SUMMARY SHEET

Poverty Alleviation & Employment Generation in India

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Contents

1   What is Poverty?

Poverty is a **state or condition** in which a **person or community lacks the financial resources** and essentials to enjoy a **minimum standard of life** and **well-being** that's considered acceptable in society.

2   Types of poverty

Basically, poverty can be divided into two types: **Absolute Poverty and Relative Poverty.**

2.1   Absolute Poverty

- **Absolute poverty** refers to a condition where a person does not have the minimum amount of income needed to meet the minimum requirements for one or more basic living needs over an extended period of time.
- The basic needs include food and safe drinking water, shelter, clothing, sanitation facilities, quality and affordable healthcare and education facilities, access to information.

2.2   Relative Poverty

- Relative poverty is **closely associated with the issues of inequality.**
- Relative poverty occurs when people in a country do not enjoy a certain minimum level of living standards as compared to the rest of the population and so would vary from country to country, sometimes within the same country.
- Gini-coefficient can be used to **measure poverty in the relative sense.**

> **Gini-coefficient:**
> The Gini-coefficient measures the inequality among values of a frequency distribution (for example, levels of income). This is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (one person has all the income or consumption and all others have none).

2.3 Other Types of Poverty
There may be other types of poverty also like Situational Poverty (Transitory), Generational (Chronic Poverty).

2.3.1 Situational Poverty
People or families can be poor because of some adversities like earthquakes, floods or a serious illness. Sometimes, people can help themselves out of this situation quickly if they are given a bit of assistance, as the cause of their situations was just one unfortunate event.

2.3.2 Generational Poverty
This is when poverty is handed over to individuals and families from generations before them. In this type, there is usually no escape from it, as people are trapped in its causes and have no access to tools that will help them get out of it.

2.3.3 Multidimensional Poverty
- Multidimensional poverty is made up of **several factors that constitute poor people's experience of deprivation** – such as **poor health, lack of education, inadequate living standard, lack of income** (as one of several factors considered), **disempowerment, poor quality of work** and **threat from violence**.
- A multidimensional measure can incorporate a range of indicators to capture the complexity of poverty and better inform policies to relieve it. Different indicators can be chosen appropriate to the society and situation.
- Multi-dimensional Poverty Index (MPI) gives us a **measure** of the **extent of multi-dimensional poverty** prevailing in various countries.

3 Identification of poor in India
In India, identification of poor is done by the State Governments based on information from Below Poverty Line (BPL) censuses of which the latest is the Socio-Economic Caste Census 2011 (SECC 2011).

> **Socio-Economic Caste Census 2011**
>
> The **Ministry of Rural Development** commenced the Socio Economic and Caste Census (SECC) in June 2011 through a **comprehensive door to door enumeration across the country**. This is the first time such a comprehensive exercise has been carried out for both rural and urban India. It has generated information on a large number of social and economic indicators relating to households across the country.
>
> The rural development ministry has taken a decision to use the SECC data in all its programmers such as MGNREGA, National Food Security Act etc.
> SECC 2011 data will also be used to **identify beneficiary** and **expand the direct benefit transfer scheme** as part of its plans to build upon the JAM (Pradhan Mantri Jan Dhan Yojana-Aadhaar Mobile number portability) trinity.

4   Measuring Poverty

Conventionally, poverty is measured by defining a **threshold level of expenditure** (or **income**) required to **purchase goods and services** necessary to satisfy basic needs at the minimal socially acceptable level. This threshold level of expenditure is called the **poverty line** and the proportion of population living below it is called the **poverty ratio**.

4.1   Committees for Poverty Estimation in India

4.1.1   Pre-Independence Poverty Estimation

4.1.1.1   Poverty and Unbritish Rule in India (1901)

Dadabhai Naoroji' in his book 'Poverty and Un-British Rule in India,' made the earliest estimate of poverty line at 1867-68 prices (₹16 to ₹35 per capita per year) based on the cost of a subsistence diet for the emigrant coolies during their voyage living in a state of quietude.

4.1.1.2   National Planning Committee's (1938)

In 1938, the National Planning Committee (NPC) set up under the chairmanship of Jawaharlal Nehru suggested a poverty line (ranging from ₹15 to ₹20 per capita per month) based on a minimum standard of living.

4.1.1.3   The Bombay Plan (1944)

Bombay Plan proponents suggested a poverty line of ₹75 per capita per year, which was much more modest than that of the NPC.

4.1.2   Post-Independence Poverty Estimation

4.1.2.1   First Planning Commission working group

- The poverty line in India was quantified for the first time in 1962 by this Group in terms of a minimum requirement (food and non-food) of individuals for healthy living.
- The Group appeared to have taken into account the recommendation of balanced diet made by the Nutrition Advisory Group of the Indian Council of Medical Research (ICMR) in 1958. The Group formulated the separate poverty lines for rural and urban areas (₹20 and ₹25 per capita per month respectively in terms of 1960-61 prices) without any regional variation.
- The poverty line excluded expenditure on health and education, both of which, it was assumed, were to be provided by the State. **Although not official poverty lines**, these were widely used in the 1960s and 1970s to estimate the poverty ratio at national and state level.

4.1.2.2   Study by VM Dandekar and N Rath (1971)

- Although this was not a study commissioned by the Planning Commission, the **origins of India's poverty line lie in the seminal work of two economists**, V N Dandekar and N Rath, who first established the **consumption levels required to meet a minimum calorie** norm of an average calorie norm of 2,250 calories per capita per day.
- They made the **first systematic assessment of poverty in India**, based on National Sample Survey (NSS) data. Unlike previous scholars who had considered subsistence living or basic minimum needs criteria as the measure of poverty line, **they derived poverty line from the expenditure adequate to provide 2250** calories per day in both rural and urban areas.
- Expenditure based Poverty line estimation generated a debate on minimum calorie consumption norms. They found poverty lines to be Rs. 15 per capita per month for rural households and Rs. 22.5 per capita per month for urban households at 1960-61 prices.

4.1.2.3 Task Force on "Projections of Minimum Needs and Effective Consumption Demand" headed by Dr. Y. K. Alagh (1979)

- This Task Force was constituted in 1977 and it submitted its report in 1979.
- Official poverty counts began for the **first time in India based on the approach of this Task Force**.
- Poverty line was defined as the per capita consumption expenditure level to meet average per capita daily calorie requirement of 2400 kcal per capita per day in rural areas and 2100 kcal per capita per day in urban areas.
- Based on 1973-74 prices, the Task Force set the rural and urban poverty lines at Rs. 49.09 and Rs. 56.64 per capita per month at 1973-74 prices. These lines were based on the assumption of different PLBs for rural and urban consumption.

National Sample Survey Office (NSSO):
- The **National Sample Survey Office (NSSO)** is headed by a **Director General** and comes under the **National Statistical Office of the Ministry of Statistics and Programme Implementation**.
- It is responsible for conduct of large-scale sample surveys in diverse fields on All India basis.
- Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI), etc.
- Besides these surveys, NSSO collects data on rural and urban prices and plays a significant role in the improvement of crop statistics through supervision of the area enumeration and crop estimation surveys of the State agencies.
- *In May 2019, Government of India had decided to merge Central Statistical Office and National Sample Survey Office into the National Statistical Office (NSO)*

4.1.2.4 Lakdawala Committee (1993)

- Until the 1990s, no attempt was made to capture differences in prices or differences in consumption patterns across states or over time.
- This methodology for estimating poverty at national and state level was regarded by some as inappropriate in giving a representative picture of the incidence of poverty in the country.
- In 1989, The Planning Commission constituted the Lakdawala Expert Group to "look into the methodology for estimation of poverty and to re-define the poverty line, if necessary".
- The Expert Group submitted its report in 1993. **It did not redefine the poverty line** and **retained the separate rural and urban poverty** lines recommended by the Alagh Committee at the national level based on minimum nutritional requirements.
- However, it disaggregated them into **state-specific poverty lines** in order to reflect the inter-state price differentials.
- It suggested their updating using the Consumer Price Index of Industrial Workers (CPI-IW) in urban areas and Consumer Price Index of Agricultural Labour (CPI-AL) in rural areas rather than using National Accounts Statistics. This assumed that the basket of goods and services used to calculate CPI-IW and CPI-AL reflect the consumption patterns of the poor.
- These recommendations led the erstwhile Planning Commission to adopt the practice of calculating poverty levels in rural and urban areas in the states using state-specific poverty lines together with the national estimates from 1997 to 2004-05. Over the years, this method lost credibility. The price data were flawed and successive poverty lines failed to preserve the original calorie norms.

4.1.2.5 Tendulkar Committee (2005)

In 2005, another expert group chaired by **Suresh Tendulkar** was constituted to review the methodology for poverty estimation. It was to do address the three key shortcomings of the previous methods:

(i) Poverty estimates being linked to the 1973-74 poverty line baskets (PLBs) of goods and services did not reflect significant changes in consumption patterns of poor over time;
(ii) Issues with the adjustment of prices for inflation, both spatially (across regions) and temporally; and
(iii) Presumption of provision of health and education by the State only.

The Expert Group submitted its report in 2009. **It did not construct a poverty line and adopted the officially measured urban poverty line of 2004-05** (25.7%) based on Expert Group (Lakdawala) methodology. It worked backward for specifying poverty lines that generated such a poverty rate. The Tendulkar Committee **suggested several changes** to the way poverty was measured.

- **Firstly**, it recommended a **shift away** from basing the poverty lines from calorie norms used in all poverty estimations since 1979 and towards target nutritional outcomes instead.
- **Secondly**, instead of two separate **poverty line basket (**PLBs) for rural and urban poverty lines, it recommended a **uniform all-India urban PLB** across rural and urban India.
- **Thirdly**, it recommended using Mixed Reference Period (MRP) based estimates, as opposed to Uniform Reference Period (URP) based estimates used in earlier methods for estimating poverty. During previous methodologies, a 'uniform reference period' was used that included 30 days just before the survey for all food and nonfood items. But Tendulkar group changed 'reference period' to past one year for 5 nonfood items viz., clothing, footwear, durable goods, education and institutional medical expenses. For other items 30 days reference period was retained. This is called 'Mixed reference period'.
- **Fourthly, i**t recommended incorporation of private expenditure on health and education while estimating poverty. It validated the poverty lines by checking the adequacy of actual private consumption expenditure per capita near the poverty line on food, education and health by comparing them with normative expenditures consistent with nutritional, educational and health outcomes respectively.

Instead of monthly household consumption, consumption expenditure was broken up into per person per day consumption, resulting in the figure of Rs 32 and Rs 26 a day for urban and rural areas. The national poverty line for 2011-12 was estimated at Rs. 816 per capita per month for rural areas and Rs. 1,000 per capita per month for urban areas.

The following table outlines the manner in which the percentage of population below the poverty line changed after the application of the Tendulkar Committee's methodology. (For the year 2004-05)

Committee	Rural	Urban	Total
Lakdawala Committee	28.3	25.7	27.5
Tendulkar Committee	41.8	27.5	37.2

4.1.2.6 Rangarajan Committee (2014)

Due to widespread criticism of Tendulkar Committee approach as well as due to changing times and aspirations of people of India, Rangarajan Committee was set up in 2012. This Committee submitted its report in June 2014.

- It reverted to the practice of having separate all-India rural and urban poverty line baskets and deriving state-level rural and urban estimates from these.
- It recommended separate consumption baskets for rural and urban areas which include food items that ensure recommended calorie, protein & fat intake and non-food items like clothing, education, health, housing and transport.
- This committee raised the daily per capita expenditure to Rs 47 for urban and Rs 32 for rural from Rs 32 and Rs 26 respectively at 2011-12 prices. Monthly per capita consumption expenditure of Rs. 972 in rural areas and Rs. 1407 in urban areas is recommended as the poverty line at the all-India level.

The government did not take a call on the report of the Rangarajan Committee.

<u>**Differences between Rangarajan and Tendulkar Committee:**</u>

To understand the recommendations of Rangarajan Committee better, we will study the **differences between the recommendations of Tendulkar Committee and Rangarajan Committee.**

Committees	Tendulkar	Rangarajan
Set up by	Planning Commission	Planning Commission
Set up in	2005	2012
Submitted report	2009	2014
Poverty estimation method	Per capita Expenditure monthly	Monthly Expenditure of family of five
Urban Poverty Line Per Day Per Person	33	47
Urban Poverty Line Per Month Per Person	1000	1407
Urban Poverty Line Per Month, Family of Five Members	5000	7035
Rural Poverty Line Per Day Per Person	27	32
Rural Poverty Line (Rs) Per month Per Person	816	972
Rural poverty line (Rs) Per month Family of five members	4080	4860
BPL (Below Poverty Line) in crore	27 crore	37 crore
Calorie Expenditure	Only calorific value in expenditure	Calorie + Protein + Fat
Calories in rural areas	2400	2155
Calories in urban areas	2100	2090
Main Focus areas	Only counts expenditure on food, health, education, clothing	1. Food 2. Non – food items such as education 3. Healthcare 4. Clothing 5. Transport 6. Rent 7. Non-food items that meet nutritional requirements.

The table given below shows the total number of poor as per both the committees' estimations.

Committee	No. of Rural poor	No. of urban poor	Total	Percent of poor
Rangarajan committee	260.5 million	102.5 million	363 million	29.5
Tendulkar Committee	216.5 million	52.8 million	269 million	21.9%
Difference	44 million	49.7 million	5.7 million	

Data Collection Method
- **Uniform Resource Period (URP):** Till 1993-94, the poverty line was based on URP data, which involved asking people about their consumption expenditure across a 30-day recall period, i.e, information was based on the recall of consumption expenditure in the previous 30 days.
- **Mixed Reference Period (MRP):** From 1999-2000 onwards, the NSSO switched to an MRP method which measures consumption of five low-frequency items (clothing, footwear, durables, education and institutional health expenditure) over the previous year, and all other items over the previous 30 days.

4.2 Release of Poverty Line Estimates

The erstwhile Planning Commission released the estimates of poverty as number of persons below poverty line as a percentage of Indian population for the years 1973-74, 1977-78, 1983, 1987-88, 1993-94, 1999-2000, 2004- 05, 2009-10 and 2011-12 respectively. In July 2013, based on the Tendulkar poverty line, Planning Commission released poverty data for 2011-12. The number of poor in the country was pegged at 269.8 million or 21.9% of the population. **After this, no official poverty estimates in India have been released.**

An expert committee set up by Ministry of Labour and Employment (MoLE) has recommended a national minimum wage of Rs 375, up from Rs 176 (as of June 1, 2017), while reducing the calorie intake (per person and per day) from 2,700 to 2,400.

4.3 International Indices to Measure Poverty

World Bank defines poverty as deprivation in well-being comprising many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Various international efforts to measure poverty along with implications for India are briefly discussed below:

4.3.1 Global Multi-Dimensional Poverty Index (MPI)

Launched in 2010 by the United Nations Development Program (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI), the MPI is a measure of multidimensional poverty covering more than 100 developing countries. It goes beyond income as the sole indicator for poverty and

Global MPI: Dimensions, Indicators & Weights
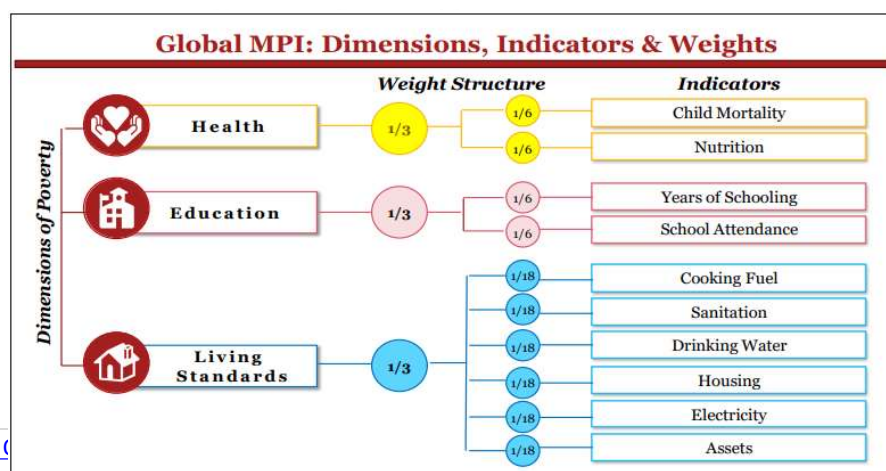
tracks deprivation across three dimensions and 10 indicators as indicted below:

- **Education**: Years of schooling and child enrollment (1/6 weightage each, total 2/6);
- **Health:** Child mortality and nutrition (1/6 weightage each, total 2/6);
- **Standard of living**: Electricity, flooring, drinking water, sanitation, cooking fuel and assets (1/18 weightage each, total 2/6).

A person is multi-dimensionally poor if she/he is deprived in one third or more (means 33% or more) of the weighted ten indicators. Those who are deprived in one half or more of the weighted indicators are considered living in extreme multidimensional poverty. The MPI ranges from 0 to 1, higher values implying higher poverty. It is the product of the incidence of poverty (proportion of poor people) and the intensity of poverty (average deprivation score of poor people). Presently, it is the most comprehensive measure of multidimensional poverty compared to the conventional methodology that measures poverty only in income or monetary terms.

4.3.2 World Bank's Poverty line

Presently, the World Bank defines extreme poverty as living on less than $1.90 a day, measured in 2011 purchasing power parity prices. However, measuring poverty through headcount ratios fails to capture the intensity of poverty – individuals with consumption levels marginally below the poverty line are counted as being poor just as individuals with consumption levels much further below the poverty line. World Bank has developed the 'poverty gap index' as an alternative way of measuring poverty that measures the intensity of poverty, by calculating the amount of money required by a poor household in order to reach the poverty line. In other words, it calculates the income or consumption shortfall from the poverty line.

5   Poverty related Sustainable Development Goals (SDGs)

- The Sustainable Development Goals (SDGs), otherwise known as the **Global Goals**, are a universal call to action to **end poverty, protect the planet and ensure that all people enjoy peace and prosperity.**
- On 1 January **2016**, the **17** Sustainable Development Goals (SDGs) of the **2030 Agenda for Sustainable Development with 169 targets** — adopted by world leaders in September **2015 at an historic UN Summit — officially came into force**.

- Over the **next fifteen years**, with these new Goals that universally **apply to all countries** will mobilize efforts to end all forms of **poverty, fight inequalities and tackle climate change while ensuring that no one is left behind.**
- The SDGs are built on the success of the **Millennium Development Goals (MDGs) (from 2000-2015)** and aim to go further to **end all forms of poverty**.

- There are **17** Sustainable Development Goals and each goal has **specific targets (total 169 targets)** to be achieved over the **next 15 years**.

6 Employment Generation in India

India's working age population (15-64 years) is now around 67% of the total, as against just short of 60% in 2001.

Working Age Population
The working age population is defined as those aged 15 to 64. The basic indicator for employment is the proportion of the working age population aged 15-64 who are employed.

Demographic Dividend
Demographic Dividend refers to a demographically linked economic boost caused by a rise in the working age population (15-59 years or in some cases 15-64 years) and consequent drop in the dependency ratio. A country is expected to reap the demographic dividend when share of its working population is larger than share of its non-working population. India is currently going through a phase of demographic dividend.

Dependency Ratio
Dependency ratio refers to the ratio of persons of ages under 15 years and over 64 years to the persons of ages 15-64 years. The persons below 15 years and above 64 years are defined dependent while persons between 15-64 years age are defined as economically productive.

7 Types of Unemployment in India

Unemployment
Unemployment may be defined as "a situation in which the person is capable of working both physically and mentally at the existing wage rate, but does not get a job to work".
In other words, unemployment means only involuntary unemployment wherein a person who is willing to work at the existing wage rate does not get a job.

7.1 Open Unemployment
- Open unemployment is a situation where in a large section of the labour force does not get a job that may yield them regular income.
- They are able to work and are also willing to work but there is no work for them.
- This type of unemployment can be seen and counted in terms of the number of unemployed persons. Hence it is called open unemployment.
- Naked unemployment is another term used for open unemployment. The labour force expands at a faster rate than the growth rate of economy. Therefore, all people do not get jobs.
- For example, a person unable to find a work on account of migration from rural to urban areas is said to be openly unemployed.

7.2 Structural Unemployment
- It occurs due to structural changes in the economy.
- Structural changes can be due to change in technology (from labour intensive technology to capital intensive technology) or change in the pattern of demand.

- **Thus, structural unemployment** is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market.
- In a developing country like India, structural unemployment exists both in the rural and the urban areas.
- For example, if a particular job which is currently being done by a number of workers is replaced by automation, then these workers would be rendered unemployed due to the automation process.

7.3 Frictional Unemployment
- It occurs when a worker is shifting from one job to the other.
- During the mobility period, he may unemployed for some time.
- It is a temporary phenomenon. In other words, Frictional unemployment is the time period between jobs when a worker is searching for, or transitioning from one job to another.
- It is sometimes called search engine and can be voluntary based on the circumstances of the unemployed individual.

7.4 Cyclical Unemployment
- It occurs because of cyclical fluctuations in the economy.
- Phases of boom, recession, depression and recovery are typical characteristics of a capitalist economy.
- In boom phase, high level of economic activity results in high level of employment whereas recession and depression phases marked with low demand results in more unemployment and during the recovery phase unemployment is slowly reduced.

7.5 Under-employment
- It is a situation under which employed people are contributing to production less than they are capable of.
- It can be in terms of time (visible under-employment) or type of work (invisible under-employment).
- Part-time workers come under this category.

7.6 Disguised Unemployment
- A disguisedly unemployed person is the one who seems to be employed but actually he is not.
- His contribution to the total output is zero or negligible.
- When more people are engaged in a job than actually required, a state of disguised unemployment is created. It is mostly seen in rural areas.
- For example, if in an agriculture field, 5 people are working to cultivate a crop. Suppose, the yield obtained is x. Now due to some reason, next year, 2 people were unavailable and only 3 people were doing exactly the same work done last year. At the end, the yield obtained is again x. This means that those two people were actually disguisedly unemployed in the year when all 5 were working because even their absence did not result in any decrease in the yield. To sum up, their contribution to the output was zero.

7.7 Seasonal Unemployment
- It occurs only during seasonal months of the year.
- In India, it is very common in agriculture sector. In certain type of industries also this type of unemployment is found.
- Disguised unemployment and seasonal unemployment are two most common types of unemployment found in rural India particularly in farm sector.

7.8   Casual Unemployment

- In industries such as building construction, catering or agriculture, where workers are employed on a day- to-day basis, there are chances of casual unemployment occurring due to short-term contracts, which are terminable any time.
- Thus, when a worker's contract ends after the completion of work, he has to find a job elsewhere, which he is likely to get depending on circumstances or he may get a fresh contract with the same firm when some new work is started.

7.9   Chronic Unemployment

- When unemployment tends to be a long-term feature of a country it is called "chronic unemployment."
- Underdeveloped countries suffer from chronic unemployment on account of the vicious circle of poverty.
- Lack of developed resources and their underutilization, high population growth, backward, even primitive state of technology, low capital formation, etc. are the major causes of chronic unemployment in underdeveloped economies.

7.10 Vulnerable Employment

- This means, people working informally, without proper job contracts and thus sans any legal protection. These persons are deemed 'unemployed' since records of their work are never maintained.
- It is one of the main types of unemployment in India.

8   Measurement of Unemployment

There are **three measures or estimates** of unemployment. These are developed by National Statistical Office (NSO).

8.1   Usual Status Unemployment

- Also known as open unemployment or chronic unemployment. This approach estimates only those persons as unemployed who had **no gainful work for a major time during the 365 days** preceding the date of survey.

Related Terms
Labour force
Labor force is the total number of people employed or seeking employment in a country or region. (Thus, labour force constitutes of both employed and unemployed).

Unemployment Trap
It is a situation when unemployment benefits discourage the unemployed to go to work. People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing.

8.2   Weekly Status Unemployment

This approach records only those persons as unemployed who **did not have gainful work even for an hour on any day of the week** preceding the date of survey.

8.3 Current Daily Status Unemployment
Under this approach, unemployment status of a person is measured for each day in a reference week. A person having **no gainful work even for 1 hour in a day** is described as unemployed for that day.

9 How is employment measured in India?
Note: *The latest updates on any of the surveys shall be covered as part of the EduTap's ESI and Finance monthly current affairs magazine. If there is any data mentioned, kindly use it to get an idea regarding the situation of unemployment in India.*

On the broader level, there are two institutions measuring **employment in India**:

1. **Labour Bureau**
2. **National Statistical Office (NSO)**

Now, we have seen the institutions, let us have a look at the sources of employment data in India. There is a total of four **potential sources:**

- ✓ Household surveys
- ✓ Enterprise surveys
- ✓ Administrative data
- ✓ Data from Government schemes

9.1 Household Surveys
Under the household surveys, the following are the datasets:

9.1.1 The Periodic Labour Force Survey (PLFS)
- NSO had launched a new employment-unemployment survey, namely, Periodic Labour Force Survey (PLFS).
- It is a continuous/regular survey for generating estimates of various labour force indicators on quarterly basis for urban areas and annual basis for both rural and urban areas, at State/UT and all-India level.

9.1.2 Population Census
It collects data on main, marginal and non-workers. The Census comes once in 10 years. The latest Census was conducted in 2011.

9.2 Enterprise Survey
The following are the datasets released for the enterprises:

Survey/Report	Remarks
The Economic Census by MOSPI	Covers all the non-agricultural economic activities, thus both industries and service sectors are covered. The First one was conducted in 1977. The latest one i.e., 7th Economic Census was conducted in 2019

9.3 Administrative data-sets
- The key sources of administrative data include the Employees' Provident Fund Organization (EPFO), the Employees' State Insurance Corporation (ESIC), the National Pension Scheme (NPS) and other similar sources relating to large private organizations.

- These surveys have their own limitations. Like in case of EPFO, firms with more than 20 workers are only required to contribute to EPFO.

9.4 Government Schemes

There are various government schemes giving employment to crores of people in India. So, the data collected as part of these schemes also acts an important source of employment data generation.

Unemployment rate:

It is the **percent of the labor force** that is **without work**.

Unemployment rate = (Unemployed workers / Total Labour Force) * 100

Labour Force Participation Rate (LFPR):

Labour Force Participation Rate (LFPR) is defined as the number of persons in the labour force per 1000 persons.

$$LFPR = \frac{no.\,of\,employed + no.\,of\,unemployed\,persons}{Total\,population} \times 1000$$

Worker Population Ratio (WPR):

Worker Population Ratio (WPR) is defined as the number of persons employed per 1000 persons.

$$WPR = \frac{no.\,of\,employed\,persons}{Total\,population} \times 1000$$

Indian economy is such that a major portion of the population comes under the unorganized sector. The data given below emphasizes this fact:

9.5 Share of Employment across Organized –Unorganized Sectors in (Source: Economic Survey 2021-22)

Type of Employment	Organized	Unorganized	Total
2017–18			
Formal	4.43	0.28	4.70
Informal	4.62	37.79	42.43
Total	9.05	38.07	47.13
2018–19			
Formal	4.91	0.45	5.35
Informal	4.55	38.87	43.43
Total	9.46	39.32	48.78
2019–20			
Formal	5.09	0.80	5.89
Informal	4.46	43.19	47.64
Total	9.55	43.99	53.53

9.6 Key differences between the Organized and Unorganized sector

Basis for comparison	Organized sector	Unorganized sector
Meaning	The sector in which the employment terms are fixed and employees have assured work is organized sector	The sector that comprises of small-scale enterprises or units and are not registered with the

		government
Governed by	Various acts like factories act, Bonus act, PF act, Minimum wages act etc.	Not governed by any act.
Government rules	Strictly followed	Not followed
Remuneration	Regular monthly salary	Daily wages
Job security	Yes	No
Working hours	Fixed	Not fixed
Overtime	Workers are paid remuneration for overtime	No provision for overtime
Salary of workers	As prescribed by the government	Less than the salary prescribed by the government.
Contribution to provident fund by employer	Yes	No
Increment in salary	Once in a while	Rarely
Benefits and perquisites	Employees get add on benefits like medical facilities, pension, leave travel compensation, etc.	Not provided.