Realigning India's Social Protection System

What is the issue?

- India is no longer a largely chronically poor country but a more unequal and vulnerable country with pockets of deep poverty.
- India’s prosperous future will largely depend on how its social protection system evolves and aligns with diversity and demography.

How does social protection system work?

- **Promotional instruments** invest in the ability of families to survive shocks on their own by enhancing productivity, access to job opportunities and incomes.
- This is done through human capital infrastructure, wage legislation, labour policies, skills training and livelihood interventions.
- **Preventive instruments** aim at reducing the impacts of shocks before they occur.
- This is done through social insurance programs that enable the households to use their savings from good times to tackle losses in tough times.
- **Protective instruments** mitigate the impacts of shocks after they have occurred.
- This is done through tax-financed redistribution from the non-poor to the poor.
- These programs would classically be called anti-poverty measures as they target social assistance to the poor, whether in kind or cash.

How was it at the time of independence?

- At the time of independence -

i. most part of India was reeling from famine, de-industrialisation and multiple deprivations
ii. half the population was chronically poor
iii. the country had an aggregate food deficit
iv. financial and banking networks were underdeveloped
v. growth rates were weak
vi. technology available for program administration was inadequate

- Given this, the social protection schemes focussed almost exclusively on anti-

poverty, protective instruments.

What is the present poverty scenario?

- The poverty scenario of India has changed in the decades after independence, which is highlighted by the latest available data from 2012.
- **Chronic poverty** - Despite the dramatic fall in households below the poverty line to 22%, the challenge of chronic poverty remains.
- [Chronic poverty refers to deprivation due to poverty over many years, often entire lives, and is frequently passed on to the children.]
- So despite a decline in poverty levels, India shelters pockets of deep poverty and these households are geographically clustered.
- A significant 15% of households (37 million households) that were poor in 2005 remained poor in 2012.
- **Inequality** - Inequality in poverty across locations and demographic groups has increased.
- The poverty rate of six of the poorest states in India is twice that of other states.
- Seven low-income states - Chhattisgarh, MP, UP, Odisha, Jharkhand, Rajasthan, Bihar - account for 45% of India's population.
- But nearly 62% of the poor in these states continues to need strong safety nets programs.
- Within states, poverty and vulnerability remain highest amongst Adivasis.
- Women are largely missing from the workforce, and face serious risks to their mobility and well-being.
- **Vulnerability** - The majority of India is no longer poor. Instead, half of India is vulnerable.
- These are households that have recently escaped poverty with consumption levels that are unsteadily close to the poverty line.
- So a large section of these households remains vulnerable to slipping back to poverty.

What is the need now?

- Families are moving out of poverty and the middle class is continuing to grow.
- India's social protection system needs to evolve and catch up with the needs of its new demography and risk profile.
- It can no longer be singularly focused on chronically poor households.
- Programs must ensure that those who have escaped poverty are able to sustain improvements, to anticipate and manage risks and shocks better.

What are the possible measures?

- **Insurance** - Health insurance, social insurance (in case of death, accident and other calamities) and pensions are 3 key tools for protection from vulnerability.
- Most Indian households, both poor and non-poor, rely on personal savings to deal with health, accidents, or climate shocks.
- At present, only 4% of households in India use government social insurance programs.
- Use of private sources of insurance is higher, particularly for wealthy households, with members of nearly 27% households benefitting from it.
- The bottom 20% report very low uptake of private options for market-based insurance.
- **Implementation** - Strengthening the delivery systems of programs is highly essential.
- Rationalisation of target groups in terms of protection and prevention is needed, given the huge diversity in the economic profile of India's states.
- State governments should be allowed to choose the optimal mix of preventive and protective programs to suit their state's needs.
- In low income states, anti-poverty programs such as PDS or MGNREGS, if implemented well, can serve twin goals of protection and prevention.
- An increased emphasis on interventions that help anticipate risks should be expected, particularly in medium- and high-growth states.
- **Portability** - State governments often use residency criteria to target benefits.
- So portability with programs is crucial for migrants to receive support while they try to build new lives in new places.

Source: Indian Express

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