A Social Protection Floor for India

Executive Summary

A Joint United Nations Study

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**Why a Social Protection Floor?**

Social Protection comprises those measures which aim at preventing, reducing and eliminating economic and social vulnerabilities to poverty and deprivation. Despite rapid growth over more than six decades, poverty and deprivation continue to affect large numbers of people across the world, and an estimated 80 percent of the population remains without access to adequate social protection cover. The fact that such large numbers of people continue to suffer from various deprivations and have low human capabilities represents tremendous squandered human and economic potential.

Social Protection helps in the realisation of human rights which are enshrined in Universal Declaration of Human Rights, international conventions, and national constitutions. Social protection measures can help to stabilize aggregate demand during economic crisis, as is pointed out in the report of the SPF Advisory Group, social protection represents, a “win–win” investment that pays off both in the short term, given its effects as macroeconomic stabilizer, and in the long term, due to the impact on human development and productivity.” (ILO 2011a, p.XXII).

The idea of a socio-economic floor and its relationship to social protection was emphasized by the World Commission on the Social Dimension of Globalization (2004) which noted that “a certain minimum level of social protection needs to be accepted and undisputed as part of the socio-economic floor of the global economy” (ibid., 2004, p. 110). Recognizing the importance of ensuring social protection for all, the United Nations System Chief Executives Board for Coordination (UNCEB) adopted, in April 2009, the Social Protection Floor initiative (SPF-1) , as one of the nine UN joint initiatives to cope with the effects of the economic crisis. Subsequently, the Social Protection Floor initiative was endorsed by UN General Assembly during its MDG Summit of September 2010.

The term “social floor” or “social protection floor” has been used to mean a set of basic social rights, services and facilities that a global citizen should enjoy. ILO's Recommendation 202 (para. 2), adopted as consensus in the 2012 ILC describes social protection floors as “nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion.” The social protection floors should comprise at least the following *four basic social security guarantees* (ibid.; see also UN System Task Team 2012):

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.
The Recommendation (para. 7) 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. Impartial, transparent, effective, simple, rapid accessible and inexpensive complaint and appeal procedures should also be specified. Access to complaint and appeal procedures should be free of charge to the applicant. Systems should be in place that enhance compliance with national legal frameworks.”

The SPF Advisory Group Report (ILO 2011a) states that the SPF is “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). Both are to be pursued simultaneously, in a framework of "progressive realisation, compatible with a country's fiscal an administrative capacity and in the framework of an integrated social protection system (UNICEF 2012).

The SPF Advisory Group chaired by Michelle Bachelet (ILO, 2011a, chapter 3) points out a SPF could effectively reduce poverty and inequality and improve social cohesion. Moreover the SPF could be seen in the framework of realisation of human rights enshrined in the UDHR. Further, it could significantly accelerate progress towards MDGs and post 2015 MDG agenda (UN System Task Team 2012). Well designed policies and schemes within the framework of the SPF offer the pathways to economic opportunity and inclusion, creation of decent work opportunities, and a permanent exit route out of poverty. Given the focus to reach those currently excluded and the informal economy, the SPF had the potential to empower women (and other socially excluded groups, and to redress gender and social balance. Moreover, a number of studies establish that the financing of social protection measures can be kept at fairly modest percentage of national income (ILO & WHO, 2009).

**Deprivation, Poverty and Vulnerabilities in India and the Characteristics of the Workforce**

The acceleration in the growth rate in India in recent decades has gone hand in hand with a decline in poverty and IMR, and improvements in indicators such as life expectancy and educational attainments. However, these promising achievements still continue to co-exist with persistently high levels of poverty; low levels of education, skills and productivity for a vast majority of workers; low nutritional status, particularly of children and women, inter-group and inter-class inequalities; and vulnerabilities.

These features of the economy are closely linked with the nature of the workforce in India is characterized by extreme inequalities in outcomes and incomes, predominance of agriculture and self-employment, and informality. The Indian workforce comprises a small formal/organized sector of the economy and a huge informal/unorganized sector, both in agriculture and non-agriculture. Recent years have seen a rise in informatisation and labour market flexibility with a decline in the percentage of regular workers with written contracts of more than a year.

The vast, informal and heterogeneous characteristics of the workforce, with growing informalisation of employment, on the one hand denotes low levels of social protection and high vulnerability, and on the other, constrains the expansion of social protection, mainly due to the dearth of appropriate institutional arrangements and policy, and due to lack of visibility and voice of such workers. This calls for strategies both to improve the quality of employment and growth and to extend social protection to the unreached.
Social Protection in India

The Indian Constitution adopted in 1951 contains all the ingredients obliging the state to move towards the realization of socio-economic rights. Its 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 lay down directions and goalposts in the achievement of economic rights.

The Constitution also defines the powers of the Central and State governments as well as local governments in matters relating to social protection. The Central government has a very small exclusive domain in areas related to social protection. It is the states, or the states and the centre together, who are responsible for social protection. In addition, the urban and local bodies have to play a very important role in social protection programmes.

India is not a signatory to ILO Convention 102 but has well established social security systems providing varying degrees of coverage in several of the nine branches of Convention which principally aim to cover formal workers in the organized sector which includes private firms/establishments above a certain size, or public sector establishments irrespective of size. In principle, these measures also extend some coverage to informal workers in the organized sector, and in some industries to establishments which are considered to be part of the unorganized sector.

Statutory social security provisions are intended to cover the entire organized sector and hence one would expect the entire formal and informal employment in that sector (only about 15 percent of the total workforce in NCEUS estimates) to be covered. But as a matter of fact, the social security system extends principally to formal, regular workers. The proportion of this section of workers, as a percentage of wage/salaried earners has also declined. As far as informal workers are concerned, NCEUS (2006) estimated that only about six percent of such workers received any kind of social security/social assistance.

However, India also has a large plethora of social protection schemes, both at the Central and State levels, which cater to different segments of the population. The ambit of these schemes is quite large, covering basic education and health, employment creation and promotion, workers' social security, food and nutrition security, and social pensions. Some of these programmes now supported legally.

The total expenditure by the government of India on six of the major social protection related sectors (elementary education, health and family welfare, labour and labour welfare, social security and welfare and rural development) has increased from 1.06 percent of GDP in 1995-96 to 1.35 percent of GDP in 2005-06 and further to 1.75 percent of GDP in 2010-11. The states spend almost twice as much as the central government on these sectors, but their expenditure (as % of GDP) has not changed much in the last decade. Together, the central and state government expenditure on these sectors has increased by about 0.83 percent of GDP between 1995-96 and 2011-12. The central government’s expenditure on major social protection programmes (excluding those in health and education sectors including the scholarship schemes of the Ministry of Social Justice) have increased particularly significantly between 2005-06 and 2011-23 – from 1.29 percent of GDP to 1.73 percent of GDP.
A Rights Based Social Protection Floor for India

As discussed above, the United Nations Chief Executive Board (ILO & WHO 2009) has outlined the key elements and dimensions of a Social Protection Floor. They consist of the dimensions of income security over the entire life cycle (childhood, working age, and old age) and adequate access to health and other essential services, including drinking water & sanitation, food and shelter. Member countries have the flexibility of designing a SPF depending upon their level of development and their specific history and context. ILO Recommendation 202 also lays down the guiding principles that should be observed in creating the SPF. Among other things, the SPF should create clear-cut entitlements and should be backed by legislation.

The study has pointed out that there has been an extension of social protection in India over the last few years, guided by the Directive Principles of the Indian Constitution which broadly lay down the key elements of a social protection system. 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).

This study considers six dimensions of social protection, in which there have been specific advances in India articulating an entitlement based approach to social protection. These are briefly as follows:

- **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 a slum-free India, and there has been a significant expansion in effort to provide affordable housing to the urban poor.

The exact scope of entitlements in each of these dimensions is, and possibly will remain, a highly contested domain, and some continue to question the validity of this approach altogether. Nonetheless, at the same time, there is an emerging consensus on the direction in which social protection needs to be advanced in each of these
dimensions. It is the contention of this study, that these dimensions taken together, can form the basis of a rights based approach to a social protection floor in India which also overlap with the ingredients of a SPF as envisaged by the UN.

**The Financial Costs Achieving a Social Protection Floor**

Other studies, notably ILO (2008b) which also includes India among the ten countries studied, have concluded that the costs of achieving a social protection floor are generally quite modest. But these studies have not built upon country specific contexts and circumstances.

In this study, the financial costs of achieving an entitlement based social protection have been estimated for each of the six dimensions mentioned above under a small range of options relating to their scope and coverage, with one set of bench marks being set by government norms (in dimensions where legal entitlements are already in place) or those that have been spelt out by government commissions and expert groups. These, by no means do not exhaust the options currently being debated in India but illustratively provide some indications of the cost of achieving a SPF.

We find that;

(i) If no change is envisaged in the existing scenarios in expenditures on RTE and NREGA (on the rationale that they are already entitlement based), then the additional average projected financial requirements would be 0.99% of GDP in the 12th Plan and 2.24% in the 13th Plan.

(ii) If more adequate provisions are envisaged both for RTE and NREGA, then the additional average required provision would be 1.28% of GDP in the 12th Plan and 2.82% in the 13th Plan.

(iii) If the NSAP pension norms are revised upwards, as per the alternative norms proposed by the TF and the Pension Parishad, then the additional average projected financial requirements would be 1.7/2.28% of GDP in the 12th Plan and 3.48/4.37% in the 13th Plan, depending upon which of the two norms and scenarios are adopted.

**Challenges in Moving Towards a Social Protection Floor**

Three types of inter-related challenges are examined in the context of moving towards a SPF. The first of these is the fiscal challenge. Although there are a number of ways in additional fiscal resources can be mobilised, the main effort has to be to increase the tax/GDP ratio to, and beyond, its previous peak. These measures can provide the fiscal space needed to institute a SPF. The second challenge discussed in this study is that of appropriate design for the dimensions of the proposed SPF. A number of issues have been examined in this regard. The third challenge is the challenge of effective implementation which also involves improved accountability of all those implementers and pro-active measures to reach the most vulnerable segments of the population.

**Road-map for the SPF**

The approach of this study has been to consider the feasibility of a Social Protection Floor for India, based on existing developments and an emerging societal consensus. For a vast country like India, which is still a low Middle Income Country, and where implementation capacities are limited and vary across states, it is realistic to implement a SPF within a framework of "progressive realiseation" (UNICEF 2012) but within a statutory
framework and a definite time frame. Finally, although the SPF is proposed on the basis of definite entitlements, there would need to be some flexibility to introduce additional elements, to redesign strategy, without lowering the SPF. Further, the SPF must be conceived within a broader framework of a social protection strategy and social and economic policy which aim at creating decent jobs and equitable and inclusive growth.

Conclusion

This study concurs with the view that the creation of a Social Protection Floor can have dramatic consequences for the lives of the poor, macroeconomic stability, growth and development. It can lead to socially inclusive and sustainable growth and progressive realization of human rights.

From the limited experience of a few entitlement based social protection programmes, it can be inferred that such an approach will have a significant impact on poverty and vulnerability, create conditions for a greater degree of empowerment, lead to a prioritisation of public expenditures towards these sectors, and to a greater accountability and effectiveness of these expenditures. In sum, the creation of a Social Protection Floor in the manner that is being visualized, through an extension of entitlements and a rights based approach, will generate the long term basis for equitable and inclusive growth in India.