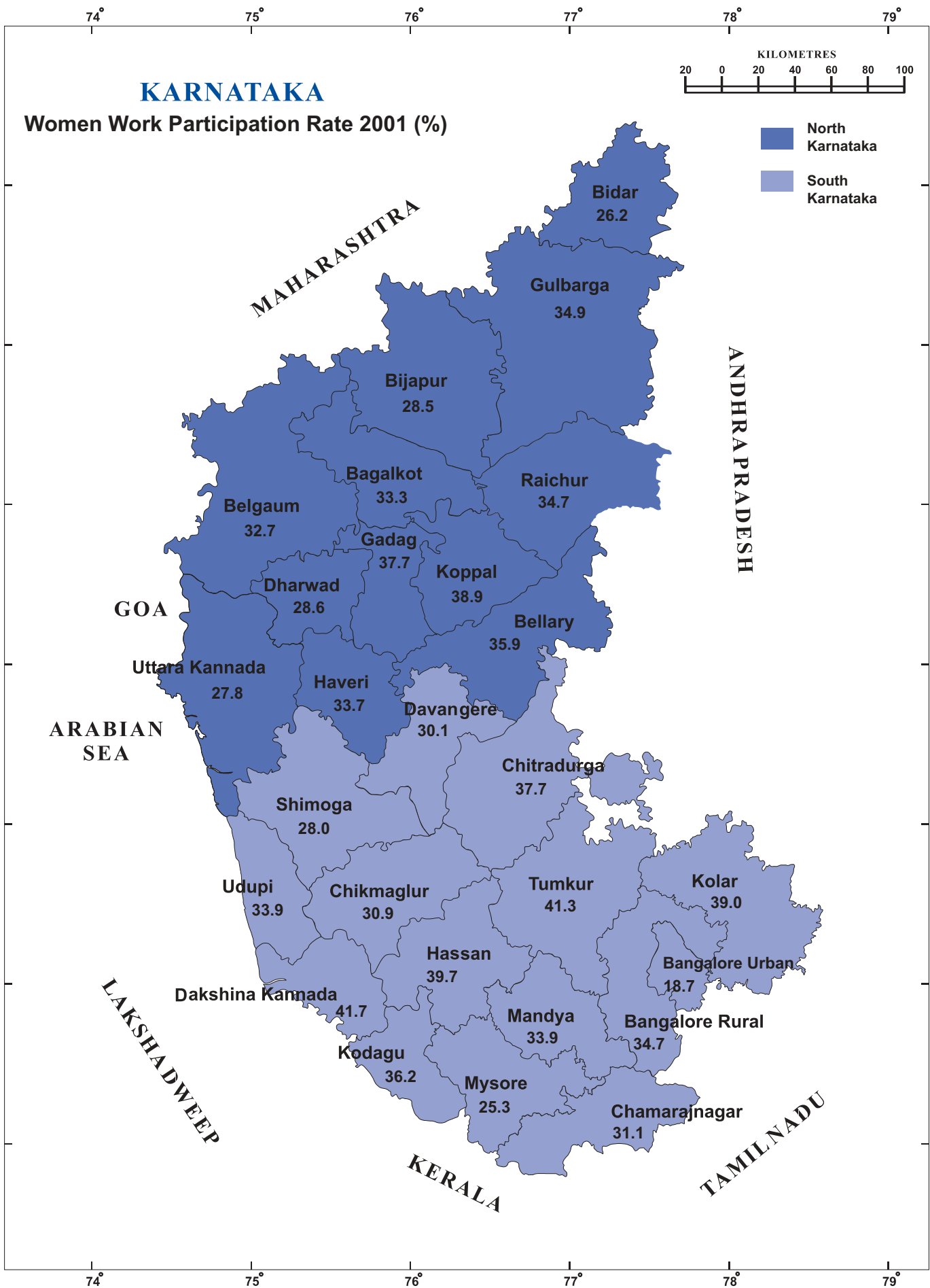


Income, Employment and Poverty





Income, Employment and Poverty

Introduction

Poverty has received special policy focus among the international development goals accepted by the UN member countries on the eve of the new millennium. In fact, it is the first and foremost goal specified in the Millennium Development Goals. The goal is to reduce poverty by half between the base year 1990, and the reference year, 2015. What is most important here is the explicit recognition that poverty has multiple dimensions, with implications for opportunities, security and empowerment. Any discussion on poverty during the new millennium must, therefore, focus on the different dimensions of deprivation and their policy implications before attempting to evaluate policy efforts to deal with them. This chapter will highlight issues relating to poverty, income and employment in Karnataka along with policy efforts to deal with these issues.

Income distribution and income poverty: Institutional parameters

Income and consumption distribution, and the incidence of income poverty depend on the distribution of assets and employment opportunities for utilising the only endowment of the asset-less rural poor, i.e. labour, and its price, viz. real wage rate. Hence, this section will examine the situation in rural Karnataka with respect to these factors that have critical implications for income distribution and poverty.

The sectoral distribution of state income shows a decline in the share of the primary sector from 38.10 per cent in 1993-94 to 20.90 per cent in 2003-04. The secondary sector's share has increased marginally, from 24 per cent in 1993-94 to 25.5 per cent in 2003-04. There is, however, a significant increase in the share of the tertiary sector, with 37.9 per cent in 1993-94 increasing to nearly 54 per cent in 2003-04, contributing to more than half of the state's income.

TABLE 4.1

Sectoral shares of Net State Domestic Product (at 1993-94 prices)

Sector	Share in NSDP (per cent)	
	1993-94	2003-04
Primary sector	38.10	20.90
Secondary sector	24.00	25.50
Tertiary sector	37.90	53.60

Source: Directorate of Economics and Statistics, Karnataka.

The average area of operational holdings¹ in Karnataka in 1991-92 was 1.85 hectare (ha.), which was higher than the all-India estimate of 1.34 ha. The extent of inequality in the distribution of operational holdings, as measured by the Gini ratio, was 0.609 (0.641) in rural Karnataka (all-India). Available estimates indicate an increase in the extent of inequality between three time-points in rural Karnataka as well as in rural all-India (Table 4.2). During the same period, the percentage of marginal holdings increased from 28.76 per cent (45.77 per cent) to 38.40 per cent (56.00 per cent), and finally, to 49.71 per cent (62.79 per cent) in rural Karnataka (rural all-India); the corresponding estimates of area operated were 5.10 per cent (9.21 per cent), 5.80 per cent (11.50 per cent) and 9.56 per cent (15.60 per cent) respectively (NSSO 1997). The distributional perspective indicates that the percentage of tenant holdings is low in Karnataka (8.0 per cent in 1991-92) relative to the all-India level (11.0 per cent) (NSSO 1997). This is an outcome of the land reforms implemented in the 1980s. However, from the perspective of vulnerability (a major focus of any debate on deprivation), the percentage

Poverty is the first and foremost goal specified in the Millennium Development Goals.

¹ The NSS defines an operational holding as a techno-economic unit used wholly or partly for agricultural production and operated (directed/managed) by one person alone, or with the assistance of others, without regard to title, size or location. The unit may consist of one or more parcels of land and would be comprehensive with respect to land, agricultural equipments, machinery and draught animals etc.



TABLE 4.2

Changes in Gini Coefficient of operational holdings in 15 major states

State	Gini Coefficient			Average area (ha.) 1991-92
	1970-71	1981-82	1991-92	
Andhra Pradesh	0.603	0.599	0.576	1.29
Assam	0.422	0.519	0.494	0.88
Bihar	0.556	0.606	0.637	0.75
Gujarat	0.540	0.558	0.604	1.99
Haryana	0.464	0.598	0.675	2.19
Karnataka	0.527	0.581	0.609	1.85
Kerala	0.647	0.649	0.636	0.35
Madhya Pradesh	0.533	0.535	0.558	2.24
Maharashtra	0.526	0.571	0.598	2.25
Orissa	0.501	0.526	0.514	1.13
Punjab	0.418	0.702	0.730	1.46
Rajasthan	0.564	0.604	0.613	3.08
Tamil Nadu	0.516	0.640	0.646	0.71
Uttar Pradesh	0.495	0.565	0.572	1.01
West Bengal	0.490	0.597	0.585	0.60
India	0.586	0.629	0.641	1.34

Source: Government of India (1997): Land and Livestock Holdings Survey NSS Forty-Eighth Round (January – December 1992) Report 2 Operational Land Holdings in India 1991-92 Salient Features, National Sample Survey Organisation, Department of Statistics, Ministry of Planning and Programme Implementation, New Delhi; p. 26.

BOX 4.1

Major features of occupational categories

1. Agricultural labour households constitute the largest segment and account for 40 per cent of the total population in rural Karnataka. The average level of consumption of this segment is the lowest. The extent of relative inequality in consumption is also low. Accordingly, the incidence of poverty among agricultural labour households is the highest across different occupational groups. Variations in real wages and district poverty estimates are closely interlinked, providing good inputs for strategies for improving the levels of living of the poor.
2. The self-employed in agriculture constitute the second largest segment (38 per cent). Its average consumption level being relatively higher, its incidence of poverty is the second lowest in rural Karnataka. Agricultural labour households, together with the self-employed in agriculture, constitute the bulk (78 per cent) of the rural population.
3. In urban Karnataka, the regular wage/salary earning class constitutes the largest occupational group. It is also the richest in terms of measures of average consumption and deprivation; incidence of poverty in this group is a mere 14.43 per cent. Casual labour households, though accounting for less than a sixth of total urban population, constitute the poorest segment. Their average consumption is the lowest and more than half of them are poor.

of irrigated operated area was as low as 19.33 per cent in Karnataka, as against the all-India average of 35.39 per cent in 1991-92 (NSSO 1997). This has serious implications for agricultural production and productivity, as well as for poverty and deprivation.

Consumption pattern by occupation

The economic profile of the population by different occupational categories, their relative importance and their differential participation in the growth process provides invaluable inputs for poverty reduction policies. Such a profile can be explained with the help of important measures of the quality of life such as monthly per capita consumer expenditure (MPCE), incidence of poverty and relative inequality in levels of living. The relative importance of each occupational group from the perspective of equity can be assessed with reference to its relative size, i.e. its percentage share in the total population. Estimates of all the relevant parameters are provided in Table 4.3. Some major features of the profiles by occupational categories are presented in Box 4.1.

Rate of growth and regional disparities

Karnataka's economy grew at the rate of 4.8 per cent per annum during the decade of the 1980s, i.e. at a rate less than the all-India average of 5.4 per cent (World Bank, 2002c). However, its growth rate picked up in the 1990s when it reached 6.9 per cent and exceeded the all-India average (6.1 per cent).

Between 1993-94 and 2003-04, the state's manufacturing and service sectors grew at 7.50 and 10.61 per cent respectively (Table 4.4), while the primary sector grew at a relatively lower rate of 0.61 per cent per annum. During this period, the economy as a whole grew at a rate of 6.84 per cent per annum and the average growth rate of per capita income has been commendable at 5.30 per cent per annum.

Consequently, Karnataka's share in the total GDP of the nation increased from 4.8 per cent in 1990-91 to 5.22 per cent in 2001-02 (GoK, Economic Survey 2002-03). In 2002-03, the

TABLE 4.3
Levels of living, inequality and poverty by occupational groups: Karnataka and all-India (1999-2000)

Household type	Share in total population (%)	Average per capita consumption (Rs./month)	Proportion of poor population (%)	Relative inequality in consumption -distribution (Lorenz ratio %)	Share in total population (%)	Average per capita consumption (Rs./month)	Proportion of poor population (%)	Relative inequality in consumption distribution (Lorenz ratio %)
	Rural Karnataka				Rural all-India			
Self-employed non-agriculture	10.38	593.04	13.22	27.36	13.82	502.28	23.78	25.51
Agri. labour	40.08	411.28	25.05	19.72	31.05	385.98	41.46	22.22
Other labour	4.61	488.05	19.89	23.66	7.39	482.74	27.01	25.69
Self-employed agriculture	37.68	533.22	12.57	23.53	37.71	519.53	20.43	25.31
Others	7.20	687.68	5.50	26.68	9.85	652.05	13.76	29.26
All	100.00	499.60	18.08	24.48	100.00	485.88	27.73	26.58
	Urban Karnataka				Urban all-India			
Self-employed	34.49	847.90	27.91	30.59	39.09	812.96	27.46	35.00
Regular wage/ salary earning	41.35	1081.97	14.43	31.42	39.86	981.49	13.01	31.16
Casual labour	16.90	541.29	52.98	23.23	14.28	540.66	50.51	30.00
Others	7.06	1101.20	15.17	34.42	6.42	1030.82	17.45	36.23
All	100.00	910.78	25.83	62.75	100.00	854.70	24.58	34.68

Notes:

1. Estimates of different measures are based on data from Government of India (2001e): *Differences in Level of Consumption among Socio-Economic Groups 1999-2000*, National Sample Survey Organisation, New Delhi.
2. Estimates of rural and urban poverty correspond to the Government of India Expert Group Poverty Lines per month at current prices for the year 1999-2000 as follows: Rs. 309.59 (Rural Karnataka), Rs. 327.56 (Rural all-India), Rs. 511.44 (Urban Karnataka) and Rs. 454.11 (Urban all-India) published in Government of India (2001d): *Poverty Estimates for 1999-2000*, Press Information Bureau, New Delhi.
3. These estimates of poverty are made with reference to mean consumption, poverty line and parameters of the Lorenz curve.
4. The estimates of aggregate poverty (all households) for rural/urban Karnataka differ from those presented in Table 4.9 because of differences in methodology.

per capita State Domestic Product at current prices (Rs.19,865) was higher than the national average (Rs.18,912) (GoK, Economic Survey 2004-05).

Karnataka is marked by strong regional disparities. Bangalore Urban and Dakshina Kannada emerged as the most developed districts in 1980-81 (Iyengar and Sudarshan, 1983) with Kodagu, Shimoga, Dharwad and Belgaum following closely behind. Bellary, Mandya, Chikmagalur, Mysore, Chitradurga, Uttara Kannada and Kolar were in the developing category. Hassan, Tumkur and Bijapur were the backward districts. Three Hyderabad Karnataka districts, viz. Raichur, Bidar

and Gulbarga, emerged as the most backward districts of Karnataka. By 2001-02, Bangalore Urban, Kodagu, Dakshina Kannada, Bangalore Rural, Udupi, Mysore and Chikmagalur were generating a per capita domestic product higher than the state average (Table 4.5). The city of Bangalore alone contributed about 22 per cent of the state income; Bangalore Rural and Urban districts together generated a quarter of the state income. These two districts share nearly 16 per cent of the state's population in 2001. Bijapur, along with the Hyderabad Karnataka triumvirate of Bidar, Gulbarga and Raichur continued to be in the poorest quartile in terms of per capita domestic product. The pattern of growth over two

TABLE 4.4

Net Domestic Product at factor cost by industry of origin (at 1993-94 prices)

Industry	Primary		Secondary		Tertiary		Total NSDP		Per capita NSDP	
	(Rs. lakh)	Growth rate (% per annum)	(Rs. lakh)	Growth rate (% per annum)	(Rs. lakh)	Growth rate (% per annum)	(Rs. lakh)	Growth rate (% per annum)	(Rs.)	Growth rate (% per annum)
1993-94	1408934		887568		1401726		3698229		7838	
1994-95	1399646	-0.66	959367	8.09	1532692	9.34	3891705	5.23	8097	3.30
1995-96	1428078	2.03	982761	2.44	1686550	10.04	4097390	5.29	8368	3.35
1996-97	1497911	4.89	1076722	9.56	1899022	12.60	4473655	9.18	8990	7.44
1997-98	1458813	-2.61	1205367	11.95	2087502	9.93	4751682	6.21	9416	4.73
1998-99	1624978	11.39	1456045	20.80	2315069	10.90	5396093	13.56	10549	12.04
1999-2000	1782517	9.69	1325530	-8.96	2546280	9.99	5654327	4.79	10912	3.44
2000-01	2007800	12.63	1370200	3.36	2880000	13.10	6258100	10.67	11939	9.41
2001-02	1704100	-15.13	1538900	12.31	3155200	9.55	6298200	2.23	12029	0.75
2002-03	1585400	-6.97	1702600	10.63	3453600	9.45	6741600	5.36	12518	4.06
2003-04 (Q.E.)	1497000	-5.58	1828400	7.38	3841700	11.23	7167200	6.31	13141	4.97
Average Annual Growth*		0.61		7.50		10.61		6.84		5.30

Note: * Compound growth rate.

Source: Directorate of Economics and Statistics, Karnataka.

An encouraging trend is the fact that out of the seven districts which have experienced growth rates higher than the state average, Koppal, Gadag, Haveri and Bagalkot are in north Karnataka.

decades indicates a stratification of districts based on geographic location, with the northern districts consistently performing poorly. This has serious implications for the distribution of poverty across districts.

Labour productivity: Regional dimensions

Estimates of the level of labour productivity and its growth are important indicators of poverty and human development. They measure the potential for improvement in the quality of life of the people. Estimates of labour productivity for all the 27 districts for the year 2000-01 (Table 4.6) reveal that labour productivity was highest in Bangalore Urban district, followed by Kodagu and Dakshina Kannada districts in 1991, and these districts retained their ranking in 2001 as well (except Kodagu). It may be noted that all districts (except Dharwad) in north Karnataka had labour productivity below the state average in 1991 and 2001. While Haveri district had the

lowest labour productivity in 1991, followed by Tumkur and Koppal districts, in 2001 Raichur had the lowest labour productivity, followed by Tumkur and Haveri districts. The relative ranking of Raichur district has come down from 17 in 1991 to 27 in 2001. The annual compound growth of labour productivity was the highest in Bangalore Rural, followed by Bangalore Urban between 1991 and 2001. Other districts which have growth rates higher than the state average (5.30) are Koppal, Mysore, Gadag, Haveri and Bagalkot. An encouraging trend is the fact that out of the seven districts which have experienced growth rates higher than the state average, Koppal, Gadag, Haveri and Bagalkot are in north Karnataka.

Migration

According to the NSS data on migration for the year 1999-2000, about 27 per cent of the state's population is migrant. The proportion of migration in urban Karnataka is 33 per cent as

compared to 26 per cent migrant population in rural areas. Among the total migrants, female migrants (77 per cent) outnumber male migrants (23 per cent) significantly. However, the proportion of females who migrate for reasons of employment is significantly lower than males. A high percentage of migrants, 57.3 per cent of urban and 34.2 per cent of rural migrants, are males who migrated in search of employment contrasted with only 3.9 per cent urban females and 1.8 per cent rural females.

Trends in wages and prices

Agricultural labourers constitute the bulk of the rural poor in Karnataka. Their endowment of assets is virtually nil; hence, their level of living depends upon their income earning potential, as reflected in the available employment opportunities and real wages for unskilled labour. Available estimates indicate that average real wages (i.e. nominal wages adjusted for increase in cost-of-living reported by the Consumer Price Index for Agricultural Labourers) in rural Karnataka in December 2004 exceeded the level in the agricultural year (AY) 1993-94 by about 47 per cent for men and 35.4 per cent for women respectively (Table 4.7). When compared with the base period of 1993-94, real wages for women are lower by 12 percentage points as compared to men.

There are wide variations across districts in the changes in real wages in comparison with the base period, 1993-94. Dharwad has registered the highest increase in real wages for men between 1993-94 and 2003-04 (161 per cent) followed by Haveri (156 per cent). Kodagu has experienced negative changes in real wages for men, while Kolar and Mandya have experienced no change in real wages for men. Changes in real wages for women during this period are the highest in Haveri district (203 per cent), followed by 100.56 per cent in Dharwad, while Mandya has experienced negative changes. The above analysis shows that real wages for men have increased substantially more than the wages for women during the period from 1993-94 to December 2004. This trend is discussed in greater detail in the chapter on gender.

TABLE 4.5

Estimates of Net District Domestic Product at current prices: 2001-02

District	Net District Domestic Product (Rs. lakh)	Per capita NDDP (Rs.)	Share in state NSDP (per cent)
Bagalkot	261180	15638	2.8
Bangalore Urban	2097138	31804	22.5
Bangalore Rural	414126	21821	4.4
Belgaum	642472	15106	6.9
Bellary	323854	15819	3.5
Bidar	168077	11075	1.8
Bijapur	239266	13085	2.5
Chamarajnagar	135296	13880	1.4
Chikmagalur	220799	19175	2.3
Chitradurga	207120	13567	2.2
Dakshina Kannada	524735	27373	5.6
Davangere	254300	14056	2.7
Dharwad	273630	16878	2.9
Gadag	137685	14013	1.5
Gulbarga	380602	12049	4.1
Hassan	240021	13794	2.5
Haveri	174367	11996	1.9
Kodagu	133400	24200	1.4
Kolar	345638	13550	3.7
Koppal	183016	15170	2.0
Mandya	244670	13739	2.6
Mysore	478344	18027	5.1
Raichur	182772	10970	2.0
Shimoga	278223	16787	3.0
Tumkur	337555	12945	3.7
Udupi	236505	21087	2.6
Uttara Kannada	223493	16337	2.4
Karnataka	9338282	17518	100.00

Source: State Domestic Product 2001-02, Directorate of Economics and Statistics, Karnataka, 2003, Bangalore, p. 62.

Income deprivation

A crucial aspect of material deprivation is income deprivation, which is examined in terms of estimates of poverty based on the National Sample Survey on household consumer expenditure distribution, which is generally used as a proxy for income distribution.

TABLE 4.6
Estimates of Gross Domestic Product per worker
(at 1993-94 prices)

Districts	1990-91 (Rs.)	2000-01 (Rs.)	Growth rate (per cent per annum)
Bagalkot	15498	26821	5.64
Bangalore Urban	32691	63641	6.89
Bangalore Rural	14197	36454	9.89
Belgaum	16494	25106	4.29
Bellary	16845	27328	4.96
Bidar	13041	20833	4.80
Bijapur	15914	23147	3.82
Chamarajnar	14717	22137	4.17
Chikmaglur	21362	29703	3.35
Chitradurga	14496	21478	4.01
Dakshina Kannada	29034	41893	3.73
Davangere	15584	23058	4.00
Dharwad	20009	29724	4.04
Gadag	12653	22764	6.05
Gulbarga	13095	20159	4.41
Hassan	14017	20653	3.95
Haveri	10645	18922	5.92
Kodagu	32280	38983	1.90
Kolar	13804	19867	3.71
Koppal	12459	23677	6.63
Mandya	13749	20996	4.32
Mysore	17300	31494	6.17
Raichur	14434	17232	1.79
Shimoga	18605	28181	4.24
Tumkur	12182	18628	4.34
Udupi	23824	35544	4.08
Uttara Kannada	18860	28342	4.16
Karnataka	17604	29509	5.30

Note: The concept 'worker' includes both main and marginal workers.

Source: Government of Karnataka (2003): State Domestic Product 2001-02, Directorate of Economics and Statistics, Bangalore.

Estimates reveal a reduction in the number of the poor from 156.45 lakh in 1993-94 to 104.40 lakh in 1999-2000 in Karnataka, i.e. by about 33 per cent (Table 4.8). This performance is much better than the all-India reduction by 18.8 per cent (from 3,203.68 lakh to 2,602.50 lakh) during the same period. As a proportion

of the population, poverty in Karnataka declined from 33.16 to 20.04 per cent (reduction of about 13 percentage points) as against the all-India decline from 35.97 to 26.10 per cent (reduction of 10 percentage points) during the same period. As a result of economic growth and the poverty reduction strategies of the government, the state is moving towards achieving the Millennium Development Goals. The government must, however, ensure that the process of growth and poverty alleviation policies continues and the disparities of caste, gender and region addressed at the grassroots level.

Table 4.9 shows that in 1993-94, Kodagu, with its per capita domestic product of Rs.13,718 was first among all the districts, while in 1999-2000 Bangalore Urban is first with Rs.25,740. Bidar continues as the poorest performer in the list of 20 districts, though its per capita domestic product increased by 46 per cent during this period. Head count ratio indicates that in 1993-94, Bidar had the highest percentage of poor people (56.1 per cent). Bangalore Rural has seen a tremendous decline in its head count ratio from 38.2 per cent in 1993-94 to 5.2 per cent in 1999-2000. One interesting point to note is that in Raichur, the head count ratio has, indeed, increased subsequently. This is an important area where state policy will have to take remedial steps.

Poverty and levels of living by social groups

This section provides a profile across different social groups (Table 4.10). The Scheduled Caste (SC) households account for about 20 per cent of the rural population. Together with Scheduled Tribe (ST) households, they form nearly 28 per cent of the rural population. These two social categories have the lowest levels of average consumption and the highest incidence of poverty. About 25 per cent of their respective populations is poor. In urban Karnataka, the combined population share of the SCs and STs is about 15 per cent. Nearly half of these two social categories are poor, whereas this proportion comes to only a sixth for other households. Thus, there exists a sharp gap between these social groups and the rest of the population in terms of improvements in levels of living.

TABLE 4.7
Agricultural wages for men and women: Karnataka

District	(Rs. per day at current prices)						Change (adjusted for CPIAL) (1993-94 - Dec. 2004)	
	Men			Women			Men	Women
	1993-94	Dec-2004	Nominal ratio	1993-94	Dec-2004	Nominal ratio		
Bagalkot	21.9	52.78	2.41	14.4	30.08	2.09	35.39	17.42
Bangalore Urban	29.5	81.95	2.78	26.0	68.38	2.63	56.18	47.75
Bangalore Rural	28.3	62.99	2.23	19.1	35.86	1.88	25.28	5.62
Belgaum	20.9	50.62	2.42	15.0	34.94	2.33	35.96	30.9
Bellary	15.6	51.56	3.31	12.9	35.69	2.77	85.96	55.62
Bidar	24.6	74.44	3.03	16.0	30.00	1.88	70.22	5.62
Bijapur	21.9	82.89	3.78	14.4	37.33	2.59	112.36	45.51
Chamarajnagar	26.7	64.93	2.43	16.7	46.50	2.78	36.52	56.18
Chikmagalur	26.8	60.81	2.27	21.4	41.69	1.95	27.53	9.55
Chitradurga	19.8	46.94	2.37	14.0	36.11	2.58	33.15	44.94
Dakshina Kannada	32.9	75.00	2.28	21.6	50.00	2.31	28.09	29.78
Davangere	19.8	47.61	2.40	14.0	37.47	2.68	34.83	50.56
Dharwad	13.6	63.08	4.64	10.4	37.09	3.57	160.67	100.56
Gadag	13.6	42.59	3.13	10.4	36.84	3.54	75.84	98.88
Gulbarga	21.6	55.67	2.58	12.0	30.36	2.53	44.94	42.13
Hassan	17.5	45.63	2.61	14.9	30.56	2.05	46.63	15.17
Haveri	13.6	61.98	4.56	10.4	56.21	5.40	156.18	203.37
Kodagu	29.9	51.33	1.72	26.2	60.00	2.29	-3.34	1.29
Kolar	28.0	49.72	1.78	18.6	42.22	2.27	0.00	27.53
Koppal	19.7	75.90	3.85	10.4	33.16	3.19	116.29	79.21
Mandya	36.5	64.97	1.78	25.4	32.94	1.30	0.00	-26.97
Mysore	26.7	57.22	2.14	16.7	47.22	2.83	20.22	58.99
Raichur	19.7	55.24	2.8	13.4	33.09	2.47	57.3	38.76
Shimoga	21.8	57.20	2.62	17.9	39.67	2.22	47.19	24.72
Tumkur	24.6	53.33	2.17	19.2	35.00	1.82	21.91	2.25
Udupi	32.9	69.00	2.1	21.6	44.45	2.06	17.98	15.73
Uttara Kannada	26.8	70.32	2.62	21.1	61.06	2.89	47.19	62.36
Karnataka	22.1	58.00	2.62	15.8	38.00	2.41	47.19	35.39
CPIAL	1105.0	1975	1.78	1105.0	1975	1.78		

Notes:

1. CPIAL: Consumer Price Index for Agricultural Labourers (Base: 1960-61).
2. Annual averages refer to the agricultural year July-June.

Source: Directorate of Economics and Statistics, Karnataka, Bangalore.

TABLE 4.8
Incidence of poverty: Karnataka vs. all-India

State/ Nation	Rural		Urban		Combined	
	No. of persons (lakh)	Proportion (%)	No. of persons (lakh)	Proportion (%)	No. of persons (lakh)	Proportion (%)
1973-74						
Karnataka	128.40	55.14	42.27	52.53	170.67	54.47
All-India	2612.90	56.44	600.46	49.01	3213.36	54.88
1977-78						
Karnataka	120.39	48.18	47.78	50.36	168.17	48.78
All-India	2642.47	53.07	646.48	45.24	3288.95	51.32
1983-84						
Karnataka	100.50	36.33	49.31	42.82	149.81	38.24
All-India	2519.57	45.65	709.40	40.79	3228.97	44.48
1987-88						
Karnataka	96.81	32.82	61.80	48.42	158.61	37.53
All-India	2318.79	39.09	751.69	38.20	3070.48	38.86
1993-94						
Karnataka	95.99	29.88	60.46	40.14	156.45	33.16
All-India	2440.31	37.27	763.37	32.36	3203.68	35.97
1999-2000						
Karnataka	59.91	17.38	44.49	25.25	104.40	20.04
All-India	1932.43	27.09	670.07	23.62	2602.50	26.10

Note: The estimates of poverty are obtained as per the methodology recommended by the Lakdawala Committee (Government of India (1993): Report of the Expert Group on Estimation of Proportion and Number of Poor, Perspective Planning Division, Planning Commission, New Delhi).

Sources:

1. Government of India (2001c).
2. Government of Karnataka (1999).

In Karnataka, about 23 per cent of the rural child population lives in poor households while the incidence of urban child poverty is one and a half times that of the rural areas.

Among the remaining social groups, 'Other Backward Communities' (OBCs) constitute 39 per cent of the rural population, of whom 16 per cent are below the poverty line, which is significantly lower than the proportion of poor among the SCs and STs. In urban Karnataka OBCs constitute about 31 per cent of the urban population and nearly 30 per cent of them are poor – a proportion almost double that of their rural counterparts.

Child poverty

A subset of the poor that calls for policy attention with regard to all the multiple parameters of deprivation is that of 'children under 15'. Child poverty will have a lasting adverse impact on

the ground reality as well as potential for human development of both, the individual and society. Children from poor households perform poorly relative to those from non-poor households with respect to food security, health and education. Therefore, estimates of the incidence of child poverty are useful in that they indicate the percentage of children living in misery with a bleak future. Hence, this parameter has policy implications in terms of policy design, regional targeting and budgetary support. Some estimates of the magnitude of child poverty in rural and urban Karnataka are presented in Table 4.11.

Poverty is defined and estimated with reference to consumption which is measured at the household level. In other words, child poverty could be defined as the proportion of children living in consumption-poor households. Estimates for the year 1999-2000 show that the incidence of child poverty is about the same in both rural and urban sectors, across India as a whole. However, the incidence of child poverty in urban areas is twice that of the rural levels in Andhra Pradesh and Kerala. In Karnataka, about 23 per cent of the rural child population lives in poor households while the incidence of urban child poverty is one and a half times that of the rural areas (Table 4.11).

Child labour

Child labour is a manifestation of household poverty, which is exploited by employers who do not wish to pay adult wages. Child labour is a violation of child as well as human rights. It stunts the development of the child during his/her crucial learning years and leads to irreparable physical and psychological damage, impairing for life, his/her opportunities for social mobility. Child labour also creates a vicious cycle of illiteracy and low income, while simultaneously depriving adults of employment and higher wages. The prevalence of child labour also deprives the nation of an educated, skilled and productive workforce which could form the basis of rapid economic growth. Thus, employing children robs them of their childhood and stunts the growth of the nation.

The absolute number of child labour in India was estimated to be about 12.59 million,² with a labour force participation rate of more than 5 per cent according to the 2001 census, with Karnataka contributing 8.23 lakh as compared to 9.76 lakh child labour in 1991. However, when compared to the neighbouring states of Andhra Pradesh, Tamil Nadu and Kerala, it is evident that Karnataka has the second highest child work participation rate of 13.9 per cent, next only to Andhra Pradesh, which has 17.8 per cent.

If enrolment and dropout data for the past seven years, based on the Education Department's statistics are considered (1996-97 to 2003-04), a total of 97.9 lakh children were enrolled in class I over the last seven years, and 18.39 lakh children dropped out, which constitutes 18.78 per cent of the total children enrolled. In addition, 45.54 per cent of children failed to complete eight years of compulsory schooling. If we go by the definition that 'any child out of school is a child labourer', then 45 per cent of the children in Karnataka are child labourers for some period of their childhood and 18 per cent are child labourers at any given point of time. Though the percentage of dropouts may be decreasing, the absolute numbers of out-of-school children are still large.

According to the National Family Health Survey-India (1998-99) for Karnataka, conducted by the International Institute for Population Sciences, cultural attitudes, such as lack of interest in education or child marriage, accounted for the main reason, for an average of 43.4 per cent of the responses, for not enrolling children or taking them out of school. Poverty related reasons, such as 'the child is required to work' or 'schooling costs too much', accounted for 36.18 per cent of the responses. School-related reasons, such as 'the school is too far away' or 'school facilities are not adequate' were cited by 10.65 per cent of the respondents.

The distribution pattern of child labour across different sectors indicates that child work

² Compiled by National Resource Centre on Child Labour, Noida, based on Census figures.

TABLE 4.9
District-wise per capita domestic product and incidence of poverty

District	1993-94		1999-2000	
	Per capita domestic product (Rs. per annum)	Head count ratio (%)	Per capita domestic product (Rs. per annum)	Head count ratio (%)
Bangalore Urban	12391	31.4	25740	9.9
Bangalore Rural	7786	38.2	12215	5.2
Belgaum	8107	29.9	13377	17.9
Bellary	6491	44.5	12200	33.1
Bidar	5384	56.1	7861	30.4
Bijapur	6563	29.0	10049	32.1
Chikmagalur	10724	15.6	17609	2.3
Chitradurga	6993	39.0	10989	16.3
Dakshina Kannada	9223	8.9	20167	7.4
Dharwad	6781	49.8	10397	21.4
Gulbarga	6430	45.5	9516	26.8
Hassan	6814	14.4	12346	11.5
Kodagu	13718	20.7	24623	4.9
Kolar	6065	48.5	10013	41.9
Mandya	7134	30.2	11081	16.6
Mysore	8036	28.9	14576	15.5
Raichur	5688	25.1	8688	45.6
Shimoga	8357	25.6	13970	8.1
Tumkur	6342	40.6	9011	18.5
Uttara Kannada	7389	25.0	12019	6.7
Karnataka	7835	33.2	13621	20.1
Rank Correlation between per capita domestic product and head count ratio	(-) 0.60		(-) 0.77	

Note: Poverty estimates have been worked out for the year 1999-2000 for erstwhile 20 districts only for the purpose of comparison with 1993-94 estimates.

Sources:

1. Government of India (2001): Differences in Level of Consumption among Socio-Economic Groups 1999-2000, National Sample Survey Organisation, New Delhi.
2. Government of India (2001): Poverty Estimates for 1999-2000, Press Information Bureau, New Delhi.

participation as agricultural labourers accounts for nearly 50 per cent of total child labour in the state (1991 census), followed by 28.7 per cent as cultivators and 8.0 per cent in the manufacturing, processing and repair sector. The

TABLE 4.10

Levels of living, inequality and poverty by social groups: Karnataka and all-India (1999-2000)

Household type	Share in total population (%)	Average per capita consumption (Rs./month)	Proportion of poor population (%)	Relative inequality in consumption distribution (Lorenz ratio %)	Share in total population (%)	Average per capita consumption (Rs./month)	Proportion of poor population (%)	Relative inequality in consumption distribution (Lorenz ratio %)
Rural Karnataka					Rural all-India			
SCs	19.65	419.39	26.87	21.63	27.17	418.51	35.82	23.76
STs	7.83	404.28	24.78	17.71	6.70	387.69	45.12	24.81
OBCs	39.15	507.45	16.15	23.42	6.77	473.65	27.46	24.97
Others	33.31	560.08	12.11	25.53	59.04	577.22	15.82	26.89
All	100.00	499.60	18.08	24.48	100.00	485.88	27.73	26.58
Urban Karnataka					Urban all-India			
SCs	10.79	592.72	47.50	27.95	14.35	608.79	38.12	27.86
STs	4.50	634.20	50.93	33.49	3.40	690.52	35.29	32.61
OBCs	30.65	829.05	29.09	30.92	30.38	734.82	29.69	32.46
Others	54.02	1044.02	16.81	31.56	51.70	1004.75	16.15	34.46
All	100.00	910.78	25.83	32.75	100.00	854.70	24.58	34.68

Notes:

1. Estimates of different measures are based on data from Government of India (2001e): Differences in Level of Consumption among Socio-Economic Groups 1999-2000, National Sample Survey Organisation, New Delhi.
2. Estimates of rural and urban poverty correspond to the Government of India Expert Group Poverty Lines per month at current prices for the year 1999-2000 as follows: Rs.309.59 (Rural Karnataka), Rs.327.56 (Rural all-India), Rs.511.44 (Urban Karnataka) and Rs.454.11 (Urban all-India) published in Government of India (2001d): Poverty Estimates for 1999-2000, Press Information Bureau, New Delhi.
3. These estimates of poverty are made with reference to mean consumption, poverty line and parameters of the Lorenz curve.
4. The estimates of aggregate poverty (all households) for rural/urban Karnataka differ from those presented in Table 4.9 because of differences in methodology.

TABLE 4.11

Percentage of child population living in poor households: 1999-2000

State	Rural	Urban
India	33.65	32.28
Andhra Pradesh	15.05	34.40
Karnataka	23.40	33.95
Kerala	12.40	24.78
Tamil Nadu	28.06	29.52

Note: The estimates of poverty are obtained with reference to the poverty lines for 1999-2000 obtained as per the methodology recommended by the Lakdawala Committee [Government of India (1993): Report of the Expert Group on Estimation of Proportion and Number of Poor, Perspective Planning Division, Planning Commission, New Delhi]. The poverty lines are from Government of India (2001): Poverty Estimates for 1999-2000, Press Information Bureau, New Delhi.

Sources:

1. Government of India (1993): Report of the Expert Group on Estimation of Proportion and Number of Poor, Perspective Planning Division, Planning Commission, New Delhi.
2. Government of India (2001): Poverty Estimates for 1999-2000, Press Information Bureau, New Delhi.

sectoral distribution pattern of child labour shows that child workers are employed primarily in the unorganised farm sector and their collective share as cultivators and agricultural labourers is more than three-fourth of the total child labour population (Table 4.13).

Thus, there is an urgent need for intensive and concerted efforts to not only target working children and motivate them to attend school and complete at least eight years of elementary education, but also provide institutional arrangements and support to facilitate this process.

In the current economy, there are emerging demands for child labour from new sectors. For instance, while child labour in the silk-twisting sector has been decreasing, it has been increasing

in the hybrid cotton seed producing sector, as a result of a shift from subsistence agriculture to commercial crop production. The service industry and floriculture are other sectors where child labour is increasing steadily under the impact of global markets. Domestic labour is another area where there is much abuse and exploitation.

State interventions

Despite several interventions, the impact of government programmes on the prevalence of child labour has not been satisfactory for various reasons. The focus, so far, has been on a welfare approach and on persuasion, exhortation and incentives, rather than a rights-based approach. Further, a strategy to address the causes at source has not received the same attention as a curative approach. Policies concentrate on rehabilitation through universal enrolment and retention. This has made rehabilitation an endless exercise since the school system has continued to leak fresh dropouts, even as earlier dropouts are rehabilitated. Dropouts occur as a result of both pull-out and push-out factors. The supply side (pull-out) causes, namely (i) poverty; (ii) poor enforcement of the law on compulsory education; and (iii) illiteracy and ignorance, have not been adequately addressed. The Education Department has no mechanism for addressing issues of poverty and child labour, which are the main reasons cited by parents and children for never enrolling or dropping out of school. The Karnataka Education Act has no mechanisms or procedures to assist parents who may be disabled, ill or otherwise dependent on a child's income. The Education Act also offers no solution to the large numbers of children who migrate with their parents for employment. There are several new initiatives to bring working children back to school and they have been successful, but sustained environment-building activities to dispel the illiteracy and ignorance that justifies child labour are also required. Entrenched attitudes, which justify poor children working for a living, are still common, even among the elite. The attitude of rationalising child labour as 'inevitable' and a 'necessary evil', is yet to disappear. A large percentage of employers continue to see their employment of children as a 'favour' they are doing to the children and their

TABLE 4.12
Enrolment in class I and dropouts: 1996-97 to 2002-03

(Lakh)

Year	Enrolment in class I 1996-2003 (A)	Enrolment in 2003-04 in classes II to VIII (B)	Dropout in elementary cycle (A-B)	Percentage of dropouts	Dropouts over classes A to B
1996-97	14.24	7.77 (VIII)	6.47	45.44	1 to 8
1997-98	13.97	9.92 (VII)	4.05	28.99	1 to 7
1998-99	13.70	11.27 (VI)	2.43	17.73	1 to 6
1999-2000	14.24	13.01 (V)	1.23	8.64	1 to 5
2000-01	14.01	12.47 (IV)	1.54	10.99	1 to 4
2001-02	14.01	12.55 (III)	1.46	10.39	1 to 3
2002-03	13.73	12.52 (II)	1.21	8.81	1 to 2
Total	97.9	79.51	18.39	18.78	

Source: Education Department, Director, Primary Education, Karnataka.

TABLE 4.13
Classification of child labourers according to economic activity: Karnataka

Activity	Total workers (1981)			Total workers (1991)		
	Male	Female	Persons	Male	Female	Persons
Cultivators	220792	111424	332216	155133	125355	280488
Agricultural labourers	248970	275286	524256	216842	277490	494332
Livestock, forestry	75626	27230	102856	40777	17802	58579
Mining and quarrying	2120	1600	3720	2833	1724	4557
Manufacturing, processing, repairs, etc.	52412	51749	104161	39861	37313	77174
Construction	6969	3862	10831	8660	2225	10885
Trade and commerce	22636	3338	25977	22383	2660	25043
Transport	3553	760	4313	2931	327	3258
Other services	12278	10922	23200	9221	12710	21931
Total	645359	486171	1131530	498641	477606	976247

Source: Registrar General of India, Census 1991.

families to help them survive. The belief that it is alright for a poor child to earn full time and learn for a few hours is held by far too many people. Therefore, while parents may agree that education is desirable, they are often unable or unwilling to send their children to school. The idea that education should lead to a job in the organised sector, preferably government, is also held by many parents. Gender bias that says that

The attitude of rationalising child labour as 'inevitable' and a 'necessary evil', is yet to disappear.



The Tenth Plan seeks to bring down poverty in Karnataka to 7.85 per cent by the year 2007.

girl children will end up as housewives and need not be educated means that girls are pulled out of school to work. Existing child labour laws do not cover the so-called non-hazardous sectors, such as agriculture, domestic and home-based work and the informal sector, where more than 90 per cent of children work³. There is, thus, a contradiction between the law on compulsory education and the child labour law. There are also contradictions between these two laws on the magnitude of punishments for employers of children. There are currently no inspectors under the Bonded Labour System (Abolition) Act of 1976, and hence, hardly any identifications of, and punishment for, practising child bonded labour. The Children (Pledging of Labour) Act of 1933 is also rarely invoked for freeing pledged children even though pledging and bondage of children are very common practices. The Action Plan on Child Labour has remained a broad policy document and a 'statement of intent'. It needs to

be disaggregated into action points with concrete physical and financial targets on a priority basis.

Targets for poverty reduction: Tenth Five Year Plan

Karnataka is committed to the Millennium Development Goals as well as the Tenth Plan goals. One of these goals is to reduce income poverty by 50 per cent between 1990 and 2015. The Tenth Five Year Plan has been formulated keeping this goal in mind. The Tenth Plan seeks to bring down poverty in Karnataka to 7.85 per cent by the year 2007 (Table 4.14).

Employment

The employment scenario can be examined from different angles, depending upon the policy perspective and emphasis. For instance, the size distribution of the workforce across age groups throws light on the size of child labour force and its policy imperatives. Data on the mode of employment highlights policy implications for social security, particularly for the vulnerable, casual labour. A profile of the sectoral distribution of the workforce is critical for an assessment of the relative importance of various employment opportunities.

Work participation rate

With the growth in population, there has been an increase in the work participation rate in the economy. The work participation rate increased from 40.2 per cent in 1981 to 42 per cent in 1991 and 44.6 per cent in 2001. As a result, the workforce too has increased from 14.95 million in 1981 to 18.89 million in 1991 (an increase of

TABLE 4.14

Targets for poverty reduction: Tenth Five Year Plan 2007

State	Percentage of poor	No. of poor (lakh)
India	19.34	2200.94
Andhra Pradesh	8.49	68.72
Karnataka	7.85	45.00
Kerala	3.61	12.04
Tamil Nadu	6.61	44.07

Source: Government of India (2002): Tenth Five Year Plan (2002-07), State Plans: Trends, Concerns and Strategies, Volume III (Draft), Planning Commission, New Delhi, p. 133.

TABLE 4.15

Work participation rate: 1981, 1991 and 2001

Year	Total population (lakh)			Workforce (lakh) (Main + Marginal)			Work participation rate (per cent)		
	Male	Female	Persons	Male	Female	Persons	Male	Female	Persons
1981	189.23	182.13	371.36	103.31	46.13	149.44	54.06	25.03	40.02
1991	229.52	220.25	449.77	124.14	64.73	188.87	54.01	29.30	42.00
2001	268.56	258.78	527.34	152.73	82.48	235.21	56.09	31.09	44.60

Source: Government of Karnataka (2003): Economic Survey 2002-03; p.275

³ PROBE Study 2002, Ramesh Kanbargi and National Family Health Survey 1 and 2.

2.64 per cent per annum) and to 23.52 million in 2001 (2.45 per cent per annum) (Table 4.15). The increase in the total work participation rate occurred largely because of the increase in female work participation.

Work participation rates by social groups

The 2001 census provides data on SC and ST workers by broad category of activities. According to available data, 16.85 per cent of the total workers (main + marginal) are SCs and 7.27 per cent are STs. A category-wise comparison shows that out of total cultivators, SCs constitute nearly 12 per cent and STs 7.6 per cent. The proportion of SC agricultural labourers is about 28 per cent and that of STs, about 12 per cent (Table 4.16). This indicates that SC and ST workers are found predominantly in the agrarian sector where they cluster in low-end jobs.

Women's work participation rate

A comparison of work participation by women (both general and among SCs and STs) shows that participation among SC and ST women, at about 41 per cent, is higher than women's work participation for all groups (35 per cent).

However, the composition of women workers across different economic activities reveals more or less similar trends for both SCs, STs and all groups. Out of total cultivators, the proportion of women workers is about 30 per cent. SC and ST women as a proportion of SC and ST cultivators exhibit the same pattern. About 55 to 60 per cent of total agricultural labourers are women, both for all groups and SCs/STs, and among those engaged in household industries, about 60 per cent are women. Women's work participation is high in activities relating to agro-based manual work and household industrial activities requiring low skills. The proportion of SCs and STs in the total 'other workers', which includes high-end jobs of the tertiary sector and manufacturing sector, is 14.0 and 4.0 per cent respectively. The proportion of women as a proportion of the total number of SC and ST workers is about 28 per cent, which is significantly higher than women workers as a proportion of the total 'other workers' (22 per cent). SC and ST women's participation as a proportion of total SC and ST workers in the 'other workers category' is also significantly higher than the total women workers under this category.

The increase in the total work participation rate occurred largely because of the increase in female work participation.

TABLE 4.16
Category of workers by social groups: 2001

Category of workers	Number of workers						SCs as % to Total	STs as % to Total
	SCs		STs		Total			
	Total	Women	Total	Women	Total	Women		
1	2	3	4	5	6	7	8	9
Cultivators	814788	242220	526827	152025	6883856	2051016	11.84	7.65
		(29.72)		(28.85)		(29.80)		
Agricultural labourers	1737148	947259	738751	423346	6226942	3606015	27.90	11.86
		(54.53)		(57.30)		(57.90)		
Workers in household industries	100447	57831	45146	27003	959665	554574	10.47	4.70
		(57.57)		(59.80)		(58.80)		
Other workers	1314062	373684	399296	110350	9464328	2087833	13.88	4.22
		(28.43)		(27.64)		(22.00)		
Total	3966445	1620994	1710020	712724	23534791	8299438	16.85	7.27
		(40.86)		(41.67)		(35.26)		

Note: * Figures in parenthesis indicate percentage of respective totals.

Source: Registrar General of India, Census of India 2001.

TABLE 4.17
Distribution of workforce by employment status (usual status adjusted)

Year	Rural				Urban				Total			
	SE	RS	CL	Total	SE	RS	CL	Total	SE	RS	CL	Total
1983	55.93	4.65	38.82	100.00	35.36	36.80	27.65	100.00	51.16	12.20	36.18	100.00
1993-94	55.90	4.80	39.30	100.00	41.30	36.90	21.80	100.00	52.40	12.78	34.82	100.00
1999-2000	50.20	5.30	44.50	100.00	38.80	39.60	21.60	100.00	47.03	14.83	38.14	100.00

Note: SE: Self employed, RS: Regular salaried, CL: Casual labour.

Sources:

1. National Sample Survey findings cited in Chadha, G.K. and P.P. Sahu (2002): 'Post-reform setbacks in Rural Employment: Issues that need further Scrutiny'.
2. Economic and Political Weekly, Vol. XXXVII, No.21.

TABLE 4.18
Main and marginal workers 1991 and 2001:
Southern states and all-India

State	Year	Main workers	Marginal workers	Total workers
Karnataka	1991	17292117	1594681	18886798
		(91.55)	(8.45)	(100.00)
	2001	19364759	4170032	23534791
		(82.30)	(17.70)	(100.00)
Andhra Pradesh	1991	28465427	1529684	29995111
		(94.90)	(5.10)	(100.00)
	2001	29040873	5852986	34893859
		(83.23)	(16.77)	(100.00)
Tamil Nadu	1991	22790450	1396474	24186924
		(94.23)	(5.77)	(100.00)
	2001	23757783	4120499	27878282
		(85.22)	(14.78)	(100.00)
Kerala	1991	8293078	843857	9136935
		(90.76)	(9.24)	(100.00)
	2001	8236973	2046914	10283887
		(80.10)	(19.90)	(100.00)
All-India	1991	285951666	28511310	314462976
		(90.93)	(9.07)	(100.00)
	2001	313004983	89229741	402234724
		(77.82)	(22.18)	(100.00)

Note: Figures in bracket indicates percentage to total.

Source: Registrar General of India, Census 1991 and 2001.

Composition of employment

Given the trend of the movement of the workforce towards the non-agricultural sector and the monetisation of the economy, it is important to examine the forms of employment and the changes therein over time. Self-employment in rural Karnataka declined from 55.93 per cent in 1983 to 50.20 per cent in 1999-2000. Regular salaried jobs have increased in both rural and urban Karnataka. The proportion of the rural workforce employed as casual labour was not only high at 38.8 per cent in 1983, but also increased further, to 44.50 per cent by 1999-2000 (Table 4.17).

The proportion of marginal labour in the total workforce is increasing steadily. The share of marginal workers as a proportion of the total workers in 1991 was 8.4 per cent, which increased to 17.7 per cent in 2001. A decline can be seen in the proportion of main workers and a significant increase in the proportion of marginal workers in all southern states and at the all-India level (Table 4.18).

Over the years the average size of operational holdings has been steadily declining, which indirectly shows that net addition to the number of marginal workers is increasing, particularly in the farm sector. The quinquennial agricultural census carried out by the Department of Economics and Statistics shows that the average size of operational holdings in Karnataka in 1970-71 was 3.20 ha., which has declined to 2.13 ha in 1991 and 1.74 ha in 2000-01. This casualisation

of labour reveals the increasing inability of the market to provide full-time employment.

Organised and unorganised sector employment

Organised sector employment, comprising public and private sector employment, has registered a negative rate of growth. Total organised sector employment in Karnataka was 18.80 lakh in the year 2000-01 and declined to 18.18 lakh by the end of November 2004. There is no readily available data on unorganised sector employment. The 55th round NSS data for 1999-2000 provides estimated employment for different sectors. If one takes out the corresponding share of organised sector employment from the aggregate employment, one can arrive at an estimate of the proportion of unorganised sector employment in the state. Unorganised sector employment contributes to nearly 92 per cent of aggregate employment. The share of organised sector employment is not only small, but also declining, resulting in greater dependency on unorganised sector employment. This unhealthy trend holds true, not only for Karnataka, but for the all-India level as well.

Sectoral growth of employment

In the context of the changes accompanying the economic reform process, it is important to examine the pattern of employment growth across sectors in Karnataka. Two periods of time will be considered, viz. (i) 1983 to 1993-94 and (ii) 1993-94 to 1999-2000. In rural Karnataka, the growth rate of employment in the agricultural sector as well as trade decelerated during the second period, and actually became negative for mining and quarrying, manufacturing, utilities, and community, social and personal services. The only sectors wherein the growth rate accelerated were transport, storage, communication, finance, insurance and real estate. In sum, the rural sector as a whole experienced little growth in employment during the second period.

Urban Karnataka on the other hand, seems to have sustained its employment growth during the second period. The growth rates for the two periods were 2.95 and 2.54 per cent respectively.

BOX 4.2

Changes in employment patterns over time: Karnataka versus all-India

- A decline in the extent of chronic unemployment (male and female; usual principal status) in both rural and urban Karnataka; this is confirmed further by estimates adjusted for subsidiary status employment. The experience was different at the all-India level: the estimates (adjusted as well as unadjusted) based on the usual status criterion show some increase in unemployment for male and female in rural all-India, as well as for male in urban all-India, as against a decrease in female unemployment in urban all-India.
- Intermittent unemployment, as indicated by estimates of current weekly status, show a marginal increase for both male and female in rural Karnataka and a decline for both in urban Karnataka. At the all-India level, intermittent unemployment increased for both sexes in the rural sector, increased for males in the urban sector and decreased for females in the urban sector.
- Unemployment by current daily status decreased for rural males, registered a marginal increase for rural females and declined for both in the urban areas of Karnataka. However, unemployment by this criterion registered a perceptible increase for both males and females in rural all-India and for males in urban all-India. At the all-India level, the urban sector experienced a decline in female unemployment rate.

Thus, in sum, Karnataka seems to have done relatively better than the rest of the country in dealing with the unemployment situation during the 1990s.

Employment declined in agriculture, mining and quarrying, utilities and community, social and personal services, but registered an increase in manufacturing, construction, trade, transport, storage, communication, finance, insurance, real estate and non-agricultural activities.

Sectoral composition of employment

Agriculture continues to be the major source of employment in the rural sector. The proportion of rural workers employed in agriculture (including animal husbandry, forestry and logging and fishing) declined from 84.40 per cent in 1983 to 81.90 per cent in 1993-94 and remained at about the same level thereafter. However, with the urban sector's workforce dependence on agriculture declining, a similar trend is evident in the state overall. The manufacturing sector, as a source of employment, has declined in importance in rural Karnataka but has virtually remained static in urban Karnataka. Consistent with this profile, the proportion of Karnataka's workforce engaged in non-agriculture, especially in the urban sector, has increased during the same period. For the state as a whole, the proportion increased from

30.40 per cent in 1983 to 37.50 per cent in 1999-2000 (Table 4.19).

Regional dimensions of employment

Employment (main + marginal workers) has grown at a decennial growth rate of 24.6 per cent

TABLE 4.19

Sectoral distribution of usual (principal + subsidiary) status of workers: 1983, 1993-94 and 1999-2000

(Per cent)

Year	Rural			Urban			Total (Rural + Urban)		
	A	M	NA	A	M	NA	A	M	NA
1983	84.40	6.00	15.60	19.90	28.90	80.10	69.60	11.30	30.40
1993-94	81.90	6.70	18.10	16.60	26.90	83.40	65.70	11.70	34.30
1999-2000	82.10	5.90	17.90	10.90	27.10	81.10	62.50	11.80	37.50

Notes:

1. A: Agriculture, M: Manufacturing, NA: Non-agriculture.
2. Manufacturing is a sub-set of Non-agriculture

Sources:

1. National Sample Survey findings cited in Chadha, G.K. and P.P. Sahu (2002): 'Post-Reform Setbacks in Rural employment: Issues that need further Scrutiny'.
2. Economic and Political Weekly, Vol. XXXVII, No.21, pp.1998-2026.

TABLE 4.20

Unemployment rates: Karnataka and all-India

Status	Unemployment rates											
	1993-94			1999-2000			1993-94			1999-2000		
	M	F	P	M	F	P	M	F	P	M	F	P
	Rural Karnataka						Urban Karnataka					
Usual status	1.3	0.6	1.1	1.0	0.3	0.8	3.4	7.5	4.3	3.0	4.7	3.4
Usual status adjusted	0.9	0.4	0.7	1.0	0.3	0.7	2.9	5.6	3.6	3.0	4.4	3.3
Current weekly	1.8	1.2	1.6	2.0	1.5	1.8	4.0	6.9	4.7	3.8	4.7	4.0
Current daily	4.7	3.9	4.4	4.4	4.0	4.3	5.6	8.9	6.3	5.3	5.9	5.4
	Rural all-India						Urban all-India					
Usual status	2.0	1.4	1.8	2.1	1.5	1.8	4.5	8.2	5.2	4.8	7.1	5.2
Usual status adjusted	1.4	0.8	1.2	1.7	1.0	1.5	4.0	6.2	5.2	4.5	5.7	4.7
Current weekly	3.0	3.0	3.0	3.9	3.7	3.8	5.2	8.4	5.8	5.6	7.3	5.9
Current daily	5.6	5.6	5.6	7.2	7.0	7.1	6.7	10.5	7.4	7.3	9.4	7.7

Note: M-Male, F-Female and P-Persons.

Sources:

1. Government of India (1996a): 'A Note on Employment and Unemployment Situation in India. Fifth Quinquennial Survey, NSS 50th Round (July 1993 – June 1994)' Sarvekshana, Vol. XX, No.1, pp. 1-146.
2. Government of India (2001f): Employment and Unemployment Situation in India 1999-2000 (Part-I) NSS 55th Round (July 1999-June 2000), National Sample Survey Organisation, Ministry of Statistics and Programme Implementation, New Delhi, pp.140-142.

between 1991 and 2001, largely contributed to by the growth in the number of marginal workers. The number of main workers increased at a rate of 12 per cent and marginal workers by 161.5 per cent during this period. The growth of employment is highest in Bangalore Urban district (54.8 per cent), followed by Dakshina Kannada (27.8 per cent), Dharwad (27.6 per cent), Koppal (24.9 per cent) and Mysore and Raichur with about 26 per cent each. These are the districts where employment growth is higher than the state average. Across districts there is significant growth in Bangalore Urban in terms of main and marginal workers, whereas the districts of Bidar, Bijapur, Gulbarga and Raichur have a negative rate of growth for main workers. All these districts are located in north Karnataka.

This broadly reveals that growth in employment is mainly Bangalore-centric. Bangalore is supporting a large number of Information Technology based industries, which generate high-end, skill-based employment. There has been a significant increase in marginal employment in Bangalore as well, mainly due to construction activities. There is a large influx of migrant unskilled labourers to Bangalore resulting in the high growth of marginal workers. Much of this migration has been triggered by low growth and recurrent drought in the state. This phenomenon of employment growth centering only around Bangalore imposes great stress on its infrastructure. In recent times the state has initiated policies to develop growth centres in other cities as well.

Unemployment

The extent of unemployment will be examined from different perspectives, viz. (i) usual status; (ii) current weekly status; and (iii) current daily status. Estimates of unemployment in Karnataka corresponding to these three perspectives are presented separately for male and female, by sector, for the years 1993-94 and 1999-2000 in Table 4.20. The estimate by the usual status criterion provides a measure of chronic unemployment; this estimate adjusted for (excluding) workers on subsidiary status is

called 'Usual Status Adjusted'. Estimates by the current weekly status measures current unemployment (chronic as well as temporary); and current daily status encompasses chronic unemployment, temporary unemployment and under-employment. In other words, among these measures, the current daily status estimate would be the most comprehensive measure. It is an estimate of the average level of unemployment on a day during the survey year. It is a comprehensive estimate since it is based on the unemployed days of the chronically unemployed, the unemployed days of those who are usually employed but unemployed intermittently and the unemployed days of those who are employed as per the current weekly status approach. Thus, it takes into account the unemployed days of even employed persons, and hence, seasonal unemployment also. The estimates for the rural and urban areas of Karnataka and all-India show diverse patterns of change (Table 4.20).

The Table 4.21 indicates that there was a decline in the extent of unemployment (male and female) in both rural and urban Karnataka as against an increase (male and female) in rural all-India, (male) in urban all-India and a decrease only in female unemployment in urban all-India. The conclusion is that Karnataka seems to have fared better than India as a whole in dealing with the unemployment situation.

Policy responses

The Government of Karnataka has explored many policy options to reduce the deprivation levels of the population. The policies include programmes to promote growth and redistribution. Broadly, the redistributive strategy seeks to reduce poverty by means of the following interventions:

- Promote asset endowment of the poor by programmes such as land reforms and *Swarnajayanti Gram Swarozgar Yojana* (SGSY);
- Offer direct employment opportunities through programmes like the *Sampoorna Grameen Rozgar Yojana* (SGRY) and *Stree Shakti*; and

TABLE 4.21

No. of unemployed person days per thousand person days (current daily status): Karnataka vs. all-India

Year	Rural			Urban		
	Male	Female	Persons	Male	Female	Persons
Karnataka						
1993-94	27	13	20	31	14	22
1999-2000	25	12	19	29	10	20
All-India						
1993-94	30	13	22	36	14	26
1999-2000	37	15	26	38	12	26

Sources:

1. Government of India (1996): 'Results on Employment and Unemployment Situation in India, Fifth Quinquennial Survey, NSS 50th Round (July 1993- June 1994)', Sarvekshana, Vol. XX, No. 1, p. 113.
2. Government of India (2000): Employment and Unemployment in India 1999-2000 Key Results. NSS 55th Round (July 1999- June 2000), National Sample Survey Organisation, New Delhi, p. 35.
3. Government of Karnataka (2001): Economic Survey 2000-01, Planning and Statistics Department, Bangalore; p.195.

TABLE 4.22

Progress of SGRY (Stream I): 1998-99 to 2002-03

Year	Financial (Rs. crore)		Physical (Lakh man days)		Food grains ('000 MT)	
	Target	Achievement	Target	Achievement	Released	Distributed
1998-99	154.77	134.83	-	292.42	-	-
1999-2000	103.59	100.91	195	186.96	-	-
2000-01	66.32	72.83	113	103.57	-	-
2001-02	100.21	101.55	130	142.40	92.13	58.84
2002-03	95.16	128.68	123.82	245.33	108.07	126.48

Source: Government of Karnataka (2003): Annual Report 2002-03, Rural Development and Panchayat Raj department, Bangalore, p. 5.

TABLE 4.23

Progress of SGRY (Stream II): 1998-99 to 2002-03

Year	Financial (Rs. crore)		Physical (lakh man days)		Food grains ('000 MT)	
	Target	Achievement	Target	Achievement	Released	Distributed
1998-99	110.48	112.89	188.77	225.15	-	-
1999-2000	93.83	101.92	188.82	175.48	-	-
2000-01	87.87	94.22	113.98	128.94	-	-
2001-02	99.90	95.12	129.58	140.79	89.50	60.74
2002-03	92.81	114.26	120.40	276.13	164.19	142.27

Source: Government of Karnataka (2003): Annual Report 2002-03, Rural Development and Panchayat Department, Bangalore, p. 6.

TABLE 4.24
Wage employment generated under various government programmes
 (Crore)

Year	Man days generated
1999-2000	14.82
2000-01	16.49
2001-02	14.82
2002-03	14.71
2003-04	18.88
2004-05 (up to Dec.04)	10.00

Source: Planning Department, Government of Karnataka.

- Promote food security through the public distribution system and subsidised food grains.

These measures have achieved some success as reflected in the reduction in the estimates of poverty over time. However, the reduction in poverty has not been uniform across districts. The percentage point reduction in the incidence of poverty between 1993-94 and 1999-2000 was much less in northern Karnataka than in the south and the average for the state (Suryanarayana and Zaidi, 2002).

One major policy emphasis in recent years has been on growth in the rural areas by measures to promote (i) productivity in agriculture and

related activities; (ii) coverage and quality of infrastructure; (iii) quality of services and hence, human resources. The government has also been implementing schemes to develop rural infrastructure encompassing rural communications, housing, water supply and sanitation, watershed development and minor irrigation.

Employment generation

Programmes for employment generation are of two types: (i) the set of schemes falling under *Sampoorna Grameen Rozgar Yojana (SGRY)* to provide wage employment; and (ii) those promoting self-employment of the rural poor falling under three broad schemes called *Swarnajayanti Gram Swarozgar Yojana (SGSY)*, *Stree Shakti* and *Swavalambana*. Some salient features and achievements of these programmes in recent years are as follows:

Various government programmes, including direct wage employment programmes, such as *Swarnajayanti Gram Swarozgar Yojana*, *Sampoorna Grameen Rozgar Yojana*, departmental works in irrigation, roads, buildings, command area development etc. generate considerable wage employment, which support the employment needs of the rural sector. The details of wage employment generated from 1999-2000 to 2004-05 may be seen in Table 4.24.

TABLE 4.25
Swarnajayanti Gram Swarozgar Yojana (SGSY): 1999-2000 to 2002-03

Year	Financial (Rs. lakh)			Physical				
	Allocation	Achievement	%	Groups formed		No of 'swarozgaries' (self employed)		
				Target	Achieved	Target	Achieved	%
1999-2000	6262.20	3969.52	63	226	6534	33275	19004	57
2000-01	4706.77	4212.40	89	1695	5771	25025	26942	108
2001-02	3089.34	5147.38	167	1112	5592	16420	42944	262
2002-03	3089.34	4882.33	158	1112	5481	16420	37116	226

Source: Government of Karnataka (2003): *Annual Report 2002-03*, Rural Development and Panchayat Raj Department, Bangalore, p. 11.

Concerns

- Comparable with all-India trends, Karnataka is experiencing a structural change in the composition of its State Domestic Product with the share of the primary sector declining in favour of the tertiary sector and the intermediary secondary sector remaining almost constant. Employment, however, is still primary sector oriented, with secondary and tertiary sectors contributing relatively lower proportions. Though the economy has grown at a moderate compound growth rate of around 6 per cent during the decade, the growth of the primary sector has increased only marginally, (by less than one per cent) and it is the secondary and tertiary sectors that have fuelled this growth in the state.
- Another area of concern is the low participation of women in the secondary and tertiary sectors. Women are found largely in unskilled low-end jobs like agriculture labour, household industries etc. Women constitute nearly 60 per cent of agricultural labourers. There is a disparity in the relative agricultural wages between men and women besides disparity in real and nominal wages. This further pushes women into a poverty trap.
- Karnataka has the second largest percentage of children living in poor households, rural and urban, among the four southern states.
- While government has initiated many programmes for child labour, the results are mixed because the policy focuses on rehabilitation rather than prevention.
- Existing child labour laws do not cover the so-called non-hazardous sectors such as agriculture, domestic and home-based work, and the informal sector, where more than 90 per cent of children work. There is, thus, a contradiction between the law on compulsory education which bans all work during school hours and the child labour law. There are also contradictions between these two laws on the magnitude of punishments for employers of children.
- Another area of concern is negative growth in organised sector employment in recent years. While the share of the organised sector

in the aggregate employment is very low at eight per cent, a proportion comparable with all-India, it will further decline to lower levels if remedial policy measures are not taken with appropriate state interventions.

- Poverty trends show a declining trend in the state, comparable with the all-India trend. However, urban poverty in Karnataka is higher than the rural poverty levels. One of the apparent reasons for the high incidence of urban poverty is migration from the rural to urban areas for employment.
- The large number of agricultural labourers as a proportion of the total work force adversely impacts labour productivity, per capita income and poverty levels due to an excessive dependence on agriculture. Inter-district comparisons show that leading districts such as Bangalore, Kodagu, and Dakshina Kannada have a low proportion of agricultural labourers in the aggregate employment. These districts have high labour productivity and per capita income, and a low incidence of poverty. Backward districts like Raichur, Gulbarga and Haveri have a high proportion of agricultural labour but relatively low productivity levels, per capita income and a high incidence of poverty.

Recommendations

- Formulate a comprehensive employment strategy aiming at sectoral and regional diversification; identify appropriate labour intensive technologies; encourage faster growth in the primary sector; reduce regional disparities.
- Reorient the employment strategy to absorb the growing labour force by creating more job opportunities and a growth strategy focusing on the primary sector, which can sustain and absorb the increasing employment needs. The growth strategy must also focus on creating employment opportunities in the non-farm and household industry sectors which are highly labour intensive. The tertiary sector though contributing significantly to the state income, is not labour intensive and is confined to highly skilled jobs. There is a large



There is a disparity in the relative agricultural wages between men and women besides disparity in real and nominal wages. This pushes women into a poverty trap.

chunk of the educated unemployed without any technical skills, who need to be provided with training for productive employment. The state must devise a policy aimed at absorbing such segments of the labour force through appropriate training.

- Strengthen policies to empower women to emerge from the poverty syndrome and to also increase access to better economic resources by encouraging them to participate in skill-based productive economic activities.
- Counter and reverse the process of marginalisation of labour through self-employment and regular employment.
- Manage rural out-migration with a suitable region specific employment policy to create more sustainable job opportunities in rural areas.
- Promote non-farm income generating activities to generate more productive employment opportunities in the non-farm sector.
- The ongoing efforts of the state government in setting up self-help groups like *Stree Shakti* will have to be intensified.
- Attack the problem of child labour on several fronts: reduction of household poverty, universal enrolment and retention in school, and strengthening legal provisions and enforcement.
- Amend labour legislation to cover children in non-hazardous sectors.
- The Bonded Labour System (Abolition) Act of 1976 should be amended so as to identify and punish those who are practising child bonded labour.