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## Relationship between Employment and Poverty in India

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### **Abstract:**

*Poverty and Employments Generation is one of the most significant goals of growth approach since the initiation of planning in India. The concept of sustainable economic growth that implies progressive changes in the socio -economic formation of a country or society in terms of eradicate poverty, unemployment and also inequality, illiteracy, malnutrition has been accepted as a proper intension to desire for. Anti-poverty and employment generation programmers are implementing a proper way to eradicate poverty and increasing employment generation. The present study uses the concept of “poverty and employment generation” to address the problems of poverty and employment generation in all state wise in India. The study analysis the state wise percentage of population below the poverty line, and to understand the number of poor and poverty ration of measured by Rangarajan committee and Tendulkar committee. The study analysis the growth of employment generation in economic sector, unemployment ratio and status of absolute employment ratio in major states and also poverty alleviation programmes in India This study is purely based on secondary data sources from ministry of labour and employment Govt. of India, Planning commission report and etc. The analysis will be done using the appropriate statistical tools and techniques. India is an emerging country in the world. And its growth rate is also increase. But employment and poverty is main indicator of any country. These are related to growth of economy. This paper examines the relationship between employment and poverty in India. it find weak relationship between them in five year plans in India. Government should work on reduce poverty and increase employment in India. Government should work in relative aspect related to employment and poverty with the rest of countries in the world.*

**Key Notes:** *Poverty, Employment Generation & Poverty Alleviation, growth, labour*



## **Introduction:**

Employment and Poverty are the main social indicators of any economy. Here main aim of the study that what the relationship between employment and poverty in India. India's recent economic performance has been quite impressive. However, strong economic growth has always delivered corresponding benefits in terms of poverty reduction, partly because it has success to generate sufficient productive employment (i.e., more and better jobs). This paper undertakes a comparative case study exercise to investigate the relationship between employment and poverty in India. India's GDP growth is the highest among the major economies of the world having an average of 7.3 percentage for the period from 2014-15 to 2017-18. India's average growth during last three years is around 4 per cent higher than global growth and nearly 3 per cent higher than that of Emerging Market and Developing economics. The paper examines the relationship between employment and poverty in India according to five year plan. Employment and Poverty are related economic growth separately then what these are related with each other in India. The productivity and the welfare effects of the employment opportunities that are generated in the course of economic expansion are not always clear. A substantial share of these occupations is as self-employed, including many petty activities of extremely low productivity. Similarly, even where absorption of surplus labour has happened, the increase of wages from this structural change might be very slow due to to unemployment and under-employment.

This paper explores empirically the employment-poverty nexus in India. For this purpose, we investigate macro and micro-economic relations between employment and poverty. We investigate in detail the conditions under which employment reduces the poverty risk and how these relationships evolved over time. The objective of this paper is therefore to analyze whether economic growth generates an increase in productive sectors that provide opportunities to poor workers, or whether growth is concentrated in sectors that are not accessible to the poor.

## **Review of Empirical Studies**

A recent focus of research in development economics at the macro-level is the relations and interactions between economic growth, poverty reduction and human development (Dollar and Kraay, 2002; Klasen, 2004; Kraay, 2006; Ravallion, 2001; Ravallion, 2004; Ravallion, 2005).

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These studies give extensive evidence for the fact that growth is a necessary but not sufficient condition for poverty reduction. It is not sufficient because the impact of growth on poverty (the so-called elasticity of poverty with respect to growth) is influenced by the initial inequality and the development of the inequality over the growth process (Ravallion, 2005). Similar studies for India relate the differences in the impact of economic growth on poverty to initial inequalities in variables like literacy, health and infrastructure (Datt and Ravallion, 1998; Ravallion and Datt, 2002; Gupta and Mitra 2004). These studies show that the poor in states with more favourable initial conditions benefited more from the subsequent growth process. Similarly, Bertranou and Khamis (2005) use the poverty decomposition method to see whether growth in Argentina between 2001 and 2004 has been pro-poor across various employment status and industry groups. They find that certain labor intensive and low-skilled sectors helped in generating employment and reducing poverty. However, inter-sectoral movements had a decreasing effect on poverty. These studies provide important insights on macro-economic determinants of poverty, but do not help to understand the micro-economic determinants of poverty as it is difficult to model household characteristics at the macro level. At the micro level the interplay between economic development, labour markets and poverty has been studied using household surveys, wherein poverty profiles are constructed for a variety of household characteristics. Poverty profiles have been used to understand the importance of a variety of factors and an extensive review is provided in Lipton and Ravallion (1995). Some of the micro studies focus on employment as the main determinant of poverty. Gaiha (1988) develops an analytical framework for rural India comprising of village-specific, technological, and household-specific variables, which includes employment variables. His analysis shows that the poverty reducing effects are largely from village

specific variables of development, new technology and education. And, the impact on poor in different occupational group varied depending on the initial conditions. A study for Côte d'Ivoire (Grootaert, 1997) focuses on the influence of household endowments in determining poverty, showing that the most important asset of the poor is labour. Bertranou and Khamis (2005) also explore the link between poverty and labor market characteristics at the individual level in the

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context of the recent economic crisis in Argentina. Apart from the household specific and demographic variables they include the economic sector variables in their model and find that if the household head was employed in manufacturing, construction, retail trade or hotels and restaurants, the probability of being poor increased in most time periods. Though these sectors are dynamic and growing, they are labor intensive with low wages, which does not help them to reduce poverty. The International Labour Organisation (ILO) carried out a series of micro studies using household surveys on the nexus between growth, poverty and employment, and investigated empirically the link between poverty and employment in a number of developing countries<sup>1</sup>. Most of the studies use probit models to study the relationship between general household level characteristics, labour market characteristics and the probability of the household being poor (Sundaram and Tendulkar, 2002; Huong and Minh, 2003; Jemio and Choque, 2003; Kabananyuke, Krishnamurthy and Owomugasho, 2004). A major finding of these studies has been that if either the household head or a member of the household is engaged in non-farm sector then it helps the household to reduce the risk of poverty. Lanjouw and Stern (1991) use different surveys between 1957/58 and 1983/84 to study the development of poverty in the village of Palanpur. They find that low caste households and households that depend on agricultural labour are especially vulnerable to poverty. In addition, landless and widow-headed households are more likely to experience poverty. Their panel study allows them to investigate whether mobility out of agricultural labour takes place and they find that mobility is very low. Dubey et al (2001) analyse whether town size has an impact on the poor for two rounds of NSS surveys (1987/88 and 1993/94). They include labour market characteristics by analyzing separately the relationships for self-employed, regular wage earners and casual labourers. In addition they test whether the educational characteristics of the population living in towns of different sizes are the origins of the observed differences in poverty. The authors find that town size is negatively related to the risk of being poor and they attribute part of the difference to different education levels of the populations of towns of different sizes.



## OBJECTIVES

- To understand the Poverty in India.
- To understand the Status of Employment Generation in India
- Anti-Poverty and Employment Generation Programs in India

## DATA AND METHODOLOGY

To conduct research work information to be collected from secondary data and it will be collected from ministry of labour and employment Govt. of India, Planning commission report and published and unpublished data. The data collected will be tabulated and analysed with statistical tools and techniques. was posed that reduction in income inequality would retard savings and hence capital formation in the LDCs, which would slacken economic growth.

Plans	Annual GDP Growth Rate (at constant price)	Growth of Employment
First Plan (1951-56)	3.7	0.39
Second Plan (1956-61)	4.2	0.87
Third Plan (1961-66)	-3.8	2.03
Fourth Plan (1969-74)	3.4	1.99
Fifth Plan (1974-78)	5.0	1.84
Sixth Plan (1980-85)	5.5	1.89
Seventh Plan (1985-90)	3.6	1.26
Eight Plan (1991-96)	6.7	1.86
Ninth Plan (1997-2002)	7.7	1.14
Tenth Plan (2002-2007)	7.2	1.23
Eleven Plan (2007 -2012)	7.5*	1.82*

Source: Plan Documents (\* Approximate)

Growth Of Employment By Sector The employment generation in sartorial base i.e. primary, secondary and tertiary sectors it is fined that in pre reform and reform period the attitude of employment opportunity is in increasing trend. Following table indicate the growth of employment in sartorial base

Economic Sector	Employment Generated in Million			
	1983	1993	2000	2010
Primary Sector	208.99 (69.0)	245.16 (65.5)	239.83 (60.4)	228.43 (55.07)
Secondary sector	41.66 (13.8)	55.53 (14.8)	66.91 (16.8)	78.12 (18.82)
Tertiary sector	52.11 (17.2)	73.76 (19.7)	90.26 (22.7)	108.35 (26.11)
Total Employment	302.76 (100)	374.45 (100)	397.0 (100)	414.90 (100)



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Source: Compiled and computed from the data provided by the Planning Commission Report to  
Task Force on Employment

The growth rates of unemployment and labour force derived from NSS data are given in the above table, the following points emerge.

1. The growth rate of employment declined from 69% to 55.07% in agriculture, mining and other production unit in primary sector.
2. Indian economy known as rural and agro-based economy. Majority population stayed rural India, but the employment opportunities is declined by 14.03%. It affects to decline purchasing power parity, compulsory mobility toward urban sector etc.
3. Secondary sector witnessed an employment growth from 13.8% to 18.82%. It is an indication of development theory regarding transfer population from primary sector to secondary sector.
4. In the tertiary sector the growth rate of employment was high. It increase 17.2% to 26.11%, the growth rate is near about ten per cent.
5. Employment opportunities were increase in the reform period i.e. 112 million new jobs increase last twenty years.

### **Unemployment Rate- Urban And Rural Differences**

Rural areas. As against an unemployment rate of 10.3 per cent in 1977 in urban areas, the rural unemployment rate was 7.7 per cent. There was a significant fall in the rural unemployment rate in 1990 to 5.3 per cent, but the urban unemployment rate was of the order of 9.4 per cent, significantly higher because Indian economy was in saviour economic crisis. After the period of reform, rural unemployment rate again increased to 7.2 per cent in the year 2000 and again 8.1 per cent in 2010 while urban unemployment also marginally increased to 7.7 per cent in the year 2000 and again decrease to 7.9 per cent in 2010. Following table indicate the unemployment among Urban and Rural sector

### **Unemployment among Urban and Rural sector (As percent of labour force)**

Period	Rural Areas	Urban Areas
<b>1977</b>	<b>7.7</b>	<b>10.3</b>
<b>1990</b>	<b>5.3</b>	<b>9.4</b>



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<b>2000</b>	<b>7.2</b>	<b>8.1</b>
<b>2010</b>	<b>7.7</b>	<b>7.9</b>
<b>2018</b>	<b>7.1</b>	<b>7.3</b>

Source: Planning Commission Report

### **The Employment Scenario:**

Indian economic development under different plan periods the rate of growth of output has never been integrated with the rate of growth of employment. Accelerated economic growth has always been found to be favourite with the Indian planners. From the very first plan this concept of economic growth was very much interlinked with the increase in the employment opportunity, reduction of income inequality and poverty through there was an initial debate whether reduction of income inequality was conducive to growth or not. It

Employment has featured as an important item in the development agenda in India. There is a continuing debate in India among economists and policy makers on the best measures of labour forces participation and utilization. Problem of employment and unemployment is a very grave and complex problem in India. Rapid growth of population is main reason of unemployment. Employment is the state of engagement of a person in a production work. It may be either self-employment or wage employment. Macro employment scenario in India from 1983 to 2009-10 as revealed the employment is growing constantly and unemployment together with its rate is coming down but the growth of employment is not in pace with population and labour force growth in India. Unemployment person include those who are not working but are available for work. These are also engaged in job-seeking activity and waiting for job etc. "Unemployment in India is projected to increase from 17.7 million last year to 17.8 million in 2017 and 18 million next year. In percentage terms, unemployment rate will remain at 3.4 per cent in 2017-18," according to the United Nations International Labour Organisation (ILO). It released World Employment and Social Outlook report 2017. According to ILO's latest report, the number of jobless in the country will increase to 18.6 million in 2018 and 18.9 million in 2019, against 18.3 million in 2017.



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### Poverty:

Poverty is the inability to get the minimum consumption requirement for life, health and efficiency. These minimum requirements include food, clothing, housing, education and basic health requirements. Poverty in India is widespread, and a variety of methods have been proposed to measure it. In India, defining a poverty line has been a controversial issue, especially since mid-1970s when the first such poverty line was created by the erstwhile Planning Commission. It was based on minimum daily requirements of 2400 and 2100 calories for an adult in rural and urban areas, respectively. Recently, some modifications were made considering other basic requirement of the poor, such as housing, clothing, education, health, sanitation, conveyance, fuel, entertainment, etc. thus making the poverty line more realistic. This was done by Suresh Tendulkar (2009) and C. Rangarajan (2014). The Tendulkar Committee stipulated a benchmark daily per capital expenditure of Rs.27 and Rs.33 in rural and urban areas, respectively and arrived at a cut-off the about 22 per cent of the population below poverty line. Later, the Rangarajan Committee raised these limits to Rs.32 and Rs.47 in rural and urban areas, respectively and worked out poverty line at close to 30 per cent. Many government, non-government and private organization have come out with different poverty lines using different methodologies. "India is by far the country with the largest number of people living under the international USD 1.90-a-day poverty line, more than 2.5 times as many as the 86 million in Nigeria, which has the second-largest population of the poor worldwide," the report said by World Bank.

Five Year Plan	Poverty ( in per cent )	Employment growth (in per cent)
1 <sup>st</sup> Plan (1951-56)	47.43	0.39
2 <sup>nd</sup> Plan (1956-61)	45.25	0.87
3 <sup>rd</sup> Plan (1961-66)	56.71	2.03
4 <sup>th</sup> Plan (1969-74)	54.1	1.99
5 <sup>th</sup> Plan (1974-78)	48.36	1.84



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6 <sup>th</sup> Plan (1980-85)	37	1.89
7 <sup>th</sup> Plan (1985-90)	34.07	1.26
8 <sup>th</sup> Plan (1992-97)	35.05	1.86
9 <sup>th</sup> Plan (1997-02)	26.1	1.14
10 <sup>th</sup> Plan (2002-07)	27.5	1.23
11 <sup>th</sup> Plan (2007-12)	21.9	1.82
12 <sup>th</sup> Plan (2012-17)	23.3	1.77

Sources: Economic Survey of India.

According to the given table, there are data of poverty and employment of India. It is taken according to five year plan in India. But there is weak positive linear relationship between poverty and employment. There is find 0.12 correlation coefficient (r) between them in India. There is not strong positive relationship between them. So there is finding that employment and poverty in India are positively related but not strongly related to each other in India

#### **Need the Relationship between Employment and Poverty:**

There is need to know the relationship between employment and poverty in the economy. Recent data of economic survey 2018, India is an emerging developing country. Recent trend of economic growth is increase. So, here is need that is correlation between employment and poverty in India. In India, there is increase in employment opportunity by government. Then what is the impact employment on poverty in India. So, it is important to make the policy for increase employment and reduce poverty in India.

#### **Relationship between Employment and Poverty in India:**

Employment is important indicator of economic growth of any country in the world. Poverty also plays a great role in economic growth. If there is an increase in economic growth, then there is poverty or poverty as well. These are important for economic growth as well as economic development in any country. If employment is increase than money also is increase. Than people purchase food, clothes etc. And their poor person is also decrease. So we think that there is perfectly positive correlation in any economy. But there data is not sufficient on international



level. There is find larger number of poor live in India.

### **Importance of Employment and Poverty:**

It is not necessary to tell why employment and poverty are necessary for an economy. There is need to reduce poverty and increase employment in India. These are important for economic growth as well as economic development. there is the direct relationship among economic growth, development, poverty and employment in India. there are also increase other factors like consumption, production, export, foreign trade etc. There is reduction of foreign dependency etc in India.

### **Remedial Measures:**

The objectives of the economic reforms in India are broader since they aim at the overall economic development of the country through the growth of industrial and agricultural sectors. During the post reform period, despite economic growth there is low labour absorption in the Indian economy. Now there is need to evolve a multistage strategy to generate more and more employment opportunities. Following are the some of the measures, which may be included in this strategy.

- Employment generation should be the single most important criteria for investment policy, although profits and technological updating to be given due weightage.
- Constitutional obligation ensuring “Right to Work” should be the function of economic planning.
- Land reform, as an indispensable instrument for promoting distributive justice, for the employment of the poor and enhancing agricultural productivity.
- Rising of the domestic savings and generation of the domestic resources for investment. Foreign investment could be used as a supplement provided, “it goes where we want and not where it wants to go”.
- Economic reform does not mean that Government should neglect social sectors. There is need to increase investment in social sectors, health, social security and education.
- There is need to rethink and reformulate economic policies. The private sector has to be more humane and the public sector more cost efficient. The operation of the market



mechanism in a labour surplus economy shall hardly be able to humanize the private sector.

- The Government get, money through disinvestments of PSE shares, it is quite appropriate that the money should be used to develop new and viable industrial units, and this money should not be used to finance budget deficits or any other Government expenditures.

### **Challenges In Employment Generation:**

**Corruption** : Corruption in employment generation agencies as well as in government system, affect badly the employment possibilities, specially in rural areas. Although this factor can't be reduce automatically by a common man, but it can be reduce by implementing the transparency in the system and automation in the system such as schemes like e-district, e-Governance, RTI etc.

**Political rivalry** : Every government make new and better policy still every new scheme become fail due to political rivalry in political system. Every new Govt. either close the employment program launched by previous Govt. or manipulate the program's guidelines or sometimes stop the fund for the program, which makes it difficult for unemployed to get the job availability easily. This is a great factor influencing the employment programs.

**Illiteracy** : Illiteracy is playing a vital role in unemployment specially in under-developed countries like India. People even now after 60 years of independence, unaware about the schemes the Govt. is running for the employment generation. This factor can be reduced by running awareness camp and programs parallel to the employment programs.

**Reservation / Quota (Castism)** : India is a democratic country so here every Govt. provide the benefits like employment and other employment related benefits to his caste person.

**Role of Private Companies** : Private companies play a vital role in the employment generation in any country, but in India private companies are not functioning properly because of Govt. policies specially State Govt. Companies are not investing according to his efficiency in any of the state, specially in BIMARU States (Bihar, MAharastra, Rajasthan, Utter Pradesh) because the State Govt. is not making policies which can attract the private companies, even States like West Bengal creating problems to private players (TATA – Singure Plant) which distract the

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private players from the States, ultimately affect the employment generation.

### **Opportunities In Employment Generation:**

**Huge work force :** India is second largest country in the world in population after China, it means we have a ample of work force and if this work force can be utilized accordingly, India can be top of the world. This huge work force is attracting the developed countries for the hiring, outsourcing and for third party work. Only the Indian Govt. have to do to train this work force according to the demand of the technology and advancement of the third world countries.

**Liberalization in Exchange Policies :** The Govt has liberalized the exchange and regulation act which makes it easy to enter in the Indian market for investment upto 100% in many sectors. This is a indirect factor which will affect the employment factor in development point of view. Entry of new player like WalMart will not only develop the infrastructure but also create job opportunities for the educated persons in large prospective, although it is a political issue.

**Transparency in the system :** In India now Govt understand that the people are now become technology• savvy and they adopt the new technology very soon and efficiently, so Govt is implementing the eGovernance programs with every of the program through RTI Act.

### **Conclusion:**

Employment and poverty play a very important role in any economic growth. But these play a most important role in economic development of any economic. Growth rate of these indicator are on high rate than development is low rate in any economic. In India, there is not highly correlated in India. These are related with each other. Many policies of budget in India are related to poverty and employment likes Deduction of 30% on emoluments paid to new employees Under Section 80-JJAA to be relaxed to 150 days for footwear and leather industry, to create more employment, The two new initiatives under the Ayushman Bharat programme- setting up of 1.5 lakh Health and Wellness Centres and the flagship National Health Protection Scheme-are not only expected to address health care but also "generate lakhs of jobs, particularly for women" etc are related to employment. It is good news for unemployment person who want to work. "In the year 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by the Ministries will be Rs14.34 lakh crore, including extra-budgetary and

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non-budgetary resources of Rs11.98 lakh crore. Apart from employment due to farming activities and self-employment, this expenditure will create employment of 321 crore person days," said the finance minister. In India, most of poor person are related in rural. In this country, this expenditure on poor person and employment is not sufficient for better improvement. In India, there is think absolute not relative relationship of poverty and employment. India's growth on these aspects is not sufficient related to world aspect. And according to economic survey, these are doing good progress in India. In the end, we can say that if we give money to the poor person than he is employed person and not poor people. Everyone will give answer on this question that it is no. So government should work more effectively and give more chance to the poor people for increase their self- employment. And government should increase the job opportunity in public and private sector in India. MNEREGA scheme is the biggest scheme in the world in employment generation. But it is not effective work and its percentage with GDP is also low in recently years in India. There are need to work effectively on poverty and employment by government as well as people in India. Government should make more policies on reduce poverty and increase employment. People should improve the knowledge related their capacity and work properly.

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