

Social Protection in India: Experience, Lessons and Barriers

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Macroeconomic Situation: GDP growth

	1980s	1992-93 to 97-98	1997-98 to 2001- 02 (9 th plan)	2003-04 to 2007- 08
GDP	5.6	6.7	5.5	8.8
Agriculture	3.4	4.7	2.0	4.9
Industry	7.0	7.6	4.6	9.4
Services	6.9	7.5	8.1	10.1

Macroeconomic Situation

- Experience shows that in the last 18 years there have been improvements in economic growth, foreign exchange (from less than 1 billion \$ to 310 billion \$) , IT revolution, stock market boom, export growth etc.
- Savings rate increased from 24% in 2000-01 to 35% in 2006-07. Investment rate increased from 24% to 36% during the same period.
- However, income distribution has been unequal and only some sections of the population benefited more from higher growth and prosperity.

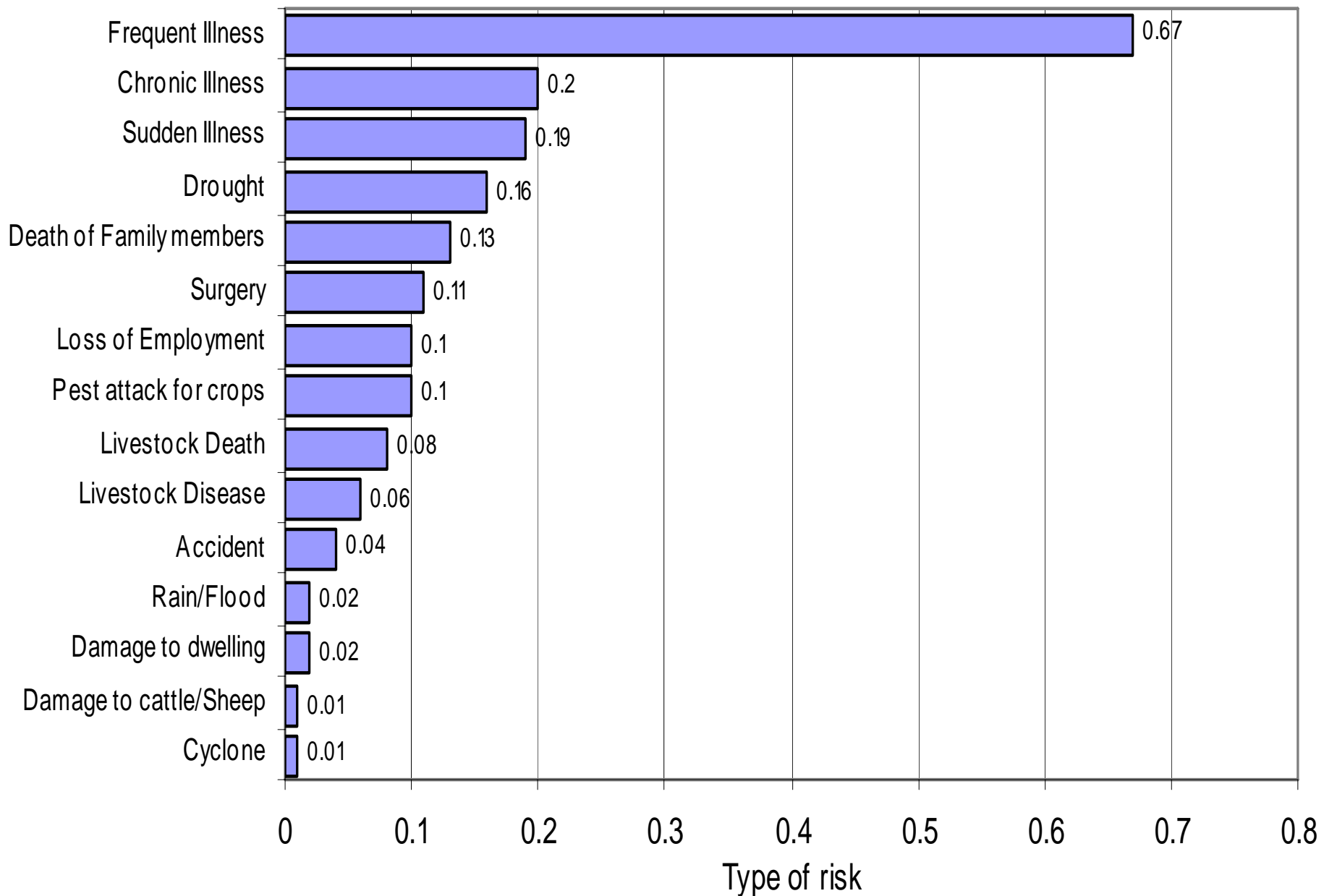
Macro Context

- Post-reform period witnessed slow reduction in poverty, problems with employment growth, agri. growth was low, increase in rural-urban, prevalence of regional, gender and social disparities.
- Social sector performance has not been satisfactory.
- Risks and vulnerability are high as more than 90% workers are in the unorganized sector
- **The global financial crisis has impact on India also. Growth rate declined from 9% in 2007-08 to 6.7% in 2008-09. It has impact on export sector and employment. It may affect the poor and vulnerable.**
- In India, employment creation and social protection programmes are part of the national planning and included in the five year plans.

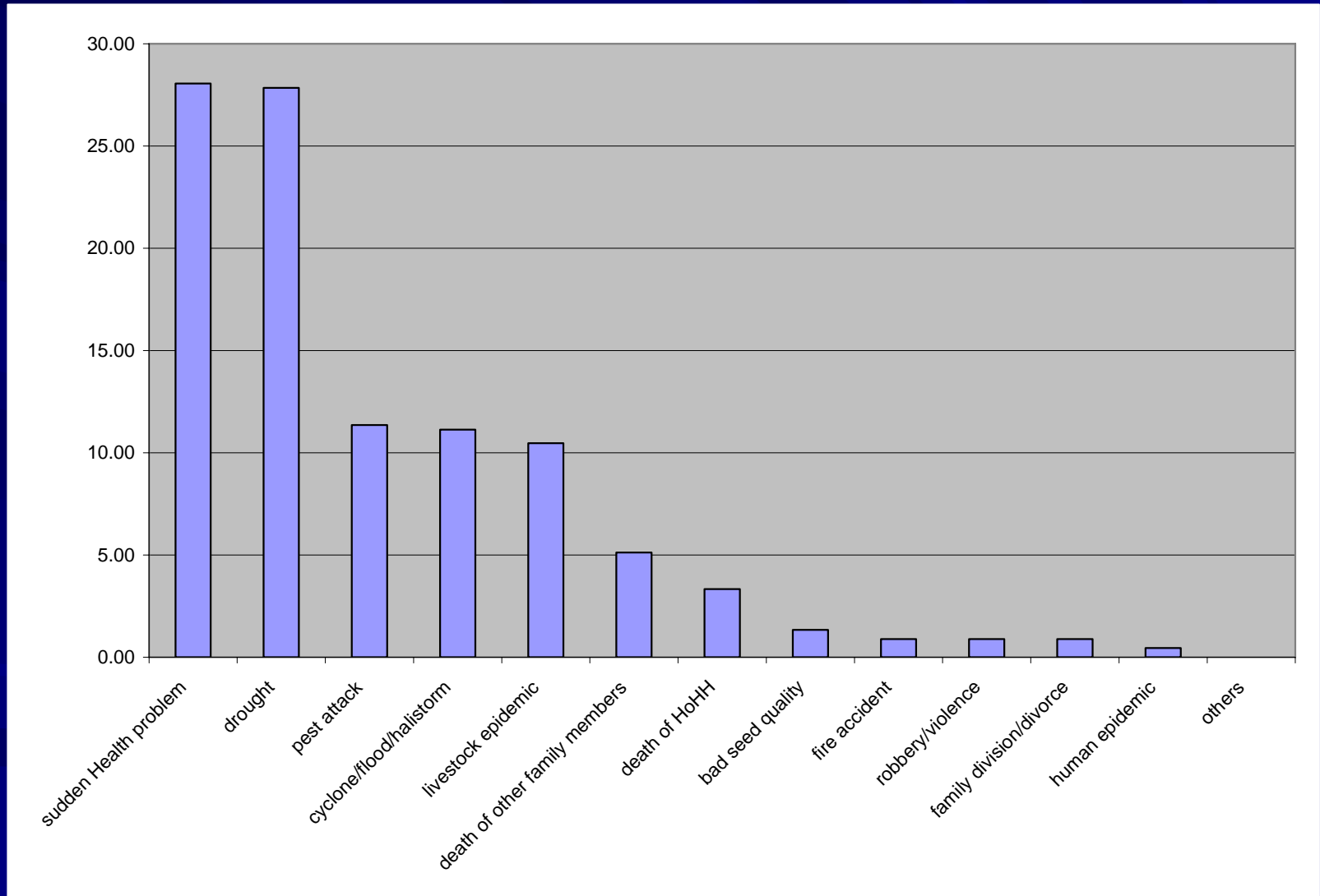
Risks and Vulnerabilities

- Poor suffer from many individual and co-variate risks.
- The poor at individual or household level have higher exposure to a **variety of risks**.
- Sometimes the distinction between idiosyncratic and covariant risks are blurred
- **Health shocks**: illness, injury, accidents, disability
- **Labour market risk**: In South Asia many work in informal sector and have high risk of unemployment and underemployment.
- **Harvest risks, Life cycle risks, social risk, special risks for vulnerable groups.**

Frequency of shocks (an example from AP, India)



% of HHs reporting risks in Orissa



Risks and Coping mechanisms

- A village level study in three states (Orissa, Karnataka and Madhya Pradesh) shows that drought was the dominant risk followed by sudden health problems, cyclone/floods, and pest attack.
- As for health risk, the proportion reporting is substantially higher for the bottom two quartiles compared with the two top two quartiles.
- Most of the coping mechanisms followed by households are: borrowing, sale of assets, spending from savings, expanded labour supply, child labour, bonded labour, reducing consumption, migration etc.

% distribution of coping mechanisms by type of risk

Coping	Three States (M.P., Karnataka and Orissa)		
	Q1	Q4	Total
Asset Depleting	2.2	8.8	7.4
Access Labor markets	31.5	19.4	24.7
Financial Adjustments (borrowing etc.)	24.8	27.7	24.2
Intra HH adjustments	1.9	6.3	3.7
Depend on Aid	5.9	4.0	5.8
Others	7.0	4.5	6.3
None	26.7	29.2	27.9

Social Protection

- Social protection deals with both absolute deprivation and risk and vulnerabilities
- It deals not only with social risks (sickness, old age, unemployment and social exclusion) but also with programmes that secure income such as food security, employment, education etc. Social and Economic security
- Presence of social protection can maintain social cohesion and can prevent irreversible losses of human capital.
- In the financial crisis, supply side management is not enough. There is a need to increase in the demand. Social protection programs can increase demand.

Social Protection Programmes in India: Protection and Promotional

- Self Employed Programmes (SGSY, Self Help Groups)
- Wage Employed Programmes (NREGA)
- Food and Nutrition Programmes (PDS, ICDS, mid-day meals)
- Some other protection programs: Housing program (Indira Awas Yojana), National Old Age Pension (NOAP), widow/disabled pension, rural educational scholarship, free text books, free hostels, free uniforms)
- Programmes specifically for urban poor.
- Social protection for the Unorganized/informal workers: Promotional and protection schemes proposed by National Commission on Enterprises for the Unorganized sector (NCEUS)

Self Employment Programmes

- Earlier micro credit to individuals (IRDPA). Now group approach.
- Government program: Swarnajayanti Gram Swarozgar Yojana SGSY (Village Self Employment Programme)
- Self Help Groups (SHGs)- bank linkage programme.
- The main objective of SHG-Bank linkage programme is to provide thrift linked credit support to members of SHGs
- It enable them to have access to the formal banking system and get loans in a reasonably short time and at low cost.
- The program has now emerged as the largest and fastest growing micro-finance initiative in the country.

Positive Impact of SHG-Bank linkage

- There are 4 to 5 million SHGs in the country.
- Each group has 10-12 members
- One of the distinctive features of the SHG - Bank Linkage Programme has been very high on-time recovery.
- Reduced the incidence of poverty through increase in income, and also enabled the poor to build assets and thereby reduce their vulnerability.
- Enabled households that have access to it to spend more on education
- Families participating in the programme have reported better school attendance and lower drop out rates.

Positive Impact of SHG-Bank linkage

- More than 90% of the SHGs are exclusively women's groups.
- Empowered women by enhancing their contribution to household income,
- increasing the value of their assets and generally by giving them better control over decisions that affect their lives.
- Reduced child mortality, improved maternal health
- Contributed to a reduced dependency on informal money lenders and other non-institutional sources.

Two important models on SHGs

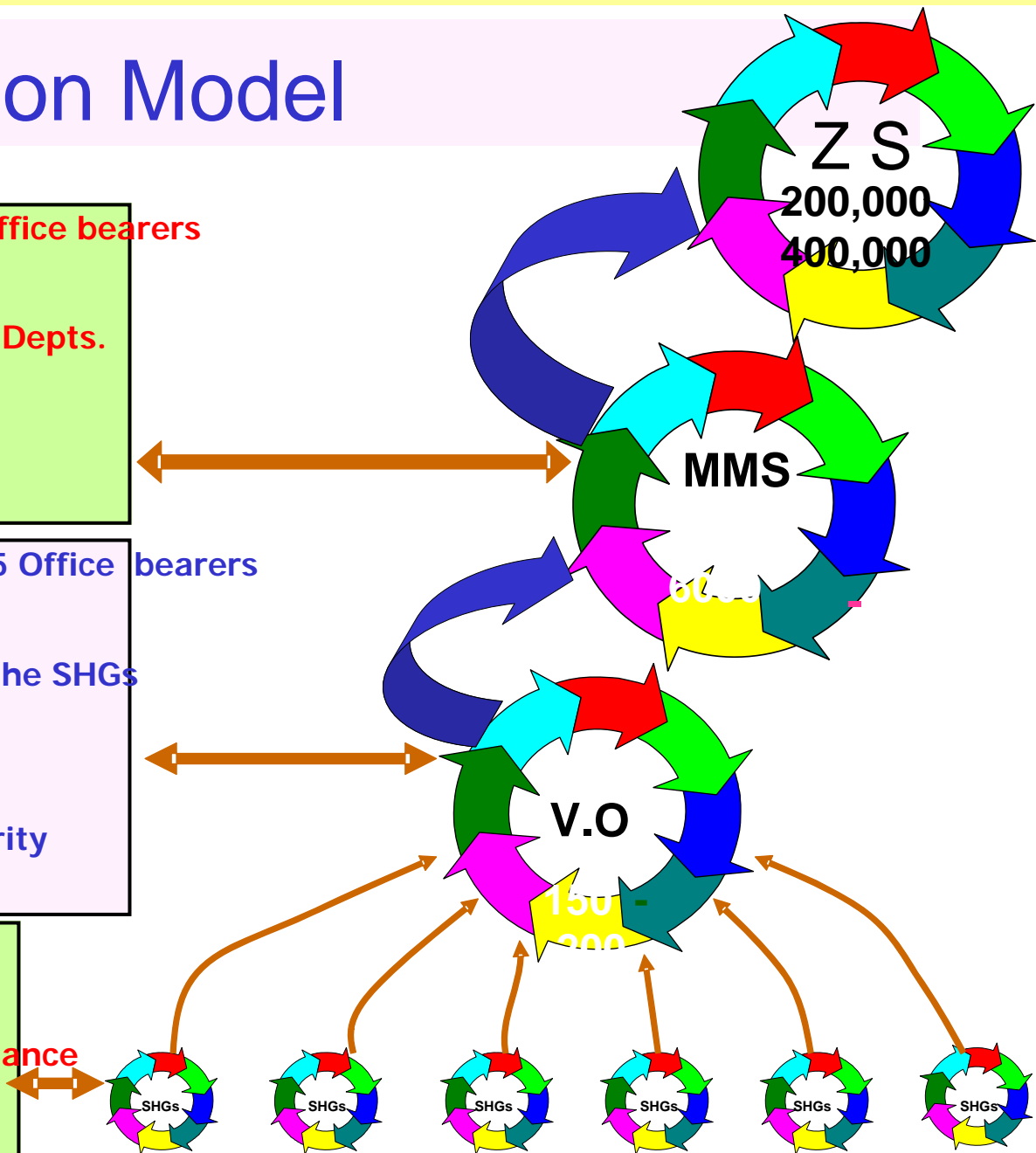
- One is Kerala model: *Kudumbasree* programme improved empowerment and reduced poverty
- Andhra Pradesh : The government is implementing a statewide rural poverty eradication programme based on social mobilization and empowerment of rural poor women.
- This programme is popularly known as 'Indira Kranti Pathakam'

A.P Federation Model

- E.C - 2 from each V.O, 5 Office bearers
- Support to VOs
- Secure linkage with Govt. Depts. fin institutions, markets
- Auditing of the groups
- Micro Finance functions

- E.C - 2 from each S.H.G, 5 Office bearers
- Strengthening of SHGs
- Arrange line of credit to the SHGs
- Social action
- Village development
- Marketing and food security
- Support activists – 3 -5

- Thrift and credit activities
- Monitoring group performance
- Micro Credit Planning
- Household inv plans



10 - 15

Wage Employment: Public works programmes in India

- India has a long experience in Experimenting with labour intensive public works beginning with Rural man power programme in 1960
- The Employment Guarantee Scheme of Maharashtra (EGS) 1972/73
- At the national level, there were JRY (Jawahar Rojgar Yojana) and EAS (Employment Assurance Scheme), SGRY.
- But, the most important programme now is National Rural Employment Guarantee Act (NREGA)

Maharashtra EGS

- Due to adverse economic and demographic trends in rural Maharashtra, the EGS as a pilot program started in 1965. It got statutory status in 1973/74
- Maharashtra Employ. Guarantee Scheme:
Direct and Indirect benefits
 - Reduced unemployment, increased incomes
 - Insurance mechanism and seasonal benefits
 - Impact on agri. growth and agri. Wages
 - Made rural poor as a political force
 - Has considerable impact on women

National Rural Employment Guarantee Act (NREGA): Salient Features

- The NREGA was notified in September, 2005
- Objective: To enhance livelihood security in rural areas by providing at least 100 days of **guaranteed wage employment** in a financial year to every household
- Primary Objective: Employment Creation
- Auxiliary Objective: Regenerating natural resource base and creating productive assets
- Third is process objective: Strengthening grass root processes of democracy infusing transparency and accountability in governance
- First time a rights based approach for employment throughout India.
- **This is the largest ever public employment programme visualised in human history**

Salient Features of Design and Implementation

- (1) Workers entitlements
- (2) Unemployment Allowance
- (3) Works permitted under the scheme
- (4) Implementation and monitoring
- (5) Transparency and Accountability

Works permitted

- Eight categories of works

- Water conservation and water harvesting

- drought proofing

- irrigation canals including micro and minor irrigation works

- provision of irrigation facility on the lands of SCs and STs and others

- renovation of traditional water bodies (e.g. tanks)

- land development

- flood control and protection works

- rural connectivity to provide all-weather access

- 9th category: “Any other work which may be notified by Central Govt. in consultation with State Govts.

Implementation

- **Implementing Agencies** : authorized by Central govt. or State govt. to implement any work
- The main implementing agencies are the gram panchayats (at least 50% of works)
- Other implementing agencies include the Intermediate Panchayats, district panchayats
- Line departments (PWD, Forest Dept.)
- NGOs.
- Private contractors are banned
- Block is the basic unit of implementation.
- A “Programme Officer” is to coordinate the implementation of NREGS at the block level.

Transparency and Accountability

- All NREGA-related documents to be available for public scrutiny.
- Copies of documents to be made available at nominal cost.
- Muster rolls to be pro-actively displayed at Panchayat Bhawan.
- Documents can also be obtained under the Right to Information Act.
- Gram Sabhas to conduct social audits of all works taken up within Gram Panchayat
- All relevant documents to be provided to the Gram Sabha by the Gram Panchayat and others

Social Audit and Monitoring

- **Social Audit** : It includes scrutinizing and verifying the authenticity of all records and procedures of the programme and expend.
- Social audit of all works in grampanchayat area is conducted by the Gram Sabha
- The implementing agency must provide all necessary documents for social audit
- Program officer and district program coordinator to facilitate documents through resource support
- **Monitoring Mechanisms**: Monitors for internal and external monitoring must be identified and trained at the State/District and block levels
- 100% verification of works at the block level, 10% at district level, 2% at the State level
- Local vigilance and monitoring committees are to be set up and trained

Macro Level Data (Official)

- The Government has implemented the Act in the first phase in 200 districts of the country from Feb., 2006
- In Phase II, additional 130 districts were included from April 2007 (total 330 districts)
- From April 2008, phase III, universalization of NREGA. Extended to all 596 rural districts in the country.
- Expenditure in the Programme
 - Rs. 88.1 billion (\$1.76 billion) in 2006-07
 - Rs. 158.6 billion (\$ 3.17 billion) in 2007-08
 - Rs. 250 billion (\$ 5 billion) in 2008-09
 - Rs. 300 billion (\$ 6 billion) allocated in 2009-10
- The expenditure is around 0.5% of GDP; 3.3% of budget exp.; 10% of plan exp.

Progress in the Last Three Years (till March 2009)

- Employment provided to households: 40.8 million. (with 5 persons per hh, 204 mil. pop.)
- More than Bangladesh Population
- Persondays [in million]:
 - Total: 1755.6
 - SCs: 520.1 [29.63%]
 - STs: 448.2 [25.53%]
 - Women: 840.1 [47.85%]
- Total works taken up: 2.37million.
- Works completed: 0.91 million.
- Works in progress: 1.46 milliom

NREGA fact sheet	2006-07	2007-08
	Phase I districts only	Phase I+ Phase II districts
Number of districts under NREGA	200	330
Person-days employment generated		
Total (Million)	900	1440
Per Rural Household	17	16
Per job card	24	22
Per household employed in NREGA	43	42
Expenditure on NREGA		
Total expenditure millions (Rs.)	88130	158570
Average wage cost per day (Rs.)	65	75

Problems and Challenges

- The performance is uneven. The problems and challenges where it is not working are the following
- (1) Awareness Problem among workers (lack of awareness about their entitlements, getting job cards, applying for work)
- (2) Implementation and administrative Problems (fudging of muster rolls, improper measurements, non-payment of minimum wages, delay and transparency in wage payments, lack of basic worksite facilities including child care, fictitious gram sabhas)

Problems and challenges (contd.)

- (2) Implementation and administration problems (contd.) (Understaffing, Delays in administration, delays in release of funds, many continuing problems in implementation, often relating to how guidelines are interpreted, lack of People's planning, many instances of corruption/wastage etc. have been identified in field studies, poor quality of infrastructure)
- (3) Monitoring and Evaluation
 - MIS provides only disbursements and do not have list of active worksites
 - Official figures may not be accurate. National level independent evaluations may be needed
 - More funds are needed for M&E
 - Problems in Social Audit

Problems and challenges (cotd.)

- (4) Lack of professionals:
 - Comptroller and Audit General (CAG) indicates that NREG being run with very little professional input
 - 50 per cent of NREG works have to implemented by Gram panchayats. But in many states their capacity is weak.
 - Technical help for Panchayat institutions and other government administration is lacking.

Conclusion on NREGS

- Most evaluations-official and non-official show that implementation has been more effective than any of its predecessor schemes.
- In particular, the leakages have been reduced significantly in many places
- Significant rise in agricultural wage shows its success.
- The success of course is by no means uniform
- Much needed relief during financial crisis even for the urban poor returning to rural areas
- 11th Five Year Plan indicates that NREGS is going to be one of the important programs for poverty reduction in India
- NREGS can transform livelihoods of the poor but also will also lead to revolution in **rural governance**.

Public Distribution System

- It is a price instrument to help consumers and achieve food security at household level
- PDS supplies commodities at below market prices. Rice and wheat are major ones. Largest distribution network in the world.
- Historically, The objectives of PDS have been
 - Maintaining price stability
 - Raising the welfare of the poor
 - Rationing during situations of scarcity
 - Keeping a check on private trade
- It was universal till 1997. In 1997 targeted PDS started (population were divided into BPL and APL).

Targeted PDS

- BPL, APL, Antyodaya (destitutes)
- Total Number of families as per Planning Commission (BPL+APL+AAY) 180 million)
- Total number of ration cards (238 million)
- Number of fair price shops. Nearly 500,000
- 35 kgs. per month per family
- Central Issue Price (PDS price) has not been changed since 2002.
- Out of total subsidy for TPDS, 18% for APL, 46% for BPL and 36% for Antodaya

Table : Offtake of Rice and Wheat under Targeted PDS and Welfare Programmes (million tons)

Years	Rice and Wheat BPL	Rice and Wheat APL	Rice and Wheat under Antyodaya	Total under TPD S	Rice and wheat under welfare schemes	Total Rice and Wheat (TPDS +welfare)
2003-4	15.8	4.2	4.2	24.2	13.5	37.7
2004-5	17.5	6.7	5.5	29.7	10.6	40.3
2005-6	15.6	8.3	7.4	31.4	9.7	41.2
2006-7	14.2	8.7	8.7	31.6	5.1	36.7
2007-8	15.1	9.0	9.4	33.5	3.9	37.4

Targeted PDS

- There are four major problems:
 - High inclusion and exclusion errors
 - Non-availability of fair price shops
 - Not fulfilling price stabilization objectives
 - leakages (38% of rice and wheat)
- Some advocate reverting back to universal
- 11th Plan provides suggestions for improvement
- Are Food stamps alternative to PDS?

Global Food Prices and India's Policies

- Similar to other countries India also has more net purchasers (many landless agriculture and other labour and urban poor) than net sellers (about 121 million farm hhs)
- India controlled food prices as compared to soaring global food prices during 2005 to the middle of 2008 because of its better food management policies.

Trends in Cereal Prices

Year	International Cereal Prices	India Wholesale price Index (Cereals)
2005	100.0	100
2006	121.3	106.7
2007	158.7	114.1
2008 (1 st Qtr)	237.4	118.6
2008 (2 nd Qtr)	257.9	120.4
2008 (3 rd Qtr)	231.1	122.6

Movement in Indices of Commodity Prices India vs International:Cereals



Movement in Indices of Commodity Prices India vs International:Wheat



Movement in Indices of Commodity Prices India vs International:Rice



Reasons for lower rise in food prices in India

- The policy stance was to attempt insulation of domestic prices from the high world prices by combining different measures including high subsidies, lower tariffs and export restrictions and food management policies (procurement, buffer stock and subsidized food)
- Two organizations were created in 1965 as government interventions in foodgrain markets
- FCI (Food Corporation of India) Main objectives of
 - (1) providing price support to farmers by procuring foodgrains at a support price;
 - (2) distributing foodgrains at subsidized prices to the poor people throughout the country; and
 - (3) maintaining buffer stocks to ensure national food security.

ICDS and Mid-day meal schemes

- Child malnutrition levels are very high in India.
- There are two major programs in the country to address the malnutrition problem.
- The performance of ICDS has not been upto expectations
- Notwithstanding some of the shortcomings, MDMS
- appears to have had a positive impact on school attendance
- and nutritional status of children through
- removal of classroom hunger.
- Mid-day meal scheme worked well in Tamil Nadu.
- 11th Plan says 'universalization with quality' should be the approach for ICDS and mid-day meal

Social Protection Programmes for Unorganized workers

- Dualism in Indian economy: Formal and informal
- India has about 456 million workers in 2004-05. Around 92% of those employed are informal workers.
- They suffer from two sets of problems: (a) capability deprivation; (b) the second one is adversity, no fallback mechanism to meet contingencies such as ill health, accident, death and old age.

Social Protection for Unorganized workers

- National Commission on Enterprises for Unorganized Sector (NCEUS)
- For decent employment, the Commission advocated three pronged strategy: (a) Minimum level of social security (b) Conditions of work (c) promotion of livelihood
- Minimum level of social security: old age, health insurance and maternity benefits
- Conditions of work: among other things, a national minimum wage

Social Security for Unorganized workers

- Skill formation for the informal workers
- Strengthen NREGS. Initiate similar program for urban areas
- Special program for marginal and small farmers
- Development of micro enterprises with a focus on credit, technology and development of clusters and growth poles
- Already Parliament approved the social security bill

Lessons from Experience

- There is no matching between risks and programs. For example, health risk is the most dominant one. But, the programs should have focused more on this risk.
- ***Self Employment Programs***: Group approach seems to be working well. Successful models are Andhra Pradesh and Kerala. Social empowerment has improved. Economic empowerment has to be improved. Credit, technology and skill improvement.
- ***NREGA***: Other countries can learn from the experience of India. Most evaluations of NREGA show that implementation has been more effective than any of its predecessor schemes.

Lessons

- This is because of many innovations in design and implementation of the scheme
- NREGA introduced a rights based framework
- Introduced legal guarantee of work. Earlier programs could be withdrawn by a govt. at will
- Time bound action to fulfill guarantee of work within 15 days of demand for work
- Demand based availability of funds
- Decentralized system (panchayats for implementation). No contractors
- Transparency and accountability through social audits and other mechanisms. Better M&E systems.
- Strengthening grass root processes of democracy infusing transparency and accountability in governance

Lessons

- **Food Based Programmes:** Apart from hhs, useful for children and women. Leakages are high particularly in PDS. Targeting errors are high. Delivery services have to be improved.
- Of course the performance varies across states. In South, performance of PDS is relatively better. One can learn from Tamil Nadu mid-day meal scheme.
- **Social Security for unorganized sector:** India is one of the few developing countries which quantified the workers and their characteristics in this sector (NCEUS).
- It is a huge task covering more than 400 million unorganized/workers
- Minimum social security provision is also unique.

Other Lessons

- Decentralized governance plays an important role in better implementation of social protection programs.
- People's participation, civil society, social mobilization, right to information lead to better implementation
- Awareness and participation by the beneficiaries is also associated with social capital in the village
- Use of IT also leads to better monitoring and implementation.
- To conclude on lessons, social protection programs are important to improve incomes and reduce risk and vulnerability.

Barriers to Extension

- Resources and Institutions
- Economic and social (caste etc.) Inequalities
- Legal barriers: Anti-poor laws
- Illiteracy
- Weak public sector administrative mechanism
- Gender bias
- Capacity Building at Panchayat level and participation of *gram sabhas* (village communities)
- Less participation of NGOs and civil society in some programs
- Finally, some of the programs like NREGS has threatened the existing feudal systems at village level. Resistance from the local elite.

Are CCTs useful for India?

- Many suggest that the CCTs should be introduced in India.
- One political party mentioned unconditional cash transfers in the manifesto in the recent elections.
- The problem in India is that one has to strengthen the public health and education.
- If there are problems in the quantity and quality of hospitals and schools, CCTs would be less useful.

THANK YOU