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States as Laboratories: The Politics of Social Welfare Policies in India

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Abstract

This article examines the role of India’s states in shaping the implementation and framing of social policy within India’s federal system. Since the 2000s, the central government has overseen a substantial expansion of social welfare policies partly through a new push towards rights-based social provision. Most of the existing literature on the shift in social welfare coverage focuses on the national level. Yet, as we demonstrate in this article, it is India’s states that are both responsible for an increasing proportion of total public expenditure on social welfare provision as well as determining the nature and effectiveness of that provision across space. In addition to being the level of implementation for centrally designed programs, some states have themselves innovated by designing new social welfare programs, expanding national schemes or improving the capacity of the local state to effectively implement programs in more rule-bound ways that are less subject to local political intermediation. Factors internal to political competition within states also impact the ways in which relationships between states and markets have been altered in the course of implementing a new generation of welfare programs. Drawing on a comparative research programme across pairs of Indian states, we identify three critical factors in explaining how state-level political environments shape social policy: the role of policy legacies in shaping policy frames; the role of social coalitions underpinning political party competition; and the role of political leaders in strengthening state capacity to achieve program goals.
This article examines the role of India’s states in shaping the implementation and framing of social policy within India’s federal system. Since the 2000s, the central government has overseen a substantial expansion of social welfare policies partly through a new push towards rights-based social provision. Most of the existing literature on the shift in social welfare coverage focuses on the national level. Yet, as we demonstrate in this article, it is India’s states that are both responsible for an increasing proportion of total public expenditure on social welfare provision as well as determining the nature and effectiveness of that provision across space. In addition to being the level of implementation for centrally designed programs, some states have themselves innovated by designing new social welfare programs, expanding national schemes or improving the capacity of the local state to effectively implement programs in more rule-bound ways that are less subject to local political intermediation. Factors internal to political competition within states also impact the ways in which relationships between states and markets have been altered in the course of implementing a new generation of welfare programs. Drawing on a comparative research programme across pairs of Indian states, we identify three critical factors in explaining how state-level political environments shape social policy: the role of policy legacies in shaping policy frames; the role of social coalitions underpinning political party competition; and the role of political leaders in strengthening state capacity to achieve program goals.

Introduction: India’s New Welfare Regime

India introduced an important set of new social protection policies in the mid-2000s, like many other countries in the global south. The period since economic liberalization in 1991 had seen a partial roll-back of the state. A gradual opening up of the economy both increased market space and allowed for greater international exposure and choice of goods and services, all this taking place within a tight fiscal policy regime. Sustained economic reforms derailed a welfarist orientation before it had produced substantial changes, unlike other parts of the world where welfare state restructuring began after it had produced improvements in educational and health standards and the quality of social services. However, just when it was thought that welfare oriented political mobilisation was out of fashion, the Congress-led United Progressive Alliance (UPA) government brought issues related to welfare back to the center of politics.

New policies introduced from the mid-2000s focused particularly on social protection for India’s vast informal sector workforce. Although a majority of the Indian workforce operates in the informal economy, working conditions and insecurity of livelihoods within this huge sector were not a high public policy priority until the early 2000s. The existence of a large informal economy was perceived to be contingent, part of a transitional phase of capitalism and hence both the state as well as the trade union movement were not focused on interventions aimed at improving the welfare of the informal sector workers per se.¹ These
perceptions changed after 2000 as a result of both the increasing democratic pressures on governments (both central and states) and a realization that informalisation was here to stay within a more liberal economic environment.

Some of the most prominent initiatives introduced by the Congress-led United Progressive Alliance (UPA) government after coming to office in 2004 were a major public employment programme for rural households (Mahatma Gandhi National Rural Employment Guarantee Act, 2005), the Social Security for Unorganised Workers Act, 2008 which included health insurance for informal sector workers (Rashtriya Swastha Bima Yojana), and the National Food Security Act which expanded the coverage and lowered the prices at which subsidised food is available to poor households. Significantly many of these new programs were introduced via legislation which provided a statutory backing to the entitlements or ‘rights’ they offered, in a deliberate attempt to make a break with an earlier patronage-driven mode of (selectively) providing benefits to the poor. Some went as far as to describe the reforms as ‘audacious’. ²

State governments were at the front-end of both the squeezing of financial resources in the early years of liberalization as well as the expansion of provision under the subsequent inauguration of a new welfare regime. Economic liberalisation side-lined welfare as it was traditionally practiced and increased the possibilities of social tension and alienation. At the same time, when the UPA introduced a new welfare regime, it was quite different from the earlier model in that it built on shifting understandings of the relationship between the state, market and its citizens. These included the use of principles of choice in health insurance policies, and a shift from employer to state responsibility for social security.³ There has been substantial variation across states in how they adapted to, and themselves shaped, these shifts at the local level. Furthermore, states themselves, both before and after 2004, have been important originators of new social policies, some of which have also been scaled up.

In this article, we first set out the constitutional role of the states in the field of social policy and look out how recent changes to the architecture of fiscal federalism cement their importance as the critical layer of implementation for social welfare programs. We then move on to present a framework to analyse how the differing nature of political regimes at the state level drives the variation we see across states in terms of the decisions they make about how to design and implement social policy, including the levels of expenditure and priorities they accord to social protection and ultimately the outcomes of social policies. In the second half of the paper, we introduce paired comparisons of two sets of states (Tamil Nadu-Kerala, and Maharashtra-West Bengal) to demonstrate more precisely the ways in which subnational political environments shape social policy. We outline how subnational political coalitions, policy legacies and political leadership affect the design and implementation of a newer generation of social welfare policies, focusing in particular on health insurance and social security for informal sector workers. These four states are medium-high income states and one state in each pair (Kerala and West Bengal) have a strong history of social democratic ruling parties. We thus control for factors (economic development or left-wing political mobilization) that have hitherto been seen as important in explaining social policy performance.
Through these paired comparisons, we demonstrate that Tamil Nadu and Kerala have taken advantage of a push towards health insurance at the national level to direct flows of money and patients to public rather than private health providers in an attempt to improve capacity and performance within government hospitals. This has taken place within subnational political environments that have favored the maintenance and expansion of public social welfare provision over time as a result of the rotation in power of coalition governments with broad social bases, and the incremental layering of policy reforms over time. On the other hand, in West Bengal and Maharashtra, we show that despite rather different histories, continued strategies of political incorporation of the poor via forms of institutionalized patronage has undermined the commitment of either state government to prioritizing the effective implementation of social security measures for informal workers in recent times.

Drivers of Social Protection: Politics, Economics or Both?

There is a common assumption that economic reforms and increased openness to international trade have reduced the role for political action in shaping policy altogether and therefore that changes in social policy are driven predominantly by economic causes rather than political ones. For instance, Arvind Subramanian, chief economic advisor to the Government of India since 2014, extends to India the argument made by Dani Rodrik that countries had to increase their investment in social insurance to cushion against the volatility caused by globalization. In 2013, he wrote:

> Financial integration, whatever its merits, exposes the economy to greater volatility. Cushioning against this requires social insurance mechanisms—often in the form of greater spending, especially during downturns… In 2008 and 2009, the Indian economy, buffeted by the vagaries of international markets—because of India's increasing integration with them—had to deploy countercyclical fiscal policies. One legacy is increased government spending and larger overall deficits.5

Yet the assumption that changes in social expenditure by national governments can be explained by exposure to international markets or predominantly economic factors has come under critical scrutiny in a wide literature.6 The revenues generated by economic growth have been critical in facilitating an expansion of social expenditure in many emerging economies, including India since 2003. But domestic politics remain important for understanding the divergent policy choices of governments when faced with a similar set of economic conditions.7

When we scale down from the national to the state level,8 economic factors have also often taken pre-eminence in explaining the policy choices of subnational governments. Public choice economics from Charles Tiebout9 onwards has built on the assumption that the theoretical mobility of capital and citizens across the borders of subnational units leads governments to achieve an equilibrium between levels of taxation and public expenditure that reflects the interests of capital and a mobile citizenry. The outcome of inter-state competition – or ‘competitive federalism’ – is often held to result in a ‘race to the bottom’ in terms of social expenditure as jurisdictions reduce taxes and expenditure to attract investment.10 Recent increases in the proportion of central taxes transferred to states following the
recommendations of the Fourteenth Finance Commission raised concerns that they would lead states to cut back on social sector expenditure because of these kinds of pressure.

However it is important to recognise that fiscal decentralization does not necessarily decrease the size of the state or public spending, especially if it entails the decentralization of expenditure powers without corresponding revenue-raising powers – as is the case in recent Indian reforms.\textsuperscript{11} The continued reliance of states on fiscal transfers from the central government reduces the incentives for competition between states of a kind that would necessarily lead to a race to the bottom. The recent reforms to indirect taxation with the introduction of a new Goods and Services Tax regime will further reduce the scope for inter-state competition over rates of taxation. Thus inter-state competition need not result in a race to the bottom. Indeed the converse can also be true: subnational units can compete to improve provision, engaging in a ‘race to the top’.

It is clear, then, that political environments within India’s states play a critical role in explaining the variation seen across the country in the shape of subnational welfare regimes.\textsuperscript{12} There is wide variation across states in their progress on the multiple facets of poverty and deprivation. There is also considerable diversity in terms of their performance in the implementation of centrally designed social programs.\textsuperscript{13} Many states have introduced substantial innovations to the means by which they implement centrally designed policies. They have also introduced new schemes or extended the reach of existing central programs such as those focused on food security or health insurance for informal sector workers. On occasion, new schemes piloted at the state level have been scaled up to become national policy (such as Chhattisgarh’s Mitanin program for auxiliary health workers, or Andhra Pradesh’s Aarosgyari health insurance scheme).

**Changing Role of India’s States in Social Policy**

In most major areas of social policy, the central government and state governments have shared responsibilities under the Indian constitution. As Figure 1 shows, social security and social insurance, welfare of labor, and education (since 1976) all fall under the concurrent list of the Seventh Schedule of the Constitution. The important exception to this pattern is Public Health, which is an exclusive constitutional responsibility of the states. Thus, the division of responsibilities envisaged by the constitution in this field is essentially a cooperative one. The central government has wide prerogatives in terms of initiating new policy in these areas, but the states remain the critical arena for policy implementation – as well as having the rights to initiate new policies themselves. Furthermore, it is in the process of implementation at the local level that policies are themselves shaped and reinvented in important ways.\textsuperscript{14}

**INSERT FIGURE 1 ABOUT HERE**

Against this backdrop, a large proportion of social sector expenditure takes place at the state level. For instance, about 90 percent of total expenditure in health and education occurs at the state level.\textsuperscript{15} This is considerably higher than the share of the states in total expenditure which sits at around 50-60 percent.\textsuperscript{16} Inter-governmental transfers help the states to meet their shares of expenditure in these fields.
Over time, the contribution of the states to total social sector expenditure (across all areas of social sector spending, excluding food subsidies) has increased as a proportion of total government expenditure. Figure 2 presents an estimate of social sector expenditure by both tiers of government as a share of total government expenditure. While central government social expenditure has been expanding across the 2000s in absolute terms, in relative terms, it is the share of the states that has increased most substantially. Thus, it is critical to look at state-level expenditure when conceptualizing India’s welfare effort, contrary to recent analysis such as that of Devesh Kapur and Prakirti Nangia which has focused only on central government expenditure.¹⁷

**INSERT FIGURE 2 ABOUT HERE**

The revenues at the states’ disposal have increased by virtue of increases in revenue collection at both levels of government. Untied statutory transfers via the Finance Commission have expanded in size as a result of improved revenues, while revenue collection at the state level has also improved. In 2013-14, ‘untied’ central government transfers to the states (a combination of the share of central taxation and statutory grants) accounted for approximately 26 percent of states’ total revenues.¹⁸ Many states supplement their social expenditure from revenues generated from state-level taxation. On average, about 38% of total state expenditure today goes on social services, compared to 33% in 2006-7.¹⁹

The critical role played by the states in determining overall levels of social expenditure has been enhanced by changes to the pattern of fiscal devolution in 2015 following the recommendations of the Fourteenth Finance Commission. Following these recommendations, the BJP-led National Democratic Alliance (NDA) government in its second budget oversaw a substantial enhancement to fiscal decentralization, with an increase in tax devolution to states from 32 to 42 percent.²⁰ The biggest area of relevance to social policy was the future of support for what had previously been called ‘centrally sponsored schemes’. Many of the flagship welfare policies of the previous UPA government had taken the form of ‘centrally sponsored schemes’²¹ initiated and funded by line ministries rather than forming part of either the pool of revenues from taxation distributed between states according to the Finance Commission formulae, or the ‘Plan’ transfers for social and economic expenditure routed via the Planning Commission to the states. Conditional or tied funding via Centrally Sponsored Schemes overseen by central line ministries had been a key vehicle by which the central government sought to implement a new generation of social sector programs. Many centrally sponsored schemes required states to co- or match-fund central government expenditure. Their expansion had increased the discretionary nature of center-state transfers. As a result of criticisms about both the proliferation of such schemes and their centralized nature, they were moved from the oversight and budgets of central line ministries and routed directly to the states as ‘central assistance to states’ as part of ‘Plan’ expenditure in the 2014-15 budget.

The total budgetary allocation in 2015-16 to what were previously called Centrally Sponsored Schemes, and what are now described as central assistance to states (CAS), was reduced by 26 percent in 2015-16, as compared to the revised budget estimates for 2014-15 (which was itself Rs6 crores lower than the budget estimate for that year).²² This is in line with the increase in tax devolution to the states so that the overall volume of center-state transfers
remains broadly constant, but in theory the states receive a larger proportion of untied transfers that they can decide how to deploy.

It is too early to say what the longer term effects of these changes in fiscal devolution will be. But as Prime Minister Narendra Modi (himself a former Chief Minister) explained, the decision to increase the untied component of center-state fiscal transfers in the 2015 budget was taken with the goal of giving states the freedom to decide how and whether to continue social welfare programs hitherto overseen by the central government. This has been seen as a major shift in the extent of central government commitment to the UPA-led new welfare model. By moving away from ‘tied’ or ‘conditional’ forms of inter-governmental transfer the central government reduced its leverage with the states to require them to co-fund social policies. Instead the government espoused a vision of cooperative and competitive federalism (a so-called ‘Team India’) that hinged on policy experimentation and ‘healthy’ competition among India’s states to promote investment in policies aimed at poverty reduction and development. Narendra Modi resurrected an old Nehruvian tradition of writing to Chief Ministers in the states to inform them:

We are moving away from rigid centralized planning, forcing a ‘One size fits all’ approach on states....Our Government has decided to devolve maximum money to states and allow them the required freedom to plan the course of states’ development. The additional 10 percent of resources being devolved will give you this freedom. In this overall context when you are flush with resources, I would like you to have a fresh look at some of the erstwhile schemes and programmes supported by the centre. States are free to continue or change these schemes and programmes as per their discretion and requirement…This is all towards the fulfilment of my promise of co-operative federalism.

In the first year of this new financial settlement, there has not been a substantial shift in the fiscal commitments of the states to the social sector (and some states have increased their expenditure in this field). But funding uncertainties have affected program operation and the longer term consequences of this change to fiscal devolution are yet to be seen. However, whatever happens politics at the state level will remain a crucial driver of variation in outcomes across states. In the next section, we move on to examine in more detail the relationship between constellations of subnational politics and social policy performance.

**Part II. Subnational Political Regimes and Social Policy**

In almost all states, with only a few exceptions, political leaders recognize that increasing outlays in the social sector are ways to enhance their popularity with voters and thus increase their chances of re-election. Thus welfare-related promises are a central part of electoral contests across India. Yet the effectiveness with which welfare commitments are pursued varies.

The existing literature which has sought to explain the variation among Indian states in the extent of social policy coverage or public goods provision is of two types. On one hand,
large-N studies have sought to explain variation in levels of expenditure on public goods over time. The findings of these studies are inconclusive and contradictory. Whereas Chhibber and Nooruddin find that two-party systems at the state level provide more public goods because politicians must cultivate a wider public appeal, Saez and Sinha find that more fragmented party systems see higher levels of expenditure on public goods because of the greater degree of political uncertainty in such states. A partial explanation for this contradiction might hinge on levels of turnout: Nooruddin and Simmons find that in more fragmented party systems where turnout is higher, the size of the winning coalition is larger and politicians will spend more on public goods. Yet overall this literature is too sparse and contradictory to offer clear conclusions on how politics affects social policy. As Hicken and Simmons acknowledge, expenditure may also be a weak proxy for the quality of social service delivery. Furthermore these studies do not help to explain the substantial variation that is seen among two-party systems within India.

On the other hand, there are several exercises in qualitative subnational comparison within India. In a now classic study, Atul Kohli highlighted the role of penetrative, well-organized, left-of-center regimes in doing better at reducing poverty. His analysis focused in particular on the case of West Bengal following the rise to power there of the Communist Party of India. But in more recent times, ideology appears to be a weaker predictor of social policy effort. As we have documented elsewhere, states that have recently expanded their commitment to social policy and augmented administrative capacity to implement social sector schemes include what can be labelled the ‘incorporationist’ states of Chhattisgarh and Odisha. These are states that have very little left-wing influence on government, and also continue to be ruled by a fairly narrow upper caste-class alliance. Furthermore, states like West Bengal, earlier reputed to be stronger welfare actors, have weakened their position in this respect. They are thus not explained well by Kohli’s earlier typology, nor by newer exercises such as that by John Harriss. Harriss built on Kohli but highlighted that progress had since been seen in a larger range of states. His typology focused on the extent to which upper caste/class dominance had been challenged and institutionalized in state-level party systems as the earlier hegemony of the Congress Party came to be unsettled. Yet, as we have suggested, the newer range of welfare actors may also sit uneasily with Harriss’ typology since they include states in which upper caste dominance has persisted.

A third mixed method approach has been employed by Prerna Singh who demonstrates a connection between levels of social solidarity, or what she terms ‘subnationalism’, and social development (health and education) outcomes across states. This is innovative work, but looking at a wider range of indicators including state-level performance on newer social protection schemes, suggests that even states with higher levels of subnationalism on Singh’s index such as Punjab, Haryana or Gujarat have not fared strongly in policy implementation.

Given the limitations of the existing literature and the opening up of new variation in social policy outcomes across states related to the implementation of a new generation of central programmes, our recent research has focused on examining afresh which features of the subnational political landscape are important in explaining difference in outcomes across space. Three features emerge as particularly salient in our analysis: 1) policy legacies; 2)
breadth of social and political coalitions; 3) political leadership. We see these features working in conjunction with broader configurations within regional political economies to explain how states approach the design and implementation of new social policies. We thus recognize that we are dealing with multi-causal stories in which there are multiple pathways to relatively stronger, and relatively weaker, welfare regimes. In the next two sections, we explore how these factors help us to explain variation in state-level performance across two paired comparisons – Kerala and Tamil Nadu, and Maharashtra and West Bengal. These pairs include states with a history of left-wing political strength (Kerala and West Bengal), and they all represent middle income states. The contrasts between, and across, the pairs reinforce the need to look at the conjuncture of leadership, social and political coalitions, and policy legacies within the backdrop of wider state-level political economies.

Exploring State-Level Regimes I: Kerala and Tamil Nadu

In this section we examine how two states, Tamil Nadu and Kerala successfully adapted to the new welfare regime with a special focus on the health sector. Health has traditionally been a public good with the state as primary provider. However, with liberalization, social services like health were also opened up to the market. While the market has entered different sectors in health, we limit our focus to health insurance. Publicly funded health insurance allows political leaders to step on two stools at the same time. On one hand, it opened up private health care institutions to the larger public and on the other hand it enhanced the status of private for-profit health care providers. The underlying logic being that requirements of social welfare and the market can go together.

Andhra Pradesh was the first state to introduce a publicly funded health-insurance scheme in 2007. The Rajiv Gandhi Aarogyasri Scheme provides quality health care for people living below the poverty line. The government pays the premium, and the beneficiary gets cashless treatment in any ‘empaneled’ hospital (public or private) across the state. Subsequent analysis has revealed that the scheme predominantly benefited the private and corporate healthcare sector. A bulk of the procedures were not only done in private hospitals but more importantly, the districts with poor health infrastructure saw fewer surgeries as compared to those where the private health care providers were well established.36 The political-economy of the health care sector in the state explains why the scheme tilted towards the private healthcare sector.37

In sharp contrast to Andhra Pradesh, the public-private mix has taken a different turn in Tamil Nadu and Kerala. Though both states were influenced by the Andhra model, their schemes advantaged the public health care system rather than the private sector. At the same time, both states took different paths to privileging the public sector in the wake of increasing pressures to open up to market forces.

The central government launched the Rashtriya Swasthya Bima Yojana (RSBY) in 2008. The scheme was initially targeted at the BPL population in one district across each state, though subsequently it was expanded to cover other categories of unorganized workers and most districts in many states. The RSBY was clearly a new welfare regime policy. On one hand it
spoke of 'empowering the beneficiary' by providing the 'freedom of choice' between public hospitals. On the other hand, it also referred to the beneficiary as a 'potential client worth attracting on account of the significant revenues that hospitals stand to earn through the scheme'. The scheme identified what it called four stakeholders, the insurers, hospitals, intermediaries and the government and also spelled out their respective incentives. Like most centrally sponsored schemes, the funding was shared between the center (75 percent) and the states (25 percent). The beneficiary paid only Rs. 30/- as enrolment fees.

In implementing this central policy initiative, Tamil Nadu and Kerala took different decisions. Tamil Nadu chose to introduce its own scheme funded fully by the state government, while Kerala adopted the RSBY scheme. Kerala was one of the first states permitted to implement the scheme across all districts. At the same time, Kerala also decided to open the scheme to families other than the BPL families as well as those who wished to pay the premium themselves. Traditionally, when states have not had their way, in receiving funding from the central government for specific programs and schemes, financial arrangements have quickly become an object of center-state friction. For instance, in the mid '60s when the central government refused to increase the financial resources to continue with the cheap food grains scheme or refused to compensate Tamil Nadu for the loss of revenue in implementing dry (alcohol prohibition) laws in the state, it blamed the central government and argued that the center was discriminating against the state. However, in the new welfare regime, many states are not only better prepared to manage the exigencies, but have also experimented with central or centrally inspired schemes to their own benefit.

Though the basic model of the publicly funded insurance model was the same, both states brought significant variations to the scheme aiming to publicly finance the demand rather than the supply of healthcare. Both states were clearly going against the grain in so far as government-funded insurance schemes had hitherto been ‘tilting the funds to the already flourishing private sector while the public sector is starved of funds’. In Kerala, the low rates set by the state government for various medical procedures under RSBY made it unattractive for the private sector to offer these procedures. In Tamil Nadu, while the rates were not touched, certain procedures and treatments were reserved for the public sector. What appeared to be a minor tweaking was, in fact, based on a clear political logic.

Whenever markets are introduced in public welfare services, it has been found that they 'take power away from incumbent professionals', since the public sector now has to compete for the same resources which it hitherto got 'non-competitively'. Here again it is important to note that public policy often determines the scope and extent of space given to private players. In Tamil Nadu the reservation of procedures was based on demands from public sector medical college faculty, who were apprehensive that teaching would be hampered if adequate surgical procedures did not come their way. Similarly, in Kerala, the decision to 'price out' the private sector was intended to push money towards the public-sector, improve its infrastructural 'quality' and thus attract the bulging middle class into government hospitals. It is clear that both Tamil Nadu and Kerala, unlike Andhra Pradesh which empowered the private sector, increased the scope of state control in the health sector.

There is clearly no one model public-private mix in social welfare. When markets are
introduced in public services, the outcomes could vary since the public-private space can be manipulated to suit different interests. The question for us is not the impact of the introduction of the market in social services, but why the public-private mix varies. We argue that three dimensions are crucial to understanding how states adapt legislation or initiatives they receive from the central government. These include, political leadership, past legacy and political coalitions.

The question for us is not the impact of the introduction of the market in social services, but why the public-private mix varies. We argue that three dimensions are crucial to understanding how states adapt legislation or initiatives they receive from the central government. These include, political leadership, past legacy and political coalitions.

The term political coalition is not used in the restricted sense to denote governmental coalitions, but includes a collectivity of social and political groups who come together to achieve common goals. Political parties in Tamil Nadu and Kerala have built social coalitions that have brought together varied strands of society. Even if the party-systems are relatively more fragmented compared to other states, the political and social coalitions have reduced the impact of fragmentation and also created a sense of shared identity. Both states have multi-party competition with two-dominant parties. At the same time, both states have experimented with a wide variety of political coalitions, which have brought different parties together. While the smaller parties within the coalition, may cater to sectional and particularistic territorially concentrated interests, the dominant players who have a state-wide presence work towards aggregation. This is in sharp contrast to some of other states, where social identity mobilization has not only pitted different groups against each other but also enhanced resentment limiting what governments can offer when it comes to public welfare.

Consequently, there is a broad social consensus on the policy frame and on issues around which political parties compete which has, in turn, helped create standard expectations. The difference between political parties is typically on the specifics of a particular policy rather than the overall direction itself. Since the competing coalitions are representative of the social diversity in the states, there is a strong level of continuity between different governments on welfare policies, clearly underlining the social support for a publicly provided welfare regime.

Though the insurance schemes in both states were institutionalised by rival coalition governments, the subsequent governments in both states continued with the schemes and also increased their reach. In Kerala, the Congress-led United Democratic Front government in 2011 for instance, started a special scheme called the Karunya Benevolent Fund to take care of highly expensive treatments. This scheme was financed through income from the sale of lotteries. Similarly, in Tamil Nadu, the public-private mix got a distinctive public tilt when the AIADMK (All India Anna Dravida Munnetra Kazhagam) regime took over from the DMK (Dravida Munnetra Kazhagam). At the same time, the AIADMK regime also extended the scheme to Sri Lankan refugees, differently abled persons without income ceiling, farm laborers, small and marginal farmers and contract employees of Tamil Nadu State Marketing Corporation (TASMAC).

When we speak of political leadership in these cases, our focus is not a particular individual leader but in leadership and more specifically on 'developmental leadership' which is essentially a political process. It involves the 'organization and mobilization of people and resources in pursuit of particular goals'. Most importantly, there is an acute sense of understanding of the context, which helps to overcome collective action problems which
obstruct the achievement of goals. Given the political coalitions, they lead, political leaders are often constrained to maintain and consolidate a welfare commitment. Yet, in other states, political leaders may play a more exogenous role in challenging earlier legacies. This was the case, for instance, with respect to far-reaching reforms to the Public Distribution System (PDS) in Chhattisgarh and may also be important in Odisha in recent times.46

We also believe that past legacy plays an important role and policy decisions of today are not independent of the past. Given the past history of welfarism in the two states, the political leadership could not obviously abandon their commitment in the wake of financial squeezing or the market shift in welfare provisioning. Both states have transformed health service delivery along the way through a process of ‘layering’. Layering is probably the least painful way of bringing about change. In this process, old practices and structures are not abandoned but instead new practices and structures are built alongside or on top of the old. We saw that when new private actors entered the health sector, the older public sector was not ignored. Instead, new actors were grafted into the existing framework. Moreover, since the two states prided themselves on the quality of their public health system, they naturally privileged the old actors over the new players. Layering suits developmental leaders, since it allows them to introduce change while not unduly threatening existing interests. On one hand, it allows the continuation of a public welfare model and on the other hand, it creates space for the market as well.

Exploring State-Level Political Regimes II: Maharashtra and West Bengal

In its study of the state of social sector expenditure in states during 2015-16, the Accountability Initiative draws attention to two significant trends.48 One, it shows how despite an overall increase in the expenditure on social sector in state budgets, social sector spending, when analyzed as a percentage of total expenditure, has decreased marginally in many states. Secondly, the initiative notes how investments in social sector vary both at inter-state level and across sectors during this period. Both these conclusions prove useful in understanding the framing of social sector policies in what may be seen as ‘less consistent’ welfare regimes in states such as Maharashtra and West Bengal.

Our description of West Bengal as a less consistent welfare regime may come as a surprise to many since the state has long been known for its social democratic character and redistributive agenda. Maharashtra, on the other hand, has always been categorized as a pro-business state, along with Gujarat and Karnataka, where welfare policies remain more marginal in political discourse. Our examination of issues surrounding the social security of informal sector workers reveals that the discourse of welfare in both these states contains various internal inconsistencies and that these inconsistencies contribute to the marginalization of claims of the poor in the politics of both these states, albeit in different ways.49

The Unorganised Workers Social Security Act (UWSSA) brought together various ongoing social security schemes and sought to extend social security to workers in the informal sector. It located the responsibility of protecting informal sector workers with the state and freed the market as well as the private employers of responsibilities.50 It also did not envisage a central
role for non-state actors such as NGOs and trade unions in the implementation of social security schemes. A central recommendation of the legislation was the constitution of national and state level social security boards as advisory bodies for the state governments in implementing the act.

How did states, particularly Maharashtra and West Bengal use the act to extend social security to the informal sector workers? The structuring of regional political economies and their past political legacies played a major role. Maharashtra had pursued an aggressive agenda of economic liberalization since the 1980s and thus became one of the most urbanized and economically advanced states in the country. Urbanization in Maharashtra coupled with growing agrarian distress led to steady migration to the urban centers and swelling ranks of migrant workers absorbed in sundry services. The state also witnessed the rise of labor politics since the early post-independence period. However, the issues of the laboring poor and concerns about their welfare never became a key aspect of the electoral mobilizations in the state. Instead, Maharashtra developed a well-knit Congress system that survived intact for a long time on the basis of successful accommodation of entrenched interests and with an institutionalized system of patronage. Maharashtra’s party system became somewhat more competitive with the entry of the BJP – Shiv Sena coalition in the late 1980s. However, the texture of politics largely remained the same under the new system.

Politics and the economy of West Bengal developed differently under the leadership of the Communist parties. With the Left having roots in the history of mobilizational politics, Bengal created a regional variety of parliamentary communism that was more reformist than radical in its praxis. Left reformism was electorally successful in West Bengal in the 1980s due to moderate levels of economic growth coupled with a redistributive agenda. Yet, the politics of trade unionism remained limited in scope throughout this period in spite, or perhaps because of, the Left’s successful appropriation of the transformative discourse. Instead, the Left hegemony resulted in the formation of what Bhattacharya calls ‘party-society’. The Left’s monopoly over the party-society space subsumed trade union activism under partisan contestations and even monopolized the definitions of labor and the appropriate forms of its politics. As a result, despite its celebratory appropriations of the workers as vanguards of revolution, the actual extent of labor politics in Bengal remained limited under the Left regime. The arrival of a new political regime in the state in 2011 has seen a further decline in labour politics as even its ideological legitimacy was challenged.

The past legacies and the structuring of political competition in these two states thus lead to a paradox where issues of labor welfare and social security have been celebrated notionally- in the patronage discourses in Maharashtra and in the Left discourse in Bengal. Yet, both states fail to extend robust social security measures for the laboring poor in the informal sector. Prior to the passage of the ‘Unorganized Workers’ Social Security Act’ by the central government in 2008, both states had instituted some mechanisms of social security for informal sector workers. Maharashtra largely relied on state patronage and came up with targeted schemes for different sections of the informal sector workers (such as the Hamal Mapadi Mahannadal for head loaders; Construction workers’ welfare board, Bidi workers’ welfare board, etc). A somewhat unorthodox presence of trade union politics in Maharashtra
forced the state to involve market forces and the employers in extending social assistance to sections of informal sector workers like the head loaders. Accordingly, tripartite welfare boards were set up where representatives of the state, employers and employees were expected to work together in designing and implementing social security measures. The work of these boards remained fraught with constant confrontations among the stakeholders and more importantly due to the paucity of funds.

In West Bengal, the state’s social assistance programs for the poor were shaped in the context of its social democratic legacies and thus more universal rather than targeted schemes were instituted for the informal sector workers. The state assisted scheme for informal sector workers in West Bengal worked on the insurance logic but did not hold private employers accountable for social security. Besides the new initiatives came at a time when the government of West Bengal had changed its economic policies and had begun to relieve employers towards their responsibility for worker welfare in order to attract more capital to the state. The insurance model also suffered due to non-availability of state funds, uneven implementation of the scheme and lack of necessary infrastructure created by the state. Instead, the social assistance scheme remained enmeshed in the ‘party-society’ framework as the eligibility of the applicant of the scheme was to be certified by members of local government bodies.

The use of social security measures as extensions of political patronage by the ruling parties remains a recurring theme in the narratives in both Maharashtra and West Bengal. Maharashtra witnessed competitive political mobilization of female domestic workers in more recent times when the state enacted the domestic workers welfare act with an eye on the emerging woman constituency in the state. All the mainstream political parties in the state used the act as a political vehicle in the local elections. However, although it granted some political visibility to domestic workers in the state, the act did not extend any substantial social security benefits to them.

Finally, the effective implementation of the social security schemes for informal sector workers in both states was also marred by inadequate budgetary provisions and shifting priorities of the states in terms of internal allocations of funds to various key social services. A review of social sector expenditures in Maharashtra during 2008-2016 reveals declining trends in various social sector spending within the state. As per the budgetary estimate of 2015-16 the share of per capita expenditure on social services in the total government expenditure saw a significant decline from 38.03 in 2014-15 to 36.52 in 2015-16. In addition to that, a significant share of social sector expenditure is allocated to education and health services, leaving very little for schemes of social assistance for the poor. In fact, the central, as well as state legislations on social security for informal sector workers, did not provide for specific budgetary allocations for these schemes. Instead, the acts merely suggested a compilation of various welfare schemes for the poor under the auspices of the welfare boards. Thus, the onus was placed on state governments to both implement and determine funding for these measures. The situation in West Bengal, too, is comparable. The state has consistently added to the share of social sector expenditure to its total expenditure over the past fifteen years. However, a large part of the social sector expenditure is spent on
health and education, and the more specific requirements of the informal sector workforce are not accounted for in the state budget. The scant availability of financial resources thus reinforces the less consistent, ad hoc and politically motivated policy approach towards the social security of the informal sector workforce. The ad hoc policy approach emerges as a combination of past legacies, shaping of regional political economies, political party competition and the resulting political culture that encourages only selective inclusion of the working poor in the policy process.

Conclusion

In this paper, we have shown that India’s new and evolving welfare regime cannot be understood from the top-down. It is only by looking at the ways in which central legislation and policy direction is received and shaped in the implementation process within states that both the achievements and challenges of a new era of social legislation can be understood. As states take on a larger responsibility for financing social expenditure, as a result of new fiscal devolution rules, their role in setting priorities and initiating new policies, as well as shaping the implementation of ongoing centrally initiated programs, will be enhanced. In this article, based on the findings of an ongoing research programme, we have shown how patterns of political competition at the subnational level and regional political cultures coalesce to produce particular policy legacies that shape the way that states have approached the provision of social security for informal sector workers. Political leaders and the social coalitions they lead play an important role in shaping the relationship between state and markets as they impinge upon the delivery of social services and social security for the laboring poor.

We have shown that Tamil Nadu and Kerala have used the introduction of health insurance to rebalance the relationship between public and private providers, in contrast to other states where insurance-based financing has supported the expansion of private healthcare. This has been accompanied by a progressive widening of program coverage. Whereas in Maharashtra and West Bengal, despite histories of left-wing and/or trade union organization, political coalitions have obscured the interests of informal sector workers such that they remain targets for selective inclusion rather than rights-bearing claimants of welfare. In providing a sketch of how these dynamics work within particular regional conditions, we hope to inspire further research on the linkages between subnational politics and policy outcomes in comparative perspective.
## Figures

**Figure 1. Constitutional Division of Responsibility for Social Policy**

<table>
<thead>
<tr>
<th>Union List</th>
<th>State List</th>
<th>Concurrent list</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation of labour and safety in mines and oilfields</td>
<td>Public health and sanitation; hospitals and dispensaries</td>
<td>Economic and social planning</td>
</tr>
<tr>
<td>Union pensions (pensions payable by Government of India or out of Consolidated Fund of India)</td>
<td>State pensions (all pensions payable by the State or out of Consolidated Fund of the State)</td>
<td>Social security and social insurance; employment and unemployment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Welfare of labor including conditions of work, provident funds, employers’ liability, workmen’s compensation, invalidity and old age pensions and maternity benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Education, including technical education, medical education, and universities</td>
</tr>
</tbody>
</table>

*Note: Figure reproduced from Louise Tillin, Rajeshwari Deshpande and KK Kailash (2015), *Politics of Welfare: Comparisons across India’s States*. New Delhi: Oxford University Press.*

**Figure 2. Social Sector Expenditure by Centre and States as Percentage of Total Government Expenditure**

<table>
<thead>
<tr>
<th>Year</th>
<th>Central government expenditure</th>
<th>State government expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>5%</td>
<td>30%</td>
</tr>
<tr>
<td>2000-01</td>
<td>7%</td>
<td>28%</td>
</tr>
<tr>
<td>2006-07</td>
<td>8%</td>
<td>27%</td>
</tr>
<tr>
<td>2007-08</td>
<td>9%</td>
<td>26%</td>
</tr>
<tr>
<td>2008-09</td>
<td>10%</td>
<td>25%</td>
</tr>
<tr>
<td>2009-10</td>
<td>11%</td>
<td>24%</td>
</tr>
<tr>
<td>2010-11</td>
<td>12%</td>
<td>23%</td>
</tr>
<tr>
<td>2011-12</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>2012-13</td>
<td>14%</td>
<td>21%</td>
</tr>
<tr>
<td>2013-14</td>
<td>15%</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Note: Figure reproduced from Louise Tillin, Rajeshwari Deshpande and KK Kailash (2015), *Politics of Welfare: Comparisons across India’s States*. New Delhi: Oxford University Press.*
Notes: Social sector spending includes total expenditure on budget categories of social and community services plus rural development. Central government expenditure includes the totals reported in these budget categories in table 2.1 plus the estimated share of non-apportionable central plan grants spent by the states on the social sector. The states’ share of total social sector expenditure, therefore, provides an estimate of the amount that states spend on the social sector from the untied revenues at their disposal (a combination of their own revenues and share of central taxation). Our thanks to Indira Rajaraman for assistance with the data. Any errors are our own.

3 On the latter see Agarwala, Informal Labor, Formal Politics, and Dignified Discontent in India

Source: Data calculated from Tables 1.1, 2.1 and 3.1 of Indian Public Finance Statistics 2014-15, Ministry of Finance at http://finmin.nic.in/reports/IPFStat201415.pdf (accessed 15 February 2016)
levels of public spending on basic education and health services in India, but present only a partial view of overall spending by using only central expenditure data.

18 Calculated from tables 2.1 (for statutory grants) and 3.2 (for states’ share of central taxes and total revenues) of Indian Public Finance Statistics 2014-15
20 Although changes to the devolution formula used by the FFC including new environmental measures to recognise forest cover, altered the distribution of central revenues across states, all states saw at least a 20% increase in central transfers in 2015-16 compared to the previous year. See Kapur, Srinivas and Choudhury, ‘State of Social Sector Expenditure’, p.3.
21 Centrally sponsored schemes were first substantially expanded under Indira Gandhi during the Fifth Five Year Plan (1974-79) from 45 to 201 as she focused on garibi hatao (getting rid of poverty) by launching a number of new rural development schemes, many in areas that had previously been state subjects but were made concurrent subjects in this period. See N.C Saxena, ‘Central Transfers to States and Centrally Sponsored Schemes’, n.d. Available at http://services.iriskf.org/data/articles/Document1992005150.5028498.pdf.
23 However supplementary budgets passed during the financial year increased central funding for some schemes, such as the Integrated Child Development Services (ICDS) that had seen their funding cut in initial budget forecasts. See Kapur, Srinivas and Choudhury, ‘State of Social Sector Expenditure’, p.5.
32 Tillin, Deshpande and Kailash eds Politics of Welfare
33 Kohli, The State and Poverty in India.
43 Gingrich, Making Markets in the Welfare State.


49 This discussion of Maharashtra and West Bengal builds on Rajeshwari Deshpande, ‘The Woman Constituency: Domestic Workers, Social Security, and Gender Politics in Maharashtra and West Bengal’ in Tillin, Deshpande and Kailash eds Politics of Welfare, pp. 69-101


52 State Assisted Scheme of Provident Fund for Unorganized Workers (SASPFUW). The scheme was introduced in 2001by the Left regime.


54 See Deshpande, ‘The Woman Constituency’


56 This was made a concurrent subject via constitutional amendment in 1976