



An urban jobs safety net

It is time to formulate a wage employment-based national urban livelihood scheme similar to MGNREGS.

Urban MGNREGS

1. During the pandemic, we have again and again faced the difficult choice of saving lives versus protecting livelihoods. According to the World Economic Outlook report of April 2021 of the International Monetary Fund (IMF), almost all countries, except China, experienced economic contraction last year.
2. The global GDP shrunk by 3.3%. The contraction in the U.S., Brazil, Japan, Canada and Euro Area was in the range of 3.5%-7%. India's GDP plummeted by 8%. China, on the contrary, posted a growth of 2.3%.
3. The report stated that 95 million people have fallen into the ranks of the extreme poor category. The unemployment rate in the Euro Area, the U.S. and Canada shot up to 7.1%, 8.1% and 9.6%, respectively.
4. Spain, Greece, Turkey, the Philippines, Argentina, Brazil, Colombia, and Peru among others are grappling with unemployment rates in double digits.
5. As per the Centre for Monitoring Indian Economy's estimates, the unemployment rate in India peaked at 23.5% in April 2020 before falling to 6.9% in February 2021.

Rural-urban livelihood divide

1. In the wake of the economic deceleration, the challenge is to minimise livelihood losses. Traditionally, governments have addressed this issue from a sectoral viewpoint. Given the contemporary realities, the need is to approach this from a rural-urban perspective for two reasons.
2. First, when there is an economic shock, it is essential to provide people with formal access to a livelihood safety net. Second, the livelihood safety net must have comprehensive coverage. Such a net, provided by the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), exists only in rural areas. Urban India does not have any such cushion.
3. Though the Indian government operates the National Urban Livelihoods Mission, which is focused on self-employment through skill up-gradation and



credit linkages through banks, the scheme does not have guaranteed wage employment provisions akin to what MGNREGS provides.

4. During the lockdown last year, we saw migrant labour moving in large numbers from the urban to rural areas, which is symptomatic of the rural-urban livelihood security divide. This divide needs to be bridged if the livelihood loss is to be minimised.
5. Policy experts have considered migration in India to be essentially rural to the urban phenomenon. This pandemic has demolished that myth. MGNREGS, designed to check such migration, provides a livelihood safety net in rural India.
6. Last year's migration tragedy and the economic slowdown have highlighted the need for a similar livelihood safety net in urban India.

Insights from Himachal Pradesh

1. A few States have experimented with a wage employment-based urban livelihood scheme. Himachal Pradesh (H.P.) launched the Mukhya Mantri Shahri Ajeevika Guarantee Yojana (MMSAGY) last year with the objective of enhancing livelihood security in urban areas by providing 120 days of guaranteed wage employment to every household at minimum wages in FY 2020-21.
2. Any adult member of a household, less than 65 years of age, residing in the jurisdiction of the urban local body (ULB) and willing to engage in unskilled work at projects being executed or in sanitation services being provided by the municipality can register under the scheme.
3. A job card is issued to the beneficiary within seven days of registration and employment is provided within a fortnight. Otherwise, the beneficiary is eligible to be compensated at a rate of ₹75 per day.
4. Initially, when the scheme was conceived, there was scepticism due to the lack of fiscal space during the pandemic to launch a new scheme. The government then decided to fund the wage component from the grants already available to ULBs under the State and Central Finance Commissions.
5. In a year of its operation, a quarter-million man-days, benefiting about 3% of the total urban households in H.P., were generated. If the scope of MMSAGY



is broadened to include muster-roll based works, other municipal services, etc., it could enhance livelihood opportunities.

Insights for Urban Employment guarantee:

H.P.'s experience has provided some crucial insights.

1. One, an urban livelihood scheme can be launched within the existing fiscal space. If not, the Union and States can provide resources together.
2. Two, separate minimum wages for rural and urban areas do not cause migration to urban areas since the higher cost of living in urban areas has an offsetting effect.
3. Three, the focus must shift from asset creation to service delivery. Restricting it to asset creation or wage-material ratios may be sub-optimal in urban settings. The focus should be on enhancing the quality of municipal services.
4. Four, such a scheme is like an 'economic vaccine' and will protect people against unemployment. It should be administered at the national level rather than at the State level.