Economy

Topics ⇒ Unemployment, Concept, type of unemployment and current situation of unemployment in India. Introduction of Economic Reforms.

2014 GS-3

Capitalism has guided the world economy to unprecedented prosperity. However, it often encourages short-sightedness and contributes to wide disparities between the rich and the poor. In this light, would it be correct to believe and adopt Capitalism for bringing inclusive growth in India? Discuss

Capitalism   ⓠ Ⓛ Ⓚ
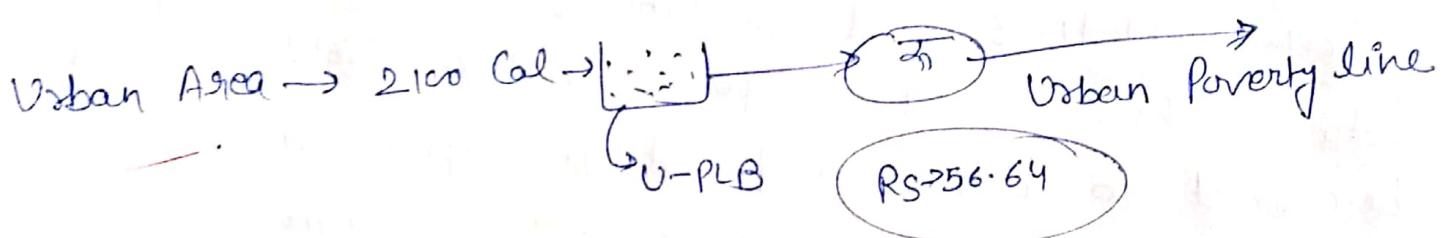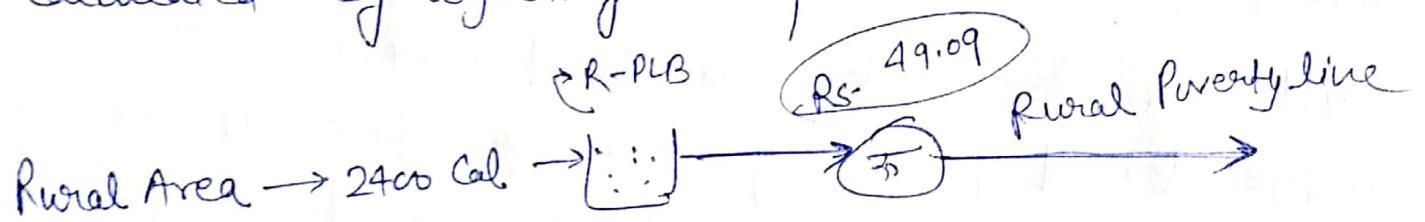
☑ Labour intensive $(L > K)$
☑ Capital intensive $(K > L)$

Y K Alagh

In 1977 the planning commission appointed an expert committee under the chairmanship economist Y K Alagh to develop a methodology for the measurment of poverty. The committee which submitted its report in 1979. The committee constructed a poverty line for rural and urban areas on the basis

② of Calorie requirement for rural areas 2400 Cal. and for urban areas 2100 Cal. The Calories require -ments and related consumption expenditure. and PLB based on 1973-74 base year.

Poverty estimates for subsequent year had been Calculated by adjusting the price level for inflations.

R-PLB   Rs- 49.09   Rural Poverty line

Rural Area → 2400 Cal. → [ ] → ⇒ 🇹 → Rural Poverty line

Urban Area → 2100 Cal → [ ] → 🇹 → Urban Poverty line

U-PLB   Rs>56.64

D.T Lakdawala

Planning commission constituted an expert committee in 1989. under the chairman-ship of DT Lakdawala and committee. assigned to review the existing methodology and suggest recommondation. Committee submitted their report in 1993 with following measures.

1→ Consumption expenditure should be calculated based on Calorie Consumption as earlier.

2. State specific poverty lines should be constructed and these should be updated using the consumer price index of industrial workers for Urban areas

and consumer price index of agricultural labour for rural areas.

✴ This mechanism was adopted by planning commission in 1993 and was used till 2011. when the planning commission adopted Tendulkar's methodology.

1993-94
36%.

2004-05
27·5·/.

8·5·/.

Tendulkar Committee

In 2005 planning commission constituted an expert comittee under the chairmanship of Prof. Suresh Tendulkar to review the existing methodology for estimation of poverty in India. The committee assigned to look into the following issues.

1. Consumption patterns where linked to the 1973-74 poverty line baskets. There are significant changes in the consumption pattern of the poor since that time, which are not reflected in the poverty estimation today.

(4)

2) Earlier Poverty line assumed that health and educations would be provided by state responsbility.

Suresh Tendulkar committee submitted their report in 2009 with the following measures and recommandation

1. Tendulkar committee adopted mixed reference period in place of uniform reference period.

2. It recommanded a shift from Calorie based poverty line basket to Nutritional based poverty line basket.

3. It called / recommanded to include in the PLB the expenditure incurd on health and education.

4. Alagh Committee adopted seprate PLB for urban and rural area but Tendulkar committee ended this practice by using a uniform basket. or PLB for both urban areas and rural areas based on the urban poverty line basket. these changes we are made for the base year 2004-05.

   Poverty line is in the form of
   "Rs Per Capita Per month'

Year	Rural	Urban	Total
2004-05	446.7 (41.8%)	578.8 (25.7%)	37.2%
2011-12	816.0 (25.7%)	1000.0 (13.7%)	21.9%

These expenditure as per expert committee is sufficient to cover food and non-food expenditure including expenditure on health and education.

Rangarajan Committee

In 2012, planning commission constituted an expert committee to review the methodology given by Tendulkar committee under the chairmanship of Shri Rangarajan. Expert group submitted its report in 2014 giving per capita monthly expenditure as rupees ₹ 972 for rural areas and ₹ 1407 for urban areas. as poverty line. Expert group prefered to use monthly expenditure of household of five person for the poverty line. Purpose which is ₹ 4860 for rural areas and rupees ₹ 7035 for urban areas. Expert group accepted that expenditure of household is more appropriate than that of individuals because living together reduces the expenditure. ~~Measure~~ major recommondations are—

(i) It changed / shifted to old system of separate Poverty line Basket for rural and urban areas.

(ii) In place of mixed reference period it modify mixed reference period in which reference period for different items are taken.

a) 365 days for clothing, footwear, education, institutional medical care and durable goods.

b) 7 days for edible oil, egg, fish, meat, vegetable, fruits.

c) 30 days for remaining food items ∧including non or non food items institutional medical care, rent etc -

|	Rural	Urban	All India
2011-12	₹ 972 (30·9 %)	₹ 1407 (264%)	29·5 % (30%)

Redefining Poverty line
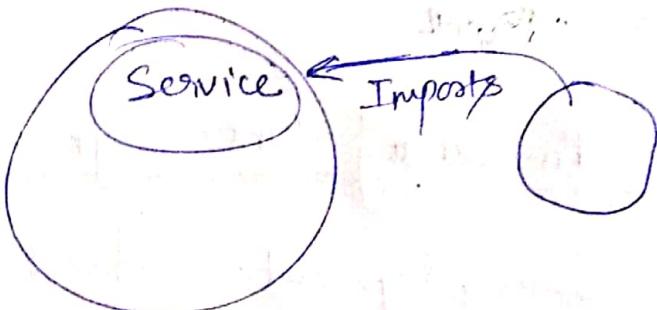
India's poverty needs redefining making it comprehensive enough to take into account all the basic needs of individuals. The determination of a poverty line can not be based on an arbiterory selection of a low level income. only scientific criteria can justify where the poverty line should be drawn and it should be∧based on emparical also study.

GS3/2014

Q. Normally countries shift from Agriculture to Industry and than later to Services, but India shifted directly from Agriculture to Services. What are the reasons for the huge Growth of Services vis-a-vis industry in the country? Can India become a developed country without a strong Industrial base?
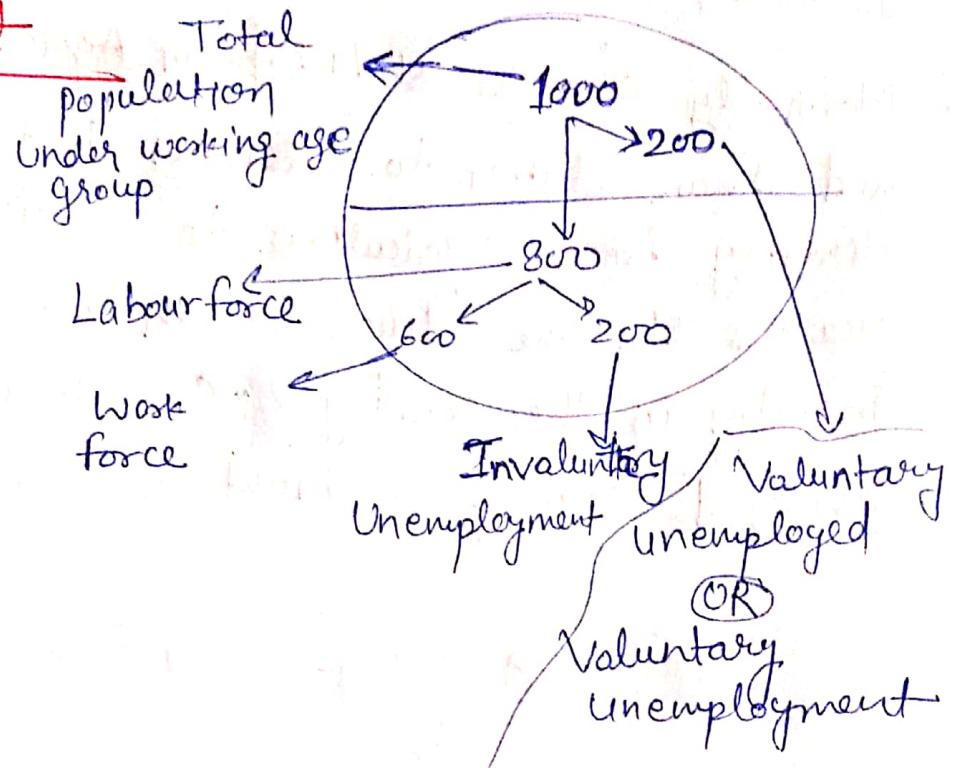
1> Jobless Growth

2> Higher CAD (Current Account Deficit)

3> low Industrial Base

4> Unemployment

Unemployment

Total population under working age group

1000

→ 200

800

Labour force

600 ← → 200

Work force

Involuntary Unemployment / Voluntary unemployed

(OR)

Voluntary unemployment

Unemployment

Unemployment refers to a situation when a person is able and willing to work at the prevailing market base rate but does not get the opportunity to work.

Labour force → It includes all people in the working age group who are able and willing to work. Labour force equals the = (work force + the number of unemployed people). So unemployement referes to only involuntary unemployement. Labour force indicates the supply of Labour in the country.

Labour force Participation Rate (LFPR)

$$\text{LFPR} = \frac{\text{Labour force}}{\text{Total Population under working age group}} \times 100$$

$$= \frac{(\text{Work force} + \text{Unemployed People})}{\text{Total Population under working age group}} \times 100$$