender discrimination has been a common phenomenon in India. Women often face cultural restrictions in accessing the formal economy in Indian society (Dreze and Sen, 1995). As mentioned above, rural people mostly depend on the agrarian sector, but the average wages of women in the agricultural market are low in comparison to those of men for the same kind of work. The Government of Maharashtra addressed this issue through EGS, demonstrating its efficiency in relation to discouraging gender disparity. It is well demonstrated in Foster and Rosenzweig’s (1992) paper, based on the findings of ICRISAT data, that schemes like EGS can alleviate such discrimination, which is otherwise very common in the agriculture labour market. Under this scheme, women have the opportunity to receive the same wages as men, and gender inequity can be blocked due to government institutes (Dev, 1996).

Since the inception of the EGS, women have been major players in this scheme, and therefore, this project is known among rural people in Maharashtra as a «programme for women» (Dev, 1995). Bhende et al. (1990) emphasised the success of EGS at targeting the issue of women’s exclusion. According to household — level data (1979–1983), which was focused on two Maharashtra villages, namely Kanzara and Shirapur, there was greater evidence of self-targeting among women than men. Table 1 clearly demonstrates the increasing trend among women to participate in the scheme, and the relatively higher percentage of their inclusion in the programme over recent years. This means that the EGS focuses on creating employment and income opportunities, which deliver economic benefits for women.
Table 1. Region-wise percentage of female person-days generated under the EGS in Maharashtra (1995/1996 — 1999/2000)

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<tbody>
<tr>
<td>Konkan</td>
<td>41.1</td>
<td>58.99</td>
<td>49</td>
<td>73</td>
<td>60</td>
</tr>
<tr>
<td>Nashik</td>
<td>28.65</td>
<td>59</td>
<td>49</td>
<td>73</td>
<td>60</td>
</tr>
<tr>
<td>Pune</td>
<td>35.6</td>
<td>50</td>
<td>49</td>
<td>72.99</td>
<td>64.12</td>
</tr>
<tr>
<td>Aurangabad</td>
<td>49.74</td>
<td>59</td>
<td>49</td>
<td>73</td>
<td>52.1</td>
</tr>
<tr>
<td>Amravati</td>
<td>20.52</td>
<td>59</td>
<td>49</td>
<td>73</td>
<td>60</td>
</tr>
<tr>
<td>Nagpur</td>
<td>33.17</td>
<td>59</td>
<td>49</td>
<td>73</td>
<td>60</td>
</tr>
<tr>
<td>Total for State</td>
<td>37.94</td>
<td>53.54</td>
<td>49.00</td>
<td>73.00</td>
<td>57.89</td>
</tr>
</tbody>
</table>

Source: Krishnaraj et. al. (2004) based on Planning Department (MEGS), Government of Maharashtra.

Moreover, in order to encourage women’s participation in the project and to make it easier for women to access certain facilities, namely, shelter, crèches and midwifery care, assistance in these areas is provided by state officials (Engkvist, 1995). Additionally, Ranade (1998) argues that free access to EGS employment facilitates women to evade seasonal migration to different states.

Another reason why the Maharashtra government established the EGS was to address the problem of women engaging in illegal work and associated negative consequences. For instance, in order to gain access to maternity benefits, women must gain government approval to take 75 working days. However, insecure employment does not permit such an absence, keeping women in poverty trap (Krishnaraj et al., 2004). Thus, through participating in the scheme, women can prove the number of legal days they have worked and reap the associated maternity benefits.

The EGS also provides women some freedom from absolute dependency on village oligarchs. In addition to numerous rapes, there has been some evidence that decision — making about job hiring and market wages depends on sexual favours. This is a form of coercion from landlords, as women feel obliged to accept this arrangement in order to get a job (Pinto, 1976). Therefore, by being involved in the EGS, women can avoid sexual harassment and dependency. Consequently, confidence has increased among rural women, due to the large numbers of them engaging in such activities. Today, women in Maharashtra state dress better, and their new income opportunities afford them a better status within their families (Datar, 1987).

All of these drivers have led to a trend in unemployment in women during the EGS implementation. Dev and Ranade (2001) state that the incidence of general unemployment fell much quicker in Maharashtra state when compared to India as a whole. Furthermore, their findings emphasise a significant decline in women’s unemployment since the beginning of the EGS (see Table 2).

Table 2. Incidence of Person-day Unemployment in Rural Maharashtra and Rural India (in percentages).

<table>
<thead>
<tr>
<th>Years</th>
<th>Maharashtra</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural Male</td>
<td>Rural Female</td>
</tr>
<tr>
<td>1972-73</td>
<td>7.7</td>
<td>11.7</td>
</tr>
<tr>
<td>1977-78</td>
<td>5.9</td>
<td>9.3</td>
</tr>
<tr>
<td>1983</td>
<td>6.3</td>
<td>7.2</td>
</tr>
<tr>
<td>1987-88</td>
<td>2.9</td>
<td>3.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>4.6</td>
<td>4.0</td>
</tr>
<tr>
<td>1999-00</td>
<td>6.3</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Note: Unemployment rate is defined as the ratio of unemployment days to labor force person days.


The scheme has led to the accumulation of money in the hands of women. According to Dandekar (1983), rural women’s revenue from the EGS constitutes about 73 percent of women’s total income, and on average 31 percent of their families’ total income. This is further highlighted by Datar (1987), who concludes that 60 percent of women’s real income is the most significant financial contribution of this project.
Nevertheless, there are several shortcomings in the implementation of the EGS in reference to women’s exclusion. Firstly, working under EGS requires a capacity to undertake hard manual labour, which not all women can do in a sustained manner (Shah and Mehta, 2008). Secondly, Krishnaraj et al. (2004) pointed out that women’s access to money remains limited, despite the scheme, because the method of measuring payment for work is not transparent and in many cases, depends on a team leader who is usually a man. Thirdly, earnings from the EGS can be considered by women as a supplementary source of income, despite the fact that their families are living over the poverty line. Gaiha (1996) states, that there have been many cases where the non-poor chose to participate in the project, especially after the wage for work was increased in 1988. Undoubtedly, the state has a limited budget and when non-eligible people work within the scheme this can exclude families in poverty from accessing it. Finally, it is important to point out that at present there are no figures suggesting how women participating in the scheme is influencing child health and care.

In summary, we can see mainly positive direct and indirect effects from the EGS on women’s well-being in rural regions of Maharashtra and thereafter on poverty reduction among them. The government of the state can help to resolve the problem of gender inequity. Certainly, the emergence of women’s empowerment in the formal economy is a notable consequence of this project. Nonetheless, some negative aspects stated above should be taken into account when aiming to realise these types of programmes.

**Conclusion**

This paper attempted to answer the question of why EGS reduces poverty, reflecting on the experience of the scheme’s implementation in Maharashtra state. In order to successfully combat chronic poverty in developing countries, government institutes need to establish strong, comprehensive, and effective strategies to benefit anti-poverty transfer programmes. Maharashtra state has excelled in this respect. Targeted cash transfers in the form of public works have greatly reduced poverty in rural districts of the state. The «win-win» approach of the government has created employment opportunities for poor people, improving the rural infrastructure and involving vulnerable groups within society in the project. This represents a successful example of an anti-poverty programme, as adopted in different developing countries of Asia and Africa, to reduce the high levels of chronic poverty. However, such a scheme operating in isolation cannot rapidly alleviate poverty. Moreover, the limited specifications and requirements to participate in the programme means its coverage of poor people is limited. Therefore, developing countries need to initiate additional anti-poverty transfer programmes alongside the EGS, targeting different categories of poor people. The nature of poverty, the cultural mentality, and political regimes in each developing country also need to be taken into account if EGS or similar anti-poverty projects are to succeed.

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Srivastava, A. Tashenova, K. Tattymbetova and et al.

Дондук үдеріс: Қол қоғамдық өнеркәсібі және даму мен қоғамдық өздік және қызметтердің қамтамасыз еткен даму жүйесі, ол арнап жеткізу үшін қолдандыра отырып, қоғамдық қамтамасыз еткен қызметтердің дамуы үшін қамтамасыз еткен қызметтердің қамтамасыз еткен қызметтерін жеткізу үшін қолданылады.

Акпа: Жұмыс пен қоғамдық қамтамасыз еткен Раджштата штатында қоғамдық қамтамасыз еткен мүмкіндік жақтарының түрдік қорытындыларын және қолданылуын анықтау үшін қолданылады.

Пыятура: Махараштра штатына сияқты бірнеше аяқталманың атауын анықтама алмайды.

Қол арқасы: Қол қоғамдық қамтамасыз еткен Раджштата штатына қол арқасынан осы ежедневниктың аяқталманың атауының анықтамасының түрдік қорытындыларын және қолданылуын анықтама алмайды.
А. Ташенова, К. Татынбетова, А. Рахметова, А. Тукеев

Схема человеческого капитала в Махараштре (Индия)

Аннотация

Цель: Основная цель настоящей статьи состоит в том, чтобы попытаться выяснить, насколько эффективно внедрение системы гарантий занятости в штате Махараштра в качестве инструмента сокращения бедности.

Методы: Метод фокусируется только на «теориях изменений» из-за нехватки места, а именно на поддержании доходов и решении проблемы изоляции в качестве основы для борьбы с нищетой. Тенденции в области бедности и недостатки проекта также будут изучены с помощью обзора литературы статей и докладов по этой теме.

Результаты: «Беспристрастный» подход правительства создал возможности трудоустройства для бедных людей, улучшил сельскую инфраструктуру и вовлек в проект уязвимые группы общества. Это представляет собой успешный пример программ борьбы с нищетой, принятой в различных развивающихся странах Азии и Африки в целях сокращения высокого уровня хронической нищеты. Однако такая схема, действующая изолированно, не может быстро сократить масштабы нищеты.

Выводы: Схема гарантий занятости снижает уровень бедности, отражая опыт реализации этой схемы в штате Махараштра. Для успешной борьбы с хронической нищетой в развивающихся странах государственным институтам необходимо разработать эффективные, всеобъемлющие и эффективные стратегии в интересах программ по борьбе с нищетой. Штат Махараштра превысил в этом отношении. Целевые денежные переводы в форме общественных работ значительно снизили уровень бедности в сельских округах штата.

Ключевые слова: человеческий капитал, стратегия политики, бедность, программы борьбы с бедностью, устойчивость, политика, схема гарантий занятости.

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