

Congress may be talking to economists and experts. But is it listening to the voter?

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PM Narendra Modi understands better what people in an aspirational society want. Cash transfers are welcome, but what they desire is ways to earn more and for their children to be a part of the better life possibilities they see around them.

Congress president Rahul Gandhi's plan for a "surgical strike on poverty" is built around some key numbers: Rs 12,000, the target minimum monthly income for a household; 5 crore households (amounting to 20 per cent of all Indian households); Rs 6,000, their average monthly earning; and therefore, Rs 6,000, the monthly amount required to be transferred to each. Since his political and financial calculations hinge around these numbers, a fact check is useful, more so because neither he nor the eminent people he consulted have told us where these numbers came from.

Official government surveys measure household expenditure, not income. Hardly any robust household income study exists in India, because adopting and administering rigorous internationally prescribed measurement methodology and designing samples that effectively capture the complexity of India is tough and hellishly expensive. We know this from our own experience of doing such studies, the most recent of which was in 2016 (www.ice360.in). It gave us India's household income distribution (share of income "owned" by every 10 per cent slab of households from the richest to the poorest). Not much has happened to disrupt income distributions since then. So we were able to estimate today's income of Indian households by applying our survey income distribution to India's total household disposable income for 2018-19, a number put out by the government.

Based on our data, the good news for the Congress is Indian households are not as poor as they assume them to be. Only the poorest 10 per cent of Indian households, and not the poorest 20 per cent, earn less than Rs 12,000 per month. Their average income is Rs 9,500, not Rs 6,500 as assumed. The next richest 10 per cent earn about Rs 15,700 a month. Given decreasing family sizes, there are 30 million households in each slab, not 28 million.

To reach the target monthly income of Rs 12,000 per month, only 30 million households need a cash infusion and of only Rs 3,000 per month instead of the planned Rs 6,000. This slashes the money requirement to a quarter of what their plan assumes. Of course, the ability to identify these households, as has been pointed out several times, will need some serious work, but it is not impossible to find a set of household characteristics that act as a proxy for income.

Let us now examine the reasonableness of the minimum income target of Rs 12,000 per month. We have been tracking household surplus (households' income minus expenditure) since 1990, and find that the poorest 20 per cent have always had to spend more than they earned in order to live, and they invariably are trapped in debt. It is only the next richest 20 per cent of households that manage to have an 8 to 10 per cent surplus — still vulnerable to even slight price shocks, but mostly able to live within their income.

Householders think about their expenditure as "routine" and "non-routine" (for example, one-offs like health emergencies or social ceremonies or capitation fees for college admission in higher income groups).

Households who earn Rs 9,500 per month (the average income of the poorest 10 per cent) barely cover even their routine expenditure. Households earning Rs 15,700 per month (the next richest 10 per cent) cover their routine expenditure and manage a surplus of around 10 per cent, but are in debt after their non-routine expenditure. Only the households in the rung above them achieve surpluses even after non-routine expenditure. So the midway number of Rs 12,000 to Rs 13,000 seems to be a reasonable minimum monthly income target to have.

Elections, however, are not won by spread-sheet arithmetic. So we looked at the state-wise distribution of the poorest 10 per cent of households who qualify for this cash infusion. The answer is sobering: This scheme will hardly make a dent in many states. The proportion of India's poorest 10 per cent households present in a state to total households in that state is highest at 21 per cent of Jharkhand followed by 15 to 19 per cent of Bihar, West Bengal, Odisha and Madhya Pradesh, in that order. Surprisingly, it is only 12 per cent of UP, 13 per cent of Chhattisgarh, and 10 per cent of Rajasthan. In Andhra Pradesh, Maharashtra and Gujarat the proportion is 5 per cent whereas it is 8 per cent of Telangana, 9 per cent of Assam, and even lower elsewhere. So in non-BJP, non-Congress states like West Bengal, Odisha, where the proportion is higher than 15 per cent, the Congress's poll proposition of MIG may fragment votes to the BJP's advantage. Expectedly, 83 per cent of the poorest 10 per cent households live in underdeveloped rural areas, 11 per cent in big towns and adjoining villages.

Beyond these facts, there is the issue of what people in an aspirational society want, something Prime Minister Narendra Modi understands better. Cash transfers are welcome, but what they desire is ways to earn more, for their children to be a part of the higher earning, better life possibilities that they see around them. If we examine the occupation of the chief wage-earner of these households, about half of them are daily-wage labourers, 30 per cent non-agricultural and 16 per cent agricultural. Surely, the Congress remembers what the BJP has forgotten: The real magic of MGNREGA was its ability to boost incomes and bargaining power by serving as a wage benchmark. Another 22 per cent are tiny farmers, and working schemes exist in some states that manage both their financial and aspiration needs. Yet another slab of 22 per cent are households living off remittances from children and rent, typically older people.

The real tragedy is the highest education level attained by any family member in these poorest 10 per cent households is primary school for 45 per cent and far less for 44 per cent. No party is addressing this. Bundling capability building for social mobility with MIG (minimum income guarantee) will be the winning formula. Having listened to economists and experts, maybe it's time to also listen to the customer-voter.

This article first appeared in the print edition on April 1, 2019, under the title 'Limits of handout politics'. The writers are co-founders of fact-tank and think-tank, People Research on India's Consumer Economy & Citizen Environment.