Economic Growth & Development [Unit 11] [Part 3]

1

Equity (Equality):

Intro (Importance)

- **Uplifting the level of economic equity and fairness is an important objective of economic policies**

- **Eliminating or reducing economic inequality is a fundamental condition for the improvement of human development**

- **While market economic system (price mechanism) inherently ensures allocative efficiency, it may not ensure equality in income distribution. Rather efficiency and equity tend to be conflicting objectives.**

- **Essentially equity as an objective focusses on making sure the total income of the economy is distributed fairly, that is with minimum disparities among the different income earning groups or households.**

- **Individual income level shall depend on amount of labour, education, in heritance, price of production factors, entrepreneurship ability, luck or fortune.**

- **Quality and quantity of these factors shall change from person to person, thus creating disparities in income levels.**
- **There are two standard approaches of interpreting or analyzing 'income distribution':**
    - **Functional Distribution (Income source, haves and have nots)**
    - **Individual Distribution (Absolute Vs. Relative Distribution)**

3

Per-capita Income

COM (SM): Page 7

- **Even though per-capita income represents many limitations and criticisms, it continues to be used as a common measures and indicator of economic development**

- **GDP growth or economic growth rate major variable or indicator of economic development in a country**

- **Per capita income represents a certain close relationship between important variables of development such as literacy, health facilities, education.**

Purchasing Power Parity (PPP)

Crude Birth Rate (CBR)

$$\text{CBR} = \underline{\hspace{10cm}}$$

Crude Death Rate (CDR)

$$\text{CDR} = \underline{\hspace{10cm}}$$

Natural Rate of Population Growth

$$RNPG = \underline{\hspace{8cm}} \times 100$$

Alternative Methods:

$$RNPG = \frac{CBR - CDR}{10}$$

8

Net Migration Rate

$$\text{NMR} = \underline{\hspace{8cm}} \text{ X 1000}$$

Population Growth Rate

$$RPG = \underline{\hspace{6cm}} \times 100$$

Alternative Methods:

RPG = Natural Rate of Growth + Net Migration Rate

10

Demographic Transition

Demographic Dividends

Demographic dividends is created within a transitional time interval when the proportion of the population under 15 years of age (child population) falls below 30% and the population of persons 65 years and older (elderly population) as a proportion is below 15%.

The demographic dividend is said to be derived when per capital income increases on account of higher growth in the labour force in comparison to the growth in population.

Sex or Gender Ratio

The sex ratio refers to a measure which represents the number of males relative to females (as a proportion of hundred females in the population) in a country's population during a given period of time.

The sex ratio and age structure of the population has a direct impact on the country's population growth rate

The overall sex ratio and the sex ratio at birth can be estimated as given below:

13

Pure Dependency Rate

_____ X 100

Child Dependency Rate

_____ X 100

14

Elderly (Old) Dependency Rate

$$\rule{20em}{0.4pt} \quad \text{X } 100$$

Pure (Total) Dependency Rate

=   Child Dependency Rate + Elderly Dependency Rate

15

Determinants :   Labour Force

A given country's size of the labour force is mainly determined by the some of the following factors:

- Population Size
- Sex and age distribution or structure of the population
- Marital Status
- Urbanization
- Education level or standard of the population
- Social, cultural and religious disparities (or differences)

Factors Affecting :   Labour Supply

Labour Force Participation Rate [LFPR]

$$\frac{\text{Labour Force}}{\text{Working Age Population}} \times 100$$

Item	2017	2018	2019	2020	2021
LFPR	54.1%	51.8%			
Male LFPR	74.5%	73.0%			
Female LFPR	36.6%	34.0%			

18

Unemployment

An unemployed individual in a practical sense is identified as a person who remains without a job or work even though he or she is willing to work for pay or any other economic benefit, during the period of time under consideration.

The unemployment rate of a country or region presents the percentage of the total number of eople who are unemployed out of the labour force of the given country or region for the given period of time. The estimation of the unemployment rate can be illustrated as follows:

Unemployment Rate

_____ X 100

Alternatively

_____ X 100

20

Disguised Unemployment

- **Skills Mismatch Hypothesis**
- **Queuing Hypothesis**
- **Low Growth Hypothesis**
- **Labour Market Rigidities**

Generic Reasons

- **Female Unemployment**
- **Youth Unemployment**
- **Educated Unemployment [Structural]**
- **Regional Unemployment**

Reasons Specific to SL