

Chapter 16

Employment

The Poverty Line

Poverty can be defined as a condition in which an individual or household lacks the financial resources to afford a basic minimum standard of living.

There are many ways of measuring poverty. One way is to determine it by the monetary value (per capita expenditure) of the minimum calorie intake that was estimated at 2,400 calories for a rural person and 2,100 calories for a person in the urban area. Based on this, in 2011-12, the poverty line was defined for rural areas as consumption worth Rs 816 per person a month and for urban areas it was Rs 1,000. **(Tendulkar committee 2009).**

Food items, such as cereals, pulses, vegetable, milk, oil, sugar, etc., together provide these needed calories.

Since people living in rural areas engage themselves in more physical work, calorie requirements in rural areas are considered to be higher than in urban areas.

Despite less calorie requirement, the higher amount for urban areas has been fixed because of high prices of many essential products in urban centres.

In July 2013, based on the Tendulkar poverty line, Planning Commission released poverty data for 2011-12. The number of poor in the country was pegged at 269.8 million or 21.9% of the population. After this, no official poverty estimates in India have been released.

Estimates of Poverty in India (Tendulkar Methodology)

Year	Poverty ratio (%)			Number of poor (in millions)		
	Rural	Urban	Total	Rural	Urban	Total
1993-94	50	32	45	329	75	404
2004-05	42	26	37	326	81	407
2009-10	34	21	30	278	76	355
2011-12	26	14	22	217	53	270

For making comparisons between developing countries, many international organisations like the World Bank use a uniform standard for the poverty line: minimum availability of the equivalent of \$1.90 per person per day (2011, ppp).

Rangrajan Committee (2014)

It recommended separate consumption baskets for rural and urban areas which include food items that ensure recommended calorie, protein & fat intake and non-food items like clothing, education, health, housing and transport. This committee raised the daily per capita expenditure to Rs 47 for urban and Rs 32 for rural from Rs 32 and Rs 26 respectively at 2011-12 prices. Monthly per capita consumption expenditure of Rs. 972 in rural areas and Rs. 1407 in urban areas is recommended as the poverty line at the all India level. **The government did not take a call on the report of the Rangarajan Committee.**

The poverty line **defines a threshold income**. Households earning below this threshold are considered poor.

Poverty is measured based on consumer expenditure surveys of the National Sample Survey Organisation (NSSO). The erstwhile Planning Commission used to release the poverty estimates.

Poverty line estimation in India has been based on the consumption expenditure and not on the income levels due to difficulties in assessing incomes of self-employed people, daily wage laborers etc, large fluctuations in income due to seasonal factors, additional side incomes as well as data collection difficulties in largely rural and informal economy of India.

Q.1 Geo Scientist 2021

Which one of the following statements with regard to poverty is correct?

- Poverty line is determined by the monetary value of the minimum calorie intake
- The existing mechanism for determining poverty line takes into consideration social factors such as illiteracy, ill health etc.
- Income and assets are the only factors associated with poverty
- The items included in consumption basket are adequate to estimate the poverty line and the number of poor

Q.2 NIOS

Which among the following is the method to estimate the poverty line in India?

- Investment method
- Capital method
- Human method
- Income method.

Q.3 NIOS

Who conducts the periodical sample survey for estimating the poverty line in India?

- National Survey Organisation
- National Sample Survey Organisation
- Sample Survey Organisation
- None of the above.

Q.4 Prelims 2019

In a given year in India, official poverty lines are higher in some States than in others because

- (a) poverty rates vary from State to State
- (b) price levels vary from State to State
- (c) Gross State Product varies from State to State
- (d) quality of public distribution varies from State to State

Q.5 Combined Geo-Scientist 2020

The 'head count ratio' relates to which one of the following?

- (a) The poverty line
- (b) Millennium development goals
- (c) Food insecurity
- (d) Population growth

Q.5A CDS (1) 2023

The computation of poverty in terms of Monthly Per Capita Consumption Expenditure (MPCE) based on the Mixed Reference Period was recommended by the

- (a) Lakdawala Committee
- (b) Tendulkar Committee
- (c) Dandekar Committee
- (d) Alagh Committee

Vulnerable Groups

The proportion of people below poverty line is also not same for all social groups and economic categories in India. Social groups, which are most vulnerable to poverty are Scheduled Caste and Scheduled Tribe households. Similarly among the economic groups, the most vulnerable groups are the rural agricultural labour households and the urban casual labour households.

Categorizing Poverty

Chronic poor	People who are always poor and those who are usually poor but who may sometimes have a little more money (example: casual workers) are grouped together as the chronic poor.
Transient poor	Churning poor who regularly move in and out of poverty (example: small farmers and seasonal workers) and the occasionally poor who are rich most of the time but may sometimes have a patch of bad luck. They are called the transient poor.

Q.6 Geo Scientist 2021

The group which regularly moves in and out of poverty is called as:

- (a) Chronic poor
- (b) Churning poor
- (c) Transient poor
- (d) Persistent poor

Meaning of Unemployment

The population of any country consists of two components (i) Labor Force (ii) Non-Labor Force.

Labor force means all persons who are working (i.e. being engaged in the economic activity) as well as those who are not working but are seeking or available for work at the current wage rate. It means the labor force consists of both employed and unemployed people.

The component of population which is not a part of the labor force is Non-Labor Force. It includes all those who are not working and are neither seeking nor available for work.

Unemployed person is the one who is an active member of the labor force and is seeking work, but is unable to find the same.

Unemployment rate

Unemployment rate is the percent of the labor force that is without work. It is calculated as below:

$$\text{Unemployment rate} = (\text{Unemployed Workers} / \text{Total labor force}) \times 100$$

Measurement of unemployment is a difficult task. In India, the most comprehensive and reliable data on employment and unemployment are compiled by the National Sample Survey Organization (NSSO).

The non-accelerating inflation rate of unemployment (NAIRU)

The NAIRU is the lowest level of unemployment that can be sustained without causing inflation to rise.

When unemployment is at the NAIRU level, inflation is steady; when unemployment rises, inflation decreases; when unemployment drops, inflation increases.

Type of Unemployment

Seasonal unemployment	This type of unemployment occurs in a particular time of the year or season. Seasonal unemployment is most common in industries like agriculture, tourism, hotel, catering etc. E.g. off season in winter on Hill station
Structural unemployment	Structural unemployment arises when the qualification of a person is not sufficient to meet his job responsibilities. It arises due to long term change in the pattern of demand that changes the basic structure of the economy. The person is not able to learn new technologies used in the new expanding economic sectors and they thus may be rendered permanently unemployed. For instance, when computers were introduced, many workers were dislodged because of a mismatch between the existing skills of the workers and the requirement of the job. Although jobs were available, there was a demand for a new kind of skill and qualification. So, persons with old skills did not get employment in the changed economic regime, and remain unemployed.
Disguised unemployment	The unemployment which is not visible is said to be disguised unemployment. It occurs when a person doesn't contribute anything to the output even when visibly working i.e. When more people are engaged in some activity than the required. This happens amongst family labor especially in agriculture who are engaged on land but are not contributing to the given level of output. Thus their marginal productivity is zero. For example : An agricultural land require 2 labourers but people engaged in this activity is 5 then this unemployment for 3 labours is called disguised unemployment. Their marginal productivity, i.e., the addition to the production will be zero. Disguised unemployment is a common form of unemployment in rural India.
Cyclical unemployment	Cyclical or demand deficient unemployment occurs when the economy is in need of low workforce. When there is an economy-wide decline in aggregate demand for goods and services, employment declines and unemployment correspondingly increases. Cyclical unemployment mainly occurs during recession or depression.
Frictional unemployment	Frictional unemployment occurs when a person is out of one job and is searching for another for different reasons such as seeking a better job, being fired from a current job, or having voluntarily quit a current job. It generally requires some time before a person can get the next job. During this time he is frictionally unemployed. Also called search unemployment.
Natural rate of unemployment	The sum total of frictional and structural unemployment is referred as the natural rate of unemployment.
Under-employment	it is a situation in which a person is employed but not in the desired capacity whether in terms of compensation, hours, or level of skill and experience. e.g. Postgraduates applying for peon jobs whereas qualification required is just 8 th or 10 th Pass. Niti Aayog says that Severe underemployment is more serious problem than unemployment
Voluntary unemployment	Where people choose not to work below a certain income level after 'investing' in education
Unemployment trap	When People on unemployment benefit find that they are no better off if they enter a low-paying job, because their take-home pay is either less or same or not significantly more than what they are currently receiving. Unemployment benefits erode his or her motivation to get back on the job market.

Q.7 CDS-2012

When the productive capacity of the economic system of a State is inadequate to create sufficient number of job's, it is called (a) seasonal unemployment (b) structural unemployment (c) disguised unemployment (d) cyclical unemployment

Q.8 Prelims 1992

Among the reasons for disguised unemployment in rural areas is

- (a) Choice of a heavy industry model for economic development
- (b) Low levels of technological development in the country
- (c) Heavy pressure of population along with halfhearted implementation of agrarian reforms
- (d) High illiteracy rates

Q.9 Prelims 2013

Disguised unemployment generally means

- large number of people remain unemployed
- alternative employment is not available
- marginal productivity of labour is zero
- productivity of workers is low

Q.10 Prelims 1992

Unemployment which occurs when workers move from one job to another job is known as

- (a) Seasonal unemployment (b) Frictional unemployment (c) Technological unemployment (d) Cyclical unemployment

Q.11 NIOS

Cyclical Unemployment is the:

- Unemployment that results when people become discouraged about their chances of finding a job so that they stop looking for work
- Unemployment that occurs during recessions and depressions.
- portion of unemployment that is due to the normal working of the labour market.
- portion of unemployment that is due to changes in the structure of the economy that results in a significant loss of jobs in certain industries.

Q.12 NIOS

The percentage of labour force that is unemployed is the:

- (a) employment rate (b) Unemployment Population Ratio (c) Unemployment rate. (d) Labour force rate.

Q.13 NIOS

The labour force can be defined as:

- Those of workers who are seeking work and are available for work at current wage rate.
- Anyone who is working or actively seeking work.
- The population between school-leaving age and retirement age.
- Those who could claim benefit if they were to become unemployed.

Q.14 NIOS

Labour force comes from the population in the age group of

- (a) 4 to 14 (b) 60 to 75 (c) 10 to 15 (d) 15 to 59

Q.15 CDS 2021

The mismatch in the regional or occupational pattern of job vacancies and the pattern of worker availability results in

- (a) Structural unemployment (b) Disguised unemployment (c) Altered unemployment (d) Cyclical unemployment

Q.16 CAPF 2021

Which one among the following statements is not correct?

- When the economy grows slowly than its potential, the unemployment rate rises.
- Structural employment occurs when jobs are eliminated by changes in demand for particular goods or due to automation.
- Recession in the economy leads to cyclical unemployment.
- At full employment, the measured unemployment rate is negative.

Q.16A CDS (1) 2023

The unemployment that occurs due to changes in the technology or in the demand for particular products is called

- (a) frictional unemployment (b) structural unemployment (c) cyclical unemployment (d) disguised unemployment

Gini coefficient

Gini co-efficient measures income distribution across a population. The co-efficient ranges from 0 to 1 , with 0 representing perfect equality (i.e. everyone has the equal income) and 1 representing perfect inequality.

Q.17 Prelims 2007

Consider the following statements:

- The repo rate is the rate at which other banks borrow from the Reserve Bank of India.
- A value of 1 for Gini Coefficient in a country implies that there is perfectly equal income for everyone in its population.

Which of the statements given above is/are correct ?

- (a) 1 only (b) 2 only
(c) Both 1 and 2 (d) Neither 1 nor 2

Q.18 CDS 2019

Gini Coefficient or Gini Ratio can be associated with which one of the following measurements in an economy ?

- (a) Rate of inflation (b) Poverty index (c) Income inequality (d) Personal income

Demographic dividend

India is counted as demographic dividend country.

As per United Nations Population Fund, The demographic dividend is the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the **working-age population (15 to 64)** is larger than the non-working-age share of the population (14 and younger, and 65 and older).

Q.19 CDS 2017

The phenomenon of 'demographic dividend' of a country relates to

- (a) a sharp decline in total population
- (b) an increase in working age population
- Ⓒ a decline in infant mortality rate
- (d) an increase in sex ratio

Q.20 Prelims 2013

To obtain full benefits of demographic dividend, what should India do?

- a. Promoting skill development
- b. Introducing more social security schemes
- c. Reducing infant mortality rate
- d. Privatization of higher education

Q.21 Prelims 2011

India is regarded as a country with "Demographic Dividend". This is due to ?

- (a) Its high population in the age group below 15 years.
- (b) Its high population in the age group of 15-64 years.
- (c) Its high population in the age group above 65 years.
- (d) Its high total population.

Q.22 CDS-2011

The term 'demographic gap' signifies the difference

- (a) in sex ratio
- (b) in age
- (c) in child/woman ratio
- (d) between the birth and the death rate

Q.23 CDS-2014

'Population dividend' refers to

- (a) total number of population
- (b) youthful age structure of a population
- (c) relatively high proportion of experienced aged people
- (d) migration from richer region to poorer region

Q.24 CDS 2019

What do you mean by 'Demographic Dividend' ?

- (a) A rise in the rate of economic growth due to a higher share of working age people in a population
- (b) A rise in the rate of literacy due to development of educational institutions in different parts of the country
- (c) A rise in the standard of living of the people due to the growth of alternative livelihood practices
- (d) A rise in the gross employment ratio of a country due to government policies

Employment statistics

Economic Census	Released by the Central Statistics Office (CSO) (Ministry of Statistics and Program Implementation). Economic Census is the complete count of all establishment located within the geographical boundary of India. The Seventh Economic Census (7th EC) is being conducted by Ministry of Statistics and Programme Implementation (MoSPI).
Annual Survey of Industries	conducted by National Sample Survey Office (NSSO), under National Statistics Office (NSO) under MoSPI
Periodic Labour Force Survey	Comprehensive employment data are made available once in five years by the national sample survey organization (NSSO) through Employment and Unemployment surveys. Considering the importance of availability of labour force data at more frequent time intervals, Ministry of Statistics and Programme Implementation (MoSPI) launched a new regular

	<p>employment-unemployment survey, namely, Periodic Labour Force Survey (PLFS) during April, 2017.</p> <p>Periodic Labour Force Survey (PLFS) is conducted by National Sample Survey Office (NSSO), under National Statistics Office (NSO) under MoSPI</p> <p>The objective of PLFS is primarily twofold:</p> <ul style="list-style-type: none"> -to estimate the key employment and unemployment indicators (viz. Worker Population Ratio, Labour Force Participation Rate, Unemployment Rate) in the short time interval of three months for the urban areas only. -to estimate employment and unemployment indicators in both rural and urban areas annually. <p>Labour Force Participation Rate (LFPR): LFPR is defined as the percentage of persons in labour force (i.e. working or seeking or available for work) in the population.</p> <p>Worker Population Ratio (WPR): WPR is defined as the percentage of employed persons in the population.</p> <p>Unemployment Rate (UR): UR is defined as the percentage of persons unemployed among the persons in the labour force.</p>
<p>Five All India Surveys is being conducted by Labour Bureau</p>	<p>These five surveys are</p> <ul style="list-style-type: none"> • All India Survey on Migrant workers, • All India survey on Domestic Workers, • All India survey on employment generated by Professionals, • All India survey on employment generated in Transport Sector and • All-India Quarterly Establishment based Employment Survey.

Annual Report on Periodic Labour Force Survey (PLFS) –(July, 2021 – June, 2022) (24-02-2023)

Labour Force Participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) (in per cent) during PLFS, 2021-22, 2020-21 and 2019-20 for persons of age 15 years and above

all-India									
Indicator	Rural			Urban			Rural+Urban		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
PLFS 2021-22									
LFPR	78.2	36.6	57.5	74.7	23.8	49.7	77.2	32.8	55.2
WPR	75.3	35.8	55.6	70.4	21.9	46.6	73.8	31.7	52.9
UR	3.8	2.1	3.2	5.8	7.9	6.3	4.4	3.3	4.1
PLFS 2020-21									
LFPR	78.1	36.5	57.4	74.6	23.2	49.1	77.0	32.5	54.9
WPR	75.1	35.8	55.5	70.0	21.2	45.8	73.5	31.4	52.6

UR	3.8	2.1	3.3	6.1	8.6	6.7	4.5	3.5	4.2
PLFS 2019-20									
LFPR	77.9	33.0	55.5	74.6	23.3	49.3	76.8	30.0	53.5
WPR	74.4	32.2	53.3	69.9	21.3	45.8	73.0	28.7	50.9
UR	4.5	2.6	3.9	6.4	8.9	6.9	5.0	4.2	4.8

Answers of MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
a	d	b	b	a	b	d	c	c	b	b	c	a	d	a	b	a	c
19	20	21	22	23	24	5A	16A										
b	a	b	d	b	a	b	b										

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