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Social Policy in Indian Development

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Introduction

The recognition that social policy is not just the outcome of simple welfare considerations, but rather a key instrument in the process of development, which works in association with economic policy as part of a broader strategy, is an important step towards working out mechanisms for its greater spread and effectiveness. However, in order to ground social policy more firmly within development strategy and work out the links between it and more straightforward macroeconomic policy, it is necessary to be aware of the political economy contexts within which both sets of policy are developed and evolve. In this paper, an attempt is made to analyse the nature of social policy in the recent Indian development experience, ask why it has taken these specific forms and patterns, consider its achievements and limitations, and probe how it can be transformed into a more effective instrument for equitable and sustainable development.

What is social policy all about?

In essence, social policy – or rather, the complex web of related policies, schemes and institutions that are concerned with the social conditions of economic activity – reflects the broad social contract between capital and labour. In developing economies this refers to the social contract between capital and labour specifically for the management of the development project. The latter in turn has been defined for much of the past half century, as the project of increasing material welfare for most of the citizenry through economic development, using the agency of the nation state. For many developing countries, including India, this project remains partially or largely unfulfilled – although this state of incompletion still has not prevented it from being very nearly abandoned in several instances.

It is increasingly evident that social policy has a significance that goes beyond even the valid concerns about basic equity and minimal living standards, which form part of the social and economic rights of citizens. In fact, it can play a major role in the capitalist development project, at several levels. At the most basic level, social policies of different types are crucial to the state's capacity to "manage" modernisation, and along with it the huge economic and social shocks that are necessarily generated. Thus, for example, social policies of affirmative action in parts of Southeast Asia (as in Malaysia) have been essential to maintaining ethnic harmony over periods when existing income inequalities and social imbalances across groups within the aggregate population would be otherwise accentuated by economic growth patterns. Similarly, when overenthusiastic and possibly insensitive developmental projects overturn existing local

communities or destroy material cultures without satisfactory replacement, social policy can become the basic instrument for rehabilitation and renewed social integration. The massive human shifts (geographic, economic, social) that most development projects entail are potentially sources of much conflict, and often social policy is the most effective means of containing such conflict or at least keeping it within levels that do not destabilise society or derail the development project itself.

The second important, and related, role of social policy is of course that of legitimisation – not only of the state, but of the development project itself. This need for legitimisation arises both for the long run process and in terms of short run crisis management. Thus, over the long run, or planning horizon, it is especially important in growth trajectories that rely on high investment and savings rates, thereby suppressing current consumption in favour of high growth for larger future consumption, and which therefore imply sacrifices typically made by workers and peasants. In such a scenario, social policy that is directed towards providing basic needs and social services to those who are otherwise deprived of the gains from economic growth in terms of increased current consumption, would be not just important but even necessary to ensuring social stability and continuity of the process itself.

In so far as the growth process also generates or entails cyclical volatility in growth or incomes, or has a tendency towards periodic crises of whatever sort, social policy can also serve as a cushion for dampening the worst social effects of crisis, which in turn can contribute to the feasibility and sustainability of the entire process. For example, sudden and severe economic contractions causing sharp peaks of unemployment may be socially easier to tolerate if some forms of unemployment compensation or benefit are provided. Even when the shocks stem from natural rather than economic causes (such as earthquakes or cyclones) social policies in the form of say, public insurance schemes or micro credit schemes can cushion the worst effect of such shocks, in addition to direct relief. Such strategies have macroeconomic consequences as well: thus, it is now accepted that economies with a large public sector presence (in terms of share of GDP or employment) have more muted business cycles or tend to suffer less extreme recessions.

The fourth crucial role of social policy is in terms of affecting the conditions of labour such that there is an increase in the aggregate social productivity of labour, rather than simply increases in labour productivity in particular sectors which reflect different technological choices. It is now widely recognised that the universal provision of good education and basic health services is an important condition for raising aggregate labour productivity levels. But even other aspects of social policy, such as working conditions, access to other public services, etc., play important roles in this regard. It is even being accepted that the latter can in turn influence technological choices themselves, and nudge growth trajectories towards "high road" paths rather than "low road" strategies which are chiefly dependent upon cheap labour.

In capitalist economies which are quite closely integrated with international markets or rely on export markets as an engine of growth, social policy has played a very important but largely unsung role in terms of underwriting a significant part of labour costs for private capital and therefore providing employers greater flexibility and contributing to their external competitive strength. For example (but not exclusively) in some countries of East Asia, the publicly assisted provision of cheap food to the urban population, along with basic housing, cheap and adequate public transport, basic public health and education services, and so on, effectively meant that substantial portions of the wage basket were at least partly provided by the state. This in turn meant that wages paid by private employers could be correspondingly lower, since basic needs were already to a significant extent taken care of, and this gave such employers a major competitive edge in export markets.

In addition to being an integral part of the economic growth process, social policy also evolves with this process, and changes depending upon how the development process impacts upon different classes and groups. In other words, both the economic policy and the social policy patterns, even when they appear to be unchanging in a statutory sense, are actually quite dynamic and intertwined with the political economy configurations, which also constantly evolve. [1] In case this sounds excessively complicated, consider this example: Certain types of industrialisation strategy generate particular types of employment, for example a small scale engineering industry may grow based on supply and demand linkages emanating from a large publicly funded railway expansion programme. Such increases in employment in turn generate demands for certain types of social policy such as provision of housing, health and education facilities for workers' families, and so on. This in turn can create not just greater political voice for such groups but also more productive workforces which in turn encourage the demand for certain types of technological change in products and processes, which in turn leads to pressure for certain types of public investment which could incorporate such technological innovation.

In contrast to such a positive dynamic process, consider a different pattern of industrialisation in which relatively few new jobs are generated, but the profits from such economic activity are quite high. The shift in income distribution will not only shift demand in favour of certain types of non-mass consumption goods, but also increase the political and lobbying power of capital in various ways. This in turn can influence state policy to encourage fiscal patterns (whether in the form of taxation, direct spending, or subsidies), which further accentuate the income and employment inequalities, and so on. Or they can involve the expansion of certain types of employment, effectively creating or enlarging certain classes such as the urban middle classes,

1 Jayati Ghosh (1995)

which then can become important in terms of political voice and the ability to influence economic policy decisions as well as to demand certain social policy measures which largely benefit these groups only.

It thus emerges that while social policy is both a desirable and a necessary concomitant of the development process, its existence and form in each social context cannot be taken for granted, but rather depends upon political economy configurations which influence both its extent and its evolution. This is clearly evident from the Indian experience, which shows both the clear need for effective social policy and the relative inadequacy of what has been provided by the state in terms of meeting the basic objectives of the nationalist developmental project. It is argued in this paper that the relative inadequacy of social policy in India over the post-independence period is one important reason why the development project itself has remained incomplete and unsatisfactory in terms of fulfilling the basic requirements of the majority of citizens. These issues are discussed in more detail below.

The Indian development experience in the second half of the 20th century

The post Independence development experience of India has always excited much interest, not least because, while India is one of the poorest countries in the world in terms of per capita income, it is also the world's largest liberal democracy. Furthermore, it has managed to retain this political system, however inadequate and flawed, while many democratic experiments in other countries have foundered and occasionally collapsed. This raises the obvious question: to what extent has this influenced the nature of social policy in India? Have the pressures on the state that result from democratic functioning meant greater attention to particular types of social policy, and which social groups or classes have they benefited? Why has democracy itself not resulted in greater attention to the provision of basic goods and minimally acceptable levels of public services for all citizens?

These issues are further complicated by the fact that India has not only a system of liberal democracy but also a federal polity, in which a substantial number of the concerns which are particularly important from the perspective of social policy (land reforms, education, health, rural infrastructure) are either specifically "state government subjects" or are concurrently under both state and central governments. This in turn means that the different political groupings in different state governments can have significant implications for both social policy and its effects. This partly explains why there is so much regional variation in terms of major demographic, economic and social variables across states. There is a further dynamic as well, in that certain types of social policy, as discussed above, have ripple and process effects which affect the various classes in society directly, but also determined their desire and appetite for further public intervention. This

point is elaborated below, when the specific experience of some states is considered. But first it is necessary to provide a brief review of the development experience in general.

At the time of Independence from colonial rule in the mid twentieth century, there was broad social consensus in India on the role of the state as a crucial player in the development process. State led capitalism and state intervention in various ways were seen as essential instruments for the development of a relatively autonomous Indian capitalism, displacing metropolitan capital from the pre-eminent position it had occupied in the colonial economy. The economic policy regime that was erected in the 1950s had its roots in the nationalist freedom struggle, which emphasised that freedom meant freedom not only from political control, but also from external economic domination. It was felt that this could not be ensured without giving the state in independent India a major role in building up infrastructure, expanding and strengthening the productive base of the economy, setting up new financial institutions and regulating and coordinating economic activity. This was recognised to be necessary for building capitalism itself, though some no doubt entertained the fond hope that all this would add up to an eventual transition to socialism.

However, there were a number of features of India's post-Independence growth strategy that structurally limited the potential of the economic system to expand in a sustainable manner. Many of these features, which stemmed from the political economy of class configurations at the time, contributed in turn to the specific manner in which the development process unfolded and to the limitations of social policy in accelerating the process of development. The most significant such feature was the inability of the Indian state in general to address the most basic form of inequality in the country, that over the ownership and control over land. Despite the overt declarations regarding the need for land reforms and for curbing the concentration of economic power, relatively little was done to attack or redress asset and income inequality. Similarly, while some monopolistic practices were curbed, private asset concentration in the industrial sector was never really challenged. In fact, state intervention became yet another mechanism for existing monopolists to consolidate their positions.

One consequence of the associated persistence of asset and income inequality was that there were definite limits to the expansion of the market for mass consumption goods in the country. [2] This in turn meant that employment and income growth in the private sector was limited. The absence of any radical land redistribution meant that the domestic market, especially for manufactured goods, remained socially narrowly based. It also meant that the growth of agricultural output, though far greater than in the colonial period, remained well below potential.

[2] Krishna Bharadwaj (1994)

Under these circumstances, continuous growth in state spending became essential for the growth of the market since it was the key element in whatever overall dynamics the system displayed. Further, given the strength and assertiveness of the domestic industrial capitalists, the government was not in a position to discipline them to the extent required to launch a mercantilist strategy that sought to use cheap labour resources as the base for a thrust into the international market for manufactured mass consumption goods. [3] This meant that the stimulus for growth had to be internal, even though the autonomous expansion of the domestic market was constrained by the inequality of asset distribution.

The central government provided domestic capitalists with a large once-for-all market for manufactures by widening and intensifying import protection and encouraging import substituting industrialisation. It then sought to expand that market through its own current and capital expenditures. [4] Simultaneously it supported the domestic capitalist class by investing in crucial infrastructure sectors. Like many other Asian newly industrialising countries, control of financial intermediation was seen as key to the process of development, and therefore the Indian government also concerned itself with channelising household savings to finance private investment through the creation of a number of industrial development banks. [5]

For the first two decades after Independence, this strategy did pay dividends in terms of economic growth. Rates of industrial growth were creditable by international standards, the country built up a diversified industrial base, and the public sector expanded rapidly. As a consequence, public economic activity was able to continue to provide crucial infrastructure services, industrial raw materials and capital goods to sustain industrial growth even when the foreign exchange available to import these commodities was limited. However, because this strategy did not involve a widening of the mass market in any significant way, it proved to be unsustainable beyond a point. By the mid-1960s, the once-for-all stimulus offered by import substitution was exhausted. Further, the ability of the state to continue to serve as the engine of growth through its own expenditure was undermined by its inability to raise adequate resources through taxation and other means. This reflected not only the state's inability to discipline the domestic elites in a manner necessary for rapid industrialisation, but also the fact that this lack of discipline involved explicit and implicit subsidisation of private investor's activities.

[3] This was in marked contrast, for example, to the South Korean case, where the ability of the state to exercise control and regulate the behaviour of large private capital turned out to be crucial in that country's rapid industrialisation. Amsden (1989), Wade (1990).

[4] Sukhamoy Chakravarty (1987)

[5] Nirmal Chandra (1988).

The consequence of this was that by the late 1960s, aggregate growth decelerated. The growth revival of the 1980s was once again based on increasing state expenditure, this time relying on the rapid (and ultimately unviable) accumulation of public external debt and on an import boom, which allowed the consumerist aspirations of the growing middle class to be at least partially satisfied. This process in turn was halted by the balance payments crisis of 1990 91, which heralded the onset of a more systematic programme of neoliberal economic programme, involving wide ranging deregulation, liberalisation of many activities and reduction of overt state involvement in a number of crucial economic areas.

Over the 1990s, the Indian economy experienced rates of growth averaging between 5 and 6 per cent, and very substantial increases in income accruing to a small minority of the population, which have fuelled the increases in market demand. Essentially the last two decades of the 20th century marked the emergence of a slightly different macroeconomic strategy, which was openly based on the demand stimulus emanating from certain sections of capital and what could be called a "labour aristocracy" comprising middle class professional groups and more skilled workers. While this demand was necessarily highly import intensive, the very fact that it could be fulfilled because of the combination of deregulation and import liberalisation meant a short lived boom in certain consumer goods sectors. However, by the turn of the decade (and the century) it was already evident that the limits to this type of expansion also had been exhausted, and the growth process decelerated once again. [6]

The economies of South Asia – and especially India – are often portrayed in comparative discussion as among the "success stories" of the developing world in the period since the early 1990s. The sense that the Indian economy performed relatively well during this period may simply reflect the much more depressing or chaotic experiences in the rest of the developing world, with the spectacular financial crises in several of the most important and hitherto dynamic late industrialisers in East Asia and Latin America, and the continuing stagnation or even decline in much of the rest of the South. Compared to this, the Indian economy was largely stable and was also spared the type of extreme crisis that became almost a typical feature of emerging markets elsewhere. But the picture of improved performance is a misleading one at many levels, since in fact the Indian economy experienced economic growth that was actually less impressive what was achieved in the preceding decade. Further, the growth process was characterised by low employment generation, greater income inequality and the persistence of poverty. In other words, despite some very apparent successes in certain sectors or pockets, on the whole the process of global economic integration did little to cause a dramatic improvement in the material conditions of

6 The nature of this recent growth and its important attributes are discussed in much more detail in Chandrasekhar and Ghosh (2002).

most of the population, and added to the greater vulnerability and insecurity of the economies in the region.

Thus, the rate of growth of aggregate GDP in constant prices was between 5.5 per cent and 5.8 per cent in each five-year period since 1980, and the process of accelerated liberalisation of trade and capital markets did not lead to any change from this overall pattern. Further, while investment ratios increased slightly (as share of GDP) this reflected the long-term secular trend, and in fact the rate of increase decelerated compared to earlier periods. More significantly, the period since 1990 was marked by very low rates of employment generation. Rural employment in the period 1993-94 to 1999-2000 grew at the very low annual rate of less than 0.6 per cent per annum, lower than any previous period in post-Independence history, and well below (only one-third) the rate of growth of rural population. Urban employment growth, at 2.3 per cent per annum, was also well below that of earlier periods, and employment in the formal sector stagnated. [7]

Other indicators point to disturbing changes in patterns of consumption. Thus, per capita food grain consumption declined from 476 grams per day in 1990 to only 418 grams per day in 2001. [8] The National Sample Survey data also suggest that even aggregate calorific consumption per capita declined from just over 2200 calories per day in 1987-88 to around 2150 in 1999-2000. Given the aggregate growth rates and the evidence of improved lifestyles among a minority, this points to substantially worsening income distribution, which is also confirmed by the survey data. While the evidence on poverty has been muddied by changes in the procedure of data collection, which have made the recent survey data non-comparable with earlier estimates, overall indicators suggest that while the incidence of head-count poverty had been declining from the mid –1970s to 1990, subsequently that decline has been slowed or halted. [9] Meanwhile, declining capital expenditure by the government has been associated with more infrastructure bottlenecks and worsening provision of basic public services.

The major positive feature which is frequently cited, that of the overall stability of the growth process compared to the boom-and-bust cycles in other emerging markets, reflects the relatively limited extent of capital account liberalisation over much of the period, and the fact that the Indian economy was never really chosen as a favourite of international financial markets over

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[7] The only positive feature in employment patterns was the decline in educated unemployment, largely related to the expansion of IT-enabled services in metropolitan and other urban areas. However, while this feature, along with that of software development, has received much international attention, it is still too insignificant in the aggregate economy to make much of a dent. (Chandrasekhar 2000)

[8] Of course, it has been argued that this can represent a positive diversification of consumption away from foodgrain that is associated with higher living standards. But it is usually the case that aggregate foodgrain consumption does not decline because of indirect consumption of grain (for example, through meat and poultry products that require feed). In any case, the overall decline in calorific consumption (covering all food products) suggests that the optimistic conclusion may not be valid.

[9] Abhijit Sen, (2002)

this period. In other words, because it did not receive large inflows of speculative capital, it did not suffer from large outflows either. Meanwhile, stability to the balance of payments was imparted by the substantial inflows of workers' remittances from temporary migrant workers in the Gulf and other regions.

The less than satisfactory performance during the decade of economic liberalisation was not just the result of the nature of integration with the global economy. It also reflected the continuing contradictions in Indian political economy that have been so crucial in inhibiting economic growth and reducing the wider spread of its benefits across all the citizenry, over most of the second half of the 20th century.

There were at least four such mutually reinforcing and interrelated political economy contradictions. [10] First, the state has had to simultaneously fulfil two different roles that have turned out to be incompatible in the long run. On the one hand it has had to maintain growing expenditure, in particular investment expenditure, in order to keep the domestic market expanding. At the same time, however, the state exchequer has been the medium through which large-scale transfers have been made to the capitalist and proto-capitalist groups, so that the state effectively became the most important instrument for primary accumulation by the domestic bourgeoisie in its various manifestations. This has occurred through various mechanisms such as tolerance of fairly widespread and growing tax evasion, actual reduction in tax rates and incidence, a variety of subsidies and transfers, lucrative contracts and government procurement policies, and most recently even through privatisation of public assets. This contradiction between these two different roles of the state has been necessarily manifested in the government's worsening fiscal position. Since in such circumstances the continued increases in public expenditure which would be required to sustain domestic demand would only be possible through increased borrowing, there are obvious limits on the process over time. So the effort to combine political legitimacy with economic dynamism created contradictions that could not be resolved within the existing parameters of macroeconomic strategy.

The second contradiction lay in point already mentioned above: the inability of the state to impose a minimum measure of "discipline" and "respect for law" among the capitalists, without which no capitalist system anywhere can be tenable. Disregard for the laws of the land, including especially those relating to taxes and also other laws which affected the economic functioning of the system, was an important component of capitalist primary accumulation in the post Independence Indian case. This absence of a collective discipline in turn meant that a successful transition could not be made from an explicitly interventionist regime to an alternative viable capitalist regime with state intervention of a different and less overt kind. Thus, as already noted,

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10 Prabhat Patnaik (1998).

the states of countries like Japan and South Koreas were also strongly interventionist even in a country like Japan and South Korea, but these were forms of interventionism based on close collaboration between the state and capital, which also simultaneously promoted fairly rigorous discipline among the capitalists. However, in India because the domestic capitalist class as a whole proved manifestly incapable of submitting to or imposing upon itself a similar degree of discipline, such an alternative state-supported capitalist regime could not emerge. This is why the only feasible alternative to the earlier dirigisme was seen to be a process of deregulation and liberalisation that also involved exposing the economy to the caprices of international capital, and reduced its ability to withstand shocks.

The third contradiction had its roots in the social and cultural ambience of a developing country like India. Metropolitan capitalism, which is characterised by continuous product innovation, has experienced the phenomenon of newer goods constantly entering the market and even creating new lifestyles, whereas most developing countries have not only less dynamic innovative capacity because of less resources devoted o such innovation, but also more narrow markets which cannot benefit from economies of scale to the same degree. This creates an imbalance between the possibilities of domestic production and the patterns of demand emanating from the relatively affluent sections of society who account for much of the growth of potential demand for consumer goods. The international demonstration effect has been a powerful instrument in the hands of metropolitan capital in its efforts to prise open the markets of developing countries in general, and India has been no exception.

The fourth contradiction reflected the political economy configurations in India throughout this period, which implied a high level of social tolerance for high and growing asset inequality, persistent poverty and low levels of human development among a vast section of the population, especially in the rural areas. Two striking features of this pattern of development, even in the more dynamic phases, have been the growing rural-urban divide in terms of per capita incomes, and the inadequacy of productive employment generation relative to the expansion in population. The same socio-political forces which allowed such features to persist and become accentuated, also meant that social policy which ensured the provision of basic needs to the entire population was never a priority, nor were provisions which focussed on improved work conditions in most workplaces. These issues are considered in more detail below.

Social policy in the Indian development process

Political theorists may be tempted to draw insights from the rather haphazard pattern of social policy implementation in India, finding in its very lack of direction and vision some association with the chaotic democratic polity within which it occurred, and the variegated demands which were sought to be fulfilled at different points of time. Most social policy provisioning has not been universal in terms of actual effects, even when it has been declared as such. Rather, it has been directed to specific (and restricted) target groups. And almost always, these groups included those with sufficient political voice, such as urban organised workers, or increasingly in the 1990s, particular caste groupings. There have also been much trumpeted attempts to include (in however limited a fashion) a small proportion of those who naturally appear to be "deserving", such as households under the poverty line, women from lower income groups, and so on. However, because such provisioning, whether in terms of protective legislation or in terms of actual resource transfers, has been extremely limited relative to the scale of requirement, it has meant that social policy has not been a basic instrument of development strategy in the manner outlined in the previous section. Rather, it has emerged essentially in the form of *ad hoc* responses to particular demands emanating from groups that (at least temporarily) have acquired some degree of political voice.

Nevertheless, it is also true that the overall development strategy, however flawed it was in terms of low social development and lack of fulfilment of basic needs, did at least meet some of the functions of social policy mentioned above. Thus, in very broad terms, the management of at least some of the social effects of modernisation was achieved in that the most destabilising effects were avoided. Similarly, the legitimisation of and indeed the social acceptance of the suppression of current consumption on the part of workers and peasants, was also achieved; however, as pointed out above, the same was not true of the capitalist class and the elites who were unwilling to accept the economic discipline necessary for a sustained path of aggregate development. It is also true that the growing size of the public sector served as a cushion against very sharp fluctuations in aggregate economic activity. However, in a longer term sense the economic regime and associated social policy failed miserably in raising aggregate social labour productivity and reducing the employment slack in the system, or in underwriting labour costs for employers, including exporters.

The more significant forms of social policy in the Indian context have included: agrarian reform; food procurement and distribution; education; employment creation through public works; affirmative action in the form of reservation for public services employment and educational institutions; antipoverty programmes directed towards small asset creation or micro credit; changes in forms and structures of governance through decentralisation and some devolution of resources [11].

[11] Thomas Isaac with Richard Franke (2000).

Some of these are considered in some more detail below. It should be remembered that other aspects of social policy that have been significant elsewhere have been missing. Thus, the substantial public provision of basic housing and of basic health services, that were cornerstones of social policy in East Asia [12], has been absent in the Indian case in almost all the states. Similarly, there has been very little in the form of social insurance programmes.

Land reforms

Under the Indian Constitution, land reforms are placed under the purview of the state governments. This means that there have been very wide variations in their incidence, extent and effectiveness. It would be fair to say that, by and large, the record in this regard is not all that impressive, and certainly there has been no substantial transformation of landholding patterns and agrarian relations across the country through government action, in the same way as occurred in some countries of East Asia such as Japan, South Korea and Taiwan China. [13] However, over time, there have been changes across the country, and particularly in certain states, which have changed the agrarian landscape to some extent.

Thus, in the 1950s the worst forms of absentee landlordism were done away with, most dramatically in the Zamindari Abolition Act of 1952 in Uttar Pradesh, but by and large the monopoly of land remained intact in most of rural India. There have been two significant experiences of more substantive land reform: in the state of Kerala in the 1950s and 1960s, and in the state of West Bengal in the 1980s. It is worth noting that in both cases, the attempts at changing land relations were initiated by left oriented governments who had come to power on just such an explicit programme. In Kerala, the focus was dominantly on land redistribution and improving the conditions of agricultural labourers. In West Bengal, the main focus was on stabilising the conditions of tenants by formalising and registering their contracts, to reduce eviction and other forms of harassment, and specifying limits on the rent shares that could be extracted (a fairly drastic reduction from the prevailing one-third rent share to one-fourth). In both states, the process of land reform was accompanied or followed by other social measures that reflected both the impetus from the state governments in question, and the demands emanating from ordinary people as part of the very dynamic set in motion by the initial agrarian reform. In both cases there were also some initial improvements in agricultural productivity: thus West Bengal experienced the highest rate of growth of agriculture of all state of India over the 1980s, and the "agrarian impasse" of the state was seen to have been overcome. [14] However, the other ripple effects that could be anticipated – in

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[12] Ajit Singh (1995).

[13] D. Bandyopadhyay (1986)

[14] G. K. Lieten (1992)

terms of wider internal markets for domestic production, generally improved infrastructure conditions, and so on – were much more limited, largely because meaningful agrarian reform itself was so limited in the other parts of the country.

The absence of any radical land redistribution over most the country meant that the domestic market, especially for manufactured goods, remained socially narrowly based. It also meant that the growth of agricultural output in the aggregate, though far greater than in the colonial period, remained well below potential. Such growth as did occur was largely confined to a relatively narrow stratum of landlords-turned-capitalists and sections of rich peasants who had improved their economic status. And the large mass of peasantry, faced with insecure conditions of tenure and often obtaining a small share in the outputs they produced, had neither the means nor the incentive to invest. The prospect of increasing productivity and incomes in rural India (which was home to the majority of its population) in order to stimulate domestic demand was therefore restricted.

For the past decade or more, land reforms and other interventions for institutional change have been almost forgotten in the Indian policy debate. Even the Plan documents, which earlier at least paid lip service to the idea of land reform, have recently abandoned even the pretence of concern over such reform. Indeed, insofar as such changes are talked of at all, they are usually along the lines of furthering the corporatisation of agriculture, increasing plantation-type organisational structures, and so on. However, land reforms – or institutional changes of various sorts – remain crucial to sustainable expansion of agricultural growth and productivity in the various regions of India, and are precisely the types of social policy that would play significant roles in terms furthering the development project. These need not necessarily be land reforms in the classic sense of land redistribution, but can encompass a range of measures which would vary according to the specific requirements of different regions and states.

In many parts of India at present, not only does smallholder agriculture dominate in both ownership and occupancy of land, but tenurial patterns are still such as to deny security of tenure or viability of holdings. Similarly, credit and marketing arrangements are often monopolistic or monopsonistic in character, and are skewed against the interests of small and marginal cultivators. Fragmentation of holdings, even very small ones, makes cultivation more difficult, less viable, and discourages certain types of investment such as in sustainable irrigation practices. In some areas, control over water has become possibly even more important than control over land, and this also remains highly unequal. Therefore, new patterns of institutional change must be thought of which will incorporate these changing conditions and different regional contexts. The notion of "land reform", far from being forgotten, must therefore be widened and expanded to cover a range of measure for institutional change in agriculture, which will maker for viable smallholder cultivation.

Food procurement and distribution

The original objectives of India's public food management system were threefold: to maintain a reasonable degree of price stability; to provide some producer incentives to cultivators by ensuring that prices remained above estimated costs; and to provide a degree of food security to consumers. [15] The system rested on the twin pillars of public procurement with minimum support prices provided at farm gate for a range of major crops, and public distribution organised at the state level through a network of Fair Price Shops providing some food items at subsidised prices. Of course, the system was never completely successful, either in terms of its spread, or in terms of fully achieving its basic objectives. Public food grain procurement remained confined largely to certain established "surplus" states (such as Punjab, Haryana, Utter Pradesh and Andhra Pradesh) without stretching its regional purview. In terms of food distribution for consumers, most of the rural population (except in some states such as Kerala and Andhra Pradesh) did not have access to Fair Price Shops and the rationing system. And the attempt at universal provision, in a context of inadequate resources being allocated for the purpose, inevitably meant that many of those requiring cheaper food were in fact the ones who did not have access. Nevertheless, over the 1970s and 1980s, the network did certainly expand in physical terms and Indian food and agricultural prices were certainly more stable than world market prices for such commodities.

However, in the 1990s the system came under increasing pressure, and even under attack as various measures aimed at first targeting access to the Public Distribution System to only those officially defined as "poor" and then at reducing the subsidy offered to other consumers, undermined the consumer network. These measures, which were supposed to reduce the food subsidy, had precisely the opposite effect of increasing it, because they led to declining off-take (sales) from the Fair Price Shops. [16] Because procurement levels did not decline but rather increased, this led to the growth of stocks held by the public system, and therefore to higher carrying costs of holding all this excess food grain. In the years after the turn of the century, the level of publicly held food stocks reached around 64 million tonnes, compared to the buffer norms of 16-24 million tonnes. [17] However, cultivators have been under greater pressure, and increasingly have felt inadequately served by the public system, because they have had to cope with rising input prices, as various explicit and implicit agricultural subsidies are reduced, at the same time that trade

[15] N. Krishnaji (1990).

[16] Madhura Swaminathan (2000)

[17] This in turn has meant increases in the food subsidy bill of the public exchequer, even though it has been associated bizarrely with a decline in the actual amount of grain sold by the Public Distribution System. By the year 2001, just the carrying cost of food grain stocks exceeded the Central Government's total expenditure on Agriculture, Rural development and Irrigation & flood control.

liberalisation has exposed them to import competition from highly subsidised production in the developed countries.

All this has been taking place in a context of overall deterioration of per capita availability of food grain. Unlike the previous decades since Independence, the 1990s witnessed no trend increase in per capita availability of food grain, and in recent years the situation has deteriorated even relative to the levels achieved thirty years earlier. In fact, per capita cereals availability in 2001, at 417 grams per day, was the lowest it had been since 1975, which was itself an outstandingly bad year. Per capita calorie consumption also declined over this period, as mentioned above. Clearly, therefore, while the food procurement and distribution system played a positive but limited social role especially in the 1970s and 1980s, since the early 1990s it has been undermined to the point where it is almost on the verge of being dismantled and replaced with entirely private operations. [18]

Employment and public works

The inability to generate such employment, thus improving aggregate productivity of labour in the Indian economy rather than just in a few chosen sectors, has been the most obvious symptom of the failure of the Indian economic development process over the decades [19], along with the persistence of widespread absolute poverty and the slow rate of improvement in human development indicators. This is not just a problem of welfare, since it represents a huge waste of human resources that are crucial to building the economy, and suggests that Indian growth could have been both faster and more equitable if only the enormous labour reserves had been productively utilised.

One of the major disappointments of the neoliberal adjustment strategy in India in the 1990s was the inadequate generation of employment. In this period, the rate of employment generation was below both the rate of growth of output and the increase in the labour force. It could be argued that this reflected increases in labour productivity which are to be valued. However, the persistence of large overt unemployment along with disguised unemployment in fact not only represents a huge waste of resources, it has emerged as perhaps the most significant problem, leading directly and indirectly to a host of other social tensions.

In the rural areas, aggregate employment grew at around 0.6 per cent per annum over the

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[18] However, recent recommendations of a committee to the Government of India have argued for a substantial expansion of the procurement and distribution system, increasing the spread of procurement operations and doing away with targeting in favour of a universal system. (High-Level Committee on Long Term Grain Policy 2002)

[19] Sheila Bhalla (1991), Praveen Jha (1997)

decade, at around one third the rate of growth of labour force in the same period. There was an increase in agricultural self-employment, reflecting the shift away from non-agriculture, and is also, in large part, caused by a distress induced increase in female unpaid family work. Regular employment declined and casualisation of wage employment continued to increase. All this manifested the effects of the overall neoliberal economic strategy, which affected rural employment in the following ways: actual declines in government spending on infrastructure (as a share of GDP) and on rural development (in absolute terms) in the central budgets; reduced central government transfers to state governments which have thereby been forced to cut back on their own spending; diminished real expenditure on rural employment and anti-poverty schemes; declines in public infrastructural and energy investments which affect the rural areas; reduced spread and rise in prices of the public distribution system for food; cuts in social expenditure such as on education, health and sanitation; financial liberalisation measures which have effectively reduced the availability of credit to priority sectors including agriculture and small scale industries.

Even in the urban areas, the rate of employment generation in the 1990s slowed down very dramatically at only 1.52 per cent, less than half the growth rate of previous periods. Total organised sector employment increased by less than 1 per cent per annum. [20] The trend was towards an increase in casual employment and a trend decline in regular employment for both men and women. For men, the increase in casual employment was largely at the cost of regular employment. For women, on the other hand, both casual and regular work appear to have increased after the reforms in the urban areas, but casual contracts have dominated. This is part of a wider process of feminisation of work observed in all developing countries, which has also been associated with employers' greater preference for female employees largely because of the lower wages and inferior working conditions associated with such employment.

Thus, employment in the formal sector fell in both rural and urban areas, and was not adequately compensated in quantitative terms by the more insecure and typically lower paid employment opportunities in the non-formal sectors of the economy. This created two related effects. Since the overwhelming majority of the workers in India are in the unorganised sector where wage incomes are not indexed to inflation, they are disproportionately affected by inflation and especially by the rise of food prices - and this proportion of population increased over the 1990s. Thus, not only are the employment conditions faced by most of the labour force more volatile and insecure, the wages that emerge from such contracts are also less certain to command basic necessities for working class and peasant households. Second, the very insecurity of employment, especially in urban areas, has created pressures for secondary activities that could add

[20] Of course, there have been some recent increases in educated employment opportunities, mainly resulting from the rapid expansion of the IT enabled services. However, while these have led to declines in the rates of open educated unemployment, they have not been sufficient to make any real dent in aggregate employment conditions.

to the household income and has also caused increased resentment of those with significantly higher standards of living.

It is in this context of low employment generation in the system as a whole, that the inadequacy of social policy in the form of employment creation through public works must be judged. Clearly, this is a macroeconomic context that cries out for substantial expansion of public involvement in the process of employment generation, especially in the more recent period when recession and underutilised capacity have characterised the Indian macro economy. The obvious solution would be to use public works, in both rural and urban areas, as a means of employment creation as well as to build and maintain crucial physical infrastructure assets or even to provide basic public services which are currently very inadequately provided.

Unfortunately, such public works led employment generation has been far below the potential of what could be feasibly achieved even within the broad fiscal constraints of the government. The decade of the 1980s marked something of an exception to this, especially in terms of rural employment expansion. An important feature of rural employment generation over the 1980s was the diversification of employment away from agriculture and primary activities, towards secondary and service sector employment. In general this was a positive feature, especially as it was accompanied by overall growth of rural employment in most regions of the country and was also associated with a trend decline in the incidence of rural poverty. There is now significant evidence that that the main dynamic source of rural employment generation over the period from the mid 1970s to the late 1980s was the external agency of the state rather than forces internal to the rural economy. [21] Indeed, the role of dynamic agriculture as a stimulus was significant only in states such as Punjab and Haryana where agricultural incomes had crossed a minimum threshold and where further increases in agricultural output were accompanied by labour displacement rather than greater labour absorption. Outside this limited region, the pull was provided mainly by external, that is governmental, stimuli.

The 1980s was a period when, along with a rapid increase in all sorts of subsidies and transfers to households from government, there was a very large increase in expenditure on the rural sector by State and Central governments. More generally, throughout the period political developments tended to give rural interests greater power and they were able to command an improvement in the historically low share of government expenditure benefiting rural areas. Although this improvement in share should not be exaggerated, an indication may be the fact that

[21] This argument is elaborated upon in Sen and Ghosh (Sen and Ghosh (1993) and subsequently in Ghosh (1999).

nearly 60% of all new government jobs created during the decade accrued to rural areas. [22] By 1987-88, nearly two-thirds of the regular non-agricultural employees in rural areas were employed by the government, which accounted for four-fifths of such regular job creation over that decade.

Thus, the total quantum of increased flow of public resources into rural areas must have been significant. This flow of resources took two predominant forms. There was, first, a fairly large expansion of `rural development' schemes with an explicit redistributive concern. This included not only the various rural employment and IRDP programmes but also a plethora of special schemes for a variety of identifiable `target' groups. These programmes were definitely less than entirely successful: they spawned a large bureaucracy and they became a focal point for the politics of `distributive coalitions'. Yet, even though the intended beneficiaries often got short-changed because of such leakages, these programmes still represented a fairly massive net transfer to rural areas.

The second avenue by which resources flowed from government to rural areas was through the greater accessibility of the rural elites to the varied benefits of government expenditure. In part this was a result of greater mobility due to better transport infrastructure. But it was also related to the politics of that time: as governments changed frequently (particularly at the state level) more new favours, not just jobs, but also various types of agencies and contracts, had to be distributed more often, and the rural areas got a greater than normal share in such largesse. The resulting flow of resources and the consequent generation of rural demand led to growing opportunities for diversification of the self-employed from agriculture to non-agriculture. Of course, the direct access to government permanent employment and also to many other resources was largely confined to the better-off and more powerful groups in rural society, to whom such incomes were more lucrative than agriculture. Further, such access to better employment or other resources was dominantly accorded to male workers rather than to women workers.

However, over the 1990s, as seen above, several of the public policies which had contributed to more employment and less poverty in the rural areas in the earlier decade were reversed. [23] Direct rural employment programmes of both Central and State governments have declined in terms of scope, number of work days generated and number of workers able to benefit from such programmes. In the macroeconomic situation prevailing at the turn of the century, this was more than just an obvious failure in terms of failure. The economy was characterised by low unemployment equilibrium, with *ex ante* savings greater than ex ante investment, as expressed in a

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[22] Moreover, NSS data suggest that, despite a low average contribution of only around 5% of total rural employment, the government's contribution was around a fifth when it came to either total rural non-agricultural employment in 1987-88 or the *increments* in total rural employment between 1977-78 and 1987-88.

[23] Abhijit Sen and Praveen Jha (2001)

number of variables: foreign exchange reserves well above the level required by the import requirement and the need to protect the balance of payments from runs of short term capital flows; excess holding of public food grain stocks at more than four times the desired level; high level of unemployment of labour, both open and disguised; excess capacity in industry. The apparent inability of the government, in such a context, to increase the fiscal allocation and extend the implementation of a large scale programme of public works, despite the recommendations of a number of economists and popular demands for this, is a manifestation of the changed political economy context in which such evident problems and their solutions can be ignored, essentially because foreign investors and domestic large capital are not seen to require it.

Education

The slow improvements in literacy and education for both men and women remain major failures of the Indian development process. Article 45 of the Directive Principles of State Policy of the Indian Constitution, formulated in 1949, declared that "The State shall endeavour to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until the age of fourteen years." Despite this, India still contains the largest number of illiterate people in the world, and also the largest number of illiterate women. [24] The progress of improvement in literacy has been very slow, literacy among females remains substantially below that for males, and even at the present time, nearly half the female population of the country remains illiterate. Furthermore, female literacy rates are much lower (usually between 50 and 70 per cent) among Scheduled Tribes and Scheduled Castes, as well as among certain minority groups.

This reflects that fact that education has unfortunately not been a priority of government policy, or a major instrument of social policy, in India over the past five decades. [25] Public spending on education, at around 3 per cent of GDP, has been half of the international norm of 6 per cent, and many multiples less than the ratio in some of the East and Southeast Asian countries. The consequent denial of education to all citizens is not only a failure in terms of human rights, but also a failure in terms of future possibilities for development, as is well recognised.

Over the 1990s, the Total Literacy Campaigns and various Adult Literacy Missions attempted to rectify the gap in terms of adult literacy, with varying degrees of success in different states. The attempt was to establish district-level literacy committees with active people's participation, with follow-up schemes for providing access to reading material relevant for newly

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[24] The Census of India 2002 indicates that only around 74 per cent of men and 54 per cent of women are literate, even when a very low standard definition of literacy is used.

[25] Jean Dreze and Amartya Sen (1999), The Probe Team (1999)

literates. There is no doubt that this has led to some improvement in the rate of increase of literacy in the past decade, but there are still very significant state-wise variations. This is once again because education remains dominantly a "state government subject". Certain states such as Kerala, with a longer history of literacy and education movements as well as a different level of political awareness of the need for such emphasis, have performed much better in this respect and have literacy levels approaching those of developed countries despite the much lower per capita income.

School enrolment ratios showed a significant increase across India from the mid 1980s onwards, although there is a substantial amount of evidence from micro studies and other surveys that these are typically overestimates. However, even the NSS shows a substantial increase in "participation in education" for the age-group 6-11 years and 11-14 years in 1999-2000 compared to the earlier large surveys of 1987-88 and 1993-94, and the increases were greater for girls and than for boys over this period. However, even with these data there is need for caution in interpretation. While the "usual status" category (which shows the response to the question "what do you usually do over the course of a year?") indicates substantial increase in education for these age groups, the daily status and weekly status categories show much lower participation in education, especially among girls. This suggests that even when children, especially girls, are formally registered in schools and therefore feel that is their usual activity, they may not be attending regularly for a variety of reasons. Similarly, dropout rates remain high, and tend to be much higher for girls than for boys.

A number of schemes for increasing access to primary education have been introduced by both Central and State Governments in India over the 1990s. Most of these schemes have been foreign aid driven, in that the major source of funding for such programmes has come from foreign bilateral and multilateral donors. These include the District Primary Education Project (DPEP) which is spread across most states, the Shiksha Karmi and Lok Jumbish projects in Rajasthan, the CEC in West Bengal, schemes in Maharashtra and Madhya Pradesh. Many of these schemes include in their primary aims, the reduction of gender disparity in access to schooling, and have introduced certain changes in the education system accordingly. The only danger is that, in a context of reduced public spending on education as a whole, such schemes may involve a diversion of overall resources from the public education system to NGO led schemes, which may be detrimental to the basic cause of ensuring equal access to education for all.

Affirmative action

The basic form of affirmative action as public policy in India has been in the form of reservations for government jobs and in public educational institutions for certain social groups defined as underprivileged. There have been no attempts to force or encourage private sector

reservation of a similar type. For most of the post Independence period, such reservation was confined to the Scheduled Castes and Scheduled Tribes, usually at just over one fifth of the total jobs/seats available. In the later 1980s, reservation was also introduced for social groups defined as "Other Backward Classes", which were essentially socially lower castes who had achieved levels of political and economic voice far greater than their perceived social positions. These new reservations, which effectively meant that just above half the positions would be reserved, led to urban middle class outrage and protests at the time that they were introduced. Ironically, however, soon after the introduction of such new reservations, a freeze on new employment at the Central Government level and for most state governments, effectively meant that such reservations became irrelevant. However, they did make some difference in terms of access to institutions of higher education for students from such groups.

Overall, such affirmative action has had relatively little impact on the broader socio-economic position of the population belonging to the defined social groups. Nevertheless, it must be acknowledged that such social policy has long gestation period in terms of effects, and that it should be situated within a more evolutionary perspective on social dynamics, within which it can clearly play a positive role.

Conclusion

It has been argued in this paper that social policy in India, while achieving some limited successes in terms of management of the contradictions and instabilities emerging from the development process, has nevertheless been inadequate in terms of the basic functions defined at the start of this paper. Furthermore, the recent changes in social policy and public intervention that have been associated in India with the "globalisation" phase of neoliberal economic reform, may have actually undermined some of the gains that were achieved earlier. This is because recent macroeconomic tendencies have been associated with greater inequality and fragility of incomes, which has in turn certain important social implications.

Thus, the process of economic liberalisation along with the pattern of government spending has been associated with a multiplication of the real incomes of richer groups. Financial liberalisation has involved an explosion in financial sector activities and incomes in this sector. Increasingly, professional incomes in finance approach the levels in developed countries, even while real wages in the rest of the economy stagnate and general employment becomes more precarious. Other white-collar services, and related incomes from activities such as construction, trade, advertising and so on which feed on the boom in consumption of higher income groups, have also increased dramatically. Trade liberalisation has brought growing access to a much wider range of consumption goods and international brand names to the Indian upper and middle classes. The apparently insatiable hunger for imported goods is evident from the fact that non-oil imports have continued to increase hugely despite the ongoing recession in domestic manufacturing industry.

Along with this, there has come a cultural revolution of the sort described above, which is also fed by the emergence of satellite television and huge increases in advertising budgets of companies operating in the Indian market. This has greatly increased the role of the demonstration effect in the consumption patterns of Indian upper and middle income groups. And this "cultural revolution" has been associated with a much more open display of conspicuous consumption than was traditionally prevalent in Indian society. The implications of the spread of such communications and the effects of post-modern advertising trends in rural India in particular, have been inadequately studied.

In the large metropolises and cities of the country, such a tendency towards open display of wealth and conspicuous consumption has been a feature that has been more and more evident over the past two decades. But observers have noted this tendency in rural India as well, in forms that were not previously so obvious, and found in it a reflection of the reduced interaction between the

various rural classes, and a diminished concern on the part of rural elites towards the poorer sections, that used to mark the more paternalistic relations of the past. As the social relations fragment and become more contractual, they also lose the few elements of cohesiveness that make location-specific communities functional.

It does not take a vast amount of sociological insight to realise that this combination of greater material insecurity in terms of both lower real incomes and more precarious employment opportunities for a very large section of the population, with the explosion of conspicuous consumption on the part of a relatively small but highly visible minority, can have very adverse social and political consequences. These consequences tend to be exacerbated by the cultural influences that come across as hegemonic, and which increasingly determine the aspirations of the youth in particular. Thus, as mentioned above, there is a premium not only on the joys of material consumption but also on individualism, the greater proliferation of the idea that success (which essentially is measured in terms of material advancement) reflects individual talent and achievement rather than any wider social processes, and that it can often be achieved only in competition with one's peers.

The alienation that comes from lack of such success - or even from success, which is deemed to be inadequate given the ambition - can only too easily directed towards any apparent or potential competitor in such a system, or even to those who are not in competition but simply represent a group that can be attacked with relative ease. The current streak of venom that is being directed towards various minority groups can be seen as one expression of this trend. So the inability to confront those who are actually benefiting from the system, or even the lack of desire to do so given that they still have the power to distribute some amount of material largesse, means that they cannot be the objects of any aggressive vent for frustration. Rather, the outlet is increasingly found in terms of growing antagonism, increasingly finding violent expression, towards other categories of people who are nearer home, closer in terms of lifestyle and more susceptible to such attack. It is worth noting that often these groups are already the most disadvantaged and materially weak sections of society.

Thus, increasingly, the pattern of economic growth as well as the inability of extant social policy to ameliorate or reduce the consequent inequalities, has therefore meant that the management of social tensions has become an even more difficult task for the Indian state. In such a context, the need for sensitive and proactive social policy has become even more of a pressing need than at any time in the past.

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