

Panel 6

The Impact of the State

How far has the state modified the distribution of income in each country?

What has been the role of education and other social policies?

New Delhi, 17th February, 2015

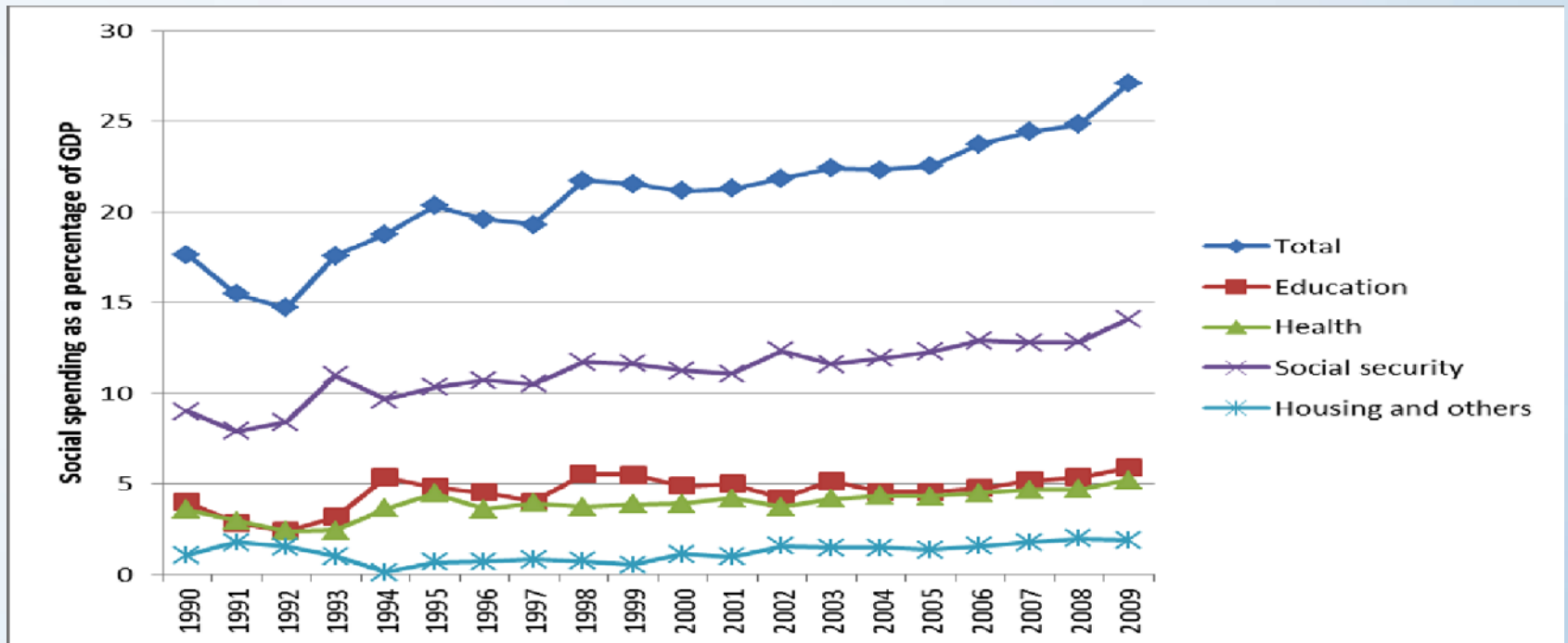
Introduction

- Social Policy; social assistance, employment programmes, affirmative action, education and health, social infrastructure.
- Role of education: considered important facilitator of mobility
- Place these policies and outcomes in the broader growth regimes and state action
- Institutions for delivering social policies since the 1930s in both countries. But many difference:
 - Size of economy and the size of formal sector, and thus the nature of unionisation, Nature of agricultural production, Integration with world economy; Nature of social hierarchies, gender differences; Regional imbalances
- ‘Developmental States’: Government’s mission to promote industrialisation and economic development

Social Policies in Brazil

- In Brazil, Workers social protection, and education related measures initiated in the 1930s.
- State –led industrialisation, leading to a phase of rising inequalities and creation of rural and urban proletariats.
- Industrial workforce expanded in the 70s, poverty decreased, but social exclusion increased; but process led to formation of well-off middle class.
- But till 1988 it was a segregated social security system, health and pensions for formal sector, and education was universalised (but the poor could not access it, especially secondary education)
- Post – 1988 Brazil restructured the framework; making education, health, pro-poor policies during this period, non-contributory
- Some individual labour rights were made fundamental rights; micro-credit policies in Brazil were also expanded in this period

Social spending as a percentage of GDP, Brazil, 1990-2009



90s saw rising expenditures on social policy – also consolidation of social security under ‘Family Allowance’ in 2000

2003, further shift towards more comprehensive and universal programmes

Steady rise in GDP devoted to social policy – 18 per cent in 1990 to 27 per cent in 2009, social security from 9 per cent to 14 per cent

India’s expenditure on social policy in 2013 around 7.5 per cent.

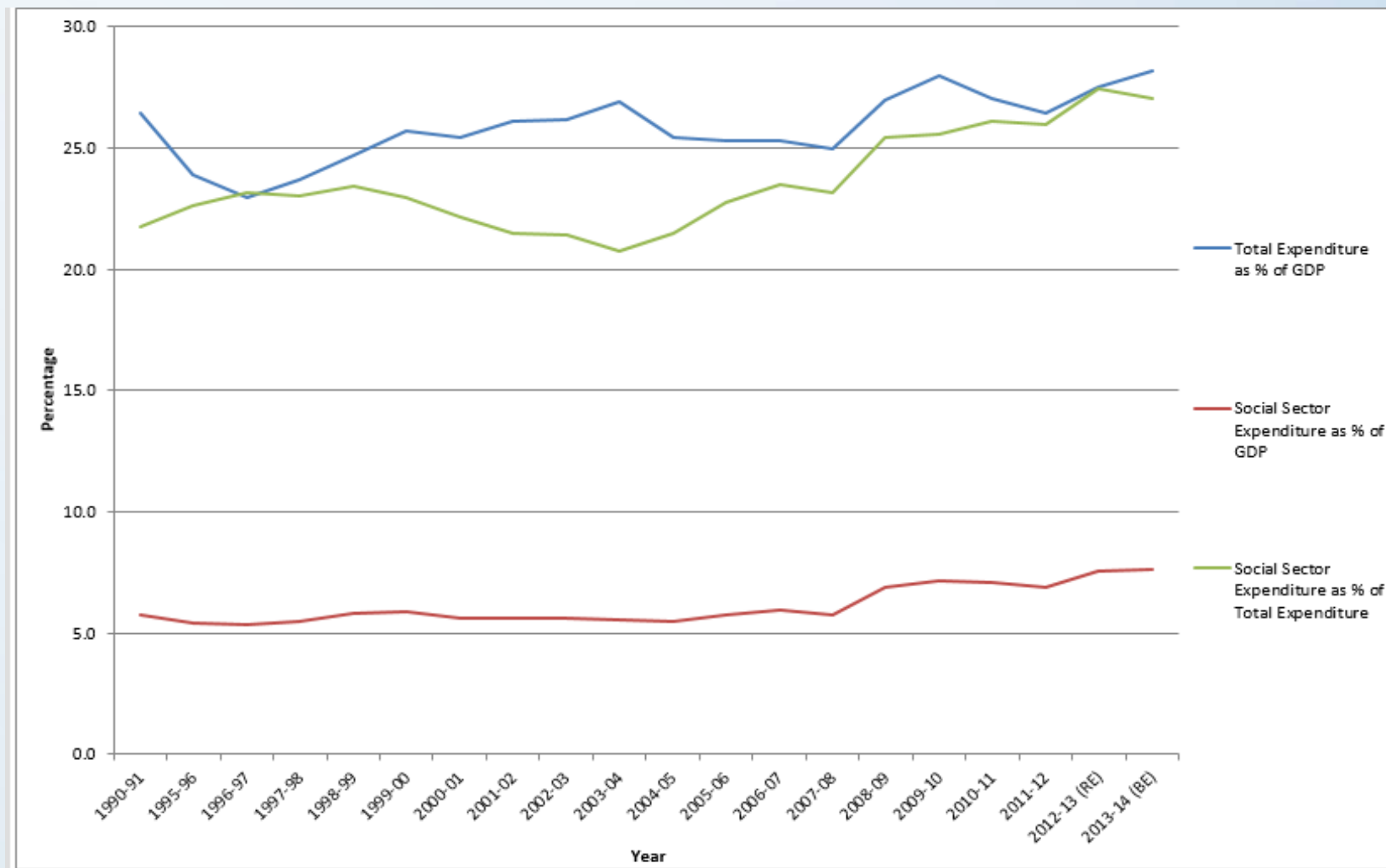
Social Policies in India

- Many measures such as the food rationing system and affirmative action had already been in place during colonial times.
- Structuring of the Indian Constitution: Critical role in defining the 'idea' of social policy
- Three phases up till 1980:
 - 1950s: Largely ignored social policy, depended on economic growth to address social growth, limited land reform
 - 1960s: Realisation for the need for social policies due to the famines and the failure of 'growth. However little was done during this period. Measures at this time mainly addressed rural poverty. Green revolution regionally imbalanced, favouring larger farmers.
 - 1970s: Needs assessments; larger programmes implemented, and 70s and 80s witness considerable poverty reduction
- Continued to be dominated by large poor agricultural population

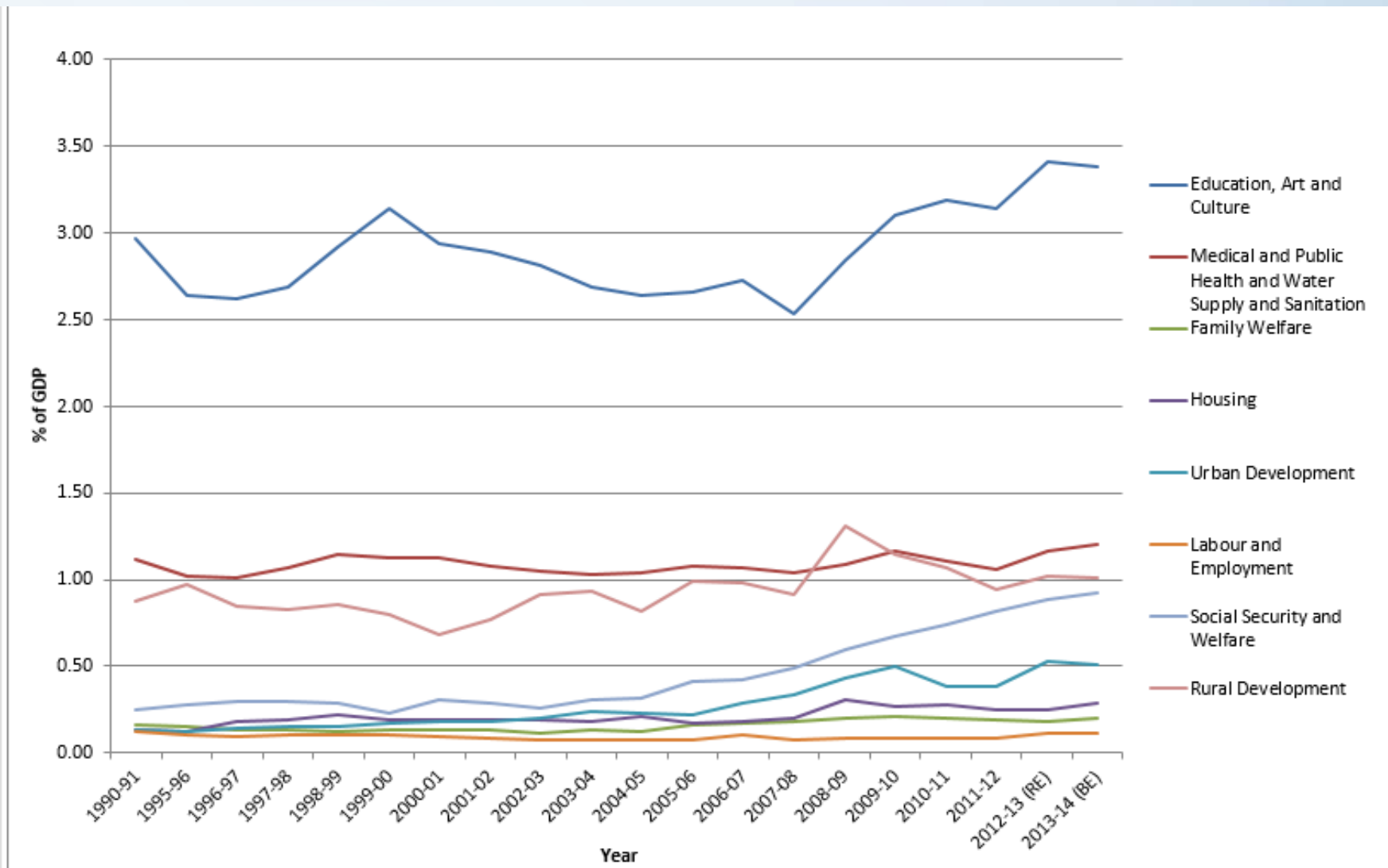
India: 1980s onwards

- 1980s: Policy development and implementation of new programmes continued. The programmes of the 70s were restructured and expanded. Shift from a welfare perspective towards an empowerment perspective vis-à-vis women, some discussion on 'quality' of education.
- 1990s: The restructuring and expansion continued during the 90s. The liberalisation process led to increasing inequalities, once again, there was some hope that the ensuing growth would address some social issues. Greater decentralisation (73rd and 74th amendment) were seen as tools for greater efficiency in policy making and implementation.
- 2000s: This decade was marked by a movement towards rights based policies, after 2004-05, there has been a resurgence in social policy spending and may have had a role to play in not letting the Gini rise rural areas (which is the target of most social policies) such as the rise seen in urban areas.

Total government expenditure and social sector expenditure as a proportion of GDP; and social sector expenditure as a proportion of total expenditure, India, 1990-91 to 2013-14



Expenditure on the social sector as a proportion of Gross Domestic Product, India, 1990-91 to 20013-14



Social Security and Income Transfers

- **Brazil:** Contributory pension systems, health coverage for workers since the 1930s = proportional to contribution
- Universal health coverage for all since 1988
- Non contributory pensions for old persons, workers and disabled since 1988 = 1 minimum wage
- Since the late 90s, cash transfer programs launched (some are conditional), significant increase in these programs since Lula (2003) = less than one minimum wage
 - One in four receive some kind of transfer from the government
- **India :** Social security introduced for employees in the 50s but limited to small groups of industrial and public sector workers, contributory schemes for formal sector and occupational groups in informal sector
- Non contributory pensions for older persons, disabled, widows (poor): Have good coverage but amount of pensions is extremely small, supports subsistence
- Food Rationing/ PDS: Subsidised items. Targeted at poor households. State-wide differences
- NREGS – Right to work, guarantees 100 days of employment/ year in rural India, sets minimum wage. High participation of women and SC, STs. Significant impact, multiplier effects.

Rights, Access and Participation: Health and Affirmative Action

- In Brazil, health security for formal workers, wealthier accessed private care, expanded with growing social security, late 1980s sees universalised health system, go beyond occupational structure, however have funding and management problems, spending grew little. Some new programmes in mid 2000s
- In India, health facilities in principal universal but poor quality and access, security limited to formal sector, concentrated in urban areas, focus on family planning. National health policy in 1983, but implementation hurdles, quality and efficiency. Privatisation – those who can pay. Renewed focus since mid-2000s
- In Brazil, affirmative action at the university level for blacks, poor and public school students has been introduced since 2000. States have some autonomy in setting rules.
- In India, in Public Jobs, Higher Education and Legislative Assemblies
 - Highly politicised, conceptualized as an exception for SCs and STs, expanded to cover the OBCs (requirement is debatable), some groups perhaps more deprived left out. Reservations of women in jobs, education, as well as PRIs, but not in legislative assemblies
 - Have had some positive impact, affected by imbalances in access to education, to some degree appropriated by middle classes (OBCs)

Rights, Access and Participation: Education

- Brazil:
 - In Brazil, primary/ fundamental education has been universalised during the 70s-90s. Secondary universalisation is still a goal, and so is university education.
 - Quality is an issue at all levels of education, and linkages between different levels of government are not efficient.
 - Vocational training for those dropped out of secondary school and university have been set up since 2000, in addition, some limited pro-poor VET.
- India:
 - Initial focus on quality higher education, but expansion in primary and secondary education during the first three decades
 - Attempts to universalise primary education since the 1960s, but marked by various limitations. Quality always an issue. Social barriers have continued to exist.
 - Privatisation in schooling accompanied by some improvements in learning, but expensive for the poorer/ poorest. May affect quality of education accessed by these groups. Right to Education 2009 – expansion affected quality. Inequalities accumulating at the level of secondary and higher education
 - Vocational training: some discussion since the 70s, but policy designs not meant to work. Recent interest since the late 2000s but is ambiguous.
- In India, both Affirmative Action and Education Policies have benefitted the more deprived groups, but seem to have been designed/ ultimately benefitted the middle classes more.

The Role of Education

- Wage Ratios
 - In 1980, In India wage ratio between tertiary and illiterates is 3- 4 in urban and rural areas. Lower for casual workers. In Brazil about 10.
 - Middle school and illiterates, ratio 1.5 -2 in India, and 3 in Brazil
 - In 2011, In India, risen to 4.5 between tertiary educated and illiterates, but fallen to 1.4 for middle school and illiterates. In Brazil, they have been halved to 5 and 1.5 respectively.
- Rapid expansion, universalization have to some degree been at the cost of quality – this has been true in both countries
- Private education being used by richer sections, strengthening reproducing inequality as better education available to those who can pay.
- Even with universalization, inequalities shift to the next level of education

Bolsa Familia, the NREGS and the PDS

- Many programs in both countries, but the Bolsa Familia in Brazil and the NREGS and PDS in India have been especially significant
- BF: Targeted Conditional Cash Transfer Programme for poor. Almost 95 per cent coverage. Given to women. Conditions: Health and Nutritional check-ups, enrolment in school, attendance. From 7 \$ to 80\$. In some areas such as NE it is particularly significant.
- NREGS: Guarantees hundred days of employment at set wage, self-selecting, around 2134 million days of work in 2011-12, public works component. Improved participation of backward groups such as SCs and women. Other multiplier effects such as raising wages, awareness of minimum wage. Significant impact on rural poverty, despite issues and regional variations.
- PDS: Subsidised food and other essential items at about 10-20 per cent of actual cost, since independence (but has evolved), targeted at poor. The bedrock of anti-poverty policies in India. Regional variations implementation.
- Different designs in the two countries, responding to different problems.

Social Policies in Brazil and India: Some Comparisons (1)

- States in India have greater autonomy, both de jure and de facto, to influence social policies and their outcomes. In Brazil, autonomy does exist but it is subordinated to a somewhat coherent federal policy.
- In Brazil, the change in governments has been accompanied by more radical changes in social policy. In India policies have been more evolutionary. Even the adoption of schemes such as the NREGA, and the Right to Food and Education Acts has been a result of decades of advocacy.
- Since social security delivered through formal labour market, reach in Brazil was much bigger, along with larger resources in general

Social Policies in Brazil and India: Some Comparisons (2)

- Agrarian orientation of policies in India, focus on poverty reduction; but without them inequality would have perhaps been worse.
- In Brazil the rights based approach has predominated and given rise to near universal social safety net (made out of non-contributory pensions, and cash transfer mechanisms). In India, social security has been more or less limited to the formal sector.
- Policies in India have been more targeted with a mixed response; but in the last decade, social policies have been slightly more universalistic and have also moved towards a Rights-based approach. But Brazil putting much more resources towards universalization.
- Contributory schemes in both countries reproduced inequalities.
- State hasn't delivered in many sectors, proliferation of private sector, such as in health and education, which provides better services to those who can pay