



Effectiveness of social pensions: Analysis of potential constraints for the Indian context

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Objectives

- Initial objective: To understand the effectiveness of the old-age social pension scheme in India in improving the well-being of elderly poor.
- Two major factors constraining the effectiveness of social pensions:
 - Weak targeting performance of social pension scheme
 - Expansion of public transfers could crowd out private transfers
- Main objectives of our research:
 - To examine the targeting performance of and access to social pensions
 - To examine the effect of transparency reforms in eligibility rules of social pensions on targeting performance
 - To understand whether expansion of public transfers could crowd out private transfers



Project outcomes

Papers:

1. Targeting of social transfers: Are India's poor older people left behind?
2. Does transparency improve public program targeting? Evidence from India's old-age social pension reforms
3. Is crowding out of private support a valid concern? Social pensions and coresidence in India

International workshop:

Welfare schemes, the state and corruption in South Asia:
quantitative and qualitative approaches

Continued collaboration (see below)

Overall motivation



Before examining the effect on well-being, it is essential to understand potential constraints:

- Social pensions can only be effective if they reach the “right” beneficiaries.
- Social pensions can only be effective if private support does not reduce.



Background

- Social pensions = cash transfers to elderly poor

1995 Introduction of National Old Age Pension Scheme

Cap on number of beneficiaries

Eligibility primarily based on “destitution criterion” and age.

2007 Eligibility reforms

Cap on the number of beneficiaries removed

Eligibility primarily based on “Below Poverty Line (BPL)” card and age

Reform of eligibility criteria varied from state to state



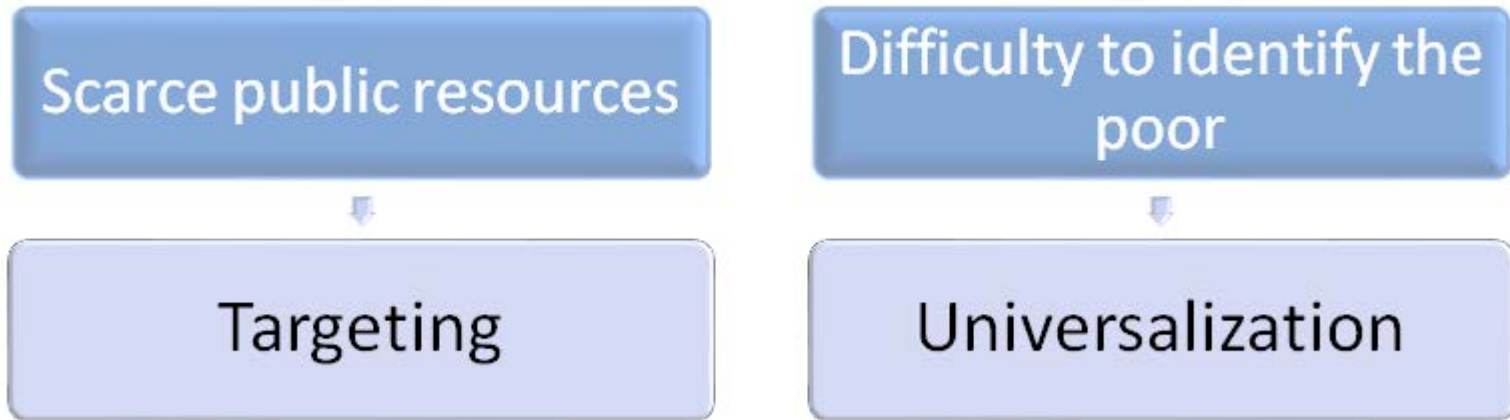
Targeting of social transfers: Are India's poor older people left behind?

Paper 1



Paper 1: Motivation and objective

- Ongoing debate: Should social transfers be targeted or universal?
- Particularly relevant for social protection schemes in developing countries.



- Objective: to examine the targeting performance of and access to a social welfare scheme for an increasingly vulnerable group – India's poor older people.



Paper 1: Methodology

- Estimation of targeting errors using India Human Development Survey (IHDS) from 2004-05 and 2011-12: Inclusion and exclusion error
- To evaluate the benefits of targeting, comparison to a random allocation of the limited resources to the older people
- Panel data regression analysis to understand the relevant factors for access to social pension benefits
- Placebo check to rule out spurious correlations



Paper 1: Results

- Exclusion and inclusion errors reduced from 2004-05 to 2011-12 but the share of wrongly excluded poor older people continues to be extremely high.
- Comparing the actual allocation to a random allocation shows that the benefits of targeting are limited.
- Below Poverty Line ration card has become the most important determinant of access to social pensions.
- After the reforms individuals with direct connections to local government officials are more likely to access social pension benefits.
- Current targeting approach is beneficial for well-connected older individuals.
- Many poor older people typically lacking these connections lag behind.



Does transparency improve public program targeting? Evidence from India's old-age social pension reforms

Paper 2



Paper 2: Motivation and objective

- Have the targeting errors reduced only slightly because...
 - a) officials do not follow the eligibility rules?
 - b) eligibility rules are ill-defined?
- In this paper we focus on (a): Does transparency in eligibility rules reduce mistargeting by local officials?
- Prior studies: relevance of transparent delivery mechanisms.
- Our focus: transparency of eligibility criteria that can be reformed at relatively low cost.
- Reforms in the late 2000s provide the opportunity to examine the effect of a change in eligibility criteria on official targeting errors
- Objective: to test whether increasing the transparency of eligibility criteria reduces the mistargeting of social pensions.



Paper 2: Methodology

- We use various government documents to identify state specific eligibility criteria and their change over time.
- We develop a transparency score to capture verifiability and complexity of eligibility criteria.
 - We use different specifications of the transparency measure.
 - Transparency score increases if eligibility criteria are less complex and easy to verify.
- We use panel linear probability models to assess whether the likelihood of being wrongly excluded according to official rules depends on transparency of eligibility criteria.



Tolerance band

- In addition to the sharp criteria, we use a tolerance band around the exact thresholds.
 - Applicants may not provide documentary proof of their eligibility
 - Administrative officers may only be able to observe roughly whether criteria are met
 - Leaves some type of subjective “margin of error” in deciding who should be (in)eligible for pensions

Design effect

- We carefully control for design effects due to a general increase in the number of pensions and eligible individuals.



Paper 2: Results

- Clear relationship between the transparency of eligibility criteria and the likelihood of being wrongly excluded.
- More transparent eligibility criteria help to improve the targeting performance of a scheme only slightly and a huge targeting error remains even where transparency of criteria is high.
- Policy implication from paper 1 and paper 2:
 - Targeting might be better implemented through a simple negative list of assets (exclusion criteria)
 - No targeting but universalization
 - This should help to improve the welfare effect of social pensions.



Is crowding out of private support a valid concern? Social pensions and coresidence in India

Paper 3

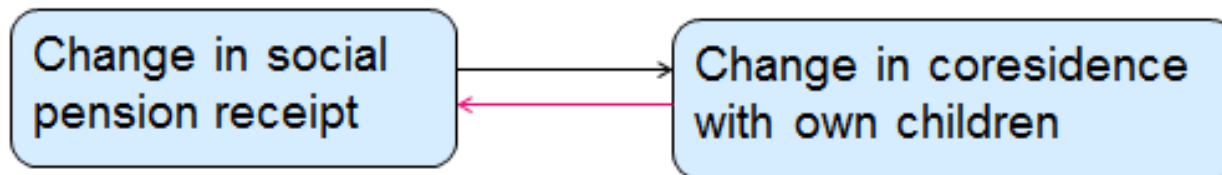


Paper 3: Motivation and Objective

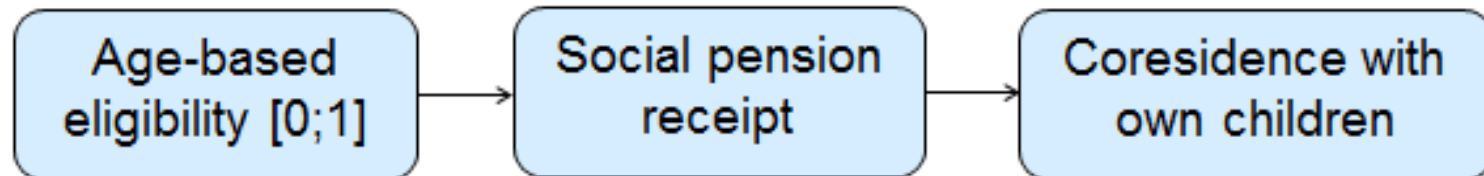
- Developing countries and emerging economies: Expansion of cash transfers targeted towards the elderly poor to mitigate old-age poverty.
- Concern: expansion of public transfers could crowd out private support from the immediate family.
- Existing literature provides evidence for this concern but Indian context appears to be different from previously studied contexts:
 - Social pension amounts are very modest and irregular in several states.
 - Social norms related to taking care of elderly family members are particularly strong.
- Objective: To understand whether changes in social pension receipt affect changes in coresidence with own children.

Paper 3: Methodology

- Data: IHDS 2004-05 and 2011-12 and state-level administrative regulations on age cut-offs
- 1) Track same elderly over 2004-05 to 2011-12 to observe changes in social pension receipt and coresidence with own children: First difference estimation



- 2) Take into account potential reverse causality: Instrumental variable estimation and fuzzy regression discontinuity design





Paper 3: Results

- Negative effects of social pension receipt on coresidence with own children in naïve estimations.
- **This effect vanishes** when endogeneity concerns as documented in the other two papers are addressed:
 - Omitted variable bias
 - Reverse causality
- Policy recommendation: expanding social pension coverage to allow more elderly poor to satisfy their most basic needs.



International workshop

Welfare schemes, the state and corruption in South Asia: quantitative and qualitative approaches

(University of Zurich, June 19-20, 2017)

- Scholars from a broad range of social science disciplines have drawn their attention to the issue of public service delivery in India.
- Growing range of welfare schemes—pensions, housing plots, free midday meals and employment guarantees, subsidised rations, etc.
- The extent to which these entitlements have reached their intended beneficiaries -- various reasons
- Examining the ways in which qualitative and quantitative research methods might further inform each other.
- Alternative conceptual and methodological approaches.
- Promote joint work across disciplines



Continuing the collaboration...

New research ideas

- **Research question:** Does power determine the crime charges faced by politicians?
- **Motivation from the current project:** We got interested in a closer examination of political-economic factors as drivers of social and economic policy and development more generally.
- The earlier project led to fruitful cooperation with anthropologists.
 - Research by Nicolas Martin (co-organizer of our workshop) strongly suggests the "teflon effect".



Continuing the collaboration...

New research ideas

- **Research question:** How can civil society organizations support access to social welfare schemes? – Haqdarshak in India
- **Motivation from the current project:** Targeting problems imply that poor individuals need support to access the benefits. Low awareness of entitlements is another problem that we have not studied yet.
- Haqdarshak uses a mobile phone application to inform poor households about their entitlements and about the application process.
- We are currently discussing relevant research questions between us and with the organization.



Looking back – Great collaboration

- Several productive research visits in India and Switzerland
- Three finished papers:
 - Paper 1: Submitted to a journal, revised and resubmitted.
 - Paper 2: Currently preparing for journal submission (already available as CIS discussion paper)
 - Paper 3: Available as a conference paper.
- International workshop expanded our connections to other researchers in other disciplines working on related topics.
- One research project in progress and one further research idea for future collaboration.
- Planning follow-up grant applications.



**Thank you! – We appreciate any comments and
questions.**

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