

Understanding the social sector, economic growth, social development and economic development: Interrelationship and linkages

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Abstract

Issues relating to linkages of social sector with economic growth have been in much attention by researchers in recent times. A number of academic as well as policy measures have contributed to this phenomenon. At the academic level there has always been felt for relook into the importance of linkages of social sector with economic growth. A question that is frequently raised in connection with human development is whether it has link with economic growth and social development. Therefore, in this study, an attempt is made to study issues relating to linkages of social sector with economic growth.

Keywords: Social sector, economic growth, social development

One of the key issues of the ongoing process of economic reform in India is the emerging keen interest in social development as also the realization of its mutuality with economic growth. In fact social security, a hitherto relatively neglected area both in research and policy formulation, has become the centre of discussions in the academia and the subject matter of many scholarly studies. The contrasting development experiences of countries like Brazil and India, on the one hand, and those of East Asia and China on the other, have raised fundamental questions about the determinants of economic growth and about the effectiveness of economic growth in improving the quality of life. Hence, the linkages between economic growth and social development have assumed critical importance in view of the contrasting development experiences of these countries. The present paper attempts to analyze these, drawing upon the importance of linkages of

social sector with economic growth. The objectives of the present study are to understand the link between economic growth and social development and draw a broad framework of analysis. Before proceeding further, the concept of social sectors used in this study needs some explanation.

Social Sector

The term social sector is often used to refer to Education, Health and Nutrition sectors. The term hasn't been formally defined and thus has come to acquire several connotations. Two main approaches to the definition may be identified: one views social sectors from a Human Resource Development point of view; the other takes the Human Development Approach. In what follows I attempt an examination of these two approaches to the analysis of social sectors.

The Human Resource Development Approach

The human Resource Development Approach emphasizes investment in Education, health and nutrition as a means of enhancing the quality of human capital which may be defined as "the stock of skills and productive knowledge embodied in people". The human capital approach attracted attention during the 1960s when Schultz (1961) and Becker (1962) highlighted the viewpoint that education, health and nutrition cannot be considered merely as consumption goods.

The expenditure on schooling, health, on-the-job training, and searching for information about job opportunities and migration constitutes an investment that people make in themselves. Investment in these sectors is emphasized as a means to higher productivity of the labor force and is justified on the basis of either financial rate of return (as in the case of education) or estimates emerging from production functions (as in the case of Health).

An important implication of the human development approach is that it limits the role of public intervention. Individuals are expected to undertake investment in education, health and nutrition on their pursuit of self reliance. It does not pay any attention to the attitudinal and institutional characteristics that are so necessary for translating individual level skills into enhanced productivity at the level of the Economy. These characteristics that termed as social capital, have been observed to be important determinant of economic growth in south Asian countries.

Human Development Approach

The alternative approach to social sector is that of human development. The term has been defined by the UNDP as 'the process of enlarging people's choices'. The concept encompasses empowerment, cooperation, equity in basic capabilities and opportunities, sustainability and security. In this approach people occupy centre stage, and measures such as education, health and nutrition are emphasized from their intrinsic value and not for their role in enhancing their basic capabilities of people.

The emergence of concept of Human development can be traced to efforts by economists such as Amartya Sen who define standard of living in terms of functioning

and capabilities rather than in terms of commodity possession. This approach, which treats human beings as ends in themselves, has strong overtones of neo-Kantian Philosophy. The basic proposition of Kant was that all rational beings come under the law that each of them must treat itself and all others never merely as means, but in every case at the same time as end in themselves. To those who adhere to this viewpoint, the human resource approach that treats human capital, which in turn contributes to great human prosperity is offensive, following the same approach terms as humanitarians all those who perceive human beings as ends in themselves as opposed to the human resources developers who emphasize the means or the productivity aspects of human beings. Despite having many distinctions between the two concepts, the two concepts are linked together by the fact that human resource development provides the precondition for human resource development which in turn contributes to economic growth. Having considered the alternative approaches to social sectors, it is equally important to define social sector and social development. First, social sectors may be defined as those providing social security wherein the term social security is used in the broader connotation. Besides the obvious advantage of linking the concepts of social security and human development, this wider approach provides a comprehensive framework within which social sectors can be analytically tackled. It has been argued earlier that the definition of social sectors cannot be divorced from the purpose for which such a definition is used. If the aim of human development is to provide the basic requirements for the survival and enhance the capabilities of the bottom 20% of the population, the two routes to capability enhancement, viz, income generation through direct rural development and employment programme and public provision of education, health and nutrition cannot be considered to be mutually exclusive. In this study, the term social sector includes, among other things, (a) Education, sports Art and Culture, (b) Health and Family Welfare, (c) Water Supply Sanitation, housing and Urban Development (d) Social Welfare And Nutrition (e) Welfare of SC ST (f) Labour Welfare. Often the term social security is linked to the rights of citizens in a country. In this sense, the provision of minimum level of income, education, health and nutrition may be considered to be basic rights of individuals in a society.

Here, it is equally important to define the term social development. According to P.D Kulkarni "Social Development is a process of transformation in values, institutions and practices, brought about the deliberate use of instruments of policy and planning with the active involvement of concerned people for the purpose of raising their levels of living and quality of life". Social Development refers to the overall progression of the society. However, such modifications in the social order are not possible unless the needs of the people are satisfied. Whereas Economic Development refers to increase in per capita income, per capita value added etc; social development connotes the development of people, quality of life, social welfare etc. The two may be interrelated; and the disparities in one may cause disparities in the other. the nature of relationship between economic and social development, is however, an empirical phenomenon and its explanation lies in the criteria of resource allocation for resource generation and criteria of redistribution of the increased resources for various dimensions of economic and social development. This means that social development and the inequalities in it are at least partly determined by the criteria of resource allocation for the development of human and physical resources and for requisite infrastructure at various levels. These are crucial interdependent factors of economic and social development, but the extent of simultaneity and proportion of development of these factors certainly affect social development and the disparities therein. Thus, we presume that the criteria of resource allocation can explain social development and the forms of disparities in it.

In this context, it is quite relevant to look into linkages that exist between economic development and social development, economic growth and human development and education and human development.

Economic Development and Social development

Economists have long viewed social development as a byproduct of economic development. Rather social development is often seen as competing with economic development for resource allocation. This is manifested in debates on priority to industrialization or education, or for that matter to a factory or a school. Economists have recently shown a greater

awareness of social parameters but their analysis of social development remains loaded input-output considerations.

Many scholars stress the essential unity of the development process and reject any distinction between its economic and social dimensions. They opine that the two are so much blended with each other that it would be unrealistic to treat them separately. Such a position, however, does not leave any scope for structural analysis for development process. In any empirical context, the economic and social aspects of any human situation are generally distinguished from each other. This is reflected in debates on fixing the priority amongst economic or social goals of any development strategy. A distinction between two is justified.

As such, social development is essentially one of the vital dimensions of the overall development process. It denotes the quality of social system in terms of social justice it delivers, social cohesion it maintains, and quality of life it provides for as integral components of regional system. It promises a higher order of living in a dynamic sense. In absence of direct data on various aspects of social development, it is often inferred from a variety of surrogate indicators. These include education, health, nutrition, transport and population indicators.

Human development and economic growth

The linkages that exist between economic growth and human development can be identified. Concepts of Human development and economic growth are not contradictory, rather they are complementary nature. It is essential to overcome the misconception as is harbored by the critics of Human development that stress on human development may be at the cost of the economic growth. At the same time, it is also crucial to focus attention on the fact that too much of emphasis on either economic growth or on human development may result in unbalanced growth of the economy, which may jeopardize the very process of long-term development. High Gap, has often failed to transform into better living conditions of the masses, particularly where the fruits of development and distribution of income have been uneven. Absence of such coordinated policy measures, which ensures uneven distribution of income and may fail to establish a relationship between economic growth

and human development.

In the RBI Study of budgets 2006-07, it is noted that Economic growth can have a positive impact on human development through three different channels: (i) through an increase in the general level of per capita income; (ii) through poverty reduction; and (iii) through higher public expenditure on education, health and related sectors. It is expected that an increase in the general level of per capita income is likely to increase the demand for education and health care, and may improve the human development of a country. Secondly, economic growth associated with poverty reduction may enable the poorer sections of the population to enjoy the fruits of growth and thus, may have a better impact on the human development indicators.

In any economy it is the poorer sections of population who are more deprived of human development elements. The third channel through which the growth can improve human development is through the increased public expenditure on social sectors. Economic growth by increasing the revenue base of the economy may enable the State to spend more on the social sectors. Obviously, this is dependent both on the buoyancy of revenue collection resulting in a softening of the State budget constraint and on the political willingness to allocate proportionately for the social sectors. Thus, if the economic growth is to have a positive impact on human development, it would be required to have appropriate policies aimed at reducing income inequalities and higher public social sector expenditure and conversely, if the economic growth is to be sustainable in the long run it has to be supported by better human capital (UNDP, 1990). In an economy, economic growth may be affecting the human development through all the three channels. However, there are studies which have reiterated the importance of public expenditure channel over and above the trickling down channel of economic growth in improving human development.

A cross-country study by looking into the relative importance of growth channel and public expenditure channel in improving life expectancy finds that public expenditure on health care contributed two-third of the improvement in life expectancy and economic growth through poverty reduction contributed only one-third. However, in

the case of literacy, the study did not get any concrete evidence in favor of public expenditure on education. Moreover, there are countries like Sri Lanka, which achieved relatively higher human development despite being a developing country. The supported policies followed in Sri Lanka through higher public expenditure on social sectors are widely acknowledged in the literature). An inter-State study on India also reveals that while the disparities in per capita income among the States are increasing, the disparities in social development are coming down, pointing to the importance of public social sector expenditure in achieving human Development.

Education and economic Growth

T.W Schultz has given three ratios in relation to education and economic growth

- (1) Education-labour ratio to show the amount of human effort going into education relative to the total labour force.
- (2) Education-Income ratio which relates the resources entering into education to consumer income.
- (3) Education-investment ratio to show the relation between the resources entering into education and the resources going into producible physical capital.

V.N. Kothari mentions that Dennison's work about the share of education in the growth rate. Education accelerates human resource development. Education and development are not two different things but two sides of the same coin. P. Naik observed that education lead to development and development should create the motivation for more education as well as provide tools for it. In short, economic growth is necessary but not sufficient for human development. Public policy concern for human development is always constrained by lack of adequate resources. In financially weak states like ours, the provision for basic choices requires huge investment. Mobilizing resources for human development activities present many challenges and these become compound when one witness the paucity of resources and debt burden in the state. Emphasis on the growth rate of the macro economic variables has over the years been accepted as the yardstick of progress of a nation. However, it is often overlooked that it is the human being who is the real

initiator of growth and development of the economy and therefore deserves to be the main beneficiaries of economic growth.

The state governments incur the bulk of the expenditure on social sectors. Consequently, while the Union Government may be keen on minimizing the social costs of economic reforms, the actual outcome in the sphere depends on the actions taken by the numerous state governments. Indian states differ a great deal from one another in terms of level of levels of social sector attainment as well as the government policies pertaining to them.

In the occasional Papers (RBI), it is noted that, "Investing in people is now well recognized as the prime motive behind various development and poverty alleviation initiatives". At the international level, one sees several initiatives in the 1990s aimed at sustainable economic and social development, which have finally culminated in the shape of the United Nations Millennium Declaration of September 2000, setting out various developmental goals influencing the well-being of people.

Education and health sector goals have been recognized as crucial components of the Millennium Development goals. International community is associated with the changing perceptions about the desirability of human capital formation not only as a means, but also as an end in itself. The World Development Report 2003 also notes that one of the initiatives to promote sustainable development in a dynamic world is to empower underprivileged sections of population by increasing their access to education and health. In recognition of the fact that economic prosperity, measured in terms of per capita income alone, does not always ensure enrichment in quality of life, the development strategy adopted in the Tenth Plan in India is also built on the need to exploit synergies between economic growth, desirable social attainments and growing opportunities for all. In line with this broad thinking, it is envisaged that the Government's role will clearly have to expand in social sectors.

An important fact that needs to be noted at the very outset is that, in India, Social sectors, particularly education and health, are the subjects under state government purview to a large extent. Therefore the state governments incur the bulk of the expenditure

on social sectors. Consequently, while the Union Government may be keen on minimizing the social costs of economic reforms, the actual outcome in the sphere depends on the actions taken by the numerous state governments. In a federal country like India, the achievement of social development goals depends largely on the initiatives and commitment of the states. Many of the social policy areas are the responsibility of states or are under the concurrent list. While the burden on deficit compression of the centre fell on the government investment expenditure, in the states it was the social sector that bore the burnt.

Conclusion

Focusing on either economic growth or on human development may result in unbalanced growth of the economy, which may jeopardize the very process of long-term development. It needs to be recognized that High Gap, has often failed to transform into better living conditions of the masses, particularly where the fruits of development and distribution of income have been uneven. The role of government in framing a coordinated policy measures, which ensures even distribution of income, basic capabilities for a more participatory economic growth is crucial to establish a relationship between economic growth and human development. It is expected that an increase in the general level of per capita income is likely to increase the demand for education and health care, and may improve the human development of a country. Secondly, economic growth associated with poverty reduction may enable the poorer sections of the population to enjoy the fruits of growth and thus, may have a better impact on the human development indicators.

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