

# Can social protection contribute to inclusive growth?

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# Indian debate

- Sen – level of social protection is not limited by GDP per capita
- Bhagwati – growth increases scope for social protection and the level of social protection is limited by GDP per capita

# Social protection and inclusive growth

- Social protection necessarily improves human development
  - Welfare effect of redistribution
- But does it contribute to growth?

# Or, is social protection a free lunch?

- Social investment, and not just redistributive consumption?
- Case argued by Peter Lindert, Simon Sretzer, Sarah Cook, Katja Bender, Harold Alderman and Ruslan Yemtsov, etc.
- Through
  - Production linkages, and
  - Investment in labour force

# Growth-enhancing effects

- Micro
  - Building individual capabilities
  - Enabling more productive, but higher-risk investments own account workers
  - Enabling women to remain in the labour force

# Growth-enhancing effects

- Meso or local level
  - Positive externalities
    - Education
    - Health
  - Multiplier effects
    - Beneficiaries to non-beneficiaries

# Growth-enhancing effects

- Macro level
  - Stabilizing aggregate demand
  - Improve social cohesion
  - Make creative destruction or growth-enhancing reforms more socially acceptable

# Historical record

- Germany, Japan and South Korea were low or lower-middle income countries when they instituted universal health protection
- Elizabethan England, before the Poor Laws and before the Industrial Revolution, had a system of parish-based income guarantees



# Pre- Industrial Revolution England

- Parish-based social minimum
- Not location based
- Made labour more mobile
- Provided protection against unemployment due to adoption of labour-saving techniques
- Outcomes: English agriculture more productive than in Continent
- Less resistance to change in England than the Continent

# SP and change in India

- South India has much better Social Protection than North or Central India
- Does that lead to less resistance to change?
- More women more willing to undertake risky, but higher return investments?

# What kind of Social Protection?

- Universal
- Portable
- Individual or household
- Conditional or “just give money to the poor”?
- Cash or kind (monetization or ante-deluvian/paternalistic)
- Social minimum

# Women and Identity

- Women, traditionally, have only had a relational identity (daughter/wife/mother)
- Can allow move from household-based entitlements to individual-based entitlements
- Agency impact, e.g. widows
- Cash transfer – receive household bundle

# Informal or Universal?

- NCEUS proposed social minimum for workers in informal sector
- Indonesia has national social minimum
- Santiago Levy – protection for only informal sector increases barriers to formalization
  - Wage subsidy in informal, plus wage tax in formal

# Subsidized food or cash?

- Paternalistic provision or choice
- Needs can differ with season
  - E.g. with harvesting wages in kind, grain not needed at that time
  - School expenses
- Eliminate dual pricing, which promotes profiteering
- Promote monetization of economy

# Technological leapfrogging: Social innovation

- Biometric identification – now 650 million
- Aadhar as major social innovation, based on technological leapfrogging
- Support portability of rights
- Extend inclusivity of financial system
  
- Reduce corruption – eliminate ghost and duplicate cards
  
- Concerns over surveillance and unauthorized commercial use

# Public services

- A social minimum needs to be supported by public provision of services – education, health
- Housing and sanitation too



# Fiscal concerns

- India has a low ratio of tax revenues to GDP – below 9%
- Even lower than in countries with comparable per capita income
- Tax/GDP ratio will have to be raised in order to finance social minimum-based Social Protection

# Conclusion

- SP not household but individual based
- Provide social minimum to promote inclusive growth
- This will require increasing tax to GDP ratio