

Block

3

BASIC ISSUES IN DEVELOPMENT

UNIT 9
Population

UNIT 10
Poverty

UNIT 11
Inequality

UNIT 12
Unemployment



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UNIT 9 POPULATION

Structure

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9.0 INTRODUCTION

We all have some ideas and experiences about the growing population, and sometimes we analyse, or discuss among ourselves, various issues related to it, like rising numbers, crowding, and congestion. We also try to analyse various consequences arising from overpopulation. Some of the major consequences are unemployment, poverty, lack of basic amenities, like housing and drinking water. Therefore, we can say that population and development have a very close relationship. There is a cause and effect relationship, i.e., development can affect population, and *vice versa* (Gould, 2009). Human beings are at the centre of the concerns for any developmental activities. This is because people are the most important and valuable resource of any nation. Consequently, the right to development must be fulfilled so as to equitably meet the population and development needs of present and future generations. In this unit, we will analyse the complexities that exist between population and development.

9.1 LEARNING OUTCOMES

After reading this unit, you will be able to:

- describe the growth and distribution of world population over the time and space;
- explain age-sex compositions and its implication on development;
- analyse various theories on population and development and their significance;
- evaluate various arguments in favour and against the linkages between growth of population and development; and
- compare the population policies adopted by developed and developing countries.

9.2 WORLD POPULATION SCENARIO

World population is unevenly spread all over the globe. Some places have a low concentration of population, like deserts, dense forests, and mountainous areas, whereas many areas are heavily populated, like coastal and deltaic plains, moderate climates, fertile areas, industrialised areas, and urban centres. This spread of population is known as the distribution of population. If we look at the factors responsible for the distribution of population, then all the factors may be broadly grouped under two categories: (i) geographical factors – latitude, altitude, relief, climate, mineral and energy resources, and (ii) socioeconomic factors, like industrialisation, urbanisation, type of economy, political scenario and public policies. Density is one way of expressing distribution of population. Density of population is expressed as the number of persons per sq. km. This is popularly known as arithmetic density.

Distribution and Density of Population

Population distribution can be analysed by different criteria. In terms of continents, Asia has the largest share of population (about 60 per cent) followed by Africa, Latin America and Europe. According to the Population Reference Bureau, World Population Data Sheet, even by 2050, Asia will still have the largest share of population, but it would decline from about 60 per cent to 57 per cent. But the major increase of population would take place in Africa, i.e., 12.7 per cent to 22.4 per cent and a major decline in population would take place in Europe, i.e., 7.2 per cent to 4.1 per cent (Figure 1). As the world's population has risen from 2.5 billion in 1950 to 6.7 billion in 2008, the proportion of those living in the developing countries of Africa, Asia, and Latin America, and the Caribbean has expanded from 68 per cent to more than 80 per cent. India and China, with a billion plus each in 2008, make up about 37 per cent of the total. Projections for 2050 show this shift to developing countries continuing. The share of those living in the more developed countries is projected to drop from about 18 per cent in 2008 to less than 14 per cent in 2050

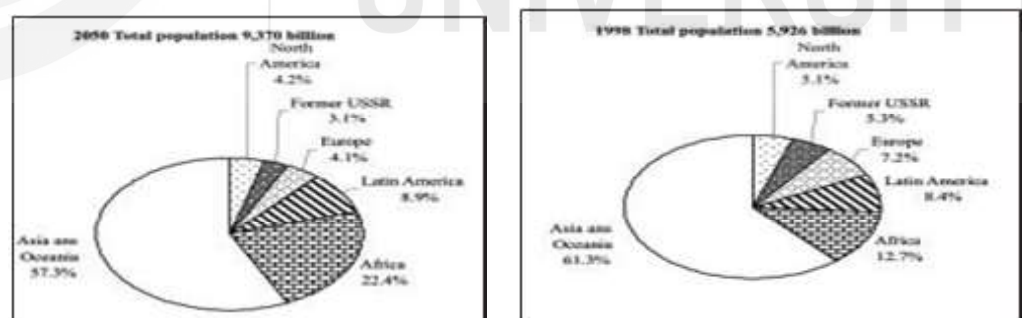


Figure 9.1: World Population Situation Source:

Source: Population Reference Bureau, 1998 World Population Data Sheet (Washington D.C.: Population Reference Bureau, 1998); United Nations, Report on the World Social Situation, 1997(New York, United States, 1997), pp. 15-16

Growth of population

The growth of population is determined by fertility, mortality, and migration. Population growth may be expressed in various ways. Natural growth is the simplest expression which is the difference between birth rate and death rate,

whereas actual growth takes migration in to consideration. The world's population has been growing continuously since the end of the Black Death around 1400. There were also short term falls at other times due to plague, for example in the mid-17th century. The fastest rates of world population growth (above 1.8 per cent) were seen briefly during the 1950s, and then for a longer period during the 1960s and 1970s. According to population projections, world population will continue to grow until around 2050. The 2008 rate of growth has almost halved since its peak of 2.2 per cent per year, which was reached in 1963. World births have levelled off at about 137-million per year, since their peak at 163 million in the late 1990s, and are expected to remain constant.

However, deaths are only around 56 million per year, and are expected to increase to 90 million by the year 2050. Since births outnumber deaths, the world's population is expected to reach about 9 billion by the year 2040. The alarming fact is that we have been adding one billion populations in a 12 years interval. If we look at the demographic history, it is evident that the world took about 200 years to add three billion populations, whereas the next three billion populations were added in the next forty years (Table 9.1).

Table 9.1: World: Growth of Population

| Year | Population (Million) | No. of years to Add 1 Billion People |
|-----------|-----------------------|--------------------------------------|
| 8000 B.C. | 5 | - |
| 1 A.D. | 200 | - |
| 1000 A.D. | 300 | - |
| 1650 | 500 | - |
| 1804 | 1000 (1 Billion) | 1804 |
| 1927 | 200 (2 Billion) | 123 |
| 1960 | 300 (3 Billion) | 33 |
| 1975 | 400 (4 Billion) | 15 |
| 1987 | 500 (5 Billion) | 12 |
| 1999 | 600 (6 Billion) | 12 |
| 2012 | 700 (7 Billion) | 13 |
| 2025 | 800 (8 Billion) | 13 |
| 2040 | 900 (9 Billion) | 15 |

Source: http://en.wikipedia.org/wiki/World_population

Till 1950, the growth rate in the developed world was high in comparison with developing countries. This was due to the decline in mortality, and the widening gap between birth rate and death rate. The decline in mortality was due to various factors like increase in literacy, advancement in medical sciences and health facilities, etc. But in developing countries, the growth rate was low because both birth rates and death rates were very high, and that helps in reducing growth rate. After 1950, the growth rate in the developed world was very low in comparison with developing countries. This was because of the remarkable decline in birth

rates and death rates in developed countries, whereas in the developing world, particularly in the countries with a larger population base, like China and India, there was a sharp decline in the death rate, but the birth rate remained high. The UNFPA's State of World Population 2011 has envisaged following facts on world population: (i) our world of 7 billion people is one of the paradoxes: fewer children, but our numbers is rising, high fertility rate in the poor countries and low fertility in the industrialized countries; (ii) global population to reach 10 billion by end of the century; (iii) 80 billion people added to the world population each year; and (iv) Asia accounts for 60% of the world population.

In this session you have read about the population in the world scenario. Now answer questions given in Check Your Progress-1.

Check Your Progress 1

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) Describe briefly, what the tentative population scenario in 2050 would be.

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2) World population is not evenly distributed- Comment.

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9.3 POPULATION GROWTH AND FERTILITY

Fertility is one of the major components of demographic situation and is connected with human child bearing or reproduction. Sometimes, the term 'natality' is used in place of fertility. Commonly, the term refers to occurrences of births, or, more particularly, live births. In order to understand the implications of fertility, let us understand indicators of fertility such as Growth Rate, Crude Birth Rate, General Fertility Rate, Age Specific Fertility Rate, Total Fertility Rate, Gross Reproduction Rate, and Net Reproduction Rate.

Growth Rate

The growth rate indicates the pace of the growth of the population. The rapid growth of population in developing countries, as compared with developed countries, is causing problems that are not only quantitative but qualitative, too. The implications of population growth on the quality of life of the people are of

critical importance. The future growth of population in developing countries will have further repercussions on their education, health, employment, housing, and other aspects of life. Even the negative population growth as experienced in certain European countries has an adverse impact on the process of development and the quality of life of the people in those countries. The demographic situation, whether it is population growth or its decline, is determined by births, deaths, and migration. It is with this understanding that the calculation of population growth is done so that the country can take appropriate measures for controlling the population growth.

Before calculating the growth rate, it is essential to know the fundamental demographic relationships that are represented by the following symbols:

$$P_{t+1} = P_t + B - D + IN(M) - OUT(M)$$

P_t = Population of an area at a particular time or period

P_{t+1} = Population at a time t plus the number of births between t and $t+1$

B = Number of births

D = Number of deaths

$IN(M)$ = Number of in migrants leaving in the area.

$OUT(M)$ = Number of people out migrants in the area.

The 'natural increase' is the difference between numbers of births and deaths.

$$\text{Natural Increase} = B - D$$

'Net Migration' is the difference between the numbers of migrants in and out.

$$\text{Net Migration} = IN(M) - OUT(M)$$

Thus, the population change is the summation of 'natural increase' and 'net migration'.

$$\text{Population Change} = \text{Natural Increase} + \text{Net Migration}$$

The rate of population change is derived by dividing each element by the mid-year population (MYP).

$$\text{The Rate of Population Change} = \frac{P_{t+1} - P_t}{MYP}$$

$$= \frac{B}{MPY} - \frac{D}{MYP} + \frac{IN(M)}{MYP} - \frac{OUT(M)}{MPY}$$

Thus, the difference between the Birth Rate and Death Rate is the Rate of Natural Increase and the difference between the IN-Migration and OUT-Migration is Net Migration Rate. So the Growth Rate can be written as: Growth Rate = Rate of Natural Increase + Net Migration Rate.

Crude Birth Rate (CBR)

The Crude Birth Rate is the number of live births occurring among the population of a given geographical area during a given year, per 1,000 mid-year total population of the given geographical area during the same year. The reason it is a 'crude' rate is because it includes all ages and both sexes in the denominator. The equation of CBR is given below:-

$$CBR = \frac{\text{Birth in a year}}{\text{Population at mid- year}} \times 1000$$

The Crude Birth Rate (CBR) is a decisive indicator of the demographic situation of any geographical area.

General Fertility Rate

This is the ratio of the total number of live births during a calendar year in a given geographical area to the total number of women (mid-year population) of child bearing ages (15-49 years) in that area. The equation of GFR is given below:-

$$GFR = \frac{\text{Birth during year}}{\text{Women 15 – 49 at mid year}} \times 1000$$

Age Specific Fertility Rate

The Age Specific Fertility Rate (ASFR) is the number of live births per woman of a specific age-group (usually 5- year age groups from 15-19 to either 15-44, or 45-49 years) of the population of a given geographical area during a given year. The equation for GFR estimation:-

$$ASFR = \frac{\text{Number of live births to women of a specific age group}}{\text{Mid year women population in the same age group}} \times 1000$$

The ASFR is usually given for a five year age-group. In other words, the magnitude of age is five.

Total Fertility Rate

Total fertility rate (TFR) is defined as the sum of age specific fertility rates of women by a single year of age from 15 to 44 years (or 15 to 49 years) and is expressed per woman. It is directly calculated as the sum of age-specific fertility rates (usually referring to women aged 15 to 49 years), or five times the sum if data are given in five-year age groups. The formula for TFR estimation is given below.

$$TFR = \frac{\text{Sum of Age Specific Fertility Rate}}{1000} \times \text{Magnitude of Age Group}$$

The magnitude of the age group is usually 5. The TFR also indicates the demographic situation.

Factors Affecting Fertility.

Fertility depends on various factors of nutrition, sexual behaviour, culture, instinct, endocrinology, timing, economics, way of life, and emotions. Broadly we may classify these factors in following categories that affect fertility.

- 1) **Biological Factors:** The biological factors, such as age and sex affect fertility. The age of the onset of menstruation among girls and menopause among women are the biological limits to fertility. The food habits among the people of certain areas result in early onset of puberty among girls. Once the girls

start menstruating the possibility of their becoming mothers begins. Their early exposure to sex and marriage contributes to higher fertility.

- 2) **Physiological Factors:** Physiological factors such as impotency among males and sterility among women affect fertility. Fertility is also affected by abortion and still births. The abortion of the first pregnancy can result in infertility among women. Nowadays, the drug habits among the younger generation are leading to infertility.
- 3) **Religion:** religion affects fertility in many societies. The birth of a son and marriage of a daughter are considered as social and cultural obligations. This leads to early marriage and increasing numbers of births until at least one son is born. The practice of polygamy, as in the case of Muslims, naturally, increases fertility. This not only enhances fertility but also affects the education and health status of women in that society.
- 4) **Education:** education plays an important role in influencing fertility. In countries where the percentage of literates is high, fertility is low and vice versa. Kerala, which has a high literacy rate, has a lower fertility rate among women in the country. Among the South Asian countries, Sri Lanka, with a high literacy rate has lower fertility compared to other countries, like Bangladesh, Pakistan, India, and Nepal.
- 5) **Status of Women:** fertility is also influenced by the status of women in a society. It is found that fertility is low among women who are educated and are in jobs, compared to their counterparts who are illiterates and unemployed.
- 6) **Family Planning:** an important factor affecting fertility is family planning. Developed countries have been able to bring down their fertility rate by voluntarily adopting family planning measures. There is a direct relationship between the rate of adoption of family planning services and the rate of fertility.

There are also many other factors, such as the caste system, racial groups, customs, urbanization, and economic condition of families that affect fertility.

9.4 MIGRATION AND DEVELOPMENT

Migration is the movement of people which involves a change in the place of normal residence of people from one settlement to another. Migrations occur due to push and pull factors. Push factors are those that compel humans to leave a place of origin, whereas pull factors are those that attract humans towards a particular place. Some of the major push factors are war, political unrest, poverty, natural calamity, lack of opportunity, etc., whereas some of the major pull factors are more opportunity, glamour, fertile land and soil, good means of transport and communication, high levels of urbanization, industrialisation, etc. There are two types of migration i.e. internal migration and international migration.

Internal Migration

The process of urbanisation is intrinsic to economic and social development and, in consequence, both developed and developing countries are in the process of shifting from predominantly rural to predominantly urban societies. The proportion of the world's population living in urban areas grew from 29 per cent

in 1950 to about 50 per cent in 2009, and is projected to reach 60 per cent by 2020. Migration to cities is contributing to the marked increase of urbanisation in the developing world. Today, eight out of ten of the world's mega cities are in developing countries.

Rural-Rural Migration in India

In developing countries like India, rural to rural migrations also constitute a significant number of people. In short distance, rural-to-rural migration, most females migrate due to marriage. But in long distance migration, people migrate from economically backward areas of Bihar and Eastern Uttar Pradesh to economically progressive states, like Punjab and Haryana, to work as agricultural and allied field workers. They also migrate up to Jammu & Kashmir for the same. This provides seasonal employment to many and full time employment to some.

Urban growth in the developing world results more from rural poverty than urban prosperity. Rapid rural population growth, along with inequitable land distribution, poor income prospects, and inadequate government investment in agriculture, all combine together give rise to growth of urban slums. It seems more appealing than rural life. Due to unemployment rates in developing countries, the search for jobs is a major incentive for migration. Unfortunately, migrants arriving in many cities of developing countries find large areas of shanty towns and slums characterised by high unemployment, pollution, disease, social disorder, political unrest, and, in many cases, violence. At least a third of Mumbai lives in slums, and Mexico City is surrounded by shanties and garbage dumps. Cities in most developing nations are similarly circled by squatter settlements that lack space, safe water, sanitation, waste collection, lighting, adequate housing, and other essentials for decent living. This leads to the spread of diseases, alienation and violence, and vulnerability to natural and industrial disaster.

International Migration

International economic, political, and cultural interrelations play an important role in determining the flow of people between countries. In its diverse types, international migration is linked to such interrelations. International migration both affects, and is affected by, the development process. There are broadly two major patterns of international migration, South-South Migration and North-South Migration. Let us analyse them one by one.

South-South Migration: This migration is basically between the countries that are emerging as newly industrialising countries and countries at the periphery that seem to be performing less well. A key feature of this migration is that it is circular rather than permanent. Within this pattern of migration, labour migration from poorer countries of the south to richer countries of the south is very prominent, and that reflects the current global international order associated with globalisation (Gould, 2009). The migration is basically to the oil rich countries of the Arabian Gulf from the non oil producing countries of the Middle East and highly populous countries of South and East Asia. The vast majority of labourers are unskilled or semiskilled working in construction and maintenance, IT, and service industries, etc. In this type of migration, remittances are varied but definitely better than the migrant's own country. But, the host countries generally do not have much liability because the majority of migrants are temporary and without their families. Therefore, the host government does not have to spend money for education, family health, pensions, and other social security.

South- North Migration: In contrast, in this pattern, migration has been mostly permanent and any associated problems are entirely different from the previous one. Here, migrants dominate various sectors of an economy, like transport, health service, tourism industry, and in some of its manufacturing and service industries. In this type of migration remittances are definitely better in comparison to South-South migration. But the hosts have much more liability because the majority of migrants are permanent and with their family. Therefore, the host government has to spend huge revenue for education, family health, pensions, and other kinds of social security. The most visibly negative impact of South-North migration is the brain-drain. The source country spends a huge amount on education to develop skilled manpower but ultimately this skilled manpower does not pay back adequately to the source country in terms of their services and remittances.

The table given below depicts both positive and negative effects of emigration.

Table 9.2: A Summary of the Economic Effects of Emigration

| Positive Effects | Negative Effects |
|---|--|
| 1) Provide opportunities to workers not available in the home country. | 1) Charitable activities of Diasporas can assist in relief and local community development. |
| 2) May ease the effect on the domestic market of the supply of excess labour and reduce unemployment. | 2) Loss of highly skilled workers and reduced quality of essential services. |
| 3) Inflow of remittances (that increase incomes and may lead to improved human development outcomes for recipients) and foreign exchange. | 3) Reduced growth and productivity because of the lower stock of highly skilled workers and its externalities. |
| 4) Technology, investments and venture capital from Diasporas. | 4) Lower return from public investments in public education. |
| 5) Can contribute to increased trade flows between sending and receiving countries. | 5) Selective migration may cause increasing disparities in incomes in the home country. |
| 6) Stimulus to investment in domestic education and individual human capital investments. | 6) Loss of fiscal revenue from taxation of workers. |
| 7. Return of skilled workers may increase local human capital, transfer of skills and links to foreign networks. | 7) Remittances may diminish over time. |
| 8. Charitable work of Diasporas can assist in relief and local community development. | 8) A 'culture' of migration, disincentives to invest locally. |

Source: Adapted from UN/DESA (2004: 97)

In this session you have read about the population dynamics, fertility and migration. Now answer questions given in Check Your Progress-2.

Check Your Progress 2

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) What is the Crude Birth Rate? How it is measured.

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2) Explain South-South migration.

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9.5 AGE-SEX COMPOSITIONS OF POPULAITON

The age-sex composition of population at any single point in time is crucial for understanding the dynamics of population change. Age and sex distributions are described by using population pyramids, the sex-ratio and dependency ratios.

Population Pyramid

Population pyramids are an elegant and useful way of graphically presenting an age-sex distribution. As shown in the illustration below, a pyramid essentially comprises two ordinary histograms placed on their sides and back to back. Some of the features of the Age-Sex pyramid are:

- Pyramids are always drawn showing the male population on the left hand side and the female population on the right hand side.
- The young are always at the bottom and the old at the top.
- Customarily either single-year or five-year age groups are used. However, other age groupings are possible.
- The last open-ended age-group is normally omitted entirely from the pyramid because it is impossible to draw it truthfully.
- The bottom scale can be graduated as either absolute numbers or percentages. The shape of the pyramid is not affected at all. However it is essential that the percentages are calculated using as a base, the total population of both sexes combined. If the percentages are calculated separately for males and females, then the pyramid will present a false picture. An example of a population pyramid is given in figure 2.

Age–sex structure reflects the demographic and socio-economic history of a population over a period of time and even their prospects for the future. It is the result of various factors such as fertility, mortality and migration. Four main types of age-sex pyramids have been identified: (i) Progressive (ii) Regressive (iii) Stationary and (iv) Intermediate.

- i) A **progressive** age structure is one in which **both birth and death rates are high**. Children account for only 45-55% of the total population and the aged for only 5-10%. Such a structure is common in developing countries where social, cultural and perhaps religious and economic conditions lead to high fertility, and poor living conditions, bad diets and little medical aid lead to high levels of mortality.
- ii) A **regressive** age structure is one in which **birth and death rates are low and declining**. Children account for about 30% of the total population and the aged for above 15%. This pattern is common in developed countries (especially those in Western Europe), where high living standards, education and social awareness are accompanied by good food and medicine.
- iii) A **stationary** age structure is one in which birth and death rates are both low and children account for about 35-40% of the total population and the aged for about 10%. This pattern may remain the same for many years.

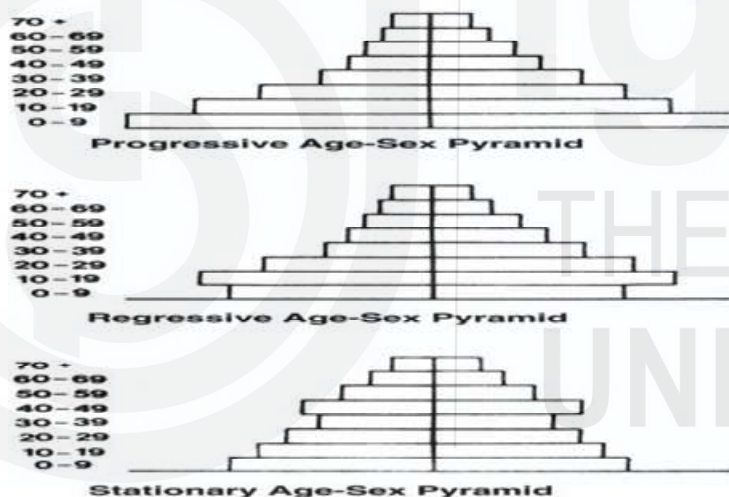


Figure 9.2: Age-Sex Pyramid

The Sex Ratio

The sex-ratio is simply the ratio of males to females in the population. It is normally expressed as the number of males per 1000 females.

$$\text{Sex Ratio} = \frac{\text{Males}}{\text{Females}} \times 1000$$

Dependency Ratio

Dependency ratio is another important measure of the age distribution of population. It describes the number of dependent persons that are supported by the active or working members of the population. It is the ratio of the economically dependent part of the population to the productive part; arbitrarily defined as the ratio of the elderly (ages 65 and older) plus the young (under age 15) to the population in the working ages (ages 15-64). The Total Dependency Ratio (TDR)

is the sum total of Child Dependency Ratio (CDR) and Old Age Dependency Ratio (ODR). The equations for calculating CDR and ODR are given below.

$$\text{Child Dependency Ratio} = \frac{\text{Children below age 15}}{\text{Persons 15 – 64 years of age}} \times 1000$$

$$\text{Old Age Dependency Ratio} = \frac{\text{Persons age 65 years above}}{\text{Persons 15 – 64 years of age}} \times 1000$$

Total Dependency Ratio = Child Dependency Ratio + Old Age Dependency Ratio.

9.6 THEORIES OF POPULATION

In this section we will discuss two important theories /models that explain the linkages between population and development. These theories /models are Malthusian theory and Demographic Transition Model. Malthusian theory is an example of population affecting development whereas the Demographic Transition Model is an example of how development affects population. Let us discuss them one by one.

Malthusian Theory-In 1798, Thomas Malthus published An Essay on the Principle of Population, describing his theory of quantitative development of human populations. Between 1798 and 1826 Malthus published six editions of his famous treatise, updating each edition to incorporate new material, to address criticism, and to convey changes in his own perspectives on the subject. He wrote the original text in reaction to the optimism of his father and his father's associates, (notably Rousseau) regarding the future improvement of society. Malthus regarded ideals of future improvement of humanity with scepticism, considering that throughout history a segment of every human population seemed relegated to poverty. He explained this phenomenon by pointing out that population growth generally preceded expansion of the population's resources, in particular the primary resource of food. While developing his theory, Malthus proposed two postulates: (i) food is necessary for the existence of man (ii) the passion between the sexes is necessary and will remain nearly in its present state. Based on these two postulates, he made the following assertions.

Primary theory: the axioms - The power of population is indefinitely greater than the power in the earth to produce subsistence for man. Population, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio. A slight acquaintance with numbers will show the immensity of the first power in comparison with the second.

Secondary theory: the consequences – Yet, in all societies, even those that are most vicious, the tendency to a virtuous attachment is so strong that there is a constant effort towards an increase of population. This constant effort as constantly tends to subject the lower classes of the society to distress and to prevent any great permanent amelioration of their condition.

Malthus also saw that societies, through history, had experienced, at one time or another, epidemics, famines, or wars that masked the fundamental problem of populations overstressing their resource limitations.

Proposed solutions: Malthus argued that population was held within resource limits by two types of checks: positive ones, which raised the death rate, and preventative ones, which lowered the birth rate. The positive checks included hunger, disease, and war; the preventative checks, abortion, birth control, prostitution, postponement of marriage, and celibacy. In the second and subsequent editions, Malthus put more emphasis on moral restraint. By that he meant the postponement of marriage until people could support a family, coupled with strict celibacy until that time. “He went so far as to claim that moral restraint on a wide scale was the best means—indeed, the only means—of easing the poverty of the lower classes.” This plan appeared consistent with virtue, economic gain and social improvement.

Criticism

- Malthus basic premise on passion between sexes has been questioned on the plea that the desire to have children cannot be mixed with passion and desire for sex. The desire for sex is a biological instinct whereas the desire to have children is a social instinct.
- The validity of the two ratios proposed by Malthus was also questioned on the basis of empirical evidence that population has rarely grown by geometric progression and similarly production of food rarely multiplied in arithmetic progression.
- The time span of 25 years assumed by Malthus for doubling the population also does not seem to be anywhere near reality because it varies from country to country depending upon the demographic situation of that particular country. For example, it took Mexico only 20 years to double the population whereas the USA which is the adjoining country took 120 years for the same.
- Malthus also seems to be swayed by the supremacy of positive checks like delayed marriage, moral restraints and controlled frequency of sex after marriage. It is rather strange that Malthus could not think of the use of contraceptives as an effective preventive check despite the fact that Malthus very much knew about it.
- Malthus has been severely criticised for ignoring the role of changing technology and changes in the socioeconomic set up of a society.

Reactions to Malthusian Ideas

Neo Malthusian Arguments

A neo Malthusian is somebody who sides with Malthus beliefs. The neo Malthusian theorists may be presented as a splinter group. Essentially they agree with Malthus that control of population is inevitable, and have pessimistic views that consider the growth of world population with fear and alarm. However, they disagree with Malthus that factors like war and famine are the key to population control and reject such simplistic notions. Instead they promote a number of ideals, for example planned parenthood as a method of population control.

Marxian Argument

Other opposition to Malthus’ ideas came from the middle of the nineteenth century with the writings of Karl Marx (*Capital*, 1867) and Friedrich Engels (*Outlines of a Critique of Political Economy*, 1844). Engels and Marx argued that what Malthus

saw as the problem of the pressure of population on the means of production actually represented the pressure of the means of production on population. They, thus, viewed it in terms of their concept of the reserve army of labour. *Reserve army of labour* is a concept in Karl Marx’s critique of political economy. It refers basically to the unemployed in capitalist society. The use of the word “army” refers to the workers being conscripted and regimented in the workplace in a hierarchy, under the command or authority of the owners of capital. In other words, the seeming excess of population that Malthus attributed to the seemingly innate disposition of the poor to reproduce beyond their means actually emerged as a product of the very dynamics of capitalist economy. Engels called Malthus’s hypothesis “...the crudest, most barbarous theory that ever existed, a system of despair which struck down all those beautiful phrases about love thy neighbour and world citizenship.”

Demographic Transition Model

The Demographic Transition Model (DTM) is a model used to represent the process of explaining the transformation of countries from high birth rates and high death rates to low birth rates and low death rates, as part of the economic development of a country from a pre-industrial economy to an industrialised economy. It is based on an interpretation, begun in 1929, by the American demographer Warren Thompson, of prior observed changes, or transitions, in birth and death rates in industrialised societies over the past two hundred years. Most developed countries are beyond stage three of the model; the majority of developing countries are in stage 2 or stage 3. The model was based on the changes seen in Europe, so these countries follow the DTM relatively well.

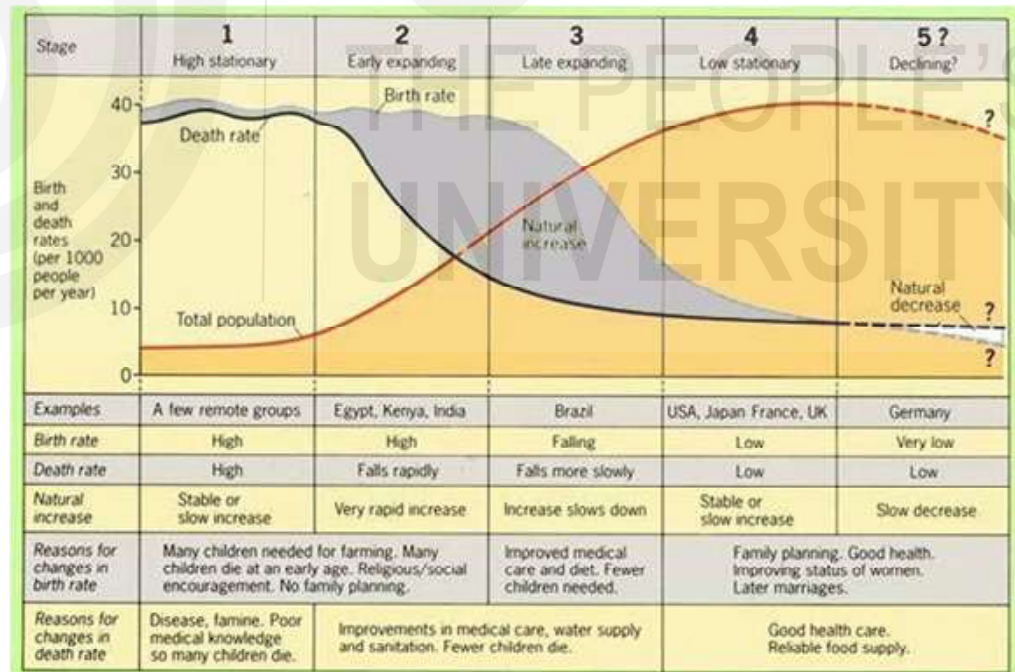


Figure 9.3: World’s Demographic Transition Model

Source: www.geographyalltheway.com/in/gcse-popn/imagesetc/demographic_transition_detailed.jpg

Many developing countries have moved into stage 3. Traditionally, transition involves four stages, but later on, a fifth stage, called deindustrialization, was added by various theorists to explain the economic transition from manufacturing based industries into service and information based industries.

- In stage one; pre-industrial society, death rates and birth rates are high and roughly in balance.
- In stage two, that of a developing country, the death rates drop rapidly due to improvements in food supply and sanitation, which increase life spans and reduce disease. These changes usually come about due to improvements in farming techniques, access to technology, basic healthcare, and education. Without a corresponding fall in birth rates this produces an imbalance, and the countries in this stage experience a large increase in population.
- In stage three, birth rates fall due to access to contraception, increases in wages, urbanisation, a reduction in subsistence agriculture, an increase in the status and education of women, a reduction in the value of children's work, an increase in parental investment in the education of children and other social changes. Population growth begins to level off.
- During stage four there are both low birth rates and low death rates. Birth rates may drop to well below replacement level as has happened in countries like Germany, Italy, and Japan, leading to a shrinking population, a threat to many industries that rely on population growth. As the large group born during stage two ages, it creates an economic burden on the shrinking working population. Death rates may remain consistently low or increase slightly due to increases in lifestyle diseases due to low exercise levels and high obesity and an aging population in developed countries.
- The original DTM has just four stages. However, some theorists consider that a fifth stage is needed to represent countries that have undergone the economic transition from manufacturing based industries into service and information based industries called deindustrialization. Countries such as the United Kingdom (the earliest nation universally recognized as reaching Stage Five), Germany, Italy, Spain, Portugal, Greece, and most notably, Japan, whose populations are now reproducing well below their replacement levels, are not producing enough children to replace their parents' generation.

Critical evaluation

- **As with all models, this is an idealized picture of population change.** It has to be remembered that the DTM is only a model and cannot necessarily predict the future. It does, however, give an indication of what the future birth and death rates may be for a country, together with the total population size. Therefore, there are limitations to it, as with any model. Most particularly, of course, the DTM makes no comment on change in population due to migration. Following are some of the major criticisms about the model.
- **Non-applicability to less developed countries:** DTM has a questionable applicability to developing countries, where information access is limited. For example, the DTM has been validated primarily in Europe and North America where demographic data exists over centuries, whereas high quality demographic data for most developing countries did not become widely available until the mid 20th century. DTM does not account for recent phenomena such as AIDS; in these areas HIV has become the leading cause of mortality.

- **Generalisation from European experience:** The DTM is mostly applicable to European countries. It also contains a hypothesis that other countries would follow suit. The DTM assumes that countries will go through all the stages. Some countries may even skip stages. Demographic data for developing countries span about five decades, leading to questionable extrapolation from the experiences of the most developed countries.
- **Economic development not sufficient cause to effect demographic change:** DTM assumes that population changes are induced by industrial changes and increased wealth, without taking into account the role of social change in determining birth rates, e.g., the education of women. In recent decades, more work has been done on developing the social mechanisms behind it. DTM assumes that the birth rate is independent of the death rate. Nevertheless, demographers maintain that there is no historical evidence for society-wide fertility rates rising significantly after high mortality events. Notably, some historic populations have taken many years to replace lives such as the Black Death.

In this session you have read about fertility, migration, and population theories. Now answer questions given in Check Your Progress-3

Check Your Progress 3

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) What is an age-sex pyramid? Describe any two age-sex pyramid.

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2) Explain any three criticisms of the Demographic Transition Model.

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9.7 GROWTH OF POPULATION AND DEVELOPMENT - ARGUMENTS IN FAVOR AND AGAINST

There is a divergence of opinion, about population growth and its implications on development. There are two broad lines of arguments. One group argues that population growth is not the real problem. The other group argues that it is a real

problem. The first one is an optimistic view, whereas the latter is a pessimistic view. In the following paragraphs, we will discuss some of the main arguments for and against the idea that rapid population growth is a serious developmental problem.

Population Growth is not a Real Problem

We can identify three general lines of argument on the part of those individuals, primarily from the developing countries, who assert that: (1) the problem is not population growth, but some other issue; (2) population growth is a deliberately created false issue, and (3) for many countries and regions population growth is, in fact, desirable (Todaro & Smith, 2009).

The Problem is Not Population Growth but ‘Some Other Issue’

Many knowledgeable people from developed as well as developing nations argue that the real problem is not population growth *per se* but some other aspects. These are:

- a) **Underdevelopment:** if correct strategies are pursued which lead to higher levels of living, greater esteem, and expanded freedom, then the population will take care of itself. Eventually, it will disappear as a problem, as it has in all the present-day, economically advanced nations. According to this argument, underdevelopment is the real problem. Economic progress and social mechanisms will, more or less, automatically regulate population growth and distribution. As long as the vast majority of people in developing countries remain impoverished, uneducated, and physically and psychologically weak, the large family will constitute the only real source of social security.
- b) **World Resource Depletion and Environmental Destruction:** was primarily caused by the developed nations. The fact is that the developed countries, with less than 25 per cent of the world’s population, consume almost 80 per cent of the world’s resources. According to this argument, the developed nations should curtail, or cut back on their excessively high consumption standards, rather than having the less developed nations restrict their population growth. The latter’s high fertility is really due to their low levels of living. It is this combination of rising affluence and extravagant, selfish consumption habits in rich countries and among rich people in poor countries which should be the world’s major concern, not population growth.
- c) **Population Distribution:** the third line of argument is that it is not numbers of people *per se* which are causing population problems but their distribution in space. Many regions of the world (e.g., parts of sub Saharan Africa) and many regions within countries (e.g., the northeast and Amazon regions of Brazil) are, in fact, under populated in terms of available or potential resources. Others simply have too many people, concentrated in too small an area, (e.g., central Java, or most urban concentrations in developing countries). What is needed, therefore, instead of moderating the quantitative rate of population growth, the governmental efforts should be to reduce rural-urban migration and to bring about a more rational spatial distribution of the population in terms of available land and other productive resources?

- d) **Subordination of women:** according to this line of arguments, population growth is a natural outcome of women's lack of economic opportunity. The argument is that if women's health, education, and economic wellbeing are improved along with their role and status in the family and the community, these empowered women will inevitably lead to smaller families and lower population growth.

A Deliberately Created False Issue

This line of argument is closely allied to the dependence theory of underdevelopment. Basically, it is argued that the frenetic over concern in the rich nations with the population growth of poor nations is in reality an attempt by the former to hold down the development of the latter, in order to maintain the status quo for their own self interest. Rich countries are pressuring poor nations to adopt aggressive population control programmes, even though they themselves went through a period of sizable population increase which accelerated their own development processes. This argument views population control efforts by rich countries and their allied international agencies as racist or genocidal attempts to reduce the relative or absolute size of those poor, largely non-white populations of the world, who may someday pose a serious threat to the welfare of the rich, predominantly white populations.

Growth is Desirable Phenomena

A more conventional economic argument is that population growth in many developing countries is, in fact, desirable to stimulate economic development. Larger populations provide the needed consumer demand to generate favourable economies of scale in production, to lower production costs and to provide a sufficient and low-cost labour supply to achieve higher output levels. Moreover, it is argued that many rural regions in the developing countries of tropical Africa and Latin America and even parts of Asia are under populated in the sense that there is much unused but arable land that could yield large increases in agricultural output if only more people were available to cultivate it. Three other non-economic arguments put forward by developing countries, also compete with this viewpoint. First, many countries claim a need for population growth to protect currently under-populated border regions against any expansionist intentions of neighbouring nations. Second, there are many ethnic, racial and religious groups within developing countries whose differential attitudes towards family size have to be protected both for moral and political reasons. Finally, military and political power is often seen as dependent on a large and youthful population.

Population Growth is a Real Problem

The extreme version of the population-as-a-serious-problem position attempts to attribute almost all the world's economic and social evils to excessive population growth. Unrestrained population increase is seen as the major crisis facing mankind today. It is claimed to be the principal cause of poverty, low levels of living, malnutrition and ill-health, environmental degradation, and a wide array of other social problems. Value-laden and incendiary words, such as the 'population bomb' or 'population explosion' are tossed around at will. Indeed, dire predictions of world food catastrophes and ecological disaster are attributed almost entirely to the growth in numbers.

Empirical Arguments in support of Negative Consequences of Population

Growth researchers have established that population growth has a negative impact on economic development by way of hampering various sectors like education, health, environment, food, economic growth (Todaro & Smith, 2009). Let us discuss some of these areas that are mentioned above:

- i) **Increasing Poverty:** the negative consequences of rapid population growth affect most heavily the poor because they are the ones who are landless and suffer first from cuts in government health and education programmes, bear the brunt of environmental damage and are the main victims of job cuts due to the slower growth of the economy.
- ii) **Retarding Economic Growth:** evidence shows that rapid population growth lowers per capita income growth in most of the developing countries particularly countries that are already poor and mostly agrarian based economy.
- iii) **Problems of Food Scarcity and Security:** rapid increase of population poses serious challenges to provide food (both, in terms of quantity and quality) to billions of people in developing countries. New technologies have to be invented because fertile lands have already been cultivated and levels of food production have reached a point of saturation.
- iv) **Education:** studies reveal that large family and low income tends to restrict parents to provide education to all the children. In this situation, it has been observed, particularly in developing countries, preference is given male children. Rapid population growth also affects quality of education as the government has less funds to address, equally, the need for all learners, and this directly affects the development of human capital.
- v) **Health:** high fertility harms the health of mothers and children. It also increases the health risk of pregnant mothers. It not only affects mothers but also affects newborns, in terms of low birth weight as well as increased infant mortality rate.
- vi) **Environmental Degradation:** the earth's carrying capacity is burdened, not only by the demands of a growing population, but also by food requirements by billions of livestock. This leads to the clearing of land for cattle ranching and overgrazing by livestock. While the former is an important factor in tropical deforestation, the latter is a major cause of desertification and soil loss in many countries. Therefore, it has been argued that population growth leads to various environmental degradation like deforestation, desertification and soil erosion, declining fish and animal resources, air and water pollution, etc.

9.8 POPULATION POLICIES

Population policy may be defined as deliberately constructed or modified institutional arrangements and/or specific programs through which governments influence, directly or indirectly, demographic change (Demeny, 2002). In simpler terms, population policy is a strategy for achieving a particular pattern of demographic change. The change could be both quantitative as well as qualitative.

Policies can broadly group those for under developed countries and other for developing countries.

Population Policy in Developing Countries

Since the 1950's, the population policy in the developing world has become essentially synonymous with family planning programs. Financial and administrative limitations within developing countries necessitated the heavy involvement of foreign assistance in launching and sustaining family planning programs. Declared demand for birth control does not necessarily translate into effective willingness to practice it: conflicting desires may interfere. Weakness of measures of latent demand, or "unmet need," is reflected in the requirements that programmes are supposed to satisfy if they are to be successful. These, typically, included such items as "doorstep accessibility of quality services," "broad choice of contraceptive methods," "forceful IEC [information, education, and communication] programs," "sound financing strategies," "sound management with proper logistics," "evaluation systems," "a continuous process of strategic thinking, planning and management," and "staff leadership for program parameters" (Mahler 1992: 5).

The effectiveness of family planning programs in reducing fertility remains a matter of controversy. According to international guidelines, programs recruit their clients on a strictly voluntary basis. By accepting the service voluntarily, the individual acceptor demonstrates that they value that service. But some of the more successful programs, notably in Asia, tended to increase acceptance by often heavy-handed methods of persuasion, and, in the especially important case of China, by coercion backed by legal sanctions. Where fertility fell in less developed countries with active family planning programs, it is typically found that program-provided free services account for a large percentage of those practicing contraception. But what would have happened in the absence of the program is conjectural. Some less developed countries that lacked government programs also experienced major falls in fertility. Brazil is a conspicuous example. Similarly, if programs have seemingly only minor success in reducing fertility, this can be taken as evidence that the program is inadequately financed, organized, and managed. In India, the experience is mixed. India was the first country in the world to introduce a National Family Planning Policy in 1952. It was basically voluntary in nature, except during a short emergency period, and target-based in approach. During the 1991 Census, it was observed that there is a clear cut demographic divide between Northern BIMARU (BI stands for undivided Bihar, MA stands for undivided Madhya Pradesh, R stands for Rajasthan and U stands for undivided Uttar Pradesh) States in comparison to southern states of Kerala and Tamil Nadu. Major factors responsible for this are differences in literacy, particularly female literacy, and health care facilities.

On the eve of the 1994 International Conference on Population and Development, a review on the importance of fertility decline for successful development, reached the guarded conclusion that the data on the subject "mostly supports the view that rapid population growth in poor countries under conditions of high fertility is inimical to many development goals" (Cassen, 1994). Accordingly, the development rationale of family planning programs was gradually dropped and was replaced by the argument that the programs satisfy important health needs and help people exercise a fundamental human right. The Cairo conference formalised this shift. Family planning programs were redefined, instead, as reproductive health programs, responding to a broader range of women's health

needs, such as prevention of unsafe abortions and sexually transmitted diseases, including HIV/AIDS. But beyond this, new emphasis was put on some requirements that would contribute to women's empowerment: reduction of infant and maternal mortality and improvement in girls' education and women's opportunities for employment and political participation. These are conditions that are likely to help reduce the birth rate through stimulating the demand for smaller family size.

Population Policy in Developed Countries

In developed countries, though birth control measures have been universally adopted for a long time, yet, there are very few countries that have formulated an explicit national policy on population growth. On the other hand, there are many European countries that still follow pro-natalist policy due to their concern about declining population. But, indirectly population-related issues are reflected in various other policies enacted for economy, health and welfare measures. Some of those laws relate to the availability of contraceptives, sterilisations, abortions, marriage, divorce, income taxes, family allowances, and immigration (Chandna, 2008).

In developed countries a quite different demographic phenomenon has begun to attract increasing attention: fertility levels that are inadequate for the long term maintenance of the population. This fertility trend was detected earlier also, especially in Europe, in the 1920s and 1930s. But, in the decades immediately following World War II, the baby boom seemed to make the issue of low fertility moot. The baby boom was, however, a temporary interruption of the downward trend in fertility. By the 1970s, the net reproduction rate was at, or below, unity in most countries in Europe, and also in the United States. In the US, fertility stabilized at, or very close to, that rate, but in Europe, fertility continued to decline. If continued, in the absence of large compensatory immigration this would not only lead to rapid population decline, but also result in very high proportions of the population at old ages. Surprisingly, most governments as well as the general public tend to view below-replacement fertility with equanimity quite unlike the alarmed reaction that the same phenomenon elicited between the two World Wars. And, explicit pro-natalist policies, common in the 1930s, are conspicuous by their absence.

Among the factors explaining the low level of fertility despite general material affluence, many observers point to the double burden on women of both raising children and working outside the home. To the extent that higher birth rates are seen to be socially desirable, the derived policy prescription is to adopt measures that make motherhood and women's labour force participation more compatible. The higher fertility in countries, notably in Scandinavia, where such measures are strongly applied, compared to countries of Southern Europe, where they are largely absent, suggests that enhanced compatibility (through day care services, flexible work hours, liberal sick leave allowances, and the like) is an effective pro-natalist policy, even if motivated by other considerations. But it is far from clear whether the fertility differential so generated is high enough to bring the total fertility rate back to replacement level.

In this portion, you read about the causes and consequences of population growth on population and about the population policies relating to developed as well as developing countries. Now answer the questions given in Check Your Progress-4.

Check Your Progress 4

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

- 1) Why does a certain group consider that population growth is a deliberately contrived and false issue? Give any two reasons.

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- 2) Explain the shift in population policy in developing countries after the International Conference on Population and Development (1994).

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9.9 LET US SUM UP

Population and development have a very close relationship because human beings are at the centre of concerns for any developmental activities, and people are the most important and valuable resource of any nation. Therefore, to understand the complex relationship between population and development, there is a need to study various aspects of population and its related theories and policies. There are two widely debated theories and models that establish close links between population and development. Malthusian theory is an example of population affecting development, whereas the Demographic Transition Model is an example of how development affects population. There is a divergence of opinion, about population growth and its implications on development. There are two broad lines of arguments. One group argues that population growth is not the real problem and the other group argues that it is a serious problem. The former argument is mainly propounded by developing countries, whereas the later is advocated by developed countries. Similarly, population policies of developed and developing countries have distinct emphasis, depending upon their socioeconomic and demographic history.

9.10 KEYWORDS

Age-sex Pyramids: Age-sex pyramids display the percentage, or actual amount of a population, broken down by gender and age. This is also known as a population pyramid.

Demographic Transition: This is a model used to represent the process of explaining the **Models** transformation of countries from high birth rates and

high death rates to low birth rates and low death rates as part of the economic development of a country from a pre-industrial economy to an industrialised economy.

Dependency Ratio: This is an age-population ratio of those typically not in the labour force (the dependent part) and those typically in the labour force (the productive part).

Migration: Migration is only that movement of people which may involve a change in the place of normal residence of people from one settlement to another.

Natural Growth Rate: This shows the difference between the birth rate and the death rate.

Population Policy: Deliberately constructed or modified institutional arrangements, and/or specific programs through which governments influence, directly or indirectly, demographic change.

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9.12 CHECK YOUR PROGRESS: POSSIBLE ANSWERS

Check your Progress 1

Describe briefly, what would be the tentative population scenario in 2050.

Answer. In 2050, Asia will still have the largest share of the global population, but it will decline from about 60 per cent to 57 per cent. The major increase of population would take place in Africa, i.e., 12.7 per cent to 22.4 per cent and the major decline in population would take place in Europe, i.e., 7.2 per cent to 4.1 per cent. The share of those living in the more developed countries is projected to drop from about 18 per cent in 2008 to less than 14 per cent in 2050.

World population is not evenly distributed-Comment.

Answer. The density and structure of population around the world is spread unevenly. On one hand, there is a very low concentration of population like deserts, dense forests, mountainous areas and on the other hand coastal and deltaic plain, moderate climate regions, fertile soil areas, industrial areas and urban centers have higher concentrations of population. The distribution is diverse, not only in population density rather it may be observe in terms of age-sex ratio, growth with time and migration.

Check Your Progress - 2**What is the Crude Birth Rate? How it is measured**

Answer: The Crude Birth Rate is the number of live births occurring among the population of a given geographical area during a given year, per 1,000 mid- year total population of the given geographical area during the same year. The reason it is a 'crude' rate is because it includes all ages and both sexes in the denominator .The equation of CBR is given below.

$$\text{CBR} = \frac{\text{Birth in a year}}{\text{Population at mid - year}} \times 1000$$

Explain South-South migration.

Answer : This migration is basically between the countries that are emerging as newly industrializing countries and countries at the periphery that seem to be performing less well. A key feature of this migration is that it is circular rather than permanent. Within this pattern of migration, labour migration from poorer countries of the south to richer countries of the south is very prominent, and that reflects the current global international order associated with globalization (Gould, 2009).

Check Your Progress 3**What is the age-sex pyramid? Describe any two age-sex pyramid.**

Answer. The age–sex pyramid is a graphical illustration that shows the distribution of various age groups in a population which normally forms the shape of a pyramid. It typically consists of two back-to-back bar graphs, with the population plotted on the X-axis and age on the Y-axis, one showing the number of males and one showing females in a particular population in five-year age groups. Males are conventionally shown on the left and females on the right, and they may be measured by raw number or as a percentage of the total population. The age–sex structure reflects the demographic and socioeconomic history of a population over a period of time and even their prospects for the future.

Explain any three criticisms against the Demographic Transition Model.

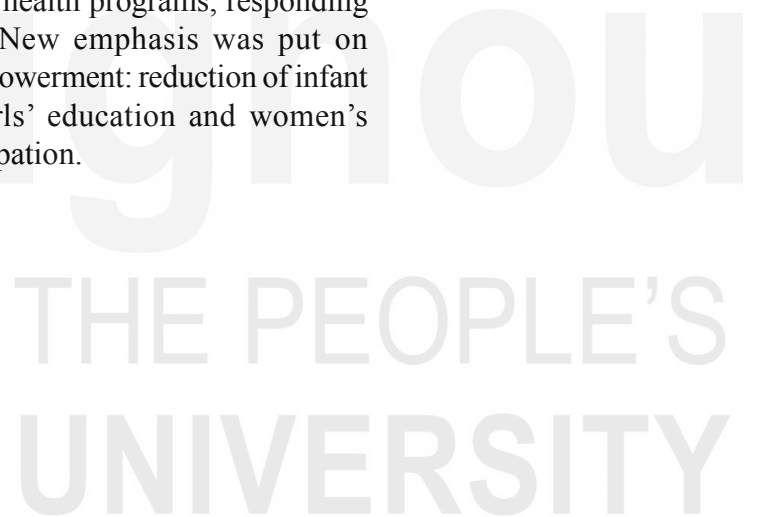
Answer. Major criticisms about the Demographic Transition Model are (i) non-applicability to less-developed countries; (ii) generalization from European experience; and (iii) economic development not sufficient cause to effect demographic change.

Why does a certain group consider population growth as a deliberately contrived and false issue? Give any two reasons.

Answer. (i) It is argued that the frenetic over concern in the rich nations with the population growth of poor nations is in reality an attempt by the former to hold down the development of the latter in order to maintain the status quo for their own self-interest. (ii) Rich countries are pressuring poor nations to adopt aggressive population control programmes were viewed as racist or genocidal attempts to reduce the relative or absolute size of those poor, largely non-white populations of the world who may someday pose a serious threat to the welfare of the rich, predominantly white populations.

Explain the shift in population policy in developing countries after the International Conference on Population and Development (1994).

Answer. After ICPD, 1994 the rationale of family planning programs was gradually dropped and replaced by the programs that satisfy important health needs and help people to exercise a fundamental human right. Family planning programs were redefined, instead, as reproductive health programs, responding to a broader range of women's health needs. New emphasis was put on requirements that would contribute to women's empowerment: reduction of infant and maternal mortality and improvement in girls' education and women's opportunities for employment and political participation.



UNIT 10 POVERTY

Structure

- 10.0 Introduction
- 10.1 Learning Outcomes
- 10.2 Poverty: Meaning and Features
- 10.3 Poverty Situation
- 10.4 Measurement of poverty
- 10.5 Vicious Circle of Poverty
- 10.6 Dimensions of Poverty in India
- 10.7 Causes and Remedies of Poverty
- 10.8 Poverty in India and Planned Efforts to Alleviate Poverty in India
- 10.9 Let Us Sum Up
- 10.10 References and Further Readings
- 10.11 Check Your Progress: Possible Answers

10.0 INTRODUCTION

Poverty involves an infinite variety of circumstantial misfortune experienced both at the household level and the societal level. Poverty has many faces, changing from place to place and across time, and has been described in many ways. Extreme poverty strikes when household resources prove insufficient to secure the essentials of dignified living. The very poor are those who can hardly afford more than one meal a day and depend exclusively on a single source of income. That fragility is defined by a lack of education, the absence of work opportunities, the diminution of household back up resources, and exclusion from valuable social and decision making networks. The trend of migration from poor farming regions has raised the incidence of urban poverty, especially in the slum zones of the world's major cities. Nevertheless, poverty remains inextricably linked with the disappointing progress in agriculture in developing countries. Rural poverty rates are more than double those in cities, often embracing the majority of the rural population. The most persistent poverty is found amongst ethnic minorities, scheduled castes, tribal and indigenous people experiencing discrimination, nomadic pastoralists, and landless labourer toiling on marginal land. Most often, poverty is a situation people want to escape. So poverty is a call to action - for the poor and the wealthy alike - a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in their communities.

10.1 LEARNING OUTCOMES

After studying this unit you should be able to:

- explain the meaning and features of poverty;
- examine the global poverty and historical trend of poverty in India;
- describe the trends and dimensions of poverty in India; and
- analyse causes and remedies of poverty.

Narrate measures for poverty alleviation, undertaken during different Five year Plans in India.

10.2 POVERTY: MEANING AND FEATURES

India is poor compared with the USA, and, within India, Bihar and Orissa are poor compared to Punjab and Haryana. You might be aware about the poor - those who have inadequate income, housing, clothing etc. You also know that the definition and methods of measuring poverty differ from country to country. Poverty is the syndrome of assetlessness, landlessness, joblessness, deprivation and helplessness. It is not a pure economic phenomenon. It has social, cultural, political, historical, and geographical dimensions. It is a lack of livelihood security and food security. It is hunger, starvation, and vulnerability. Poverty is lack of shelter, and lack of education, and lack of access to health care.

Poverty is being sick and not being able to see a doctor. Poverty is not being able to go to school and not knowing how to read. Poverty is not having a job, it is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom. To know what helps to alleviate poverty, what works and what does not, what changes over time, poverty has to be defined, measured, and studied - and even lived. As poverty has many dimensions, it has to be looked at through a variety of indicators, levels of income and consumption, social indicators, and now, increasingly, indicators of vulnerability to risks, and of socio/political access. It has many non income and non quantifiable dimensions. Attempts to define or measure poverty do not give justice to the reality of its experience. The extreme poverty of the developing countries crushes the human spirit. It draws out many of the finest qualities of human beings. Family loyalties survive the desperate search for livelihoods. They display stoicism in the face of exclusion and dignity amongst deprivation. Extreme poverty strikes when household resources prove insufficient to secure the essentials of dignified living. That fragility refers to lack of education, the absence of work opportunities, and exclusion from valuable social networks.

Poverty and inequality are multidimensional – consumption and income, education, health, opportunities, voice, etc., and have multiple determinants: geographic and agro-climatic factors, services, infrastructure, etc. It has to be looked at through a variety of indicators - levels of income and consumption, social indicators, and indicators of vulnerability to risks, and of socio/political access. In general, poverty can be defined as a situation when people are unable to satisfy the basic needs of life.

The picture of dire poverty is found in India where the incidence of absolute poverty abounds. Absolute poverty is not related to income or the consumption level of the household but to some minimum standard of living. The concept of absolute poverty is relevant for less developed countries. In order to measure it, absolute norms for living are first laid down. It is expressed in terms of income or expenditure. A person falling below this norm (called the poverty line) is classified as poor. In India, the poverty norm is anchored in terms of daily intake of food. According to the definition by the Planning Commission of India, the poverty line is drawn at an intake of 2400 calories in rural areas, and 2100 calories in urban areas. If a person is unable to get that minimum level of calories, then

he, or she, is considered as living below the poverty line. The consumption basket representing this calorie intake is then converted into a monetary equivalent by using price indices separately for rural and urban areas.

Features of Poverty

Poverty has many faces, many causes and many effects. It has several monetary and non monetary dimensions. It has several manifestations. It is caused by several obstacles and constraints, which do reinforce each other. It is characterized by the following features.

- i) Few assets, landlessness and low income
- ii) Low consumption, no savings and high indebtedness
- iii) Jobless, employment insecurity and food insecurity
- iv) Illiteracy and lack of formal education and training
- v) Poor health, housing, or ill health, poor sanitation
- vi) Marginalisation and high dependency
- vii) Few contacts with key persons/institutions
- viii) Little involvement in influential forum
- ix) Competition for resources among the poor
- x) Economic vulnerability and subordination
- xi) Low self esteem, low social status and resignation

Subsistence living and no future plan.

10.3 POVERTY SITUATION

The World Bank calculates an international poverty line by reference to the average of the national poverty lines in 15 of the world's poorest countries. According to the World Bank, the number of people living below the international poverty line of \$1.25 per day fell from 1.8 billion to 1.4 billion between 1990 and 2005. China accounted for 465 million of this reduction, implying that poverty has increased elsewhere over this period. In sub-Saharan Africa, the increase was 100 million.

However, expressing global poverty as a percentage reverses the trend due to the rising global population.

For example, extreme poverty in sub-Saharan Africa has fallen slightly from 57 per cent to 51 per cent between 1990 and 2005. The wealth of our new millennium has tended to increase inequality rather than reduce poverty. The UNDP has reported that, in 2005, the richest 500 people in the world earned more than the poorest 416 million. Global poverty is then assessed by reference to "data from 675 household surveys across 116 developing countries", according to the World Bank. This data is compared to the \$1.25 benchmark, not by standard currency exchange rates, but by purchasing power parity (PPP) rates which smooth out the different buying power of the dollar in each country.

The World Bank figure of \$1.25 per day was intended to be a bottom marker. Unfortunately, the two countries with the largest populations in the world, India and China, have both defined national poverty lines which are even lower. India's poverty line is \$1.02 which gives a national poverty rate of 26 per cent compared

to 42 per cent on the international basis. In China the gap is even wider, tripling its national poverty numbers to over 200 million. These inconsistent measures are the source of much confusion. A second tier international poverty line of \$2 per day is derived from the average of national poverty lines in all lower and middle income countries. The World Bank reports that 2.6 billion people live below this benchmark, a figure which has changed little since 1981. Indeed, a slightly higher benchmark of \$2.50 per day captures more than half of the world's population. The population living below the international poverty line in various countries is given in Table 10.1.

Table 10.1: Status of Poverty in various Region of the World, 2013

| Region | % in \$1.90 a day poverty | Population (in millions) |
|-------------------------------|---------------------------|--------------------------|
| East Asia & Pacific | 3.5 | 71 |
| Latin America & the Caribbean | 5.4 | 34 |
| South Asia | 15.1 | 256 |
| Sub Saharan Africa | 41.0 | 389 |
| Europe & Central Asia | 2.2 | 10 |
| Middle East & North Africa | - | - |
| World | 10.7 | 766 |

Source: World Development Indicators, 2017 see <http://wdi.worldbank.org/table/1.2.2> (accessed on 15/4/2018)

There are two contrasting and complementary reasons for reducing global poverty. The first reason is ethical. It springs from religious teaching. This finds secular expression in the 1948 Universal Declaration of Human Rights which asserts that “everyone has the right to a standard of living adequate for the health and well-being of himself and of his family.” The second reason lies in self interest. In a globalised world, countries, large and small, are interdependent. Poverty anywhere is a threat to prosperity everywhere. Extreme poverty is the engine of international labour migration which the richer countries are notoriously reluctant to accommodate. The spread of any disease is more difficult to control if weak countries lack the capacity to deliver an appropriate response. Whilst the risk of terrorism is often complex in origin, extreme poverty is the ideal recruiting ground for its foot soldiers.

Table 10.2: Status of Hungry People in various Regions of the World, 2010

| Region/Countries | Hungry People (in millions) |
|-------------------------------|-----------------------------|
| Developed Countries | 19 |
| Near East/North Africa | 37 |
| Latin America / the Caribbean | 53 |
| Sub-Saharan African | 239 |
| Asia & the Pacific | 578 |

Source: FAO, 2010.

The failure of the macroeconomic policies of the 1980s and 1990s created pressure on world leaders to find an approach which delivered measurable results for poverty reduction. This led to the Millennium Declaration, committing governments to eight Millennium Development Goals (MDGs) with targets to be met by 2015. Apart from the goal to provide primary education for all, the targets aim for reduction rather than elimination of poverty.

10.4 MEASUREMENT OF POVERTY

The four important used methods of measurement of poverty are: (i) The Head Count Index (H); (ii) Income Gap Index (I) (ii) The Poverty Gap Index (P) and (iii) The Sen Index (SI).

Head Count Index (H)- It is the easiest and the most popular method of measurement of poverty. The poverty head count measures the percentage of the population that falls below the poverty line. The formula used for the calculation of HCI is:

$$HCI = M/N$$

HCI= Head Count Index Where

M= Number of people living below the poverty line N=Total Population

Income Gap Index (I): The formula used in the calculation of Income Gap Index is follows:

$$IGI = \frac{M}{N} \times \frac{\sum (Z_i - y_i)}{Mz}$$

IGI = Income Gap Index

Mz = Number of people living below the poverty line

Zi = Poverty line income

yi = Mean income of the poor

The Poverty Gap Index (P): The formula used in the calculation of PGI:

$$PGI = \frac{M}{Nz} \times \sum (Z_i - y_i)$$

PGI = Poverty Gap Index

M = Number of people living below poverty line

Nz = Number of poor population

Zi = Poverty line income

yi = Mean income of the poor

The Sen Index (SI): Amartya Sen (1976) gave an index which has taken into consideration the combined effects of the number of poor, the depth of their poverty and distribution of poverty within the group. The Sen Index has taken into account the head count index, income gap index and Gini coefficient into consideration in the calculation of poverty. The formula used in the calculation of Sen's index is as follows:

$$SI = H \times [I + (1 - I) \times G]$$

Where SI = Sen Index

H = Head Count Ratio

G = Gini Coefficient

I = Income Gap Index

The Sen Index of poverty is an increasing function of the head count ratio and increasing function of the income shortfall as well as increasing function of the Gini coefficient. After going through the definition and meaning of poverty, the measurement of poverty, in the global and Indian contexts, now Check Your Progress-1.

Check Your Progress 1

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) What is poverty? Examine its features and manifestation.

.....
.....
.....
.....

2) How do we measure poverty?

.....
.....
.....

3) What are the reasons for reducing global poverty?

.....
.....
.....

10.5 VICIOUS CIRCLE OF POVERTY

The vicious circle of poverty refers to the interconnectedness of different factors that reinforce each other for generating poverty. They are poor because they are too many. They are too many because they are poor. According to Nurkse and Kindleberger the reasons for this vicious circle of poverty can be classified into three groups.

- a) Supply side factors
- b) Demand side factors
- c) Market imperfection

Supply Side Factors

The supply side of the vicious circle indicates that in underdeveloped countries, productivity is so low that it is not enough for capital formation. According to Samuelson, “The backward nations cannot get their heads above water because their production is so low that they can spare nothing for capital formation by which their standard of living could be raised.” According to Nurkse on the supply side there is small capacity to save, resulting from low level of national income. The low real income is the result of low productivity, which in turn, is largely due to the lack of capital. The lack of capital is a result of the small capacity to save, and so, the circle is vicious.

Low Income

- Low Saving
- Low Investment
- Low Production
- Low Income

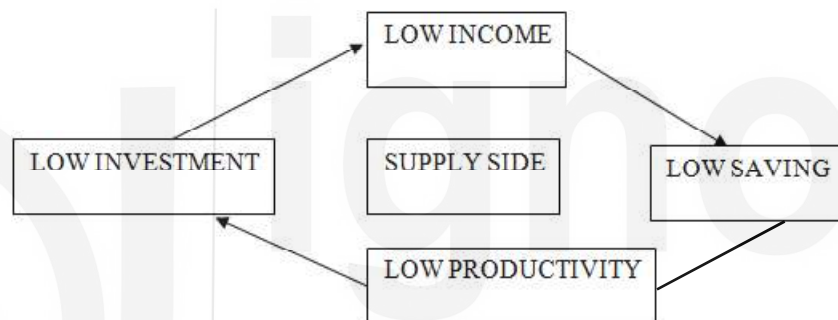


Fig. 10.1: Low Supply

Thus, it becomes clear from the above diagram that the main reason for poverty is the low level of saving. Consequently, investment is not possible in production channels. A huge chunk of GDP is used for consumption purposes. People cannot save. So, there is a lack of investment and capital formation. Although rich people can save, they spend their surplus on luxurious goods instead of saving. They gave preference to high priced items and foreign products. Thus, their demand does not enlarge the size of the market. The developing countries, therefore, lack investment facilities.

Demand Side Factors

According to Nurkse, poverty is caused by several factors in the demand side. In underdeveloped countries the inducement to invest is low because of the low purchasing power of the people, which is due to their small real income. It is illustrated in the following diagram.

Low Income

- Low Demand
- Low Investment
- Low Productivity
- Low Income



Fig. 10.2: Low Demand

The main reason for poverty in these countries is the low level of demand. Consequently, the sizes of markets remain low. The small size of the market becomes a hurdle in the path of inducement to invest.

Market Imperfections

According to Meier and Baldwin, the existence of market imperfections prevents optimum allocation and utilisation of natural resources, and the result is underdevelopment, and this, in turn, leads to poverty. The development of natural resources depends upon the character of human resources. But due to lack of skill and low level of knowledge, natural resources remain unutilised, underutilised and misused. The vicious circle of poverty caused by market imperfections is shown in the following diagram.

10.6 DIMENSIONS OF POVERTY

The two main dimensions of poverty in India are:

- i) Regional dimensions of poverty
- ii) Social dimensions of poverty.
- iii) Human development dimension of poverty.

Regional Dimension of Poverty

There are poverty differences between the developed and developing countries and within the same continent some countries and regions have less poverty as compared to the other. For example, poverty is more pervasive in South Asia as compared to other parts of Asia. In the same region and within the same country some regions suffer from more poverty as compared to other regions. For example in India the poverty is less in northern region states as compared to the eastern region states. Poverty in India has a regional dimension. Poverty profiles differ in rural and urban areas. They also differ widely across states and regions of India. This is primarily due to wide regional disparities. Regional imbalance in economic growth in major states is observed from the variations in the growth of Net State Domestic Product (NSDP). There is a wide interstate imbalance in the economic growth of rich and poor states of India. During the post reforms period (1990-2004), some states have accelerated and some states have decelerated in terms of economic development. There is a wide difference in the investment climate of different states of Indian union. Kerala's achievement in social development and reduction in poverty are very impressive. The percentage of poor in rural areas of Kerala declined from 50 per cent in 1973 to 12.7 per cent in 1999-2000. Its record of overcoming poverty, even with moderate economic growth has been attributed to its effective implementation of land reforms, comprehensive social and food security coverage, decentralised system of

governance, and highly conscious civil society. The rural–urban divide in India is widening after economic reforms. There is deceleration in agricultural growth, which is the matter of concern in employment generation and poverty reduction.

Social Dimension of Poverty

Poverty in India is not merely an economic phenomenon but also a social one. Poverty is seen today as an outcome of multiple deprivations. It is disproportionately high among SCs and STs. Poverty gets disproportionately concentrated among casual labourers. Growing dependency of rural and urban households on the casual labour market exposes the poor to market risks and tends to increase transient poverty, whereby households move in and out of poverty due to fluctuations in the labour market. The incidence of poverty among SCs is very high in Bihar, MP and UP in both rural and urban areas. In terms of income poverty and other indicators of human development such as education and health, STs are at the bottom. The gender dimension of poverty is very important in India. There is gender discrimination against women in the labour market. A majority of women are illiterate. The female members of the poor household suffer the most from all kinds of deprivation.

Human Development Dimension of Poverty

The human development dimension of poverty became popular after the publication of a human development report by the UNDP in the 1990s. This dimension acknowledges that human poverty influences and is influenced by income poverty. Because of low income, the education, health and per capita income of the family become low. It is customarily found that the family with illiterate and low level of education suffer from deeper poverty as compared to the family with higher level of education and skill education. The unskilled labour force also gets a lower wage rate than their counterpart skilled labour force. As far as health is concerned health and poverty are interlinked. Families with its members suffering from severe morbidities drag towards poverty.

10.7 CAUSES AND REMEDIES OF POVERTY

Causes of Poverty

All types of poverty and deprivation in India are caused by the following factors.

- **Colonial Exploitation:** Colonial rule in India is the main reason of poverty and backwardness in India. The Mughal era ended about 1800. The Indian economy was purposely and severely de-industrialised through colonial privatisations. British rule replaced the wasteful warlord aristocracy by a bureaucratic-military establishment. However, colonial exploitation caused backwardness in India. In 1830, India accounted for 17.6 per cent of global industrial production against Britain's 9.5 per cent, but, by 1900, India's share was down to 1.7 per cent against Britain's 18.5 per cent. This view claims that British policies in India exacerbated by the weather conditions led to mass famines, roughly 30 to 60 million deaths from starvation in the Indian colonies. Community grain banks were forcibly disabled, land was converted from food crops for local consumption to cotton, opium, tea, and grain for export, largely for animal feed.
- **Lack of Investment for the Poor:** There is lack of investment for the development of poorer sections of the society. Over the past 60 years, India decided to focus on creating world class educational institutions for the

elite, whilst neglecting basic literacy for the majority. This has denied the illiterate population - 33 per cent of India – of even the possibility of escaping poverty. There is no focus on creating permanent income-generating assets for the poor people.

- Studies on China (2004) also indicated that since universal and free healthcare was discontinued in 1981, approximately 45 million (5 per cent of its 900 million rural population) took on healthcare-related debts that they could not repay in their lifetimes. Since then, the government has reintroduced universal health care for the population. Given India's greater reliance on private healthcare spending, healthcare costs are a significant contributor to poverty in India.
- **Social System:** The social system is another cause of poverty in India. The social subsystems are so strongly interlocked that the poor are incapable of overcoming the obstacles. A disproportionately large number of poor people are lower caste Hindus. According to S. M. Michael, Dalits constitute the bulk of poor and unemployed. Many see Hinduism and its structure, called the caste system, as a system of exploitation of poor, low ranking groups by more prosperous, high ranking groups. In many parts of India, land is largely held by high ranking property owners of the dominant castes that economically exploit low ranking landless labourers and poor artisans, all the while degrading them with ritual emphases on their so-called, god-given inferior status. According to William A. Haviland, casteism is widespread in rural areas, and continues to segregate Dalits. Others, however, have noted the steady rise and empowerment of the Dalits through social reforms, and the implementation of reservations in employment and benefits.
- **Economic Policies:** In 1947, the average annual income in India was US\$439, compared with US\$619 for China, US\$770 for South Korea. But South Korea became a developed country by the 2000s. At the same time, India was left as one of the world's poorest countries. India had the Hindu rate of growth which stagnated at around 3.5 per cent from the 1950s to the 1980s, while per capita income averaged 1.3 per cent License Raj prevailed with elaborate licenses, regulations and accompanying red tape. Corruption flourished under this system. The labyrinthine bureaucracy often led to absurd restrictions. India had started out in the 1950s with: high growth rates, openness to trade and investment, a promotional state, social expenditure awareness, and macro stability but we ended the 1980s with: low growth rates (the Hindu rate of growth), closure to trade and investment, a license-obsessed, restrictive state (License Raj), inability to sustain social expenditures and macro instability, indeed crisis. Poverty has decreased significantly since reforms were started in the 1980s. India currently adds 40 million people to its middle class every year. An estimated 300 million Indians now belong to the middle class; one-third of them have emerged from poverty in the last ten years. At the current rate of growth, a majority of Indians will be middle class by 2025. Literacy rates have risen from 52 per cent to 65 per cent in the same period.
- **Over-reliance on Agriculture:** In India there is a high level of dependence on primitive methods of agriculture. There is a surplus of labour in agriculture. Farmers are a large vote bank and use their votes to resist reallocation of land for higher-income industrial projects. While services and industry have grown at double digit figures, the agriculture growth rate

has dropped from 4.8 per cent to 2 per cent. About 60 per cent of the population depends on agriculture, whereas the contribution of agriculture to the GDP is about 18 per cent. The agricultural sector has remained very unproductive. There is no modernisation of agriculture despite some mechanisation in some regions of India.

- **Heavy population pressures:** Although demographers generally agree that high population growth rate is a symptom rather than cause of poverty and add to poverty. Mohmood Mamdani aptly remarked “people are not poor because they have large families. Quite the contrary, they have large families because they are poor”. However this is a general argument in developing countries that population growth is a major obstacle to development and cause of poverty.
- **High Illiteracy:** Indian literacy rate rose almost tenfold during the British era. In 1947, India’s literacy rate matched China’s. However, in 2007, China reported at 91 per cent literacy rate versus 66 per cent for India. Now India suffers from about 35 per cent illiteracy among the adult population. Literacy levels among SC, ST and females are very low.
- **High Unemployment:** There is a high degree of underutilisation of resources. The whole country suffers from a high degree of unemployment. India is marching with jobless economic growth. Employment is not growing, neither in the private sector, nor in the public sector. The IT sector has become elitist, which does not improve the poverty situation in the country. Disguised unemployment and seasonal unemployment is very high in the agricultural sector of India. It is the main cause of rural poverty in India.
- **Lack of Entrepreneurship:** The industrial base of India has remained very slender. Industrial sickness is very widespread. The whole industrial sector suffers from capital deficiency and lack of entrepreneurial spirit.

Remedies for Poverty

It is widely recognised that while income poverty reduction is relatively easy, elimination of multiple deprivation is more difficult to achieve. So a poverty reduction strategy should go beyond income poverty and inadequacy of basic needs and rights as well as inadequate access to both productive assets and social infrastructure. Therefore, empowerment of the poor is considered a critical factor in accelerating poverty reduction. Empowerment is sought to be achieved by giving a role to the poor in governance and development decisions. At present NGOs, donor agencies, and development activists are exerting pressure on policy makers to involve all stakeholders in poverty alleviation projects and activate the panchayats and promote institutions like self help groups and user groups and mobilize the poor for collective action. According to SAPAP (2003) poverty is the product of livelihood systems and the socio-political and economic forces that shape them. SAPAP argues that multidimensional interventions revolving around land and other property rights, bargaining power for improved wage, holistic health care, micro finance and insurance, and physical and social security are needed for accelerating poverty reduction. The key issue is to weaken the stronghold of the rich in the governance of local institutions and facilitate the participation of the poor.

There are different measures for tackling poverty as discussed below. Let us discuss these aspects in detail:

- **Increase in Saving:** In order to get rid of the supply side vicious circle in these countries, efforts should be made to increase savings so that investment in productive channels may be encouraged. To increase saving, expenditure on marriages, social ceremonies, etc., should be curtailed. In under developed countries, the possibility of voluntary savings is slim. Thus, in this regard, government interference is necessary. The government can increase saving by altering its fiscal policy. The government can impose heavy taxes on luxury goods. Moreover, it can increase the role of direct taxes. Thus, the government can curtail consumption by altering the tax system.
- **Increase in Investment:** To break the vicious circle of poverty, apart from increasing savings, investment of saving in productive channels is also of immense use. The policies of short run and long run investment should be coordinated. By short period investment, people can get the necessary goods at fair rates, which will have a favourable impact on their skill. Moreover, along with short period investment, investment in the establishment of multipurpose projects, like iron and chemical fertilizers should be properly encouraged. In UDCs, proper monetary and banking policies should be adopted which may provide facilities and encouragement to small savings.
- **Balanced Growth:** To resolve the demand side vicious circle in underdeveloped countries, the extent of the market should be widened so that people may get inducement to invest. In this regard, Prof. Nurkse advocated the doctrine of balanced growth. According to the principle of balanced growth, investment should be made in every sphere of an economy so that demand of one sector can be fulfilled by another sector. Thus, an increase in demand will lead to a wider extent of the market, and so, the inducement to invest. On the other hand, economists like Hirschman, Singer, and Fleming do not consider the policy of balanced growth effective. According to them, the policy of unbalanced growth would be more useful. In UDCs, there is every possibility of increase in demand and there is the need of increase in monetary income. The majority of UDCs have adopted the policy of planned development. Accordingly, due to more investment in the public sector, the supply of money increases. Due to increase in monetary income, sizes of the market widen. These countries endeavour to widen the size of foreign market by increasing their exports.
- **Human Capital Formation:** In underdeveloped countries, the main obstacle to economic growth is the backwardness of human capital. Human capital should no longer be neglected. Many suggestions can be made to increase skill of manpower. For instance, in these countries, education, technical knowledge, and vocational training should be enlarged. Health facilities should be enhanced, which may increase the efficiency of the workers. Transportation and communication should be developed.
- **Industrialisation:** Poverty can be eradicated by a self-sustaining process of industrialization. All industries should have linkage to build a powerful process of ancillary industries and occupations. The percolation effect of industries can be very strong through the establishment of auxiliary industries. Industry should be linked to agricultural growth. Agro-based industries should grow to provide employment to village people as they are very much labour intensive. Industrialisation can contribute to the growth process and bring improvement in the standard of living of people.

Other Measures for Poverty Reduction

- More employment opportunities: poverty can be eliminated by creating more employment opportunities, so that people may be able to meet their basic needs.
- Minimum needs programmes: providing minimum needs to the poor people can help to reduce the problem of poverty.
- Social security programmes: various social security schemes, like worker's compensation, maternity benefit, provident fund, etc., can make a frontal attack on poverty.
- Small scale industries: encouraging and establishing small scale industries can create jobs in rural areas, which can reduce poverty.
- Spread of education: education can create awareness and build confidence among people to find methods to overcome poverty.
- Empowerment of poor: poor people are voiceless due to the ruthless system of development. So, empowerment of poor people will reduce poverty.
- Land reforms: land belongs to the absentee landlords in India. Therefore, land reform is needed for giving rights to the actual tiller of the soil.
- Asset creation: productive assets must be created which will ensure regular income for the poor people
- Political will: political will and thrust is needed to face the challenge of poverty. Government policy should be designed with determination for having a poverty-free country.
- Social change: social strata and traditional values should be free from dogmas. The caste system should not discriminate against any people for anything. Social reforms are also needed to remove poverty among the lower caste and women.

Poverty Reduction Measures in India: During different Five Year Plans, the Government of India has adopted several strategies and devised several schemes to remove poverty in India. The following are some steps.

- IRDP: the Integrated Rural Development Programme was initiated in 1976 in 20 selected districts of India. Then, it was extended to all blocks in 1980. The objective of this program was to enable the selected families to cross the poverty line by creating productive assets for the poor people.
- NREP: the National Rural Employment Programme was launched in 1980 in order to generate gainful employment in rural areas.
- RLEGP: the Rural Landless Employment Guarantee Programme was launched in August 1983 to generate additional employment opportunities for the landless people in the villages.
- JRY: Jawahar Rojgar Yojana was introduced in 1989 to create 837 million man-days in the country.
- TRYSEM: Training of Rural Youth for Self Employment was launched in 1979 with the aim of generating self employment opportunities for unemployed educated rural youth.
- DWC: Development of Women and Children was launched during the Sixth Plan on a pilot basis in 50 districts, and continued in the 7th plan.

- DPAP: the Drought Prone Area Programme was started in 1970 for drought areas with a view to create jobs through labour intensive schemes.
- DDP: the Desert Development Programme was started in 1977 to control the expansion of deserts and raise local productivity of desert areas.
- MNP: the Minimum Needs Programme was introduced in the Fifth Plan, in order to achieve growth with justice.
- PMRY: the Prime Minister’s Rozgar Yojana was implemented in 1993 to give employment to more than 10 lakh people by setting up 7 lakh micro enterprises.
- SGSY: Swarna Jayanti Gram Swarozgar Yojana, created in 1999, is a combination of many previous poverty eradication programmes, like IRDP, TRYSEM, Minimum Wells Programme, and DWCRA.
- PMIUPEP: the Prime Ministers Integrated Urban Poverty Eradication Programme was implemented in 1995 to reduce urban poverty.
- EGS: the Employment Guarantee Scheme was launched in many states to provide employment for poor people.
- SJRY: Swarna Jyanti Rozgar Yojana was launched in 1997 for the urban poor.
- JGSY: Jawahar Gram Samridhi Yojana is the new name of Jawahar Rozgar Yojana with effect from 1999.
- PMGY: Pradhan Mantri Gramodaya Yojana.
- PMGSY: Pradhan Mantri Grama Sadak Yojana.
- AAY: Antyodaya Anna Yojana.
- JPRGY: Jai Prakash Rozgar Guarantee Yojana.
- VAMBAY: Valmiki Ambedkar Awas Yojana.
- DWCRA: Development of Women and Children in Rural Areas.
- MGNREGA: This was implemented since 2002 for providing 100 days employment in a calendar year to a family member interested for doing unskilled manual work.

You have read about the vicious circle of poverty, dimensions of poverty, causes and remedies of poverty. Now, you should be able to answer the following questions in order to check your progress.

Check Your Progress 2

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) What is the vicious circle of poverty?

.....

2) What are the Remedies for Poverty?

.....

10.9 LET US SUM UP

In this unit we dealt with the definition, features and measurement of poverty. At the outset, it has examined the incidence of poverty. It has analysed the problems of poverty across the states. This unit has also explained the vicious circle of poverty as well as the regional and social dimensions of poverty. This unit has also explained various causes of poverty. The falling trends of both rural and urban poverty have also been explained. Finally it has discussed various governmental efforts for alleviation of poverty.

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10.11 CHECK YOUR PROGRESS: POSSIBEL ANSWER

Check Your Progress 1

1. Refer to Section 10.2
2. Refer to Section 10.4
3. Refer to Section 10.3

Check Your Progress 2

1. Refer to Section 10.5
2. Refer to Section 10.7

UNIT 11 INEQUALITY

Structure

- 11.0 Introduction
- 11.1 Learning Outcomes
- 11.2 Inequality: Concept and Meaning
- 11.3 Inequality at International Level
- 11.4 Measurement of Inequality
- 11.5 Dynamics of Inequality in India
- 11.6 Causes of Inequality
- 11.7 Measures to Reduce Inequality
- 11.8 Let Us Sum Up
- 11.9 References and Further Readings
- 11.10 Check Your Progress: Possible Answers

11.0 INTRODUCTION

In the previous unit you read about poverty which is one of the basic issues of development. This unit will deal with another basic issue of inequality that affects both developed and developing countries. While poverty concentrates on the bottom strata of the society, inequality refers to the distribution of wealth across the whole society. It is important to understand inequality in order to have a better understanding of poverty as the distribution of wealth in a country helps in understanding the extent and depth of poverty. Around 42 percent of the world income is in the hands of the richest 10 percent of the world population while the poorest 10 percent of the population holds only 1 percent of the total wealth. Economic growth in the world has happened in such a way that while the income gap between the countries has decreased, the income inequality within countries has increased. This unit will also help you to understand inequality in terms of its meaning, extent, causes and remedies.

11.1 LEARNING OUTCOMES

After reading this unit you will be able to:

- explain the meaning of inequality;
- describe inequality in different regions;
- explain the various types of inequality; and
- list out the various causes and remedies of inequality.

11.2 INEQUALITY: CONCEPT AND MEANING

Inequality may be defined as a condition in which some people have more rights or better opportunities than other people. Though inequality exists in different dimensions in an economy, it is generally used for income inequality in common parlance. Income inequality is generally used as a benchmark indicating the welfare of a society. It is a measurement of distribution of wealth across

households. It gives a relative comparison of the gap in household incomes across a given region, country or the world.

The dictionary meaning of inequality is an unfair situation in which some people have more rights or better opportunities than other people (Merriam Webster dictionary).

Economic inequality has been defined in the textbooks (Ray 1998) as the fundamental disparity that permits one individual certain material choices, while denying another individual those very same choices. Inequality concerns variation in living standards across a whole population. It is an indicator of how well the member states redistribute their income among the people and how resources are distributed across the society. While poverty focuses on those whose standard of living falls below a predefined benchmark like the poverty line or minimum calorie intake required, inequality is a relative term reflecting the living conditions of the individuals in the whole population.

The income per capita in high income countries has always been higher than that in other countries. However, the income per capita of lower and upper middle income countries has seen an upward trend owing to the growth of India and China. Between 2000 to 2010, the per capita income in China has risen by an average of 5.9 percent per year and that of India has risen by an average of 5.1 percent per year during the same period. According to Simon Kuznet, as countries move up the ladder of development, they first experience more inequality and then progressively less inequality. High income countries are more likely to have lower income inequality. Middle income countries are more likely to have higher inequality as they are in the process of being more developed. Most of the world population lives in countries which have increasing income inequality like China, India, US, Canada and Russia. Countries like Brazil and Mexico have experienced declining inequality whereas in countries like Bangladesh and Japan, inequality has remained stable.

The table-1 below gives the Human Development Index ranks as well as Gini Coefficients of some countries for the year 2013.

Table 11.1: Gini Index of selected Countries of the World

| HDI Rank | Country | Gini Index (2013) |
|----------|---------------|-------------------|
| 1 | Norway | 25.8 |
| 5 | United States | 40.8 |
| 8 | Canada | 32.6 |
| 12 | Sweden | 25.0 |
| 49 | Argentina | 44.5 |
| 62 | Malaysia | 46.2 |
| 71 | Mexico | 47.2 |
| 73 | Sri Lanka | 36.4 |
| 79 | Brazil | 54.7 |
| 91 | China | 42.1 |
| 108 | Indonesia | 38.1 |
| 118 | South Africa | 63.1 |

Source: <http://hdr.undp.org/en/content/income-gini-coefficient>

11.3 INEQUALITY AT INTERNATIONAL LEVEL

Inequality in Asia

According to “Asian Development Outlook, 2012” released by the (ADB, 2012) Asian Development Bank, income inequalities in Asia are high with the Gini Coefficient in the end of 2000’s being 0.37. In Asia, China is one of the most income unequal countries with a Gini of 0.43 in 2008. The richest 20 percent of the population in China earn 9.6 times more than the poorest 20 percent of the population. This is in contrast to the Gini of 0.32 in 1990 and the richest 20 percent earning 4.8 times more than the poorest 20 percent during 1990. In India, the Gini Coefficient is equal to 0.37. Levels of inequalities are also different between town and countryside. In India inequalities are more in towns (.39) than in countryside (.30) whereas in China inequalities are more in the country (.39) than in towns (.35).

Inequality in Europe

Research conducted by European Commission on income inequality in European countries (Sierminska & Medgyesi, 2013), shows that in the European Union (EU), the income share of the richest 10 percent of the population was highest in Portugal where the top 10 percent had 27 percent of the total income. This share was between 25 and 26 percent in Bulgaria, Latvia, UK and France and around 20 percent in Sweden and Slovenia. The smallest share of income (around 2 percent) held by the bottom 10 percent of the population was by Romania, Latvia and Spain whereas Netherlands, Czech Republic and Finland, where the income share of the poorest decile exceeded 4 percent. In the EU, the value of the Gini coefficient in 2010 ranged from 0.24 (in Slovenia and Sweden) to 0.35 (in Bulgaria and Latvia). The Gini coefficient in the European Union ranged from 0.24 in Slovenia and Sweden to 0.35 in Bulgaria and Latvia. Portugal was at the higher side with 0.34 and Netherlands and Czech Republic towards the lower side at 0.25. The Baltic states, Southern European countries, France, Poland, Romania, Bulgaria, UK and Ireland had Gini ranging from 0.31 to 0.33. Other EU countries had Gini ranging between 0.25 and 0.29.

Inequality in America

According to a report in The Wall Street Journal, The gap between the richest and poorest Americans widened even as the U.S. economic recovery gained traction in the years after the recession (Leubsdorf, 2014). In the US, the inequality as measured by Gini Coefficient has been increasing since 1982.

Andrew Samwick, economics professor at Dartmouth College, divides the period from 1929 to today into four distinct eras based on income inequality (Samwick, 2006):

- **The Great Depression: 1929–1947**

This was the birth of the middle class in the United States. Real wages for manufacturing production workers rose by 67 per cent, while real income of the richest 1 per cent fell by 17 per cent. This resulted in the gap between rich and poor narrowing (compressing).

- **The Postwar Boom: 1947–1973**

This was an era in which growth was widely shared—real wages for manufacturing production workers rose 81 per cent, and the income of the richest 1 per cent of the population increased by 38 per cent.

- **Stagflation: 1973–1980**

This was a period in which all groups lost ground. Real wages for manufacturing production workers fell by 3 per cent, and the income of the richest 1 per cent fell by 4 per cent.

- **The New Gilded Age: 1980–2007**

Incomes in the richest group soared, while they stagnated in the other groups. Between 1980 and 2007, the income of the richest 1 per cent rose 197 per cent, although the income share of the richest 1 per cent is still slightly below its peak in 1928.

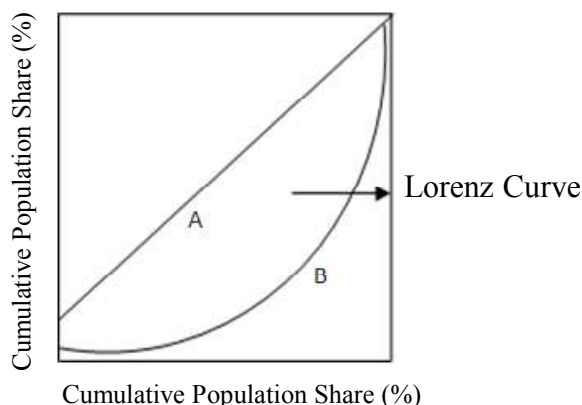
Inequality in Africa

Africa is not just the poorest region of the world but also the second most inequitable regions, next only to Latin America. Sub Saharan Africa and more specifically Southern Africa is home to most of the unequal countries of the world. As per the report of African Development Bank Group the richest section of population capture the largest share of income (Maurice Mubila, 2012). In Mozambique, the mean share of the lowest 20% of the population is 5.2% of total income while the top 20% has a share of 51.5%. A larger percentage of the population is poor in rural areas (56.9%), compared to urban areas (49.6%). The poor, defined as those earning less than \$2 a day account for almost 61 percent of Africa's population and they hold only 36 percent of the region's income. The rich (those who earn more than \$20/day) account for 4.8% of the population and 18.8% of total income. The report says that Southern Africa is the most unequal part of Africa. Most unequal countries of Africa include Namibia, Comoros, South Africa, Angola, Botswana, Lesotho and Swaziland.

11.4 MEASUREMENT OF INEQUALITY

Gini Coefficient

One of the most commonly used measures of inequality is Gini Coefficient. Gini coefficient is a measure of the extent to which the distribution of income or consumption expenditure of individuals or households within an economy deviates from a perfectly equal distribution. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption, all others have none). Gini coefficient can also be represented graphically using Lorenz curve. A Lorenz curve plots the cumulative percentages of total income against cumulative number of recipients starting with the poorest individual/household. The Gini coefficient measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line.



In Lorenz curve, the cumulative income share is mapped on the vertical axis and the population share of the horizontal axis. If there was income equality or in other words if each individual had the same level of income, the income distribution curve will be the straight line shown in figure 1. Gini coefficient is calculated as the area 'A' divided by the sum of area 'A' and 'B'. When the income is equally distributed in the society, the Lorenz curve merges with the line of equality and the Gini coefficient is zero. On the other hand if all the income is concentrated with one person then the Lorenz curve would superimpose the X axis leading to the value of one for the Gini coefficient.

Though a fairly good representative of inequality in a society, Gini is often criticised for not being additive across groups. This means that the total Gini for a society is not equal to the sum of Ginis of its sub groups.

Theil Index

Theil index is less commonly used than the Gini Coefficient. Thiel's index has the advantage of being decomposable so that inequality can be measured both within a group and also between groups. This index is additive across different subgroups. However, this index could not get the appeal of the Gini index as it lacks straightforward representation and interpretation.

The basic form of Theil index is

$$E(1) = n \sum y_i \div \ln \sum y_i$$

$$i \in \emptyset \quad \emptyset$$

Where,

y_i = income of individual 'i'

y = average income of the population 'n'

Decile Dispersion Ratio

Another measure used sometimes to measure inequality is the decile dispersion ratio. This is the ratio of the average consumption or income of the richest 10 percent of the population to that of the poorest 10 percent. This measure can also be calculated for other percentiles and is easily interpretable in terms of expressing the incomes of rich in multiples of that of poor.

Palma Ratio

Critics of Gini coefficient say that though Gini coefficients may be of great significance to the statisticians but they are beyond the understanding of a common man and hence fail to attract the required political attention. Another criticism this coefficient faces is that though it speaks about overall inequality, it does not say anything about what is driving the changes in the levels of Gini. Hence a new measure of inequality based on the work of Chilean economist Gabriel Palma is gaining popularity with the researchers. Palma’s research shows that in almost every society, the share of income of the people who make less than the richest 10 percent and more than the poorest 40 percent of the population remains fairly stable. Major shift in income share is generally observed only in the top 10 or bottom 40 percent of the population. Palma ratio defines inequality as the ratio between the top 10 and bottom 40 percent. This ratio thus addresses this volatility at the edges. In a society with a Palma ratio of 4, the top 10 percent is getting four times more income than the bottom 40 percent.

Till now you have read about the meaning and measurement of inequality and inequality at international level. Now try and answer the questions in Check Your Progress-1

Check Your Progress 1

- Note:** 1) Use the spaces given below for your answers.
 2) Check your answer with those given at the end of the unit.

1) Write about inequality in Asia.

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2) What do you understand about the Palma ratio?

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11.5 DYNAMICS OF INEQUALITY

The income inequality is largely happening because of the economic inequality as well as social inequality. Therefore, it is important to discuss the economic and social dynamics of income inequality.

Economic Dynamics of Income Inequality

Since 1980, International inequality increased for two decades owing particularly to the Latin American debt crisis in the 1980s and the economic implosion of Sub Saharan African countries as well as the economic collapse of the transition countries. The trend was however reversed since 2000 because of the economic growth in Asia, Africa and Latin America. In 2010, high-income countries – that accounted for only 16 per cent of the world’s population – were estimated to generate 55 per cent of global income. Low-income countries created just above one per cent of global income even though they contained 72 per cent of global population. Let us briefly discuss the various aspects of economic inequality:

- 1) **Inequality in Landholdings:** Caste based disparities in terms of the land possessed has persisted over time in India. In his analysis of NSSO 68th round (Rawal, 2014) shows that 62 per cent of Dalit households, 39 per cent of Adivasi households, and 60 per cent of Muslim households in rural India did not cultivate any land in 2011–12. Between 1987–88 and 2011–12, the proportion of households that did not cultivate any land increased by 20 percentage points among Muslims, 11 percentage points among Dalits, 11 percentage points among Adivasis, and 12 percentage points among Other households. The data show a clear rise in inequality in distribution of land cultivated by households. In 2011–12, the top 10 per cent of households cultivated about 50 per cent of the land. The share of the top decile of households in total cultivated land increased by about 1.6 percentage points between 1987–88 and 2011–12. The Gini coefficient of land cultivated by households in 2011–12 was about 0.72.
- 2) **Poverty as an indicator of Inequality: Poverty is another indicator of inequality.** In India, poverty is officially linked to a nutritional baseline measured in calories (food-energy method). The poverty lines thus defined correspond to a total household per capita expenditure sufficient to provide, in addition to basic non-food items — clothing, transport — a daily intake of 2400 calories per person in rural areas and 2100 in urban areas. Individuals who do not meet these calorie norms fall below the poverty line. About 17 percent of India’s overall population of 1.25 billion was undernourished during 2011-13. An expert panel headed by former RBI governor C Rangarajan, in their report submitted in July 2014 have fixed the levels of poverty line to Rs 32 a day in rural areas and Rs Rs 47 in towns and cities. These newly defined poverty lines lead to an increase in below poverty line population which when estimated using Tendulkar’s formula is 270 million (21.9% of population) for the year 2010-11 and using Rangarajan committee’s report is 363 million (29.5% of population). The World Bank in its Global Monitoring Report for 2014-15, on the Millennium Development Goals says that India is one of the biggest contributors to poverty reduction between 2008 to 2011. A combination of high growth and social security programmes has led to lifting out of around 140 million people out of absolute poverty. There still are a number of milestones to be achieved as India accounts for 30 percent of the total poor.
- 3) **Employment as an indicator of Inequality:** Unemployment and inequality are closely related. If unemployment continues for a long time, it leads to inequality. Unemployment leads to increased borrowing to meet the day to day expenses and this debt trap in turn leads to widening of the income gap

between the employed and the unemployed. Of the 116 million Indians available for work, 32 million were illiterate and 84 literate. Among literates, unemployment rates were higher among the better qualified. At all levels of education, unemployment rates were higher in rural areas than in urban areas. At every level of education, female unemployment exceeded male unemployment. Overall, India’s unemployment rate grew from 6.8 p.c. in 2001 to 9.6 p.c. in 2011, based on official Census data. Unemployment grew faster for illiterates than for literates. In all, India had just 56 million graduates and post-graduates in 2011 and 12 million with a technical certificate or diploma equivalent to a graduate or post-graduate degree. Half of these with the highest level of education were classified as “main workers”, meaning that they worked for at least six months in the year preceding the Census (The Hindu, November 7, 2015).

Social Dynamics of Income Inequality:

Let us briefly discuss the various aspects of social dynamics of income inequality:

- 1) **Inequality promoted by the caste system:** The *Chaturvarna* or the four classes in the Indian social system were created to assist in smoother functioning of the society. The Varna system has four main groups — Brahmins, Kshatriyas, Vaisyas, Sudras. Brahmins were traditionally the priestly and scholarly community. Kshatriyas were the ruling groups. Vaisyas were associated with trading and money lending, and Sudras were the peasants and artisans. Although the four classes were initially formed for smooth functioning of the society, inequality of privileges bestowed to certain castes has vitiated the system. Caste system, though banned in India now, is still seen to be prevalent in many parts of the country.
- 2) **Gender inequality:** UNDP’s Human Development Report 2013 shows that when the Human Development Index is adjusted for gender inequality, India becomes South Asia’s worst performing countries after Afghanistan. The following table gives comparable ranks of India and Asia for both the Human Development Index (HDI) and Gender Inequality Index (GII).

Table 11.2: A comparison between HDI and GII in South Asian countries (2013)

| Country | GNI/ Capita | HDI Rank | GII Rank | Loss due to Inequality | MPI Value |
|------------|-------------|----------|----------|------------------------|-----------|
| India | 3285 | 136 | 132 | 29.3 | 0.283 |
| Pakistan | 2566 | 146 | 123 | 30.9 | 0.264 |
| Bangladesh | 1785 | 146 | 111 | 27.4 | 0.292 |
| Nepal | 1137 | 157 | 102 | 34.2 | 0.217 |
| Sri Lanka | 5170 | 92 | 75 | 15.1 | 0.021 |

Source: <http://timesofindia.indiatimes.com/india/Gender-equality-in-India-among-worst-in-world-UN/articleshow/18982029.cms>

- 3) **Health inequality:** The government health spending in India is just around 1 percent of GDP whereas the total health spending in India is around 5 percent of GDP. These figures clearly indicate that most spending on health care in India goes from an individual’s pocket. This is also one of the major

reasons for inequities of health care in India. According to (Linda Sanneving, 2013) Utilization of antenatal care (ANC) and skilled attendance at birth has increased among the general population in India in the last 15 years. However, progress among women belonging to economically disadvantaged segments of the populations has been low. The use of ANC services in the whole of India increased by 12 percentage points between 1992 and 2006, however, the increase among the poor was only 0.1 percentage. There are large differences in progress between states but the progress among the poor is substantially less than among the non-poor in all states and the use of skilled birth attendance among the poor remained low across an urban–rural spectrum.

- 4) **Education inequality:** There is a huge disparity in the levels of education in India. First disparity comes in the education levels of rural and urban areas and the second one in the education levels of males and females. According to the 2011 census, around 84.11 percent of the total population in urban areas is literate in contrast to 67.77 percent of population in rural areas. Talking of educational inequality between male and female, 80.89 percent male in India are literate as compared to 64.64 percent female. In rural areas this gap is wider with 77.15 percent male and 57.93 percent female literacy.

11.6 CAUSES OF INEQUALITY

The major causes of income inequalities can be categorised into the following heads:

- 1) **Low levels of education and skills:** People with lower levels of education and skills have lesser chances of employability in well paid jobs. Researches show that there is a significant relation between income levels and educational attainment. The higher the education level, higher the income. Also, it is an individual's skills that determine whether the person can get a good job and move up the income ladder. In India specially, the educational system is inefficient and defective. It does not help in skill formation of the weaker section. It is not effective enough to build human capital. It also discriminates against the poor. The high dropout rate is associated with high push out rates in primary schools in remote villages. There are two types of education: education through English medium schooling, and education through the medium of regional languages. The former education is very expensive. It is an investment which is not affordable by the majority of the people. The poor villagers and labour class consider education, and, particularly, a girl's education as wasteful, having no return. There is inequality in training and skill building.
- 2) **Inequality as a result of unemployment:** Unemployment and inequality are very closely related. The relationship between unemployment and inequality is more pronounced in less developed and developing economies which do not have proper policies of social security in place. Another Important cause of inequality is when the workers are not gainfully employed. This happens when there is excess labour in any sector of the economy (eg. Agricultural sector in India). The marginal productivity and hence the expected wage rate of such labour is low. Unemployment,

underemployment and disguised unemployment lead to widespread inequality in different layers of the society.

- 3) **Spatial inequalities and degrees of urbanization:** Location of a place influences the opportunities that are available to the people. To a large extent, the concentration of investment, employment opportunities and people are concentrated in places that are better endowed with natural resources. The differences in education, health, skills and other household endowments across space leads to inequalities in employment opportunities and wage differentials. Unequal distribution of public and private assets as in case of rural and urban areas is also an important determinant of spatial disparities. In general, large cities have better access to social services and infrastructure including safe drinking water, sanitation and electricity as compared to smaller ones. Spatial concentration of activities in the urban areas leads to efficiency gains and economies of scale in these areas. Productivity tends to be higher in urban areas as a result of which salaries and returns to assets are also higher. The rural areas on the other hand are at a disadvantage in the areas of health, education, skills, employment opportunities etc. Such compounded disadvantages result in rural populations falling into what can be termed as spatial poverty traps.
- 4) **Differential Regional Growth:** Regional disparity is one of the major reasons for income inequality. The economic disparity has a geographical facet. A large majority of poor people live in backward regions/states of the country. The rich are more in percentage in the advanced states and regions. There is also intra state income inequality. But that income inequality is still sharper in poor states. It is because the advanced states grow rapidly. They have performed well, both in agriculture and industries. Their per capita income also rises very fast. On the contrary the poor states lag behind. Due to slow economic growth, the poor states continue to be inhabited by poor people with low per capita income. Statistical convergence among states in terms of inequality, poverty, and real mean consumption is weak.
- 5) **Unequal Asset Distribution:** income flows from wealth. Assets like land, cattle, labour, training, education, and shares represent the wealth of households. Asset distribution is very uneven, both in rural and urban areas especially in developing countries like India. Few people are land owners, but a majority are land tillers. Therefore, income distribution is highly skewed. Asset formation in different regions has been very asymmetric. The accumulated assets pass on from generation to generation. This inequality in wealth enables few people to get income in the form of rent, interest, and profit. But the majority of people in the villages and urban areas do not possess any income generating assets. Private ownership of property has no limit. It is the cause of the concentration of economic power.
- 6) **Technological Dualism:** Technological dualism may be defined as the co-existence of two differentiated sectors in the economy in terms of the technology they use. The visibility of latest and updated technology is more prominent in the urban sector and is relatively absent in the rural and agricultural sector of the developing economies. The industrial sector employs high end technology leading to higher output per unit of time whereas the agricultural sector still employs traditional techniques which are more labour intensive and low in productivity.

- 7) **Inappropriate Government Policy:** the policy of the government lacks any perspective. It does not discourage the profit-seeking business class and rent-seeking groups in their habit of accumulating wealth. The tax authority is ineffective in curbing this trend. The credit policy and the laws governing inheritance are also defective. The government needs to follow appropriate income-policy, which keeps the ratio between the highest income and lowest income at a socially acceptable figure. The government's top-down approach to development is the main reason for the low trickle-down effect. Rising prices reduce the purchasing power of poor people. The poor are left with nothing to save and reinvest, and are also not in a position to provide education to their children. The poor fall into a vicious circle, so the rich become richer, and the poor get poorer.
- 8) **Growth of the Informal Sector:** inequality arises out of the differences in the capabilities and ownership of assets. There is growth of the informal sector in India. The informal sector is unregistered, unregulated, and unprotected. India's labour force is about 390 million. Out of this, only 7 per cent work on regular salaries. About half are unionized. During the 1990s, the unregistered workforce increased from 89 per cent to 93 per cent. The informal economy, comprise 60 per cent of net domestic product, 68 per cent of income, 60 per cent of savings, 31 per cent of agricultural exports, and, even 41 per cent of manufactured exports. However, the informal sector is viewed as a shock absorber, but it has become the source of exploitation, too. Exploitation of women and children is very common in this sector.
- 9) **Level of Corruption:** corruption is one of the important causes of inequality. People misuse their office and power to make money and assets by illegal means. There is less punishment for larger corruption. The legal procedure takes a very long time to punish wrongdoing. Gradually, illegal activities are finding permissiveness. Therefore, illegal accumulation of money in one generation results in wealth for succeeding generations. Thus, inequality of income and wealth prevails in the long run.
- 10) **Family conditions:** Inequality also arises out of the large size of the family. If there is a single earning member for a large sized family, the share of each person in the family income lowers. Likewise if there is ill-health of any member of the family, a lot of income is spent on medical expenses.

11.7 MEASURES TO REDUCE INEQUALITY

Shared Prosperity: One of the goals established by the World Bank is to promote shared prosperity. It is an undisputed fact that sustained economic growth is essential to raise the standard of living of the poor. The concept of shared prosperity was introduced to make this growth inclusive of the less well off. This goal aims to foster income growth in the bottom 40 percent of a country's population. Many times, economic growth is accompanied by increase in inequality and social exclusion of certain sections of a society. Shared prosperity is not based on redistribution or reallocation of societal wealth. Instead, it is based on boosting the income of the bottom 40 percent of the population. Shared prosperity can be achieved by various ways like investing in skill development of labour, improving and equalizing opportunities for all citizens. This would mean providing universal access to early childhood development in terms of

health, nutrition and education. For women it would mean dismantling barriers to their participation in economic, social and political life. Countries should also have safety nets to protect the poor and vulnerable against deprivation and shocks.

Equity based education policies: Countries where educational opportunities are more equitable show more equitable distribution of labour income. Researches prove that countries with equitable educational policies help students to perform better, go for higher education and eventually secure good jobs. Countries like Canada, Finland, Japan and Korea have reaped the benefits of equity based educational policies. These countries strive to provide high-quality education to all students and to minimise large variations in school performance through an equitable distribution of resources and opportunities. In Japan and Korea, for example, teachers and principals are often reassigned to different schools in order to foster more equal distribution of the most capable teachers and school leaders. In Finland, the teaching profession is a highly selective occupation, with highly-skilled, well-trained teachers spread throughout the country. Finnish schools also assign specially- trained teachers to support struggling students who are at risk of dropping out. In Canada, equal or greater educational resources – such as supplementary classes – are provided to immigrant students, compared to non-immigrant students (OECD, 2012).

Universal provision of social services: Universalism in the provision of basic and essential services like housing, water, electricity, sanitation, health facilities and education is crucial to promoting equality and reducing poverty. Targeted interventions need to be done in order to improve the conditions of some of the disadvantaged sections of the society. Such an approach will help in building overall human capacities and help in bridging social and economic gaps.

Well designed policies for tackling unemployment and labour market woes: Effective policy reforms to increase the scope of gainful and productive employment can help in reducing inequality in the society. This can be achieved through efficient channelization of labour through effective utilization of indigenous resources, proper utilization of labour pool and greater participation rate. In countries like India which has an abundance of unskilled labour, skill development leading to gainful employment is the need of the hour. Encouraging small and medium enterprises can also help in creating new employment opportunities. Agro-based industries can generate income employment for the unskilled people. A relatively high minimum wage of labour also helps in reducing inequality but if fixed at a very high level may induce unemployment.

Social security measures: Government should devise appropriate social security measures to reduce income inequality.

Tax reforms: Appropriate taxation system of the government can bring redistribution of the income from the rich to the poor.

Public sector reforms: The public sector should be revitalized and modified to reduce inefficiency and corruption. It can increase the production and income level of the poor people. Good performance by the public sector can reduce income inequality in developing countries.

Till now you have read about the types of inequality in India, its causes and remedies. Now try and answer the questions given in Check Your Progress – 2

Check Your Progress 2

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) Write down a few causes of inequality.

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2) Suggest a few remedies for the removal of inequality.

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11.8 LET US SUM UP

In this unit, we dealt with the definition, causes, and effects of inequality. Economic inequality is measured with the use of the Gini coefficient. It is glaring in underdeveloped countries like India. The differentials in regional growth, unequal asset distribution, technological dualism, educational disparities are a few important causes of economic inequality. Economic inequality produces effects on social cohesion, education and health. Several steps can be initiated for the removal of economic inequalities. In a nutshell, it is an enemy of development.

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11.10 CHECK YOUR PROGRESS: POSSIBLE ANSWERS

Check Your Progress 1

- 1) Income inequalities in Asia are high with the Gini Coefficient in the end of 2000's being 0.37. In Asia, China is one of the most unequal countries with a Gini of 0.43 in 2008. The richest 20 percent of the population in China earn 9.6 times more than the poorest 20 percent of the population. This is in contrast to the Gini of 0.32 in 1990 and the richest 20 percent earning 4.8 times more than the poorest 20 percent during 1990. In India, the Gini Coefficient is equal to 0.37. Levels of inequalities are also different between town and countryside. In India inequalities are more in towns (.39) than in countryside (.30) whereas in China inequalities are more in the country (.39) than in towns (.35).
- 2) Palma ratio is a new measure of inequality based on the work of Chilean economist Gabriel Palma is gaining popularity with the researchers. Palma ratio defines inequality as the ratio between the top 10 and bottom 40 percent. This ratio thus addresses this volatility at the edges. In a society with a Palma ratio of 4, the top 10 percent is getting four times more income than the bottom 40 percent.

Check Your Progress 2

- 1) Some of the causes of inequality are:
 - a) Low levels of education and skills
 - b) Inequality as a result of unemployment
 - c) Spatial inequalities and degrees of urbanization
 - d) Differential Regional Growth
 - e) Unequal Asset Distribution
 - f) Technological Dualism
 - g) Inappropriate Government Policy
 - h) Growth of the Informal Sector
 - i) Level of Corruption
 - j) Family conditions

- 2) Some of the remedies of inequality are:
- a) Shared Prosperity
 - b) Equity based education policies
 - c) Universal provision of social services
 - d) Well designed policies for tackling unemployment and labour market woes:
 - e) Social security measures:
 - f) Tax reforms:
 - g) Public sector reforms



UNIT 12 UNEMPLOYMENT

Structure

- 12.0 Introduction
- 11.1 Learning Outcomes
- 12.2 Unemployment: Meaning and Types
- 12.3 Measurement of Unemployment
- 12.4 Causes of Unemployment
- 12.5 Effects of Unemployment
- 12.6 Measures to Control Unemployment
- 12.7 Issues and Challenges of Unemployment
- 12.8 Let Us Sum Up
- 12.9 References and Further Reading
- 12.10 Check Your Progress: Possible Answers

12.0 INTRODUCTION

Unemployment is one of the vital issues and challenges of most of the developing countries of the world. Even the developed capitalists' countries are also not free from its bondage. According to Blinder (1988) the failure to provide productive employment for all those willing and able to work has long been one of the major weaknesses of market capitalism. It has been haunting the minds of the politicians, policy makers and the economists since decades. With the growing number of population and addition of unemployed forces in the labour market is a cause of concern. Almost all socio-economic problems such as poverty, illiteracy, ill- health, insanitation, etc. are perpetuating in the developing countries particularly in India because of unemployment. The bizarre type of unemployment which is haunting the minds of the policy makers and the government is the growing number of educated and skilled unemployed in the country. The type and pattern of unemployment is changing in the country. The type of unemployment existing before the liberalisation is different from that after the liberalisation. Further the globalisation depicts a different unemployment scenario in the country. The growing number of skilled unemployed among the youth has posed a challenge to the popular claim of "demographic dividend" of India. Therefore, it is essential to discuss various types of unemployment in the country. This unit gives an exhaustive analysis of unemployment.

12.1 LEARNING OUTCOMES

After studying this unit, you should be able to:

- explain the meaning and types of unemployment;
- narrate the causes and effect of unemployment;
- delineate the possible measures to control unemployment; and
- describe various issues and challenges of unemployment.

12.2 UNEMPLOYMENT: MEANING AND TYPES

Unemployment is a condition where a person is willing and is able to work but there is no work. The ILO defines unemployed as the number of the economically active population, who are without work, but available for and seeking work, including people who have lost their jobs and those who have voluntarily left work (World Development Indicator, 2007). According to Fajana (2000) unemployment refers to a situation where people who are willing and capable of working are unable to find suitable paid employment.

Various types of unemployment seen in the developing countries and also in India are as follows:

Voluntary Unemployment: It is a situation where a person prefers to remain unemployed despite availability of a job. It may be either due to low quality of job, low paid job or available jobs are not of his or her choice. It is seen that sons or daughters of landlord families prefer to remain unemployed then to be employed in low paid jobs below their dignity.

Involuntary Unemployment: It is a type of unemployment where the person wants a job but does not get a job. This is unemployment in real sense. For example, a number of persons registered in the employment exchanges for the want of a job in various States of India without a job in hand are said to be involuntarily unemployed. According to Keynesian theory of employment involuntary unemployment exists when there is an excess of supply of labour at a given money wage.

Structural Unemployment: Structural unemployment refers to that unemployment which arises due to the change of the structure of the economy. It is a gap between the job available and skill set of the unemployment. Here jobs are available in the economy, however, the skill set of the unemployed do not match with the available job set. Globalisation process has created a structural unemployment situation in the developing countries, where the skilled manpower is scantily available. For example mechanisation of agriculture has created structural unemployment in the agriculture sector, while use of information technology has created unemployment in the service sector of the developing countries.

Seasonal Unemployment: Seasonal unemployment occurs when people are found unemployed during a particular season of the month. This is mostly observed in the agriculture sector of the developing countries, where agricultural labourers are found unemployed during lean agriculture season. This seasonal unemployment in the agriculture sector is one of the important reasons for migration of labour from rural to urban areas.

Cyclical Unemployment: This type of unemployment occurs due to change in the business cycle in an economy such as depression and inflation. During the recession there is slump in the business as result the traders and private business sector layoff some of the employees and once the recession is over they call back the employees.

Disguised Unemployment: It is otherwise called hiding unemployment, mostly observed in the agriculture sector. They pretend to be employed however; they

are actually unemployed as their presence does not either add to productivity or to the income of the households. According to Nurkse the developing countries are suffering from large scale disguised unemployment in the agriculture sector.

Frictional Unemployment: Frictional unemployment occurs when a person leaves a job and searches for another job. The unemployment occurred during this period of leaving a job and finding another job is called frictional unemployment. It is largely found in the economy predominated with private and informal sector activities.

12.3 MEASUREMENT OF UNEMPLOYMENT

The measurement of unemployment is very difficult in a country and particularly in the developing countries where the size of the informal sector is very vast. The labour survey undertaken by the International Labour Organisation (ILO) envisaged that to be unemployed individual must: (i) aged 16-65 years; (ii) have been out of work for 4 weeks; (iii) be able to start work in the next 2 weeks so they must be readily available for work; and (iv) worker only need to be available for work for one hour per week, so part-time unemployment is included in the measurement, though these workers are unlikely to claim unemployment benefits. While, the National Sample Survey Organization of India has defined 'work' or 'gainful activity' as the activity pursued for pay, profit or family gain or in other words, the activity which adds value to the national product. Normally, it is an activity which results in production of goods and services for exchange. However, all activities in the 'agriculture sector' in which a part or whole of the agricultural production is used for own consumption and does not go for sale are also considered as gainful.

The NSSO survey adopts three different approaches to measure employment and unemployment. The three approaches are:

- 1) **Usual Status Approach:** The usual status activity is that activity on which a person has spent a relatively longer time of the preceding 365 days prior to the date of survey. The usual status activities are further subdivided into 'principal status activity' and 'subsidiary status activity'. Both the principal status workers and subsidiary status workers together constitute 'all workers' according to the usual status classification.
- 2) **Current Weekly status Approach:** Here a person is considered to be employed if he or she pursues any one or more of the gainful activities for at least one hour on any day of the reference week. On the other hand, if a person does not pursue any gainful activity, but has been seeking or available for work, the person is considered as unemployed.
- 3) **Current Daily Status Approach:** Under this approach, all the activities of a person are listed on each day of the preceding week. Here in this approach, a person is considered as employed for the entire day if he had worked four hours or more during the day. On the other hand, if he/she is not engaged in any work, even for one hour on the day, but is seeking and available for work for four hours or more, is considered to be unemployed the entire day.

The unemployment in a nation is usually calculated by the unemployment rate. The formula for unemployment rate is:

Unemployment Rate (UR):- Unemployment Rate (UR) is defined as the number of persons unemployed per 1000 persons in the labour force (employed & unemployed).

$$\text{UR} = \frac{\text{Number of unemployed persons}}{\text{Labour Force}} \times 1000$$

Table 12.1: Workforce Participation and Unemployment of Selected Countries

| Countries | Labour force participation rate of population ages 15+ (2015) | Vulnerable employment% of total employment (2012-2016) | Unemployment% of total labour force (2016) |
|------------|---|--|--|
| Bangladesh | 62 | - | 4 |
| China | 71 | - | 5 |
| Finland | 58 | 10 | 9 |
| France | 55 | 8 | 10 |
| India | 54 | - | 3 |
| Japan | 59 | 9 | 3 |
| Namibia | 59 | 33 | 26 |
| USA | 62 | 6 | 5 |

Source: World Development Report 2017

Concepts of Labour Force

Labour Force Participation Rate:- Labour Force participation Rate (LFPR) is defined as the number of persons in the labour force per 1000 persons.

$$\text{LFPR} = \frac{\text{No. of employed} + \text{No. of unemployed persons}}{\text{Total population}} \times 1000$$

Worker Population Ratio:- Worker Population Ratio (WPR) is defined as the number of persons employed per 1000 persons

$$\text{WPR} = \frac{\text{No. of employed/Persons}}{\text{Total population}} \times 1000$$

Proportion Unemployed :- Proportion Unemployed (PU) is defined as the number of persons unemployed per 1000 persons

$$\text{PU} = \frac{\text{No. of unemployed persons}}{\text{Total population ages 15 +}} \times 1000$$

Unemployment Rate:- Unemployment Rate (UR) is defined as the number of persons unemployed per 1000 persons in the labour force (employed & unemployed)

$$\text{UR} = \frac{\text{No. of unemployed persons}}{\text{labour force}} \times 1000$$

Source: http://labourbureaunew.gov.in/UserContent/EUS_5th_1.pdf

In this section you have read about the meaning and types of unemployment. Now try and answer the questions in *Check your progress-1*.

Check Your Progress 1

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) Write a short note on structural unemployment.

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12.4 CAUSES OF UNEMPLOYMENT

Unemployment is one of the important problems of the nation states which is haunting the minds of the planners and policy makers as well as the leaders of the national and state governments. Many factors are responsible for rising unemployment problems in the nation states. Some of the important causes of unemployment are narrated below.

Population Growth: One of the most important causes of unemployment in India is the population growth. High population growth is adding to the youth population above the age 15+ which is increasing in the geometric proportion, while the number of employment is growing at arithmetic proportion. There is a huge gap between the availability of employment and employment seekers particularly in the developing countries. Population growth is one of the leading causes of unemployment.

Low capital formation: Most of the developing countries are capital poor countries. Income of the gigantic percentage of population is very low; resulting in low saving, consequently low investment. Moreover, investment and job creation in the private sector is also low. Creeping inflation has raised the expenditure and reduced the savings mostly in case of the middle and lower middle class of population resulting in poor investment in individual and small and middle entrepreneurial activities.

Informal sector: Most of the employment in the developing countries is informal employment. A large percentage of the population are working in the unorganised sector where the income is low and there is no job security. Therefore, most of the workers working in the informal sector consider themselves to be unemployed.

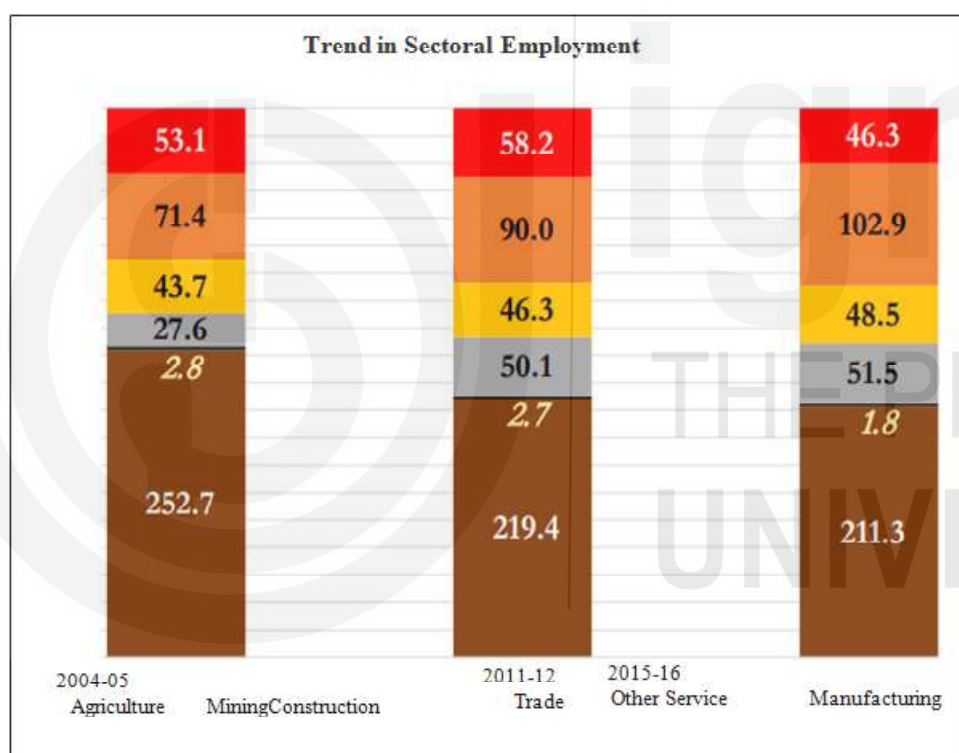
Slow industrial growth rate: Industrialisation creates employment and that to sustainable employment. Countries where the industrialisation process is slow has a larger percentage of population found to be unemployed as compared to those where the industrialisation is fairly faster. Industrialisation leads to urbanisation and thus enhances the scope of employment in the economy.

Jobless service sector: In the developing countries in particular, the contribution of service sector to employment is quite dismal as compared to the developed

countries. In the developed countries the service sector contributes more than 70 percent to their GDP and also in the same vein absorbs more than 70 percent of the labour force in it. As far as India is concerned, the contribution of service sector to GDP is more than 58 percent, however, it employs only 27 percent of labour force in it.

Therefore, joblessness in the service sector is also a cause of unemployment.

Slow structural changes: Structural changes are very slow in the developing countries leading to presence of disguised unemployment in the agriculture sector in these countries. This is due to slow industrialisation and urbanisation in the developing countries. The disguised unemployed are a burden on the family and also on the agriculture sector. They are a deliberate burden on the family and the economy. Moreover, because of slow urbanisation and industrialisation there is a slow pace of structural changes particularly in the developing countries. This is one reason for unemployment particularly in the developing countries. The trend of unemployment in agriculture, mining, construction, trade, other services and manufacturing are given in the Figure below.



Source: NSSO, Labour Bureau, IMA analysis

Higher salary: Higher salary in public sector has reduced jobs in the public sector: It is observed that a high scale in the public sector after implementation of 6th pay commission many state governments in India have reduced employment in the public sector. Low salary and check on inflation can create more jobs in the economy rather than high salary and high inflation.

Faulty education system: There is a lack of quality education both general as well as technical education in the developing countries. Several studies have shown that a large percentage of technical graduates in India are not fit for employment. The education system in the developing countries is very poor as compared to the developed countries. The low quality of education is a responsible factor for unemployment. Quality education has a strong relationship with employment.

Poor implementation of employment programmes: Many developing countries have launched many employment programmes for the rural and urban areas unemployed. However, these employment programmes are in piecemeal and have miserably failed to uplift the people from the specter of unemployment. Moreover, many self-employment programmes have not ensured better income to the self-employed persons.

Migration: The migration of people from the rural to urban areas is one of the main causes of urban unemployment. Further, migration of less qualified and unskilled population from rural areas to urban areas has created a layer of underemployed workforce in the urban areas. Their quality of living is very poor and most of them are living in the unorganised colonies.

Private Sector role is not strong: Many developing countries' private sectors are not playing an important role in the generation of employment. Moreover, because of rules and regulations many entrepreneurs are not encouraged to invest in the developing countries. Besides, the private sector job in many cases lacks job security and other benefits. They also exploit by paying low salaries and wage rate.

Informal sector: In developing countries more than 90 percent of people are found to be employed in the informal sector. Here the working hours are more and the wage rate is low. Informal sector is responsible for creating more underemployment rather than employment in these countries.

12.5 EFFECTS OF UNEMPLOYMENT

Unemployment produces negative effects on economic growth and development. Some of the important effects of unemployment are narrated below:

- **Poverty:** Unemployment and poor work force participation will enhance both absolute as well as relative poverty in an economy. Income poverty occurs when household income is low so that it is incapable to have access to basic needs. Lack of employment opportunities both in the formal and informal sector will reduce the per capita income thus would affect poverty. Unemployment has direct correlation with poverty, that is higher the unemployment rate higher will be the poverty rate both absolute poverty as well as relative poverty. Thus unemployment will have a bizarre effect on poverty.
- **Income Inequality:** Unemployment could affect income inequality. Lack of work will reduce the income of the labourer group of population and thus can enlarge the income differences between the rich and poor. The income inequality is high in the nation state having a large percentage of population working in the informal sector where the underemployment is very high.
- **Social and Human Development:** The social and human development depends on the employment in general and quality of employment in particular. The household with lower income because of lack of employment and work would be unable to spend on quality health care and higher education. Therefore, illiteracy is customarily high among the poverty-stricken household and household where there are more dependent members because of lack of work and unemployment. Unemployment also influences

the health status such as morbidity and mortality. Several studies have sighted high infant mortality among the poverty stricken households where the income is less because of low levels of employment.

- **Quality of Life:** Unemployment deeply affects the quality of life of households with unemployed people. Lack of employment reduces the income and as a result the household could not invest on the basic amenities such as food, clothing, shelter, etc. The quality of life also depends on the type of employment. The people with white collar jobs have better quality of life as compared to daily wage earners and contractual workers whose employment status is uncertain.
- **Social Unrest and Crime:** Unemployment among the youth will increase the rate of crime in the society. It is seen that the crimes like pick pocketing, chain snatching, theft, etc. are largely committed by the unemployed youth. Moreover, rise in unemployment may lead to social unrest such as strike; increase the rate of suicide, diverse, and crime against women, etc. in the society.
- **Malnutrition:** Unemployment in general and chronic unemployment in particular will affect the household income by which it cannot spend on food and nutrition. It is seen that malnutrition is higher among the household victims of chronic unemployment. The worst victims are the children and women.

In these two sections you have read about the causes and effects of unemployment. Now try and answer the questions in *Check your progress-2*.

Check Your Progress 2

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) Briefly describe three important causes of unemployment.

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2) Explain two important effects of unemployment.

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12.6 MEASURES TO REDUCE UNEMPLOYMENT

Some of the suggested measures to control unemployment are as follows:

- i) **Enhancement of Employment in the Private Sector:** Government alone cannot be able to provide employment and therefore has to seek the help of the private sector to expand and provide employment opportunities. In India, the scope of employment opportunities has been enhanced after the liberalisation process started in 1991.
- ii) **Not taking populist policy measures:** The populist policy measures like raising exorbitant dearness allowances, higher pay, etc. will reduce the capacity of the government to create new jobs. This has happened in India after the implementation of the 6th pay commission, which has restricted the state government to create new jobs.
- iii) **Skill Education:** Imparting quality skill and vocational education among the youth will enhance their employability in the private sector. Most of the employers in the private and corporate sector believe that the quality of education, particularly the skill education has to be improved for enhancing employability of youth in the private and corporate sector. One of the studies has found that only 25 percent of engineers in India are employable.
- iv) **Foreign direct Investment:** In the globalised era foreign direct investment is also considered as one of the measures to promote investment in the private and create employment. The government of developing countries therefore need to attract foreign direct investments for creation of employment in the prospective sector of the economy.
- v) **Modernisation of agriculture and agro-based industrialisation:** The agriculture and its allied sectors in the developing countries has immense potential for enhancing employment. Therefore mechanisation of agriculture and establishment of agro-based industries with strong agriculture and industry nexus will raise employment in the primary sector.
- vi) **Public-Private Partnership:** The public-private partnership is a suggested measure for promotion of employment in the developing countries. The government needs to provide infrastructure support and other support to the private sector. The Smart City initiative through public private partnership will create employment opportunities in urban areas.
- vii) **Role of NGO in Employment Generation:** It is observed that in the developing countries NGOs are playing important role in provisioning employment and therefore, a proper mechanism be formulated for the creation of sustainable employment in the NGO sector. NGOs are playing a role in creating employment in the service sector particularly health and education.
- viii) **Launch of Employment Programmes by the Government of India:** Various rural and urban employment projects and programmes must be initiated with sustainable wage rate and income to the employed persons from time to time. The Government of India since 1951 has launched various programmes in both rural and urban areas for enhancing employment. A few important among them are:

- 1) **1952:** Community Development Program (CDP) for Overall Development of Rural Areas and People's Participation.
- 2) **1960-61:** Intensive Agriculture Development Program (IADP) to Provide Loan for Seeds and Fertilizers to Farmers.
- 3) **1964-65:** Intensive Agriculture Area Program (IAAP) to Develop Special Harvest in Agriculture Area.
- 4) **1973:** Drought Prone Area Program to Protect from Drought by Achieving Environment Balance and by Developing Ground Water.
- 5) **1973-74:** Marginal Farmer and Agriculture Labor Agency (MFALA) Technical & Financial Assistance to Marginal Farmers.
- 6) **1974-75:** Small Farmer Development Scheme (SFDS) Technical & Financial Assistance to Small Farmers.
- 7) **1975:** Command Area Development Program: (CADP) For Better Utilization of Irrigational Capacities.
- 8) **1975:** Twenty Point Program (TTP) For Poverty Eradication and an Overall Objective of Raising the Level Living.
- 9) **1977-78:** Desert Development Program (DDP) To Control the Desert Expansion by Maintaining Environment Balance.
- 10) **1977-78:** Food for Work Program for Providing Food Grains to Labor.
- 11) **1979:** Training Rural Youth for Self Employment (TRYSEM) for Educational and Vocational Training.
- 12) **1980:** Integrated Rural Development Program (NREP) for Overall Development of Rural Poor.
- 13) **1982:** Development of Women & Children in Rural Areas (DWCRA) for Sustainable Opportunities of Self Employment to the Women Belonging to the Rural Families who are Living Below the Poverty Line.
- 14) **1983:** Rural Landless Employment Guarantee Program (RLEGP) to Provide Employment to Landless Farmers and Laborers.
- 15) **1989:** Jawahar Rozgar Yojna (JRY) for Employment to Rural Unemployed.
- 16) **1990:** Scheme of Urban Wage Employment (SUWE) for Urban Poors.
- 17) **1993:** Employment Assurance Scheme (EAS) to Provide Employment of at Least 100 Days in a Year in Villages.
- 18) **1997:** Swaran Jayanti Shahari Rojgar Yojana for Urban Employment.
- 19) **1999:** Swaran Jayanti Gram Swarajgar Yojna for Self Employment in Rural Areas.
- 20) **2001:** Sampoorna Grameen Rozgar Yojna for Employment and Food Security of Rural People.
- 21) **2006:** National Rural Employment Guarantee Scheme (Late Mahatma Gandhi National Rural Employment Guarantee Scheme) to Provide 100 Days Wage Employment for development works in rural areas.
- 22) **2015:** MUDRA Yojana sanction loan to the small and micro entrepreneurs to create jobs.
- 23) **2015:** Pradhan Mantri Kausal Vikas Yojana for skill development and enhancing employment opportunities.

12.7 ISSUES AND CHALLENGES UNEMPLOYMENT

Some of the issues and challenges of unemployment are as follows:

Informalisation of Employment: It is one of the important aspects of employment in the developing countries, where the employed people in the informal sector because of casualisation of work still consider themselves unemployed. Informal sector in the developing countries employs more than 90 percent of the labour force in it. There is hardly any social security and other benefits and employers take no responsibility for the well being of the employees. It is just to eke out a livelihood as a human being. Therefore, unemployment and employment in the informal sector which is otherwise called vulnerable employment is a challenge before the nation state.

The vulnerable employment which is mostly found in the informal sector is a major issue of employment and quality of life in the developing countries. The Table-2 depicts that the vulnerable employment is astoundingly high in South Asia and Sub-Saharan Africa.

Table 12.2: Vulnerable Employment (Contributing Family Workers and Own Account Workers), 2016

| Region | Male | Female |
|----------------------------|------|--------|
| World | 41.1 | 41.3 |
| Europe & Central Asia | 15.6 | 12.7 |
| Latin America & Caribbean | 31.8 | 31.5 |
| Middle East & North Africa | 26.0 | 34.3 |
| North America | 7.7 | 5.6 |
| South Asia | 71.9 | 78.8 |
| Sub-Saharan Africa | 53.5 | 68.3 |

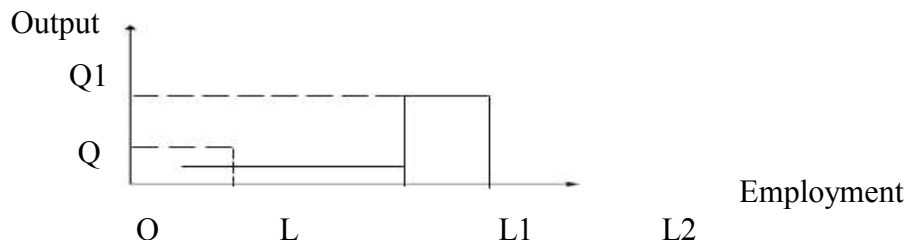
Source: World Development Indicators, 2017

Underemployment: Existence of underemployment in the semi urban and urban areas and presence of disguised unemployment in rural areas is a cause of concern in the developing countries. Underemployment is a bizarre situation for the employed person. Here the high qualified person placed in the job which is not as per his or her talent or efficiency. This happens because of lack of employment opportunities. It is observed that many graduates and post graduates are found to be being placed in class four jobs for which minimum qualification is matriculation. This creates a lot of frustration among the workers.

Another aspect of employment which is paradoxical is disguised unemployment. This is largely found in the agriculture sector of the developing countries, where the number of persons pretends to be employed is more than the requirements. Disguised unemployment, if perpetuates for a long period in the farming families in agriculture sector of the developing countries, it will result in frustration among the farming community, fragmentation of landholding, family feud and selling of land among the small and marginal farmers leading to landlessness and

pauperisation of the farmers. The marginal productivity of labour, those who are disguisedly or superfluously employed in various sectors either in rural or urban areas is zero. The disguised unemployed labour force quantity is L1 L2 as depicted in Graph2.2, as the increase in labour force has not resulted in an increase in output. The output remains stagnant at point Q1.

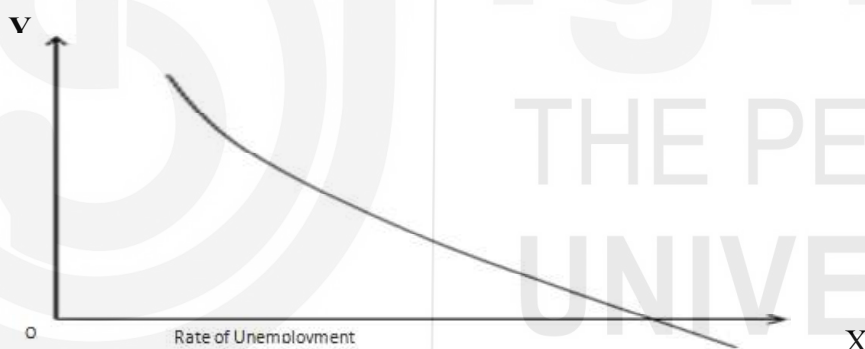
Graph-1: Measurement of Disguised unemployment



Source: Pattanaik (2017)

Unemployment and inflation relationships: The relationship between unemployment and inflation is customarily known as the famous Phillips Curve. The relationship between unemployment and inflation is depicted by the famous Phillips Curve (graph -2). The Phillips curve describes the inverse relationship between inflation and unemployment and tells that if unemployment decreases, inflation will increase and vice versa as given in the graph below.

Graph-2: Unemployment and Inflation Relationship



Source: Pattanaik (2017)

However in the context of developing countries this relationship is not found. Many of the developing countries are seen to have higher unemployment with high inflation rates.

In these two sections you have read about the various measures to be taken for reduction of unemployment and issues and challenges of unemployment. Now try and answer the questions in *Check your progress-3*.

Check Your Progress 3

Note: 1) Use the spaces given below for your answers.

2) Check your answer with those given at the end of the unit.

1) What is Phillips Curve?

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12.8 LET US SUM UP

Unemployment is one of the concurrent problems of both developed as well as developing countries. Most of the economies and particularly the developing countries are struggling to provide employment to its burgeoning population. The important causes of unemployment are population growth, lack of skilled education, lack of capital formation and investment in the private sector, lack of employment policy and programmes, etc. Unemployment has a serious effect on the economic growth and development of the nation. Moreover, it will also have repercussions on poverty and quality of life. The developing countries have to take measures to reduce unemployment through liberalisation, creating of self employment, launching of employment programmes, etc. The two important issues of unemployment are underemployment and disguised unemployment in the developing countries. The relationship between unemployment and inflation is depicted in Phillips Curve.

12.9 REFERENCES AND FURTHER READINGS

Notes:

- 1) See <https://ttu-ir.tdl.org/ttu-ir/bitstream/handle/2346/46939/TALUKDAR-THESIS.pdf?sequence=1> (accessed on 25/08/2017).
- 2) Refer to “Status of employment and unemployment statistics in India” by P N Pandey, Ministry of Statistics & Programme Implementation, New Delhi, refer to the website http://e.unescap.org/stat/meet/keyindia/india_current (accessed on 21/03/2014).

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- 4) ILO (1976): Employment, Growth and Basic Needs, One World Problems, International Labour Organisation, Geneva.
- 5) ILO(2008): “Global Employment Trends-January 2008”, International Labour Organisation, Geneva.
- 6) Pattanaik B K (2017) Issues and Challenges of Development, Sage, New Delhi.
- 7) World Bank (2007): World Development Indicators, The World Bank, Washington D C.

12.10 CHECK YOUR PROGRESS: POSSIBLE ANSWER

Check Your Progress 1

- 1) Write a short note on structural unemployment.

Answer: Structural unemployment refers to that unemployment which arises due to the change of the structure of the economy. It is a gap between the job available and skill set of the unemployment. Here jobs are available in the economy, however, the skill set of the unemployed do not match with

the available job set. Globalisation process has created a structural unemployment situation in the developing countries, where the skilled manpower are scantily available. For example mechanisation of agriculture has created structural unemployment in the agriculture sector, while use of information technology has created unemployment in the service sectors of the developing countries.

Check Your Progress - 2

2) Briefly describe three important causes of unemployment.

Answer: The three important causes of unemployment are:

- i) **Population Growth:** One of the most important causes of unemployment in India is the population growth. High population growth is adding to the youth population above the age 15+ which is increasing in the geometric proportion, while the number of employment is growing at arithmetic proportion. There is a huge gap between the availability of employment and employment seekers particularly in the developing countries. Population growth is one of the leading causes of unemployment.
 - ii) **Low capital formation:** Most of the developing countries are capital poor countries. Income of the gigantic percentage of population is very low; resulting in low saving, consequently low investment. Moreover, investment and job creation in the private sector is also low. Creeping inflation has raised the expenditure and reduce the saving mostly in case of the middle and lower middle class of population resulting in poor investment in individual and small and middle entrepreneurial activities
 - iii) **Informal sector:** Most of the employment in the developing countries is informal employment. A large percentage of the population are working in the unorganized sector where the income is low and there is no job security. Therefore, most of the workers working in the informal sector consider themselves to be unemployed.
- 3) Explain two important effect of unemployment

Answer: The two important effects of unemployment in an economy are:

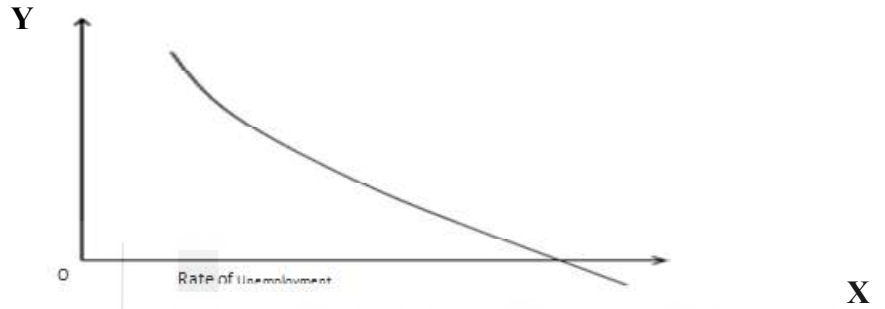
- i) **Poverty:** Unemployment and poor work force participation will enhance both absolute as well as relative poverty in an economy. Income poverty occurs when household income is low so that it is incapable to have access to basic needs. Lack of employment opportunities both in the formal and informal sector will reduce the per capita income thus would affect poverty. Unemployment has a direct correlation with poverty, that is higher the unemployment rate higher will be the poverty rate. Thus unemployment will have a bizarre effect on poverty.
- ii) **Income Inequality:** Unemployment could affect income inequality. Lack of work will reduce the income of the labourer group of population and thus can enlarge the income differences between the rich and poor. The income inequality is high in the nation state having a large percentage of the population working in the informal sector where the underemployment is very high.

Check Your Progress - 3

1) What is Phillips Curve?

Answer: The relationship between unemployment and inflation is customarily known as the famous Phillips Curve. The relationship between unemployment and inflation is depicted by the famous Phillips Curve (graph-2.3). The Phillips curve describes the inverse relationship between inflation and unemployment and tells that if unemployment decreases, inflation will increase and vice versa as given in the graph below.

Graph: Unemployment and Inflation Relationship



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