

Examination of Relationship between Poverty and Employment

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DOI: <https://doi.org/10.5281/zenodo.10370663>

Published Date: 13-December-2023

Abstract: This paper aims to examine the relationship between poverty and employment. The sufficient samples are collected for the study to prove results. Poverty doesn't mean low income only but it is social phenomena in which a particular section of society is not able to fulfill their basic needs. It is to be noted that poverty is a universal and India is not exception to this. Government has already implemented various poverty alleviation programs yet poverty in relative terms has not decreed up to the mark. So, the question is how to reduce poverty? In 2007-08 on the backdrop of global financial crisis, some economists around the world argued that employment generation can be an effective way to reduce poverty. Thus, this study aims to examine the relationship between poverty and employment.

Keywords: Absolute Poverty, Relative Poverty, Poverty Line, Unemployment.

1. INTRODUCTION

Poverty is an issue of debate around the world. It is a vicious cycle which keeps the poor in the state of destitution. It is one of the major concerns in underdeveloped as well as developed countries. *Jeffrey Sachs, an American economist* in 2005 in his research paper on poverty asserted that more than 8 million people around the world die each year because of they are not able to fulfill their basic needs. Despite being third world country, India has varied natural resources which can be transformed into opportunities for sustainable development. However, poverty still remained a major problem which government has not been able to solve. The situation is worsened since 1990 to the extent that India is now considered as one of the poorest countries around the world. Similarly, unemployment too is major concern as far as the development of India is concerned. There are no jobs available and those are available that require skills. It is well known fact that unemployment leads to poverty. It is to be noted that poverty in India is mainly due to lack of proper implementation of government policies and exploitation of poor by elites. The study aims to show that if people get easy and regular employment, they can get rid of poverty easily but the main problem is that poor people don't get full time employment. If full time employment is available, they will have sufficient money to spend on goods and services. Thus, as employment increases, income increases and as income increases, expenditure increases. When expenditure increases the standard of living increases and when standard of living increases poverty will ultimately come down.

Objectives of Study

The primary objective of this study is to examine the relationship between poverty and employment. However, there are some secondary objectives also.

1. To establish the link between income and expenditure
2. To identify issues in employment generation
3. To examine the importance of employment in poverty alleviation
4. To assess the measures taken by government to reduce poverty

Research Questions

In order to prove results, we have framed research questions as follows:

1. Is there any relationship between poverty and employment?
2. What is the role of employment in poverty reduction?
3. Has the Government taken any efforts to reduce poverty and unemployment?
4. Are Government efforts effective to reduce poverty and unemployment?

Importance of Study

The main intention behind this study is to contribute to existing information and provoke further research on the area of study. Hence the study is expected to make theoretical and academic contributions to the problem of poverty alleviation. Many scholars and economists have written various aspects of poverty alleviation and unemployment over the years. Some of these studies include Amartya Sen who wrote on poverty alleviation efforts of government. Thus, our study intends to assess the impact of government policies and initiatives. The study will assist policy makers in the successful implementation of Government initiatives towards poverty alienation and unemployment. It will identify the major hurdles. The work will also contribute positively to the existing literature on poverty alleviation.

The study findings will also be beneficial to local government administrators. Since the recommendations forwarded in this study will enable them to try to focus on unemployment related challenges that encourage poverty among the people they govern. If they can consider some of the findings and recommendations in this study, they will promote economic opportunities for the people they govern.

The study findings will also help the community-based organizations, civil society as well as NGO bodies operating in the district as they seek to reduce poverty levels in the area. They will come to acknowledge that promoting investment and generating employment are some of the ways through which their developmental agenda can be promoted and poverty can be reduced among people.

The local population may also benefit from the research findings presented in this work since they will come to understand that improving their knowledge and skills can enable them to get better employment opportunities as they seek to get economically empowered.

Limitations of Study

There are certain limitations to every research as in research cannot cover all the aspects of the topic cannot be covered and because of certain uncontrollable factors and variables limitations arise in a study. Limitation of the study reduces the accuracy of the research project. This research was carried in a shorter period of time with limited geographical areas into consideration. Some of the respondents did not answer the questions accurately with interest. The sample size was small and constraint the research would have been accurate if the sample size was more.

For this research the scope of discussion was limited and the research could have been in more depth. The research work is limited by the time and space which a researcher is required to complete this task. The financial problem makes the researcher not travel far to seek all necessary data. Limited material was another constraint to the completion of the work.

Method of Procedure

In this study we have used primary data with respect to poverty and employment in context of *Dharavi slum area of Mumbai*. There are 79 samples are used in this study so that outcomes will be easily tested. Income and expenditure are the two variables which indicates employment and poverty respectively. The model called Two Variables Regression has been used to carry out study and outcomes. I have used secondary data also where it was necessary to collect information from books and research papers.

Treatment of Data

In this study I have used mainly two variables i.e. income and expenditure to show the relationship between poverty and employment. *i* denote the *income* variable whereas *e* denotes *expenditure* variable. In this study we have assumed that *poverty is a function of employment i.e. poverty is a dependent variable whereas employment is an independent variable.*

Thus, poverty depends upon the state of employment if employment is increased poverty will reduce and if employment is decreased poverty will increase. Thus, there is an inverse relationship.

$P = f(E)$. Here P is absolute poverty and E denotes employment.

2. LITERATURE REVIEW

This chapter focuses on the study literature. It begins with the theoretical review, then conceptual framework and review of related literature relevant to the study. The theoretical and conceptual are in part one and related literature in part two. It should be noted that other theories related to the study were also reviewed to enlighten more on the study variables.

Theoretical Review

This study employed the structural inequality theory developed by *Beatson Mark (2000)*. In accordance with *Beatson Mark (2000)* direct action is required to safeguard the rights of the poor, redistribute wealth where necessary, and develop the capacity of poor people to engage fully in development processes and have full access to employment opportunities.

Unemployment

Unemployment refers to a situation in which people who are willing and capable to work but are unable to find suitable paid employment (*Atkinson and Williams 2013*).

The Keynesian revolution 1930 which commanded the explosive attack on economic orthodoxy apparently treated unemployment as a central issue of great concern. Economists at all times and in all ages have experienced various degrees of concerns over the threat of the monster called unemployment. The population of every economy is divided into two categories i.e. the economically active and the economically inactive. The economically active labour force or working population refers to the population that is willing and able to work, including those actively engaged in the production of goods and services (employed) and those who are unemployed (*Njoku and Okezie 2011*).

According to (*Purcell, 2014*) the category of economically inactive population in Developing countries is people who are neither working nor looking for jobs. There seems to be a consensus on the definition of unemployment.

International Labor Organization (ILO) defines the unemployed as numbers of the economically active population who are without work but are available for and are seeking work, including people who have lost their jobs and those who have voluntarily left work. However, the application of this definition across countries has been faulted, especially for the purpose of comparisons and the policy formulation as countries characteristics are not the same in their commitment to resolving unemployment problems (*Abubakar2012*).

United Nations' Report (2013) stated that sustainable income earning and livelihood opportunities are an essential foundation for poverty reduction besides maintenance of peace, and the generation of resources for providing basic social services. There is widespread unemployment which stands at 65.5 percent in urban areas and 40. However urban centers are better endowed with health services. Unemployment has been categorized as one of the serious impediments to social progress. Apart from representing a colossal waste of a country's manpower resources it generates welfare loss in terms of lower output thereby leading to lower income and wellbeing (*Robinson, 2006*).

Unemployment is a very serious issue (*Rothbard 2009*) and particularly in low-income countries (*UN 2012*).

Poverty

Poverty has become one of the border indicators by which the welfare and the standard of living of some nations are measured. In the United States the Census Bureau officially measures poverty by determining the number of individuals or households living below poverty at an established level of income that is estimated to be minimally sufficient to support them.

According to *Tucker (2005)* there are two views of poverty, one defined poverty in absolute and the other in relative terms. Absolute poverty can be defined as a dollar figure that represents some level of income per year required to purchase some minimum amount of goods and services essential to meeting a persons or family's basic needs in a contrast relative 12 poverty might be defined as a level of income that places a person or family in the lowest say 20% of all persons or families receiving incomes.

Brown and Lichter (2014) portray poverty as a situation in which an individual is unable to attain an acceptable minimum standard of living giving rise to several material deprivation, absence of recreational opportunities, lack of access to economic as well as political power and inferiority complex, isolation and social deregulation.

Poverty could denote a state of deprivation as captured by **Cotter (2012)** as a living condition in which victims are deprived from economic, social, political, cultural and environmental opportunities at their disposal.

Dietz (2012) views poverty in terms of consumption as lack of command over basic consumption needs such as food, clothing, and shelter. Poverty has been variously defined in the literature. It is a multi-dimensional concept that denotes a universally undesirable human condition. It describes verifying kinds and degrees of human deprivation in society. Poverty is a complex problem because there are many human problems to be found in the interdisciplinary literature on the subject, each stressing a given land of degree of deprivation. However, the concept of poverty does not lead itself to a precise definition as earlier stated. There is currently no single index of poverty that is universally accepted while some talk of poverty in quantitative terms, which is in terms of calorie intake per day or in terms of the inability of certain people in society to attain a given economic, cultural, social or other levels.

Ulimwengu and Kraybill (2014) defines poverty in terms of income in a society. Another definition of unemployment as one definition does not really explain or capture the various types of unemployment that exist by (**Moffitt 2011**). A person is said to be unemployed when he or she is able and willing to work and is available for work (that a person is actively looking for employment) but does not have work.

Relationship Between Poverty and Employment

It is to be noted that studies have been carried out to establish the relationship between unemployment and poverty levels. **Jolliffe (2014)** for example found out that the reason for many of the rural communities to remain poor is that many of them are unemployed.

Fisher and Weber (2005) use the *Panel Study of Income Dynamics* to develop measures of asset poverty for metro and nonmetro areas. They find that unemployed residents of central metropolitan counties are more likely to be poor in terms of net worth, but that nonmetropolitan residents are more likely to be poor in terms of liquid assets. Rural people tend to have non liquid assets, such as homes that they may not be able to convert to cash in times of economic hardship.

Practitioners and academics tend to accept the consequences of unemployment on poverty levels. In accordance with their view there is a connection between employment and poverty. They concluded that employee satisfaction and engagement are related to meaningful poverty levels at a magnitude that is important to many organizations.

Soltis (2004) in Lanphear (2004) found critical links between employment income levels as well as poverty levels. They compared the scores of these variables among a sample of stores scoring in the top 25 percent of unemployed community members and those employed with those in the bottom 25 percent. Stores in the bottom 25 percent significantly underperformed across three productivity measures: sales, customer complaints and turnover.

Anil Karnani (2011) in his research paper titled “*Reducing Poverty Through Employment*” stated that employment generation is a precondition to reduce poverty. It mentioned trickledown effect for poverty alleviation.

Amartya Sen (Sen 1994) stated that poverty could be an absolute concept in the space of abilities however relative in that of characteristics.

Paul Streeten (Streeten 1994) concluded that absolute deprivation is a function of relative benefits.

The research paper titled “*The Role of Employment in Poverty Reduction*” by **World Bank (2019)** showed that there is a relationship between poverty and employment. The relationship between both of them lies in the extent to which income generated from employment permits workers and their dependents to obtain goods and services which are necessary to meet minimum daily needs. Employment contributes to poverty reduction and promotes equality between women and men and also fills up the income gaps which overall increases standard of living of people and their consumption expenditure pattern. That's why it is important to review at the outset the conditions under which employment has a positive impact on well-being and equality. First, the rate of growth of overall employment has to be at that level which is sufficient to absorb the new labor force in productive and remunerative work, as well as take care of existing unemployment and underemployment. Second employment generation should result in the equitable and justiciable distribution of jobs between those below and above poverty lines for individuals and families.

Emilia Herman and Maria Ana Georgescu (2012) in their research paper titled “*Employment for Poverty Reduction - A Roman Perspective*” discussed that employment is the best solution for multiple economic and social problems that exist in Romania. Employment has a fundamental and functional role in economic development. In order to ensure sustainable poverty alleviation, the author believes that it is extremely important to assure not any types of jobs but quality and increased productivity jobs.

Thomson M.N Dahl (2019) published a research paper titled “*Employment and Poverty*” concluded that unemployment has devastated financial and psychological consequences for individuals, families and communities.

Employment is challenging to acquire but crucial to recovering from unemployment and escaping poverty. The nature of employment is changing because of technological advances, growth in the contingent labor force and globalized business relationships that introduced new concerns for underemployment and unemployment. Archana Raj (2019) in her study on Generation on Poverty and Employment in India stated that poverty and employment creation is one the most important objectives since independence. The study analyzed the growth of employment creation in the economic sector, unemployment ratio and status of absolute employment ratio in major states and also poverty alleviation initiatives in India.

Abhijit Banerjee and Esther Duflo (2014) in their research paper titled “*The Economic Lives of The Poor*” analyses the data from 13 countries on the economic lives of the poor and describe their patterns of consumption and income generation as well as their access to market and publicly provided infrastructure. The study defined poor as those who live under \$2.16 / day by PPP in 1993 as a benchmark. The research paper also discusses issues with identification of poor.

The study conducted by **John. O. Aiyedogbon and Bright. O. Ohwofasa (2011)** titled “*Poverty and Youth Unemployment*” employed incidence of poverty as a function of unemployment. The results of the study revealed that unemployment and services contributions to real GDP as well as population have a positive influence on poverty level.

The study recommended that holistic efforts should be made by the Government to create jobs and arrest unemployment.

Sample Selection

Sample size refers to the number of respondents or participants or observations which is included in the research. This is the term which is used to define the subjects of the study which is selected from the entire population for the specific study. Sample size is an important feature in the entire research as through this we understand the strength of our study i.e. the respondents. Correct sample size can give accurate results. For sample selection we have used *cochran's sample size formula* to get number of samples where n is sample size, no is sample size for infinite population and h is population size.

$$384 \times 100 / 384 + (100 - 1) = 79$$

Data Collection

Data for the study was collected from primary as well as secondary resources. The convenience sample method is used in selection of sample size of 79 family's income and expenditure data have been taken.

For this research the primary source of data collection was done by survey method. The survey was conducted through a Structured Questionnaire which was asked to the respondents. The questionnaire was prepared keeping in mind the objectives of the study and also the hypothesis of the study. The questionnaire was prepared with the help of Google forms. The questionnaire was divided into 2 main parts i.e. poverty and employment.

Area of Sample

Dharavi slum area of Mumbai is selected for this study.

Sample Method

Convenience Sample Method has been used

Sample Unit

Families of Dharavi are the sample of this study.

Sample Size

79 Families

Tool

Questionnaire survey.

Hypothesis of Study

H₀ - There is no relationship between poverty and employment (Null Hypothesis)

H₁ - There is inverse relationship between poverty and employment (Alternate Hypothesis)

This research is a descriptive study and it studies both the qualitative and quantitative aspects of poverty and employment with respect to Dharavi slum area of Mumbai.

Statistical Method

Two variables regression model. In the simplest type of liner regression analysis, we model the relationship between 2 variables y and x and this is assumed to be a linear relationship. In particular we are interested in the expected value of the random variable y given a specific value of x. y is known as the dependent variable which we have taken expenditure and x is known as the explanatory variable.

Conditional mean of y: $E(y/x)$

Unconditional mean = Total value of expenditure / Total no of samples

If we join these conditional mean values, we obtain what is known as population regression line or more generally to population regression curve. More simply it is the regression of y on x. The adjective population comes from the fact that we are dealing in these examples with the entire population of 79 families. Geometrically then a population regression curve is simply the locus of conditional means of dependent variables for the fixed values of explanatory variables.

3. OBSERVATION AND RESULTS

This chapter of study reports and explains the results for the two variables regression that we have used to prove our hypothesis of research. The first hypothesis that we took states that there is a no relationship between poverty and employment. And the alternative hypothesis is that there is an inverse relation between poverty and employment. To prove our hypothesis, we have done a primary survey in slum areas and have collected data regarding income and expenditure on a monthly basis. To test data through two variable regression models the data of income of families and their expenditure has been tested. The conditional mean of various income slabs has been derived and the relation between income and expenditure has been shown here, the population regression line moves upward which states that there is a positive relation between income and expenditure. As income increases expenditure increases. Here we take income as an indicator of employment. Because employment is the main thing which increases income. So, employment and income are the same. We have taken income that means employment on the X axis on the graph. Expenditure is related to poverty. As expenditure increases standard of living increases. So, expenditure is taken to show poverty which is plotted on the graph on Y axis.

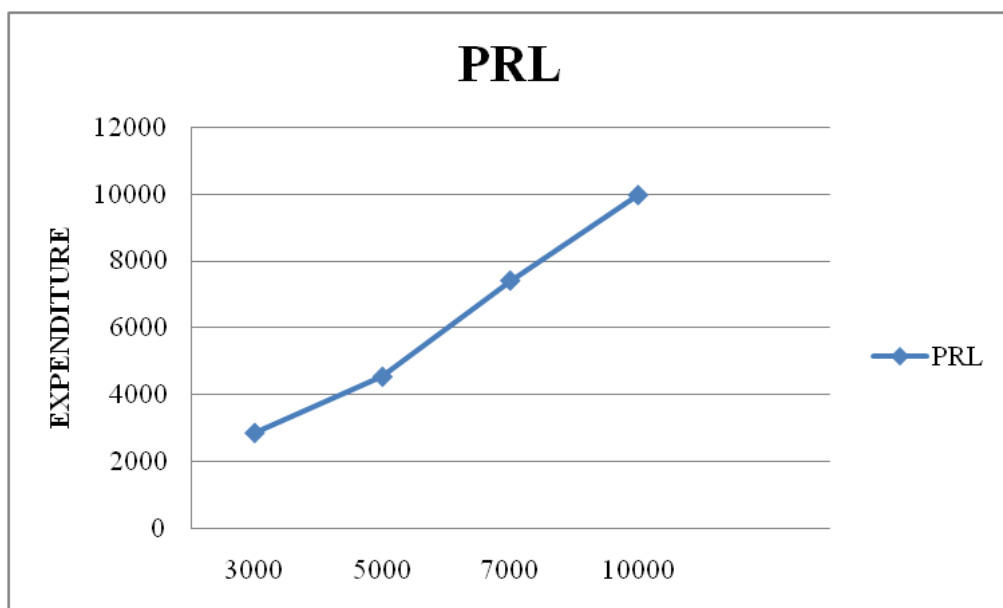


Fig 1

From the above graph when we join the points of conditional mean values, we get a population regression line or population regression curve. The population regression line shows the positive relationship between income and expenditure. As income increases, expenditure increases and when expenditure or consumption level increases, standard of living increases and when standard of living increases the poverty will ultimately come down. Thus, it proved the alternative hypothesis true. Hence, we reject null hypothesis and accept alternative hypothesis.

Government Response to Poverty Reduction and Employment Generation

Indian food security system was established by the Government of India under the Ministry of Consumer Affairs, Food and Public Distribution to distribute food and non-food items to India's poor at subsidized rates. Major commodities distributed include staple food grains, such as wheat, rice, sugar and essential fuels like kerosene, through a network of fair price shops also known as ration shops established in several states across the country. Food Corporation of India, a government-owned corporation, procures and maintains the public distribution system (PDS).

Today, India has the largest stock of grain in the world besides China, the government spends Rs. 750 billion. Distribution of food grains to poor people throughout the country is managed by state governments. As of 2011 there were 505,879 fair price shops (FPS) across India.

Under the PDS scheme, each family below the poverty line is eligible for 35 kg of rice or wheat every month, while a household above the poverty line is entitled to 15 kg of foodgrain on a monthly basis. A below poverty line card holder should be given 35 kg of food grain and the card holder above the poverty line should be given 15 kg of food grain as per the norms of PDS. However, there are concerns about the efficiency of the distribution process for example growing instances of the consumers receiving inferior quality food grains in ration shops. Numerous malpractices make safe and nutritious food inaccessible and un-affordable to many poor thus resulting in their food insecurity.

Pradhan Mantri Awas Yojana (PMAY) is an initiative by the Government of India in which affordable housing will be provided to the urban poor with a target of building 2 crore (20 million) affordable houses by 31 March 2022. It has two components i.e. Pradhan Mantri Awas Yojana (Urban) (PMAY-U) for the urban poor and Pradhan Mantri Awas Yojana (Gramin).

Employment Generation and Market Mission. It is an innovative and effective skill development mission launched by the government of Andhra Pradesh in 2011 that addresses the issue of unemployment. The mandate of the mission was to enhance the employability of the youth of the states across multiple sectors by providing free of cost residential training of three to four months. EGM does not only create jobs rather it facilitates the employment of rural youth.

Mahatma Gandhi National Rural Employment Guarantee Act (2005) was implemented by the former UPA Government to create job opportunities in locations where poverty was mostly saturated. However, the implementation of the scheme has not been done in an ineffective way thus starting losing faith in the scheme. The success and failure of this scheme is an issue of debate. As far as the success of this scheme is concerned it includes promotion of equality i.e. equal work opportunities for all irrespective of gender is the basic principle of this scheme. Equal pay for men and women is the daydream in India but Mahatma Gandhi National Rural Employment Guarantee Act made it possible. Another success is recreation of assets. For example, it helped to create physical assets like roads and wells etc. However, there are some failures also, for example randomly done work. The projects undertaken under this scheme are mostly arbitrarily done work that lacks proper planning and implementation. There has also been some unnecessary work done under this scheme. Those projects have been a total waste of money. Corrupt practices of ill distribution of pay to workers, creation of fake bills in, delay of payments, diversion of funds which led to the epic failure and criticism of the scheme by the government and citizens as well. People saw this scheme as an opportunity for less work and more pay thus there is scarcity of laborers in agriculture.

Obstacles in Poverty Reduction

Absolute Poverty according to the United Nations is a condition characterized by severe Deprivation of basic human needs including food, safe drinking water sanitation facilities, health, shelter, education and information. In India every government who came to power since independence has tried to alleviate poverty by making various policies and schemes but it is still far from satisfactory success.

India is still far from achieving *Sustainable Development Goal 1 i.e. No Poverty*. Despite rapid economic growth majority of Indians are still suffering from severe and multidimensional poverty. Lack of information about the various programs initiated by the Government of India for poverty alleviation does not reach up to ground level people and needy people who are meant for. The various policies initiated by governments for poverty alleviation face issues of lack of proper implementation.

4. CONCLUSION

“Give a man a fish, you feed him for a day, teach him how to fish and he will be able to feed himself for the rest of his life.”

The best way to reduce poverty is to raise the income of the poor by focusing on them as a producer. Creating opportunities for steady employment at reasonable wages can be one way. Reducing poverty requires 3 major thrusts. These are not just abstract ideas but practical and action oriented.

First is generation of employment. Second is to increase employability and the third one is to make the labour market more efficient.

The first thrust works on the demand side of the labor market by creating more job opportunities appropriate to the skills of the poor. The second thrust works on the supply side of the labor market by increasing the employability of the poor through education and vocational training programs. The third thrust works on labor market efficiency, programs such as job matching and placement services can make the labor market more efficient and thus increase employment. To conclude poverty and employment has an inverse relationship if employment increases poverty will reduce in absolute numbers and vice versa.

5. RECOMMENDATIONS

The central government together with the local government should look into ways of attracting foreign investment as a way of fighting unemployment as well as poverty. The government should also encourage universal technical education besides universal secondary education and universal primary education. This will enable the poor to acquire skills and knowledge for various works hence reduce poverty level among people. An enabling environment should be created for private sector investment to thrive as this will go a long way in reducing unemployment instead of leaving the unemployed at the mercy of the public sector which does not provide enough employment opportunities. The government together with the opposition parties should engage themselves into negotiations and dialogue such that political stability can be achieved in the country for better socio-economic development and attract foreign investors as well as local investors. The living condition of the people should be improved upon by providing the basic infrastructures most especially in the rural areas where majority of the poor live.

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