

## The 21<sup>st</sup> Century Indian City: Toward being slum free? Social protection for the urban poor

### Why is social protection needed?

Slum free = Poverty free (necessary but not sufficient condition)

Poverty free = All people at all times above the poverty line

Always above the poverty line = eliminate chronic and transitory (vulnerability to) poverty

Eliminate poverty = need income growth and social protection

- **Emerging economies** (India): Rapid income growth alone insufficient as not sufficiently pro-poor and may increase exposure to risks. Hence, need be complemented by social protection for poverty free.

- **Poor countries** (Africa): Per capita income growth too low for convergence. Social protection as an additional instrument for higher growth (risk-taking).

### Hence, social protection needed for:

- Both categories of countries (emerging and poor)
- Both development objectives (growth and welfare)
- Both types of poverty (chronic and transitory).

## **Three dimensions of social protection: resilience/equity/opportunity**

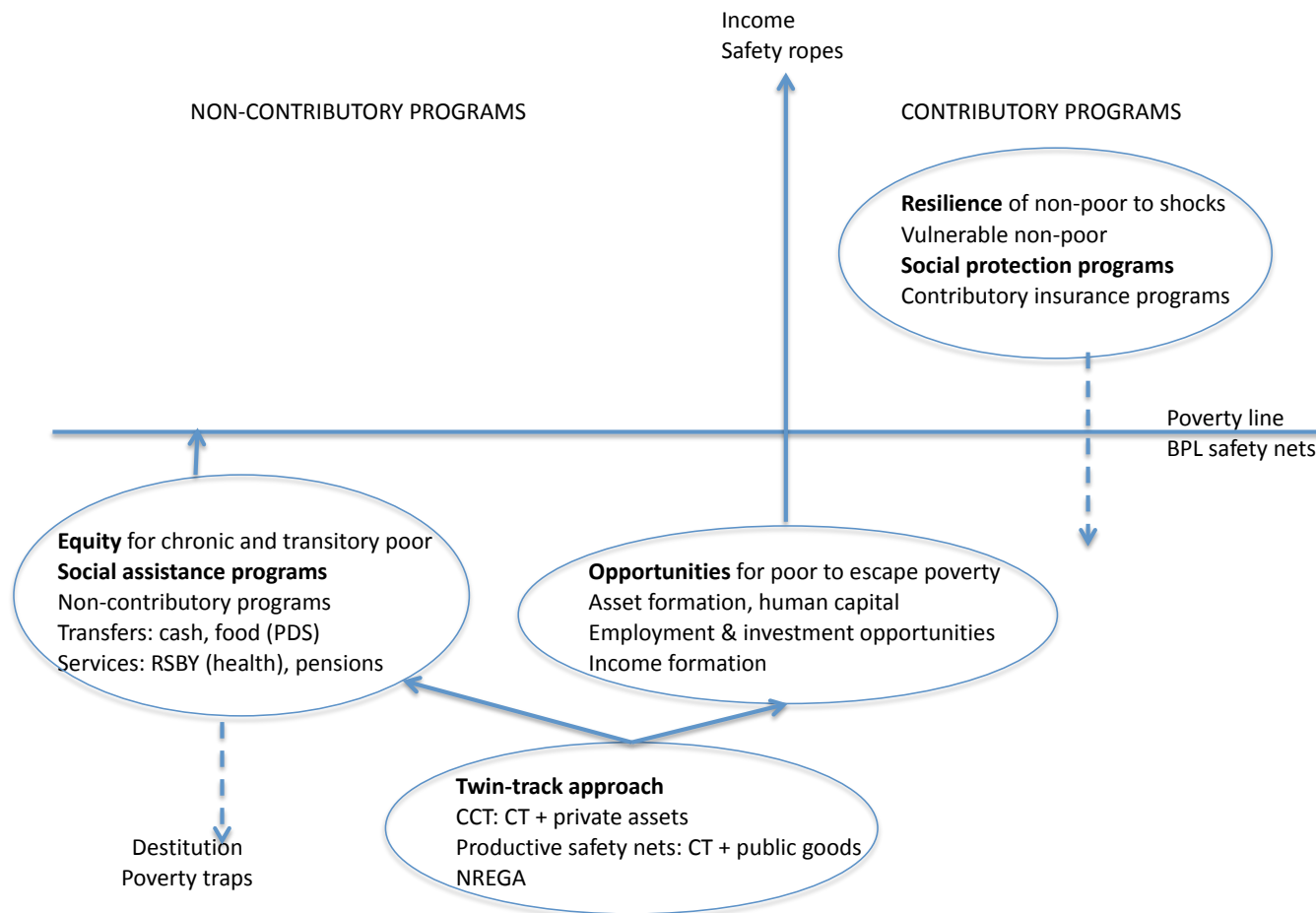
**Social insurance (Resilience)** against risk for the vulnerable non-poor: contributory programs (unemployment insurance, disability insurance, health insurance, old-age pensions) = **safety nets for the vulnerable non-poor**

**Social assistance (Equity)** against risk for the poor: non-contributory programs (cash and in-kind transfers, workfare, school feeding, health services, pensions) = **safety nets for the poor**

**Asset formation** (useable skills, productive assets) and **use of assets** (access to employment, investment opportunities) for income formation (**Opportunity** for the poor) = **safety ropes for the poor**

## **Important progress with social protection**

Theory, design, and implementation



## Progress with theory

(1) Social protection for both **intrinsic** gains for the poor (welfare) and as a source of aggregate **growth**

### (2) **Growth channels for SP**

- Asset formation (human capital, public goods) and preservation
- Risk reduction:
  - Reduce cost of risk management (Inv. in higher risk-return)
  - Reduce asset decapitalization and irreversibilities due to risk coping.
- Aggregate demand stabilizers
- Facilitate reforms (political economy of compensations)

(3) Social protection requires a multipronged **comprehensive strategy**, not isolated programs: role of governance, coordination, partnerships

## Progress with design

### (1) **Twin-track approach**

- Short run cash or food **transfers** to eliminate/prevent poverty: BPL targeting
- Medium/long term **asset formation** for autonomous income to avoid the reproduction of poverty: conditional cash transfers (human capital next generation), workfare/guaranteed employment and public goods, productive safety nets and CDD

### (2) “**Smart**” **subsidies**: One-time transfers with exit option

- Avoid dependency
- Reduce cost

## **Progress with implementation**

- (1) **Decentralization**: electoral accountability (audits and information); citizen report cards and incentive schemes for providers
- (2) **Quick response** for vulnerability to poverty/irreversibilities
- (3) **Targeting**: Community targeting; Self-targeting and link to rights-based approach

## **Examples:**

### **Rest of the World**

**CCT:** Oportunidades (Mexico), Bolsa Familia (Brazil)

**Workfare** and local public goods (productive safety nets): Ethiopia, Yemen

**Non-contributory pensions:** South Africa, Bolivia

**Cash transfers** to credit constrained farmers: Procampo multiplier

**Contracts** to implement a poverty-exit program: Chile Solidario

### **India**

**Self-employment programs:** self-help groups (SHG) for asset formation (opportunity)

**Wage employment** in rural public work programs: MGNREGA (twin-track assistance and opportunity)

**Food-based programs:** Public Food Distribution System (PDS), control over prices, school feeding (assistance)

**Social protection (RSBY):** Targeted health insurance (assistance)

## **The urban slum social protection challenge**

(1) Rural-urban transpositions of social assistance programs have been **disappointing**. Simple transposition does not work. Need new designs.

(2) Slum poverty is **different** from rural (“new” vs. old poverty): higher opportunity costs for child labor (more expensive), more livelihoods heterogeneity (need local adaptation), informality (pro and anti-cyclical), more complex families, more locational instability (need flexibility, portability, quick responses), violence, gangs, less social capital (mobility).

Hence challenge: slum poverty not mainly an income problem; targeting more difficult; conditionalities harder to impose

But: more income opportunities, poor more accessible



## **Discussion: Seven issues with social assistance programs**

- **Opportunities:** From **small game** (self-employment, microfinance, informal sector) to **big game** (assets and formal sector job opportunities). Use small as means toward big?
- **Complementarities:** From **fragmented** (e.g., social development funds, low hanging fruits) to **comprehensive** programs (assets, context, transfers, behavior). How to improve governance?
- **Vulnerability to poverty:** From chronic to transitory poverty: toward flexible crisis response to avoid formation of “new poor” (shocks and irreversibilities). How to recognize shocks to informality?
- **Conditionality:** Nudges, child vs. parent interests, private vs. social objectives. To condition or not to condition?
- **Heterogeneity:** From universal conditions to **idiosyncratic programs** (Chile Solidario): transfers conditional on progress (discipline)?
- **Rights-based approach:** pre-crisis availability and self-targeting.
- **Informality:** From non-contributory (with risks of reproduction of informality) to **contributory**. Compulsory registration and grants?

## **Three lessons for social protection in an India slum free program:**

### ***Lesson 1: Slum behavior: Need a “slum-specific poor economics”***

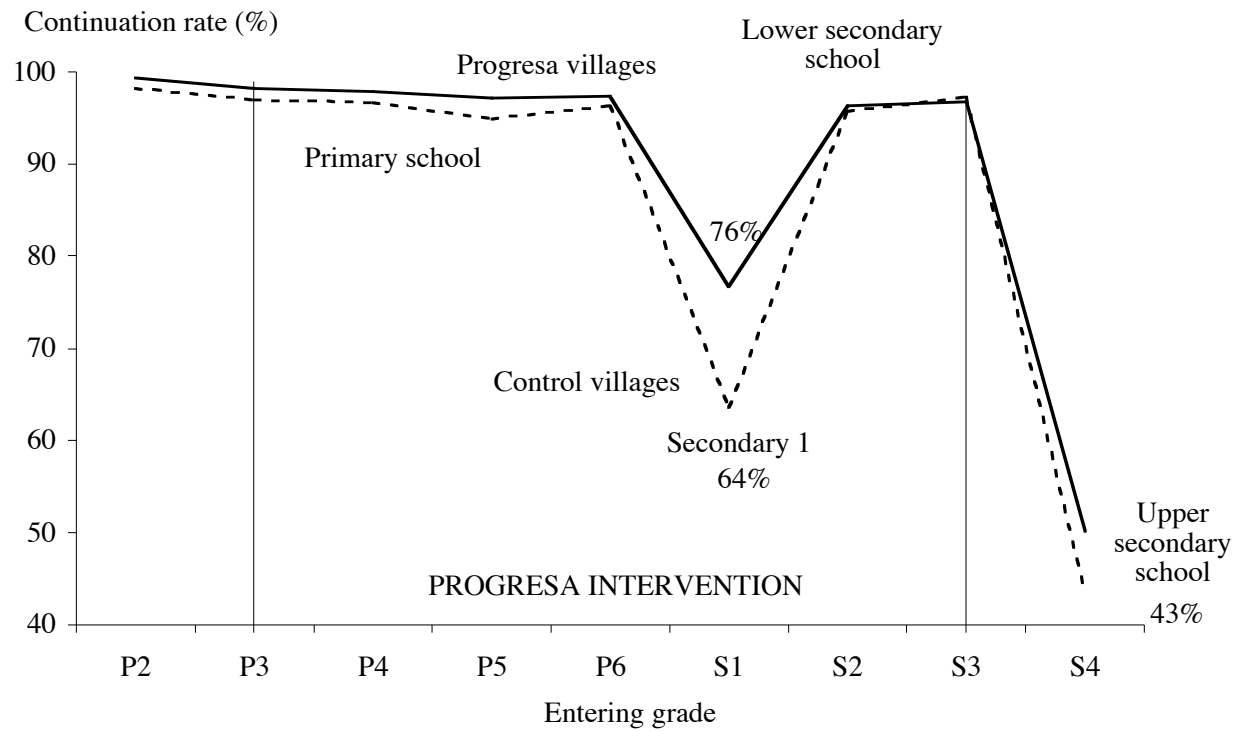
- Understand behavior of slum poor: “new” vs. old poverty, sources of income, access to public services, cyclicity of informality, mobility
- Understand determinants of current poverty: role of shocks **external** to the slum and irreversibilities (weather refugees, ethnic violence, homelessness)
- Learn from those who escaped poverty: beyond voices of the poor

### ***Lesson 2: Beyond bottom-up approaches: Need focus on governance and coordination for big game approach***

- Comprehensive multi-pronged approach (Fome Zero)
- Combine income growth with social protection
- Role of local governance: multi-agency, Public-Private-Civil Society

### ***Lesson 3: Innovative designs for urban adaptation of social assistance: Need analyze and experiment***

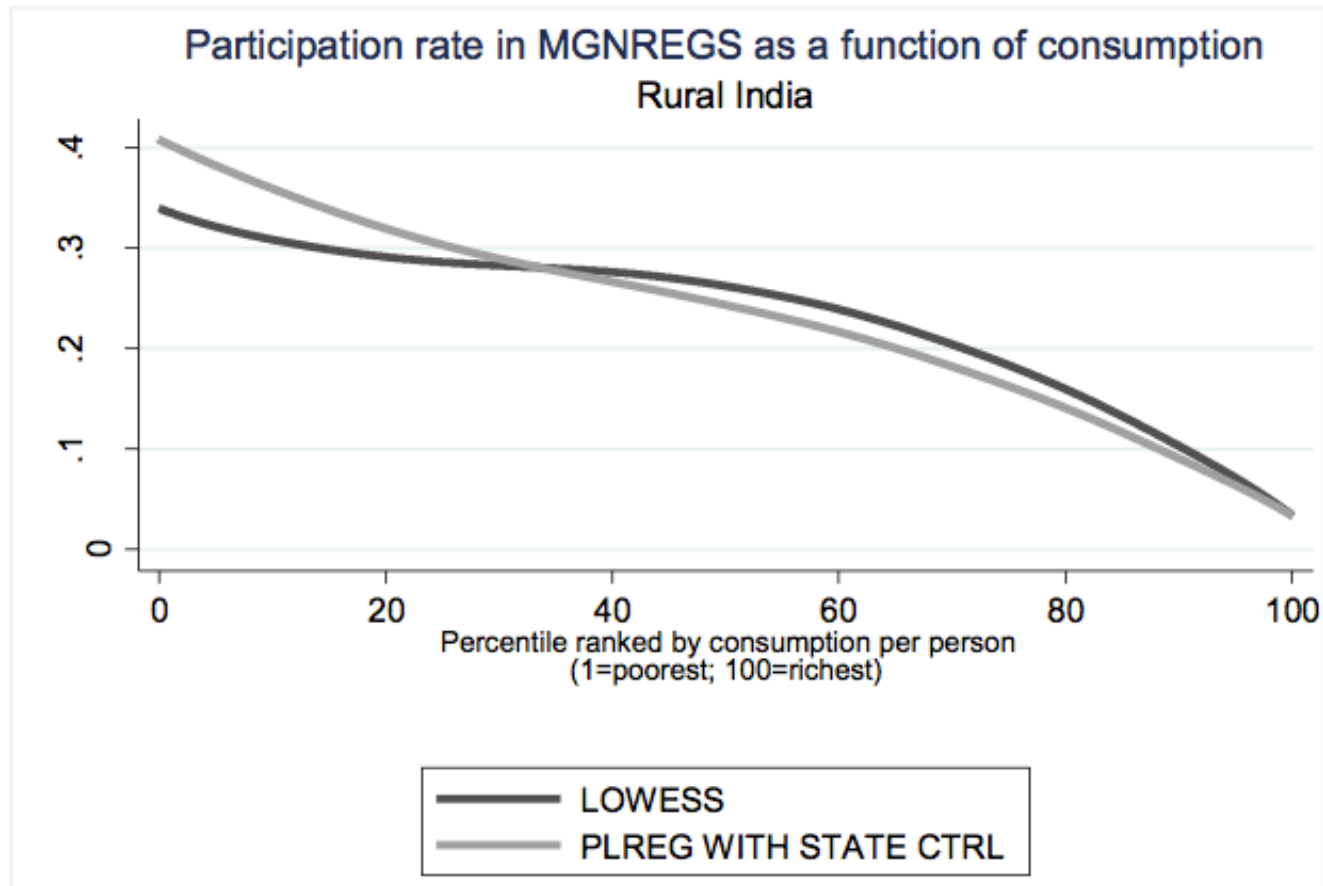
- Contract with the poor to exit from poverty (Chile Solidario)
- Focus on rights-based approach and self-targeting
- Focus on vulnerability: quick response (job loss, homelessness, violence)
- Focus on creating opportunities: assets (skills) and context for use (jobs).



**Oportunidades: Continuation rates in primary and junior high, Mexican rural communities: 64% leakage, 12% gain due to CCT, 24% non-uptake.**

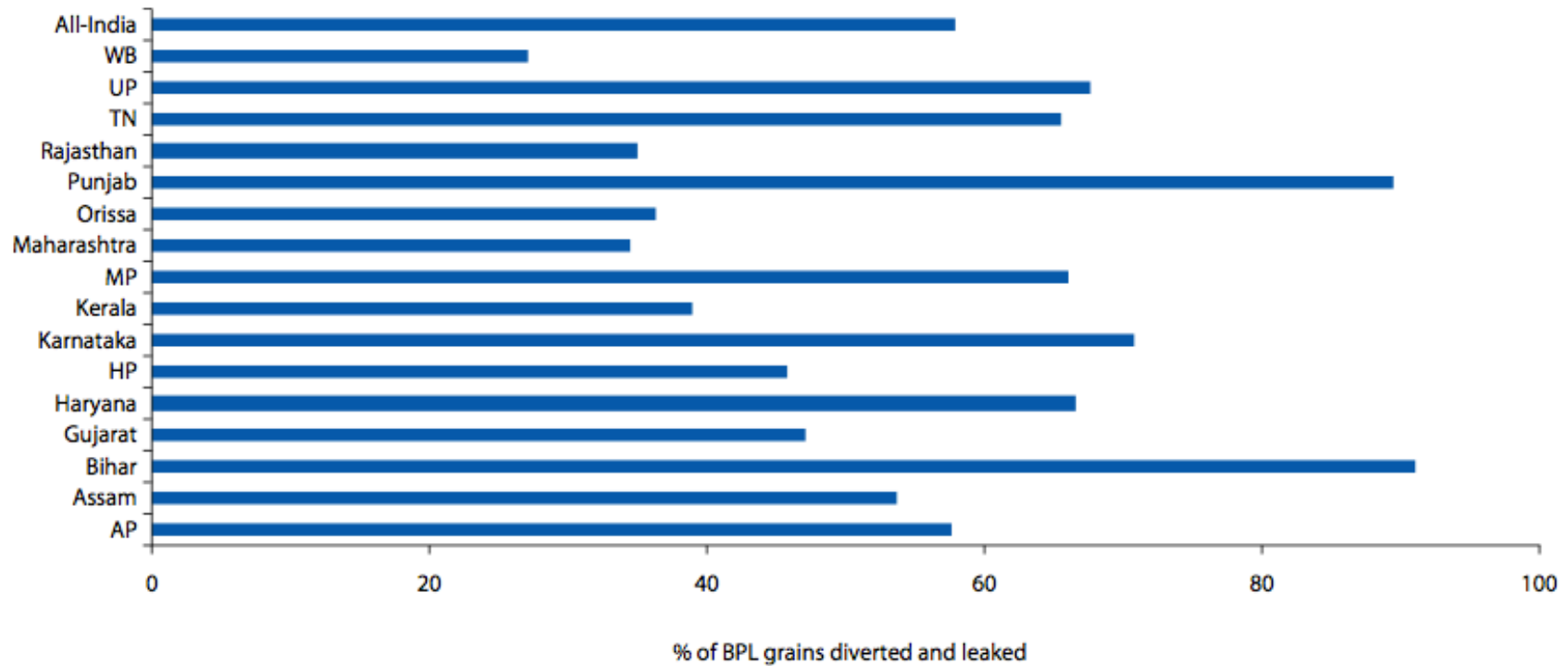
**Figure 4: Participation, demand and rationing by consumption per person, rural India**

(a) Participation rate



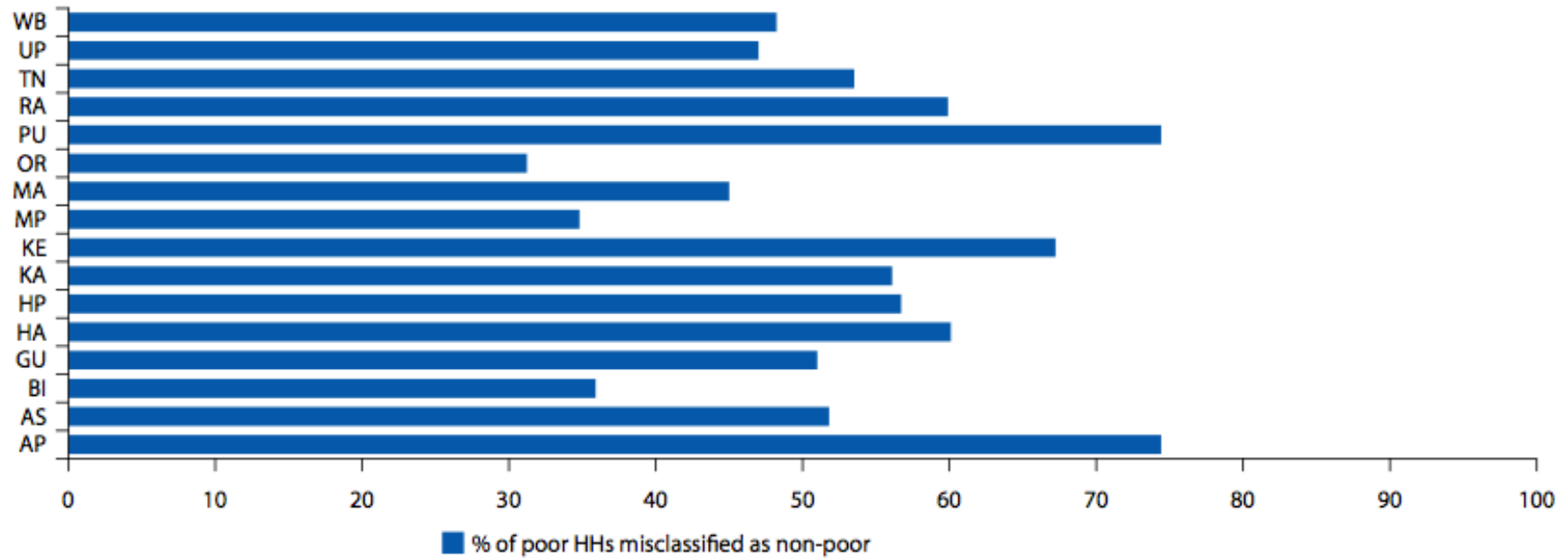
**India: Participation rates in the National Rural Employment Guarantee Scheme by poverty percentile** (Dutta, Murgai, Ravallion, van de Walle, 2012)

Figure 2: Diversion and leakage of BPL PDS grains (as % of total) by state, early 2000s



**50% leakage of benefits of BPL PDS program (inclusion errors)**

Figure 3: Share of poor household by state misclassified as non-poor by 2002 BPL method



**50% exclusion error in BPL classification (exclusion error)**