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Social Policy in Indian Development

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prepared for the UNRISD project on
Social Policy in a Development Context

in the UNRISD programme on
Social Policy and Development

November 2002 ▪ Geneva

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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.