



Social Security in India

Lessons from Transfer Mechanisms

Presentation by

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Context

- Rapidly growing economy
 - Over 8% GDP growth
 - Sustained reforms since early 1990s
 - All time high foreign exchange reserves
 - Reduction in absolute income poverty
- On the downside-
 - Growing income inequality
 - Growing vulnerability, deprivation
 - Unacceptable performance in human development indicators



| Some indicators - India | |
|--|-------------------|
| Population living with less than \$1 a day (2004) | 34.3% |
| Population living with less than \$2 a day (2004) | 80.4 % |
| Population below national Poverty line (2004) | 28.6 % |
| Gini Index (2004) | 36.4 |
| Informal/unorganised sector employment (2004/5) | 93% |
| Population over 65 years age (2001) | 72 million |
| Under 5 Malnourishment (weight for age) 2005 | 47% |
| Infant mortality (per 1000 live births) 2005 | 56 |
| Under 5 mortality (per 1000 live births) 2005 | 74 |
| Primary School enrolment rate (2004) | 87% |
| Children completing grade 5 (2003) | 78% |
| Expenditure on health as % of GDP (2004) | 0.7% |
| Expenditure on education as % of GDP (2003) | 3.4 % |
| Coverage of sanitation (2005) | 30% |
| GDP Growth rate (2005) | 8.5% |
| Human Development Index (2005) Rank | 127 |
| Social Security spending in 2005 (% of GDP) | 3.6 |



Social Security-evolution of concept

■ Basic social security

- Dealing with basic deprivations,
- Aiming at enhancing capabilities
- Food,health,education, housing,financial access
- Universalistic in character

■ Contingency Social Security

- Meeting contingencies/adversity
- Old age, work related, disability, special groups/circumstances
- Need not be universal in character



Social Security in Practice

■ Operationalisation

- ☐ Involving numerous programs and schemes – promotional and protective
- ☐ Mostly *targeted, selective and conditional*
- ☐ *No cash transfer or conditional cash transfer*
- ☐ Most come under welfare programs
- ☐ bereft with inefficiencies, in-built biases, discrimination, mis-targeting, adverse selection
- ☐ Created limited impact on human development
- ☐ Several gaps identified – tasks unfulfilled to reach goals of universalism
- ☐ Budgetary support – not commensurate with the needs
- ☐ Presence of civil society, innovative practices seen



Social security in practice

- Use of right to information, judicial involvement seen in realising implementation (food, child nutrition, education, health)
- Very few programs come into classification of transfers
- Mostly in-kind transfers and conditional
- Employment generation programs – flagship in realising basic social security – National Rural Employment Guarantee Act
- Seen social protection from Rights Perspective – addresses poverty and deprivation – Guarantees employment for those who seek – to supplement incomes – but not a ‘income security’ programme
- Micro-credit emerging as another important measure to address income security



Contingency social security

- Limited coverage
- All are targeted, selective and conditional
- Arbitrary and complex procedures and processes and hence prone to mis-targeting and leakages (especially in absence of universal basic social security)
 - Like in old age pension, widow pension
 - Health insurance, maternity benefits, insurance, disability etc
- Cash grants available – leads to leakages
- Costs of administering outweigh benefits to individuals
- Universal coverage advocated in order to reduce leakages and arbitrariness of bureaucracy and political patronage



New paradigmatic thinking

- Social security and poverty reduction – to be seen as complimentary – measures to address each to reinforce other
- Universal approaches to reduce costs of administration and eliminate adverse selection
- A package of basic minimum social security (promotional and protective) to everyone
- Rights and entitlements framework provides sustained commitment from governments
- Institutional structures important for delivery



Recent Indian Initiatives

- National Rural Employment Gurantee Act
- National commission for Enterprises in the Unorganised Sector
- Rapid promotion of micro-credit



Some features and lessons

- NREGS – addresses poverty and deprivation in rights perspective
- Embedded several social security measures
- Income transfer – wages, other social security measures like insurance, crèche for children, transport etc
- But still falls short of creating sustainable incomes – contingent upon several factors



Some features and lessons

- National Commission on Enterprises in the Unorganised Sector
 - First of its kind on informal sector (unorganised -wage, self employment, agriculture and non-agriculture)
 - Addressing the conditions of work and social security of workers (and their families)
 - Advocates universal basic social security for all
 - Recommendations related to improving conditions of work, promotion and protection of livelihoods, social security
 - Calls for comprehensive legislative action – two bills for agriculture and non-agriculture workers
 - Government response- bills introduced in parliament – which provides for targeted protection measures



Micro-credit programmes

- Addresses income and economic security
- Pre-dominantly focused on women
- Rapid expansion during past one decade reaches to 10 million poor women
- Linked with poverty reduction and financial access goals
- Mostly delivered through group based approach
- Several social externalities identified
- Best suited for delivery of basic social security for poor
- Enhances local accountability and transparency
- Government and public sector banks play major role
- Presence of large number of private sector players (NGOs, MFIs)
- No regulation and comprehensive legislation available
- Host of issues around institutional sustainability, targeting, poverty reduction goals remain to be addressed



Lessons from Indian Experience

■ Basic social security measures

- Unfinished agenda
- Identified several gaps in targeted transfer mechanisms
- Still they remain important – particularly to address needs of the vulnerable
- Mission approach to achieve goals –universalism attempted
- Institutional mechanisms at the local level- decentralisation, self help groups identified as suitable vehicles for effective delivery, targeting and minimising leakages in ‘targeted’ programmes
- Strengthening capacities at the local level important
- Sustained budgetary support required – so also political commitment



Lessons

- Social security in terms of wage and self employment important
 - For income and economic security
 - Needs institutional mechanisms for effectiveness and efficiency
 - Self help groups appear to be one vehicle for securing income and economic security
 - Embedded in rights and universal approach
 - Several positive externalities identified in such an approach



Thank you all for your attention.