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CHAPTER – 2

POVERTY SITUATION IN UTTAR PRADESH

India's man accomplishment since independence has been to produce a diversified economy with a sizeable industrial sector, at least in terms of the output it produces. This, however, has not contributed significantly to reducing the amount of labour engaged in agriculture. In fact, due to population growth, the amount of labour that agriculture has had to absorb has risen over the last forty years. The poor have thus not shared the benefits of industrialization.

CAUSES OF POVERTY IN INDIA AND U.P.

Just as the reality of poverty goes beyond material deprivation, it also encompasses more than short comings in human development. The poor, in Uttar Pradesh as elsewhere, are highly vulnerable. Voiceless and powerless, they also lack access to and influence over the institutions of the state and the resources and services it can provide. Exclusion and social marginalization is often at the root of this problem. For many poor people, low-caste status and gender operate as social
barriers that exclude them from many realms of social and economic opportunity.

Vulnerability to adverse shocks is a fact of life for poor men and women. They are distressed not only by current low levels of resources and incomes, but also by the possibility of falling into deeper poverty and destitution. Once destitute, it can be difficult to recover. Poverty, as seen by the poor, is a precarious condition; it can easily become worse and only by struggle, hard work and good fortune does it become better. The poor are at risk because they lack the income, the assets, and the social ties that protect the better-off from the impact of unexpected setbacks. Idiosyncratic shocks are common, such as an illness that requires expensive treatment, the temporary or permanent disability of a breadwinner and a natural disaster (such as the recent drought affecting a number of states) can obliterate a poor household's small savings. In both urban and rural field studies, death, disability, and disease were cited frequently as factors linked to vulnerability. Widowhood or, more frequently desertion by a spouse, often led to destitution in poor and low-caste women [see Unni 1998; Dreze 1990]. Economy-wide or
systemic shocks also are common. Crops may fail due to poor weather conditions, agricultural wages move with the vagaries of the local economy, and land may become eroded or Salinised due to flooding or inadequate supplies of ground water. If shocks are severe, repeated or long-lasting, a household may be forced to sell or pawn its few productive assets and, in the worse cases, may fall into chronic lifelong debt.

Perceptions of risk and concomitant fears of destitution strongly influences the economic behaviors of both the poor and the near poor. It is a truism that the threat of a potential loss is most keenly felt by a household with little saved to cushion against it. Examples of deprivation, hunger, and hopelessness are evident throughout the society; the risks are real, not imagined. Even when potential returns are significant, the poor may therefore shun certain ventures if failure would exhaust their limited reserves, or draw them into debt. Relevant undertakings may include leasing cultivable land, purchasing a dairy cow, diversifying crops, or abandoning a subsistence-level livelihood in order to seek better employment. The end result is that many of the poor limit themselves to static, unproductive, and low
paying economic activities, to preserve security of livelihood, even at the cost of potential improvements in economic status, perpetuating the vicious cycle of poverty.

Poor individuals and communities are generally deprived of political influence, and therefore also lack the leverage to ensure that state institutions serve them fairly. Accordingly, they often lack access to public facilities, or have access only to goods or facilities of inferior quality. Poor public sector governance impinges disproportionately on them. While Indian citizens of all castes and income levels frequently have to deal with an unresponsive public bureaucracy, the burden of non-responsiveness falls particularly upon poor men and women. For instance, studies by India's Public Affairs Centre indicate that the wealthy and middle classes are more likely to be able to resolve their complaints and at lower cost. In Delhi, an average 27 percent of ordinary households who complained about a particular government service won redress, through an average number of four required visits. In contrast, only 6 percent of slum dwellers were able to get their problems solved, and an average slum dweller had to make six visits in order to do so. Corruption
also impacts the poor disproportionally. Since bribes require them to part with a larger share of their income than do better-off groups, this phenomenon often operates as a highly regressive tax on the poorest. At times, they may have to pay more even in absolute terms. In the above example, the average bride paid by ordinary household was Rs.254, compared to Rs.337 for slum dwellers.

Although poor households are at a disadvantage when they confront public bureaucracies, collective action can improve their bargaining power. For instance, urban slum dwellers interviewed in the course of the study of the urban poverty study reported some degree of success when community members organized to resist slum clearance efforts by city officials.

Stories such as the above suggest that even though the means of the poor are limited, they have a better chance of being heard if they work together, e.g. by forming community organization for political action. Not with standing, it is questionable whether significant political power can be won through collective action by slum residents. In urban consultations carried out for this study, the political successes
enjoyed by these communities were achieved primarily in the defense of certain status quo objectives, such as preventing the city from destroying the settlement. However, the study found very few cases in which political activity had won legal recognition or improved services for the slum. What is more, there is little evidence that UP's rural poor have developed comparable parable political awareness or strategies.

Social identity in particular caste status and gender, is linked to poverty in UP in a number of ways. Deep and continuing social inequities mark many facts of society. Individuals with low caste status are far more likely to be employed as low-paid, low status agriculture laborers are often illiterate, and live in poorly constructed houses with limited access to water and sanitation. They are also more likely to suffer job discrimination, with research suggesting [World Bank 2001] that they earn less than other groups with equal levels of education. Social identity erects particular barriers to economic and social mobility, barriers that must be recognized in designing effective policy and programme interventions. Women also suffer various forms of social and economic discrimination.
A small but important subset of the poor are truly destitute, and the fear of joining their ranks from which there is often no escape, is widely prevalent and colors the thinking and behaviour of the poor and non-poor alike. This is despite India's extensive array of antipoverty programmes, which were generally found to operate poorly in the most backward regions of the state. Consultations with poor households in eastern and southern UP frequently identified the poorest of the poor as those who had suffered idiosyncratic shocks such as long term and costly illnesses; loss of a breadwinner through death, desertion, alcohol or substance abuse or a loss of assets through fire, theft, death of livestock, or other personal tragedies that had permanently undermined their physical or human resources base. The destitute poor usually have no other sources of income but low-wage, intermittently available casual labour or, in the worst case, foraging and begging. With rare exception, destitute households have very weak ties of mutual assistance, and support particularly compared to their wealthier counterports. They receive less support from family and form feer relationships based on mutual assistance, in large part because their needs
far outweigh their ability to reciprocate. This lack of formal and informal safety nets likely contributed to their becoming destitute, and once destitute, remaining support systems crumble around them.

Poor women, particularly those with low-caste status, face particularly high risks of becoming destitute. Women in rural UP often marry older men and consequently face a high probability of early widowhood. In some cases they are forced to become the sole income earner in a household with young children. In other cases, women become household heads when they are deserted or when their husbands are disabled. They then face a particularly high risk of destitution because they often do not possess the training and skills required to compete for stable, salaried employment (Dreze and Srinivasan, 1995).

**POVERTY – HEAD COUNT, DEPTH AND SEVERITY**

The most commonly used poverty measures are poverty, headcount depth of poverty and severity of poverty. The first measure captures the incidence of poverty and it is given by the proportion of people for whom consumption is below the poverty
The depth of poverty depends on the distances of the poor from the poverty line. It is defined as the aggregate poverty deficit of the poor relative to the poverty line. The last measure, the severity of poverty is estimated as the mean of the squared proportionate poverty gaps. The later two measures are sensitive to the distribution of households below the poverty line. In case of any poor person's consumption being closer or farther from the poverty line, the headcount ratio will remain unchanged while it will respectively decrease or increase depth and severity of poverty. Similarly a transfer of income from a poor person to a more poor person will not change the headcount ratio or poverty depth, but it will decrease the severity of poverty.

Head Count Rate: The official estimates released by the Planning Commission indicate a decline in poverty over the years 1983, 1987-88, 1993-94 and 1999-2000 in the state. The latest poverty estimates are based on the NSS 55th round.
<table>
<thead>
<tr>
<th>Year</th>
<th>NSS Round</th>
<th>Head - Count Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Urban</td>
</tr>
<tr>
<td>1983</td>
<td>38th</td>
<td>49.8</td>
</tr>
<tr>
<td>1987-88</td>
<td>43rd</td>
<td>43.0</td>
</tr>
<tr>
<td>1993-94</td>
<td>50th</td>
<td>35.4</td>
</tr>
<tr>
<td>1999-2000</td>
<td>55th</td>
<td>30.9</td>
</tr>
</tbody>
</table>

Source: Estimate of Poverty. Government of India

As per headcount rate data presented in above table, the overall poverty ratio which was 47.1 percent in 1983 came down to 31.1 percent during the year 1999-2000, showing thereby a significant decline in the state poverty. Data further reveals that there has not been any significant change in rural poverty during 1987-88 and 1993-94 in the state. The progress in rural poverty reduction was visible only during the period 1993-94 to 1999-2000 when it came down to 31.2 percent from 42.3 percent. The poverty in the state, as per new estimates, have fallen from 41
percent of the population (60 million persons) in 1993-94 to 31 percent (53 million persons) in 1999-2000, a net reduction of 7 million persons over six years. The rural headcount index fell from 42 percent to 31 percent, while the urban headcount index decreased from 35 percent to 31 percent.

DEPTH AND SERVERITY

The other two measure of poverty – Depth and Severity of poverty – also indicate substantial reduction in state poverty over these years. Table no 2

<table>
<thead>
<tr>
<th>Region</th>
<th>1983 (NSS 38th Round)</th>
<th>93-94 (NSS 50th Round)</th>
<th>99-00 (NSS Round)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Depth</td>
<td>Severity</td>
<td>Depth</td>
</tr>
<tr>
<td>Urban</td>
<td>15.5</td>
<td>6.9</td>
<td>9.0</td>
</tr>
<tr>
<td>Rural</td>
<td>13.6</td>
<td>5.9</td>
<td>10.4</td>
</tr>
</tbody>
</table>

Table – 2 shows a higher order in the depth and severity of poverty in urban areas as compared to rural areas of the state.
during the initial year 1983. But after a span of 10 years there has been a marked reduction the depth and severity of poverty in urban and rural areas of the state with comparatively lower order of depth and severity in urban areas than rural in 1993-94. After a gap of six years, a further reduction in depth and severity of poverty is observed in the state during 1999-2000. However, the extent of both the poverty measures remained on the higher side in the urban areas of the state during this year.

WAGES

The trends in wages rate for agricultural labourers and unskilled labourers in rural and urban areas are the strongly correlated to the trends in poverty. The following table shows the annual growth of rural and urban wage index of UP (Base Agricultural year 1970-71 = 100. This includes wage index of carpenter mason and agricultural labour for rural wages and carpenter, mason and unskilled labourers wage index for urban wages.
Table 3
Annual Average of Rural and Urban Wage Index of U.P. (Agr, Year 1970-71==100)

<table>
<thead>
<tr>
<th>Period</th>
<th>Rural Wage Index</th>
<th></th>
<th>Urban Wage Index</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carpenter</td>
<td>Mason</td>
<td>Agr. Labour</td>
<td>Carpenter</td>
<td>Mason</td>
<td>Unskilled Labour</td>
</tr>
<tr>
<td>1993-94</td>
<td>10.22</td>
<td>996.1</td>
<td>1055.0</td>
<td>976.5</td>
<td>1014.8</td>
<td>959.3</td>
</tr>
<tr>
<td>1994-95</td>
<td>1090.3</td>
<td>1076.8</td>
<td>1175.5</td>
<td>1034.2</td>
<td>1072.9</td>
<td>1032.8</td>
</tr>
<tr>
<td></td>
<td>(6.67)</td>
<td>(8.10)</td>
<td>(11.42)</td>
<td>(5.9)</td>
<td>(5.73)</td>
<td>(7.66)</td>
</tr>
<tr>
<td>1995-96</td>
<td>1180.6</td>
<td>1134.9</td>
<td>1265.0</td>
<td>1094.6</td>
<td>1158.4</td>
<td>1110.5</td>
</tr>
<tr>
<td></td>
<td>(8.28)</td>
<td>(5.40)</td>
<td>(7.61)</td>
<td>(5.84)</td>
<td>(7.97)</td>
<td>(7.52)</td>
</tr>
<tr>
<td>1996-97</td>
<td>1270.5</td>
<td>1224.2</td>
<td>1438.1</td>
<td>1218.9</td>
<td>1284.4</td>
<td>1261.4</td>
</tr>
<tr>
<td></td>
<td>(7.61)</td>
<td>(7.87)</td>
<td>(13.68)</td>
<td>(11.36)</td>
<td>(10.88)</td>
<td>(13.59)</td>
</tr>
<tr>
<td>1997-98</td>
<td>1422.8</td>
<td>1381.2</td>
<td>1699.3</td>
<td>1347.2</td>
<td>1411.7</td>
<td>1401.0</td>
</tr>
<tr>
<td></td>
<td>(11.99)</td>
<td>(12.82)</td>
<td>(18.16)</td>
<td>(10.53)</td>
<td>(9.91)</td>
<td>(11.07)</td>
</tr>
<tr>
<td>1998-99</td>
<td>1545.9</td>
<td>1493.4</td>
<td>1776.7</td>
<td>1413.8</td>
<td>1467.7</td>
<td>1490.7</td>
</tr>
<tr>
<td></td>
<td>(8.65)</td>
<td>(8.12)</td>
<td>(4.55)</td>
<td>(4.94)</td>
<td>(3.97)</td>
<td>(6.30)</td>
</tr>
<tr>
<td>1999-2000</td>
<td>1697.5</td>
<td>1670.7</td>
<td>1930.7</td>
<td>1487.5</td>
<td>1577.6</td>
<td>1600.6</td>
</tr>
<tr>
<td></td>
<td>(9.81)</td>
<td>(11.87)</td>
<td>(8.67)</td>
<td>(5.21)</td>
<td>(7.49)</td>
<td>(7.37)</td>
</tr>
</tbody>
</table>

Note: Figure in parentheses show percent growth in respect to the previous years.

Source: Rural and Urban Wage Index of U.P. Vol. XVIII. No. 1 and Vol. XX. No. 2

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As per estimates of rural agricultural laborers wage index, the highest growth of 18.2 percent was recorded between the years 1996-97 and 1997-98. This was the year when the maximum agricultural output was recorded in the state. But the agricultural output recorded a dip in the subsequent year and consequently the growth in wage index of rural agricultural labour has gone down to 4.6 percent over the year 1997-98 and 1998-99. However, growth of agricultural labour wage index recorded an improvement of 8.7 percent during the year 1999-2000. Thus, wage index of agricultural labourer recorded the highest growth during the year 1997-98 and the lowest during the year 1998-99.

The rural wage index of skilled labourers like carpenter and mason ranged from 1022.1 and 996.1 in 1993-94 to 1697.5 and 670.7 respectively during 1999-2000. The growth of rural carpenter's wage index ranged from a lowest of 6.7 percent in 1994-95 to 12.0 percent during the year 1997-98. In case of rural masons wage index, the growth was found to be the lowest (5.4 percent) in the year 1995-96 and its highest growth was estimated (12.8 percent) for the year 1997-98.
The growth in wage index of urban unskilled labour ranged from a lowest of 6.4 percent during 1998-99 to a highest of 13.6 percent during the year 1996-97. Thus, the growth in wage index of urban unskilled labourers, recorded was not high as rural agricultural labourers over the year 1993-94 and 1999-2000.

The wage index growth of urban carpenters ranged from 4.9 percent to 11.4 percent between the years 1998-99 and 1996-97 respectively. In case of urban mason's wage index the lowest growth of 4.0 percent and the highest growth of 10.9 percent was recorded during the same years, i.e. 1998-99 and 1996-97.

When we analyses the question as to why have the poor in India stayed poor despite four, decades of developmental effort? We find it essential to analyses the essence of the process of economic development in India, as in the rest of the world, the poor are those who have nothing else to sell but their labour but even among workers there are differences, Less than ten percent of India's labour force works for the organized sector where, through collective bargaining, they have managed to raise their wages much above what they could earn elsewhere.
The white and blue collar workers employed in large 
manufacturing and service establishments such as Siemens 
(multinationals). Tatas (domestic private corporations), railways 
and banks (service industries in the public sector), Bart Heavy 
Electrical (Public Enterprises) fall into this category. It is possible 
for them to get high wages because their employers do not 
operate in competitive markets and so are able to pass on the 
higher wage costs to the consumer by charging higher prices. 
These workers are hardly poor. By the poor we mean the 
workers competing in the labour markets of agriculture and in the 
informal service sector (e.g. hawkers, street vendors) throughout 
India. There are determined by the marginal product of labour in 
agriculture. Any change in this marginal product affects the well-
being of the poor. But the marginal product affects the well-being 
of the poor. But the marginal product of labour depends on the 
efficiency of the technology and on the land-to-labour ratio. Any 
change the would move labour from agriculture to other sectors 
would increase the land-to-labour ratio in agriculture and thus 
improve the well-being of the poor. All the situations that we have 
analyzed, except for a technical change in agriculture, impinge
upon the well-being of the poor through their impact on the land-to-well being of the poor through their impact or the land-to-labour ratio.

Another important aspect is that the poor spend most their incomes on food. The rich, on the other hand, do not increase their expenditure on food by very much as their incomes rise. This difference in consumer behaviour across income classes makes the distribution on income a crucial determinant of the composition of demand for various goods. Not only does the income distribution matter for the results of the analysis, but it also matters how poor the poor are. There are evidences that industrial progress in a closed economy confers minimal benefits on the poor follows from the assumption that the poor are too poor to consume any industrial goods. If, through radical land reform, it were possible to lift their living standards by enough so that they become consumers of industrial goods, industrial progress will be beneficial to the poor. Thus we should note the links between the distribution of income and the composition of consumer demand.
ROLE OF TECHNOLOGY

If there is neutral or labour-using technical progress in agricultural production, wages rise due to two reasons. Not only would there be an increase in the marginal product of labour for a given allocation of labour between the two sectors, but labour will shift from agriculture into industry, increasing the land-to-labour ratio. A sustained increase in productivity in agriculture is thus a potent instrument for improving the well-being of the poor; it not only helps to increase the market wage but it also reduces the price of food. It also helps to expand the size of the industrial sector because, as food becomes cheaper, more money will become available in the budgets of the rich for spending on industrial goods. Technical progress in agriculture is thus the key to industrialization. The primary reason that even the land-abundant countries of North America and Australia have most of their labour force engaged in industrial production is that they managed to bring about tremendous productivity growth in their agricultural sectors. To a significant extent, India's failure to reduce the amount of labour engaged in agriculture has to be
attributed to her failure in bringing about more rapid technical progress in agriculture.

The two most important policy instruments to induce productivity growth in agriculture are irrigation and primary education. In both these areas the performance of the state and central governments in India has fallen short. Only 60 percent of the cultivable land that could be irrigated has been irrigated over the last forty years. Without adequate water control, the productivity of fertilizers and high yielding varieties of seeds is limited. The yields of rice, oilseeds, and coarse grains are still much below potential. We should reiterate that we are using irrigation as a proxy for different kinds of public sector investment that would increase the productivity of agriculture. These would include land reshaping, moisture retention measures, soil conservation measures, and extension services.

ROLE OF EDUCATION

In the area of education, the performance has been even more disappointing. About half of India’s population is illiterate. Few countries in Latin America or Asia have expended less effort
on eradicating illiteracy. At the time of independence, there were a number of countries with rates of illiteracy that were comparable to India's, whether in communist China or capitalist South Korea, a frontal assault was launched on illiteracy with impressive results within a single generation. If we compare the percentage of total national income spent on education in India with that in any country at a similar stage of development, it is apparent why India has done so badly on the literacy front. Clearly, education has been given very low priority by Indian policy-makers. In 1986, the central government expenditure on education was only 2.1 percent of its total expenditure, while that on defense was 18.4 percent. South Korea, a national perpetually in a state of readiness for was with its neighbor to the north, spent 18.1 percent on education and 29.2 percent on defense. (The central government expenditure as a percentage of GNP is slightly higher in the case of South Korea than it is for India). Even within the budget on education, the lion's share has gone to secondary and post-secondary education. The vast majority of India's farmers and farm workers continue to be
illiterate. This hampers the diffusion of know-how and limits the possibilities for productivity growth in agriculture.

It is important here to point out that the agrarian structure in India today and more particularly in U.P. is based on family farms and is markedly different from the landlordism (Zamindari) of the colonial days. The Indian farmer today is not merely a landlord; he is also an entrepreneur. Incentives for eliciting his effort in improving productivity are of crucial importance in determining the agricultural productivity in India. We emphasize the role of public investment in agriculture but private investment by farmers also plays an important role in improving agricultural productivity. Restrictions on farmer's freedom of choice can hamper productivity growth in agriculture. The principal goal of India's industrialization strategy has been of self-reliance. Imports and exports have constituted a relatively small part of the Indian economy. As a result the industrial sector in India has geared its production mainly to meet domestic demand. But in a country as poor as India, the demand for industrial goods largely comes from the small segment of the population that is rich, the poor spend most of their income on food. Any growth in industrial
productivity makes industrial goods cheaper for the rich consumers without causing any labour to move from agriculture to industry. The land-to-labour ratio and hence wages remain unaffected by industrial progress.

At this point, we would like to reiterate the importance of actions which redistribute wealth, such as land reform. The irrelevance of industrial progress to the poor stems from the fact that the poor do not consume industrial goods. In some inherently wealthy economies characterized by extreme inequality, it is possible that a radical redistribution of wealth would lift the poor to a sufficiently high level of income so that they can afford to consume industrial goods. Industrial progress will then benefit the poor by making one of their consumption items cheaper. In India, this is unlikely even in the event of the most radical land reform, because the population is very large relative to the amount of cultivable land. But any measure that increase the incomes of the poor brings closer the day when the gains from industrial progress will start accruing to the poor also.

Slow productivity growth, however, is not the only undesirable consequence of the regulatory regime. The
regulatory power invested in the bureaucracy has had a pervasive impact on the aspirations of the Indian youth. Even more important than the power to regulate is the power to allocate resources. Through the system of administered prices and various subsidy schemes the central government can bolster the incomes of some groups in the society at the expense of the rest. The willingness of the politicians to use this power has created incentives for different groups to form lobbies and compete for resources in the political arena. As long as the resources are scarce, there will be competition for them. In a system dominated by the government, the arena is political rather than the market place. The difference is that competition in the political arena is less likely to induce productivity growth. For example, the farmer's lobby in India has lobbied successfully for price supports, fertilizer subsidies, power subsidies and confessional government credit. Altogether, this amounts to a sizable part of the government budget. If it were reallocated to irrigation, primary education, the production of fertilizer and power, there would be an increase in the productivity of Indian agriculture.
A perennial problem for economists is their inability to analyze the political arena with the same level of rigor as they do the economic arena. Typically, economists analyze the economic problem under consideration and suggest policy changes under the assumption that the government responsible for the implementation of policies resembles a benevolent dictator. This is a highly unrealistic assumption in the context of any country. The behavior of the government is itself subject to various political forces. There are power blocks and lobbies trying to influence government policies in order to further their own selfish ends. There is also a clash of ideologies yielding uncertain outcomes. In order to be able to offer a completely satisfactory answer to the question why poverty in India persists, we have to be able to theorize about the origin and the implementation of policies responsible for the persistence of poverty. Unfortunately, we do not understand these political processes deeply enough to offer any enlightening analysis. We have therefore, confined our analysis to the economic arena, and even there, we have focused on some broad lessons from the process of development rather than on a detailed policy analysis. The board
lessons nevertheless, are interesting and important. The key to reducing poverty is moving labour out of agriculture into other productive activities which are not characterized by diminishing returns. An effective way of doing this is by facilitating rapid technical progress in agriculture. Interestingly, technical progress in industry can achieve this result only if the economy is open to international trade and if India can become an industrial exporter. Trade works as a catalyst in the process of poverty alleviation provided there is rapid productivity growth in domestic industry. Neither the nationalistic policies of closing the economy to trade nor the meek acceptance of the prospect of becoming a raw material exporter to the developed world forever are in the interests of the poor. The right-wing advocacy of a drastic liberalization of the regulatory regime and of growth led by exports has the oreticaljustification even from the point of view of the poor. And so does the leftwing advocacy of land reform and greater public investment in rural projects like primary education and irrigation. The analysis carried out in this book explains why it is good to increase rewards to human effort-a right-wing theme. It also explain why it is bad to increase rents-a left-wing theme.
The discussion on the effect of bureaucratic controls on industry and on the importance of the type of good being exported explains why there really is no inherent contradiction between these themes stressed by the two opposing ideologies. An insufficient understanding of these lessons has been at least partly responsible for the persistence of poverty in India.

EXTENT OF POVERTY IN U.P.

The twin problems of poverty and unemployment have all along attracted the attention planners and policy makers and have figured in different plan exercise. Accordingly, our plans, particularly since Fifth Five Year Plan, have been aiming at the faster growth of the economy focusing on rural and agricultural development because of high incidence of poverty in the rural areas, together with an all round development in other sectors with the objective that the benefits of economic growth should go to the poor and historically disadvantaged groups. In order to alleviate rural poverty and bring improvements in the living standards of rural population, various rural development programmes viz. Swarn Jayanti Gram Swarozgar Yojna, Sampoorna Gramin Rozgar Yojna, Indira Awas, PMGY, PMGSY,
etc.; have been launched. Similar efforts have also been made to benefit urban poor through generation of employment and income, the key element or way to sustainable development, but the State is skill far from achieving the goal of poverty eradication. This has been mainly because of slow and sluggish economic growth rate coupled with disparity in the distribution of income and consumption as also excessive growth of population. This is precisely what seems to have happened in case of State's economy. The average annual growth rate in the State during the last five decades works out to about 3 percent against the targeted growth rate 5-7 percent.

The gap between the per capita incomes, which is the composite indicator of economic and social development of economy, of UP and the country, which at the beginning of the planning era, was confined to only 3 percent against the national average, has increased to as high as 41 percent at the end of the fourth year (2000-01) of the Ninth Plan. The picture was worse at the end of the first year (2002-03) of the Tenth Plan because of slackening of the place of growth.
In the above context, it also needs mention that the over dependence of population on agriculture coupled with small size of holdings on the one hand and inadequate investment and low level of technology on the other led to poor performance of agriculture and low level of income to rural population. The situation, evidently enough, caused high incidence of poverty in the State. It has been thrown up by many studies that about 1/3rd of manpower engaged in agriculture is surplus which in economic terminology indicates disguised unemployment in the agriculture sector. Due to inadequate opportunities in non-farm wage sector, they are forcibly engaged in agriculture without contributing anything to the production or income of agriculture.

Quite consistent and vigilant towards its commitment to alleviation of poverty, the Government of UP is progressively increasing the plan outlay for agriculture and allied and rural development sectors. The outlay for the sector accounted for only 11.2 percent in the Sixth Plan which increased to 15.4 percent in the Ninth Plan and has further increased to 22.7 percent in 2002-03, the first year of the Tenth Plan.
The task force on the projection of Minimum Needs and effective Consumption Demand set-up by the Planning Commission in 1979, defined poverty line as the per capita expenditure level which fulfills the calorie norms of 2400 per capita per day in rural areas and 2100 per capita per day in urban areas. According to the 55th round of NSS, the poverty line in terms of per capita monthly expenditure in rural and urban areas of UP was Rs.336.88 & Rs.416.29 respectively. Annexure (given in the last) provides details of consumption expenditure in different rounds of NSS.

In urban areas also, there has been rapid increase in unemployment which resulted in urban poverty. The rise in urban unemployment is, to a large extent, due to migration of rural population to urban areas. According to the 55th round of NSS, the incidence of poverty in urban areas was 30.89 percent while it was 31.22 percent in rural areas. Of the total 530 lakh persons living below poverty line in UP in 1999-2000, the share of rural and urban population was 412 lakhs & 118 lakhs respectively.
The estimates of poverty for the annual plan 2002-03 and for the terminal year of the Tenth Plan i.e. 2006-07 were prepared afresh based on the 55th round on NSS data. The exercise was carried out with two important assumptions. First, the growth rate in consumption for the year 2002-03 has been assumed on the lower side (1.24 percent) in view of drought of the current year against the observed growth rate of 1.95 percent in 2000-01 and 2.65 percent in 2001-02. However, the growth rate of consumption for the remaining period has been assumed a bit higher (3.5 percent) against the stipulated growth rate of 8 percent in income. Second, the rural-urban disparity was observed as 1.48 in 1999-2000 thrown up by the latest NSS data which has been assumed to be 1.45 for the year 2002-03 and 1-30 thereafter. The estimates of poverty, which emerge from the exercise based on the aforesaid assumptions, are presented as below:-
Table 4

Poverty estimates for the year (2002-03) and for the Tenth Plan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Incidence of poverty (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tenth Plan (2002-07)</td>
</tr>
<tr>
<td></td>
<td>Population below poverty line</td>
</tr>
<tr>
<td></td>
<td>2001-02</td>
</tr>
<tr>
<td>Rural</td>
<td>29.35</td>
</tr>
<tr>
<td>Urban</td>
<td>30.13</td>
</tr>
<tr>
<td>State</td>
<td>29.51</td>
</tr>
</tbody>
</table>

Source: Poverty in India. The Change of Uttar Pradesh May 2002.

It would be seen that the incidence of poverty in the first year i.e., 2002-03 is estimated at 28.36 percent against 29.51 percent in the base year (2001-02). This would further come down to 25.41 percent by the end of Tenth Plan i.e. 2006-07. The incidence of poverty in rural and urban areas in 2006-07 is worked out to be 22.80 percent & 27.41 percent respectively.
POVERTY PROBLEM ON THE BASIS OF GENDER
REGION, CASTE Etc.

Among the social groups, the scheduled castes and scheduled tribes population report levels of poverty well above average on all the three indicators of prevalence, depth and severity of poverty in both years and in both rural and urban areas of the country. The other backward castes too suffer from above average levels of poverty, which are, nevertheless, much lower than the poverty levels among the SC and the ST population.

Among the economic groups, those dependent on casual daily wage labour in an environment of uncertain and fluctuating employment (agricultural labour households in rural India and casual labour households in urban India) report the highest levels of poverty in rural India. Regular wage/salary earner household in urban India and the residual means of livelihood category of other (includes rural wage/salaried households and those sustained on non-participatory income) report the lowest levels of poverty.
The double disadvantage, of being an asset less causal wage labour household in the socially disadvantaged social groups of the scheduled castes or the scheduled tribes, accentuates the prevalence, depth and severity of poverty. Thus, agricultural labour households in the ST population have the highest headcount ratio (close to or above 60 percent) in both years studied in rural India. Similarly, casual labour households in the SC population in 1993-94 and in the ST population in 1999-2000 reported the highest HCR of 64 percent in urban India.

Given rural and urban poverty lines, rural poverty rates are, in general, higher than their comparable urban counterparts. Exceptions to this pattern are provided by casual labour households in all the social groups and by the self-employed among scheduled castes and in the (residual non-SC/ST) social group of other.

In terms, of the composition of the poor population, in rural India, agricultural labour households accounted for 48 percent of the rural poor. Such households among the scheduled castes and scheduled tribe population accounted for more than a
quarter of the total poor population in rural India in 1999-2000. In the same year, casual labour households accounted for 31 percent of the poor population in urban India.

Both in rural India and among the urban population, households with self-employment (in agricultural or non-agricultural activities) as the principal means of livelihood, accounted for close to or above 40 percent of the poor and are easily the numerically dominant group among the poor in urban India.

In terms of the rates of reduction of poverty indicators between 1993-94 and 1999-2000, among social groups, they were the lowest for the scheduled tribe population in rural India. In urban India however, this social group experienced a rise in all three poverty indicators. Our more disaggregated analysis by MoL categories within each social group, helped us pinpoint the rise in poverty in the asset less (casual) wage-labour dependent households among the scheduled tribe population as the principal factor underlying a clearly worse-than-average performance in terms of poverty-reduction. It therefore also indicated a clear worsening of the relative poverty situation of the
scheduled tribe population in rural India, and even more so, in urban India. In contrast to the ST population, scheduled caste households generally matched or even bettered the average rural/urban household in terms of percentage reduction in all three poverty indicators between 1993-94 and 1999-2000. In a large measure, this was facilitated by a better-than-average performance of agricultural labour households among them in rural India, and of the regular wage/salary earner households in the groups in urban India.

As regards relative disparity between social and economic group disparity, it is considerably higher for the urban than the rural population. However, the very high values of the disparity index for the urban population reflect, to a considerable degree (as our estimates with a hypothetical equal-share exercise have shown) the effect of the very uneven distribution of population across the 12 socio-economic groups. The most striking result to emerge from the previous section is that for the disparity-adjusted poverty indicators, while the rural-urban gap narrowed in the case of headcount ratio, the disparity-adjusted estimates of PGI and FGT for the urban population became higher than that for
the rural. Thus, as a result, the rural-urban ranking on the depth and severity measures of poverty was reversed.

Thus one notable feature of the results stated above is that, scheduled caste households, agricultural labor households, and the double-disadvantaged group of agricultural labour households located within the scheduled caste population, have experienced rates of reduction in all three poverty indicators, matching or supporting the poverty reduction experienced by the rural population on average. The same is true for urban scheduled castes, casual labour household and casual labour households with in the SC population in urban India. This fact holds the important message that the benefits of growth have indeed been accessed by the socially and economically disadvantaged groups of India. It highlights the fact that a growth centered strategy for poverty reduction in India can and must be followed. This is not to deny, however, that, despite matching the average rate of poverty reduction the current levels of poverty indicators in these groups continue to be unconscionably high. The failure of the scheduled tribe population and in particular the casual-wage-labour dependent households among them, to
experience commensurate rates of reduction in poverty would appear to be, in part at least, a reflection of the poverty outcomes in specific states. These states are Assam, Madhya Pradesh and Orissa which have experienced a rise between 1994 and 2000 and where the ST population is concentrated.

The second feature relevant to the design of anti-poverty politics and programmes is the sizeable share of the shelf employed in the poor in India. 40 percent in rural India and 44 percent in urban India are self-employed and they are the numerically dominant group among the urban poor. At this point, it is worth emphasizing a feature of the employment situation of the usual status (principal and subsidiary) workforce in self-employed households, which tends to get submerged in general discussions about underemployment in the country. Male workers in these households are at work, on the average, for 344 days a year in rural India and for 349 days a year in urban India. Even allowing for the fact that women workers work fewer days in the year (260 days in rural India and 282 days in urban India), usual status workers (male and female) in self-employed households are a work for many more days of the year. (The self
employed in agriculture work for 315 days) and the self-employed in non-agriculture work for 321 days a year in rural India and for 337 days a year in urban India. Characterizing this situation as a case of underemployment is a serious misrepresentation of the problem; Do we or should we, expect people to be work all 365 days of the year? More importantly, such a characterization shifts the focus away from quality of employment in general and productivity in particular, towards quantity of employment in terms of number of days of employment. The central problem of poverty in self-employed households is not that they are at work for only a few days in the year but that the returns to their labour input are too low. The focus of policy should be more to raise the returns from the asset-base of the self-employed—chiefly land in rural India—and to raise their skill profile, especially in urban India.

REGIONAL DIMENSIONS OF POVERTY

Not surprisingly, aggregate poverty data for UP conceal considerable regional differences. How to 160 million people, UP is larger than most countries in the world, and there are
longstanding, historic differences across its regions. Levels of poverty vary accordingly, rising from west to east. They are lowest in the western and erstwhile Himalayan regions—now Uttranchal state and rise sharply in the central and eastern regions, peaking in the southern region. So stark are the regional holes to four times as many poor people as is the Himalayan region, even though the two have roughly equal populations. However, with the exception of the southern region, which has been lagging behind the rest of the state, progress in reducing poverty over time has been fairly evenly distributed across regions [World Bank 2001]

Unfortunately, the aforementioned comparability problems associated with the 55th round make it difficult to assess whether there have been changes in regional patterns of growth and poverty reduction. Instead of analyzing these changes using poverty lines, we have looked at the regional composition of the bottom quartile of the population. Data show that the distribution of the poorest quartile of the rural population, defined at the all UP level, residing in each region, in 1993-94 and 1999-2000. The same figure shows the regional distribution of the rural
population. These data suggest some shifts in the regional distribution of the poor population. In 1990-00, the central and eastern regions still house a disproportionate share of UP's bottom quartile. However, relative to their population shares, there has been a decrease in the percentage of 'poor' individuals living in the eastern and southern regions-historically backward areas accounting for a substantial number UP's poor and socially marginalised and a concomitant increase in the percentage of poor living in the western and central regions. This shift in regional patterns of poverty is consistent with regional trends in agriculture wage [World Bank 2001], also Deaton and Dreze 2002]. However, further work is needed in order to confirm and better understand these early results. Deprivation of human resources is another critical dimension of poverty; it is encouraging that despite UP's uncertain success in reducing material deprivation during the 1990s, it enjoyed greater progress in human development capture important dimensions of well-being and reflect not just the rate of growth in the economy but also levels and quality of public spending. They also broaden the picture of poverty and provide a wider arena for the fight
against it. Effective public spending on basic services e.g. education, health, water and sanitation, can compensate for the limited ability of the poor to acquire these services though the market. However, because the impact of spending on public goods and services is not reflected in conventional measures of income poverty, progress in this arena is better reflected in outcome measures, as detailed below.

Education is a key indicator of human development. Many desirable social and economic outcomes are linked to rising level of education, particularly among women and socially vulnerable groups. Literacy has improved steadily over time in UP, though as of the mid-1990s, two thirds of rural women were still not able to read or write, and only 15 percent had more than five years of schooling, Rural men fare better; by the mid-1990s, two-thirds of them were literate, and 36 percent had completed schooling beyond the primary level. Literacy in urban areas is much higher, although one-third of urban women were still illiterate in the mid-1990s.
Recent results from the 2001 Population Census confirm that UP has made significant progress in boosting literacy levels over the past decade; literacy increased by nearly 17 percentage points between 1991 and 2001. The state still compares poorly to many other Indian states-almost 70 million people in UP still cannot read or write.

Thinking about the future, encouragingly, enrolment rates are rising throughout UP, adding to the stock of human capital and boosting prospects for UP's future. UP made better progress in improving enrolments of girls and socially marginalized groups between the mid-1980s and mid-1990s than did states such as Andhra Pradesh and Karnataka. However, our understanding of such trends is blurred, there are serious discrepancies among enrolment estimates derived from household surveys such as the NSS, and estimates from administrative sources. Recent information does suggest substantial improvements in school enrolments during the latter half of the 1990s, particularly for girls and children from scheduled caste and tribal families. For instance, recent estimates based on the second round of the National Family Health Survey (NFHS-2, 1998-99) point to sharp
increase in aggregate school attendance. EMIS data from the Directorate of basic education in UP, suggest that in the districts where the District Primary Education Project (DPEP) was active, enrolments may have doubled since 1993. And early analysis of schooling data from the NSS 55th Round shows significant increases in enrolment rates of rural girls, so much so that it has nearly closed the gap in enrolment rates for days and girls. Enrollments of rural SC/ST girls are estimated to have risen from 45 percent 1995/96 to 60 percent in 1999-00, and in urban areas from 72 percent to 76 percent over the same time period. What is worrisome, however, is an early indication that increases in boy’s enrolments may have slowed in the latter half of the 1990s, and there are still very low enrolment among the urban poor even lower than among the rural poor.

Health states is another key indicator of human development. The people of UP suffer a high burden of health problems and illnesses, particularly compared to the rest of India. Based on estimates from the Office of Registrar General (ORG 1999), life expectancy at birth in UP is 61 years for both males and females well below the national average of 62-4 years for
males, and 63.4 years for females. Moreover, the total fertility rate was estimated at 4.8 births in 1997, considerably higher than the national average of 3.5. Similarly, the UP material mortality rate was estimated at 707 deaths per 1,00,000 live birth in 1997 compared to 408 in India as a whole. However, recent trends in demographic and health indicators for women are encouraging. According to results of the National Family Health Survey (NHHS-2) of 1998-99, fertility rates have been declining and contraceptive prevalence is slowly on the rise. However, sterilization, which is not useful for birth spacing still accounts for three –quarters of contraceptive use [IIPS 2000].

The health status of children in UP is of particular concern. The Office of the Registrar General (ORG) estimates that infant mortality in the state was 85 deaths per 1,000 births in 1997. Compared to a national of 71 per 1,000 live birth. Estimates from NFHS-2 are similar. However, the data suggest slow but steady progress over cohort group [IIPS 2000]. Also, the percentage of children without any immunizations dropped from 43 percent (1992-93) to 30 percent (1998-99) although there was very little improvement in the in the percentage of children who were fully
vaccinated, which is recorded as 20 percent in NFHS-1 and 21 percent in NFHS-2. Lastly, stunting (low height-for age) was prevalent; in 1998-99, 55.5 percent of children were stunted in UP as compared to 45.5 percent nationwide, with only modest improvement over the decade.

In the rural context this requires a strong push for growth in public investment in rural infrastructure including, but not limited to, irrigation, water conservation and management. In particular, it must be extended to cover rural roads, telecommunication networks, and facilities for storage, preservation and transportation of perishable commodities like vegetables, fruits and flowers, which have a considerable market both domestically and internationally. The parlous fiscal situation in virtually all states and the drain on the exchequer, both in the centre and states, arises from ‘remunerative’ procurement prices and a hose of non-transparent input subsides. The desired push for public investment in rural infrastructure will not be possible therefore, without a conscious effort as fiscal stabilization along with a shift in government spending from revenue to capital expenditures. From a longer-terms perspective, expansion of social services in
education, health, water and sanitation will help to improve the quality of rural human resources. This in turn will complement and contribute to raising productivity in what would still remain a largely agriculture-centered rural growth strategy.

In the urban context, a central component of a strategy to combat poverty among the self-employed would be a conscious effort to raise their skill profile, enabling a move up the productivity chain. Skill development programmes have a further advantage as they can be consciously targeted towards the socially disadvantaged groups of scheduled casts and scheduled tribes. Equally important, if not more so, is that the domestic and international market for goods and services produced in the urban informal sector needs to be expanded rapidly. And hurdles such as exclusive reservation for the small-scale sector need to be removed.

In the urban context, there is also a need to reduce the dichotomy between the formal and informal sector by alleviating labour market inflexibility generated by labour laws that
emphasize perhaps overemphasis – job security, often at the expense of other facets of working conditions.

What about the casual wage labour-dependent households who are numerically the dominant group among the rural poor and who account for close to a third of the urban poor? Admittedly, with work for 278 days (294 days in urban India) in the year, casual wage labour households are better candidates for policies and programmes aimed at raising the number of days of employment during the year. Further, safety nets in the form of special employment programmes must continue. And, if along with raising the number of days at work in a year the real wage rates can held firm, it would certainly reduce poverty among such household. However, as the experience of labour households over the 1990s has shown, growth in real wages is a strong force in reducing poverty. Greater demand for wage labour at rising real wage rates would require rapid growth will rising labour productivity. For individual sectors, raising labour productivity requires a slower growth in the number of workers that the growth in the value added. Greater demand for labour would then have to come about by the faster growth of more labour-
intensive sectors (apart from faster overall growth) rather than the enhancement of the labour-intensity of individual sectors [Sundaram and Tendulkar 2002].

Overall, therefore, rapid growth must occupy centre-stage in any strategy for poverty reduction in India. U.P. has high levels of poverty in comparison to other Indian states. Progress in combating poverty has been uneven over the past two decades, and UP still lags behind many other states in this respect. Accordingly, in the late 1970s, poverty in UP was lower than in Andhra Pradesh and Kerala, as well as the rural and urban all India average. By 1993-94, however, the latter states had attained lower levels of poverty, while the corresponding level in UP had by then risen above the all-India average. There was however evidence of some progress in the 1980s and early 1990s official estimates for the state suggest a decline in poverty between 1983 and 1987-88 with progress diminishing through 1993-94 (Table).
Table 5
Trends in Poverty: Uttar Pradesh

<table>
<thead>
<tr>
<th>Year</th>
<th>NSS Round</th>
<th>Urban</th>
<th>Rural</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>38th</td>
<td>51.0</td>
<td>47.4</td>
<td>48.1</td>
</tr>
<tr>
<td>1987-88</td>
<td>43th</td>
<td>45.0</td>
<td>42.3</td>
<td>42.8</td>
</tr>
<tr>
<td>1993-94</td>
<td>50th</td>
<td>35.4</td>
<td>42.3</td>
<td>41.0</td>
</tr>
<tr>
<td>1999-00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Official</td>
<td>55th</td>
<td>30.9</td>
<td>31.2</td>
<td>31.1</td>
</tr>
<tr>
<td>corrected</td>
<td>55th</td>
<td>30.4</td>
<td>33.7</td>
<td>32.9</td>
</tr>
</tbody>
</table>

**Source:** NSS Consumer Expenditure Surveys official poverty lines corrected estimates from Deaton, 2001

Moreover, inequality fell substantially between 1983 and 1993-94 and the depth and severity of poverty in both urban and rural areas improved significantly. However, despite this progress, an estimated 41 percent of UP’s population still lived below the official poverty line in 1993-94, and poverty levels in rural areas, which in 1993-94 accounted for 83 percent of the...
state's poor, had fallen very little. This trend compares notably to a steady reduction of urban poverty in UP during the same period.

What happened to poverty in the latter half of the 1990s? Official estimates released by the Planning Commission on the basis of the NSS 55th Round suggest rapid reductions in poverty in UP. The headcount index is estimated to have fallen from 41 percent of the population (62 million persons) in 1993-94 to 31 percent (53 million persons) in 1999-00, a net reduction of 9.1 million persons over six years. Indeed, UP is one of the strongest performing states according to official 55th Round estimates, according for 15 percent of the aggregate drop in poverty in India in the latter half of the 1990s. But it is not clear if the dramatic progress suggested by 55th Round estimates are credible. The interpretation of the most recent official data on welfare and poverty is controversial and subject to intense debate. Changes in survey design for the 55th Round particularly change in the reference periods for measuring consumption rendered 55th Round poverty estimates not comparable to those from earlier rounds of the NSS.
A number of researchers have offered adjusted figures aimed at restoring comparability between the 55th and earlier round. These adjustments suggest that progress has indeed been substantial. If may be less impressive than official statistics indicate. This is particularly the case for rural areas, where new estimates (Table) suggest that poverty fell by 8.6 percentage points rather than the 11.1 percentage point official reduction in poverty [Deaton 2001]. And even this improvement must be interpreted with care mean per capita consumption levels in UP grew at only 1.4 percent per annum between 1993-94 and 1999-00. The sharp reduction in the head-count ratio is in part explained by the fact that many households are clustered around the poverty line and the slope of the Lorenz curve is steep in that region. A little growth thus can result in a substantial reduction in the number of people living below the poverty line. However many of the erstwhile poor still have low consumption levels and remain vulnerable to income and other shocks that can push them back into poverty.

While the debate is not fully resolved, regardless, of the method used, there are indications that UP has made significant
progress in reducing poverty in the latter half of the 1990s. Further work remains to be done to establish what have been the predominant sources of progress and more importantly, how these can be further leveraged in order accelerate the rate of poverty reduction in the future.