

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