

NREGA: Dismantling the contractor raj

Jean Drèze

A recent survey on NREGA in western Orissa points to a quiet sabotage of the transparency safeguards aimed at perpetuating the traditional system of extortion in rural employment programmes.

Once upon a time, rural employment programmes in Orissa (or for that matter in much of India) were safely in the hands of private contractors and their political masters. The game was roughly as follows. Private contractors were the direct recipients of “work orders,” and of the corresponding funds. They made money by submitting fudged “muster rolls,” with inflated employment and wage figures. A substantial part of the loot was recycled through the so-called “PC” (percentage) system, whereby various functionaries received fixed percentages of the amounts released. The contractors also had to pay tribute to their political bosses, for whom these funds came handy during election campaigns. This is the sort of situation that led P. Sainath to say that “everybody loves a good drought” — the peak season for rural employment programmes. Labourers, for their part, worked hard and earned a pittance.

The National Rural Employment Guarantee Act (NREGA) was supposed to bring about a radical change in this state of affairs. Under NREGA, rural labourers have a legal entitlement not only to work on demand but also to minimum wages. To prevent corruption, a wide range of transparency safeguards has been built into the Act. For instance, muster rolls are supposed to be kept at the worksite, displayed at the Panchayat Bhawan, and read out in public at the time of wage payments. Employment and wage details also have to be entered in the labourers’ “Job Cards”, to enable them to verify the records for themselves. Contractors are banned.

In some States, there is evidence of substantial progress in this transition towards a transparent and accountable system. In Rajasthan, for instance, contractors have virtually disappeared from NREGA and mass fudging of muster rolls is a thing of the past. Andhra Pradesh is also making rapid strides in this direction through strict record-keeping, institutionalised social audits and the payment of wages through Post Offices. In a recent survey of Surjguja and Koriya districts (Chhattisgarh), we found that in gram panchayat works, 95 per cent of the wages paid according to the muster rolls had actually reached the labourers concerned. This is a major achievement, especially in contrast with the situation just two years ago when a similar survey in the same area had uncovered evidence of massive fraud in the National Food For Work Programme.

However, the same transition is proving quite slow in some other States. A recent survey of NREGA in western Orissa, for instance, suggests that the “contractor raj” is alive (if not well) in this region. This survey, initiated by the G.B. Pant Social Science Institute at Allahabad University, was conducted from 3-12 October 2007 by students of the Delhi University in collaboration with local volunteers. Thirty randomly-selected gram panchayats, spread over three districts (Bolangir, Boudh and Kalahandi), were studied. The survey included careful verification of “muster rolls” for one randomly-selected NREGA work in each of these gram panchayats.

The survey points to a quiet sabotage of the transparency safeguards aimed at perpetuating the traditional system of extortion in rural employment programmes. Before elaborating, a few

words about how NREGA works in Orissa may be useful. To keep things simple, the main focus here is on works implemented by the gram panchayats (these account for the bulk of NREGA funds in Orissa). At the gram panchayat level, the main responsibility for implementing NREGA works lies with the Panchayat Executive Officer (PEO). In some panchayats, the PEOs are assisted by Gram Rozgar Sevaks, but they are yet to be appointed in most cases. Another key actor is the Village Labour Leader (VLL), who is supposed to be selected by the gram sabha for the purpose of “supervising” a specific worksite.

The role of the VLL is actually in transition. The VLL concept goes back to the Sampurna Grameen Rozgar Yojana (SGRY), a predecessor of NREGA. At that time, the VLL was a *de facto* contractor. He or she received the work orders, spent the funds, arranged the works, and filled the muster rolls. Under NREGA, funds are routed through the panchayat and the VLL is supposed to be a mere worksite supervisor, who earns wages at the same rate as other labourers. In practice, however, the post of VLL continues to act as a convenient foothold for the contractors. In many of the sample gram panchayats, the VLL was a small-time contractor or an agent of local contractors. In about half of the 30 sample worksites, the survey team found evidence that a contractor was involved in this or other ways.

The breakdown of the transparency safeguards is well illustrated by the fate of the Job Card. The main purpose of the Job Card is to enable NREGA labourers to verify their own employment and wage details. In Orissa, however, this purpose has been defeated from the start due to the faulty design of the Job Card. For instance, there is no column for “wages paid” in the card, making it impossible for workers to verify their wage payments. Even the number of days worked is hard to verify, as the names of the labourer and worksite have been replaced by numerical codes. To decipher a labourer’s code, one has to refer to the first page of the Job Card, which is often in English! The meaning of the worksite code, for its part, is anyone’s guess. In this and other ways, the Job Card is virtually unreadable, even for trained investigators — let alone semi-literate labourers.

The fate of muster rolls is not much better. In most of the sample gram panchayats, it was observed that various “adjustments” in the muster rolls had become routine practice. For instance, a worker without a Job Card is often accommodated by “clubbing” his or her wages with those of someone who has a Job Card under the latter’s name. Similarly, team work performed under the piece-rate system is often recorded under the name of the team leader alone. Sometimes, adjustments are also made to meet the requirements of the online Monitoring and Information System (MIS). These and related practices, well-intentioned as they might be in some cases, open the door to further “adjustments” that serve different purposes. In fact, the pressure to make adjustments in some circumstances (e.g. meeting the requirements of the MIS) seems to have become a handy cover for fraudulent practices, such as inflating the wage payments and pocketing the difference.

The bottom line is that the records are virtually unverifiable. Job Cards have become symbolic documents, and almost any discrepancy in the muster rolls can be justified in the name of “adjustments.” In this opaque environment, contractors have a field day. The extent of the loot is hard to estimate, given the near unverifiability of the muster rolls, but the “PC system” provides some useful clues. According to fairly reliable sources (including several contractors), the PC

system — where it applies — absorbs about 20 to 25 per cent of NREGA funds in the sample Blocks. The “profit” of the contractors, for its part, appears to be of the order of 10 to 15 per cent. This suggests that 30 to 40 per cent of NREGA funds are siphoned off in this area.

The silver lining is that, even in Orissa, the traditional system of extortion seems to be finding it harder and harder to survive. In fact, contractors are not particularly happy with NREGA; vulnerable as it may be, the system has become more difficult for them to control. They are apprehensive of a possible tightening of the checks and balances, and have started fading away in some places (in almost half of the sample gram panchayats, there was no evidence of their involvement).

In some of the sample gram panchayats (notably in the Boudh District), corruption levels in NREGA are already much lower, by all accounts, than in earlier employment programmes such as SGRY and the National Food For Work Programme. Strict implementation of the transparency safeguards is the best way to accelerate this process of “phasing out” of the traditional system of corruption.

This story would be incomplete without a mention of the tremendous potential of NREGA in the survey areas. Where work was available, it was generally found that workers earned close to (and sometimes more than) the statutory minimum wage of Rs 70 per day, and that wages were paid within 15 days or so. This is an unprecedented opportunity for the rural poor, and there was evident appreciation of it among casual labourers and other disadvantaged sections of the population. Some of them even hoped that NREGA would enable them to avoid long-distance seasonal migration, with all its hardships.

Further, there is plenty of scope for productive NREGA works in this area, whether it is in the field of water conservation, rural connectivity, regeneration of forest land, or improvement of private agricultural land. The challenges involved in “making NREGA work” should always be seen in the light of these long-term possibilities, and their significance for the rural poor.

(The author is Visiting Professor at Allahabad University, and a member of the Central Employment Guarantee Council.)