Subject – Indian Economy - I

Notes Unit 3 Part B

By -

Dr. Nafees Hashim Rizvi
Assistant Professor
Department of Economics,
Shia P.G. College, Lucknow

Meaning of Poverty -

Poverty, the state of one who lacks a usual or socially acceptable amount of money or material possessions. Poverty is said to exist when people lack the means to satisfy their basic needs. In this context, the identification of poor people first requires a determination of what constitutes basic needs. These may be defined as narrowly as "those necessary for survival" or as broadly as "those reflecting the prevailing standard of living in the community." The first criterion would cover only those people near the borderline of starvation or death from exposure; the second would extend to people whose nutrition, housing, and clothing, though adequate to preserve life, do not measure up to those of the population as a whole. The problem of definition is further compounded by the noneconomic connotations that the word poverty has acquired. Poverty has been associated, for example, with poor health, low levels of education or skills, an inability or an unwillingness to work, high rates of disruptive or disorderly behaviour, and improvidence. While these attributes have often been found to exist with poverty, their inclusion in a definition of poverty would tend to obscure the relation between them and the inability to provide for one's basic needs. Whatever definition one uses, authorities and laypersons alike commonly assume that the effects of poverty are harmful to both individuals and society.

Although poverty is a phenomenon as old as human history, its significance has changed over time. Under traditional (i.e., nonindustrialized) modes of economic production, widespread poverty had been accepted as inevitable. The total output of goods and services, even if equally distributed, would still have been insufficient to give the entire population a comfortable standard of living by prevailing standards. With the economic productivity that resulted from industrialization, however, this ceased to be the case—especially in the world’s most industrialized countries, where national outputs were sufficient to raise the entire population to a comfortable level if the necessary redistribution could be arranged without adversely affecting output.

Types of Poverty –

Absolute poverty is when household income is below a certain level. This makes it impossible for the person or family to meet basic needs of life including food, shelter, safe drinking water, education, healthcare, etc.

In this state of poverty, even if the country is growing economically, it has no effect on people living below the poverty line. Absolute poverty compares households based on a set income level. And this level varies from country to country depending on its overall economic conditions.

Relative poverty is when households receive 50% less than average household incomes. So, they do have some money but still not enough money to afford anything above the basics. This type of poverty is, on the other hand, changeable depending on the economic growth of the country.

- Relative poverty is sometimes described as “relative deprivation” because the people falling under this category are not living in total poverty. They are not, however, enjoying the same standard of life as everyone else in the country. It can be TV, internet, clean clothes, a safe home (a healthy environment, free from abuse or neglect), or even education.
- Relative poverty can also be permanent. This means that certain families have absolutely no chance of enjoying the same standards of living as other people in the same society currently have access to. They are basically “trapped” in a low relative income box.

When the relative approach is used to measure poverty, there is another concept that needs to be explored – persistent poverty. This is when households receive 50 or 60% less income than average incomes every 2 out of 3 years. Since long-term poverty has more impactful consequences on economic and social conditions, persistent poverty is an important concept to bear in mind.

Poverty alleviation measures -

1. **Control of population**- to remove poverty controlling of population is important. It increases per capita income. India started family planning in 1951, however it must be made more aware to the people.
2. **Increase in employment opportunities**- employment opportunities must be made for people in rural areas. Employment in small scale and cottage industries must be encouraged.
3. **Reduce economic inequality**- in this way more job and education opportunities will be provided to the poor and this would help to remove poverty.
4. **Land reforms-** as many land reforms policy are introduced by the government they must be implemented properly as they will help the small farmers to get employment and thereby remove poverty.
5. **Social security measures-** like provident fund, pension, free medical and health services, affordable housing etc should be provided to the rural and urban poor. This will improve the living conditions of people.
6. **Balanced regional development-** government must allocate more funds to the backward and rural regions.

Governmental Initiatives for Poverty Alleviation & Employment Generation in India -

Considering the importance of poverty alleviation, to foster economic growth in a country, the government of India has, since independence, taken various measures in the form of initiatives and schemes to alleviate poverty and to generate employment. Some of these initiatives are given below.

Initiatives for Poverty Alleviation -

1. Integrated Rural Development Programme (IRDP)
2. Jawahar Rozgar Yojana/Jawahar Gram Samridhi Yojana
3. Rural Housing – Indira Awaas Yojana
4. Food for Work Programme
5. National Old Age Pension Scheme (NOAPS)
6. Annapurna Scheme
7. Sampoorna Gramin Rozgar Yojana (SGRY)
8. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005
9. National Rural Livelihood Mission: Aajeevika (2011)
10. National Urban Livelihood Mission
11. Pradhan Mantri Kaushal Vikas Yojana
12. Pradhan Mantri Jan Dhan Yojana

Government Initiatives for Employment Generation in India

The initiatives undertaken by the government of India since independence for employment generation are:

1. Nehru Rozgar Yojana
2. National Food for Work Programme
3. Training of Rural Youth for Self-employment
4. National Rural Employment Programme
5. Rural Landless Employment Guarantee Programme
6. Jawahar Rozgar Yojana
7. Rural Employment Generation Programme
8. Prime Minister’s Rozgar Yojana For Educated Unemployed Youth
9. Swarna Jayanti Shahari Rozgar Yojana
10. Swarnjayanti Gram Swarozgar Yojana
11. Sampoorna Grameen Rozgar Yojana

12. National Rural Employment Guarantee Scheme
13. Employment Assurance Scheme
14. DeenDayal Upadhyaya Grameen Kaushalya Yojana
15. Deendayal Antyodaya Yojana - National Urban Livelihoods Mission (DAY-NULM)
16. Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Social Security measures for India's Population -

India's social security system is composed of a number of schemes and programs spread throughout a variety of laws and regulations. Keep in mind, however, that the government-controlled social security system in India applies to only a small portion of the population.

Furthermore, the social security system in India includes not just an insurance payment of premiums into government funds (like in China), but also lump sum employer obligations.

Generally, India's social security schemes cover the following types of social insurances:

- Pension;
- Health Insurance and Medical Benefit;
- Disability Benefit;
- Maternity Benefit; and
- Gratuity.

While a great deal of the Indian population is in the unorganized sector and may not have an opportunity to participate in each of these schemes, Indian citizens in the organized sector (which include those employed by foreign investors) and their employers are entitled to coverage under the above schemes.

The applicability of mandatory contributions to social insurances is varied. Some of the social insurances require employer contributions from all companies, some from companies with a minimum of ten or more employees, and some from companies with twenty or more employees.

In this article, we will discuss each of these social insurances, along with their coverage, contribution rates, and the laws and regulations behind them.

The Code on Social Security, 2020 -

Foreign companies should note that when The Code of Social Security, 2020 – one of the **four new labor codes** introduced by the Ministry of Labor and Employment – comes into force, it will subsume the following enactments:

- The Employees' Compensation Act, 1923;
- The Employees' State Insurance Act, 1948;
- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959;
- The Maternity Benefit Act, 1961;
- The Payment of Gratuity Act, 1972;
- The Cine- Workers Welfare Fund Act, 1981;
- The Building and Other Construction Workers Welfare Cess Act, 1996; and
- The Unorganised Workers' Social Security Act, 2008

Rules for the new labor codes on industrial relations, social security, and occupational safety health & working conditions (OSH) are likely to be finalized by the end of January, according to Labor Secretary Apurva Chandra. If that is the case, it may result in implementation of the labor codes by April 1, 2021 – which was the deadline put by the labor ministry. However, this timeline is subject to change, depending on interventions made by key stakeholders and lobby groups and other exigencies, such as the impact of the ongoing pandemic.

The Labor Secretary was also quoted in the media saying that the draft model standing orders for the manufacturing, mining, and service sectors will be finalized by February. These draft orders set the standards for service conditions and employees' conduct in the respective sectors and were notified on December 31, 2020 to seek feedback (within a period of 30 days from the date of notification).

References -

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