A PORTABLE WELFARE

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The economic crisis precipitated by COVID-19 has focussed the country's attention on inter-state migrants. Millions of Indians in this diverse, complex group have crossed state borders in search of better economic opportunities. The crisis, however, has highlighted their precarious socio-economic condition.

Historically, governments have made several attempts to bridge the gap. A key part of that roadmap is the idea of portable welfare benefits, that is, a citizen should be able to access welfare benefits irrespective of where she is in the country. In the case of food rations, the idea was first mooted under the UPA government by a Nandan Nilekani-led task force in 2011. The current government had committed to a national rollout of One Nation, One Ration Card (ON-ORC) by June 2020, and had initiated pilots in 12 states. While intra-state portability of benefits has seen good initial uptake, inter-state portability has lagged. The finance minister has now announced the deadline of March 2021 to roll out ON-ORC.

To ensure a smooth rollout, we would benefit from reviewing the challenges thus far. First, the fiscal implications: ON-ORC will affect how the financial burden is shared between states. Second, the larger issues of federalism and inter-state coordination: Many states are not convinced about a "one size fits all" regime because they have customised the PDS through higher subsidies, higher entitlement limits, and supply of additional items. Third, the technology aspect: ON-ORC requires a complex technology backbone that brings over 750 million beneficiaries, 5,33,000 ration shops and 54 million tonnes of food-grain annually on a single platform.

These barriers might seem daunting, but the country has previously dealt with an equally complex situation while rolling out the GST, which was widely touted as "one nation, one tax".

Just like with ON-ORC, fiscal concerns had troubled GST from the start. States like Tamil Nadu and Gujarat that are "net exporters" were concerned they would lose out on tax revenues to "net consumer" states like UP and Bihar. Finally, the Centre had to step in and provide guaranteed compensation for lost tax revenues for the first five years. The Centre could provide a similar assurance to "net inbound migration" states such as Maharashtra and Kerala that any additional costs on account of migrants will be covered by it for the five years.

GST also saw similar challenges with broader issues of inter-state coordination. In a noteworthy example of cooperative federalism, the central government created a GST council consisting of the finance ministers of the central and state governments to address these issues. The government could consider a similar national council for ON-ORC. To be effective, this council should meet regularly, have specific decision-making authority, and should operate in a problem-solving mode based on consensus building.

Finally, GST is supported by a sophisticated tech backbone, housed by the GST Network (GSTN), an entity jointly owned by the Centre and states. A similar system would be needed for ON-ORC. The Nilekani-led task force recommended setting up of a PDS network (PDSN) to track movement of rations, register beneficiaries, issue ration cards, handle grievances and generate analytics. Since food rations are a crucial lifeline for millions, such a platform should incorporate principles such as inclusion, privacy, security, transparency, and accountability. The IM-PDS portal provides a good starting point.

At the same time, we should learn from the shortcomings and challenges of the GST rollout. For example, delay in GST refunds led to cash-flow issues. Similar delays in receiving food rations could be catastrophic. Therefore, ON-ORC should create, publish and adhere to time-bound processes, like right to public services legislation that have been adopted by 15 states, and rapid grievance redress mechanisms.

MSMEs also complained about the increase in compliance burden especially for those who had to digitise overnight. Similar challenges could arise in ON-ORC. PDS dealers will need to be brought on board, and not assumed to be compliant. Citizens will need to be shielded from the inevitable teething issues by keeping the system lenient at first, providing different ways of authenticating oneself, and publicising a helpline widely.

If done well, ON-ORC could lay the foundation of a truly national and portable benefits system that includes other welfare programmes like LPG subsidy and social pensions. It is an opportunity to provide a reliable social protection backbone to migrants, who are the backbone of our economy.

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