
UNIT 5 PUBLIC SYSTEMS MANAGEMENT: SOCIO-ECONOMIC CONTEXT

Structure

- 5.0 Learning Outcome
- 5.1 Introduction
- 5.2 Social Context
- 5.3 Economic Context
- 5.4 Changing Nature of State and Economy
- 5.5 Conclusion
- 5.6 Key Concepts
- 5.7 References and Further Reading
- 5.8 Activities

5.0 LEARNING OUTCOME

After reading this Unit, you should be able to:

- Explain the various social factors that determine the environment of public systems
- Know the economic environment of public systems management; and
- Appreciate the changing nature of State and economy in India.

5.1 INTRODUCTION

A comprehensive understanding of the socio-economic context of a country is necessary to understand the functioning of its public systems. The latter are embedded in the country's socio-cultural and economic sub-systems. For the creation of an effective public systems management and to maintain its operational efficiency, one must know the socio-cultural and economic environment in which the public systems exist. So far as India's public management system is concerned, it is thus necessary to carefully analyse the country's socio-economic factors that set the background and profoundly influence the structure and operation of the management system. An attempt is made in this Unit to identify and analyse the critical socio-economic factors that vitally affect the organisation and working of public systems management in India.

5.2 SOCIAL CONTEXT

The entire gamut of the society interacts with the public systems, which in turn impact on the society. The culture of a society is a historically evolved 'way of collective living' embracing all aspects of social life: rites and rituals, habits and attitudes, art and architecture, and more importantly, a set of durable social values and norms that structure and influence the style and subtle nuances of collective living. A country's political life, constitutional laws, and administrative rules and regulations and relations are greatly influenced by its societal traditions, culture and values.

Obviously, therefore, a suitable social culture plays an important role in the sound management (or otherwise) of any public system. In the Indian situation, public systems management needs thus to be related to India's societal context with special reference to the roles of religion, caste, and women, family, and rural urban interface.

Religion

India is a country of continental dimensions. It has a multi-ethnic society. It believes in the principle of unity in diversity. Equal respect for all religions is a positive aspect of Indian society. But the emergence of communal parties and organisations has often contributed to mounting tensions disturbing the peace and tranquility of the nation. Occasional eruptions of communal disharmony test the strength of the public systems in maintaining law and order and social harmony among the religious groups. A great amount of administrative energy is spent to check undesirable communal activities in some parts of the country.

Caste

India has historically evolved as a pluralistic society vertically clustered into myriad castes and sub-castes. Caste system is the most important feature of Indian social life. Caste regulates the social behaviour of the people. It has been a dominant factor in Indian society from centuries. After independence, this factor has assumed an important political role. In many states, it has permeated politics and elections, formation of political parties, and even public appointments and general administrative affairs.

India is committed to economic and social development of the disadvantaged sections of the society. As a result, a policy of positive discrimination is enshrined in the Constitution. The Constitution has provided special protection to scheduled castes and scheduled tribes. These reservations, which are constitutionally provided for the initial period of ten years, get routinely extended. New groups of people are brought under the reservation umbrella and the percentage is also getting raised. Caste consciousness and caste mobilisation have been on the increase under democracy since the 1990s. The managers of public systems are exposed to forces drawing sustenance from caste, community, religion, language etc. Indian society still remains feudal and the majority of employees of public systems come from this feudal background.

Most recent studies of caste look at it as a dynamic force, which though weakened over the last five decades of developmental experience in certain respects, has grown stronger in some others. The forms of its manifestation have indeed changed. Today caste is talked about not so much as an aspect of socio-cultural life as in terms of the politico-administrative context.

Language

India is characterised by linguistic diversity. It is varied with over 1600 languages and dialects. Three fourths of the population in India speak languages which descend from Sanskrit. These include Assamese, Bengali, Gujarati, Hindi, Kashmiri, Marathi, Oriya, Punjabi, Sindhi and Urdu. All these languages enjoy official status. Nearly one fourth of the Indians speak languages belonging to the Dravidian family which comprise Kannada, Malayalam, Tamil and Telugu. According to statistics, there are additional languages grouped in several clusters that account for less than 5 per cent of the population. The Eighth Schedule of the Indian Constitution (Articles 344 (1) and 351), provide for twenty two languages. Linguistic diversity in India has far reaching political repercussions, in formation of the different states and emergence of regional political parties.

Joint Family System

In all societies family is the basic unit. Joint family system was considered to be one of the three pillars of the Indian social structure, the other two pillars being caste and self-sufficient village community. In this system, the head of the family is usually the father or the eldest male member. Every member of the family is expected to obey the head of the family. Every one of the joint family members is subordinate to the larger interests of the family group. Each one is expected to maintain the tradition and honour of the family.

When ideas of individualism began to affect Indian society, the joint family system was criticised as it tended to deprive the individual of his/her liberty. The characteristics of the joint family system in the social life have an impact on the public systems also. As a member of joint family, the interests of joint family, rather than the interests of the organisation may at times guide the actions of public systems employees. The membership of the caste group and social obligations to his / her own kith and kin may affect the objective functioning of the manager. These primordial loyalties pose a challenge to the impartial working of the public systems. At the same time, the culture of sharing and caring so common in a joint family system does have beneficial effect on the collective functioning of an organisation.

Women

Women have always been highly respected in the social and economic activities of the society. Generally, their position in family has been determined by their marital status. All of them are dependent on the head of the family, the father-in-law, the husband and the son.

Women at present are demanding their emancipation and agitating for more opportunities for independent functioning. The government has passed laws prohibiting social evils such as child marriage, sati and dowry. But in practice the law has not been properly implemented in most of the cases. It is the responsibility of the State to provide economic independence to women by providing equal opportunities in public employment. The percentage of women employment is not at all in proportion to their population. A number of womens organisations are working for the liberation of the women to realise their role in the society and in the productive process. However, their efforts are not producing the results expected. Therefore, the State and its administration have to play a key role to create conducive environment towards the all round development of women. Many development schemes have been formulated to improve the economic condition of women and there is a conscious attempt on increasing the share of women in public appointments.

In the recent past, there has been an improvement in the status of women in governance and they are occupying various key positions in the management of public systems. The capabilities, inherent talents and capacities of women are contributing much to improve the efficiency of public systems. The empowerment of women is assuming increasing significance about which we shall be discussing in Unit 24 of this Course.

Growing Violence

Growing violence has affected social environment as well as the activities of public systems. This growing violence includes not only inter-communal, inter-caste, inter-language conflicts but it has taken other forms, for example demand for separate states, violence in industrial strikes, terrorist activities etc. These undesirable happenings offer critical challenges to the working of the public systems. In this

context, public systems have to act as instruments of social change. The root causes of social violence need to be carefully studied and appropriate steps taken to meet them. Another important point to be noted in our system of governance is an increasing trend toward citizen alienation. Active participation of citizens and attending to their complaints and grievances are yet to gain significance in our public systems management. Human aspect is still a missing attribute in the management of our public systems.

Rural-Urban Interface

In India not only the rural-urban distinction, but also rural-urban dualism persists. There are sharp regional variations in the levels of socio-economic development. The importance of purposeful relationships between the rural hinterland and the urban areas need hardly any emphasis. The Rural-urban Relationship Committee (1966) quoted that, “it must be realised that the human being is basically and ultimately at the center of the stage and any parceling out of human groups on the basis of their place of occupation would be improper”. The action, reaction and the interaction of the rural and urban communities can be identified at the social, economic and administrative levels. The impact of technology and tremendous advances in communication has made the distance between the rural and urban areas very much narrower. The contacts between the town and the village are on the increase. It is necessary now to weave together and integrate the development of both urban and rural areas.

Poverty, large-scale unemployment, massive population growth, rampant corruption and wastage of public funds are other social problems that have been adversely affecting our public systems. India today possesses about 2.4 percent of the total land area, but has to support about 16.85 percent of the world population. India's population according to the census of 2001(provisional) was 102.70 crore. Economic development has made great strides no doubt, at the same time; however, the country faces even now glaring disparity between the rich and the poor. The poor are four fifths of the population. The top 20 percent of the population take nearly half of the Gross National Product, whereas the bottom 20 per cent is left with only seven percent. Women empowerment and gender justice remain distinct goals in the society. There are many disconcerting features also causing concern for public systems management in the country, important among which are deteriorating law and order situation in many parts of the country, criminalisation of politics, politicisation of the administrative machinery, and occasional financial scams and scandals. Concern has been expressed in different quarters about falling standards, norms and values, and a general leadership crisis. The distortions of the Indian socio-economic systems have given rise to social and political movements, insurgency, ethnic upsurge and agrarian social conflicts and the problems of law and order. Despite the policy of reservations, the socio-economic status of scheduled castes, scheduled tribes and other backward classes, has not improved appreciably. All these social conditions have been impinging on the working of the public systems and pressurising them for the changed roles in tune with the new demands and aspirations rising from the socio-economic environment.

The approach paper of India's Tenth Five year Plan emphasises that the “economic prosperity measured in terms of per capita GDP does not always ensure enrichment in quality of life as reflected for instance, in the social indicators on health, longevity, literacy and environmental sustainability etc. Development has to give due regard to equity and social justice. The role of government is now largely becoming that of “facilitator” and ‘regulator” of development”. The government has now realised the need to release latent energies and stimulate private initiatives in various facets of our

development process. Now, development has to be the collective effort of individuals, NGOs, private sector and the public sector.

In this changing scenario, public systems need to evolve a collaborative environment for achieving developmental goals. They have to play a major developmental role in the social sector like health care, education and upliftment of the disadvantaged sections of people. They have to work not only towards productivity and growth but also for social justice and equity. Public systems management needs to adopt public-private participatory approach for successful achievement of developmental results. Public systems have to work towards bringing about a perceptible change in economic development, distributive justice and social equity.

5.3 ECONOMIC CONTEXT

Economic factors affect the nature, organisation and functioning of public systems. The economic life of a country is regulated by its legal and administrative system. Economic factors and public systems act and react on each other. The economic features are country specific and historical in nature.

Historically speaking India has always been predominantly an agrarian society. Even today majority of the population is dependent on agriculture. Despite considerable economic growth through planned development, poverty, unemployment, scarcity of resources continue to bedevil the Indian economy. The rapidly growing population has partly wiped out the economic gains achieved by the planning process. The following are the broad features of the economic system in India within which the public systems operate.

Agriculture-based Economy

The share of agriculture in national income is often taken as an indicator of economic development. In fact, development of agriculture is a vital pre-condition of sectoral diversification and hence of development itself.

India lives in its villages. A very large section of the people live on land and agriculture. India's economy is mainly agricultural economy dominated by small scale peasant production. To a large extent, it depends on rainfall, favourable climatic conditions and some irrigational facilities that are being augmented on planned basis.

Indian agriculture has been the source of supply of raw materials to many leading industries. In recent years, the importance of food processing industries is being increasingly recognised both for generation of income and employment.

Poverty

Poverty can be defined as a social phenomenon in which a section of the people is unable to meet even the basic necessities of life. The Human Development Report 2001 has computed human poverty index on the basis of certain indices for 90 developing countries. India's rank in terms of this index is 55. The Ministry of Urban Development and Poverty Alleviation has estimated that 260.3 million people both in rural and urban areas of the country in 1999-2000 are in poverty.

Unemployment

Most of the unemployment in India is structural in nature. During the 1961-2001 period, population in this country had grown at an alarming rate of around 2.15 percent per annum and with it the number of people coming to the labour market in search of jobs has also increased rapidly, whereas employment opportunities did not increase correspondingly due to slow economic growth. Hence, there has been an

increase in the volume of unemployment from one plan period to another. The Tenth Five Year Plan hopes that the targeted 8.0 percent per annum increase in GDP during the plan period will solve the unemployment problem in India.

Industrial Policy Resolution

The concept of “industrial policy” is comprehensive as it covers all those procedures, principles, policies, rules and regulations, which guide the industrial undertakings of a country and shape the pattern of industrialisation. It incorporates fiscal and monetary policies, tariff policy, labour policy and reflects government’s attitude not only towards external assistance but also the public and private sectors.

The Industrial Policy Resolution of 1948 contemplated a mixed economy, reserving a sphere for the private sector and another for the public sector. The government started liberalising the industrial policy in 1970s and 1980s. The most drastic liberalisation was carried out in 1991 when a new industrial policy was announced. The main aim of new policy has been to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control, to introduce liberalisation with a view to integrating the Indian economy with the world economy, removing restrictions on direct foreign investment as also freeing the domestic entrepreneur from the restrictions of Monopolies and Restricted Trade Practices (MRTP).

The basic objectives of industrial policy resolutions are to achieve rapid industrialisation, balanced development of different regions, prevention of concentration of wealth, expansion of cottage, village and small-scale industries.

Mixed Economy

In the economic sphere, the State is to direct its policy to secure a better distribution of ownership and control of the material resources of the community to prevent concentration of wealth in the hands of the few. Though the State pledged the establishment of socialistic pattern of society, it is not prepared to eliminate the system of private enterprise. India has mixed economic system in which private and public sectors co-exist with clear demarcation of spheres of activity. The predominant role assigned to the State consequently led to phenomenal expansion of the administrative system, which is expected to attend to manifold functions being shouldered by the public sector.

The recent decades have seen an increasing trend towards a reduced role for the government in all countries. In India also the role of the government in economic development has shifted to giving more space to the private sector. The fact is that role of the government has become basically promotional. Expansion of market concepts in the public sector is taking place to limit the role of the public administrative system. These concepts include privatisation, downsizing of bureaucracy, entrepreneurialism, reinvention, enterprise operation, quality management and customer service. They seek to separate politics from administration allowing to manage according to cost-benefit economic rationality. The efforts at privatisation and contracting out of services have been showing results. These are not only reducing the administrative and financial burden of the government but also enhancing the efficiency and productivity in the public sector.

In this context one has to understand the difference between the government and the corporate sector. Government is accountable to the people at various levels. Its functioning comes up for scrutiny in Parliament, State Legislature, Zilla Parishads, Municipal Councils and their committees as also in the media. The government is also held accountable by courts. Similar kinds of institutional accountability and transparency are largely missing in the corporate sector.

Corruption

Public bureaucracy in India has been steadily losing the trust and confidence of common citizens. The bureaucratic values are not community-centred or citizen-serving but largely based on careerism. The service orientation is rather poor and authoritarian traits are dominant. The considerable discretionary authority vested in the bureaucracy paves the way for corruption and political interference. There is a widespread concern now about how to restore and maintain bureaucratic integrity and make bureaucracy more productive and citizen-oriented.

Corruption in India is triangular involving the politicians, the businesspersons and the civil servants. It flourishes because of two elements prevalent in our culture of governance. The first is the lack of transparency in administration. The second element is delay. Therefore, public systems have to be re-oriented to use information technology extensively to bring in transparency and to mount an attack on red tape and delay in service delivery.

Transparency International's Global Corruption Report-2005, points out the rampant corruption in the construction sector of the economy. The scale of corruption is magnified by the size and scope of the sector, which ranges from transport, infrastructure and power stations to domestic housing. As for India, it has been noted that corruption has resulted in poor construction and infrastructure management causing wastage of money (The Hindu, 2005).

The traditional model of administration in public systems is normally assigned multiple and conflicting tasks. Provision of public services, irrespective of citizen's satisfaction, has been the aim of the traditional model. In contrast, the new public management practices based on administrative reforms have placed the citizen at the center of public service management. The administrative reforms emphasise on citizen-orientation and quality of service. The new public management aims to promote the synergy of public- private sector by the adoption of private sector models of management in the public sector. There is a demand that the government should, wherever possible, be operated like a business. It means that it should be cost efficient in relation to its tasks, and be competitive, entrepreneurial and customer-friendly. Therefore, today's public systems must be flexible, consultative, outcome-focused and proactive in encouraging creativity and supporting innovation from the bottom to top.

5.4 CHANGING NATURE OF STATE AND ECONOMY

There has been a remarkable change in recent years in State dominated development paradigm. Almost all developing countries have moved towards a more market-determined strategy of development. In India, the market model of governance has been holding the center-stage since the eighties. The changing concept of development, globalisation and the growth of new technologies are some important factors influencing and changing the perception of the role of the State. The State's role in economic activity can be broadly classified into that of producer-state, regulatory-state, facilitator-state, welfare state and franchise-state. In the functional approach, the process of altering the boundaries between State and market are tracked with reference to each of the five functions mentioned. In a globalising world, the retreat of the State or at least a diminishing of its pre-eminence is inevitable. Liberalisation and globalisation advocate reduction of government functions or less government intervention, rolling back of the State from the sphere of production and productive investments and a significant curtailment of the level of social expenditure and substantial marketisation of government functions and public services. Under the

impact of market – based economy, State is reinvented for maximisation of profits and competition, export - led industrialisation, encouraging foreign investment and technology and shifting away from the earlier concept of State-led development.

The approach paper to the Tenth Five Year Plan of the Government of India says, “in many respects, development policy in future must take a break from the past. The government has over the years taken on itself too many responsibilities with the result that it not only marginalised individual initiative but also succeeded in imposing severe strains on its financial and administrative capabilities”. Government is climbing down from the commanding heights of economy and is allowing the private sector to play a prominent role in the economic development of the country. In the prevailing circumstances entry of the private sector in development arena earlier reserved for the public sector is a welcome development. In the name of economic liberalisation, some policy changes have taken place to make room for the private sector to enter all sectors of development. Now, development has become a collaborative effort of a number of institutions, and government has sought to lighten its burden selectively by sharing the same with the private players and non-government organisations. Public systems in India have to live with these changes and need to develop participatory work culture for better developmental results.

In the 1950s and 1960s, the dominant view in the literature on development economics was that the government had an important role to play and that it should undertake activities that would compensate for “market failure”. Market failure was perceived as inability of markets to optimally allocate resources overtime, that is, for investment because of the short-sighted nature of markets. However, nearly five decades of development experience have revealed that there can be “government failure” as well. The regulatory State in many countries has resulted not only in economic losses due to misallocation of resources arising from faulty investment decisions but also in diversion of resources to rent-seeking activities because of the very regulations that are imposed. In fact, development experience of the last four decades shows that there can be both “government failure” and “market failure”. The critical issue is not so much about the presence or absence of State intervention, but the extent and quality of that intervention.

The nature of State intervention as well as its impact has varied from country to country. While in the case of some countries as a consequence of intervention, development got accelerated, in some others, intervention had resulted in the State becoming primarily a regulatory one with little impact on development. Therefore, much depends upon the nature of the State and the forces operating behind it. The nature of State intervention in any country has, therefore, to take into account not only the objective conditions but also the historical experiences relating to the effectiveness of State intervention. Bhaduri and Deepak Nayyar (1996), have identified three kinds of major state interventions in the market viz., (a) functional, (b) institutional, and (c) strategic. Functional interventions seek to remedy market failures in so far as prices give the wrong signals. Institutional interventions seek to govern the market by setting rules of the game for players in the market. Strategic interventions seek to guide the market, as these are interlinked across activities or sectors in an attempt to attain broader, long-term objectives of development. In other words, state-regulated market and market regulated enterprise have to be goal oriented. The State must not withdraw from the basic responsibilities of social welfare programmes, like food security, job guarantees, health care and education of the deprived and vulnerable masses and the creation of infrastructure. Markets have to be made people-friendly in India through effective management of public systems. The need of the hour is radical reorientation of the public systems management in India at all levels.. They need to be restructured in such a way as to achieve growth with social

justice within a democratic political framework in association with multiple role players such as the market and the private sector, the NGOs and the people at large.

5.5 CONCLUSION

A close relationship exists between the public systems management and the 'environment' within which it operates. Public systems' behaviour is influenced by the values cherished by the society. The socio-economic conditions not only influence the functioning of public systems but also give a new shape to their structure and system of working. The structural and behavioural patterns of public systems, the methods of recruitment and retention of employees, the reward system, the financial capabilities and management practices, accountability to the public and over all ethics and philosophy of public systems are all under close scrutiny today. It is widely acknowledged that the public systems are in need of re-structuring and re-orienting in tune with the changing socio-economic scenario of the country and its globalised location. The basic traditional norms and values of the public systems such as neutrality, impartiality, accountability, responsiveness, and equality are undergoing change, and there is a growing realisation today that newer values such as competitiveness, efficiency, quality, productivity and profitability in the functioning of public systems need to be inducted to enhance the coping ability of the public systems in an increasingly complex era on both domestic and international fronts .

5.6 KEY CONCEPTS

Gross National Product

It is a measure of a country's economic performance. It is calculated by adding to the Gross Domestic Product the income earned by residents from investments abroad, less the corresponding income sent home by foreigners who are living in the country.

Transparency

This implies doing away with secrecy with regard to decision making and making easy access of information to people relating to government activities except those relating to matters of national security, defence etc.

5.7 REFERENCES AND FURTHER READING

Arora, Ramesh K, (Ed), 2001, *Management in Government: Concerns and Priorities*, Aalakh Publishers, Jaipur.

Arora, Ramesh K, (Ed), 2004, *Public Administration : Fresh Perspectives*, Aalekh Publishers, Jaipur.

Bhaduri Amit and Deepak Nayyar, 1996, *The Intelligent Person's Guide to Liberalism*, Penguin Books, New Delhi.

Chakrabarty, Bidyut and Mohit Bhattacharya (Eds), 2003, *Public Administration: A Reader*, Oxford University Press, New Delhi.

Kapila, Raj and Uma Kapila, (Eds.), 2002, *A Decade of Economic Reforms in India - the Past, the Present, the Future*, Academic Foundation, New Delhi.

Kapila, Uma, 2003, *Indian Economy*, Academic Foundation, New Delhi.

Misra S.K, and V.K. Puri, 2003, *Indian Economy*, Himalaya Publishing House, Delhi.

Sahni, Pardeep and Uma, Medury, (Eds), 2003, *Governance for Development Issues and Strategies*, Prentice-Hall of India Private Limited, New Delhi.

The Indian Journal of Public Administration, 2004, Governance for Development, Golden Jubilee Special Number, Vol. L, No. 1, January – March.

Ruddar Dutt, and K.P.M.Sundharam, 1998, *Indian Economy*, S. Chand Company, New Delhi.

5.8 ACTIVITIES

1. Select any one of the public offices like post office, bank, MRO office, municipal office or any other offices of state, central, autonomous institutions having more than 25 employees and collect information about social background of the employees – religion, caste composition, family background, gender composition etc. The empirical study should analyse the social dynamics of administrative system of a public office.
2. Select any one of the developmental works or any other works in your area performing under public-private partnership or contracting out for empirical study. The study should analyse the various facets of its working and also ascertain public perception on its performance.