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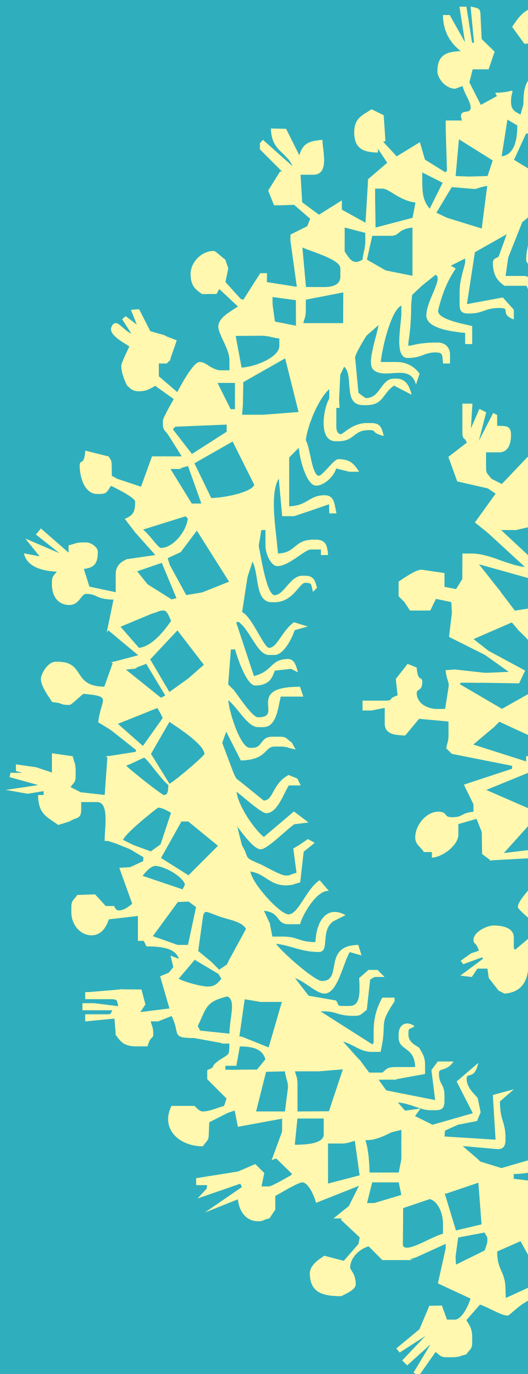

Including Children in an Inclusive Growth Strategy for the Eleventh Plan

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Foreword

Children below the age of 18 years account for nearly 40 per cent of India's population. It goes without saying that enabling all children to realize their full creative potential is critical for sustaining India's economic growth and accelerating human development. Not all children have benefited equitably from the remarkable progress and transformation that the country has witnessed in recent years. Tens of millions still face basic challenges of survival and healthy development.

Children are first and foremost individuals, born with indivisible and inalienable human rights. They also belong to families and communities that need to have access to resources and services, as well as capacities to ensure realization of their rights. Policy approaches are needed that address both the income and non-income dimensions of children's deprivations. Continued neglect of material, human and psycho-social dimensions of child well-being can prevent children from living a full life and from making informed decisions later on in their life. India too would miss out on the dividends that can accrue from a full expansion of children's capabilities.

The Institute for Human Development (IHD) and UNICEF are partnering to offer a platform for examining different dimensions of child rights. Experts and commentators were invited to explore the impact of development policies on children and women and suggest alternative approaches to the elimination of children's deprivations. They have explored how best to ensure that all children benefit from equal and non-discriminatory access to basic social services. They have looked at ways of capitalizing on the demographic dividend, creating fiscal policy space for investing in children and strengthening the legislative and institutional framework for protecting children.

These contributions are being brought out as IHD - UNICEF Working Paper Series *Children of India: Rights and Opportunities*. We hope that the series will contribute to enriching public discourse and strengthening public action to promote the rights of children.

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Including Children in an Inclusive Growth Strategy for the Eleventh Plan

Santosh Mehrotra*

Summary

This paper highlights the pathetic state of children in India, who are the victims of malnutrition, illiteracy, poverty, disease and deprivation on a monumental scale. The already grim situation is compounded by the persistence of social inequalities in the country, whereby the Scheduled Castes (SCs) and Scheduled Tribes (STs), together comprising a quarter of the country's population, have the worst income-poverty and human development indicators in the entire population. At the other end of the spectrum, however, is the paradox of India's remarkable growth story. It is now a trillion dollar economy (2007-08), and still growing at the rate of at least 7 per cent per annum, despite a global economic downturn. In Purchasing Power Parity (PPP) terms, it is also the fourth largest economy in the world (after the US, China and Japan). With China, it is driving growth not only in Asia but also the growth rate of the world economy. The time is thus ripe for a change in strategy that would enable those who are being left out of this growth to be included.

The paper outlines this strategy by delineating a conceptual framework that places social protection (SP) within a broader development strategy with the aim of achieving the objectives of economic growth, income-poverty reduction and the enhancement of human capital stock. It also

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examines the scale of capability deprivation, including income poverty and the overlapping nature of multiple deprivations that certain social groups suffer from in India. It lays down the conceptual foundations of a comprehensive SP system in the Indian context, and links it to the need for child-specific interventions. Further, it examines the directly targeted poverty reduction programmes (DTPRs) like the National Rural Employment Guarantee Scheme (NREGS), old age pension, and rural housing assistance. It also discusses the dysfunctional public health system and the deeply inequitable and ineffective school system that is still breeding inequity and illiteracy. Finally, it identifies the gaps in the current social protection system in the country and lays out the actions that are needed to fill the gaps, in order to facilitate the creation of a comprehensive SP system in the country. It concludes by asserting that the resources for meeting the cost of a comprehensive SP system would come from expenditure switching from unproductive (fuel and fertilizer) subsidies, and also from revenue-raising measures (for example, some disinvestment in public sector enterprises, and tax measures), and warns that unless these measures are taken early enough, the implementation of the proposed SP system would inevitably slip into the Twelfth Five Year Plan period.

Including Children in an Inclusive Growth Strategy for the Eleventh Plan

1. Introduction

India has failed its children on an almost monumental scale. The country not only has the largest number of malnourished children in the world, but its rate of malnutrition is greater than that in sub-Saharan Africa, a region where most countries have a level of per capita income lower than that of India. India not only has the largest number of illiterate people in the world (one-third of the world's illiterates), but its illiterate population is today larger than what India's population was at the time of Independence in 1947; and unfortunately, its school system is still producing illiterates, given that the drop-out rates before children complete primary schooling are still high. Its public health system, though created at the time of Independence, has remained so under-funded that nearly 9 out of 10 patients do not visit a government doctor and over 80 per cent of all health expenditure in the country is out of the pocket. The results are there to see in the infant mortality rate (57) and the life expectancy at birth of 64 years, which China had achieved in 1980. Social inequalities in the country are so vast that the Scheduled Castes (SCs) and Scheduled Tribes (STs), together comprising a quarter of the country's population, have the worst income-poverty and human development indicators in the entire population. If you are poor, an ST and a woman, you are at the bottom of the ladder. And intra-household allocation of resources in the Indian patriarchal society are such that if you are a girl child, your life-chances are slim.

At the same time, India is now a trillion dollar economy (2007-08), and still growing at the rate of at least 7 per cent per annum, despite a global economic downturn. In Purchasing Power Parity (PPP) terms, it is also the fourth largest economy in the world (after the US, China and Japan). With China, it is driving growth not only in Asia but also the growth rate of the world economy. In other words, the time is ripe for a change in strategy that would enable those who are being left out of this growth to be included. Hence, the title of the

Eleventh Five Year Plan, "Towards Faster and More Inclusive Growth" is an appropriate shift in gear. However, there is an urgency to implement this shift in strategy on the ground that we are currently at a critical stage in our nation's demographic history, and children are central to what makes this stage critical in our development.

India is at the beginning of a 25-year window of opportunity for our people called the Demographic Dividend. The decline in the population growth rate during the past few decades means that in the coming years, fewer people will join the labour force than in the preceding years and working persons will have fewer dependents, children or parents. This decline in the dependency ratio from 0.8 in 1991 to 0.73 in 2001 is expected to further decline sharply to 0.59 by 2011. This decline contrasts sharply with the demographic trend in the industrialized countries and also in China, where the dependency ratio is rising. Its low dependency ratio gives India a comparative advantage, but only if it manages to improve the quality of this labour force. Improving the quality of this workforce requires investments in its education, its health, its nutritional level, and its skills. It also necessitates the creation of social protection for this youthful population, so that we can eliminate uncertainties of livelihood from their future. Thus, we can either make these investments and create a skilled workforce that has productive jobs and garner the demographic dividend, or face a demographic nightmare— a young, illiterate or semi-educated, unhealthy, jobless labour force can cause social tensions that we can hardly imagine, and such social turmoil can, in future, derail India's growth story completely.

This paper has five sections. Section 1 outlines a conceptual framework that places social protection (SP) within a broader development strategy. Such a development strategy should have as its objectives three outcomes: economic growth, income-poverty reduction and the enhancement of human capital stock. It then develops the notion of dual synergies between basic social services (to enhance human capital stock), policy action to promote economic growth and a directly targeted poverty reduction programme (with a view to reduce income poverty). It locates child well-being within the household's need for social protection as a part of this conceptual framework. It then spells out what we believe were the policy failures that prevented the dual synergies from working in India's development, thus allowing the scale of poverty to rise and capability deprivations to multiply to almost insuperable proportions. We also note that those policy failures have been in the process of being corrected since the beginning of the 1990s, with some elements of a broader social protection agenda being recognized as critical. Section 2 turns to India specifically, and examines the scale of capability deprivation, including the scale of income poverty and the overlapping nature of multiple deprivations that certain social groups suffer from in India—all of which make a comprehensive system of SP imperative. Section 3 then delineates the conceptual foundations of a comprehensive SP system in the Indian context, and links it to the need for child-specific interventions within such an SP system, since there is no guarantee that improvements in household well-being will translate into specific gains for children. Section 4 then spells out what is available in terms of SP now in India. It examines the directly targeted poverty reduction programmes like the National Rural Employment Guarantee Scheme (NREGS), old age pension, and rural housing assistance. It also discusses the dysfunctional public health system and the deeply inequitable and ineffective school system that is still breeding inequity and illiteracy. It identifies the gaps in the current social protection system in the country.

Finally, Section 5 lays out the actions that are needed to fill the gaps, and to facilitate the creation of a comprehensive SP system in the country. For this purpose, it recommends that the following components should constitute the proposed SP system:

- Social assistance, such as maternity benefits, and other Conditional Cash Transfers (CCTs), which are almost non-existent, though planned;
- Social insurance, which is currently very fragmentary or non-existent;
- Health services, as per the National Rural Health Mission (NRHM), which stipulates that Primary Health Centres (PHCs) should function 24 hours a day, seven days a week; health insurance, which is fragmentary; and the removal of regional differences, which are huge; and
- Quality school education, which can help eliminate regional differences; filling the financing gaps between high-achievers and low-achievers that has not been provided for by allocations by the Finance Commissions or Planning Commission; a Right to Education Act, which is not yet in place; an Integrated Child Development Scheme (ICDS) with pre-school education; and improved skill development institutions.

2. The conceptual framework of dual synergies in the development process

Positive growth and development experiences can be quite difficult to explain. One is, in fact, struck by the difficulty of establishing causality relationships in explaining the growth and human development outcomes of countries. For example, despite widespread literacy within a population, many countries have not achieved rapid growth[1], though education is a major determinant of such economic growth. There are also examples of countries with relatively rapid economic growth but persistent income-poverty.[2] Thus, no single element can be specified as the main cause (or 'development magic bullet') for success in all aspects of development. Rather, interventions that increase income and improve the quality of human capital support each other in a synergistic way or through various feedback loops.

This synergy can be succinctly expressed as the enhanced impact that a change in an independent variable has on the rate of growth of a dependent variable, given the presence of a third variable. This leads to several important, and often overlooked, inter-related effects in terms of policy at a macro level. The impact of a policy (for example, to promote economic growth) on another variable (say reduction of income-poverty) crucially depends on the level of a third variable (for example, previous investment in basic social services). In other words, economic growth will be more effective in reducing (income) poverty (the elasticity of poverty reduction will be higher) when the capabilities of all its citizens including children, are more widespread.

Thus, the goals and the theoretical foundations of human development assume that there is integration of economic and social objectives and policies. Consequently, a different strategy from the one consciously or unconsciously followed by most developing countries is needed. We say 'most' and not 'all' developing countries because some of them (those we term as 'high-achievers') succeeded in developing education and health standards comparable to those of the industrialized countries despite having a fraction (sometimes just one-tenth) of their level of income per capita. These experiences (summarized in Mehrotra and Jolly,

1. Sri Lanka is a good example (see, for example, Taylor, et al., 1997, for a discussion).
2. Botswana is an example (see, for example, Duncan, et al., 1997, for a discussion).

1997), strongly influence our analytical lens and are presented for reference and comparison purposes periodically in this paper. These countries illustrate a well-known synergy, or feedback loop, among social interventions in basic healthcare, reproductive healthcare, education, nutrition, and water and sanitation. This synergy takes place at a micro-economic level as illustrated by the positive influence of better nutrition on school attendance and learning. Better education also leads to improved health outcomes and lower fertility rates. Increased access to water also improves health outcomes and school attendance. Education improves the usage of water resources. Thus, a web or mesh of interaction takes place that enhances the functionings of individuals. This synergy (called the first synergy in this paper) is particularly relevant for child well-being for obvious reasons: malnutrition in early childhood has life-long adverse effects, early childhood and school education has life-long implications for income levels achieved, and so on.

However, in the process of development, there is a second synergy, which takes place at the macro level among income-poverty reduction, enhancement of functionings at the aggregate level, and economic growth. We are, obviously, borrowing the expression 'functionings' from Sen. However, in this context we are interpreting it in what he calls 'basic' functionings (as opposed to 'complex' functionings, like being able to participate actively in society). Instead of all the important activities that people may value engaging in, we concentrate on those functionings which come about from the provision of basic social services, that is, the ability to lead healthy, literate, knowledgeable lives. While an achieved functioning (for example, of being healthy) is the attribute of an individual, here we are interested in achieved functionings at an aggregate or societal level. For synergies to be realized at an aggregate or macro level, actions on several fronts are needed.

These two synergies are linked by the presence of basic social services (BSSs) found in both. The difference is that in the first synergy, the basic services are inputs; in the second synergy, on the other hand, BSS interventions appear in the form of health and educational outcomes. However, this difference is highlighted merely for expository purposes, since, in fact, poverty reduction, economic growth and health/education outcomes cannot be realized without independent inputs/interventions. These inputs, when transformed into outputs or outcomes, have a synergistic effect in continuous feedback loops.

To summarize, there are two synergies present. One takes place at the macro level among income-poverty reduction, human capital development, and economic growth. The other synergy of outcomes, at the micro level, occurs as a result of interventions to provide the basic social services that are the foundation of human capital development. These two synergies are linked by the synergies among good health, nutrition, and education, both of which are not merely ends in themselves, but also means to other ends at a macro-societal level, and hence common to both sets of synergies. In other words, how children fare in the allocation of resources both within the households as well as at the societal level has far-reaching implications for both human capital formation as well as macro-economic growth. This conceptual framework enables us to look at child well-being in terms of household capabilities, not merely in terms of household income-poverty, which is why the rest of the paper is entirely within a 'Human Development' or 'Human Capabilities' framework, in which income is merely a resource, a means, to enhance the capabilities of the members of the household.

In a patriarchal society like India, however, it becomes doubly important to examine the intra-household allocation of resources. The needs of adult males and the boy-child needs are likely to be met first, and those of the adult females and girl-child later. This discrimination will be most apparent in the households that are in the lowest seven deciles of the population households, which are either extremely poor, poor, marginally above the poverty line, or those that are not so marginal but yet vulnerable. Women and children are more likely to feel the pain of overall household deprivation in households in these four categories. It is for this reason that our concern throughout this paper will mainly be with such households, and the women and children within them. It should be noted that we have not so far mentioned what should be the content of actual policies that promote the dual synergies. This necessitates the following:

1. Policies that promote health outcomes, education, and nutrition, and thus improve the human capital stock;

2. Macro-economic and industrial policies to raise the pace of economic growth; and

3. Directly-targeted poverty reduction programmes to impact income-poverty.

The well-being of children will be impacted by all the three types of policies mentioned above. However, it is not possible to elaborate on all of them within the confines of one paper, as some of those policies will impact the well-being of children only indirectly, especially macro-economic and industrial policies (which are discussed in some detail in Mehrotra and

Delamonica, 2007). The more direct impacts on children will be those resulting from policies relating to human capital and directly-targeted poverty reduction programmes. These will be the subject of this paper in the case of India.

2.1 Why were the dual synergies not realized in India?

Earlier we identified three goals of policy: economic growth, income-poverty reduction, and human capital development, and noted that there are synergies between investments in BSS, investments in directly-targeted poverty reduction programmes (DTPRs), and policies that promote income growth. A review of the development process over the first three decades of planned development in independent India suggests that on all the three counts, there were major strategic errors that were made, despite quite remarkable progress on many counts as compared to the colonial period. During the first three decades, economic growth was slower than the country's potential; investments in basic social services (as opposed to higher level services) were neglected; and the directly-targeted poverty reduction programmes were not only few but were poorly conceived, designed and implemented.

At the macro-economic level, what is well known is that India's economy grew at barely 3.5 per cent per annum for nearly three decades (1950-80). Given that the population was also growing at 2.2 per cent per annum on an average over this period, the per capita income hardly grew at all. The heavy industry-based import-substituting industrialization led to a relative neglect of agriculture, at least until the mid-1960s, accompanied by a food crisis and large grain distress imports (Public Law 480 from the US). However, it was followed by a fortuitous Green Revolution by the early 1970s, which enabled India to at least become food self-sufficient. Nevertheless, the agricultural neglect led to a growth rate of agriculture (1950-80), which was far below that achieved by the East Asian economies over the same period. Given that over 70 per cent of the population was dependent upon agriculture, this situation kept the mass of the rural population mired in poverty. In 1973-74, there were 322 million poor people in the country at a time when India's total population was about 600 million (see Table 1 which shows a 55 per cent headcount ratio of poverty during that year). The implications of this situation for child well-being are obvious.

The status of children was not helped by the neglect of BSS. In fact, after the First Five Year Plan's focus on elementary education, the strategic focus shifted from elementary education to higher education. This shift in focus was necessitated by the growth strategy adopted, which, as we noted above, was focused on heavy industry first. The latter required a large and growing number of people with high levels of engineering and scientific skills. Not surprisingly, for a full four decades of planned educational development from 1957 to 1990 (that is, over the first eight Five Year Plans except the very first one), higher and technical education absorbed a good 25-30 per cent of total government education expenditure of the state and Central governments taken together. In fact, never in the history of independent India has primary education ever accounted for more than 35 per cent of the total government education expenditure, which is way below that in most high-achieving developing countries.

Clearly, children were not a priority in educational policy-making till four decades after Independence. The fact that the investment in higher education should have been made is not being questioned here. What is more questionable pertains to two aspects of this expenditure. First, almost all of higher education was publicly provided and it was almost free of charge, despite the fact that all those who were being subsidized could afford to pay. Second, there was hardly any private provision of higher education. Both these situations are exactly the opposite of the strategy followed in South Korea at the same stage of development (see Mehrotra, 1997 for a further discussion). Central Government allocations for elementary education increased only after 1990.

Another aspect of BSS that was relatively neglected was basic and preventive healthcare. While a three-tier infrastructure of public healthcare was created, it remained under-funded and under-staffed. With state governments essentially being in the driving seat, since they accounted for over 80 per cent of the total public expenditure on health, the Central Government kept a low profile on the subject, but the health outcomes for children showed little improvement. The Central Government stepped into the primary health arena as well, but only two years ago, with the launch of the National Rural Health Mission (NRHM).

However, key nutritional interventions as well as sanitation interventions were lacking. The main nutritional intervention, the Integrated Child Development Scheme (ICDS), though it has been in existence since 1975, has remained very low in coverage (barely a quarter of the country's children were covered till 2006). Also, India has one of the worst records on providing safe sanitation for its population, both rural and urban. The nutritional and health implications of poor sanitation are well known, but clearly there was no recognition of these synergies in the way policies were formulated.

Overall, one can firmly state that requirements to trigger the first synergy—between key basic services like health, education, water and sanitation—were completely ignored by policy-makers. Not surprisingly, the country's citizenry, not just the children, have continued to pay a heavy price for this policy neglect of BSS. The low human capital stock is a direct outcome of this neglect.

People with low levels of education, poor health status and nutritional levels are not able to take advantage of market opportunities even when they arise. Thus, when the economy did begin to grow faster in the 1980s (at the rate of 5 per cent per annum), the poor benefited only to a limited extent. It is not surprising that a large proportion of the population was still mired in poverty not only in 1973 but even in 1983 (45 per cent), when the number of poor were still stuck at 320 million. With relatively slow growth in agriculture, this was partly inevitable. In order to address the problem, the Central and state governments began launching DTPRs. The Maharashtra Employment Guarantee Scheme (EGS), initiated in 1972, was a precursor of the series of nation-wide wage employment public works programmes for which India's safety net became well known throughout the world in the development literature. Some other DTPRs were also launched (as discussed in the next section). But together they did not constitute a comprehensive strategy as they were programmes launched on an ad hoc basis.

These policy failures have been corrected since the beginning of the 1990s, with some elements of a broader social protection agenda being recognized as critical. One element that did receive attention from the beginning of the 1990s was elementary education. Sanitation and health services have received attention only in the current decade. Nutrition still remains seriously neglected. Social security remains generally neglected, though some DTPRs did become universal in the last two decades. The result has been that when economic growth increased, to 6 per cent per annum in the 1990s from the 5 per cent or so per annum in the 1980s, those in the bottom half of the population were probably unprepared to take advantage of the opportunities that arose. Not surprisingly, when growth became even more rapid, as it did during the Tenth Five Year Plan (2002-2007) period (at around 8 per cent per annum on an average), the inequalities increased, and the divide between 'India' and 'Bharat' became rather obvious.

3. Exclusion in India's rapid growth process: The scope of capability deprivation and its multi-dimensionality

The striking feature about social protection in India, in general—not just related to child well-being—is its high degree of fragmentation, and hence its inability, for that reason, to address the capability deprivation of those below the consumption poverty line (as estimated by the Planning Commission), and the vulnerability of those who are just above the poverty line. However, before we explain the current social protection system in place in India, it is important to establish the magnitude of the problem facing the policy-maker attempting to put in place a comprehensive and integrated system of social protection.

Note that in Section 1 we had established in our conceptual framework the need to address income/consumption poverty as well as the other human capability deprivations (that is, dimensions of human capital). Therefore, in both respects, we should first establish the scope of the problem in India, both in terms of consumption poverty as well as the overlapping capability deprivations. A social protection system which does not take cognizance of each of these aspects of poverty that children in India share with their adult care-givers would not be able to address the problems in a holistic manner.

3.1 The headcount ratio

India has successfully reduced the share of the poor in the population by 27.3 percentage points from 54.8 per cent in 1973 to 27.5 per cent in 2004. Between 1973 and 1983, the headcount ratio of the poor had declined from 54.8 per cent to 44 per cent, and it further fell to 36 per cent in 1993–94 and to 27 per cent by 2004–05 (see Table 1). Thus, 60 years after Independence, over a quarter of our population still remains poor. To make matters worse, there is growing consensus that the poverty line (Rs. 356 monthly per capita consumption expenditure for rural areas and Rs. 458 for urban areas in 2004–05) in India is much too low, and continues to be based on an out-dated consumption basket.

Table 1: Percentage of People below Poverty Line in India (1973–2004)

Years	Rural	Urban	Combined
1973	56.4	49.0	54.9
1983	45.6	40.8	44.5
1993	37.3	32.4	36.0
2004	28.3	25.7	27.5

Source: Various National Sample Survey (NSS) Rounds (27th, 38th, 50th, and 61st).

3.2 The absolute number of poor

Over time, while the headcount ratio of the poor has fallen, the number of the poor has barely changed over the last three decades: remaining constant over two decades before falling (321.3 million in 1973, 322.9 million in 1983, 320.3 million in 1993–94) to 301.7 million in 2004–05 (see Table 2). Therefore, the number of poor in the country has declined over the last decade (1993–94 to 2004–05) by roughly twenty million, and has remained practically constant over a 30-year period, or for half of India's existence as an independent nation. The social protection system for children and their families must take into account the sheer magnitude and intractability of the problem of consumption poverty.

In some states, the absolute number of the poor in the population has actually increased over the last three decades. In fact, the geographical concentration of poverty in the country has increased over the ten-year period from 1993-94 to 2004-05. The four states (Madhya Pradesh, Uttar Pradesh, Bihar, and Maharashtra) used to account for 49 per cent of the country's total poor in 1993-94; in 2004-05, these states (including Chhattisgarh and Jharkhand, that were carved out of Madhya Pradesh and Bihar, respectively in 2000) accounted for 58 per cent of the India's total poor. In other words, while economic growth has taken off in certain states and is one of the main reasons for driving down poverty in them, in the six states—Bihar, Jharkhand, Chhattisgarh, Madhya Pradesh, Rajasthan and Maharashtra—the growth has not been large enough to drive down the number of the poor (even though the headcount ratio may have fallen) in these states.

Most of the consumption poor (70 per cent in 2004-05) are, of course, in rural areas. Overall, the number of poor in the rural areas in the country, as a whole, declined from 261.2 million in 1973 to 220.9 million in 2004-05, that is, by just 40.3 million people over a 30-year period. This means that the rate of decline in the number of the poor has been 2 million per year.

Table 2: Number of Persons below Poverty Line (Millions) in India (1973–2004)

Years	Rural	Urban	Combined
1973	261.2	60.0	321.3
1983	251.9	70.9	322.8
1993	244.0	76.3	320.3
2004	220.9	80.7	301.7

Source: Various National Sample Survey (NSS) Rounds (27th, 38th, 50th, and 61st).

However, in the urban areas, the number of the poor has gone on increasing from 60 million in 1973 to 70.9 million in 1983, and from 76.3 million in 1992–93 to 80.8 million in 2004–05; this is hardly surprising since the share of the urban population in India's total population has also gone on increasing, driven partly by the rural–urban migration.

In other words, a social protection system that is comprehensive must take into account this phenomenon of large-scale and continuous migration, and the impact it has on women and children that are left behind in the village when only men migrate, and the impact on the children when whole families migrate.

3.3 Composition of the poor

The occupational composition of the poor has been changing and rural poverty is getting concentrated in the agricultural labour and artisan households, and urban poverty in the casual labour households. The share of agricultural labour households, which accounted for 41 per cent of the rural poor in 1993–94 increased to 47 per cent in 1999–2000 (these data are so far unavailable for the NSS 61st Round, 2004–05). In contrast, the share of the self-employed in agriculture among the rural poor fell from 33 per cent to 28 per cent. Casual labour households accounted for 32 per cent of the urban population living in poverty in 1999–2000, increasing from 25 per cent in 1993–94.

Among the social groups, SCs, STs, and backward castes accounted for 81 per cent of the rural poor in 2004-05, considerably more than their share in the rural population (Planning Commission, 2006) In 2004–05, while the headcount ratio of the poor in the total rural population was 28 per cent, among the SCs it was 36.8 per cent. In urban areas, the overall headcount ratio was 25.6 per cent, but among SCs, it was even higher than in the rural areas at nearly 40 per cent.

In terms of both income poverty and other indicators of human development (such as education and health), the STs are at the bottom. The increasing concentration of the tribals among those who suffer from multiple deprivations is a matter of concern.

3.4 Gender dimension of poverty

The incidence of income-poverty among females tended to be marginally higher in both the rural and urban areas. The percentage of female persons living in poor households was 37 per cent in rural (36 per cent for males) and 34 per cent in urban areas (32 per cent for males) in 1993–94, and 27 per cent (26 per cent for males) and 25 per cent (23 percent for males), respectively, in 1999–2000. In other words, the percentage of male persons living in poverty was lower than for females in 1993–94 and in 1999–2000 (data for 61st Round 2004–05 is not yet available). Yet, female persons accounted for slightly less than half of the poor, at about 49 per cent in both rural and urban areas during both the years (Planning Commission, 2006). The lower percentage of female persons among the poor (that is, 49 per cent) despite the higher female poverty ratio was due to an adverse sex ratio, which itself is a reflection of the discrimination that women and girls face over their lifecycle. It should be noted that the above measure of gender poverty ignores intra-household inequalities in consumption. There are other dimensions of poverty such as food insecurity, malnutrition, and health that are associated more with female members.

The fact that women are much worse off in terms of most social indicators is quite well known. SC and ST girls are the worst off in terms of most educational outcome indicators. For instance, in the critical age group of 15–49 years, when women are in the reproductive and most productive years, it is remarkable that 73 per cent of SC women, 79 per cent of ST women, and 61 per cent of the Other Backward Class (OBC) women are illiterate. Sixty-one per cent of the Muslim women are also illiterate; this percentage is relatively low, only because the rate of urbanization among Muslims is higher than for the other social groups.

The nutritional status of SC and ST women remains a source of worry as well. As many as 42 per cent of the SC women and 46 per cent of the ST women had a Body Mass Index (BMI) of less than 18.5, which is seen as the cut-off for malnutrition. The fact that as much as 30 per cent of the 'Other' women were also malnourished clearly indicates that there is a serious problem of under-nutrition among most segments of the population, not just SCs and STs.

3.5 Child poverty

Child poverty is widespread in India in both the rural and urban areas. The percentage of children below 15 years living in households below the poverty line was 44 in rural and 41 in urban areas in 1993–94, and 33 in rural and 33 in urban areas in 1999–2000. Among the poor population, the percentage of children increased from 44 in rural and 41 in urban areas in 1993–94, to 46 and 42, respectively, in 1999–2000. This rising tendency in the proportion of children among the poor contrasts with the proportion of children in the total population, which was constant at 37 per cent in rural areas in 1993–94 as well as in 1999–2000, and a marginal decline from 33 per cent to 31 per cent in urban areas during the same period. The high and rising level of child poverty is not only linked to a high incidence of child malnutrition, but also undermines their future capabilities and adversely affects equality of opportunity.

Given the scale of poverty, and the multi-dimensionality of the problem, it is clear that a very large share of the young population of India will be incapable of contributing to India's growth story, and thus there is a clear risk of the potential demographic dividend becoming a demographic nightmare. Hence, in the next section, we examine briefly the strategic failures that prevented the dual synergies from being realized in India while many countries in East Asia, and especially China, did succeed in realizing these synergies.

4. Defining a comprehensive social protection system for children

While the term 'social protection' could be used to cover both DTPRs as well as social security, the latter term normally has a very sharply defined connotation. It usually implies two major sets of measures: a) social insurance, and b) social assistance. The first set refers to old age pension, death and disability insurance, and health insurance. The second set refers to transfers made in cash and kind to deserving families or their members, which may or may not be conditional upon the family meeting some criteria or performing some task (for example, children attending school, pregnant mothers attending ante-natal care clinics, and so on). Unfortunately, there is not enough understanding among policy-makers about how important social security—as technically defined—is critical to the well-being of the family and consequently of the child. Hence, we address, in this section, first the need for a social security system for the household (especially those working in the informal/unorganized sector) and then the child-specific elements of an SP system. A comprehensive SP system for children in India requires: a social security system for workers in the unorganized sector and also directly targeted poverty reduction programmes aimed at the household, as also child-specific measures.

4.1 A comprehensive social security for the households

Consistent with our view that policies to promote growth and human development have to fit together hand in glove, one institution that will be required if the modern market economy has to become legitimate in the eyes of the poor is social insurance for a majority of the developing countries' labour force, who are in the informal economy. As Rodrik (2004) rightly notes: "A modern market economy is one where change is constant and idiosyncratic (that is, individual-specific) risk to incomes and employment is pervasive… One of the liberating effects of a dynamic market economy is that it frees individuals from their traditional entanglements—the kin group, the church, the village hierarchy. The flip side is that it uproots them from traditional support systems and risk-sharing institutions" (p. 17). Hence, the modern market economy, characterized by a large and growing informal sector, needs a system of social insurance. A major reason why the market-oriented model has elicited an adverse reaction from the poor in developing countries, especially in Latin America, which embraced the model most forcefully following the debt crisis of the 1980s, is that they have neglected social insurance, especially for those who toil in the informal sector of the economy.

However, social insurance does not mean unemployment insurance in urban areas—at least at the current stage of development of India.[3] We exclude unemployment insurance

3. Ironically, in January 2009, the Government of India proposed that those who already have ESIC coverage, and are losing jobs as a result of the slowdown in the Indian economy in the aftermath of the global financial and economic crisis, should be afforded a one-year unemployment insurance. Such a measure is

since the share of those in informal employment is so large in the developing countries that it is unrealistic to speak of such insurance on a wide enough scale; let us recall that even in the advanced capitalist countries, unemployment insurance was resisted most by employers and came last, much after other social insurance benefits (Skocpol, 1992; Korbi, 2000). We believe therefore, that a realistic programme of social insurance applicable to the informal economy wage workers, including home-based industrial/agricultural outworkers, in developing countries would be one which in the first instance only encompasses a limited set of benefits: maternity benefits for women workers, disability and death benefits for all workers, and old-age pension (or savings/provident fund scheme). In the short run, we would argue against a universal, citizenship-based scheme for all workers in the informal economy—even for these categories of benefits (Mehrotra and Biggeri, 2007; Mehrotra, 2008). A universal scheme can only work if the government of the day is willing and able to use general government revenues to finance such a scheme; beneficiary contributions alone will not suffice to cover the costs of such a scheme, especially on a universal basis. The defining characteristic of wage work in the informal economy is low wages and unstable income, since work availability is uncertain in nature and often seasonal in character, and hence contributions are more difficult to make for informal workers with uncertain incomes.

Yet, the needs of wage workers for some minimal forms of social insurance are undeniable and urgent. Even in countries with high economic growth, workers are increasingly facing less secure employment, such as the self-employed, casual and home workers. Hence, the gradual extension of formal social security programmes that currently cover a fraction of the labour force cannot be a solution for the social insurance needs of those in the informal economy. The labour force is expanding faster than formal sector employment.

Note that more than half the workers in the informal economy are women and also that children are more likely to work in the informal economy. Children could be working in the informal economy on their own, or alongside either of their parents. The latter happens particularly when families are hired in home-based work as part of industrial out-work (Biggeri, *et al.*, 2009).

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not exactly consistent with equity, since the majority of those in the unorganized sector of the economy, some of whom are also impacted adversely by the global slowdown and the decline in Indian exports, do not have access to any social insurance whatsoever, while those in the formal economy who are losing jobs are being offered an unemployment insurance.

Therefore, what is needed is a social insurance mechanism for all families that toil in the informal economy, so that the vicissitudes of the market economy do not subject the poor to a roller-coaster ride that characterizes the booms and busts typical of a globally-integrated market economy in the twenty-first century. This fact has been particularly underlined by the sudden exogenous shock of the global financial crisis beginning late 2008.

4.2 Child-specific measures

The purpose of this social insurance system is to prevent families from suffering sharp declines in incomes when exogenous shocks occur, like, for instance, the disablement of an adult breadwinner, or worse still, death. But child-specific deprivations necessitate the implementation of measures that are specific to children, such as early childhood care and education on a universal scale, and India is nowhere close to achieving these measures. Children in the age group of 6-14 years will require elementary schooling, but given that India is on the verge of universalizing access to upper primary schooling, there is need to move towards universalization of enrolment at the secondary level (from its current level of 57 per cent). But at the secondary level (in the age group of 15-18 years), children need a more healthy vocational education system at an earlier age than is currently provided (that is, in classes 11-12).

Most importantly, there is need for a SP system for the youngest children, in the age group of 0-3 years, who are the most deprived in India. They suffer from the highest levels of malnutrition in the world and of the 11 million children in the world who die before reaching the age of one year, as many as one million are Indian children. Thus, a health and nutrition package for children is clearly needed within the health system in order to facilitate the construction of a comprehensive SP package for children, which, in turn, must address the vulnerabilities of both the household as well as that of the child within the household.

5. Current social protection schemes

This section examines the schemes that are currently available in terms of social protection (SP) provided by the State to its citizens, and to children, in particular, in India. However, we should clarify at the outset that the term is being used in its broadest interpretation to include social safety nets and basic social services (BSSs), and thus includes but goes beyond the normal, traditional ILO definition of social security (which is confined to social assistance and social insurance). This section concludes by identifying the gaps in a comprehensive SP system that is desirable for India's trillion-dollar economy at its current stage of development. Such a system would actually serve to trigger the dual synergies discussed in Section 1, and thus achieve the goals of rapid economic growth, income-poverty reduction, and human capital formation commensurate with India's growing role in the world economy.

This section proceeds by describing the DTPRs of the Government of India (that are mostly implemented by state governments). In addition, smaller scale NGO-led efforts are also discussed briefly. At least four such programmes are worth noting: those which generate wage labour employment; those which generate self-employment; those which provide for rural housing; and those which provide social assistance for elderly poor. Except for the wage employment programmes, which have at least a 40-year history in the country, the rest of the programmes are of relatively recent origin, dating back to less than two decades.

5.1 Wage employment programme

It was noted in the previous section that the occupational composition of the poor in both rural and urban areas suggests that they are casual labourers. In rural areas, casual labourers could be both small and marginal farmers (defined in the Indian context as those who own less than 0.4 hectares of land, that is, less than 1 acre) as well as landless labourers. Small and marginal farmers are those who cannot produce enough to feed the entire family, let alone produce a surplus; therefore, they have no choice but to diversify their sources of income by working as wage labourers in rural areas itself, or at least one member of the household (normally a male) migrates to other more prosperous rural areas or an urban area in search of work. To such a labouring household, migration is a worse alternative to finding remunerative work in the neighbourhood of his home village, since there are many transaction costs associated with migration (for the migrant as well as the family). However, if market wages are low in the rural areas, then there is little alternative to migration. It is in this context that the National Rural Employment Guarantee Act (NREGA), effective February 2006, acquires salience. It has guaranteed, by law, 100 days of work per year to a household at a wage rate that is higher than the market wage rate. Its predecessor programme (the Sampoorna Grameen Swarozgar Yojana or SGRY) was largely driven by contractors and did not lay down the stipulation that 60 per cent of the expenditure was required to be spent on unskilled manual wage. In contrast, only 40 per cent of the total programme expenditure under NREGA is meant for materials, and the use of machinery is also impermissible.

Women have been special beneficiaries of the NREGA, since half of all workers getting work in the programme have been women. The majority of workers have also been SCs or STs. Thus, poor women and the children of poor SC/ST households have been major beneficiaries of this programme. Putting money directly in the hands of women also enhances their autonomy and their agency.

5.2 Old age pension

Under the National Old Age Pension Scheme (NOAPS), old age pension of Rs. 75 per month was provided to persons aged 65 years and above, who are destitutes (since 1996). However, the Centre increased this pension to Rs. 200 a month for 2006-07 (see Table 3). Normally, states supplement this amount with an equivalent amount (see Table 4). The objective of the NOAPS is to extend financial assistance to old destitutes having little or no regular means of subsistence. In general, it has succeeded in giving them a sense of security in life and has definitely improved their quality of life.

This pension is available only to BPL elderly destitutes (until November 2007).[4] Note that while this is called an old-age pension scheme, it is not really connected to one's earlier work status as a worker in the unorganized sector, though the presumption is that all these BPL elderly were workers in the unorganized sector.

4. It has been extended to all BPL persons over 65 years of age after November 19, 2007, as discussed later in this paper.

Table 3: Social Assistance Programmes of the Central Government

Name of the Scheme	Eligibility	Package of Benefits
National Old Age Pension Scheme (NOAPS)	Destitutes of age 65 years and above	Rs. 200 per month
National Family Benefit Scheme (NFBS)	BPL in the age group of 18 to 64 years	Lump sum family benefit Rs. 10,000 to the bereaved household in case of death (natural or accidental) of the primary breadwinner (male or female).

5.3 Death and Disability Insurance

Death and disability insurance for workers in the unorganized sector remains limited. A comprehensive scheme of social insurance of the Central Government is the Janashree Bima Yojana (started in 2000) providing insurance cover of Rs. 20,000 in case of natural death, Rs. 50,000 in case of death or total disability due to accident and Rs. 25,000 in case of partial disability. The premium for these benefits is Rs. 200 per beneficiary, of which 50 per cent is contributed from the Social Security Fund of the Central Government, and 50 per cent by the beneficiary/state government. Janashree is available to 18-60-year olds living below or marginally above the poverty line. The scheme covers groups of 25 members or more, belonging to the 24 approved occupation groups[5]. The limited reach of the benefits of the schemes to the unorganized workers and the absence of a direct link between a beneficiary and the Life Insurance Corporation (LIC) (the public sector insurer) have been major drawbacks of these schemes (see Table 5).

Second, the Central Government announced the Aam Aadmi Bima Yojana in late 2007. The members of all rural landless households, in the age group of 18-59 years will be eligible.

5. These groups include *beedi* workers, brick-kiln workers, carpenters, cobblers, fishermen, *hamals*, handicraft artisans, handloom weavers, handloom and *khadi* weavers, lady tailors, leather and tannery workers, *papad* makers attached to SEWA, physically handicapped self-employed persons, primary milk producers, rickshaw-pullers/auto drivers, *safai karmcharis*, salt growers, *tendu* leaf collectors, urban poor, forest workers, sericulture workers, toddy tappers, powerloom workers, and women in remote rural hilly areas.

Table 4: Disbursement of Pension from Central Funds and Contribution of State Governments under NOAPS, 2006-07

Name of the Scheme	Central Government	State Government
Andhra Pradesh	Rs. 200	-
Bihar	Rs. 200	-
Chhattisgarh	Rs. 200	Rs. 75
Goa	Rs. 200	Rs. 800
Gujarat	Rs. 200	Rs. 200
Haryana	Rs. 200	Rs. 100
Himachal Pradesh	Rs. 200	-
J & K	Rs. 200	-
Jharkhand	Rs. 200	-
Karnataka	Rs. 200	Rs. 200
Kerala	Rs. 200	Rs. 35
Madhya Pradesh	Rs. 200	Rs. 75
Maharashtra	Rs. 200	Rs. 175
Orissa	Rs. 200	-
Punjab	Rs. 200	Rs. 50
Rajasthan	Rs. 200	Rs. 200
Tamil Nadu	Rs. 200	Rs. 200
Uttar Pradesh	Rs. 200	Rs. 100
Uttarakhand	Rs. 200	Rs. 200
West Bengal	Rs. 200	Rs. 200
NE States		
Arunachal Pradesh	Rs. 200	-
Assam	Rs. 200	-
Manipur	Rs. 200	-
Meghalaya	Rs. 200	-
Mizoram	Rs. 200	Rs. 50
Nagaland	Rs. 200	-
Sikkim	Rs. 200	Rs. 200
Tripura	Rs. 200	Rs. 50
UTs		-
A & N Islands	Rs. 200	Rs. 300
Chandigarh	Rs. 200	-
D & N Haveli	Rs. 200	-
Daman and Diu	Rs. 200	-
NCT Delhi	Rs. 200	Rs. 200
Lakshadweep	Rs. 200	Rs. 100
Puducherry	Rs. 200	Rs. 200

Table 5: Social Insurance Schemes for Unorganized Workers of the Central Government

Name of the Scheme	Eligibility	Premium	Package of Benefits	Implementation
Janashree Bima Yojana (JBY)	Persons in the age group of 18 to 60 years and living below or marginally above the poverty line	Rs. 200 per beneficiary (50 per cent of the premium, that is, Rs. 100 is contributed from the Social Security Fund and 50 per cent contributed by the beneficiary/ state government/ nodal agency).	Rs. 20,000 for natural death, Rs. 50,000 for death or total permanent disability due to accident, Rs. 25,000 for partial disability.	Through LIC
Aam Admi Bima Yojana (AABY)	Rural landless households, in the age-group of 18-59 years	Rs. 200 per member will be borne by the Centre and states equally.	Rs. 30,000 for natural death, Rs. 75,000 for accidental death and total permanent disability, and Rs. 37,500 for partial permanent disability. Scholarship of Rs. 300 per quarter per child for two children of the beneficiaries studying in the ninth to twelfth standards.	Through LIC

Note: The benefit of Rs. 50,000 Janashree Bima Yojana on death/permanent disability due to accident increased to Rs. 75,000. On partial permanent disability due to accident, the benefit of Rs. 25,000 increased to Rs. 37,500 with effect from 15 August 2006.

The premium of Rs. 200 per member will be borne by the Central and state governments equally. The state government will be the nodal agency. A sum of Rs. 30,000 in case of natural death, and Rs. 75,000 in case of accidental death will be payable. A compensation of Rs. 75,000 will be payable in case of total permanent disability and of Rs. 37,500 in case of partial permanent disability. The scheme will also pay a scholarship of Rs. 300 per quarter per child for two children of the beneficiaries studying in the ninth to twelfth standards for its beneficiaries.

A very recent development has been that two DTPRS have introduced a life insurance component: the rural self-employment programme (Sampoorna Grameen Swarozgar Yojana through the self-help groups that it promotes) and the rural wage employment guarantee programme (National Rural Employment Guarantee). Those who are members of self-help groups (mostly BPL women) and those willing to undertake manual labour (normally only BPL adults) are entitled to get life insurance cover.

5.4 Health insurance

While the Central Government had introduced the Universal Health Insurance Plan a few years ago, it has barely taken off. Although there are a number of micro- or community health insurance schemes in place in many states of India, their coverage is extremely limited (Mehrotra, 2007). However, in early 2008, a health insurance system, restricted to the below poverty line (BPL) households and funded by the Central Government, was introduced in every state in a few districts. Women and children will be special beneficiaries of such a programme because NFHS data shows that when a poor household faces illness, the woman may not have enough autonomy to seek medical assistance for either herself or her child. It is, however, not restricted to women and children, but covers five members of a household that is identified as BPL (see Section 6.3 for its design).

A large number of community-based health insurance schemes have existed for those in the unorganized sector. Two of these schemes, which are rather well known and have relatively larger coverage, are the Yeshasvini scheme in Karnataka (begun by Dr. Devi Shetty of the Narayana Hrudalaya, Bangalore, fame) in 2004-05, which had enrolled two million farmers after only one year of operation, and the SEWA health insurance scheme. In other words, in some states, not just a Government-financed health insurance scheme, but smaller-scale non-government health insurance programmes have also been quite successful.

5.5 Social assistance

The Central Government has a minimal programme of assistance for death and for maternity benefit. The components of this programme are discussed below.

> The National Family Benefit Scheme (NFBS) provides a lumpsum family benefit of Rs.10,000 to the bereaved household in case of the death (natural or accidental) of the primary breadwinner (male or female), whose earnings contribute substantially to the total household income. This scheme is applicable to all the eligible persons in the age group of 18 to 64 years. The bereaved household has to qualify as being *one below the poverty line* according to the criteria prescribed by the Government of India.

> Under the National Maternity Benefit Scheme (NMBS), there is a provision for payment of Rs. 500 per pregnancy to women belonging to *poor households* for pre-natal and post-natal maternity care up to the first two live births. This benefit is provided to eligible women aged 19 years and above. The objective of the scheme is to extend financial assistance to pregnant women of BPL households up to the first two live births. In order to ensure better linkage with nutrition and national population control programmes, the NMBS was transferred to the Department of Family Welfare and was renamed as the Janani Suraksha Yojana in 2001-02.

The Central and state governments have also provided a variety of what are termed as 'welfare funds', but those mostly do not really meet the criteria of social insurance since all of them do not cover old-age pension, death/disability benefit, and maternity benefit, as well as health insurance. There are essentially two types of welfare funds in India: tax-based ones and contributory ones. The Central Government has created tax-based funds for six types of mines (including mica, iron, manganese, chrome, limestone and dolomite), *beedi* workers, cinema workers, dock workers and construction workers. All these funds are based on a tax levied on the products produced or services provided, and then earmarked for the use of workers in that product/service group. These funds were created by Acts of Parliament, and then separate legislation was passed to impose the tax.

However, a majority of these funds do not provide the key benefits that characterize social insurance—old-age pension, death and disability benefits, and maternity benefits. Instead, the funds defray the costs of: medical facilities and hospitals; water supply and facilities for washing; educational facilities and scholarships; housing and recreational facilities; family planning; and transportation to and from places of work. The legislation also provides that the Central Government can use the funds to grant a loan or subsidy to a state government for other welfare schemes for workers in that trade.

Similarly, several states in India have created funds that are contributory. Kerala has 20 such funds (for agricultural workers, auto rickshaw drivers, cashew workers, coir workers, construction workers, transport workers and others). Similarly, Assam has one for plantation workers, as do the states of Gujarat, Maharashtra, Karnataka and Punjab.

The experience with contributory funds is not encouraging (Jhabvala and Subramanyan, 2000). Their coverage has been limited, and there have been difficulties in collecting their contributions. Krishnamoorthy and Nair (2001) report that the Tamil Nadu Construction Workers' Fund does not only offer group personal accident insurance, and natural death and maternity assistance, but also gives assistance for education and marriage of children, and for funeral expenses. Given the limited benefits it offers, the fund has accumulated large reserves. Welfare funds have historically been most prevalent in the southern and western regions though they spread in the 1990s to some extent to the north and east; nevertheless, their overall coverage still remains small.

The overwhelming impression that this description leaves is that social insurance has remained in its infancy in India, at least for unorganized sector workers. O'Keefe (2007) estimates that in the unorganized sector, less than 1 per cent of the workers have any formal pension coverage through public schemes (while in the organized sector that share is 95 per cent). The unorganized sector coverage through commercial schemes is only 1.2 per cent for personal accident insurance, 0.5 per cent for private health insurance, and 23 per cent for life insurance. However, with India now boasting a $1 trillion economy, and with per capita incomes approaching middle-income status (nearing $1000 per person per annum), the absence of social insurance for the vast majority of workers in the unorganized sector should no longer be perceived as inevitable.

Gaps in India's system of social protection

In an economy in which 66 per cent of the rural workforce and 56 per cent of the total workforce is in agriculture, and 93 per cent of the total workforce (whether in agriculture, industry or services) is in the unorganized (or informal) sector, there are multiple sources of vulnerability. Thus, only 40 per cent of the total cropped land is irrigated, and the remaining 60 per cent is rainfed. In other words, an exogenous shock like lower than normal or inappropriately timed rainfall can make a difference between life and death for the small or marginal farmer, and even for middle level farmers. Interventions like public investment to enhance irrigation or improve rainwater harvesting and watershed development—essential as they are to improving incomes for such rain-dependent agricultural households—are outside the scope of this paper. It was noted in the earlier section that poor (SC and ST) households cannot access credit, and that too is essential. However, not only must they be put in place to ensure the orderly growth of agricultural output and income (and thereby sustain overall economic growth in the economy), but one element of a system of social protection must be a widely and easily accessible, affordable, and effective system of crop insurance in order to protect families from the exogenous shock that rain-gods periodically deliver to rural households. Currently, however, crop insurance is available on a very limited scale in rural India. There would be a severely adverse impact on the children of small, marginal farmer households if rains fail and the family has to suddenly migrate at short notice in search of livelihood.

We noted earlier that the absolute number of the poor are not only very high (300 million), but have remained static over the last three decades of India's planned development. This situation is worsened by the fact that the poverty line itself is defined at a very low level, well below the $1 a day poverty line per person in PPP terms.[6] We also noted above that a very high proportion of the poorest are also indebted. In fact, what we did not mention there was that the share of the small and marginal farmers who are indebted to non-institutional lenders (that is, money-lenders) has been growing since 1991 since the beginning of economic reforms. Therefore, there is not only a case for an expansion of financial inclusion, especially in rural areas and for small and marginal farmers. More importantly, there is almost no outright social assistance worth the name currently in place, either targeting children or pregnant and lactating mothers, regardless of whether they are poor or not. In fact, the only social assistance that currently exists is, as noted above, the National Old Age pension worth Rs. 200 per month for every old person over 65 years of age, who is also identified as poor (supplemented in 11 states by an additional Rs. 200 per month per beneficiary, with funding provided by the state government). And in January 2009, it was extended to BPL widows over the age of 40 years and to people with severe and multiple disabilities, who are over the age of 18 years. Other than these, there is almost nothing in place. There is almost no other social assistance available, including conditional cash transfers.

6. In fact, the Planning Commission constituted an Expert Group in 2006 to reconsider the poverty line, which submitted its report on the Methodology for the Estimation of Poverty in 2009.

The only conditional cash transfer (CCT) that is available is the Janani Suraksha Yojana, which entitles the pregnant mother to an institutional delivery. In fact, India is unique among the major emerging market economies of the world in having systematically avoided providing cash assistance, conditional or non-conditional. This is a serious policy failure, given, as we noted earlier, the following facts: a) high absolute number of poor in the country; b) high level of migration in the country, which uproots people from their traditional safety net in agriculture and land ownership; c) high number of landless people, who depend upon high-season availability of work in rural areas for earning a day's labour wage; and d) the reliance upon debt by the poor even for consumption purposes.

In other words, there is a strong case for filling this gaping hole in India's social protection system, by providing conditional and possibly even unconditional cash transfers.[7] The Indian State has relied for much too long almost exclusively upon large-scale wage employment programmes run by the government bureaucracy, and dependent upon the grossly indifferent delivery machinery. The Maharashtra Employment Guarantee Programme is a classic case of such programmes, followed by the Sampoorna Grameen Rozgar Yojana (SGRY), a predecessor to the NREGA. But a country that has had a history of public wage employment programmes going back over four decades, has never taken the global experience with CCTs seriously, with many arguing that CCTs only create dependency. What this argument completely ignores is that the government's delivery system of wage employment [or for that matter, other rural development and DTPRS have been entirely dependent upon a hopelessly inefficient and rent-seeking bureaucratic machinery that thinks little of rent-seeking even from the poorest of the poor.

The biggest distinction between CCTs and other DTPRs is that CCTs rely upon fewer transactions within the bureaucracy, while other DTPRs are entirely dependent for their effectiveness on the multitude of transactions that are involved from the level of the Central to the state to the district administration as well as now the panchayat system. In the Indian context, the strong advocates of CCTs barely consider the fact that even CCTs will have to be administered through the same rent-seeking machinery. Also, precisely because there

7. On a pilot basis, the central government has introduced from April 2010 in about 100 districts spread across most states a CCT for mothers for two children (see next section for description).

are fewer transactions involving that machinery in a CCT, they may prove to be a superior way of giving succour to the poor, provided, of course, the rent-seeking involved in bank transfers can be fixed. For example, CCTs given directly to mothers are more likely to benefit children than wage employment programmes.

The second big gap in a comprehensive SP system in India is the absence of a social insurance system. This is particularly alarming in a country wherein 86 per cent of the workforce is in informal employment in the unorganized sector, and another 6 per cent of the workforce is in informal employment in the organized sector (NCEUS, 2008). Thus, with 92 per cent of the workforce in informal employment, and correspondingly only 8 per cent of the workforce having access to any form of social security system, it can be argued that there is practically no social security system in existence in the country for a vast majority of the nation's citizens—not just children, but all citizens have practically no social security, contributory or otherwise. In fact, when this fact is combined with the gross failures of the public health system and its historically low public financing for any country at any level of development in the contemporary world, it becomes obvious that ordinary citizens are pretty much left to their own devices to fend for themselves if they are jobless or earn too low an income to pay for basic health services. A social insurance system will proffer a buffer to an informal sector worker who constantly faces vulnerabilities, given that he/she has no written contract, can be fired without any notice at all, has no health insurance, and has limited assets of his/her own in an urban setting to fall back upon in case of a job loss. Thus, in the case of the death of a breadwinner, the payments from a life insurance policy (paid for by the State for BPL families) may well ensure that a child is not pulled out of school and sent to work to compensate for the income loss.

The third big gap in India's SP system, not only for children, but for all adults as well, is the absence of a functional public health system. This is primarily because even 60 years after Independence, the Indian State still spends only 1 per cent of the GDP on publicly-provided health services, which pales in comparison with the OECD countries, none of which spends less than 4.5 per cent of the GDP (see Mehrotra and Delamonica, 2007, Chapter 3 for a discussion). Surprisingly, even the US government spends 6 per cent of the GDP on health services, and its citizens spend another 8 per cent of the GDP on health, making it one of the most high-cost health systems in the world, and one of the most highly privatized systems. However, what is really shocking is the fact that in India, the ratio of private expenditure (which accounts for some 80 per cent of the total health expenditure in the economy) to public expenditure on health is much greater than in the US.

In response to such high levels of private expenditure, and in order to reduce out-of-pocket costs, especially for poor patients, several attempts have been made in the past to introduce a system of health insurance. In fact, the Universal Health Insurance System (UHIS) was introduced by the Ministry of Finance of the Central government during the first decade of the twenty-first century. However, since the Finance Ministry had no experience in either designing or running such a scheme, it failed to take off. In 2008, therefore, the Central Government announced the creation of the Rashtriya Swasthya Bima Yojana (RSBY), which is spreading from a few districts to the entire country. It is anchored in the Ministry of Labour, which again is not the most appropriate Ministry to locate such a scheme.[8]

The fourth gap in the SP system is the absence of a nutritional and food security system for the 300 million poor people in the country. In fact, the most serious gap in the SP system available to families, and especially children, is the absence of a nutritional support system for children which actually works. The result has been that not only do India's children have the one of the worst child malnutrition rates, which is worse than in Africa, but one-third of India's adults also suffer from malnutrition. When one combines this fact with the dysfunctionality of the public health system, the life chances of India's children are truly threatened. The one programme that has been peddled as responding to malnutrition—the 33-year old Integrated Child Development Scheme—has failed miserably at even addressing the problem.

Similarly, India has had a long tradition of a food security system in the form of the Public Distribution System (PDS) for food and kerosene, which has existed since the 1960s. For about 30 years, the PDS was a universal system, with everyone entitled to a ration card with rations to go with it. The system is based on two components: every year, the government announces a minimum support price (MSP) for cereals and for other essential agricultural commodities, after which the Food Corporation of India (FCI) procures most of these

8. The ownership in the Ministry of Labour arose out of the happenstance that the proposals of the NCEUS proposals were to be implemented by the Ministry of Labour (MOL). While most of the other proposals of the NCEUS have resulted in a weak Act passed by the Parliament in 2009, its other proposal of health insurance also ended up being anchored in the MOL.

commodities in a limited number of surplus states of the country, and then distributes these commodities throughout the country, especially the deficit states, through a system of FCI-maintained warehouses and private contractor-driven transport companies. The PDS serves two purposes: first, it is supposed to enable the poor to access these essential commodities at the fair price shops spread throughout the country (and run by private shopkeepers); second, it is supposed to stabilize market prices through open market sales of these essential commodities by releasing stored commodities if the market prices of these commodities is rising. In 1997, the universal PDS became a targeted PDS, with the distinction between BPL families and above poverty line (APL) families being that the APL families had a lower entitlement than the BPL ones. The level of leakage of rice and wheat in the programme was high in 1983, which increased by 1993, and increased even further by 2004-05 (Planning Commission, 2008). At the same time, unfortunately, the level of malnutrition among adults in India has remained static at one-third of all adults: 36 per cent of all women had a BMI below 18.5 in 1998-99, and that share fell to 33 per cent in 2005; one-third of all men also have a BMI below 18.5, which is the cut-off for malnutrition among adults (IIPS, 2006). In other words, the TPDS was failing the poor, and continues to do so. A reformed TPDs, on the other hand, will ensure sufficient food in the poor households, so that women and children do not suffer from chronic energy deficiency and consequently the stunting that is the ultimate result of chronic protein-energy malnutrition (PEM). Clean water, safe sanitation and adequate health resources are also required if chronic PEM is to be avoided, but adequate calories are equally important.

The fifth gap in the SP system, even six decades after Independence, which particularly and directly impacts children is the absence of a publicly provided and financed school system that ensures quality elementary education, universally to all children up to the age of 14 years (that is, in class 8). High-achieving countries that managed to achieve education and health indicators comparable to those of the industrialized countries, early in their development process, all did so through State-provided and State-financed systems of schooling (Mehrotra and Jolly, 1997). The result of the failure in India to do so is that according to the Census 2001, India had an illiteracy rate of 35 per cent, as a result of which 350 million people were illiterate. This is not just the largest number of illiterates in a world of one billion illiterate people, but worse still is the fact that the number of illiterates in India in 2001 exceeded what the total population of the country was at the time of Independence in 1947. The educational system thus faces the following three-fold challenges:

- Ensuring that the more than 350 million illiterates already in the workforce acquire a modicum of literacy and numeracy, so that they can enhance their capacity to acquire skills and thus raise their earnings;

- Curbing illiteracy by reducing the drop-out rate before the completion of the primary cycle; and

- Implementing the fundamental right to elementary education and starting vocational education for the youth, not at the senior secondary level as is currently the case, but immediately after the completion of the elementary cycle.

Children will be impacted adversely if any one of these three components of education is neglected from this point onwards. About 80 million members of India's workforce are not literate at all, and another 90 million have barely completed primary education—together they constitute nearly 45 per cent of India's workforce. This is not the kind of workforce that is likely to ensure the inclusive growth that is the goal of the Eleventh Five Year Plan. In fact, as noted earlier, if the demographic dividend has to be realized instead of becoming a demographic nightmare, this is an absolutely critical part of the system.

6. Blueprint for a comprehensive system of social protection in India

Given the gaps that have been identified in Section 4 above in the SP system in the country, this final section spells out the contours of what a comprehensive system would look like. This is an agenda for the remaining three years of the Eleventh Five Year Plan, since most of its elements can be put in place by a new Central Government. However, the Central Government alone is incapable of installing such a system, since in India's federal democracy, the state governments constitute the key to the whole process, and not just in the social sectors. In fact, one of the serious failures of India's governance system has been precisely this lack of coordinated action between the Centre and the states, which is all the more needed in a large, extremely diverse, federal country. Given the country's diversity and differing levels of development of different states, the Central Government cannot dictate every detail of the design of programmes that are needed in every state if a comprehensive system of SP has to be put in place, which, in turn, necessitates commitment on the part of the state governments to actually politically own such a comprehensive system of SP. In fact, it has been seen in recent years that the sharing of funding of Centrally-sponsored schemes in the social sector between the Centre and the states has been a constant source of tension, with the state governments insisting that the Centre should bear a consistently high share [for example, 75 per cent, in the case of the Sarva Shiksha Abhiyan (SSA) or the Campaign for Universalisation of Elementary Education) of the total programme costs. Thus, the feasibility of such a comprehensive SP system is ultimately dependent upon two critical conditions: one, the commitment of the state governments to implement it (assuming that a Central Government is willing to partly fund it); and two, the Centre and states agreeing on a formula for sharing the costs of the programmes between themselves. The latter will, to a great extent, be itself dependent upon the economy growing at a rapid pace (9 per cent per annum over the period 2007-12 as envisaged in the Eleventh Plan), since that will ease the resource constraint for both the Centre and the states.

6.1 Social assistance

India has had a long-standing tradition of DTPRs that try and deliver wage employment through public works programmes. In fact, India is well known in the development literature as a country that has had the longest history of such programmes. However, the delivery mechanism of this wage employment activity has always been, and still is under the NREGS (and other directly targeted programmes), the indifferent and rent-seeking bureaucracy. Often the rent-seeking is so rampant that the beneficiary receives only a small share of the total expenditure incurred by the government on such programmes. And yet, direct social assistance in the form of conditional cash transfers has been frowned upon in the Indian system.

While a social assistance programme in kind, the Targeted Public Distribution System (TPDS) exists for food items and kerosene, there is plenty of evidence to show that the TPDS is an extremely inefficient form of transfer of resources, and marked by large-scale leakages and corruption on a very serious scale. In fact, so serious are its failures outside of some southern states (Kerala, Tamil Nadu and Andhra Pradesh) and recently Chhattisgarh, that even the Eleventh Five Year Plan document speaks about the need for a massive reform of the TPDS system. The reforms in Chhattisgarh have been a success, and deserve to be replicated. Thus, there is a clear case of massive reform of the PDS, and unless that happens, some people may argue that only a part of the TPDS may survive: the MSP-based procurement of a limited stock of grains to enable the government to intervene when open market prices are rising. The objective of that procurement would be only to meet the objective of stabilizing domestic prices locally wherever in the country food prices may be rising or falling inordinately. The other objective of ensuring food entitlements to a section of the population could be met through a system of food stamps, which could be exchanged for essential commodities from the open market; the shopkeepers from whom such products are obtained in exchange for the food stamps will convert the stamps into cash at a government office.

A reformed PDS is a very critical ingredient of a comprehensive SP system in India. But even if the food were available, the poor need to have purchasing power. That is precisely why there has been a perceived need in government circles for introducing CCTs. One of the most significant developments in this direction is the proposal in the Eleventh Plan to introduce a maternity benefit in the form of cash for all pregnant and lactating women. This proposal was introduced in April 2010 in about 100 districts of the country where the incidence of severe malnutrition is high. This would entail giving Rs. 500 per month to pregnant women starting from the period three months prior to childbirth, and giving them Rs. 1000 per month from childbirth until six months thereafter. The monetary benefit before childbirth would enable the pregnant woman to stop working and thereby hopefully become physically better prepared to give birth by gaining more weight than she normally does. Indian rural women hardly gain 5 kg of weight, on an average, during pregnancy, thus exacerbating the problem of low birth weight, a problem that afflicts one-third of the country's new-borns—the highest share for any country in the world. The continuation of the maternity benefit after childbirth would enable the mother to refrain from beginning heavy work immediately after delivery, thereby allowing her body to recover fully from childbirth, and most importantly, facilitate exclusive breastfeeding of the baby for six months, a phenomenon which is extremely essential for ensuring the health of the baby but which alarmingly has an incidence of only 56 per cent in the country. At the same time, it would be stipulated that the maternity benefit would be paid only contingent upon the pregnant mother undergoing at least three ante-natal check-ups, and the lactating mother receiving post-natal check-ups—it is in this sense that it would be a conditional cash transfer.

6.2 Social insurance

We make a case here for a product group or trade-based social insurance mechanism, which is not primarily financed from beneficiary contributions. Sector- and even product-group specific social insurance funds, financed mainly from a tax levied on the product, could be a significant way forward for all informal sector manufacturing activities. The tax on the product does not go into the general treasury, but is actually earmarked specifically for the purpose of creating such social insurance fund(s). The same mechanism for protection that is proposed here could also apply to agricultural products, and hence the agricultural sector. However, the mechanism for those who work in the services would be trickier, and hence could be more difficult to implement.[9] The DTPRs of the Central Government as well as several state governments in India have several such Funds but all of them are in the informal sector. The Philippines already has such a welfare fund in agriculture for plantation workers. Such product- or activity-based social insurance mechanisms could be an important precursor to the more universal citizenship-based social insurance mechanisms, characteristic of industrialized countries (see Chapter 12 in Mehrotra and Biggeri, 2007; also see Mehrotra and Biggeri, 2002).

Such a social insurance mechanism has the potential of reducing economic insecurity and reducing the backlash against market-oriented reforms. It may also promote the social cohesion needed during the structural adjustment process. Most importantly, in the current environment of a global financial crisis that is adversely affecting most developing countries including India by causing job losses, the need for a social insurance mechanism as well as for additional social assistance cannot be over-emphasized.

This kind of social insurance system will particularly meet the needs of migrant workers who come in search of work to the urban areas from rural areas. Migrant labourers may migrate with or without the family, leaving behind an informal social support network that they had in rural areas. In urban areas, migrant workers from one state usually tend to congregate in one neighbourhood, thus, to some extent, replicating the kinship networks that they have been used to back home. However, since wage labour is the only source of income for such

9. Even in services, such funds are not entirely inconceivable. They are already in place for film and cinema industry workers in India.

migrant labourers, they are usually asset-less in their urban surroundings, and normally live in rented accommodation, with several members of the kin group residing perhaps in one tiny room.

6.3 Health services, health insurance and a nutrition support system

Any SP system would be incomplete if those who labour in the unorganized sector of the economy do not have access to affordable and reliable health services. As noted above, an under-funded public health system has existed in India since the early 1950s, but it is hardly used by the public, which usually ends up turning to private health providers of uneven quality even in rural areas.

It is thus imperative for the objectives outlined in the NRHM to be realized on the ground. The NRHM has made it mandatory for Primary Health Centres (PHCs) to become operational round the clock seven days a week throughout the country, and funds have been provided to ensure that this stipulation is implemented. However, this would be possible only if the PHCs have full staff strength and the presence of the staff members at the facility is monitored. This necessitates the optimal utilization of the funds allocated to state governments for the purpose, as also the generation of sufficient funds for paying salaries and offering incentives to employees in rural PHCs. As regards the need to maintain the presence of staff *in situ*, two aspects have to be considered—(i) providing staff quarters to doctors and nurses at the PHC in order to optimize their efficiency, and (ii) ensuring that the Village Health, Nutrition and Sanitation Committees take their task seriously and actually monitor the presence of the auxiliary nurse and midwife at the sub-centre (the unit below the PHC), as also the presence of nurses/doctors at the PHCs.

A primary health system that functions round the clock would facilitate a significant improvement in maternal and child services, which would attract women/children to the public health services, thus reducing, to some extent, the private health costs of poor families.

> One of the critical services aimed at children—the ICDS—has failed to deliver for the last 33 years since its inception. However, the Eleventh Plan ensures universalization of the ICDS. The Plan allocations have also increased four times from Rs. 10,000 crore in the Tenth Plan to Rs. 42,000 crores in the

Eleventh Plan. The Eleventh Plan also argues for a complete restructuring of the ICDS so that its health and related functions are drastically reduced from the current five to at the most two (including growth monitoring, and referrals to the health sessions of and provision of supplementary nutrition to severely malnourished 3-6 year olds/pregnant-lactating mothers. At the same time, the *anganwadi* workers must be trained adequately to properly provide pre-school education (see later discussion).

Since the ICDS has failed miserably to address the needs of 0-3 year-old children, the child malnutrition rates have not declined. Hence, all the ICDS functions pertaining to 0-3 year-old children must be transferred to the health system, with the Accredited Social Health Activist (ASHA) and Auxiliary Nurse Midwife (ANM) together performing this role. Some aspects of the Tamil Nadu Nutrition Programme (TINP), with its two-worker model, could also be adopted.

Another dimension that has also been highlighted in the earlier sections is the high dependence of the citizenry upon private providers, and a very high share of out-of-pocket costs in the total health expenditure. As of late 2007, attempts are being made to remedy this by introducing a health insurance system for those in the unorganized sector. A Rashtriya Swasthya Bima Yojana has been implemented on a pilot basis in most states of the country. The health insurance scheme aims to facilitate the launching of health insurance projects in all the districts of the states in a phased manner for BPL workers. The definition of BPL is the one prescribed by the Planning Commission.

The scheme is based on the following:

(i) Contribution by the Government of India including 75 per cent of the estimated annual premium of Rs. 750, subject to a maximum of Rs. 565 per family per annum, and

(ii) Contribution by the respective state governments including 25 per cent of the annual premium, as well as any additional premium.

The beneficiary would pay Rs. 30 per annum as the registration/renewal fee. The administrative and other related costs of administering the scheme would be borne by the respective state governments. The beneficiaries would be issued smart cards for the purpose of identification, the cost of which would be borne by the Central Government.

The beneficiary would be eligible for such in-patient health care insurance benefits as would be designed by the respective state governments based on the requirement of the people/ geographical area. However, the state governments have been advised to incorporate at least the following minimum benefits in the package/scheme:

- Coverage of the unorganized sector worker and his family (including a unit of five) with the total sum insured to be Rs. 30,000 per family per annum on a family floater basis;
- Cashless attendance to all covered ailments;
- Hospitalization expenses, taking care of most common illnesses with as few exclusions as possible;
- Coverage of all pre-existing diseases; and
- Transportation costs (actual with a maximum limit of Rs. 100 per visit) within an overall limit of Rs.1000.

The state government would formulate project/projects for providing health insurance benefits for a defined geographical area, preferably a district.

In addition to the above stipulations, there must also be a clearly defined institution capable of organizing a health insurance programme. It can be an autonomous body, a state government department, a cooperative society or even an NGO. The organization should have the:

- Technical skills to understand the concept of health insurance,
- Ability to design a programme that is technically sound,
- Requisite skills to be able to discuss the components of the programme with the community, and
- Administrative capacity to organize the programme.

The other requirements for implementing the programme are as follows:

- There must be a network of healthcare providers (both public and private). The project should incorporate the use of private and all public healthcare providers, including ESI hospitals.

- Some basic data should be available regarding the demographic profile of the district concerned.

6.4 Filling gaps in the educational system

Four gaps have been identified in the school system that must be filled if a comprehensive SP system for the country has to emerge. What is common about the four gaps is that together they impact the quality of education hugely, despite the major investments that have been made through the SSA. First, regional differences in quality are huge, which is explained by the significant differences in the per student spending between the northern states and the southern ones. This financing gap between the huge high achievers and low achievers was not filled by the Twelfth Finance Commission or Planning Commission allocations. But there is a significant gap between the national average of the per student expenditure at the elementary level between the backward states and the developed states of the country. The Twelfth Finance Commission, through its earmarked allocations to elementary education for the states, managed to fill only 10 per cent of this gap, while the remainder was left to be filled by the state governments from their own resources, which they failed to do. If this gap is left unfilled again after the submission of the Thirteenth Finance Commission's report to the Central Government's Finance Ministry (in October 2009), there is a fear that this under-funding would survive, and the quality gaps in the northern states would continue into the next decade and the next Five Year Plan period.

The second gap till April 2010 was that the Right to Education Act was not in place. The Central Government had proposed such an Act to guarantee the right to elementary education, which has been enshrined in the Indian Constitution. Enacting this guarantee as a right would help in mopping up the remaining out-of-school children, apart from helping improve quality to ensure a reduction in the drop-out rates. Both the Gross Enrolment Ratios (GERs) and the Net Enrolment Ratios (NERs) have risen dramatically as a result of the expansion of infrastructure and the increase in the number of teachers hired after significant Central Government investments in the SSA. Bringing in such an Act would not have helped at an earlier stage of school development, when the infrastructure to guarantee the right itself was not in place. However, now is the right time to finally complete the process of universalizing elementary education. This necessitates an increase in the allocation for elementary education to fill the gap between the high-achiever and low-achiever states, which, in turn, needs to be backed by a Right to Education Act. The bill has already been introduced in the Rajya Sabha in the February 2009 session of Parliament, though it was not passed. Since it has been introduced in the Rajya Sabha, it will survive even when the new Lok Sabha is elected in May 2009 – and so it can still be enacted by the new government. The bill has already been introduced in the Rajya Sabha in the February 2009 session of Parliament, though it was not passed. Since it has been introduced in the Rajya Sabha, it will survive even when the new Lok Sabha is elected in May 2009 – and so it can still be enacted by the new government.

The third gap in the system of elementary education is the near absence of pre-school education in the ICDS system. First-generation learners from families wherein both the parents are near illiterate—as is the case with 300 million adults in the country—have a poor start in school at the primary level, if they have not been prepared at the pre-school level. The ICDS system, had, till 2006, covered only one-fourth of the country's pre-schoolers, and pre-school education has, in any case, been the most neglected aspect of the ICDS. The remaining children will now be covered under the ICDS, since as per the Supreme Court's stipulation, the ICDS now has to become universal. As a result, the number of *anganwadi* centres has increased from 6,00,000 to over 10,00,000 and is due to rise to 1.2 million in the country by 2010. More importantly, the currently over-worked *anganwadi* worker will not be able to devote time to pre-school education, since she is fully occupied with her five other health-related responsibilities. Hence, there is need for a second anganwadi worker devoted specifically to the purpose of imparting pre-school education. A provision was made for this second worker for at least the high priority districts in the Eleventh Plan, but unfortunately that financial provision has been diverted to other uses.

The fourth and final gap in the school system that needs to be filled is the lack of a healthy system of vocational education and of skill development for the 14-year olds who graduate from elementary schools, and for those youths who have dropped out from school and neither acquired a skill nor enough schooling to rise above the poverty line. This requires reforms in the vocational education system, which starts imparting vocational education only at the class 11 level but should start doing so earlier, at least at the class 9 level, and preferably even earlier at the upper primary (class 6) level. At the same time, the Skills Development Mission, announced in the Budget 2008-09, must quickly take off so that the youths who dropped out of school and are already in the workforce are encouraged to acquire skills that would help them raise their future incomes. Together, a reformed vocational education as well as upgraded Industrial Training Institutes (ITIs), for which the entry qualification is class 8, and the polytechnic system will ensure that the 15-24 year-olds are prepared to take up the opportunities emerging in India's rapidly growing economy.

One final point needs to be made with regard to the filling of gaps in the educational system. We had noted the large scale of migration from rural to urban areas, which is certain to increase with faster economic growth. Thus, it is critical that a national unique identity card system be put into place, so that benefits available to a person in one area could be availed of by the person and his family even after migration to another area. Otherwise, there will be large errors of exclusion of citizens who are eligible for these benefits, and correspondingly the high human costs associated with it.

7. Concluding Remarks

Economic growth increased significantly in the 1990s as compared to the 1980s, which was already higher than the growth experienced over the period 1950-80. During the current decade, growth has increased to much higher levels, and was over 8 per cent per annum during the Tenth Plan period (2002-07). Therefore, financial resources have become available during the Eleventh Plan (2007-2012) period to enable the Government to meet all the elements of a comprehensive SP System.

Economic growth in India fell to 6.8 per cent in 2008-09 due to the global economic crisis but rose to 7.2 per cent in 2009-10. But it is expected to resume a higher trend again in one year, primarily because India is less integrated into the global economy. First, unlike the East Asian countries, (and even China), barely 21 per cent of India's GDP is accounted for by exports, which is a major reason as to why the fall in global demand would have a lesser impact on the Indian economy. Second, India's savings rate at 38 per cent of the GDP (2008-09) and its investment rate at 39 per cent of the GDP would continue to drive growth as the domestic investment would still continue in view of the fact that the country's markets, like its investment sources, are mostly domestic. The only caveat is the following: the gross fiscal deficit for the Centre and the states together has, on account of the fiscal stimuli following the global crisis, risen sharply in 2008-07 to over 10 per cent of the GDP, which would have to be cut back to lower levels again. Hence, the resources for meeting the cost of an SP system of a comprehensive kind would need to come from expenditure switching from unproductive (fuel and fertilizer) subsidies, and also from revenue-raising measures (for example, some disinvestment in public sector enterprises, and tax measures) (Mehrotra forthcoming). If the latter two sets of measures are not taken early enough, the implementation of the comprehensive SP system proposed here would inevitably slip into the Twelfth Five Year Plan period.

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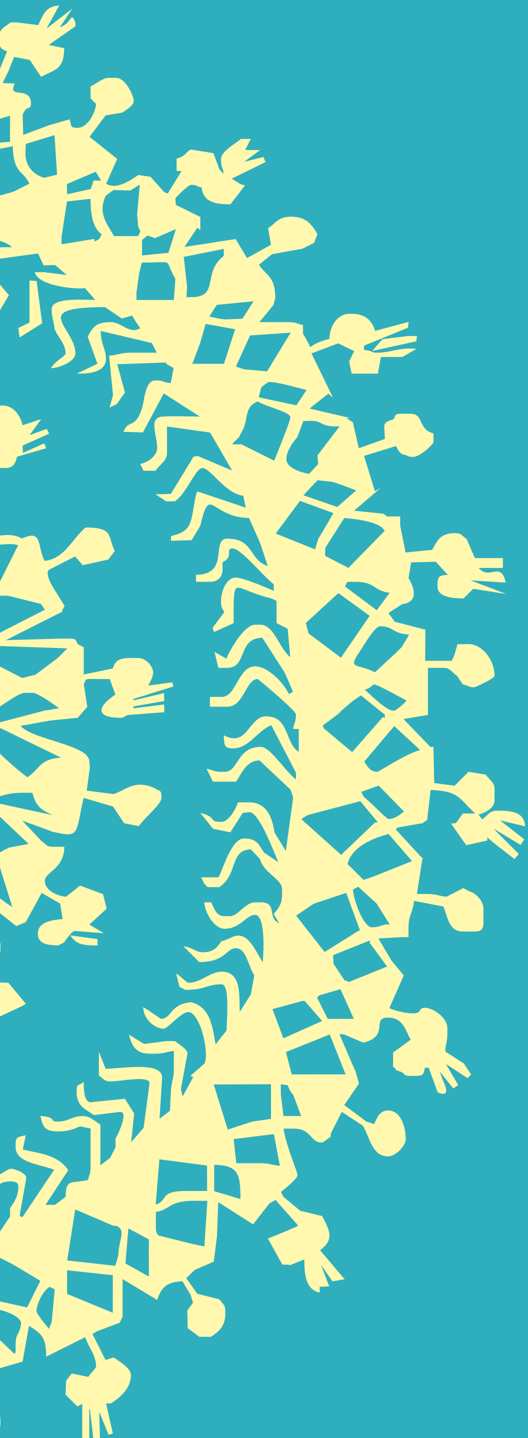

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