The dynamic nature of poverty

- SONALDE DESAIAMIT THORAT

The concept of poverty today is fundamentally different from that of poverty three decades ago.

We need to rethink social safety nets in India's growing economy so that they can also focus on the accidents of life rather than solely on the accidents of birth.

Sometimes the grand narratives of the Left and the Right do not seem to have any relationship with the lived experiences of ordinary Indians. For the past two decades, the Left has tried to expand social welfare programmes for the poor in the country by highlighting the growing disparities between the rich and the poor. The Right, on the other hand, points to the growing burden of politically driven welfare policies and emphasises the need for economic growth to alleviate poverty and improve the lives of the poor. These grand narratives often obviate the fact that the concept of poverty today is fundamentally different from that of poverty three decades ago, and that safety nets need to be tailored to meet the needs of a society in transition.

Complicated data

For example, most of our anti-poverty policies rely on identifying the poor by using Below Poverty Line (BPL) Censuses conducted approximately once every 10 years. In 1993-94, when half the Indian population fell in the BPL category, it was easier to identify the poor — they lived in rural landless households in underdeveloped districts such as the Dangs and Bastar and often belonged to the Scheduled Castes (SC) or Scheduled Tribes (ST). Even if all the above identification strategies failed, we still had a 50 per cent chance of being right in identifying the poor. Today, however, when one in four rural Indians and one in six urban Indians is poor, our chances of being wrong in identifying the poor are far greater.

Data from the India Human Development Survey (IHDS) point to another trend. This survey, conducted by the University of Maryland and the National Council of Applied Economic Research (NCAER) for the same households at two points in time, viz. 2004-05 and 2011-12, is the first large panel survey in India. Results from the survey show that if BPL cards had been handed out in 2004-05 on the basis of the household's average consumption expenditure, 25 of the 38 Indians who would have received these cards in 2004-05 would have been out of poverty by 2011-12. On the other hand, of the 62 Indians who were not eligible to receive BPL cards in 2004-05, nine became newly poor in 2011-12. Thus in 2011-12, 66 per cent of the BPL card-holders would have already moved out of poverty, while 40 per cent of the poor would not have had a BPL card.

Spreading the net wide

Once we recognise that poverty is dynamic in nature, and that as per our conventional definition of poverty, poor households may move out of poverty and the non-poor may become poor over a period of time, we are forced to question the veracity of our fundamental assumptions about poverty. Perhaps poverty occurs not simply due to the accident of birth or as defined in terms of where and in which family people are born, but also due to the accident of life caused by the occurrence of disease, disability and unemployment. Achieving this recognition entails a complete transformation in our mindset.

The second concern about our approach to poverty is that we want to cover the maximum number of people, consequently diluting the support that we are able to provide the poor. Empirical data point to a strange paradox. Ironically, in spite of a decline in poverty, the proportion of the population receiving welfare benefits has risen sharply. The IHDS shows that between 2004-05 and 2011-12, the proportion of the population deemed to be poor fell from 38 per cent to 22 per cent. But the proportion of households receiving any of the benefits under different government schemes, such as old age pension, widow pension, and the Janani Suraksha

Yojana, or scholarships and other benefits, grew from 13 per cent in 2004-05 to 33 per cent in 2011-12. The proportion of households buying cereals from the Public Distribution System (PDS), which was intended to provide subsidised foodgrains to the poor, grew from 27 to 52 per cent. Further, the newly initiated Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) provided employment to 17 per cent of the households, signifying a substantial increase from the almost negligible participation in erstwhile public works programmes. Thus, the proportion of households covered by all these schemes taken together grew from 35 per cent to 68 per cent of the total population over the period under study.

Despite this massive expansion in the coverage of welfare programmes, the incomes and subsidies accruing from them still account for a relatively small proportion of the overall household budget. In 2004-05, the transfers and subsidies under the above schemes accounted for an average of Rs.3,129 per recipient household per year, which had increased to Rs.6,017 in constant terms in 2011-12. This amounts to only about Rs.100 per person per month in 2011-12. Moreover, since incomes also grew over the period between the two surveys, the average proportion of the household income accruing from benefits grew only marginally from 11 per cent to 14 per cent for all the recipients. Thus, while the burden of these programmes on the public exchequer may be huge, their impact on households is relatively limited.

Today, the number of welfare schemes has proliferated beyond belief. During fieldwork in 2012, the authors discovered that 131 schemes were in operation in one of the study districts. However, most of the supposed beneficiaries had never heard of these schemes. The IHDS found that less than 2 per cent of the households had registered their daughters under the widely touted girl child-protection schemes. The more the number of schemes, the greater is the likelihood of leakage and inefficiency. Moreover, our country has the tendency to initiate schemes without setting aside enough funds to successfully implement them, thereby almost willing them to failure.

Unintended consequences

A third problem is that we often fail to think of the unintended consequences of our policies. The Rashtriya Swasthya Bima Yojana (RSBY) covers hospital costs but not outpatient services. Consequently, many patients delay treatment until the severity of their medical conditions forces them into hospitalisation, which, in turn adversely affects their health and increases public expenditure. Similarly, the focus on cereals in the PDS encourages people to obtain most of their calories from cereals and reduces dietary diversity.

This situation begs the question: Is there another way of providing social safety nets that would circumvent these problems while genuinely taking care of the people’s needs? Fundamentally restructuring social safety nets necessitates meeting three key challenges: identifying those in need of assistance in the context of rapid economic changes; efficiently delivering this assistance to prevent unintended consequences which may pervert the very purpose of social safety nets; and ensuring that this assistance is meaningful rather than simply tantamount to applying a bandage to a cancer. Each of these challenges needs to be addressed through a pragmatic approach devoid of the burden of any ideology.

One strategy could be to start with simple and limited goals while attacking the problem more potently to make a meaningful dent. It would make sense to divide social safety net policies into three categories: first, provision of back-up manual work at below market wages to those who are able to work; second, provision of insurance against catastrophic events such as health-care emergencies or crop failure that push people into poverty; third, provision of cash support, say in the form of old age pension, to people who are no longer able to work.

MGNREGA offers an excellent model for employment programmes in rural areas, which could be expanded to urban areas. High wages paid under this programme may encourage people to work for MGNREGA instead of resorting to other forms of employment, though since this is not a desirable outcome, the wages offered must be below market wages. However, for them to have a noticeable impact, these employment programmes must be universally available for the promised 100 days. The number of crop and health insurance programmes is growing but a better framework is needed to prevent cost escalation, as has been observed in the United States. While old age and disability pension schemes exist, they need to provide a greater level of benefits and offer easier access. But for all these programmes to work, we must first recognise the need for drastically revamping our traditional policies in a growing economy so that they can also focus on the accidents of life rather than solely on the accidents of birth.

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