

People Power

Employment, Poverty and Productivity

The impact of economic liberalization on poverty levels in the country has been vigorously debated by economists and politicians over the years. The data seems inconclusive, and scholars often seem to arrive at conclusions suspiciously close to their own ideological proclivities. The broad consensus appears to be that poverty is declining; it is difficult to conclude that all the decline in poverty is attributable to liberalization and rapid growth; and the decline in poverty is less than what the free market enthusiasts hoped.

Ultimately, from the perspective of those who are neither investors enjoying dividends or capital appreciation, nor owners of fixed assets enjoying rental income, employment and income are the key determinants of economic prosperity. Employment statistics may give us a better indication of the impact of growth on the lives of the poor. The findings of the six quinquennial surveys of NSSO on employment situation between 1977-78 and 1999-2000 make interesting reading.

As S Ray and Rattan Chand point out, the proportion of those employed in the population has been higher (380-390 per thousand) in rural India in the period 1988-2000 than in urban India (315 – 324 per thousand). Correspondingly, the number of unemployed persons per thousand population has been higher in urban India (18-22) than in rural India (7-12) during same period. In general, all over India, unemployment fell during 1988-94 (from 22 to 18 per thousand in urban areas, and from 12 to 7 in rural areas), and remained unchanged during 1994-2000.

Clearly, higher growth has not made a significant dent in unemployment. Also a higher proportion of population is employed in villages than in towns, though rural employment is at the low end of the value chain and yields subsistence income mostly. Urban unemployment seems higher largely because the unemployed rural youth are migrating to towns and cities in search of livelihoods. The Southern and Western states are close to population stabilization levels, and villages are getting depopulated on account of migration.

Unemployment is highest among the 20-24 years age group, just as youngsters enter the job market. Over 85% of all the unemployed are between 15 and 29 years of age. This shows that in most cases unemployment is not on account of lay offs or job hopping. Clearly, young people are considered unfit for employment as they lack skills, and in time they acquire some skills and get employment.

In most advanced societies, unemployment declines with education. As young people acquire new skills through education, they become more productive wealth creators, and are in demand in the job market. The striking feature in India is that in each social group, unemployment rises with higher level of education.

There is a clear and unambiguous link between unemployment and poverty. The percentages of unemployed below poverty line among ST, SC, OBC and others in the country stood at 37.6, 29, 27 and 16.9 respectively. At least 37% of the ST unemployed were living below poverty line, while only 17% of the unemployed belonging to the social groups "Others" were below poverty line.

From this analysis, three broad conclusions can be drawn. First, migration to urban areas is accelerating among young people of employable age. Villages are getting depopulated on account of lack of job opportunities, and cities are getting congested and the urban poor live in appalling conditions. Second, education is often of indifferent quality, and there is an increasing disjunction between education and skills. It is not uncommon to find even engineering graduates unemployed, or working for paltry wages of Rs 3,000 per month. Third, even when employment of some form is available, the wages are low on account of low productivity and little value addition. Jobless growth, or subsistence employment with low wages will neither reduce poverty nor stimulate demand for goods and services. Eventually, unemployment will retard both growth and social cohesion. The state must play a proactive role in employment generation in five areas.

First, a massive programme of skilling of our youth should be launched with participation of public sector, private businesses and financial institutions. Micro efforts of this kind have been very successful, but the challenge lies in their replication on a mass scale. Second, our education needs to be substantially improved, with meaningful skills imparted at high school and college. Apprenticeships and technology workshop instruction in Germany, vocational technical schools in France, community colleges in the US, and vocational training institutes with internship in Latin America – all have useful lessons to offer. Our own polytechnics and ITIs have largely been ineffective, as the skills imparted are inadequate, the institutions did not respond to changes in the labour market, and there is no interaction with industry.

Third, we need to create economic activity in rural areas by creating urban infrastructure and amenities, and promoting manufacturing and service sectors based on local resources and needs. Fourth, a significant boost to rural economy is needed by incentivizing value addition to agriculture through post-harvest technologies and agro-processing. Finally, the state must improve delivery of education and healthcare so that the people at the low end of economic pile can get basic services free of cost, and their productivity is improved.

There is much that needs to be done to eliminate poverty, enhance skills and productivity, and promote employment and incomes. From whatever starting point we examine these questions, the answers are always linked to the nature of our politics and governance. It is time we cleaned up our politics and created a first rate governance mechanism we sorely need, and richly deserve as a people.

Jayaprakash Narayan

The author is the Coordinator of Lok Satta movement, and VOTEINDIA – a national campaign for political reforms; Email: loksatta@satyam.net.in; info@voteindia.org; Url: www.loksatta.org; Url: www.voteindia.org