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Issues Concerning Poverty and Unemployment in the Context of Economic Reform Measures

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❖ Introduction :

Poverty and unemployment continue to be major zero sum factors inter alia which perpetuate under development in India. There is a paradigm shift from Macro level Planning coupled with greater interventionist policy of the Government to that of Liberalisation, Structural Adjustment Programmes (SAP), Globalisation and Marketization. The strategy of import-substitution led industrialization is rather replaced by structural adjustment programmes.

The paradigm shift is not merely at the level of policy instruments, but probably at the basic economic ideology that is, from is, from less of mixed economy coupled with egalitarian socialistic pattern of society to that of rather capitalist dictated Bretton Woods system in the name of privatization, marketization and globalization. Notwithstanding the shift in policy instruments, the goal remains the same namely eradication of poverty and bringing down inequalities of income and wealth. A decade of economic reform measures is complete and the second generation of economic reform measures continue. It is at this back drop, this paper attempts to unravel the efficacy of the new economic policy in reducing poverty and unemployment and the issues connected to the same.

❖ Concept of Poverty :

Poverty of an individual or household is a situation where the economic unit in question is unable to meet the minimum needs of survival. It can be understood as absolute or relative poverty. In the U.S. for instance, the poverty line was derived by ascertaining the amount of money needed to purchase a nutritionally adequate diet consistent with the food preferences of the poorest groups in the population and multiplying the same by factor three, since the poor spend nearly one-third on their food. (Garys. Fields 1983). In India, the Planning Commission prescribed Rs. 20/- Per capita p.m. (1960-61 = 100) as the nutritionally minimum food standard. As on 1993-94 the same is enhanced to Rs. 211.30 per capita p.m. in rural areas and Rs. 274.88 per capita p.m. in Urban India. As on 1999-2000, it is further revised to Rs. 335.466 in rural India and Rs. 451.19 in Urban India (NSS 50th and Round of 93-94 and 99-2000 respectively). Since the early 1960s up to 2001-02, India has abundant estimates on poverty, though there are differences in such estimates, which happen to be the outcome of empirical studies by individual researchers and those of Government estimates.

Though poverty is a widespread phenomenon of LDCs as well as developed nations, its nature and magnitude are not the same. For instance, by U.S. standards, virtually the entire population of some of the nations would be classified as poor. By Indian Standards virtually no one in the U.S. would qualify as absolutely poor. This apart, there is a lot of differences within absolutely poverty measures estimated in terms of per capita income, per capita expenditure and calorie requirements. The non-income measures evaluated in terms of capability Poverty Measure (CPM) take into account three factors. They are (a) the percentage of children under five who are under weight (b) per percentage of births unattended by trained personnel and (c) the percentage of women with 15 years and above age are illiterate. Sociologists like Jackson treat poverty as a social phenomenon.

❖ Profile of Poverty in India :

- a) Poor are mostly found in rural areas and urban slums.
- b) Skewness in land distribution account for major cause for rural poverty.
- c) There is greater correlation between age (prime age) and incidence of poverty.
- d) Incidence of Poverty is greater among rural women.
- e) There is also correlation between employment status and poverty. i.e. self-employment category and poverty.

❖ Methods Adopted to Reduce Poverty :

The earlier policy measures since the time period of 5th five year plan basically aimed at reduction of poverty by direct action. They are IRDP, RLEGP, TRYSEM, NREP, Jawahar Rozgar Yojana and a host of both urban and rural self-employment schemes. The new policy measures in the name of SAP focus on accelerated economic growth. Herein, the crucial question is what is the correlation between growth rate and poverty?

The study of Ahluwalia (1979) considers income shares of poorest 20%, 40% and 60% (alternatively as dependent variable) and logarithmic GNP, share of urban to rural population, literacy ratio, secondary school enrolment rate, population growth rate and the system of socialist-non-socialist (as dummy variable) as independent variables. The second test of Ahluwalia considers actual income shares of the poorest units. By both testes he found that total income of the poor is positively related to the level of economic development.

The empirical work Galenson (1977) will reference to selected nations found that there exists negative correlation between growth and rural poverty. This study employed indicators namely per capita food consumption, health and medical care and education and concluded that there is positive correlation between growth rate and living standards of people.

On the other hand the contemporary work of Griffin (1977) found persistence of poverty, irrespective of growth rate. Thus one finds a contradictory result with regard to the relationship between growth rate and poverty in the contribution of Galenson and Griffin. Another interesting work on these lines by Ahluwalia and Chenery (1974) in the name of Ahluwalia-Chenery Index examined the relationship between growth and distribution. It has brought out the relationship between growth and distribution of 13 LDCs with varying results.

Economic growth, as measured, has at best a weak relationship with poverty, as measured (Deaton).

❖ Mechanism of Reduction of Poverty by SAP :

- a) They aim at sustained high rate with trickledown effect.
- b) The Bretton Wood system hopes to reduce the debt burden of LDCs.
- c) The SAP also strives to achieve domestic balance as well as external balance, by finding solution to Bop crises.
- d) In the domestic economy, Aggregate Demand for goods and services should be increased through market prices, attain stability and ultimately alleviate poverty. On the other hand, greater export promotion measures in the long run should find solutions to deficit in Bop.
- e) By Focusing on remoulding of development process the IBRD and IMF expect the market to play a greater role in economic activities than the Government. This would enhance competitiveness and productivity.

❖ Implication for Growth and Poverty :

- i) If the programmes of IMF, IBRD are not followed by India, it has to find its own solution to problem of debt.
- ii) There is apprehension in some quarts that these policies are followed vigorously, they may lead to reinforced private ownership in both capital and leading to growth inequality.

- iii) To make the SAP more effective, good governance of the state is pre requisite.
- iv) The UBDDP focuses on development of Human Capital by promoting education, health and food security.
- v) The benefits of SAP are found to go to export crop growers at the expense of food crops.

❖ **Poverty trend in India during reform period :**

As per the 55th Round of NSS on Employment and Unemployment, the direction of change in poverty is mixed. The main findings are:

- 1) At the national level, in 8 out of 15 states poverty prevalence ratio has declined over 1990s.
- 2) In respect of rural areas, in 6 states namely Assam, M.P., Karnataka, Orissa, Tamil Nadu and West Bengal Poverty Prevalence Ratio is higher than in 1999-2000 than in 93-94.
- 3) In another 7 states (including Bihar, Haryana, Punjab and U.P.) PPR remained constant. While in UP the PPR increased by 6 percent during 1990s, in Assam and Kerala, it has increased by 13 percent.

❖ **Trends in Unemployment: Impact of New Policies :**

- 1) The labour market is characterised by dualism- a market for educated, skilled and trained labour and for those with less skills, less qualification and not trained. These new policies have greater adverse effect on women and self-employment.
- 2) Foreign imports have kicked off growth of small scale units and medium units. A number of units Mumbai, U.P. and other states are closed and rendered lakhs of labour as jobless.
- 3) The task force on job opportunities shows absolute decline in the number of employed in agriculture sector between 1993-94 and 1999-2000. At the national level.
- 4) Studies also point the possibility of deleterious effect of competition arising out of these SAP and closure of non-farm enterprises in rural areas.

❖ **Aspects of Distribution of Work Force :**

- a) Between 1961 to 99-2000, in the total work force, there is 16% decline in the share of agriculture and allied sectors i.e. shift of labour from rural to urban areas.
- b) Of the 16% decline in labour force of the agriculture sector, 3% has gone to manufacturing sector and another 3% to construction sector. As much as 10% is gone to service sector, where trade, hotels and restaurants account for major share of the new addition of labour force.
- c) However, the declined in female workforce in the agriculture sector is during the above period is much less.
- d) With the clubbing of repair services with the manufacturing sector in line with the current practice in National Accounts, the share of workforce in manufacturing sector has gone up.
- e) The textile sector which is a sub-sector of manufacturing sector has suffered loss of work force in absolute terms during this period.
- f) The addition of work force to construction industry highlight another aspect namely, the elasticity which is a positive development as it is considered as low productivity sector.

Occupational distribution of workforce between 1993-94 and 1999-2000 reveals that India remains a land of farmers, fishermen, hunters and loggers (73%). Professional, technical workers and administrative staff accounts for 7 percent of workforce and the remaining workforce of around 20% is accounted by production and production process workers.

At the National level, employment friendly claims of the 1991-92 economic reforms are no-where in the sight. It is undoubtedly a period of sufferings of the common people.

The state wise situation of employment growth ratio is a mixture of upswings and downswings. Non-farm sector employment has also declined. Informal sector employment expands during 1990s. Overall growth rate of employment has declined to 1.02 percent during post reform period from 2.06 percent per annum during the pre-reform period.

❖ **Challenges Ahead :**

- 1) Major problems of implementation of poverty and employment programmes are deficiencies in identification of beneficiaries and leakage of benefits. This is due to lack of political will, administrative ineptitude and indifference of beneficiaries themselves.

- 2) How will the policy makers combine the State with market forces to stimulate economic growth?
- 3) The composition of growth is important as the growth rate in agriculture and allied sectors should be sustained to reduce poverty and unemployment in rural areas.
- 4) How will the new policy strengthen the linkages between agriculture and industry and in turn to service sector for sustained higher growth rate?
- 5) How will we manage the formation of a class of 'new poor', emanating from the implementation of liberalization and globalization?

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