

## Withering of the welfare state

JOHN SAMUEL

GNANA PRAKASAM<sup>1</sup>



While official figures give credence to the claim that “economic growth necessarily leads to poverty reduction”, a careful look at them tells a different story about the impact of structural adjustment and liberalisation. After a decade of liberalisation, the promise of ‘economic growth with justice’ seems eternally postponed.

An official government economic survey boasts a 6%-7% annual growth rate since the introduction of economic reforms in 1991/1992. A 2000 poverty survey shows poverty down from 36.19% in 1993/1994 to 26.10% in 1999/2000.

There is increasing inequality between rich and poor and urban and rural people. *Dalits*<sup>2</sup> and tribals are increasingly marginalised. Poverty in terms of total numbers has not decreased, employment opportunities have decreased, and more people are being pushed into the informal sector without any legislative protection or safety nets. Human rights violations against the tribal and *Dalit* communities have increased. The balance sheet after ten years raises serious questions about the ability of the present economic system to deliver distributive justice and promote equitable social change.

### Poverty and inequality

The percentage of people living in poverty has declined over the last two decades (Table 1), but because of population growth, the total number of poor people has remained more or less constant. Almost 265 million Indians live below poverty line.

The rural-urban poverty lines, which almost intercepted in 1987/1988, sharply widened during the decade of economic reform. Interregional disparities are alarming. According to National Sample Survey Organisation (NSSO) figures, the poverty figure for Orissa is 47.15%, Bihar 42.6%, Madhya Pradesh 37.43%, Sikkim 36.55%, and Tripura 34.44%. Poverty alleviation programs have not reached the poor.

TABLE 1

Percentage of people below poverty line			
YEARS	RURAL	URBAN	ALL INDIA
1973-74	56.4	49.0	54.9
1977-78	53.1	45.2	51.3
1983	45.7	40.8	44.5
1987-88	39.1	38.2	38.9
1993-94	37.3	32.4	36.0
1999-2000	27.1	23.6	26.1

Source: Economic Survey 2000-2001

### The scourge of marginalisation

Powerful interests are depriving tribal people of their customary rights to natural resources (land, forest, minerals and water). The result is growing land alienation, migration and displacement from land and forest. From 1951 to 1990, dams, mines, industries, and wildlife sanctuaries displaced 21.3 million people. Around 40% (8.5 million) of all displaced people are tribals, and 75% of displaced tribals have not been resettled. The tribals are also victims of a process of cultural homogenisation spearheaded by the Hindu Nationalists. Cultural pluralism, a hallmark of the constitution, is under attack and violence against the tribals is on the rise. The Land Acquisition (Amendment) Act of 1984 had many flaws, and the Land Acquisition, Rehabilitation and Resettlement Bill of 2000 will further marginalise tribal communities.

The prevailing hierarchical caste system in India has deprived *Dalits* of their share of the benefits of development. Caste and descent-based discrimination, untouchability, exploitation, and occupational immobility have contributed to the marginalisation of *Dalits* in India. Wherever *Dalits* begin to organise themselves, reconstruct their identity, assert their rights, demand entitlements to land and better wages, there is a spurt of violence against them.

### Hunger and anaemia

India's food grain go-downs (storage silos) are overflowing with 300 million tonnes of food stocks, but more than a quarter of the India's population do not get adequate food. Two-fifths of children in India are malnourished and over half of the women are anaemic. In India, poverty and hunger exist amidst an excess food grain.

The Public Distribution System (PDS) leaves out large sections of the poor and vulnerable and distributes inadequate quantities of food. A shift has taken place from universal PDS to Targeted PDS (TPDS). Under TPDS, people are classified as poor, *i.e.* those below the poverty line (BPL), and the non-poor, *i.e.* those above the poverty line (APL). With this division emerged a dual pricing system, with a subsidised price for the poor and a near market price for the non-poor. When the government raised the price of rice and wheat, BPL families had to pay 68% more for these grains and APL families paid 25% more. When procurement prices increase, the price for the poor goes up automatically. In effect, these price increases mean that many poor are excluded from PDS. Many non-poor prefer to buy on the market since the price difference is small.

The bulk of PDS goes to urban areas. For example, Delhi with 1% of the population and the highest *per capita* income receives 5% of the grains distributed through PDS in the country. In Uttar Pradesh, Bihar and Orissa where the bulk of the rural poor live, PDS actually goes to the richer households. These rural-urban and interregional disparities add to ineffective functioning of the PDS. The PDS, which was meant to ensure food security, seems to have lost its purpose.

<sup>1</sup> John Samuel is Executive Director and Dr. Gnana Prakasam is Team Leader of the Research and Documentation Unit, National Centre for Advocacy Studies, Pune, India.

<sup>2</sup> Untouchables.

The government views the PDS as a measure of poverty alleviation, not as a basic entitlement. It uses its increasing financial burden as an excuse for downsizing the PDS. But this food subsidy is only about 0.4% of GDP and this number has not changed for the last few decades.

According to the latest economic survey, 150 million hectares of India's land is affected by water and wind erosion, arable land is shrinking, and investment in agriculture is declining. The livelihood of 1.6 million farmers is at risk because of the imminent opening of the poultry market. Poverty reduction strategies in India cannot succeed without a robust agricultural sector. Economic reform has weakened rather than strengthened this sector.

The male-female ratio is still negative with 933 female per 1,000 males. Women hold only 8.9% of parliamentary seats. During the reform years, instances of violence against women increased substantially.

Nearly 91% of employment is in the informal sector. The employment growth rate in the formal sector has steadily declined. Child labour is rampant in India. Under-employment and feminisation of the work force are important consequences of economic reforms.

According to the provisional figures of Census 2001, the literacy rate has gone up to 65.38%, but at the same time nearly 25% of men (male literacy is 75.85%) and about 45% of women (female literacy is 54.16%) in India are illiterate. Government expenditure for education, which was 2.75% of GDP in 1998/1999, has declined or remained stagnant.

Access to basic health care, especially in the rural areas, remains unavailable to a large majority of people. Central and state government expenditures on health, at 1.11% of GDP in 1998/1999, declined in the last decade.

### Investment in the social sector

Real spending in the social sector as a percentage of GDP has decreased for the last five years (Table 2). There has been no increase in *per capita* investment in the social sector.

TABLE 2

Central government expenditures for social services			
YEARS	BUDGET ESTIMATE AS % OF GDP	REVISED ESTIMATE AS % OF GDP	DIFFERENCE (RUPEES IN CRORES*)
1996-97	1.20	1.07	1,707
1997-98	1.21	1.08	1,948
1998-99	1.18	1.09	1,601
1999-2000	1.10	1.05	804
2000-01	1.08	—	—

\* A Crore is ten million.

Source: Economic Survey 2000-2001

From the beginning of the economic reforms, the government talked about social safety nets for the poor. A National Renewal Fund (NRF) was planned with significant budgetary allocations to provide social protection for the poor and those adversely affected by the process of liberalisation. In practice, the government has done little to strengthen social protection measures. Consistent attempts have been made to undermine budgetary allocations for the social sector in the name of reducing the fiscal deficit.

### Conclusion

The year 2001 marks the completion of the first decade of economic reforms. The reform process facilitated the emergence of a new middle class that has appropriated the fruits of economic growth at the expense of the poor and the vulnerable lower middle class. A rupture has developed within the middle class as a large section of the urban middle class, without adequate technological leverage or bargaining power, is increasingly exposed to unemployment and under-employment.

The economic insecurity of this class of people seems to be contributing to the growing social paranoia and the emergence of reactionary politics in the country. Growing fundamentalism and social tension is clearly linked to growing inequality and marginalisation of a large section of urban population in the liberalised market. The result has been a steady increase of human rights violations, corruption and other criminal activities, social and religious intolerance, and instances of communal violence.

After a decade, liberalisation has betrayed the promises of poverty alleviation and social development and created only delusions of development. The government, instead of promoting and guaranteeing human rights, social justice and people's welfare, has abdicated and withdrawn from its responsibilities. The ten years of reform facilitated the withering away of the welfare state and left the vast majority of Indians without social and economic leverage. Sustainable social development is still a dream for most Indians. ■

Centre for Youth and Social Development (CYSO)  
<cysdbbsr@sancharnet.in>

## Food distribution in Rajasthan<sup>1</sup>

Several policy measures in the reform period have undermined the Public Distribution System's (PDS) objectives of "providing food security to poor people" and "acting as a check against rising market prices". The initiation of the Targeted PDS has only further reduced the availability of basic cereals to poor people.

Out of nine districts in the sample, families in four districts received no wheat from PDS shops. The per-family allocation of sugar and kerosene declined during the last two years of the study. While the government is doing everything possible to downsize the PDS, poor families in the sample area wanted to buy more items from the system. The data collected for the study suggest that the Targeted PDS is tending toward preventing poor families from receiving wheat at lower prices.

The Targeted PDS is the child of a forced marriage between the perception of reduced subsidies as a panacea for economic ills and the crocodile tears shed for the abandoned poor. In reality, it is nothing but a hoax to cheat the poor and camouflage the hidden vested interests of those who wish to fatten themselves at the expense of the starving population. The government has nearly three times more food grain than is required as buffer stock, but still drought stricken Gujarat, Rajasthan, Madhya Pradesh and Orrisa had to wait for assistance.

In the year that six states were hit by drought, the government doubled the prices of grains sold under TPDS to poor families. ("Bravo!" wrote one economic daily in response to this government move.) The government achieved a record buffer stock, and like all other crowning government achievements, the cost was borne by millions of poor, hungry people. Cheers for liberalisation! ■

<sup>1</sup> Report by Astha Sansthan based on a study of the impact of the new economic policy on the poor in Rajasthan 2000: 152-53.