

# Poverty and Employment

## MSME New Policy

### Introduction of MSME

In India, MSMEs contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. It won't be wrong to refer them as the 'Backbone of the country.'

The Government of India has introduced **MSME or Micro, Small, and Medium Enterprises** in agreement with Micro, Small and Medium Enterprises Development (MSMED) Act of 2006. These enterprises primarily engaged in the production, manufacturing, processing, or preservation of goods and commodities.

MSMEs are an important sector for the Indian economy and have contributed immensely to the country's socio-economic development. It not only generates employment opportunities but also works hand-in-hand towards the development of the nation's backward and rural areas. According to the annual report by the Government (2018-19), there are around 6,08,41,245 MSMEs in India.

### New MSME definition based on investment and turnover (2020)

On 1st June, Monday, the Union Cabinet headed by Prime Minister Narendra Modi officially revised the MSME definition. The recent changes in the definition of micro, small, and medium-sized enterprises made as a part of the Atmanirbhar Bharat Abhiyaan relief package were approved.

The investment and turnover figures were changed to larger values, thereby resulting in a larger number of medium-sized enterprises.

### Classification of enterprises into micro, small and medium enterprises (in Rs)

Updated MSME Definition		
Type of enterprise	Investment	Turnover
Micro	Rs 1 crore	Rs 5 crore
Small	Rs 10 crore	Rs 50 crore
Medium	Rs 50 crore	Rs 250 crore

### The new MSME definition (2020)

### ‘ Investments will no longer characterize MSMEs.’

On 13th May, Wednesday, the center officially revised the MSME definition.

In October 2019, Union Minister Nitin Gadkari had said that the revised definition of micro, small, and medium enterprises may grant a unified description for all things related to taxation, investment, and more.

The changed definition was to be implemented via an amendment that would further refine the business scenario for Indian enterprises. The Union Cabinet had approved the amendment to change the criteria to classify MSMEs from “investment in plant and machinery” to “annual turnover.”

On 13th May 2020, Finance Minister Nirmala Sitharaman added the additional principle of turnover along with the investment.

#### Revised MSME Classification

Composite criteria: Investment and annual turnover

Classification	Micro	Small	Medium
Manufacturing & services	Investment < Rs 1 crore and turnover < Rs 5 crore	Investment < Rs 10 crore and turnover < Rs 50 crore	Investment < Rs 20 crore and turnover < Rs 100 crore

## **Poverty and Types of Poverty**

### **Champion Portal for MSME**

The **Ministry of Micro, Small and Medium Enterprises** (MSME) has launched **CHAMPIONS portal**.

- The CHAMPIONS stands here for **Creation and Harmonious Application of Modern Processes for Increasing the Output and National Strength**.
- It is a **technology driven Control Room-Cum-Management Information System** which utilises **modern information and communication technology (ICT) tools**.
  - In addition to ICT tools including telephone, internet and video conference, the system is enabled by **Artificial Intelligence, Data Analytics** and **Machine Learning**.

- It is also fully **integrated** on a real time basis with the Government of India's main grievances portal **Centralized Public Grievances Redress and Monitoring System (CPGRAMS)** and the Ministry's other web based mechanisms.
- The entire ICT architecture is created in house with the help of the **National Informatics Centre**.
- A network of control rooms is created in the **Hub & Spoke Model**.
- The **Hub** is situated in **New Delhi** in the Secretary MSME's office.
- The **spokes** will be in the **States** in various offices and institutions of the Ministry.
- **Three basic objectives:**
  - **Support:** To help the MSMEs in this difficult situation in terms of finance, raw materials, labour, permissions, etc.
  - **Explore:** To help them capture new opportunities like manufacturing of medical accessories and products like Personal Protection Equipments (PPEs), masks, etc.
  - **Promote:** To identify the sparks, i.e., the bright MSMEs who can not only withstand but can also become national and international champions.

## Poverty

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs can't be met.

Poverty-stricken people and families might go without proper housing, clean water, healthy food, and medical attention. Each nation may have its own threshold that determines how many of its people are living in poverty.

## Absolute Poverty

**Absolute poverty** is when household income is below a certain level, which makes it impossible for the person or family to meet basic needs of life including food, shelter, safe drinking water, education, healthcare, etc.

In this state of poverty, even if the country is growing economically it has no effect on people living below the poverty line. Absolute poverty compares households based on a set income level and this level varies from country to country depending on its overall economic conditions.

## Relative poverty

**Relative poverty** is when households receive 50% less than average household incomes, so they do have some money but still not enough money to afford anything above the basics.

- Relative poverty is sometimes described as “relative deprivation” because the people falling under this category are not living in total poverty, but they are not enjoying the same standard of life as everyone else in the country. It can be TV, internet, clean clothes, a safe home (a healthy environment, free from abuse or neglect), or even education.
- Relative poverty can also be permanent, meaning that certain families have absolutely no chance of enjoying the same standards of living as other people in the same society currently have access to. They are basically “trapped” in a low relative income box.

## Poverty Line

Poverty Line refers to the minimum income, consumption, or, more generally access to goods and services below which individuals are considered to be poor. The poverty line in India is the expenditure level at which a minimum calorie intake and indispensable non-food purchases are assured. It may be noted that even among the poor, there are differences in the degrees of poverty. So the focus of the government policies should be on the poorest of the poor.

### BPL (Below Poverty Line)

- The Government makes use of several parameters to recognise the below poverty line (BPL) sections. These parameters may differ from state to state and may be different for rural and urban areas. Furthermore, the other countries have different parameters and ways to define the poverty line.
- In India, in the year 2011, the poverty line was defined by the Suresh Tendulkar Committee. It was determined on the basis of monthly expenses on food, education, health, transport and electricity. According to this committee, a person who is spending Rs. 33 a day in urban areas and only Rs. 27 a day in rural areas live below the poverty line.

## Tendulkar Committee (2009)

- Expert group constituted by the Planning Commission and, chaired by Suresh Tendulkar, was constituted to **review** methodology for poverty estimation and to address the following **shortcomings of the previous methods**:
  - **Obsolete Consumption Pattern**: Consumption patterns were linked to the 1973-74 poverty line baskets (PLBs) of goods and services, whereas there were significant **changes**

in the consumption patterns of the poor since that time, which were not reflected in the poverty estimates.

- **Inflation Adjustment:** There were issues with the **adjustment of prices for inflation**, both spatially (across regions) and temporally (across time).
- **Health and Education Expenditure:** Earlier poverty lines assumed that health and education would be provided by the state and formulated poverty lines accordingly.
- Tendulkar committee computed poverty lines for **2004-05** at a level that was equivalent, in **Purchasing Power Parity (PPP)** terms to **Rs 33 per day**.
- **Purchasing Power Parity:** The PPP model refers to a method used to work out the money that would be needed to purchase the same goods and services in two countries.

## Unemployment of India

### Unemployment

Unemployment is a situation when a person actively searches for a job and is unable to find work. Unemployment indicates the health of the economy.

The unemployment rate is the most frequent measure of unemployment. The unemployment rate is the number of people unemployed divided by the working population or people working under labour force.

**Unemployment rate = (Unemployed Workers / Total labour force) × 100**

National Sample Survey Organization (NSSO) defines employment and unemployment on the following activity statuses of an individual. NSSO, an organization under MoSPI – Ministry of Statistics and Programme Implementation measures India's unemployment on three approaches:

1. **Daily Status Approach:** unemployment status of a person under this approach is measured for each day in a reference week. A person having no gainful work even for one hour in a day is described as unemployed for that day.
2. **Weekly Status Approach:** This approach highlights the record of those persons who did not have gainful work or were unemployed even for an hour on any day of the week preceding the date of the survey.
3. **Usual Status Approach:** This gives the estimates of those persons who were unemployed or had no gainful work for a major time during the 365 days.

## Types of Unemployment in India

In India, there are seven types of unemployment. The types of unemployment are discussed below:

1. **Disguised Unemployment:** This is a type of unemployment where people employed are more than actually needed. Disguised unemployment is generally traced in unorganised sectors or the agricultural sectors.
2. **Structural Unemployment:** This unemployment arises when there is a mismatch between the worker's skills and availability of jobs in the market. Many people in India do not get job matching to their skills or due to lack of required skills they do not get jobs and because of poor education level, it becomes important to provide them related training.
3. **Seasonal Unemployment:** That situation of unemployment when people do not have work during certain seasons of the year such as labourers in India rarely have occupation throughout the year.
4. **Vulnerable Unemployment:** People are deemed unemployed under this unemployment. People are employed but informally i.e. without proper job contracts and thus records of their work are never maintained. It is one of the main types of unemployment in India.
5. **Technological Unemployment:** the situation when people lose their jobs due to advancement in technologies. In 2016, the data of the World Bank predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.
6. **Cyclical Unemployment:** unemployment caused due to the business cycle, where the number of unemployed heads rises during recessions and declines with the growth of the economy. Cyclical unemployment figures in India are negligible.
7. **Frictional Unemployment:** this is a situation when people are unemployed for a short span of time while searching for a new job or switching between jobs. Frictional Unemployment also called Search Unemployment, is the time lag between the jobs. Frictional unemployment is considered as voluntary unemployment because the reason for unemployment is not a shortage of jobs, but in fact, the workers themselves quit their jobs in search of better opportunities.

## Estimates of Employment and Unemployment in India

India's unemployment rate rose to its highest level since 1991 during 2020 as coronavirus pandemic caused economy to come to a screeching halt, according to a study. The nation saw one of the toughest lockdowns in the world starting March last year as the pandemic claimed numerous lives, with stringent restrictions on mobility and economic activities across the board.

India's unemployment rate sharply rose to 7.11 per cent in 2020 from 5.27 per cent in 2019, said a report by Centre for Economic Data and Analysis (CEDA) based on the ILOSTAT database of International Labour Organisation. Going back, India saw its unemployment rate rise between 2008, when it was 5.36 per cent to 5.65 per cent in 2010. It maintained a downward trend between 2013 and 2019, when it came down from 5.67 per cent to 5.27 per cent.