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The Transformative Challenge

Introduction

The Indian economy has grown and changed considerably in recent years. Yet poverty and deprivation are visible everywhere. Successive governments have spent a lot, but the problems seem intractable. Literally thousands of schemes have been launched – over 1,000 at national level alone – in a vast patchwork of wonderful names, which taken together promise so much, and deliver so little.

Villages and towns across the country are a paradox of growth and poverty existing side by side. While wealth has expanded, with roads, bridges, buildings, shopping malls and consumer goods of all types, most villages, especially where scheduled castes or tribes live, seem almost left behind. Yet the residents are working and striving, hoping for a better future for their children, and they look to government to help them achieve that.

What if we went back to basics? Suppose people were provided with a basic income, enough to cover their food needs and basic accommodation. The country's rulers are committed to that by the Constitution. It is affordable. It is a matter of spending priorities. It might be a matter of switching expenditures, but imagine giving people basic economic security, some cash to use, so they could try to improve their lives themselves. It would be 'something more', a little more, not necessarily a replacement for other means of assistance, particularly public services such as infrastructure, free public schooling and free healthcare.

This book is about two pilot basic income schemes. But to set the scene we start by reviewing the standard approaches to poverty alleviation in India, because the debate on what have been called 'cash transfers' has been clouded by comparisons with those alternatives.

Policy evaluation principles

How should the success or failure of any social policy be judged? Although policies are generally judged by whether the outcomes match the stated objectives, evaluations need to be more holistic and take into account fundamental principles of equity and social justice.

Thus a policy or scheme that makes entitlement conditional on families sending their children to school might be judged a success simply if the school registration rate rises. But if the poverty and use of time of the family worsen, then overall that policy might not be judged a success. Similarly, a scheme might reduce poverty simply because a lot of money is spent. But unless it is shown that the spending was more effective than feasible alternatives, we should be wary about declaring it a success.

However, to evaluate policies properly one should go beyond measuring trade-offs of particular benefits and go beyond economic criteria. Social policies should be judged by ethical principles. Merging different ethical values is often difficult. But one can fairly easily blend perspectives into a coherent set of principles (Standing, 2009). Principles drawn from the ethical system of progressive liberalism could be:

- *The Security Difference Principle*, drawing on John Rawls' liberal theory of social justice (1971): This states that a policy is socially just only if it lessens the insecurity of the most insecure groups in society. If a policy helps others but does not help the most insecure, it is unlikely to be socially just.
- *The Paternalism Test Principle*: It is socially unjust to impose controls or directives on some groups that are not imposed on the most-free groups in society.
- *The Rights-not-Charity Principle*: A policy that extends the discretionary power of bureaucrats or other intermediaries while limiting the rights of recipients is socially unjust.
- *The Dignified Work Principle*: A policy is socially just only if it enables recipients to pursue a more dignified working life.
- *The Ecological Constraint Principle*: No policy should create externalities that result in pollution or environmental damage affecting the recipients or the communities in which they live.

To those should be added principles drawn from a Gandhian perspective, as adapted by SEWA for practical application:

- *The Swadeshi Local Production Principle*: As far as possible, products and services required to meet basic needs should be produced locally. This ensures that wealth grows within villages and that communities are strengthened.
- *The Swaraj and Self-Reliance Principle*: Literally meaning self-rule, this has been interpreted by SEWA to mean self-reliance of individuals, families, communities and villages.
- *The Non-Violence and Harmony Principle*: This Gandhian value emphasizes a way of life in which cooperation rather than competition is the norm, and where people can live in harmony with nature.
- *The Weakest at the Centre Principle*: This states that the most vulnerable should be strengthened first and any policy must ensure their economic and social security.

Clearly, the final Gandhian principle is another way of expressing the Security Difference Principle. However, all these principles merge into an ethical framework for evaluating any policy. And as such, they link back to what we will be calling a policy's transformative potential.

What is in a name?

A welfare state plays a key role in protecting and promoting economic and social well-being. It is supposed to promote equality of opportunity, an equitable distribution of wealth and public responsibility for those unable to obtain the minimal provisions for a good life. The government can pursue these goals by providing public goods and services, including infrastructure, healthcare and schools, and by direct benefits, universal or means-tested.

While the Indian state has long provided public services, such as health and education, and targeted social assistance, such as subsidized food through the Public Distribution System (PDS), cash transfers have been marginal in social policy. The most common have been 'cash benefits', notably pensions for the elderly, widows and the disabled.

In 2009, the Indian debate on cash transfers sharpened, stemming from the view that conditional cash transfers (CCTs) in Latin America were successful. These were cash transfer schemes conditional on recipients sending their

children to school regularly and on attending medical clinics. The Indian debate was initiated by commentators (Kapur et al., 2008a) whose concern was the immense wastage in existing schemes and the belief that cash transfers could cut through barriers blocking intended beneficiaries from their entitlements.

This fanned opposition by economists on the left, suspecting it was a ruse to cut public services. As some on the political right evidently did have that objective, the debate rapidly became clouded by ideological posturing. This continued through 2011 and 2012, crystallizing in acrimonious exchanges that became over-simplified in claims around ‘cash’ versus ‘food’.

In 2013, two initiatives were launched by the UPA (United Progressive Alliance) government that left the conflict unresolved. While ‘direct benefit transfer’ (DBT) pilots were launched, the Food Security Act was passed. Both were presented as ‘game-changers,’ even though pulling in opposite directions.

DBT proponents said it would reduce fiscal leakages, allow portability of benefits and spread financial inclusion, incidentally enabling migrants to send back remittances to deprived local communities. Proponents of the Food Security Act claimed that leakages would remain high even if the food subsidy were monetized, because of problems in targeting through using Below Poverty Line (BPL) lists known to be riddled with errors of exclusion and inclusion.

Their preferred solution was to universalize India’s Public Distribution System (PDS) and to reduce leakages, for instance, by reducing food prices so sellers did not have an incentive to hoard subsidized grain and sell in the open market, or by adopting information and communications technology to streamline PDS procedures. In turn, sceptics remained convinced that rolling out a complex, inefficient subsidy scheme would merely intensify the bureaucratic raj. But in any case the general election of early 2014 changed the context.

One drawback of the debate around cash transfers has been that commentators have used the term rather loosely with different ideas in mind. There are four types of ‘cash transfer’ – incentives, subsidies, bonuses and benefits. Cash incentives are sums given to individuals if they do something the state wishes to encourage (such as giving birth in public hospitals rather than at home); cash subsidies are paid to cut the cost of consumer or producer commodities, as in the PDS; cash bonuses are lump-sums given to particular communities; cash benefits are sums paid regularly, such as pensions.

All may or may not be targeted (for the poor only), selective (for designated groups), and conditional (paid only if the person does something specific in return). Old age pensions, for example, are unconditional cash benefits targeted and paid to selective groups (in the case of India, those above

the age of 60 and in possession of a BPL card); but they do not require the beneficiary to do something specific in return. The *Janani Suraksha Yojana*, on the other hand, is a conditional cash incentive that requires a selective group, in this case pregnant women, to give birth in hospital to be able to qualify for the incentive.

Given the acrimonious debate around cash versus subsidies in India, we decided on an alternative name for unconditional cash transfers, a name that could be seen as compatible with either ideological position and did not have the baggage that cash transfers have acquired. Perhaps ‘basic income’ or ‘citizen’s income’ is the goal to pursue.

Basic income is defined as a sum paid regularly, in money, to individuals, without conditions, as a universal or rights-based payment, paid as an equal amount to all adults, as citizens.¹ It does away with means-testing and the exclusion and inclusion errors of measuring poverty lines. It thus removes poverty traps, in which anybody going from a low income to a slightly higher income would lose as much or more in benefits. A basic income would be a modest additional payment. That is how we have piloted it. And that is what this book is about.

Before reviewing the claims and counter claims made about cash transfers, it is appropriate to recall those made about the main alternatives to alleviating economic insecurity. These can be called the Commodity Line (providing food or other commodities for free or at subsidized rates for those designated as ‘the poor’) and the Labour Line (provision of labour, in return for monetary payment or food). Together with cash, they present the main ways by which governments try to reduce poverty or economic insecurity. There is no need to see the three approaches as alternatives, but they have very different qualities. The big question is which offers the most promising way to achieve a transformative set of outcomes.

The subsidy or commodity line

We spend far too much money funding subsidies in the name of equity, with neither equity objectives nor efficiency objectives being met.

Manmohan Singh, Prime Minister (2007)²

The primary mechanism by which India has tried to ensure food security to its poor is the PDS. Managed jointly by the central and state governments, the PDS is a targeted scheme that is meant to provide subsidized staple food – wheat,

rice and sugar – and kerosene through a network of fair price shops, commonly known as ration shops. In coverage and public expenditure, the PDS is the main subsidy offered to help the economically insecure.

The PDS has attracted many criticisms, not least of which is that it does not reach its intended target groups. In 2009, the Deputy Chairman of the Planning Commission, Montek Singh Ahluwalia, said that only 16 per cent of the food allocated to it reached the poor.³ At the same time, the Planning Commission estimated that only 27 per cent of PDS expenditure reached low-income groups, and the Finance Minister described it as ‘an albatross around our neck and an opportunity for rent seekers to enrich themselves’.

That the subsidized items do not reach the poor partly reflects poor targeting. The mechanism used is the BPL list, which has vast inclusion and exclusion errors, as numerous studies have shown (Sundaram, 2003; Hirway, 2003; Jain, 2004; Mukherjee, 2005; Jalan and Murgai, 2007; Alkire and Seth, 2008; Saxena, 2009; Jhabvala and Standing, 2010; Roy, 2011; Mahamalik and Sahu, 2011; Alkire and Seth, 2012).

There have also been differences between the caps on ‘officially poor’ set by the Planning Commission and the number with such cards, as identified by the states. In Bihar for instance, the Government of India capped the number of BPL families at 7.3 million, whereas the state BPL figure was 12.6 million families (Government of Bihar, 2011). So, over five million were automatically excluded. In short, targeting was seriously faulty over many years.

Another flaw is inadequate availability of food and non-food items in ration shops. This is largely due to the dual price system the government uses in making commodities available to shopkeepers. There has been a huge difference in the price at which a staple such as wheat is sold in fair price shops (Rs.2 per kg) and the average market price (Rs.20 per kg). That gives shopkeepers an incentive to hoard the food in order to sell it in the black market, leaving consumers who queue at these shops without the subsidized items.

An argument for transferring the PDS into a DBT scheme is that it would undermine this dual pricing. Consumers could approach the ration shop with Rs.2 and their Unique Identification Card, and the shop would sell a kilo of wheat at the market rate, having received the balance (Rs.18 per kg) through a government transfer. A concern is that fair price shop owners, who sell PDS items, would run out of business, unable to make any gains and pay their licences and the onerous bribes. They might self-select out of the system, leaving the government with the task of selling about 60 million tonnes of grain in the market, with considerable risk of corruption. The DBT would not solve

the problems of poor targeting, faulty selection of beneficiaries and arbitrary capping of beneficiaries at state level.

Besides long queues, consumers often receive poor quality food. Many opt out of the PDS because of stigma associated with buying such items and the cost involved in fetching them (Himanshu and Sen, 2013; Shrinivasan, 2011). As the poor have the most onerous labour, they are left with inconvenient time schedules to trek to ration shops and wait in queues in the hope that items will have arrived. That they still do so speaks of their reliance on the PDS, despite its flaws, as a source of food security. But aiming for self-selection is scarcely a laudable objective.

A fourth concern is inefficiency. As the Finance Minister told the National Development Council in December 2007, the Planning Commission estimated that one rupee of food cost Rs.3.65 to administer. The inefficiency of the Food Corporation of India (FCI) that is tasked with procuring and distributing food grains is well documented. Supporters of the system whereby government procures food grains at minimum support prices through the FCI say it provides income support to farmers, while creating buffer stocks. But many believe state procurement helps large-scale farmers to the detriment of smallholders (Misra and Ramnath, 2011).

It also means the FCI is a monopoly, removing any incentive to provide quality food, on time and in adequate amounts. There has been uproar about how food rots in decrepit FCI warehouses and does not reach the fair price shops. Between 2008 and 2012, 36,000 tonnes of grain had rotted in the FCI facilities, enough to feed 80 million people 440 grams each. That was due mainly to stocks being kept in the open (*Hindustan Times*, 2012). Yet in a country where 60 per cent of the population still depends on agriculture, moving away from state procurement may be politically difficult.

Linked to inefficiency is how subsidies distort markets. Subsidized food acts as a disincentive to producing local food (Besley and Kanbur, 1988). At the time of drafting of the Food Security Act, critics noted that the extra procurement needed to meet the target of providing subsidized food to over half the Indian population would denude the open market, driving up urban food prices (*The Hindu*, 2013; Winterbottom and Bhardwaj, 2013).

Defenders of the PDS claimed that states that had universalized their PDS, such as Tamil Nadu and Chhattisgarh, had reduced leakages, and that the PDS could work optimally (Khera, 2011a). This view lay behind the Food Security Act, broadening entitlement to subsidized food to two-thirds of the rural population and 50 per cent of the urban, and leading to a vast increase in public

expenditure on food subsidies, of 45 per cent according to the UPA government's estimates. The FSA was to make the consumer's cost of grain about 10 per cent of the market price. Predictably, there were conflicting estimates of the likely cost (Bhalla, 2013; Ramaswami et al., 2013).

Defenders of the PDS have also claimed it has provided the poor with food and income security, enabling them to spend on non-food essentials while protecting them from food price fluctuations. This was also claimed by the activist group Rozi-Roti Adhikar Abhiyan Delhi in their protest against our Delhi pilot cash transfer scheme in 2011. To the extent it reaches the intended beneficiaries, the PDS frees up purchasing power. We will consider this in the course of analysing the impact of the basic income.

Finally, PDS supporters argue that complaints about subsidies are more common among those outside their net, citing a 2010 study by the National Council of Applied Economic Research (NCAER) that showed 80 per cent satisfaction among beneficiaries in most states, other than Bihar. They also argue that it helps reduce poverty and improve nutrition. Himanshu and Sen (2013), using consumption data, claimed that the PDS accounted for a substantial part of poverty reduction in India between 2004–5 and 2009–10. They claimed that 'those consuming from the PDS are the only group of households that have seen an increase in calorie consumption'. But they admitted that 'there is no counterfactual to test it with what would have happened with cash transfers'.

It is this opportunity cost argument that should trouble even the most adamant defenders of the PDS and should make policymakers wonder if there is a better way to improve the lives of those at the bottom of Indian society.

The labour line

A second route to tackling poverty and economic insecurity is provision of labour for the designated poor. In India, this is done primarily through the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and public works.

Advocates of the labour line, and public works in general, claim they (i) are targeted to the poor, (ii) create jobs, (iii) lead to construction of public infrastructure, (iv) supplement other incomes, (v) reduce seasonal income variability and (vi) are equitable because they are self-selecting.

While public works have been an important component of safety net programmes since the 1970s, the MGNREGS was hailed as an important shift to

a rights-based approach to poverty alleviation by providing a legislatively backed 100-day employment guarantee. Unlike previous public works programmes which also had a food component, wage payments under the MGNREGS are entirely in cash, payable into a worker's post office or bank account.

Proponents claim the scheme has strengthened workers' bargaining. Its wage often exceeds the local wage for manual labour. There have been complaints by farmers that they cannot obtain labour or must pay more. It also promised equal wages to men and women. MGNREGS defenders claim it has reduced seasonal income and consumption variability (Ravi and Engler, 2008). Further, and while coverage of the scheme has been low and the 100-day employment guarantee rarely met, the scheme has included scheduled castes and tribes, and women (Khera and Nayak, 2009). There is also evidence that it has curbed distress migration and improved use of barren areas for cultivation (Kumar and Prasanna, 2010; Kareemulla et al., 2010; CSE, 2008; Sanyal, 2012).

However, MGNREGS has faced criticism around the quality and sustainability of assets created under it (Bassi and Kumar, 2010). There is evidence that public works result in poor output, as in 'washed-away-roads' and flimsy bridges. The cost of monitoring is also high, which is one reason why schemes are rarely evaluated. And while the choice of assets is supposed to be decided collectively by the village in the *gram sabha* (village assembly), this rarely happens. So, the labour tends to be 'make-work' activities without economic justification, undertaken just to spend budgets and give people something to do (McCord and Farrington, 2008).

Although anyone can request labour, the scheme discriminates against labour-constrained households, i.e. those without members available to take such jobs. The poorest households often have people who are ill, aged or disabled. Drawing one person away may leave others more vulnerable. And the labour is particularly onerous for women, who are under time pressure owing to household and other work. The energy-draining labour means the calories used in the labour may exceed the calorific value of food that could be purchased as a result.

Rationing also occurs because of discretion of local officials in responding to labour demands. In an evaluation in Bihar, Dutta et al. (2014) found that controlling for other household and village characteristics, richer households obtained more days of labour if they participated. Connections to the *mukhiya* or *sarpanch* (village headman) also mattered. This resulted in unmet demand in that not everyone who wanted labour obtained it, or they obtained fewer days than they wanted.

Yet another argument against the labour line is that it emphasizes unskilled labour. Although the MGNREG Act mandates that the programme also provide for, as far as possible, training and upgrading of skills, this has not been implemented. As MGNREGS is restricted to unskilled labour – like digging – it weakens the incentives to learn skills. India's demographic transition means that millions are being added to the workforce with low skills, and as constituted MGNREGS will have to continue to provide labour to an 'army of unskilled workers' (Hirway, 2004). And as it has not generated skills, it has not helped the non-farm part of the rural economy.

The cash line

If the subsidy and labour lines are flawed, what about the cash line? All countries have some cash transfers. But the debate is about addressing poverty and economic insecurity through *non-contributory* transfers. Social insurance schemes, such as unemployment insurance benefits, are inadequate in open, flexible labour markets, since they do not reach those working informally, those outside the labour market, the precariat, or those moving between diverse forms of labour and work (Standing, 2011b).

In India, the main non-contributory cash transfers are pensions for the elderly, widows and the disabled. But here targeting problems arise. In most states, pensions are limited to those who have a BPL card or who feature on an official BPL list. Some states allow for self-declared income as proof of poverty but require that eligibility be attested by a local politician or official.

With this in mind, let us consider the criteria that cause policymakers difficulty in designing cash transfer schemes – whether they should be targeted (for the poor only) or universal (paid to everybody), selective (for designated groups), conditional (paid only if the person does something specific in return), and who should be the recipient (the household or the individual).

In India, there have been instances of all types of social policy – universal, targeted and selective. Public health services and schooling, for instance, have been universal. The PDS was also universal until targeting became the vogue. Since the 1990s targeting has been the dominant approach.

Targeting

Although there are several forms of targeting – household means-testing, proxy means-testing, geographical targeting, community-based targeting and so-called self-targeting – the objective has been to focus benefits on the poor by using the notion of a poverty line.

In India, there are three ways of identifying the poor: people below the state-specific poverty lines set by the Planning Commission of India, people on so-called BPL lists based on periodic surveys by the Ministry of Rural Development (for rural areas), and people who have a BPL ration card issued by the state Food and Civil Supplies Department, which determines the amount and price of grains households can buy from the PDS.

There has been a divergence across departments, states and programmes in defining the terms ‘poor’ or ‘below the poverty line’. Exclusion and inclusion errors in BPL lists are well known. But the ‘poverty line’ is arbitrary, as many in or near poverty experience fluctuating incomes (Narayan et al., 2009). They may be just above in one week, just below in another. Procedures are so cumbersome that determining whether a household is poor is often done years before entitlement to a benefit is put into effect.

Targeting presumes policy should address *yesterday’s* not *tomorrow’s* poverty in helping those who have fallen into poverty rather than those in danger of doing so (Krishna, 2007). To reduce poverty most effectively, one should prevent it, since it costs less to prevent than to help people recover.

Targeting involves high administrative costs. That is inherent to means-testing (Caldes et al., 2004). When evaluations measure a scheme’s cost, they should take account of the fact that funds spent on administration could be used to give recipients more money.

Actual targeting has been riddled with errors. Since 1992, the Ministry of Rural Development has conducted censuses to identify the poor, and procedures have become steadily more complex (Mehrotra and Mander, 2009). The resultant chaos has been subject to withering criticism (Saith, 2007) and led to the Saxena Committee report in 2009. As its chairman later observed, the failure of targeting was revealed by the National Sample Survey, which showed that vast numbers of the poor were excluded from having a BPL card, while many non-poor were allocated one (Saxena, 2010). In Gujarat, we found that a huge proportion of those in need did not have cards or had been denied one for some spurious reason (Standing et al., 2010). Possession is often regressive, with the poorest being the least likely to have one.

Because of inclusion and exclusion errors, elaborate attempts have been made to develop proxy means-tests (sets of indicators correlated with income poverty). But they are no better; they identify the poor inaccurately, at great expense and with long lags between the gathering of data and classification of households (Development Pathways, 2011). Proxy means-tests were recommended by the Saxena Committee (2009) for identifying those deserving a BPL card. But that route is as cumbersome and as prone to exclusion and inclusion errors as similar schemes have proven elsewhere. In sum, targeting in reality is neither efficient nor equitable.

Outside India, studies have considered whether targeted or universal schemes have more effect in reducing poverty. Due to exclusion errors, targeting has fared worse. In the four largest Latin American countries, targeted schemes on average reached less than half of the poorest 20 per cent. Similar failings emerged in Brazil's *Bolsa Família* and Mexico's *Oportunidades* (Lindert et al., 2006; Soares et al., 2007). And in China, cities that used more targeting were less likely to reduce poverty (Ravallion, 2007).

Selectivity

A second distinction made in social policy is between selective and non-selective payments, where selectivity means providing the benefit for particular groups, either regardless of their income or through means-testing as well. To highlight

Table 1.1 Common ways of determining benefit entitlement

Targeting	Universal	Selective
• Means-testing • Proxy means-test • Geographical/locational • Social categories	• All citizens • All legal residents • All long-term residents • All contributors	• Mothers of young children • Girl children • Tribals • Pregnant women • Disabled • Unemployed, seeking jobs • Schoolchildren • Elderly/widows/widowers • Marginal farmers • Urban 'informal' workers

the differences between targeting and selectivity, Table 1.1 summarizes the main forms of each.

Underpinning selectivity is a decision that groups with certain characteristics deserve help, rather than others. The most common schemes provide payments only to women with young children or to those from scheduled castes and tribes, provide men and women over a certain age with a pension, or provide people with disabilities with a payment.

Many cash transfer schemes are both selective and targeted, so that, for instance, only women with children and with low incomes receive the payments. But with each decision on selective entitlement there are procedures that are hard to apply in local communities. Many of the reasons for failure of targeting are similar in the case of selectivity.

Universalism

In principle, a universal policy is preferable to one that targets on the poor, in that it does not suffer from large exclusion errors, while it also creates solidarity within communities. But critics of universalism say it would be too costly or result in under-funding, which would erode its legitimacy.

Advocates of universalism believe that net spending could be reduced by clawing back from the wealthier and that boosting incomes would have a positive macro-economic effect while reducing other social costs, notably by improving health and thus lowering healthcare costs. We acknowledge this is an open debate on which there is no consensus. In the end, the politics of priorities will be a decisive factor.

The problems with targeting raised a dilemma for the pilots. Either the cash could be given only to 'the poor' or it could be paid universally. In practice, the term 'universal' is slightly ambiguous. For example, should short-term immigrants in the pilot villages be included? However, a universal approach was taken. Within the villages every person received a cash transfer, which was individual and unconditional. We will not flag conclusions at this point, but merely state that the arguments for and against targeting, selectivity and universalism are likely to continue for some while.

Conditionality

The team designing the basic income pilots had extensive discussions on whether conditions should be applied, with a strong consensus against applying

any. The main reason was moral. It was presumptuous to think people need to be steered to make decisions in their own interest. As adults they could make decisions for themselves. This was backed by SEWA's experience showing that people, especially poor people, used cash in the interest of their families and communities, often better than those who had more.

Across the world, governments, under international human rights law, have made binding commitments to do what they can to ensure all their populations attain basic material needs. Yet in recent years, many governments have introduced so-called conditional cash transfer schemes (CCTs) based on the imposition of forms of 'behavioural conditionality'.

What this means is that they offer to overcome people's poverty or vulnerability only if they meet certain conditions, acting in ways that policymakers regard as desirable. Implicit in that judgement are several presumptions.

It presumes people can be divided into a deserving group (defined by behaviour stipulated in the condition) and an undeserving one (defined as those not behaving in the desired way). It presumes that the condition is the relevant one in determining a person's poverty or vulnerability. It presumes that conditions are easy to comply with. And it presumes that if the recipient so desires he/she could easily access the resources required to fulfil the conditions.

CCTs have become hugely popular, with the World Bank pouring billions of dollars into loans to start and scale up CCT schemes in developing countries. The Bank has defined them as follows:

Conditional cash transfers are programs that transfer cash, generally to poor households, on the condition that those households make prespecified investments in the human capital of their children.

(Fiszbein and Schady et al., 2009, p. 1)

In reality, sometimes the motives have had little to do with human capital. But there are several types of condition – (i) those that must be satisfied prior to receipt of a benefit, (ii) those that must be satisfied during receipt, and (iii) those that must be satisfied afterwards.

The most common are behavioural conditions imposed on families during receipt of the cash transfers. In Brazil, entitlement is conditional on a child's attending school for at least 85 per cent of the time and/or taking an infant to a health clinic. In India, CCTs range from schemes to encourage schooling to schemes for reducing vulnerabilities of the girl child, encouraging institutional delivery and raising the age of marriage.

As can be gleaned from that last example, in practice, conditionality blends

into selectivity (selecting particular types of people for benefit) and targeting (based on determining who is poor and who is not).

The main claims made by proponents of CCTs are that (i) they break the inter-generational transfer of poverty, (ii) they help to legitimize redistributive social transfers among middle-class voters, and (iii) they make use of scarce public (or donor) funds most efficiently.

In spite of frequent re-statements of these claims, all evaluations have focused on short-term impacts (Fiszbein and Schady et al., 2009; Cecchini and Madariaga, 2011), and most have focused largely if not exclusively on the impact on indicators of the applicable condition (e.g., school attendance). No evaluation has shown that CCTs break the inter-generational transfer of poverty, because they are based on short-term experiments and impact data over several years, rather than inter-generational data.

Conditionality is spreading in social policy in industrialized countries as well. Behind it is an influential school of thinking that emanates from the USA, 'behavioural economics', which has fed into a perspective known as 'libertarian paternalism' (Thaler and Sunstein, 2009).

Everywhere, the conditions have led to extensive exclusion, as people entitled to the cash withdraw when they cannot comply or find it hard to comply with some condition. In Mexico, those excluded were mainly the poorest, as the burden of compliance was too great (Alvarez et al., 2006). In Indonesia, a proxy means-test combined with conditions incorrectly excluded 52 per cent from the beneficiaries (Alatas et al., 2012). In Malawi, girls denied cash benefits because they dropped out of school ended up having a higher probability of becoming pregnant earlier than those who received cash unconditionally.

In India, conditionality is a major cause of exclusion and corruption, adding to the clogged pipes of delivery systems. Much money meant for poverty alleviation or for benefiting the more vulnerable is siphoned off by powerful people. When there is a condition, the recipient must prove she has fulfilled it. The proof is usually to be given by a person in authority who can certify that she has fulfilled the condition. Very often it is hard to obtain the certificate from the official. Often, the person authorized to certify that the condition is fulfilled is not available, and the recipient must spend days away from work seeking the official, who often demands a cut from the benefit, or a pre-payment.

To illustrate what happens, reflect on the Indira Gandhi *Matritva Sahyog Yojana*, a government scheme launched in 2009 intended to compensate women for loss of earnings during pregnancy and delivery, entitling a woman

to Rs.4,000. According to the Department of Women and Children (2011), the conditions she is supposed to fulfil are:

She must have 1 or 2 children, must be registered at the health centre in the first trimester of pregnancy, must have made at least three ante-natal care visits, must have delivered the child in a medical institution, must have breastfed in the first hour of birth, and must have had the child fully immunized.

To satisfy these conditions, she must have the following certificates:

- A letter from a local official stating she only has two children;
- A certified copy of her registration at the *anganwadi* or health centre;
- A certificate from an *anganwadi* worker (AWW) or auxiliary nurse midwife (ANM), or other proof that she made three ante-natal visits;
- A certificate from the hospital that she delivered the child there;
- A certificate from the hospital that she breast-fed in the first hour;
- A certificate from the AWW, ANM, doctor or health centre for each immunization;
- A certificate from the health or *anganwadi* centre that she attended counselling classes in each trimester.

It is scarcely surprising that many fail to gain any benefit (Dhar, 2012). The scheme omits women with more than two children. Others could not access the scheme because they could not fulfil the conditions, or could fulfil most conditions but could not afford to pay the bribe for the certificates. Those women who finally received it did so six months or more after the delivery, and many had to pay a fee to the postman to celebrate their benefit.

This example demonstrates other problems with conditionality. Conditions place a burden on women, intensifying the 'feminization of obligations'. They require women to spend time, money and energy when they are most vulnerable, and contribute to feelings of powerlessness. Conditions erode gender empowerment, since they affirm traditional divisions of labour and responsibility (Molyneux, 2006).

Another constraint is the dependence of conditions on the supply side. A woman can fulfil the conditions attached to maternity benefits only if health centres are available, if institutional delivery is accessible, if immunization facilities are available, and so on. In many areas there are no functioning health centres, often not even *anganwadi* centres. The ANMs rarely visit villages even where health centres exist and the facilities can be so minimal, and so unclean, that institutional delivery is not feasible or desirable.

Similarly, CCTs dependent on children's schooling are denied to families if there are no schools nearby. Many schools suffer from high teacher absenteeism. Obliging children to go to schools that have no teachers would scarcely be rational. There is no legitimate point in imposing conditions if the services are defective or absent.

Proponents of CCTs have reacted by saying that this has led to a language of 'co-responsibilities', suggesting that when recipients are obliged to comply with conditions the public authorities are pressurized by them to supply or improve public amenities. But this is asymmetrical. The costs of compliance and of non-compliance are huge for low-income families; the costs for the bureaucracies not performing are minimal.

Another objection to CCT schemes stems from the lack of information. If they are minimally fair, they should require policymakers to ensure those covered are fully informed of the conditions and the rationale for them.

The cost of informing potential recipients how the conditions are to be met is only one type of cost that arises. That is followed by the cost of monitoring behaviour, then the cost of regular re-certification of beneficiary records, then the cost of determining whether the condition has been met, then the cost of enforcing the behaviour, then the cost of taking remedial action, and then the cost of suspending entitlement if it is determined that a condition has not been met.

At every stage, bureaucratic or rules-based decisions have to be made. At each point there is an arbitrary element. For instance, did the person make enough effort to meet the condition? Was the person's excuse adequate to justify not meeting the condition? Was the obstacle cited really an obstacle and sufficient to be a reasonable barrier? Is ignorance of the implications justifiable?

Another problem with conditions is that evaluations tend to focus on the impact of the issue that is the objective of the condition, and give little or no priority to other outcomes. For example, an oft-cited evaluation of an experimental scheme for teenage girls in Malawi found that the conditional part of the scheme resulted in a greater increase in school attendance whereas those who received the cash unconditionally had a lower probability of becoming pregnant and were more likely to marry later (Baird et al., 2013).

Sometimes, the side-effects of CCTs can be pernicious. The *Ladli* (Delhi), *Ladli Laxmi* (Madhya Pradesh, Goa) and *Dhanlaxmi* (central government) schemes are intended to discourage female foeticide, and encourage girls' schooling, by providing a deposit in the girl's name which will mature when she is 18 years old and if she has been in school until then. Studies show this

is encouraging the practice of dowry, a social evil prohibited by law (Nanda, 2012).

Nevertheless, in India as elsewhere, there is political pressure in favour of CCTs (Prabhu, 2009). Many policymakers reason that if one condition does not work, or does not work well enough, tougher conditions are needed. Conditions beget conditions, as they lurch towards social engineering, in which transfers are used as ‘carrots and sticks’, to be given or taken away depending on whether entitlement criteria accord with state-determined norms (Standing, 2011). Ethical principles are easily forgotten.

Choice of recipient

A question the study team debated was who should be the recipient of the cash and whether it should be paid on a household or family basis or on an individual basis.

In India, most benefits intended to alleviate poverty are given to the family, which means they go to the ‘household head’, generally the oldest male. This exacerbates intra-family inequality, with women taking second place in allocation of resources and in family decision-making. SEWA has been arguing that to reduce inequity, if a benefit is provided to the household, the main beneficiary should be the oldest female. This view has support, as many believe women make decisions on spending more responsibly than men (Kapur and Subramanian, 2009). But generalizations are always questionable.

The alternative is for each individual to be provided with an equal amount. The team had considerable discussion on this, as administratively it is harder to manage. The matter was settled when it was discussed with village women who said they would prefer individualized benefits. They said that if the household benefit was to accrue solely to the woman, it would create tensions within the household. However, they preferred the money for the children to come to them.

Individual benefits do not mean intra-household or family pressures will disappear. But they do provide scope for gender-based and age-based bargaining within households. We will come to this issue in Chapter 2, in discussing the methodology and design of the pilots.

As for linking cash transfers to family size or structure, note that a household is not exogenous. It may change in response to policy changes. For instance, if the amount to be paid is determined by how many are staying in a dwelling, people will have an incentive to have temporary migrants classified as usual

residents. There are other moral hazards one could imagine. As households are endogenous, payments should not be provided on a household or family basis. The household is not a fixed unit, and will be less so in the future.

Cash transfers: Claims and counter-claims

This study is about a specific type of cash transfer, a basic income that is both unconditional and universal, with lower amounts paid to children. There may be differing views on the desirability or feasibility of universalizing. However, we are convinced that conditionalities are expensive, paternalistic, chronically inefficient and inequitable. Before turning to the design of the pilots, it may be useful to review the claims and counter-claims made about cash transfers in general.

Arguments against cash transfers

There are six objections that have been made against cash transfers in India. They are as follows:

‘Cash transfers hide an ulterior ideological motivation’

The vehemence of opposition to cash transfers in India has been largely ideological and a standard resort to any new idea (Hirschmann, 1991). Much of the opposition stems from a belief that they are a ‘smokescreen’ for a policy of dismantling the public welfare system. But there is no necessary connection; many advocates are committed to strengthening public social services and anti-poverty measures.

The strident denigration of cash transfers is neither fair nor helpful (Shah, 2008). And to describe proponents as singing a ‘siren song’ is hyperbole. We all know that sirens lured sailors onto the rocks to destruction. The idea that giving people cash would destroy them is scaremongering (Ghosh, 2011a, 2011b). It is also unfair to say proponents suffer from an ‘illusion’ that cash can replace public services, which is ‘remarkably dangerous’ (Dreze, 2011; for a response, see Standing, 2011c). Not only are many proponents in favour of public social services, but arguments for public services and for cash transfers should stand on their own.

‘Cash transfers are unjustifiable hand-outs’

Another criticism is that they are ‘hand-outs’, something for nothing. This could be claimed about many forms of support except for those that apply conditions to entitlement. It was used to justify conditionality in Latin America, when it was thought middle-class opposition would block cash transfers.

There are philosophical responses to the criticism. Wealthy people obtain numerous benefits without being required to give something in return, and their children receive hand-outs that village children could not dream about. A basic income would be a minor correction for brute ill-luck. Economic liberalization has benefited the elite and salariat much more than those in villages and slums.

There is also what might be called the Painian Principle, after reasoning developed by Thomas Paine in 1795. Any person’s wealth owes less to their endeavours and skills than to those of past generations. We do not know if those who contributed the most were our ancestors or those of others around us. So, as a matter of social justice, a modest basic income would represent a ‘social dividend’ on the investment made by those generations. One could extend this by saying that the natural resources belong to everybody in the country and so a dividend should go to everybody.

However, it is probably the instrumental response that is most telling for policymakers. Cash transfers are social investments, rather than hand-outs. If they improve, directly or indirectly, health, education and productive activity, they reduce other social costs and boost economic development. It may be hard to demonstrate this, but the economic logic is surely telling.

‘Cash transfers induce dependency and laziness’

A related claim is that cash transfers would promote dependency and laziness, reducing labour supply, because a guaranteed income, paid regardless of work status, age, marital status or need, would allow people to labour less. This criticism, if valid, would apply to any benefit, unless conditions were applied. But is it valid?

There is no evidence in India or elsewhere that people are inherently indolent. The normal human condition is to want to develop one’s capabilities and improve one’s family living standards. And if an impoverished person is suffering the effects of poverty – malnutrition, listlessness, lack of energy and confidence, a proneness to illness and so on – a modest basic income could make it possible for people to concentrate, learn, apply themselves and work more.

Another claim is that people would ‘waste’ the money if it were given without conditions, spending it on private ‘bads’, such as tobacco and alcohol. This is a patronizing presumption implying that people cannot learn to make rational choices. On that basis, one could say the rich should have money taken away because many waste it on whisky. The argument is disingenuous.

‘Cash transfers have leakages’

One claim is that the leakages found with other benefits will remain with cash transfers. However, direct cash transfers would reduce the number of steps required for the benefit to reach the recipient. Given the technology of money transfer today, it would be possible for a cash transfer to go directly from a central fund into the account of a recipient, cutting out the many layers of bureaucracy and middlemen that are required for other schemes. This would considerably reduce the possibility of siphoning off funds into illegitimate hands.

Removing conditions would also reduce the possibility for leakage as it would reduce discretionary activity and the opportunity for corruption. And the less the income is targeted or selective and the more universal the basic income, the less the scope for leakages. Cash is more transparent than subsidies, offering fewer avenues for siphoning by officials.

‘Cash transfers would be useless, as the supply side does not exist’

Another criticism is that even if cash transfers could be justified on the grounds that people could use the cash to buy services and goods, they would be ‘useless’ because there are insufficient schools and health services for the money to be used properly. This, it has been said (Ghosh, 2011a), is unlike the situation in Brazil where the CCT *Bolsa Família* has been successful.

What this argument overlooks is that in Brazil, when the scheme was being rolled out, there was also a dearth of decent social services, including schools and medical clinics. The money helped create a public demand for them and public pressure to provide better facilities.

A graphic example can be seen in the pilot basic income scheme in Namibia. Beforehand, the local clinic was a run-down place, with few medicines, demoralized nurses and dirty surroundings. Most HIV/AIDS sufferers did not go to it, as they could not afford to buy adequate food essential for the treatment, even though it was free. The basic income transformed the situation. Villagers were charged a small amount for each visit; the nurses used the money to buy medicines and improve the clinic; HIV/AIDS sufferers bought better food and

so were nutritionally able to take the treatment. The basic income created a virtuous circle. The complementarity resulted in an improvement in the public service.

In India, the markets do work, and as far as food, clothing and other basic necessities are concerned a demand will surely produce a supply. The cash may lead to enhanced local production and a virtuous circle of local demand and supply. Health and education services too are supplied by the private sector. While in some states public services work well, in others they need to be strengthened considerably.

‘Cash transfers would be inflationary’

Some critics contend that cash transfers would be inflationary. Narendar Pani (2011), for example, said this is the biggest danger of cash replacing subsidized commodities, because it would lead to an increase in demand. This is one-sided economics, for it neglects the supply side. If the supply of goods is price inelastic, it might be inflationary, but there is no reason to believe this would be true, given that the money would be spent mostly on basic goods and services. And to lessen the likelihood of initial inflation, it could be arranged that stocks of food and other basic goods could be released until there was time for supply to increase through the market.

Again, evidence from other countries suggests that the influx of money into local economies via transfers induces a rapid increase in the supply of basic goods and services, partly by inducing people to grow more food crops, make more clothes and so on, and partly by inducing merchants to direct more goods and services into these economies.

Arguments for cash transfers

Let us now turn to the claimed advantages, as identified internationally. We focus on the behavioural claims since most research has done so. But there are also macro-economic effects, in which the influx of money into local economies stimulates spending and investment, thus raising economic growth, through Keynesian multiplier effects (Davies and Davey, 2008). We will give more attention to the potential transformative effects in the course of the book. But let us start by reviewing the basic claims.

‘Cash transfers would strengthen economic citizenship’

Humanitarian relief organizations have come to appreciate that the advantages of cash include speed, transparency and the fact that it allows those in need to make choices about how they spend, which enables them to retain dignity in times of crisis (Creti and Jaspars, 2006).

Basic incomes also offer a transparent means of reducing the growing inequalities systemic to an open economy. The inequality is neither socially healthy nor economically necessary. Research shows that high and rising inequality reduces economic growth, threatens social stability and worsens the welfare of all.

At present, India is the world’s biggest subsidy state. All the subsidies are selective, intended to benefit certain groups and not others. Most are regressive, since they go to the salariat and elite as much as to the income poor. A fuel subsidy, for example, goes to those who can afford vehicles. Their annual cost, at over 2 per cent of GDP, could fund a universal basic income.

So a claim is that a basic income would give recipients a modicum of economic security and economic freedom. People assured of income to cover their basic needs would be better placed to make rational choices about consumption, work and personal relationships.

As far as economic citizenship is concerned, there is international evidence that individualized payments strengthen financial self-reliance and the dignity of family and community members. They would also strengthen the position of the elderly and women, by giving them their own income.

‘Cash transfers would limit bureaucrats’ discretionary power’

Defenders of the subsidy system cannot deny that it gives administrators and bureaucrats licence to be lax, discretionary and arbitrary in how they conduct themselves. Though most attention is given to blatant corruption, the basic problem is that the policies give too many bureaucrats the opportunity to make judgements on whom to help and whom not to help. It ill behoves progressive critics to ignore this inherent feature of policies that rely on subjective judgements by bureaucrats, from the top all the way to the bottom of the edifice of the subsidy state.

Would universal basic incomes overcome the discretionary tendency? Perhaps not entirely, but the transparency and simplicity would minimize the opportunity for it.

‘Cash transfers would increase social policy efficiency’

As transfers are in money form, they involve lower administration and transaction costs than other forms of benefit. They have been criticized for being difficult to operate in the absence of individualized bank accounts. But think how much more difficult it is to operate a national system of distributing subsidized goods, with all the complexity of purchasing, collecting, storing, pricing, measuring and distributing items across thousands of villages.

International evidence is encouraging for those who believe cash transfers would reduce administrative costs of social policy. In Mexico, once initial take-up costs were covered, annual administrative costs fell to 5 US cents for each dollar’s worth of transfer.

‘Cash transfers would reduce poverty’

There is extensive evidence that cash transfers can reduce poverty substantially. In Mexico, *Oportunidades* cut the poverty headcount ratio by 10 per cent, the poverty gap by 30 per cent, and the poverty severity index by 45 per cent (Skoufias and Parker, 2001). In the Namibian pilot scheme, a small basic income dramatically reduced the number with insufficient income for food, housing needs and access to schooling and health facilities. The villagers used the additional money to improve living standards.

A social protection system anchored on cash transfers could make the difference between failure and success in achieving the Millennium Development Goal of halving poverty by 2015 (Ortiz and Yablonski, 2010). Critics might say other policies could do even better. But they have not shown it.

‘Cash transfers would strengthen social solidarity and reduce inequality’

People guaranteed a modest monthly cash transfer gain basic security. Psychologists have shown this leads to more altruism and social solidarity, intangibles with considerable social value. People who feel secure themselves are more inclined to be tolerant towards others, particularly towards those with different characteristics (ILO, 2005).

In India, this is important, given the caste system and religious tensions that have marred its history. If people know that everybody is receiving cash equally, they will surely feel less resentful towards others. There is also evidence that universalistic schemes strengthen solidarity, whereas those that are only for the poor invariably become poor programmes, a point made by Richard Titmuss long ago and reiterated by Amartya Sen (1995).

Cash transfers can also reduce inequality by lessening the debt and credit restraints on lower-income groups. In the Namibian pilot, in the year following the introduction of the basic income, the earnings of the poorest rose more than for those who had been higher earners. The poorest were able to buy seeds and small-scale equipment, such as sewing machines, and pay off debts.

Latin American experience also shows that transfers reduce inequality (Soares, 2007). At macro-economic level, Brazil is one of the few countries to have reduced inequality in the twenty-first century, an achievement linked to the introduction of extensive cash transfers. Meanwhile, with all its subsidies, inequality grew in India.

‘Cash transfers would boost human development – education’

There are three aspects analysed more than any other: education, health and nutrition, and economic activity. First, there are links between cash transfers and ‘human capital’ formation, measured mainly by enrolment, attendance and performance in school. Here the arguments and evidence, although positive, are difficult to unravel, as the predominant form has been conditional cash transfers (CCTs) in which the main condition is regular attendance in school.

We may list the principal education-related hypotheses associated with cash transfers as follows:

- 1 They raise school enrolment;
- 2 They raise school attendance;
- 3 They improve school performance;
- 4 They reduce school drop-out rates;
- 5 They lead to prolonged schooling, mainly through the effects of (1) to (4);
- 6 They reduce child labour that disrupts schooling, through an income effect and through the increased propensity to attend and continue schooling;
- 7 They reduce inequalities in school attendance and attainment associated with family background, wealth and household income;
- 8 They reduce gender inequalities in all the above respects.

The primary difficulty of interpreting evaluations of CCTs is separating the effect of the cash from the effect of the conditions. The Latin American evidence is strong that CCTs boost school attendance; there is less strong evidence with respect to performance, although most has been positive (Fiszbein and Shady et al., 2009; Slavin, 2010). In Mexico, for instance, since *Oportunidades* was introduced (initially as *Progresa*), secondary school enrolment has risen by a third, school drop-out rates have fallen by 20 per cent, and attendance rates have risen.

In India, in the Odisha Girls' Incentive Programme (OGIP) covering the school year 2012–13, all girls from scheduled caste and scheduled tribe families joining grade 9 were provided with an annual incentive of Rs.2,000, paid into a bank or post-office account, which they received on condition that they had a monthly attendance record of 75 per cent or more (Shivakumar and Das, 2013). The project claimed the school drop-out rate fell by 50 per cent. But it was not clear whether this reflected the concerted campaign by the project designers, IPE Global, or whether the conditionality was relevant or applied.

A question is whether unconditional transfers would have the same effect, or whether conditionality is necessary or even positive. There is evidence that conditions are unnecessary. For instance, in the pilot unconditional scheme in Namibia school attendance went up sharply, although there was no pressure on parents to send their children to school.

The dynamics were revealing. The primary school was a state school, but parents were required to pay a fee equivalent to about Rs.50 per term for each child. Before the pilot, registration and attendance were low, and the school had too little income from fees to pay for basics, which made the school unattractive and lowered the teachers' morale. With the cash transfers, parents suddenly had enough money to pay school fees, and teachers had money to buy paper, pens, books, posters, paints and brushes. The school became more attractive, giving parents and children an incentive, while raising the morale and, probably, the capacity of the teachers.

An evaluation of another African scheme also suggested it was the cash rather than the conditions that had the positive effect. The finding was accidental, in that the scheme was meant to be conditional, but in one area the designers forgot to inform recipients about the conditions and forgot to implement them. So the evidence that emerged was by chance.

The pilot was in Malawi, a low-income country with poor infrastructure and long distances for children to travel to school. An econometric evaluation concluded that 'a \$5/month transfer to a household made unconditionally had roughly the same impact on schooling outcomes as a \$15/month transfer made conditional on school attendance' (Baird et al., 2009, p. 22).

Both unconditional and conditional schemes have been associated with a rise in school enrolment in Latin America and in African countries. In South Africa, the effect was particularly large for young children (Case et al., 2005; Samson et al., 2004). Similarly, in Malawi, cash transfers raised enrolment and reduced the school drop-out rate (Miller et al., 2006). There is also evidence

that the impact varies by age. In low-income areas they seem to have a strong impact on early school attendance, whereas in higher-income areas the effect is stronger for teenagers.

The international evidence suggests that the effect on enrolment is particularly strong for young girls, as found in Bangladesh and Cambodia as well as in Latin America (Khandker et al., 2003; Filmer and Shady, 2006). This is surely of great significance for India today, where lack of attention to girls' schooling is notorious.

Finally, there is the impact on child labour, particularly in hazardous forms and in forms that interfere with schooling. The evidence is mostly positive. In Brazil, the Inter-American Development Bank estimated that the CCT reduced child labour substantially. Although some studies have been less sure, on balance, if cash transfers have positive effects on schooling, they also have a modest negative effect on the extent of child labour.

'Cash transfers would improve health and nutrition'

Then there is the effect on health. Some claim cash transfers do not have much effect (e.g. Narayanan, 2011). But many studies suggest strong positive effects on child nutrition, child and adult health, the incidence and severity of illness, and use and effectiveness of medical services. We may list the main health-related effects of cash transfers as follows:

- 1 They improve maternal health, thereby reducing female morbidity, health problems related to childbirth, and maternal mortality;
- 2 They improve child nutrition, resulting in less stunting and improved weight-for-age and height-for-age;
- 3 They raise the incidence of timely vaccinations of children, against diseases such as polio, diphtheria and tetanus;
- 4 They lead to more use of health services, including preventative services and services involving user fees.

Some studies have been sceptical about the impact on child nutrition and health (Hoddinott and Barrett, 2008). But most have been positive. For instance, in Colombia the CCT resulted in improvement in the average height-for-age among children (Ottanasio et al., 2005). In Mexico, the CCT reduced stunting among babies by 39 per cent for girls and 19 per cent for boys. The trouble with many studies is that it is unclear how much of the effect is due to the conditionality and how much to the cash. Fortunately, there is also evidence that unconditional transfers have similar positive effects (Aguero et al., 2007).

The Namibian pilot is worth highlighting. Using the WHO's z-score methodology, within six months of the start of the unconditional transfers, the weight-for-age figures for infants aged 0–5 years dramatically improved, with underweight children moving towards the norm and overweight children also doing so due to improved diets. There was no pressure put on families to spend the cash in any particular way. They acted in the way most would, looking after the interests of their children.

Unconditional transfers have been shown to lead to dietary diversity, a development associated with enhanced child nutritional status (Adato and Bassett, 2009). However, as more conditional schemes have been launched, there is more evidence on their effects. Thus, Sri Lanka's *Samruddhi* cash scheme led to improved child nutrition. And in many places, including India, such schemes have been associated with a reduction in neonatal and perinatal deaths (Himaz, 2008).

There is also evidence, mainly from Latin America, that CCTs boost use of preventative health services, being associated with more health check-ups (Bastagli, 2009). This has also been found in India (Lim et al., 2010). But the same effect was also shown in the unconditional scheme in Namibia.

This is unsurprising; being rational, people soon work out that it is beneficial to have health check-ups if they can afford it and have the time, and if the facilities are available. Thus, in those Namibian villages, the basic income meant that visits to the local clinic became affordable, while the clinic could improve the premises and raise the morale and status of the nurses. With cash transfers, small user fees become more affordable. This does not mean that fee waivers should not be used for individuals or groups who are chronically poor or prone to illness and medical expenses (Bitran and Giedion, 2003).

Finally, there is evidence that having cash with which to pay for medical services leads to pressure on public and private services to improve what they provide.

'Cash transfers would enhance women's economic activity and labour supply'

Beyond better education and health, there are also arguments that cash transfers to low-income people and communities boost local economic activity and labour supply. There is much evidence to support this, ignored by critics of cash transfers. The evidence comes from large-scale statistical evaluations, from small-scale pilots and from anecdotal research.

In Brazil, the *Bolsa Família* has been associated with an increase in

female labour force participation, because women were enabled to spend on transport and obtain childcare (ILO, 2005). In Mexico, evaluations of *Progres-Oportunidades* concluded that the transfers had no net effect on labour force participation (Skoufias and di Maro, 2005). But there and elsewhere, they have been linked to reduction in child labour, compensated by a shift to adult labour.

In Namibia, the basic income led to an *increase* in work and labour by women and to more job-search activity by both men and women. In South Africa, the labour force participation rate of those receiving transfers increased by 13–17 per cent compared with those in similar households who did not receive them, with the greatest increase coming for women (Economic Policy Research Institute, 2004).

In sum, the claims in favour of cash rest on its potential for having multiple effects. Unlike the labour line, it does not impose onerous labour on disadvantaged people; unlike subsidized commodities, it enhances the freedom and agency of people who need and want more of both.

Concluding thoughts

We started this chapter by asserting ethical principles that should underlie the evaluation of a social policy. We will return to them at the end of this book, but the basic income does seem to conform to them. The Security Difference Principle and the related principle of reaching the weakest is satisfied as everybody benefits, even the most disadvantaged. As the weakest have the least resources, the basic income would mean more to them than to those who are better off.

Swaraj or self-reliance is strengthened through basic income since a small amount of money reduces the insecurity and uncertainty faced, and allows for more self-confidence. Basic income may also strengthen the *Swadeshi* Principle since the cash is likely to be spent locally. Studies have shown (Hirway et al., 2010) that cash infusion into villages, and especially to poor families, tends to strengthen the local economy by strengthening social reliance.

Finally, with regard to the principle of harmony and non-violence, an equal amount of cash to all should reduce inter-household jealousies and tensions. In that regard, earlier experiments have shown that basic income does strengthen collective action.

Notes

- 1 <http://www.basicincome.org/bien/aboutbasicincome.html>
- 2 Speech of Manmohan Singh, at the inauguration of the golden jubilee year of the Institute of Economic Growth, 15 December 2007, available at <http://pmindia.nic.in/lseech.asp?id=629>
- 3 Reported in *The Economist*, 10 September 2010, p. 30.