

**Alternative Approaches to
Social Protection of the
Poor in India**

By

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General Consensus on the need for Social Protection for the Poor

But extensive and sometimes furious
debates on alternative approaches
and means

Some of the disputes and dilemmas...

- Rights vs. Welfarist Approach
- Universal vs. Targeted
- Left-Libertarian vs.
Paternalistic
- Demand-side Interventions vs.
Supply-side Problems
- Centralised vs. Decentralised
Programmes

- **Pre-specified vs. Experimental Programmes**
- **Household-based vs. Group-based Programmes**
- **Public Provision vs. Private Provision (with Public Funding)**
- **Social Safety Net vs. Livelihood Protection**
- **Social Democratic vs. Anti-capitalist Perspectives**

Rights

A popular approach: "Rights" (to food, education, information, jobs, forests for the *adivasis*, etc.)

Some Landmark Legislations

Philosophical issues of rights vs. welfarism

Even within the rights approach not just rights as a constraint. Issues of "positive liberty" and "capabilities"

But pragmatically and instrumentally speaking.....

Advantages of the rights approach

- Universalism
- At the minimum, serves to raise consciousness among the poor and the vulnerable about their entitlements, that they are not mere supplicants to the politicians and bureaucrats, that if the latter fail, there is access to courts to enforce these rights--public interest litigation and court injunctions on these matters, stretching the interpretation of the constitutional 'right to life', have attracted a great deal of attention

Problems and Limits

- If the delivery structure for implementing some of these rights remains as weak and corrupt as it is now, mere promulgation of rights will remain hollow and will, after a point, generate a great deal of cynicism.
- As for public litigation, the Indian public arena is already littered with hundreds of un-enforced or spasmodically-enforced court injunctions, and there is some danger of the proliferating judicial activism in ending up, for all its good intentions, in undermining the

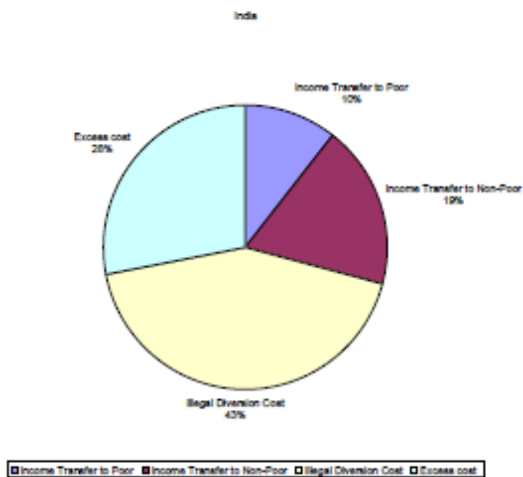
credibility and legitimacy of the judiciary itself.

Examples

The Right to Food. If this right is exerted with no consideration of the efficiency and cost-effectiveness of the ways of implementing it (like the current Public Distribution System), it is an unwarranted and unfair burden on taxpayers who fund the galloping costs. In any case the programme as currently administered is weakest in the poorest regions that need it most. Jha and Ramaswamy (2011) have estimated that in 2004-5 of the total food subsidy only 10% was an income transfer to the poor (19%

was income transfer to the non-poor, 43% was the illegal diversion cost, and 28% was the excess over private trader costs). This indicates the colossal theft and wastage that the PDS involves in a majority of states.

Figure 2: Decomposition of Subsidy - India



The Right to Education. The recent Right to Education Act does very little for the poor quality—and quantity--of education services actually provided in government schools (that drive children to private schools even though teachers there are by and large less qualified and less well-paid) or about the negligence with which the new poor students foisted on the private schools are likely to be treated without a proper quality evaluation of schools in place, or the remedial education that the poor-performing children (at private or government schools) and the school dropouts desperately need.

The current Rural Employment Guarantee scheme, the largest of its kind anywhere in the world, for all its flaws, provides a possible fall back option for many able-bodied rural adults for working on mostly construction projects for a period of 100 days every year (though this limit of 100 days and timely payment of wages have so far been reached only in very few areas). This may have already exerted some positive indirect effects on the rural wage earned by the poorest people. The flaws of the scheme would have been far less if a regular and institutionalized system of independent social audits

were in place, if there were well-designed projects of durable asset creation.

The rural employment guarantee is, of course, quite different from the right to job often demanded by organized workers in the formal sector. The right to job, if narrowly interpreted as the security on a given job, can considerably distort the labour market, if it freezes the ability of the employer (public or private) to adjust to changing conditions in technology or market, thus hurting the whole economy, and the job prospects of less privileged workers. It is very important to

distinguish between *economic security* and *job security*. A worker should have the right to expect from society general economic security, but not security on a given job.

Universalism

Trade-off between high costs and low efficiency

It has been observed that the PDS for food generates less malfeasance when it is universal (as in Tamil Nadu and Chhattisgarh)

When some people are excluded under a targeted system of delivery, it

leads to dual markets and more incentives and opportunities for fraud, apart from eroding its larger political support base.

On the other hand, to cover everybody is costly. But near-universalism may be good enough (it may be easier to identify the rich than the poor).

Libertarianism, Paternalism

Cash transfers recognise more autonomy to the recipient. He may, of course, blow it up.

Suggestions of giving it to the woman in the family, or giving only

food stamps, etc. are redolent of soft paternalism. A behavioural economist may approve of such paternalism, particularly in the case of

- ✓ Nutrition packets and vaccination programme for pre-school children (strengthening the ICDS programme is much more important than PDS)
- ✓ Preventive public health programmes (vector control, purification of drinking water, environmental sanitation)—these involve life-and-death issues and yet do not feature prominently in the electoral agenda

- ✓ Even in curative health care it is important to discourage the patients who go for overmedication (for example, excessive use of antibiotics)

For cash transfers there are logistical problems of banks/post offices in remote rural areas and of ensuring regular deposits.

Another argument about the limits of cash transfers is that just handing over more money to the poor resolves only part (the financial part) of the social protection they need.

-as petty producers they also need other kinds of assistance

(knowledge, skills, marketing connections, etc.)

-as patients they need information about doctor quality, health practices, nutrition and sanitation, and so on.

In the urban slums where the rural kin group support structures are weaker, social protection has also to involve active social support structures against violence, drugs, family breakdowns, juvenile delinquency, etc.

A Left-libertarian Proposal

If the current subsidies that the Government gives every year to the relatively rich can be reduced by about one-third, it is possible to pay every family in India, rich or poor, an unconditional annual grant of about Rs. 9,000 (at 2010-11 prices).

The idea of such a universal basic income is the least incentive-disruptive, and both ethically and economically compelling.

This is an old idea, originally inspired by some European 'utopian socialists' in the 19th century, tried unsuccessfully in McGovern's

Presidential campaign in the USA in the form of a proposed 'demogrant', currently supported by some Green Parties in Europe, and actually implemented in non-socialist resource-rich Alaska since 1999 (in the form of an annual Permanent Fund Dividend). Sunil Khilnani wants to call it a 'growth dividend' in India.

Demand, Supply Interventions

Another form of paternalistic intervention is conditional cash transfer.

Oportunidades in Mexico or Bolsa Familia in Brazil

Most of the conditional cash transfer programmes for social services in India have been relatively small and aimed at ensuring the survival of girl children (and their mothers at the time of birth), and their continued education in schools and in raising their age at marriage.

In general, however, there is a large administrative cost in monitoring and enforcing the stipulated conditions of many kinds of conditional transfers. In any case, such demand-sided interventions (inducing the poor to demand the services) do not solve the supply side problems which are

more severe in India than in Latin America: not enough schools or health clinics, facilities (like enough class rooms or toilets), quality teachers or doctors, teacher and doctor absenteeism, etc.

Decentralization

Lack of performance incentives and accountability.

The school teachers and doctors and nurses are not punished for the dereliction of their duties, their salaries and promotions are decided

from above, not by the local people who bear the brunt.

This obviously suggests the need for decentralization and accountability downwards. In fact there is some evidence that in some cases (e.g. in Nagaland) where even a fraction of the teachers' salary was paid by the local panchayat, it immediately led to a significant improvement in services.

But in most parts of India, while local elections are now regularly held, effective decentralization is missing, on account of a severe dearth of devolved funds or delegated power or appropriate

professional personnel. Local elections are usually fought on supra-local issues, and more often than not the state-level politicians and bureaucrats hijack the process of mandated devolution. Such hijacking is made easier by the lack of inner-party democracy in almost all political parties, so that local political leaders are at the mercy of the higher-tier leadership.

Experimental Approach

- cash transfer vs. PDS
- PPP experiments in health insurance

Group-based

Help targeted to well-defined designated groups, rather than households (leakages may be less than in household-based programmes):

- ICDS for pre-school children and pregnant and nursing mothers
- Midday meals for school children
- National Social Assistance Programme (NSAP) for the elderly and disabled

Contracting out to private

Incentives for pay-for-performance
in private service provision

For example, in healthcare, the
government can subsidise patients'
contributions to health insurance
that allow purchase of healthcare
services from private providers
under some general scheme of
oversight, as in RSBY, Aarogyasri
in Andhra Pradesh, Yeshasvini
Cooperative Farmers' Health Scheme
in Karnataka, etc.

-measurability and multi-
dimensionality of output

-scope for corruption and
malfeasance

-role of NGO's. Take again the case of health insurance. Several NGO's in India, as part of their development programmes, have initiated community health insurance schemes for poor people, often linking up with an insurer (with a larger risk pool) and purchasing health care from an external provider. SEWA in Gujarat is an important example of organizing community health insurance for its members and their families in this way. This and other similar models need to be studied and replicated in a much larger scale in worker associations and cooperatives in India, particularly in the informal

sector. The NGO's can play a mediating role with insurers and help processing payments of premium (apart from identifying beneficiaries and giving them the requisite information), and the government can introduce some provider accreditation systems to help the choice of providers.

Livelihood Protection

When the informal sector is large and the majority of people are self-employed in tiny farms or firms, the boundary between a household and an enterprise is blurred, which means social protection programmes may have also

to involve various kinds of protection of livelihoods. These include provision of credit, development of marketing networks, insurance against production risks (say, rainfall insurance in agriculture, renting out service for generators to cover power outages in small manufacturing firms or repair shops), roads, extension services, etc. For those who work in the casual wage labor market and for the unemployed, skill formation, vocational training and public facilities to connect them up after training with potential employers can all be part of a general social protection program.

Social Democratic vs. Anti-capitalist Perspectives

European social democracy is the outcome of a class compromise and a social pact: the workers who are electorally powerful enough to expropriate the capitalists and end the capitalist system have chosen not to do so, they have figured out that capitalism is the only viable way left for adequately expanding the pie, so they are prepared to bear some cost ('exploitation') and let the capitalists have a reasonable share of that pie which induces the latter to keep on their efforts at bringing about dynamic

innovations. I am not sure if the Indian electorate has yet been confronted with this social pact, and if so confronted how they'll react.

After the demise of the short-lived Swatantra Party in the 1970's, India has not had a full-scale pro-business conservative party; even the right-wing parties are largely populist on many economic issues when they go to the electorate. In spite of the great flowering of entrepreneurial energies in recent years throughout the country, I believe there is a strong anti-capitalist (particularly anti-big-capital) streak in Indian political

culture. This is not surprising in a country where small people (small and middle peasants, self-employed artisans and shopkeepers, bazaar merchants and petty middlemen, clerks, school teachers and service workers) constitute an overwhelming majority of the population, and their ranks are swelled by the inexorable demographic pressure and by the traditional inheritance practices involving subdivision of property. Among these people there is a deep suspicion of market competition whereby the larger economic interests, often utilizing their advantages of economies of scale, deeper pockets and better

political connections, can devour the small.

Gandhiji had given sensitive and eloquent expression to this anti-market, anti-big-capital, small-is-beautiful populism and mobilized it in the freedom movement against the British. In recent decades those bearing the legacy of the Gandhian moral critique of market expansion and competition have joined forces with those espousing the left critique of capitalist exploitation of workers, peasants, and other small people and their rights over natural resources, in building active grassroots movements in parts of the country for the

protection of the environment and of the traditional livelihood of the indigenous people, against the depredations of the capitalist oligarchy. Even though the private corporate sector is thriving in India and in some sense its 'hegemony' looks more pervasive today than before, it is involved in the work life of too few people (as it directly employs not more than 2 per cent of the Indian work force), and it is not clear that the electorate is still ready to accept the class compromise like the one behind the social democracy enterprise in the West.

On the other hand, the populist opposition, for all their strength in numbers, have not yet succeeded in pointing to any viable, incentive-compatible (i.e. not entirely dependent on revolutionary or moral zeal for sustenance), systemic economic alternative, outside the esoteric confines of their wishful thinking or utopian anarcho-communitarianism. The passionate intensity of their negative critique of capitalism is not matched by a convincing demonstration of a sustained positive alternative system on a scale large enough to generate the necessary surplus. Until this tension is resolved, the social

democracy project in India will remain somewhat tentative. Under the circumstances the great danger for the social-democratic striving is that it may dissipate itself in various costly and in the long run harmful populist schemes, utilized by the political process for narrow patronage distribution goals.

