

## Unit 7: Poverty: Concept, Cause and Government Policies

### CONTENTS

Objective

Introduction

7.1 Poverty: Concept, Causes and Government Policies

7.2 Economic Reforms and Reduction of Poverty

7.3 Need for Redefining Poverty Line

7.4 Definition of Poverty and Right to Food: Emerging Issues

7.5 International Comparison of Poverty

7.6 Summary

7.7 Key-Words

7.8 Review Questions

7.9 Further Readings

### Objectives

After reading this Unit students will be able to:

- Describe the Concept of Poverty.
- Explain the Causes of Poverty.
- Discuss the need for Redefining the Poverty Line.

### Introduction

The Indian planning has expanded and diversified the country's economy considerably. During the 1960s and 1970s, the Gross Domestic Product (GDP) grew at the average annual rate (compound rate) of 3.2%. In 1980s and 1990s, the economy moved to a higher growth path, that is, to 5.8% and 5.7% per annum, respectively. The first half of the first decade of 21st century more or less maintained this momentum of growth. It may be noted that the share of the agricultural sector in total GDP has declined from about 55% to about one fourth and that of the services sector has increased from about 30% to over 50% over the 50 years. This chapter deals with fact as to how much has such economic expansion and diversification led to the socio-economic well-being of the people of the country. The impact is easily discernible as about one-fourth of the Indian population of over a billion is poor and a substantial proportion of labour force remains unemployed. In India, there are gross inequalities in distribution of income which are considered while discussing the level of economic development in the country.

### 7.1 Poverty: Concept, Causes and Government Policies

Poverty can be defined as a social phenomenon in which a section of the society is unable to fulfil even its basic necessities of life. When a substantial segment of a society is deprived of the minimum level of living and continues at a bare subsistence level, that society is said to be plagued with mass poverty. The countries of the third world exhibit invariably the existence of mass poverty, although pockets of poverty exist even in the developed countries of Europe and America.

Attempts have been made in all societies to define Poverty, but all of them are conditioned by the vision of minimum or good life obtaining in society. For instance, the concept of poverty in the U.S.A.

Notes

would be significantly different from that in India because the average person is able to afford a much higher level of living in the United States. There is an effort in all definitions of poverty to approach the average level of living in a society and as such these definitions reflect the existence of inequalities in a society and the extent to which different societies are prepared to tolerate them. For instance, *in India, the generally accepted definition of poverty emphasises minimum level of living rather than a reasonable level of living.* This attitude is borne out of a realization that it would not be possible to provide even a minimum quantum of basic needs for some decades and, therefore, to talk about a reasonable level of living or good life may appear to be wishful thinking at the present stage. Thus, political considerations enter the definitions of poverty because programmes of alleviating poverty may become prohibitive as the vision of a good life widens. The upshot of the entire argument is that the absolute standard of poverty expressed in terms of minimum requirements of cereals, pulses, milk, vegetables, butter or calorie intake is conditioned by the relative levels of living prevalent in the country. The deprivation of a significant section of the society of minimum basic needs in the face of a luxurious life for the elite classes, makes poverty more glaring.

Two types of standards are common in economic literature : the absolute and the relative. In the absolute standard, minimum physical quantities of cereals, pulses, milk, butter, etc. are determined for a subsistence level and then the price quotations convert into monetary terms the physical quantities. Aggregating all the quantities included, a figure expressing per capita consumer expenditure is determined. The population whose level of income (or expenditure) is below the figure, is considered to be below the poverty line. According to the relative standard, income distribution of the population in different fractile groups is estimated and a comparison of the levels of living of the top 5 to 10 per cent with the bottom 5 to 10 percent of the population reflects the relative standards of poverty. The defect of the latter approach is that it indicates the relative position of different segments of the population in the income hierarchy. Even in affluent societies, such pockets of poverty exist. But for underdeveloped countries, it is the existence of mass poverty that is the cause for concern.

## **7.2 Economic Reforms and Reduction of Poverty**

A natural question arises : what has been the impact of economic reforms initiated since 1991 on "poverty reduction ? Dr. Gaurav Datt of the World Bank in his article "Has Poverty Declined since Economic Reforms ?" has drawn the following conclusions :

1. While there was a marked decline in both rural and urban poverty rates between 1973-74 and 1986-87, there is no sign of anything comparable thereafter.
2. For the rural sector, for the period 1973-74 and 1990-91, headcount index of poverty declined at the annual rate of 2.7 per cent, the rate of decline since then (i.e. in the post-reform period) is not significantly different from zero.
3. For the urban sector, during 1973-74 and 1990-91, head count index of poverty declined at the annual average rate of 2.2 per cent, the same trend is continued in the post-reform period (1990-91 to 1996-97) at the annual average rate of 2.2 per cent.
4. While the urban sector seems to have continued its march of poverty reduction in the process of growth, rural poverty reduction was choked off by lack of rural growth. (Refer table 16).

Dr. Gaurav Datt has identified stagnation in rural growth as the basic cause of slowdown in poverty reduction. This naturally puts a question mark on the very nature of the reform process in terms of rural welfare.

### **Planning Commission's Estimate of Poverty on the basis of 61<sup>st</sup> Round of NSS-2004-05**

NSSO results on the basis of large sample survey data on household consumer expenditure (NSS 61<sup>st</sup> Round) for 2004-05 are the basis of poverty estimates. The data were collected on uniform recall period (URP) using 30-days for all items. The data was also available using 365 days for 5 frequently purchased non-food items namely, clothing, footwear, durable goods, education and institutional medical expenses and 30-days recall period for the remaining items, known as mixed recall period

(MRP), the Planning Commission, using the Expert Group methodology has estimated poverty in 2004-05 using both the distributions.

- Poverty estimates based on URP indicate 28.3% of rural population and 25.7% of the urban population was below the poverty line. For the country as a whole, 27.5% of total population was below the poverty line in 2004-05.
- The corresponding figures obtained from MRP indicate 21.8% in rural areas, 21.7% in urban areas and 21.8% for the country as a whole was in poverty in 2004-05.

The Planning Commission in its Approach to the 11<sup>th</sup> Five Year Plan (December, 2006) states : "Using the methodology of the Expert Group on Estimation of Proportion and Number of Poor 1993, the percentage of population below the poverty line is provisionally estimated at 27.8% in 2004-05. Thus the average decline in percentage of population below the poverty line over the period 1993 to 2004 is 0.74 percentage points per year, much less than implied by the official 1999-2000 data. Because of the slower pace of reduction in the percentage of the poor, the estimated number of poor is now estimated to be approximately 300 million in 2004-05, larger than the official estimate of 1999-2000."

It may be recalled that the official estimate for poverty in 1999-2000 was 26.1% for the country as a whole and 260 million were estimated as poor.

Table 1 provides state level data on poverty ratios during 2004-05. The lowest poverty ratio was 5.4% for Jammu and Kashmir and highest poverty ratio was for Orissa (46.4%). States with poverty ratio of less than 15% were Jammu & Kashmir, Punjab, Haryana, Himachal Pradesh, Delhi and Andhra Pradesh. As against them, states with poverty ratio above 30% were Maharashtra, Uttar Pradesh, Bihar, Jharkhand, Madhya Pradesh Chattisgarh, Uttarakhand and Orissa.

Five States, namely, Uttar Pradesh, Maharashtra Bihar, West Bengal and Orissa accounted for 166 mm poor (about 55% of the total poor estimated at million). This shows the high concentration of poor these 5 states.

**Table 1 : Poverty Estimates based on URP**

	1993-94	2004-05
Rural	37.3	28.3
Urban	32.4	25.7
Total	36.0	27.5

**Source :** Planning Commission, Press Release March, 2007.

### Dev and Ravi's Study on Poverty

S. Mahendra Dev and C. Ravi have also analysed the data of the 61<sup>st</sup> round of NSS (2004-05) and compared it with the period 1983-1993. Major findings of the study are :

- The study has estimated the 'very poor' defined 'as those who are below 75 percent of poverty line. There was a decline in the proportion of the very poor from 15.5% in 1993-94 to 10.3% in 2004-05. This implies the very poor accounted for 115 million among the total poor reckoned at about 316 million. Obviously, the share of hard core or chronic poor is quite high, around 37 percent of the total poor.
- Data provided in Table 16 & 17 reveals that poverty continued to decline from 44.9% in 1983 to 36.0% in 1993 and further to 28.3% in 2004-05. This phenomenon was also observed in both rural and urban areas. However, it was noted that total poverty declined at the rate of 0.85 percentage points in the pre-reform period (1983-93), while the corresponding figure for the post-reform period was 0.70 percentage points per annum. From this, it can be inferred that the rate of decline in total poverty was slower in the post-reform period than in the pre-reform period. The same pattern was observed in the rural as well as , urban areas.

This implies that though the GDP growth was higher in the post-reform period, yet it failed to impact poverty reduction rate significantly and as a result, a higher rate of poverty reduction than observed in the pre-reform as normally expected, did not take place.

### **7.3 Need for Redefining Poverty Line**

The debate about redefining poverty has two schools of thought. Among the first school of thought are those economists who are of the view that attempts at upgrading poverty line from time to time have followed a wrong methodology which has resulted in developing a false notion that reduction of poverty is going at a fairly good pace and that by the year 2006-07, as targeted by the Tenth-Plan, India would be able to reduce poverty to a level of 19.34 percent for the country as whole and this implies the total number of poor at end of 2006-07 will be 220 million - about 170 million in the rural areas and 50 million in the urban areas. The Tenth Plan Approach Paper "mandated reduction in the poverty rate by 5 percentage points during the Tenth Plan and another 10 percentage points during the Eleventh Plan." This will still leave more than 11 percent of population, or about 130 million people, below the poverty line in 2012." Professor Utsa Patnaik has contested the methodology adopted for deriving these estimates. A second school of thought includes a group of economists who argue for redefining the poverty line. Mohan Guruswamy & R. S. Abraham have raised the question of relative poverty in India since India is expected to be a super-economic power by 2020. It would be desirable to understand the poverty scenario during the last 30 years or so.

#### **Poverty Scenario in India**

The absolute level of poverty is estimated by standardizing the minimum physical quantities of cereals, pulses, milk, butter etc. for a subsistence level and then multiplying the physical quantities by price quotations to arrive at a figure of per capita consumer expenditure. It may be noted that as prescribed by the Indian Council of Medical Research, these physical quantities should lead to the provision of 2,400 calories per capita in the rural areas and 2,100 calories per capita in urban areas. Obviously, the stipulation of per capita consumer expenditure should result in providing the recommended energy intake in the form of Required Daily Allowance (RDA). This procedure was accepted by the Planning Commission in 1969 and poverty line was fixed at ₹ per capita monthly expenditure at 1960-61 prices. Dandekar and Rath used the criterion of ₹ 15 for rural areas and ₹ 22.5 for urban areas at 1960-61 prices.

Later, the Planning Commission appointed Expert Group under the Chairmanship of Professor Dr Lakdawala which submitted its report in 1993. The Expert Group estimated a monthly expenditure of ₹ 40 for rural and ₹ 57 for urban areas at 1973-74 prices. The Expert Group used the Consumer Price Index for Agricultural Labourers (CPIAL) for rural areas and a simple average of Consumer Price Index for Industrial Worker (CPIIW) and the Consumer Price Index for Non-Manually Employees (CPINM) for urban areas. This methodology has been used for updating poverty line.

#### **Methodological Issue**

Utsa Patnaik on the basis of National Sample Survey data on per capita monthly expenditure and calorie intake per day has challenged the poverty estimates of the Planning Commission. Patnaik criticizes the Planning Commission for only using expenditure group data to arrive at the number of persons below the poverty line, but just glosses over the calorie intake to ensure that the associated energy intake meets the calorie norm as the basic criterion for determining the level of expenditure at which this can be ensured. Patnaik mentions : " Thus the current data are being used selectively, with only the distribution of persons by expenditure classes being used, and the associated energy intake part being ignored completely ... For example the official price-index adjusted poverty line for 1999-00 for rural areas was ₹ 328 only and this has been applied to the first and last column of table 21 to read the population below this line which came to 27%. No attention was paid to the fact that at this expenditure a person could access only 1,890 calories, over 500 calories per day below the RDA (Required Daily Allowance). " However, if the norm of 2,400 calories is applied, it is revealed that 74.5 percent of population for rural areas was below the poverty line. Thus, the official method of estimation poor leaves out 47.5 per cent of total population or around 350 million persons who are actually poor.

Table 2 : Percentage of Poor and Total Number of poor in India Since 1973

Notes

Year	Percentage of poor (%)	Number of poor (million)	Average Annual Rate of Decline
1973-74	54.9	321	-0.59
1977-78	51.3	329	0.31
1983	44.5	323	0.31
1987-88	38.9	307	1.25
1993-94	36.0	320	-0.70
1999-00	26.1	260	3.40
2004	23.6	250	0.82

\*Based on the estimated population of 2004 and poverty ratio calculated using latest NSS data in 2004.

**Source :** National Institute of Rural Development (2004) : Rural Development Statistics (2002-03)

An Estimate of the Rural Poor has been made on the basis of official estimates and MPCE (Monthly per Capita Expenditure) providing 2,400 calories. Since the norm of MPCE for 1973-74 was correctly applied, the estimate of poverty by both the methods works out to be 56.4%. But for year 1993-94 and 1999-00, the official estimates were much lower than that based on MPCE providing 2,400 calories.

Utsa Patnaik concludes her critique with the following observation : "Sometime to justify the indirect method, it is argued in an illogical manner that the original consumption norm of 2,400 calories was 'too high'. First, it is not 'too high' because the average intake of those below it works out to less than 1,900 calories which is lower than in any other country in the world except the least developed countries. Second, even if it is accepted for the sake of argument that it is 'too high', it does not justify comparing 1999-00 'poverty' figures which are of all those persons below 1,890 calories intake , to those below 1,970 calories in 1993-94 and below 2,400 calories intake in 1973-74."

**Table 3 : Poverty distribution of Persons by Per capita Monthly Expenditure and Calorie intake, 1999-00, All India**

Monthly Per capita Expenditure ₹)	Calorie intake per day	Percentage of total persons	Cumulative percentage
(1)	(2)	(3)	(4)
<b>Rural</b>			
Below 225	1,383	5.1	5.1
225-255	1,609	5.0	10.1
255-300	1,733	10.1	20.2
300-340	1,868	10.0	30.2
340-380	1,957	10.3	40.5
380-420	2,054	9.7	50.2
420-470	2,173	10.2	60.4
475-525	2,289	9.3	69.7
525-615	2,403	10.3	80.0

Notes

615-775	2,581	9.9	89.9
775-900	2,735	5.0	94.9
900 & more	3,178	5.1	100.0
<b>All</b>	<b>2,149</b>	<b>100.0</b>	
<b>Urban</b>			
Below 300	1,398	5.0	5.0
300-500	1,654	5.1	10.1
350-425	1,729	9.6	19.7
425-500	1,912	10.1	29.8
500-575	1,968	9.9	39.7
575-665	2,091	10.0	49.7
665-675	2,187	10.1	59.8
675-915	2,297	10.0	69.8
915-1120	2,467	10.0	79.8
1120-1500	2,536	10.1	89.9
1500-1925	2,736	5.0	94.9
1925 & more	2,938	5.1	100.0
<b>All</b>	<b>2,156</b>	<b>100.0</b>	

**Note :** Poverty Line ₹ 327.6 for Rural Areas and ₹ 454.1 for Urban Areas

**Source :** National Sample Survey Organization (1999-00), Report No. 471, *Nutritional Intake in India* for calorie intake data by expenditure groups and Report No. 454, *Household Consumer Expenditure in India - Key Results for the distribution of persons*.

### Redefining Poverty Line - Basic Needs Approach

Table 4 : Rural Poor and Percent of Rural Population

	1973-74	1993-94	1999-00	MPCE*		
	%	%	%	1973-74	1993-94	1999-03
Applying Official Definition (Those with less than MPCE giving 2400 Calories	56.4	74.5	74.5	49	325	576
Official Estimates	56.4	37.3	27.1	49	206	328
Corresponding Calorie Intake	2400	1970	1890			

**Source :** Calculated from NSS Reports on Consumer Expenditure, 50<sup>th</sup> Round 1993-94 and 55<sup>th</sup> Round 1999-2000.

\* MPCE is Monthly Per Capita Expenditure

Note that base year 1973-74 is the only year the official definition was correctly applied ; in all later years, the nutrition norm is dilution.

Mohan Guruswamy and Ronald Joseph Abraham of the Centre for Policy Alternatives, New Delhi have highlighted the distinction between poverty and hunger. Guruswamy et.al. state :“Poverty is an economic condition. Hunger is a physical condition that arises out of severe economic condition. While the definition of hunger in terms of calories can remain constant, the definition of poverty is relative to the present levels of general prosperity.... The present official poverty line is based only on calories and hence accounts for little else but the satiation of one’s hunger. It would have been more accurate to define this as a *starvation line*, as that is exactly what it is.” (Emphasis Added)

The official poverty line should be renamed as ‘starvation line’ since apart from providing 650 grams of foodgrains per day, it makes very little provision for the other essentials of life, such as nutrition and balanced diet, provision for health, electricity and cooking fuels, clothing and miscellaneous expenditure pertaining to education, shelter and other minimum levels of expenditure to sustain life, such as travelling, washing and stitching of clothes, durable consumer goods, some expenditure on furniture, etc. A realistic and proper definition of poverty line should, therefore, include all the basic needs of human life so as to ensure a minimum level of quality.

Thus, the claim made by the Government that poverty ratio has declined from 54.9 percent in 1973-74 to about 25 percent in 2004 is spurious and gives a false sense of satisfaction to Indian polity. A dynamic concept of poverty line should, therefore, incorporate basic human needs approach and should not limit itself to minimum calorie intake needed for subsistence.

Guruswamy and Abraham have made the following components of basic human needs to arrive at a new poverty line for India which is claimed to be one of the fastest developing economies of the world.

1. **Nutritional Norms and Cost involved :** On the basis of the recommendations of National Institute of Nutrition (NIN) under the aegis of Indian Council Medical Research, it is highly important that balance diet be provided so as the prevent underweight children under age 5. It may be noted that as per *Human Development Report* (2005), 47 per cent child under age 5 are underweight. Similarly, 21 per cent total population is undernourished in 2000-02. It is also be observed that in China, only 10 per cent child are underweight and 11 per cent of total population undernourished during 2000-02. Obviously, India lagging behind China in nutritional status. Guruswamy has made an effort to determine the cost a balanced nutritious diet for an average Indian to be 573 person.
2. **Expenditure on Health :** India spends of 1.3 percent of GDP on the provision of public health, the private expenditure on health is 4.8 percent of in 2002. Since according to the Health Ministry,branch 20 percent of Indian population is covered by healthcare, the poor are forced to take recourse to private sector. The ‘Universal Insurance Scheme’ which is targeted to meet the needs of the poor to pay annual Rs 365 per person and an individual can get insured all inpatient medical-care upto a sum of ₹ 30,000. The implies that Rs 365 per annum or Rs 30 per month is cost of health expenditure for the poor in India. Guruswamy includes a sum of ₹ 30 per person per month as the legitimate expenditure for obtaining healthcare.
3. **Expenditure on Clothing :** In fact, cloths requirements of children, men and women necessitive different norms for clothing. Similarly, weather connections necessitate different norms for summer and winter. In the estimate prepared by Guruswamy, seasonal requirements have been disregarded for the sake simplicity. The clothing requirements have been calculate at ₹ 207 per person per annum or ₹ 17 per amount.
4. **Energy consumption :** A housing unit with two bedrooms, a kitchen is the basis of Guruswamy calculate energy consumption. It is assumed that house has an electric connection. On the basis of minimum needs approach, each home needs a few basic electric fittings - four bulbs and two fans. It is further assumed the ceiling fans work for 12 hours a day - 8 hours during night and 4 hours during day. On the basis of these minimum requirements, per capita monthly expenditure on electricity has been calculated as ₹ 175 per family. Assuming a norm of 5 members of the this works out to be Rs 35 per month per person.

The other component of energy consumptions is cooking fuel. National Family Planning Survey (1998-99) shows that at the all- India level nearly 74 percent of the population uses wood, crop

Notes

residues, dung cakes and coal as cooking fuels, This proportion is 91 percent for rural areas and 30 per cent for urban areas. But all these fuels cause indoor pollution and cause such diseases as tuberculosis, asthma, heart diseases and respiratory disorders. But the poor cannot afford LPG which is considered as a clean cooking fuel, as this fuel is the prerogative of the middle class and the affluent sections.

Moreover, state support towards LPG has been using over time but kerosene has been witnessing a education in state support. Kerosene is a more affordable institute for the poor. The monthly per capita expenditure on kerosene has been calculated at ₹ 20 per capita per month. This is based on the assumption that a family gets 10 to 12 litres of kerosene per month on ration cards.

For a family of 5 person, a typical family consumes 2.2 litres per head and it is being sold at a subsidized price of ₹ 9 per litre. Assuming that all families are able to obtain their quota of kerosene on ration cards, the monthly expenditure on kerosene comes to ₹ 20 person.

Thus, the total per capita monthly energy requirements entail an expenditure of ₹ 55 – for electricity assumption ₹ 35 and for cooking fuel ₹ 20.

5. **Miscellaneous Expenditure** includes cost on travel purchase of books and stationery for school going children, expenditure on certain social ceremonies like birth, death or festivals etc, purchase of consumer goods, furniture, fixtures for family needs etc., it is expected that miscellaneous expenditure works out at Rs. 820 per family per month or ` 164 per capita.

These calculations are based on the basic needs approach at minimum levels. The purpose is not to provide only for subsistence, but to move towards a more humane level of life.

Summing up, the minimum costs on the assumption of basic needs approach work out to be ₹ 840 per month or ₹ 4,200 per month per family. [(i) Balanced nutritious diet Rs. 573; (ii) Health Insurance Expenditure ₹ 30; (iii) Clothing ₹ 17; (iv) Energy consumption ₹ 55 and (v) Miscellaneous Expenditure ₹ 164.]

On the basis of the holistic approach regarding the poverty line inclusive of basic needs, Mohan Guruswamy has calculated that " 69% of India's population is below the poverty line i.e. over 71 crore persons. This has to be seen against the official figure of 26 per cent persons below the poverty line i.e. nearly 2.65 times. The situation in rural India is appalling with 84% of the rural population below the more holistic poverty line; it is certainly better in urban India at a round 42 per cent".

World Bank on the basis of the international poverty lines at the rate of \$1 per day has calculated in its *World Development Report (2005)* that in India for the year 1999-00, people below this poverty line were of the order of 34.7% and if we use the norm of \$2 per day, then 80% of the Indian population was below the poverty line.

### 7.4 Definition of Poverty and Right to Food : Emerging Issues

As noted above different figures are being presented by the Government about poverty. Therefore it is difficult to understand that how many people in India are poor.

Table 5 : Poverty Estimates and Poverty Lines for 1993-94

State	Poverty Line (₹)		Poverty		
	Rural	Urban	Rural	Urban	Total
Andhra Pradesh	244.1	282.0	48.1	35.2	44.6
Arunachal Pradesh	285.1	297.1	60.0	22.6	54.5
Assam	266.3	306.8	54.9	27.7	51.8
Bihar	236.1	266.9	62.3	44.7	60.5
Chhattisgarh	229.1	283.5	55.9	28.1	50.9
Delhi	315.4	320.3	16.2	15.7	15.7

Goa	316.2	306.0	25.5	14.6	20.8
Gujarat	279.4	320.7	43.1	28.0	37.8
Haryana	294.1	312.1	40.0	24.2	35.6
Himachal Pradesh	272.7	316.0	36.7	13.6	34.6
Jammu & Kashmir	289.1	281.1	32.5	6.9	26.3
Jharkhand	227.7	304.1	65.9	41.8	60.7
Karnataka	266.9	294.8	56.9	34.2	49.5
Kerala	286.5	289.2	33.9	23.9	31.3
Madhya Pradesh	232.5	274.5	49.0	31.8	44.6
Maharashtra	268.6	329.0	59.3	30.3	47.8
Manipur	322.3	366.3	64.4	67.2	65.1
Meghalaya	284.1	393.4	38.0	23.0	35.2
Mizoram	316.5	355.7	16.6	6.3	11.8
Nagaland	381.7	409.6	20.1	21.8	20.4
Orissa	224.2	279.3	63.0	34.5	59.1
Pondicherry	220.3	264.3	28.1	32.4	30.9
Punjab	286.9	342.3	20.3	27.2	22.4
Rajasthan	271.9	300.5	40.8	29.9	38.3
Sikkim	266.6	362.2	33.0	20.4	31.8
Tamilnadu	252.6	288.2	51.0	33.7	44.6
Tripura	275.8	316.6	34.3	25.4	32.9
Uttar Pradesh	244.3	281.3	50.9	38.3	48.4
Uttarakhand	249.5	306.7	36.7	18.7	32.0
West Bengal	235.5	295.2	42.5	31.2	39.4
All India			50.1	31.8	45.3

Notes

**Note :** The estimates of Chhattisgarh, Madhya Pradesh, Bihar, Jharkhand, Uttar Pradesh and Uttaranchal are for state as they exist after bifurcation in 2001. The estimates for 1993-94 have been calculated from the unit data using district and state boundaries of the divided states in 1993-94.

**Source :** Report of the Expert Group to Review the Methodology for Estimation of Poverty, Planning Commission, Government of India, November, 2009.

Periodically varying definitions of the poverty line tend to complicate the matter further. In the absence of an appropriate definition, efforts to remove poverty cannot be meaningful. In the past various measures have been adopted by the Government to tackle the menace of poverty in the Country. Cheap grain, other foods and kerosene through the PDS, rural and urban employment programs, free education and health facilities, etc., are some key government programmes in this direction. Government has also proposed food security legislation, according to which, for all people living below poverty line, the provision would be made for access to necessary food at affordable prices.

But absence of appropriate definition is coming in way of a judicious poverty elimination programme. Recently Supreme Court has questioned the basis of defining the poverty line according to which only 36 percent of the population is living below poverty line. It may be noted that some time back Expert Group headed by Prof. Suresh D. Tendulkar, had suggested an improved definition for measuring poverty, on the lines of which formula for measuring poverty has also been suggested. The same has also been accepted by the Planning Commission. Before the report of the Expert Group, the government assessment of poverty was that in 2004-05 only 28 percent people were poor and the

Notes

same has dropped to only 20 percent in 2007. According to new definition of poverty, necessary expenditure on health and education has also been included while assessing poverty.

But Supreme Court has questioned even this 'improved definition' of poverty. According to Prof. Tendulkar's definition, a person would be treated as poor, as on 2004-05, if his monthly income is less than Rs. 446.68 in rural areas and Rs. 578.8 in urban areas. Considering the data submitted by the Planning Commission, Supreme Court questioning the methodology, has asked the Planning Commission how a person would be able to consume 2400 cal rural areas and 2100 calories in urban areas than ₹ 20 a day in urban areas and less than ₹ 15 in rural areas. It may be noted that as per the definition of poverty, intake of 2100 calories in areas and 2400 for urban areas has been the drawing the poverty line in India. As per this 56 percent of population was estimated to be below poverty line in 1973-74. Before 1973-74, line was defined in such a way that the estimation poverty line was based on the requisite expenditure attain the desired quantum of calories. But estimation poverty in 1993-94 and 1999-00 were devoid of sense of proportion and statisticians at Plan Commission were able to bring down the number poor by statistical jugglery and change in definite poverty. Critics believe that as per the calorie stand had the price data been properly used poverty figure rural areas would have been 80 percent and in areas it would have been 50 percent.

Table 6 : Population below the Poverty line in Selected Countries

Country	National Poverty Line					International Poverty Line		
	\$ per day (2005)*	Survey year	Rural %	Urban %	Total %	Survey year	Population below \$ 1 a day	Population below \$ 1 a day
Bangladesh	1.03	2000	53.0	36.6	49.8	2000	41.3	84
Brazil	5.92	2002-03	41.0	17.5	21.5	2004	7.5	21.
China	0.57	1998	4.6	< 2	4.6	2004	9.9	34.
Egypt	1.76	1999-00			16.7	1999-00	3.0	43.
India	0.82	2004-05*	28.3	25.7	27.5	2004-05	34.3	80.
Indonesia	1.07	1999	34.3	16.1	27.1	2002	7.5	52.
Mexico	6.32	2004	27.9	11.3	17.6	2004	3.0	11.6
Nepal	0.87	2003-04	34.6	9.6	30.9	2003-04	24.1	68.5
Pakistan	1.67	1998-99	35.9	24.2	32.6	2002	17.0	73.6
Sri Lanka	1.49	1995-96	27.0	15.0	25.0	2002	5.6	41.6

\* Sources : Poverty line ₹ 356.0 in rural areas and ₹ 538.6 in urban areas (Per capita monthly expenditure, Planning Commission Release. March 2007

For other countries, except India, population below poverty – national and international are taken from World Bank, *World Development Report* (2008)

† Ravillion, Chen and Sangrula (2008); "Dollar a-day revisited", *Policy Research Paper 4620*, World Bank, Washington D.C. Planning Commission.

If we accept the data presented by the Plan Commission, we find that a person getting daily in of Rs. 20 or more in urban areas and ₹ 15 or more in areas would not be called poor. If we look at internationally most commonly accepted definition poverty, it is US\$ 1.25 a day. If we convert the same rupees, it would amount to ₹58 per day. Though this is lower than what is required for subsisted a definition which gives poverty line with an which is nearly one third of this amount seemsl inappropriate. If Planning Commission's definition poverty itself calls for a minimum consumption of calories in rural areas and 2100 calories in urban and how can this be achieved with less than ₹ 20 an areas and ₹ 15 in rural areas, answer to this question, has been sought by the Supreme Court from

Some time ago, the government constituted a committee for the unorganized sector under the chairmanship of Arjun Sengupta, which reported that more than 77 percent of the countrymen are managing with less than ₹ 20 a day or less. It is easily understandable that it is not possible to meet minimum requirement of a person's food, shelter and clothing with so little. It means that more than 77 percent of the countrymen cannot even meet their basic needs, whereas poverty measured as per the mathematical method gives a figure of merely 36 Per cent. Such varying figures about the number of poor create confusions and make the task of elimination of poverty difficult. Though Tendulkar's report has tried to correct the definition of poverty by including requisite expenditure on education and health, but even that has failed to address to the realities. To make it real poverty

line, government has to take a realistic view of poverty. If the government has to implement right to food earnestly, it must correct its assessment of poverty.

The conclusion emerges from the analysis of poverty line. Firstly, the procedure of upgrading poverty line on the basis of price index needs a review and this would be accompanied by the norm of calorie intake. Secondly, the basis of poverty line was decided four decades ago in 1969. For a developing economy with an aspiration of becoming a super-economic power by 2020, it is all the more necessary to develop a basic needs approach poverty line, instead of a uni-dimensional poverty line based on calorie intake of food primarily which is only a starvation line. This will entail greater effort on the part of the state to take steps so that the of rapid economic growth reach 'aam adami' (common man) to use a phrase of the Congress manifesto. Then, it will shake us out of our complacency about poverty in India. We have miles to go before we sleep.

## **7.5 International Comparison of Poverty**

Since the national poverty lines vary sharply from \$0.57 a day for China to 32 a day for Mexico, may be noted that China's national poverty line has derived from \$0.57 day as against that of India at 82 a day, the Chinese national poverty line at \$0.57 a the Chinese figure of population below poverty states the position. This has been sought to be directed by adopting standards of \$1 a day and \$2 a day the uniform basis of comparison in the international poverty line on the Purchasing Power Parity criterion. It would, therefore, be useful to compare international poverty lines for a better comparison of the relative state below population poverty line in different countries.

Secondly, broadly speaking, \$1 a day poverty is based on what may be described as the minimum required in terms of calories per day, which is described in Indian jargon as the 'starvation line', but \$2 a day poverty line takes into account besides food, other items as cloth, education, health or other minimum needs for life which is described 'basic needs line'. It may be noted that the World Development Report does not indicate any basis for both the lines used in its explanatory notes. It only mentions: "Population below \$1 a day and population below \$2 a day are the percentages of population living on less than \$ 1.08 a day and \$ 2.15 a day at 1993 international prices." But we are treating them as 'starvation line' or 'basic needs poverty line' on the basis of estimation of scholars that 'basic needs poverty line' is approximately double the 'starvation line'.

On the basis of the data provided in table 24 about 10 selected countries, on the basis of \$1 a day, the performance of Brazil, China, Egypt, Indonesia and Sri Lanka is far better than that of India, Bangladesh, Nepal and Pakistan. The proportion of population below \$1 a day poverty line at 34.4% for 2004-05 is really a very disappointing considering the impact on reduction of poverty programmes by over five decades of development planning. This implies that nearly 381 million persons were living below the poverty line of \$1 a day in 2004-05 which is very disturbing. On the basis of \$2 a day, 80.4% of our population or about 892 million do not satisfy the basic needs criterion of \$2 a day. This is also in conformity with figure of 77% of Indian population who are poor and vulnerable based on consumer expenditure level of 20 per day on the basis of purchasing power parity equivalent to below nearly \$2 per day as the criterion in 2004-05 by the National Commission for Enterprises in the Unorganised Sector. Making a strong indictment of the growth process, the Commission mentions: "there is no doubt that this "Shining India" has expanded in the past and is still expanding at a very high rate. But this picture is spoiled by a virtually stagnant consumption expenditure and miserable

Notes

working and living conditions of the 77 percent of our population who are poor and vulnerable... this is the other world which can be characterized as the India of the common people, constituting more than three-fourths of the population (836 million) and consisting of all those whom the growth process has, by and large, by passed."

### Recent Revised Estimate of Poverty by the World Bank

Martin Ravallion and Shaohua Chen of the World Bank have updated the World Bank Poverty Line of \$ 1.08 per person per day at 1993 Purchasing Power Parity dollars with a new international poverty line of \$1.25 per person per day for 2005 based on the new Purchasing Power Parity prices for 2005, replacing those for 1993. As a consequence, 41.8 percent of India's population was below the new international poverty line in 2005. This implies that 461 million persons were living in poverty as per the revised estimate - a huge number indeed.

### Food Price Inflation and Increase in Poverty

Food price inflation implies a sharper increase in the prices of food articles relative to that of manufactures and other non-food articles. Recent price trends indicate that while the overall rate of inflation in the Wholesale Price Index (WPI) has dropped to 8.4 percent in November 2008 from its peak of 13 percent in August 2008, but rate of inflation of food articles has gone up from 8.84 percent to 10.43 percent during the same period. However, a poor family in India spends 60-70 percent of its family income on food-related items. Higher food prices will thus impose a greater burden on the poor and may also push more persons below the poverty line. Hence, there is a need to control the increase in prices of food articles such as cereals, fruits and vegetables, eggs etc.

### Towards A Solution of The Problem of Poverty

This requires a two-pronged strategy - (i) The expansion of sectors which promise higher labour absorption and (ii) Empowering the poor with education, skill formation and health so that they can enter sectors which require higher competence and provide better remuneration which enable the poor to cross the poverty line, the following strategy can solve the problem of poverty.

**1. Adopt a strategy of pro-poor growth instead of emphasizing liberalization and GDP growth**

Former Prime Minister Atal Bihari Vajpayee in his Independence Day Message (15<sup>th</sup> August 2001) candidly stated : "The fruits of liberalization have not adequately reached the poor and the people living in rural areas. Inequalities have increased." It would be, therefore, futile to pursue the failed strategy of liberalization which has a focus on only 8 percent of labour force in the organized sector. The need of the hour is to take care of the 92 percent of labour force engaged in the unorganized sector. Liberalization has driven more and more people from the organized sector to the unorganized sector. There is a need to reverse this process and more and more units in the unorganized sector are enabled to graduate and join the ranks of the organized sector". The government should re-appraise them and give priority removal of unemployment and recognizing the right work' as a basic human right. For this, a new development reconciling GDP growth and employment should be developed.

In this model, emphasis should be laid on opment of irrigation and watershed development people's participation. Similarly, degraded and lands should be developed through participatory of panchayats. Agricultural co-operatives should strengthened to undertake food processing and KVIC should assigned the task of marketing sector should be helped on the lines suggested. Gupta Study Group. Greater emphasis should be on housing for the poor and Economically Weaker. Rural infrastructure in the form of roads, prove of power in rural areas should be strengthened programme of social infrastructure should be taken.

Besides, there is a need for promoting sector which is major source self-employment and sorption of casual labour.

**2. Stimulating Agricultural Growth**

Indian Government has been fixing the targent agricultural growth during the Ninth and the Tenth at 4 percent per annum, but in practice realized the 9<sup>th</sup> Plan and only 1.7% in the Tenth

Plan. To identify the causes of sluggish growth of agriculture, it approached a high power Commission under the Chairmanship M S Swaminathan, world renowned agriculturalist. The National Commission on Farmers suggest following 5-point action Plan :

1. Undertake Soil health enhancement through integrated measures in improving organic and macro-and-micro nutrient.
2. Promote water-harvesting, conservation and suitable use by-empowering panchayats come 'pani panchayats.' A sustainable harvesting system should be established in fed areas lacking assured irrigation.
3. Keeping in view, the decline in profitability farmer's distress, the Government should reduce the rate of interest on crop loans percent.
4. Bridge the growing gap between scientific know-how and field-level do-how both in production and post-harvest phase of farming. This accomplished by training farmers throughout agency of Krishi Vigyan Kendras (Agriculture Science Centers) in both production and harvest technologies.
5. The gap between what the rural produce and the urban consumer pays should be rowed down, as has been done in the case of by Dr. V. Kurien.

Besides, the National Commission on placing the unfinished agenda in land reform first list of five factors central to the present agrarian states "The first and foremost task of the National on Farmers should be in the area of land reform with reference to tenancy laws, distribution of ceiling surplus land, attention to common property and at wasteland resources and consolidation of holdings.... Giving access to land and homesteads not only reduces poverty but is the best way to bring dignity in the lives of today's excluded." (Quoted by the *Approach Paper of the 11<sup>th</sup> five Year Plan*, p.29).

### 3. Increasing the productivity and job quality of the unorganized sector

The NDA government appointed 'Special Group on Targeting Ten Million Employment Opportunities', under the chairmanship of Dr. S P Gupta, the then member of the Planning Commission which submitted its report in 2002. The Special Group emphasized a shift in the strategy of development by emphasizing the growth of unorganized sector as the surest method to reduce employment and poverty.

To quote : "The only answer to this situation is to increase productivity and job quality of the unorganized sector. It means that all attempts should be made to implement those policies which will release the basic town constraints and by ensuring a level playing field for this sector.... In the attempt to increase the labour productivity, more emphasis should be on the growth of sector rather than for substituting labour by capital. Further, to improve the job quality and its security, major changes in legislation will be needed regarding basic social security measures, working conditions, minimum wages and protection of labour interests."

There is a need to immediately implement the recommendations of the special group so that reduction the rate of poverty reduction with higher GDP growth is halted and a reverse trend is generated.

### Empowering the poor through provision of housing

There is a need to remove the shortage of permanent houses in the rural as well as urban areas. Not only that, an effort has to be made to provide the basic amenities of life such as drinking water, toilets and electricity. The country must launch a massive programme to provide housing and basic civic amenities.

The situation is much worse in rural areas than in urban areas. Government should subsidize housing for the poor and weaker sections of the society and recover the cost as part of rent and installments over a period of 20 years. At present, the amount of ₹ 30,000 being given for the construction of a house under Indira Aawas Yojana is too meagre in view of the rising cost of construction to provide a two roomed house, with a kitchen and toilet. This should be the minimum that is required by a family. This requires the limit of ₹ 30,000 to be revised.

Notes

Since rural areas are not offering enough employment opportunities, there is a push factor working and as a consequence, the urban population is increasing. In the urban areas, housing property has become so costly that it is beyond the reach of the majority of population. Most important is the price of land whose price has been sky-rocketing. The way out is that the government acquires land and does not add it as a charge from the poor and lower middle classes and starts a massive programme of housing. Construction cost should be charged from the people and price paid by the government to acquire land be treated as a subsidy for housing. It is only such an affordable price which can help the country to achieve the target of “housing for all” in a period of 20 years. This will also generate massive employment and thus raise the income of the poor who will be drawn to build houses.

In case, this is not done, the poor will usurp some land and put up *jhuggies* and this will lead to further growth of slum population.

**Self-Assessment**

**1. Choose the correct option:**

1. The planning commission constituted in September in
 

(a) 1989	(b) 1975
(c) 1985	(d) None of these
2. The National Rural Employment Guarantee came into force in
 

(a) 2006	(b) 2005
(c) 2007	(d) None of these.
3. The shortcomings of NREGA is
 

(a) Lack of adequate professional staff	(b) Lack of project planning
(c) lack of transparency	(d) All of the above
4. According to the 2001 census, India is the ..... largest country in the world with the total population of 102.7 crore.
 

(a) First	(b) Second
(c) Third	(d) Fourth

**7.6 Summary**

- Poverty can be defined as a social phenomenon in which a section of the society is unable to fulfil even its basic necessities of life. When a substantial segment of a society is deprived of the minimum level of living and continues at a bare subsistence level, that society is said to be plagued with mass poverty. The countries of the third world exhibit invariably the existence of mass poverty, although pockets of poverty exist even in the developed countries of Europe and America.
- Several economists and organisations have conducted studies on the extent of poverty in India. It would be worthwhile to study some of the important estimates.
- The Planning Commission constituted in September 1989 an ‘Expert Group’ to consider methodological and computational aspects of estimation of proportion and number of poor in India.
- Gaurav Datt of the World Bank has made a study of poverty in India for the period 1951-1992 using NSS data. The poverty line is based on a nutritional norm of per capita daily intake of 2,400 calories in rural areas and 2,100 calories for urban areas.
- More recent evidence by the World Bank supports the view that the proportion of persons below the poverty line come down from 52.4 per cent in 1970 to 42.5 per cent in 1983 and further to 39.6 per cent in 1988. Gaurav Datt and Martin Ravallion also estimate that per cent below the poverty line are 43.9 per cent – 40 per cent urban and 45 per cent in rural areas.
- Two factors account for this high incidence of poverty among rural labour households. Firstly,

there is a considerable degree of unemployment and under-employment among rural labourers. It has been established that incidence of unemployment is the highest among casual labourers

- The planning Commission has accepted the Lakdawala Expert Group estimates for poverty with minor modifications. There is very marginal difference between the estimates of the Planning Commission and the Expert Group.
- Dr. Gaurav Datt has identified stagnation in rural growth as the basic cause of slowdown in poverty reduction. This naturally puts a question mark on the very nature of the reform process in terms of rural welfare.
- As noted above different figures are being presented by the Government about poverty. Therefore it is difficult to understand that how many people in India are poor.
- This requires a two-pronged strategy - (i) The expansion of sectors which promise higher labour absorption and (ii) Empowering the poor with education, skill formation and health so that they can enter sectors which require higher competence and provide better remuneration which enable the poor to cross the poverty line, the following strategy can solve the problem of poverty.
- As a consequence of sustained growth in expenditure on education, there has been a remarkable growth in educational institutions at all levels - Primary, secondary and tertiary. The country was able to achieve a Gross Enrolment Ratio of 96% at the primary level, though the drop-out rate for class I to VIII was 51 percent which is quite high.
- In view of the increasing use of computers and Information Technology in all walks of life, the demand for skilled labour is on the increase. Since this requires access to higher education and vocational training, only those who can afford costly education and vocational training, are able to benefit from the expanding opportunities of employment.

## 7.7 Key-Words

1. Diversification : The act of introducing variety (especially in investments or in the variety of goods and services offered);
2. Poverty line : The estimated minimum level of income needed to secure the necessities of life.

## 7.8 Review Questions

1. What is the concept of poverty?
2. Discuss the causes of poverty.
3. Why do we need to redefine the poverty line? Explain.
4. How will you empower the poor through provision of housing?

### Answers: Self-Assessment

1. (i) (a)                      (ii) (a)                      (iii) (d)                      (iv) (b)

## 7.9 Further Readings



Books

1. The Indian Economy; S.K. Ray; Prentic, Hall of India Private Limited New Delhi - 110001.
2. Indian Economy; Gaurav Datt and Aswani Mahajan; S. Chand and Company LTD. Ram Nagar, New Delhi-110055.

## **Unit 8: Unemployment in India: Concept, Causes and Government Policies**

---

### **CONTENTS**

Objective

Introduction

8.1 Concept of Unemployment in India

8.2 Causes of Unemployment in India

8.3 Government Policies for Employment

8.4 Summary

8.5 Key-Words

8.6 Review Questions

8.7 Further Readings

### **Objectives**

After reading this Unit students will be able to:

- Explain the Concept and Causes of Unemployment.
- Describe the Government Policies for Employment.

### **Introduction**

The total population of an area, region or country has three components : the workforce (the employed), the unemployed and the non-workers. Taken together, the workforce and the unemployed together make up the labour force. A person who participates in any economic activity is called a worker and his or her human capital endowment is utilised by the economy. In the process, he or she earns a living. Thus, all workers constitute the workforce or the employed. On the contrary, those who are not workers are called non-workers. Among the non-workers, there may be some who are looking for work or are available for work and are called the unemployed. While the worker is engaged in economic activity and produces the national product, the unemployed is available for being engaged in such activity but the economy is unable to utilise it and the non-worker is not available for utilisation in economic activity of the society. This unit explains how the three components of the population enumerated and what their proportion in the population is.

### **8.1 Concept of Unemployment in India**

India is a developing economy, the nature of unemployment, therefore, sharply differs from the one that prevails in industrially advanced countries. Lord Keynes diagnosed unemployment in advanced economies to be the result of a deficiency of effective demand. It implied that in such economies machines become idle and demand for labour falls because the demand for the products of industry is no longer there. Thus Keynesian remedies of unemployment concentrated measures to keep the level of effective demand sufficiently high so that the economic machine does not slacken the production of goods and services.

This type of unemployment caused by economic fluctuations did arise in India during the depression in the 1930's which caused untold misery. But with the growth of Keynesian remedies, it has been possible to mitigate cyclical unemployment. Similarly, after the Second World War, when war-time industries were being closed, there was a good deal of frictional unemployment caused by retrenchment in the army, ordnance factories, etc. These workers were to be absorbed in peacetime

industries. Similarly, the process of rationalization which started in India since 1950, also caused displacement of labour. The flexibility of an economy can be judged from the speed with which it heals frictional unemployment.

But more serious than cyclical unemployment or frictional unemployment in a developing economy like India is the prevalence of chronic under-employment or disguised unemployment in the rural sector and the existence of urban unemployment among the educated classes. It would be worthwhile to emphasize here that unemployment in developing economies like India is not the result of deficiency of effective demand in the Keynesian sense, but a consequence of shortage of capital equipment or other complementary resources.



Notes

The total number of persons requiring employment during the Eight Plan would be around 65 million. It is expected that during 1995-2000, labour force would increase by 41 million.

## 8.2 Causes of Unemployment in India

It is obvious that the unemployment situation is grim indeed. It has, therefore, to be tackled with appropriate measures and on an urgent basis. However, before we discussed the ways and means of removing unemployment, it is necessary that we understand the causes that given rise to it. The major causes which have been responsible for the wide spread unemployment can be spelt out as under.

### (1) Rapid Population Growth

It is the leading cause of unemployment in Rural India. In India, particularly in rural areas, the population is increasing rapidly. It has adversely affected the unemployment situation largely in two ways. In the first place, the growth of population directly encouraged the unemployment by making large addition to labour force. It is because the rate of job expansion could never have been as high as population growth would have required.

It is true that the increasing labour force requires the creation of new job opportunities at an increasing rate. But in actual practice employment expansion has not been sufficient to match the growth of the labor force, and to reduce the back leg of unemployment. This leads to unemployment situation secondly; the rapid population growth indirectly affected the unemployment situation by reducing the resources for capital formation. Any rise in population, over a large absolute base as in India, implies a large absolute number.

### (2) Limited land

Land is the gift of nature. It is always constant and cannot expand like population growth. Since, India population increasing rapidly, therefore, the land is not sufficient for the growing population. As a result, there is heavy pressure on the land. In rural areas, most of the people depend directly on land for their livelihood. Land is very limited in comparison to population. It creates the unemployment situation for a large number of persons who depend on agriculture in rural areas.

### (3) Seasonal Agriculture

In Rural Society agriculture is the only means of employment. However, most of the rural people are engaged directly as well as indirectly in agricultural operation. But, agriculture in India is basically a seasonal affair. It provides employment facilities to the rural people only in a particular season of the year. For example, during the sowing and harvesting period, people are fully employed and the period between the post harvest and before the next sowing they remain unemployed. It has adversely affected their standard of living.

Notes

**(4) Fragmentation of land**

In India, due to the heavy pressure on land of large population results the fragmentation of land. It creates a great obstacle in the part of agriculture. As land is fragmented and agricultural work is being hindered the people who depend on agriculture remain unemployed. This has an adverse effect on the employment situation. It also leads to the poverty of villagers.

**(5) Backward Method of Agriculture**

The method of agriculture in India is very backward. Till now, the rural farmers followed the old farming methods. As a result, the farmer cannot feed properly many people by the produce of his farm and he is unable to provide his children with proper education or to engage them in any profession. It leads to unemployment problem.

**(6) Decline of Cottage Industries**

Employment particularly of the landless people. They depend directly on various cottage industries for their livelihood. But, now-a-days, these are adversely affected by the industrialisation process. Actually, it is found that they cannot compete with modern factories in matter or production. As a result of which the village industries suffer a serious loss and gradually closing down. Owing to this, the people who work in there remain unemployed and unable to maintain their livelihood.

**(7) Defective education**

The day-to-day education is very defective and is confirmed within the classroom only. Its main aim is to acquire certificated only. The present educational system is not job oriented, it is degree oriented. It is defective on the ground that is more general then the vocational. Thus, the people who have getting general education are unable to do any work. They are to be called as good for nothing in the ground that they cannot have any job here, they can find the ways of self employment. It leads to unemployment as well as underemployment.

**(8) Lack of transport and communication**

In India particularly in rural areas, there are no adequate facilities of transport and communication. Owing to this, the village people who are not engaged in agricultural work are remained unemployed. It is because they are unable to start any business for their livelihood and they are confined only within the limited boundary of the village. It is noted that the modern means of transport and communication are the only way to trade and commerce. Since there is lack of transport and communication in rural areas, therefore, it leads to unemployment problem among the villagers.

**(9) Inadequate Employment Planning**

The employment planning of the government is not adequate in comparison to population growth. In India near about two lakh people are added yearly to our existing population. But the employment opportunities did not increase according to the proportionate rate of population growth. As a consequence, a great difference is visible between the job opportunities and population growth.

On the other hand it is a very difficult task on the part of the Government to provide adequate job facilities to all the people. Besides this, the government also does not take adequate step in this direction. The faulty employment planning of the Government expedites this problem to a great extent. As a result the problem of unemployment is increasing day by day.

### **8.3 Government Policies for Employment**

Following the publication of the Bhagwati Committee report in 1973, the Government took the following measures to provide employment and alleviate under-employment.

**Rural Works Programme :** The emphasis under the programme was on the construction of civil works of a permanent nature as would contribute to the mitigation, if not the total eradication, of the scarcity condition in the areas concerned.

**Marginal Farmers and Agricultural Labourers :** Under the scheme, families were to be assisted with subsidised credit support for agricultural and subsidiary occupations like dairy, poultry, fishery, piggery-rearing, horticultural operations, etc.

**Small Farmers Development Agencies :** The object of the scheme was to make available to small farmers credit to enable them to make use of the latest technology to practise intensive agriculture and diversify their activities.

**Integrated Dry Land Agricultural Development :** Under the scheme, permanent works like soil conservation, land development and water harnessing were undertaken. These programmes were labour-intensive and were expected to generate considerable employment opportunities.

**Agro-service Centres :** The schemes provided for assistance for self-employment to the unemployed graduates and diploma-holders in mechanical, agricultural and electrical engineering and allied fields and graduates in agriculture and science with experience in industry or agriculture. It aimed to help in establishing work-shops, organising agricultural machinery, repairing and hiring facilities and other technical services like supply of spare parts, inputs, etc.

**Area Development Schemes :** These schemes related to the development of adequate infrastructure facilities like roads, market complexes, etc. in areas commanded by ten major irrigation projects.

**Crash Programme for Rural Employment :** The primary objective of the scheme was to generate additional employment through a network of rural projects of various kinds which are labour-intensive and productive. The scheme had a two-fold purpose. Firstly, a project in each block was to provide employment to 100 persons on an average continuously over a working season of 10 months in a year. Secondly, each project was to produce works or assets of durable nature in consonance with the local development plans. The various types of projects included schemes relating to minor irrigation, soil conservation and afforestation, land reclamation, flood protection and anti-waterlogging, pisciculture, drinking water and construction of roads.

The various schemes under the Fourth Five-Year Plan or the Crash Plan could not succeed in removing rural unemployment and under-employment because efforts were not made to organise the army of the rural unemployed into appropriate supply camps to be shifted to places of demand at the desired minimum wage. The Auditor-General in his report to the Lok Sabha presented in August 1974 brought out the tragic fact that the various 'crash' and rural employment programmes on which the Central Government had spent ₹ 170 crores during the Fourth Plan had been wholly infructuous.

### Employment Guarantee Scheme of Maharashtra

Maharashtra Government introduced the, Employment Guarantee Scheme (EGS) in 1972-73. The scheme was the first of its kind to give recognition to the "right to work" enshrined in the Constitution. It embodied a commitment by the State to provide work to a person who comes forward to offer labour.

The main objectives of the Schemes were as under :

- (a) To provide gainful and productive employment to an individual in approved rural works which raise the productivity of the economy.
- (b) The works undertaken should produce durable community assets in the area.
- (c) Productive works of labour-intensive nature like minor irrigation, water and soil conservation, nalla bunding, canal excavation, land development, afforestation, etc. should be undertaken.
- (d) The works should be implemented departmentally and not through contractors so that at least 60 per cent of the works expenditure is incurred on wages to workers and 40 per cent in the form of materials, equipment, supervisory experts and administrative services.

The scheme was intended to provide employment guarantee only in rural areas. The guarantee was restricted to the provision of unskilled manual work and was limited to adults, i.e., men and women over 18 years of age.

The scheme was particularly designed to help the economically weaker sections of rural society. It is this potential group which would demand employment under the Employment Guarantee Scheme.

## Notes

A review of the progress of the scheme during the 10-year period (1972-73 to 1982-83) revealed that while the expenditure incurred on the implementation of various programmes under EGS has been increasing, the number of mandays of employment generated as a result of these programmes has declined continuously over the years. During the first seven years, the progress of the scheme was good in as much as the mandays of employment generated increased from 45 lakhs in 1972-73 to 20.54 crores in 1979-80 along with the increase in expenditure from ₹ 1.89 crores in 1972-73 to ₹ 102.2 crores in 1979-80. However, since 1980-81, the trend of mandays of employment generated declined to 12.8 crore mandays with an expenditure of ₹ 130 crores in 1982-83. As against an expenditure of ₹ 5.3 per manday of employment generated in 1979-80, this increased to ₹ 10.2 in 1982-83.

Since the average daily wage of an unskilled labourer was raised to ₹ 6 per day, part of the explanation for the reduction in mandays of employment generated could be found in it. The other part of the explanation was provided by the rise in prices. A part of the rise in expenditure per manday of employment might be also due to leakages and malpractices that have become a part of our administrative culture.

Only productive works with unskilled wage component of more than 60% were taken up under EGS. Modifications of the scheme permitted individual beneficiary schemes to be also taken up in the case of lands owned by small and marginal farmers. In such cases, 50 per cent of the expenditure was borne by the concerned cultivator/ beneficiary. Besides this, a horticulture programme covering a total of 10 lakh hectares was launched during the Eighth Plan (1992-97) at Government cost on lands of SC/ST/ small cultivators. On other lands, Government and the beneficiaries were to bear the expenditure on materials in the ratio of 75 : 25.

According to the Eighth Plan, "the scheme has resulted in a significant reduction in the incidence of unemployment in rural areas. Average daily unemployment rates in rural Maharashtra have declined from 7.20% in 1977-78 to 3.17% in 1987-88. It would have also contributed to some extent towards the decline in rural poverty from 60.4 per cent in 1977-78 to 36.7 per cent in 1987-88. The scheme has also helped in keeping an upward pressure on wages in rural areas. The EGS has benefitted a large number of women too, with nearly 60 per cent of the workers on EGS sites being women."

## National Rural Employment Programme

The Food for Work Programme was restructured and renamed as National Rural Employment Programme (NREP) from October, 1980. This was implemented as centrally sponsored programme with 50 per cent central assistance. Additional employment of the order of 300-400 million mandays per year for the unemployed and underemployed was envisaged under the NREP. Besides this, the NREP aimed to create community assets for strengthening rural infrastructure. These included drinking water wells, community irrigation wells, village tanks, minor irrigation works, rural roads, schools and Balwadi buildings, panchayat ghars etc.

A critical assessment of the projects undertaken brought out the following shortcomings :

- (i) "Works implemented through NREP are often, not coordinated or integrated with the requirements of families identified for assistance under IRDP. Potentiality of NREP worked to assist newly liberated bonded labourers or to support the attempts of agricultural workers to secure minimum wages fixed under the law is also not always appreciated. Stereo-typed earth excavation works mainly relating to Kachcha village roads, reminiscent of the old famine relief works, are undertaken ignoring the fact that this programme has a crucially supportive role to play for the beneficiary oriented development programme of IRDP and other area development programmes."
- (ii) There is a tendency to go in for building construction with high material components. This runs counter to the basic objectives of NREP. The principal purpose of NREP is to utilise local resources, both in terms of materials and manpower towards the generation of more employment.

## Rural Landless Employment Guarantee Programme

The Rural Landless Employment Guarantee Programme (RLEGP) was launched on the 15th August, 1983 with the objective of generating gainful employment, creating productive assets in rural areas and improving the overall quality of rural life.

The programme was funded by the Central Government on 100% basis. Resources were allocated to the States/Union Territories on the basis of the prescribed criteria giving 50% of weightage to number of agricultural labourers, marginal farmers and marginal workers and 50% weightage to incidence of poverty. Wages were paid to the workers under the Schedule of employment in the Minimum Wages Act. Part of the wages were required to be paid in the form of subsidized foodgrains. It was also stipulated that the wage component on a project should not be less than 50% of the total expenditure on the project. The programme included projects of social forestry, Indira Awaas Yojana and Million Wells Scheme.

The progress of RLEGP during the Seventh Plan (1985-86 to 1988-89) revealed that during the first four years, a sum of ₹ 2,412 crores was utilized and this helped to generate employment to the tune of 1,154 million mandays.

As a result of the RLEGP, social forestry programme 5.2 lakh hectares of land was covered and 533 million plants were planted during the 3-year period. Besides this, 4.27 lakh houses at a cost of ₹ 425.5 crores were constructed upto Dec. 1988. The cost per dwelling unit worked out at ₹ 9,954.

The Government decided to merge NREP and RLEGP. The merger was based on the premise that the objectives and implementation in the field of these two programmes were by and large similar. But it may be pointed out that merger of NREP and RLEGP is merely tinkering with the problem. A much more serious consideration should be given to develop a much tighter administration of rural employment scheme to eliminate malpractices so that real beneficiaries can be helped to cross the poverty line. Improving effectivity of implementation is the crux of the matter and not administrative reorganisation.

### **IRDP, NREP, Rural Poverty – an Employment**

A multiplicity of agencies have been carrying on the task of providing rural employment. They included : Employment Guarantee Schemes, Food for Work Programme, Small Farmers Development Agency (SFDA), Marginal Farmers and Agricultural Labourers (MFAL), Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP), Command Area Development Programme (CADP), etc. The Sixth Plan (1980-85) proposed that “such multiplicity of programmes for the rural poor operated through a multiplicity of agencies should be ended and replaced by one single integrated programme operative throughout the country.” This programme was named as the Integrated Rural Development Programme (IRDP).

### **Philosophy behind the IRDP Programme**

A large body of economic experts have shown in their studies that whereas economic growth may be able to raise per capita incomes in developing countries, it may not be accompanied by a reduction of poverty as well as elimination of unemployment and under-employment. Rather the process of economic growth in third world countries, India being no exception, has benefitted relatively developed areas and better-off people. In other words, the percolation of benefits of economic growth to backward areas and the poor people have not taken place.

To remedy this situation, it was thought necessary that a direct attack on poverty should be made. This necessitated programmes for alleviating rural poverty by endowing the poor with productive assets or skills so that they can employ themselves usefully to earn greater incomes and thus cross the poverty line. To achieve this objective, the Sixth Plan conceived of two important programmes – IRDP and NREP. The basic strategy was to promote self-employment of the poor households through IRDP so that with the transfer of productive assets, they may earn incomes that help them to cross the poverty level. The NREP (National Rural Employment Programme) was to provide wage employment to fill in the periods of seasonal and sporadic underemployment. It was also intended to enlarge absorptive capacity of labour in rural areas in non-agricultural occupations by creating infrastructure – social and economic – which help to increase the productive capacity of the economy.

### **Targets and Achievements**

The IRDP was initiated on October 2, 1980 in all the 5,011 blocks in the country. During the 5-year period (1980-85) in each block 600 poor families were to be assisted. In this way, a total of 15 million

Notes

families of about 75 million persons below the poverty line were targeted to be beneficiaries. For each block a uniform allocation of ₹ 35 lakhs was to be shared between the Centre and the States on a 50-50 basis.

The programme was based on a graded scheme of subsidies which amounted to 25 per cent of the capital cost of small farmers, 33.3 per cent for marginal farmers, agricultural labourers and rural artisans and 50 percent for tribal beneficiaries. Following the Antyodaya principle, the programme was intended to reach the poorest households first and later to reach other poor people in an ascending order.

Community works were eligible for 50 per cent subsidy. Nearly 20 percent of the outlay was to be utilised for administrative and infrastructural support and the balance of 80 percent is meant for subsidies to beneficiaries for acquisition of assets.

The major weaknesses of the programme were as under :

- (i) Selection of ineligible families, though the Government claims to be below 8 per cent, is in fact larger.
- (ii) Training was not imparted to majority of the beneficiaries.
- (iii) In about 22% cases, no incremental income was generated.
- (iv) Adequate infrastructure facilities were not available to beneficiaries. The input facility was available to barely 40% cases, marketing in 14% cases and repair facility in 5% cases.

The programme assisted a total of 108 lakh families, out of which 50% of belonged to SC/ST categories, thus achieving the target set for the plan. But the percentage of women beneficiaries was only 34%, which was below the target of 40%.

Besides this, the Government decided to introduce the Family Credit Plan by enlarging its magnitude. Under the scheme, multiple assets could be given to more than one member of the family to enable the household to cross the poverty line. The level of investment per family was targetted at ₹ 20,000-25,000 under the scheme. With a view to encourage higher levels of investment per family, security norms for IRDP were enhanced. Banks were earlier required not to obtain mortgage of land as security for loans up to ₹ 2,000. This limit was raised to ₹ 5,000. In addition, banks were not to obtain collateral security for moveable assets up to ₹ 15,000.

According to the Mid-term Appraisal of Ninth Five Year Plan (1997-2000) published in October 2000, since the inception of the programme till 1998-99, 53.50 million families have been covered under IRDP at an expenditure of ₹ 13,700 crores. During the first two years of the Ninth Plan (1997-98 and 1998-99), about 3.37 million families reported to have been covered.

The average investment per family remained at subcritical levels, too inadequate to generate income of ₹ 2,000 per family per month as the programme had envisaged. At the beginning of the Ninth Plan, an investment of ₹ 16,753 per family was not much higher in real terms as compared with ₹ 7,889 at the beginning of the Eighth Plan. Such low-level per family investment cannot finance self-employment projects to yield adequate income on a sustained basis.



*Did u know?* The IRDP was started in 1980-81 in all blocks of the country and continued as a major self-employment scheme till April 1, 1999. Then, it was restructured as the Swarnajayanti Gram Swarozgar Yojna (SGSY) which aimed at self-employment of the rural poor.

### Jawahar Rozgar Yojana

Prime Minister Rajiv Gandhi announced on 28th April, 1989 the launching of the Jawahar Rozgar Yojana (JRY). All the existing rural wage employment programmes were merged into JRY. This implies that National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) have been merged so as to be brought under this umbrella programme referred to as Jawahar Rozgar Yojana.

## Main features of the Scheme

Notes

- (i) As a result of the operation of NREP and RLEGP during 1980-81 to 1988-89, rural employment programmes reached only 55 per cent of the village panchayats around the country. JRY aimed at reaching every single panchayat.
- (ii) The scheme will be administered by the village panchayats to implement rural employment programmes benefitting 440 lakh families living below the poverty line in India.
- (iii) Whereas in the earlier rural employment programmes, Central and State assistance was provided on 50 : 50 basis, JRY has stipulated that Central assistance will finance 80 per cent and the States share will be 20 per cent.

## Objectives of JRY

**Primary Objective :** Generation of gainful employment for the unemployed and under-employed, men and women in rural areas.

**Secondary Objectives :** JRY had several secondary objectives :

- (i) creation of sustained employment by strengthening the rural infrastructure;
- (ii) creating community and social assets;
- (iii) creating assets in favour of the poor for their direct and continuing benefits;
- (iv) to produce positive impact on wage levels; and
- (v) to bring about over-all improvement in quality of life in rural areas.

## Target Groups and Special Safeguards

JRY was specially targetted to help people below the poverty line. Preference was to be given to Scheduled Castes, the Scheduled Tribes and freed bonded labourers. At least 30 per cent of the employment was to be provided to women under the JRY.

## Modification under JRY

Based on the experience gained in the implementation of the Jawahar Rozgar Yojana (JRY) and to achieve the objective of providing 90-100 days of employment per person in backward districts, JRY was modified from 1993-94 and was implemented in the following three streams :

**First Stream:** On the existing pattern with two sub-schemes, namely Indira Awaas Yojana (IAY) and Million Wells Scheme (MWS)

**Second Stream :** An intensified JRY in 120 identified backward districts with additional allocations

**Third Stream :** Special and innovative projects

## First Stream of JRY

Under this stream of JRY, two sub-schemes, viz.. Indira Awaas Yojana (IAY) and Million Wells Scheme (MWS) were implemented. 10 per cent of the total resources of JRY were earmarked for the IAY and 30 per cent for the MWS.

## Works to be undertaken under first stream of JRY

1. Social forestry works on Government and community lands belonging to panchayats etc. road side plantations, plantations along canal banks or on wastelands or on sides of railway lines etc.
2. Soil and water conservation works
3. Minor irrigation works, such as, construction of community irrigation wells, drains and field channels
4. Construction/renovation of village tanks for providing irrigation as well as drinking water
5. Construction of community sanitary latrines

Notes

6. Construction of houses for scheduled castes/scheduled tribes and freed bonded labourers
7. Construction of rural roads.
8. Land development and reclamation of waste lands or degraded lands.
9. Construction of community centres, panchayat ghars, Mahila Mandals, Market yards, dispensaries, anganwadis, balwadis etc.
10. Construction of school buildings, etc.

### **Million Wells Scheme (MWS)**

The Million Wells Scheme was launched as a sub scheme of NREP/RLEGP during 1988-89 to provide open irrigation wells, free of cost, to poor small and marginal farmers belonging to SCs/STs and freed bonded labourers.

Since the beginning of the programme in 1988-89, a total 10.0 lakh wells were constructed with an expenditure of ₹ 4,021 crores by 1996-97. Additional 1.9 lakh wells were constructed during 1997-98 and 1998-99 at a cost of ₹ 937 crores.

### **Indira Awaas Yojana (IAY)**

Indira Awaas Yojana was aimed at providing houses, free of cost, to the members of the SC/ST. freed bonded labourers. From 1993-94, the scheme was extended to other poor categories (besides SC/ST) as well. The permissible expenditure for each house under IAY which was fixed at ₹ 14,000 was enhanced to ₹ 20,000 with effect from 1st August 1996 in view of the rise in the cost of building materials.

Under Jawahar Rozgar Yojana, during 1989-90 to March 2001, a total of 67.5 lakh houses were constructed with a total expenditure of ₹ 11,324 crores. Average cost of construction of a house was ₹ 16,776.

### **Third Stream – Innovative and Special Employment Projects**

Under the third stream of JRY, special and innovative projects which aim at prevention of migration of labour, enhancing women's employment, special programmes through voluntary organisations aiming at drought proofing as well as watershed development/wasteland development resulting in sustained employment were undertaken. Besides this. Operation Black Board was undertaken to provide assistance for construction of class rooms and school buildings. During the 5 year period (1989-90 to 1993-94), as against the target of 4,332 million mandays, the States generated employment of the order of 4,283 million mandays, nearly 97 per cent of the target. The total expenditure incurred was ₹ 14.010 crores. This implies that ₹ 32.7 per manday were spent for the purpose. This was a very encouraging achievement.

### **Employment Assurance Scheme (EAS)**

On the model of the Employment Guarantee Scheme of Maharashtra, the Government introduced Employment Assurance Scheme (EAS) with effect from 2nd October 1993 in rural areas in 1,778 blocks of 261 districts. The scheme aimed at providing assured employment of 100 days of unskilled manual work to the rural poor who are in need of employment and seeking it. The assurance of 100 days extends to all men and women over 18 years and below 60 years of age. A maximum of two adults per family were to be provided employment under the scheme.

The average employment provided per person was 41.3 days in a year, as against the target of 100 days of employment. To make the scheme more enduring to enable beneficiaries to cross the poverty line, it would be more desirable to reach the target of 100 days of employment per year.

### **Evaluation of Jawahar Rozgar Yojana (JRY)**

During 1992, the Government of India undertook concurrent evaluation of JRY through reputed research institutions covering all districts in the country. More concerns of the concurrent evaluation were:

**Areas of Concern** pointed out by the Report are :

- (a) In majority of cases, panchayat heads were not given any training for undertaking JRY works.
- (b) The workers who belonged to the category of 'ineligibles' also took advantage of the programme.

To sum up, Jawahar Rozgar Yojana made some headway in providing employment but the target of providing 90-100 days of employment for every registered person is a distant goal judged by the achievement made so far. The total absence of voluntary organisations in its implementation was a serious weakness of JRY. To improve the quality of construction of houses, more liberal amount per house should be provided, failing which the poor quality houses would after a few years need heavy repairs.

Under the programme, all works that can result in the creation of durable assets are taken up. Under the scheme, during 2000-01, with a Central allocation of ₹ 1,650 crores, 88.5 million mandays of employment was generated.

**Swaran Jayanti Gram Swarozgar Yojana (SGSY)** was introduced in April 1999 as a result of restructuring and combining the Integrated Rural Development Programme (IRDP) and Million Wells Scheme (MWS) into a single self-employment programme. It aimed at promoting micro-enterprises and helping the rural poor into self-help groups. It was implemented as a Centrally Sponsored Scheme on cost sharing ratio of 75 : 25 between the Centre and the States.

**Swaran Jayanti Shahari Rozgar Yojana (SJSRY)** : The Urban Self-employment Programme and Urban Wage-Employment Programmes of the Swaran Jayanti Shahari Yojana, which substituted in December 1997 various programmes operated earlier for poverty alleviation. SJSRY was funded on 75 : 25 basis between the Centre and the States. During the 3-year period (1997-98 and 1999-2000), a total of ₹ 353 crores were spent of SJSRY generating 21.8 million mandays of employment.



Notes

**Jawahar Gram Smridhi Yojana (JGSY)** was introduced in April 1999 as a successor to Jawahar Rozgar Yojana (JRY) is being implemented as acentrally sponsored scheme on a cost sharing ratio of 75 : 25 between the Centre and the States.

## Employment Policy in the Ninth Plan

### Labour Force Growth and Employment Requirements

Job opportunities will need to be created for 53 million persons during 1997-2002 as a consequence of labour force increase, for 58 million during 2002-07 and thereafter for 55 million during 2007-12.

**Table 1 : Combined Incidence of Unemployment and Under-employment**

Activity Status	Proportion of labour force	Remarks
1. Labour force	100.00	Working or seeking work on usual status basis.
2. Employed	89.55	Usual status employed staying in workforce when classified by their weekly status.
3. Unemployed	2.02	Incidence of open unemployment on usual status basis.
4. Under-employed	8.43	Usual status employed going out of work when classified by their weekly status.
5. Unemployed & underemployed	10.45	Open unemployment on usual status and the incidence of loss of work by the usually employed when classified by their weekly status.

**Source :** Compiled from Planning Commission, **Ninth Five Year Plan (1997-2002)**, Vol. I, February 1999.

### Strategy of Employment Generation in the Ninth Plan

The basic problem, which keeps people in a state of poverty, is the poor quality of employment in terms of inadequate level of income for workers. The educational level of the workers reveals that 70 per cent of the workforce is either illiterate or educated below the primary level. In industries other than agriculture, where skill development for higher productivity necessitates a reasonable level of educational standard, 52 per cent of workforce was below the primary level of education, 26 per cent being illiterate. (Refer table 2). The Ninth Plan, therefore, as a part of its strategy intended to focus on the growth of sectors which have high employment absorption capacity of a relatively less educated labour force. It mentioned, "The focus on agriculture, trade and transport and construction reflect this imperative."

It is really a sad commentary on our planning process that even after five decades of planned development, nearly 84 per cent of the workforce engaged in agriculture is either illiterate or with an educational level below primary. It is, therefore, vitally necessary that education and skill development programmes which are essential features of empowerment be strengthened.

**Table 2 : Percentage Distribution of Labour Force by Level of General Education (1993-94)**

	Illiterate	Literate upto primary	Middle and above	Total	Share in workforce
Agriculture	60.8	22.8	16.4	100.0	56.6
Other than Agriculture	25.8	26.0	48.2	100.0	43.4
All industries	45.6	24.2	30.2	100.0	100.0

**Note :** Usual status principal and subsidiary workers

**Source :** Compiled from NSS 50<sup>th</sup> Round Data on Employment and Unemployment.

As a part of enlarging employment and increasing the quality of employment, the Ninth Plan emphasized, "It is necessary to increase public investment in agriculture especially for strengthening irrigation and other rural infrastructure in backward areas so that sustained agricultural growth, and, therefore, acceleration of employment growth is facilitated." Besides this, the Ninth Plan intended to emphasise horticulture - an employment intensive sector.

The Ninth Plan underlined the fact that Rural Non-farm Sector has increased its share of productive employment from about 15 % in 1978 to 22 % in 1987-88 and further to 23 % in 1993-94. This sector has registered an employment growth rate of 5 per cent between 1987-88 and 1993-94, which is very heartening. This trend should be strengthened. This necessitates a decentralized pattern of industrialisation so that rural areas can undertake small business and manufacturing on an increasing scale.

### An Assessment of the Employment Strategy

However, it may be mentioned that the Ninth Plan does not make employment as a central objective of the policy, though it speaks of generating it as a corollary of the growth process. The Macro Dimensions of the plan are couched in the traditional paradigm of saving, investment, GDP growth rates. In this connection, it would be relevant to heed the advice given by the **Human Development Report** (1996) which states that a **clear political commitment to full employment is the essential condition for development**. The Report mentions : "Where employment creation has been most successful, it has been the result of a deliberate strategy. Rather than assuming that employment would materialise automatically, political leaders have identified it as a central policy objective." It further emphasises : "Employment needs to be restored to its place among the top policy concerns of

economic management. The macro-economic framework agreed to between governments and the Bretton Woods Institutions need to focus on employment – not just inflation, GDP growth, short and medium term reforms and short-term fiscal and budgetary targets. They need to set employment targets, which are essential to human development and to sustained future growth.”

### Self-Assessment

#### 1. Choose the correct option:

(i) Consider the following statements:

- I. Bulk of employment is in rural areas.
- II. The disguised unemployment in agricultural sector is perennial
- III. Industrialisation rendered several people jobless in India

Which of the statement given below is/are correct:

- (a) I and II
- (b) I and III
- (c) I and III
- (d) I, II and III

2. Which is not one of the salient features of Anapurna Scheme?

- (a) It was launched by the ministry of consumer affairs, Food and public distribution in 2001-2002.
- (b) The beneficiaries of the scheme are indigent senior citizens of 65 years of age or above.
- (c) 10 kg of food grains per month are supplied free of cost to the target group.
- (d) From 2002-2003, the scheme has been transferred to state plan along with the national social assistance programme.

3. PDS means distribution of essential commodities to a large number of people through the network of fair price shops on a recurring basis. The commodities distributed under PDS are:

- I. Wheat
- II. Rice
- III. Sugar
- IV. Pulse
- V. Kerosene

Select the correct option

- (a) I, II and IV
- (b) I, II, III and IV
- (c) I, II, III, and V
- (d) all of the above

4. The central nodal agency for implementing the price support operations for commercial crops is

- (a) NAFED
- (b) NABARD
- (c) TRIFED
- (d) FCI

### 8.4 Summary

- India is a developing economy, the nature of unemployment, therefore, sharply differs from the one that prevails in industrially advanced countries. Lord Keynes diagnosed unemployment in advanced economies to be the result of a deficiency of effective demand. It implied that in such economies machines become idle and demand for labour falls because the demand for the products of industry is no longer there.
- That a large number of workers are forced to remain jobless both in rural and urban areas is true beyond dispute.
- The Committee of Experts on Unemployment under the chairmanship of B. Bhagwati in its report submitted to the Government in May 1973, observed : On the basis of the data, the likely number of unemployed in 1971 may be reasonably taken at 18.7 million including 9 million

Notes

who are without any job whatsoever and 9.7 million who work for less than 14 hours per week may be treated at par with the unemployed.

- It is obvious that the unemployment situation is grim indeed. It has, therefore, to be tackled with appropriate measures and on an urgent basis. However, before we discussed the ways and means of removing unemployment, it is necessary that we understand the causes that given rise to it. The major causes which have been responsible for the wide rise to it.
- It is true that the increasing labour force requires the creation of new job opportunities at an increasing rate. But in actual practice employment expansion has not been sufficient to match the growth of the labor force, and to reduce the back leg of unemployment. This leads to unemployment situation secondly; the rapid population growth indirectly affected the unemployment situation by reducing the resources for capital formation. Any rise in population, over a large absolute base as in India, implies a large absolute number.
- The method of agriculture in India is very backward. Till now, the rural farmers followed the old farming methods. As a result, the farmer cannot feed properly many people by the produce of his farm and he is unable to provide his children with proper education or to engage them in any profession. It leads to unemployment problem.
- The various schemes under the Fourth Five-Year Plan or the Crash Plan could not succeed in removing rural unemployment and under-employment because efforts were not made to organise the army of the rural unemployed into appropriate supply camps to be shifted to places of demand at the desired minimum wage.
- Maharashtra Government introduced the, Employment Guarantee Scheme (EGS) in 1972-73. The scheme was the first of its kind to give recognition to the 'right to work' enshrined in the Constitution. It embodied a commitment by the State to provide work to a person who comes forward to offer labour.
- The Food for Work Programme was restructured and renamed as National Rural Employment Programme (NREP) from October, 1980. This was implemented as centrally sponsored programme with 50 per cent central assistance. Additional employment of the order of 300-400 million mandays per year for the unemployed and underemployed was envisaged under the NREP.
- The Rural Landless Employment Guarantee Programme (RLEGP) was launched on the 15th August, 1983 with the objective of generating gainful employment, creating productive assets in rural areas and improving the overall quality of rural life.
- The progress of RLEGP during the Seventh Plan (1985-86 to 1988-89) revealed that during the first four years, a sum of ₹ 2,412 crores was utilized and this helped to generate employment to the tune of 1,154 million mandays.
- A multiplicity of agencies have been carrying on the task of providing rural employment. They included : Employment Guarantee Schemes, Food for Work Programme, Small Farmers Development Agency (SFDA), Marginal Farmers and Agricultural Labourers (MFAL), Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP), Command Area Development Programme (CADP), etc.
- A large body of economic experts have shown in their studies that whereas economic growth may be able to raise per capita incomes in developing countries, it may not be accompanied by a reduction of poverty as well as elimination of unemployment and under-employment.
- Various evaluation studies about the programme were made which reveal that the actual percolation effect of the programme was much less in terms of poverty alleviation as compared with the impressive figures doled out by Government reports in terms of subsidies, bank credit and poverty line crossers.
- Prime Minister Rajiv Gandhi announced on 28th April, 1989 the launching of the Jawahar Rozgar Yojana (JRY). All the existing rural wage employment programmes were merged into JRY. This implies that National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) have been merged so as to be brought under this umbrella programme referred to as Jawahar Rozgar Yojana.

- Indira Awaas Yojana was aimed at providing houses, free of cost, to the members of the SC/ST. freed bonded labourers. From 1993-94, the scheme was extended to other poor categories (besides SC/ST) as well. The permissible expenditure for each house under IAY which was fixed at ₹ 14,000 was enhanced to ₹ 20,000 with effect from 1st August 1996 in view of the rise in the cost of building materials.
- During 1992, the Government of India undertook concurrent evaluation of JRY through reputed research institutions covering all districts in the country. More concerns of the concurrent evaluation were :
- Job opportunities will need to be created for 53 million persons during 1997-2002 as a consequence of labour force increase, for 58 million during 2002-07 and thereafter for 55 million during 2007-12.
- The basic problem, which keeps people in a state of poverty, is the poor quality of employment in terms of inadequate level of income for workers. The educational level of the workers reveals that 70 per cent of the workforce is either illiterate or educated below the primary level.
- Regarding the service sector, Ninth Plan stated that the growth rate of employment in this sector has been of the order of 5.39 % per annum during 1987-88 to 1993-94 compared to barely 1.84 % per annum between 1983 and 1987-88. But the irony of the strategy of employment outlined in the Ninth Plan is not to compute the employment growth in education and health sector if policies of building human capital, as suggested by Nobel Laureate Amartya Sen, have to be buttressed.

## 8.5 Key-Words

1. Endowment mortgage : An endowment mortgage is a mortgage loan arranged on an interest-only basis where the capital is intended to be repaid by one or more (usually Low-Cost) endowment policies. The phrase endowment mortgage is used mainly in the United Kingdom by lenders and consumers to refer to this arrangement and is not a legal term. If the individual dies during the endowment mortgage period then the mortgage provider retains the property.
2. Piggery-rearing : Intensive piggeries (or hog lots) are a type of animal husbandry specialized in the raising of domestic pigs up to slaughter weight. They are also known as an AFO or CAFO in the U.S. In this system of pig production, grower pigs are housed indoors in group-housing or straw-lined sheds, whilst pregnant sows are housed in sow stalls (gestation crates) or pens and give birth in farrowing crates.

## 8.6 Review Questions

1. What is the concept of Unemployment? Discuss.
2. Discuss the causes of Unemployment in India.
3. Write a short note on the government policies for employment.

### Answers: Self-Assessment

1. (i) (a)                      (ii) (a)                      (iii) (c)                      (iv) (a)

## 8.7 Further Readings



Books

1. The Indian Economy; S.K. Ray; Prentic, Hall of India Private Limited New Delhi - 110001.
2. Indian Economy; Gaurav Datt and Aswani Mahajan; S. Chand and Company LTD. Ram Nagar, New Delhi-110055