

Reducing rural poverty in developing countries: challenges and opportunities for microenterprises and public employment schemes-
experience from India

Subhasish Dey

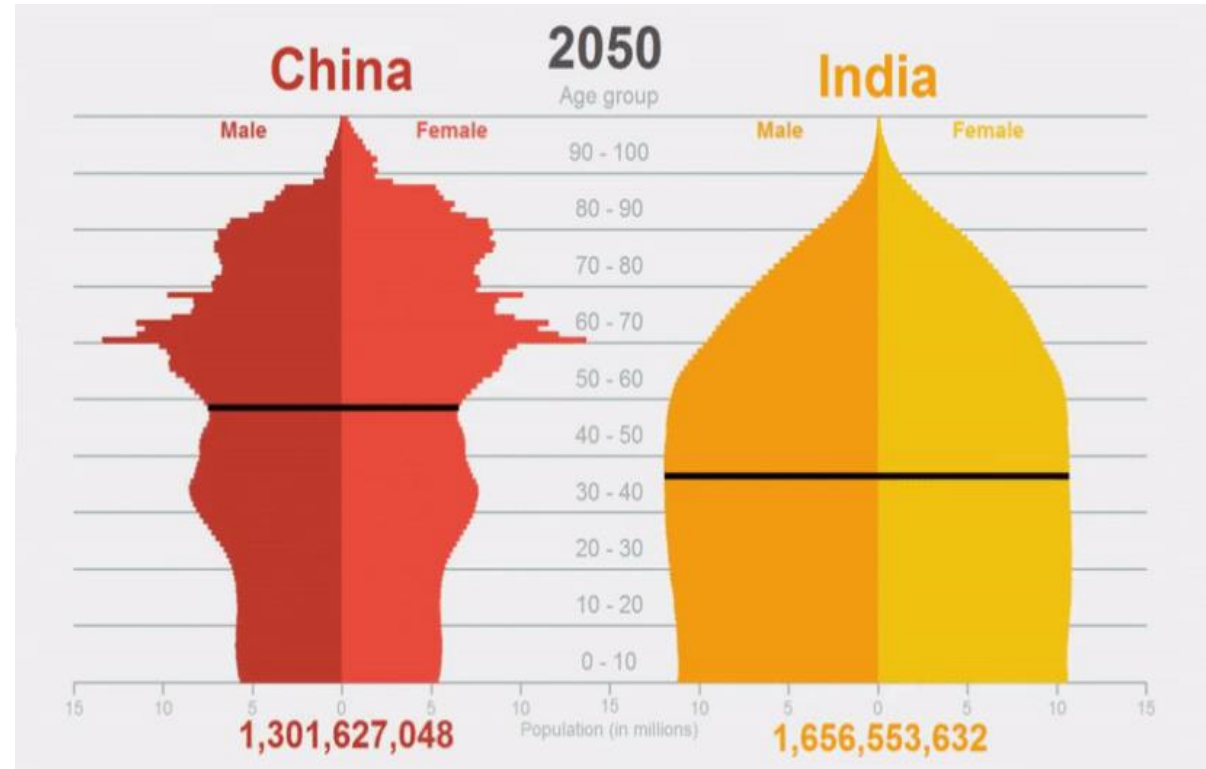
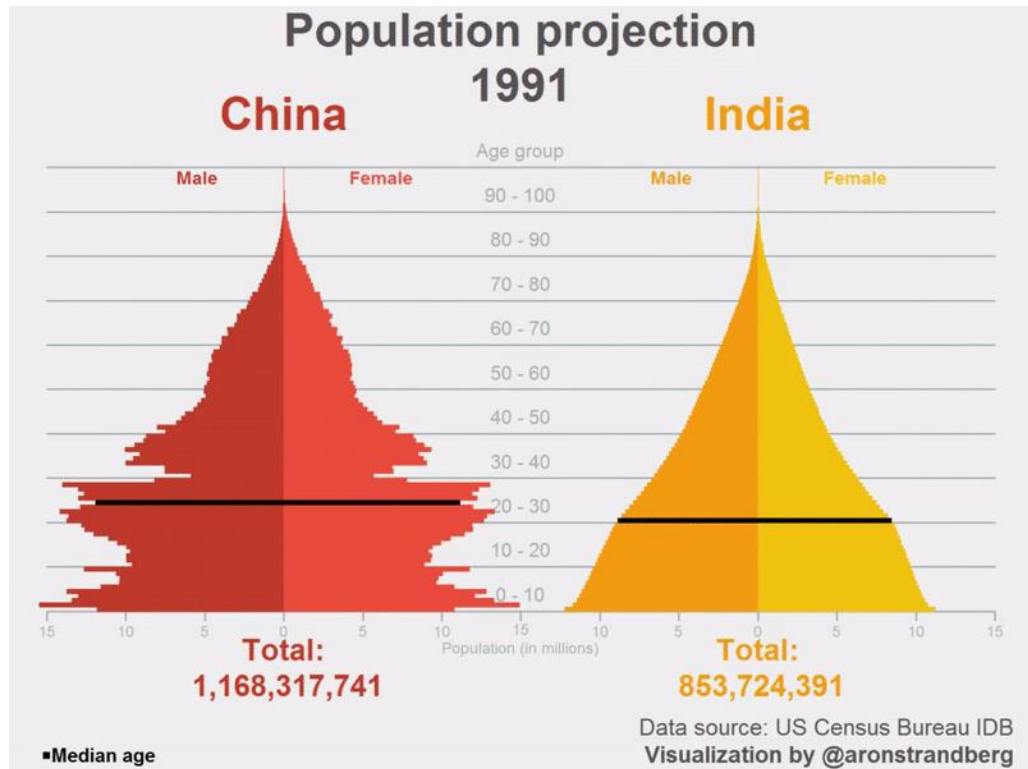
University of Warwick, UK

27th February, 2019

United Nations Economic Commission for Africa ▪ Addis Ababa

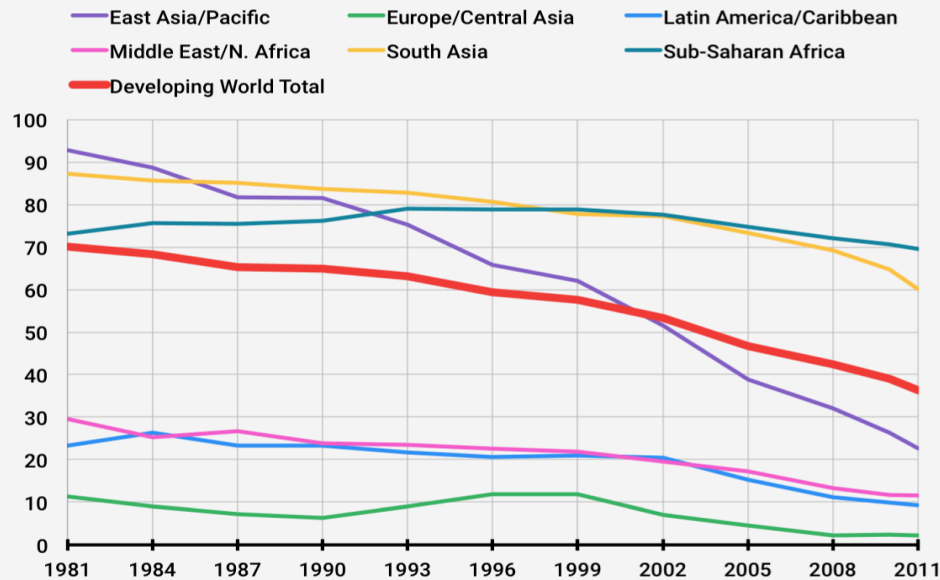
Indian experience through facts and figures

By 2030 India will be most populous country on the earth.



India still the poster boy of global poverty in 21st century

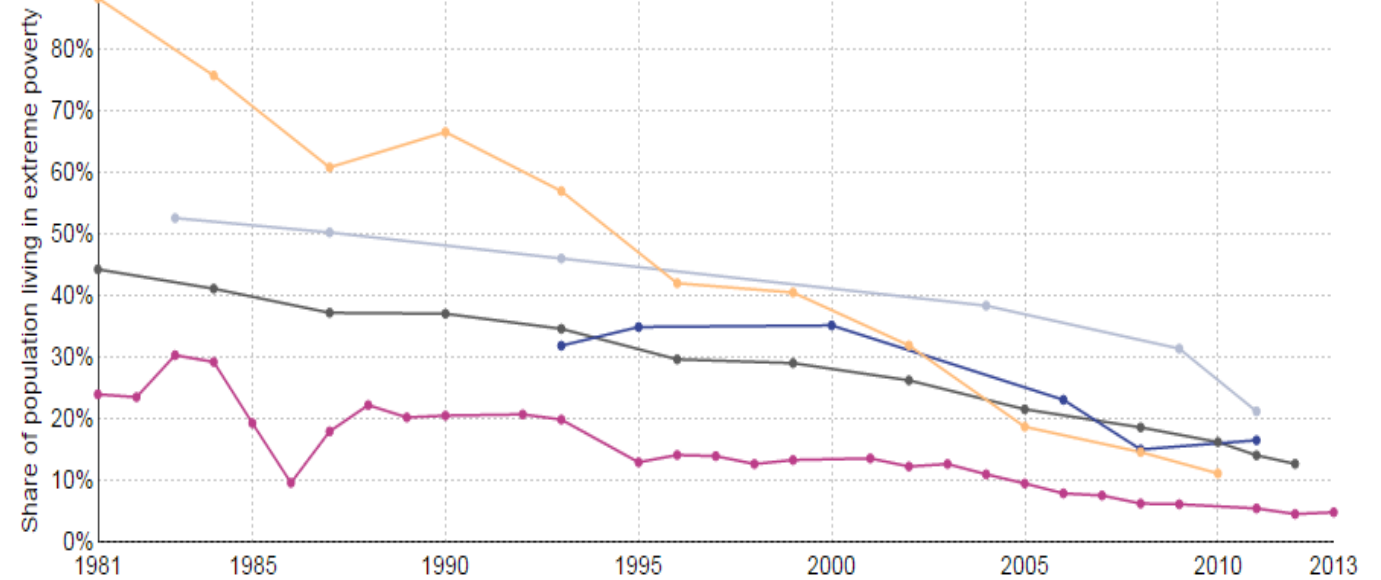
PERCENT OF POPULATION LIVING ON UNDER \$2 PER DAY



SOURCE: World Bank PovcalNet Note: All years are measured in 2005 Purchasing Power Parity international dollars

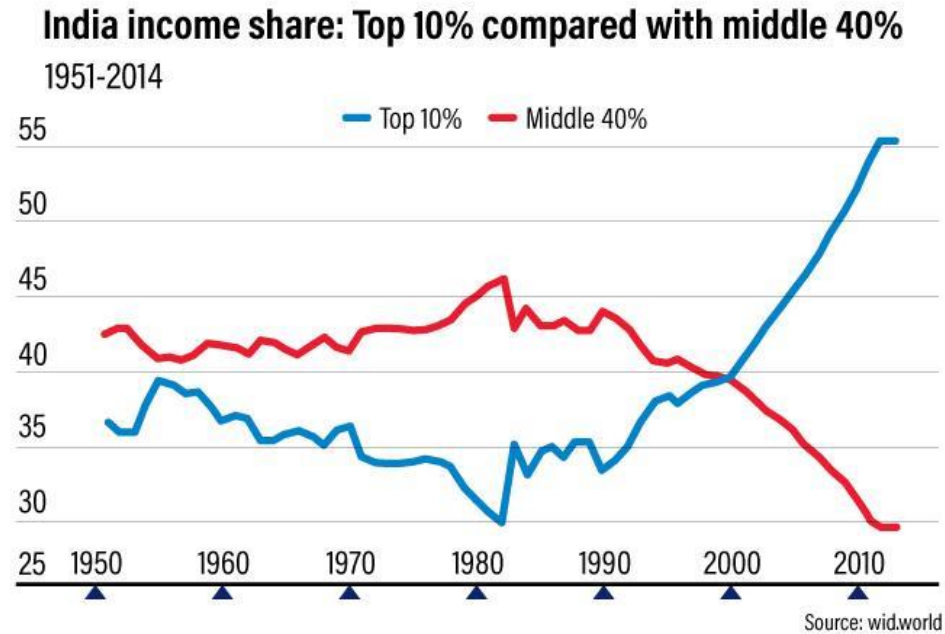
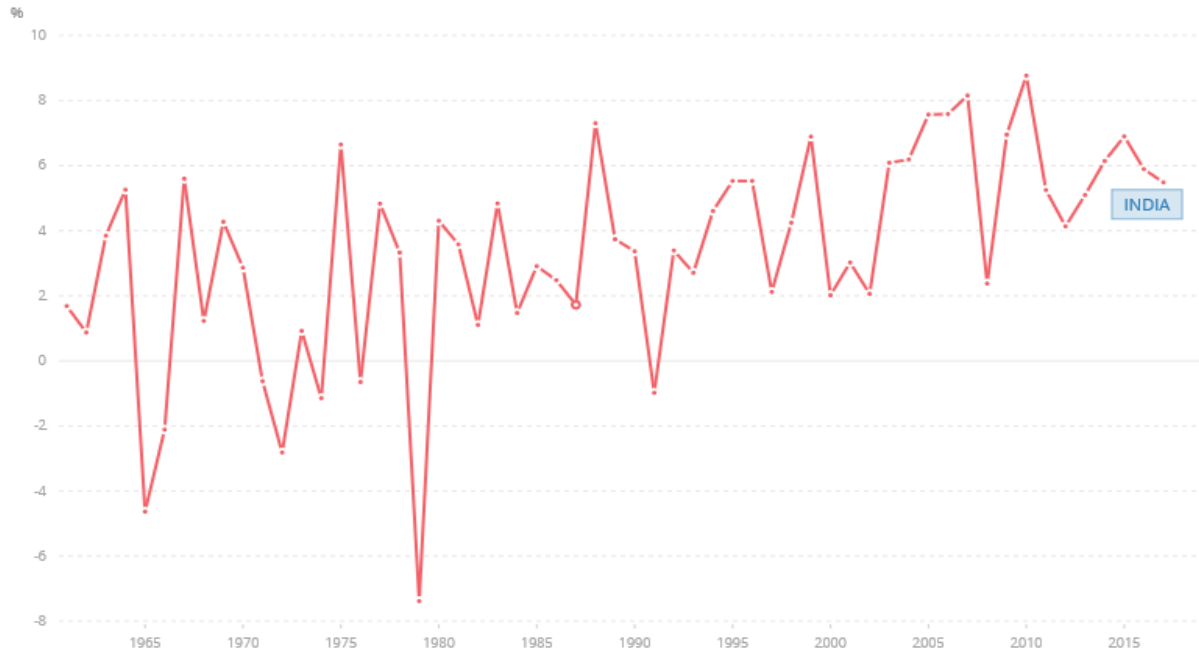
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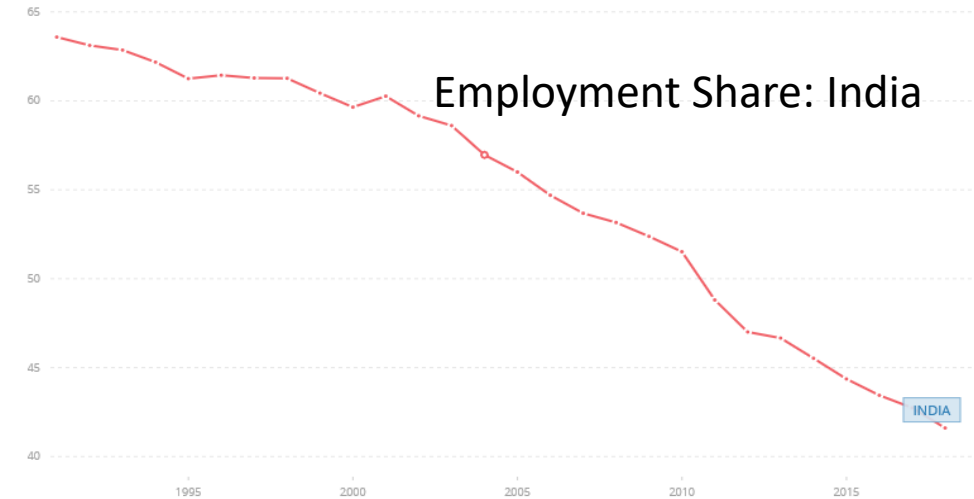
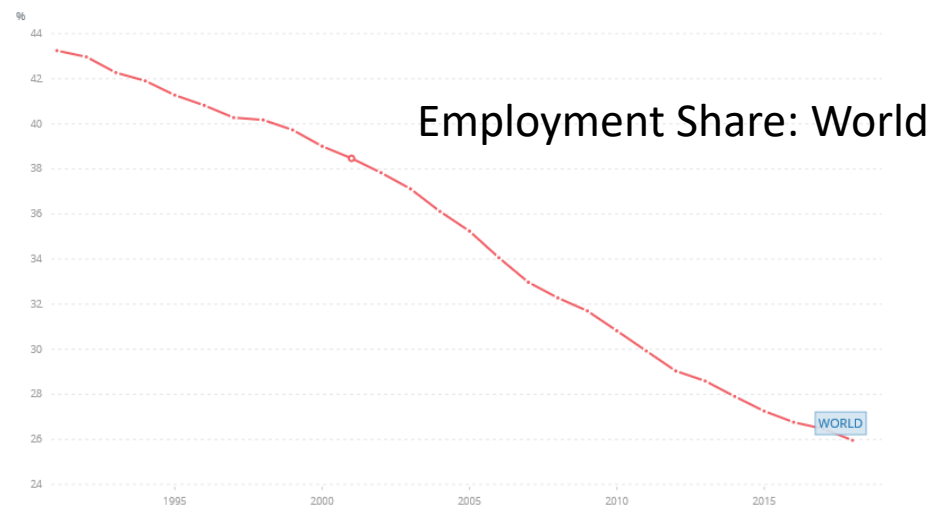
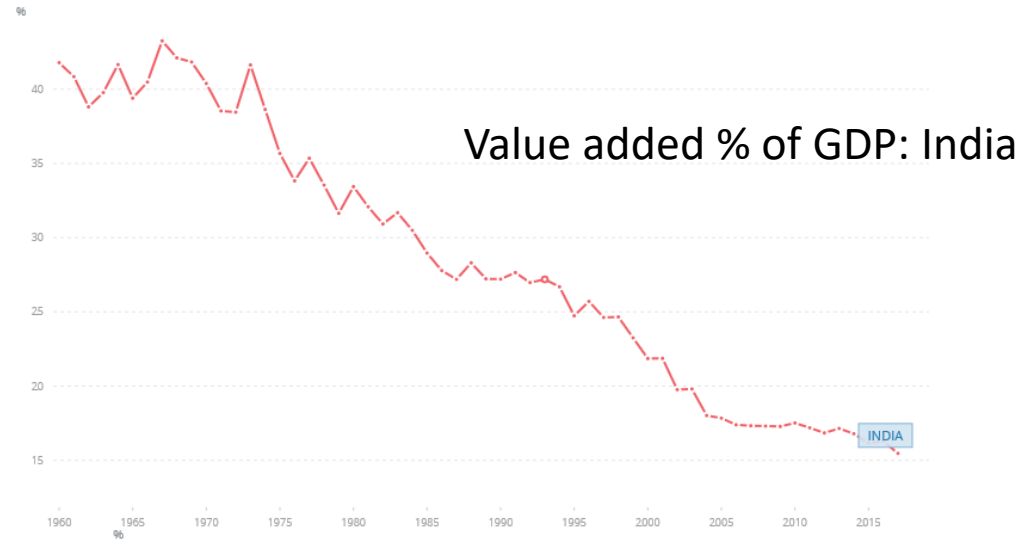
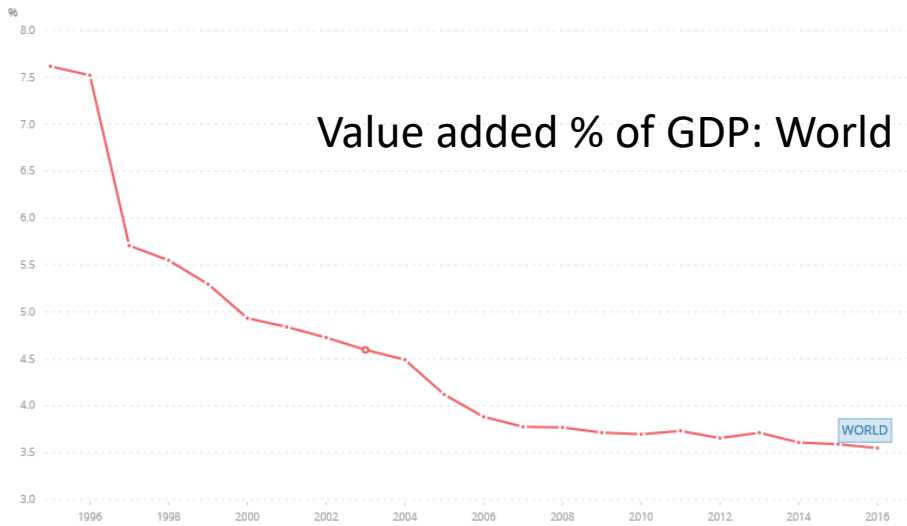


Data obtained from: World Bank – WDI Poverty Headcount (1.9\$; 2011PPPs)

GDP growth and income inequality: The beautiful ugly face

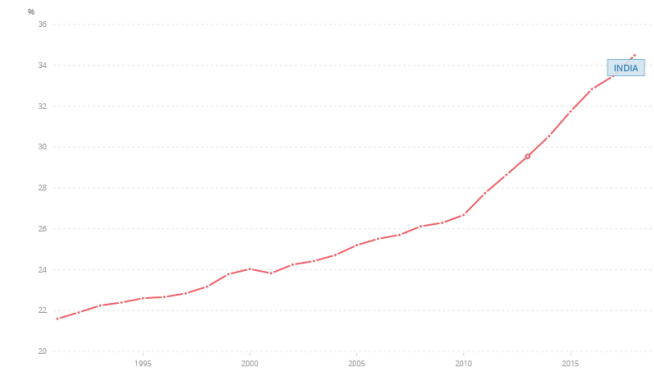
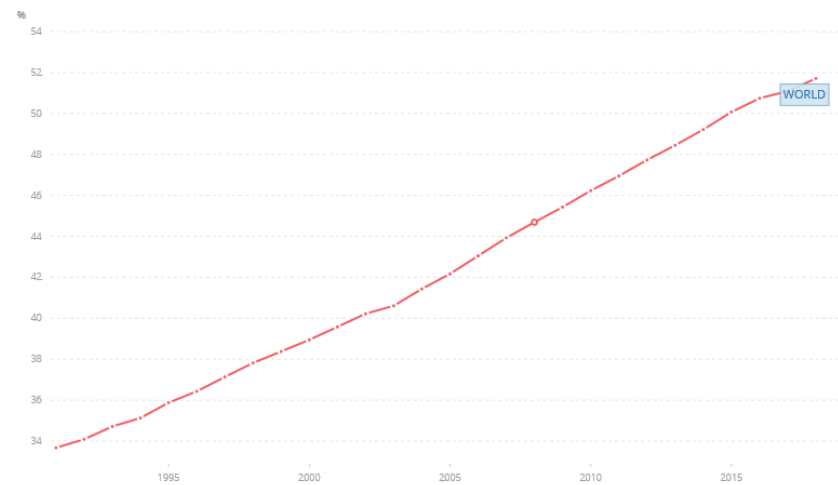
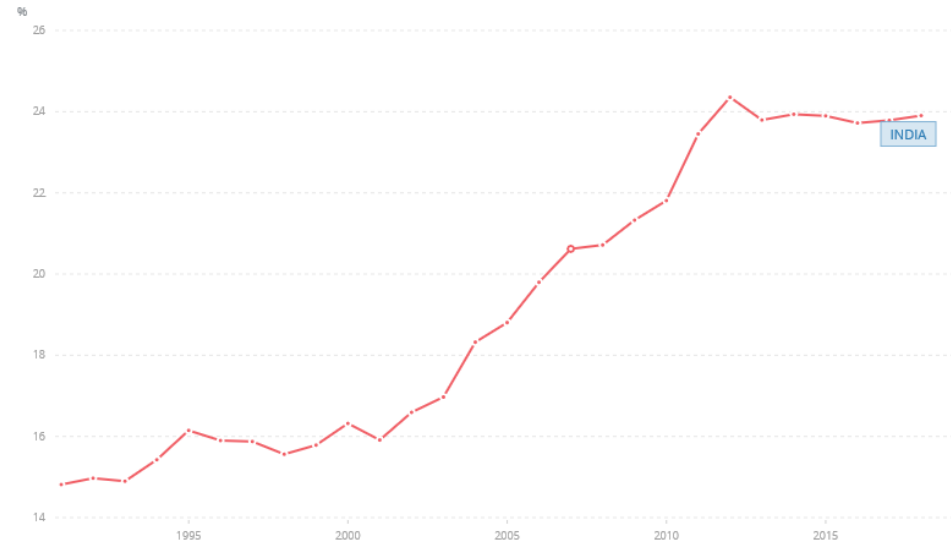


The Farm Sector: Agriculture, forestry, and fishing, value added (% of GDP) and employment share- a comparison with global trend

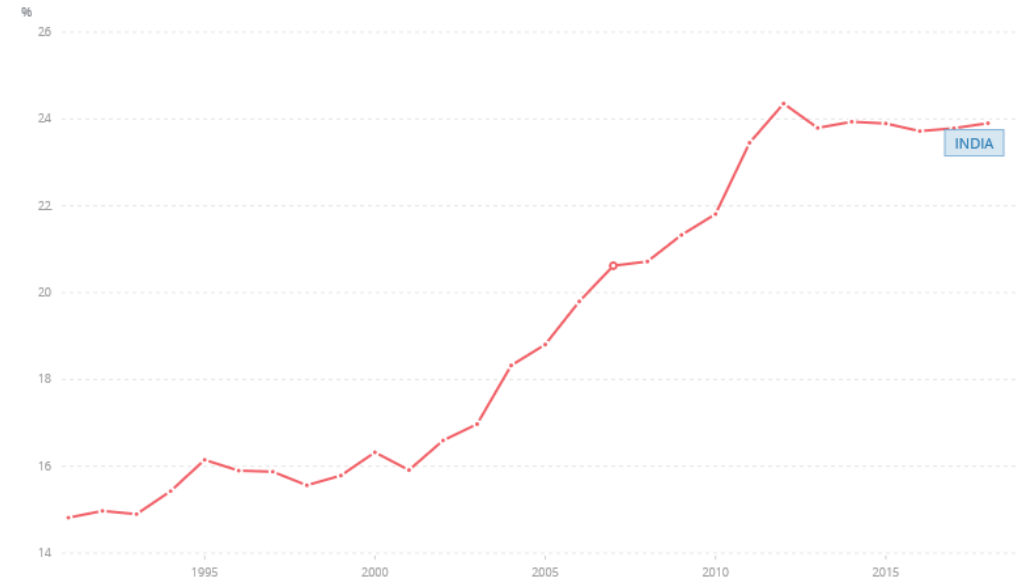
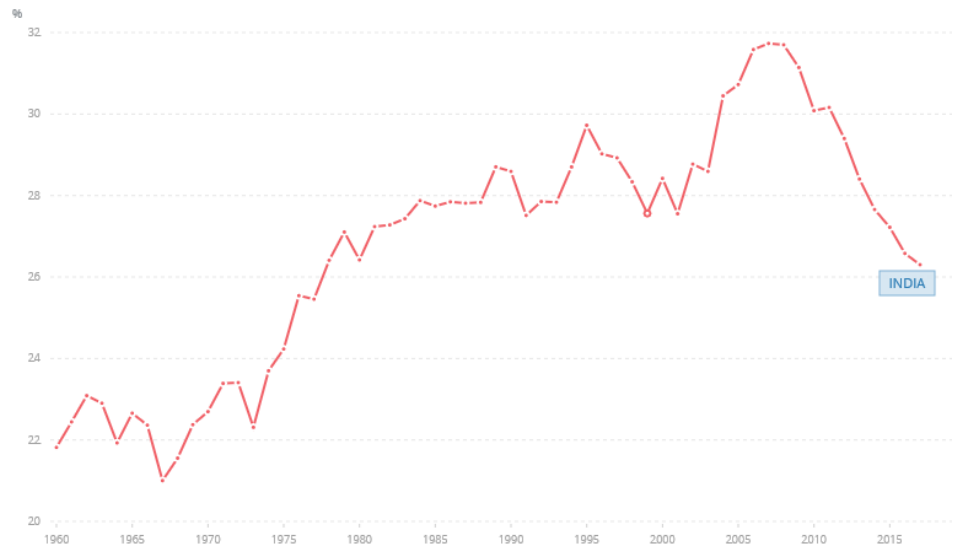


Data Source: World Bank

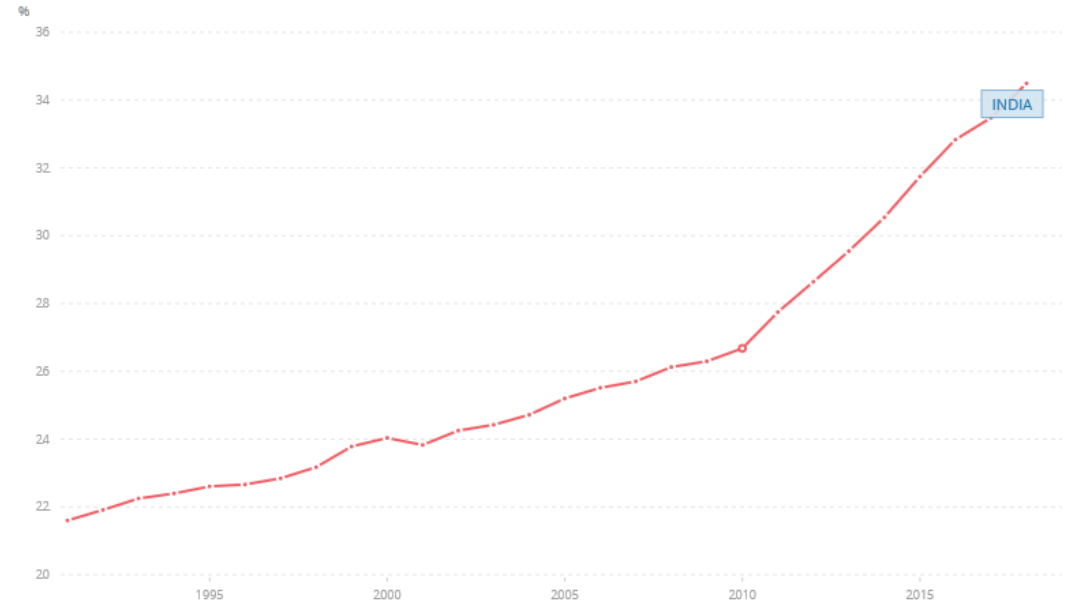
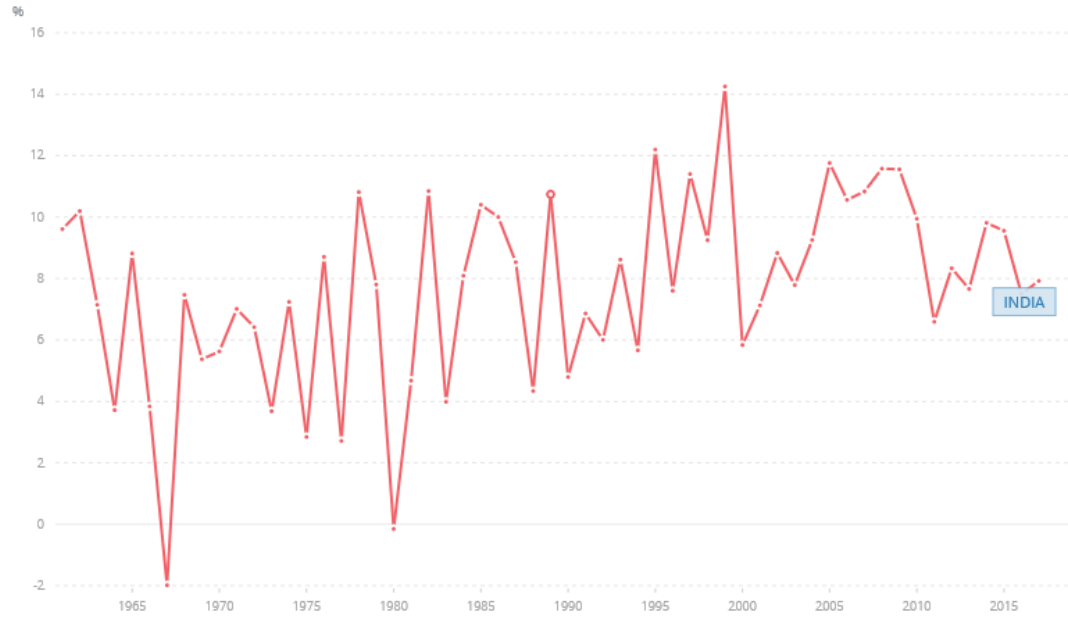
Employment trend In industry and service: World vs India



Industry value added and employment share- India

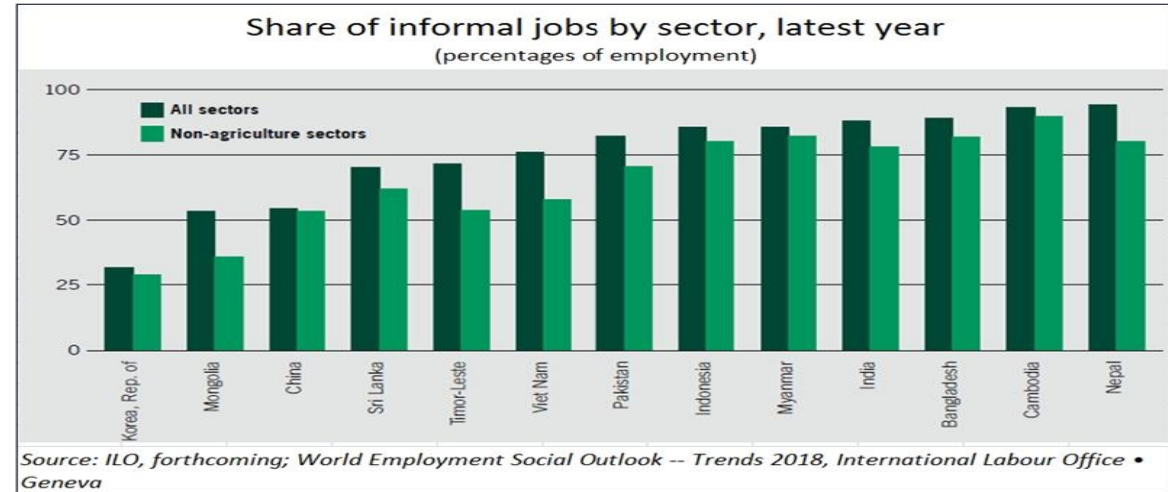
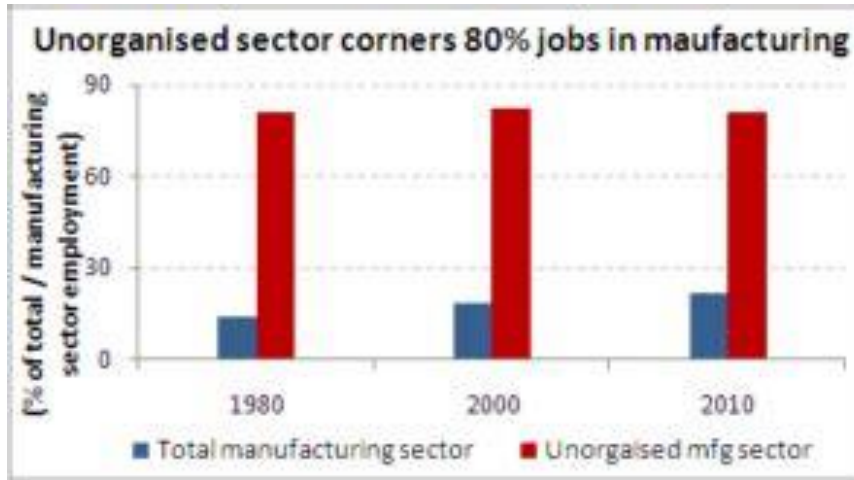


Service sector: value added and employment



Where have the OTHERS gone?

Informal or unorganised sector- The fall back option



Worldwide Informal Employment

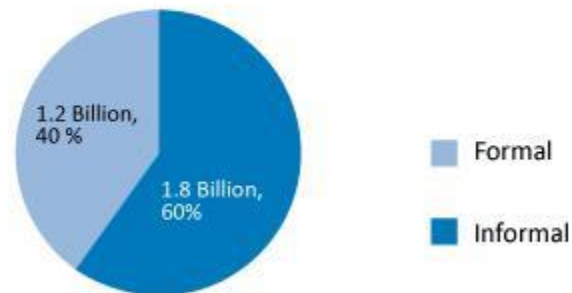
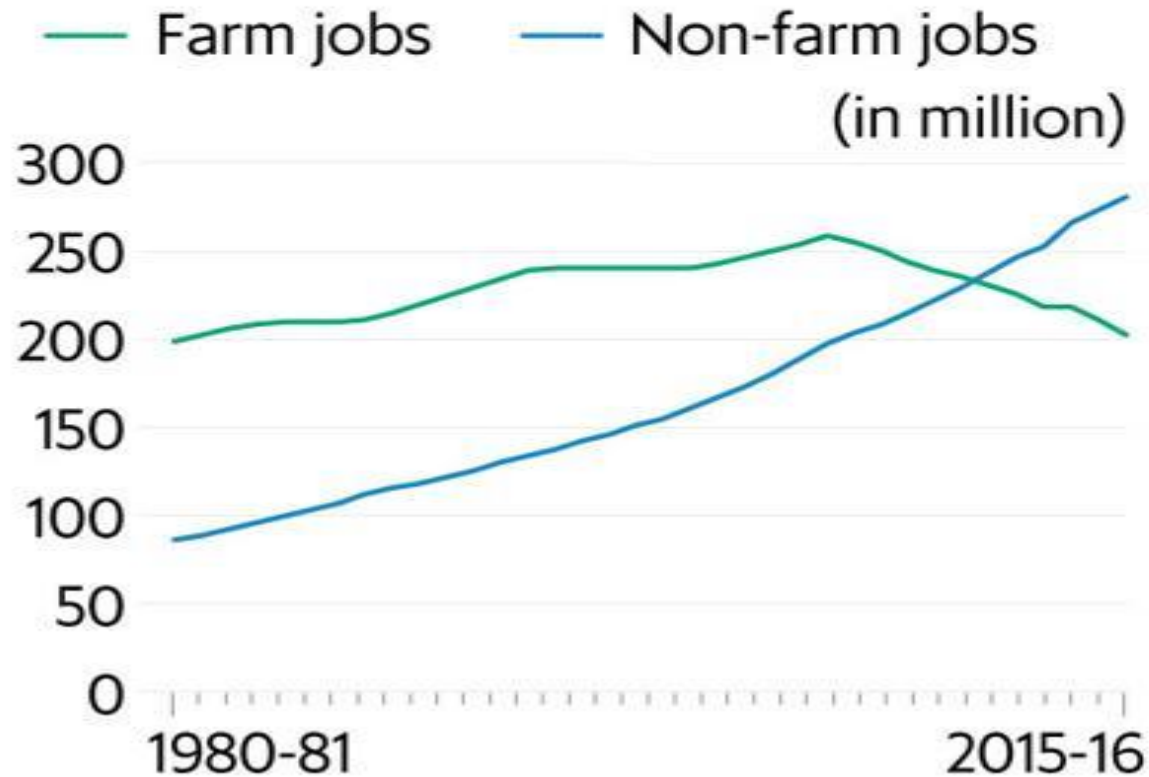


Chart 1

Farm vs non-farm jobs

Farm jobs started declining since the mid-2000s, and non-farm jobs overtook farm jobs at the end of the first decade of the twenty first century.



Source: KLEMS India Database, RBI, Mint calculations

Chart 2

Top 10 job-generators

The construction sector has accounted for more than a third of new jobs in post-liberalization India

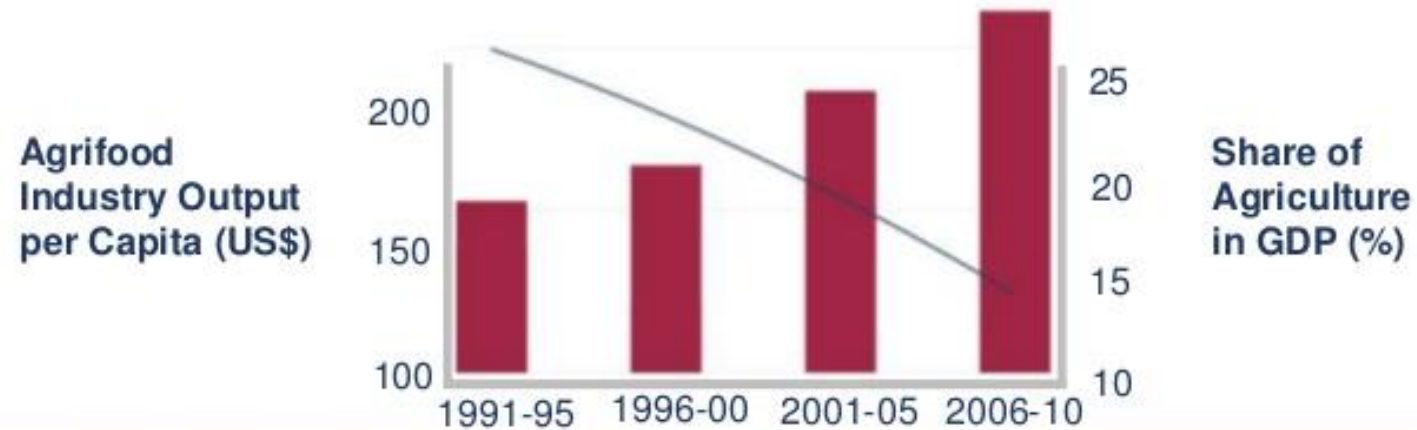
Sectors	Share of new non-farm jobs created between		Share in total workforce in 2015-16 (in %)	Productivity per worker (Rs1,000/worker, in 2015-16)
	1980-81 and 1990-91 (in %)	1990-1991 and 2015-16 (in %)		
Construction	20.13	35.74	14.40	126.56
Trade	24.84	14.56	10.04	235.78
Miscellaneous services (includes real estate brokerage)	7.38	8.43	5.02	415.53
Transport and storage	9.78	7.44	4.29	255.39
Education	3.13	6.26	3.22	222.13
Business services	1.47	5.99	2.18	811.68
Hotels and restaurants	2.49	3.75	1.89	123.53
Gems, jewellery and misc. manufacturing	3.02	2.46	1.43	87.19
Food products, beverages and tobacco	4.92	2.28	2.42	158.72
Financial services	2.42	2.26	1.11	1259.52
Health and social work	0.81	2.07	1.08	290.04

Note: only sectors which account for at least 1% of the total workforce have been considered here.

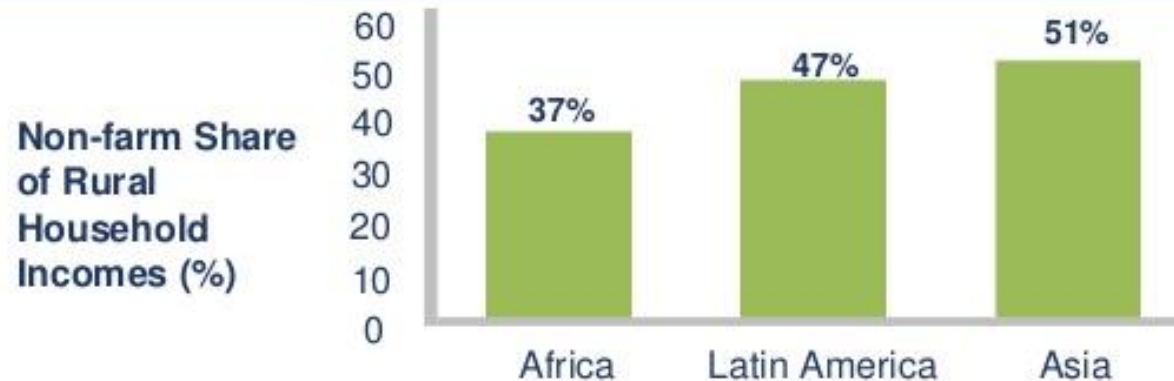
Source: KLEMS India Database, RBI, Mint calculations

Structural transformation in the economy is accompanied by rural transformation

Decrease in agric. share → increases in agric. and agro-industrial productivity



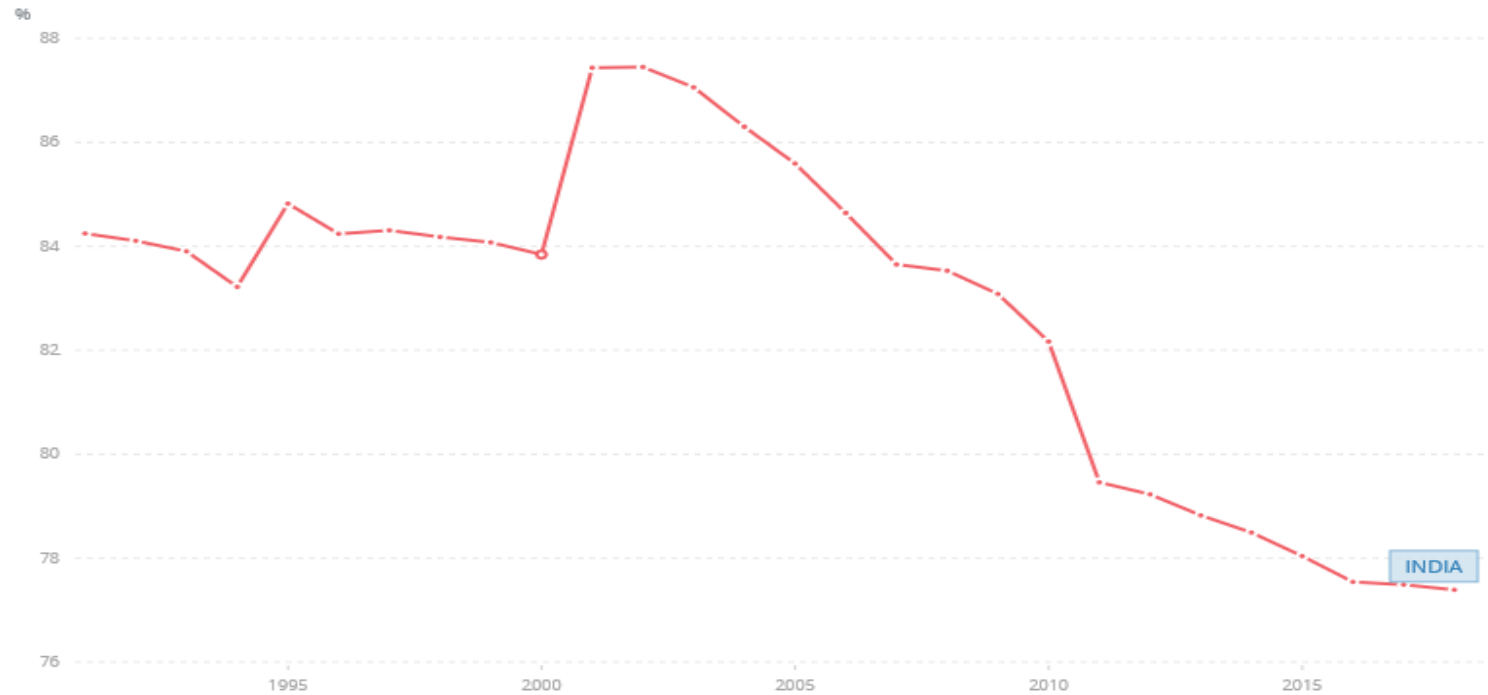
Rural sector has become more diverse



Informality in jobs implies informal social security

- Based on the latest Census (2011) projection there are around 550 million workers in India by 2020
- Out of this, 506 million (92%) workers are in informal/unorganised workers.
- Growth in employment is more in the unorganised sector
- Thus, quality of employment is a problem in informal sector.
- Workers in this sector do not have social security

Vulnerable employment, total (% of total employment) (modelled ILO estimate)



Need for government intervention

Social Security Coverage Scheme for Workers in Unorganised Sector

In order to provide social security benefits to the workers in the unorganised sector, the Government has enacted the Unorganised Workers' Social Security Act, 2008.

- The 2008 Act stipulates formulation of suitable welfare schemes for unorganised workers on matters relating to: (i) life and disability cover, (ii) health and maternity benefits, (iii) old age protection and (iv) any other benefit as may be determined by the Central Government through the National Social Security Board.
- Various Schemes, formulated by the Government to provide social security cover to the unorganized worker, listed in the Schedule I of the above Act are as under:

List of schemes for informal or unorganised sector workers:

- i. Indira Gandhi National Old Age Pension scheme. (Ministry of Rural Development)
- ii. National Family Benefit Scheme. (Ministry of Rural Development)
- iii. Janani Suraksha Yojana. (Ministry of Health and Family Welfare)
- iv. Handloom Weavers' Comprehensive Welfare Scheme. (Ministry of Textiles)
- v. Handicraft Artisans' Comprehensive Welfare Scheme. (Ministry of Textiles)
- vi. Pension to Master Craft Persons. (Ministry of Textiles)
- vii. National Scheme for Welfare of Fishermen and Training and Extension. (Department of Animal Husbandry, Dairying & Fisheries)
- viii. Aam Admi Bima Yojana. (Department of Financial Services)
- ix. Rashtriya Swasthya Bima Yojana. (Ministry of Health and Family Welfare)
- (x) Atal Pension Yojna (APY):
- (xi) Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):
- (xii) Pradhan Mantri Suraksha Bima Yojana (PMSBY):

World's largest public work schemes: MGNREGS (2006)

- World's largest workfare programme, and India's biggest ever welfare programme for the rural poor since independence.
- Budget \$ 8 billion (0.75% of GDP, India) per year
- Covering more than 50 million households per year.
- Highly decentralised operational mechanism.
- Village council/GP is the implementing agency
- Village elected Chairman (*Pradhan*) is the key person in implementation



Impact of MG-NREGS

Recent studies have shown following major impacts of MG-NREGS

- 1) Creditworthiness of the rural poor has increased (Dey & Imai 2018)
- 2) Household savings, expenditure on education have increased (Ravi and Engler 2015)
- 3) Rural wage has increased (Bhattacharia et. Al. 2014).
- 4) Small scale micro level investment for income generation at the household level has increased (Basu et. All 2016)

Most importantly, MG-NREGS has been so far a politically successful scheme for rural poverty alleviation (Dey & Sen 2018, Das-2015).

Conclusion

India is not only the poster boy of global poverty but also a leading democracy who is aspiring to reduce poverty through many social protection interventions.

Some have failed ... some got success.

Thank you.