

PUBLIC SPENDING FOR PROTECTING THE POOR DURING ECONOMIC REFORMS: MYTH OR REALITY? EVIDENCE FROM ORISSA

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ABSTRACT

The prevalence of widespread poverty and deprivation in Orissa points towards the need for a comprehensive social security that would include judicious mix of promotional measure on the one hand, and preventive and protective measures put together on the other. This article advocates this as the state, based on trends, level and patterns of social security expenditure between 1987-2005, is not only devoting a low proportion of GSDP and total expenditure to social security measures but a very inadequate financing for preventive and protective measures during reform periods which mostly address the contingencies need of working poor as well as of non-working destitute- who have little or no income, being unable to work, because of age, disability or other reasons- and who are supposed to be bypassed by the conventional anti- poverty programmes.

Introduction

Ever since the seeds of reform measures have been sown in the country, the roots of this plant started spreading in all directions. A major purpose of this has been to promote more sustainable growth and redefining the role of the state in terms of being a facilitator. In order to mitigate the impact of economic reforms on the vulnerable section of the population, one of the four-fold objectives of Eighth Plan was creation of social security net through employment generation, improved health care and provision of extensive education facilities throughout the country. The approach paper to the Plan admitted that backward regions and the weaker sections of the society, if not protected fully, are likely to be left behind in the natural process of growth. This Plan laid considerable emphasis on enhancing social capabilities. Improvement in physical and social capital base of people in general and people at

the lower rung of societies in particular was considered to be the critical area of intervention. Nonetheless, studies show economic crisis and follow-up measures like stabilisation and structural adjustment policies pursued in India have, in fact, accentuated the fragile living conditions (Vyas 1993; Subbarao 1997; Ginneken 1998, 2003; Mahendra Dev 1999, 2002; Seeta Prabhu 2001). Many authors have also pointed out that as structural adjustment proceeds, the need for social security systems is becoming more important to face the impacts of structural adjustment programmes (Ginneken 2003).

Many researchers, both at the national and state level, empirically tested the impact of structural adjustment on different aspects of social security as well as the performance of social security measures during economic reform. Moreover, fiscal crises of the State and

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the greater dependence on growth to make a dent on poverty has brought to the fore the question of social security policies, particularly their financing and institutional aspects.

Given this background, the broad objective of this paper is to examine the levels and patterns of public spending which has a direct bearing on the poor and vulnerable in the context of economic reform in one of the poorest states of India, namely, Orissa which, in fact, has resorted to fiscal reform measures. It is worthwhile to mention that the fiscal situation in Orissa had been deteriorating, particularly, since 1990s, as shown in our next Section, going by the fiscal indicators. As a result, the State has resorted to fiscal reform measures in the late 1990s, mostly in the form of expenditure compression (Government of India 2002a). How this could have affected government expenditure on social security measures is an important question. Orissa earns the dubious distinction of being the poorest State in the country as per the latest official estimates for the year 2004-05. Similarly, it is the only State where the incidence of extreme poverty (measured in terms of proportion of population having a monthly consumption less than 75 per cent of State-specific poverty line) has increased (Mishra 2007). Moreover, contrary to the general notion that the poor are too poor to be unemployed, the incidence of open rate of unemployment, in fact, has gone up steadily in recent years.

Before examining the trends, levels and patterns of social security expenditure against the backdrop of reform measures in Orissa, it needs to be reiterated that provisioning of social security cannot be treated in isolation from the goal of achieving higher levels of human development and growth through improved distribution and financing of social security is considered in the light of linkages between these two (Prabhu and Iyer 1999, Prabhu 2001).

At the outset, it is necessary to examine the level, trends and patterns of social security expenditure in the State in the context of economic reform. For this, the whole analysis

henceforth has been discussed for two sub-periods - namely pre-reform era i.e., up to the fiscal year 1990-91, and reform era i.e., after the fiscal year 1991-92 depending on the availability of disaggregate and comparable data under the major and sub-major heads of individual components of social security measures. It may be highlighted at this juncture that the real fiscal reform measures in the State started since 2000-01 as can be found in the subsequent analysis in terms of improvement in major fiscal variables, when the State signed an MoU with the Ministry of Finance, GoI in April, 1999 to avoid deteriorating fiscal conditions experienced since mid-1980s. The next Section deals with the conceptual issues relating to the intricacies between public spending and the poor. Following this, Section III presents an overview of fiscal crises and reform measures in the State. In Section IV, the database used in the subsequent analysis is discussed in brief. Section V is devoted to an examination of trends, levels and patterns of government financing for social security in the State. In Section VI, the issue whether the brunt of expenditure compression is taken by the social security expenditure, and if so under which major head (s) is analysed. In the last Section, an attempt is made to bring together the main conclusions of this paper, and discuss their implications for social security provision in the State.

Protecting the Poor and Public Spending-Conceptual Issues

Broadly speaking, there are three generic issues relating to state-sponsored and state-supported social security, namely; the issue of targeting, financing and administration, which come to the forefront of policy agenda and planning for provisioning of social security. Policy issues pertaining to financing of social security, particularly in the context of economic reforms, assume overwhelming importance as it demands strong political will to mobilise resources in order to fight against hardcore deprivation. As Guhan (1994) rightly points out: "If resources are not available for social security,

it may be largely because the opportunity for mobilising ... is being missed". In the same line, a recent study commissioned by Asian Development Bank entitled 'Social Protection Index (SPI) for Committed Poverty Reduction' underlines the fact that the ability to provide appropriate social protection to a nation's citizens is not only a question of the country's wealth. Even poor countries can afford to provide basic SP like financing health care, cash transfers to the poor, and elderly and child protection as is evident from the fact that the SPI calculated for 31 Asia-Pacific countries has placed India at the 10th position, ahead of fast growing countries like China, Malaysia, and Vietnam in SP ranking (Asian Development Bank 2008). With the prevailing fiscal constraints facing the State and the follow - up fiscal reforms in terms of expenditure compression measures, through targeted cuts in fiscal deficit, it is of utmost importance to evaluate the government's commitment towards social security in terms of expenditure incurred by it.

It seems necessary to discuss in nutshell the conceptual basis of three conventional measures of social security. A brief overview of these measures would enable us to link up the elements contained therein with items under various heads in budget document so as to analyse issues relating to financing of social security measures in the context of economic reform.

In Guhan's (1994) view, the distinctive scope and objectives of three types of social security measures are: *promotional measures* envisage at improving endowments, exchange entitlements, real incomes and social consumptions and are operating at the macro and meso levels. Though oriented towards the poor, they may not be confined to them and are usually having universal provisioning characteristics. Primary education, primary health and nutritional programmes are cited as examples of this set of measures. Children are the major stakeholders of this measure. Second, *preventive measures* that seek more directly to avert deprivation in specific ways and these are

measures directly targeted towards the working poor. Examples include direct measures of poverty alleviation such as asset distribution, employment generation and food security. Lastly, *protective measures* that are yet more specific (i.e. highly targeted in nature) in their objective of guaranteeing relief from or protection against deprivation as the latter cannot be averted through promotional or preventive approaches. Examples include social security and welfare measures like assistance for the destitute aged/ disabled/ widows, etc.

However, it may be stated here that since promotional social security measures, are either universal in nature or self - targeting, from the point of view of our analytical thrust, it becomes important to separate out the expenditure on promotional measures and work at the expenditure on preventive and protective measures. This is because it is with respect to these two types of social security measures that efficient and effective targeting through institutional mechanisms become crucial to minimise leakage of resources.

Fiscal Crises and Reform Measures

The finances of the State have been deteriorating over the years since the mid-1980s and have worsened during the mid-1990s. Several factors have contributed to this precarious fiscal situation in Orissa. Among these the main are, increasing committed expenditures; negligible returns from capital expenditures, particularly in irrigation, power and water supply sectors; exponentially increasing debt servicing; and growing list of sick public sector undertakings.

The revenue deficit which on an average was Rs. 73.50 crore, during 1985-90, increased more than 20 times between 1995-2000. To meet this deficit or gap in the revenue account, the State government was compelled to utilise its borrowed funds which should have been utilised for capital formation. This is seen from the declining share of plan expenditure which mainly constitutes expenditure towards capital formation. The share of plan expenditure in total

expenditure declined from 32 to 23 per cent during the aforesaid period. Moreover, as a result of negative balances on the revenue account and increasing burden of committed expenditure, the development expenditures of the State are being compressed. Because of severe fiscal constraints, the State is unable to provide fully the counterpart funding requirements in respect of the CSP schemes, externally aided projects and rural infrastructure development fund projects, etc. (Govt. of Orissa 2005).

Greater the revenue deficit, greater is the borrowing and greater also is the debt servicing liability i.e., interest payment, as a consequence of which the revenue expenditure also becomes greater. This vicious circle has debilitated the financial structure of the State government and pushed the State towards mounting indebtedness, the result being the State having the highest debt- GSDP ratio (47 per cent in

1999-2000) among the major states, compared to all states average of 24.33 per cent, calculated by the Eleventh Finance Commission (GoO 2001).

The unsustainable magnitude of the debt, ever increasing revenue deficit and deterioration in the condition of other fiscal indicators forced the State to sign an MoU with the Ministry of Finance, Gol in April, 1999. This MoU stipulates specific fiscal reform measures for reduction in non-plan revenue expenditure and additional resource mobilisation, and thus aimed at strengthening the fiscal position of the State so that the difficulties could effectively be tackled. Nonetheless, expenditure compression was the major plank of fiscal reform, to rein over revenue and fiscal deficit. It is found that growth pattern observed during the middle of the first decade of the 21st century vis-à-vis 1990s, support expenditure compression as major means of reducing fiscal deficit (Table 1).

**Table 1: Compound annual growth rate of selected fiscal parameters
(at Constant =1993-94 prices)**

S.No.	Year	Total Exp.	Non-Plan Exp.	Plan Exp.	Developmental Expenditure	Non-Developmental Expenditure	Total
1	1980-81 to 1990-91	5.67	4.82	7.85	5.58	9.98	6.61
2	1991-92 to 1999-2000	5.90	7.43	1.30	2.85	7.26	4.21
3	2000-01 to 2004-05	-0.32	-0.18	-2.12	1.64	6.17	3.69
4	1991-92 to 2004-05	7.87	9.82	0.42	2.32	10.09	5.16
5	1980-81 to 2004-05	5.71	6.71	2.21	3.40	8.78	5.11

Source : Finance Accounts, Govt. of Orissa, relevant years.

A perusal of data in Table 2 corroborates this. Some of the important findings are:

a) Revenue receipts as a percentage of GSDP grew at a faster rate than revenue expenditure during 2000-05 when compared with the previous five - year period.

b) Revenue deficit as a percentage of GSDP fell from 4.38 per cent during 1995-2000 to 3.76 per cent during 2000-05. Moreover, revenue deficit as a percentage of revenue receipts reduced by 9 points during these two reference periods (from 30.61 per cent during 1995-2000 to 21.27 per cent during 2000-05).

c) Revenue deficit as a percentage of fiscal deficit, which shows the extent of borrowing incurred to meet revenue expenditures, fell by 15 points (from 30.15 per cent during 1995-2000 to 15.94 per cent during 2000-05).

d) Interest payments as a percentage of revenue receipts, however, have increased.

One of the possible explanations could be that it is because of heavy outstanding debt carrying high rate of interest, (the payments of which come under general services) such that interest payments are growing at a faster rate than revenue receipts.

It is expected that with the improvement

Table 2 : Trends in major fiscal indicators in Orissa

S. No.	Year	Revenue Expenditure as a % of GSDP	Revenue Receipt as a % of GSDP	Outstanding Debt as a % of GSDP	Revenue Deficit as a % of GSDP	Fiscal Deficit as a % of GSDP	Revenue Deficit as a % of Fiscal Deficit	Revenue Deficit as a % of Revenue Receipt	Interest Payment as a % of Revenue Receipts	Interest Payment as a % of Revenue Expenditure
1	1980-81 to 1984-85	14.39	14.56	30.42	-0.16	12.74	-4.67	-0.97	10.78	10.85
2	1985-86 to 1989-90	15.79	15.01	33.10	0.78	11.39	6.74	5.24	16.06	15.24
3	1990-91 to 1994-95	18.49	17.32	36.97	1.16	11.85	10.65	6.91	19.67	18.36
4	1995-96 to 1999-2000	18.96	14.58	40.97	4.38	14.76	30.15	30.61	26.12	20.13
5	2000-01 to 2004-05	21.99	18.23	58.42	3.76	22.33	15.94	21.27	33.19	27.33
6	1987-88 to 1990-91	17.06	16.31	35.30	0.74	12.67	6.03	4.78	17.42	16.62
7	1991-92 to 2004-05	19.88	16.57	45.90	3.31	16.54	20.17	20.93	27.01	22.32
8	1987-88 to 2004-05	19.25	16.51	43.55	2.74	15.68	17.03	17.34	24.88	21.05

Source: Same as in Table 1.

of fiscal management of the State in recent years, funds were available for developmental works and social security schemes. Accordingly, the analysis henceforth is made by dividing the whole reform period (1991-92 to 2004-05) into two sub-periods (1991-92 to 1999-2000 and 2000-01 to 2004-05), since one can say that there has been somewhat of a turnaround in the fiscal situation since 2000-01, with the major initiatives taken by the State government to correct fiscal imbalances, though the Central government's (basic at the centre initiated) stabilisation programmes since 1991 have, in a way, forced the states to carry out 'fiscal correction' measures.

Database on State- Specific Social Security Expenditure

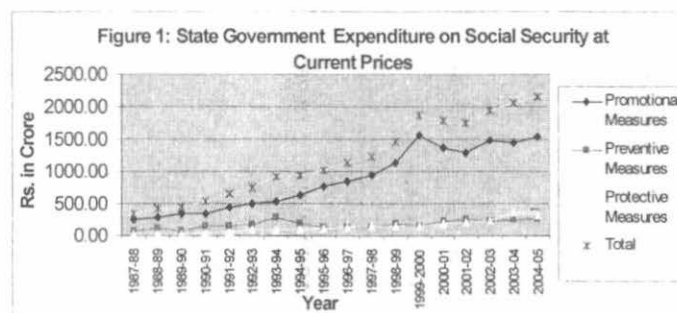
Having discussed these three sets of measures along with the components contained therein, now it is necessary to link up each element under these categories with the items under various heads in budget documents so as to analyse the levels and patterns of social security expenditure in the following Section. Most of the elements that are of interest are either major or sub-major heads in budget documents. At the outset it needs to be mentioned here that this type of classification of government expenditure (under major heads like share of expenditure on general education, sub-major heads like expenditure on elementary education in general education, minor heads like expenditure on direction and administration in elementary education) is being made since 1 April, 1987.

Accordingly, in the whole analysis, the database on State- based social security expenditure covers a period stretching over 18 years (1987-88 to 2004-05) and is compiled from Finance Accounts for these relevant years. The whole period is divided into three sub-periods namely, pre-reform period (1987-88 to 1990-91), first phase of economic reform (1991-92 to 1999-2000), and second phase of economic reform (2000-01 to 2004-05). The reasons for dividing the whole reform period (1991-92 to 2004-05) in this manner are cited above.

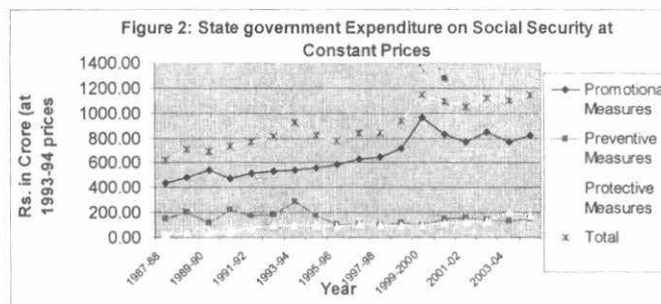
In keeping with the conceptual framework on social security outlined above, social security expenditure are classified into three categories namely, expenditure on promotional measures, preventive measures and protective measures. Expenditure on promotional measures includes expenditure on budget heads of elementary education, primary health (comprising rural, and public health and family welfare) and nutrition. Expenditure on preventive measures includes expenditure on budget heads of special programmes for rural development and rural employment. Lastly, expenditure on protective measures includes expenditure on budget heads of social welfare and other social security and welfare programmes.

Trends, Levels and Patterns of Government Financing for Social Security

Trends in Social Security Expenditure: A quick look of the trends in total social security expenditure and per capita social security



Source : Finance Accounts, Govt. of Orissa, relevant years.



Source : Finance Accounts, Govt. of Orissa, relevant years.

expenditure at current and constant (i.e., at 1993-94) prices are shown in Figures 1 and 2, respectively.

The trends in total social security expenditure at current and constant prices (i.e. at 1993-94 prices) reveal the following facts.

- The total expenditure on social security which was Rs. 349.8 crore and Rs. 621.9 crore in 1987-88 at current and constant prices,, respectively, increased continuously till 1999-2000 (to Rs. 1867.4 crore and Rs. 1150.5 crore at current and constant prices, respectively) and thereafter it decelerated for the next two years and ultimately it started increasing to reach the ever highest amount (Rs. 2144.5 crore and Rs. 1146.8 crore at current and constant prices, respectively) in 2004-05.
- Though the increase in the total social security expenditure between pre and post-reform, on an average, was more than three-fold (from Rs. 438.3 crore during 1987-91 to Rs. 1405.6 crore during 1991-2005) at current prices, the increment was less than one and a half times at constant prices (from Rs. 690.2 crore during 1987-91 to Rs. 956.1 crore during 1991-2005).
- The per capita social security expenditure started increasing continuously till 1999-2000 (reaching at Rs. 518) at current prices and thereafter it decelerated in the next two years but ultimately it revived again to reach the ever highest amount in 2004-

05 (Rs. 558). The per capita social security expenditure at constant prices, on the other hand, saw the peak level (Rs. 319) in 1999-2000 though thereafter it never crossed the threshold amount of Rs. 300.

- While the per capita social security expenditure, on an average, has increased by more than two and a half times (from Rs. 143 during 1987-91 to Rs. 392 during 1991-2005) at current prices, per capita real social security expenditure has increased marginally (from Rs. 226 crore during 1987-91 to Rs. 270 crore during 1991-2005) between pre-reform and post-reform period.
- Within the total social security expenditure, from 1987-88 the expenditure on promotional measures increased continuously till 1999-2000 and thereafter it did not exhibit any clear trend until it reached the ever highest level of Rs. 1542.8 crore in 2004-05 at current prices. But on the other hand, real public expenditure under this major head witnessed the ever highest level in 1999-2000 (to Rs. 961.5 crore), and thereafter witnessed a fluctuating trend over these 18 years under consideration. It may be highlighted that one of the flagship programmes (and relatively high budgetary allocations) "Sarva Shiksha Abhiyan" introduced in 1999-2000 which pushed up the expenditure on promotional measures as well as the total social security expenditure as a whole in the same year.

- f) Moreover, though the increase in the expenditure on promotional measures between pre and post-reform, on an average, was more than three-fold (from Rs. 306.7 crore during 1987-91 to Rs. 1034 crore during 1991-2005) at current prices, the increment was less than one and a half times at constant prices (from Rs. 484.5 crore during 1987-91 to Rs. 696 crore during 1991-2005). The per capita social security expenditure on promotional measures at current and constant prices has increased by around three - fold and by less than one and a half times, respectively between pre and post - reform periods.
- g) Expenditure on preventive measures reached the highest level (Rs. 287.8 crore) in 1993-94 both at the current and constant prices and thereafter fluctuated within a wider range-between Rs. 136 crore and Rs. 278 crore at current prices and between Rs. 96.4 crore and Rs. 170.7 crore at constant prices-with the average being Rs.180.3 crore and Rs151.5 crore for these two prices, respectively over a reference period of 18 years. A steep increase in spending on these measures in 1993-94 is partly due to (i) a substantial allocation of resources to the erstwhile self - employment programme IRDP (the total expenditure under this programme increased by Rs. 30 crore in 1993-94 over the previous year); and (ii) the introduction of a new wage employment programme, namely, EAS (and the total expenditure under this programme was Rs. 12.8 crore in the same year).

Though the expenditure on preventive measures at current prices, on an average, has increased by around two-fold between pre and post-reform, the expenditure at constant prices has, in fact, decreased between these two periods (i.e., from Rs. 169.8 crore during 1987-91 to Rs. 146.3 crore during 1991-2005).

- h) Expenditure on protective measures at current prices has increased continuously till 2003-04 since the initial year under reference. The allocation to this major head of social security witnessed the highest ever increase in the fiscal year 2003-04 (i.e., by Rs. 15.5 crore). Substantial increase in allocation to this major head in 2003-04 is due to a sharp rise in expenditure on State Old Age Pension Scheme (SOAPS) and Orissa Disability Pension Scheme (ODPS) (by Rs. 8.5 crore and Rs. 3.5 crore, respectively in this year over the previous year). The expenditure, on an average, was Rs. 138 crore over a period of 18 years. Moreover, the expenditure on an average has increased by more than seven times in the post-reform period over the pre-reform period (i.e., from Rs. 23.1 crore during 1987-91 to Rs. 170.8 crore during 1991-2005) at current prices. The per capita expenditure on protective measures, on the other hand, has increased by more than six times between pre and post-reform at the same prices.

While the total expenditure on protective measures at constant prices has increased by just over three times between pre and post - reform periods, the per capita expenditure has increased by 2.7 times between these two periods.

Efficiency of Public Spending for Social Security Measures

The analysis of public expenditure spending which gives an insight into the distributional aspects of budgetary expenditure can be decomposed into two parts: the efficiency of resource allocation across different lines of public spending and the efficiency within individual lines of public expenditure (Mundle and Rao, 1997). Here both inter-sectoral and intra-sectoral allocation of resources for social security measures has been examined over a period of 18 years. It thus helps in assessing changing social security priorities within the framework of fiscal management over a period of time. A perusal of data (Table 3) on inter-sectoral and

Table 3: Inter-sectoral and intra-sectoral allocation of resources on social security measures (in %)

S.No.	Year	Promotional Measures				Preventive Measures			Protective Measures			
		Elementary Education	Primary Health	Nutrition	Total (3+4+5)	Assests	Emplo-ymment	Total (7+8)	Social Welfare	Other Social Security and Welfare Programmes	Total (10+11)	GrandTotal (6+9+12)
1	2	3	4	5	6	7	8	9	10	11	12	13
1	1987-88	48.39	19.08	3.54	71.01	10.31	14.00	24.31	2.58	2.10	4.69	100.00
2	1988-89	48.51	16.59	2.43	67.53	10.56	17.29	27.85	2.65	1.98	4.62	100.00
3	1989-90	56.29	19.48	2.77	78.55	10.40	6.03	16.43	2.67	2.35	5.02	100.00
4	1990-91	45.67	16.19	2.34	64.20	6.02	23.45	29.47	3.03	3.29	6.33	100.00
5	1991-92	48.00	17.44	2.26	67.70	5.60	16.65	22.25	4.98	5.08	10.05	100.00
6	1992-93	47.71	14.95	2.55	65.21	4.91	18.00	22.91	4.65	7.23	11.88	100.00
7	1993-94	42.02	13.75	2.65	58.42	5.55	25.46	31.01	4.24	6.33	10.57	100.00
8	1994-95	48.04	17.57	2.43	68.04	8.54	12.23	20.76	4.86	6.34	11.20	100.00
9	1995-96	49.63	16.67	8.85	75.15	5.34	7.91	13.25	5.61	5.99	11.60	100.00
10	1996-97	50.94	15.73	8.24	74.92	4.48	7.96	12.45	6.63	6.00	12.63	100.00
11	1997-98	55.61	15.65	5.61	76.86	3.80	7.42	11.22	5.42	6.50	11.91	100.00
12	1998-99	54.97	17.18	5.17	77.32	4.80	7.73	12.53	4.35	5.81	10.16	100.00
13	1999-2000	66.58	13.37	3.63	83.58	2.40	5.98	8.38	3.62	4.43	8.05	100.00
14	2000-01	58.21	14.71	2.97	75.88	2.14	11.26	13.40	4.78	5.94	10.71	100.00
15	2001-02	56.80	13.98	2.66	73.43	1.90	12.79	14.69	5.46	6.41	11.88	100.00
16	2002-03	56.13	16.14	3.96	76.24	2.06	10.08	12.14	4.80	6.82	11.62	100.00
17	2003-04	53.25	13.55	3.00	69.81	2.03	9.90	11.93	7.48	10.78	18.26	100.00
18	2004-05	52.51	14.26	5.17	71.94	2.83	10.13	12.96	7.07	8.03	15.09	100.00
A	1987-88 to 1990-91	49.69	17.78	2.74	70.20	9.25	15.35	24.61	2.74	2.45	5.19	100.00
B	1991-92 to 1999-2000	52.10	15.69	4.55	72.33	4.93	11.97	16.90	4.86	5.91	10.77	100.00
C	2000-01 to 2004-05	55.34	14.54	3.57	73.46	2.20	10.81	13.01	5.93	7.61	13.54	100.00
D	1991-92 to 2004-05	52.88	15.35	4.22	72.46	4.03	11.68	15.71	5.28	6.55	11.83	100.00
E	1987-88 to 2004-05	52.18	15.91	3.90	71.99	5.20	12.46	17.66	4.72	5.63	10.35	100.00

Source : Finance Accounts, Govt. of Orissa, relevant years.

intra-sectoral allocation of resources for social security measures brings to fore the following :

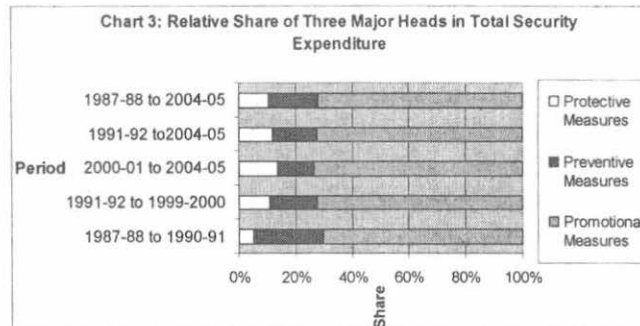
- a) The relative share of promotional measures ranged from the lowest level of 58.4 per cent in 1993-94 to the highest level of 83.6 per cent in 1999-2000, and on an average, it accounted for 72 per cent of total allocation of resources towards total social security expenditure over a span of 18 years. Within promotional social security, expenditure on elementary education has received on an average, 72 per cent of the total (and 52 per cent of the total resources meant for social security expenditure). The second major component under this promotional measure is primary health whose relative share has decreased sharply in the reform period (from 18 per cent in 1987-91 to 15 per cent in 1991-2005 of the total social security expenditure). On the other hand, social security expenditure towards nutrition has varied within a range of 2-9 per cent with the average being 3.9 per cent over the years.
- b) It is evident that the relative share of preventive measures in total social security expenditure has decreased significantly from an average level of 24.6 per cent in 1987-91 to 15.7 per cent in 1991-2005. Moreover, a steady decline in allocation of resources towards this component of social security measures can be observed in the first two sub-periods under consideration (from 24.6 per cent of the total social security expenditure during 1987-91 to 16.9 per cent during 1991-2000). Since this aspect of social security caters to the needs of the largest vulnerable group i.e., working poor, a relative squeeze of resources in this component would have ramifications for the economy as a whole. Of course, with the launching of the NREGS (since 2005-06), the largest employment guarantee scheme with relatively large budgetary allocation of resources, it is expected that

relative share of these social security measures would be safeguarded. Within preventive social security measures, employment programmes were more important than assets programmes over all the years under consideration. It is found that the allocation of resources under the former category, on an average, was more than twice of the latter.

- c) The important observation in the case of protective measures, which provide immediate relief to the destitute, is that its relative share in total social security expenditure has increased from a low of 5.2 per cent during 1987-91 to 11.8 per cent during 1991-2005 (with a steady increase in its share in between the first two sub-periods) which means that this component of social security has been paid greater attention in the reform period. Moreover, since 1991-92 (barring the fiscal year 1999-2000), the relative share of expenditure on these measures in total security expenditure has crossed the two digit mark, with allocations under this head being more than 15 per cent since 2003-04. Thus, there seems a healthy sign of expenditure management and prioritisation of resources as more and more resources are being mobilised towards this component of social security, which, in an important sense, is a correction of low priority and commitment given to protective social security.

To sum up, whereas relative share of promotional measures in total social security expenditure was kept more or less the same between pre and post-reform period, preventive social security measures received a setback in the post-reform period (Figure 3). On the other hand, in the post-reform period, protective measures witnessed an improvement in its relative share in total social security expenditure.

Levels of Social Security Expenditure : Studies show that the levels of social security expenditure (in terms of its share in GSDP, and



in total revenue expenditure) was not only quite low in Orissa during the early 1990s (1991-95) but was even lower than other income poorer States like Assam, Bihar and Rajasthan (Prabhu and Iyer 1999; Prabhu 2001).

Having discussed the share of inter-sectoral and intra-sectoral allocation of resources for social security measures, we now turn to examine the levels of social security expenditure in terms of proportion of total development expenditure, proportion of total expenditure and proportion of GSDP spent on social security expenditure over the years (shown in Figure 4):

The Probable Impact of Expenditure Compression on Social Security Measures: In the second section the case of expenditure compression- more particularly a sharp deceleration in the growth of plan and/ or development expenditure in the reform period was referred to. Therefore, it seems important to examine whether in the context of expenditure compression, social security expenditure had to bear the brunt, and if so to what extent. This issue

has been examined by two related concepts-(i) the growth of total and per capita social security expenditure and (ii) the elasticity of individual components of three measures with respect to total development expenditure and total expenditure in the reform period.

Growth of Total and Per Capita Social Security Expenditure: In Tables 4 and 5 the growth of individual components as well as three broad heads of total and per capita social security expenditure at constant prices (i.e., at 1993-94 prices) so as to assess the extent of expenditure compression in the context of economic reform, more particularly in the second phase (i.e., 2000-05) of fiscal reform was set out. A perusal of data from these two Tables reveals the following:

- The total social security expenditure grew at the rate of 3.3 per cent per annum during the reform period (i.e., between 1991-92 and 2004-05) as against the growth rate of 5.4 per cent during the pre-reform period (i.e., between 1987-88 and 1990-91). As seen from Table 4, there has been a

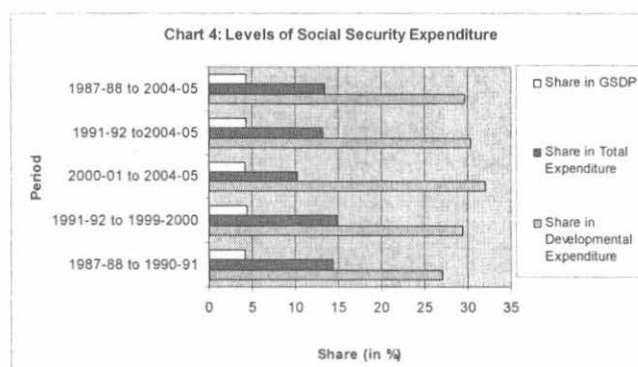


Table 4 : Growth of State government expenditure on social security (at 1993-94 prices)

S. No.	Year	Promotional Measures				Preventive Measures			Protective Measures			Total Social Security Expenditure	R square
		Elementary Education	Primary Health	Nutrition	Total	Assests	Employment	Total	Social	Other Social Welfare Programmes	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	1987-88 to 1990-91	4.64	1.48	-6.14	3.32	-10.90	10.20	5.44	10.20	22.12	15.80	5.44	0.76
2	1991-92 to 1990-00	7.27	2.29	15.39	6.64	-4.87	-12.02	-10.11	1.98	1.09	1.41	3.04**	0.46
3	2000-01 to 2004-05	-1.30	0.46	14.66	-0.21	8.04	-3.22	1.35	13.11	3.47	13.40	2.33	0.41
4	1991-92 to 2004-05	5.03	2.15	5.26	4.37	-6.29	-1.20	-2.48	5.30	5.57	5.41	3.28*	0.76
5	1987-88 to 2004-05	4.63	1.99	6.29	4.13	-6.44	0.03	-2.06	8.40	10.86	9.63	3.51*	0.87

Note: *, **, *** denote level of significance at 1%, 5% and 10 %, respectively.

Source : Finance Accounts, Govt. of Orissa, relevant years.

Table 5 : Growth of per capita State government expenditure on social security(at 1993-94 prices)

S. No.	Year	Promotional Measures			Preventive Measures			Protective Measures				R square	
		Elementary Education	Primary Health	Nutrition	Total	Assests	Employment	Total	Social	Other Social Welfare Programmes	Total		Total Social Security Expenditure
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	1987-88 to 1990-91	2.70	-0.41	-7.85	1.40	-12.54	8.18	-3.35	8.12	19.86	13.59	3.04	0.504
2	1991-92 to 1999-00	5.66	0.76	13.66	5.04	-6.31	-13.32	-11.47	0.45	-0.43	-0.09	1.62	0.18
3	2000-01 to 2004-05	-2.52	-0.79	13.26	-1.43	6.67	-4.46	-2.57	11.75	12.04	11.96	-0.23	0.02
4	1991-92 to 2004-05	3.58	0.75	3.81	2.92	-7.59	-2.57	-3.84	3.84	4.10	3.95	1.62*	0.48
5	1987-88 to 2004-05	3.07	0.48	4.71	2.57	-7.83	-1.46	-3.53	6.78	9.20	7.99	1.86*	0.68

Note: *, **, *** denote level of significance at 1%, 5% and 10 %, respectively.

Source : Finance Accounts, Govt. of Orissa, relevant years.

deceleration in the rate of growth of this expenditure during the period 2001-05, as against the growth rate observed during the period 1992-2000.

- b) Among the three major heads, social security expenditure on promotional measures only witnessed an improvement in the growth rate during the reform period (4.4 per cent per annum), compared to the pre-reform period (3.3 per cent per annum). However, there has been a negative growth of -0.2 per cent per annum in the second phase of reform (2001-05), as compared to an accelerated growth of over 6.6 per cent in the first phase (1992-2000). Spending on preventive measures, on the other hand, registered a negative growth of -2.5 per cent per annum in the reform period (1991-2005) as against 5.4 per cent in the pre-reform period, with a sharp negative growth of it in the first sub-phase of reform period (i.e., a negative growth of -10.1 per cent per year). As far as growth of public spending on protective measures is concerned, there is a sharp decline in it during the reform period (5.4 per cent during 1992-2005) as against high growth rate in the pre-reform period (15.8 per cent during 1988-1991). But it is heartening to mention at this juncture that public spending under this major head has grown at the rate of over 13 per cent per annum in the second phase of reform as against a very low rate of 2 per cent in the first phase of reform.

The per capita social security expenditure, on the other hand, grew at the rate of 1.6 per cent per annum during the reform period (i.e., between 1991-92 and 2004-05) as against the growth rate of 3 per cent during the pre-reform period (i.e., between 1987-88 and 1990-91). As can be seen from Table 5, there has been a negative growth of it during the period 2001-05.

This is mainly attributed to a negative growth in per capita public spending on

promotional measures during the same period (i.e., a negative growth of 1.4 per cent between 2000-01 and 2004-05).

- c) As far as per capita social security expenditure by major heads is concerned throughout the periods under consideration, there has been negative growth in preventive measures, and this negative growth got aggravated during the first phase of reform period (i.e., a negative growth of over 11 per cent during 1992-2000). Though the growth in per capita social security expenditure for protective measures was negative during 1992-2000, a sharp improvement in it in the second phase pushed up the rate on an average to 4 per cent per annum during the reform period.

From the above analysis we come to the conclusion that, there was a deceleration in the growth of total as well as per capita social security expenditure (at 1993-5 prices) during the reform period, even though there was an improvement in the growth of social security expenditure in absolute terms under the major head promotional measures in the reform period as compared to the pre-reform period. Reform period has witnessed negative growth in public spending on preventive measures and a deceleration in growth in protective measures. But this dimension does not explicitly reflect what extent a squeeze in total development expenditure (as a part of expenditure compression) as witnessed during the reform period has resulted in deceleration of overall growth of social security expenditure. The following section analyses it by using the concept of social security expenditure elasticity.

Social Security Expenditure : Is it Responsive with respect to Total Development Expenditure and Total Expenditure? Though a deceleration in the growth of social security expenditure in terms of total and per capita terms (at 1993

Table 6 : Elasticity of State government expenditure on social security with respect to total expenditure and total development expenditure

S. No.	Year	With respect to Total Expenditure				R Square	With respect to Total Development Expenditure				. ²
		Promo-tional Measures	Preventive Measures	Protective Measures	Total Social Security Expenditure		Promo-tional Measures	Preventive Measures	Protective Measures	Total Social Security Expenditure	
1	2	3	4	5	6	7	8	9	10	11	12
1	1987-88 to 1990-91	0.44	3.75	3.94	1.63**	0.97	0.41	2.30	3.37	1.21	0.79
2	1991-92 to 1990-00	0.88	-0.91	0.15	0.53*	0.75	1.58	-1.21	0.06	1.05*	0.87
3	2000-01 to 2004-05	-0.14	-0.39	0.31	-0.11	0.15	0.77	-0.06	1.98	0.67	0.55
4	1991-92 to 2004-05	0.50	-0.15	0.59	0.39*	0.82	1.63	-0.59	1.27	1.24*	0.90
5	1987-88 to 2004-05	0.58	-0.20	1.14	0.49*	0.82	1.62	-0.60	3.08	1.38*	0.93

Note:*, **, *** denote level of significance at 1%, 5% and 10 %, respectively.

Source: Finance Accounts, Govt. of Orissa, relevant years.

prices) during the reform period was experienced, it is not yet clear which specific components had to bear the brunt of expenditure compression. For this reason, there is another way of looking at the efficiency of expenditure management by introducing the concept of social security expenditure elasticity- which measures the responsiveness of individual components as well as major heads of social security expenditure to total development expenditure and total expenditure. On this basis, we can assess which components and major heads of social security are adequately protected or safeguarded in the reform period. The estimated social security expenditure elasticity with respect to total development expenditure and total expenditure is presented in Table 6.

From this Table it may be observed that, social security expenditure elasticity (with respect to total expenditure) which was greater than one during the pre-reform period, decelerated to 0.4 during the post-reform period. However, since total government expenditure among others contains committed expenditure like interest payments, pensions, etc., therefore, it cannot be argued that expenditure on social security measures should keep pace with total government expenditure.

In this context, the social security expenditure elasticity with respect to total development expenditure is a more appropriate measure. The elasticity was greater than one both in the pre and post-reform period implying that the sector was somehow got protected. But a perusal of data from the Table reveals that during the second phase of reform (i.e., 2000-05), the social security expenditure elasticity was less than one implying that the sector as a whole had to bear the brunt of expenditure compression. Moreover, among the three major heads of social security expenditure, the elasticity of spending on preventive social security measures was found to be negative in the two sub-phases of reform period (i.e., -1.21 during 1992-2000 and -0.06 during 2001-05), implying that for one per cent increase in total development expenditure, there was a decline,

in percentage terms in expenditure towards preventive measures during the post-reform period.

Further, it may be observed that expenditure on promotional measures has grown less proportionately than the change in development expenditure during the second phase of post-reform period (i.e., 0.77 during 2001-05), which means that this major head had to bear the burden of expenditure compression, though the expenditure elasticity was greater than one over the whole period of economic reform (between 1991-92 and 2004-05).

Looking at the protective measures, it is found that the expenditure under this major head is well protected. Though in the first phase of economic reform the expenditure elasticity (with respect to development expenditure) was only 0.06, it went up sharply to 2.0 in the second phase, and as a result, the expenditure elasticity was greater than one over the whole period of economic reform.

The above analysis suggests that during the period of economic reforms, expenditure towards promotional and protective measures was well protected and improved their proportionate share; on the other hand, the preventive measures had to bear the brunt of expenditure compression.

Concluding Observations

Despite the fact that high levels of poverty in the State of Orissa provide a strong justification for an adequate provisioning of social security measures, the analysis shows that the State is not only devoting a very low proportion of GSDP and of total expenditure to social security measures, moreover, these got reduced proportionately notwithstanding a significant improvement in the revenue receipts during the second phase of reform under consideration. This is a cause of concern as a large number of people depend on public provisioning for minimal social security in the State. Indeed, this has happened during the period 1993/94 2004/05, when the proportion and absolute number of 'very poor'

has increased in Orissa- the only State where this has taken place, which is a reflection of increased vulnerability amongst the poor.

As found in other states, there is an overwhelming emphasis on promotional measures in the State as the expenditure under this major head accounted for more than 70 per cent of the total social security spending both in the pre and post-reform period. But, a steady decline in the relative share of public spending on preventive measures during the reform period is a cause of concern as these measures are mainly targeting the poor in the working age group. Moreover, it is corroborated by the fact that during the period of economic reforms, these measures had to bear the brunt of

expenditure compression (as is evident from negative growth as well as negative elasticity of expenditure for these measures). On the other hand, the relative share (in total security expenditure), and levels (with respect to GSDP, total expenditure and total development expenditure) of protective measures has increased in the post-reform period. However, considering the extent of deprivation of non-working destitutes like the aged, the disabled (whose numbers have grown) who usually lack alternative means of support, it is less likely that without a sizeable increase in allocation of resources under this major head, a satisfactory coverage with proper targeting cannot be achieved.

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