

Lesson-4

The Problem of Unemployment, Poverty and Inequality

Summary

In India, the problems of unemployment and poverty have always been major obstacles in the way of economic development of a country. Besides these problems, the problem of inequality which is a responsible factor for causing regional disparity is also crucial in this context. Economic reforms, changes in Industrial policy and better utilization of resources are expected to reduce the problem of unemployment and poverty. The governmental bodies are also required to initiate long term measures for poverty alleviation. In recent years, some effective programmes have been introduced by the government to generate employment opportunities and reduce the extent of inequality in income distribution for the development of our economy.

Measurement Magnitude of Unemployment in India

Meaning of Unemployment

Unemployment can be defined as a state of worklessness for a person who is fit and willing to work at a current wage rate. It is a condition of voluntary and involuntary idleness.

Voluntary Unemployment

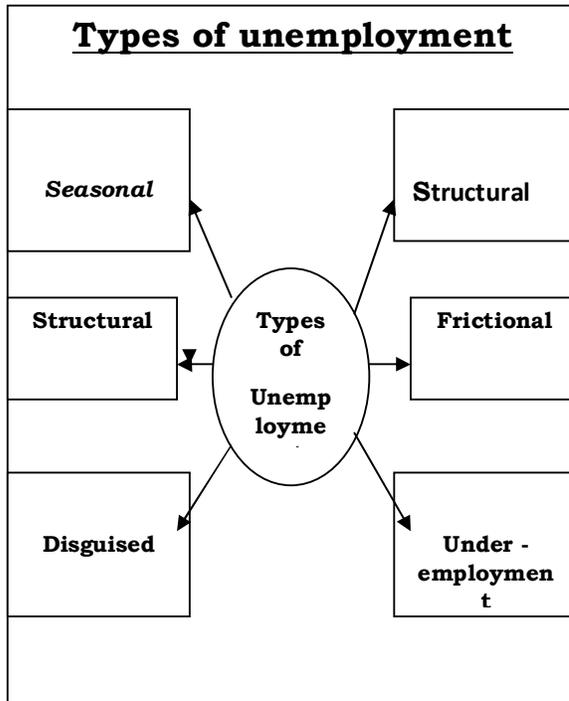
In case of voluntary unemployment a person is out of job on his own accord or choice, does not work on the prevalent wage.

Involuntary Unemployment

Involuntary unemployment occurs when a person is willing to work at a prevailing wage rate but does not get work.

In other words, involuntary unemployment is a situation when a person is separated from remunerative and devoid of wage although he is capable of earning his wage.

Involuntary unemployment is further divided in various types which has been discussed below.



- **Usual Principal Status Unemployment (UPS)** – This is measured as the number of persons who remained unemployed for a measure part of the year
- **Usual Principal and Subsidiary Status Unemployment (UPSS)** - In this case, person is considered unemployed, besides UPS, those available but unable to find work on a subsidiary basis during a year.
- **Current Weekly Status Unemployment (CWS)** – This refers to the number of persons who did not find even an hour of work the survey week.
- **Current Daily Status Unemployment-** This refers to the number of persons who did not find work on a day or on some days during the survey week.

Measurement of Unemployment

Unemployment rate is calculated as-

$$UR = \frac{UW}{TLF} * 100$$

Where, UR = Unemployment Rate
 UW = Unemployed Workers
 TLF = Total Labour Force

In India the most compressive and reliable data on employment and Unemployment are compiled by the National Sample Survey Organization (NSSO).NSSO provides four different measures of employment and unemployment Which are as follows -

- Causes of Unemployment**
- Slow Economic Growth
 - Increase in labour force –
 - a) Rapid Population Growth
 - b) Social Factors
 - Rural – Urban Migration
 - Inappropriate Technology
 - Defective Educational System
 - Lack of Infrastructural Development
 - Lack of Employability

Poverty in India –

Poverty can be defined as a situation when people are when people are unable to satisfy basic needs of life.

The extent of poverty in India is measured by the number of people living below the poverty line.

The term poverty line is defined on the basis of income and expenditure.

India used to define poverty line based on the method defined by a task force in 1979. It is based on expenditure for buying food worth 2400 calories in rural areas and 2100 calories in urban areas.

The current poverty line is 1,059.42 Indian Rupees per month in rural areas and 1,286 Indian rupees per month in urban areas.

(For current data refer Yojana)

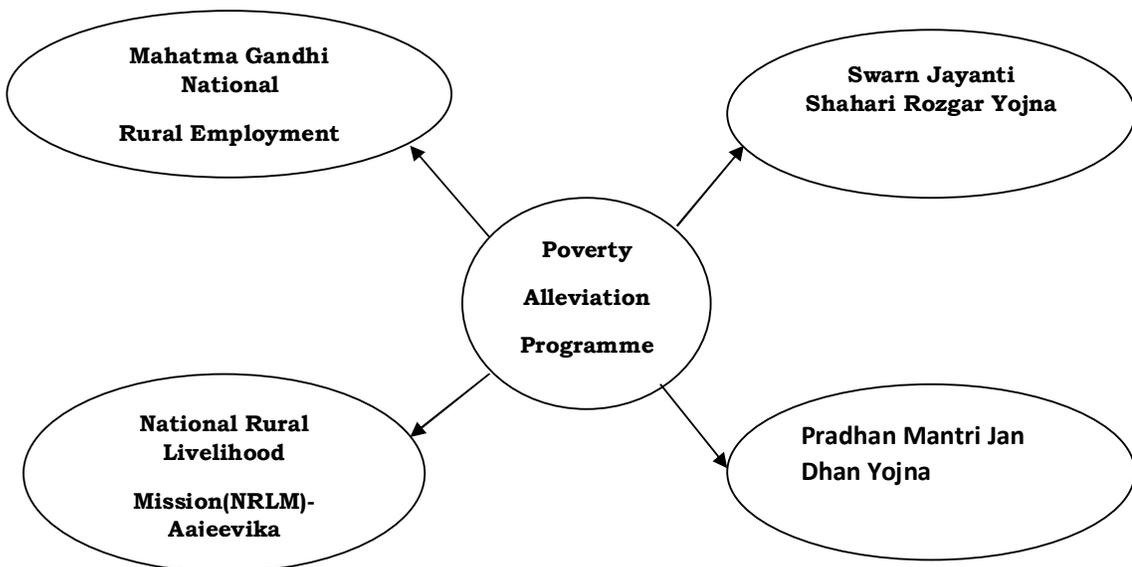
Causes of Poverty in India

- Vicious Circle of Poverty
- Inequality in Distribution of Income
- Low Resource Endowment
- Lack of Access to Social Services
- Lack of Access to Institutional Credit
- Price Rise
- Lack of Productive Employment
- Rapid Population Growth
- Low productivity in Agriculture
- Social Causes – Education, Caste System and Social Custom.

Underemployment

It is a situation in which a person is employed but not in the desired capacity according to the level of his/her skill and experience.

Recent Poverty Alleviation Programme



Inequality in India

The concept of inequality can be studied in terms of distribution of income and assets and regional disparities in the economy. It creates obstacles in the way of economic development of a country.

Causes of Growing Regional Disparity in India

- Responsible historical Factors
- Geographical Factors
- Lack of Infrastructural Development
- Decline in Public Investment

Evaluate Yourself

Q. Distinguish between seasonal and disguised unemployment.

Q. Briefly explain causes of unemployment in India.

Q. Discuss causes responsible for regional disparity in India.

Q. Discuss various factors which are responsible to cause poverty in India.