A Social Protection Floor for India
# Outline of Presentation

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<td>Social Protection and the Social Protection Floor – Conceptual Background, Necessity and Impact</td>
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1. Social Protection and the Social Protection Floor – Conceptual Background, Necessity and Impact
Background

• In 2010, global GDP was ten times larger than in 1950. But 20% of global population, lives in abject poverty, 38% do not have access to adequate sanitation, 92.5 crore suffer from chronic hunger.
• It is clear that growth alone cannot tackle issues of poverty, deprivation and decent work.
• **IMPACTS of Social Protection**: Social protection impacts on poverty, deprivation, inequality, social cohesion, political participation, social inclusion, and empowerment of the vulnerable
• In times of crisis, social protection expenditure not only mitigates greater hardships and poverty but also plays an important counter cyclical role.
• Social protection can help in the progressive realization of human rights. *But 75% of the world’s population live without adequate social protection cover.*
The concept of Social Protection is anchored in the UDHR and subsequent UN conventions.

a) Articles 22 to 26 of UDHR state the universal rights of each individual to a basic standard of life, to proper working conditions, and to social security and social protection.

b) The International Covenant on Economic, Social and Cultural Rights, 1966, again recognizes “the right of everyone to social security, including social insurance” (Article 9) and Articles 10 to 13 of the Convention elaborate on the rights of mothers and infants, the right to a decent standard of living, the right to food, health and education.

c) Subsequent UN conventions have also upheld the right to shelter, principles of non-discrimination, the rights of the child and so on.
Social Protection Floor

• World Commission on the Social Dimension of Globalization: “A minimum level of social protection for individuals and families needs to be accepted and undisputed as part of the socio-economic floor of the global economy”.

• In April 2009, post-crisis, the UN Chief Executives Board adopted the Social Protection Floor – an initiative providing essential services and transfers to all in need of such protection as one of the nine joint initiatives to confront the crisis, accelerate recovery and pave the way for a fairer and more sustainable globalization.

• UN suggests that the social protection floor consist of two main elements:
  – **Essential services**: geographical and financial access to essential services (such as water, sanitation, health, and education);
  – **Social transfers**: a basic set of essential social transfers, in cash and in kind, as aid to the poor and vulnerable to provide minimum income security and access to essential services, including health care.
It takes a **life cycle approach** to social protection, paying special attention to vulnerable groups.

The SPF should comprise at least four basic social security guarantees under the SPF:

a) **access to a nationally defined set of goods and services**, constituting essential health care, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality;

b) basic income security for **children**, at least at a nationally defined minimum level, providing access to nutrition, education, care and any other necessary goods and services;

c) basic income security, at least at a nationally defined minimum level, for **persons in active age** who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability; and

d) basic income security, at least at a nationally defined minimum level, for **older persons**.
Endorsement of SPF by the Global Community and India

Since 2009, the concept of “Social Protection Floors” has been discussed and endorsed (by India and other countries) in various international fora, including:

- Global Jobs Pact (2009)
- UN Millennium Development Goals Summit (September 2010)
- UNESCO Forum of Ministers in Charge of Social Development from South Asia (Colombo, 2011)
- International Labour Conference (Geneva, 2011)
- UN Economic and Social Council (July 2011)
- Declaration of G20 Ministers of Employment and Labour (Paris, 27 September 2011)
The SPF – Principles and Framework

• **ILO – SPF established by Law:** ILO Recommendation 202 states that the basic social security guarantees should be established by law. National laws and regulations should specify the range, qualifying conditions and levels of the benefits giving effect to these guarantees.

• **Mechanisms to ensure gender and inter-group equality,** and focus on the vulnerable.

• **Two Dimensional Strategy, Coherence & Sustainability:** The SPF Advisory Group speaks of the SPF as part of a two dimensional strategy for the extension of social security, comprising of a basic set of social guarantees for all (horizontal dimension), and the gradual implementation of higher standards (vertical dimension).
Rationale, Feasibility and Impact of the SPF

• **IMPACTS:** Improved access to essential goods and services, income distribution, empowerment, and collective participation.

• There are further impacts through the impact on productivity, on demand, and through the social cohesion which an SPF could help to bring about.

• An SPF and a sound social protection system could be key drivers for equitable, just, and inclusive growth.

• **FINANCING:** Financing of a SPF could be kept at a fairly modest percentage of national income.

• An ILO 10-country study showed that the cost of a SPF package (excluding health and education) in 2010 could vary between 2.5 and 5.5% of GDP.

• The SPF Advisory Group calls the SPF an “economic, social and political necessity”.
2. Social Security and Social Protection in India – Current Scenario
Constitutional Basis for Social Protection in India

• The Constitution’s chapter on fundamental rights prohibits human trafficking and child labour in hazardous industries, recognizes the right to form associations and unions, and the right of children to education.

• The **Directive Principles** of the Constitution call for the state to provide for adequate means of livelihood; and further:
  - “within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want” (Article 41);
  - make provisions for the ingredients of decent work in terms of conditions of employment and a living wage (Articles 42 & 43); and
  - “regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties.” (Article 47).

• The **Supreme Court** of India has now read many of the basic economic rights as being part of the right to life, which is a fundamental right.

• The Constitution also defines the powers of the Central, State and local governments. Most matters relating to **social protection are in the concurrent domain** of centre, states, and local governments.
Employment Relations and Social Security

• **High Growth but Deprivation**: Low improvement in deprivation, HDI; high inequality

INFORMALISATION

• Nearly **93 per cent** of the workforce is informally employed.
• **Rising Informalisation**: The percentage of workers without any formal contract had risen even in the public sector and public limited companies.
• Percentage of wage/salaried workers outside agriculture with social security had declined between 1999-00 and 2009-10.

LOW SOCIAL SECURITY COVERAGE

• According to the NCEUS, only about **six percent of workers** in the unorganised sector had any social security / social assistance to cope with contingent risks.
• The high levels of deprivation/vulnerability and the low (and declining) coverage of social security provide a strong rationale for adequate and effective social protection, and the creation of a SPF, along with other measures to improve the quality of employment.
Percentage of Non-agricultural Wage Workers with social security by activity status

- **Regular wage employee**
- **Casual labour in public**
- **Casual labour in others**
- **Total**

### 1999-00

- **Regular wage employee**: 55%
- **Casual labour in public**: 3%
- **Casual labour in others**: 2%
- **Total**: 59%

### 2004-05

- **Regular wage employee**: 56%
- **Casual labour in public**: 3%
- **Casual labour in others**: 2%
- **Total**: 60%

### 2009-10

- **Regular wage employee**: 58%
- **Casual labour in public**: 3%
- **Casual labour in others**: 2%
- **Total**: 63%
Percentage of Workers with Social Security by Enterprise Type in 2004-05 & 2009-10

- Total
- Co-operative
- Public limited company
- Government sector
- Partnership with different
- Partnership with household
- Proprietary female
- Proprietary male

in percentage

2009-10
2004-05
Social Protection Programmes

• SEVERAL PROGRAMMES: Both the Central and State governments have initiated a number of social protection programmes covering a large number of sectors including health, education, employment and skills, housing, contingent social security and pensions.

• The ambit of these programmes has expanded since the mid-1990s.

• TARGETED AND NON-GUARANTEED: With the exception of the NREGA, these programmes are not entitlement based, and apart from some programmes such as SSA and NRHM, they have been targeted at “Below Poverty Line” Households/Individuals.
<table>
<thead>
<tr>
<th><strong>Centre Expenditure on SP Programs</strong></th>
<th>2001-02</th>
<th>2006-07</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Employment Promotion Schemes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Rural Employment</strong></td>
<td>0.22</td>
<td>0.35</td>
<td>0.38</td>
</tr>
<tr>
<td><strong>B. Social Security / Social Assistance Programmes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Social Assistance programme</td>
<td>0.03</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Social Security Scheme (Includes RSBY)</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td><strong>Total Social Assistance Programs</strong></td>
<td>0.05</td>
<td>0.09</td>
<td>0.11</td>
</tr>
<tr>
<td><strong>C. Housing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rural Housing</td>
<td>0.08</td>
<td>0.07</td>
<td>0.12</td>
</tr>
<tr>
<td>Urban Housing</td>
<td>0.02</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Total Housing</strong></td>
<td>0.10</td>
<td>0.07</td>
<td>0.13</td>
</tr>
<tr>
<td><strong>D. Food Security</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Integrated Child Development Service(ICDS)</td>
<td>0.06</td>
<td>0.10</td>
<td>0.15</td>
</tr>
<tr>
<td>Nutritional Support to Primary Education (MDM)*</td>
<td>0.05</td>
<td>0.05</td>
<td>0.03</td>
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<tr>
<td>Food Subsidy (PDS)</td>
<td>0.82</td>
<td>0.61</td>
<td>0.89</td>
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<tr>
<td><strong>Total Food Security</strong></td>
<td>0.92</td>
<td>0.76</td>
<td>1.08</td>
</tr>
<tr>
<td><strong>E. Employment Promotion</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total Training (by Ministry of labour)</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Swarna Jayanti Shahari Rojgar Yojana</td>
<td>0.00</td>
<td>0.01</td>
<td>0.01</td>
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<tr>
<td>Prime Minister's Employment Generation Programme</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td><strong>Total Employment Promotion</strong></td>
<td>0.01</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>Total – All Programmes</strong></td>
<td>1.30</td>
<td>1.29</td>
<td>1.72</td>
</tr>
</tbody>
</table>
## Expenditure on Major Social Protection related sectors – by Centre (as % of GDP)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary Education</td>
<td>0.11</td>
<td>0.16</td>
<td>0.35</td>
<td>0.35</td>
</tr>
<tr>
<td>Health and Family Welfare</td>
<td>0.27</td>
<td>0.31</td>
<td>0.35</td>
<td>0.45</td>
</tr>
<tr>
<td>Housing</td>
<td>0.07</td>
<td>0.13</td>
<td>0.12</td>
<td>0.16</td>
</tr>
<tr>
<td>Labour and Labour Welfare</td>
<td>0.05</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>0.04</td>
<td>0.06</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Rural Development</td>
<td>0.53</td>
<td>0.23</td>
<td>0.47</td>
<td>0.72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1.06</td>
<td>0.94</td>
<td>1.35</td>
<td>1.75</td>
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<td>------------------------------</td>
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<td>---------</td>
</tr>
<tr>
<td>Elementary Education</td>
<td>1.25</td>
<td>1.34</td>
<td>1.29</td>
<td>1.19</td>
</tr>
<tr>
<td>Health and Family Welfare</td>
<td>1.13</td>
<td>1.21</td>
<td>1.20</td>
<td>0.97</td>
</tr>
<tr>
<td>Housing</td>
<td>0.09</td>
<td>0.09</td>
<td>0.09</td>
<td>0.13</td>
</tr>
<tr>
<td>Labour and Labour Welfare</td>
<td>0.07</td>
<td>0.06</td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td>Social Security and Welfare</td>
<td>0.21</td>
<td>0.25</td>
<td>0.32</td>
<td>0.56</td>
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<tr>
<td>Rural Development</td>
<td>0.60</td>
<td>0.57</td>
<td>0.72</td>
<td>0.58</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.36</strong></td>
<td><strong>3.51</strong></td>
<td><strong>3.69</strong></td>
<td><strong>3.50</strong></td>
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### Expenditure on Major Social Protection related sectors – by Centre & States Combined (as % of GDP)

<table>
<thead>
<tr>
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<th>Centre and States Combined</th>
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<tbody>
<tr>
<td><strong>Elementary Education</strong></td>
<td>1.36</td>
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<tr>
<td><strong>Health and Family Welfare</strong></td>
<td>1.40</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Labour and Labour Welfare</strong></td>
<td>0.11</td>
</tr>
<tr>
<td><strong>Social Security and Welfare</strong></td>
<td>0.25</td>
</tr>
<tr>
<td><strong>Rural Development</strong></td>
<td>1.13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.42</strong></td>
</tr>
</tbody>
</table>
Expenditure across states on contingent social security and social protection (as % of GSDP)

- Gujarat
- Karnataka
- Kerala
- Madhya Pradesh
- Rajasthan
- Tamilnadu
- Uttar Pradesh
- West Bengal
- Andhra Pradesh
- Bihar
- Chhattisgarh
- Haryana
- Orissa
- Punjab
- Maharashtra
- All States

*Years: 2000-01, 2010-11*
Expenditure across states on Elementary Education (as % of GSDP)

- Gujarat
- Karnataka
- Kerala
- Madhya Pradesh
- Rajasthan
- Tamilnadu
- Uttar Pradesh
- West Bengal
- Andhra Pradesh
- Bihar
- Chhattisgarh
- Haryana
- Orissa
- Punjab
- Maharashtra
- All States

Comparison between years 2000-01 and 2009-10.
Expenditure across States on Health and Family Welfare (as % of GSDP)

- Gujarat
- Karnataka
- Kerala
- Madhya Pradesh
- Rajasthan
- Tamilnadu
- Uttar Pradesh
- West Bengal
- Andhra Pradesh
- Bihar
- Chhattisgarh
- Haryana
- Orissa
- Punjab
- Maharashtra
- All States

2000-01 vs. 2010-11
Social Protection Expenditures (other than health & education) as % of GDP

Gujarat
Karnataka
Kerala
Madhya Pradesh
Rajasthan
Tamilnadu
Uttar Pradesh
West Bengal
Andhra Pradesh
Bihar
Chhattisgarh
Haryana
Orissa
Punjab
Maharashtra
All States

in percentage

2000-01
2010-11
Share of various components of other expenditures of States (excluding health and education), 2000-01 and 2010-11

2000-01
- Housing: 52.1%
- Labour & Welfare: 8.2%
- Social Security & Welfare: 11.4%
- Nutritional: 5.6%
- Rural Development: 22.7%

2010-11
- Housing: 38.5%
- Labour & Welfare: 8.7%
- Social Security & Welfare: 12.4%
- Nutritional: 3.7%
- Rural Development: 36.7%
3. A Social Protection Floor for India – Proposed Dimensions
SPF and India

- The key dimensions of a Social Protection Floor are basic income security and access to affordable essential services.
- Countries have the flexibility of designing a SPF depending upon their level of development and their specific history and context.
- Among other things, the SPF should create clear-cut entitlements and should be backed by legislation (ILO Recommendation 202).
- India is also committed to advancing the agenda of a Social Protection Floor as is evident from its support to ILO Recommendation 202 and the Ministerial Declaration at the third Inter-Ministerial conference in Colombo in 2011 (UNESCO 2011).
Dimensions of a proposed rights-based SPF for India

- This study considers the feasibility of a SPF for India comprising six dimensions of social protection, articulating an entitlement based approach to social protection. These are:

  - **Children's education, nutritional status and health.** The Right to Education Act (2009) provides specific entitlements to children to free schooling on the basis of essential norms and standards. The proposed Right to Food Act incorporates the mid-day meal and nutrition related elements of the ICDS.

  - **Employment and Livelihood Security.** The MGNREGA provides for 100 days of unskilled manual labour on demand to every rural household, on demand, within fifteen days, and ordinarily within a distance of five km.

  - **Social Pensions.** The Task Force on Restructuring the National Social Assistance Programme has proposed a significant expansion of coverage of the programme to old-aged persons, widows and separated/divorced/single women. It has also proposed some increase in pensions.
• **Social Health Protection.** The Ministry of Health has proposed a National Health Bill (2009) which is under discussion. Meanwhile the High Level Expert Group on Universal Health Coverage has proposed a universal health entitlement to all citizens in the form of National Health Package (Planning Commission 2011a).

• **Food Security.** The National Food Security Bill proposes to give an entitlement of subsidised cereals to up to 75 percent of the rural population and 50 percent of the urban population. The entitlement, both in terms of quantity of cereals and prices will be higher for destitute families (AAY).

• **Housing.** There is some divergence in the current approaches in rural and urban housing, with rural housing set more firmly within an approach that recognises the right to housing. While the Central government's urban housing policy is more limited in scope, it does project the goals of an slum-free India, and there has been a significant expansion in effort to provide affordable housing to the urban poor.
## Proposed SPF Architecture & UN Framework Guarantees

<table>
<thead>
<tr>
<th>Dimensions of SPF (UN)</th>
<th>Components of Proposed SPF</th>
<th>Current Entitlements /Official Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to a nationally defined set of goods and services, constituting essential health care</td>
<td>a) Health care</td>
<td>Draft Health Bill and the HLEG / RSBY</td>
</tr>
<tr>
<td></td>
<td>b) Drinking Water &amp; Sanitation</td>
<td>Draft Health Bill and the HLEG</td>
</tr>
<tr>
<td></td>
<td>c) Food Security</td>
<td>Draft NFSB 2013</td>
</tr>
<tr>
<td></td>
<td>d) Housing</td>
<td>Draft Bill on Rural Housing proposing Right to housing in discussion.</td>
</tr>
</tbody>
</table>
| Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services | Schooling and supplementary nutrition for the child population | a) Education requirements of children addressed in the RTE  
|                                                                                        |                           | b) Supplementary Nutrition requirements of pre-school and School children addressed in the NFSB. |
| Basic income security, at least at a nationally defined minimum level, for persons in active age who are unable to earn sufficient income, | i) Limited work guarantee for working age population in rural areas  
|                                                                                        | ii) Social pensions for vulnerable women – widowed, separated, divorced | a) The NREGA has addressed rural under employment.  
|                                                                                        |                           | b) Insurance based protection (AABY) exists for a very small segment. |
| Basic income security for older persons                                                | Social pensions for old age population | NCEUS and NAC have recommended universal old age cover. TF-NSAP has recommended a road map for |
4. Estimated Financial Costs of the Proposed SPF
THE FINANCIAL COSTS OF ACHIEVING SPF

• RTE
• Social Health Protection
• Employment Guarantee
• Right to Food
• Social Pensions
• Housing
General Assumptions

• **Projected GDP figures are calculated in the following manner:** the GDP growth rate for 2013-14 is taken to be 6.1%. The growth rates for the period beyond 2013-14 is projected at 8% per annum.

• **Projected CLI growth rate:** During this period, the cost of living index is assumed to increase at an average annual rate of 5%.

• **Base Year:** The base years for projection is taken to be 2012-13. Projections have been made till 2021-22 (terminal year of the 13th Plan).

• Expenditure figure for the base year of 2012-13 is the BE for the Centre or wherever the Centre and state expenditures have been considered. The relevant expenditure-GDP ratios for 2011-12 or 2010-11 have been taken depending on the availability of figures.
Financing RTE -- Additional cost of the Centre as estimated by various committees as percentages of GDP

- The estimation of average additional cost per annum as percentages of GDP by various committees has differed from one committee to another.
- The lowest estimation of additional cost per annum is 0.28% (for 93rd Amendment Bill) and the highest is 1.32% (for CABE Committee) of GDP. The average additional per annum cost is 0.65% of the GDP.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Average per annum</th>
<th>Period of implementaton in yrs</th>
<th>Base year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saikia Committee</td>
<td>0.45</td>
<td>5</td>
<td>1997</td>
</tr>
<tr>
<td>Tapas Majumdar Committee</td>
<td>0.72</td>
<td>10</td>
<td>1999</td>
</tr>
<tr>
<td>93rd Amendment Bill</td>
<td>0.28</td>
<td>10</td>
<td>2001</td>
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<tr>
<td>CABE Committee</td>
<td>1.32</td>
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<td>2005</td>
</tr>
<tr>
<td>NUEPA</td>
<td>0.46</td>
<td>-</td>
<td>2009</td>
</tr>
<tr>
<td>Average Estimates of All Committees</td>
<td>0.65</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
Projected Normative Expenditure Requirement of Centre and States under RTE as percentage of GDP

- The targeted increment in annual expenditures for implementing the RTE-SSA is assumed to be roughly around 0.65% of GDP at the end of the targeted period compared to the initial year (2012-13).

- We have assumed that this order of increase will take place by the end of 2021-22.

- Thus, the projected expenditure/GDP ratio should increase to 2.2 percent of GDP by 2021-22 from a ratio of 1.55 percent in 2010-11 and 1.9 percent in 2016-17.
Financing Social Health Protection - Estimated Expenditures of Centre and states as percentage of GDP

- The HLEG has set the target for the share of combined expenditures at 2.5% of GDP by 2016-17 and 3% of GDP by 2021-22.

- The combined expenditures stood at 1.42% of GDP in 2010-11. Following the HLEG recommendations the combined expenditure on health and related essential services need to be increased by 1.08% of GDP by 2016-17 and by 1.58% by 2021-22 from the level of 2010-11.

<table>
<thead>
<tr>
<th>Expenditure on Health and Related Services as % of GDP</th>
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<tbody>
<tr>
<td>2010-11 (Actual)</td>
</tr>
<tr>
<td>2016-17 (Projection)</td>
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<tr>
<td>2021-22 (Projection)</td>
</tr>
<tr>
<td>Increment till 2016-17</td>
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<tr>
<td>Increment till 2021-22</td>
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</tbody>
</table>
Year-wise Estimation of Expenditures by Centre and States on Health as percentage of GDP

- The base year is taken to be 2012-13. However, due to absence of figures on actual expenditures for the year, we have used the percentage allocation/expenditure figures for 2010-11.

- We assume a gradual stepping up of expenditures.

- Projected GDP figures are calculated in the manner as discussed earlier.
Financing Employment Guarantee - Projected Expenditures on NREGA (as percentage of GDP)

- In 2009-10, while 24.2% households got work under MGNREGA, 19.2% households, sought, but did not get work.
- We assume that with a reformed MGNREGA, demand for MGNREGA would go up by 80% and that this demand would stabilise by 2016-17.
- After this, the cost of the programme would go up in nominal terms by 8% per year, in line with increases in the cost of living.
Financing Right to Food - Projected Expenditures on Food for implementing the NFSB Bill

- The revised estimates and budget estimates for food security expenditures are Rs 85,000 crores and Rs 90,000 crores for 2012-13 and 2013-14 respectively.
- The revised provisions in the NFSB are estimated to cost about Rs 130,000 crores for fully implementing the bill.
- We assume that expenditures for 2013-14 would correspond to the budget estimates.
- We assume that the expenditures will increase to Rs 130000 crores by 2014-15 (full implementation) and expenditures for the subsequent years remain at Rs 130000 crores per annum (at constant prices).
An Entitlement based Social Pension

(Projected Expenditures of Social Pensions as % of GDP)

• The first set of estimates are those of the Task Force on Restructuring NSAP.

• Norm 1 is based on the note given by two members of the committee. The pension amount is assumed to be Rs 1000 p.m. and universalisation is expected to happen in two years time.

• Norm 2 assumes a pension amount is assumed to be Rs 2000 p.m., as demanded by the pension parishad, and universalisation is expected to happen in two years time.
Estimate of Cost of Meeting Certain Targets in Urban and Rural Housing (as % of GDP)

- For rural housing, we have taken 12\textsuperscript{th} Plan Working Group financial estimates and targets.
- The Working Group assumes that half the current shortage of 4 crore houses will be met by IAY.
- For urban housing, we assume that public assistance by the Central government will be used to meet half the current housing shortage by the end of the 13\textsuperscript{th} Plan.
Projected Year-wise **Total** Financial Requirements of All SPF Dimensions as percentage of GDP (scenario 1)
Projected Year-wise Total Financial Requirements of All SPF Dimensions as percentage of GDP (scenario 2)
Projected Year-wise Total Financial Requirements of All SPF Dimensions as percentage of GDP (scenario 3)
Projected Additional Average Financial Requirements of SPF Dimensions as percentage of GDP (Scenario 1)
Projected Additional Average Financial Requirements of SPF Dimensions as percentage of GDP (Scenario 2)
Projected Additional Average Financial Requirements of SPF Dimensions as percentage of GDP (Scenario 3)
5. Challenges and Issues in the Road Map
The Fiscal Challenge

- **ADDITIONAL REQUIREMENT:** The proposed SPF will require additional finances ranging from 1-3.5% of GDP in the 12th Plan terminal year to 2.26% - 4.37% of GDP in the 13th Plan terminal year. A large proportion of the incremental requirement comes from the health sector.

- **RESOURCE MOBILISATION:** This calls for urgent measures to both widen and deepen the tax base, a review of tax rates and exemptions, and above all, better tax administration and tax compliance (see, for example, the Kelkar Committee recommendations). The government has reportedly started implementing many of recommendations of the Kelkar Committee Report (MoF, 2012).

- **HIGHER PROJECTED TAX-GDP RATIO:** The Working Group on Financial Resources for the 12th Plan has estimated an increase in the Centre’s Tax-GDP ratio from the budgeted estimate of 10.36% in 2011-12 to 11.67% of GDP in 2016-17. Any rise of the tax-GDP ratio to its previous peak of 12.94% (in 2007-08) in the first instance, would give sufficient elbow room (along with the other measures to create fiscal space) to institute the proposed SPF over the next few years. There is further scope for increasing direct taxes, including through higher taxes on wealth and inheritance taxes which would also serve to check spiraling inequalities.

- **SUMMARY:** In a nutshell, the necessary fiscal space for instituting a SPF seems feasible provided the government takes measures to increase the tax-GDP ratio, as well as other measures to cut down incentives and subsidies which are directed towards the rich and/or have a weak social and economic rationale.
Low Tax-GDP Ratio

- The figure gives the scatter plot between per capita Gross National Income for 102 countries and their corresponding tax-GDP ratios for the year 2010.

- The linear prediction of tax-GDP ratios for various values of per capita income across countries is also given in the Figure.

- India’s tax-GDP ratio is much lower than the linear fit.
• The tax-GDP ratio of India is not only lower than most of the countries, it has also declined in the recent period, particularly after 2007-08.
• The tax-GDP ratio has declined in the recent period particularly due to the fall in the Centre’s (gross) tax-GDP ratio.
Getting the Design Right

Issues of appropriate design arise at all stages of inception as well as evolution SP programmes. While some of these issues are under intense debate, there has been less debate on some others.

- **Sequencing**, based on an understanding of nature of vulnerabilities, costs and impacts
- **Determining the Eligibility Criteria in a rights based framework**
- **Issue of Centralization versus decentralization**
- **Benefits in cash versus in-kind, conditional versus unconditional transfers**
- **Public versus private provisioning**
- **Contributory versus non-contributory assistance**
- **Overcoming systematic gender and caste based barriers**.
Implementation Challenges

a) Issues of Implementation Structure and Capacity
- SP programmes rarely build on the cost and incentive structure for implementation at various levels.
- There is rarely any consideration of political economy issues, local power structures, and conflicts of interest.
- Large programmes function through overloaded administrative structures both at the top (where monitoring and design issues are concentrated) and the bottom (where implementation issues are concentrated). This leads to a virtual outsourcing of vital functions such as issues of evaluation and design at the apex, and implementation and oversight at the implementation level.
- Given the size and complexity of the programmes, there has to be clear advanced thinking of the institutional architecture of the SPF programmes and the administrative requirements. The outsourcing of certain kinds of capacity, such as independent evaluations, setting up and maintenance of IT backbone should be part and parcel of the initial thought process on the programmes. Learning can be incorporated from international management of large SP programmes.
- Need for a proper appreciation of communication and IT technologies.

b) Strengthening Accountability
- Need to continually strengthen internal and external accountability.
- role of effective decentralization.
- Role of legal entitlements in strengthening demand.

c) Reaching the Unreached
- Often, reaching the most vulnerable sections of the population is the most difficult.
- Most schemes are designed for sedentary populations, whereas nearly 20% of the workforce consisting of poor workers are seasonal/circular migrants.
- Need for proper design and pro-active implementation with outside support.
A ROAD MAP FOR SOCIAL PROTECTION AND THE SPF

• 1. The SPF and Decent Work
  • There are strong links between a social protection floor and protection of working conditions and rights at work. Labour standards contribute to social protection whereas the creation of a social protection floor strengthens both the supply and demand side of labour, setting into motion a virtuous cycle, impacting on employment, productivity and growth, and the living and working condition of workers and their families.

• A Road map for the SPF
  • For a vast country like India, which is still a low Middle Income Country, and where implementation capacities are limited and vary across states, the challenges of achieving an effective SPF are huge. Financial and administrative requirements will also vary from programme to programme and will often require a lead time. It is therefore realistic to think of the SPF in a framework of progressive realization but with a clear road map, a definite time frame of implementation, and within a statutory framework. Over a period of time, the SPF must aim at greater adequacy in each of its elements.
• **Goals of Social Protection Policy**
  The main objectives of the SPF are to secure basic levels of living for the poor and to ensure equitable and socially inclusive development. This may also require the creation of a social protection ladder by which producers and workers are likely to improve productivity and returns and integrate into the formal sector.

• **Macroeconomic Policy and Social Protection**
  International experience suggests that social protection policies can build human capabilities, and increase labour market potential. Carefully structured and managed, in conjunction with proper active labour market policies, a focus on social protection can improve labour productivity and increase formal employment. In order that this can happen, macroeconomic policy should support the expansion of social protection and the latter should be carefully dovetailed with employment policies and should deliver quality outcomes for the poor and the excluded.
6. Conclusion
• In the last two decades, India has moved towards the creation of legal rights which imply a minimum floor in some areas such as education, employment and food security. Other such areas are also being contemplated.

• Instituting a SPF, such as the one discussed here, within a definite time frame, poses challenges but it is within the capacity of the Indian state at its present level of development to meet these challenges.

• A Social Protection Floor must not only cohere with its own constituent elements, it must also be consistent with a larger social protection strategy, and the latter and macro-economic policy must cohere with each other in order to maintain a rapid tempo of sustainable, equitable and socially inclusive growth.

• However, compared to the focus on economic strategy and economic policy, evolving a coherent social protection strategy has not been the focus of sufficient policy attention in India so far.
There are a few implications of a rights-based approach to SPF which can be inferred from the existing Indian experience with the MGNREGA and RTE.

- First, such an approach has a significant impact on the conditions and lives of the poor from the rise in enrolments, rise in rural wages and consumption, decline in rural poverty in the recent period, and a greater degree of empowerment.
- Second, it can help in stabilizing the economy, a role which became manifestly clear in the post-crisis period.
- Third, it can create some pressure on the state and other obligation holders to follow concerted strategies which can lead to the progressive realization of rights that have been created. This includes higher allocation of resources to the relevant areas.
- Fourth, the creation of rights and specific entitlements might lead to strengthened demand, encourage a process of greater participation, and give greater voice, which is otherwise lacking among dispersed and poor social groups.
- Fifth, this might lead to greater accountability of the providers and increase the efficiency of delivery, a crucial issue in countries like India where governance structures are weak.

*The creation of a Social Protection Floor in the manner that is being visualized through an extension of entitlements and the rights based approach will lead to a definite strengthening of the positive outcomes already noted and create the long term basis for inclusive growth in India.*