Universal Benefits, Targeting and Transparency

LARRY WILLMORE

International Institute for Applied Systems Analysis
Laxenburg, Austria

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Basic Income Grant (BIG)

➢ Top-up Grant (minimum income)

- people respond to incentives

- 100% tax on earned income

➢ Universal, flat grant

- gold standard

Basic Income Earth Network

"A basic income is an income unconditionally granted to all on an individual basis, without means test or work requirement."

www.basicincome.org

Targeting

- Means test (Income, Expenditure or Assets)
- Age (children or elderly)
- Geography
- Ethnic group

Combinations are also possible.

Examples of Universal Benefits

◆ Basic Income Grant (no examples yet)

◆ Public schools

◆ Libraries

◆ Parks, beaches, recreation areas

◆ Health care

◆ Pay for unskilled marginal work (India's National Rural Employment Guarantee Scheme, Chile's Empleo Minimo)

Subsidized Electricity for the Poor

Example of geographic targeting – and how people respond to incentives

A universal alternative

Age Targeting
("universal age pensions")

1940 **New Zealand** 65+	1996 **Botswana** 65+
1958 **Mauritius** 60+	1996 **Bolivia** 65+
1984 **Brunei** 60+	2001 **Mexico City** 70+
1990 **Namibia** 60+	2001 **Kosovo** 65+
1990 **Samoa** 65+	2003 **Kiribati** 70+
1995 **Nepal** 75+	2010 **Maldives** 65+

Minimum Pension Guarantee

- Lesotho (2004), from age 70
  - Beneficiaries must choose between social and occupational pension
  - Equivalent to 100% 'claw-back' from other pension income
- UK (age 80) and Sweden (age 65) have same system, with 100% claw-back
- Finland (age 67) is similar, but claw-back is at the rate of 50%

India's Below Poverty Line (BPL)

- 1992 census: household income

- 1997 census: household expenditure

- 2002 census: multiple parameters

- Rural: 13 parameters, scored 0-4
  - Maximum score: 52 points (APL=18+)
  - BPL score: 17 points or less
- Urban: 7 parameters

India's BPL Scoring

	0 points	1 point	4 points
Clothing	<2 pieces	>2 but <4 pieces	>10 pieces
Food	<1 meal a day	<1 meal occasionally	"enough"
Sanitation	Open defecation	Group latrine, irregular water supply	Private latrine
Children	No school, working	In school, working	In school, not working

		0	1	2	3	4
1	SizeGroup of Operational Holding of land	NIL	< 0.5 ha of irrigated land	0.5ha-1ha of irrigated land	1 ha-2.5 ha of irrigated land	>2.5 ha of irrigated land
2	Types of House	Houseless	Kutcha House	Semi-Pucca House	Pucca House	Urban Type
3	Average Availability of Normal Wear Clothing	Less Than 2	2 or more,but less than 4	4 or more,but less than 6	6 or more,but less than 10	More than 10
4	Food Security	Less Than one squre meal	Normally 1 sq meal per day but < 1 sq meal occasionally	1 Sq meal per day throughout the Yr	2 Sq meals per day with Occasional shortage	Enough food throughout the Yr
5	Sanitation	Open Defecation	Group Latrine with irregular water supply	Group Latrine with regular water supply	Group Latrine with water supply and sweeper	Private Latrine
6	Ownership Consumer Durables	NIL	Any one item	2 Items Only	Any 3 or all items	All Items
7	Literacy Status	Illiterate	Upto Primary	Completed secondary (passed class 10)	Graduate / Professional diploma	Post Graduate/Professional Graduate
8	Household Labour Force	Bonded Labour	Female and child labour	Only Adult Females and no child labour	Adult males only	Others
9	Means of livelihood	Casual labour	Subsitence cultivation	Artisan	Salary	Others
10	Children Status	Not going to school and working	Going to School and working	Nil	Nil	Going to school and not working
11	Type of Indebtedness	For daily consumption purposes from informal sources	For Production purposes from informal sources	For other purpose from informal sources	Borrowing only from institutional agencies	No indebtedness and possess assets
12	Reason for Migration From Household	Casual Work	Seasonal employment	Other forms of livelihood	Non migrant	other purposes
13	Preference of Assistance	Wage employment/ TPDS(Targeted public distribution system)	Self-employment	Training and skill upgradation	Housing	loan/subsidy more than Rs 1 lakh or no assistance needed

BPL Cards and Economic Status

Proportion (%) of Rural Households with a BPL Card, India, 2005
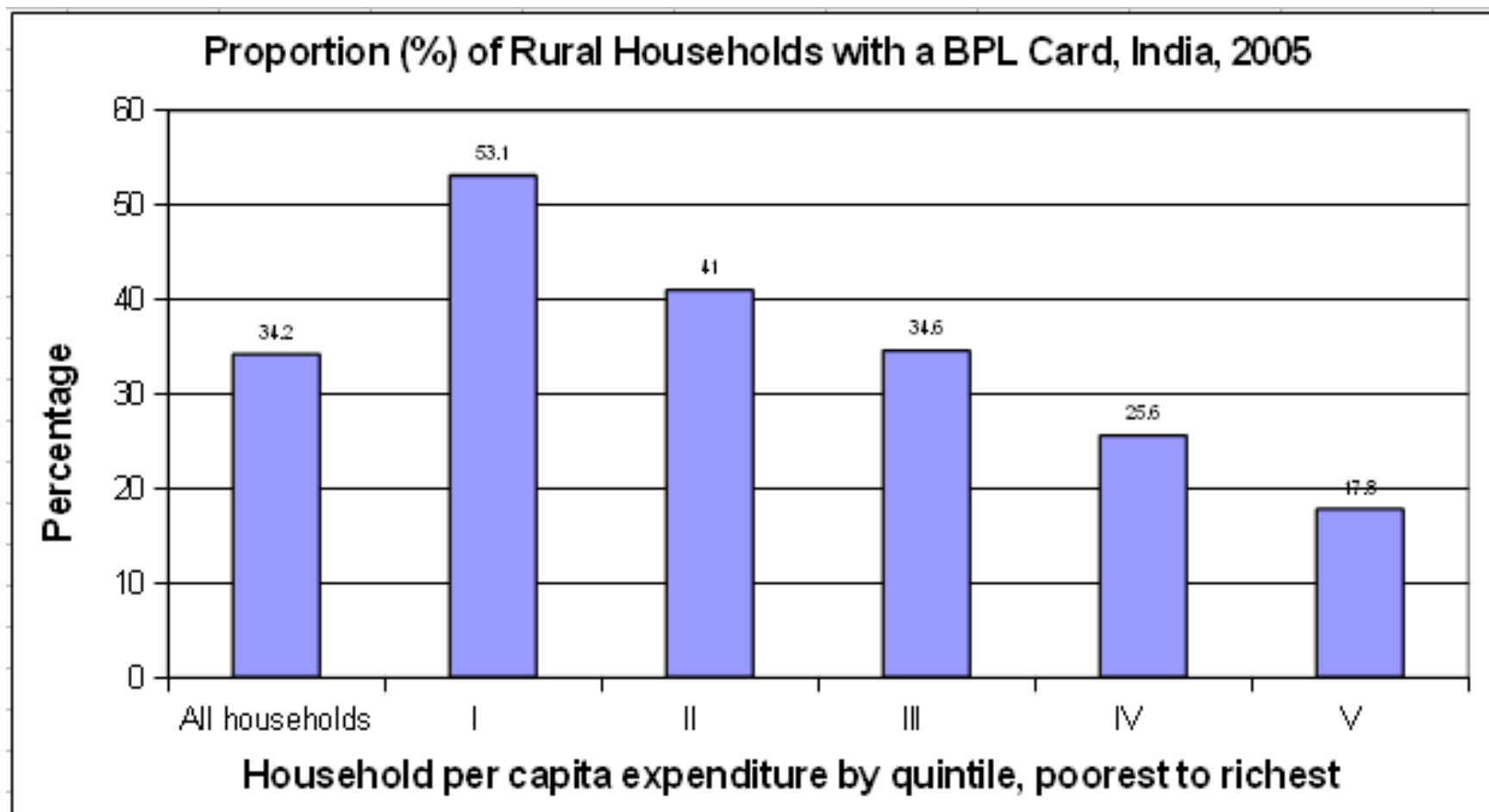
Thank you for your attention

For more information, see the slides that follow, and visit

www.larrywillmore.net

"[W]hen the expenditure on CSS [central sector schemes] and subsidies in the name of the poor is enough to lift all poor people out of income poverty, and yet more than 300 million people remain poor, it is imperative that India undertakes a radical shift in the structure and mechanism of spending on poverty reduction programmes."

Devesh Kapur, Partha Mukhopadhyay, Arvind Subramanian, "The Case for Direct Cash Transfers to the Poor", *Economic & Political Weekly*, 12 April 2008, pp. 37-43.

"According to the Economic Survey 2007-08, about 27.5 per cent of India's roughly 1.13 billion people are below the poverty line (BPL), i e, about 310 million people or 70 million households. If the Rs 1,80,000 crore spent on CSS [central sector schemes] and food, fertiliser and fuel subsidies were distributed equally to all these 70 million households, it would mean a monthly transfer of over Rs 2,140 per household. This is more than the poverty line income for rural households and more than 70 per cent of the urban poverty line income."

Devesh Kapur, Partha Mukhopadhyay, Arvind Subramanian, "The Case for Direct Cash Transfers to the Poor", *Economic & Political Weekly*, 12 April 2008, pp. 37-43.

BPL Cards and Economic Status

	Proportion (%) of Rural Households with a BPL card[a] in Different Quintiles, Based on:	
	Monthly Per Capita Expenditure (NSS Data, 2004–05)	Wealth Index (NFHS Data, 2005–06)
Poorest quintile	53.1	39.2
Second quintile	41.0	38.9
Third quintile	34.6	36.9
Fourth quintile	25.6	31.9
Richest quintile	17.8	17.6
All households	34.2	32.9

BPL Cards: Notes

NSS= National Sample Survey

NFHS= National Family Health Survey

Source: Jean Drèze & Reetika Khera, "The BPLPL Census and a Possible Alternative", *Economic & Political Weekly*, 27 February 2010, pp. 54-63.

Corruption in India

In India, corruption is rife and is most readily felt by the rural poor in the form of rent-seeking among petty officials and local elected representatives. This is evident in many ways, including the charging of informal fees for providing application forms, for reviewing forms and for approvals, and the charging of "commission" on benefits received.

Farrington, Sharp & Sjoblom, "Targeting approaches to cash transfers", Overseas Development Institute, June 2007.

The PM of India

"[W]e spend far too much money
funding subsidies in the name of
equity, with neither equity objectives
nor efficiency objectives being met."

Speech of the prime minister at the
Institute of Economic Growth,
15 December 2007, available at
http://pmindia.nic.in/lspeech.asp?id=629