
Unit 4: Development Economics: 1 + 5 = 6 Marks

Poverty, Inequality, Unemployment and Human Resources

4.1 Concept of Poverty, Inequality and Unemployment

4.2 Causes of Poverty and Inequality and Measures to Reduce them

4.3 Types and Causes of Unemployment, and Measures to create employment

4.4 Concept and Role of Human Resources

4.5 concept of Human Development Indicators and Human Development Index

4.6 Current Status of Nepal's Population (Size, Composition, Distribution and Growth)

decreasing or increasing returns.

5. It is wrong to exclude transport costs as it is included in price itself.

6. There is no complete free trade between countries as assumed by the theory. In reality, custom duties and custom quota act as barriers in trade between countries.

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Very short answers questions (1 mark)

1. What is vicious circle of poverty?

Answer: The vicious cycle of poverty is a repeating channel of poverty. In this cycle, people of low income level lack the access of resources to break free from poverty and people remain poor again.

2. What is poverty line?

Answer: The poverty line is defined as the minimum level of income which is insufficient to meet basic needs such as food, shelter, and clothing. The population below that line are poor.

3. Define absolute poverty.

Answer: Absolute poverty refers to weak economic situation of people where they are unable to fulfill their basic needs such as food, shelter, clothing and other access on public welfare services.

4. What is relative poverty?

Answer: Relative poverty refers to a situation where people may be able to fulfill their basic necessities of life but they are relatively poorer in comparison to others. It exists even in developed countries and it varies from country to country, people to people.

5. What are the nature/features/characteristics of poor?

Answer: The poor people have the features of low income and high expenditure, low social status, poor housing condition, burden of credit, illiteracy, uneducated, high gender disparity, and size of large number of family etc.

6. What is economic inequality?

Answer: Economic inequality refers to the unequal distribution of resources in an economy of a country. There are basically income inequality, wealth inequality and consumption inequality. It can be almost measured by Gini-coefficient and Lorenz Curve.

7. Define unemployment.

Unemployment refers to the jobless situation of people who are willing to work at the prevailing wage rate but they are unable to get the job in an economy of a country. Unemployment can be voluntary and involuntary.

8. Define human resources.

Human resource refers to the manpower of a country above 15 and below 59 years of age who have the ability and willingness to work with high efficiency and productivity to produce goods and services in an economy of a country.

9. What is Human Development Index (HDI)?

Human development index (HDI) is the composite index of health, education and income to indicate the economic performance of a country. It ranges between 0-1. It can be calculated as: $HDI = (\text{health index} \times \text{education index} \times \text{income index})^{1/3}$

10. Mention the size and growth of recent population of Nepal.

Answer: As per the population census 2021 AD, the size of population of Nepal is 2,91,64,578 where female population is 51.13% (1,49,11,027), male population is 48.87% (1,42,53,551) and the growth of population is 0.92%.

Short answers questions (5 marks)

11. Differentiate between absolute poverty and relative poverty.

Absolute poverty	Relative poverty
1. People are unable to fulfill their basic needs	People may be able to fulfill their basic needs but relatively poorer than others.
2. All people are living below poverty line.	2. All people may not be living below poverty line
3. It is in absolute terms and not in comparison to others.	3. It is in relative term and is in comparison with others.
4. It can be measured in quantitative terms.	4. It cannot be expressed in number but can be compared.
5. It is possible to eradicate this poverty.	5. It is almost impossible to eradicate this poverty.
6. It is found in developing countries.	6. It is found in both developed and underdeveloped countries.

12. Explain the causes of poverty.

Answer: The main causes of poverty are explained below as:

- Rapid Population growth:** Due to high population growth and low economic growth rate in Nepal, it reduces the per capita income which causes the insufficiency to fulfill the basic requirements. As a result, people remain poor in the developing country.
- Slow industrialization:** The growth of industries in Nepal is very slow due to lack of capital. So, unemployment is increasing in the country which makes people poor.
- Low agricultural productivity:** Due to primitive cultivation methods, lack of irrigation facilities, use of traditional seeds, small size of farms, etc. the agricultural productivity is low in Nepal. So, low income of farmers is making them poor.
- Unequal distribution of resources:** Some people are very rich and some are big landlords in Nepal. On the other hand there are very poor farmers who have very small farms and are even landless. These small farmers and landless people are living in poverty.
- Unnecessary expenditures:** Many people make unnecessary, unproductive and wasteful expenditures by taking loan especially during marriage, birthday, death rites, festivals, etc just to show-off to others which pushes them to debt and ultimately to poverty.

- f. **Social discrimination:** Due to traditional beliefs, illiteracy, ignorance, a large section of the people of the society are discriminated, demoralized and deprived from the opportunities. So, they remain poor.
- g. **Political instability:** Frequent change in government, the existing short/long term plans/policy of government cannot be implemented effectively. So, poverty is still high in Nepal. *(Explain any 5 points list others)*

13. Suggest the effective remedial measures to reduce poverty in Nepal.

Answer: The poverty of Nepal can be reduced by taking the following measures:

- a. **Control population:** The high population growth of Nepal can be controlled by raising awareness among the people, providing them education, providing family planning facilities, social and religious reforms, etc. When population is controlled, the per capita income will increase and poverty will be reduced.
- b. **Industrialization:** With increasing number of industries, more jobs will be created and the national income will increase. People get jobs, increase their income, the country becomes richer and poverty will be reduced.
- c. **Development and modernization of agriculture:** The agriculture of Nepal should be developed and modernized by using new machines, fertilizers, improved seeds, provision of irrigation facilities, etc. When agriculture develops and modernizes, the productivity increase, farmer's income increases and poverty will be reduced.
- d. **Reduce unnecessary expenditures:** The unnecessary, unproductive and extravagant expenditures in marriages, festivals, death rites, birthdays, etc. should be reduced. Such unnecessary expenditures should be made only according to capacity only.
- e. **Provide skills and trainings:** The poor, backward and the woman should be provided income generating skills and trainings like bee-keeping, vegetable farming, goat rearing, poultry farming, etc. so that they earn income and reduce poverty.
- f. **Effective implementation of plans and policies:** The plans and policies of the government to reduce poverty should be efficiently so that they actually reach the targets and poverty is reduced.

14. Explain the Causes of Economic Inequality. Suggest some remedial measures to reduce it.

Answer: The main causes of economic inequality are economic and sociological factors which are based on capitalism. Some of the common factors that rise inequality are described below as:

- a. **Labour market outcome:** In the market, unskilled, semiskilled and skilled labour are unequally paid which is the main cause of inequality.
- b. **Unequal distribution of assets:** Those individual have more assets have more income and property. On the other hand, poor people have less assets and creates inequality in the society.
- c. **Geographical variation:** People who live in hilly and mountain regions face difficulties like climatic variation, fertility of land, transports and communication facilities etc than the people of plain land which causes inequality.
- d. **Gender Discrimination:** In the developing countries, there is gender income gap which favors male in the labour market which causes inequality.
- e. **Stage of economic development:** As per Simon Kuznets - The level of economic inequality is result of stages of development. Countries with low level of development have relatively equal distribution of wealth. As a country develops, there will be more capital investors leading to more income and wealth causing inequality.

The following remedies can be suggested to reduce economic inequality as:

- a. Sustain economic growth
- b. Involve poor in resources
- c. Human resources development
- d. Create more job opportunities
- e. Action oriented government plan and policy
- f. Women empowerment
- g. Micro credit programs

- h. Development of rural infrastructures
- i. Social security

15. Explain the types of unemployment.

Answer: The types of unemployment can be explained as:

- a. **Open Unemployment:** It refers to a situation when workers have absolutely no jobs to do. They are completely jobless at all but are willing to work at the existing wage rate. It is called open unemployment.
- b. **Disguised/Hidden Unemployment:** It refers to a situation when a person is in fact partially employed. It seems mostly in agriculture sector where work is shared by a larger number of workers than required.
- c. **Seasonal Unemployment:** The case with this is that workers remain out of work for a particular season. For example, workers hired only for the harvest season remain unemployed for the remaining part of the year.
- d. **Frictional Unemployment:** Frictional unemployment is just temporary unemployment. It occurs due to people moving between jobs from inferior to superior. It also occurs when people leave jobs and remain unemployed until getting another job.
- e. **Industrial Unemployment:** Those illiterate persons who are willing and able to work in factories or industries in urban areas but cannot find work fall in this category. As rural-urban migration increases, urban unemployment also does.
- f. **Educated Unemployment:** It occurs when improvement in education, skilled workers have increased in number over time but the number of available jobs have not increased correspondingly. This causes educated unemployment.
- g. **Technological Unemployment:** Due to technological upgrades, the existing workforce are unable to cope with it due to new technology do not match the existing skill-sets of the employed workers and they become unemployed.
- h. **Cyclical unemployment:** It occurs due to change in the phases of trade-cycle in the economy. During depression, economy is adversely affected while production will be less than the full employment and lack of aggregate demand for goods and services and worker remain unemployed.
- i. **Hardcore unemployment:** It refers to the unemployment of physically handicapped workers. It is mainly caused by the unwillingness of organizations to provide jobs to them and they are not fitted in all jobs due to physical disability.
(Explain any 5 and list only others)

16. Explain the Causes of Unemployment in developing countries like Nepal. Suggest the measures to create employment.

Answer: The various causes are responsible for widespread unemployment discussed below as:

- a. **Slow economic growth:** Slow economic growth adversely affects the economic performance. As a result, there will be limitation of basic infrastructural development and their job opportunities which cause the unemployment in the economy.
- b. **Increase in population:** Existing job opportunities would not be sufficient to meet the demand of increasing population which causes unemployment. Higher the population, higher will be the unemployment.
- c. **Defective education system:** The existing education system in Nepal is based on theoretical curriculum and its manpower cannot grab the modern jobs due to lacking modern technical and practical life skill educations and remain unemployed.
- d. **Geographical difficulties:** Due to geographical difficulties especially in hilly and mountainous regions of Nepal, development activities like industries, transport, communication, markets, etc. are costly and they are low or nil cause unemployment in Nepal.
- e. **Underutilization of natural resources:** Due to lack of capital, technological backwardness, the available natural resources cannot be utilized. As a result the economic performance is adversely affected and cause unemployment in the country.