



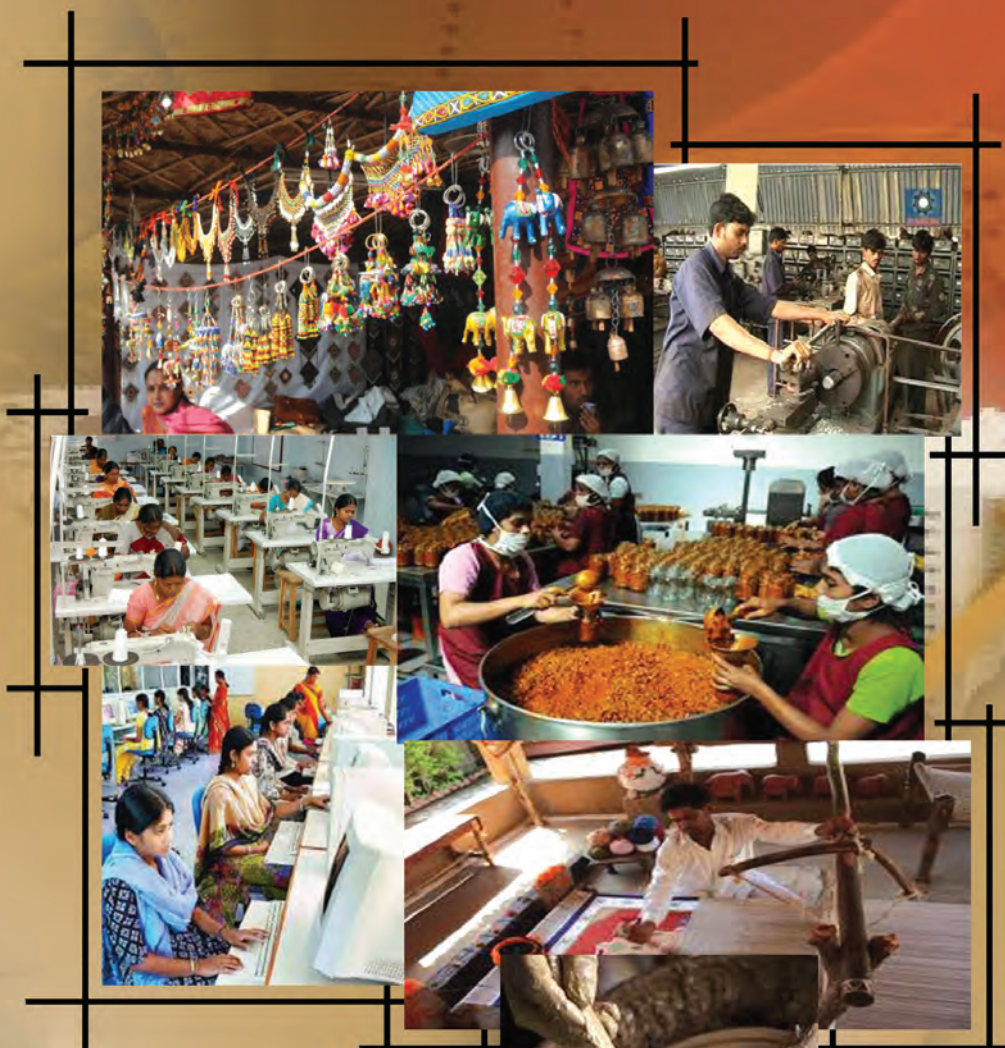
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Let noble thoughts come to us from all sides

Rig Veda

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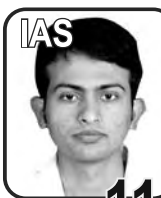
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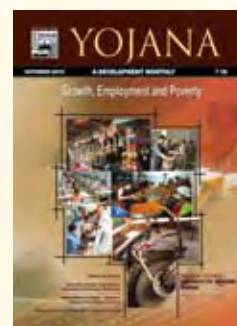
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Economy is Doing Fine but...

A dignitary visiting Brazil in 1971 asked its head of state Emilio Medicin about the economic situation of the country to which he replied, 'The economy is doing fine, but the people are not.' This captures the paradox of growth that does not create employment and reduces poverty. The close interrelationship between growth, employment and poverty has long been a matter of debate and dispute among economists. The 'trickle down' theory of economic growth has long lost its relevance and it is now well recognized that growth may not be enough to achieve the objectives of employment and reduction of poverty. The impact of growth on employment and poverty depends upon a multitude of factors and the proper dynamics of the relationship between these three goals needs to be understood in a broader context.



How far growth will impact poverty depends upon its employment generating capacity. In case of India, despite having a high overall growth rate, the extent and quality of employment generation has been low. The employment generation has mostly come from the low productivity informal sector. According to one estimate between 1999-2000 to 2009-2010, 63 million workers were added to the workforce out of which 70 per cent were added in the unorganised sector and the rest into informal organised sector. This is linked to the disproportionate increase in the contribution of the services sector in the economy from 41 per cent of GDP in 1990-91 to 64.8 per cent in 2012-13. However, the share of services in employment is less than 30 per cent. On the other hand in 2011-12, manufacturing contributed 16 per cent to the GDP and its share in aggregate employment was close to 13 per cent.

In terms of the economic policy for high employment growth, the experience of some of the fast growing countries of South East Asia could be useful. These countries have made investments in labour intensive industries. Special attention was paid to the export oriented industries which had a high labour intensity. In the entire process, agriculture was also given incentives to have better terms of trade and promote non-farm agricultural activities. Recent experience of high current account deficit and depreciation of rupee also points to the need to orient our economic policies towards incentivising manufacturing and improving exports by leveraging our abundant labour force. Employment is thus the crucial link between growth and reduction in poverty. There is a strong case for a big push to the manufacturing sector for generating employment through its stronger backward linkages.

There has been a lively debate recently about the poverty estimates brought out by the Planning Commission. Despite controversies and arguments against the method used for the estimation of poverty, there are strong indicators that suggest a clear trend in the reduction of poverty in India. If we take two time periods 1993-94 to 2004-05 and 2004-05 to 2011-12, per capita income growth (up from 4.4 per cent to 6.9 per cent), real wages of casual workers (increased from 3.1 per cent to 6.5 per cent) and agricultural output growth (rose from 2.5 per cent to 3.9 per cent) between the two periods have shown clear upward trend. It is obvious that higher expenditure under schemes like MGNREGA and PDS has also contributed in achieving this.

Indeed, poverty alleviation, employment, equitable income distribution across social classes and regions remain crucial goals of economic policy in India. The growth must be broad based to foster a truly 'democratised market economy'. Investment in human capital, so that people can take advantage of the opportunities offered by the market, becomes essential in such a framework. Transfer of resources to the vulnerable sections of society through governmental schemes are needed but they have to be carefully designed keeping in mind their complex effect on the market for food and labour and on the incentive structure of the economy as a whole. The major challenge lies in making the productive process more widely and equitably distributed among people. After all, as Amartya Sen has said, growth is a means towards valuable human end and not an end in itself. Only then will the people also be fine when economy is doing fine. ■

On Measuring Poverty

TCA Anant



Poverty is principally a distributional attribute of the consumption distribution. We could in principal take a somewhat coarser measure of consumption, but generate a richer sense of its distribution and dynamics

M

E A S U R I N G Poverty in India has a long and venerable tradition. In the pre-independence period, Dadabhai Naoroji sought to measure poverty with a view to describe the consequences of colonial rule in India. His book *Poverty and Un-British Rule in India* drew attention to the enormous drain on wealth caused by colonial policy and was the foundation to many intellectual arguments for independence. Subsequently, during the freedom struggle the Congress Party, the Planning Commission and many eminent scholars have worked on this issue. Srinivasan(2007) has a detailed review of this background. In fact, it would not be an understatement that this discourse has been one of India's major contributions to the field of development studies. It is not a merely a scholarly exercise. The World Bank has stated that fighting poverty is at the core of its work. The United Nations when it outlined the millennium development goals stated that the first goal is to eradicate extreme poverty and hunger. Poverty is at the heart of almost all discourses on development policy.

In this context, when we seek to measure poverty, there are at least three distinct types of objectives: (i) to build awareness on poverty and to

keep it in the agenda of discourse; (ii) to design policies, programs and institutions to alleviate poverty; (iii) to monitor and evaluate these policies, programs and institutions that are associated with it. Each of these objectives imposes very different requirements on data and the methodology of measurement. In particular it could easily be argued that the latter two are not single objectives but are in turn composites of multiple objectives.

In so far as the first is concerned, the objective is easily understood and is in fact the basis of Dadabhai Naoroji's book published in 1901, the purpose of which was to influence British public opinion about the consequences of colonial rule on India. It was principally to bring poverty in the political discourse and influence policy with that in mind. An objective repeated by the National Planning Committee of the Congress and the authors of the Bombay Plan (See Srinivasan (2007) before independence and by the Planning Commission in more recent times. What is common in all these approaches is to state a normative criteria of what constitutes socially acceptable minimum "necessary for the bare wants of a human being, to keep him in ordinary good health and decency" (Naoroji 1901). Having done so, the aim is to estimate the

The author is Chief Statistician of India and Secretary, Ministry of Statistics and Programme Implementation, Government of India. The views expressed in this article are personal.

proportion of people who *on average* in some *defined period of time* over *some region* do not meet this criteria. This estimation is then achieved usually through a survey which canvasses (usually) households with a view to assess the proportion of those who do not meet the desired criteria. These results, based on the design of the survey are described by geography, communities as may be feasible. In India, this has been done since the 1970's using the household consumer expenditure survey, based on criteria established by the Planning Commission task force in 1979. The estimates are generated for rural and urban areas separately in each state of the union. This profile has them been the basis for our discussions on poverty.

Turning now to the second objective, the principal objective is to design programs and policies so as to better *target* their objective. Thus the authoritative World Bank

What is common in all these approaches is to state a normative criteria of what constitutes socially acceptable minimum " necessary for the bare wants of a human being, to keep him in ordinary good health and decency" (Naoroji 1901).

handbook (2009) states "Clearly, one cannot help poor people without knowing who they are". The principal objective is to seek to design the program so as to allocate resources in a manner most likely to reach the intended beneficiaries. This targeting can be very broad or coarse or very fine. In the former case the poverty profiling done under the first objective is used to allocate resources to regions or programs consistent with the orderings in poverty profile. Alternatively, the finer targeting can be sought to locate beneficiaries directly as in the targeted Public Distribution System or the Indira

Awas Yojana, where caps on numbers of beneficiaries are reached based on the estimates of the profile. It is clear that while both forms of targeting use the profile developed for the first objective, the finer the targeting, the more intensive is the use of the data generating the poverty profile. This then leads to the question as to how appropriate is this? To answer this question we need to understand the statistical properties of the profile generated for the first objective.

Statistical Attributes of the Poverty Profile

As noted earlier, the poverty estimate is a calculation of a sample proportion who do not achieve a defined criteria of needs. As such the statistical properties of this estimate can be described through formal techniques of statistical analysis.

The measurement process is that a sample of households is selected from the population through stratification at various stages. The household is then canvassed about its consumption over a period of time. Based on collating the data from the sample over the period of the survey, we estimate the proportion who did not meet the prescribed norm. This may differ from the *true* proportion for a variety of reasons:

First-The sample is a subset of the population, the estimate of the sample will differ from that of actual population, this difference will depend on the design of the sample. These are typically defined as *sampling errors*.

Second-The households actual consumption may differ from the reported consumption because of the design of the schedule of inquiry, the ability of the respondent to recall and the ability of the inquirer to communicate his query and understand the response of the respondent. These are further influenced by a variety of subjective factors like the timing of the inquiry, the length of the process and the

actual modalities of the dialogue and many other such considerations. This class of issues are described in the literature as *non-sampling error*

Both these issues are well known to statisticians and are dealt in survey designs through a variety of means. Their overall impact on the measurement is captured in the analysis, by the concept of standard errors of estimates. The magnitude of this error typically depends on the design of the sample and the overall size of the sample. The latter in turn is influenced by the desired degree of granularity in the estimates. Thus, for instance, estimates for India as whole over the entire year will have lower standard errors, whereas in a given survey estimates for states, districts and for sub rounds will have higher standard errors.

The relevance of this discussion for the different uses of poverty estimates is because, when the estimate is used for decision making like deciding the quantum of target population in a region, the inherent randomness in the estimate induces errors of inclusion and exclusion. These are over and above inclusion and exclusion errors generated through the operation of the target

The households actual consumption may differ from the reported consumption because of the design of the schedule of inquiry, the ability of the respondent to recall and the ability of the inquirer to communicate his query and understand the response of the respondent.

selection mechanism. In other words, even if there were no errors in the operation of the selection mechanism, there would still be individuals and households who are incorrectly included and excluded.

This too is well recognised. The correct targeting mechanisms would

then adjust the estimate derived in the first exercise by a factor to correct for such errors. The form of adjustment would depend on the relative costs assigned to the different errors. To illustrate, in the, proposed food security mechanism incorrect inclusion implies that a person who does not deserve state support will get subsidised grain, where an incorrect exclusion implies that a poor person stays hungry. The balance of social consideration has been to argue to minimise such wrongful exclusion and err on the side keeping this possibility to a very low level even if this implies some degree of wrongful inclusion. Thus, the targeted population should exceed the average number of poor calculated by our surveys by a factor dependent on the standard error.

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In order to examine the implication of this, we turn to some implications of poverty estimates from the NSS 68th round data from 2011-12 after a brief review of the history of poverty measures in India

Poverty estimation in India

Poverty estimation in India, since 1979 has been done by the Planning Commission using data from NSS surveys on household consumption expenditure. The methodology for estimation was outlined in a report of a Task Force (1979) of the Planning Commission. The task force defined a poverty line for urban and rural areas. They first described an average calorie norm, worked out in consideration of the age, sex and activity composition of the population. The monetary value for this norm was then derived from the expenditure pattern of the

1972-73 NSS consumer expenditure survey. This was then termed as the base year poverty line. This base year line was then periodically revised by adjusting for inflation. The percentage of poor was then calculated in subsequent years using the distribution of consumption expenditure as revealed in various NSS surveys with an adjustment to the level of consumption to bring it in line with national accounts estimates of household consumption.

This measure attracted a lot of attention, discussion and criticism as well. The Planning Commission decided to have a comprehensive review by an Expert Group (1993). The group in their report noted “The methodology followed in official estimates of poverty... has been regarded by some as inappropriate and even inadequate in giving a representative picture of incidence of poverty in India. In fact, the use of State level estimates of poverty in allocating plan resources for poverty alleviation programmes has brought this debate into sharper focus. The States have become very sensitive about their respective estimates of poverty”. The group then eventually recommended some adjustments to the procedure of the taskforce by removing the link to national accounts, and allowing for inter-state variation in inflation and also to change the basis for inflation correction using CPI rather than wholesale prices. But the essential norm remained as it was in the earlier taskforce. The consequence was to bring about an adjustment for the level of the estimate without altering its statistical attributes.

This method, in turn, received its share of analysis and criticisms. These criticisms centred on the method used for price adjustment, the rural urban differentials in poverty and inter-alia the continued relevance of the 1973 basket for poverty comparisons. A continuing concern was the purported under-counting of the poor specifically from the view point of targeted

programs. These concerns were sought to be addressed by another expert committee constituted under the chairmanship of Prof. Tendulkar. The report of the committee addresses these concerns through a somewhat complex process: they suggested formally dropping the linkage to a calorie norm, which in any case the expert group had implicitly done since they had recommended the expenditure associated with the norm for 1973 without changing the underlying basket of goods. The committee suggested using the urban poverty rate for 2004-05 arrived through the earlier method, as the reference rate; and the associated basket of goods as the new normative basket, applicable to both urban and rural households; and then updating this expenditure using price data, implicitly captured in the NSS survey in the form of unit values in the median household class. This maintained a continued comparability with the past, albeit through the urban poverty line, and provided for a slightly higher level of poverty estimates. This approach clearly did not address

The task force defined a poverty line for urban and rural areas. They first described an average calorie norm, worked out in consideration of the age, sex and activity composition of the population. The monetary value for this norm was then derived from the expenditure pattern of the 1972-73 NSS consumer expenditure survey. This was then termed as the base year poverty line.

the central concern relating to *under estimation* of the proportion of poor for *purposes of targeting*; a concern that manifested itself in a huge, somewhat uninformed, public debate; leading to the constitution of yet another expert group, whose report is still awaited.

We may note that a common element in all the criticisms is that the estimates are too low. The response has been through calibration to adjust the level. This response seems to have missed a key facet of how poverty measures are used in targeting systems. Consumption as measured in the NSS survey or other poverty surveys is complex conceptually and is not feasible to measure through a census. The general approach of a targeting system is to develop some observable attributes that can be simply measured in the population and are correlated with the consumption poverty profile. These attributes are typically those that can be captured in a census and

The committee suggested using the urban poverty rate for 2004-05 arrived through the earlier method, as the reference rate; and the associated basket of goods as the new normative basket, applicable to both urban and rural households; and then updating this expenditure using price data, implicitly captured in the NSS survey in the form of unit values in the median household class.

are often stable over time. These are then used to select entitled and excluded populations usually subject to limits based on the poverty profile assessed through consumption. The controversy arises, because these limits set through average measures induce large errors of exclusion.

In our earlier discussion we had noted that use of average thresholds in decision making can induce errors of exclusion and inclusion. These errors are expected to be linked to the variability of the measure.

To explore this it is useful to turn to some operational characteristics of the NSS consumer expenditure survey. The NSS Consumer expenditure

survey is conducted over a full year from July to June (termed as a round, hence the 68th Round covered July 1, 2011 to 30th June, 2012). The survey period is further divided into four sub-rounds, each with a duration of three months, the 1st sub-round period ranging from July to September, the 2nd sub-round period from October to December and so on. An equal number of sample villages/blocks (FSUs) is allotted for survey in each of these four sub-rounds. Thus each sub round is an *independent sample* capable of generating separate estimates for the country as a whole and for each state. Thus, while typically, poverty is estimated from the sample for the full year; it is in principal possible to also examine the data across different sub-rounds.

The identification of the NSS year with the agricultural year and the sub rounds with broad agricultural seasons, it is expected that some seasonal characteristics will be there in the data. Thus the detailed results for the Employment Survey of the NSS, which is carried out parallel to the consumer survey, from 2009-10 show that average wage earnings per day received by casual wage labourers is the lowest in sub-round 1 for both males and females in rural and urban areas. What is also interesting is the fact that this is also the case for average weekly remuneration from public works. Reflecting, probably the lower amount of such works in this time period. Sub Round 1 also has the highest incidence of unemployment. If we look at intensity of employment, in terms of the number of days worked in the week, then again in sub round 1 the percentage of people finding work all seven days is the lowest, and the percentage not working on any day is the highest.

Given the close association of employment and earnings with poverty, one should expect to see a similar pattern in poverty. This has been attempted for some states in the

Table. This has been done applying the state level poverty lines for the full year to each sub round and by linear interpolation in the relevant decile class. The results yield some interesting characteristics:

As expected the 1st sub-round and occasionally the 2nd show the highest level of poverty. Further the 4th sub round has usually the lowest percentage of poverty

In these 18 states if we examine the poorest, these would be Chhattisgarh, Jharkhand, Bihar and Odisha; however their *inter-se* rankings depends on the sub round. Thus Odisha is second only to Chhattisgarh in the first and third sub rounds; Jharkhand appears to be the poorest in the 4th sub round.

The poverty percentage also varies quite sharply as well between sub rounds. In the case of Chhattisgarh, the poverty estimates can differ by as much as 19 percentage points in rural areas and 16 points for the state as a whole. In fact, MP, Odisha and Maharashtra also see large variations in their sub-round wise poverty

The survey period is further divided into four sub-rounds, each with a duration of three months, the 1st sub-round period ranging from July to September, the 2nd sub-round period from October to December and so on. An equal number of sample villages/blocks (FSUs) is allotted for survey in each of these four sub-rounds. Thus each sub round is an *independent sample* capable of generating separate estimates for the country as a whole and for each state.

percentage. This is largely on account of the fact that the fourth sub-round has a much lower poverty rate than any other sub-round. Further on

expected lines, more developed states like Punjab and Kerala see relatively low sub-round variation but quite intriguingly so does a less developed state like Rajasthan! In general, the larger and poorer states have higher seasonal variability than the better off states.

The seasonal variability is only part of the problem. A related question is on its correlation structure. If seasonal cross correlation across poverty profiles is low then the overall measure cannot be a simple average but a suitably weighted sum! We cannot easily measure correlation across seasonal measures because in the current design, households are only measured once and we do not have a sense of their seasonal variation in consumption. In developed states, with less seasonal variation in employment and also in states with strong active anti poverty

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programs, the correlation is likely to be high. In other cases correlation may be low. Our measure of inter seasonal range is a partial indicator of

this possibility. Thus, suggesting that if our concern is with targeting we should look for an all India measure that aggregates seasonal peaks across states. The degree of interstate and even higher interstate seasonal variability suggests that this type of variation would increase as we go down further into sub State level measures. In fact it is quite likely that backward districts would have much higher seasonal variability in poverty. A targeting measure seeking to minimize exclusion would need to be based on both a very granular estimate and take account of the variability at that level; thus an average based on district level seasonal maxima would be considerably higher than our current estimates.

Conclusion

In this essay we have explored the basic approaches to measure poverty and its areas of use. Our discussion has

Percentage below the poverty line (Tendulkar method) 2011-12 (selected states)

2011-12	RURAL					URBAN				
	Full Year	SR1	SR2	SR3	SR4	Full Year	SR1	SR2	SR3	SR4
Andhra Pradesh	10.96	14.8	10.7	9.5	9.3	5.81	9.4	8.2	7.2	6.3
Assam	33.89	37	32.7	34	30	20.49	17.6	24.3	20.5	18.3
Bihar	34.06	31.8	39.8	34.9	30.6	31.23	30.2	39.5	23.7	32
Chhattisgarh	44.61	50.8	50.8	41.6	31.2	24.75	25.6	23.5	26	21.9
Gujarat	21.54	26	26	18.6	15.9	10.14	14.4	11.1	9.2	9.2
Haryana	11.64	12	11.3	15.6	8.2	10.28	14.8	9.2	7.5	8.3
Jammu & Kashmir	11.54	17.4	9.6	10	9	7.2	9.1	8.6	6.6	8.5
Jharkhand	40.84	42.5	43.4	34.9	36.3	24.83	25.3	31.5	20.1	15.5
Karnataka	24.53	29.3	25.2	21.7	20	15.25	16.6	17.1	13.2	15.7
Kerala ¹	9.14	11.6	10	9.2	9.4	4.97	9.4	8.1	7.3	8.5
Madhya Pradesh	35.74	43.6	45	34.6	31.4	21	27.8	22	20.3	15
Maharashtra	24.22	33.2	23.8	25.7	17.5	9.12	13	9.2	8.2	9
Odisha	35.69	44.5	31.6	37.7	30.4	17.29	16.8	16.2	17	20.8
Punjab ¹	7.66	8.6	8.6	8.3	8.7	9.24	8.6	9.5	11.3	9.4
Rajasthan	16.05	17.8	16.5	18	14.5	10.69	12.4	13.4	8.6	8.9
Tamil Nadu	15.83	18.3	18.7	18	10	6.54	10.9	8.3	8.2	6.4
Uttar Pradesh	30.4	33.5	32.4	28.4	26.7	26.06	31.1	27.7	29	18
West Bengal	22.52	26.5	21.4	24	16.8	14.66	16.1	17.6	15.3	12.4
All India	25.7	28.1	26.9	25.6	22	13.7	16.2	14.5	13.5	10

The poverty percentages are based on linear interpolation in each decile. This leads to some over estimation in the lowest decile class.

pointed out that potential use should describe the design of measurement. Specifically using poverty measures for targeting purposes implies that we

if our concern is with targeting we should look for a all India measure that aggregates seasonal peaks across states. The degree of interstate and even higher interstate seasonal variability suggests that this type of variation would increase as we go down further into sub State level measures. In fact it is quite likely that backward districts would have much higher seasonal variability in poverty.

should be sensitive to likely errors of inclusion and exclusion. This suggests

that in addition to being concerned about the location attributes of poverty measures we should explore their variability and sources and structures in the variability. Existing measurement designs have principally been focussed on estimates of mean rather than those of variance and covariance. This has been partly compounded by a misunderstanding on the nature of variance; it should not be identified as a fault of the design but a characteristic of the process itself. There is clearly a need to develop from existing studies a deeper analysis of variance and covariance. Further we have, in our discussion, examined variability only on account of seasonal variations in economic activity. But poverty is also affected by non-seasonal sources of variation like health expenses, economic and demographic cycles, natural disasters etc. Ideally we should seek to develop

poverty is also affected by non-seasonal sources of variation like health expenses, economic and demographic cycles, natural disasters etc. Ideally we should seek to develop a study to understand the dynamics of poverty directly.

a study to understand the dynamics of poverty directly. To appreciate the distinction, at present the survey focuses extensively on the nuances of consumer expenditure. Poverty is principally a distributional attribute of the consumption distribution. We could, in principle take a somewhat coarser measure of consumption, but generate a richer sense of its distribution and dynamics. □

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Development Roadmap

NULM - Livelihood Opportunities for Urban Poor

The Cabinet Committee on Economic Affairs (CCEA) approved a flagship scheme aimed at job-oriented skills training for the urban poor.

With an allocation of approximately Rs 6,405 crore, the National Urban Livelihoods Mission (NULM), aims at reducing poverty of urban households through self-employment and skilled wage employment opportunities.

City Livelihood Centres (CLCs) will be established in mission cities to provide a platform to the urban poor to market their services and access information on self-employment, skill training and other benefits. The Self-employment programme (SEP) will provide financial assistance to individuals and groups of urban poor to set up gainful self-employment ventures. To be implemented in two phases – phase I (2013-2017) and phase II (2017-2022), it will target all cities with a population of one lakh or more and district headquarter towns with a population of less than one lakh as per Census 2011.

Land Acquisition Bill - Benefitting the Poor

The Government passed recently the Right to Fair Compensation, Resettlement, Rehabilitation and Transparency in Land Acquisition Bill that seeks to change the antiquated legal framework for acquiring land and guarantee compensation, rehabilitation and resettlement benefits to people affected by acquisitions.

A. Compensation clauses

- i. The bill, which replaces the Land Acquisition Act, 1984, proposes compensation upto four times the market value of the land in rural areas and two times in urban areas. It has authorized states to enhance the package, if so desired.
- ii. Provision added to ensure that speculators who purchase land at low prices do not benefit unduly.
- iii. Tenants living off share crop above a certain period will also get compensation.

B. Consent

It makes it mandatory to obtain prior consent of at least 70 per cent of landowners in case of acquisitions for public-private-partnerships projects and 80 per cent for private projects. It has asserted that government will retain land ownership in PPP projects. It has also authorized states to increase the consent provision, if so desired.

C. The clauses of the Act will apply with retrospective effect to such projects where acquisition process has not been completed when the new law comes into effect.

D. The bill states that land will be returned to the state land bank if unused for 5 years.

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Employment and Growth in India: Trends and Policies

S Mahendra Dev



Inclusive growth does not mean having some social protection programs or giving freebies to certain sections of the population. There should be productive inclusion in terms of generating productive or quality employment

EXPANDING productive employment is central for sustained poverty reduction and food security in low income countries, as labour is the main asset for majority of the poor. It is also known that a high output elasticity of employment generally ensures that growth is egalitarian. The experience of the last two decades in India indicates that employment opportunities created were inadequate inspite of rapid growth. Jobless growth is a concern but on the other hand, we should not have growth less jobs. In other words, generation of employment per se without growth should not be the policy prescription. We should generate productive jobs.

In a country like India with surplus labour, importance of an employment oriented growth is well known. However, an over-emphasis on employment generation without any regard to productivity and incomes of workers is also not desirable particularly in India where productivity and income levels are low. Therefore, the new employment generated has to be at increasing levels of productivity so that it does not assume a poverty perpetuating nature (Papola, 2012).

Trends in Growth and Employment

Table 1 provides GDP growth, employment growth, productivity growth, elasticity of employment with respect to GDP since the early 1970s. The elasticity of employment declined continuously from 0.52 in the 1970s to 0.02 in the second half of 2000s. The story of India shows that the relatively high growth has not been 'jobless' but its employment content has been low and has declined sharply over the decades since the early 1980s. Overall productivity is increasing particularly in the formal sector but new employment is being created in the low productive informal sector.

The numbers on GDP growth, employment growth and elasticity by sectors for India are given in Table 2. Employment growth and elasticity have declined for the primary sector. Decline in the share of agriculture in employment is needed. However, it is declining in manufacturing sector also. The elasticity of employment in manufacturing declined from 0.78 in the 1970s to 0.25 in 2000s. Similarly, the elasticity of tertiary sector has declined from 0.77 to 0.30 during the same period. In the last two decades, employment was generated more in construction sector, trade, hotels, transport and storage.

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Two other important trends are observed in Indian economy. One observes a 'jobless growth' phenomenon in organized manufacturing. The growth rate of employment in this sector recorded consistently negative growth since late 1980s with growth rates of -0.8 in 1988-94, -2.5 in 1994-2000, -5.9 in 1999-2005 and -3.4 in 2005-2008. Secondly, the additional employment generated mainly relates to informal workers. Around 63 million workers were added during the period 1999-2000 to 2009-10. Out of that, 44.7 million were added to unorganized sector and 18.8 millions were informal organized workers. In other words, all the additional employment generated was of informal nature.

There are large numbers of working poor in India. Around 92 per cent of the workers are in the unorganized sector with low productivity, low earnings, poor conditions of work and lack of social protection. The Indian experience thus suggests the need for increase in quantity and quality of employment.

Global Experience: According to the Report of the Global Employment Trends 2013 (ILO, 2013), global unemployment is estimated to have increased from 170 million in 2007 to 197 million in 2011. Around 39 million people have dropped out of the labour market as they do not see job prospects. These are also called 'discouraged workers'. ILO (2012a) indicates that although

economies achieved high growth from the early 2000s, employment elasticity to growth has been low. The employment-to-population ratio stagnated around 60 per cent when the world economy was growing steadily. The report says that while the trends may mask regional and country level successes, at the global level, there is little evidence to suggest employment has been responding to economic growth.

ILO (2012 a) report says that one of the reasons why employment is not responding to growth could be due to structural changes that the global economy is undergoing. Some of the structural changes are: (a) labour saving technological advances; (b) workers are moving to

Table 1. GDP Growth, Employment, Productivity and Elasticity in India

Periods	GDP Growth (%)	Employment Growth (%)	Productivity Growth (%)	Elasticity of Employment with respect to GDP
1972-73 to 1983	4.66	2.44	2.22	0.52
1983 to 1993-94	4.98	2.02	2.96	0.41
1993-94 to 2004-05	6.27	1.84	4.43	0.29
1999-00 to 2009-10	7.52	1.50	6.02	0.20
2004-05 to 2009-10	9.08	0.22	8.86	0.02

Source: Derived from Papola (2012)

Table 2. GDP Growth, Employment, Elasticity in India by Sectors

Sector	GDP Growth (%)				Employment growth (%)				Elasticity of employment w.r.t GDP			
	72-73 to 83	83 to 93/94	93-94 to 00/09-10	99-00/09-10	72-73 to 83	83 to 93/94	93-94 to 04-05	99-00/09-10	72-73 to 83	83 to 93/94	93-94 to 04-05	99-00/09-10
Primary Sector	3.66	2.76	2.51	2.33	1.70	1.35	0.67	-0.13	0.46	0.49	0.26	-0.05
Manufacturing	5.47	4.94	6.70	7.97	4.28	2.00	3.17	1.95	0.78	0.41	0.47	0.25
Construction	3.08	4.88	7.63	9.20	4.43	5.67	7.19	9.72	1.44	1.16	0.94	1.06
Secondary sector	5.09	5.35	6.68	7.78	4.43	2.82	3.97	4.64	0.87	0.53	0.59	0.60
Trade, hoteling etc.	5.74	5.58	8.64	8.47	4.62	3.77	5.24	2.54	0.81	0.67	0.61	0.30
Transport & communica	6.48	6.03	10.57	14.50	5.88	3.39	5.16	3.68	0.91	0.56	0.49	0.25
Financing, insurance etc.	5.95	9.07	7.29	9.47	7.43	3.58	7.23	7.68	1.25	0.39	0.99	0.81
Community, social etc.	4.49	5.86	6.53	6.58	3.18	3.91	0.40	1.85	0.71	0.67	0.06	0.28
Tertiary Sector	5.46	6.58	8.00	9.35	4.21	3.77	3.41	2.83	0.77	0.57	0.43	0.30
All non-agri.	5.31	6.12	7.54	8.84	4.30	3.36	3.64	3.61	0.81	0.55	0.48	0.41
Total	4.66	4.98	6.27	7.52	2.44	2.02	1.84	1.50	0.52	0.41	0.29	0.20

Source: Derived from Papola (2012)

low productivity informal sector; (c) economies are facing adjustments to ensure environmental sustainability to fight against climate change; (d) some demand is coming from extractive sectors which have low employment intensity.

The conclusion of ILO (2012a) is that (a) growth is not a necessary condition for employment generation although it is thought to be a necessary condition (b) the structural changes in the world economy do not seem to be conducive for employment generation. The challenge at global level is creating productive and decent jobs for the working poor, the 200 million out of work and for the 40 million people entering the labour force every year plus those 'discouraged workers'.

Generating Productive Employment: Options and Policies

There is a need to have policies for generating productive employment. All

The challenge at global level is creating productive and decent jobs for the working poor, the 200 million out of work and for the 40 million people entering the labour force every year plus those 'discouraged workers'.

the three sectors of the economy i.e. agriculture, industry and services can contribute to the growth of productive employment although labour intensive manufacturing is the most important one.

Agriculture growth is one of the important components for productive inclusion. Crop sector cannot absorb any more workers but allied activities and agro processing etc. can absorb some of the growing labour force. Global experience shows that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture. The index of total factor productivity (TFP) in agriculture in India has increased from 100 in

1961 to 170 in 2009. During the same time it increased from 100 to more than 200 in Brazil, China and Indonesia. The yields of many crops in India are lower than many countries. Thus, there are a lot of opportunities for increase in TFP and yields in India with appropriate price and non-price policies (technology and extension, water management, marketing and rural infrastructure). Diversification of agriculture, focus on Eastern and Central regions, increase in supply chains and links to agro processing can increase productive employment. Higher agri-growth also increases rural non-farm sector productivity because of linkages.

Over the time, however, as shown by the East Asian experience, we need labour intensive manufacturing to shift workers from agriculture. The share of manufacturing employment in India is only 11 per cent as compared to 30 to 40 percent in East Asian countries in 2009. In a research paper, Ramaswamy and Agarwal (2012) compare the employment and job quality of manufacturing and services in urban India during the period from 1999-2000 to 2009-10. Based on the results of the paper, they conclude the following:

The "results strongly suggest that services sector would be an unlikely destination for the millions of low skilled job seekers. India needs to focus on manufacturing sector to provide large scale employment. Manufacturing has the capability because it has stronger backward linkages unlike the services sector. We cannot afford to neglect manufacturing at this stage of development. The policy signals have to clearly say that we stand to support manufacturing activity in a big way." Labour intensity of organized manufacturing sector has to be improved apart from increasing the productive employment in SMEs and unorganized manufacturing.

It does not mean that service sector has no potential to add to the growing labour force. In fact, a study by Eichengreen and Gupta (2011)

suggest a complementary relationship between manufacturing and services as both are required to absorb India's large additions to the labour force. However, service sector has greater duality in terms of informality and wage inequality. On one hand, we have highly skilled activities like IT getting very high salaries. On the other hand, we have low productive large informal sector getting very low incomes and wages.

Unemployment is a problem in the country, particularly youth unemployment, which is in the range of 15 to 20 per cent, has to be addressed. But, the major employment challenge is the large number of 'working poor'. Many of these workers are in unorganized sector which constitutes 92 percent of total workers. These people are working but with low productivity and low incomes without any social security. There is also an economic argument for increasing their productivity and incomes as the unorganized sector contributes more than 50 per cent of GDP to the country.

...the major employment challenge is the large number of 'working poor'. Many of these workers are in unorganized sector which constitutes 92 percent of total workers. These people are working but with low productivity and low incomes without any social security. There is also an economic argument for increasing their productivity and incomes as the unorganized sector contributes more than 50 percent of GDP to the country.

The approach paper says that two conditions have to be fulfilled in order to add to growth potential of 'demographic dividend'. "First, higher levels of health, education and skill development must be achieved. Second, an environment must be created in which the economy not

only grows rapidly, but also enhances good quality employment/livelihood opportunities to meet the needs and aspirations of the youth". Thus, importance of skill development and need for quality employment is rightly recognized.

Finally, large expenditures are undertaken on social protection programs such as wage employment (MGNREGS) and self employment programs (National Rural Livelihoods Mission) schemes. These programs should generate productive employment. For example, MGNREGS should increase in agricultural productivity which can generate additional jobs.

The fresh perspective regarding employment and growth in India relates to shifting focus from quantity to quality and skill development. The focus is also on labour intensive manufacturing sector so that workers can be shifted from agriculture to high productivity sectors.

The 12th Five Year Plan objective of achieving 'faster, sustainable and more inclusive growth' (though independently done) is in line with the thinking of the post-2015 development agenda at global level. The fresh perspective regarding employment and growth in India relates to shifting focus from quantity to quality and skill development. The focus is also on labour intensive manufacturing sector so that workers can be shifted from agriculture to high productivity sectors. Social protection to workers and improving productivity of workers are also emphasized. However, skill development for workers is given the highest priority for achieving faster and inclusive growth. This is also important for taking advantage of the demographic dividend in India.

Generation of Productive Employment

India has achieved much in the last 22 years of the reform period particularly in the macro performance. On growth and inflation fronts, the country did well till the global financial crisis. Now we have many short run macro problems: decline in investment and growth, high inflation, twin deficits, lower exports, rupee depreciation etc. India should quickly come out of short run problems and focus on long term issues for sustainable growth. A lot remains to be done for achieving the goals of higher growth and inclusive development. Naturally, the question arises: What's next?

There are five disappointments in the post-reform period. These are important for generation of productive employment, achieving higher growth and inclusiveness. These are elaborated below.

First, slow infrastructure development is the first disappointment. Although there is a lot of progress, almost all indicators score poorly if one looks at India's infrastructure particularly compared with countries like China. For example, power shortage is perennial in India. This is one of the single biggest constraints for our growth. However, there are positives during 11th Five Year Plan. In the 12th Plan, out of one trillion dollars projected, 47 per cent investment is expected to be from private sector. It is not surprising that the index of infrastructure across states is highly correlated with per capita income and level of poverty. IFPRI's study on India showed that public expenditures on roads have better impact on poverty compared to that of anti-poverty programmes.

The second disappointment is the failure in raising labour intensive manufacturing. In the post-reform period, share of manufacturing in total employment has been almost stagnant at 11 to 12 per cent. In 2010, India accounted for 1.4 per cent of the

world exports of manufactures while the share of China was a whopping 15 per cent. The reforms since 1991 have not been comprehensive enough to remove the bias towards capital and skill intensive industries. Also, there are distortions in input markets like land and labour. Productivity of SMEs and unorganized sector manufacturing has to be enhanced. Role of agriculture in structural change is not through increasing employment but through increasing productivity. Low productivity growth in agriculture is one of the disappointments. Services and manufacturing have a complementary role.

The third disappointment is sluggish progress in education and skill levels of workers. Not taking advantage of demographic dividend is one of the failures. The draft of 12th Plan quotes Prime Minister saying that young population is an asset only if it is (a) educated (b) skilled and (c) finds productive employment. Even in 2009-10, around 52 per cent of total

Even in 2009-10, around 52 percent of total workers are either illiterate or have been educated only upto primary level. Overall 10 percent of the workforce in the age-group of 15-59 years received some form of vocational training. Vast majority of workers have non-formal vocational training. There are huge challenges in raising education and skills of workers and population.

workers are either illiterate or have been educated only upto primary level. Overall 10 per cent of the workforce in the age-group of 15-59 years received some form of vocational training. Vast majority of workers have non-formal vocational training. There are huge challenges in raising education and skills of workers and population.

The fourth disappointment is slow social sector development. Although there have been

achievements in social sector during the reform period, the progress has been very slow. If we compare longer periods of 1993-94 and 2009-10, the rate of decline in poverty for India has been around 0.97 per cent per annum; inequality has increased; poverty reduction has been slower of STs. In the recent short period 2004-05 to 2009-10, there have been improvements: the rate of decline in poverty has been faster at 1.5 per annum; the rate of decline in poverty for SCs and STs is higher than for all; inequalities in rural areas declined slightly but increased in urban areas. However, in the longer period, one expected much more progress in all these indicators. India had success in growth but there is extreme failure in progress of social indicators or the MDGs including environment. We are not only behind China but the progress is slower than that of Bangladesh. One study published in India Development Report 2012-13 estimated inequality adjusted Human Development Index. It shows the cost of inequality HDI is 32 per cent. The loss due to inequality is the highest in education dimension (43 per cent), followed by health (34 per cent) and income (16 per cent). There is a debate about progress of human development in Gujarat and Kerala. Although there have been

improvements in Gujarat, it has to go a long way in raising human development.

The last and fifth disappointment is governance failure. Reforms were expected to improve governance at various levels. However, there are new problems in governance and persistence of old problems including corruption. A study on performance of Karnataka's Lokayukta published in India Development Report 2012-13 suggests that without overhaul of the country's administrative structure, ex-post prosecution of corruption or withdrawal from economic activities cannot reduce corruption. At present, the design of anti-corruption ombudsman leaves a lot to the personality of Lokayukta. The analysis also suggests that the overburdened legal system needs legal reforms. Dr. Bimal Jalan and many others feel that the governance problem is the biggest constraint for achieving our development goals in the country. Fixing this problem is important for success of the above four issues also.

To conclude, inclusive growth does not mean having some social protection programs or having freebies to certain sections of the population. There should be productive inclusion

in terms of generating productive or quality employment.

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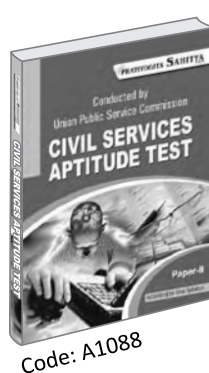
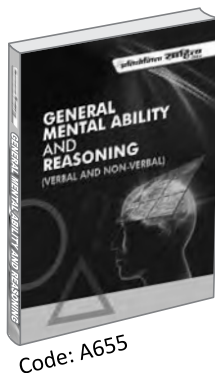
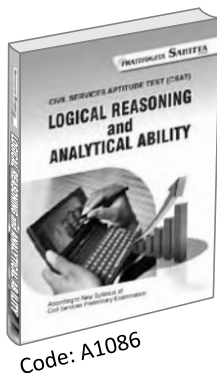
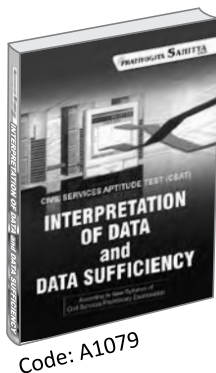
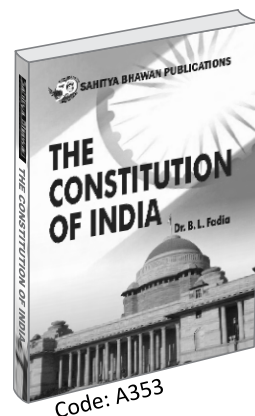
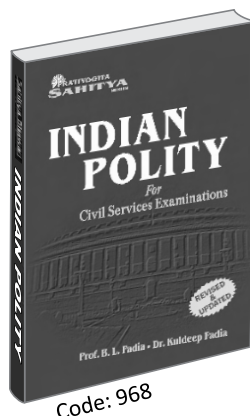
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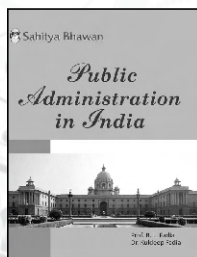
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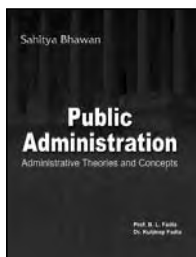
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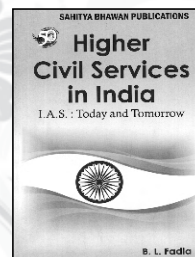
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Demand for Smaller States in India: Impending Dangers

Guljit K Arora



Since this is a political and emotional issue, the political class has to take the lead to create governance mechanism and socio-economic institutional structures, which are people-sensitive, people-friendly and people inclusive

INDIA'S THREE-tier federal structure validated by our Constitution offers a great deal of administrative, economic and political freedom including redrawing the domestic political map to the constituent units. But the way political economy of the federation in India has worked over the period shows that states at times, take unreasonable positions for economic and social gains and political accommodation (Kumar 2009). The people have lost faith in the institutions of "state" because the "state" which can help in creating conditions for and provide enabling environment have not come up to those expectations. (Mahajan, 1999).

The framework of centralized economic planning and governance on federal principles could not adequately provide a solution to the serious challenges of inter-state disparities, unemployment and mass poverty, ill-health and malnutrition, illiteracy, social differentiation induced by caste, religion, region, and language related discrimination and riots, insensitivity of the political institutions to the basic needs of the people, and political corruption.

During the period of on-going globalization induced transition, it is said the inequality problem has

become much more complex. The poor particularly in the poorest regions are likely to get further marginalized; more so when some of the regions continue to stagnate, in spite of following the policy of balanced regional development and the significant proportion of the Central public sector investment in those regions. Given that the population is non-homogeneous, and geographic regions socially differentiated, the level of general economic frustrations of the people is likely to be exploited for political gains by political elites and allied population groups, if growing politicization and multiparty system and the way aggressive rule flouting mechanism continue to be used to hold on to power. Political arguments based on strong regional identities for having smaller administrative units are likely to be widespread and people may launch agitations under political leaders at the regional level for new jurisdictions.

States Reorganization: The Historical Perspective

The Drafting Committee of the Constituent Assembly recommended the appointment of a Linguistic Provinces Commission (known as the Dar Commission). The Dar Commission reported against any reorganization given the prevailing circumstances and emphasized, "...

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everything which helped the growth of nationalism had to go forward and everything which impeded it had to be rejected or should stand over” (SRC 1955, p.15).

The Congress appointed another Committee (December 1948, Jaipur Session) known as the J.V.P. Committee. This Committee, after having considered the question of linguistic provinces, the Dar Commission Report and problems that had arisen since Independence, sounded a note of warning against the linguistic principle and stressed on the unity, security, and economic prosperity of the country. However, it agreed to the formation of the Andhra State, under the influence of and as agreed by, Andhra Provincial Congress, the Tamilnad Congress and the Madras Government; but it did not agree to the formation of the

...language as a determinant of states’ reorganization is justified on grounds like a convenient tool of administration, an important link, ensures social homogeneity and what Ambedkar said, a fellow feeling. However counter arguments such as, a single predominant language may result into “exclusivism” and may challenge history and existing homogeneity and unity and so on are equally strong.

Karnataka State for lack of unanimity among the great majority of the people of Mysore State [SRC 1955].

In December 1953, States Reorganisation Commission with A.V. Pai as the Secretary was appointed to consider the whole question of the Reorganisation of States of Indian Union to promote the welfare of the people of the constituent units and the nation as whole. The Commission gave recommendations and the scheme of proposals for reorganisation in addition to review, rationality and timing and

factors having bearing on reorganising states.

Formation of States : Factors

Since pressures for smaller states and political decentralization continue to be present and have grown persistently over the period, it would be useful to review factors and their dynamic interrelationships in the decision making process linked to states’ reorganization and alternation of their boundaries. Some of the important factors are as follows:

Language: Language is an expression of feelings of people, and reflects their culture and “internal cohesiveness”. The language as a determinant of states’ reorganization is justified on grounds like a convenient tool of administration, an important link, ensures social homogeneity and what Ambedkar said, a fellow feeling. However, counter arguments such as, a single predominant language may result into “exclusivism” and may challenge history and existing homogeneity and unity and so on are equally strong.

Cultural Aspects: Generally speaking, culture indicates all shared values, practices and behavioural aspects relating to beliefs, habits, morals, laws and customs, and art and knowledge acquired by a person as a member of society, and practiced in some way. Culture, in fact, is a social heritage reflecting moral, spiritual and economic values, which are expressed in the distinct way of life of people and may not find direct link with administrative activity. But, since the culture reflects local languages, customs and traditions and art forms, it assumes importance in reorganizing states. However, it is desirable to promote the composite national culture while preserving individual characteristics.

Administrative and Economic Viability: Economic viability requires state’s ability to (i) match revenue and expenditures after meeting of debt servicing of the central government loans; (ii) to raise

financial resources adequate enough to at least maintain minimum standards of services to its people; (iii) increase the revenue resources required for ensuring a minimum rate of growth and development and; (iv) generate revenues so that state’s dependence on central transfers is not transformed into an inverse flow of resources, i.e. interest payments and loan repayments exceed the fiscal transfers received from the Centre.

Unity, Strength and National Security: In any scheme of reorganization of administrative boundaries of constituent units, the question of unity and strength assumes importance. It includes all the administrative, political and social structures, which are built with the primacy of the nation as one harmoniously integrated unit; and discourages linguistic fanaticism and provincialism while giving due space to diversity reflected in language, culture, and traditions of the people.

In smaller units, citizens in smaller administrative units can confront the bureaucracy and even the political mafia and corruption directly to carry forward the objective of balanced development particularly when the country is non-homogeneous and socially differentiated.

Geographic Size and Contiguity: The geographic size of a constituent unit is very vital in the functioning of a federal political economy like India. Since it is a common factor linked to the issue of smaller versus large states, it needs little elaboration.

In smaller units, citizens in smaller administrative units can confront the bureaucracy and even the political mafia and corruption directly to carry forward the objective of balanced development particularly when the country is non-homogeneous and socially differentiated. It is easy to enhance allocative efficiency, improve

cost effectiveness, accountability, resource mobilization and accessibility and effectiveness of government services. It allows wider experimentation in developing skilled public administrators, and introducing an institutional change, which other regions may emulate over the period. It will not be an easy task for the Central Government to be an efficient supplier of the uniform level of output for reasons of imperfections or asymmetries in information available with the Centre; and political pressures or even constitutional constraints limiting the capacity of the Central government (Oates 1998).

On the contrary, too many smaller states empowered with general monetary and fiscal aspects including domestic and foreign market borrowings, access to money and capital markets, taxing, subsidizing and providing tax incentives etc. may not worry about macroeconomic stability (Prud'homme

On the contrary, too many smaller states empowered with general monetary and fiscal aspects including domestic and foreign market borrowings, access to money and capital markets, taxing, subsidizing and providing tax incentives etc. may not worry about macroeconomic stability

1995). They may not necessarily check the rising income disparities among individuals and regions, because if high taxes on the rich are imposed for better income redistribution, the rich may leave for lightly taxed areas. Such demands for smaller States are a never ending process particularly if people are dissatisfied with “state” policies and the country is divided into too many ethnic entities. Demands for new states immediately after independence, in some cases like Gujarat, Samyukta Maharashtra, Vishal Andhra etc. were for more cohesive bigger states [Kumar 2000:22].

It is often argued that smaller units serve and provide output as per tastes

and preferences of the local people and therefore are efficient in the economic sense. This is challenged on many grounds. Tastes and preferences may not get accurately reflected; production may not necessarily be cost effective; qualified people, skilled manpower and resources to be devoted to technology and innovation, research and development to meet technical production frontiers may not be available. Corruption and financial malpractices, though smaller in volume and scale, may be wide spread and deep rooted as more people find access to local politicians and local bureaucracies.

It must also be recognized that development experience of different constituent units shows that economic transformation can be neutral to size, geographical compactness and physical geography. What ultimately matters is not the size, but the intrinsic merits of the administrative unit.

Historical Traditions and Connections: A sense of kinship and oneness as reflected through history; and its traditions create a common consciousness. But how much weight should be given to this factor in redrawing the political map of a country cannot be overstressed.

Constitutional Structure of the Country: Indian experience of more than six decades with the Constitution shows a scope for amendments, an in-built flexibility for states and sufficient safeguards for the Centre to protect the unity and strength of the country. Parliament has overriding legislative authority on subjects listed in Concurrent List, and in case of grave emergency or which the national interest so warrants; and with the approval of a 2/3 majority of the Rajya Sabha, it can prevail over the State List.

Globalising India and Socio-Economic Realities

With reduced fiscal transfers available with states, they have to compete more intensely ever more than before for human, physical and

financial resources. The relatively poor States, given their meager resources, lack of competitiveness to attract new investments and the declining fiscal transfers from the Centre are likely to further suffer on account of compression of expenditure on health, education and essential public services (Rao and Chakraborty, 2006). A few States may find it easy to indulge in “races to the bottom” by diluting their tax laws and giving fiscal concessions and incentives to attract foreign investment. However, the poorer State may not find resources for extending these incentives and in fact may witness distortions in social investments, patterns caused by the demonstration effect of the elite consumption patterns. With the nation-state becoming relatively a less significant player and TNCs more powerful, the weak regions lag far behind and also lose grip over conflict management instruments at the political level with a reduction in the absolute power of those in power [OECD 2001].

Globalization induced pains through the consequently reduced role of the “state” as a producer,

Given the existing economic disparities across the States at intolerable levels, and further coupled with social differentiation and coalition politics advancing in the direction of identity nationalism, the country may get into a situation of an upsurge in statehood demands particularly from deplorably poor regions even of the relatively high income states.

promoter and regulator, pressures for federal restructuring, and pressures on public finances are likely to further weaken the poor regions and bring a change in rules and culture that shape the system of governance. Given the existing economic disparities across the States at intolerable levels, and further

coupled with social differentiation and coalition politics advancing in the direction of identity nationalism, the country may get into a situation of an upsurge in statehood demands particularly from deplorably poor regions even of the relatively high income states. For instance, Vidarbha and Marathwada in Maharashtra, Rayalaseema and Telangana in Andhra Pradesh, Eastern part of Uttar Pradesh, North Karnataka in Karnataka and so on shows a dual structure and the top-sidedness of the state's development process [Kurian 2000].

The 73rd and 74th amendments introduced in 1992 empowering the local people to plan from below validated by the Constitution, continue to be illusory for the general masses. The Thirteenth Finance Commission has seriously and rightly so viewed this problem. The classic cases are that of Local Area Development Scheme of Members of Parliament and Legislative Assembly. Nobody has imagined the distortions if all the three million local government representatives ask for local area development shares which

The high degree of social differentiation is buttressed by political differentiation. With more than 170 regional and unrecognized, 36 state and 6 national political parties existing in the country, the coalition politics has assumed an important place in political governance and administration of the country.

appears to be more legitimate than that of MLAs and MPs (Oommen, 2010).

Regional consciousness through 'sons of the soil' policy given the deeper penetration of coalition politics, the growth of local patriotism and loyalty to a region and its language and culture have grown into feelings of hostility and a basis for regional conflicts.

The high degree of social

differentiation is buttressed by political differentiation. With more than 170 regional and unrecognized, 36 state and 6 national political parties existing in the country, the coalition politics has assumed an important place in political governance and administration of the country. But these social and political diversities are being misused to obstruct cohesiveness and consensus required for sound governance. The vision and perspectives have been missing in policies related to language, culture, and national integration; and as a result, the national goals related to secularism, unity in diversity etc. have become much more complex. The dual system of education, described as "divided system" with English medium schools accessible primarily to the rich is highly divisive.

The political parties have grown arbitrary and autocratic, lacking inner democracy and accountability. Across the political spectrum Lok Sabha members, an important component owes their status to their families. Electoral system based on adult suffrage, and territorial constituencies have given rise to vote-bank-based political cultures of putting off contentious political issues. Promoting politics through caste-based reservations has become more common now. These cannot be ignored in a country committed to secular principles and democratic federal structure.

The excessive use of money, muscle power, and moneyed interests have encouraged political violence and political corruption, and the upcoming of the politicians with criminal charges in the current Parliament and non-serious political parties leading to declining political values and cultures. It is a sad commentary on the Lok Sabha that Parliament proceedings in December 2009 had to be abandoned with as many as 34 members with questions listed against their names not turning up during question hours. And one hour costs around Rs. 14 lakh (Economic Times, 1st Dec 2009). Lok Sabha worked for only 92 hours and 45 disrupted hours in a 24 day session in 2009 (Hindustan Times, 8 August

2009, p.8). There are also "signs of widespread election fatigue leading to popular disinterest in and cynicism towards politics" (Yadav 1999, p. 2393).

The character of the conflict in the three layers of government witnesses a sea change, but conflict management tools continue to be "appease-now" policy. Regional groups highlighting their cultural and historical roots have become much more assertive. Public policy-making environment has got deteriorated [Kothari, 2001]; and conflict management has become increasingly complex particularly in view of the narrow local interests and prejudices represented by regional politics (Sanghavi and Thakkar 2000). The complex interplay of all these developments accompanied with unhealthy and corrupt political practices in partnership with bureaucracy and business and deteriorating public policy making environment created a governance policy that has failed to check the unabated black money and political corruption.

The rising peoples' frustrations and exploitation on economic front is linked to soaring aspirations of various ethnic, regional, religious and linguistic groups. Violence inflicted on the people

The rising peoples' frustrations and exploitation on economic front is linked to soaring aspirations of various ethnic, regional, religious and linguistic groups.

through caste and religious forces, and globalization induced individualism, commercialism, and disharmony intertwined over the period can easily be used for political gains. This type of situation cannot be suppressed under the garb of consensus. Political ends can easily be translated into expression for smaller administrative units, given the voting rights in the political executive system and continuously eroding capability of the "state" to manage the

political economy of the rule-based policy making environment [Sen, 1998]. In such a situation, determinants of identity seen in terms of geography, society, economics, history, politics, religion, philosophy, art and music overweigh the corresponding central values seen in terms of harmony, equality, collectivism, democracy, naturalism, ethnic living, and group participation (Raichaudhuri 1992).

In the long run, there may not appear any real consensus without accommodating the demand for smaller administrative units. The case of Telangana deserves mention. This is a more than half a century old well-articulated demand for which mass protests with serious political backing have been observed. In July 2013, the Congress Working Committee's announcement to carve out a separate state has led to frequent disruptions of Lok Sabha by ant-Telangana members belonging to the Congress and the Telugu Desam Party resulting in suspension of 12 such members for five working days.

The political history of India shows that “administrative efficiency and faster economic development were essentially the by-products, but not the causative factors ... and were never the reasons for the Centre in first place to initiate such reorganization” (Kumar 2000:3081).

Unfortunately, calculus of political opportunism to be exploited whenever convenient continues to be the main determinant for such an important issue.

The political history of India shows that “administrative efficiency and faster economic development were essentially the by-products, but not the causative factors ... and were never the reasons for the Centre in first place to initiate such reorganization” (Kumar 2000:3081). Unfortunately, calculus of political opportunism to be exploited

whenever convenient continues to be the main determinant for such an important issue.

Challenges and Future Prospects

The globalizing India undoubtedly has moved up on the developmental scale but continues to face the serious challenges of rising inter-state disparities, mass unemployment, poverty, illiteracy, insensitivity of the political-economy institutions to the basic needs of people, and the political corruption. Inclusive growth remains a distant dream. Trends of underdevelopment lead to political disenchantment and economic frustrations of the people. Thanks to the vernacular media led information revolution at the local level, the dominance of national political claims is also challenged. Given the socio-economic and political background of the country, economic frustrations may change into political formations culminating into regional movements for statehood demands. These are easily exploitable as an instrument of political opportunism simply because people can be identified in terms of small regional identities.

The process related to reorganization of boundaries gets further compounded if political pressures for decentralization are serious, socio-economic development policies are not in line with economic realities, and the people become skeptical about the socio-economic consequences and their dynamics of exogenous pressures for globalization. In the case of Sri Krishna Committee Report on Telangana (2010), even after the elaborate work, the Committee could not give any resolution except giving out six options for different configurations of the three constituent regions of coastal Andhra, Rayalaseema and Telangana.

Smaller units created purely to meet the non-economic objectives and appease certain pressures emerging for historical reasons and out of feelings related to caste, creed and culture; languages; religions and ethnicity may fail to achieve a stable

political equilibrium. One may cite instances of culturally dominant and distinct groups such as Bundelkhand (U.P.), Mewar (Rajasthan), Malwa (M.P.), Mithilanchal (Bihar), Old Mysore (Karnataka), which fall in this category [Kumar 2000]. The creation of such states alone on ethnic grounds may result in intense ethnic strife. Seven states created to satisfy ethnic aspirations of the people in the north east, continue to be in turmoil more than ever before [Madhab 1999]. At the same time, pressures for reorganizing states such as Bodoland, Coorg, Bundhelkhand, Gorkhaland, Khoshal, Harit Pradesh, Maru Pradesh, Mithilanchal, Saurashtra, Telengana and Vidarbha are already existing. In most of the cases, such demands are not superficial given their historical basis, prolonged agitations, economic rationality, and vernacularization of the public sphere, influencing and informing citizen at the local levels. The country is aware of the approaches followed by the British, the Indian National Congress, and factors considered in the post-independence period.

Each case thus deserves to be examined on its own merits as background features and peculiarities would be different. But before arriving at any conclusion, totality of circumstances cannot be ignored in the

There is a need to appreciate that alteration of state boundaries and creation of new states has to be regarded as a means to an end rather than an end in itself to achieve the higher levels of welfare of the people.

perspective of the generally recognized factors. There is a need to appreciate that alteration of state boundaries and creation of new states has to be regarded as a means to an end rather than an end in itself to achieve the higher levels of welfare of the people. The creation of Chhatisgarh, Jharkhand and Uttaranchal and the tripartite

Agreement with the Government of West Bengal, Centre and Gorkhaland Territorial Administration to give more autonomy to the hill region of West Bengal in July 2011 has increased local aspirations for forming a separate state of Gorkhaland along with raising others' aspirations elsewhere.

It may also be highlighted that redrawing the internal administrative map should not be treated against the 'unity and integrity' of India nor anti-establishment. India is well integrated physically and emotionally, and in political and economic terms. The country has seen states' reorganisation many a times before, and the number of states has gone up from 14 and 6 UTs in the 1950s to the present 28 states and 7 UTs.

Thus, an evaluation of the existing administrative boundaries may be undertaken but it should be context specific and seen in totality of circumstances, and developments taking place in broader socio-economic-political contexts. The specific factors that requires a careful and critical review include: language and culture; security of the country; history, size and the geographic contiguity of the region, constitutional guidelines and also the emerging pressures; and economic feasibility and administrative viability.

Since this is a political and emotional issue, the political class has to take the lead to create governance mechanism and socio-economic institutional structures, which are people-sensitive, people-friendly and people inclusive. It may even think of a new legislative solution for paving the way for the recent statehood demands by making districts as the autonomous administrative units (analogous to states) to be further placed under Regional Council while reconstituting the Second Reorganisation Commission to work in coordination with the Finance Commission and Interstate Council to redraw the state boundaries.

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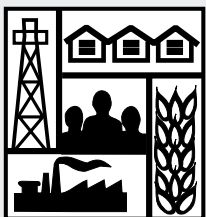
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Economic Growth, Employment and Poverty Reduction: Evidence and Lessons

Rizwanul Islam



Employment intensity of economic growth as a whole can be increased by promoting the growth of labour intensive sectors.

Hence a strategy for employment intensive growth would involve the adoption of policies for promoting the growth of such sectors until the surplus labour available is exhausted. If one looks at the degree of employment intensity of various sectors and sub-sectors, one can easily identify such sectors

ALTHOUGH THE Millennium Development Goal of reducing poverty by half by the year 2015 (compared to 1990) is likely to be achieved at the global level and by a number of developing countries, there are many who are likely to fail. Interestingly, many countries are witnessing stubborn persistence of poverty despite reasonable rates of economic growth. Such experiences indicate that while economic growth is a necessary condition for poverty reduction at rapid and sustained rate, it is not sufficient. There are a number of studies (Islam, 2006 a, Khan, 2007, and the country studies in Islam, 2006 b, among others) showing that in addition to high rate of economic growth, the pattern and sources of growth and the manner in which its benefits are distributed are extremely important for poverty reduction. Productive employment plays a critical role in that context. Those studies show that there is no invariant relationship between economic growth and poverty reduction, and that developments in employment and labour markets are critical variables influencing the poverty-reducing outcome of economic growth.

Although employment was not included in the original list of MDGs, the goal of full and productive

employment for all women and men and a few indicators for that goal were incorporated in 2008 under MDG 1 of poverty reduction (as MDG 1B). However, within the framework of the discussions on the post-2015 development agenda, productive employment is featuring prominently. Given the urgency to accelerate the rate of poverty reduction by making economic growth more pro-poor and inclusive, and the potential role that can be played by productive employment in that regard, it is important to improve our understanding of why growth in some situations has not been accompanied by growth of productive employment and how growth can be made more employment friendly. The present paper purports to do so by providing a brief overview of the experiences of some Asian countries that attained some success in the past in this regard and drawing lessons from that. But before coming to that, we first present an analytical framework that underpins our understanding of the linkages between growth, employment and poverty reduction, and especially the role played by productive employment in transforming the benefits of economic growth into poverty reduction.

An Analytical Framework

Conceptually, the linkage between output growth, employment and poverty can be analyzed at both

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macro and micro levels. At the macro level, the link between the income aspect of poverty and output growth can be conceptualized in terms of the average productivity of the employed workforce which, in turn, gets reflected in low levels of real wages and low levels of earnings in self-employment. At the household level, the same linkage between poverty and employment operates through the type and productivity of economic activities in which earning members of a household are engaged, the level of human capital of the members of the workforce, dependency burden that limits participation in labour force as well as the availability of remunerative employment.

A low average productivity of the workforce could be due to the deficiency of capital relative to labour and the use of backward technology. The role of productive employment in transforming economic growth into poverty reduction in that kind of situation can be conceptualized in terms of the following process. When a high rate of economic growth leads to sustained increase in productive capacity, employment opportunities with rising levels of productivity should be generated. This is more likely to happen if structural change takes place in the economy in terms of sector composition of output as well as employment. That, in turn, would allow for a progressive absorption and integration of the unemployed and underemployed into expanding activities with higher levels of productivity. In the process, the poor would be able to attain higher productivity and increase their incomes in existing occupations or move to new occupations involving higher levels of productivity, skills and/or better technology. The result of the process described above could be reflected in (i) improved productivity of various sectors and occupations, (ii) a shift in the structure of employment towards sectors and occupations with

higher levels of productivity, and (iii) increases in real wages and earnings from self-employment.

Higher levels of earnings from the process mentioned above would enable workers to spend more on education and skill formation of their children, thus raising the productive capacity of the future workforce and creating necessary condition for achieving higher levels of economic growth. The process would thus complete the virtuous circle of economic growth leading to poverty reduction via growth of employment with rising productivity, thus creating the possibility of further increase in productivity and higher rates of economic growth (see Figure 1).

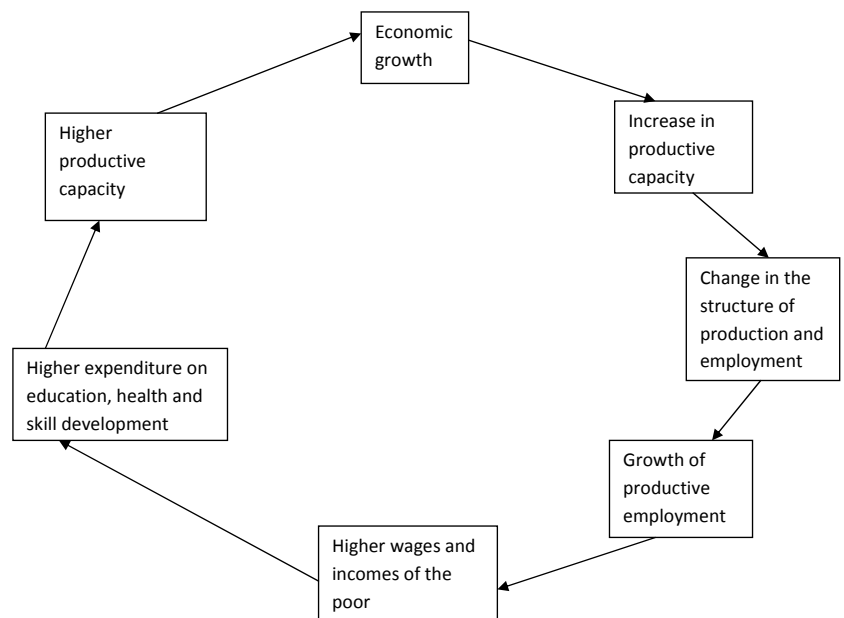
Some Empirical Evidence

Empirical evidence is available in support of the proposition that similar rates of output growth can be associated with different rates of poverty reduction (Islam, 2006 a, for example). While there can be a variety of reasons for the variation in the poverty reducing effect of economic growth, one important factor is the employment content of growth.

Taking elasticity of employment with respect to output as an indicator of employment intensity of economic growth, the above-mentioned study found that elasticity of employment in manufacturing industries has a statistically significant impact on poverty reduction.

The above-mentioned study also examined the influence of other employment and labour market variables on poverty reduction. The variables included the sector of employment (i.e., the proportion of employment in agriculture and manufacturing), education (measured by adult literacy rate), and dependency ratio. Using data from 40 developing countries and employing regression techniques, the study found that the sector of employment has a strong influence on poverty: higher proportion of workers in the manufacturing sector is associated with lower rate of poverty, while the opposite is the case with agriculture. The incidence of poverty is negatively associated with the proportion of workforce that is literate, and positively associated with dependency ratio.

Figure 1: Virtuous Circle of Links between Economic Growth, Employment and Poverty Reduction



Source: Islam (2006 a)

Support for the hypothesis of employment intensity of growth influencing poverty reduction can also be found by looking at the experience of developing countries of Asia. By now, it is quite well-known that during the 1980s and 1990s, a number of countries of East and South East Asia (to be henceforth referred to as ESEA), e.g., the Republic of Korea, Malaysia, Indonesia, and Thailand not only attained higher rates of economic growth, but also higher rates of poverty reduction compared to countries of South Asia. The role that productive employment played in the former group of countries becomes clear if one compares the elasticity of employment with respect to output of the two groups of countries (see Table 1). High output growth in the former was accompanied by high employment growth rates, which in turn, led to labour market tightening and increase in rates of remuneration. The countries of South Asia were less

successful in that respect and also in reducing poverty.

India provides an example of high rate of economic growth not producing poverty reduction at high rate (especially during the 1990s). Although, there is a consensus that growth during the 1990s has been associated with poverty reduction, it is difficult to say whether the rate of poverty reduction during that period was higher than in the earlier decade. The percentage of population below the poverty line was officially estimated at 27.8 per cent for 2004-05 and the average decline in poverty between 1993 and 2004-05 was estimated to be 0.74 per cent per annum. The official estimate for the rate of decline in poverty during that period is 0.79 per cent per year. The elasticity of poverty reduction with respect to per capita GDP growth declined from 1.13 during 1993-94 to 1999-2000 to 0.69 during 1999-2000 to 2004-05.

If the figures mentioned above are juxtaposed on those relating to employment and labour market, it should be possible to see the importance of the latter in translating the benefits of economic growth into poverty reduction. Although, it is very difficult to find consensus among researchers as to what happened in the labour market of India, a few developments seem quite clear. First, while there was a positive growth of employment in manufacturing during the 1990s compared to a net decline in the 1980s, there was a decline in the overall employment growth during the 1990s (0.98 per cent during 1993-94 to 1999-2000 compared to 2.04 per cent during 1983 to 1993-94). The decline in rural areas was sharper compared to urban areas. However, that trend was reversed during 1999-2000 to 2004-05 with a growth of employment of 2.6 per cent per annum. But the rate of open unemployment continued to rise from 6.1 per cent in 1993-94 to

Table 1: Output Elasticity of Employment (OEE) in Selected Asian Countries

Country	OEE (economy-wide)		OEE (manufacturing)	
	1980s	1990s	1980s	1990s
Bangladesh ^a	0.55 ^b	0.50 ^b	0.76 ^c	0.72 ^c
Cambodia	n.a.	0.48	n.a.	0.56
China	0.33 ^b	0.13 ^b	0.50	0.25 ^d
India	0.40	0.15	0.37	0.29
Indonesia	0.44 ^b	0.38 ^b	0.79 ^e	0.61 ^f
Malaysia	0.55	0.48	0.67 ^g	0.71 ^g
			0.55 ^h	0.45 ^h
Sri Lanka	0.51	0.46	0.64	0.47
Thailand	0.56	0.10	0.55	0.53

Notes and sources:

- i) Unless specified otherwise, the figures have been taken from recent ILO-UNDP country case studies, a synthesis of which can be found in Khan (2007).
- ii) ^a Islam, (2006 a).
- ^b Asian Development Bank (2005)
- ^c These figures are based on data at three-digit level. Figures based on four-digit level data show a sharper decline – from 0.74 to 0.60. See Chapter 5 in Islam (2006 a).
- ^d Figure for 2002.
- ^e Figure for 1980-84.
- ^f Figure for 1990-94.
- ^g Khan (2007).
- ^h Elasticity with respect to value added.

7.3 per cent in 1999-2000 and to 8.3 per cent in 2004-05. The employment elasticity of the economy as a whole and of major sectors like agriculture and manufacturing declined during the 1990s. During the first half of the first decade of 2000s, employment elasticity improved, but only returned to the low levels of the 1980s.

The situation has not changed much during 2005-10. Although the rate of open unemployment (by the “daily status”) declined from 8.2 per cent in 2004-05 to 6.6 per cent in 2009-10, it cannot be said that employment growth in relation to output growth has improved. While the annual growth of overall employment declined from 1.9 per cent during 1983 to 2004-05 to 0.1 per cent during 2004-05 to 2009-10, that of manufacturing became negative in the latter period -1.12 per cent per annum compared to 2.5 per cent per annum in the earlier period. And that was despite an impressive growth of output of 9.3 per cent per annum in the sector. It is thus clear that the elasticity of employment in manufacturing declined further during this period from the already low level in the 1990s.

Strategies and Policies: Some Asian Countries

An important question from the point of policies and of possible lessons from the comparative experience of various countries of Asia is what explains the impressive performance of the countries of ESEA region in attaining an employment intensive growth that contributed significantly to poverty reduction.

Several points regarding the pattern of growth achieved and the policy regime pursued by the countries of ESEA may be worth noting (Table 2). First, the economic policies adopted by them ensured an incentive structure that, by and large, reflected the respective country’s factor endowment, and the result was investment in sectors like labour intensive industries and construction that led to the growth of productive employment at high rates. Second, they pursued an export oriented policy of industrialization under which, apart from removing distortions in factor markets, incentives were provided for export oriented labour intensive industries. Third, agriculture (where most of the poor were located

initially) was not neglected; growth of agriculture and rural non-farm activities were promoted through a variety of means ranging from institutional reforms to policies to improve the terms of trade of agriculture vis-a-vis the non-agriculture sector.

It may be noted, however, that despite their success in translating the benefits of high economic growth into impressive rates of poverty reduction by creating conditions for growth of productive employment, the ESEA countries faced a number of problems. In some countries (e.g., Indonesia), the process was halted by the Asian economic crisis of 1997-98. Some (like Thailand and Vietnam) witnessed growing inequality in the distribution of income. However, despite problems, these countries have, by and large, been successful in combining high rate of economic growth with growth of productive employment and rapid rate of poverty reduction.

In contrast with the experience of ESEA countries, in countries of South Asia, it is not difficult to find examples of policies that do not help growth of jobs. Although they

Table 2. An Overview of Some Asian Experience on High Growth with High Rate of Poverty Reduction

Country and period	Pattern of growth	Characteristics of the policy regime	Observations
Indonesia (1970s, 1980s and 1990s till 1996)	Growth of agriculture and rural non-farm activities in 1970s followed by labour-intensive industrialization in the 1980s and 1990s.	Subsidies on agricultural inputs and incentive pricing of outputs; investment in infrastructure; trade liberalization and exchange rate reforms; reduction in ERP.	The trends of high growth and poverty reduction interrupted by the Asian economic crisis. Vulnerability around the poverty line remain a concern.
Malaysia (since 1970s)	Growth in agriculture accompanied by labour-intensive industrialization since 1980s.	Large-scale agricultural development projects; range of incentives for export-oriented industries including tax holidays, subsidies for training and R&D, licensed warehouses, etc.	Some incentives were linked to employment and location; decline in employment intensity in a number of industries during the 1990s.
Thailand (1980s and 1990s till 1996)	Growth of agriculture and rural non-farm activities followed by labour-intensive industrialization.	Expansionary land policies followed by ending of discrimination against agriculture investment in infrastructure; trade liberalization, stable exchange rate, low inflation and business-friendly policies.	Regional variation – the North-East lagging behind – remains an issue. Rising income inequality is an emerging concern.
Viet Nam (1990s)	Growth of agriculture and rural non-farm activities; growth of the private sector.	Institutional reforms in agriculture; liberalization of agricultural prices; exchange rate reform; reform of State-owned enterprises; encouragement of the private sector.	Decline in the rate of poverty reduction; rising income inequality; low employment-intensity of manufacturing.

Source: Islam (2008).

have officially abandoned the import substitution strategy of development and industrialization, market prices of factors of production sometimes do not reflect their true scarcities. For example, in India, a variety of fiscal and monetary incentives are provided, ostensibly to encourage investment. They include measures like capital investment subsidy, subsidy on interest, accelerated depreciation rate to facilitate upgrading of machinery, export promotion capital goods scheme, and credit-linked capital subsidy for technology upgrading of small scale industries. But these measures encourage excessive use of capital. And there is no measure to encourage the use of labour. One study (Chandrasekhar, 2008) found that between 1995-96 and 2003-04, money wages in industries rose by about 37 per cent while the “index” of the cost of capital (represented by the combined effect of the rate of interest and an index of the price of capital goods) fell by about 18 per cent. Thus, there appears to have been a 55 per cent negative shift in the price of capital relative to labour – a major distortion that may have favoured capital intensive sectors and technology.

Nepal allowed the import of heavy construction machinery at artificially low rate of import duty. That led to premature mechanization in the construction sector and the creation of less jobs than would otherwise have been created.

A Policy Framework

Employment intensity of economic growth as a whole can be increased by promoting the growth of labour intensive sectors. Hence, a strategy for employment intensive growth would involve the adoption of policies for promoting the growth of such sectors until the surplus labour available is exhausted. If one looks at the degree of employment intensity of various sectors and sub-sectors, one can

easily identify such sectors. Policies would need to be pursued on both economic and labour market fronts. On the economic front, policies at the macroeconomic level as well as sector level can have important implications for the employment outcome of economic growth. Hence the possible impact on employment of alternative policies would need to be assessed before a policy package is adopted. In concrete terms, the following action on the economic front would be useful:

- Analysis of the employment impact of measures aimed at bringing about macroeconomic stability, and fine tuning of policies on the basis of such analysis;
- Analysis of the employment impact of budgetary allocations taking into account the results of such analysis in deciding on the allocations;
- Examination of the prevailing incentive structure of an economy to see if it correctly reflects the relative scarcity of various factors of production;
- Undertaking of corrective measures (if needed) to ensure that the policy environment does not discriminate against the labour intensive sectors; and
- Positive support to labour intensive sectors, e.g., measures to help enterprises in such sectors with market access, to improve competitiveness through upgrading technology and raising productivity, etc.

On the side of labour market policies, since labour market rigidities are accused of creating an obstacle to employment creation, it would be useful to examine if there is a solid empirical evidence in support of such arguments. If there is, it would be necessary to carefully identify specific aspects of labour market institutions that are in need of reform.

However, the consideration of the need for flexibility in the labour markets should be combined with the need for security and protection of the workers

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YE-130/2013

Depreciation in Rupee—Causes, Impact and the Way Ahead

Harkirat Singh



Depreciation of Rupee is the result of number of internal and external factors, adversely affecting the economy. Export sector has to be encouraged, to correct current account deficit and initiate steps to curb non-essential imports.

Market sentiments have to be improved, to stop under valuation of Rupee against major foreign currencies

RUPEE VALUATION against USD has touched historic low rate of ₹ 68.80 recently. More such historic levels with corrections are expected in the near future. Technically, ₹ is presently under volatile trend, caused by sudden change in demand and supply forces in forex markets. Valuation of ₹ against US \$ has depreciated more than the 14 per cent in the span of few weeks and daily change of ₹ 1 to ₹ 3 has become common.

Brief volatile history of Rupee movement along with main influencing factors is as follows:

- 1947—No foreign borrowings on India's balance sheet USDINR = ₹ 1
- 1951—Introduction of the Five-Year Plan. The government started external borrowings to finance welfare and development activities. USDINR = ₹ 4.8
- 1975-85 – INR was devalued due to oil price hike in early 70's, lower domestic production, license raj and worsening BOP situation. USDINR = ₹12.36
- 1991 – Serious BOP crisis. The country was in the grip of high inflation, low growth and the foreign reserves were not even worth to

meet three weeks of imports. USDINR = ₹ 17.90

- 1993—INR was let free to flow with the market sentiments. The exchange rates were freed to be determined by the market, with provisions of intervention by the central bank under the situation of extreme volatility. USDINR = ₹ 31.37
- 2008 – INR has gradually depreciated since the global 2008 economic crisis. Upward correction made Rupee to appreciate also to 39. USDINR = ₹ 49
- Current – INR has depreciated further due to out flow of foreign exchange, stuck up economic policies, poor infrastructure, record high CAD, trade deficit, low growth. USDINR = ₹68.80

Causes of Rupee Depreciation

It is essential to understand why Rupee is depreciating against USD. ₹ is under volatile pressures due to combination of number of India specific economic factors and sudden emergence of new international scenario. Some of the main Indian based economic factors are namely, increase in current account deficit touching to 4.8 per cent of GDP, slow down of exports due to economic recession in Europe/USA,

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increase in imports of oil and non productive items like gold, sudden and fast disinvestment by FII from Indian equity and debt markets, slow movements in liberalization process and weak political sentiments causing overall negative picture of India. These issues are taking the ₹ towards sudden and deep decline, especially against US \$, Pound Sterling, Euro and Yen. Structural economic problems like high inflation, adverse fiscal deficit due to various subsidy schemes, weak sentiments in capital markets, High Consumer Price Index, decline in economic growth, flat industrial growth with decline in import of capital goods and high liquidity available in local

Some of the main Indian based economic factors are namely, increase in current account deficit touching to 4.8 percent of GDP, slow down of exports due to economic recession in Europe/USA, increase in imports of oil and non productive items like gold, sudden and fast disinvestment by FII from Indian equity and debt markets, slow movements in liberalization process and weak political sentiments causing overall negative picture of India.

market, etc. accelerated the speed of depreciation of ₹ against US\$.

Market sentiments are very negative resulting in ₹ drop from ₹ 60 to ₹ 68.80 in couple of weeks. Now, one adverse factor is attracting negative sentiments for ₹, causing an adverse feeling in the economic scenario and fast depreciation of ₹ against main invoice currency USD. Under valuation of Rupee is mainly due to adverse market sentiments.

A major international event which triggered steep fall of ₹ against USD was the statement of Chairman of US Federal Reserve, Mr. Ben Bernanke

expressing tightening of Quantitative Easing and restricting supply of USD 85 billion per month to boost USA economy. US Dollar is also getting strength from revision of USA credit rating, improvement in long term interest rates, expectation of higher crude oil prices due to Syria problem, recession in Euro zone and recent monetary policies of European and Japanese Central banks. Dollar index has also touched a three years high level of 84.30, making it the stronger currency in international forex markets. These are some of the international factors giving strength to US \$ against major currencies including ₹. Mainly, these local and international factors caused high volatility in Rupee valuation against USD which is creating serious problems for economy and external sector.

Impact on Indian Economy & Corporates

Combination of these local and international factors created high volatile situation for Rupee, leading to historic low levels of US \$ = ₹ 68.80, £ =104.30 and € = ₹ 86, with high probability of not going back to 2012 levels. Volatility of Rupee has had adverse effect on profitability, revenues, expenses, costs, imports, increasing burden on foreign currency loans and making our companies uncompetitive in international business. Greater the volatility, higher is the chance of frequent, unexpected and directionless movement in external value of Rupee destabilizing the Indian economy. Volatility, has to be controlled soon to stop further damages and uncertainty in business.

Weakening of Rupee is going to affect adversely, all main sectors of the economy. The rapid decline in Rupee value will increase inflation due to increase in price of oil which in turn will adversely affect all the related sectors of the economy. Inflation will not allow decline in interest rates which is essential for industrial

growth. Weakening Rupee will also make capital items import expensive, making our companies to delay investments in industry, hampering the development of much needed manufacturing competitiveness and capacity. Ultimately, it will lead to adverse economic scenario, unemployment and recession. Now, currency rate changes can suddenly convert profit making transactions into loss making ones and vice versa.

Impact and Challenges for Exporters

Rupee depreciation against US\$ is good news for our exporters specially in IT sector and those not using imported inputs. Exporters using high contents of imported raw material component like diamond, jewellery, engineering goods etc. will be badly affected by steep appreciation of US\$. ₹ depreciation provides right platform to our exporters, to compete with other suppliers in international markets by reducing prices without affecting profitability. Exporters

Exporters must avail this opportunity to penetrate deep in existing markets by understanding business model of their foreign buyers. Exporters must make their export supply chain effective and efficient to meet future challenges. Such approach will enhance competitive capacity and cost efficiency which will help them to develop long term strategy in international business.

must avail this opportunity to penetrate deep into existing markets by understanding business model of their foreign buyers. Exporters must make their export supply chain effective and efficient to meet future challenges. Such approach will enhance competitive capacity and cost efficiency which will help them

to develop long term strategy in international business.

Rupee depreciation has posed new challenges for exporters. This is the best time for exporters to develop brand image in their existing and new markets. Export sector must focus on improving technology, reducing costs, improve quality, develop competitive manufacturing capacity and improve efficiency of cheap labour. We may not get, in the near future, such an encouragement for export promotion. Policy making agencies should initiate comprehensive packages for development of export sector. This is probably the best time for our exporters to compete with China and replacing them from certain foreign markets.

We may not get, in the near future, such an encouragement for export promotion. Policy making agencies should initiate comprehensive packages for development of export sector. This is probably best time for our exporters to compete with China and replacing them from certain foreign markets.

Effect on Imports and Loans Portfolio

Depreciation of ₹ is escalating the overall cost of import business. Depreciating trend of Rupee is against the interest of importers, borrowers of foreign currency on cheap interest rates, students planning for higher studies abroad, tourists bound for foreign destinations and for medical treatment abroad, etc. As per RBI survey, majority of companies have not hedged their repayment of foreign currency loans raised in US\$. Such casual approach towards hedging of currency exposure has made cheap foreign currency loans more expensive than Rupee loans due to fast appreciation of loan currency

USD. Similarly, foreign acquisition plans by Indian companies have become more expensive and at the same time value of their old purchases have become high value assets.

Importers have to either pass on high cost to local consumers, pushing up inflation in Indian economy or develop local sourcing like Indian Auto sector. This sector is dominated by experienced Japanese, Korean, European and American multinational Auto companies. To meet the challenges of ₹ depreciation, auto industry has developed a long term strategy to arrange auto parts from Indian ancillary units. Rupee depreciation will encourage locals in sourcing and will change business models by encouraging exports to strong currency areas and imports from weak currency countries.

The Way Ahead

History of US\$/₹ rate reveals that once Rupee value goes down, it never returns back. Now, corporates must make future business strategies by taking USD = 60 ₹ plus exchange rate into consideration. This is the right occasion to enhance our exports and restrict non essential imports to correct Current Account Deficit and pressure on Rupee. Big exporters may establish warehouses abroad or build manufacturing capacities in their main international markets. Long term export promotion strategies have to be developed. *Guru mantra* to do international business would be to reduce the cost of each and every business transaction.

A focused policy approach is required to increase inward remittances and Non-Resident deposits. Sincere efforts are required to encourage foreign inward remittances like issuing Dollar based long period bonds and encouraging investments in India. Preserve the foreign exchange reserve to protect the value of Rupee in unexpected market situations.

We have to reduce our dependence on USD in international business. USD/₹, market turnover is small as compared to international forex market and still controlled by RBI. Change in demand and supply of USD causes volatility, destabilizing the external sector of the economy. Surplus dollar reserves should be used for high value crude oil and military imports, etc. so as to reduce the demand of USD in local onshore forex markets. Government must encourage bi or multilateral agreements, to encourage local currency payment in order to lessen the dependence on third currency USD. Such policy initiatives will lessen downward pressure on Rupee. Emphasis should also be to use local currencies in developing currency swap arrangements. Payment in Rupee, negotiating for long credit periods for high value imports and encouraging local investments in production areas are some of the issues which will reduce dependence and demand of USD in local forex

Payment in Rupee, negotiating for long credit periods for high value imports and encouraging local investments in production areas are some of the issues which will reduce dependence and demand of USD in local forex markets.

markets. Policy actions should be firm and growth oriented to give positive sentiments to ₹.

Hedging Currency Risk

Rupee volatility has emphasized the need for hedging of currency risk. Indian corporates have to develop innovative hedging strategies by using financial derivatives like forwards, exchange traded futures and options, to protect against adverse movement in exchange rates. Now, corporates should use currency option which will provide flexi hedging, portfolio

of derivatives and partial hedging strategies to protect against volatility of USD/Rupee exchange rates. Time is right for corporates to develop operational hedging strategies for long period exposures, to meet future changes in Rupee valuation. Foreign currency loan must be hedged by using currency swap, option and rollover forwards with the help of the commercial banks. Corporates have to formulate hedging strategy depending on their risk policy duly approved by the management.

Moreover, hedging strategy has to be dynamic to meet the future challenges of depreciation or appreciation trends cycles of Rupee against major foreign currencies. Rupee has to go up or down against USD and hedging policy should allow flexibility to cater to the dynamic exchange rate scenarios.

Depreciation of Rupee is the result of number of internal and external factors, adversely affecting the economy. Export sector has to

be encouraged, to correct Current Account Deficit and initiate steps to curb non-essential imports. Market sentiments have to be improved, to stop under valuation of Rupee against the major foreign currencies. Foreign trade and borrowings transactions need innovative hedging to protect against currency risk as per approved policy of management, to protect profit margin and remain competitive in international business. □

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Scholarship scheme for North East States

An exclusive scholarship scheme for the wards/widows of the ex-servicemen and the Coast Guard of the eight northeastern States has been introduced. The scheme would replace the Prime Minister's Scholarship Scheme, since the dependents of the ex-servicemen community were not in a position to avail the benefit under the scheme due to higher cut off eligibility percentage of 60 per cent.

The proposed scholarship scheme would be called the 'Raksha Mantri's Northeastern States Scholarship Scheme'.

The amount of scholarship would be as under: Rs 2,000 per month for boys and Rs. 2,250 per month for girls.

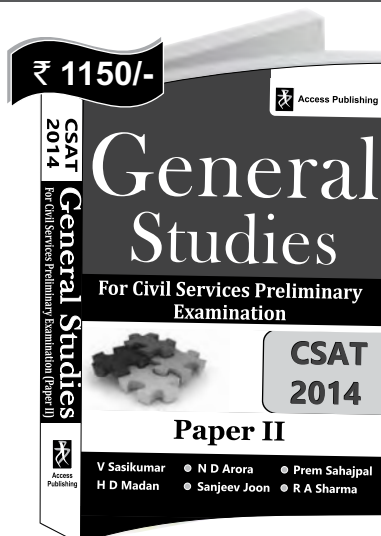
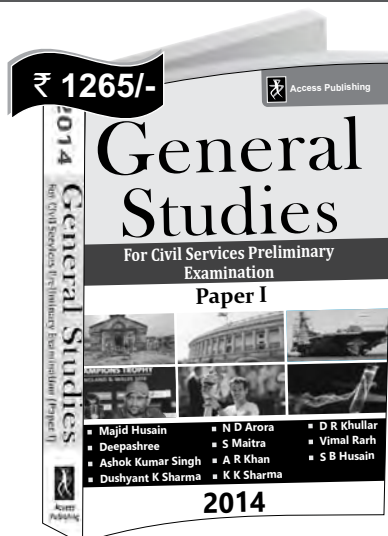


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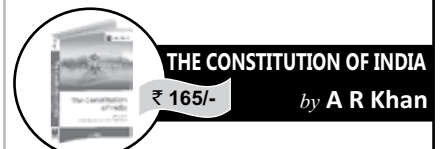
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YE-143/2013

Growth, Employment, Poverty

Jomo Kwame Sundaram
Anis Chowdhury



Employment-intensive growth is more likely to reduce poverty if it occurs in a “more productive” sector, while reducing poverty in “less productive” sectors usually requires more productivity growth. Thus, the sectoral location of the poor and mobility across sectors are also important. Labour should be able to move from less productive to more productive sectors, which often requires appropriate investments in skill development as well as more rapid expansion of the more productive sectors

MOST development advocates have maintained that sustained economic growth is essential for poverty reduction.

This belief was strongly expressed in World Bank research in the 1990s that concluded, “growth is good for the poor”, implying that rising tides lift all boats.

Many resource rich countries have experienced high growth due to resource price booms in the 1970s, again in the middle of the last decade. However, the poverty reduction impact of their growth has not been very impressive. For example, Botswana has grown at more than 7 per cent for over two decades. Yet, the poverty rate remains quite high at around 21 per cent. It is also one of the most unequal countries in the world, with an income Gini coefficient of 0.61. Resource sectors are generally highly capital intensive, and growth in these sectors often has very little impact on poverty reduction.

Empirical research, especially within the International Labour Organisation (ILO) and the United Nations Development Programme (UNDP), suggests that even in non-resource rich countries, not all growth spells have the same impact on poverty (Table 1).

The poverty reducing impact of growth depends on a variety of factors that characterize the nature of economic growth. A critical factor in the growth-poverty nexus is employment – its intensity and quality; related to this is productivity growth. Two other crucial factors are sectoral composition or sources of growth and inequality.

Quantity vs Quality of jobs

It is often believed that growth that is employment intensive or growth that occurs in employment intensive sectors contributes more to poverty reduction. Thus, empirical work on the relationship between growth and employment has traditionally focused on the employment elasticity of growth – that is, the percentage change in employment in response to a one percent change in output.

However, this measure has three important limitations. First, it says nothing about the actual extent of job creation; employment elasticity would be the same for a country which grew by 1 per cent accompanied by a 1 percent increase in employment and for a country which had a 10 per cent growth rate coupled with a 10 per cent increase in employment. Second, it does not take demographic changes into account; growth in the working age population often outstrips increases in employment, having very little impact on the overall poverty rate. Third, the

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**Table 1: Varying rates of GDP growth and poverty reduction:
Some examples**

Rates of GDP growth	Rates of poverty reduction		
	High	Moderate	Low
High	Indonesia (1970s; 1980s) Vietnam (1990s) Uganda (1990s)	urban India (1990s)	rural India (1990s) Indonesia (1990s)
Medium	Bolivia (1990s)	Bangladesh (1991-96)	Ethiopia (1990s) Bangladesh (1996-2000) India (1980s)

Source: Islam (2004)

employment elasticity of growth says nothing about the quality of new jobs created; employment growth in low productivity sectors may only increase the ranks of the “working poor”.

Therefore, one cannot simply conclude that the high employment elasticity of growth is good for poverty reduction. It would depend on whether employment growth is faster than the growth in labour force so that the overall employment rate increases. Without this, despite employment growth, unemployment will still grow, which would depress wages and earnings.

The poverty impact of employment intensive growth also depends on the quality of jobs created. Employment elasticity is typically inversely related to productivity. Mathematically, one is the inverse of the other. However, in reality the relationship more complex and both productivity and employment can rise if the surplus from increased productivity is reinvested. This can also happen if wages rise due to increase in productivity as workers spending boosts effective demand. Potentially, raising employment elasticity could mean further lowering average productivity in economies already characterized by widespread low-productivity employment. Low-productivity jobs generally yield low incomes which tend to perpetuate a vicious circle of low productivity, low wages and poverty.

On the other hand, recent Chinese and some Southeast Asian

experiences suggest that achieving full employment, even with low productivity employment, eventually requires employers to improve working conditions to retain employees. This Ricardian view of labour markets contrasts with the neoclassical view, and was elaborated in the context of economic development by W. A. Lewis. Its contemporary proponents suggest that improving working conditions for a few employees not

...for almost half a century until around 2006, greatly enhanced productivity in the production of the main cereal crops contributed to declining food prices. In other words, greater agricultural productivity contributed to lower consumer prices besides higher producer incomes, including for those supplying necessary inputs for such productivity increases.

only transforms them into a labour aristocracy, but is also likely to deter the private investments deemed necessary to sustain growth of output and employment. An intermediate view in this context proposes establishing a decent work floor above the social protection floor, currently gaining broad acceptance, as well as the subsistence wage notion in Lewis’ original view.

On the other hand, when high

economic growth rates lead to sustained increases in productive capacity, employment opportunities with rising productivity can be generated. This allows for progressive absorption and integration of the unemployed and the underemployed into expanding economic activities with higher levels of productivity. This also allows workers to invest in skill formation, thereby creating a virtuous circle of higher productivity and higher wages. Thus, the poor are able to achieve higher productivity and increase their incomes, either in their existing occupations, or by moving to new occupations involving higher skills.

Sectoral growth – Where the poor live and work

Where growth happens is also an important factor influencing the growth-poverty relationship. Since the majority of the poor live in rural areas and work in agriculture, and as agriculture is generally more labour-intensive, it is widely believed that growth in agriculture is likely to be more employment-intensive, and hence, good for poverty reduction.

However, the preceding discussion on productivity is also relevant here. Employment-intensive growth in agriculture in Latin America has been correlated with increases in headcount poverty. This has to be seen in the context of the last decade of the 1980s and the economic performance thereafter due to structural adjustment and other economic liberalization programmes. In the absence of alternative means for survival, this resulted in greater employment (including underemployment) in the generally slow growing small farm agricultural sector, resulting in stagnant agricultural output and sometimes declining average earnings in this sector. Therefore, more workers meant lower average output and earnings, implying that greater employment-intensity in agriculture undermined average productivity increases.

Furthermore, for almost half a century until around 2006, greatly

enhanced productivity in the production of the main cereal crops contributed to declining food prices. In other words, greater agricultural productivity contributed to lower consumer prices besides higher producer incomes, including for those supplying necessary inputs for such productivity increases.

With three quarters of the poor in the world living in the countryside, and most of the urban poor comprising recent migrants from rural areas, it is important to enhance incomes for the rural poor, especially on small family farms and for wage earners. It is very unlikely that the net number involved in farm employment will increase at the global level, but the potential for rural off-farm employment and for higher value-added horticultural and agro-processing activities has not been sufficiently developed in many circumstances.

Therefore, in countries where agricultural productivity is low, the focus should be on productivity-intensive growth, rather than on employment-intensive growth in that sector. This would mean investment in agricultural technology, research and development, extension services and skill enhancement of agricultural workers. Progressive shifts of agricultural workers to expanding high productivity non-agricultural activities can also raise agricultural productivity with positive impacts on poverty alleviation.

Enhancing Productivity: Structural Changes

While productivity increases are generally deemed necessary for poverty reduction, the relationship is often more complex than popularly assumed. It would be wrong to presume that productivity increases necessarily enhances the incomes of producers. Productivity increases in agriculture have historically helped reduce food and other agricultural commodity prices during the 20th century.

Workers who produce more may

only receive a small fraction of their increased output depending on the nature of their terms of remuneration. Nominally independent small farmers may find themselves in asymmetric relationships with their input and credit suppliers as well as output purchasers. Hence, while productivity increases have the potential of enhancing the incomes of the producers, the circumstances of the producers may well have a significant bearing on how much of their increased output they actually benefit from.

During their early phases of development, expansion of labour-intensive manufacturing rapidly reduced poverty in East and Southeast

The poverty reducing impact of growth depends on its employment and productivity intensity and shifts from low to higher productivity activities. This, of course, cannot happen unless high productivity activities expand; otherwise, rural migrants to urban areas could expand the size of the low-income, urban informal sector.

Asia. This has also been the case in Latin American countries where employment-intensive growth in the secondary sector was also found to alleviate poverty. The expansion of labour-intensive manufacturing and more skilled services draws surplus labour from agriculture increasing labour productivity in that sector. Such structural change thus reduces poverty.

However, as the experience of Indonesia since the 1990s shows (Table 1), the poverty reducing effect of growth in manufacturing can decline when the scope for further drawing surplus rural workers into more productive sectors is exhausted. Therefore, *a priori* assumptions, regarding which sector provides “good” or “bad” jobs, can be misleading. This is because there often is internal

segmentation between “more” and “less productive” manufacturing jobs in middle income countries. Industrial restructuring towards high productivity manufacturing is a key to continued poverty reduction in middle income countries.

In sum, clearly, not all growth will have equal impacts on poverty reduction. The poverty reducing impact of growth depends on its employment and productivity intensity and shifts from low to higher productivity activities (Table 2). This, of course, cannot happen unless high productivity activities expand; otherwise, rural migrants to urban areas could expand the size of the low-income, urban informal sector.

Table 2: Employment-intensive and productivity-intensive growth and poverty reduction

Job sectors	Employment-intensive growth	Output-intensive growth
“More productive”	+ve correlation with poverty reduction	+ve correlation with poverty reduction
“Less productive”	neutral/-ve correlation with poverty reduction	+ve correlation with poverty reduction

Pattern of growth

The Botswana example cited earlier shows that inequality is an important determinant of the poverty alleviation impact of growth. Such growth in capital-intensive sectors can exacerbate inequality and hence may have less impact on poverty reduction. Rapid declines in inequality in East Asia during the early phase of development helped poverty reduction. Besides the expansion of labour-intensive manufacturing, land reforms contributed significantly to more equitable growth in East Asian economies, such as South Korea and Taiwan, and thereby, to rapid declines in poverty.

The number of absolute poor in East Asia declined from an estimated 400 million in 1970 to about 180 million in 1990 while the population grew by some 425 million over the same period. The World Bank estimates that between 1975 and 1995, poverty in East Asia dropped by two-thirds as people living in poverty fell from 60 per cent in 1975 to only 20 per cent in 1995.

If the growth process is such that the income of the better off rises faster

than for the poor, the impact on poverty reduction is more likely to be slower. Increased inequality offsets the likely contribution of more rapid growth to poverty reduction. Conversely, more equitable income distribution can alleviate poverty even when growth is weak and narrowly-based.

The likely overall effects are hence the joint outcomes of various processes, impacts and effects. In China, therefore, we have seen very significant poverty reduction due

to output and employment growth despite the significant increase in inequality. In South America since the turn of the century, there has been significant poverty reduction largely owing to declining inequality even though growth rates have been generally lower and more uneven than in East Asia, especially since the last decade of the 1980s and uneven progress thereafter.

Here, it seems useful to introduce the notion of the “poverty reduction elasticity of growth”, which refers to an x per cent reduction in poverty due to a one per cent increase in the growth rate. In effect, this reflects the slope of the growth-poverty line. Research has noted that the poverty reduction elasticity of growth is dependent on prevailing inequality levels. If a one per cent increase in the growth rate is simultaneously accompanied by a fall in inequality, then, this will lead to a fall in poverty in excess of x per cent. This means either a steeper slope of the growth-poverty line (“pivot effect” as in Figure 1), or a parallel, downward shift of the growth-poverty line (“shift effect” as in Figure 2).

Figure 1 shows the pivot effect, while Figure 2 illustrates the shift effect. Exactly which effect dominates is an empirical issue depending on circumstances, but in any event, it is clear that the poverty level falls significantly when economic growth is accompanied by declining inequality.

Conclusions

Growth is often portrayed as necessary for poverty reduction which is why redistribution is precluded, as implied by the notion of Pareto conditionality. However, even with such a condition, high growth alone is rarely sufficient. The pattern and sources of growth as well as manner in which its benefits are distributed are extremely important for poverty reduction. Employment, productivity and structural transformation play critical roles in determining the poverty reduction impacts of growth.

Figure 1. “Pivot effect” of inequality reduction on growth-poverty relationship

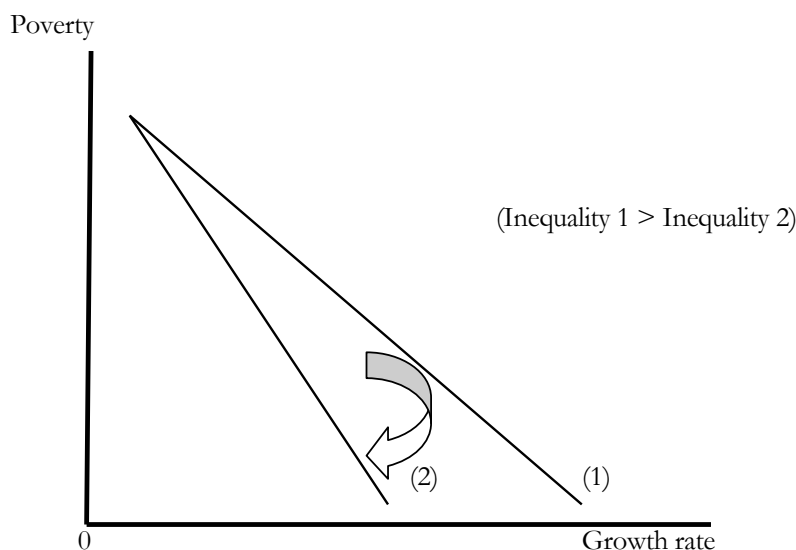
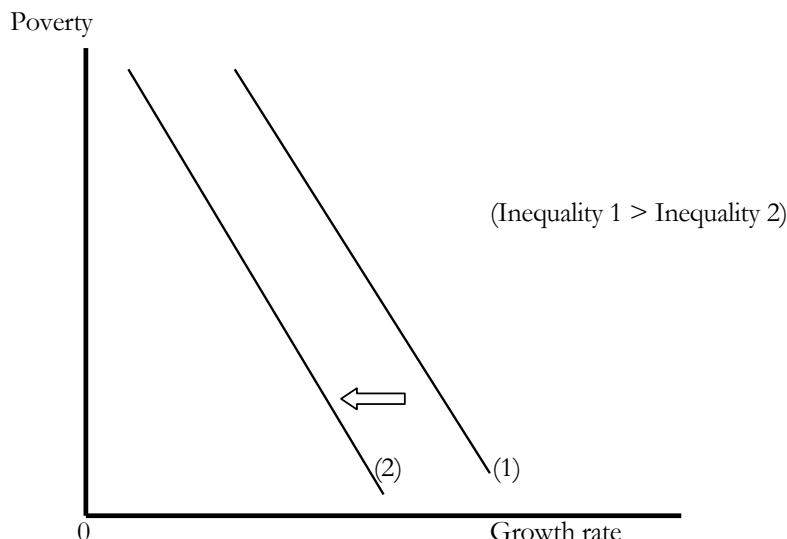


Figure 2. “Shift effect” of inequality reduction on growth-poverty relationship



Growth in one sector of the economy will not automatically ensure poverty reduction; much depends on the employment – and productivity – intensity of growth. Employment-intensive growth is more likely to reduce poverty if it occurs in a “more productive” sector, while reducing poverty in “less productive” sectors usually requires more productivity growth. Thus, the sectoral location of the poor and mobility across sectors are also important. Labour should be able to move from less productive to more productive sectors, which often requires appropriate investments in skill development as well as more rapid expansion of the more productive sectors.

A virtuous circle of economic growth leading to poverty reduction can happen via growth of employment with rising productivity. Less poverty creates the possibility of further increases in productivity as workers with higher wages due to higher productivity can invest in further skill upgrading. This, in turn, leads to higher economic growth rates. Growth of employment with rising productivity involves a shift in employment towards occupations and sectors with higher productivity, and improved productivity within existing sectors and occupations.

Another key element in the growth-poverty nexus is inequality. A growth process that benefits the lowest quintile of the population more than the top quintile will have greater impact on poverty reduction than a growth process accompanied by rising inequality.

Given the importance of such factors in poverty reduction, it is quite possible to see different experiences of growth and poverty reduction. While high growth rates can be accompanied by moderate or slow rates of poverty reduction, it is also possible to have rapid rates of poverty reduction with moderate rates of growth – if the pattern of growth is sufficiently employment-intensive, as in East and Southeast Asia.

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HANDICRAFTS SKILL DEVELOPMENT WORKSHOP INAUGURATED AT SRINAGAR

A workshop for Handicrafts Skill Development and awareness programme was organized by Union Ministry of Handicrafts and Textiles under Babasaheb Ambedkar Hastshilp Vikas Yojana (BAHVY) with the aim to impart necessary skills development and design training in different crafts to the local artisans and also acquaint them about the latest trends of design and crafts, educating them about the benefits of formation of Self-Help Groups to be self-dependent. The scheme would run for five years in the state and during the period, over 17000 rural artisans would be imparted with the latest skill and design development training. Under the scheme, Rs.16 crore would be incurred by the concerned Union Ministry to provide tool kits, raw materials and training. Popularly known as 'Cluster scheme', it gives packages to the clusters of various crafts to mobilize and form Self-Help Groups for conducting training, design, workshops, exhibitions and common facility centers. Banks are also entitled to give these SHGs loan facility by assisting in merging money. □

INTERNATIONAL CONFERENCE ON PUBLIC HEALTH PRIORITIES INAUGURATED

The Health and Family Welfare Minister inaugurated the International Conference on Public Health Priorities in the 21st century-“Endgame for Tobacco” addressing the need for multi-sectoral policies and public awareness to make India, a tobacco-free society. The government has banned 'gutka' in 33 states and UTs. The result of Global Adult Tobacco Survey(2009-10) was quoted according to which, about 275 million Indians use tobacco in some form. India has the highest number of smokeless tobacco users in the world and tobacco causes over 1 million deaths in India annually. Also, India has the highest number of Oral cancer cases in the world and 90 per cent of these cases are attributed to smokeless tobacco use. However, India was one of the first countries to ratify the WHO Framework Convention on Tobacco Control (FCTC) Convention in February 2004. Currently operational in 42 districts of India, the National Tobacco Control Programme (NTCP) forms the cornerstone of the government's response to curb the threat of tobacco use and provides a conducive environment for the effective enforcement of the Indian Tobacco control law. It plans to integrate both NPCDCS and NTCP to strengthen the response to the overall NCD burden.

Former Cricket captain of India, Rahul Dravid has been designated as the Health Ministry's Ambassador for Tobacco control. The conference is expected to fillip a multi-sectoral engagement of governments, inter-governmental agencies, NGOs in Tobacco control policies across the globe and aid in paving the path for a tobacco-free future generation. □

SAHITYA AKADEMI ORGANIZES 'MULAKAT', NINE DOGRI BOOKS RELEASED

Literary works by the young and upcoming Dogri writers were showcased at the programme 'Mulakat', organized by Sahitya Akademy, designed to encourage young and aspiring writers and give them a platform to showcase their talent. The audience were the Senior Writers, Critics, Scholars and prominent citizens. Director, Tourism released nine new Dogri publications by Sahitya Akademy.

'Mulakat' is held throughout the country in all the languages recognized by the Akademy as it brings forth the works of young writers and launches them. A workshop on Bengali-Dogri translation and a two-day conference will also be organized. □



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2196326	Swati Garg	080713	163.33	78.15
2792131	Sunil Singla	012752	161.68	77.36
2317287	Rahul Karale	000861	159.18	76.16
2316690	Sumit Bhatia	041826	158.33	75.76
2195852	Sakshi Sawhney	126453	158.33	75.76
2793488	Agnivesh	026380	157.5	75.36
2196195	Rahul Kumar	162996	157.5	75.36
2317945	Siddharth Rajoria	377464	155.83	74.56
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Paradox of High Growth and Low Employment

Pralok Gupta



As the services contribution to GDP is expected to further rise in coming years, the policy makers need to focus on additional employment creation in various services. This could be achieved through facilitating more broad-based growth within the services sector, creating backward and forward linkages between agriculture, industry and services, government intervention and targeted policies and further reforms in infrastructure, regulation and FDI liberalization

SERVICES SECTOR In India has grown rapidly in the post-reform era and has helped India to emerge as one of the fastest-growing economies in the world during the last decade. India has been ranked 9th and 10th in terms of overall GDP and services GDP respectively in the world in 2011. India has also figured as the topmost country in terms of increase in its services share in GDP (8.1 percentage points) for the period 2001-2011. The compound annual growth rate (CAGR) of services for the period 2001-11 in India was 9.2 per cent, second only in the world after China. Given its growth performance, the contribution of the services sector (including construction) to overall GDP has increased sharply, from 41 per cent in 1990-91 to 64.8 per cent in 2012-13.

Services sector has also contributed to India's enhanced trade performance. Services exports have grown significantly, from less than \$7 billion in 1995 to over \$137 billion by 2011. India's share in global services exports has risen from 0.5 per cent in 1995 to over 3 per cent in 2011. The

sector's share in the country's exports has risen from around 18 per cent in 1995 to over 39 per cent in 2011.

Thus, services sector has contributed significantly to the growth, GDP and linking of Indian economy with the external markets in the post reforms era. However, there has been debate in India over the implications of this services led growth on employment creation. In spite of a significant jump in the services share in GDP, the services contribution to employment increased only marginally over the liberalization period in India. Due to this phenomenon, many economists have criticized India's growth story as 'jobless growth', i.e., there has been high growth in Indian economy during past few years but adequate jobs were not being created.

This article focuses on unemployment aspect of India's services growth story. It illustrates growth, service sector contribution and unemployment scenario in India and its various states and explains the possible reasons for this paradox. It concludes by suggesting policy measures to increase the services

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sector contribution to job creation and the employment scenario in India.

Services: Growth and Employment

The growth and liberalization of India's services sector and consequent rise in its share in India's GDP is not well correlated with employment generation in India. Table 1 shows the share of employment per sector in India for the years 1993-94, 2004-05 and 2007-08. The data reveals that the while the share of employment in the tertiary sector (predominantly services) increased over the years, the primary sector (predominantly agriculture) is still the dominant employer. The share of the primary sector in employment fell sharply between 1993-94 and 2004-05. The consequent rise in the share of employment in the secondary (predominantly industry) and tertiary sectors was fairly balanced between the two.

Table 1: Share of employment per sector in India (%)

Year	Primary	Secondary	Tertiary
1993-94	64.5	14.3	21.2
2004-05	57.0	18.2	24.8
2007-08	55.9	18.7	25.4

Source: *Economic Survey, 2010-11*

This observed trend for India is in contrast to the trend in developed and some developing countries wherein the contribution of services sector to the employment not only increased over time with the process of development, but services also became the dominant player in employing human resources in these economies. For instance, by the beginning of 2000, about three quarters of employees were working in services in several OECD countries. Not only developed countries, even developing countries, such as Latin American countries like Chile, Peru, Colombia, Panama and many Asian countries, such as Korea, also have a significantly higher share of services in their overall employment. Among

BRICS countries, only China and India have low employment contribution of services. However, the gap between employment and GDP contribution of services for India is much wider than China. This is because of the fact that share of services is low for both GDP and employment in China due to the predominance of its industrial sector.

A deeper analysis of employment data of India reflects that there are widespread differences in employment in various services sectors and states across India. While some states, such as Kerala, have a high share of employment in the services sector, states like Chhattisgarh, Madhya Pradesh, Gujarat have relatively low shares of employed people in services. It is worth noting that many north-eastern states like Sikkim, Tripura, and Manipur have a high share of employment in the services sector. From a sectoral perspective,

The economic theory postulates that in the initial phase of development of an economy, the role of primary sector is dominant. As the economy progresses, the role of secondary sector becomes important in the second phase. In the third stage, when the economy further progresses, the tertiary sector's contribution increases. However, for India, it seems that the second stage of the development process has been bypassed and India has entered into the third stage directly from the first stage.

construction, trade, hotels and restaurants, and public administration, education, and community services are the major employment-providing services sectors in different states.

There are also wide differences in the employment share of services sector in rural and urban India. In urban India, such share is very high in most of the states as compared to

the rural India. It implies that services growth has more or less limited itself only to the urban India and the fruits of high services growth have not percolated down to the rural India. A natural corollary of this imbalance is that, of late, there has been a lot of internal migration in India from rural to urban areas thereby increasing the challenges for the urban civic bodies, which are already finding it difficult to meet the growing needs of rapid urbanization in India.

Table 2 shows rural and urban sector employment per 1000 employed people for various states of India.

Paradox of High Growth and Low Employment: Why?

Low employment contribution of services in spite of high growth rates and GDP contribution is a phenomenon particular to India. One of the primary reasons for low employment creation in India's services sector is the neglect of secondary (industry) sector during the liberalization period. The economic theory postulates that in the initial phase of development of an economy, the role of primary sector is dominant. As the economy progresses, the role of secondary sector becomes important in the second phase. In the third stage, when the economy further progresses, the tertiary sector's contribution increases. However, for India, it seems that the second stage of the development process has been bypassed and India has entered into the third stage directly from the first stage.

In this context, it is worth noting that though China has shown highest services CAGR of 11.1 per cent in 2001-2011 period, its share of services in GDP is only marginally changed during this period. However, for India, high services CAGR (9.2 per cent) is also associated with the highest change in its contribution to the GDP. This also shows that China's growth story is based on the development of both the industrial

**Table 2: State-wise Employment in Different Sectors in Rural and Urban India in
2009-10 (per 1000 employed people)**

State/UT	Agriculture and Allied		Industry		Services with Construction		Services without Construction	
	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Andhra Pradesh	687	53	97	241	217	705	150	583
Arunachal Pradesh	757	140	32	41	213	817	158	722
Assam	725	27	38	137	257	833	222	757
Bihar	669	146	53	121	279	732	174	609
Chhattisgarh	849	53	39	282	112	666	83	553
Delhi	0	1	120	285	879	712	542	682
Goa	239	14	365	289	397	696	353	552
Gujarat	783	53	62	306	156	641	112	576
Haryana	598	53	98	319	304	627	195	511
Himachal Pradesh	629	85	53	149	320	767	167	676
Jammu & Kashmir	597	110	84	227	316	662	218	552
Jharkhand	548	52	92	160	361	787	145	602
Karnataka	757	94	67	221	176	686	132	558
Kerala	357	110	132	178	511	711	357	570
Madhya Pradesh	824	98	48	203	128	700	62	569
Maharashtra	794	47	52	236	154	716	116	638
Manipur	534	205	90	118	377	677	240	604
Meghalaya	707	58	56	65	236	877	178	780
Mizoram	806	360	14	53	180	587	128	499
Nagaland	741	219	17	35	241	745	200	684
Odisha	676	103	84	215	240	683	144	549
Punjab	618	83	81	249	298	669	168	552
Rajasthan	633	70	54	186	312	743	110	595
Sikkim	539	0	48	99	414	901	282	874
Tamil Nadu	637	136	117	276	246	586	146	482
Tripura	306	21	63	89	633	891	244	716
Uttarakhand	695	54	41	199	263	747	131	629
Uttar Pradesh	669	91	76	257	257	653	134	551
West Bengal	563	36	173	279	265	683	206	621
A & N Islands	430	30	91	98	477	873	330	766
Chandigarh	31	22	145	122	826	856	629	778
Dadra & Nagar Haveli	591	38	160	632	251	332	155	315
Daman & Diu	548	394	340	177	110	430	106	398
Lakshadweep	452	277	57	164	491	558	361	483
Pondicherry	461	29	144	201	396	770	238	647
All India	679	75	80	242	241	683	147	582

Source: Economic Survey, 2011-12

and services sectors, whereas, India's growth story is mainly driven by the services sector ignoring the industrial one.

The other reason for observing this paradox in India is the lack of backward and forward linkages between agriculture, industry and services sectors. For instance, if the agriculture sector (primary) could have been linked with the agro-processing industries (secondary) in rural areas, which, in turn, could have been linked to various input services (tertiary) such as financial, transport, insurance etc., more employment may have been generated. This would have also solved the problem of large scale migration from the rural areas to the urban settlements.

The relatively less contribution of services to employment may also be attributed to poor recording of services data in India. Many of the services are provided in the unorganized sector, such as, housemaids, workers in the local kirana stores, selling through hand pulled carts (*Thaillas*) etc. Because of their unorganized nature, employment in these services is often underestimated, though such services provide employment to a number of unskilled workers.

Policy Suggestions

It has been observed that the policies and programmes of the government are generally not specifically designed to cater to low employment in services sector only. Rather, they are designed to solve the underlying problem of poverty and unemployment and related issues in the economy in general which may have been intensified because of liberalization of the economy in general and services sector in particular. Therefore, the need is to have targeted interventions designed categorically for specific services to create more employment opportunities in India's services sector.

The government should focus on those services which have high employment elasticity. For example, services like tourism, retail, construction, health, etc. have relatively high employment elasticity. Therefore, the policy makers should not only focus in developing suitable infrastructure but also on capacity building and training in these sectors. It is worth mentioning that the governments, both at the federal and state level, have initiated a few programmes for capacity building in selected service sectors. For instance, in tourism sector, the state government of Gujarat, as Public Private Partnership (PPP) initiative, has set up a Centre for Tourism and Hospitality Management for training of service providers, guides and tourism personnel with special emphasis on target groups who are mainly from weaker sections of the society. Similarly, at the federal level, the Ministry of Tourism has implemented various schemes during 2007-12, such as, Product Infrastructure Development for Destination and Circuits (PIDDC); Overseas Promotion and Publicity Including Market Development Assistance; Assistance to Academic Institutions for Capacity Building for Service Providers; Assistance to Large Revenue Generating Projects, etc. The Approach Paper to the 12th Five Year Plan of the Government of India has recommended a 'Pro-poor tourism' approach for increasing the net benefits to the poor from tourism and to ensure that tourism growth contributes to employment and poverty reduction.

It is also important to have more broad-based growth within the services sector in order to ensure balanced, equitable and employment oriented growth in the economy. Such broad-based growth will require reforms in infrastructure, regulation and FDI liberalisation in services. These measures are likely to help

to diversify the sources of growth, thereby increasing employment opportunities in Indian economy.

Services sector is so far not looked in a comprehensive manner in India. Rather, various facets of services, such as growth, trade and employment are looked into in a compartmentalized manner. For instance, as the current account deficit of India is rising owing to merchandise trade deficit, government started focussing on increasing services exports. However, there is no comprehensive policy as of yet which focuses on services exports, leave apart other domestic and international issues related to services. Therefore, services sector should be looked into in an integrated and holistic manner instead of in silos, so as to enhance its contribution not only to GDP but also to employment and exports.

Conclusion

There has been an insignificant increase in the services sector's share in employment in India in spite of a very large increase in its share in GDP during the last two decades. This phenomenon could be attributed to both structural factors as well as lack of appropriate policy interventions. The demographic profile of India requires more and more jobs to be created in order to provide gainful employment to its growing young workforce. As the services contribution to GDP is expected to further rise in coming years, the policy makers need to focus on additional employment creation in various services. This could be achieved through facilitating more broad-based growth within the services sector, creating backward and forward linkages between agriculture, industry and services, government intervention and targeted policies and further reforms in infrastructure, regulation and FDI liberalization. ■

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YE-133/2013

Trends in Manufacturing Employment

Bishwanath Goldar



For providing ample employment opportunities for low educated or uneducated youth in the next ten years, a fast growth in manufacturing is necessary. The new National Manufacturing Policy aims at attaining a rapid growth in Indian manufacturing so that the share of manufacturing in aggregate GDP rises to 25 percent within a decade or so

AT THE time economic reforms were initiated in India in 1991, there was an expectation that economic reforms will give a major boost to employment generation in manufacturing. It was believed that economic reforms, particularly trade reforms, would cause the industrial structure to shift towards labour intensive industries, driven by India's comparative advantage, and thus contribute to employment generation. Also, there was hope that economic reforms would help Indian manufacturing grow faster, and this would in turn favorably impact employment generation in manufacturing.

The actual employment growth experience has, however, not fulfilled these expectations. The average annual growth rate in manufacturing employment in the post-reform period has not surpassed that attained in the ten to fifteen years preceding the reforms. Between 1977-78 and 1993-94, the growth rate in employment in manufacturing was about 2.7 per cent per year, while between 1993-94 and 2011-12, it fell to about 2.4 per cent per year.

One reason why the growth rate in manufacturing employment did not significantly accelerate shortly after

the initiation of economic reforms in India is that economic reforms lifted the growth rate of manufacturing output only after some substantial time lag. In the period 1976-77 to 1990-91, the average growth rate in manufacturing output (gross value added at constant prices) was about 5.8 per cent per year in the period 1991-92 to 2001-02, remaining almost the same at 5.7 per cent per year accelerating to 8.3 per cent per year in the period 2002-03 to 2011-12. This acceleration is reflected in a similar acceleration in the growth rate of manufacturing employment. Between 1993-94 and 1999-00, the growth rate in manufacturing employment was 1.6 per cent per annum (substantially lower than the growth rate in the pre-reform period), which increased to 2.8 per cent per annum between 1999-00 and 2011-12.

Another reason why there was no step up in the growth rate in manufacturing employment in the post-reform period is that the expected structural shift towards labour intensive industries did not take place. Consider the cases of textiles and textile products, and leather and leather products. These are two important labour intensive export industries. Their share in India's exports was 32 per cent in 1990-91. This share fell to 11 per cent by 2011-12. Clearly, the exports structure

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has not changed in favour of labour intensive products. The share of these two industries in real value added in manufacturing has fallen from 16.6 per cent in 1990-91 to 13.6 per cent in 2011-12. Again, it is seen, these two labour intensive industries have not gained in importance within Indian manufacturing.

To gain a better understanding of the growth of employment in Indian manufacturing, it is useful to consider separately the employment trends in the organized and unorganized sectors of manufacturing. The organized sector of manufacturing comprises industrial units registered as 'factories' under the Factories Act. It covers industrial units that have 10 or more workers using power or 20 or more workers not using power. Thus, the organized (or registered) sector of manufacturing

Over the last five decades, India's organized manufacturing has experienced alternate phases of new job creation and jobless growth. In the 1960s and 1970s, substantial additions were made to jobs in organized manufacturing and the average growth rate in employment in organized manufacturing was about four percent per year. This was followed by a phase of 'jobless industrial growth' in India in the 1980s.

covers relatively bigger industrial units. The organized sector currently accounts for about one fourth of total employment in manufacturing and about 70 per cent of manufacturing output (gross value added). Even though, the share of the organized sector in manufacturing employment is only about a fourth, it has an important place in job creation because the level of productivity and wages are much higher in the organized sector than the unorganized sector. Also, in terms of provision of decent jobs, the organized manufacturing sector has a clear edge over the unorganized manufacturing

sector. The trends in employment in the organized and unorganized manufacturing sectors are taken up for discussion next, in that order.

Employment in Organized Manufacturing

Over the last five decades, India's organized manufacturing has experienced alternate phases of new job creation and jobless growth. In the 1960s and 1970s, substantial additions were made to jobs in organized manufacturing and the average growth rate in employment in organized manufacturing was about four per cent per year. This was followed by a phase of 'jobless industrial growth' in India in the 1980s. Between 1980-81 and 1990-91, organized manufacturing output grew at the rate of 8.3 per cent per year whereas employment in organized manufacturing grew at a low rate of only 0.4 per cent per year. In the years that immediately followed the initiation of economic reforms, there were some increases in employment in organized manufacturing. Between 1990-91 and 1997-98, employment in organized manufacturing increased by about 19 per cent. The annual growth rate was about 2.5 per cent. In subsequent years, however, there was a downward trend in employment in organized manufacturing which continued till 2003-04. Between 1997-98 and 2003-04, employment in organized manufacturing fell by about ten percent. The fall in employment during 1997-98 to 2003-04 offset to some extent the gains made in 1992-93, 1994-95 and 1995-96. As a result, the average growth rate in employment in organized manufacturing during 1990-91 to 2003-04 was only about 0.6 per cent per year. If one considers a longer period, 1980-81 to 2003-04, a period spanning 24 years, the average growth rate in employment in organized manufacturing was rather low at about 0.5 per cent per year. Interestingly, the situation has changed radically since then. In the period since 2003-04, employment in organized manufacturing has grown at a rapid rate of about seven per cent per annum, well

above the growth rate in employment achieved in the 1960s and 1970s.

Although, there are good theoretical arguments to expect that trade liberalization will alter the commodity composition of exports and imports and thus lead to a change in the structure of the manufacturing sector towards labour intensive industries, no such structural change has actually occurred within organized manufacturing. The industrial groups (a) food, beverages and tobacco, (b) textiles and textile products, (c) leather and leather products, and (d) wood and wood products, which are labour intensive, accounted for about 22 per cent of the aggregate value added of organized manufacturing in 1990-91 (at 2004-05 prices). Their share in value added declined to about 18 per cent in 2004-05. By contrast, the industrial groups (a) chemicals and chemical products, (b) rubber, plastic and petroleum products and (c) basic metals accounted for about 47 per cent of value added of organized manufacturing in 1990-91 (at 2004-05 prices) which increased to 48 per cent by 2004-05. Evidently, the relative share of labour intensive industries has fallen and that of capital intensive industries have marginally increased within organized manufacturing contrary to the prediction of conventional

The theoretical prediction that trade liberalization will promote labour intensive industries crucially rests on the assumption of perfectly competitive markets. Once imperfect competition is brought in, trade liberalization need not result in contraction of capital intensive import competing industries. Rather, in certain cases, these may expand.

economic theory. This does not mean that the theory is wrong. The theoretical prediction that trade liberalization will promote labour intensive industries crucially rests on the assumption of

perfectly competitive markets. Once imperfect competition is brought in, trade liberalization need not result in contraction of capital intensive import competing industries. Rather, in certain cases, these may expand.

An interesting question is whether the recent surge in employment in organized manufacturing at the growth rate of seven per cent per year is attributable to a structural shift towards labour intensive industries. An analysis of National Accounts data on Real Gross value added in organized (registered) manufacturing industries

A Report of the World Bank notes that by imposing excess rigidity in the formal manufacturing labour market, the labour regulation has created disincentives for employers to create jobs. The Report presents an estimate according to which the *Industrial Disputes Act* has caused about three million less jobs to be created in formal sector manufacturing.

reveals that the relative share of labour intensive industries such as food products, beverages, tobacco products, textiles, leather and leather products, and wood and wood products has not recorded any substantial increase in the period since 2004-05. Thus, the employment surge is not traceable to a structural shift towards labour intensive industries. The explanation lies elsewhere.

Role of Labour Market Regulations

A Report of the World Bank (*India's Employment Challenge: Creating Jobs, Helping Workers*, Oxford University Press, New Delhi, 2010) notes that by imposing excess rigidity in the formal manufacturing labour market, the labour regulation has created disincentives for employers to create

jobs. The Report presents an estimate according to which the *Industrial Disputes Act* has caused about three million less jobs to be created in formal sector manufacturing. These estimates are based on analysis of data for the period 1959-1997. In 1997, the formal or organized sector of manufacturing provided about 9 million jobs. This would have been 12 million if three million jobs were not lost. Thus, going by the estimates presented in the World Bank study, the Industrial Disputes Act has lowered employment in organized manufacturing by about 25 per cent.

In this context, it is important to note that there is a body of literature on labour regulations in India which takes the position that several Indian states have relaxed the provision of enforcement of labour laws leading to flexible practices at the ground level. This belief seems to go well with the observation that in recent years organized manufacturing has achieved a fast rate of growth in employment. In an article of this author, some empirical evidence has been presented that indicate that the inter-state variation in employment elasticity in the recent period is positively correlated with the extent of labour market reforms done. This finding supports the view that the recent surge in employment growth in organized manufacturing is connected with some degree of flexibility in industrial labour markets introduced by the Indian states.

Besides affecting the quantity of employment generated in organized manufacturing, labour market regulations have also affected the quality of employment. There has been growing use of contract labour in organized manufacturing. The contract workers as percentage of total workers employed in organized manufacturing has increased from 14 per cent in 1995-96 to 31 per cent in 2007-08, and further to 34 percent in 2010-11. It is believed that the use of contract workers provides a means of getting around the labour regulations, particularly the Industrial Disputes

Act (IDA), and industrial enterprises in India have actually been adopting this means on a wide scale. There are econometric studies which have provided empirical evidence to show that stringent labor regulations have led to greater use of contract workers in Indian industrial firms. An important question that presents itself here is why has the upward trend in the use of contract labour continued in India's organized manufacturing even though several Indian states have relaxed the provisions of enforcement of labour laws earlier. Probably there are other factors that influence and encourage the use of contract labour in Indian industries.

Unorganized Manufacturing

Employment in unorganized manufacturing grew at the rate of about three per cent per year between 1977-78 and 1999-00, which has suffered to some extent in the 2000s. According to the employment estimates based on survey of unorganized manufacturing enterprises undertaken by the National Sample Survey Office, there was a decline in the number of workers in unorganized manufacturing sector between 2000-01 and 2010-11.

An important question that presents itself here is why has the upward trend in the use of contract labour continued in India's organized manufacturing even though several Indian states have relaxed the provisions of enforcement of labour laws earlier. Probably there are other factors that influence and encourage the use of contract labour in Indian industries.

The rate of fall was 0.6 percent per year. A closer look at these data brings out that the experience of own account manufacturing enterprises (units using family labour, no hired workers) was different from that of establishments (unit employing hired workers). Between 2000-01 and

2010-11, employment in unorganized sector manufacturing establishments grew at the rate of 1.6 per cent per year, whereas the employment in own account manufacturing enterprises decreased at the rate of 1.8 per cent per year.

Not only has the employment in own account enterprises of unorganized manufacturing fallen between 2000-01 and 2010-11, but there was also a fall in the number of enterprises (estimated). The number of own account enterprises of unorganized manufacturing has fallen from about 146.7 lakh

It seems a restructuring has been taking place within the unorganized manufacturing sector in the last decade, away from rural own account enterprises and towards establishments and urban own account enterprises. This has contributed to increase in labour productivity.

in 2000-01 to about 144.3 lakh in 2010-11. The number of establishments in unorganized manufacturing on the other hand, has increased from about 23.5 lakh to 27.8 lakh. Interestingly, within the own account enterprises, it is the rural component that

has experienced a fall (from 111 lakh in 2000 to 91 lakh in 2010); the urban component has seen a rise (from 36.1 lakh to 52.9 lakh units). It seems a restructuring has been taking place within the unorganized manufacturing sector in the last decade, away from rural own account enterprises and towards establishments and urban own account enterprises. This has contributed to increase in labour productivity.

Way Forward

The manufacturing sector has virtually stagnated for long, in terms of its share in aggregate gross domestic product (GDP) as well as aggregate employment. In 2011-12, the share of manufacturing in aggregate GDP was about 16 per cent and the share in aggregate employment was about 13 per cent. The services sector has grown fast and increased its share in GDP. In 2011-12, the share of services in aggregate GDP was about 58 per cent. The share of services in employment was, however, much lower at about 28 per cent. The services sector cannot be relied on for creating ample employment opportunities for the youth that will be entering the labour market in the next ten years. The skill requirements of workers in services, particularly the modern services, are much greater than that for the workers in manufacturing. Thus, for providing ample employment opportunities for low educated or uneducated youth in the next ten years, a fast growth in manufacturing is necessary. The new *National Manufacturing Policy* aims at attaining a rapid growth in Indian manufacturing so that the share of manufacturing in aggregate GDP rises to 25 per cent within a decade or so. This initiative holds considerable potential to increase manufacturing employment in the coming years. □

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Geog./भूगोल

by
Alok Ranjan

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YE-1362013

DO YOU KNOW?

What is Unstructured Supplementary Service Data (USSD)?

Unstructured Supplementary Service Data (USSD) is a protocol used by GSM Cellular telephones for communication with service provider's computers. USSD is an international system for communication technology, which is used for sending text between a mobile phone and an application program in the network. A USSD gateway routes messages from signalling network to service application and back. In telecommunications, gateway is a central point at which several different protocols or communications signals are controlled and routed. It is a technology unique to the GSM. It is a session based communication which has a variety of applications. In interactive applications it takes less time than SMS, as it is a session based feature and not a store and forward service. With 182 alpha numeric characters USSD messages create real-time connection during a session. The connection allows a two-way exchange of a sequence of data; thus making it a more responsive service. The process of interaction through USSD begins with the user composing the message on the phone keyboard. It goes to the phone company network, where it is received by a computer dedicated to USSD.

The response from computer is sent back to the phone. Most GSM phones have USSD capability. A USSD message starts with an asterisk (*). The message ends with # sign. As far as the uses of USSD are concerned, the most common use in our day-to-day life is to enquire about how much balance we have in our mobile phone account at a particular time.

The user sends a Process Supplementary Service Request (PSSR) to the home zone. Under the guidance of the gateway, it is sent to the correct application. The application sends an acknowledgement via USSD gateway. PSSR responds back. The balance appears on the screen. Balance notification at the end of charged call on our mobile phone screen is also done through the use of unstructured supplementary service.

The use of above mentioned process is also done for voice chat. USSD is also a medium for product-advertising. These days, aggressive telemarketing has been a cause of irritation to customers who do not like being unnecessarily disturbed in the midst of their hectic schedules. USSD enabled advertising is less invasive than telemarketing.

The USSD services provide a virtual Home Environment (VHE) during roaming. This is because USSD services are available in roaming

networks and the USSD messages are directed towards the subscriber home network. In this way the change of geographical location of subscriber and going beyond one's network area does not come in the way of smooth communication. The same set of services are thus enjoyed by the subscriber while on roaming.

What is Brent Crude?

Brent crude is a light crude oil. It got its name due to the fact that it was first produced from the Brent oilfield. It contains about 0.37% of sulphur. It is suitable for production of petrol and middle distillates. It is sourced from the North Sea. This type of oil is used as a benchmark to price European, African, Middle Eastern oil. It was discovered in early 1960s. It is sourced by UK, Norway, Denmark, the Netherlands and Germany. It is a light as well as "sweet" oil. It is a blend of UK's two North Sea oils. The production of this oil now stands at 500,000 barrels a day. There is a price difference between this oil and its counterparts. The depletion of North Sea oil fields has also affected the prices. Differences in the supply and demand situation have also led to difference in prices. However, the gap in prices is now less. □

*(Compiled by Hasan Zia, Sr. Editor;
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Highlights: Economic Outlook 2013-14

The 'Economic Outlook 2013-14' was released recently. Following are the highlights of the document:

➤ Economy to grow at 5.3% in 2013-14 ➤ Agriculture projected to grow at 4.8% in 2013-14 as against 1.9% in 2012-13. ➤ Industry (including manufacturing, mining and quarrying, electricity, gas, water supply and construction) projected to grow at 2.7% in 2013-14 as against 2.1% in 2012-13. Manufacturing sector projected to grow at 1.5% in 2013-14 as against 1% in 2012-13. ➤ Services projected to grow at 6.6% in 2013-14 as against 7.1% in 2012-13. ➤ Domestic savings rate decline of 6% between 2007-08 and 2011-12 almost entirely on account of a decline of 3.7% in public sector savings and 2.2% in private corporate savings. ➤ Decline in net financial savings of households to 8 per cent in 2011-12 from 11-12 per cent in years prior to 2010-11. ➤ Investment rate projected at 34.7% of GDP in 2013-14 as against the estimated 35% in 2012-13. ➤ Domestic savings rate projected at 31% of GDP as against the estimated 30.2% of GDP 2012-13. ➤ Current Account Deficit projected at \$70 billion (3.8% of GDP) in 2013-14 against an estimated \$88.2 billion (4.8% of GDP) in 2012-13. ➤ Merchandise trade deficit projected at \$185 billion (10.1% of GDP) in 2013-14 against an estimated \$195.7 billion (10.6% of the GDP) in 2012-13 ➤ Net FDI inflows in 2013-14 projected at \$21.7 billion against an estimated \$19.8 billion in 2012-13. ➤ Net FII inflows projected at \$ 2.7 billion in 2013-14, The commensurate figure is estimated at \$ 17 billion in 2011-12 and \$27 billion in 2012-13. ➤ The Centre's budgeted fiscal deficit is estimated at 4.8% of GDP in 2013-14, as against an estimated 4.9% in 2012-13. ➤ The fiscal deficit during the first four months of the current financial year has already reached 62.8 per cent, and expenditure on major subsidies 51.3 per cent, of the budgetary provision for the full financial year. ➤ The fiscal deficit of all states put together was 2.8 per cent of GDP in 2009-10, and moderated further to 2.1 per cent in 2012-13 (BE).

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







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The Right to Education, 2009 and Repercussions for Marginalised Groups

Claire Noronha



It is important to remind ourselves that RTE is not a magic wand that has dissolved all challenges in the schooling of disadvantaged children...It is also important to realize that the 'right to education' is of most significance to the most vulnerable – and the least able to claim that right. From that point of view children need all the support they can get – their parents are often immersed in the struggle for basic entitlements in a highly stratified society

CRITICS FAULTED the Right to Education Act 2009 (RTE) on many counts when it was finally passed, a century after being proposed by Gokhale. Still, the RTE was welcome—the child's right to education was now a justiciable right which put the compulsion of provision on the state.

In some ways the RTE takes up and consolidates earlier trends, in others it is a striking departure from them.

In mandating a basic minimum of infrastructure and trained teachers in all schools, the RTE reversed a disturbing trend which had slowly become entrenched over the years. In the government sector, poorly equipped EGS/AIE schools were acceptable for difficult situations and in many states trained teachers had been replaced by less qualified para teachers or contract teachers, a low cost alternative. Nambissan (2010) remarks on the irony of poorly paid less skilled teachers for disadvantaged children as a 'travesty of social justice'. The low fee for profit private schools targeting the same clientele also relied on local less qualified staff. By insisting that all schools have basic facilities the RTE restored a certain dignity to the schooling system for the disadvantaged. Derecognising schools which did not have these standards

by March 2013 (a deadline which has passed without fanfare) was part of this line of thinking.

On the other hand what appears like a massive shift in pedagogy to a child centred child friendly learning mode and a stress free CCE (Continuous and Comprehensive Evaluation) system is in tune with developments over the years. The government schooling system had been plagued with drop out and low retention. Low retention was partly attributed to the dullness of classroom activity which relied on copying from the blackboard and rote learning as major classroom activities punctuated by the free use of the stick. UNICEF had in fact been working on the 'joyful learning' mode of curriculum transaction over many years. The National Curriculum Framework 2005 similarly had stressed the primacy of the learner and the need for a flexible evaluation system.

The 25 percent reservation in private schools needs to be seen in the context described above – as an inroad into the fortress of elite privilege not available to the poor. But by asking for a large percentage of enrolment from disadvantaged groups in *all* recognized schools the RTE is aiming for more inclusive schooling with defined parameters.

Advocates and Opponents: Though many have faulted RTE as

Claire Noronha has been active in the field of research into the schooling of disadvantaged children since 1995 and was part of the team which published the well known PROBE report. She is a founder member of CORD (Collaborative Research and Dissemination). This article reflects findings from fieldwork with schools and families as well as interviews with educationists, activists and policy makers, and discussion with collaborators.

noted earlier, for not giving enough, the RTE mandates for basic facilities, trained teachers and more inclusive education have energized a diverse set of academics, NGOs, activists, private foundations and even international bodies who have grasped at the opportunity to see that the state is indeed accountable for the education of its children. They look at infrastructure lags, at school functioning and how the proposed monitoring system for government schools – the SMC is functioning and what parents say about the child's learning. Another area of enquiry is whether children are indeed being able to gain admission in private schools using the 25 percent reservation under the Act. The RTE forum, an association which has been formed to spearhead this effort, has been holding conventions at various state capitals and publishing yearly reports to chart the progress of RTE in the states. Private foundations are also working in this field.

Opponents include the private sector, particularly the powerful elite private school sector. Elite schools feel that the 25 percent quota is a burden – reimbursement at government rates is far too low and had challenged it in court. After a long and contentious hearing the judgement finally came in April 2012. Basically, it upheld the viewpoint of the state in enjoining on the private sector a positive obligation to share in the task of educating disadvantaged children. Schools are by no means satisfied with this – on several grounds - and have gone in appeal. The cheaper private schools although they do see the potential of government subsidy as a useful one, do not like the underlying possibility of losing autonomy – in effect they would be subjected to greater government scrutiny. Further, the RTE cuts at the very basis of their profitability through the stipulation that all schools have a minimum infrastructure in place as well as trained teachers. They point out that the government schools have poor results – although they have trained teachers. These schools too have banded together to protect their interests.

Related to this perspective is the view that the RTE is a retrogressive

input focused act which emphasizes infrastructure and teaching inputs when it is learning achievements which are all important. The time has come according to this school of thought for a focus on outcomes since the challenge of access has largely been met. Learning achievements are argued to be the only test of school quality and the school system especially the government school system is woefully deficient on this score. Private schools are better and hence parents are choosing them – and abandoning government schools everywhere. To bolster this argument are the yearly ASER surveys which regularly note that children in class 5 are unable to function at a class 2 level – in literacy and in numeracy tasks and that these children are more likely to be in government schools than in private schools. Similarly, the JRM (Joint Review Mission) reports which monitored government schools during the SSA (Sarva Shiksha Abhiyan) period which has just ended also made frequent mention of the need to focus on learning achievements.

This view certainly has financial implications for governments struggling with the increased financial input required by RTE – if infrastructure is not important and a trained teacher cadre can be dispensed with, then learning can come through the aegis of a tightly structured system centred round immediate learning goals. Low fee private schools or low cost alternatives in government schooling would be in favour. A section of CSOs (Civil Society Organisations) and others form an articulate lobby pushing this agenda. Significantly, the 12th Plan prioritises the improvement of learning achievements above all else.

Challenges Before Us: So how does this debate augur for the future of RTE and for the schooling of disadvantaged children. It is interesting that in two of the three cases the disadvantaged child remains at the core of the debate except that the problem is seen from two perspectives. One viewpoint sees the child as having rights to overall holistic development and the other sees the child in peril because government schools are not delivering learning achievements

– while these can be delivered at a fraction of the cost thus benefitting the state as well as child. The former argue for systemic improvement including teacher training as this will benefit the most marginalized who are chiefly in government schools, and the latter advocate private schools or 'public private partnerships'. The elite school viewpoint is somewhat different but the judgement indicates that the Supreme Court viewed the problem from the citizen's right to a life of dignity perspective which was deemed stronger than the right of the school owner to pursue a trade without hindrance.

It is important to remind ourselves that RTE is not a magic wand that has dissolved all challenges in the schooling of disadvantaged children. These remain and are substantial and RTE assists the child by putting compulsion on the state and its educational apparatus. It is also important to realize that the 'right to education' is of most significance to the most vulnerable – and the least able to claim that right. From that point of view children need all the support they can get – their parents are often immersed in the struggle for basic entitlements in a highly stratified society.

The most vulnerable are in any case in government schools and such families are plagued to a high degree by the struggle to live. At its most basic level for the school this implies irregular attendance due to migration, the need for labour of children at certain times owing to the agricultural cycle, illness etc. It also means children minus food security and minus preschooling. Parents often have little or no schooling.

The elementary schools these children attend have modest facilities as can be seen from DISE statistics for 2010-11 (quoted in Colclough and De, DFID 2013). Only 49 percent of schools had a functional toilet for girls - studies have indicated that the absence of toilets is a major reason for drop out of adolescent girls. Only 43 percent of schools had electricity. As parents in an urban slum pointed out in a 2012 study, children could hardly

be expected to concentrate when they were bathed in sweat. If one also thinks that exposure to computers should be provided by a formal school then it is sobering to note that only 15 percent of schools had a functional computer. Overall, however, there has been progress – physical infrastructure is improving.

Other areas are more complex. An over ambitious curriculum actually ensures that children will be soon left behind and that automatic promotion will compound the problem as the learning deficit increases over the years. Further, experts point out that disadvantaged children for the most part face a language problem – the home language and the formal school language are at odds and the problem remains acute: in the words of one educationist who is commenting on achievement tests in primary schools:

But 'spot' testing in the problem, and the use of textbook based testing... the language used in the book is not their first language. The Maithili, Bhojpuri and other home language family children, are at a disadvantage with using Hindi language books. It takes eight years for such children to get comfortable with the Hindi textbook language for learning. So a teacher needs to be trained to do more language bridging and if done, then such learning can be secured.

RTE does mandate trained teachers. But educationists deplore the fact that the teacher training institutional apparatus has all but collapsed and will take some time to set in order. This is a major threat to RTE considering that the teacher often has to cope with the problems of first generation learners and cannot expect home support, that she or he is expected to use a teaching methodology and a method of evaluation (CCE) to which there has been no prior exposure. Further, in a patriarchal and caste ridden society teachers are expected to be the enlightened agents of social change. These are high expectations indeed.

Further, the RTE monitoring mechanism for state schools is in keeping with decentralization – SMCs from PROBE Revisited (2011) based on

a revisit of schools in the same northern states after 10 years showed that in both surveys teaching activity was going on in less than half the schools. It is also worrying that the NCPCR (National Commission for Protection of Child Rights), officially entrusted with monitoring RTE is hampered by lack of funds, and bedeviled by interference.

Given the conditions described above poor learning achievements in government schools (LA) are not too surprising and merit serious reflection. However, it is startling that low achievement seems to be a part of the *entire* schooling system according to several reputed surveys. Education Initiatives studied student achievement in 'top schools' across several major Indian cities and found children unable to move easily from questions requiring information recall to those which required application. Top states fared no better in the sole PISA testing (PISA is an international test taken by the 15+ age group and enables benchmarking of a country against others) in 2009. An educational system which focuses on information recall and rote learning has been blamed so RTE is very much on track. Elite schools have quickly moved to CCE and non detention but for the average government school teacher there is confusion and misinterpretation as the blame for non performance is put on the non detention policy.

So the challenges for the government school system on which the most disadvantaged groups rely are many and deep. One such approach has already been suggested – allow the cheaper private schools to take over for their learning advantage is far superior at a fraction of the cost. Chudgar and Quin (2012) using a very large sample of households find that the relative advantage of private schools can become statistically insignificant. What needs to be done is to keep the development of the child at the centre and see that both private and government schools foster this development with learning achievement necessarily being one of the goals.

A sobering thought about the impact of putting the labourer's

child into the same classroom as the industrialist's child through the 25 percent reservation. Even if fully implemented, the proportion of elite schools to the large mass of schools in general, is too small to make a major difference to the disadvantaged millions. On the other hand, it could be a learning experience of inclusive education for the scions of privileged families. Studies show that schools themselves use a variety of measures to discourage disadvantaged parents. Further, admission processes are such that only more educated somewhat better off parents are able to negotiate the hoops. Even post admission they struggle to cope with costs for transport, books and uniform as *only tuition fees were exempted*. The real area of concern is not who gets in and how – presuming these aspects can be streamlined. It is the kind of education the child gets. Will the inclusion be confined to being seated in the same classroom?

In conclusion, a few remarks. One, the RTE as it is being implemented today should at least reduce the bewildering heterogeneity in the schooling system. Currently, government school infrastructure is being upgraded. What the situation is with the cheaper private schools is not clear. What is clear is that schooling for disadvantaged children still faces massive challenges. To move away from the era of rote learning to one where the teacher is trained to allow the child to think and explore his environment requires a quantum leap in the number of trained teachers and the kind of training given to them. The disarray in the teacher training system is a threat to this. Curriculum and textbooks, the language of classroom transaction also need massive rethinking. The entire monitoring system for schools, government and private, is one which needs strength and autonomy.

RTE requires all the building blocks to be in place to secure quality education for the disadvantaged child in both cognitive and non cognitive domains. We need to focus on this composite task to honour the child's right to education. □

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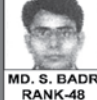
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Burden of Success: Decline in Participation

Sonalde Desai



The only way to reap this demographic dividend would be to work towards providing more job opportunities to women, particularly rural women with moderate levels of education

UNTIL RECENTLY, the Indian economy has grown at a rapid pace for nearly two decades. Average per capita expenditure, used as a proxy for income, has grown rapidly for both urban and rural areas, although the growth in urban areas far outpaces rural growth when taking into account inflation. Rural average monthly consumption per person has grown from Rs. 942 in 1993-94 (in 2011-12 prices) to Rs. 1287 in 11-12, a 37 per cent growth; the urban expenditure has grown from Rs. 1597 to Rs. 2471, a 55 per cent growth.

In spite of this income growth, we have seen little improvement in employment statistics, and for some time periods, even a decline is apparent. This has resulted in a popular characterisation of this growth as being jobless growth. A deeper look at the employment statistics provides interesting clues to this paradox.

As Figure 1, culled from NSS Reports shows that when we take into account both the primary and secondary status, male employment rates have hardly budged. Urban female employment rates have fluctuated somewhat but remain more or less stable. It is the rural female employment where decline is most striking, a nearly

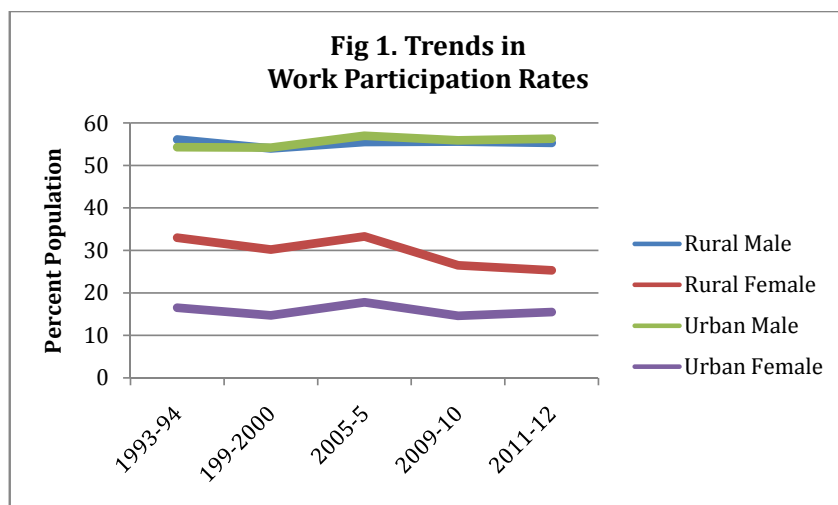
5 per cent point decline between 1993-94 and 2011-12.

This decline in employment for rural women is merely an overt sign of tremendous churning in rural labour markets. It is well recognised that the contribution of agriculture to Indian economy has steadily declined since Independence. Declining importance of agriculture is a normal transformation accompanying economic development. Where India differs from other countries is in lack of manufacturing opportunities and consequent crowding of workers in agriculture. While proportion of GDP from agriculture fell by 50 per cent since 1983, the proportion of workers in agriculture has barely declined by 25 per cent and about half the Indian workforce is still concentrated in agriculture although agriculture accounts for only about 17 per cent of the GDP.

With the declining share of agriculture in the economy, it is imperative that more and more workers move out of agriculture into non-agricultural work. However, these opportunities appear to be limited and are more easily available to men than to women. Consequently, while rural men increasingly move into non-farm work, particularly in construction labour, women appear to be stuck in agriculture and with

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Fig 1. Trends in Work Participation Rates



declining importance of agriculture in the economy are often squeezed out of the labour force. Rural men are also most likely to span sectors, something not easily documented by NSS surveys and hence, often overlooked. Fortunately, a survey conducted by National Council of Applied Economic Research (NCAER) and University of Maryland, supported by the Planning Commission, provides information on incomes of different members of the household. This survey, India Human Development Survey (IHDS) was conducted in 2004-5 and was canvassed to a nationally representative sample of urban and rural households in all states and union territories with the exception of Andaman-Nicobar and Lakshadweep. It collected information on all jobs by an individual in the preceding year and found that in 2004-5, about 51 per cent of the rural male workers work in farm related activities (either as own account farmers or as wage labourers), 21 per cent worked in both farm and non-farm activities, and 28 per cent only worked in non-farm sector. In contrast, among women workers, 84 per cent worked in farm oriented activities, 7 per cent combined farm and non-farm work, and 9 per cent worked only in non-farm activities. Thus, absence of non-farm opportunities places a great impediment on women's labour force participation.

The decline in rural women's work

participation rate (WPR) has slowed down, however. National Sample Survey documents that between 2004-5 and 2009-10 rural women's WPR including both primary and secondary activities fell from 32.7 per cent to 26.1 per cent and further fell to 24.8 per cent in 2011-12. This amounts to an annual decline of about 2.5 per cent in the past two years compared to about 4.5 per cent in the prior five years. At least some of this improvement may be attributable to the Mahatma Gandhi National Rural Employment from programme which mandates that at least one third of the beneficiaries must be women, and men and women should be paid equally. Nonetheless, regardless of the opportunities in NREGA, women's exclusion from rural labour markets remains a potential concern.

Could other factors explain this decline? It is sometimes argued that family pressures may account for women's withdrawal from the labour force. However, fertility has steadily fallen for both urban and rural areas. Rural Total Fertility Rate (TFR) declined from 3.7 in 1992-93 (as measured in National Family Health Survey-1) to 2.8 in 2011 (as measured by Sample Registration System). Urban TFR over the same period declined from 2.7 to 1.9. Similarly, increased access to clean fuels and proliferation of processed foods such as wheat flour have reduced demands

on women's time. If domestic demands are limiting women's labour force participation, this decline should lead to *increase* in women's employment. In contrast, we see a *decrease*, at least for the rural women.

A second possibility is that rising incomes have led to a decline in women's labour force participation. It has been well documented that as men's incomes increase, a family's need for money declines and women may prefer to concentrate on domestic activities. As noted above, undoubtedly incomes have increased. However, this does not seem to be the sole explanation for a decline in Indian women's labour force participation.

Few data sources exist that provide information on household income, particularly at an individual level. Household incomes used for this analysis must exclude women's own incomes since likelihood of women's labour force participation is the primary issue of interest. However, the IHDS survey referred to above, contains information in incomes of various household members. Results from this survey are presented in Table 1.

This table documents two things: (1) With rising income, as we go down the rows in each column, work participation rates decline. Suggesting that income of other household members is associated with declining labour force participation by women. (2) With increasing education, as we go across columns, work participation rates also decline, with an uptick only emerging after completion of 12th standard. Suggesting that regardless of income, education is associated with lower female labour force participation. This may well be due to shortage of employment opportunities for women whose education makes them eschew manual labour but who are not qualified enough for a clerical job.

Increase in women's education has occurred in both urban and rural areas with greater improvements in urban areas. Incomes have grown in

Table 1: Women's Work Participation Rates by Education and household income (excluding women's own earnings)
Women's Education

	None	1-4 Std.	5-9 Std.	10-11 Std.	12 & some Coll	Graduate
Rural						
Lowest Quintile	81	79	70	59	(NA)	(NA)
2nd Quintile	74	72	67	61	(NA)	(NA)
3rd Quintile	72	58	59	51	(NA)	(NA)
4th Quintile	67	56	50	39	46	53
Highest Quintile	65	58	45	43	36	46
Urban						
Lowest Quintile	62	60	51	36	(NA)	(NA)
2nd Quintile	45	31	30	28	(NA)	(NA)
3rd Quintile	39	34	23	23	27	46
4th Quintile	27	23	16	13	20	27
Highest Quintile	19	17	11	9	14	23

NA -- Not available due to small sample size.
Source: IHDS 2004-5.

Table 2: Distribution of Workers by Employment Status as Percent of Workers

	Self Employed	Regular Salaried	Casual Labour
Rural Males			
2011-12	54.5	10	35.5
2009-10	53.5	8.5	38
2004-5	58.1	9	32.9
1999-2000	55	8.8	36.2
1993-94	57.7	8.5	33.8
Rural Females			
2011-12	59.3	5.6	35.1
2009-10	55.7	4.4	39.9
2004-5	63.7	3.7	32.6
1999-2000	57.3	3.1	39.6
1993-94	58.6	2.7	38.7
Urban Males			
2011-12	41.7	43.4	14.9
2009-10	41.1	41.9	17
2004-5	44.8	40.6	14.6
1999-2000	41.5	41.7	16.8
1993-94	41.7	42	16.3
Urban Females			
2011-12	42.8	42.8	14.3
2009-10	41.1	39.3	19.6
2004-5	47.7	35.6	16.7
1999-2000	45.3	33.3	21.4
1993-94	45.8	28.4	25.8

Source: NSSO

both urban and rural areas with greater increases in urban areas. So why do we see decline in female employment in rural areas but not in urban areas? The key may lie in the nature of employment changes in urban and rural areas, shown in Table 2.

Most of the working women in rural areas remain concentrated in self employment – working on household farms or in petty self employment. Although the same can be said of men, there is a steady decrease in self employment and a rise in casual labour as well as regular salaried work for rural men over the 20 year period between 1993-94 and 2011-12. In contrast, women's self employment has grown and their participation in casual work has declined, albeit with a very small increase in regular salaried work. This suggests a stagnation in job opportunities for women outside of self employment. Under these circumstances, where aspirations for non-manual work are rising with education but work opportunities continue to stagnate, it is not surprising to see labour force withdrawal among educated women.

In contrast, urban areas show a welcome trend. In urban areas, women seem to be making rapid gains with decline in self employment as well as casual work and rapid gains in regular salaried work. In 1993-94, 28.4 per cent of the urban working women were in regular salaried jobs; by 2011-12, 42.8 per cent are in regular salaried jobs. This perhaps accounts for the fact that urban women's work participation rates have increased marginally, although rapidly rising urban household incomes have created considerable pressure for labour force withdrawal.

What is the policy significance of these trends? If fortunate conditions like growth in men's income and rising education are at least partially responsible for decline in women's labour force participation, should we not rejoice and let the market forces dominate? Unfortunately long term impact of this decline has tremendous social significance; its consequences

for reaping the demographic dividend is just one of the issues to consider.

The much trumpeted demographic dividend theory suggests that a young population will give India a productivity advantage, not available to aging countries such as China where a shrinking working age population is left to support a large number of elderly. Theoretically, this is a plausible proposition. Population projections suggest that dependency ratio, the ratio of non-working age population to working age population is likely to go from 0.39 in 2001 to 0.50 in 2030 for China, with the reverse trend, from 0.55 to 0.48 expected for India. However, this naïve discourse ignores striking differences in women's labour force participation between India and China.

While Indian and Chinese men exhibit similar work participation rates, Indian women substantially lag behind the Chinese women. World Bank World Development Indicators show that for population above 15 years, 68 per cent of the Chinese women are employed compared to only 29 per cent of the Indian women. This implies that instead of simply relying on age distribution differences to calculate the dependency ratios, if we take differences in work participation rates into account, in year 2030 the Chinese dependency ratio will be about 0.89 compared to 1.26 for India. This striking difference hardly provides reason to be sanguine about the potential for realizing the demographic dividend.

The only way to reap this demographic dividend would be to work towards providing more job opportunities to women, particularly rural women with moderate levels of education. Rising incomes and education are positive trends, but they are both associated with lower work participation by women. Thus, special attention is to be paid to generate jobs for educated women, particularly in rural areas. □

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India and China agree to enhance cooperation in the Media sector

India and China have agreed to initiate steps to include Media cooperation as part of 2014 celebrations being observed to commemorate "Friendly Exchanges" between the two countries.

During the discussions between the two delegations it was also agreed to explore possible areas of cooperation in the field of Capacity Building, Co-production Agreements related to Films, sharing of the experience of institutionalizing Digitization in the Broadcasting sector and enhanced participation during the Film Festivals being held in both countries. It was also suggested that all possible areas could be identified under the aegis of the Working Group set up between the two countries. In view of the vibrant Media & Entertainment industry in both countries, both sides also agreed to share experiences with regard to strategy, policy initiatives, innovation and implementation across different media platforms.

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The Indian Growth Trajectory

Sona Mitra



At the current juncture, where a number of macroeconomic concerns are plaguing the Indian economy ranging from rapid depreciation of rupee and resultant increase in current account deficits, increased inflationary pressures and declining services and manufacturing growth, a revival would be possible by greater emphasis on employment-generating growth

THE TRAJECTORY of India's economic growth has been commended across the globe for almost a decade now with the country's average annual growth rate of GDP ranging between 6-8 per cent every year. However, at the current juncture, India's growth bonhomie has slowed down, for more than a year now, as a consequence of several domestic and global economic factors. In the context of the declining trends in the growth rate, it has been argued by a section of the academia that since the spate in Indian growth rates was not based on the kinds of stimuli and methods of financing that have characterised the growth of some other more successful Asian economies, the Indian resilience to the global economic crisis is over. On the other hand, the government and the policy establishment within the country has been issuing statements assuring that the declining growth rates are just a one-off phase and would soon be reversed. A part of the blame has been placed with the Reserve Bank of India's reluctance to cut interest rates that were raised to combat inflation. But the more fundamental explanations being offered are the poor performance of the global economy and the difficulty of pushing ahead with more 'reform' in India's heterogeneous polity.

In the context of India, the argument of inadequate reform is without much

substance, given the spate of economic reforms that have taken place since early 1990s in all areas of policy and success. Simultaneously, in terms of the impact of the global recession, India should be less affected compared to other similarly placed economies due to its significantly lower trade integration with the developed countries.

Growth: Sectoral Composition

Although the infamous and low "Hindu rate of growth" was transcended as far back as the 1980s, India's growth story had picked up after 2003-04. As is evident from Figure 1, The GDP growth rates were fluctuating in the initial years of reforms; however, India registered unusually high growth rates in GDP between 2003-04 and 2007-08. The growth rate reached a peak of 9 per cent around 2005-2008. However, the rates dipped slightly in 2008-09 during the global financial crisis to return back to its high in 2009-10. Unfortunately, this could not be sustained and since 2011-12, the growth rates have dipped to nearly half of what it had been. Given such trends, it is important to look at the sectoral composition of the growth rates to understand the nature of the growth.

A closer look at the growth rates by sectors show that the period of high rate of GDP growth also coincides with high contribution to GDP by the service sector (Figure 2). On the other hand, while the manufacturing sector

The author works as a Senior Research Officer with the Centre for Budget and Governance Accountability (CBGA), New Delhi.

growth rate in the early 1990s averaged at 3-4 per cent per annum and increased to almost 7-8 per cent during the high growth period, the contribution of manufacturing to GDP shows an evident stagnation and a decline after 2010-11 (Economic Survey of India, 2012-13). The contribution of agriculture to GDP has been negligible, which is also reflected in the dismal growth performance of the sector. The annual average agricultural growth rates between 2003-04 and 2008-09 has been around 2 per cent. (Economic Survey of India, 2012-13). With the onset of reforms, the agricultural growth suffered a setback as a consequence of declining public expenditure in the sector and loss of its 'priority sector'

status in the planning and policy paradigm.

It is therefore, important to note here that while agriculture's contribution to GDP is negligible, it still forms the mainstay of majority of the population. The latest National Sample Survey (NSS) estimates on Employment and Unemployment Survey 2011-12, shows that almost 50 per cent of total employed are still engaged in agriculture. The largest contributor to GDP, i.e. the service sector (contributing nearly 32 per cent of GDP as per the National Accounts Statistics, 2011-12 estimates, CSO-GOI), hardly has 11 percent of the workforce engaged in the sector. Service sector here refers to Financial Services, Real Estate, Public

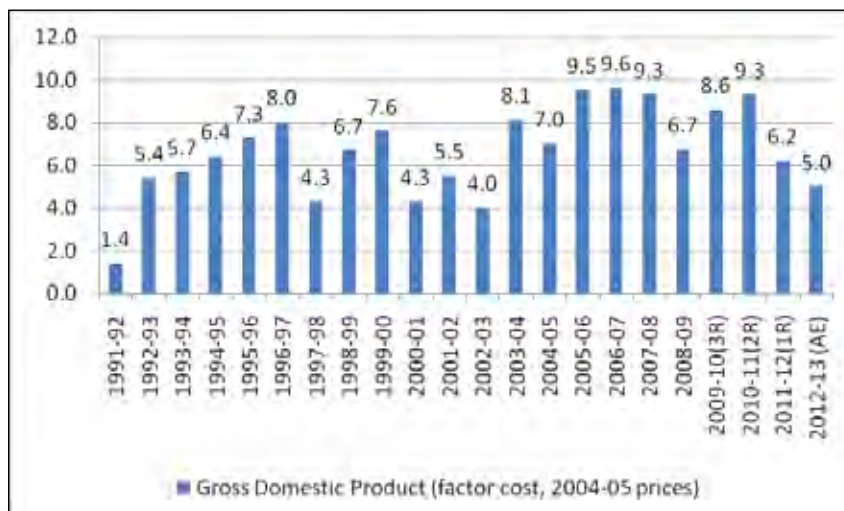
Administration, Social and Community Services and other service activities (Employment and Unemployment Survey 2011-12 NSSO). With the inclusion of Trade and Transport sectors within the service sector, the share in GDP rises to almost 60 per cent and the share in employment stands at 26.9 percent by the same estimates.

Growth and Employment: Links

Therefore, while the high GDP growth led by a surge in service sector has been a major characteristic of the Indian growth story, whether the growth has translated into employment generation requires a close look into the employment growth patterns. By the latest figures of the National Sample Survey (NSS) estimates on Employment and Unemployment Survey 2011-12, the overall rate of growth of employment has declined from nearly 3 per cent in 1999-00/2004-05 to 1.2 per cent in 2004-05/2011-12. There is an observed decline of the annual average overall employment growth rates in both rural and urban areas. The decline is sharper among the age cohort of 15-59, which is by definition, the working age group.

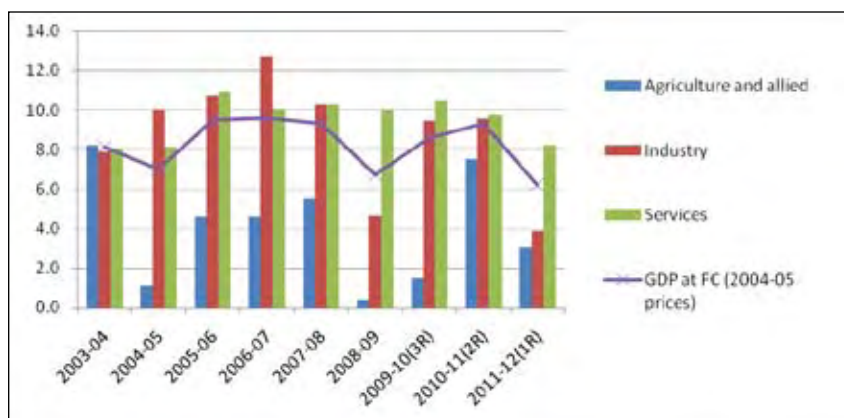
In terms of employment elasticity as well, the indicators do not present a favourable picture. Employment elasticity essentially measures the employment generating capacity of growth within a particular sector and is the ratio of employment growth rate to rate of growth of value added in the sector. Such exercises show that the total employment elasticity for the decade 1999-00 and 2009-10 hovers at a low rate of 0.2, thus indicating the overall lack of employment creating capacity of the GDP growth witnessed in India. Within the manufacturing sector, the employment elasticity has declined from 0.47 to 0.25 while for the services sector, it has although improved, but is substantially low at 0.28 over the two decades of 1993-94 and 2009-10 (Table 1). The financial services show high employment elasticity with respect to GDP but the total share of employed within the sector remains at less than 1 per cent (Employment and Unemployment

Figure 1: Annual average rate of growth of GDP at factor cost at 2004-05 prices (in %)



Source: National Accounts Statistics, CSO,2013

Figure 2: Trends in Annual Average GDP Growth by Sectors (in %)



Source: National Accounts Statistics, CSO,2013

Survey 2011-12, NSSO). It is also known that the employment elasticity of service sector is low due to its intrinsic character, advanced use of technology and a resulting inability to absorb more labour, and therefore the onus of labour absorption lies on the manufacturing sector; but, given the declining elasticity of manufacturing employment associated with a stagnation in manufacturing sector's share in GDP, the rate of growth of employment in manufacturing has also

stagnated at around 3 per cent by the latest count.

Given such patterns, it can be fairly assessed that high growth rates in GDP have not translated into adequate employment generation in India. In fact in the last two years, when the data speaks of a reversal in employment situation towards the better, the GDP growth rate has plummeted downwards as shown earlier. While such trends do not establish direct correlation between

growth and employment, they do raise concerns about the inclusiveness of the growth process. Generation of sustainable livelihood forms the core of an inclusive growth process. From the employment figures, it is evident that such features have been missing from the Indian growth story. The features discussed in the Indian growth pattern shows ample potential for a default. While a decline in growth rates in the last two years does not signify the end to the 'success of Indian growth', it does mark an important juncture to revisit the 'trickle down' aspect of growth and analyse the 'inclusiveness' in the Indian growth trends. At the current juncture, where a number of macroeconomic concerns are plaguing the Indian economy ranging from rapid depreciation of rupee and resultant increase in Current Account Deficits, increased inflationary pressures and declining services and manufacturing growth, a revival would be possible by greater emphasis on employment-generating growth. □

(E-mail : sona@cbgaindia.org)

Table 1: Employment elasticity with respect to GDP

Sectors	1993-94 to 2004-05	1999-00 to 2009-10
Agriculture	0.26	-0.05
Secondary, of which	0.59	0.60
Manufacturing	0.47	0.25
Tertiary, of which,	0.43	0.30
Trade	0.61	0.30
Financial services	0.99	0.81
Community and personal services	0.06	0.28
Total	0.29	0.2

Source: Calculated from EUS, NSSO and National Accounts Statistics, CSO, Various Years

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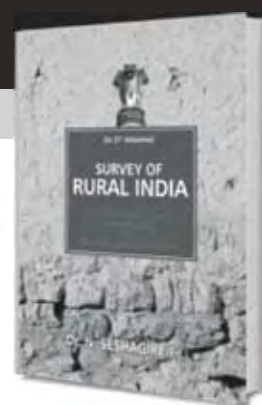
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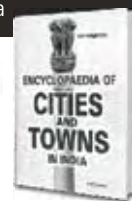
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The Widening Gender Gap in Employment

Indrani Mazumdar



More than 86 per cent of the female population is today completely economically/financially dependent and without any employment/income. Such overwhelming evidence of the widening gap between male and female employment has however, failed to attract the attention it deserves from policy makers and is yet to become an issue of any major public debate

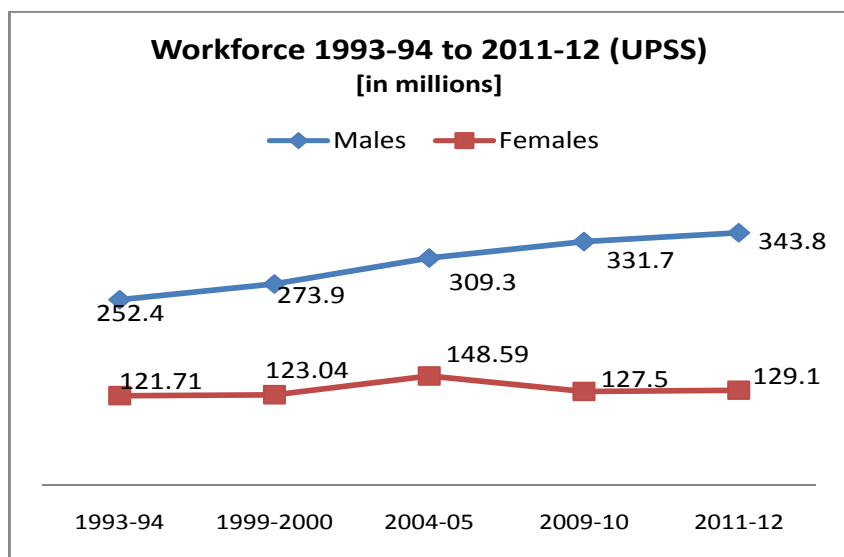
THE 2009-10 employment survey by NSSO revealed a startling fall in numbers of women in the workforce since 2004-05. Notwithstanding the immediately following round of 2011-12 showing a slight increase in the number of women workers, the fact remains that the female workforce was reduced by more than 19 million between 2004-05 and 2011-12, and female work participation rates dropped to the lowest ever in the history of independent India in 2011-12. There is a widespread assumption that this recent slump in work participation rates is due to increased participation in education, an understanding that is reflected in the 12th Plan as well as the Economic Survey 2012-13. However, detailed analysis of the 2004-05 and 2009-10 data (when the fall in numbers of women workers was in excess of 20 million) has shown that most of the fall in women's employment cannot be accounted for by education (Kannan, Raveendran 2012). Although low employment growth is indeed a general feature of the liberalization era, the starkness of the absolute fall in numbers of workers across the last half decade or so is specific to women. The evidence from NSSO's employment surveys thus indicates that we are currently in the midst of a highly gendered employment crisis. Taking a slightly longer view of the period of reforms as a whole, workforce figures

from 1993-94 to 2011-13 (Fig. 1) show that contrary to the general assumption that globalization leads to feminization of labour, female employment has been lagging and the gender gap in employment has widened. Women's share of overall employment has actually fallen from close to 33 per cent in 1993-94 to around 27 per cent in 2011-12.

Some of us in women's studies have been arguing that the aggregate workforce figures that are put out by the NSSO do not give us a true picture of women's employment, since they include unpaid (and therefore financially dependent) workers involved in economic activities. In the case of women – the share of such unpaid workers is particularly high and reached an all time high of 44 per cent of the female workforce in 2004-05, the only year across four quinquennial rounds of employment surveys (1993-94 to 2009-10), when female work participation rates had shown a marked increase. In contrast, the share of unpaid helpers in the male workforce has generally hovered around 15%. It has been argued that for the purposes of understanding trends in employment opportunities for women, there is a need to specifically count paid or income earning workers among women rather than just presenting figures that lump paid and unpaid workers together. Further, trends in unpaid work also require separate and

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Fig. 1



specific attention. It is perhaps time that policy makers and analysts recognize that the separation of paid and unpaid work at the macro-level is additionally important for focusing attention on how developments in women's work and employment are influencing some of the qualitative changes taking place in gender relations at several levels. The situation of the unpaid women workers assumes particular significance in times of increased marketisation, when money incomes have become more and more necessary for even subsistence production/consumption. It would be logical to assume that in such a situation, additional distinctions would inevitably emerge between those who bring in money/incomes and those unpaid workers who don't (as opposed to both working together in a common production process for subsistence). These, in turn would lead to shifting already unequal power equations further in favour of men - within families as well as in the broader society. Our arguments in this paper however, are more concerned with opportunities or rather lack of opportunities for women in paid employment. Given the nature of the NSS data, some estimation of paid or income earning workers can be arrived at by excluding all unpaid helpers from among the category of self employed in the workforce figures (Mazumdar

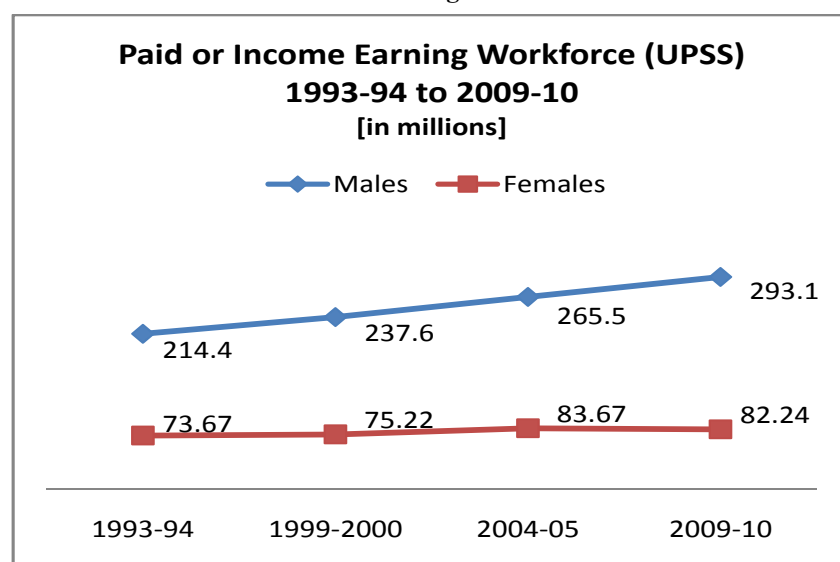
and Neetha, 2011). Fig. 2 provides estimations of the numbers of paid or income earning workers from 1993-94 to 2009-10, based on such a procedure of excluding unpaid workers.

As may be seen, the absolute fall in women's jobs between 2004-05 and 2009-10 was less dramatic in the paid or income earning workforce, although the pattern of an increasing gender gap across the last two decades remains a significant feature. From close to 26 per cent in 1993-94, women's share of the paid/income earning workforce dropped to short of 22 per cent in 2009-10. The increasing depth of the gender

gap in paid work becomes even clearer when one realizes that less than 10 per cent of the additions to paid/income earning jobs from 1993-94 to 2009-10 went to women, or in other words, more than 90 per cent of any additional paid employment in this period went to men. National Sample Survey data thus indicates that two decades of liberalization in India, appear to have severely aggravated the marginalization of women in employment.

Concern regarding marginalization of women in employment has of course been a longstanding issue in women's studies since the inception of the field in the 1970s. Earlier, before specialized women's studies came into existence, declines in female work participation had been noticed, but were generally assumed to be a passing phenomenon during the transition of the economy from subsistence agriculture and household industry to modern industry (Sinha, 1967, Nath, 1968). The challenge to such assumptions came with the report of the Committee on the Status of Women in India (CSWI, 1975), that highlighted and posed the issue as marginalization of women in employment, traced its roots to colonial deindustrialization, and brought a new and critical perspective to bear on the post independence development debate itself. Through the 1980s, women's studies scholars

Fig. 2



attempted to further explain the processes underpinning the decline in female employment rates in India, while simultaneously focusing on the question of actual underenumeration/undercounting and the invisibility of much of women's work in the national data sets (Saradmoni, 1985, Duvvury, 1989). By the 1990s however, the imported thesis that globalization led to feminization of labour became such a powerful discourse that even when empirical evidence was decisively contrary, the idea of such feminization was kept alive and still tends to keep getting reiterated alongside the hype regarding expanding opportunities for women's employment.

The shocking reality is that if one removes unpaid labour from the workforce figures, it becomes apparent that less than 14 per cent of the female population in India, were paid/income earning workers in 2011-12 in comparison to over 46 per cent of the males. In other words, more than 86 per cent of the

female population is today completely economically/financially dependent and without any employment/ income. Such overwhelming evidence of the widening gap between male and female employment has however, failed to attract the attention it deserves from policy makers and is yet to become an issue of any major public debate.

The industrial distribution of the male and female workforce over the last two decades brings out several additional features and questions that have also not been given adequate attention in current discussions. Tables 1 and 2 present the distribution of workers by industry, across four quinquennial rounds from 1993-94 to 2009-10 plus the latest results for 2011-12 for female and male workers respectively in the columns on the right side of the tables. The columns on the left side present the numbers of workers after excluding unpaid helpers till 2009-10.

At a broad level, the tables show some trends that are common to

both the male and female workforce – a falling share of agriculture; a phenomenal fourfold increase in the share of construction in the male workforce and a fivefold increase, albeit from a significantly lower beginning and end point, in the female workforce; a relatively stagnant share of manufacturing, with a sudden inexplicable increase in the last two years, although the share of construction seems to have outstripped manufacturing in the male workforce from 2009-10, while manufacturing remains more significant for women workers. Differences include the fact that trade, hotels and restaurants have a considerably larger presence in male employment and a slightly increased share, while in the female workforce, the share of trade, etc. has remained stagnant and the increase in numbers of women across an 18 year period, at less than 1 per cent of the net addition to employment in trade, etc., remained relatively insignificant; transport and communications also has a larger share in male employment

Table 1: Industrial Distribution of Female Workers (UPSS), 1993-94 to 2011-12 [Rural + Urban]

Industry	No. of Paid/Income Earning Female Workers (UPSS) {excluding unpaid helpers} [in millions]				No. of Female Workers (UPSS) including unpaid [in millions]				
	1993-94	1999-2000	2004-05	2009-10	1993-94	1999-00	2004-05	2009-10	2011-12
Agriculture	52.76 (71.6)	52.69 (70.0)	52.73 (63.0)	47.76 (58.1)	94.19 (77.4)	92.37 (75.1)	107.77 (72.5)	87.57 (68.7)	81.0 (62.7)
Mining and Quarrying	0.47 (0.6)	0.31 (0.4)	0.38 (0.5)	0.31 (0.4)	0.48 (0.4)	0.36 (0.3)	0.41 (0.3)	0.38 (0.3)	0.37 (0.3)
Manufacturing	7.85 (10.7)	7.59 (10.1)	11.64 (13.9)	10.75 (13.1)	11.52 (9.5)	12.38 (10.7)	13.1 (11.7)	13.77 (10.8)	17.29 (13.4)
Electricity, water etc	0.78 (0.7)	0.45 (0.4)	0.61 (0.5)	1.27 (1.5)	0.86 (0.7)	0.45 (0.3)	0.62 (0.4)	1.27 (0.9)	0.32 (0.2)
Construction	1.51 (2.0)	1.94 (2.6)	2.70 (3.2)	6.50 (7.9)	1.59 (1.3)	1.97 (1.6)	2.73 (1.8)	6.50 (5.1)	7.86 (6.1)
Trade, hotels & restaurant	2.24 (3.0)	3.15 (4.2)	3.09 (3.7)	3.06 (3.7)	3.89 (3.2)	5.22 (4.2)	6.10 (4.1)	5.48 (4.3)	5.03 (3.9)
Transport, storage and communications	0.26 (0.4)	0.39 (0.5)	0.45 (0.5)	0.48 (0.6)	0.28 (0.2)	0.44 (0.4)	0.53 (0.4)	0.51 (0.4)	0.28 (0.2)
Other services	8.50 (11.5)	9.12 (12.1)	12.61 (15.1)	13.24 (16.1)	9.66 (7.9)	10.29 (8.4)	13.68 (9.2)	13.33 (10.4)	15.69 (12.2)
All Workers	73.67 (100)	75.22 (100)	83.67 (100)	82.24 (100)	121.71 (100.0)	123.04 (100.0)	148.59 (100.0)	127.5 (100.0)	129.1

Table 2: Industrial Distribution of Male Workers (UPSS), 1993-94 to 2011-12[Rural + Urban]

Industry	No. of Paid/Income Earning Male Workers (UPSS) {excluding unpaid helpers} [in millions]				No. of Male Workers (UPSS) including unpaid [in millions]				
	1993-94	1999-00	2004-05	2009-10	1993-94	1999-00	2004-05	2009-10	2011-12
Agriculture	114.6 (53.5)	118.2 (49.7)	119.2 (44.9)	124.08 (42.3)	144.6 (57.3)	145.6 (53.1)	151.1 (48.9)	156.2 (47.1)	149.9 (43.6)
Mining and Quarrying	2.2 (1.0)	1.8 (0.8)	2.2 (0.8)	2.55 (0.9)	2.2 (0.9)	1.9 (0.7)	2.2 (0.7)	2.7 (0.8)	2.7 (0.6)
Manufacturing	25.7 (12.0)	28.5 (12.0)	34.6 (13.0)	34.85 (11.9)	28.3 (11.2)	31.6 (11.5)	38.6 (12.5)	36.8 (11.1)	42.29 (12.30)
Electricity , water etc	1.3 (0.6)	1.1 (0.5)	1.2 (0.5)	1.14 (0.4)	1.3 (0.5)	1.1 (0.4)	1.2 (0.4)	1.1 (0.3)	2.1 (0.6)
Construction	10.3 (4.8)	15.5 (6.5)	22.9 (8.7)	37.07 (12.6)	10.4 (4.1)	15.5 (5.6)	23.3 (7.5)	37.5 (11.3)	42.4 (12.33)
Trade, hotels & restaurant	20.9 (9.8)	31.2 (13.2)	37.6 (14.2)	39.83 (13.6)	24.6 (9.8)	35.9 (13.1)	43.4 (14.0)	44.4 (13.4)	39.1 (11.4)
Transport, storage and communications	10.3 (4.8)	13.9 (5.9)	17.6 (6.6)	19.72 (6.7)	10.4 (4.1)	14.2 (5.2)	17.9 (5.8)	19.7 (5.9)	19.0 (5.5)
Other services	28.9 (13.5)	27.3 (11.5)	30.1 (11.3)	33.76 (11.5)	30.4 (12.0)	28.2 (10.3)	31.4 (10.2)	33.7 (10.1)	40.2 (11.7)
All Workers	214.4 (100.0)	237.6 (100.0)	265.5 (100.0)	293.1 (100)	252.4 (100.0)	273.9 (100.0)	309.3 (100.0)	331.7 (100.0)	343.8 (100.0)

and is negligible as far as women are concerned. Finally, the share of other services (which includes finance, real estate, community, social and personal services, {including public administration, education, domestic workers, etc.}) does appear to be increasing among women workers and more so in the paid female workforce - probably because of major increases in the numbers of paid domestic workers and school teachers. In the male workforce, while increasing numbers of workers in other services is well in excess of the increase for women workers, the share of other services has remained more or less the same. In general, the tables make clear that even in those industries that have increased their share in women's employment, women's share of the net increases in employment have remained of a marginal nature. However, it does appear that the prime determinant

of falling female work participation rates as well as the aggregate trend of marginalization of women in employment lies in agriculture.

Despite the common trend of a falling share of agriculture, the fairly persistent and distinguishing feature of a relatively higher share of agriculture in the female workforce (evident in the above two tables), is by now widely accepted. And yet, a closer look at the figures shows us that while the share of agriculture in women's employment has remained consistently higher than in male employment, the fall in share of agriculture has been more among women workers. Further, in 2011-12, the estimated number of women workers in agriculture was 81 million in comparison to over 94 million than in 1993-94, having reduced in numbers by more than 13 million across two decades. The estimated numbers of male workers

in agriculture on the other hand, have not shown any such fall and at the end of the two decades, were still more than they were at the beginning. If one considers the distribution of only paid/income earning workers, then the share of agriculture in the female workforce fell by 13.5 percentage points between 1993-94 and 2009-10 in comparison to 11.2 per cent for the male workforce, and where the numbers of paid/income earning women workers in agriculture dropped by 5 million, the number of paid/income earning male workers in agriculture increased by a little over 10 million. In other words, whichever way one looks at it, the employment survey data shows that the gender gap is increasing even in agriculture. Interestingly, although the 2011 census count of workers in agriculture (cultivators + agricultural labourers), gives us a somewhat higher figure than the NSSO estimates for 2011-12 (for

Fig. 3

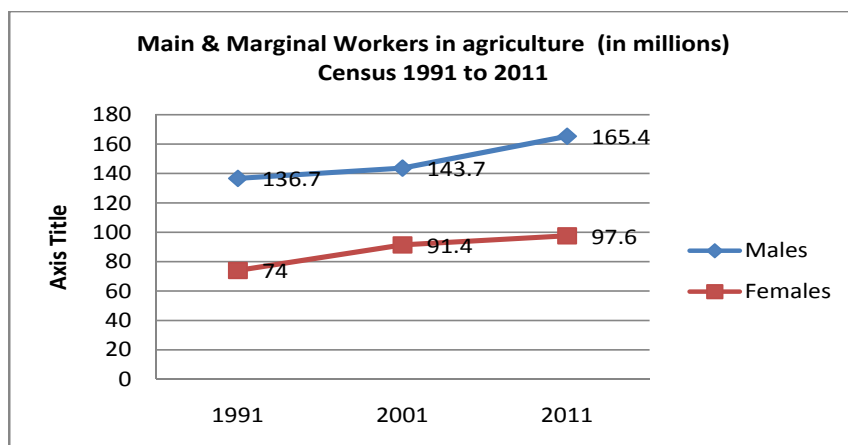
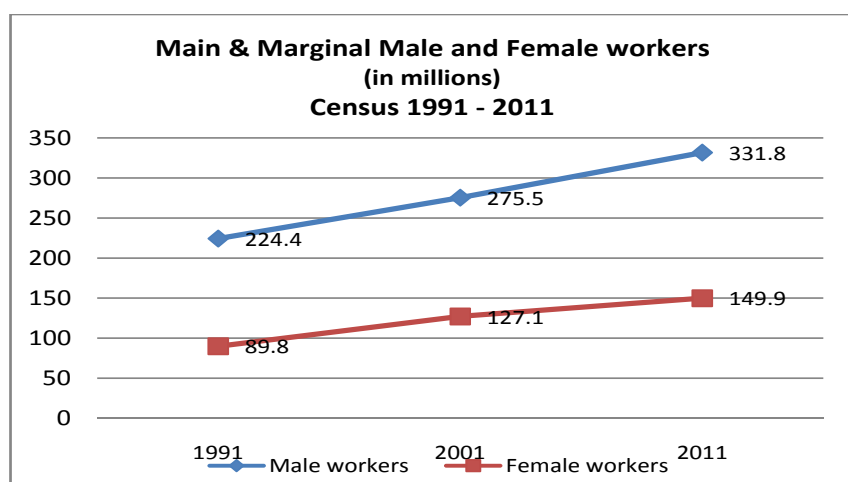


Fig.4



both males and females), and does not show any absolute fall in the female agricultural workforce from 1991 or even from 2001, it does show that the gap between men and women in the agricultural workforce has widened from 2001. Based on the census count of 2001, women constituted around 39 per cent of the agricultural workforce,

while as per the 2011 count, they were 37 per cent.

Census figures for non-agricultural employment on the other hand, show that the share of women jumped from a little over 15 per cent in 1991 to a little over 21 per cent in 2001 and continued to increase to close to

24 per cent in 2011. NSS estimates indicated the share of women in non-agricultural employment to be a little over 20 per cent in 1993-94, a little over 19 per cent in 1999-2000, close to 21 per cent in 2004-05 and just short of 20 per cent in 2011-12. In other words, NSS estimates show a stagnant share of women in non-agricultural employment over the past two decades. However, despite the census showing an increasing share of women in non-agricultural employment, female work participation rates between dropped marginally by 0.1 per cent from 25.6 per cent in 2001 to 25.5 per cent in 2011, while male work participation rates increased by 1.6 per cent from 51.7 per cent to 53.3%. As such, the census also shows an increasing gender gap in employment from 2001, albeit of a lesser order than appears from NSS employment surveys.

It is difficult to reconcile the differences between the two datasets, particularly as far as non-agriculture is concerned, even though the differences in proportions are minimal from 2001. An additional difficulty for those interested in separating paid and unpaid work, is that the census data offers no scope for such separation. Nevertheless, the aspect that both data sets share at this point is that they both show a widening gap between men and women in employment and both indicate that developments in agriculture is the key. □

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NORTH EAST DIARY

NEW FARMING SCHEME BOOSTS MIZORAM'S GROWTH

Mizoram's Govt's new flagship scheme, New Land Use Policy (NLUP) has boosted the Gross Domestic Product (GDP) rate to 11 per cent during the 11th Plan Period(2007-12) against the National Growth rate of 7.8 per cent. In the NLUP, over 1,25,000 Jhumia families would be given financial assistance and training for a permanent farming, in four phases so that they settle under stable agriculture. The scheme launched in 2010 with Rs.2,873 crore also aims to make all farmers self-sufficient in rice and vegetables. The per capita income in Mizoram for the year 2010-11 at current prices is Rs. 50,956 as the scheme has made significant impact on the economy by providing alternative and sustainable livelihood opportunities to farmers by reducing their dependence on 'Jhum Cultivation'.

Packages of commercial farming, primary processing, promotion of livestock, pisci-culture, sericulture, plantation of cash crops have already contributed to uplift the beneficiaries. In the first phase of NLUP, 45,139 beneficiaries have been covered and in the ongoing second phase, 45,000 families would be covered, while in the third phase 19,861 tribal families are expected to be covered and in the fourth and final phase 15,000 beneficiaries would come under this scheme. □

NAGA VILLAGES PLEDGE TO SAVE AMUR FALCONS, MoU SIGNED

Three villages in Wokha district in Nagaland, have pledged to save the Amur Falcons in Doyang Reservoir, its largest roosting site in the country. They have reportedly been hunted annually for their meat, when they cross this region en route to Africa from Siberia. Youth from the villages will keep a watch to ensure enforcement of the resolution to protect the birds this season. Wildlife Trust of India(WTI) has worked in tandem with Nagaland Forest Department by initiating a Rapid Action Project to spread awareness about the plight of the species. Salient points of the Tri-Partite MoU are: 1. Awareness generation through targeted campaign by signage, collaterals, wildlife films etc. 2. Engaging locals in protecting Amur Falcons, formulating watch squads to protect roosting or foraging sites, watch tower constructions to promote bird-watching. 3. formulate laws and guidelines with Village Council Members (VCM) to prohibit hunting and poaching of Falcons. 4. Help mitigate Human-Wildlife conflicts. □

NATIONAL AMBULANCE SERVICE LAUNCHED IN ASSAM UNDER NRHM

The National Ambulance Service(NAS) was launched in Assam under the National Rural Health Mission by Ministry of Health and Family Welfare. The service has been launched with a fleet of 805 ambulances in service of the citizens of Assam, along with the state launch of Free Drugs Initiative, National Iron + Initiative, Tele-Radiology Scheme, Rashtriya Bal Swasthya Karyakram and MCH special wings in 14 state hospitals. NAS has nationwide ambulance network with over 18,000 ambulances operating in 29 states/UTs with patient transport services focusing on pregnant women and children. □

'VIGYAN GRAM' TO PROMOTE SCIENTIFIC CULTURE IN TRIPURA

First of its kind in North-eastern India, the 'Vigyan Gram' is set to come up at Nimbark village in western Tripura to facilitate 'edutainment' and to promote, nurture and induce a scientific temperament specially among the youth. Amidst greenery, 'Vigyan Gram' will have a space theatre-cum-planetarium, a botanical garden, a bird sanctuary, a modern laboratory, a museum, a library, a heritage and a theme park on 12.42 acres of land. Films will be screened on geography, earth sciences and the universe. The Central Government is expected to provide Rs.62 crore for the project, to be built within five years from now. The project's Nodal Authority is the Tripura State Council for Science and Technology (TSCST). The NCSM, under the Union Culture Ministry is supporting the project and is also expected to attract students and science enthusiasts from Bangladesh with India planning to improve connectivity with the neighboring country. □

TRIPURA ATTAINS FIRST POSITION IN LITERACY

Tripura jumped to first position among the States of the country in literacy from the 12th position in the 2001 Census and the fourth position in the 2011 Census with 87.75 per cent literacy. The final evaluation of the neo-literate people was conducted across the state under the supervision of the Indian Statistical Institute stating that State's literacy had now risen to 94.65 per cent from 2011 census. The increased rate is attributed to involvement of local government bodies like gram panchayats, NGOs, local clubs under the close supervision of the State Literacy Mission Authority (SLMA). □

Analysis



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