

BLOCK 6
MAJOR ISSUES CONFRONTING
INDIAN ECONOMY

THE PEOPLE'S
UNIVERSITY

BLOCK 6 MAJOR ISSUES CONFRONTING INDIAN ECONOMY

The major issues confronting Indian economy, i.e., Poverty, Malnutrition and Inclusive Growth, Employment and Unemployment, Social Security, Regional Disparities, and Good Governance constitute the subject matter of Block 6. The block comprises of **five units**.

Unit 21 entitled **Poverty, Malnutrition and Inclusive Growth: Policy Implications** throws light on the concept of Poverty, different income and non-income indicators of poverty, concept of Malnutrition and the factors conditioning the nutritional status of children and adults in India. It also covers the concept of inclusive growth along with the policy implications.

Unit 22 entitled **Employment and Unemployment: Policy Challenges** covers various dimensions of unemployment in India, the concepts used in measuring employment and unemployment by NSSO and PLFS. The unit examines growth and the quality of employment in the post-reform period, and suggests various measures towards the employment policy framework.

Unit 23 entitled **Social Security Measures in India** discusses the meaning of social security, the approaches towards social security, different acts and programmes launched by the government on Social Security. It also analyses social security code and its benefits along with the policy measures.

Unit 24 entitled **Regional Disparity in India: Policy Implications** sheds light on the meaning of regional disparity, analyses regional disparity in terms of macroeconomic aggregates including growth rate, per capita GDP, etc. Special focus has been given to the regional disparity in agriculture and infrastructural development, and on review of regional disparity in human development.

Unit 25 entitled **Ingredients of Good Governance** explains the meaning and the importance of governance, narrates the evolution of the definition of good governance along with the features of good governance. It also presents an overview of the state of governance in India.

UNIT 21 POVERTY, MALNUTRITION AND INCLUSIVE GROWTH: POLICY IMPLICATIONS

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21.0 OBJECTIVES

After reading this unit, you will be able to:

- define the concept of poverty;
- know different income and non-income indicators of poverty;
- identify the income and non-income dimensions of poverty in India;
- explain the Concept of Malnutrition;
- discuss the factors that condition the nutritional status of children and adults in India;
- analyse the persistence of nutrition problem in India in spite of the progress made in poverty reduction; and
- examine the concept of inclusive growth and the policy implications.

21.1 INTRODUCTION

Poverty, inequality (and hence need for inclusive growth) and unemployment are inter-related issues. One cannot be appreciated without knowing the dimensions of the other. We need to distinguish between the concept of absolute poverty and the concept of relative poverty. Simple increase in the GDP may not be a sufficient condition (although a necessary condition) to enable all sections of the society to share the fruits of growth. Empirical evidence shows that the benefits of growth are unevenly distributed (especially when an economy is in transition from a low-income category to a high-income category).

Absolute poverty explains a situation in which some persons, small or large in number, live in a state of destitution, such that these persons (or groups of persons) fail to meet their basic needs. They may live at bare subsistence, or even below subsistence levels. This situation could well arise irrespective of the size of the cake available for distribution. Here, again, two situations can be visualised. One, the size of the national cake may be so small, that it is not adequate to meet the minimum needs of all sections of the society; two, the size may be fairly large. The existing institutions and practices do not result in equitable distribution, so that a large part of national product goes to enrich the pockets of a few, and a large mass of people is left to take care of themselves with very little resources. Whatever the situation may be, a meaningful effort is required to lift the poor to a respectable level of living. Importantly, the growth process needs to be made inclusive to keep poverty in check. In this unit, we discuss these issues.

21.2 THE CONCEPT OF POVERTY

In the development literature, poverty is defined as ‘multi-dimensional’ phenomenon which is assessed not just with respect to lack of income, but also directly with respect to basic needs such as those related to health, education, nutrition and shelter. In a broader conceptualisation, poverty includes a lack of social security and empowerment, as well. All the income and non-income aspects of poverty help us to understand whether an individual is living decently and with dignity or not. This broader conceptualisation of poverty has been popularised by UNDP in ‘Human Development Report’ and World Bank in ‘World Development Report’. It defines poverty as ‘a human condition characterised by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights’ (UN, 2001).

The Noble laureate Prof. Amartya Sen has contributed to broadening the understanding of human wellbeing, and therefore poverty, in the importance he attaches to the concept of capability of a person to function in a society. Poverty arises in the society where people lack capability, for example, to earn a livelihood, maintain an adequate living standard or health, possess low self-confidence or powerlessness. The state of poverty is sometimes visualised in terms of a ‘human rights approach’ that defines poverty as the

denial or violation of economic, political, social and civil rights. The rights may be right to education, right to minimum health, right to decent living and right to employment. These rights if guaranteed would ensure that an individual is able to live an adequate and dignified life above the minimum threshold.

21.3 MEASUREMENT OF POVERTY

Before analysing the measurement of poverty, it is necessary to know why we need to measure poverty or in other words what is the objective of measuring poverty. Poverty measurement is a powerful instrument to focus the attention of policymaker or government on the living condition of poor. The second reason for measuring or identifying the poor is to be able to target poverty eradication meaningfully. The different measures of poverty help us analyse the incidence and the extent of poverty among different geography (rural, urban, hilly, tribal dominated), different social categories of population (Scheduled caste, Scheduled tribe, Muslims, women headed households, households without earning members), etc. For example, if the incidence of poverty among agricultural labourers is high, government can take some measure so that this section of population can bridge the poverty gap, such as by providing cheap credit facility, housing facility, different type of skill training, etc. Poverty measurement also helps many international agencies to easily target the extremely poor region for intervention (within their limited resources). The measurement of poverty also helps the government to evaluate the policies and programmes that is specifically implemented to eradicate poverty. For example, if the KBK (Kalahandi-Korapur-Bolangir) region in Odisha is most poverty ridden, then government can implement some focused programmes in the same region.

21.3.1 Income Indicators of Poverty

At the outset, in estimating the incidence of poverty, we need an income threshold or poverty line to identify the poor. Income cut-offs used to identify the poor are often viewed as arbitrary. The poverty line can be defined as the minimum requirement of an individual for a healthy living. The minimum requirement can include both food and non-food items. There are many income poverty measures. Some of the important poverty measures frequently used are:

a) Head Count Index (HCR)

The most widely used poverty measure is the *headcount index*, which simply measures the proportion of the population that is counted as poor. In other words, the incidence of poverty is defined as the proportion of poor to the total population.

$$PovertyHCR = \frac{\text{Number of people below poverty line (NP)}}{\text{Total population (N)}} \times 100$$

For example, if 120 people out of 600 total population are poor, then the proportion of population below poverty line is calculated as 20 per cent ($120/600 \times 100 = 20$ per cent). This is expressed in percentage. The greatest virtues of the headcount index is that it is simple to construct and easy to understand and helps to compare among different subgroup/areas (like rural/urban or social category such as SC/ST/OBC or different states) at a point of time or over a period of time. From this we can know whether poverty rate is reducing or not and if reducing what is the pace of reduction.

However, the HCR method is not free from limitations. Firstly, the headcount index does not indicate how much poor the poor are, and hence does not change if people below the poverty line become poorer. Moreover, the easiest way to reduce the headcount index is to target benefits to people just below the poverty line, because they are the ones who are easiest to move across the line. But by most normative standards, people just below the poverty line are the least deserving of the poor. This can be explained by way of an example. Let us take two countries i.e. country 'A' and country 'B' and each having four persons.

If the poverty line is 450, then in both the countries 50 per cent of people are below poverty line, but country A shows the high intensity of poverty as compared to country B. Hence the proportion of people just below poverty line are less deserved poor as compared to the people lying far from poverty line. Secondly the HCR calculate poverty level by household. Hence if for a community or area where the family size is high the percentage of poor is higher as compared to low family size area.

HCR of Country A and B assuming Poverty Line 450					
	Expenditure 1st Individual	Expenditure 2nd Individual	Expenditure 3rd Individual	Expenditure 4th Individual	HCR (%)
Country A	250	275	500	500	50
Country B	448	449	500	500	50

Again, the intra-household issue of poverty is not captured by this method and we assume that the level of well-being is same for all the household members. But in many cases, it is found that poverty level among girl child or senior people are higher than the adult member within the same household. The depth and severity of poverty cannot be found out by the HCR method. This is captured by poverty gap index.

b) Poverty Gap Index (PGI) and Squared Poverty Index (SPI)

PGI is another measure that is derived from income or expenditure distribution. This measure shows how far below is the income/consumption of people/households from poverty line. The PGI shows the shortfall of expenditure of the poor relative to poverty line. It adds up the extent to which individuals on average fall below the poverty line and expresses it as a

percentage of the poverty line. More specifically, the poverty gap (G_i) is the poverty line (Z) less actual income (Y_i) for poor individuals; the gap is considered to be zero for everyone else.

$$PGI = \frac{1}{N} \sum_{i=1}^N \left(\frac{Z - Y_i}{Z} \right) \quad (1)$$

Where N is the total population or sample and $Y_i < Z$.

On the other hand, the Squared Poverty Index (SPI) is simply a weighted sum of poverty gaps (as a proportion of the poverty line), where the weights are the proportionate poverty gaps themselves; a poverty gap of (say) 20 per cent of the poverty line is given a weight of 20 per cent while one of 50 per cent is given a weight of 50 per cent; this is in contrast with the poverty gap index, where they are weighted equally.

The SPI can be defined as

$$SPI = \frac{1}{N} \sum_{i=1}^N \left(\frac{Z - Y_i}{Z} \right)^2 \quad (2)$$

Where, N =total population or sample size, Z =Poverty line, Y_i =Income/consumption expenditure of poor and $Y_i < Z$.

The PGI and SPI can be explained with the help of a numerical example given below.

Calculating the Poverty Gap Index (PGI) and Squared Poverty Index (SPI), assuming poverty line of 130				
	Expenditure of each Individual			
Expenditure in country A	110	115	150	160
Poverty gap (G_i)	$(130 - 110) = 20$	$(130 - 115) = 15$	0	0
G_i/z	$20/130 = 0.15$	$15/130 = 0.12$	0	0
$(G_i/z)^2$	$(0.15)^2 = 0.024$	$(0.12)^2 = 0.013$	0	0
Poverty Gap Index = $(0.15 + 0.12)/4 = 0.07$				
Square Poverty Index = $(.024 + .013)/4 = .009$				

You can check the above example when expenditure of first and second individual is 120 and 125 respectively (that is, poverty gap is low) and for other two person the expenditure remains same at 150 and 160 respectively, the $PGI = 0.03$ and $SPI = 0.002$; whereas if the expenditure of first and second individual is 75 and 80 respectively while for the other two person the expenditure remains the same at 150 and 160, respectively, then the $PGI = 0.20$ and $SPI = 0.082$.

C) Sen Index (P_s).

Prof. Sen developed this index which combine the effect of number of poor, the depth of their poverty, and the distribution of poverty within the group. This can be summerised in the equation as

$$P_s = P_0(1 - (1 - G^P) \frac{\mu^P}{z})$$

where P_0 is the headcount index, μ^P is the mean income (or expenditure) of the poor, and G^P is the Gini coefficient of inequality among the poor. There are two other measures the 'Sen-Shorrocks-Thon index' and the 'Watts Index' which we shall not go into detail.

21.3.2 Non-Income Indicators of Poverty

As discussed earlier, the poor are identified by setting a poverty line on the basis of household consumption expenditure or income. The well-being of a person defined on the basis of income or consumption expenditure is a unidimensional approach and this does not provide the complete picture of the extent of deprivation. In most situation it may be desirable to look at other aspects of poverty which includes several non-income indicators like housing status, sanitation status, health status (child mortality, maternal mortality rate, morbidity), educational status, etc.

Since 1990, UNDP has been preparing the Human Development Index by using three most important attainments that are valued by people:

- i) Longevity: The choice to lead a healthy life
- ii) Educational attainment: The choice to acquire knowledge
- iii) Economic attainment: To have access to the resources needed for a decent level of living

The countries are ranked on the basis of composite indicators on these three aspects of well-being or the three choices that are critical for people to live a decent life. The HDR also estimates the Human Poverty Indices by taking three deprivations which include

- i) Proportion of population not expected to survive beyond 40 years
- ii) Adult literacy rate
- iii) Percentage of population without sustainable access to an improved water source and percentage of children aged 5 or below who are underweight for their ages.

Following the UNDP framework, the Planning Commission has also prepared India's human development report. The selection of indicator in planning commission's HDI is to some extent different from that of UNDP report. In general, different countries and researchers have experimented with the framework popularised by UNDP in its Human Development Reports by focusing more on certain aspects of well-being and poverty, given their specific objectives. This has led to different measures and policy guidance for addressing improvement in well-being or alleviating poverty at the national and sub-national level.

Gender Related Development Index (GDI) or Gender Equality Index (GEI)

The human development index devised by the Planning Commission or UNDP are explained by the overall development or well-being of a person. But this attainment does not reflect gender-based disparity in such attainment. In many of the indicators, the gender-based disparity is there which directly or indirectly affects the poverty level of female population as compared to its male counterpart. The GEI has been estimated to measure the inequality in attainments on human development indicators between females and males. This approach helps the policy maker to reflect more on the gender related programmes and policies. The same three indicators are used for males and females separately and the gap of males and females in these attainments are found. The index has been presented as a ratio of attainments for females to that of males.

Capability Poverty Measure (CPM)

UNDP has also developed a new multi-dimensional measure of human deprivation called the capability poverty measure (CPM). The CPM focuses on human capabilities. The capability poverty measure reflects percentage of people who lack basic essential human capability. This helps them to have a strong human development.

The CPM considers the lack of three basic capabilities:

- The first is the lack of being well nourished and healthy, represented in this case by the proportion of children under five years who are underweight.
- The second is the lack of capability for healthy reproduction, shown by the proportion of births unattended by trained personnel.
- The third is the lack of capability to be educated and knowledgeable, represented by female illiteracy.

Hence, multi-dimensional indicators have become important instruments in measuring “outcomes” (in the form of social attainments at individual or at a group level) as opposed to inputs (income and consumption), thereby enabling assessment of the level of well-being/ poverty as well as of the impact of the social welfare policies on human welfare.

21.4 DIMENSIONS OF POVERTY IN INDIA: INCOME AND NON-INCOME DIMENSION

The first step to estimate poverty rate is to define and quantify poverty line. The Task Force on ‘Projection of Minimum Needs and Effective Consumption Demand’ constituted by the Planning Commission in 1979 defined the poverty line as per capita consumption expenditure level based on meeting the nutritional requirement of 2400 calories per capita per day in rural areas and 2100 calories per capita per day in urban areas along with some non-food expenditure (not anchored in any norms). It used the age-sex-

activity specific calorie allowances recommended by the Nutrition Expert Group (1968) to estimate the average daily per capita requirement for rural and urban areas using the age-sex-occupational structure of their respective population. Then they find out the monetary convert for the said kilocalorie (kcal) for both rural and urban areas. The poverty line is hence partly normative and partly behavioural as it takes the value of minimum calories requirement by a person along with some non-food requirement like clothing, shelter, transport, etc. By taking 28th round NSS data, the Task Force estimated that on an average, consumer expenditure of Rs. 49.09 per capita per month meet the requirement of 2400 calories in rural area and Rs. 56.64 per capita per month with an intake of 2100 calories per capita per day in urban areas. The poverty line defined at national level (separately for rural and urban areas) was used in all the States/Union Territories (UTs). The expert group constituted by the Planning Commission (Lakdawala Committee) in September 1989 on Estimation of Proportion and Number of Poor realised that due to inter-state variation in prices, the all India poverty line cannot be used for all the states and union territories. Hence the expert group disaggregated these national level poverty lines of the Task Force into state-specific poverty lines using state-specific price indices and inter-state price differential. The expert group took the state-specific cost of living for estimating and updating the poverty line separately for rural and urban areas. The poverty line is inflated from time to time depending on the cost of living as estimated for different states. The poverty line as calculated in various rounds of NSS survey is given in Table 21.1.

Table 21.1: Poverty Line (Rs. Monthly Per Capita)

Year	Rural	Urban
1973-1974	49.63	56.76
1977-1978	56.84	70.33
1983	89.50	115.65
1987-1988	115.20	162.16
1993-1994	205.84	281.35
1999-2000	327.56	454.11
2004-2005	356.30	538.60
2011-2012	972.00	1407.0

Source: Planning Commission (1997), Press Information Bureau (2001), Press Information Bureau, (2007).

The Planning Commission set up an expert group under the chairmanship of Prof. Suresh Tendulkar to examine the issue relating to new poverty line and estimates. The expert group submitted their report in the year 2009. The committee has used the Mixed Reference Period (MRP) based estimates of the relevant NSSO quinquennial household consumption expenditure survey for their recommendations. The committee has taken the basket of household goods and services consumed by households corresponding to the poverty

line consumption expenditure class, at the borderline separating the poor from non-poor. The Expert Committee's proposed price indices are based on the household level unit value obtained from 61st round NSS household consumption expenditure survey for different food and non-food items for both rural and urban areas. As Tendulkar Committee adopted new reference basket and new price indices, it is not comparable with the official head count ratio released for the earlier years. Table 21.2 explains the poverty line and percentage of population below poverty line. The percentage of population below poverty line declined to 21.9 per cent in 2011-12 from 37.2 per cent in 2004-05 in India. In rural India the proportion is comparatively higher as compared to urban areas. A 12 percentage point difference in poverty head count ratio is found between rural and urban areas in the year 2011-12. Between the year 2004-05 to 2011-12 a 16 percentage point reduction is visible in rural areas whereas the same for urban area is 12 percentage point.

Table 21.2: Poverty Line (Rs. Monthly Per Capita)

	Poverty Line (Rs)		Poverty Head Count Ratio (per cent)		
Year	Rural	Urban	Rural	Urban	Total
2004-05	446.7	578.8	41.8	25.7	37.2
2009-10	672.8	859.6	33.8	20.9	29.8
2011-12	816.0	1000.0	25.7	13.7	21.9

Source: Calculated from different NSS consumption expenditure data.

a) Income Poverty Indicators

Over the time, India has shown considerable reduction in poverty which is well documented. During the period between 1973-74 and 2011-12, the incidence of poverty declined continuously from 37.2 per cent to 21.9 percent or the absolute number of poor decreased from 321.3 million in 1973-74 to 269.8million in 2011-12. In rural areas the poverty level reduced from 56.4 percent to 25.7 percent and in urban areas the same has reduced from 49 percent to 13.7 percent.

However, one thing should be kept in mind that the pace of reduction in poverty varies considerably during this period with a large decline in 2011-12 and a very small decline in 1987-88. The number of people below the poverty line increased by 7.6 million during the 1973-74 to 1977-78; decreased by 21.8 million during the 1983 to 1987-88 and by 6.4 million during 1987-88 to 2004-05 (see Table 21.3). A decline of 137 million was registered between 2004-05 and 2011-12. The annual average decline (per cent) from 1993-94 to 2004-05 is 0.74 per cent, whereas the decline between 2004-05 to 2011-12 is 2.18 percent.

Table 21.3: HCR Poverty in India, 1973-74 — 2011-12

Year	Head Count Ratio (per cent)			Absolute Number of Poor below Poverty Line(in million)		
	Rural	Urban	Total	Rural	Urban	Total
1973-74	56.4	49.0	54.9	261.3	60.1	321.3
1977-78	53.1	45.2	51.3	263.3	64.6	328.9
1983	45.7	40.8	44.5	252.0	70.9	322.9
1987-88	39.1	38.2	38.9	231.9	75.2	307.1
1993-94	37.3	32.3	35.97	244.0	76.3	320.4
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2011-12	25.7	13.7	21.9	216.7	53.1	269.8

Source: Planning Commission

Considering the trend in poverty incidence, rural share of total poverty reduced from 81 per cent during 1973-74 to 80 percent (1 percentage point reduction) in 2011-12. The number of urban poor increased by 10.6 million during 1973-74 to 1987-88. Between 2004-05 to 2011-12 it decreased by 28 million in urban areas whereas in rural areas it declined by 109 million during the same period.

The poverty head count ratio by social category provides an insight of the inequality in prevalence of poverty. Highest levels of HCR among SCs and STs go with the highest depth as well severity of poverty.

The head count poverty by social category from the year 1993 to 2011-12 is provided in Table 21.4. The poverty rate among STs reduced by 17.0 percentage points (from 2004-05 to 2011-12), whereas for SCs the percentage point reduction is 21.5. The percentage point reduction for other caste population (other than SC/ST/OBC) is 10.5 percentage points. A large difference in poverty incidence is found between rural and urban areas. In 2011-12 the poverty rate of ST was 45.3 percent in rural areas whereas in urban area it was 24.1 percent (21 percentage point difference).

Poverty rates by some religion in the year 2011-12 shows that poverty rate is highest among Muslims (25.4 per cent) followed by Hindu (21.9 per cent). The rate is lowest among Jains (3.3 per cent) followed by Sikhs (5.9 per cent). It is interesting to find that the percentage point reduction in poverty head count between 2004-05 to 2011-12 shows that the reduction is highest among Muslims (43.6 per cent in 2004-05 to 25.4 per cent in 2011-12) followed by Hindu (from 37.5 per cent in 2004-05 to 21.9 per cent in 2011-12). The lowest reduction is registered among Sikhs.

Table 21.4: Poverty Rates among Social Category (1993-94 and 2011-12)

Area	Social Category	Percentage Population below the Tendulkar line				Percentage point poverty reduction 2004-05 to 2011-12
		1993-94	2004-05	2009-10	2011-12	
Rural	ST	65.9	62.3	47.4	45.3	16.9
	SC	62.4	53.5	42.3	31.5	22.0
	OBC	44.0	39.8	31.9	22.7	17.1
	FC		27.1	21.0	15.5	11.6
	All	50.3	41.8	33.3	25.4	16.4
Urban	ST	41.1	35.5	30.4	24.1	11.4
	SC	51.7	40.6	34.1	21.7	18.8
	OBC	28.2	30.6	24.3	15.4	15.2
	FC		16.1	12.4	8.1	8.0
	All	31.9	25.7	20.9	13.7	12.0
Total	ST	63.7	60.0	45.6	43.0	17.0
	SC	60.5	50.9	40.6	29.4	21.5
	OBC	39.5	37.8	30.0	20.7	17.1
	FC		23.0	17.6	12.5	10.5
	All	45.7	37.7	29.9	22.0	15.7

Source: Arvind Panagariya and Vishal More, 'Poverty by Social, Religious and Economic

Considering the State-wise poverty head count data from the NSS 61st and 68th rounds, it can be said that poverty is getting concentrated in few states and social groups. A group of four states comprising Chhattisgarh, Jharkhand, Arunachal Pradesh, Bihar, and Odisha had a highest proportion of poor in 2011-12. On the other hand, the states like Kerala, Himachal Pradesh, Punjab, Andhra Pradesh and Delhi shows the lowest rate of poverty.

The reduction in poverty rate between 2004-05 and 2011-12 is highest in Odisha (24.6 percentage points) followed by the states Uttarakhand (21.4 percentage point) and Maharashtra (21 percentage points). On the other hand, Assam, Jammu and Kashmir and Delhi registered the lowest reduction. The state Arunachal Pradesh registered an increase in rate of poverty from 31.4 percent in 2004-05 to 34.7 percent in 2011-12.

The poverty gap ratios have been incorporated in Table 21.5 separately for rural and urban areas. About 16.56 percent of the total consumption in the

rural areas in 1973-1974 was required to increase by 16.56 per cent to bring the poor to the poverty line whereas this came down to 9.63 percent in 2004-05 and further to 5.05 percent in 2011-12. The trend was the same in the urban areas where 13.64 percent of the total consumption was needed to bring the poor to the poverty line in 1973-74, 6.12 percent in 2004-05 and 2.7 percent in the year 2011-12 (Table 21.5).

**Table 21.5: Poverty Gap Ratio (Percentage)
(MRP Consumption Distribution)**

Year	Rural	Urban
1973-1974	16.56	13.64
1977-1978	15.73	13.13
1983	12.32	10.61
1987-1988	9.11	9.94
1993-1994	8.45	7.88
1999-2000	5.11	4.84
2004-2005	9.63	6.12
2011-12	5.05	2.7

Source: Estimated from the household consumer expenditure data of the NSSO, various Rounds.

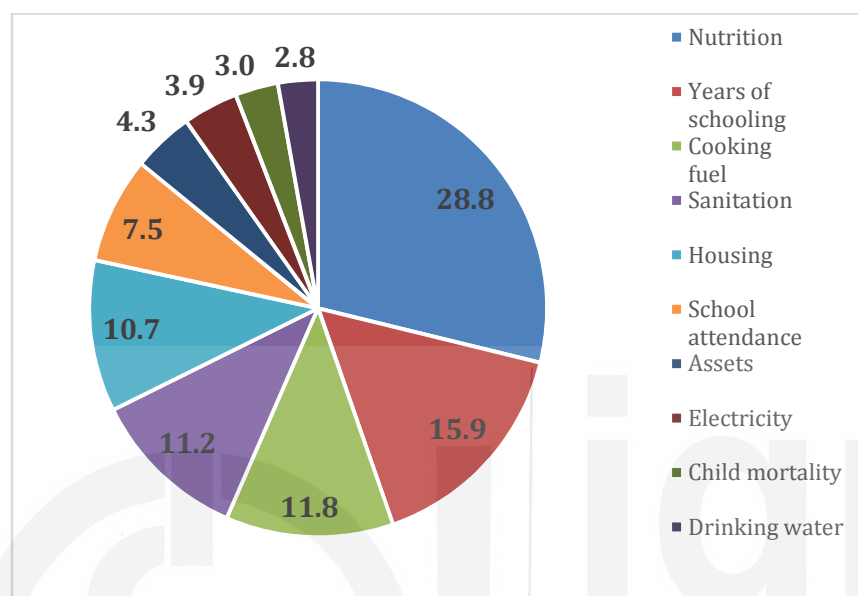
b) Income and Non-income Indicators of Poverty

So far, we have discussed poverty expressed by way of poverty ratio. No doubt it is an important aspect of the living standard, but this does not reflect certain aspects of non-income poverty expressed by way of the measures like health, education, nutrition deficiencies, human development outcomes, gender inequality status, etc. Studies show the headcount ratio as discussed in this section as a static measure and there are chances that people may fall back into poverty. Again, other studies highlighted education, health and nutrition are other dimensions that need to be taken into account. Let us discuss the Indian situation in terms of non-income measure of poverty.

The multidimensional poverty index as developed by Oxford Poverty and Human Development Initiative (OPHI) is a multidimensional poverty measure (MPI) which takes into account three dimensions i.e., health, education and living standard. Within health they have taken two indicators such as nutrition and child mortality, in education two indicators i.e., year of schooling and school attendance and in living standard six indicators such as cooking fuel, sanitation, drinking water, electricity, housing and asset. All the dimensions are given equal weight and within the dimension all the variables are equally weighted.

As per the finding of OPHI multidimension poverty indicators (using NFHS database) in India, poverty declined over the decade from 2005/6 to 2015/16 – from 635 million to 364 million poor persons. Again, it is interesting to find that out of 364 million MPI poor in India about 35 per cent are children. The

Multi-dimensional poverty indicators show that 27.9 percent of population are MPI poor. As compared to the income poor of 21.9 percent, the MPI poor shows a 6-percentage point higher poor. This method also calculates the contribution of 10 indicators in overall poverty. For the year 2015-16 the contribution of different dimensions to overall poverty is given in Figure 21.1.



Source: OPHI (2020)

Fig. 21.1: Indicator Contribution to Overall Poverty by Area

The figure clearly indicates that nutrition contributes 29 percent to the total poverty followed by the years of schooling (16 per cent) and cooking fuel and sanitation (each 11 per cent). The variables contributing least to overall poverty are drinking water and child mortality (each 3 per cent).

The state-level MPI poor indicate a large inequality in MPI poor among different states. The states like Bihar (52 per cent), Jharkhand (47 per cent), Madhya Pradesh (41 per cent), Uttar Pradesh (41 per cent) have the highest poverty head count in terms of MPI poor. On the other hand, the state registering the lowest proportion of MPI poor people are Kerala (1 per cent), Delhi (4 per cent), Punjab (6 per cent) and Tamil Nadu (7 per cent). In 2015-16, the four poorest states – Bihar, Jharkhand, Uttar Pradesh, and Madhya Pradesh – were still home to 196 million MPI poor people – over half of all the MPI poor people in India. Of the total MPI poor in India, 8.6 per cent still live in severe poverty.

The HDR published in the year 2019 considered four indicators in the index, viz. expectancy at birth, expected years of schooling, mean years of schooling, GNI per capita. As per the methodology if the HDI is approaching towards 1 the higher the status and if it approaching towards 0 the lower the progress of the country. In 2019 the Human Development index for India increased from 0.431 in 1990 to 0.647 in 2018 (Table 21.6)

Table 21.6: HDI Value in India 1990-2018

Year	HDI Value
1990	0.431
1995	0.463
2000	0.497
2005	0.539
2010	0.581
2015	0.627
2016	0.637
2017	0.643
2018	0.647

Source: UNDP HDR 2019 downloaded from
http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/IND.pdf

It is clear from the non-income poverty analysis that the nutrition constitutes an important dimension to the overall non-income poverty. In the next section, we will analyse malnutrition as a non-income poverty measure and its comparison to the income poverty measure.

Check Your Progress 1

- 1) How is the PG index more useful vis-à-vis poverty head count measure in assessing poverty?

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- 2) Identify the measures that take note of income as well as non-income aspects of poverty.

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- 3) What are the indicators used in capability poverty measure or a human development measure such as HDI?

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- 4) What do you mean by MPI? What are the advantages of MPI poverty measure over income poverty measure?

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21.5 THE CONCEPT OF MALNUTRITION

In this section, we shall analyse the concept of malnutrition and the status of India in terms of malnutrition measures. We discuss the type of malnutrition and different measures of malnutrition for both adult and children. First, we define the most common measures of nutrition to identify the nutrition outcome variables. Second, we discuss the direction of influence between different socio-economic indicators like wealth, social category, religious category, education on malnutrition both by reviewing relevant literature and the database. Third, we identify the main determinant variables from the literature and from other studies that are responsible for high malnutrition in India. These three aspects will be analysed and is compared with income poverty. Here the malnutrition indicators that we have used are malnutrition among children below 5 years comprising anthropometric measurement (stunting, wasting and underweight) and anaemia, whereas among adult we analyse prevalence of anaemia and Body Mass Index (BMI) status for women in the age group 15 to 49 years. The reason behind taking the malnutrition among children and women is because in developing countries like India, children and adults are vulnerable to malnutrition because of low dietary intakes, infectious diseases, lack of appropriate care and inequitable distribution of food within the household. Also, during early childhood under-nutrition of children can cause low cognitive outcomes and low productivity during adulthood. Also, children respond faster to changes in food intakes and food shortages. Hence, the anthropometric measures of children are considered to be a good proxy of nutrition situation of the country.

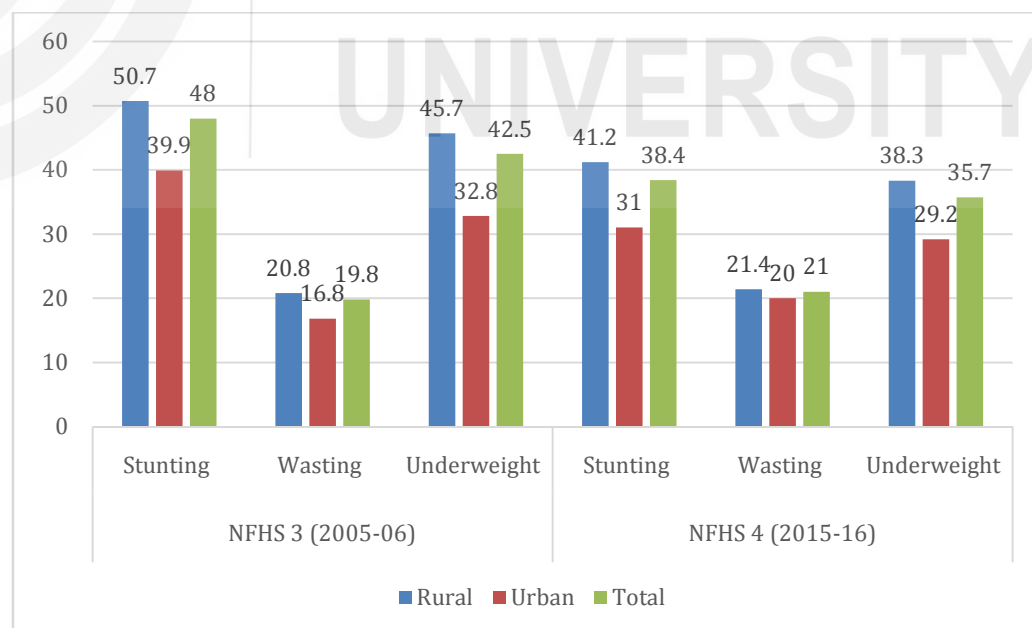
21.6 MALNUTRITION TYPE AND MEASUREMENT

This section is divided into two parts– the first part analysed the malnutrition among children and the second part analysed the malnutrition among women.

21.6.1 Malnutrition Type and Measurement among Children

In India, the percentage of stunted children in the age group of 0 to 5 years was 38.4 per cent in 2015-16 whereas in 2005-06 it was 48.0 percent which shows a decline by about 9.6 percent. The wasting in 2015-16 was 21 percent whereas in 2005-06 it was slightly lower at 19.8 percent. Again, the proportion of underweight which was 36 percent in 2015-16 declined by about 7 percent over one decade (2005-2015). Higher proportion of children was found malnourished in rural areas as compared to urban areas. In stunting and underweight the rural urban differential in the year 2015-16 was about 10 percentage point whereas in wasting it was only 1.5 percentage point difference.

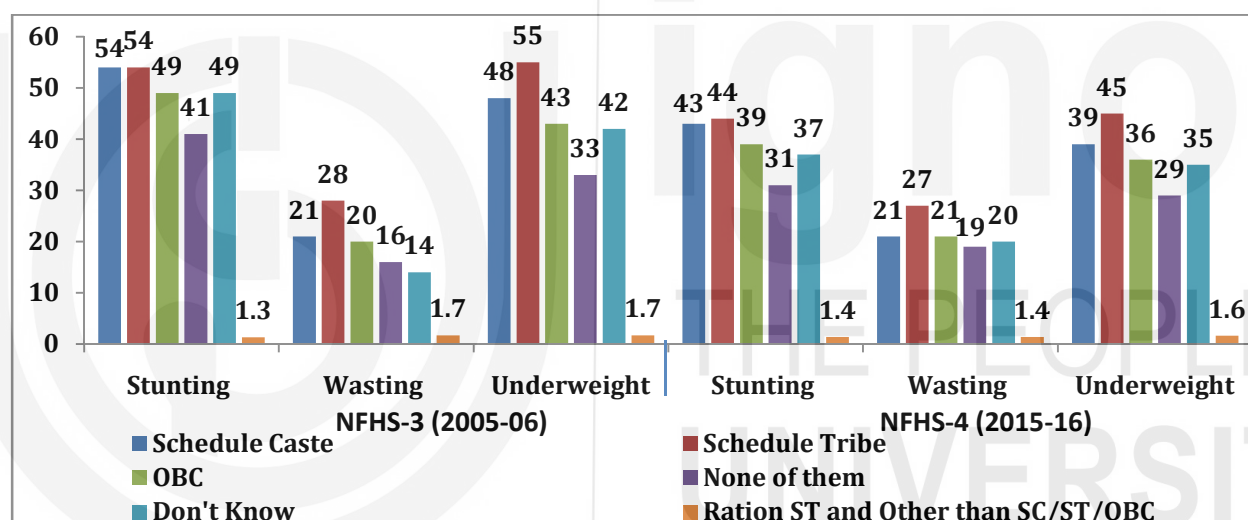
Assessing in terms of wealth index, in general, stunting among children declines, as a household moves up the income/wealth ladder (from poorest to richest). Over the last decade, percentage of stunted children has declined across every wealth quintile. In 2015-16, the proportion of stunted children belonging to the richest household declined to 22 percent from 26 percent in 2005-06. On the other hand, among poorest classes about half of the total children were stunted (52 percent) which decreased from 60 percent in 2005-06 (Figure 21.2).



Source: Calculated from NFHS 2005-06 and 2015-16.

Fig. 21.2: Trend Analysis of Malnutrition over a Decade (2005-06 to 2015-16)

As shown in Figure 21.3, in 2015-16, stunting among children has been found to be the highest among scheduled tribe households (44 percent) and lowest among the children belonged to other than SC/ST/OBC households. On the other hand, in the year 2005-06, a 13percentage point difference was found between children belong to SC category and other than SC/ST/ OBC category. In terms of wasting, in 2015-16 again ST children have the highest proportion of wasted children whereas it is lowest among children belonged to other than SC/ST/OBC category. The proportion of children underweight in 2015-16 is highest among STs (45per cent) and lowest among the children belonged to other than SC/ST/OBCs (29 per cent). Over the one-decade period the stunted among STs declined from 54 percent in 2005-06 to 44 percent in 2015-16. Whereas stunted children belonged to general caste declined from 41 percent in 2005-06 to 29 percent in 2015-16. In terms of underweight, in 2005-06the highest proportion was found among children belonged to STs (55 per cent) whereas it was lowest among general caste children (other than SC/ST/OBCs). The percentage point difference in underweight between ST and general children in 2005-06 was 21 percent whereas it was reduced to 16 percentage point change in 2015-16.



Source: Calculated from NFHS 2005-06 and 2015-16.

Fig. 21.3: Percentage of Children Stunted, Wasted and Underweight, by Social Category 2005-06 and 2015-16

Anaemia is a condition that is marked by low levels of haemoglobin in the blood. Iron is a key component of haemoglobin, and iron deficiency is estimated to be responsible for half of all anaemia globally (NFHS report 2015-16). Anaemia is a serious concern for children because it can impair cognitive development, stunt growth, and increase morbidity from infectious diseases.

As per NFHS data, the anaemia is a major concern and in 2015-16 the proportion of children anaemic is about 59 percent which is reduced by 11 percentage points as compared to 2005-06.

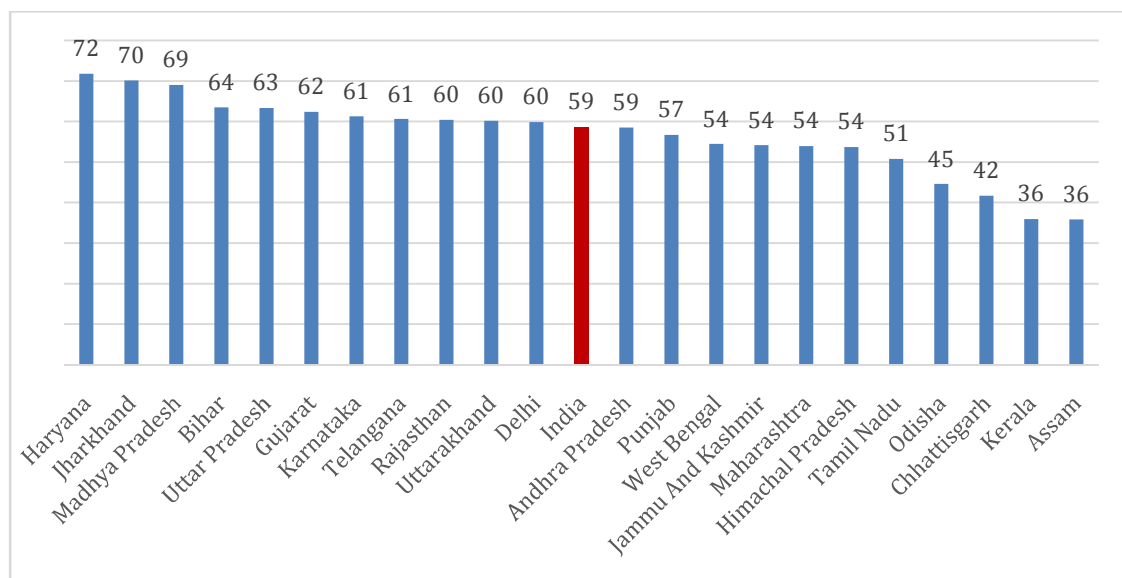
Table 21.7: Anaemia among Children 6-59 Months in India, 2005-06 and 2015-16

		NFHS-3	NFHS-4	NFHS 3-NFHS 4
Area	Urban	63.1	56.1	7.0
	Rural	71.6	59.6	12.0
Wealth	Poorest	76.6	64.1	12.5
	Poorer	73.7	59.9	13.8
	Middle	69.4	59.1	10.3
	Richer	64.7	54.5	10.2
	Richest	56.6	51.9	4.7
Social group	Schedule caste	72.5	60.8	11.7
	Schedule tribe	77.1	63.8	13.3
	OBC	70.2	58.7	11.5
	None of them	64.0	54.7	9.3
	Don't know	69.0	62.0	7.0
Religious group	Hindu	69.8	58.8	11.0
	Muslim	69.7	59.3	10.4
	Christian	60.4	45.8	14.6
	Sikh	63.9	56.6	7.3
	Buddhist/Neo-Buddhist	66.7	56.7	10.0
	Other	73.7	65.0	8.7
Total		69.5	58.7	10.8

Source: Calculated from NFHS 2005-06 and 2015-16

A large disparity was also visible. In 2015-16 the rural-urban differential reduced as compared to 2005-06. The anaemia among children by wealth quintile shows that among poorest the proportion was 64 percent as compared to the richest quintile of 52 percent. Again anaemia among children belonging to ST category is the highest among the social categories whereas the children belonged to the general caste population (other than SC/ST/OBCs) is the lowest. Among religious category, the highest proportion of anaemic children were Hindu and Muslims.

An analysis of anaemia among children 6-59 months across the major states of India shows that in 2015-16, anaemia was higher in the state of Haryana (72 per cent). This is peculiar as the state has low poverty incidence in terms of income poverty. The other states registering higher proportion of anaemic children are Jharkhand, Madhya Pradesh, Bihar and Uttar Pradesh. On the other hands in states of Assam (36per cent), Kerala (36per cent), Chattisgarh and Odisha it is the lowest.



Source: Calculated from NFHS 2005-06 and 2015-16

Fig. 21.4: Percentage of Children Anaemic by States, 2015-16

21.6.2 Malnutrition Type and Measurement among Women

As discussed earlier, BMI is one of the indicators to measure the nutrition status of women. As per the WHO standard, the BMI is calculated for women in the age group of 15-49 years. The proportion of thin women declined from 36 percent in 2005-06 to 23 percent in 2015-16 and at the same time the proportion of overweight or obese women increased from 13 percent to 21 percent. Overall, there has been an increase in the mean BMI from 20.5 in 2005-06 to 21.9 in 2015-16.

The proportion of thin women in rural and urban India are respectively 15.5per cent and 26.8per cent showing a 11 percentage point difference. As expected, the thin women by social category shows that STs and SCs bear the highest percentage (ST 31.7per cent and SC 25.3per cent) and it is lowest among general caste population (other than SC/ST/ OBC).

The other important indicator measuring the nutritional status of women is the anaemia. As per the NFHS statistics, the proportion of women anaemic was 53 percent in 2015-16 as compared to 55.3 percent in 2005-06. The anaemia among women by wealth quintile shows a variation with about 59 percent of women in the lowest wealth quintile are anaemic as compared to 48.2 percent in the highest wealth quintile. The anaemia of women by schooling status shows that among illiterate women, the proportion of women anaemic was 56.4 percent as compared to 48.7 percent for women having education at intermediate level.

21.7 MALNUTRITION AND POVERTY: A COMPARATIVE ANALYSIS

Hunger, malnutrition, hidden hunger and poverty all are related to each other. Poverty is considered to be the main cause of malnutrition and hunger,

however rich people are found to be malnourished as well. In this section we analyse the interaction between income poverty and malnutrition.

Table 21.8: A Comparative Analysis of Income Poverty and Non-Income Poverty by State

	Income Poverty 2011-12	Per capita NSDP 2017-18 at constant price	MPI Poor 2015-16	Anaemia Children 2015-16	Stunted Children 2015-16	Thin Women 2015-16
Kerala	7.1	138368	1	36.0	20	9.7
Himachal Pradesh	8.1	130644	8	53.7	26	16.2
Punjab	8.3	110802	6	56.7	26	11.7
Andhra Pradesh	9.2	103214	16	58.5	31	17.6
Delhi	9.9	255431	4	59.9	32	14.8
Jammu & Kashmir	10.4	62984	15	54.2	27	12.1
Haryana	11.2	159892	11	71.8	34	15.8
Uttarakhand	11.3	147204	17	60.2	34	18.4
Tamil Nadu	11.3	133029	7	50.8	27	14.6
Rajasthan	14.7	74441	32	60.4	39	27
Gujarat	16.6	142068	22	62.4	39	27.2
Maharashtra	17.4	140724	17	54.0	34	23.5
West Bengal	20.0	64007	26	54.5	33	21.3
Karnataka	20.9	143827	17	61.3	36	20.8
Uttar Pradesh	29.4	42798	41	63.3	46	25.3
Madhya Pradesh	31.7	54264	41	69.0	42	28.4
Assam	32.0	57835	36	35.9	36	25.7
Odisha	32.6	72760	36	44.6	34	26.5
Bihar	33.7	26699	52	63.5	48	30.5
Jharkhand	37.0	52277	47	70.1	45	31.6
Chhattisgarh	39.9	66122	37	41.7	38	26.7
All-India	21.9	87828	28	56.9	38	22.9

Table 21.8 presents the income and non-income poverty indicators. When we compare the income poverty and anaemia among children it shows that Andhra Pradesh and Delhi registered low-income poverty and high anaemia among children. On the other hand, Chhattisgarh, Odisha and Assam registered high proportion of income poverty but comparatively low proportion of anaemic children. Again, when we compare the income poverty and stunted children, Andhra Pradesh and Delhi which have lower poverty rate registered high proportion of stunted children. In terms of comparison of

income poverty and Low BMI among women (thin) shows that the states Himachal Pradesh and Andhra Pradesh which registered low-income poverty shows high proportion of thin women. Hence, we can conclude that the non-income poverty indicators are important to analyse poverty status of the state.

21.8 INCLUSIVE GROWTH

Inclusive growth is the growth that not only creates new economic opportunities, but also ensures equal access to the opportunities created for all segments of society, particularly for the poor. The OECD defines inclusive growth as economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. Thus, Inclusive growth is the process that focuses on both creating opportunities rapidly and making them accessible to all including the disadvantaged.

The traditional view suggests that inequality is inherent in the process of growth. During structural transformation of the growth process certain sectors benefit more from the process than other sectors that lag behind. So, in the initial period growth leads to rise in inequality. But subsequently, the benefits of growth percolates down to the lagging sectors leading to a more equitable growth outcome. This process is visible in 'Kuznet curve' where inequality first rise and then fall. However, this process was not found to be true in India as increase in growth rate did not result in a decrease in inequality.

The country has grown strongly since the economic reforms of the early 1990s, with growth averaging around 7 percent during 1993-94 and 2009-10 and 6.7 per cent during the period 2010 to 2016. Compared with other countries at similar level of development, in India, inequality is not only very high, but has also shown a rising trend over time, particularly since the early 1990s. While the rate of rise in inequality seems to have slowed down after 2004-05, it continues to show a rising trend. Inequality in India is about education, health, nutrition, sanitation, and opportunities as much as it is about rising income inequality. Some of the plausible reasons could be rapid growth in GDP, liberal and expansionary fiscal policy, large public debt, rapid improvement in technology and the changes in the nature of production using more capital, increasing share of services in GDP, unfavourable policies and institutions, etc. Besides this, the country has a high level of horizontal inequalities based on caste, class, religion, race, gender, and location. A commonly used indicator of inequality is the Gini index, which varies from zero (in a context of perfect equality) to one (perfect inequality). By this measure, inequality declined between 1983 and 1993-94 but rose appreciably in the following decade after the onset of reforms in 1991.

Considering the widening disparities in the form of surging income inequality, inequality in opportunities (including on access to education, health and financial services/inclusion), unemployment, poverty and other

forms of social deprivations— policies aiming towards inclusive growth becomes imperative. Universal access to education and health services, access to financial services, new technologies, gender equality and more equal distribution of resources can all support inclusive economic development. The inclusive growth has been extensively reflected in different plan period in India. The 11th Plan defines inclusive growth to be “a growth process which yields broad-based benefits and ensures equality of opportunity for all”. Likewise, the basic objective as stated in the 12th five-year plan was “Faster, More Inclusive and Sustainable Growth”. We have seen progress on inclusiveness: Agricultural Growth, Poverty Reduction, Education, Health, Upliftment of SCs /STs etc. However, progress on inclusiveness is less than expected. It can be apprehended from different aspects. India missed achieving many indicators of Millennium Development Goals (MDG). In the literacy front the goal of increasing literacy among backward classes and other weaker sections has not been achieved. Agriculture growth is still in vulnerable conditions. The employment schemes like MGNREGS are not upto the mark. There are many plans, policies, schemes but their implementation is not according to their expected level.

21.9 INCLUSIVE GROWTH – POLICY IMPLICATIONS

Agricultural Development

Agriculture development should be given priority. The recent trend shows that the contribution of agricultural sector to total GDP has reduced from 44.6 per cent to 17.2 per cent from the year 1958-59 to 2008-09 and to 16.5 per cent in 2019-20. On the other hand the absorption of labour in the agricultural sector has not reduced much during the same period. This emphasises show that the pace of reduction of contribution to GDP by agricultural sector is extremely high as compared to pace of reduction of workforce in agricultural sector. Hence there is a need to develop the agricultural sector by way of irrigation and water management, credit, research and extension, marketing etc. Land and water management (including watershed development) are crucial for agriculture development. Development of agro-based industries in rural areas has not only expanded the scope of employment but also reduced the heavy dependence on agricultural sector.

Rural Non-farm Employment opportunities

The Rural Non-Farm Sector (RNFS) encompasses all non-agriculture activities: mining and quarrying, household and non-household manufacturing, processing, etc. Rural non-farm economy, is considered as an effectual strategy for decentralisation of economic activities to rural India in order to check for unregulated migration, bridge rural-urban divide, generate employment, reduce inequalities, etc. According to different international studies on India's labour market, between 2011 and 2015, the number of agriculture jobs fell by 26 million while non-farm ones rose by 33 million. However, the sector has been contending with a number of factors

like inadequate rural infrastructure, particularly roads, electricity and communication facilities, lack of sufficient skilled labour and adequate access to credit, information and training facilities, etc. Thus, heavy investments are needed for inclusive, sustainable and diversified rural development along with the right governance system.

Financial Inclusion

Financial Inclusion is the availability of financial services and timely and adequate credit at an affordable cost to the disadvantaged and low-income groups. Financial inclusion can help in achieving development goals such as poverty eradication and income equality, food security and sustainable agriculture, supporting infrastructure and industries, better healthcare, encouraging increased consumption and savings, reduction in unemployment and sustainable economic growth. Financial inclusion has been ensured by the government and the central bank by way of – no frills accounts with low or zero minimum balances and minimum charges to expand outreach of such accounts to low-income groups, easier credit facilities, simpler KYC norms, use of information and technology, expansion of electronic benefit transfer system, business correspondence model, bank branch and ATM expansion, financial literacy and credit counselling, etc. Yet a large part of the Indian population remains excluded from the formal banking sector. Rapid urbanisation is increasing the rate of urban poor who are devoid of the most basic banking facilities. Also, people working in the informal sector still remain outside the rings of the formal financial system. Thus, much needs to be done in the financial inclusion space in order to ensure inclusive growth.

Public Investment

High investment in infrastructure is important for inclusive growth. In many developing countries it is visible that public expenditure as percentage of GDP is low and declining. Public investment in rural development has declined sharply. Consequently, agricultural growth slowed down in India. Priority to public investment in physical (irrigation, roads, communications, transport, electricity, etc.) and human infrastructure (health, education, etc.) is considered as one of the important factors resulting in inclusive growth.

Public Finance and Tax Policies

Taxes provide the primary source of financing for public expenditure in public education, healthcare, job creation and the overall social welfare. Taxes are also the financial backbone for social security networks and basic welfare, providing essential support to poor people against unexpected risks and preventing them from falling back into poverty during difficult times. Hence, progressive tax policies are central to fostering a fairer distribution of income and wealth.

Development of Institutions

Development of new institutions and strengthening the present institutions of service delivery are important. Several institutions seemed to have failed in delivering better services particularly in health and education in rural areas.

Institutions seem to be responsive when women are empowered. Decentralisation in terms of strengthening Panchayati Raj Institutions (PRIs) has to be improved in order to have better delivery systems.

Social Protection

The social protection system can play an important role in mitigating poverty and inequality through redistribution. This also helps to give the platform to the excluded section of the society. India has implemented a plethora of poverty alleviation programmes to address the issue of poverty and inequality. Most important programme is Public Distribution System (direct food subsidy), Indira AwasYojana (Housing for poor) and direct cash transfer through the programmes like old age pension scheme, widow pension scheme, disability pension scheme, national family benefit schemes, etc. Some other programmes are also incentive based for example, incentives for institutional delivery, incentives for family planning, etc. For some of the educational development programmes like scholarship, free distribution of books, cycle, dresses, midday meal, etc. are implemented.

From time to time the central and state governments implement different employment generation programmes which provides the minimum livelihood for rural and urban poor. The National Rural Employment Guarantee Act (NREGA) 2005, passed by the Government of India in August 2005, is a unique programme implemented by central government which guaranteed one hundred days of unskilled work per year on public works programmes to each rural Indian providing guaranteed employment entitled by law. Now, within fifteen days of a valid application, the government must provide work or unemployment allowance.

Check Your Progress 2

- 1) What is the concept of inclusive growth?

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- 2) State how social protection can play an important role in mitigating poverty and inequality.

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21.10 LET US SUM UP

The unit deals with the nature and dimension of poverty and inequality, and how the inclusive growth addresses these two issues. In general sense, poverty implies the lack of income/expenditure and the access to basic needs like food, shelter, drinking water, health, etc.

Poverty is measured by the methods like head count ratio, poverty gap index, squared poverty gap index by taking into consideration the income/expenditure. Several other non-income dimensions also play a major role in determining the level of poverty. The rate of poverty in India shows a declining trend from 1973-74 to 2011-12. High growth with inequality is a common phenomenon in developing countries. How to tackle this lopsided growth with inequality is the major challenge. The inequality is measured by different methods like range, range ratio, coefficient of variation, and most importantly Lorenz curve. In India high inequality is found both in the income and expenditure and also in other non-income variables like IMR, underweight of child, literacy rate, etc. Even geographical inequality also exists.

Malnutrition which is measured by the anthropometric indicator for children below 5 years and anaemia are the important indicators to show the poverty level of a state. It was found that a state having low proportion of head count poverty does not necessarily guarantee low prevalence of malnutrition among children and women. Hence for any policy analysis the malnutrition indicators need be taken into account.

Inclusive growth not only creates new economic opportunities, but also ensures equal access to the opportunities created for all segments of society, particularly for the poor. Creating opportunity, equalising opportunity and providing the safety net are the main pillars of inclusive growth.

21.11 TERM-END EXERCISES

- 1) What do you mean by poverty? Explain the indicators that cover income and non-income dimensions of poverty.
- 2) What do you mean by inequality? How are the inequalities of income measured in an economy? Also state the different indicators that cover inequality in non-income aspects of life.
- 3) Examine the policy implications of widespread poverty and inequality in the Indian economy.
- 4) “The quality of life in India is far from satisfactory.” Comment.
- 5) What is multidimensional poverty and how is it calculated?

21.12 KEYWORDS

Poverty Line : Poverty line is the income/expenditure cut-offs used to identify the poor from non-poor. This is the minimum requirement of an individual for a healthy living. The minimum requirement can include both food and non-food items.

Head Count Ratio : This is the simplest measures of calculating the incidence of poverty. This is the proportion of the population that is counted as poor. In other words the incidence of poverty is defined as the proportion of poor to the total population.

$$\text{Poverty HCR} = \frac{\text{Number of people below poverty line (Np)}}{\text{Total population (N)}} \times 100$$

Poverty Gap Index : This is a measure to identify the incidence as well as severity of poverty which derived from income or expenditure distribution. This measure shows how below the income/consumption from poverty line.

Capability poverty measures : This is a multi-dimensional measure of human deprivation developed by UNDP. The indicator of this measure is the lack of being well nourished and healthy, the lack of capability for healthy reproduction, and the lack of capability to be educated.

Lorenz Curve : This is a graphical representation of the proportionality of a distribution. This is often associated with income distribution calculations and commonly used in the analysis of inequality.

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21.14 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) The PG index is helpful in working out the shortfall of consumption below the poverty line. It will indicate the magnitude of the effort that would be required to raise the consumption level of all the persons below the poverty line to the consumption level of the poverty line.
- 2) Human Development Index and Human Poverty Index.
- 3) See Sub-section 21.3.2
- 4) See Section 21.4

Check Your Progress 2

- 1) See Section 21.8
- 2) See Section 21.9



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APPENDIX 21.1

Table 1: Proportion of Population below Poverty Line in Major States(2004-05 and 2011-12)

States	2004-05			2011-12			Difference		
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Andhra Pradesh	32.3	23.4	29.6	11.0	5.8	9.2	21.3	17.6	20.4
Arunachal Pradesh	33.6	23.5	31.4	38.9	20.3	34.7	-5.3	3.2	-3.3
Assam	36.4	21.8	34.4	33.9	20.5	32.0	2.5	1.3	2.4
Bihar	55.7	43.7	54.4	34.1	31.2	33.7	21.6	12.5	20.7
Chhattisgarh	55.1	28.4	49.4	44.6	24.8	39.9	10.5	3.7	9.5
Delhi	15.6	12.9	13.0	12.9	9.8	9.9	2.7	3.1	3.1
Gujarat	39.1	20.1	31.6	21.5	10.1	16.6	17.6	10.0	15.0
Haryana	24.8	22.4	24.1	11.6	10.3	11.2	13.2	12.1	12.9
Himachal Pradesh	25.0	4.6	22.9	8.5	4.3	8.1	16.5	0.3	14.8
Jammu & Kashmir	14.1	10.4	13.1	11.5	7.2	10.4	2.6	3.2	2.8
Jharkhand	51.6	23.8	45.3	40.8	24.8	37.0	10.8	-1.0	8.3
Karnataka	37.5	25.9	33.3	24.5	15.3	20.9	13.0	10.7	12.4
Kerala	20.2	18.4	19.6	9.1	5.0	7.1	11.1	13.4	12.6
Madhya Pradesh	53.6	35.1	48.6	35.7	21.0	31.7	17.9	14.1	17.0
Maharashtra	47.9	25.6	38.2	24.2	9.1	17.4	23.7	16.5	20.9
Odisha	60.8	37.6	57.2	35.7	17.3	32.6	25.1	20.3	24.6
Punjab	22.1	18.7	20.9	7.7	9.2	8.3	14.4	9.5	12.6
Rajasthan	35.8	29.7	34.4	16.1	10.7	14.7	19.8	19.0	19.7
Tamil Nadu	37.5	19.7	29.4	15.8	6.5	11.3	21.7	13.2	18.1
Uttar Pradesh	42.7	34.1	40.9	30.4	26.1	29.4	12.3	8.0	11.5
Uttarakhand	35.1	26.2	32.7	11.6	10.5	11.3	23.5	15.7	21.4
West Bengal	38.2	24.4	34.2	22.5	14.7	20.0	15.7	9.7	14.2
All-India	41.8	25.7	37.2	25.7	13.7	21.9	16.1	12.0	15.3

Note:Figures are based on Tendulkar Methodology; All-India includes figures for rest of the UTs.

Sources: Press Note on Poverty Estimates, 2009-10, Planning Commission, Government of India website (http://planningcommission.nic.in/news/press_pov1903.pdf, accessed on 4 April 2013); Press Note on Poverty Estimates, 2011-12, Planning Commission, Government of India website (http://planningcommission.nic.in/news/pre_pov2307.pdf, accessed on 26 August 2013).

Table 2: Percentage of children under age five years classified as malnourished according to three anthropometric indices of nutritional status: height-for-age, weight-for-height, and weight-for-age, according to state, India, 2005-06

State	Height-for-age (Stunting)	Weight-for-height (Wasting)	Weight-for-age (Underweight)
Andhra Pradesh	42.7	12.2	32.5
Assam	46.5	13.7	36.4
Bihar	55.6	27.1	55.9
Chhattisgarh	52.9	19.5	47.1
Gujarat	51.7	18.7	44.6
Haryana	45.7	19.1	39.6
Himachal Pradesh	38.6	19.3	36.5
Jammu & Kashmir	35	14.8	25.6
Jharkhand	49.8	32.3	56.5
Karnataka	43.7	17.6	37.6
Kerala	24.5	15.9	22.9
Madhya Pradesh	50	35	60
Maharashtra	46.3	16.5	37
Odisha	45	19.5	40.7
Punjab	36.7	9.2	24.9
Rajasthan	43.7	20.4	39.9
Tamil Nadu	30.9	22.2	29.8
Uttar Pradesh	56.8	14.8	42.4
Uttarakhand	44.4	18.8	38
West Bengal	44.6	16.9	38.7
India	48	19.8	42.5

Table 3 :Statewise IMR, 2006 and 2010

State	2006			2010		
	Male	Female	Person	Male	Female	Person
Delhi	36	39	37	30	37	29
Haryana	57	58	57	48	51	38
Himachal Pradesh	45	55	50	40	41	29
Jammu & Kashmir	51	53	52	43	45	32
Punjab	39	50	44	34	37	28
Rajasthan	65	69	67	55	61	31
Uttarakhand	42	44	43	38	41	25
Chhattisgarh	59	62	61	51	52	44
Madhya Pradesh	72	77	74	62	67	42
Uttar Pradesh	70	73	71	61	64	44
Bihar	58	63	60	48	49	38
Jharkhand	46	52	49	42	44	30
Odisha	73	74	73	61	63	43
West Bengal	37	40	38	31	32	25
Assam	67	68	67	58	60	36
Gujarat	52	54	53	44	51	30
Maharashtra	35	36	35	28	34	20
Andhra Pradesh	55	58	56	46	51	33
Karnataka	46	50	48	38	43	28
Kerala	14	16	15	13	14	13
Tamil Nadu	36	37	37	24	25	22
India	56	59	57	46	49	47

Source: Economic Survey 2011-12; Sample Registration System 46; Dec. 011, Office of Registrar General, Ministry of Home Affairs

Table4: Percentage of births delivered in a health facility five years preceding the survey by state, India, 2005-06

States		Mothers' Education				
	Total NFHS 3	No Education	< 8 years Complete	8-9 years Complete	10 years Complete and above	NFHS-2
Andhra Pradesh	64.4	46.9	76.8	85	90.8	49.8
Assam	22.4	9.8	16.7	32.5	71.2	17.6
Bihar	19.9	12.6	28.3	45.6	64.6	14.8
Chhattisgarh	14.3	5.5	12	26	67.2	13.8
Gujarat	52.7	38.4	53.5	68.6	83	46.3
Haryana	35.7	14.6	38	43.6	69.6	22.4
Himachal Pradesh	43	19	28.4	37.5	61.2	28.9
Jammu & Kashmir	50.2	40.7	52.1	65.5	81.7	35.7
Jharkhand	18.3	8.2	18.5	46.7	68.8	13.9
Karnataka	64.7	36.7	68.5	82.3	89.5	51.1
Kerala	99.3	*	98.8	99.5	99.7	92.9
Madhya Pradesh	26.2	37.7	58.4	71.8	89.6	52.6
Maharashtra	64.6	17.3	33.6	39.3	79.9	22
Odisha	35.6	14.8	48.8	61.6	74.1	22.6
Punjab	51.3	30.8	41.5	54.2	78.1	37.5
Rajasthan	29.6	20.6	45.8	60.2	78.9	21.5
Tamil Nadu	87.8	79.3	90.1	88.6	96.7	79.3
Uttar Pradesh	20.6	13.6	23.2	29.1	59.2	15.2
Uttarakhand	32.6	15.6	30.8	25.3	71.2	20.6
West Bengal	42	22.9	45.8	64.2	89.5	40.1
India	38.7	19.8	45.7	57.8	80.6	33.6

UNIT 22 EMPLOYMENT AND UNEMPLOYMENT: POLICY CHALLENGES

Structure

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- 22.1 Introduction
- 22.2 Enumeration of Workers
 - 22.2.1 Conceptual Framework of Key Employment and Unemployment Indicators
- 22.3 Labour Force and Work Force Participation Rates
- 22.4 Dimensions of Unemployment
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- 22.12 Answers or Hints to Check Your Progress Exercises

22.0 OBJECTIVES

After going through this unit, you will be able to:

- know the various concepts used in the measurement of employment and unemployment by NSSO and PLFS;
- explain the various dimensions of unemployment in India;
- examine the growth of employment in the post-reform period;
- assess the quality of employment; and
- suggest various measures towards employment policy framework.

22.1 INTRODUCTION

Engagement of a person in any economic activity is central to the concept of identifying a worker. A worker is one who participates in any economic activity. His or her human capital endowment is utilised by the society (or

the economy) and in the process, he or she earns a living. All workers constitute the workforce or the employed.

Those who are not workers are called non-workers. Some among the non-workers may be seeking or looking for work or are available for work. Such persons constitute the unemployed. The workforce and the unemployment together make up the labour force. The entire population of any area, region or country is, thus, made up of three components; the workforce (the employed), the unemployed and the non-workers. The third component is also referred to, for obvious reasons, as the population which is not a part of the labour force. The first is engaged in economic activity and produces the national product, the second is available for being engaged in such activity but the economy is unable to utilise it and the third is not available for utilisation in economic activity. Schematically, workforce can be illustrated as follows:

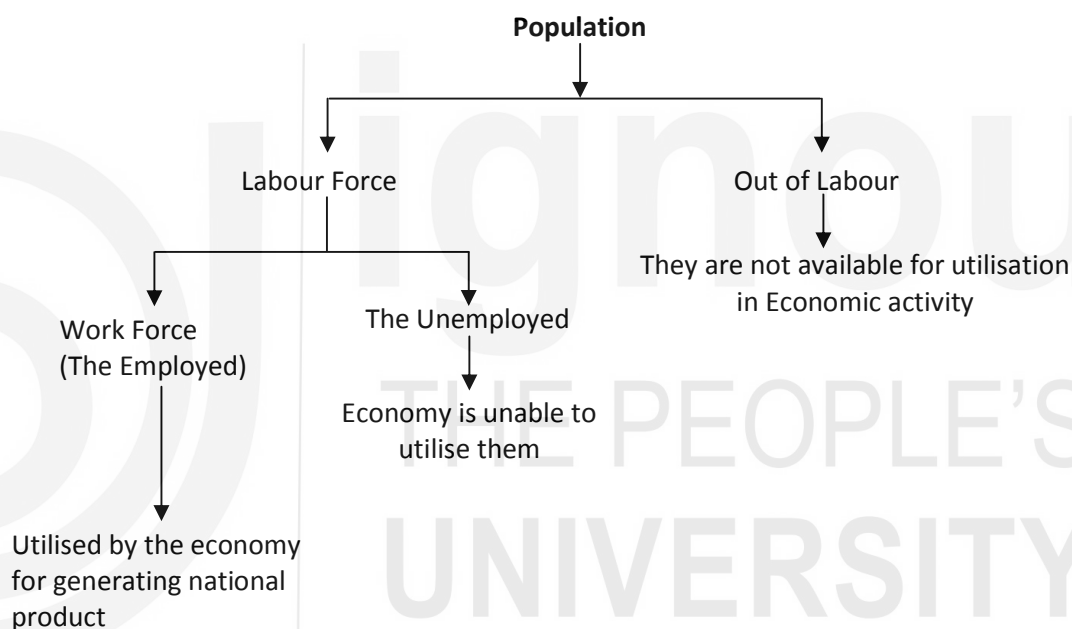


Fig. 22.1: Labour Force, Work Force and the Unemployed

How are the workers or the employed and the other two categories of people in a given area – a region or a country, say India – identified and enumerated? How are the workforce and the labour force measured? We shall answer these questions in the next section.

22.2 ENUMERATION OF WORKERS

Now, let us discuss about the sources of data in India on workers. In India, two main organisations which generate and compile data on workers are the National Sample Survey Organisation (NSSO) and Office of the Registrar General of Census. These two organisations generate quite a substantial data on the workers, employment and unemployment, etc. on regular intervals for the entire country. Among these two sources, NSSO provides more data on employment and unemployment. For understanding and studying the data given in National Sample Survey (NSS) Rounds, it is important to be well

aware of the concepts that were used in these data collection exercises. NSSO used the concept of 'Usual Principal Status' (UPS) as a time reference period for identifying workers. In more general terms, NSSO used three reference periods to describe the activity status of a worker. These reference periods are— a year, a week and a day.

Starting from 27th round during Oct, 1972-Sep, 1973, the quinquennial employment-unemployment surveys (EUs) of the NSSO provided relevant data on key features of the labour force as well as the status of the decent work. These surveys continued till 68th round conducted during 2011-12. Towards improving the existing system (quinquennial surveys— EUs) of collecting data, the Periodic Labour Force Survey (PLFS) has been designed to replace its previous quinquennial rounds on the employment-unemployment situation and gather the annual estimates of the labour force on employment and unemployment along with quarterly estimates for the urban areas. These annual PLFS provide quarterly statistics for urban areas on current weekly status (CWS) and annual estimates of employment indicators both for rural and urban areas on CWS and usual status basis.

Since there has been a significant re-structuring of the previously existing questionnaire, survey methodology and inquiry schedule, labour market estimates by PLFS is not strictly comparable with NSSO-EUs. For comparability, the results of PLFS with earlier rounds of NSSO surveys need to be understood in the context with which the survey methodology has been designed.

22.2.1 Conceptual Framework of Key Employment and Unemployment Indicators

The Periodic Labour Force Survey (PLFS) gives estimates of key employment and unemployment indicators like the Labour Force Participation Rates (LFPR), Worker Populations Ratio (WPR), Unemployment Rate (UR), etc. These indicators are defined as follows:

- a) 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. Generally, by population we refer people in the age group 15-60 years, the segment of the population which can potentially work, the rest (children below 15 years and elderly above 60 years) are considered as the dependent population. Sometimes the working-age population may be differently specified.
- b) Worker Population Ratio (WPR): WPR is defined as the percentage of employed among the persons in the labour force.
- c) Unemployment Rate (UR): UR is defined as the percentage of person unemployed among the persons in the labour force.
- d) Usual Principal Status Unemployment (UPS): this is measured as the number of persons who remained unemployed for a major part of the year. The persons covered by the survey may be classified into those working and/or available for work in their principal activity, and those

working and/ or available for work in a subsidiary activity, that is, a sector other than their principal activity. Hence, within the usual status concept, the estimates are derived on the usual principal status as well as the usual principal and subsidiary status basis. The usual status unemployment rate indicates chronic unemployment, because all those who are found usually unemployed in the reference year are counted as unemployed. This measure is more appropriate to those in search of regular employment, e.g., educated and skilled persons who may not accept casual work. This is also referred to as 'open unemployment'.

- e) Usual Principal and Subsidiary Status Unemployment (UPSS): Here person is considered unemployed, if besides UPS, those available but unable to find work on a subsidiary basis during a year.
- f) Activity Status-Usual Status: The activity status of a person is determined on the basis of the activities pursued by the person during the specified reference period. When the activity status is determined on the basis of the reference period of last 365 days preceding the date of survey, it is known as the usual activity status of the person.
- g) Activity Status-Current Weekly Status (CWS): The activity status determined on the basis of a reference period of last 7 days preceding the date of survey is known as the current weekly status (CWS) of the person.
- h) Activity Status-Current Daily Status (CDS): The activity status determined on the basis of a reference period of each day of the 7 days preceding the date of survey is known as the current daily status (CDS) of the person.

Creation of employment opportunities depends on the volume and composition of economic activity in the economy, that is, the total output of goods and services in the economy and its structure. The total output of goods and services is called the Gross Domestic Product (GDP). Thus, levels of employment in an economy depend on the size and composition of its GDP. Factors that affect this basic relationship are: (i) the availability of capital, (ii) the availability of skills and expertise among the employed persons and (iii) the manner in which capital and labour (the number of employed persons) combine to produce the output of goods and services. In other words, a number of inter-dependent factors like material, financial and human capital, knowledge and technology utilised, productivity of labour and capital, and Government policies shape this relationship.

22.3 LABOUR FORCE AND WORK FORCE PARTICIPATION RATES

As stated in the previous section, labour force refers to that segment of population which supplies or offers to supply labour for production and therefore includes both employed and unemployed persons.

Labour Force Participation Rate (LFPR) is a measure of the proportion of the country's population that is engaged actively in the labour market, either by working or seeking work. It provides an indication of the size of the supply of labour available to engage in the production of goods and services. The gap between average annual growth of labour force and employment growth provides hints towards increase/ decrease in the existing stock of unemployed people. Work Participation Rate (WPR) is a measure of the proportion of the country's labour force who are engaged in work. It provides information on the ability of the economy to generate employment.

Throughout the period between 1983 and 2018-19, male participation remained higher both in labour and workforce. Using the usual principal and subsidiary status (UPSS) criterion, labour force participation rate, recorded at 42.9 per cent in 1983, declined to 42.3 per cent in 1993-94, and again declined to 37.5 per cent in 2018-19. Among women, rates were found to be 29.8, 29.0 and 18.6 per cent in the three years respectively. Female participation per se in rural areas was much higher than in urban areas. Urban male participation rates (both labour force and workforce) were higher than rural male participation in 1999-2000, 2004-05, 2009-10 and 2018-19. (Table 12.1)

LFPR for rural males increased marginally in 2009-10 compared to 2004-05 while for urban males it actually declined. The most striking revelation of NSSO's 66th round survey is the significant fall in female work participation rates (FWPR) between 2004-05 and 2009-10. Rural FWPR dropped to reach 20 per cent in principal status work (UPS) and 26 per cent in usual (principal + subsidiary) status work (UPSS) in 2009-10. However, it marginally increased to 19.1 per cent in 2018-19. In urban areas too, FWPR has fallen substantially from 13.5 per cent in 2004-05 to below 12 per cent in 2009-10 in the case of UPS employment and from close to 17 per cent to below 14 per cent in UPSS during the same period (Mazumdar, 2011). With principal status or main work/employment as well as subsidiary status or marginal work having both lost ground, it appears that relatively more durable work as well as shorter bursts of temporary employment have become less available to women. Two possible explanations may be offered for this decline: firstly, women have simply withdrawn from the labour market in India due to social conservatism. Secondly, more women are pursuing higher education resulting decline in women LFPR. However, decline in women LFPR across all age groups indicates that there must be some other factors inhibiting women from participating in the labour market. The decline in the LFPR for women irrespective of age is possibly due to decline of overall employment opportunities compelling the women for withdrawal from the labour market.

Thus, labour force participation rate as percentage of population has not remained fixed over a period of time. There has been specific participation rate changes overtime in response to economic, social and cultural factors. This is particularly true for women and children. Most women from poor households participate in the labour force, but they may withdraw from it with increase in household income and then join again at much higher level of income and also when they have acquired a certain level of education. So

female labour force participation rate is observed to have a U-shaped relationship with the per capital income level (India Labour and Employment Report, 2012).

Table 22.1: Labour Force and Work Force Participation Rates (CDS basis) (per cent)

	1983	1993-94	1999-00	2004-05	2009-10	2017-18	2018-19
Labour force participation rates (LFPR)							
Rural Male	52.7	53.4	51.5	53.1	53.6	54.9	55.1
Rural Female	21.9	23.2	22.0	23.7	19.7	18.2	19.7
Urban Male	52.7	53.2	52.8	56.1	55.6	57.0	56.7
Urban Female	12.1	13.2	12.3	15.0	14.1	15.9	16.1
Work Force participation rates (WFPR)							
Rural Male	48.2	50.4	47.8	48.8	50.1	54.9	52.1
Rural Female	19.8	21.9	20.4	21.6	18.2	18.2	19.1
Urban Male	47.3	49.6	49.0	51.9	52.2	57.0	52.1
Urban Female	10.6	12.0	11.1	13.3	11.7	15.9	14.5

Source:

- 1) Various rounds of NSSO survey on employment and unemployment.
- 2) PLFS Report 2018-19 for 2017-18 and 2018-19.4

Check Your Progress 1

- 1) What are various measures of employment and unemployment?
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- 2) Do you think that CDS criterion is the most inclusive measure of unemployment? Why?
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- 3) Differentiate between worker, non-worker and unemployed.
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22.4 DIMENSIONS OF UNEMPLOYMENT

The unemployment rate is the ratio of the number of unemployed persons in the labour force per thousand.

Based on the Periodic Labour Force Survey (PLFS)- Annual Report (July, 2018 – June, 2019), the data relating to unemployment situation has been incorporated in Table 22.2.

- 1) As per the latest Annual report (by the Periodic Labour Force Survey 2018-19) on the employment situation, the unemployment rate in India was 5.8 per cent at the all-India level following the usual states criterion. It was 5.6 per cent among males and 3.5 per cent among females in rural areas while the rates were 7.1 per cent among males and 9.9 per cent among females in urban areas.
- 2) Among the educated persons falling within the age group of 15 years and above, unemployment rate was 11.2 per cent in rural areas and 10.8 per cent in urban areas.
- 3) In 2018-19, the unemployment rate among rural male youth and rural female youth (persons of age 15-29) was 16.6 per cent and 13.8 per cent respectively. Unemployment rate among urban male youth and female youth was much higher to the extent of 18.7 per cent and 25.7 per cent respectively.

Thus, it is clear that unemployment rate is not only on the rise in the country but is at an all-time high. It has been the highest since 1977-78 among the males and highest since 1983 among the females in the rural as well as in the urban areas. The unemployed persons in 2017-18 have more than doubled to 28.5 million from 10.8 million in 2011-12.

The key features of the unemployment situation in India (as given by the PLFS 2018-19) are:

- 1) The rise in the unemployment rate has occurred across states. The states which crossed 5 per cent unemployment rate are Goa, Manipur, Kerala, Mizoram, Nagaland, Odisha, Uttar Pradesh, Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, and Rajasthan. Some of these states namely Goa, Manipur, Kerala, Mizoram and Nagaland crossed double digits rate of unemployment.
- 2) Regional variation in unemployment has declined since 2009-10 indicating convergence of unemployment rate across states.
- 3) The possible reason for high unemployment rate in the urban sector are migration of surplus labour from the rural areas, which accelerates with increase in connectivity between the two sectors. This leads to inference that higher level of urbanisation corresponds to higher unemployment.

Further, availability of the consumption support schemes particularly in the rural areas, rising opportunities for young educated and school dropout young adults, higher wages due to MNREGA effect— have eased the situation of

large-scale underemployment visible in terms of residual absorption of labour in low productivity activities. This has resulted in higher rate of open unemployment. Also, due to rise in the demand for education and skills, many young boys and girls prefer to remain unemployed and keep searching for suitable jobs. The rising urbanisation reflected in large scale emergence of census towns in 2011 has made the unemployment rate more visible.

Table 22.2: Unemployment Rates (as percentage of Labour Force)

Year	UPS	UPSS	CWS	CDS
1972-73	3.80	1.61	4.32	8.35
1977-78	4.23	2.47	4.48	8.18
1983	2.77	1.90	4.51	8.28
1987-88	3.77	2.62	4.80	6.09
1993-94	2.56	1.90	3.63	6.03
1999-2000	2.81	2.23	4.41	7.32
2004-05	3.18	2.33	4.53	8.34
2009-10	2.50	2.00	3.60	6.60

Source: India Labour and Employment Report, 2012

Table 22.3: Unemployment Rate (as percentage of Labour Force)

	2017-18			2018-19		
	Rural	Urban	Total	Rural	Urban	Total
Male	5.8	7.1	6.2	5.6	7.1	6.0
Female	3.8	10.8	5.7	3.5	9.9	5.2
Person	5.3	7.8	6.1	5.0	7.7	5.8

Source: Periodic Labour Force Survey – Annual Report (July, 2018 – June, 2019)

The high incidence of unemployment among the educated in general and women in particular reflects that the pace of creation of diversified employment opportunities is lagging behind the pace of expansion of education. The educational and training courses offered by the educational and training system and their curricular content is becoming increasingly irrelevant to the kind of employment opportunities being generated by the economy. Gender discrimination in the labour market and at the workplace also seems to be adding to the problem. These features of the unemployment situation call for steps like: (i) expansion and diversification of the economy, especially the rural economy, (ii) restructuring of the education and skill development system to make it responsive to the world of work and (iii) focus on removal of gender bias in the labour market, the workplace and in skill development.

22.5 GROWTH OF EMPLOYMENT

The available information relating to the growth of employment in India during the last three decades is comprehensively summarised in Table 22.4 and 22.5 below:

Table 22.4: Average Annual Rate of Growth of Employment

Year	Growth Rate
1983-1994	2.06
1994-2000	0.98
2000-2005	2.95
2004/05-2009-10	0.95

Source: Based on respective rounds of employment and unemployment survey reports

Table 22.5: Addition to Working Age Population (15 years and above) and its Distribution

Period	Addition to WAP (mn)	Additions to LF, WF and EF as Percentages to Additions in WAP			
		LF	WF	EF	Out of WF and EF
Men & Women					
1983-94	140.68	58.2	56.9	13.0	30.1
1994-2005	152.05	60.2	57.9	12.4	29.7
2005-12	137.63	14.5	14.7	30.3	55.0
2012-18	128.34	10.3	-4.8	22.1	82.7
Only Men					
1983-94	72.82	80.8	79.4	15.2	5.4
1994-2005	78.65	77.7	75.7	12.2	12.1
2005-12	65.66	56.3	55.7	35.5	8.8
2012-18	64.97	48.8	24.1	23.0	52.9
Only Women					
1983-94	67.85	34.0	32.8	10.6	56.6
1994-2005	73.40	41.4	38.8	12.6	48.6
2005-12	71.96	-23.7	-22.7	25.7	97.0
2012-18	63.36	-29.1	-34.4	21.2	113.2

WAP = working age population, LF = labour force, WF= workforce, EF= educational force

Source: Article From Jobless to Job-loss Growth Gainers and Losers during 2012-18 published in EPW, Vol. 4, No. 44, November, 9 2019.

- 1) The ability of Indian economy to absorb the incremental working age population into workforce has been declining since 2004-05. The period

between 2012 and 2018 has shown a negative trend. During this period, existing workers equivalent to close to 5 per cent of the incremental working age population lost their jobs. During two decades (i.e., 1983-84 - 2004-05) 57 per cent to 58 per cent of those coming to working age population were absorbed into the workforce. This proportion fell close to 15 per cent during the next seven year period (2004-05 – 2001-12) and during the period (2011-12 – 2017-18) it turned out negative.

- 2) During the first two decades (1983-2005) only 12 per cent to 13 per cent of the addition to the working age population (15 years and above) found themselves in educational force. This proportion increased to 30 per cent by 2012. However, during last 6 years' period (2012-18) this share came down to 22 per cent. Putting together those in workforce and those in education, we find that 70 per cent of the incremental working age population during 1983-94 as well as 2004-05 but this decreased to 45 per cent during 2005-12 and then 17 per cent during 2012-18. This shows that ability of the economy to absorb addition to the working age population either in employment or in education has practically declined since 2005 but more sharply since 2011-12. This also indicates that potential demographic dividend by way of an increasing share of working age population in the total population has not been translated into actual demographic dividend (Kamnan and Ravindran, 2019).
- 3) During 2005 to 2012 and 2012-2018, there has been a net loss of women's labour force as well as workforce. The process appears to have accelerated during the latter period as compared to the former one.
- 4) Despite a higher share of young women from additional working age population taking to education, the share of those outside the workforce and educational workforce has been increasing so alarmingly that it has now reached 113 per cent of the addition to their working age population.
- 5) Those with higher education have gained in employment significantly among all social groups. Women from the ST group are the biggest gainer followed by both men and women from the SC group.
- 6) There has been a sharp decline in the growth rate of employment (UPSS) from 2.06 per cent per year in the period 1983 to 1993-94 to only 0.98 per cent in the period 1993-94 to 1999-2000. Although this deceleration in employment is accompanied by an equally sharp decline in the rate of growth of labour force from 2.29 per cent in the period 1987-88 to 1993-94 to only 1.03 per cent in the period 1993-94 to 1999-2000, yet the growth rate of employment has been less than the growth rate of the labour force. This indicates an increase in the unemployment rate.
- 7) Employment growth during 1999-2000 to 2004-05 has accelerated significantly as compared to the growth witnessed during 1994-2000. During 1990-2000 about 47 million work (CDS basis) opportunities were created compared to only 24 million in the period between 1993-94 and 1999-00. Employment growth accelerated from 0.98 per cent per annum to 2.95 per cent per annum. However, since the labour force grew

at a faster rate of 2.84 per cent than the workforce, unemployment rate also rose. The incidence of unemployment on CDS basis increased from 7.31 per cent in 1999-00 to 8.28 per cent in 2004-05.

- 8) The employment growth during 2004-05 to 2009-10 was significantly lower than during 1999-00 to 2004-05. The pattern of employment growth reveals absolute decline in rural female's employment. In this period, both in rural and urban areas slowdown in employment growth for male has occurred. The sharp absolute decline for rural females and slight absolute increase for urban females is observed.
- 9) There have been significant changes in the sectoral pattern of employment. The proportion of the work force engaged in the primary sector declined by 12 per cent between 1983 and 2004-05 and it showed faster decline between 2004-05 and 2009-10. Between 2009-10 and 2017-18, the share of employment in primary sector further declined to 44.6 per cent. Similarly, in the Secondary sector also, the share of employment increased from 21 per cent in 2009-10 to 24.4 per cent in 2017-18. However, the Tertiary sector has performed very well in employment as its share jumped from 25 per cent (2009-10) to 31.0 per cent (2017-18). This marks an important phase of structural transformation for the Indian economy, in which, the share and number of workers in agriculture has been declining with corresponding rise in employment in non-farm sectors. Among the non-farm sectors, service sector is primarily driving the employment growth during 2009-10 and 2017-18.

**Table 22.6: Changes in Sectoral Shares of Employment (UPSS)
(Percentages)**

		Primary	Secondary	Tertiary	All
Rural	1983	81.80	8.60	9.50	100.00
	2004-05	73.00	13.20	13.80	100.00
	2009-10	68.60	16.70	14.70	100.00
Urban	1983	15.60	32.60	51.80	100.00
	2004-05	9.40	33.30	57.30	100.00
	2009-10	8.10	33.80	58.10	100.00
Total	1983	68.90	13.30	17.80	100.00
	2004-05	57.00	18.20	24.80	100.00
	2009-10	53.80	20.90	25.39	100.00
	2017-18	44.6	24.4	31.0	100.00

Check Your Progress 2

- 1) What are the implications of decline in women LFPR?

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- 2) Do you think that higher growth necessarily helps in expanding employment growth?

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- 3) State the various dimensions of deterioration in the quality of employment in India.

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- 4) Give an account of changing sectoral shares of employment in the Indian economy.

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22.6 QUALITY OF EMPLOYMENT

Broadly, quality of employment can be judged on the following basis:

- Proportion of workers in organised and unorganised sectors
- Proportion of workers engaged in regular and casual labour

22.6.1 Proportion of Workers in Organised and Unorganised Sectors

Increasing share of employment in unorganised sector reflect deterioration in the quality of employment because workers' earnings, regularity of employment, work environment and social security vastly differ between organised and unorganised sectors. Workers in organised sector have better wages and salaries, job security, reasonably decent working conditions and social protection against risks such as sickness, injuries, disability and death arising out of hazards, accident at works, separations and old age. Those in the unorganised sector apart from insecurity of job generally have no protection against these risks, have low earning, often lower than the modest statutory minimum wages and have no regularity. An increase in the share of

unorganised employment obviously means an overall deterioration in the quality of employment.

An important aspect related to quality of employment is the large size of unorganised sector as against organised sector in the total employment. The size of the organised sector characterised by higher earnings and job security has declined from 17 per cent in 2011-12 to 13.2 per cent on 2017-18. Corresponding share of workers in unorganised sector increased from 83 per cent in 2011-12 to 87 per cent in 2017-18. There are 92.4 per cent informal workers (with no written contract, paid leave and other benefits) in the economy. There are also 9.8 per cent informal workers in the organised sectors indicating the level of outsourcing. These are possibly the contract workers.

Even the organised sector is increasingly moving towards informal employment. The entire employment in the unorganised sector is informal as is clear from the following table.

Table 22.7: Distribution of workers by types of employment and sector

Worker	2011-12			2017-18		
	Unorganised	Organised	Total	Unorganised	Organised	Total
Informal	82.6	9.8	92.4	85.5	5.2	90.7
Formal	0.4	7.2	7.6	1.3	7.9	9.3
Total	83.0	17.0	100.0	86.8	13.2	100.0

Source: Computed from NSS 68th unit level data on employment unemployment, 2011-12 and Periodic Labour Force Survey, 2017-18

It is significant to note that the informality is generally linked to economic activity with low productivity and low-income generating prospectus. Given the heterogeneity of informal employment, there is a need to formulate specific policy sets to find solution to informality traps.

Further it is relevant to mention that quality of life and formal employment are positively correlated with each other. The countries with very high HDI are having more than 80 per cent of their workers in formal employment. Most of the countries, with high HDI, are also having 60 to 80 per cent of their workers in formal employment. This proportion ranges between 40 to 60 per cent in most of the medium HDI countries. Compared to it, less than 20 per cent of the workers are in formal employment in almost all the countries with low HDI. Thus, social security and quality of life are closely related with each other, higher the social security coverage higher is the quality of life, as reflected by HDI.

22.6.2 Proportion of Workers Engaged in Regular and Casual Labour

Another dimension of deterioration in the quality of employment can be examined in terms of low earning, irregularity and uncertainty of work availability, poor condition of work and lack of social protection and

vulnerability to the risks and hazards. This in turn is seen in the increase in the casualisation of the work force.

The Indian employment market is moving from regular towards casual employment. From 1983 to 2017-18, people have moved from self-employment to regular salaried employment and casual employment. The proportion of casual workers in total workers increased from 24.03 per cent in 1983 to 25 per cent in 2017-18, while the proportion of self-employed declined from 58.84 per cent to 52.2 per cent and the proportion of regular salaried employees increased from 17.14 per cent to 22.8 per cent during the same period.

Casualisation of employment does not assure adequate days of employment and income to meet the basic necessities of labour households. This along with low wage rates adversely affects growth rate of average daily wage earnings of the casual labour depriving them of fulfilling the basic needs.

Table 22.8: Distribution of Workers by Category of Employment

Year	Nature of Employment		
	Self employed	Regular/Salaries	Casual
1983	58.84	17.14	24.03
1993-94	57.31	16.35	26.34
1999-2000	55.19	17.52	27.29
2011-12	52.00	18.00	30.00
2017-18	52.20	22.80	25.00

Source: 1) Different Quinquennial survey reports of NSSO till 2011-12

2) Periodic Labour Force Survey (PLFS): Annual Report (July 2018-June 2019).

22.7 EMPLOYMENT POLICY FRAMEWORK

India's growth strategy adopted during the planning period has played a significant role in impacting the employment situation in the country. For instance, the Second Five Year Plan (1955-6 to 1959-60) involved adopting an import-substituting industrialisation strategy, with a focus on heavy-industry. This could not be, by definition, a strategy for rapid absorption of surplus labour in agriculture. The result was as surplus workers migrated away from agriculture in search of non-agricultural work, they were inevitably absorbed in traditional services in both rural and urban areas. If not, they were absorbed in unorganised manufacturing in micro-enterprises employing less than 10 workers, where no social insurance was available. In addition to this, government reserved manufacture of consumer products of a non-durable nature for the small-scale sector, which began with a few products and reached 836 in 1990. Since medium-sized firms or large corporates were disallowed from entering this sector, the small enterprises had no incentive to grow and absorb more workers in their manufacturing units, thus exacerbating a problem resulting from the heavy industry first strategy.

The employment situation is also impacted by the plethora of central and state government labour laws. On the one hand, hardly any labour laws were applicable to the small enterprises. On the other hand, the larger enterprises, whether medium or large, became gradually subject to a number of laws passed by state or central governments, which protected the workers in the organised sector. While social insurance (in the form of employee provident fund and health insurance) was mandatory, the growing number of laws covering organised workers meant that employers tended to adopt technologies that often limited the number of workers. The number of central government laws related to labour alone amounted to 45 (in 2014, though after repeal of some the number fell to 35 by 2018), which are often inconsistent with each other, and tend to grow in their coverage as the size of enterprises increases. On top of these 35, there are state-specific labour laws that organised segment firms in industry or services have to comply with. The reaction of employers was inevitable: the fewer the workers, the better it is from their perspective. Organised sector jobs grew slowly, and most non-agricultural employment continued to grow in the always unorganised sector in micro-enterprises, with workers employed without any hope of social insurance.

Consequently, in the earlier plan documents, calculations were made as to how much additional employment was needed to absorb the unemployed and under-employed and the growth in the labour force. In the draft of the Fourth Year Plan 1969-1974 (Govt. of India, 1969), the employment issue just occupied 3 pages in a Fourth Year Plan document of 350. However, it was clear that even rapid growth of the small modern sector could not create enough jobs for a large and growing population. Without large scale creation of employment, the benefits of economic growth would not reach the population as a whole.

Suggestion of *Dandekar* and *Rath* in 1971 that high rates of poverty in India need to be addressed through a massive programme of public works which would create employment and public assets, essentially in rural areas, gave rise to the Maharashtra Employment Guarantee Programmes in 1970 and later on a much larger scale to NREGA in 2005. Since that time the need to address the employment deficit has been constantly present in economic analysis in India. During 1970s and 1980s, a variety of special programmes to promote employment were introduced. These include Indira Gandhi's 20-point programme— Integrated Development Programme (IRDP), which was applied across the country in 1980s. Due to rise in demand for labour on account of spread of the green revolution, efforts were made by the Planning Commission to reinforce employment intensive agriculture through strategic investment. However, the main focus was on growth and not on employment. Raj Krishna, a renowned economist argued that 6.5 per cent growth rate would be enough to absorb the backlog of unemployment and similar arguments were put forwarded to support the economic reforms of early 1990s.

Economic acceleration of the 1990s failed to deliver the expected increase in employment and jobless growth became the common talking point. Overall

job creation was slow after the economic reforms except during a short period between 1999 and 2004. This trend continues right upto the present, since the most recent data show negative employment elasticity for the economy as a whole in the period from 2011-2012 to 2017-2018 and for several key sectors including agriculture and manufacturing.

In view of the above, employment continues to be high on the policy agenda reflected from labour law reforms and the various policy initiatives by the Government like Skill India, Start Up India, reorientation policies for MSMEs growth, Pradhanmantri Kaushal Yojna for skill formation, Mudra Yojana, Pradhan Mantri Rojgar Protsahan Yojana (PMRPY), SAMADHAN (Software Application for Monitoring and Disposal, Handling of Apprehended/Existing Industrial Dispute), Shram Suvidha Portal to bring transparency and accountability in enforcement of labour laws and ease of compliance, Pradhan Mantri Shram Yogi Maandhan Yojana (PM-SYM) for old age protection and social security of unorganised workers and so on.

Besides, the Ministry of Labour and Employment, one of the oldest and important Ministries of the Government of India, is functioning to ensure improving life and dignity of labour force of the country by protecting and safeguarding the interest of workers, promotion of their welfare and providing social security to the labour force both in Organised and Unorganised Sector by enactment and implementation of various Labour Laws, which regulate the terms and conditions of service and employment of workers. The State Governments are also competent to enact legislation, as labour is a subject in the Concurrent List under the Constitution of India.

22.7.1 Report to the People on Employment

The annual reports provide a framework to understand the contemporary employment scenario. They focus on key issues of generation of quality employment for the people seeking work. The issue of providing decent work, particularly to those who are excluded and marginalised in the labour market is a central concern of these reports. The reports highlight that employment growth along with equity and distributive justice can be a powerful instrument for achieving faster, inclusive and sustainable growth.

Report to the People on Employment (2010)

The 2010 report views employment as a primary means through which citizenship is made real for the people, the way in which the people acquire a stake in society, overcome the insecurities of old age and ill health and ensure a better future for children. One of the central ideas of the report is— high economic growth and growth of quality employment reinforce each other. Recognising low level of earnings and poor working conditions of casual labourers and a part of self-employed workers, the report argues for increasing the share of organised sector employment in total employment of the country, particularly in the manufacturing and service sectors.

The report firmly puts on the agenda to best utilise the ‘demographic dividend’ by focusing on generating gainful employment for youth, in

general, and young women, in particular. The report notes that given very low proportion of skilled workers at present, a suitable and workable framework to enhance the employability of workers is essential. The same can be achieved by providing training to workers at various levels with emphasis on recognising local skills and certifying informally acquired skills along with the expansion of skill development institutions. The report also argues for rationalisation of labour laws and broadening the ambit of labour reforms for achieving equitable employment growth. It sets out short-term and medium-term strategies to ensure gainful employment opportunities for all the working people with particular emphasis on the disadvantaged sections.

Report to the People on Employment (2011)

The report notes that the unemployment rate in India has declined during the period 2004-05 to 2009-10. There has been a positive change in the quality of employment during the period 2004-05 to 2009-10 as most of the employment growth has been contributed by growth in principal status workers. There also has been an increase in proportion of regular wage workers in the total workforce. Analysis of the sectoral distribution of workers shows a declining trend in case of the primary sector, nearly stagnant in manufacturing sector and an increase in the share of service sector.

The report highlights the vital role that the service sector can play in generating productive employment in future. The report, however, notes the dualistic nature of service sector employment with high income and better-quality jobs limited to a small section of the workforce while the vast majority remains trapped in low-wage income and relatively insecure occupations. Hence, the report stresses the vital role of skill upgradation and targeted social security provisions to reduce this dualism.

The report analyses the structural inequality in the labour market and access to quality employment. One of the key inequalities is the high concentration of socially disadvantaged groups (SC, ST and OBC) among casual workers. Access to quality employment being highly correlated with educational status and skill endowment, socially disadvantaged groups with high rates of illiteracy and lack of industry relevant skills face greater barriers to access productive employment.

Key medium-term strategies and targets include: Focus on self-employed and casual workers for improving livelihood; Enhance the scope of employment in the organised sector; Enhance regular employment for less advantaged groups and in poorer states; Comprehensive coverage of unorganised sector workers under social security schemes; Rationalisation and simplification of labour regulations and broadening the ambit of labour reforms, Promote diversification of rural workforce to off-farm and non-farm activities; Target regions with concentration of vulnerable social groups such as ST, SC, minorities, women, illiterate and less skilled for active labour market policies; Detailed skill mapping mechanism to be evolved, Credible and independent accreditation and certification process to be created; Upgradation of all training providing institutions and strengthening delivery

through public private partnership (PPP) mode; Creating large number of skill development institutions and pool of trainers to expand the outreach of skill development initiative; Setting up of Sector Skills Council; Development of National Vocational Qualification Framework; and Creating a credible Labour Market Information System.

22.7.2 Issues of Concern

There are several issues of concern which need to be addressed:

- 1) Until recently the overall unemployment rate remained fairly low and showed no long-term trend. The quality of employment in terms of higher daily unemployment rate among casual workers and higher level of unemployment among educated youth, especially among young women was the major problem. The lack of productive, regular jobs has emerged as deterioration in the quality of employment. There has been a substantial increase in real wages and incomes in the informal activities since 1980s indicating rise in productivity with persistence of dualism.

However, for 2017-18 Periodic Labour Force Survey shows a sharp rise in open unemployment reflecting slow employment creation since 2012. This high unemployment appears to be associated with deficiencies in both the level and the pattern of demand in the economy.

- 2) Employment is not homogenous. There is a whole spectrum of jobs of different types some much more productive or desirable than others. There is a need of high productivity jobs in modern economic sectors. The policy of promotion of entrepreneurship through *Mudra Yojana* and focus on MSMEs need to be strengthened. In other words, employment problem is a problem of composition of employment at overall level.
- 3) Employment deficits are not easy to measure, even conceptually. The classical definition of open unemployment captures only apart of the problem. Whether our concept of employment is well adapted to analysis of today's economy? Whether it captures gender differences, primary and secondary activities, desirable and undesirable work or new types of employment in the economy. For having clear understanding of these issues, broader notion of work is needed (Gerry Rodgers, 2020).
- 4) Even within the narrow concept, employment creation is the result of complex economic and social process and overall employment elasticities are inadequate to reveal these processes of employment generation. A negative employment elasticity means little at its own (Gerry Rodgers, 2020).
- 5) A new strategy focussing change in economic policy framework from a supply side one to a demand side one is required. This would call for a focus on the rural economy, strengthening the productive capacity of small enterprises in both rural and urban areas and strengthening the education, health and related sectors especially in the rural economy. The various schemes launched under the programme *Atama Nirbhar Bharat* appears to be right initiative in this direction.

It is, therefore, imperative that the growth strategy gets appropriately tuned to the third policy option i.e., altering the pace and composition of industrial growth and create greater space for agriculture not only as a traditional reservoir of labour for industrialisation, but also as a sector with greater flexibility to absorb labour and generate broad based or extensive growth (Bhaduri, 2006; p.85). This of course, is not the same as ‘agriculture first’ strategy advocated earlier by a number of scholars (Johnston and Maler, 1961; Maler, 1976). Here, the emphasis is not on sectoral priority. The idea is ‘to combine the advantages of industrialisation and inclusive growth with extensive growth in agriculture achieved through better labour absorption and a higher participation ratio’ (Bhaduri, 2006; p.85). The central thrust here is that ‘besides the issue of sectoral balance in any developmental strategy, the scope for increasing labour productivity through reorganising agriculture, as different from shifting a part of the labour to other sectors, should be thoroughly assessed and explored. This substantiated by and a renewed recognition of the potential for surplus labour absorption and increase in labour productivity in agriculture and rural sector, quite apart from the strategy for inter-sectoral shift of workforce (Bhaduri, 2006; p.84). The Green Growth perspective may further enhance the potential of the primary sector to absorb productive labour by reversing the process of factor substitution that was mentioned above.

It is, therefore, argued that a balanced approach such as this may open up a number of avenues for reorganising production and consumption, essentially by harping on the demand side dynamics that leads to significant increase in effective demand in the domestic market. It is at this juncture, one may find a substantial space for convergence between the perspectives on employment, environment and social dimensions as suggested by the sustainable development framework (Shah, 2011).

Check Your Progress 3

- 1) Discuss different policy measures undertaken by the government to deal with the issue of unemployment in the Indian economy.

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- 2) Which measures would you like to suggest to generate employment opportunities for those already unemployed?

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- 3) State the central ideas of the Report to the People on Employment 2010.

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22.8 LET US SUM UP

The population of any area, region or country is made up of three components: employed, unemployed and non-workers. Employed and unemployed together make up of labour force. Three reference periods (i.e. a year, a week and a day) identify the nature and extent of employment and unemployment in the economy. Based on these three reference periods, three approaches are adopted in estimating the status of employment and unemployment – Current Daily Status (CDS), Current Weekly Status (CWS) and Usual Principal Status (UPS). Several key employment and unemployment indicators include Labour Force Participation Rates (LFPR), Worker Populations Ratio (WPR), Unemployment Rate (UR), etc. Labour force participation rate as percentage of population has been fluctuating over a period of time. From 1983 till 2018-19, the LFPR for male (urban as well as rural) and urban female has increased while the rate has declined for rural female. While in terms of WFPR, the rate has increased for male (both urban and rural) and urban female, while it has decreased for rural female.

As per the Periodic Labour Force Survey 2018-19, the unemployment rate for both males and females is not only on the rise in the country but is at an all-time high. Besides this, the ability of the economy to absorb addition to the working age population either in employment or in education has practically declined since 2005. Also, the economy is suffering from the loss of women's labour force and work force. As regards the sectorial pattern of employment, the proportion of workforce engaged in primary sector has been falling, whereas, there has been rise in the share of workforce engaged in the secondary and the tertiary sector. An increase in the share of unorganised employment is another issue the Indian economy is facing. In addition to this, there has been increase in the casualisation of the work force as reflected by the rise in the proportion of the workers moving towards casual employment.

Employment continues to be high on the policy agenda reflected from labour law reforms and the various policy initiatives by the Government. Also, Ministry of Labour and Employment is functioning to ensure improving life and dignity of labour force of the country. Nevertheless, the complexity associated with the issue of employment need to be considered while framing the employment policy framework.

22.9 TERM-END EXERCISES

- 1) Distinguish between labour force and work force. How are the employed workers identified and enumerated in India? Also examine the dimensions of unemployment in India.
- 2) State the various dimensions of deterioration in the quality of employment in India. Also examine the policy implications of slowdown in women's workforce participation rate.
- 3) Critically evaluate the employment policy embodied in the eleventh Five Year Plan. Also state the conditions necessary for the success of this policy.

22.10 KEY WORDS

Underemployment	: Underemployment means people who are employed for only part of a day or part of the week and unemployed for the remainder of the day or the week. This is underemployment that is visible.
Incidence of Unemployment	: It is the share of the total unemployed persons in total labour force, expressed in percentage terms.
Human Capital Endowment	: Human Capital Endowment is the capability, innate and acquired, of a person to earn income for living, which is over and above the costs involved in carrying out that effort.
Own-account Worker	: Own-account worker is another name for self-employed workers.
Usual Principal Status Activity (UPS)	: An activity on which, a worker is engaged for a relatively longer period during one year, preceding the date of survey.
Employment Elasticity	: The ratio of employment growth to the growth of National Income.

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22.12 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Employment and unemployment are measured by several criteria viz, (i) Usual Principal Status, (ii) Usual Principal and Subsidiary Status, (iii) Current Weekly Status (CWS), (iv) Current Daily Status
- 2) Yes, because it gives the estimate of the extent of under-utilisation of the labour force in terms of number of days. It is, therefore, made up of both open unemployment and visible under-employment.
- 3) One who participates in any economic activity is a worker. One who is not available for any worker is a non-worker. Unemployed is a worker who seeks or looks for work or is available for work.

Check Your Progress 2

- 1) See Section 22.4 and 22.5
- 2) No, the decade of 1990s and 2000s have witnessed high growth without corresponding growth of employment.
- 3) Increasing share of unorganised sector in employment, higher proportion of casual workers in employment, rising number of workers, etc.
- 4) See Section 22.5

Check Your Progress 3

- 1) See Section 22.7
- 2) See Section 22.7
- 3) See Sub-section 22.7.1

UNIT 23 SOCIAL SECURITY MEASURES IN INDIA

Structure

- 23.0 Objectives
- 23.1 Introduction
- 23.2 Social Security, Social Protection, and Social Protection Floor
- 23.3 Objectives of Social Security
- 23.4 Approaches to Social Security
 - 23.4.1 Social Insurance
 - 23.4.2 Social Assistance
- 23.5 Social Security Schemes in India
 - 23.5.1 Social Insurance
 - 23.5.2 Social Assistance
- 23.6 Existing Provisions: Problems and Issues
- 23.7 The Code on Social Security, 2019
- 23.8 Let Us Sum Up
- 23.9 Term-end Exercises
- 23.10 References
- 23.11 Key Words
- 23.12 Answers or Hint to Check Your Progress Exercises

23.0 OBJECTIVES

After going through this unit, you will be able to:

- examine the meaning of social security, social protection, and social protection floor;
- discuss the approaches to Social Security;
- analyse the different acts and programmes launched by the Government on Social Security;
- follow the functioning of the different programmes related to social security;
- assess the Social Security Code and its benefits; and
- discuss the policy measures in perspective and recognise the gaps.

23.1 INTRODUCTION

Uncertainties on account of unemployment, illness, disability, death and old age are experienced by all the people across the world. These inevitable

facets of life are said to be threats to one's economic security. In a society, the livelihood of an individual is made up of very diverse elements which taken together constitute the physical, social, cultural and political universe where he lives. Whenever an individual who lives in a society and faces the uncertainties threatening the bare necessity to sustain a minimum livelihood, he needs some help from the society, may it be the family, or any government or private institutions. The term "social security" refers to any programme that aims to help individuals faced with such situations. Such people include the poor, the elderly, anybody who is physically disabled, and the mentally challenged. The International Labour Organisation (ILO) defines Social Security as "the security that society provides through appropriate organisation against certain risks to which its members are perennially exposed". These risks are essentially contingencies against which an individual cannot effectively provide by his own ability or foresight alone or even in private combination with his fellows.

23.2 SOCIAL SECURITY, SOCIAL PROTECTION, AND SOCIAL PROTECTION FLOOR

In common parlance, the terms social protection and social security are used interchangeably. However, in development literature the two terms are defined differently, although with some common characteristics.

Social protection is a broader concept and includes both protective and promotional measures. Protective measures are those measures which are directed towards providing safety against risk and vulnerability. Promotional measures are those measures which are aimed at increasing well-being and livelihood conditions of the people. The policies and procedures included in social protection involve five major kinds of activities:

- i) labour market policies and programmes,
- ii) social insurance programmes,
- iii) social assistance,
- iv) micro and area-based schemes, and
- v) child protection.

In a nutshell, the social protection hovers around the promotion of economic strength, protection of the deprived sections, prevention from external shocks and diminution of people's exposure to risks, and enhancement of their capacity to protect themselves against hazards and interruption/loss of income. On the other hand, Social security is a traditional concept and includes measures aimed at providing safety protection during risk and vulnerability against poverty, old age, disability, sickness, orphanage, etc.

The International Labour Organisation (ILO), a specialised agency of the UN though it pre-dates the UN, has been working for the welfare of labour since 1919 through its Member-States. It holds certain conventions whereby signatory member-states implement agreed-upon agenda. It can also make

recommendations which do not bind member-states which however, consider the merit of a recommendation vis-à-vis its capacity. Two flagship conventions / recommendations set by ILO for the extension of social security are: (i) Social security (minimum standards) convention, 1952 (No. 102), and (ii) Social protection floors recommendation, 2012 (No. 202).

The Social Security (Minimum Standards) Convention, 1952 (No. 102), establishes minimum standards for all nine branches of social security. These branches are:

- medical care;
- sickness benefit;
- unemployment benefit;
- old-age benefit;
- employment injury benefit;
- family benefit;
- maternity benefit;
- invalidity benefit; and
- survivors' benefit.

The minimum standards of the Convention for all the nine branches relate to the percentage of the population protected by social security schemes, the level of the minimum benefit to be secured to protected persons, as well as to the conditions for entitlement and period of entitlement to benefits. It also lays down that social security schemes be administered on a tripartite basis, which guarantees and strengthens social dialogue between Governments, employers, and workers.

ILO Convention 102 does not include the principle of universality and does not prescribe how to reach these objectives but leaves certain flexibility to the member state. As per this convention social security grows and evolves over time. Social security policies should reflect countries' social and cultural values, their history, their institutions and their level of economic development.

By the year 2012, the majority of countries had social security schemes established by law covering all or most areas, albeit in many cases including India only for a minority of their populations. After the economic crisis of 2008, UN recognised the fact that billions of people who have no social protection were hit harder. It shows that extension of legal coverage does not in itself ensure either the effective coverage of the population or improvements in the quality and level of benefits. Realising the importance of human right to social security across the board, ILO has made certain floor recommendations in 2012. Called as social protection floors recommendation, 2012 (No. 202) is the first international instrument that explicitly recognises the triple role of social security as a universal human right, an economic necessity and social necessity. It calls upon the States to achieve universal coverage with at least minimum levels of protection through the implementation of Social Protection Floors as a matter of priority; and to progressively ensure higher levels of protection.

National Social Protection Floors comprise four basic social security guarantees (BSSGs) that ensure effective access to essential health care and basic income security (BIS) at a level that allows people to live in dignity throughout the life cycle. The four BSSGs are:

- i) Access to essential health care, including maternity care;
- ii) BIS for children;
- iii) BIS for persons of working age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
- iv) BIS for older persons.

Government, employer and worker delegates of the ILO's 185 member States adopted this social protection floors recommendation, 2012 (No. 202) nearly unanimously. India was part of the agreement and an Indian expert was part of ILO Expert group.

Check Your Progress 1

- 1) What do you mean by the term 'Social Security'?

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- 2) What is the distinction between social protection and social security?

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- 3) Which activities are covered under social protection and social security?

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- 4) Which activities are covered under social protection?

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- 5) Name the instrument which add human rights to social security.

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23.3 OBJECTIVES OF SOCIAL SECURITY

The primary objectives of social security are to:

- 1) Generate confidence among individuals and families that their level of living and quality of life will not erode by social or economic uncertainties.
- 2) Provide medical care and income security against consequences of defined contingencies.
- 3) Facilitate the victims' physical and vocational rehabilitation.
- 4) Prevent or reduce ill health and accidents in the occupation.
- 5) Protect against unemployment by maintenance and promotion of job creation.
- 6) Provide benefit for the maintenance of children.

23.4 APPROACHES TO SOCIAL SECURITY

Social security is a very comprehensive term. The two important means of providing social security are social insurance and social assistance.

23.4.1 Social Insurance

It is a method to provide benefits to persons of small earnings, which combine the contributions of the beneficiaries with subsidies from the employer and the state. In this case the beneficiaries, employers and the Government make contributions towards the creation of a common pool, out of which benefits are paid to the members in the event of any contingency. Thus, social insurance is a co-operative device which aims at granting adequate benefits to the insured on the compulsory basis in time of unemployment, sickness and other emergencies.

23.4.2 Social Assistance

Social assistance refers to the assistance rendered by the society to the poor and needy persons without placing any obligation on them to make any contribution to be entitled to relief as in the case of workmen's compensation, maternity benefit and old age pension etc. Thus, one may say that a social assistance scheme provides benefits to persons of small means granted as of

right in amount sufficient to meet a minimum standard of need and financed from taxation.

Social assistance represents the unilateral obligations of the community towards its dependent group. It is provided by the society or the government to the poor and needy individual. The important features of social assistance are: (i) the whole cost of the programme is met by the State and local units of Government (ii) benefits are paid as of legal right in prescribed categories of need (iii) in assessing need, a person's other income and resources are taken into account, certain resources such as a reasonable level of personal savings are disregarded.

23.5 SOCIAL SECURITY SCHEMES IN INDIA

Legislation provides the general welfare by establishing a clear-cut system. It extends the rights and obligations of its own nationals. Social security schemes are dependent on social security legislations. Each country made its own law/advisory to protect its citizen through legislative enactments.

The social security legislation in India derives its strength and spirit from the Directive Principles of the State Policy (DPSP) and the subjects enlisted in the Concurrent List. Two important social issues mentioned in the Concurrent List (List III in the Seventh Schedule of the Constitution of India) are;

Item No. 23: Social Security and insurance, employment and unemployment.

Item No. 24: Welfare of Labour including conditions of work, provident funds, employers' liability, workmen's compensation, invalidity and old age pension and maternity benefits.

Besides this, there are a few articles in the constitution which distinctly relate to social security issues. They are:

Article 38: State to secure a social order for the promotion of welfare of the people.

Article 39 (a): The state to direct its policy towards securing the citizens, men and women equally, the right to an adequate means of livelihood.

Article 41: Right to work, to education and to public assistance in certain cases.

Article 42: Provision for just and humane conditions of work and maternity relief.

Article 43: Work Living wage, good conditions of work, full enjoyment of leisure, for all kinds of workers.

Drawing from ILO Conventions on Social Security, and some of the legislations made by Government of India for social security along with the schemes are as follows:

23.5.1 Social Insurance

1) The Employees' State Insurance Act, 1948

It provides benefit to workers, in the event of sickness, maternity and employment injury, in the form of payment of sick leave, hospitalisation, etc. The scheme provides two types of social security cover namely - (a) Medical Care and (b) Cash Benefits. Medical care is provided to the insured persons and their family members through a vast network of panel clinics, ESI dispensaries and hospitals generally within the vicinity of their residential areas. The cash benefits on the other hand include Sickness benefits, Maternity benefits, Disablement benefit, Benefits after retirement, Dependents' benefits, Funeral Expenses, Rehabilitation allowance, and Standard benefits.

Employees State Insurance Corporation administers this Act. It covers every establishment in which 10 or more employees are employed or were employed on any day during the preceding twelve months, other than a seasonal factory

2) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

An important scheme under this Act is Employees' Provident Fund Scheme, 1952. But beneficiaries of this scheme are also entitled to get benefit under two more schemes namely (a) Employees' Pension Scheme, 1995, and (b) Employees' Deposit Linked Insurance Scheme, 1976. The schemes are administered by a tripartite body headed by Labour Minister. Employees Provident Fund Organisation functions under the overall superintendence of Central Board of Trustees (CBT).

i) *Employees' Provident Funds Scheme (EPFS), 1952*

The Act extends to whole of India, and is applicable to every establishment, specified in Schedule-I to the Act in which twenty or more persons are employed or any other establishment employing twenty or more persons or class of such establishment, the Central Government notifies in the Official Gazette. At present, 190 classes of establishments have been notified in Schedule-I of the Act. In case of Cine-Workers, the required employee's strength for the purpose of coverage is five.

The Act is not applied to any other establishment belonging to or under the control of the Central Government or a State Government or set up under any Central, Provincial or State Act and whose employees are entitled to the benefit of contributory provident fund or old age pension in accordance with any scheme or rule framed by the Central Government or the State Government governing such benefits. These establishments are called the exempted establishments. Though the functioning of these establishments is the responsibility of the Trusts of the respective establishments, the EPFO carries out regular inspections to ensure the compliance of conditions of exemption.

Number of exempted establishments was 3109 in the year 1994 which increased to 4365 in the year 2016. Growth of Un-exempted establishments was much higher than exempted establishments, during this period and their number increased from 233772 in the year 1994 to 926297 in the year 2016.

There are two main benefits admissible under the provident fund scheme. First, the beneficiary gets accumulated amount along with interest at the time of retirement or resignation. Second, he can get partial withdrawals for some specific purposes viz. house construction, higher education, marriage, illness etc.

ii) *Employees' Pension Scheme (EPS), 1995*

The Employees' Pension Scheme, 1995 came into effect on 16th November, 1995. With the introduction of this scheme the erstwhile Employees' Family Pension Scheme, 1971 (EFPS) ceased to operate, and all the assets and liabilities of EFPS were transferred and merged with the Employees' Pension Fund. The benefits and entitlements of the beneficiaries under the old scheme (EFPS) were protected and continued under the new EPS, 1995.

The EPS has been designed on the principles of a "Defined Contribution - Defined Benefit" and adopts "actuarial principles" for ensuring long-term financial viability. It aims to provide economic sustenance during old age and survivorship coverage to members and his families.

iii) *Employees' Deposit Linked Insurance Scheme (EDLIS), 1976*

Employees' Deposit Linked Insurance Scheme came into force on 1st August, 1976. It is supported by a nominal contribution by the employers and no contribution is payable by the employees. The scheme covers all the employees of the establishments to which EPFMP Act, 1952 applies.

Insurance benefit is provided in case of death of an employee who was member of the scheme at the time of death. Under the revised benefit under the scheme the family will get an amount linked to either the average balance in PF Account during preceding 12 months or 20 times of the average wages on which contributions were made during the last 12 months of the member subject to a maximum of Rs 6 lakhs, whichever is higher.

3) **The Payment of Gratuity Act, 1972**

It applies to every factory, mine, oilfield, plantation, port and railway company and every shops or establishments having a minimum of 10 employees, and provides for gratuity of payments at the end of service. To be eligible for gratuity the employees should have a minimum continuous service of 5 years. This Act provides for payment of a lump sum gratuity to the employees. Under the Scheme, Gratuity is payable @ 15 days wages for every completed year of service subject to monetary ceiling of Rs. 10.0 lakh. In the event of the death or disablement of the employee, the gratuity must still be paid to the nominee or the heir of the employee.

Gratuity is exempted from taxation provided that the amount does not exceed 15 days' salary for every completed year of service calculated on the last

drawn salary (subject to a maximum of Rs. 10 lakh). It is important to note that an employer can choose to pay more gratuities to an employee, which is known as ex-gratia and is a voluntary contribution. Ex-gratia is subject to tax.

4) Enactment of the two Legislations relating to the Welfare of Construction Workers in the Year 1996

In July 1996 two bills on construction workers were introduced in the Parliament which were approved by the Parliament resulting in the enactment of the Building and Construction Workers (Regulation of Employment and Condition of Service) Act, 1996 and the Building and Other Welfare Cess Act, 1996.

The Building and Construction Workers Act is applicable to the establishments which employ 10 or more workers in any building or other construction work and their project cost is more than Rs. 10 lakhs. There is a provision to constitute Central and the State Advisory Committees to advise the appropriate Governments in the matters arising out of the administration of the Act. Various items for which these committees can advise are: Constitution of Welfare Boards by the State Governments, registration of beneficiaries under the Fund, provision for regulating the employment and conditions of service, welfare measures for the construction workers. Further as per the Building and other welfare cess act, Central and the State Advisory Committees may advise for setting up a Welfare Fund at the State level to be financed by contribution from beneficiaries, levy of cess on all construction works at rates of 1 to 2 per cent of construction cost incurred by an employer and non-mandatory grants/loans from the State/Central Governments.

With the efforts of Ministry of labour and employment, Government of India, States/UTs carried out the notification of Rules and formation of the Boards. As per the Act, these Boards have the authority to provide various social security schemes to their members. These may relate to health, education and old age protection.

5) The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005*

Objectives of the Act

- i) providing a rights based 100 days employment in a year to strengthen the subsistence livelihood support, enhancing the rural households purchasing power and capacity to alleviate hunger; and
- ii) directing the colossal amount of wages towards creating productive and durable assets of irrigation, drought proofing, land and water conservation, horticulture and connectivity to general prosperous livelihood support system. The ultimate objective was to benefit the entire community by providing employment; raising agricultural productivity and increasing natural resource base, particularly water. The process envisaged to attain the objectives would result in strengthening

*By virtue of being MGNREGA as job guarantee scheme. It is also mentioned as MGNREG Scheme (MGNREGS)

the grassroots processes of democracy and infusing transparency and accountability in governance.

Features of the Programme

- i) The adult members of the rural households apply to the local panchayats seeking registration for employment;
- ii) issue of job cards by the panchayat within 15 days from the date of application;
- iii) written application by the job card holders to the panchayat seeking employment;
- iv) issue of dated receipt of written application for employment;
- v) provision of employment within 15 days of application for work failing which payment of unemployment allowance;
- vi) provision of work within a radius of 5 km from the village (payment of extra wages of 10 per cent, if the work provided is beyond 5 km);
- vii) payment of wages as per the minimum wages act;
- viii) provision of equal wages for men and women;
- ix) disbursement of wages on a weekly basis;
- x) women should constitute one-third of the workers;
- xi) provision of facilities at the work site;
- xii) shelf of project as recommended by the Gram Panchayat and approved by zilla Parishad;
- xiii) permissible works are predominantly soil and water conservation, forestation and land development;
- xiv) wage material cost ratio should be 60:40 (no room for machine and contractors);
- xv) social audit has to be undertaken by the Gram Sabha;
- xvi) institution of grievances redressal mechanism for ensuring responsive implementation process; and
- xvii) all accounts are subject to public scrutiny resulting in accountability and transparency of the scheme.

Working of the Programme

MGNREGA is the first tangible commitment to the poor that they can expect to earn a living wage without loss of dignity and demand this as a right. MGNREGA has benefited the people especially the marginalised and the poor on several counts. Evidences from the field and the analysis of the macro data have brought to light the various merits of the scheme and its impact on the target beneficiaries.

6) Unorganised Workers' Social Security Act, 2008

The law aims at extending benefits to workers in informal sector/unorganised sector similar to that of formal sector/organised sector workers. The Act broadly covers life and disability, health and maternity benefits, old age protection, and any other benefit as may be determined by the Central Government.

7) Domestic Workers Act, 2008

It aims at regulating payment and working conditions of domestic workers and entitles every registered domestic worker to receive pension, maternity benefits and a paid weekly leave.

8) Food Security

Food security means the easy availability and access of food at all times in sufficient quantity in a safe and nutritious form to meet the dietary requirements and food preferences for an active, healthy and productive life. This should also be adequate in terms of quantity, quality and variety and is acceptable to culture. Food security is one of the pre-requisite for economic and social stability of a nation. The availability, access and stability are three important indicators which should be analysed in the context of food security.

The National and State government's implement different food security schemes to tackle food insecurity and malnutrition. These are related to various government sectors, since they seek to support agricultural production, distribution, purchase and use, as well as to ensure the provision of health and nutritional services, sanitation and others. Initiatives include subsidised food sales, school meals for targeted vulnerable citizens. They include longstanding schemes such as the Integrated Child Development Service (ICDS), which has been in place since 1975 and seeks to provide education, nutrition and health services to women and children; and recent initiatives such as the National Food Security Mission, launched in 2007, which aims to increase crop productivity.

The most widely implemented food security scheme is the Public Distribution System (which later formed as Targeted Public Distribution System with some modification in its content, scope and objectives). Under the scheme, the government provides distribution of cereals, as well as sugar and Kerosine oil through fair price shops at subsidised price. The other important scheme on food security is the Antodaya Anna Yojana (AAY) which caters to the poorest of the poor section of population. Under these schemes, all the households are divided into Above Poverty Line (APL) and Below Poverty Line (BPL) based on the planning commission cut off income. These two groups are treated separately in terms of price and quantity of food grain.

9) Pension Fund Regulatory Development Authority Act, 2014

In late nineties there was a critical challenge before India due to the enormous strain on revenue being provided due to government employees on the basis of defined pension benefits. Keeping this in view Government of

India decided to introduce a National Pension Scheme (NPS) based on defined contribution pension scheme for new entrants to Central Government service, except to Armed Forces, in the first stage, with effect from January 1, 2004, replacing the existing defined benefit scheme. At the same time for old employees, existing defined benefits were not disturbed.

Although an Ordinance was issued in the year 2004 to set up a statutory Pension Fund Regulatory and Development Authority (PFRDA) to administer National Pension Scheme, the Act became effective from February 1, 2014 after receiving the assent of the President. Under the Act PFRDA was set up to promote old age income security by establishing, developing and regulating pension funds and protecting the interests of subscribers to various schemes of pension funds. The ongoing schemes administered by PFRDA are:

i) *National Pension Scheme (NPS) for Central and State Government Employees*

Initially National Pension System was introduced on mandatory basis only for the new entrants to central government service (other than armed forces) who joined on or after 01.01.2004. After that it has been extended to state government employees also. At present all the states except West Bengal and Tripura have adopted NPS for their employees from the notified dates. Tamil Nadu has adopted contributory pension scheme under National Pension System (NPS), but it maintains the employees' pension accounts itself. Beside this as on 31st March, 2017, 528 central autonomous bodies and 806 state autonomous bodies are registered under NPS.

After joining the services, all the new employees who joined after January 1, 2004 are to be registered under NPS on mandatory basis.

ii) *National Pension Scheme for Corporate Sector*

Companies can enroll their employees as members of NPS and provide retirement benefits to their employees. Instead of taking of their own, 'the work of setting up and managing trusts, investing the funds and providing annuity', they can use the NPS architecture. Companies decide about amount of contribution to be paid in the retirement account. All the contribution can be from the employer or from the employee or it can be shared by both in a decided proportion. The choice of fund manager as well as investment pattern can be either decided by the employer or the employer can give this choice to the employee. The periodic contributions can be either directly made by the employer to NPS or it can be routed through Point of Presence with which the company has tied up to provide the services. Subscribers have the portability facility in which they can transfer their retirement account across locations and between sectors. The subscriber can move the account from one employer to another employer or from the Corporate Sector to the All Citizens model, as the case may be.

Until now individuals between the ages of 18 to 60 years could join NPS. In a significant move to expand pension coverage in the country, the maximum age for joining the NPS has been raised from 60 years to 65 years for the

employees of corporate sector and self-employed. The move by PFRDA will enable people aged between 60 and 65 years to join NPS and make contributions to it until the age of 70 years.

iii) *All Citizen – Unorganised Sector Workers*

In May 2009, NPS was opened on voluntary basis for all Indian Citizens which includes the private sector and informal sector (unorganised sector) workers. Objective of extension of the NPS was to provide a low-cost retirement savings system to India's informal sector workers. Alterations in the scheme were made to ensure that it is scalable, low cost, simple, portable and flexible. PFRDA allowed the enlisted Post offices, public sector banks and NGOs with local standing to open the accounts of these workers.

The unorganised sector (All Citizens) Model of the NPS was available to all citizens of India, whether resident or non-resident. However, the applicant should be between 18–60 years of age as on the date of submission of his/her application. Recently the maximum age of self-employed has been raised from 60 years to 65 years.

iv) *Atal Pension Yojana*

Eligibility and Benefit of APY

The scheme is open to all bank account holders who are between the age of 18 years and 40 years. Under APY there is a provision for fixed pension for the subscribers ranging between Rs. 1000 to Rs. 5000. The contribution rate is low if subscriber joins early and increases if he joins late.

Government co-contributes 50 per cent of the total contribution of the subscriber or Rs. 1000 per annum, whichever is lower, to eligible subscribers who have joined before 31st March 2016; and also reimburses expenditure for the promotional and development activities including incentive to the contribution collection agencies to encourage people to join the APY.

23.5.2 Social Assistance

1) **The Employee's Compensation Act, 1923 also known as The Workmen's Compensation Act, 1923**

The Workmen's Compensation Act is the oldest of the social security legislations intended for the welfare of workers. This Act makes it obligatory for the employers to provide compensation to workmen or their survivors in case of injuries and occupational diseases sustained during the course of employment and resulting in disablement or death. Compensation calculation is done as given below:

- a) Death: 50 per cent of the monthly wage multiplied by the relevant factor (age) or an amount of Rs. 80,000, whichever is more.
- b) Total permanent Disablement: 60 per cent of the monthly wage multiplied by the relevant factor (age) or an amount of Rs 90,000, whichever is more.

2) The Maternity Benefit Act, 1961

It provides maternity protection before and after childbirth, through payment of wages. The amendment of this Act came into force on April 1, 2017, and increased some of the key benefits mandated under the previous Maternity Benefit Act of 1961. The amended law provides women in the organised sector with paid maternity leave of 26 weeks, up from 12 weeks, for the first two children. For the third child, the maternity leave entitlement will be 12 weeks.

The Act also secures 12 weeks of maternity leave for mothers adopting a child below the age of three months as well as to commissioning mothers (biological mothers) who opt for surrogacy. The 12-week period in these cases will be calculated from the date the child is handed over to the adoptive or commissioning mother.

In other provisions, the law mandates that every establishment with over 50 employees must provide crèche facilities within easy distance, which the mother can visit up to four times a day. For compliance purposes, this particular provision came into effect from July 1, 2017.

This Act is applicable to (a) every establishment being a factory, mine or plantation including any such establishment belonging to Government; and (b) every shop and establishment in which ten or more persons are employed, or were employed, on any day of the preceding twelve months; and such other shops and establishments notified by the State Government after prior approval of the Central Government.

3) National Social Assistance Programme (NSAP)

The NSAP, a 100 percent centrally sponsored programme is designed to provide protective social security to the very poor citizens. This is the first nationwide programme of cash transfer. This programme intends to provide social assistance benefits to poor households in case of old age, death of main breadwinner and maternity. The programme ensured that Central assistance does not displace States' own expenditure in this respect and that the States/UTs may expand their own coverage of social assistance independently, wherever they wish to do so. The NSAP is implemented by panchyats and municipalities so as to make it more responsive and cost effective. The panchyats and municipalities are encouraged to play an active role in identifying the poor households.

This programme comprises four pension and disability schemes for the elderly. These include the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), under which persons below poverty line (BPL) aged 60 years or above are entitled to a monthly pension of Rs. 200 up to 79 years of age and Rs. 500 thereafter. In case of Indira Gandhi National Widow Pension Scheme (IGNWPS), BPL widows aged 40 to 59 years are entitled a monthly pension of Rs. 200. Indira Gandhi National Disability Pension Scheme (IGNDPS) offers Rs. 200 a month to BPL persons 18-59 years with severe and multiple disabilities.

Beside this National Family Benefit Scheme (NFBS) entitles a BPL household one time assistance of Rs. 10000/- upon the death of the primary bread earner aged between 18 and 64 years.

23.6 EXISTING PROVISIONS: PROBLEMS AND ISSUES

There are many problems and issues in the existing schemes.

- i) There are many agencies, which are administering authorities. It causes high compliance costs to companies as well as beneficiaries. In some cases, there is multiplicity of policies and laws. Most of the population particularly belonging to unorganised/informal sector is not covered. Beside this there is no road map for inclusion of excluded sectors in future under the same umbrella.
- ii) In Social assistance programmes there is very less involvement of workers in decision making.
- iii) Social security is not right based. It can be compromised without any compensation to the workers.
- iv) Migration of unorganised sector workers lead to loss of contribution made by them which ultimately effects their benefits.
- v) There is unsystematic identification and registration system of unorganised / informal sector workers.

23.7 THE CODE ON SOCIAL SECURITY, 2019

Government felt the need for universal Social Security (SS) Legislation. It was recommended by 2nd National Commission of Labour (2002). Provision of adequate social security for the entire workforce regardless of the nature of their employment has also been accepted as a fundamental element towards achievement of Goal 8 (Decent work and economic growth) of the 2030 Sustainable Development Agenda adopted at the UN Summit held in September 2015. Keeping in view the need of universal SS Legislation and to overcome the problems mentioned above in section 23.6, a Bill to amend and consolidate the laws relating to social security of the workers and the matters connected therewith or incidental thereto was presented in the Parliament in the year 2019. It would extend to the whole of India. This Act would be called the Code on Social Security, 2019. This has been sent to the Select Committee of the Parliament.

It is proposed that Acts given below relating to social security would be subsumed in the proposed Code on Social Security:

- ESI Act
- EPF and MP Act
- Payment of Gratuity Act
- Maternity Benefit Act

- Employees Compensation Act
- Unorganised Workers Social Security Act
- Existing Labour welfare Fund and Cess Acts – Construction workers, Beedi workers, Cine workers, Mine workers

Check Your Progress 2

- 1) What is the difference between social insurance and social assistance as approaches to social security?

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- 2) State the legislation which provides security against risk of unemployment. Highlight its important features.

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- 3) What types of security is provided under Atal Pension Yojana?

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- 4) State the features of National Social Assistance Programme.

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23.8 LET US SUM UP

Social Security is one of the important securities for a person who is in need of security for meeting a short- term need or a long-term need. With the modernisation/urbanisation and with the break-up of joint family system the role of institutions in providing social security has increased day by day. The

private institutions have their own limitations. Hence, the need for public institutions in getting out people from the trap of poverty and insecurity is critical. Old age is important. Again, in the countries like India where about 92 per cent of workers work in unorganised/informal sector they do not enjoy the benefits of social security, fail to demand for social security like minimum wage rate, accidental benefit and so on. It is also seen in various studies that the awareness about the provision of various schemes on social security, particularly in rural areas, is very low. In view of the foregoing facts, it is encouraging to note that the past decade witnessed an unprecedented revival in the provisioning of social security in India. Some of these interventions and initiatives though require further refinements and proper enforcement, based on informed discussions at the national and international level. A welcome aspect of these new initiatives is the visible efforts of the government towards designing and implementing right-based social security systems, along with enabling governance structures, which *inter alia* seek more participation from all other stakeholders, including the targeted beneficiaries themselves.

23.9 TERM-END EXERCISES

- 1) What is the distinction between social security, social protection, Social Protection Floor? Why social security has become the need of hour? Which constitutional provisions provide force for enactment of different social security measures?
- 2) Distinguish between social assistance and social insurance programmes of social security.
- 3) State the objectives of MGNREGA as a measure of employment security.
- 4) What is the role Pension Fund Regulatory Development Authority (PFRDA) in India? What are important schemes administered by PFRDA?
- 5) What do you understand by Social Security Code in India? What are its advantages?

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23.11 KEY WORDS

- BPL and APL Household** : Below Poverty Line is an economic benchmark used by Government of India to identify the disadvantaged households. It is determined using various parameters which vary from state to state and within states. The present criteria are based on a survey conducted in 2002 by taking 13 socio-economic variables. The households above the benchmark are known as Above Poverty Line (APL) households.
- Defined Benefit (DB)** : In a defined benefit (DB) pension scheme, the pension formula is defined in advance. Often benefits depend on years of employment and salary over some period, such as the final year or the average of last ten years. The rest of society bears the risk that the economy will not perform as well as expected or that people will live longer than expected. Protecting the old people from these risks, because of their less ability to adjust and recover from these risks as compared to their younger counterparts, is considered as one of the big advantages of DB plans (World Bank, 1994).
- Defined Contribution (DC)** : In a defined contribution (DC) scheme, annual contributions are defined in advance, but the benefits depend on the return on the length of contribution and the investments made. In this case there is considerable uncertainty about future rates of return. Investment returns mainly depend on the economic health of the country and that of other countries in the case of foreign investments.

**International
Labour
Organisation (ILO)**

: The International Labour Organisation (ILO) was founded in 1919, in the wake of a destructive war. The ILO became the first specialised agency of the UN in 1946. The ILO is the international organisation responsible for drawing up and overseeing international labour standards. The ILO shape policies and programmes promoting Decent Work for all with the involvement of representatives of governments, employers and workers. The main aims of the ILO are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue on work-related issues.

**Notional Defined
Contribution
(NDC)**

: The structure of a notional defined contribution (NDC) scheme is very similar to that of Defined Contribution scheme. The main difference is that the interest rate applied is not the market rate of interest but some other indicator, such as the rate of growth of GDP, or the rate of growth of wages. The scheme is generally mandatory and managed by the Government (RBI, 2003).

23.12 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Social security refers to the programmes aiming to help the person facing threats of economic uncertainties in the event of unemployment, illness, disability, death and old age.
- 2) See Section 23.2
- 3) See Section 23.2
- 4) Social Protection floors recommendation, 2012 by ILO calling upon the states to achieve universal coverage with at least minimum levels of protection through implementation of social protection floors.

Check Your Progress 2

- 1) See Section 23.4
- 2) See Sub-Section 23.5.1
- 3) See Sub-Section 23.5.1
- 4) See Sub-Section 23.5.2

UNIT 24 REGIONAL DISPARITY IN INDIA: POLICY IMPLICATIONS

Structure

- 24.0 Objectives
- 24.1 Introduction
- 24.2 Interpersonal and Regional Disparity: Concept and Theory
- 24.3 Regional Disparity and Domestic Product
- 24.4 Agricultural Development and Regional Disparity
- 24.5 Industrial Development and Regional Disparity
- 24.6 Infrastructural Development and Regional Disparity
 - 24.6.1 Social Infrastructure
 - 24.6.2 Physical Infrastructure
- 24.7 Human Development and Regional Disparity
 - 24.7.1 Causes of Regional Disparities
- 24.8 Measures to Remove Regional Disparities
 - 24.8.1 Major Limitations
- 24.9 Way Forward
- 24.10 Let Us Sum Up
- 24.11 Term-end Exercises
- 24.12 Key Words
- 24.13 References
- 24.14 Answer or Hints to Check Your Progress Exercises
- Appendix 24.1

24.0 OBJECTIVES

After going through this unit, you will be able to:

- Know the meaning of regional disparity;
- discuss the basic theoretical framework relating to regional disparity;
- analyse regional disparity in terms of macroeconomics aggregates like growth rate, per capita GDP, sectoral contribution in GDP, etc.;
- examine the regional disparity in agriculture;
- identify regional disparity in infrastructural development; and
- review the regional disparity in human development.

24.1 INTRODUCTION

In India, the inter-state/regional disparity has been a major challenge for planners and policymakers. Despite plethora of development programmes,

regional disparity has persisted over time. There has been a huge gap in terms of availability of facilities between active and vibrant regions and hinterland during the pre-independence period. This manifests in unequal level of economic and human development. In India not much theoretical work has been done relating to regional disparity. But many empirical works have been done by researchers on various development issues. Prof. Mathur (1987) explains the regional disparity in terms of regional growth. Most of the empirical studies relating to regional disparity in income and consumption reflects a growing trend of disparity. Das and Barua (1996) opined that Indian economy continues to grow at the cost of widening regional inequality. Dreze and Sen (1995) opined that there has been a wide variation in regional development resulting in remarkable internal diversities. Dutt and Ravallion expressed their view that long term progress in rising rural living has been diverse across Indian states. Likewise, the National Human Development Report 2001 reveals a considerable difference in human development across Indian states during 1981-2001. The report reflects that the human development index of the states like Bihar, UP, MP, Rajasthan and Odisha has been extremely low and about half of Kerala's figure. Against this background, this unit examines the regional disparity in India, in terms of macroeconomic aggregates, infrastructural development, agricultural development, industrial development and human development outcomes.

24.2 INTERPERSONAL AND REGIONAL DISPARITY: CONCEPT AND THEORY

The term 'disparity' is very frequently used in the arena of social science research. This term has evolved from Latin word 'disparitas' which means 'divided'. Hence the term disparity literally means inequality or disproportion in particular phenomena. The American Heritage Dictionary defined disparity as inequality or difference, as in age, rank, wages, etc. The regional disparity means the disproportionate performance of inter or intra geographic region or sectors in different economic and non-economic indicators. Karin Vorauer (2007) defined regional disparity as 'Regional disparities we understand deviations from any conceptional reference division of characters taken as relevant, in association with different spatial benchmark levels (region borders)'. Alois Kutscherauer et al. (2010) defined the term regional disparity as 'divergence or inequality of characters, phenomena or processes having specific territorial allocation (can be allocated in defined territorial structure) and occurring at least in two entities of the territorial structure'.

Thus, regional disparity refers to a situation where different indicators such as per capita income, consumption level, food availability, agricultural and industrial development, infrastructural development are not similar among regions. The problem of regional development is mostly universal in nature. However, its intensity differs in different countries (developed/developing). Almost all countries face regional disparity during their process of development.

There is general agreement for an inverted U-shapes curve of regional disparities with growth. The development theories put forwarded by the regional experts like Simon Kuznets (1963), Hirschman (1958), Mera (1965), opined for a regional disparity during the socio-political development and modernisation. According to these theories, urban primacy, socio-spatial and individual inequalities increase during the initial period of development, but reduce over time with advancement in the stage of development. Myrdal and Hirschman come up with the backwash effect vs. spread effect and polarisation vis-a-vis trickled down effect. Myrdal concept of multiplier-accelerator mechanism produce increasing returns in favoured region. Appearance of development differences creates a chain of cumulative expansion in favoured region. Myrdal defines this as a backwash effect, on other region and as a result development differences persist. In the context of backwash effect, policies must be designed to reduce the backwash effect (what Hirschman called polarisation effect of interregional development. He argued for a good policy framework that strengthens trickledown effect. The trickled down effect favours the development of backward region. Myrdal called such effect as spread effect. The tricked down effect or spread effect consists of the increased demand of backward area products and the diffusion of technology and knowledge. Myrdal (1957) argues that the backwash effect is weaker than spread effect and if the backwash effect is to be narrowed, the state must come up with effective regional policies. Lloyd (1990) also supported this view. Hence the difference increases over time unless countervailing measures are taken to reduce the problem.

24.3 REGIONAL DISPARITY AND DOMESTIC PRODUCT

During last seven decades Indian economy has been growing at an annual growth rate of about 5.72 per cent. From time to time the growth has been fluctuating and the highest annual growth rate registered is 9.6 per cent in the year 1988 and the lowest was -5.24 in 1979. The structural share of Gross Domestic Product itself shows a wide variation over time across states.

Some of the sub-sectors have exhibited very wide variations in the annual growth rates. Among these, agriculture and allied activities have generally been subject to considerable fluctuations. Mining and Quarrying also falls in the same category. Manufacturing has been steadier. Growth in service sector, on the contrary, has shown a continuous rise.

From the perspective of distribution of national product, it is useful to analyse data relating to trends in per capita net state domestic product. The relevant data is summarised in Table 24.1 below. The data reflects trend of gap in per capita income in different time period in India as well as the income gap between India and other states and among different states.

Table 24.1 provides per capita NSDP from 1993-94 to 2018-19 at different base prices for both forward and backward states. Among the major states, the state registering the highest per capita NSDP in 2018-19 was Haryana (Rs.169409) followed by Uttarakhand (Rs.155151) and Gujarat (Rs.153495).

On the other hand, states showing the lowest per capita NSDP were Bihar (Rs.28668) and Uttar Pradesh (Rs. 44421).

The states showing the highest growth rate of per capita NSDP between 2011-12 and 2018-19 were Gujarat (8.4 per cent) followed by Karnataka (7.9 percent) and states registering the lowest growth rate during the same period were Jammu and Kashmir (3 percent), Madhya Pradesh (3.4per cent) and Arunachal Pradesh 3.5 per cent).

Table 24.1: Per Capita Net State Domestic Product and its Growth Rate

State / Union Territory	(Base: 1993-94)			(Base : 1999-2000)			(Base: 2004-05)			(Base: 2011-12)		
	1993-94	1999-00	Growth	1999-00	2004-05	Growth	2004-05	2011-12	Growth	2011-12	2018-19	Growth
Andhra Pradesh	7416	9445	4.1	15427	19963	5.3	25959	38556	5.8	69000	107241	6.5
Arunachal Pradesh	8733	8890	0.3	13990	19339	6.7	26721	35527	4.2	73068	93191	3.5
Assam	5715	5785	0.2	12282	13946	2.6	16782	21741	3.8	41142	60695	5.7
Bihar	3037	3282	1.3	5786	6772	3.2	7914	13149	7.5	21750	28668	4.0
Jharkhand	5897	7238	3.5	11549	12869	2.2	18510	25265	4.5	41254	54982	4.2
Gujarat	9796	13298	5.2	18864	23346	4.4	32021	56634	8.5	87481	153495	8.4
Haryana	11079	13308	3.1	23222	30690	5.7	37972	61716	7.2	106085	169409	6.9
Himachal Pradesh	7870	11051	5.8	20806	26244	4.8	33348	49203	5.7	87721	139469	6.8
Jammu & Kashmir	6543	7384	2	13816	15414	2.2	21734	28790	4.1	53173	65178	3.0
Karnataka	7838	10912	5.7	17502	19840	2.5	26882	41492	6.4	90263	153276	7.9
Kerala	7983	10430	4.6	19461	25122	5.2	32351	52808	7.3	97912	148078	6.1
Madhya Pradesh	6584	8248	3.8	12384	12032	-0.6	15442	23272	6.0	38497	56498	5.6
Chhattisgarh	6539	6692	0.4	11629	14070	3.9	18559	27163	5.6	55177	69500	3.4
Maharashtra	12183	15257	3.8	23011	26603	2.9	36077	61276	7.9	99597	147450	5.8
Odisha	4896	5742	2.7	10622	13311	4.6	17650	24542	4.8	48499	76417	6.7
Punjab	12710	14809	2.6	25631	27905	1.7	33103	46325	4.9	85577	115882	4.4
Rajasthan	6182	8555	5.6	13619	14908	1.8	18565	29612	6.9	57192	78570	4.6
Tamil Nadu	8955	12167	5.2	19432	22975	3.4	30062	57093	9.6	93112	142941	6.3
Uttar Pradesh	5066	5675	1.9	9749	10421	1.3	12950	18014	4.8	32002	44421	4.8
Uttarakhand	6896	7256	0.9	13516	19524	7.6	24726	52606	11.4	100305	155151	6.4
West Bengal	6756	9320	5.5	15888	19367	4.0	22649	32164	5.1	51543	67300	3.9
All-India	7690	10071	4.6	15881	19331	4.0	24143	38048	6.7	63462	92565	5.5

Source: <https://m.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook+of+Statistics+on+Indian+States>

Punjab had highest per capita income in 1993-94 but in 1999-00 Maharashtra was at the top. Odisha had the lowest per capita income in 1993-94, but in 1999-00 Bihar had recorded the lowest per capital income. During the period 1993-94 and 1999-00 the state Himachal Pradesh registered the highest growth rate of 5.8 per cent.

During 1999-00 and 2004-05 Uttarakhand registered the highest growth rate of 5.8 per cent per annum.

Overall the states registering high Per Capita Income (PCI) over the period are Punjab, Haryana and Karnataka whereas the states usually in the lowest PCI are Bihar, Jharkhand and Uttar Pradesh.

Figure 24.1 shows the gap in per capita net state domestic product between the richer and poorer states. Bihar has been taken as a poorer state whereas Punjab, Maharashtra and Haryana are considered representing developed states. We have examined the ratio of NSDP of the three developed states with the representative backward state Bihar. The higher the ratio indicates the higher disparity between the states and vis-a-versa.

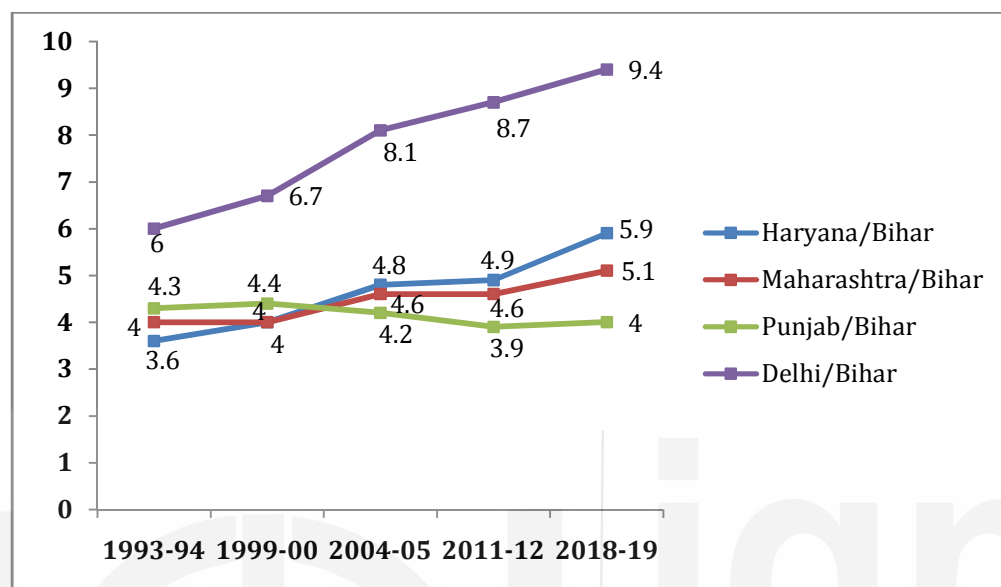


Fig. 24.1: Ratio of Per capita Net State Domestic Product of Bihar with Delhi, Punjab, Maharashtra and Haryana

Source: MOSPI as downloaded

from <https://m.rbi.org.in/Scripts/AnnualPublications.aspx?head=Handbook+of+Statistics+on+Indian+States>

The graph clearly depicts that the ratio of per capita NSDP between Delhi and Bihar is 9.4 in 2018-19. This means that Bihar's per capita NSDP is one-ninth of Delhi. The same trend is observed in other three states also.

Check Your Progress 1

- 1) State the concept of Regional Disparity.

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- 2) What is the difference between backwash effect and spread effect?

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- 3) What is the relevance of examining GSDP growth rates to understand regional disparity?

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24.4 AGRICULTURAL DEVELOPMENT AND REGIONAL DISPARITY

As discussed, the contribution of agricultural sector to the total GDP has been gradually decreasing over time. Agriculture's contribution reduced from 51.9 to 16.5 per cent during the period 1950-51 to 2019-20. Even over a shorter period of time there has been a significant decline in the share of agriculture in the Gross State Domestic Product (GSDP).

Table 24.2: Share of Agriculture to GSDP and Total Workforce in India and States

State	Share of Agl in GSDP (% at 2011-12 price)		Share of Agriculture in Total Workforce (%)	
	2011-12	2018-19	2011-12	2018-19
Andhra Pradesh	13.7	11.2	52.4	43.9
Assam	14.4	11.5	54.3	37.2
Bihar	17.2	10.8	61.6	47.6
Chhattisgarh	11.4	9.9	71.8	60.8
Delhi	0.2	0.0	0.1	0.3
Gujarat	12.9	6.4	46.9	39.4
Haryana	13.7	8.1	40.9	24.3
Himachal Pradesh	9.3	5.8	58.4	56.3
Jammu & Kashmir	10.2	7.1	40.3	35.2
Jharkhand	8.9	5.9	49.4	40.3
Karnataka	8.8	5.2	48.5	38.9
Kerala	8.0	4.1	20.4	16.8
Madhya Pradesh	23.2	21.5	57.7	55.7
Maharashtra	8.0	5.1	49.1	41.8
Odisha	11.1	7.0	54.8	42.8
Punjab	18.8	13.3	35.8	24.0
Rajasthan	16.9	11.5	49.9	51.9
Tamil Nadu	7.2	3.9	33.5	25.3

Telangana	9.0	4.9	-	41.8
Uttar Pradesh	17.1	13.3	51.9	49.7
Uttarakhand	6.6	3.7	46.6	31.8
West Bengal	13.9	12.1	36.8	32.6
India	11.5	7.8	47.8	40.9

Source: Calculated from MOSPI and NSS PLFS, 2018-19

The contribution of agricultural sector to total GSDP in 2011-12 was 11.5 per cent which reduced to 7.8 per cent in 2018-19. The state level picture also shows the same declining trend in the contribution of agricultural sector. In the year 2018-19, the contribution of agricultural sector to state's GSDP was high in Madhya Pradesh (21.5 per cent) followed by the state Punjab (13.3 per cent). The change in the contribution of agriculture in GSDP over the period 2011 to 2018 was highest in Bihar and Gujarat (about 6 percentage point reduction) whereas Delhi, Madhya Pradesh and West Bengal registered the lowest percentage point change (see Table 24.2).

On the other hand, the percentage share of agriculture in the total workforce has only reduced from 48 per cent in 2011 to 41 per cent in 2018. A large disparity is visible among the states in terms of contribution of agriculture in total workforce. The states showing the highest proportion of agricultural workforce to total workforce are Chhattisgarh (71.8 per cent), Bihar (61.6 per cent), Himachal Pradesh (58.4 per cent) and among the lowest are Kerala (20.4 per cent), Tamil Nadu (33.5 per cent) and Punjab (35.8 per cent).

The percentage point reduction in the contribution of agricultural workforce in the total workforce over the period 2011 to 2018 was highest in Assam (17.1 percentage point), Haryana (16.6 percentage points) and Uttarakhand (14.8 percentage points) whereas in the states Uttar Pradesh (2 percentage points), Himachal Pradesh (2.1 percentage points), Madhya Pradesh (2 percentage points) the percentage point reduction was the lowest. The state Rajasthan shows an increase of percentage of workforce in agriculture from 2011 to 2018.

Figure 24.2 explains the growth rate of Domestic product from agriculture from 2004-05 to 2018-19. The growth rate of agriculture in India from 2011-12 to 2018-19 is 8.2 per cent which increased from 4.4 per cent during 2004-05 to 2011-12. Among the states the highest growth rate during 2011-12 to 2018-19 is marked by Madhya Pradesh (15.3 per cent), Maharashtra (10.6 per cent), followed by West Bengal (10.3 per cent). During 2004-05 to 2011-12 Jharkhand registered the highest growth rate of 9.5 per cent followed by Chhattisgarh 7.9 percent. Kerala registered the negative growth of 1.1 per cent during 2004-2011.

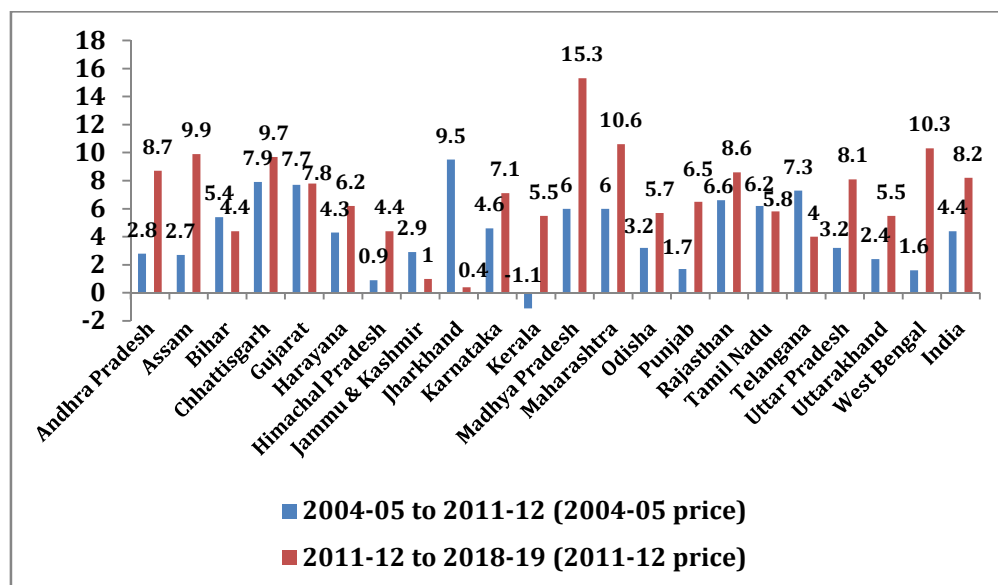


Fig. 24.2: Growth Rate of Domestic Product from Agriculture, 2004-05 to 2018-19

Source: MOSPI

A sectoral disaggregation of the workforce in rural areas shows that the share of agricultural sector to the total workforce has declined but at a much slower pace than the decline in the share of agriculture in GSDP. As expected, there has been a decline in the share of workforce in agriculture from 81.4 per cent to 58.2 per cent between 1983 to 2018-19. During this period, the dependence of workforce declined by 29 percentage point. Considering the state-wise contribution of farm sector to total employment, in 2018-19, among the major states Chhattisgarh and Madhya Pradesh contributed the highest proportion of farm employment, whereas in the states like Kerala and West Bengal, the share of farm sector in employment was the lowest.

Figure 24.3 explained the proportion of agricultural labour and non-agricultural labour over the period of 1983 to 2018-19. The figure clearly shows that the proportion of non-agricultural labour increased from 18.6 per cent in 1983 to around 42 per cent in 2018-19. On the other hand, the proportion of worker in agricultural sector reduced from 81.4 per cent in 1983 to around 58 per cent in 2018-19. This clearly indicate that the increase in proportion of non-agricultural workforce in 2018-19 was more than two times compared to what it was in 1983. On the other hand, the reduction of agricultural workforce was only one third in 2018-19 compared to what it was in the year 1983.

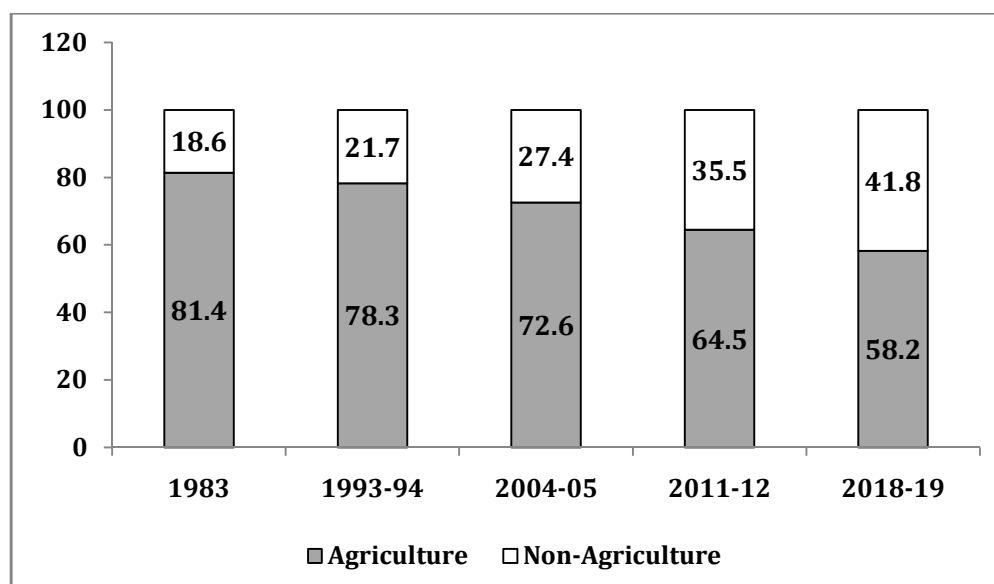


Fig. 24.3: Percentage Distribution of Workers

Source: Calculated from different round of NSS Employment unemployment rounds

The labour productivity in agriculture has been growing very slowly. The slow growth is largely due to the following factors: (i) the impact of green revolution was limited to a very few states and (ii) the process of diversification of labour from agriculture to non-agriculture has barely started.

In short, agricultural performance has varied among different states, accounting partially though significantly, for prevalent wide disparities in income among different states.

24.5 INDUSTRIAL DEVELOPMENT AND REGIONAL DISPARITY

Like other developing countries, industrial concentration is observed in some pockets of India. Keeping this in view, Government of India has adopted a plethora of measures to achieve a balanced regional development. The policies are guided by industrialisation mixed with highly regulated policies. Also, many industries reserved for public sector. After opening up of the economy with minimum role of the state in industrialisation and industrial growth, it has been argued that the industries have concentrated in the economically advanced states due to their comparative advantages in social and economic infrastructure. This argument has been supported by several country level studies.

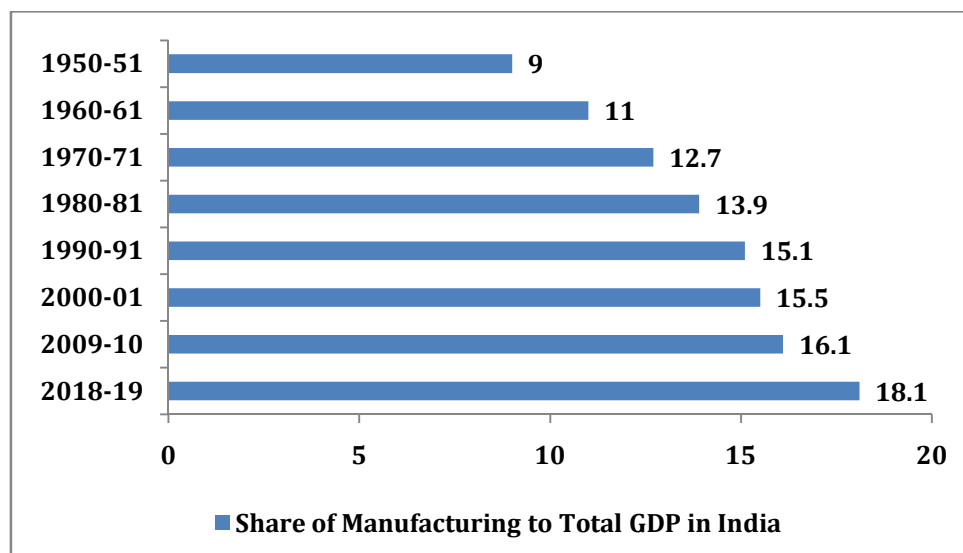


Fig. 24.4: Share of Manufacturing to total GDP in India

Source: RBI; downloaded from <https://www.rbi.org.in>

The share of manufacturing in total GSDP in 2018-19 in major states ranges between 5.1 per cent in Delhi to 37.2 per cent in Uttarakhand (refer Table 1 in Appendix 24.1). The industrially developed states like Gujarat and Maharashtra also showed a higher contribution of manufacturing in total GSDP of the state. In the year 2018-19, the contribution of manufacturing to GSDP in 10 states reduced as compared to the year 2011-12 whereas in 12 states the share of manufacturing increased. The states registering highest reduction in the share of manufacturing to total GSDP were Telangana (5.0 percentage points) and Andhra Pradesh (3.1 percentage points). The states showing the highest increase were Gujarat (7.1 percentage points) and Himachal Pradesh (5.2 percentage points).

The growth rate of Industry has been 8.5 per cent between 2011-12 to 2018-19. The highest growth rate is of Gujarat (13.8 per cent) followed by Assam (12.9 per cent) whereas the states registering the lowest growth rate are Rajasthan (2.6 per cent) and Telangana (2.8 per cent).

Similar conclusions can be drawn when we analyse the trend in share of service sector in GSDP of different states.

The contribution of service sector increased from 44.8 per cent to 46.8 per cent between 2011-12 to 2018-19 (refer Table 2 in Appendix 24.1). This means there is a 2 percentage point increase in the said period. In the year 2018-19, Delhi (73.6 per cent) and Bihar (57.7 per cent) shows the highest share in service sector and Gujarat (30.8 per cent), Chhattisgarh (34.5 per cent) and Uttarakhand registered the lowest share in service sector.

The percentage point change among states between 2011-12 to 2018-19 shows that Telangana and Jharkhand recorded the highest percentage point change of 7.9 and 4.1 respectively, whereas Himachal Pradesh, Arunachal Pradesh and Jammu and Kashmir show a low change in share of service sector (1.00, 1.00, and 1.4 respectively). Again Odisha, Delhi and Madhya Pradesh show no change in the contribution of service sector in GSDP in between 2011-12 to 2018-19.

The growth rate of service sector is 7.9 per cent between 2011-12 to 2018-19. The highest growth rate is marked by Telangana (10.0 per cent) followed by Karnataka (10.0 per cent) whereas the states registering the lowest growth rate include Assam (5.3 per cent) and Jammu and Kashmir (5.8 per cent).

24.6 INFRASTRUCTURAL DEVELOPMENT AND REGIONAL DISPARITY

The importance of infrastructure in economic development, trade, employment and in reducing disparity within the country/region cannot be over emphasised. As learnt extensively in Unit 4 availability of adequate infrastructure facilities, especially the physical infrastructure is the pre-condition for sustainable economic and social development. Non-availability or inadequate availability of infrastructure poses a serious threat to growth. We examine the prevalent situation in regard to available infrastructure in different states of the country.

24.6.1 Social Infrastructure

The social infrastructure broadly includes health, education. The indicators used to access the availability of education infrastructure in India are number of elementary schools (primary schools and upper primary schools) across states. These indicators are converted on per 10,000 population basis to facilitate comparison among states.

Education Infrastructure

It is well recognised that the literacy of any region or area has a positive relation to the overall development. It enables people to access new opportunities to participate in society in different ways. The census data shows that the literacy rate increased from 18.3 per cent in 1951 to 74.04 in 2011.

The education infrastructure plays an important role in the literacy rate of a particular region. The supply side factor, like the availability of school, good condition building, adequate number of teachers, facility like toilet, drinking water are the major determinants of the quality of education within a region. Figure 24.5 shows the number of elementary schools (primary and secondary) per lakh population in 2016-17. The number of elementary schools per lakh population in India is 114. Himachal Pradesh (254), Jammu and Kashmir (223) and Uttarakhand (220) registered a high number of Elementary school per lakh population. On the other hand Delhi (31), Kerala (48), Gujarat (68) registered a low number of elementary schools per lakh population.

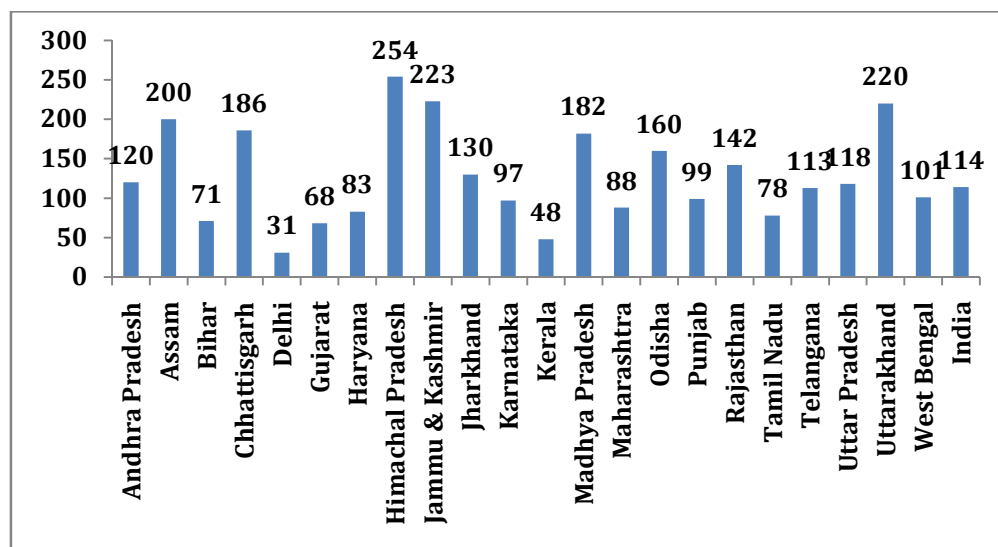


Fig. 24.5: Number of Primary and Upper Primary Schools Per Lakh Population, 2016-17

Note: Total number of school is pertaining to all school up to upper primary level both government and private and for the year 2016-17 and the population for the year 2016 is taken from Census projected population.

Source: DISE www.dise.in and Census of India 2011

The regional disparity in education can also be judged from some other characteristics like percentage of single class room school, percentage of single teacher school. In India 4.3 per cent elementary schools have only a single classroom (Refer Table 3 in Appendix 24.1). Among the states Assam (18.5 per cent), followed by Andhra Pradesh (13.0 per cent) registered a high proportion of single room schools whereas Kerala, Delhi (0.1 per cent), Uttar Pradesh (0.7 per cent), Tamil Nadu (0 per cent) show a low proportion of school with single class room. The other important indicator is the single teacher school. In India 7.2 per cent of schools have only a single teacher. Among the states, Andhra Pradesh (14.1 per cent), Jharkhand (17.1 per cent), and Rajasthan (12 per cent) registered a high single teacher school. Delhi (0.1 per cent) and Gujarat (2.0 per cent) have low proportion of single teacher schools in the year 2016-17.

Some of the basic facilities in schools also influence the educational development. These facilities include toilet facility, drinking water, girl's toilet facility, condition of school building. In India 96.5 per cent of schools are having girl's toilet facility. Also, in terms of drinking water facility a very low variation was found among states. In terms of electricity facility about 60 per cent schools have electricity connectivity. States with a high proportion of schools with electricity connectivity are Delhi, Gujarat and Haryana (registering 94 to 99 per cent of schools) whereas states with low proportion of school with electricity connectivity were Assam, Madhya Pradesh, Jammu and Kashmir and Jharkhand (ranging from 20 to 35 per cent of schools).

One of the important indicators of education is the pupil-teacher ratio (PTR). The higher the PTR, the lower the quality of education imparted to children. PTR in India as a whole was 23 whereas states registering highest PTR were

Bihar (45), Jharkhand (32) whereas states showing low PTR were Himachal Pradesh, Jammu and Kashmir and Punjab (below 16).

To sum up, the above brief review helps to bring out that (i) the existing social infrastructure in India is weak and inadequate, and (ii) wide disparities prevail between different states.

Health Infrastructure

The availability of health infrastructure shows the status of health sector in the country. The total sub-centres per million population in rural India was 179. The states showing higher number of Sub-centres were Kerala (458), Jammu and Kashmir (325) whereas states showing lowest Sub-centre per million population were Bihar (95), Jharkhand (138) (Refer Table 4 in Appendix 24.1).

The primary health centre (PHC) per million population in India is 28. The state showing the highest number of PHCs were Himachal Pradesh (89) followed by Kerala (72) whereas states showing least number were Jharkhand (11) and Bihar (18). The availability of doctors in PHCs per million population was 34 in India and a large variation was found among states. States having the highest number of doctors was Kerala (130) followed by Jammu and Kashmir (99) and states having lowest were Jharkhand (12) and West Bengal (13). The Auxiliary Nurse Midwife (ANM) particularly in rural areas plays important role in facilitating health services as well as imparting general health awareness. The number of ANM per million population in India was 266 and states having the highest number of ANM were Kerala (638) followed by Andhra Pradesh (343). States showing the lowest number of ANM per million population were Uttar Pradesh (169) followed by Madhya Pradesh (201).

24.6.2 Physical Infrastructure

The physical infrastructure includes transport, communication, electricity etc. As observed earlier in Unit-4, India suffers from inadequate availability of physical infrastructure, as measured by any accepted indicators. Not only is infrastructure inadequate and weak, it varies from state to state, and even within each state from district to district.

The per capita consumption of electricity is one of the important indicators of development. In 2018, the per capita electricity consumption for India was 1181 kWh, which is quite low when compared with many countries like Canada 15438 kWh, USA 13098 kWh, Saudi Arabia 10239 kWh. The per capita electricity consumption by states, shows a huge disparity between the various states. The developed states like Gujarat (2378 kWh), Haryana (2082 kWh), Punjab (2046 kWh) show the highest per capita consumption of electricity. The states like Bihar (311 kWh), Assam (341 kWh) show the lowest consumption. The ratio of consumption of electricity between Gujarat and Bihar was more than 7 times.

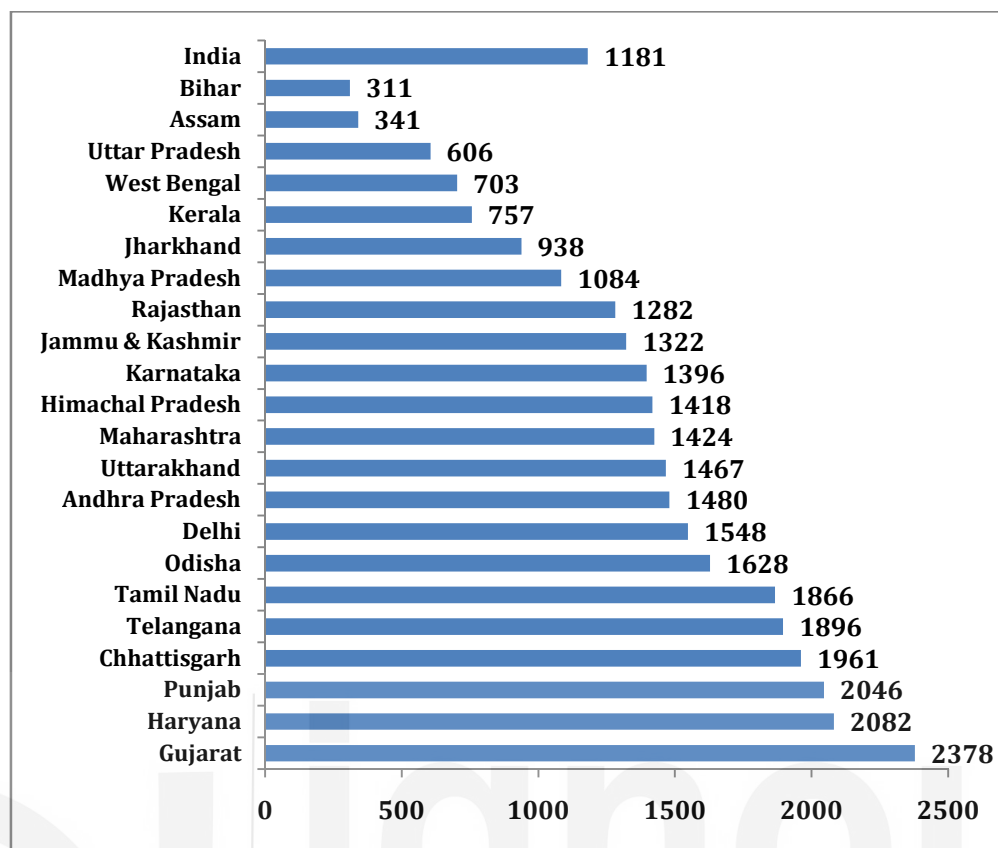


Fig. 24.6: Per Capita Electricity Consumption, 2018-19

Source: Electricity Authority of India

Check Your Progress 2

- 1) Name the states where agriculture sector's contribution in GSDP have declined since 1980-81.

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- 2) What are implications of relatively lower decline in the share of agricultural sector's workforce to total workforce of a state relative to the decline in the share of agriculture sector SDP in that states GSDP?

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- 3) State whether regional disparities in industrial development have declined over time.

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- 4) State the indicators of educational and health development.

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24.7 HUMAN DEVELOPMENT AND REGIONAL DISPARITY

Talking of the disparity in Human Development Index (HDI), Kerala (0.779) maintained the first place in 2018 followed by Delhi (0.746) (refer Table 5 in Appendix 24.1). On the other hand, the states showing the lowest position in HDI were Bihar (0.576) and Uttar Pradesh (0.596).

Over the period of analysis, the states Delhi, Kerala, Punjab were the states which were maintaining their position in the upper strata in the HDI index whereas the states Bihar and Uttar Pradesh were the states which remained in the lower strata of HDI index (UNDP HDR different years¹).

24.7.1 Causes of Regional Disparities

In India – just and in majority of the developing world – regional disparities date back primarily to the colonial rule. It was at that time that the areas lying farther away from the seacoast began to fall behind those close to it, though the differences in the state of development were also influenced by other factors which cannot be attributed to the colonial period alone. The important factors can be summarised as follows:

- 1) Disparities in per capita income can be explained in terms of the economic sector thesis of Colin Clark; it maintains that the levels of income are higher in those regions where a larger proportion of working population is engaged in manufacturing and tertiary sectors. Per capita

¹ Downloaded from
https://globaldatalab.org/shdi/shdi/IND/?levels=1%2B4&interpolation=0&extrapolation=0&nearest_real=0

income has tended to be higher in those States where a larger proportion of population is engaged in tertiary occupations.

- 2) Location pattern of industrial growth in the past had been influenced by the early pattern of railway construction. These centres of industrial location, therefore, in conformity with Gunnar Myrdal's thesis, have attracted a considerable portion of industrialisation towards themselves because of conglomeration economies.
- 3) Historically, the developed states have had relatively more efficient systems of governance in terms of skills, responsiveness, and quality of delivery systems. Unlike capital – which is highly mobile across regions and continents – good governance cannot be transplanted in an area, as it evolves basically within the prevailing socio-political structure over a long period. An outmoded social structure can never bring about or sustain good governance in the modern sense. On the contrary, it can frustrate exogenous attempts at good governance by its debilitating and corrupting influence.
- 4) A related historical factor has been the development of infrastructure. The better developed regions owe it to their inbuilt infrastructure dating back to the time when they were still princely states. In other regions the princely states did not pay much attention to the development, priding themselves on being messengers of God or something believing they were born to rule.
- 5) Similarly, in more recent times, there has been substantial decline in the government's budgetary support for financing infrastructure. Developed states and, especially large cities and towns have been the major destinations for domestic institutional funds as well as external assistance.
- 6) Operations of the term-lending institutions as also the commercial banks have also shown a distinct tendency towards concentration of investments in the relatively more developed States.

Subsidised lending by banks for financing priority credit and refinancing facilities given by financial institutions have helped the richer states to gain greater access to investible funds at subsidised rates.

Likewise, the approach of full cost recovery for urban basic services and strict financial discipline on state governments by the RBI has resulted in the further concentration of funds in the developed states and larger cities.

- 7) There exist glaring regional imbalance and disparity among different states in the country in the provision of educational and training facilities, specially the technical education.
- 8) Operations of the system of public finance in the country have also contributed to the creation and aggravation of inter-State disparities.

- In the low income States, the level of public investment, infrastructural growth and standard of administrative services are lower compared to those in the high income States, thus perpetuating disparities.
 - The system of sales taxation enabled the richer states to export a significant portion of their tax burden to the residents of poor states.
 - Subsidised lending to the states from the Central Government has led to regressive inter-governmental transfers.
- 9) With increasing globalisation, India has chosen a skill-intensive path to growth; wages for skilled labour are already being bid up. In this situation, it is necessary for firms to have scale to ensure the proper use of scarce skilled labour. But it is only in the fast-growing state that the environment and infrastructure exist for scale. This further identifies disparities.
- 10) In the pre-reform period, the public sector had played a crucial role in maintaining regional equality by directing resources to backward areas. With a change in the focus of the public sector following the reforms, this process has become weaker.

The economic reforms gave greater freedom and impetus to the private sector and export-oriented production. These sectors, which were attempting to reduce costs and become competitive, were attracted to areas that were relatively more developed. As a result, investment and activity shifted to these areas, strengthening the forces of divergence.

In short, the richer states are rich because of relatively developed infrastructure and higher infrastructure spending. A positive significant correlation is observed between infrastructure and real per capita gross state domestic product across states.

24.8 MEASURES TO REMOVE REGIONAL DISPARITIES

The Convergence Theorem postulates that when the growth rate of an economy accelerates, initially some regions with better resources would grow faster than others. But after some time when the law of diminishing marginal return sets in, first growth rates would converge, due to differential marginal productivity of capital (higher in poorer regions and lower in richer regions), and this in turn would bridge the gaps in the level of income across regions.

However, in India, as brought out above, there is no conclusive evidence of convergence so far.

The various programmes undertaken to remove/reduce regional disparities can be identified as follows:

- 1) **Resource Transfers from the Centre to the States, Weighed in Favour of Backward States:** The resource transfers, take place via the Finance Commission in the form of plan and non-plan transfers. The

location of Central projects and Centrally-sponsored schemes are determined in the planning process by the NITI Aayog in collaboration with the relevant wings of the Government. A good initiative taken by Government of India to develop backward area is the 'Aspirational Districts Programmes' (ADP). The ADP are those districts which are affected by poor socio-economic indicators. The improvement of these districts can lead to an overall improvement in human development in India. A total of 115 districts were identified from 28 states, at least one from each state. In this initiative all the ministries have assumed the responsibility to drive the progress of the identified districts. The development is being monitored by the real time progress through updating the database of development indicators. The five areas in which development takes place are Health and Nutrition, Education, Agriculture and Water Resources, Financial Inclusion and Skill Development, and Basic Infrastructure. The broad contours of the programme are convergence, collaboration and competition.

- 2) **Priority given to Programmes which spread over the entire Area within the Shortest Possible Time:** Programmes of agriculture, community development, irrigation and power, transport and communications and social services have the widest coverage, and aim at providing basic facilities and services to people in all the regions. Since, these programmes are included in State plans, it is largely through the shape given to State plans and the changes through which they pass in the course of the plan period that the benefits of development are carried to every part of the country.
- 3) **Provision of Facilities in Areas which Lag Behind Industrially:** River valley projects form the most important segment in the plans of several States and large investments have been made in multi-purpose projects. These and other projects are essential for the development of vast regions in the country, some of which suffer from scarcity or unemployment or are otherwise poorly developed. The implementation of agricultural production and community development programmes, and of education and health schemes also carries the benefits of development to the remotest areas.
- 4) **Programmes for the Expansion of Village and Small Industries:** Village and small industries are spread all over the country and various forms of assistance provided by the Central and State Governments are made available in the areas according to programmes which are undertaken. Industrial estates have been set up in all States, and increasingly, they are being located in smaller towns and rural areas.
- 5) **Diffusion of Industrial Activity:** In the location of public sector projects, the claims of relatively backward areas have been kept in view wherever this could be done without giving up essential technical and economic criteria. The location of several important projects has been determined on the basis of expert study and on economic considerations. But as they are situated in areas which were hitherto industrially backward, the latter will benefit.

While in the selection of sites for basic capital and producer goods industries, proximity to raw materials and other economic considerations have naturally been important, it is felt that in a wide range of consumer goods and processing industries, it is possible to foster a regional pattern of development.

To some extent, the development of new processes and new uses of raw materials has assisted in the spread of industry. In encouraging such development, care has of course to be taken to ensure that a balance is maintained between regional distribution and considerations of economy in production.

6) **Schemes for Development of Backward Areas:** The present policy for the development of backward areas comprises a set of special schemes under which plan funds are provided over and above the funds allocated for general sectoral programmes. The special schemes can be classified as follows:

- **Schemes focusing on areas with special features** (the desert development programme, the drought-prone area programme, the command area development programme, the hill area development projects and sub-plans, the North Eastern Council set-up, and the tribal area sub-plans and tribal development agency projects). Also central assistance for special area programmes such as Hill Area Development Programme (HADP) and Western Ghats Development Programme (WGDP), Border Area Development Programme (BADP) are the targeted area development programmes.
- **Schemes focusing on target group** (small farmers' development agencies and the special component plan for Scheduled Castes).
- **Schemes providing incentives and concessions** for particular activities in backward areas (concessional finance from financial institutions, tax relief, investment subsidy, transport subsidy, and priority in raw material allocations and hire-purchase of machinery, for industries located in 246 backward district/areas, and relaxed viability and loan repayment terms for extensions of electricity by the Rural Electrification Corporation in backward areas).

24.8.1 Major Limitations

- 1) A great drawback of all schemes is that there is hardly any feedback about the actual physical progress of these schemes in the field. There is a widespread feeling that most of the plans are paper plans without techno-economic teeth and without a corresponding real action on the ground. Leakage of vast funds into the bureaucracy itself and/or the local oligarchy is also suspected.
- 2) Although the amounts of funds earmarked for area development schemes nominally appear to be large, the total development outlays per capita

available to less-developed areas remain small in comparison with those in the more developed regions.

- 3) The effects of industrial and transport subsidies remain unevaluated. But the scrappy evidence available suggests that subsidies have an inducement effect only if basic infrastructure is accessible.
- 4) There was no uniformity and consistency of norms for identification of backward areas from different States and Union Territories for either income tax concession or Central investment subsidy scheme and licensing. As a result, the existing procedures for selection of backward areas may have detracted from the potency of the provision in promoting the growth of regions and areas which were backward in all India perspective.

24.9 WAY FORWARD

A recent study on the subject suggests following measures, per se, for balanced regional development:

- 1) Investment in agriculture needs to be stepped up especially in the lagging regions. The backward and forward linkages of agriculture in poorer regions need to be emphasised more. Investment in water harvesting, soil conservation, rural roads, warehouses, processing activities and promotion of high value crops should be emphasised. Since agricultural growth is found to be different in different regions, steps to equalise it will certainly reduce the regional imbalances.
- 2) Service sector has been found to be the new driver of the growth process, the banking and insurance sector and infrastructure have contributed to acceleration of growth in many states. There is a need to promote these sectors, on priority, in backward regions.
- 3) Improvement in basic infrastructure facilities like power, transport, telecommunication, and irrigation in backward states is a precondition to improve the quality of life of people and to usher in sustainable development in them. Availability of assured power supply, developed transport system and modern telecommunication facilities are important factors to attract private investments in these states.
- 4) Devolution of financial Resources: The formulae according to which Centrally-collected resources are transferred to the States should be made steadily more progressive. The 14th Finance Commission considerably increased the devolution of tax from centre to states from 32 per cent to 42 percent. The different criteria followed for devolution of finance from centre to states are (a) population, (b) area, (c) income distribution, tax collection, (d) forest cover etc. Besides the taxes devolved to states, another source of transfers from the centre to states is grants-in-aid. As per the recommendations of the 14th Finance Commission, grants-in-aid constitute 12 per cent of the central transfers to states. The grant in aid

as recommended by 14th Finance Commission, are for three purposes such as: (i) disaster relief, (ii) local bodies, and (iii) revenue deficit.

Further, it needs to be pointed out that backward regions within states are not considered when Centre-State transfers are set. Moreover, it is not the fact or size of such transfers that affects poverty but how such transfers are used. In view of this, it is necessary that unit of resource allocation ought to be district rather than States, with highest priority given to the most backward districts. Here also instead of spreading the butter too thin by scattering funds and concessions all over the place, it could be more beneficial to concentrate on intensive resource deployment by identifying the priority investment areas on the basis of industrial backwardness.

- 5) Direct public sector investment by the Central Government in the states is likely to dry up gradually due to severe budget constraint of the Centre. Under the above circumstances, an important factor that influences the economic progress of a state is the quality of governance and the state level policy environment. A better administered state is more efficient in raising revenues and putting them to better use. They are the states, which will attract more investment both from domestic and foreign sources. Such states are also in a position to prepare viable projects and successfully bid central assistance or external funding. Hence, governance needs to be given immediate attention, especially in the backward states.
- 6) In the coming years, a key factor affecting choice of location in investment decision-making will be environmental policies of states. Global rules and agreements are creating demand for a coherent set of policies related to the environment, particularly for the extractive industries such as oil and metals. The states need to pay more attention to this aspect.

Ultimately, the key to balanced regional development lies not merely in increasing resource flows to backward regions but in creating an enabling environment to attract more resources, using them properly and assuring a fair deal to investors. The overall investment climate and governance need to be upgraded.

Check Your Progress 3

- 1) List the causes of regional disparities.

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- 2) State the role of term-lending institutions in narrowing down the regional disparities.

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- 3) What are some of the steps taken by Govt. of India towards removing regional disparities?

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24.10 LET US SUM UP

Regional disparity in India has been a major challenge for planners and policymakers. Despite a number of development programmes overtime, regional disparities have persisted. Regional disparities are observed in growth rates, per capita SDP, per capita consumption expenditure, sectoral contribution to GSDP, agricultural development, Industrial development, infrastructural development and also in human development outcomes. The important factors responsible for regional disparities are: variation in the occupational structure of workers, historical factors like variation in infrastructure development, decline in budgeting support for financing infrastructure, financial institutions, provision of education and training facilities etc. Various programmes have been launched towards removal of regional disparities. However, all these schemes and programmes have suffered from several limitations and a lot need to be done for ensuring balanced regional development.

24.11 TERM-END EXERCISES

- 1) In the context of regional disparity, what do you mean by multiplier accelerator mechanism? How will you examine the regional disparities of a country?
- 2) What do you mean by the term regional disparity? Examine the sectoral disparities in India.
- 3) Empirically examine the role of infrastructural development in explaining the regional imbalances in India.
- 4) Critically evaluate the various steps taken by Govt. of India towards removal of regional disparities. Which suggestions would you like to overcome the problem of regional imbalances?

24.12 KEYWORDS

- Regional Disparity** : ‘Regional disparity means divergence or inequality of characters, phenomena or processes having specific territorial allocation (can be allocated in defined territorial structure) and occurring at least in two entities of the territorial structure’.
- Backwash Effect and Spread Effect** : Once economic and social forces occur in favoured region development produce a state of disequilibrium. According to Myrdal once an economy obtains a growth advantage it will tend to keep it. The cumulative movements of labour, capital, and trade which tend to economically weaken region were termed backwash effects. The benefit of trade will accrue to the host region. The spread effect or positive externalities is that such a new growth stimulus might induce other region, such as increased demand for backward areas product, diffusion of technology and knowledge. However, the spread effects are weaker than backwash effect, and interregional differences remain widen.
- GDP and NDP** : Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. The net domestic product (NDP) equals the gross domestic product (GDP) minus depreciation on a country’s capital goods.
- The credit-deposit ratio** : The credit-deposit ratio is one of the most widely used banking indicators for analysing the role of banks in promoting productive sectors and contributing to economic growth. In a bank-based financial system, the CD ratio assumes greater significance as an aggregative measure for gauging the effectiveness of credit delivery system. Higher the CD ratio implies for greater credit orientation of banks.
- Human Development Index** : The Human Development Index (HDI) is a composite statistic used to rank countries by level of “human development”, taken as a synonym of the older term standard of living. This is a comparative measure of life expectancy, literacy, education and standards of living.

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24.14 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) See Section 24.2
- 2) See Section 24.2
- 3) See Section 24.3

Check Your Progress 2

- 1) See Section 24.4
- 2) See Section 24.4
- 3) See Section 24.5
- 4) See Sub-section 24.6.1

Check Your Progress 3

- 1) See Sub-section 24.7.1
- 2) See Section 24.8
- 3) See Section 24.8

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APPENDIX 24.1

Table 1: Share of Manufacturing Sector to Total GSDP

State	2004-05	2011-12	2018-19	Growth 2011-12 to 2018-19
	2004-05 Price	2011-12 Price		
Andhra Pradesh	11.5	13.4	10.3	3.3
Assam	10.5	10.8	15.3	12.9
Bihar	5.6	5.9	8.8	12.3
Chhattisgarh	21.9	15.4	14.5	4.7
Delhi	7.3	5.5	5.1	6.8
Gujarat	27.3	25.5	32.6	13.8
Haryana	21.4	17.9	21.0	11.1
Himachal Pradesh	11.5	24.8	29.9	10.1
Jammu & Kashmir	6.1	10.2	8.8	3.2
Jharkhand	33.7	20.0	19.8	5.8
Karnataka	18.4	16.0	16.5	9.7
Kerala	8.6	9.4	11.8	9.8
Madhya Pradesh	11.1	12.1	11.1	6.1
Maharashtra	20.6	19.2	20.3	7.7
Odisha	12.1	17.8	20.5	9.6
Punjab	15.1	14.1	13.7	5.5
Rajasthan	12.5	15.3	11.8	2.6
Tamil Nadu	19.8	20.2	22.0	8.4
Telangana	13.2	17.3	12.3	2.8
Uttar Pradesh	13.5	12.1	16.3	11.3
Uttarakhand	12.7	37.8	37.2	7.4
West Bengal	11.1	13.4	14.4	6.3
India	15.9	16.2	17.6	8.5

Source: www.mospi.gov.in

Table 2: Share of Service sector

State	2004-05 Price		2011-12 Price		Growth Rate 2011-12 to 2018-19
	2004-05	2011-12	2011-12	2018-19	
Andhra Pradesh	48.5	53.7	37.7	38.8	7.7
Assam	46.9	55.4	44.0	38.7	5.3

Bihar	54.7	56.6	54.3	57.7	7.1
Chhattisgarh	34.4	37.2	32.5	34.5	6.5
Delhi	80.5	88.2	73.6	73.6	8.0
Gujarat	43.9	46.7	32.9	30.8	8.8
Haryana	44.0	54.5	41.3	44.0	9.6
Himachal Pradesh	36.1	42.6	37.2	38.3	7.5
Jammu & Kashmir	43.7	54.1	52.0	53.4	5.8
Jharkhand	32.9	43.1	35.5	39.6	7.5
Karnataka	51.0	55.3	51.8	55.9	10.4
Kerala	59.6	68.0	53.1	56.0	7.1
Madhya Pradesh	45.2	47.1	37.6	37.6	7.4
Maharashtra	59.6	62.3	45.7	49.4	8.1
Odisha	42.4	48.6	36.7	36.8	7.5
Punjab	42.6	47.6	41.7	45.6	7.2
Rajasthan	43.8	45.9	37.2	40.7	7.9
Tamil Nadu	57.2	61.0	46.6	46.3	7.0
Telangana	53.8	58.5	49.4	57.3	10.2
Uttar Pradesh	47.0	54.0	42.9	44.5	7.3
Uttarakhand	49.5	52.1	31.8	35.4	9.3
West Bengal	54.4	63.6	47.8	50.8	6.1
India	51.4	56.7	44.8	46.8	7.9

Source: www.mospi.gov.in

Table 3: Basic Infrastructural Facility in School, 2016-17

State	Single Class Room School (%)	Single Teacher School (%)	Girls Toilet (%)	Drinking Water (%)	School with Electricity (%)	Pupil-Teacher Ratio
Andhra Pradesh	13.0	14.1	99.7	94.8	93.2	19
Assam	18.5	7.2	79.8	87.7	20.2	18
Bihar	1.8	4.4	87.3	94.8	41.4	45
Chhattisgarh	2.2	5.6	99.5	99.3	69.5	20
Delhi	0.1	0.1	100.0	100.0	99.9	21
Gujarat	1.1	2.0	99.9	100.0	99.9	27
Haryana	0.8	3.9	99.4	99.9	97.3	18

Himachal Pradesh	3.3	6.7	99.9	100	91.6	10
Jammu & Kashmir	6.9	6.3	93.7	92.5	31.1	10
Jharkhand	0.8	17.1	97.9	96.1	31.3	32
Karnataka	3.3	8.3	96.1	98.5	95.6	27
Kerala	1.9	2.2	97.9	99.7	96.4	16
Madhya Pradesh	3.1	13.3	95.0	96.4	27.2	23
Maharashtra	6.8	3.1	98.2	99.6	85.4	22
Odisha	9.2	2.4	95.8	99.8	33.1	19
Punjab	1.8	3.2	99.4	100	99.9	15
Rajasthan	2.7	12.4	99.0	97.5	58.3	18
Tamil Nadu	0.0	1.9	99.7	100	99.3	16
Telangana	9.3	12.6	96.3	99.2	87.9	21
Uttar Pradesh	0.7	5.6	99.6	98.7	41.5	31
Uttarakhand	1.2	8.2	95.4	96.2	72.5	15
West Bengal	5.1	4.2	97.6	98.4	79.1	21
India	4.3	7.2	96.5	97.1	59.8	23

Source: DISE www.dise.in

Table 4: Number of medical institutions per Million Population in Rural Areas

State	Sub Centre*	PHCs*	CHCs	Doctors in PHCs	ANM Sub center & PHCs
Andhra Pradesh	216	33	4	50	343
Assam	159	32	6	66	395
Bihar	95	18	1	20	230
Chhattisgarh	244	37	8	15	320
Gujarat	253	41	10	60	253
Haryana	151	22	7	31	267
Himachal Pradesh	319	89	13	74	282
Jammu and Kashmir	325	67	9	99	527
Jharkhand	138	11	6	12	227
Karnataka	258	56	5	56	224
Kerala	458	72	19	130	638
Madhya Pradesh	174	20	5	18	201
Maharashtra	166	28	6	46	339
Odisha	187	36	11	23	257
Punjab	166	23	5	32	254

State	Sub Centre*	PHCs*	CHCs	Doctors in PHCs	ANM Sub center & PHCs
Rajasthan	236	36	10	34	270
Tamil Nadu	239	39	11	49	274
Telangana	142	19	3	36	237
Uttarakhand	251	35	9	37	248
Uttar Pradesh	121	17	4	18	169
West Bengal	165	14	6	13	302
India/Total	179	28	6	34	266

*Including health and wellness Centres

Source: Rural Health Statistics 2018-19, Ministry of Health and Family Welfare

Table 5: State-wise Value and Rank of Human Development Index, 1990-2018

State	1990		2000		2018	
	Value	Rank	Value	Rank	Value	Rank
Andhra Pradesh	0.424	17	0.478	18	0.650	14
Arunachal Pradesh	0.437	16	0.502	16	0.660	13
Assam	0.411	18	0.488	17	0.614	17
Bihar	0.378	23	0.436	23	0.576	23
Chhattisgarh	0.562	4	0.564	7	0.613	18
Gujarat	0.470	12	0.527	13	0.672	11
Haryana	0.467	13	0.549	10	0.708	5
Himachal Pradesh	0.479	10	0.589	5	0.725	3
Jammu and Kashmir	0.493	8	0.528	12	0.688	8
Jharkhand	0.562	4	0.564	7	0.599	21
Karnataka	0.444	14	0.518	14	0.682	10
Kerala	0.544	6	0.598	4	0.779	1
Madhya Pradesh	0.406	19	0.460	21	0.606	19
Maharashtra	0.493	8	0.558	9	0.696	7
New Delhi	0.577	3	0.664	1	0.746	2
Odisha	0.400	21	0.458	22	0.606	19
Punjab	0.496	7	0.578	6	0.723	4
Rajasthan	0.403	20	0.469	19	0.629	16
Tamil Nadu	0.471	11	0.542	11	0.708	5
Telangana	0.622	2	0.627	3	0.669	12
Uttar Pradesh	0.397	22	0.463	20	0.596	22
Uttarakhand	0.629	1	0.630	2	0.684	9
West Bengal	0.440	15	0.505	15	0.641	15
India	0.431		0.498		0.647	

Source: Different reports UNDP

UNIT 25 INGREDIENTS OF GOOD GOVERNANCE

Structure

- 25.0 Objectives
- 25.1 Introduction
- 25.2 Governance
- 25.3 Good Governance
- 25.4 Variants and Versions of Good Governance
- 25.5 Dimensions of Good Governance
- 25.6 Governance in India
- 25.7 Let Us Sum Up
- 25.8 Term-end Exercises
- 25.9 Key Words
- 25.10 References
- 25.11 Answers or Hints to Check Your Progress Exercises

25.0 OBJECTIVES

After going through this unit, you will be able to:

- explain the meaning of governance and its importance;
- narrate the evolution of definition of good governance;
- discuss the features of good governance;
- examine the dimensions of good governance; and
- describe the state of governance in India.

25.1 INTRODUCTION

Good governance is a phrase that emerged at the close of 1980s in a World Bank report but got soon incorporated and developed by other international development aid and cooperation agencies such as the United National Development Programme (UNDP), the Organisation for Economic Cooperation and Development (OECD), and the International Monetary Fund (IMF). In view of some scholars it was a shift in the paradigm from ‘getting market right’ to ‘getting institutions right’ in the approach of aid agencies.

A study by a World Bank team in the late 1980s on countries in Sub-Saharan Africa came to a conclusion that, among the reasons for non-success of development projects funded by multilateral organisations was the lack of good governance. It may be recalled that during 1980s and to some extent in 1990s international aid agencies had attached conditionalities in terms of stabilisation policies and structural adjustment programmes while providing

aid, which entailed increase in scope of private sector and market along with curtailment of government and public sector. But the results of these reforms were found counter-productive in certain cases. By the end of 1990s, most of the international development literature went on to emphasise the need to end mal-governance in developing countries.

Naturally, debate on good governance was shaped by these international organisations, such as the World Bank, the IMF, the OECD and the UNDP, which have been major players in international development aid and cooperation. A former UN Secretary General, Kofi Annan went to the extent of saying that ‘good governance is perhaps the single most important factor in eradicating poverty and promoting development’. Following this lead, an UN agency for HABITAT asserted that ‘it is not just money or technology, or even expertise, but also good governance that makes the difference...’ which is sometimes stated as ‘...neither money, nor technology, nor even expertise, but good governance that makes the difference.’

Slowly and steadily, national governments, sub-national governments, and other vocal sections along with international aid and non-aid agencies extended the idea of good governance to all public spheres and some private spheres rather than just development projects.

What makes the difference when emphasis is put on governance rather than government? The proponents of good governance assert that governance is not the monopoly of the government. There are other actors and agencies in the arena of governance of public affairs, which in their reckoning are both private sector and non-governmental civil societies and there could be a partnership between public and private and between government departments/organisations and non-government organisations – which is more than contractual. Nevertheless, what you have to note is that the agenda across the spectrum continues to be neo-liberal in content and approach.

We can recall Adam Smith in 18th century and Henry Thoreau in 19th century who had broadly suggested that the government should hold minimum role or that government is the best, which governs the least. Prime Minister Narendra Modi extended the idea in recent years by suggesting the phrase ‘minimum government and maximum governance’. But all such references are limited to the role of government. The idea is that societal affairs are not to be dealt with by the government only. They are never dealt with only by the government. However, the idea promoted by international development aid agencies is also to diminish the scope of government, nay, the State. Yet, there are agencies like United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) which assigns the responsibility to the government to promote good governance as its major responsibility.

While accepting the importance of good governance, most agencies decided to fill the content and their approach to development practice generally getting guided by their respective mandates and interests. While there is a lot of convergence, there is significant divergence. Scholars and others also proposed alternative phrases such as Humane Governance, Smart

Governance, Public Governance, or Democratic Governance – articulated somewhat differently.

With this in background, in this unit we propose to discuss different ideas of governance and good governance, and deliberate on the variants, dimensions and ingredients of good governance. In addition, a modicum of governance in India will also be covered.

25.2 GOVERNANCE

The concept of governance is as old as human civilisation. But the term has become fashionable in the last few decades. Thanks to international donor agencies which found bad governance as the root cause of all evils and insisted on reforms in governance as a major condition to providing aid, the term acquired a new status in international development literature.

Governance surely goes beyond the activities of government. For instance, there is no world government yet there exists some kind of a global governance in many areas, for example, environment (UNEP), labour affairs (ILO), and economy (WTO for trade and investment)—purportedly for good governance in their respective spheres. Further, local government in an urban area may be a municipal board but local governance allows existence and operation of a local development authority outside the municipal board. Outside the government, there exist Industry Chambers, Commerce Chambers, Citizens Forums, Trade Unions, Farmers' Unions, Professional Associations (Medical Council, Chartered Accountants) Passengers Associations, etc. These may well now be part of governance.

One can well imagine that public affairs predate the invention of State and thus, governance predates government. It implies that a society is founded on the rules it forms and follows in conduct of its affairs. Governance is thus making of rules and making members follow those rules. As society becomes complex, making of rules and ensuring that the rules are followed by its members and groups also becomes complex. As far as a country is concerned, government is a part, an essential part, of a State while governance covers practically all public (and some private) affairs of the State and thus involves non-state agencies. Governance has now become so popular a word that it is used in several other contexts so much so that it has been asserted that governance is important to all organisations and entities, including corporates, non-governmental organisations (NGOs), and international relations.

In the context of a country, one finds a wide variety of definitions of governance. One can appreciate that government decisions are influenced by political parties, lobbies, chambers, advocacy groups, think tanks, and the media. Governance may therefore be defined as the dispensation by which rules, norms and actions are structured, sustained, and regulated. Governance may assume several forms, driven by different motivations and may produce different results. For instance, there may be a governance system whereby citizens decide as to who should become a part of government. The Commission on Global Governance (CGG) therefore puts, in 1995,

governance as ‘the sum of the many ways individuals and institutions, public and private, manage their common affairs’.

Some scholars, though drawing from the literature from international aid agencies, hold that governance comprises the mechanism, methodology and institutions which help the citizens and groups to protect their interests. Others articulate governance as institutionalised modes of coordination through which collectively binding decisions are adopted and implemented irrespective of hierarchical relationship. One can well see that there exists a minimal normative dimension since it refers to institutionalised modes of coordination that intentionally aim at the provision of certain collective goods rather than serving individual self-interests. A variation may suggest governance to cover processes, mechanisms, and practices that steer decision-making and implement those decisions.

It would be interesting to see evolution of the concept of good governance within an agency itself. The World Bank which started identifying good governance as the manner in which power is exercised in the management of a country’s economic and social resources. A little later it suggested governance as the exercise of political authority and the use of institutional resources to manage society’s problems and affairs. Still later, it equated good governance with ‘(i) the form of political regime; (ii) the process by which authority is exercised in the management of a country’s economic and social resources for development; and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions’. By 2002, good governance was to include ‘all rules, enforcement mechanisms and organisations’. In between, in 1996, the initiators of the Worldwide Governance Indicators (WGI), as they admit, struck a middle path, by defining it as ‘the traditions and institutions by which authority in a country is exercised’. Bank could not yet hold back from recommending to foster more local ownership and decentralisation as well as the encouraging of civil society institutions and participatory approaches. Thus, the bank seeks to promote effective government within good governance.

International Monetary Fund (IMF) proposed to promote ‘good governance in all its aspects, including ensuring the rule of law, improving the efficiency and accountability of the public sector and tackling corruption’. These are considered essential elements of a framework within which economies can prosper. Around the same time, the OECD (organisation for economic cooperation for development) came to accept governance as ‘the use of political authority and exercise of control in a society in relation to the management of its resources for social and economic development’. OECD referred to good governance as the rule of law, efficient public sector management, controlling corruption and reducing excessive military expenditures. It did not ignore the political dimension and paid attention to the linkages between good governance and political principles, such as participation, human rights and democratisation. The OECD suggested that the democratic elements of good governance were not only a prerequisite for development, but also as ‘values in their own right’. Good governance has

thus to have not only effective government but effective and democratic governance.

The UNDP, an UN agency with development concerns, came to dwell on the issues of good governance in 1997 and 1998. Taking off from the World Bank's conception, it viewed governance as 'the exercise of economic, political and administrative authority to manage a country's affairs at all levels' and thus does not ignore political dimension. Rather, it further explicates political dimension by holding that governance 'comprises the mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their political rights, meet their obligations and mediate their differences'. Thus, the UNDP seeks to promote the interaction among these actors in order to reach sustainable human development. However, a regional UN agency, the UNESCAP chooses to define governance as a process – the process of decision making and the process of implementing decisions – without mentioning mechanisms and institutions. Thus, definitions of general governance for a country cover from narrow to broad canvass and differ from author to author.

There are others who go beyond the country level governance. For example, the UN Global Compact suggested that governance is the systems and processes that ensure the overall effectiveness of an entity– whether business, government or multilateral institution. Governance concerns after all framing and operation of rules.

Thus, governance presupposes existence of institutional arrangements whether traditional, formal or informal and exercise of power bestowed on these institutions to make decisions and implement them, irrespective of the field, level, and organisation. Yet, one can also talk of meta-governance that is 'governing of governing'. One can attribute different meanings to the phrase of meta-governance, depending on the context, like the Constitution of a Country or value system behind customary laws, or the principles behind practices.

Check Your Progress 1

- 1) Differentiate between governance and government.

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- 2) How do international agencies differ in conceptualising governance?

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3) What could be meant by meta-governance?

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25.3 GOOD GOVERNANCE

Whether governance, irrespective of context, is good or bad, fair or foul, proper or faulty, smart or dull, ethical or unethical, and healthy or poor, is an important issue. But such notions are normative and this is what differentiates good governance from governance. Philosophically, governance itself must have been evolved to conduct societal affairs in certain desirable directions. It is true that norms may differ somewhat from society to society and within a society from time to time. Fair governance, good governance, sound governance, humane governance, and effective governance are expressions of normative notions of governance in a positive direction and have clear prescriptive connotation. Since norms are expressions of a people's social preferences, howsoever aggregated, good governance is expected to ensure these preferences into political decisions.

Goodness of anything is defined by certain parameters. Whether a man is a good man is determined by certain qualities. People might differ on what those qualities are, yet it is expected there exists a universal set of core values. The same is true of good governance. One scholar, perusing international development literature on good governance, found it so confusing as he discovered that good governance may mean so many different things to different organisations and to different actors within these organisations. For instance, human rights scholars will look from that angle and UN Human Rights agency actually asks: Are the institutions of governance effectively guaranteeing the right to health, adequate housing, sufficient food, quality education, justice and personal security? IMF would prefer to dwell on those institutions and processes which concern foreign exchange and trade. Good governance may thus have endless concerns and definitions that it becomes difficult to find a core.

However, some scholars have chosen to define good governance as 'legitimate, accountable, and effective ways of obtaining and using public power and resources in the pursuit of widely accepted social goals', thus linking good governance with the rule of law, transparency and accountability, and partnerships between state and society, and among citizens. Others referred to it as 'all kinds of institutional structures that promote both good substantive outcomes and public legitimacy'. Thus, some prefer to put emphasis on the process and others on the institutions while both sets of scholars refer to outcomes. Again, whether legitimacy is about the process or inputs or about outputs and outcomes. The literature offers different conceptualisations of good governance, in which the political

content of good governance varies and is controversially discussed. Narrow definitions confine themselves to administrative processes and broad definitions cover all political aspects from formation and constitution of different government wings to decision-making process involving all stakeholders and implementation of those decisions. Showing its disgust with the focus of good governance being on ‘almost exclusively on economic processes and administrative efficiency,’ the UNDP, since 2002-HDR and thereafter, preferred to use the term ‘democratic governance’, perhaps, in order to draw even more attention to the political dimension.

As indicated earlier, the term of good governance originated in international development literature sponsored by several multilateral agencies that are interested in economic development and particularly in poverty eradication. Though general ends are similar, they differ in details of normative ends. Therefore, unsurprisingly, different organisations are found to define governance and good governance somewhat differently. For instance, human rights agencies will look from rights perspective while financial agencies will be more concerned with accountability and corruption. Yet, they all deliberate on how public institutions ought to conduct public affairs and manage public resources.

Taking the cue from UNESCAP’s definition in terms of the process of decision making and the process of implementing decisions, good governance can be better defined as effectiveness and efficiency in the process of decision making and the processes by which decisions are implemented. This is how Centre for Good Governance in India attempts to define it in its report on *Good Governance Index: Assessment of State Governance*. But it is a narrow approach as it does not explicitly state the role of non-state agencies.

Finally, the debate whether means have to be legitimate or the ends have to be legitimate or legitimate ends justify the means, will continue. For Gandhi, means had to be pure and, for Marx or Mao, ends justified the means. So, some definitions will look towards processes whether they are legitimate and follow rule of the law while others will look towards outcomes as to how good they are there. Some definitions (in fact, agencies and scholars) have tendency to mix up the two. Therefore, despite wide usage of the term, its meaning and scope are not always clear. While this flexible position enables one to have a contextual application, the very lack of conceptual clarity is a source of some difficulty. Some scholars found good governance to have become a “one-size-fits-all” buzzword lacking specific meaning and content. Yet, it is better to have many ways to look at rather than none.

Check Your Progress 2

- 1) Which agency started the campaign for good governance and why?

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2) Why are there so many definitions of good governance?

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3) Differentiate between input legitimacy and output legitimacy.

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25.4 VARIANTS AND VERSIONS OF GOOD GOVERNANCE

The previous sections, though quite enlightening, leaves an impression that good governance is almost an indeterminate term even in international development literature. Generally speaking, it is about the quality of conduct of public affairs and management of public resources by public institutions – including authorities, they differ on normative accounts, which are often justified on the grounds that they are thought to be conducive to promote certain ends. There ought to be no surprise on the state of affairs in this context.

There is another set of literature which is less confusing which propose democratic governance, public governance, Humane Governance, SMART Governance. We choose to discuss the latter two.

Humane Governance

Though the term ‘humane governance’ was proposed long back by a political scientist Rajni Kothari in 1987, in the context of paradoxes that existed and exist in the contemporary times. Pointing towards ‘paradoxes of overproduction and scarcity, of information explosion and increasing ignorance, of proliferation, of commodities and shrinkage in nature’s diversity, of affluence and poverty, of liberalisation and human rights violation, of States that are at once too strong and too vulnerable’, he finds ‘ecocide and ethnocide are no longer imaginary scenarios created by doomsday prophets’. Written for some *Committee for a Just World Peace*, he bemoans the marriage between the State and the corporate business, and gave a call for moving from government of humans to humane governance. Subsequently, the phrase was used in the context of good global governance as if to reform the United Nations.

The Mahbub-ul-Haq Human Development Centre in 1999 took human development perspective and viewed Humane Governance as good governance that seeks to secure human development. Holding ownership, decency, and accountability as the bedrock principles of humane governance, it unfolds Humane Governance into political, economic, and civic (instead of social) dimensions. Good political governance seeks riddance of the state from interest groups, lobbyists, and politicians with short-sightedness (and so are the voters interested in low taxation, high private gains, and freebies and civil servants who are interested in building their own empires.) Good political governance would seek to include:

- 1) Decentralisation and deconstruction of power to afford people ample opportunities to participate in decision-making.
- 2) Accountability and transparency of elected representatives and public officials.
- 3) Full access of all citizens to prompt and affordable justice.
- 4) Elimination of all forms of discrimination, and
- 5) Maintenance of peace and social cohesion within and between states.

Humane Governance proponents accept that role of government has increased over time. Despite classical and neoclassical economists' reservations, they point out, ratio of government expenditure to GDP in the OECD countries has increased from 10 per cent in 1913 to 20 per cent in 1937 to 50 per cent by 1995. Even in the developing countries, the central government expenditure has risen from 15 per cent of GDP in 1960 to 30 per cent by 1985. Yet, they point out, fiscal crisis has not been unknown and governments have miserably failed in directly productive activities and thus state's capability has been found inadequate to its responsibility. Therefore, while accepting the inevitability of neo-liberal order, the proponents of human development seek good economic governance in terms of those competitive policies that make market a fairer place by insisting on elimination of discrimination against weaker sections including women. In addition, good economic governance also seeks sufficient budgetary provisions for priority social sectors, progressive taxation and subsidy systems, and equitable access to credit and land. Good political and economic governance would entail strong institutions as institutions finally determine the efficiency of market functioning.

Economists and political scientists have largely been ignoring the civic dimension in which individuals, families, and communities frequently operate. As freedom to form association is a basic human right and very often a constitutional one, business associations, trade unions, religious organisations, and various forms of NGOs (such as voluntary associations, community-based organisations, philanthropic trusts, and research foundations) have a definite and distinctive role in self-help, self-initiative, and self-development. In erstwhile Soviet Union, this was completely missing. Flourishing civic organisations will not only assert for rights but also engender responsibility. Self-policing is the best policing.

It is rightly suggested that each of the three dimensions are complementary to the other two; they are intractably linked; and they together achieve human governance.

SMART Governance

However, in India, acronym SMART was coined to denote Simple, Moral, Accountable, Responsive and Transparent. SMART governance owes its origin to politicians' reliance on e-resources as their use was found to be more dependable in terms of pace but also making rent-seekers less powerful. E-governance is the vehicle through which SMART governance has been sought to be achieved.

The Eleventh Report of Second Administrative Reforms Commission is named as "Promoting E-Governance – The SMART Way Forward". Defining e-Governance as the application of Information and Communications Technology to government functioning in order to create 'Simple, Moral, Accountable, Responsive and Transparent' (SMART) governance, the Report recommends use of ICT for wider participation of citizens in public affairs in decisional processes. E-Governance and SMART governance are a kind of twins. E-Governance can however be useful only when processes, procedures, and structures of Government are re-engineered and made compatible with ICT requirements in terms of software and hardware. There is no denying that ICT can to an extent accommodate specific structures as no two governments would be a replica of each other. Thus, SMART Governance is more than using technology.

E-governance is surely different than E-government which nevertheless is an essential part of the former. If G and C were to stand for government and citizens respectively, and '2' for 'to', then there could be four kinds of communications: G2G, G2C, C2G, and C2C. While G2C, besides G2G, is very much part of e-Government as government is essentially to deliver certain services to citizens, it is C2G communication whereby citizens become participants which is what ought to be e-Governance. C is inclusive of all other stakeholders, like business, labour, civil societies. G2C is very similar to business-customer relationship B2C in e-Commerce where B and C respectively denote business and customer and C2G is similar to C2B. E-governance seeks to move from passive information and service providing to active citizen involvement.

No doubt, E-governance is a highly complex process requiring provision of hardware, software, and networking but it is the re-engineering of procedures for decision-making which holds the water. And as ICT is dynamic, e-governance too will have to be a dynamic. One can recall that many of the cards that are in our possession are smart and the move is to have a smart citizen card wherein most of the information is tagged in. In many places, it is bio-metric information in lodged in.

Let us note how these attributes of good governance are spelt:

- **Simple:** Meaning simplification of rules, regulations and processes of government through the use of ICTs and thereby providing for a user-

friendly government. For example, government may use Single Window one-stop service to facilitate delivery of services to a common citizen. E-governance comes handy.

- **Moral:** Connoting emergence of an entirely new system of ethical values in the political and administrative machinery. Technology interventions can improve the efficiency of anti-corruption agencies, police, judiciary, etc. if they wish. Electoral reforms, empowerment of women, enhancing literacy, etc. could also be carried out in a better way through ICT intervention. Use of EVM in elections in India helped improve the fairness of elections.
- **Accountable:** Facilitating design, development and implementation of effective Management Information System and performance measurement mechanisms and thereby ensuring accountability of public service. Through ICT intervention, accountability can be ensured in more efficient ways.
- **Responsive:** Streamlining the processes to speed up service delivery and make system more responsive. For instance, Citizen Charter as a set of assurances given by the government agencies, is an instrument on the quality of service delivery. Through ICT intervention, responsiveness could be quickened.
- **Transparent:** Bringing information hitherto confined in the government files, into public domain and making processes and functions transparent. Transparency brings some of the essential virtues into public life such as equity, level playing field and the rule of law. They reduce the scope of discretion and corruption. Right to Information (RTI), the right to know why certain decisions were taken, is an instrument of transparency. E-governance would be helpful in quick dissemination of information.

Commentators on SMART Governance sometimes relate these features with the work of bureaucracy which is greatly responsible for the formulation and implementation of various programmes and policies of the government. Though not included in the acronym, SMART approach is expected to enable people's participation, beyond elections, in decision-making. It is further expected that SMART approach to governance makes government efficient, bereft of hierarchical barriers and red tap.

Automation of administrative processes, the first step of e-governance, will minimise human intervention leading to bias less service delivery and availability of online information for each department will enable file movement faster and user friendly by reducing paper-work (and thus saving physical space and exploitation of environment. With E-Governance, public action comes under media and public glare, and thereby inducing norms and values of accountability, openness, integrity, fairness, equity, responsibility and justice. They expect reduction in transaction costs, empowerment of common citizens. SMART Governance and its sister e-Governance are thus harbinger of the new century ethos.

However, it appears that SMART Governance largely concentrates on the working of public sector – mainly bureaucracy. It is indeed so. That is why it was favoured by the Second Administrative Reforms Commission whose main mandate was reforming administration and was promoted and propagated by the Department of Administrative Reforms (and Public Grievances).

It may be noted that both humane governance and SMART governance belong to two different genres. While the former is more about judging the quality of governance process in terms of humane outcomes, the latter is judging the quality of administrative processes. The schism is substantially akin to that between the end and the means. SMART Humane Governance is using e-technology but will be judged by the quality in terms of humane governance outcomes.

Check Your Progress 3

- 1) What is humane governance? State its components.

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- 2) What are the features of SMART Governance and how does it differ from E-governance?

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25.5 DIMENSIONS OF GOOD GOVERNANCE

The World Bank, as proposed in its Worldwide Governance Indicators Project, defines good governance in terms of the traditions and institutions by which authority in a country is exercised. As noted in Section 25.3, there are three dimensions, viz.:

- 1) The process by which governments are selected, monitored and replaced;
- 2) The capacity of the government to effectively formulate and implement sound policies; and
- 3) The respect of citizens and the state for the institutions that govern economic and social interactions among them.

While this description is fraught with a number of issues. The main stem does not say anything which qualifies governance as good though they include constitutional arrangements in (1), government personnel in (2), and nature of people and their State in (3). The qualification of 'sound' before policies would mean different things for different groups of people and agencies. While economy-centric people would look for efficiency, society-oriented ones would search for equity. The inclusion of 'sound policies' in the second dimension raises the question whether international experts (mostly economists) can really be expected to know what constitutes 'sound policies'? For example, should pensions or health care or education be privately or publicly funded or should they be imparted physical provisions or through insurance? This broad definition can further be criticised for mixing together policy content ('sound policies') and procedures ('rule of law') as well as citizens' evaluations ('respect'). The mixture refers to both institutions that provide access to political power and those that exercise and implement laws and policies. To what extent and how should financial institutions be regulated? Obviously, some political institutions or aspects of politics are more important than others in determining the quality of governance. If we examine other definitions, they are likely to meet the same fate. The result is Grindle wanted Good Governance to 'rest in peace' (in a paper in 2017) as he found proliferation of muddy thinking on governance. So, we only note dimensions suggested in some of the contributions by international agencies.

While making good governance index, the WGI in 1996 clearly unfolds six dimensions by splitting three aspects mentioned above. They are:

- 1) Voice and accountability;
- 2) Political stability and absence of violence;
- 3) Government effectiveness;
- 4) Regulatory quality;
- 5) Rule of law; and
- 6) Control of corruption.

In contrast, the UNDP has identified five areas of intervention along which governance could be improved:

- 1) Legislature, judiciary, and electoral bodies;
- 2) Public and private sector management;
- 3) Decentralisation and local governance;
- 4) Civil society organisation, and
- 5) Governance in special circumstances.

There is little common between them. But, in another policy document in which UNDP admits importance of good governance suggests nine criteria, viz.:

- 1) Participation

- 2) Rule of law
- 3) Transparency
- 4) Responsiveness
- 5) Consensus-orientation
- 6) Equity
- 7) Effectiveness and equity
- 8) Accountability, and
- 9) Strategic vision

The OECD countries seem to include another set of ten criteria:

- 1) Effectiveness
- 2) Efficiency
- 3) Transparency
- 4) Accountability
- 5) Predictability
- 6) Sound financial management
- 7) Fighting corruption
- 8) Respect for human rights
- 9) Democracy
- 10) The rule of law.

By 2013, it stopped using the phrase good governance in its Human Development Report and suggested governance principles for democratic governance through following three double criteria:

- 1) Participation and Inclusion,
- 2) Non-discrimination and Equality, and
- 3) Rule of Law and Accountability.

This tilts more towards political side than administrative. There are quite a few things common.

One can easily make a distinction between the administrative core of good governance – which is a legitimate part of government and a closely associated political area – which involves people in governance. Principles such as accountability, efficiency, transparency or the rule of law, belong to the first category, that is, administration while respect for human rights, participation and democratisation belong to political area.

Various other international agencies including those of UN System and outside have also put their neck into the matter. They also try figure out some common dimensions, without criticising others, but finally end up differing. It would be instructive to prepare a comparative chart of representative sets of dimensions and ingredients listed by some of these agencies in some or the

other place. We choose here one or the other affiliate of the UN System or the World Bank's regional counterparts, which have not been discussed in the preceding paragraphs.

UNESCAP	UNESCAP/ UNDP	UNCHR	IDA	ADB	AfDB
Participation	Participation	Participation	Participation	Participation	Participation
Accountability	Accountability	Accountability	Accountability	Accountability	Accountability
Transparency		Transparency	Transparency	Transparency	Transparency
Efficiency	Effectiveness				
Fairness	Equity				
	Rule of Law		Rule of Law		
		Responsiveness			
Decency					
		Responsibility			
				Predictability	
					Combating Corruption
					Legal & Judicial Reforms

One can notice agency's concerns reflected as well as regional variations. Maximum common dimensions come out to be only two: Participation and Accountability. It means, in the agencies' estimate, people seek their participation in decision making, which is very much expected in a democratic dispensation and they wish to hold authorities to be accountable for their actions.

Moreover, beyond enumeration, the agency narrations may add new dimensions. For example, the UNESCAP further writes, "it (good governance) assures that corruption is minimised, that the views of the minorities are taken into account, and that the views of the most vulnerable in society are heard in decision-making. It is also responsive to the current and future needs of society"

Check Your Progress 4

- 1) List three key attributes of good governance.

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- 2) Reason why the list of attributes of good governance so widely differ between agencies.

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- 3) How do rights agencies and donor agencies differ in prescribing characteristics of good governance?

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25.6 GOVERNANCE IN INDIA

Judging governance in any country requires knowing:

- 1) Whether proper institutional structure of governance is in place?
- 2) Whether proper mechanisms and procedures have been adopted?
- 3) Whether proper roles have been assigned to different stakeholders and how well they play their roles? and
- 4) Whether there exists a resilient framework for accommodating dynamics of the time?

First, let us broadly know about the institutional structures and operational mechanisms as they exist in India. Then, we shall indicate, in brief, the state of affairs of governance.

A Constituent Assembly, though through indirect elections, was constituted a little before Independence. Passing through turbulent times of facing partition of the country, and getting hundreds of princely states accessed to India and getting them turn into viable units, the Assembly could prepare a Constitution in three years' time. Members put the final signatures by 26 November 1949 but it was decided to promulgate the Constitution to replace the Government of India Act of 1935 on 26 January 1950 as 26 January 1930 was the day set for Complete Independence in Poorna Sawraj resolution carried out on 31 December 1929 in the Session of the Indian National Congress which was held in Lahore. Since then the day of 26 January was celebrated as Poorna Swaraj Day for next 17 years.

The Constitution adopted parliamentary form of government and provided an elaborate legal framework and institutional structures as well as mechanisms,

and procedures for the three wings of government and three levels of government (local governments were explicitly incorporated in 1993). The Constitution guarantees certain rights to people vis-à-vis the State which is further guided by certain principles for governance of the country. They are called as Fundamental Rights (of people) and Directive Principles (of State Policy) respectively. It is generally accepted that they embody the concept of a Welfare State in India. Besides, there are provisions regarding oversight constitutional bodies like Comptroller and Auditor General of India and Election Commission besides Judiciary which is a wing of government. It may be noted that word Government is invariably used for the Executive Wing of the government – Government of India for the Union Executive and Government of a State for State Executive.

The Fundamental Rights entitle people to certain rights that are enforceable by a court of law, such as the Right to Life, the Right to Freedom of Association, the Right to Freedom of Expression, and the Right to Education (since 2009), Equality before Law and Equal Protection under Law. Besides, a citizen of age 18 and above has a right to vote in elections to Parliament, State Legislatures and Local Governments. And one of age 21 is eligible to contest for membership in a local government, and one of 25 to House of Representatives (Lok Sabha) and Legislative Assemblies (Vidhan Sabha). Elections have also been organised frequently under the supervision of the Election Commission for Parliament and State Legislatures and State Election Commissions for local governments. Compared to several other countries, Indian elections have generally been fair and the process has generally been improving over time. But for this, India – the largest democracy – is also said to be a vibrant democracy. Many young leaders are making history by becoming Mayors of municipal corporation and Sarpanchs of gram panchayats in their 20s.

Further, there exists an independent Judiciary that interprets the Constitution, upholds the Constitutional Rights of Indian citizens, punishes violations of the law of the land and also strikes down laws and policies made by the Executive that run counter to the provisions of the Constitution. The Supreme Court has adopted an innovative device of Public Interest Litigation (PIL) since 1980s to enable any person or civil society group to approach the court seeking legal remedies in cases where public interest is at stake. Higher judiciary has acted even on the basis of post cards/letters from individuals, articles in newspapers and petitions from a wide cross-section of people. The Supreme Court's positive pronouncements in areas of civil liberties, and social, economic, and development rights have alerted people and governments alike.

There are several watchdog institutions, some constitutional and some statutory. To name a few, there are the Comptroller & Auditor General (CAG), the Election Commission, the Central Vigilance Commission (CVC), the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI), the National Green Tribunal (NGT) to oversee and check malpractices in areas coming under their respective jurisdictions. All States have Lokayuktas and a Lokpal has just been appointed at Union level in

2019. They are empowered to look into cases of corruption against government officials, including CMs and PM. It took fifty years but finally it happened.

There are also in existence National Commissions for Scheduled Castes, Scheduled Tribes, Backward Classes, Women, and Minorities as well as National and State Human Rights Commissions to oversee the wrongs committed against the sections they are empowered to protect for their rights and promote their welfare.

A little-known fact about the legislative wing of the government is the existence and work of Parliamentary Committees and Committees of the Legislative Assemblies, which function almost as 'mini legislature' and are there to scrutinise legislative and executive actions. Actually, they are also a link between people and legislature on the one hand and between legislature and government. In the Parliament, number of committees went on increasing over time. As of now, there are three finance committees of standing nature (Estimates Committee, Public Accounts Committee, and Committee on Public Undertakings); 24 Standing Committee related with Government Departments, 16 Standing Committees for other subjects, and 9 Ad Hoc Committees. A minister is not eligible for election or nominations to all such committees except a few in the ad hoc category which are either as Select Committees or Joint Parliamentary Committees. Select Committees examine, in consultation with the public and experts, legislative Bills brought before Parliament and recommend for the consideration of Parliament but can revise or reject them. For example, the National Identification Authority Bill, 2010 was rejected. Similar mechanisms exist in the Legislatures at the State levels. The system of parliamentary committees is becoming more and more consultative, as various stakeholders, including the state governments, present their cases before these committees. However, at times, some standing committees are not constituted and due diligence is not applied in the scrutiny of the bills. This is what happened in 17th Lok Sabha.

But governance goes beyond government. As is well-known, media is often considered as the fourth estate or fourth power/pillar of democracy in modern times as they can wield considerable power to influence the role of the three wings of the government. Media in India is quite free and has been quite vigilant about public affairs. Sting operations have been a recent addition in its armoury to unearth corrupt practices. Media has exposed several unethical practices in public life; for example, corruption in the procurement of weapons for the armed forces, influencing and winning over of a witness for one of the parties to litigation, and the sale of S-Band spectrum to a private company by Antrix Corporation of the Department of Space, 2G scam, coal auction, commonwealth games, etc. The Press Council of India guards the freedom of the press. The Right to Information Act, 2005 has strengthened the media also, besides individuals. Many Government Organisations felt compelled to put up Citizens' Charters to ensure transparency in their dealings. Then, there exists a modicum of think tanks in the country.

Further, the role of non-governmental organisations (NGOs) cannot be belittled. They promote the participation of civil society in the governing

process by (i) bringing forth the views of the public on various issues (ii) creating awareness about issues of importance, and (iii) fighting for the rights of the people or of specific sections of society. For instance, enactment of Lokpal and Lokayuktas Act in 2013 owes entirely to the agitation by NGOs.

Private (corporate) sector also has its associations, chambers, federations at sectoral level as well as at regional, state and national levels. The same is true of other interests like non-corporate business which may organise at local level and may have federations. Labour, farmers, wholesalers, retailers and street vendors do organise as do residents through associations, forums, etc. India is full of them. They communicate among themselves as well as with the governments and agencies at various level. There are religious organisations and trusts which are guided by the law of the land. However, several oversights regulatory authorities had to be created to check the abuse of dominance. Competition Commission of India, SEBI, IRDAI, TRAI, ERCs, etc. are examples to be studied.

In recent decades, quite a few developments have taken place in technology, the most important being in the area of information and communication. With development in ICT, e-Governance has been introduced with National e-Governance Programme since 2006. Over the years, various government operations and services have been brought within its fold, especially at the cutting edge of administration to cut down delays in the delivery of services and reduce the scope for mal-practices and corruption. Most notable example of e-Governance is existence of the universalised Unique Identification Number to citizens through Aadhar card since 2009.

Thus most of the institutional structures considered necessary for ensuring good governance exist in India and as, noted above, with some good governance outcomes. Yet, the present governance scenario in India is far from satisfactory, as indicated below.

A majority of the people – the poor and the illiterate – is unaware of its entitlements. Rights violations do occur; the socially disadvantaged sections of society are at times maltreated and discriminated, socially segregated, and even physically assaulted and the police is often found to look the other way. Women, even the educated ones, fare no better. At times, it is felt that atrocities against women are rising.

Notwithstanding the efforts of the Election Commission to rid the election process of the influence of money and muscle power, elections continue to be driven by these factors, thereby preventing a real competition for political power. There exists another worrying trend, which is the loss of Parliament's and Legislatures' time by disruption of proceedings – resulting into disruption of passage of bills. While increase in representation of women in legislatures has improved, the presence of industrialists, businessmen, traders and builders, and those from allied groups is rising; while the former's share is 15 per cent that of the latter is reaching 25 per cent. Most people consider the former as welcome sign and the latter as bemusing. Only happy development people see in this regard that women, and at that young women,

are actively participating in local governments, thanks to positive approach of some States.

One notice rampant corruption at all levels. Take any scheme, for example, MGNREGA, there are issues at implementation level. People often say that Indians are good at planning and bad in implementation. A plan which is cannot be implemented, is not a plan at all!

For ensuring better behaviour from private corporate sector, Companies Act of 1956 has been replaced by Companies Act of 2013 whereby corporate governance has improved in the composition of board of directors, appointment of company secretary, corporate social responsibility. But it is found that rules are followed in letter but not in spirit.

Check Your Progress 5

- 1) State the institutional structure as provided in the Constitution of India towards good governance.

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- 2) Who are the players that should be kept in mind while evaluating governance of the country?

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- 3) State the major oversight/watchdog institutions with their roles.

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- 4) Identify some of the major pitfalls in the governance of the country.

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5) Explain the role of civil society in India.

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25.7 LET US SUM UP

We started with introduction about the idea of good governance which made inroads across the board and the role in it played by the international/multilateral aid and cooperation agencies for development, starting with the World Bank. Naturally, the unit first considered what governance means and how it can be distinguished from government and highlighted the importance of agencies within and outside government and various other players in societal affairs. But then, word governance found so great acceptance that it almost replaced administration and management from many contexts and with some qualifying adjective, it found place across sectors, modes, fields, areas, and goals.

Though mal-governance was found to be major issue in non-success of aided projects, good governance attracted many definitions and descriptions from varied institutions. National governments adopted good governance but adapted somewhat different definitions – befitting their areas of interest. Scholars joined the debate and analysed contents of various conceptions in terms of implications. Some were found closer to administrative systems and others towards political systems. There is some kind of evolution over time and tilting towards democratic governance. Some found the developments quite bewildering. There were also suggestions for democratic governance, public governance, humane governance, SMART governance, and e-governance.

Several agencies put forward certain criteria to judge the quality of governance. There is some convergence but a lot of divergence. By and large, people's participation in decision-making, transparency in administrative processes, accountability of government officials, and responsiveness/responsibility of government departments/agencies were given as yardsticks of good governance. Rule of law and combating corruption also find favour. But then, depending upon an agency's focus, other criteria are also mentioned. For example, those interested in human rights may suggest inclusion, fairness and equity.

Finally, we discussed governance in India – institutional structure, mechanisms, and instruments as enshrined in the Constitution, other agencies and their roles thrown up by statutes, role of media and NGOs, contribution of influence groups and pressure groups, etc. However, everything is not hunky dory with governance in India and a few pitfalls and weaknesses are also pointed out.

25.8 TERM-END EXERCISES

- 1) Go through website <https://info.worldbank.org/governance/wgi/> of Worldwide Governance Indicators Project and study the aggregate indicators for India. How has India fared in different dimensions?
- 2) Read Chapter 8 of Human Development Report of the year 2011 published by the UNDP and assess how the Principles of Governance enunciated therein are different from those in the Worldwide Governance Indicators.
- 3) Visit the website of the OECD and read the section on OECD work on public governance. Pick up a topic of your interest and develop a narrative.
- 4) Read the Eleventh Report of the Second Administrative Reforms Commission (of India). Evolve a brief story of e-Governance initiatives in India.
- 5) Visit the website of one of the Commissions whether for SC, ST, or BC, as mandated by Art 338, 338A, and 338B respectively of the Constitution of India. Discuss the chosen Commission's role in protection, welfare, and socio-economic development of relevant section of Indian society

25.9 KEY WORDS

- UNESCAP** : United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) is the regional development arm of the United Nations in Asia and the Pacific, to promote cooperation among member States for creating a more interconnected region working to achieve inclusive and sustainable economic and social development.
- UNDP** : The United Nations Development Programme (UNDP) is the global development network of the United Nations, to promote technical and investment cooperation among nations.
- UNHCR** : The United Nations High Commissioner for Refugees (UNHCR) is a UN agency mandated to aid and protect refugees, forcibly displaced communities, and stateless people, and to assist in their voluntary repatriation, local integration or resettlement to a third country.
- IDA** : The International Development Association (IDA) is the part of the World Bank that helps the world's poorest countries. It aims to reduce poverty by providing zero to low-interest loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions.

- ADB** : The Asian Development Bank (ADB) is a regional development bank aimed at promoting social and economic development in Asia.
- AfDB** : The African Development Bank Group (AfDB) is a multilateral development finance institution catering to African governments and private companies investing in the regional member countries (RMC).

25.10 REFERENCES

It would be worthwhile to visit websites of the World Bank, IMF, OECD, and United Nations' agencies – particularly UNDP, UNESCAP, and UNESCO, to appreciate the evolution of the concept as well as differentiation between conceptualisations by various agencies. Reports of Second Administration Reforms Commission, particularly 11th one, would also be very useful. Reports are available on the website of Department of Administrative Reforms and Public Grievances, Government of India. Read some scholarly articles which raise questions on the idea as promoted by international aid agencies. Some of the books and articles which would be very helpful, are:

- 1) Grindle, Merilee S. (2017). Good Governance, R.I.P.: A Critique and an Alternative, *Governance*, vol. 30, issue 01 (January), pp. 17-22.
- 2) International Monetary Fund (2017). *The Role of the Fund in Governance Issues: Review of the Guidance Note – Preliminary Considerations (Background Notes)*
- 3) Kaufmann, Daniel; Kraay, Aart & Mastruzzi, Massimo (2010). *The World Governance Indicators: Methodological and Analytical Issues – World Bank Policy Research Working Paper No. 5430*.
- 4) Kuldeep Mathur (2008). *From Government to Governance*, National Book Trust, New Delhi.
- 5) United Nations (2009). What is Good Governance? *United Nations Economic and Social Commission for Asia and the Pacific*.
- 6) UNESCAP (2011), What is Good Governance?, www.unescap.org.
- 7) World Bank (1991). *Managing Development – The Governance Dimension*, The World Bank, Washington DC.
- 8) World Bank (1994). *Governance; The World Bank's Experience*, The World Bank, Washington DC.
- 9) World Bank (2002). *World Development Report, 2002 "Building Institutions for Markets"*, The World Bank, Washington, DC.
- 10) World Bank (2007). *A Decade of Measuring the Quality of Governance*, The World Bank, Washington, DC.

25.11 ANSWERS OR HINTS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) Government is one, though an essential, part of a State and a mechanism of governing it whereas governance is the total way all societal affairs, particularly the public affairs, are conducted.
- 2) Depending upon their mandates international agencies orient their way of operationising the idea of governance. For example, Human Rights agencies will focus more on rule of law whereas Financial agencies will focus more on corruption and public sector performance.
- 3) Meta-governance is the framework of governance. For example, Constitution of a country is expected to provide the background for making the laws.

Check Your Progress 2

- 1) The World Bank started the campaign as it discovered that the conditionalities attached with development project aids in 1980s did not bear the fruits and the major reason was bad governance.
- 2) As the idea was lurking for long that there are substantial issues in governance in most of the countries but agencies other than World Bank/IMF found World Bank/IMF too much focused on public sector management or management of public resources. So was the case with scholars also. They added their own angles generally from the perspective of their disciplines.
- 3) Administration is traditionally more interested in seeing whether the procedure/ processes in a particular case have followed the rule book. As that process may be a link in a long chain, it appears sensible also. However, taste of pudding is in eating. So, it was suggested that it has to be seen in total perspective. While the former is input legitimacy, the latter is output or outcome legitimacy.

Check Your Progress 3

- 1) Humane governance is good governance seeking to secure human development. Its components are political governance, economic governance, and civic governance.
- 2) SMART in SMART governance stands for simple, moral, accountable, responsive and transparent. Acronym SMART sounds similar to smart which was already in use in the context of urban governance or cities which attempted to provide modern facilities and amenities to its populace.
- 3) E-governance is an attempt to make good use of ICT tools in governance and it can help a great deal to improve the pace of good governance but it is not a substitute for SMART governance.

Check Your Progress 4

- 1) People's participation in decision making, accountability of agencies to the people they serve, and responsiveness of agencies in solving the people's issues.
- 2) Mandates of the agencies, the time they are written, and the people who articulate them.
- 3) Rights agencies, like United Nations High Commissioner for Human Rights or Amnesty International, will seek to protect and promote human rights whereas the World Bank or International Monetary Fund will like to see that aid projects are successfully conducted.

Check Your Progress 5

- 1) Better you have look at the Constitution of India. There are three levels of government. There are bodies/agencies prescribed by the Constitution and there are agencies created by statutes or organised for administrative convenience.
- 2) Government departments, government wings and agencies, media, NGOs, people's forums, section unions, trade unions, advocacy groups, business chambers and federations, and think tanks.
- 3) Judiciary, particularly higher judiciary, is a watchdog for any excesses committed by governments and their agencies. Comptroller and Auditor General is another watchdog in the sphere of financial matters. Election Commission of India responsibly conducts/supervises the elections for legislatures, and offices of President and Vice President. State Election Commissions likewise conduct elections for local government in their respective States. There are others like National Green Tribunal for environmental issues and Lokpal/Lokayuktas for corruption in offices and by officers and officials – including PM and CM.
- 4) It is an exercise for you!
- 5) Civil society comes in various forms like voluntary associations, user's groups, rights groups, sectional associations. Some cooperate and facilitate government in governance, others point out pitfalls and seek redressal. Some resolve societal issues on their own.