

India's Common People: Who Are They, How Many Are They and How Do They Live?

ARJUN SENGUPTA, K P KANNAN, G RAVEENDRAN

This paper attempts to define the common people of India in terms of levels of consumption and examines their socio-economic profile in different periods of time since the early 1990s with a view to assessing how the economic growth process has impacted on their lives. The findings should worry everyone. Despite high growth, more than three-fourths of Indians are poor and vulnerable with a level of consumption not more than twice the official poverty line. This proportion of the population which can be categorised as the "common people" is much higher among certain social groups, especially for scheduled castes and scheduled tribes. There is also evidence to suggest that inequality is widening between the common people and the better-off sections of society.

It is always the endeavour of any democratic government to ensure that its economic and social policies lead to an accelerated improvement of the welfare of the common people. Economic growth taken as the growth of the gross domestic product (GDP) is highly desirable in this context as it will establish the pre-eminence of the country in the world economy, provide a large market for goods and services, increase investment and technology inflows from all over the world and allow improvement in income and employment to the people, even if not uniformly for all sections of the population and not evenly for all regions of the economy. It could also, with proper policies, facilitate a substantial and rapid improvement in the living conditions, and promotion of livelihood of the masses whom we consider the common people. Economic growth alone, however, cannot ensure such an objective unless supplemented by other policies and complimentary measures targeted directly at promoting the welfare of the masses. The trickle-down effect of growth would be often too meagre and too distant. Market forces almost invariably promote those who have market power and economic growth powered by them often bypasses the poor and the vulnerable who are the overwhelming majority of our people. Ultimately, the success and failure of all our programmes and policies including those for promoting economic growth, will have to be reckoned in terms of how they have fulfilled this basic objective of improving the welfare of the common people.

1 Introduction

The first step in making such an assessment is to identify the group of people who can be considered the common people – who they are, what their profile is in terms of social groups, what level of consumption and employment they have, and what their endowments are in terms of education, housing, health, etc. In this paper an attempt has been made to define the so-called "common people" – or the 'aam aadmi' in popular parlance – in terms of levels of consumption and examine their socio-economic profile in different periods of time since the early 1990s with a view to assessing how the economic growth process has impacted on their lives. In this paper we present and discuss, after dealing with data and methodology, the main findings on the magnitudes and changes in the condition of the poor and vulnerable, whom we call the common people, as well as its links with social groups and their educational attainments. The household characteristics and consumption pattern of the households in different poverty status groups along with some concluding remarks are also included. While our analysis covers the three time points of

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A longer version of this paper, providing information for three years (1993-94, 1999-2000 and 2004-05), is posted on the web site of the journal.

Arjun Sengupta, K P Kannan (kannan.nce@nic.in) and G Raveendran are with the National Commission for Enterprises in the Unorganised Sector.

1993-94, 1999-2000 and 2004-05, the quantitative results presented here are mainly for the latest year of 2004-05. Readers interested in examining the details of the two previous time points can refer to the larger paper published on the web site of the journal (www.epw.in).

Economic Growth during Pre- and Post-Independent India

The years between 1993-94 and 2004-05 were the period of a high rate of economic growth in India. While it is not the purpose of this paper to analyse the nature of this growth, it may be useful to take note of the remarkable improvement in our growth performance in the recent years which may be seen from the decadal growth rates of GDP and per capita income given in Table 1.

The Indian economy entered a trajectory of high economic growth from 1980 onwards, compared with the previous nearly three decades. The period 1950-80 disparagingly referred to as the years of "Hindu" rate of growth had an average rate of growth of 3.56 per cent for the entire period. The growth rate decreased from 3.91 in the 1950s to 3.70 per cent in the 1960s and 3.08 per cent between 1970 and 1980. Although the so-called "Hindu" rate of growth from 1950 to 1980 was three times what we would like to call the "Colonial" rate of growth of the previous 30 years, the fact remains that during the first 30 years after India's independence, the improvement in the per capita income was hardly between 1 and 1.95 per cent due to an increasing population growth that resulted from a decline in mortality. That is to say progress made on two fronts – aggregate economic growth and reduction in mortality – offset each other in a kind of developmental irony that most developing countries go through. On a per capita basis, this meant a slow pace of improvement of welfare of the vast masses of the population.

As the growth rate picked up from 1980 onwards, there was a marked acceleration in the growth of per capita income contributed by the double blessing of increasing the growth rate and reducing the population growth. The aggregate economic growth rate accelerated further in the more recent period.¹ While the growth performance in recent years has been spectacular, it is equally important to assess whether it has fully reflected in the welfare of the common people so as to allow us to evaluate the success of our growth performance in terms of the basic objective of improving the welfare of the vast masses of people. This objective was explicitly set out in the policy of inclusive growth or increasing the welfare of the common people, of the United Progressive Alliance government, in contrast with the campaign about a "Shining India", in 2004.

2 Data and Methodology

In order to evaluate the success of our growth performance in terms of welfare characteristics captured by the per capita consumption expenditure of our people, we have worked on

the data sets available from the surveys of National Sample Survey Organisation (NSSO) on employment-unemployment and consumption expenditure. We have classified each sample household as accordingly belonging to the "extremely poor", "poor", "marginal", "vulnerable", "middle income" and "high income" groups if the monthly per capita expenditure (MPCE) of their households was below or above a specified multiple of the poverty line (PL).

Though there is considerable criticism about the determination of the poverty line in India, which systematically underestimates poverty and related deprivation, we have chosen not to engage in that debate here to avoid being deflected from the main thrust of our study. Our aim here is to construct a simple taxonomy and identify groups of people with significant differences in average level of consumption. The criteria for our classification, whether in the rural or urban areas, are given in Table 2.

The official estimates of poverty are computed by the Planning Commission from the quinquennial consumer expenditure survey (CES). However, the analysis in this paper is based on consumption expenditure data as reported in the employment-unemployment survey (EUS) schedules to enable us to relate consumption expenditure status of the people to their work and activity status. In the case of the EUS, data on consumption are collected by using an abridged block in which some major items and item groups only are listed as against CES in which consumption of each individual item is separately collected. Thus, the average consumption expenditure as computed from EUS schedule is expected to be lower than that obtained from CES schedule. The poverty lines, determined on the basis of CES therefore had to be adjusted to make them conform to the level

of consumption expenditure as given by the EUS. This was done by estimating the MPCE from the distribution of persons by MPCE classes based on EUS corresponding to the head count ratios obtained from CES. The difference between the two estimates is insignificant. For example, the official poverty line for 2004-05 is Rs 356.3 for rural areas and Rs 538.6 for urban areas. The poverty lines as applicable to data sets available from the EUS, as per our calculation, turn out to be Rs 346.2 for rural areas and Rs 514.0 for urban areas.

The reason for using the abridged consumer expenditure block in the EUS is, as mentioned above, due to our objective to link the expenditure classes (poor/non-poor) with employment and work characteristics of the working members in the households. However, we give in Tables 3 (p 51) and 5 (p 52) the relevant statistics obtained from the detailed CES to show that the difference is not significant from the point of interpretation of our findings.

On the basis of the adjusted poverty lines, we have estimated the average per capita consumption expenditure per month and per day for 2004-05 for classes as defined in Table 2 above and these are given in Table 3.

Table 1: Decadal Growth Rates of GDP and Per Capita Income

Decades	Growth Rate (%)		
	GDP	Population	Per Capita Income
1920-47	1.18	1.20*	-0.03
1950-60	3.91	1.96	1.95
1960-70	3.70	2.22	1.48
1970-80	3.08	2.20	0.88
1980-90	5.38	2.14	3.24
1990-2000	5.58	1.93	3.65
2000-05	5.99	1.70	4.29

(1) GDP growth rate during 1920-47 is based on 1949 prices.

(2) GDP growth rates in other decades are based on 1999-2000 prices.

* Population growth rate for the period 1921-51.

Sources: NAS, CSO for GDP and *Statistical Abstract* (2003), CSO for population data. Figures for 1920-47 are from Sivasubramanian (2000).

Table 2: Criteria for Classification of Households

Extremely Poor	if $MPCE \leq 0.75$ times poverty line (PL)
Poor	if $0.75 PL < MPCE \leq 1 PL$
Marginal	if $1 PL < MPCE \leq 1.25 PL$
Vulnerable	if $1.25 PL < MPCE \leq 2.0 PL$
Middle class	if $2.0 PL < MPCE \leq 4.0 PL$
High Income Group	if $MPCE > 4.0 PL$

In short, for the year 2004-05, those who have been classified as extremely poor had an average daily per capita consumption expenditure (DPCE) of about Rs 9. Similarly, the group of people taken as poor had DPCE of about Rs 12, the marginal had DPCE of about Rs 15 and the vulnerable a DPCE of about Rs 20. The middle income group is identified as people with an average DPCE of roughly Rs 37 and the high income group as those with an average

Table 3: Average Per Capita Consumption Expenditure (2004-05)

Poverty Status	MPCE (Rs)	DPCE (Rs)	DPCE (US \$ PPP)
1 Extremely poor	269 [268]	9 [9]	1.0
2 Poor	348 [358]	12 [12]	1.3
3 Marginal	438 [449]	15 [15]	1.6
4 Vulnerable	609 [631]	20 [21]	2.2
5 Middle income	1,098 [1137]	37 [38]	4.0
6 High income	2,776 [2879]	93 [96]	10.2
7 Extremely poor and poor (1+2)	325 [331]	11 [11]	1.2
8 Marginal and vulnerable (3+4)	550 [570]	18 [19]	2.0
9 Poor and vulnerable (7+8)	486 [500]	16 [17]	1.8
10 Middle and high income (5+6)	1,387 [1448]	46 [48]	5.1
11 All	696 [734]	23 [25]	2.5

(1) MPCE = Monthly per capita consumption expenditure.

(2) DPCE = Daily per capita consumption expenditure.

(3) 1 US \$ PPP = Rs 9.12.

(4) Figures in square brackets are based on detailed consumer expenditure survey.

Source: Computed from NSS 61st round survey on employment-unemployment, 2004-05.

has been added in the last column of Table 3 to facilitate comparisons with international norms. In 2004-05, the nominal exchange rate with US \$ was Rs 44.93, but PPP US \$ was equivalent to Rs 9.12. It can be seen that the average DPCE of the extremely poor in 2004-05 was approximately \$ 1 and for the vulnerable group was little above \$ 2 per day. This should facilitate the international comparison where people below PPP \$ 1 are classified as extremely poor and those below PPP \$ 2 as the poor. A fraction of our vulnerable people will have daily consumption slightly above Rs 20 per day which is the average for the whole group of the vulnerable (i.e., those between 1.25PL and 2PL). But if we take the average consumption of all the classes belonging to extremely poor, poor, marginal and vulnerable groups, they would be consuming on an average less than Rs 20 a day and would be below the international definition of poverty line.

The similarity between the two sources of data is also seen in the distribution of population and unorganised workers by poverty status and social group in 2004-05 as given in Table 5. The table is based on the EUS to be able to relate the poverty status of the social groups to the status of unorganised workers. This distribution of the social group is hardly different from that in the consumer expenditure survey as given in the brackets.

In an exercise of this nature using data sets of three rounds of the National Sample Survey (1993-94, 1999-2000 and 2004-05) and estimating the expenditure classes from the abridged schedule of the EUS and linking them up with different social groups, educational background and informal or unorganised work status, etc, there are a number of technical issues and limitations of data. We have therefore discussed in detail in the Appendix the methodology of classification and estimation

spelling out these issues and how we have adjusted or coped with them.

3 Changes in the Magnitude of the Poor and Vulnerable

Table 4 gives a striking profile of the Indian people in terms of their consumption expenditure. As of 2004-05, 21.8 per cent of the people can be regarded as extremely poor or poor.² When we compare this information with the estimates derived from the 55th round of 1999-2000 and 50th round of 1993-94, there has been some decline in the percentage of people belonging to these groups of poor in the last 10 years of high economic growth – from 31 to 22 per cent. However, the table also shows that, almost 41 per cent of people, consisting of the extremely poor, poor and marginal groups, survived on an average expenditure of less than Rs 15 per day per capita consumption in 2004-05, which by all counts should be regarded as affording no more than a miserable existence. The vulnerable group, whose average DPCE was Rs 20

Table 4: Distribution of Population and Average Daily Per Capita Expenditure by Poverty Status

Poverty Status	Distribution of Population (in Million)	Population Percentage Distribution	Average DPCE (in Rs)	Average DPCE (in US \$ PPP)
1993-94				
1 Extremely poor	102.6	11.5	4	0.7
2 Poor	171.6	19.2	6	1.0
3 Marginal	168.2	18.8	8	1.3
4 Vulnerable	289.5	32.4	11	1.8
5 Middle income	138.5	15.5	19	3.1
6 High income	23.9	2.7	47	7.6
7 Extremely poor and poor (1+2)	274.2	30.7	5	0.9
8 Marginal and vulnerable (3+4)	457.7	51.2	10	1.6
9 Poor and vulnerable (7+8)	731.9	81.8	8	1.3
10 Middle and high income (5+6)	162.4	18.2	23	3.7
11 All	894.4	100.0	11	1.8
1999-2000				
1 Extremely poor	87.4	8.7	7	0.8
2 Poor	174.1	17.3	10	1.2
3 Marginal	200.2	19.9	12	1.5
4 Vulnerable	349.0	34.8	17	2.1
5 Middle class	167.3	16.7	31	3.6
6 High income	26.1	2.6	73	8.6
7 Extremely poor and poor (1+2)	261.6	26.1	9	1.1
8 Marginal and vulnerable (3+4)	549.2	54.7	16	1.8
9 Poor and vulnerable (7+8)	810.7	80.7	13	1.6
10 Middle and high income (5+6)	193.4	19.3	36	4.3
11 All	1004.1	100.0	18	2.1
2004-05				
1 Extremely poor	69.7	6.4	9	0.9
2 Poor	167.3	15.4	12	1.3
3 Marginal	207.1	19.0	15	1.6
4 Vulnerable	392.0	36.0	20	2.2
5 Middle class	209.8	19.3	37	4.0
6 High income	43.7	4.0	93	10.1
7 Extremely poor and poor (1+2)	237.0	21.8	11	1.2
8 Marginal and vulnerable (3+4)	599.1	55.0	18	2.0
9 Poor and vulnerable (7+8)	836.1	76.7	16	1.8
10 Middle and high income (5+6)	253.5	23.3	46	5.1
11 All	1089.6	100.0	23	2.5

Conversion rates for \$PPP were computed from the calendar year-wise conversion rates provided in International Monetary Fund, *World Economic Outlook Database*, September 2006. The conversion rates used are Rs 6.20, Rs 8.42 and Rs 9.12 for 1993-94, 1999-2000 and 2004-05.

(or Rs 21 as per CES) could be described as people just above the poverty line with some bare minimal additional consumption over subsistence. They are vulnerable because one exogenous shock of death or accident or major hospitalisation or even a temporary loss of job or earnings can drive them to destitution. They constituted about 36 per cent of the population in 2004-05.

These four groups of people – extremely poor, poor, marginal and vulnerable – constituted about 77 per cent of the population in 2004-05 (or 75 per cent according to the detailed consumer expenditure schedule). Most of them are living with an average DPCE below the international level of poverty of \$ 2 per day and according to us this is the group which should be identified as the common people in India (the ‘aam aadmi’) who have been bypassed by the high growth performance. The remaining 23 per cent of the population (or 25 per cent according to the detailed consumer expenditure schedule) belongs to the better off section of the society. In terms of total population, the poor and vulnerable were 836 million out of a total population of 1,090 million in 2004-05 compared to 732 million out of 894 million in 1993-94. Out of that, 237 million people were below the national poverty line and another 207 million belonged to the marginal group of miserable existence at less than a quarter above the poverty line.

The next group of vulnerable people with an average per capita consumption of Rs 20 a day were 392 million. More than the absolute level of consumption of those poor and vulnerable, what is more striking is the disparity between this group and the better off section classified here as the middle and high income. The per capita consumption expenditure of the the middle and high income groups taken together is more than four times that of the extremely poor and poor and more than 2.5 times that of the marginal and vulnerable groups taken together.

What is more striking is that the ratio of average DPCE of the middle and high income groups to that of the extremely poor and poor showed little sign of a fall although the percentage of people belonging to the poor and extremely poor declined significantly. In income terms, this disparity is likely to be much higher since it is the middle and high income classes who almost wholly account for household savings in the economy. By this reckoning, the divide between the haves and have-nots in India is indeed startling and would be politically as well as socially unacceptable in a democratic polity that guides the process of economic development.

The Divide between the Poor and the Non-Poor

When we examine the social composition of the poor and non-poor as well as their linkage with informal (or unorganised) work status in the economy, there is a significant divide between the two categories. This is presented in Table 5 for 2004-05.

The four groups of population – the extremely poor, poor, marginal and vulnerable identified as the “common people” – contain about 88 per cent of the scheduled caste/scheduled tribe (sc/st) people in the country, which was a small reduction of about 2 percentage points from that in 1999-2000. They also include about 80 per cent of the other backward classes (OBCs) excluding Muslims as compared to 84.5 per cent in 1999-2000. This means that the proportion of OBCs in the poor and vulnerable

groups saw a greater decline in the previous five years than that of the the sc/st population in the same period. However, the trend among Muslims seems to be more disappointing than even that of sc/st population. As of 1993-94, 87.4 per cent of Muslims were poor and vulnerable and it fell to 87 per cent in 1999-2000 and to 84.5 per cent in 2004-05, i e, a reduction of only 2.9 percentage points over a period of 10 years.

It is especially interesting to consider the work status of the population groups in terms of organised or unorganised (informal) workers.³ In 1999-2000, when the data permits identification of unorganised workers, 83 per cent of unorganised workers were poor and vulnerable, which came down to 79 per cent in 2004-05. The share of lower social status groups such as sc/st, Muslims and OBCs in the total unorganised workers was 79 per cent in 1999-2000, which fell to 76 per cent of the total population during 2004-05. The problem of poverty and vulnerability and its close association with the unorganised worker status is indeed a systemic problem. However, it should be noted that the incidence of unorganised work status is higher among lower social status groups. In 2004-05, it was 95 per cent among sc/sts as well as Muslims and 94 among OBCs while it was 85 per cent among the remaining population group.

At the same time, we also note that there is a stratum of middle income (say, middle class) group in every social group. There is also a thin layer (say, creamy layer) from the high income group as well in each social group. However, the variation across social groups is noteworthy. In 2004-05, 11.2 per cent of scs/sts and 13.3 per cent of Muslims were in the middle income group though their shares in 1993-94 were 8.1 for scs/sts and 11.1 for Muslims. In 1999-2000, 14.1 per cent of OBCs were in the middle income category and that increased to 17.8 per cent by 2004-05. In contrast, in the group of “Others” the share increased from 29.4 per cent to 34.2 per cent. As far as the high income group is concerned, it is a very thin layer among the scs/sts and Muslims increasing from 0.9 per cent to 1 per cent for the former and from 1.5 per cent

Table 5: Percentage Distribution of Population and Unorganised Workers by Poverty Status and Social Groups (2004-05)

Poverty Status	Population					Un-Organised Workers
	Total	SC/ST	OBC	Muslim	Others	
1 Extremely poor	6.4 [6.5]	10.9[11.4]	5.1[5.2]	8.2[8.2]	2.1[1.6]	5.8
2 Poor	15.4 [15.5]	21.5[21.8]	15.1[15.3]	19.2[19.9]	6.4[6.1]	15.0
3 Marginal	19.0 [17.9]	22.4[21.2]	20.4[19.6]	22.3[19.9]	11.1[10.3]	19.6
4 Vulnerable	36.0 [35.5]	33.0[32.7]	39.2[38.2]	34.8[34.8]	35.3[35.0]	38.4
5 Middle income	19.3 [20.3]	11.2[11.6]	17.8[18.9]	13.3[14.7]	34.2[35.7]	18.7
6 High income	4.0 [4.4]	1.0[1.3]	2.4[3.0]	2.2[2.5]	11.0[11.3]	2.7
7 Extremely poor and poor (1+2)	21.8 [22.0]	32.4[33.3]	20.3[20.4]	27.4[28.1]	8.5[7.7]	20.8
8 Marginal and vulnerable (3+4)	55.0 [53.3]	55.4[53.8]	59.6[57.8]	57.1[54.7]	46.3[45.4]	57.9
9 Poor and vulnerable (7+8)	76.7 [75.3]	87.8[87.1]	79.9[78.2]	84.5[82.8]	54.8[53.1]	78.7
10 Middle and high income (5+6)	23.3 [24.7]	12.2[12.9]	20.2[21.8]	15.5[17.2]	45.2[47.0]	21.3
11 All	100[100]	100.00[100]	100[100]	100[100]	100[100]	100.0

(1) Figures in square brackets indicate the estimates based on the detailed consumer expenditure survey.

(2) “Others” consist of all those who do not belong to SCs/STs, OBCs and Muslims.

(3) The social status of about 0.66 million people were not reported though included in the total population.

(4) Unorganised workers consist of those working in the unorganised sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the organised sector without any employment or social security benefits provided by the employers.

(5) The method of identifying different social groups and other characteristics is explained in the Appendix.

to 2.2 per cent for the latter. In the case of OBCs, it was 1.4 per cent in 1999-2000 and 2.4 per cent in 2004-05 while for 'Others' it increased from 6.4 to 11 per cent during this period. Similarly, of the unorganised workers, 17 per cent belonged to the middle and high income groups in 1999-2000, which increased to 21 per cent in 2004-05.

We also examined the distribution of different social groups in each poverty status. About 83 per cent of those in the sc/st, Muslims and obc groups belong to the poor and vulnerable group while their share in the middle and high income groups was only 54 per cent in 2004-05.

From the detailed classification of the population into six income/expenditure classes and their linkages with social groups and unorganised workers, we can now move on to compress them into three distinct groups for purposes of comparison. These are (i) extremely poor and poor, (ii) marginal and vulnerable, and (iii) middle and high income. When we combine the first two, we get the larger group of poor and vulnerable. Wherever warranted we would revert to our six-group classification to bring out the differences as sharply as possible.

Table 6 gives the shares of unorganised workers in each poverty status and Table 7 gives their distribution by social groups in each poverty status category. In the middle and high income group, we found that about 80 per cent of the total workers are unorganised workers and among them about 40.4 per cent come from Others (i.e., upper caste Hindus, Christians, Sikhs and other groups other than sc/st, Muslims and obc). Table 7 brings out clearly how the unorganised workers belonging to the extremely poor and poor groups are mostly accounted for by sc/sts, Muslims and obc to the extent of 91.4 per cent. If we include the marginal and vulnerable groups, this share comes down to 84.4 per cent, still much higher than their population share of 76 per cent.

4 Educational Dimension of Poverty and Vulnerability

The level of education is an important determinant of poverty status as 86 per cent of the illiterates and 83.3 per cent of those with educational level up to primary school were in the lower strata of the poor and vulnerable in 2004-05. In the case of those with educational attainment of secondary and above but below graduation, 52 per cent and among graduate and above 30 per cent only were in the poor and vulnerable group. On the other hand, about 70 per cent of the graduate and above population in 2004-05 was in the middle and high income group, which had increased from 62 per cent in 1993-94. Whereas 86 per cent of those below primary level of education were in the poor and vulnerable group in 1993-94 and this declined to only 83 per cent in 2004-05. The percentage

distribution of population in different educational status by poverty status is given in Table 8.

While there has been an overall decline of population in the poverty status category of the poor and vulnerable during the 11-year period, the reduction was just over 2 percentage points among illiterates and about 2.5 percentage points among those with up to only primary level of education. In the case of the secondary and above but below graduation group, the reduction in the percentage share of the poor and vulnerable was over 7.3 percentage points and those with graduation and above was 7.9 per cent.

The common people belonging to the poor and vulnerable group are mostly illiterates or with educational level up to primary. A small proportion of them have gone through middle and secondary level of education and a minuscule fraction are graduate and above.

In Table 9 (p 54), we give the distribution of the population in different educational levels in different poverty status groups across the different social groups. What this table reveals is that given the same level of education, a person who is a sc/st or Muslim is likely to be more in the poor and vulnerable category than a person belonging to the higher social status group. For example, 90 per cent of sc/st with only up to primary level of education in 2004-05 belonged to the poor and vulnerable group compared to 67 per cent for the group "Others" representing upper caste Hindus, Christians and Sikhs. We have also examined the details for the social groups for three different time points. What we find is that as people acquire higher levels of education they are able to get out of the trap of poverty and vulnerability, but the speed with which that happens is slower for the lower social status groups than the higher ones. Here one should perhaps note the other enabling or disabling factors, as the case may be, in

Table 6: Distribution of Total and Unorganised Workers (2004-05)

Poverty Status	Total Workers (in Million)	Work Participation Rate (%)	Unorganised Workers (in Million)	Share of Unorganised Workers to Total Workers (%)
1 Extremely poor and Poor	89.3	37.7	87.8	98.3
2 Marginal and vulnerable	255.8	42.7	244.8	95.7
3 Poor and vulnerable (1+2)	345.1	41.3	332.6	96.4
4 Middle and high income	112.4	44.3	90.0	80.1
5 Total	457.5	42.0	422.6	92.4

Work Participation Rate = (Total workers/Total Population)*100.

Table 7: Percentage Distribution of Unorganised Workers in Different Poverty Status by Social Groups (2004-05)

Poverty Status	Total	ST/SC	OBCs	Muslim	Others
1 Extremely poor and poor	100.0	44.9	33.6	12.9	8.6
2 Marginal and vulnerable	100.0	30.5	40.6	10.8	18.1
3 Poor and vulnerable (1+2)	100.0	34.3	38.7	11.3	15.6
4 Middle and high income	100.0	16.4	35.6	7.6	40.4
5 Total	100.0	30.5	38.0	10.5	20.9

Each row does not add up to 100 as the distribution by social status does not include non-reporting cases in 2004-05.

Table 8: Percentage Distribution of Population (Age 15+) in Different Educational Status by Poverty Status

Poverty Status	Illiterate	Up to Primary	Middle	Secondary and Above but Below Graduate	Graduate and Above	Total
1993-94						
1 Extremely poor and poor	36.9	32.7	18.3	10.9	4.6	26.8
2 Marginal and vulnerable	51.5	53.4	56.4	48.8	33.0	52.3
3 Poor and vulnerable (1+2)	88.4	86.1	74.7	59.7	37.6	79.1
4 Middle and high income	11.6	14.0	25.3	40.3	62.4	20.9
5 Total	100.0	100.0	100.0	100.0	100.0	100.0
2004-05						
1 Extremely poor and poor	27.1	24.1	13.7	7.4	2.8	18.2
2 Marginal and vulnerable	59.0	59.2	57.5	45.0	26.9	54.4
3 Poor and vulnerable (1+2)	86.1	83.3	71.2	52.4	29.7	72.6
4 Middle and high income	13.9	16.7	28.8	47.6	70.3	27.4
5 Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ibid.

determining the speed of such a transition. For lower social status groups, the other disabling factors could be numerous but the main ones are likely to be the weak social network, access to information especially on employment opportunities, weak family support due to the low education of parents and relatives and the constraints in the larger social milieu that is often discriminatory.

In the case of Muslims, the congruence between poverty and educational status is not very different from that in the case of the sc/sr population. The percentage in the poor and vulnerable group with low education (up to primary level) at about 87 per cent in 2004-05 is closer to that of the sc/sr population.

In the case of OBCs, 84 per cent of those with low education were poor and vulnerable in 2004-05. And this makes their position closer to sc/sr and Muslims than the Others where it was 67 per cent.

Within the group of low educated (up to primary level) we should in fact note the congruence between illiteracy and poverty and vulnerability across social groups as given in Table 9. For example, in 2004-05, 91 per cent of sc/sr illiterates, 89 per cent of Muslim illiterates and 86 per cent of OBC illiterates were in the poor and vulnerable group. This was 71 per cent for the group "Others". This close congruence between illiteracy and poverty is perhaps not unexpected. What is of relevance here is that the incidence of illiteracy is higher among low social status groups. In 2004-05, these were 51 per cent for sc/sr, 41 per cent for Muslims, 39 per cent for OBCs and 19 for Others. Such a situation results in a formidable initial handicap for all but more so, and in a stark form, for those at the bottom.

We have summarised in Table 10 the impact of the improvement in educational attainment over a period of five years during 1999-2000 to 2004-05. This was not uniform across different social groups. The decline in the percentage of illiterates among scs/srs during 1999-2000 to 2004-05 was the highest though they still had the largest percentage of illiterates. There was, however, only a marginal increase of 0.3 percentage points in graduates and above among scs/srs.

Table 9: Percentage Distribution of Population in Specific Educational Categories by Poverty Status and Social Groups (2004-05)

Social Category	Poverty Status	Illiterate	Up to Primary	Middle	Secondary and Above but Below Graduate	Graduate and Above	Total
SC/ST	Poor and vulnerable	91.2	89.7	80.7	65.4	47.8	85.0
	Middle and HIG	8.8	10.3	19.3	34.7	52.2	15.0
	All	100.0	100.0	100.0	100.0	100.0	100.0
Muslims	Poor and vulnerable	89.5	87.2	76.5	63.1	43.4	81.3
	Middle and HIG	10.6	12.8	23.6	36.9	56.6	18.7
	All	100.0	100.0	100.0	100.0	100.0	100.0
OBC	Poor and vulnerable	85.6	83.6	74.3	59.9	39.4	76.3
	Middle and HIG	14.5	16.4	25.7	40.1	60.6	23.7
	All	100.0	100.0	100.0	100.0	100.0	100.0
Others	Poor and vulnerable	70.6	66.9	57.7	39.5	21.6	50.9
	Middle and HIG	29.4	33.1	42.3	60.5	78.4	49.1
	All	100.0	100.0	100.0	100.0	100.0	100.0
All	Poor and vulnerable	86.1	83.3	71.2	52.4	29.7	72.6
	Middle and HIG	13.9	16.7	28.8	47.6	70.3	27.4
	All	100.0	100.0	100.0	100.0	100.0	100.0

Source: *ibid.* HIG means high income group.

In the case of Muslims, the decline in the percentage of illiterates between 1999-2000 and 2004-05 was about 4.8 percentage points and the decrease in the poor and vulnerable group among them was 4.5 percentage points. The overall increase in the percentage of graduates and above among Muslims was 0.3 percentage points, while the increase in the poor and vulnerable of the group was marginal at 0.04 percentage points.

The OBCs were able to reduce the percentage share of illiterates by about 6.5 percentage points from 45.8 per cent in 1999-2000 to 39.3 per cent in 2004-05 with a corresponding reduction of about 5.8 percentage points in the illiterate poor and vulnerable. The graduate and above among OBCs, on the other hand, increased from 3.1 per cent in 1999-2000 to 4.1 per cent in 2004-05 with a marginal increase of only 0.3 percentage points in the poor and vulnerable among them.

In the case of those not belonging to scs/srs, Muslims and OBCs, the share of illiterates reduced by about 4.5 percentage points from 23.5 per cent to 19 per cent, while those belonging to the poor and vulnerable among illiterates reduced by 3.7 percentage points. The graduates and above, on the other hand, increased by about 1.9 percentage points from 12.1 per cent to 14 per cent with a marginal increase of 0.2 percentage points in the poor and vulnerable group among them.

The sc/srs and OBCs achieved a larger reduction in the percentage of illiterates. The impact in reducing poverty and vulnerability was also greater among scs/srs and Muslims. On the other side of the spectrum, however, the scs/srs and Muslims were not able to increase the percentage of graduates and above significantly. The Muslims were able to avoid an increase in the percentage share of the poor and vulnerable

Table 10: Changes in Educational Attainment and Poverty Reduction by Social Groups between 1999-2000 and 2004-05 (in percentage points)

Social Group	Reduction in Illiterates	Reduction in Poor and Vulnerable among Illiterates	Increase in Graduate and Above	Increase in Poor and Vulnerable among Graduates and Above
SC/ST	6.9	6.5	0.3	0.2
Muslims	4.8	4.5	0.3	0.04
OBCs	6.5	5.8	1.0	0.3
Others	4.5	3.7	1.9	0.2

Source: From data in NSS 55th and 61st Round Survey on Employment-Unemployment, 1999-2000 and 2004-05. Computed.

Table 11: Percentage Distribution of Unorganised Workers in Specific Educational Levels by Poverty Status in Social Groups (2004-05)

Social Category	Poverty Status	Illiterate	Up to Primary	Middle	Secondary and Above but Below Graduate	Graduate and Above	Total
SC/ST	Poor and vulnerable	91.7	90.4	83.5	76.8	63.5	88.3
	Middle and HIG	8.3	9.6	16.5	23.2	36.5	11.7
	All	100.0	100.0	100.0	100.0	100.0	100.0
Muslims	Poor and vulnerable	90.1	88.2	79.5	71.4	50.3	84.4
	Middle and HIG	9.9	11.8	20.5	28.6	49.7	15.6
	All	100.0	100.0	100.0	100.0	100.0	100.0
OBC	Poor and vulnerable	85.8	84.2	76.5	68.2	50.5	79.9
	Middle and HIG	14.2	15.8	23.5	31.8	49.5	20.1
	All	100.0	100.0	100.0	100.0	100.0	100.0
Others	Poor and vulnerable	72.0	69.4	61.6	48.0	31.4	58.6
	Middle and HIG	28.0	30.6	38.4	52.0	68.6	41.4
	All	100.0	100.0	100.0	100.0	100.0	100.0
All	Poor and vulnerable	87.1	84.8	74.6	61.7	41.0	78.4
	Middle and HIG	12.9	15.2	25.4	38.3	59.0	21.6
	All	100.0	100.0	100.0	100.0	100.0	100.0

among the graduates. The obcs and others were able to increase the percentage shares of graduates and above without any significant increase in the poor and vulnerable group among them.

The linkage between poverty and vulnerability and educational attainment among unorganised workers is similar to that of the total population. About 81.7 per cent of the extremely poor and poor unorganised workers were either illiterates or with education up to primary level. Among the poor and vulnerable unorganised workers 73.1 per cent had educational attainment up to primary level.

In Table 11 (p 54), we give the distribution of unorganised workers in each social group by educational levels. This is quite revealing in the sense that despite the same level of education, the incidence of poverty and vulnerability varies depending on the social group one belongs to. For example, 92 per cent of illiterates belonging to sc/st were in the poor and vulnerable group whereas only 72 per cent of illiterates belonging to Others were poor and vulnerable. The former is the bottom layer followed by Muslims, obcs and Others at the top – a pattern that emerges throughout our analysis.

The above analysis brings out clearly that the impact of better education in poverty reduction was not uniform in different

Table 12: Changes in Educational Attainment and Poverty Reduction of Unorganised Workers by Social Groups between 1999-2000 and 2004-05 (in percentage points)

Social Group	Reduction in Illiterates	Reduction in Poor and Vulnerable among Illiterates	Increase in Graduate and Above	Increase in Poor and Vulnerable among Graduates and Above
SC/ST	7.5	7.2	0.1	0.1
Muslims	4.5	4.7	0.6	0.2
OBCs	6.6	6.4	0.9	0.3
Others	4.8	4.3	1.3	0.3

social groups. The details are summarised in Table 12. In the case of both the obcs and Others, there was a higher growth in graduate and unorganised workers with a slower growth in

the segment of the poor and vulnerable group. However, the situation was worse in the case of sc/st communities.

There are two unmistakable characteristics that emerge from the presentation of the status of poor people. First, the groups of extremely poor, poor, marginal and vulnerable constitute the category of common people in accounting for about three-fourths of the population. They also account for the socially underprivileged group of scs/sts, Muslims, and obcs. Secondly, most of these people also belong to the category of unorganised workers.

Table 13: Percentage Distribution of Unorganised Workers in Different Activity Status by Poverty Status (2004-05)

Poverty Status	Self-employed	Regular Wage Employees	Casual Workers	Total
1 Extremely poor	4.3 (44.8)	4.3 (6.8)	9.1 (48.4)	5.8 (100)
2 Poor	12.3 (49.5)	11.0 (6.7)	21.4 (43.8)	15.0 (100)
3 Marginal	17.8 (54.8)	15.4 (7.2)	24.3 (38.0)	19.6 (100)
4 Vulnerable	40.3 (63.3)	36.0 (8.6)	35.2 (28.2)	38.4 (100)
5 Middle class	22.0 (71.0)	27.6 (13.5)	9.4 (15.5)	18.7 (100)
6 High income	3.3 (74.0)	5.7 (19.7)	0.6 (6.3)	2.7 (100)
7 Extremely poor and poor (1+2)	16.6 (48.2)	15.3 (6.7)	30.6 (45.1)	20.8 (100)
8 Marginal and vulnerable (3+4)	58.1 (60.4)	51.4 (8.1)	59.4 (31.5)	57.9 (100)
9 Poor and vulnerable (7+8)	74.7 (57.2)	66.7 (7.8)	90.0 (35.1)	78.7 (100)
10 Middle and high income (5+6)	25.3 (71.4)	33.3 (14.3)	10.0 (14.4)	21.3 (100)
11 All	100 (60.2)	100 (9.1)	100 (30.7)	100 (100)

Figures in the brackets are the percentage distribution of unorganised workers in different poverty status by activity status.

In other words, our common people of 836 million are largely co-terminus with the category of poor and vulnerable sc/sts, Muslims and obcs. And in terms of productive activity they overwhelmingly belong to the group of unorganised workers.

Unorganised workers are either self-employed or regular wage employees or casual workers. Among the unorganised workers, over 90 per cent of the casual workers and about 75 per cent of the self-employed were in the category of the poor and vulnerable. Thus most of the casual and self-employed unorganised workers were in the category of common people or 'aam aadmi'. The unorganised workers in the middle and high income groups were largely self-employed at a higher level (given their higher educational levels) and regular salaried. The percentage distribution of unorganised workers in each activity by poverty status as well as their composition (in row total) is given in Table 13.

The relationship between the type of activity, poverty status and education needs to be emphasised here. While the self-employed among the poor and vulnerable group was 57.2 per cent in 2004-05, about 69 per cent of the poor and vulnerable was either illiterates or with education up to primary level. While about 71 per cent of those in the middle income category were self-employed, about 51 per cent of the unorganised workers had either no education or up to primary level.

The extremely poor and poor unorganised workers consisted of 48 per cent self-employed and 45 per cent casual workers in 2004-05 though their shares in 1999-2000 were 44 per cent and 51 per cent respectively. The poor and vulnerable unorganised workers constituted 57 per cent self-employed and 35 per cent casual workers in 2004-05 as compared to 54 per cent and 40 per cent respectively in 1999-2000. The unorganised workers, who are mostly self-employed and casual workers, thus belong to vulnerable and below poverty categories. (The estimates for previous year may be seen from the full text on the web site of the journal.)

5 Consumption, Household Characteristics and Work Participation

There are significant associations between consumption and household characteristics and work participation. Low consumption is associated with a low asset base (e g, land), bigger household size and a higher dependency ratio. This association is evident from Table 14 (p 56). Though the work participation rate declined for all groups in 1999-2000, it improved in 2004-05. The middle and high income groups experienced the highest increase in work participation rate between 1999-2000 and 2004-05, suggesting greater work opportunities apart from the fact that the jobs they secured in general were better paid with greater social security.

It has already been indicated earlier that three quarters of the Indian people have an average daily per capita consumption expenditure of below Rs 20.⁴ From a social point of view the disparity between different classes often becomes sensitive as people tend to compare their position vis-à-vis other groups.

The details of per capita consumption for three time points are given in Table 15 (p 56). While the ratio of the average daily per capita expenditure of the high income group to that of the poor was 7.6 in 1993-94, the same in the case of the middle income

group was 3.1. These ratios did not change much in 1999-2000 and 2004-05 except for a decrease to 7.3 in the case of the high income group in 1999-2000. Similarly, the ratio of average MPCE of the extremely poor and poor group to that of the middle and high income group was more than 4 in all the years. However, disparity in consumption expenditure may not be an appropriate indicator of income disparity since lower income groups do not have the capacity to save (or save only a small proportion of their income) compared to the higher income groups.

As far as the growth in consumption is concerned, the monthly total consumption expenditure has been increasing at an average annual rate of 3.3 per cent during the period from 1993-94 to 2004-05. While the growth rate during the period 1993-94 to 1999-2000 was lower at 2.6 per cent, it accelerated to about 4.2 per cent during 1999-2000 to 2004-05. The growth was largely contributed by the middle and high income groups with annual growth rates of about 4.9 per cent during 1993-94 to 2004-05.

Table 14: Comparative Estimates of Household Characteristics by Poverty Status
(All India)

Poverty Status	MPCE (Rs)	Land Possessed (ha)	HH Size	No of Workers	Dependency Ratio (%)	Workforce Participation Rate
1993-94						
1 Extremely poor and poor	164	0.61	5.51	2.21	2.50	40.03
2 Marginal and vulnerable	294	0.90	4.80	2.04	2.36	42.42
3 Poor and vulnerable (1+2)	246	0.80	5.04	2.09	2.41	41.53
4 Middle and high income	697	1.03	3.79	1.64	2.31	43.34
5 Total	328	0.85	4.76	1.99	2.39	41.86
1999-2000						
1 Extremely poor and poor	266	0.41	5.81	2.14	2.72	36.81
2 Marginal and vulnerable	466	0.65	4.96	1.99	2.49	40.23
3 Poor and vulnerable (1+2)	402	0.58	5.20	2.04	2.56	39.13
4 Middle and high income	1,091	0.67	3.70	1.51	2.44	40.94
5 Total	534	0.60	4.83	1.90	2.54	39.48
2004-05						
1 Extremely poor and poor	321	0.38	5.74	2.18	2.64	37.68
2 Marginal and vulnerable	550	0.59	4.83	2.07	2.33	42.70
3 Poor and vulnerable (1+2)	485	0.54	5.06	2.10	2.41	41.28
4 Middle and high income	1,388	0.67	3.62	1.61	2.25	44.32
5 Total	695	0.58	4.63	1.95	2.37	41.98

Source: Computed from NSS 50th, 55th and 61st round survey on Employment-Unemployment Surveys of 1993-94, 1999-2000 and 2004-05.

Table 15: Consumption Expenditure by Poverty Status

Poverty Status	Total Monthly Consumption (Rs Million at 1993-94 Prices)			Average Monthly Per Capita Consumption (Rs at 1993-94 Prices)		
	1993-94	1999-2000	2004-05	1993-94	1999-2000	2004-05
1 Extremely poor and poor	45,072	44,636	42,603	164.4	170.7	179.7
2 Marginal and vulnerable	1,34,578	1,64,209	1,85,512	294.0	299.0	309.7
3 Poor and vulnerable (1+2)	1,79,650	2,08,845	2,28,115	245.5	257.6	272.8
4 Middle and high income	1,13,224	1,33,464	1,91,340	697.1	690.2	754.8
5 Total	2,92,874	3,42,308	4,19,453	327.5	340.9	385.0

Growth Rates in Consumption Expenditure

Poverty Status	Annual Growth Rate in Monthly Consumption			Annual Growth Rate in Per Capita Consumption		
	1999-2000 to 1993-94	2004-05 to 1999-2000	2004-05 to 2004-05	1999-2000 to 1993-94	2004-05 to 1999-2000	2004-05 to 2004-05
	1993-94	1999-2000	1993-94	1993-94	1999-2000	1993-94
1 Extremely poor and poor	-0.2	-0.9	-0.5	0.6	1.0	0.8
2 Marginal and vulnerable	3.4	2.5	3.0	0.3	0.7	0.5
3 Poor and vulnerable (1+2)	2.5	1.8	2.2	0.8	1.2	1.0
4 Middle and high income	2.8	7.5	4.9	-0.2	1.8	0.7
5 Total	2.6	4.2	3.3	0.7	2.5	1.5

Source: Ibid.

The poor and vulnerable taken together, however, registered a positive growth rate of 2.2 per cent during the same period. In terms of MPCE, the overall growth rate during 1993-94 to 2004-05 was about 1.5 per cent per year. The extremely poor and poor registered an average growth rate of 0.8 per cent while the poor and vulnerable taken together registered a growth rate of 1 per cent per annum. The growth rate recorded by the middle and high income groups in the average per capita consumption was 0.7 per cent. This low growth rate in the case of high income group may be because of diminishing marginal rate of consumption after a threshold level of income.

There is a difference between per capita consumption growth and total consumption growth. This is because the size of each expenditure class has undergone some change. For example, 91 million have been added to the middle and high income group whereas 104 million were added to the group of the poor and vulnerable. Those who have been added in the high income group come with a higher per capita expenditure and thus accompanied by an increase in the average monthly expenditure. This needs to be noted because the per capita consumption expenditure indicates the absolute level of purchasing power and its increase on a per capita basis is directly related to the welfare of the people. The total consumption indicates the total purchasing power of the respective group with a corresponding change in the population size of the group, determining the size of the market of different goods consumed by them.

In the general profiling of the common people as well as the higher income people, it is important to bring in the composition of consumption because this has significant implications on the pattern of demand and consequent nature of the process of economic growth. If a significant share of consumption is accounted for by the high income groups, then the pattern of demand for goods and services undergoes a change in favour of non-basics and durable consumer goods, luxury goods and specific high value goods consumed by such classes. There will be correspondingly less income spent on wage goods consumed by the lower income groups with a smaller size of their markets. Alternatively, the new investments will seek to satisfy the demand of the richer classes because of the ready market, high profitability and consequent circulation of income within those classes. The long-term result could be strengthening the division of the economy where a modern or organised sector – often capital, knowledge, skill and service intensive – would cater to the demands of the rich while the demand for wage goods of a low value nature would be met by a less modern or unorganised sector, often traditional (such as artisanal and craft production along with peasant agriculture) with very little capital intensity, low level of knowledge and skill and access to such inputs as credit.

The composition of the consumption of different expenditure classes is given in Table 16. First,

Table 16: Percentage Share of Total Monthly Expenditure by Poverty Status

Poverty Status	Share of Total Monthly Expenditure		
	1993-94	1999-2000	2004-05
1 Extremely poor and poor	15.4	13.0	10.2
2 Marginal and vulnerable	45.9	48.0	44.2
3 Poor and vulnerable (1+2)	61.3	61.0	54.4
4 Middle and high income	38.7	39.0	45.6
5 Total	100	100	100

Source: Ibid.

the total consumption expenditure of the poor and vulnerable constituting a little over three-fourths of Indian people accounts for only 54 per cent while that of the middle and high income groups accounting for a little less than a quarter of the Indian people (23 to 24 per cent as per our estimate) spends the remaining 46 per cent in 2004-05. The corresponding figures for 1993-94 were that the poor and vulnerable constituting 81 per cent accounted for 61 per cent of total consumption expenditure, while the remaining 19 per cent of the high income group accounted for 39 per cent of consumption. That is to say, in terms of per capita, the consumption ratio worsened somewhat from 1:2.7 in 1999-2000 to 1:2.8 in 2004-05 between these two classes. If this trend continues, it should be a matter of serious concern to policymakers in general and the political leadership in particular.

An analysis of item-wise consumption expenditure during 1999-2000 and 2004-05, given in Table 17, clearly brings out the shift in percentage share of expenditure from food and beverages to non-food in all classes of people. The maximum decline in the share of food consumption was recorded by the middle and high income group. However, the group improved the share of expenditure in education by 2.9 percentage points, other non-food items by 2 percentage points and durable goods by 1.5 percentage points.

The annual consumption expenditures of different groups of items at current prices by different poverty groups during 1999-2000 and 2004-05 are given in Table 18.

While the overall increase in total consumption expenditure between 1999-2000 and 2004-05 was Rs 26,94,769 million, Rs 17,11,851 million (63.5 per cent) was contributed by the middle and high income group. About 34.9 per cent of the growth in the consumption expenditure of the group was in other non-food items and

durable goods. In the case of the poor and vulnerable group, 68.6 per cent of the growth in consumption expenditure was on food and essential non-food items.

6 The Consumption Divide

The average MPCE and other household characteristics by poverty status and social groups are given in Tables 19 and 20 (p 58) respectively. These parameters vary significantly across different social groups even within each poverty status. In 1993-94, SC/ST households had the lowest MPCE, the largest average number of workers per household and the highest WPR among all the poverty

status categories. However, the highest average household size and dependency ratios (the household size divided by the number of workers) were among Muslims in all the poverty categories. The Muslims also had the lowest WPR and average number of workers per household irrespective of the poverty category. The relative positions of different social groups did not change much by 1999-2000 except that the average number of workers per household in the middle and high income group was the highest among OBCs instead of SC/ST households. There was no change even in 2004-05 except that among marginal and vulnerable households, the average number of workers per household was the highest among OBCs and not SCs/STs.

The average MPCE of the middle and high income group was about four times that of the extremely poor and poor group in the case of SC/ST as against 3.8 times in the case of Muslims and 4.2 times in the case of Others in the year 1993-94. The pattern did not change by 2004-05 except that the ratios got reduced in the case of SC/STs and Muslims and it increased in the case of OBCs and Others. In other words, the disparity among those belonging to the social categories of OBCs and Others got worsened. In

Table 17: Percentage Distribution of Total Consumption Expenditure by Specific Groups of Items

Poverty Status	Food and Beverage	Essential Non-food Items	Education	Medical	Other Non-food Items	Durable Goods
1999-2000						
1 Extremely poor and poor	67.8	16.8	1.3	3.4	9.4	1.3
2 Marginal and vulnerable	63.0	15.9	2.1	5.0	12.3	1.7
3 Poor and vulnerable	64.1	16.1	1.9	4.6	11.7	1.6
4 Middle and high income	48.7	14.1	4.1	7.3	20.9	4.9
5 All	58.1	15.3	2.8	5.7	15.3	2.9
2004-05						
1 Extremely poor and poor	63.3	19.5	1.9	3.5	10.0	1.8
2 Marginal and vulnerable	58.5	18.2	3.1	4.8	13.0	2.4
3 Poor and vulnerable	59.4	18.4	2.9	4.6	12.4	2.3
4 Middle and high income	41.5	14.8	7.0	7.4	23.0	6.4
5 All	51.2	16.8	4.7	5.9	17.2	4.2

Source: Computed from NSS 55th and 61st round survey on Employment-Unemployment, 1999-2000 and 2004-05.

Table 18: Annual Consumption Expenditure (Rs million at current prices)

Poverty Status	Food and Beverage	Essential Non-food Items	Education	Medical	Other Non-food items	Durable Goods	Total
1999-2000							
1 Extremely poor and poor	5,74,340	1,41,994	10,627	28,786	79,772	11,056	8,46,575
2 Marginal and vulnerable	19,62,423	4,96,292	66,140	1,54,289	3,81,593	53,278	31,14,013
3 Poor and vulnerable (1+2)	25,36,763	6,38,286	76,766	1,83,075	4,61,365	64,333	39,60,588
4 Middle and high income	12,49,947	3,61,865	1,04,884	1,86,227	5,37,878	1,25,474	25,66,276
5 Total	37,86,710	10,00,150	1,81,651	3,69,302	9,99,243	1,89,807	65,26,864
2004-05							
1 Extremely poor and poor	5,93,408	1,82,343	18,093	33,165	93,544	16,536	9,37,089
2 Marginal and vulnerable	23,44,262	7,29,615	1,23,088	1,92,252	5,19,382	97,818	40,06,417
3 Poor and vulnerable (1+2)	29,37,670	9,11,958	1,41,181	2,25,417	6,12,926	1,14,353	49,43,506
4 Middle and high income	17,70,914	6,32,626	2,98,232	3,15,993	9,85,263	2,75,099	42,78,127
5 Total	47,08,584	15,44,584	4,39,413	5,41,410	15,98,189	3,89,453	92,21,633

Source: Ibid.

Table 19: Average MPCE (Rs) and Worker Participation Rate (WPR in %) by Social Group and Poverty Status

Year	Social Group	Extremely Poor and Poor		Marginal and Vulnerable		Middle and High income		All		Ratio of Consumption
		MPCE	WPR	MPCE	WPR	MPCE	WPR	MPCE	WPR	
1993-94	SC/ST	156	44.1	276	48.2	617	50.5	255	46.6	4.0
	Muslims	174	30.2	294	33.7	662	37.6	295	32.9	3.8
	OBCs	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Others*	168	39.5	301	41.7	714	42.8	364	41.4	4.2
	All	164	40.0	294	42.4	697	43.4	328	41.9	4.2
2004-05	SC/ST	303	40.9	516	46.5	1,118	49.0	520	45.0	3.7
	Muslims	348	30.4	556	34.7	1,279	37.4	611	33.9	3.7
	OBCs	324	37.7	541	44.2	1,211	48.1	632	43.6	3.7
	Others	349	35.6	608	39.9	1,611	41.6	1,039	40.3	4.6
	All	321	37.7	550	42.7	1,388	44.3	695	42.0	4.3

* - Others include OBCs in 1993-94. NA = Not Available. Ratio = Average MPCE of Middle & High Income Group/Average MPCE of Extremely Poor and Poor.

Source: Computed from NSS 50th and 61st round survey on Employment-Unemployment, 1993-94 and 2004-05.

the case of sc/sr and Muslims, the average MPCES remained lower than the other two groups with lesser disparities.

While there has been a decline in the overall average household size from 4.8 persons in 1993-94 to 4.6 in 2004-05, those belonging to sc/sts and Muslims could not benefit from the

Table 20: Household Size and Dependency Ratios by Poverty Status and Social Groups

Social Group	HH size			Dependency Ratio		
	1993-94	1999-2000	2004-05	1993-94	1999-2000	2004-05
Extremely poor and poor						
ST/SC	5.3	5.5	5.5	2.3	2.5	2.4
Muslims	6.1	6.7	6.6	3.3	3.5	3.3
OBC	NA	5.8	5.8	NA	2.7	2.7
Others	5.5	5.9	5.7	2.5	3.0	2.8
All	5.5	5.8	5.7	2.5	2.7	2.6
Marginal and vulnerable						
ST/SC	4.4	4.6	4.6	2.1	2.2	2.2
Muslims	5.1	5.5	5.3	3.0	3.1	2.9
OBC	NA	4.9	4.8	NA	2.4	2.3
Others	4.9	5.2	5.0	2.4	2.8	2.5
All	4.8	5.0	4.8	2.4	2.5	2.3
Poor and vulnerable						
ST/SC	4.8	4.9	4.9	2.2	2.3	2.3
Muslims	5.5	5.9	5.6	3.1	3.3	3.0
OBC	NA	5.2	5.0	NA	2.5	2.4
Others	5.1	5.3	5.1	2.4	2.8	2.6
All	5.0	5.2	5.1	2.4	2.6	2.4
Middle and high income						
ST/SC	3.4	3.4	3.4	2.0	2.2	2.0
Muslims	4.0	3.9	3.9	2.7	2.6	2.7
OBC	NA	3.6	3.6	NA	2.3	2.1
Others	3.9	3.8	3.7	2.3	2.6	2.4
All	3.8	3.7	3.6	2.3	2.4	2.3
Total						
ST/SC	4.6	4.7	4.6	2.1	2.3	2.2
Muslims	5.2	5.5	5.3	3.0	3.2	3.0
OBC	NA	4.8	4.7	NA	2.4	2.3
Others	4.8	4.7	4.4	2.4	2.7	2.5
All	4.8	4.8	4.6	2.4	2.5	2.4

same as given in Table 20. In the case of sc/sts, the average household size increased from 4.6 in 1993-94 to 4.7 in 1999-2000 and then reduced to 4.6 in 2004-05. In the case of Muslims, the average household size increased from 5.2 in 1993-94 to 5.5 in 1999-2000 and then to 5.3 in 2004-05. The average household sizes of the extremely poor and poor in all the social groups were considerably higher than those in other poverty categories. Consequently they also had higher dependency ratios, making their living conditions deplorably poor.

While the average MPCES of the middle and high income group during 2004-05 was Rs 1,388, it was as low as Rs 321 in the case of the extremely poor and poor. Even within the poverty category of extremely poor and poor, sc/sr communities were the most poor with an MPCES of Rs 303 in 2004-05. For example, the MPCES of the sc/sr poor is only 87 per cent of the MPCES of Other poor in 2004-05. Thus, the poor are not the same across all social groups. In other words the depth of poverty is the highest for the sc/sr communities followed by OBCs and Muslims.

The average annual growth rates in total and per capita consumption expenditure of different social groups belonging to various poverty categories are given in Table 21. While the overall growth rate in MPCES during the period 1993-94 to 2004-05 was merely 1.5 per cent per annum, it was as high as 4 per cent in the case of those not belonging to the sc/sr communities, Muslims and OBCs. The growth rate was the lowest, 1.2 per cent, in the case of Muslims and 1.3 per cent in the case of scs/sts. During the period of 1999-2000 to 2004-05, the growth rate was relatively higher with an overall average of 2.5 per cent and 4.1 per cent in the case of others. The growth rates of scs/sts, Muslims and OBCs were 1.7 per cent, 2.2 per cent and 2.5 per cent respectively.

The percentage shares of different poverty categories in total monthly consumption expenditure by social group in different years are given in Table 22 (p 59). The share of the extremely poor and poor decreased from 15.4 per cent in 1993-94 to 10.2 per cent in 2004-05. The share of the marginal and vulnerable groups also declined from 45.9 per cent in 1993-94 to 44.2 per cent in 2004-05. It was mainly contributed by the shift of the persons from poor categories to higher categories. However, the shift has not been uniform across all social groups. The most disadvantaged groups were again scs/sts, Muslims and OBCs in that order.

7 A Summing Up

To sum up, an overwhelming majority of the Indian population, around three quarters, is poor and vulnerable and it is a staggering 836 million as of 2004-05. This includes 70 million or 6.4 per cent who may be characterised as extremely poor with a per capita consumption of less than or three-quarters of the official poverty line. To this should be added 167 million of those who are poor with consumption not more than that fixed as the official poverty line. If this is relaxed to include those with a per capita consumption of up to 25 per cent above the poverty line, called marginally poor here, then we find another 207 million. These three groups account for 444 million or 40.8 per cent of the population. To this we add those with a per capita consumption between 1.25 and two times the poverty line as vulnerable and this group of poor and vulnerable comes to 836 million of Indians or well over 75 per cent of the population.

The next major finding is the close association between poverty and vulnerability with one's social identity. The two social groups who are at the bottom by this classification are the scs/sts, who constitute the bottom layer, and the Muslims, who are in the next layer. This does not mean that the other groups are far better off. The next group is the OBCs but better than the two bottom layers. Even for those who do not belong to any of these groups, the incidence is 55 per cent.

The obverse of this is equally important. It says that in all communities there is a class of better-off, called the middle and high income group, which varies with social identity. Therefore economic differentiation across

Table 21: Growth Rates in Per Capita Consumption Expenditure by Poverty Status across Social Groups

	Annual Growth Rate in Per Capita Consumption (in %)		
	1999-2000 to 2004-05 to 2004-05 to		
	1993-94	1999-2000	1993-94
Extremely poor and poor			
ST/SC	0.8	1.0	0.9
Muslims	0.3	1.3	0.8
OBC		1.1	
Others	1.3	1.0	1.2
All	0.6	1.0	0.8
Marginal and vulnerable			
ST/SC	0.5	0.8	0.6
Muslims	0.4	0.6	0.5
OBC		0.9	
Others	1.1	1.0	1.0
All	0.3	0.7	0.5
Poor and vulnerable			
ST/SC	1.1	1.3	1.2
Muslims	0.8	1.3	1.0
OBC		1.4	
Others	2.2	1.2	1.8
All	0.8	1.2	1.0
Middle and high income			
ST/SC	-0.2	0.4	0.1
Muslims	-0.6	2.0	0.5
OBC		1.4	
Others	0.9	2.7	1.7
All	-0.2	1.8	0.7
Total			
ST/SC	1.1	1.7	1.3
Muslims	0.5	2.2	1.2
OBC		2.5	
Others	3.9	4.1	4.0
All	0.7	2.5	1.5

social groups is a fact of life in contemporary India, albeit in varying degrees.

A much more powerful factor in this differentiation seems to be that of educational endowments. There is no doubt that no or low education is more strongly associated with poverty and vulner-

Table 22: Percentage Share of Total Monthly Expenditure of Different Poverty Categories across Social Groups

Social Group	Share of Total Monthly Expenditure		
	1993-94	1999-2000	2004-05
Extremely poor and poor			
ST/SC	26.5	22.4	18.9
Muslims	22.3	19.3	15.3
OBC	NA	14.3	10.4
Others	NA	4.6	2.9
All	15.4	13.0	10.2
Marginal and vulnerable			
ST/SC	51.8	55.2	55.4
Muslims	49.5	53.4	52.4
OBC	NA	54.7	51.5
Others	NA	36.7	27.7
All	45.9	48.0	44.2
Poor and vulnerable			
ST/SC	78.2	77.6	74.3
Muslims	71.7	72.7	67.7
OBC	NA	69.0	61.9
Others	NA	41.3	30.6
All	61.3	61.0	54.4
Middle and high income			
ST/SC	21.8	22.4	25.7
Muslims	28.3	27.3	32.3
OBC	NA	31.0	38.1
Others	NA	58.7	69.4
All	38.7	39.0	45.6
Total			
ST/SC	100	100	100
Muslims	100	100	100
OBC	NA	100	100
Others	NA	100	100
All	100	100	100

work status is often an outcome of the inherited and acquired endowments. Here again, education acts as a moderator in that a higher level of education of informal workers results in less poverty and vulnerability. This also works in a dynamic way in that those informal workers with higher education get out of poverty and vulnerability faster than others. Therefore, it is hardly necessary here to emphasise the role of education and skill development of those in the informal sector.

There is considerable disparity in the consumption expenditure of the poor and vulnerable with that of the middle and high income group and it has been worsening over the years. What is disturbing is the trend that shows a slower rate of growth of consumption of the poor and vulnerable with a smaller average per capita consumption compared to the middle and high income group with a much higher average consumption that has been growing much faster. This is a clear manifestation of the increasing disparity between the haves and have-nots with different consumption baskets. These numbers point to the often talked about “two Indias”, a shining and resurgent one and a suffering yet labouring one.

But the interesting finding is that for the socially considered lower groups the threshold level of education required to cross poverty is higher compared to other social groups. What we find here is the close correspondence between social identity and educational attainments.

Over time there has been some change but we have characterised the speed of this change as “snail’s pace”. For the two bottom layers of the social category, i.e., SC/ST and Muslims, the change is largely from poverty to vulnerability. Perhaps the speed of change is also determined by a combination of social identity and educational endowments.

Despite the formidable constraints, education seems to provide the best hope for overcoming poverty and vulnerability. The speed of change has been faster wherever the educational attainments are higher.

When we examine the informal work status of the earners in the households, there is a close association with social identity and low education. Therefore, informal

What we have found is a strong undercurrent of what we would like to call systemic and hierarchical segmentation based on social identity. It is on top of this that we find an economic differentiation in terms of the level of consumption that gets thinner and thinner as we go down the social ladder. This systemic and hierarchical segmentation along social groups in terms of poverty and vulnerability, informal work status, and education is also reflected in per capita consumption in different poverty status groups. What this conveys is that an SC/ST poor is not the same as the poor Muslim or poor OBC not to speak of the poor Other. The depth of poverty is not the same across social groups even within the category of poor.

Table 23: Systemic and Hierarchical Segmentation of Social Groups across Economic Groups (Ranking)

Social Group	Share of Unorganised Workers in Total Workers	Incidence of Extremely Poor and Poor	Incidence of Poor and Vulnerable	Low Education among Poor and Vulnerable	Low Education among Unorganised Workers	Proportion of Middle and High Income among Social Groups
Others	1	1	1	1	1	1
OBC	2	2	2	2	2	2
Muslim	3	3	3	3	3	3
SC/ST	4	4	4	4	4	4

Ranking in descending order. 1 indicates the most favourable position and 4 indicate the least favourable position.

The SC/ST population forms the bottom layer in all respects considered here. This is followed by Muslims, then OBCs and the top layer by Others. What is striking is the evidence that this systemic and hierarchical segmentation along social groups is also reflected across economic groups represented by consumption expenditure classes, low education and informal work status. Within these economic groups, the only change in ranking is within the intermediate category of OBCs and Muslims in terms of per capita consumption. The latter has a marginally higher per capita consumption than the former among the poor and vulnerable but this edge is absent when all economic groups are combined. Table 23 summarises the systemic and hierarchical ordering.

8 Conclusions

Our estimate that a little more than three-fourths of the Indian people are poor and vulnerable in 2004-05, based on a value that is double the official poverty line, is consistent with other estimates. For example, the *World Development Report 2006* of the World Bank reports 35 per cent of the Indian population as living below the extreme poverty line of one PPP \$ per day.

There has, however, been some dissatisfaction with the use of the consumer expenditure survey (CES) data obtained from national sample surveys because of its difference with the estimates of private final consumption as reported in the National Accounts Statistics (NAS). The problem has been compounded by the increasing disparity between the two sources. Several scholars have addressed this problem and the consensus has been that the CES data is more reliable than the NAS. While there are some genuine sources of difference such as the consumption by non-profit institutions, serious doubts have been raised regarding the estimation of private final consumption in the NAS.⁵

There is also the argument that the bias in reporting consumption in the CES is more pronounced in the upper income groups than the poor and vulnerable. This is especially true of consumption outside the household, purchase of expensive luxury goods and celebration of marriages and other events and so on. The question

of increasing differences has, however, not yet been settled or anywhere near consensus. This subject, therefore, is likely to remain a challenge for experts in the field.

If the reported consumption expenditure by the better off sections has a downward bias, then it may be hypothesised that the perceived difference in living standards between the poor and vulnerable and the higher income groups (middle and high income) as revealed by the consumer expenditure data is an underestimation of the actual differences. The problem of inequality would then assume far more seriousness for its implications than what is made out on the basis of consumption expenditure.

We would also like to comment on the official poverty line on the basis of which estimates of the incidence of poverty are made. It is highly questionable to rely on an unchanging poverty line adjusted only for price changes, in terms of consumer expenditure since the early 1970s (i.e., 1973-74) despite an increase in per capita income and substantial changes in consumption pattern over the last 31 years (i.e., as of 2004-05). For example, the official poverty line was Rs 49.63 for rural areas (Rs 56.76 for urban) in 1973-74 in terms of MPCE when the per capita GDP per month was Rs 88.58 and the rural poverty line was thus 56 per cent (64.1 per cent for urban) of per capita GDP. In 2004-05, the official poverty line was Rs 356.30 (MPCE) for rural areas (Rs 538.60 for urban) when the per capita GDP stood at Rs 2,183.42 per month, i.e., the poverty line was 16.3 per cent (24.7 per cent for urban). The notion of an absolute minimum of a basket of goods yielding a calorie value plus some essential items loses most of its significance in a growing economy relative to per capita income. Poverty should be reckoned in relative terms to capture the inequalities in the system. There is nothing absolute about an absolute minimum for a poverty line when the economy is on a growth path of an unprecedented kind. That this point has not been factored, not just in India but even in some other countries with much faster rates of growth (e.g., China), perhaps reflects an eagerness to show a declining trend in poverty or, for that matter, the magic of "trickle down" growth. There is no doubt that the case for revisiting the poverty line would become stronger as the economy continues to grow.⁶

Use of Official Poverty Line

In this paper, we have not entered into these discussions as we have used the poverty line only as a benchmark for decomposing the total population into six different groups, in terms of poverty status. We have accepted the official definition of the poverty line as the absolute minimum standard of living at different points of time and divided the Indian population into groups with average per capita consumption of up to 0.75 of the poverty line (PL) 0.75 to 1PL, 1 to 1.25, 1.25 to 2PL, 2 to 4PL and above 4PL. This allowed us to go beyond the absolute minimum expenditure norm to look at the relative status of different groups of our population evolving over time, combining the multidimensional elements of deprivation which poverty, in essence, reflects.

The need to adopt indicators of deprivation, other than consumer expenditure, is so compelling in the Indian situation that the case for a multidimensional approach is quite strong. In this analysis we have been able to bring in directly only indicators on education, social status and activity status (because these

are collected in the employment-unemployment surveys) but these are striking in their association with the incidence of poverty and vulnerability. There are other equally compelling indicators of deprivation such as infant mortality, children under nutrition or anaemia among adult women. Our analysis here starting with consumer expenditure and linking them with social, educational and work status dimensions tell us that there is a strong case for building up a multidimensional profile of poverty, however complex the exercise might be. The idea is not to reduce everything into a single index but to provide a framework for using appropriate indices of deprivation for specific policies and programmes rather than a single measure of poverty for all programmes. This will also be a formal acknowledgement that development is multidimensional even in its basic sense of a life with dignity. And this is what India should strive for by pursuing an agenda of inclusive development and not just inclusive growth.

Meeting such a challenge has to certainly go beyond mere government interventions in terms of schemes and programmes. The entrenched systemic and hierarchical segmentation cutting across poor and non-poor has to be acknowledged as a social problem. It is on top of that one finds economic differentiation of varying degrees. Therefore both social and economic deprivations are facts of life in India, but the social deprivation arising out of social identity (i.e., caste/community) seems to be so deeply entrenched that it cannot be brushed aside by addressing only economic deprivation. There is a strong case for addressing social and economic deprivation together. In that sense, the existence of a "creamy layer" of middle and high income group in every social category and the need to identify it is extremely important. Our attempt to quantify these would go a long way in giving shape to a coherent and comprehensive macro social policy.

There is also an immediate need to act through an employment policy because the majority of the poor and vulnerable are the working poor without any social protection or meaningful promotion. They are either unemployed or employed without any job security or earning capacity above the minimum subsistence. These are the informal or unprotected workers and the way out is mainly through adequate employment and its quality – regularity, decent wages and/or productivity (for the self employed), social security and working conditions. Measures to improve the living conditions of the self-employed need to be multifaceted through such means as security of assets (e.g., land), access to credit, skill upgradation, marketing and technology. For the wage labour it has to be through better skills, working conditions and by ensuring decent wages. Both these groups need social security to protect them from such contingencies as sickness and such eventualities as old age and death. It goes without saying that such interventions can be justified from both a growth/development as well as equity perspective. To pose them as trade offs is not only short-sighted but could be counterproductive even to achieve the limited objective of inclusive growth. It is this perspective that led us and our colleagues at the National Commission for Enterprises in the Unorganised Sector to undertake a detailed analysis of the conditions of work and livelihood promotion issues of the informal or unprotected workers in this country and put forward a package of immediate measures for action as a matter of priority.⁷

NOTES

- 1 We do not intend to deflect our attention here to the continuing debate on the beginning of the growth acceleration in the Indian economy. While some economists point out early 1990s as the turning point (that coincides with the launch of a major pro-market and pro-private sector reform programme) there are others who point out that early 1980s as the turning point [e.g., Rodrik and Subramanian 2004]. Recent econometric work in this area points out to two turning points, the first being in the early seventies [e.g., Balakrishnan and Parameswaran 2007] implicitly recognising the importance of economic policies and programmes carried out during the first two and half decades of independent India. While such research exercises are likely to continue, we do not think that economic policy can be delinked from the larger political context and what political leaders think about India's national interest. One of us has written on this subject [e.g., Sengupta 2001: Chapters 1, 2 and 6]. A notable and early contribution in this area is that by Frankel (2005).
- 2 This is similar to the estimates of the Planning Commission by using the mixed reference period (MRP) data. This will increase to 28 per cent if we use the uniform reference period (URP) data. We have chosen the former for the sake of comparison with 1999-2000 and 1993-94.
- 3 We follow the definition adopted by the National Commission for Enterprises in the Unorganised Sector (NCEUS). According to the NCEUS, "unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/social security benefits

provided by the employers". For details, see NCEUS 2007.

- 4 The average daily per capita expenditure of the vulnerable group was Rs 20 in 2004-05. The other groups like marginal, poor and extremely poor have average monthly per capita expenditure of less than Rs 20.
- 5 For an informed discussion of the sources of differences as well as the limitations of NAS and the higher reliability of CES, see Minhas in Deaton and Kozel (2005). Also see the articles by Sundaram and Tendulkar in Deaton and Kozel (2005).
- 6 Many countries in the world, especially in the European Union, set poverty line entirely on a relative basis. Also see, for example, the papers presented in the International Seminar on Revisiting Poverty held in Patna during 2007 [IHD 2007]. T N Srinivasan, one of the high priests of the neoliberal economic reforms in India, has recently advocated revising the official poverty line to two times the current PL. See, Srinivasan (2007).
- 7 See NCEUS (2006 and 2007).

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Appendix: A Methodological Note on the Analysis of Poverty

1 The Data Sets

The estimates of incidence of poverty in India are traditionally being computed from the quinquennial consumer expenditure surveys undertaken by the National Sample Survey Organisation (NSSO). The last three surveys in this regard were during 1993-94, 1999-2000 and 2004-05. In these surveys, data on consumption were collected from each of the selected sample households in a detailed schedule containing the list of every conceivable item of consumption, classified into the following broad groups and placed in different blocks,

- (i) food, pan, tobacco and intoxicants,
- (ii) fuel and light,
- (iii) clothing, bedding, etc,
- (iv) footwear,
- (v) education and medical (institutional) goods and services,
- (vi) miscellaneous goods and services including medical (non-institutional), and
- (vii) durable goods including repair and maintenance.

In the consumer expenditure survey conducted during 2004-05, consumption data in respect of food, tobacco and intoxicants; fuel and light; and miscellaneous goods and services were collected for a period of 30 days prior to the date of survey. In the case of other item groups like clothing, bedding, footwear, education, medical (institutional) and durable goods, data on consumption were collected both for the last 30 days and for the last 365 days and recorded in separate columns against each individual item. The field staff has been specifically instructed to collect both sets of data independently and by separate probing. Thus a reference period of both 30 days and 365 days were used for the collection of consumption data in respect of the above groups of items.

In the 50th round consumer expenditure survey conducted during 1993-94 also the data were collected by using the same reference periods

for different groups of items, except that the items relating to medical (non-institutional) were included in the reference periods of 30 days and 365 days.

In the 55th round consumer expenditure survey conducted during 1999-2000, there were variations in the reference periods used for the collection of consumption data. In the case of food, pan, tobacco and intoxicants reference periods of both seven days and 30 days were used for data collection and the field staff was instructed to collect the data based on 30 days reference period first and thereafter the data based on seven days. In the case of fuel and light; and miscellaneous goods and services including medical (non-institutional), data were collected by using a reference period of 30 days as in the case of 61st round. In the case of all other items, a reference period of 365 days was used for the collection of consumption data. A comparative statement indicating the reference periods used for each group of items for the collection of consumption data in the three rounds of survey is given below.

Reference Periods Used for the Collection of Consumption Data in the Last Three Rounds of Consumer Expenditure Surveys (in days)

Sl No	Item Group	50th Round	55th Round	61st Round
1	Food, pan, tobacco and intoxicants	30	7 and 30	30
2	Fuel and light	30	30	30
3	Clothing and bedding	30 and 365	365	30 and 365
4	Footwear	30 and 365	365	30 and 365
5	Education and medical (institutional)	30 and 365	365	30 and 365
6	Miscellaneous goods and service			
	(a) medical (non-institutional)	30 and 365	30	30
	(b) Others	30	30	30
7	Durable goods	30 and 365	365	30 and 365

In the computation of head count ratios of poverty based on 50th Round Survey, the data collected by using the uniform reference period of 30 days only were used though data were also collected

for some of the item groups by using reference periods of both 30 days and 365 days.

In 55th round, data were not collected by using the reference period of 30 days for some of the items and as such a uniform reference period could not be used for the computation of Head Count Ratios. Accordingly, the incidence of poverty was estimated by using the data sets of mixed reference periods.

The head count ratios based on the 61st round consumer expenditure survey were estimated by using both the uniform and mixed reference periods. Thus any comparison of head count ratios across the three rounds can only be based on mixed reference period, as the ratios based on uniform reference periods cannot be computed for 1999-2000.

Though the official estimates of poverty ratios for 1993-94 were based on data sets of uniform reference period of 30 days, Abhijit Sen, has estimated the poverty ratios based on mixed reference period data for comparison purposes.

The educational and employment status of individual members of the households are not collected in the consumer expenditure surveys. It is, therefore, not possible to analyse the nexus between the level of poverty and socio-economic variables like educational attainment, employment status, etc, based on data sets available from consumer expenditure surveys. Data on consumer expenditure were, however, collected in the NSS 55th and 61st round employment-unemployment surveys in an abridged block by using mixed reference period. In the case of NSS 50th round, the sample households for consumer expenditure and employment-unemployment surveys were the same. The average monthly per capita consumption expenditure available from the consumer expenditure schedule was thus transferred to the employment-unemployment survey schedule of each household. These data items contained in the employment-unemployment schedules were, therefore, used for cross tabulation and analysis of linkages between poverty and various socio-economic characteristics.

2 Adjustment of Poverty Lines

The head count ratios of poverty are estimated by the Planning Commission by using the distribution of the households by monthly per capita consumption expenditure classes as available from quinquennial consumer expenditure surveys and poverty lines obtained by updating those defined by an Expert Group in 1993 separately for rural and urban areas in major states. These poverty lines are based on consumer expenditure surveys in which data on consumption were collected for each individual item in each group. In the case of employment-unemployment surveys, data on consumption are collected by using an abridged block in which only some major items and item groups are listed. Thus, the average consumption expenditure as computed from employment-unemployment survey schedule is expected to be lower than that obtained from consumption expenditure schedule. The poverty lines are, therefore, required to be adjusted to make them conform to the level of consumption expenditure as revealed by the employment-unemployment survey.

The consumption expenditure block in both the 55th and 61st round of employment-unemployment surveys used a reference period of 30 days for collecting consumption data on food, pan, tobacco and intoxicants; fuel and light and miscellaneous goods and services. For all other items, a reference period of 365 days was used for data collection. Therefore, the poverty ratios from employment-unemployment survey can be estimated by using only the mixed reference period.

In view of the above, head count ratios as estimated from the 55th and 61st round consumer expenditure surveys by using the mixed reference period were assumed to be the true indicators of poverty. These head-count ratios as estimated from the consumer expenditure surveys were super-imposed to the distribution of persons by per capita monthly consumption expenditure (MPCE) classes as obtained from employment-unemployment surveys and interpolated the corresponding MPCE level. These MPCE levels were taken as the poverty lines conforming

to the consumption expenditure pattern revealed by the employment-unemployment survey.

In the case of 50th round, the head count ratios as estimated by Abhijit Sen by using mixed reference period were used instead of the official estimates based on uniform reference period. However, the unit level data sets contained the MPCE estimates based on uniform reference period. Therefore, in this case also the poverty lines were adjusted by using the same methodology.

The adjusted poverty lines were thus worked out both for rural and urban areas at the all India level and at the level of each state/UTs based on the respective poverty ratios. The analysis at the national level is done by using the all India poverty lines and the analysis at the state level is done by using state level poverty lines.

3 Classification of Households and Persons by Poverty Status

The members of each household in the sample were classified as extremely poor, poor, marginal, vulnerable, middle class and higher income group based on MPCE of the corresponding households. The specific criteria used for classification both in rural and urban areas are the following.

Extremely Poor	if $MPCE \leq 0.75$ times Poverty Line (PL)
Poor	if $0.75 PL < MPCE \leq 1 PL$
Marginal	if $1 PL < MPCE \leq 1.25 PL$
Vulnerable	if $1.25 PL < MPCE \leq 2.0 PL$
Middle Class	if $2.0 PL < MPCE \leq 4.0 PL$
Higher Income Group	if $MPCE > 4.0 PL$

The limits worked out for each of the years 1993-94, 1999-2000 and 2004-05 in terms of MPCE for classification are given in Tables 1 to 3.

By comparing the average MPCE of each sample household with the MPCE limits mentioned above, every surveyed household and the individuals in them were classified into one of the above poverty statuses.

4 Estimation and Analysis

The unit level data sets provided by the NSSO contained household level multipliers for obtaining population estimates. These multipliers were worked out on the basis of the sampling design used for the selection of households for the survey. The population estimates obtained by using these multipliers were, however, lower than the census population estimates/projections due to various reasons. The given multipliers, therefore, needed further adjustments to correspond to census population. The ratios of the projected census population to the design estimate in each of the population segments of the rural male, rural female, urban male and urban female

Table 1: Monthly Per Capita Consumption Expenditure Limits (1993-94)

Poverty Status	MPCE Limit in Rupees	
	Rural	Urban
Extremely poor	$MPCE \leq 145.28$	$MPCE \leq 201.47$
Poor	$145.28 < MPCE \leq 193.70$	$201.47 < MPCE \leq 268.63$
Marginal	$193.70 < MPCE \leq 242.13$	$268.63 < MPCE \leq 335.79$
Vulnerable	$242.13 < MPCE \leq 387.40$	$335.79 < MPCE \leq 537.26$
Middle class	$387.40 < MPCE \leq 774.80$	$537.26 < MPCE \leq 1074.52$
Higher income group	$MPCE > 774.80$	$MPCE > 1074.52$

Table 2: Monthly Per Capita Consumption Expenditure Limits (1999-2000)

Poverty Status	MPCE Limit in Rupees	
	Rural	Urban
Extremely poor	$MPCE \leq 228$	$MPCE \leq 314$
Poor	$228 < MPCE \leq 304$	$314 < MPCE \leq 419$
Marginal	$304 < MPCE \leq 380$	$419 < MPCE \leq 524$
Vulnerable	$380 < MPCE \leq 608$	$524 < MPCE \leq 838$
Middle class	$608 < MPCE \leq 1216$	$838 < MPCE \leq 1676$
Higher income group	$MPCE > 1216$	$MPCE > 1676$

Table 3: Monthly Per Capita Consumption Expenditure Limits (2004-05)

Poverty Status	MPCE Limit in Rupees	
	Rural	Urban
Extremely poor	$MPCE \leq 259.65$	$MPCE \leq 385.50$
Poor	$259.65 < MPCE \leq 346.20$	$385.50 < MPCE \leq 514.00$
Marginal	$346.20 < MPCE \leq 432.75$	$514.00 < MPCE \leq 642.50$
Vulnerable	$432.75 < MPCE \leq 692.40$	$642.50 < MPCE \leq 1028.00$
Middle class	$692.40 < MPCE \leq 1384.80$	$1028.00 < MPCE \leq 2056.00$
Higher income group	$MPCE > 1384.80$	$MPCE > 2056.00$

were used for obtaining population adjusted multipliers. These were used for deriving estimates of various totals, averages and distributions. The analysis of various aspects of poverty and its linkages with different socio-economic factors was done on the basis of the estimates thus obtained.

The incidence of poverty in relation to different social groups has been analysed on the basis of responses to the following questions: (i) household religion, and (ii) household social group.

The household religion in respect of each sample household has been indicated in terms of the following codes:

Hinduism 1, Islam 2, Christianity 3, Sikhism 4, Jainism 5, Buddhism 6, Zoroastrianism 7, and Others 9.

The household social group has been indicated in terms of the following codes both in 55th and 61st round:

Scheduled tribe 1, scheduled caste 2, other backward class 3, and Others 9.

In the 50th round, there was no separate code given for 'other backward class'.

The incidence of poverty in relation to general educational level has been analysed on the basis of educational details available for each individual. The general educational level has been recorded in terms of the following codes.

Not literate 01, Literate without formal schooling: EGS/NFEC/AEC 02, TLC 03, Others 04, Literate: below primary 05, Primary 06, Middle 07, Secondary 08, Higher secondary 10, Diploma/certificate course 11, Graduate 12, and Postgraduate and above 13.

There was no separate code for diploma/certificate course in 55th and 50th rounds.

The employment status of persons in relation to poverty has been analysed by using the principal and subsidiary status (UPSS). The usual principal status (UPS) concept classifies a person into labour force or outside the labour force based on major time criterion. If the person has been either working or seeking/available for job during major part of last 365 days the person is classified as belonging to the labour force. A person thus classified as belonging to labour force is further classified into worker or unemployed again based on the major time criterion during which he was in the labour force in the last 365 days.

In the UPSS concept, even those persons who had worked for at least 30 days during the last 365 days though unemployed or out of labour force as per UPS were also treated as workers.

The average MPCE of persons in each poverty status category has been estimated by dividing the aggregate monthly consumption expenditure (MCE) of all the households in the category with the total number of persons in that category.

The essential non-food items in the analysis include fuel and light, clothing and bedding and footwear. Durable goods include furniture, crockery, cooking and household appliances, recreational instruments, personal transport, personal goods and repair and maintenance of residential buildings. Other non-food items include entertainment expenses, personal care expenses, toilet articles, conveyance, rent, taxes etc.

The item-wise consumption expenditure for the year 1999-2000 is estimated by applying the proportion of expenditure on various items by each poverty group as revealed by consumer expenditure survey to the totals obtained from employment-unemployment survey.

Post-Doctoral Fellowship Programme 2008

Overview: The Post-Doctoral Fellowship (PDF) Programme has been instituted in IGIDR as part of its outreach activities. Its objective is to support high quality research by scholars with a doctoral degree and an outstanding academic record. Up to three fellowships are available per year. The fellowships are granted for an initial period of one year, which can be extended by a maximum of one more year.

Eligibility: Applicants should be resident Indians preferably under 40 years of age, and should have obtained a Ph.D. degree in the broad areas of Economics, including Development, Energy and Environment Policy.

Application: Completed application should include (1) Curriculum vitae, including the list of publications, if any, (2) Synopsis of the applicant's Ph.D. thesis (if need be, the applicant should be prepared to send a copy of the thesis), (3) Proposed plan of Post-doctoral work at IGIDR (not exceeding 3 pages), (4) One 'Writing Sample' which could be an article or a scholarly paper published/presented in academic journals/conferences or extracts from the applicant's past academic work, (5) Two recommendations, of which one should be from the applicant's dissertation supervisor, and (6) Photocopy of the Ph.D. degree certificate or a certificate from the applicant's university registrar/head of the department stating that the applicant has been provisionally awarded the Ph.D. degree.

In case of junior faculty, applications should be routed through proper channel. An advance copy of the application may be sent to IGIDR for consideration.

Selection: The PDF Committee will select the candidates based on an evaluation of their application and an interview conducted at IGIDR.

Fellowship: Post Doctoral Fellows will receive a consolidated amount of Rs.25,000/- (Rupees Twenty Five Thousand Only) per month. The fellowship is payable up to a maximum of twenty-four months. Fellows will also receive one return 3-tier AC train fare from the place of their permanent residence. They will also be provided on campus accommodation depending on availability. In case of junior faculty who come on leave and whose salary exceeds the fellowship amount, IGIDR may consider protecting their salary subject to the discretion of the Director/PDF Committee.

Responsibilities: Post Doctoral Fellows are full-time fixed term positions that are completely independent of entry-level faculty positions at IGIDR. The grantees would be independent to pursue their research plan, and are expected to produce at least two working papers per year, and give at least two seminars at IGIDR each year based on the work done by them at IGIDR. In addition, the grantees are expected to comply with any other work assigned to them by the Director. They would be provided office space and have full access to library, computing and other facilities of the Institute.

Application Deadline & Notifications: Applications can be sent electronically or by post to reach IGIDR by **15 April 2008**. Letters of recommendation should be sent by the concerned persons directly to IGIDR via email/post. The subject head for email and top of the envelope for post should indicate APPLICATION FOR POST-DOCTORAL FELLOWSHIP PROGRAMME 2008. Candidates for interview will be notified by email/post by **31st May 2008**. Interviews are scheduled to be held during **June 2008**. Award of Fellowships will be notified by email/post by **30th June 2008**. Awardees are expected to join the Institute by **1st August 2008**.

Address for Communication:

Post-Doctoral Fellowship Programme 2008
Indira Gandhi Institute of Development Research (IGIDR)
Gen. A. K. Vaidya Marg, Goregaon East,
Mumbai 400065
Email: pdf@igidr.ac.in
Phone: +91-22-28416200