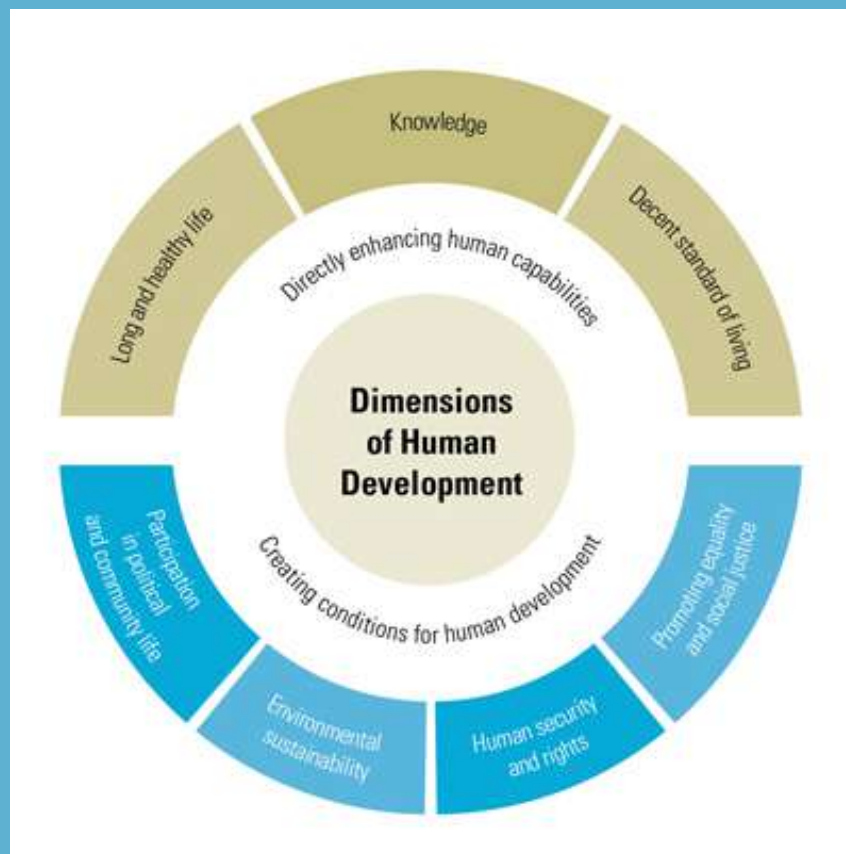




NABARD & RBI

# HUMAN DEVELOPMENT

ECONOMICS & SOCIAL ISSUES NOTES



FOR RBI & NABARD EXAMS

# Human Development

## Economics & Social Issues Notes

### Introduction

- Development experience of many fast-growing developing countries revealed that their high GNP growth rates failed to reduce the socio-economic deprivation of substantial sections of their population.
- Even developed industrial nations realized that high income is no protection against the rapid spread of such problems as drugs, alcoholism, AIDS, homelessness, violence, and the breakdown of family relations.
- At the same time, some low-income countries demonstrated that it is possible to achieve high levels of human development if they skilfully use the available means to expand basic human capabilities.
- This establishes the fact that the expansion of output and wealth is only a means to development.
- The end of development is the welfare of human beings. Therefore, the central focus of development analysis and planning must be directed towards people's needs and oriented towards achievement of this ultimate end.
- As a first step towards achievement of this end there is a need to create a database on improved social statistics and new development measures.
- To cater to this, need the concept of human development and its measurement through a measure called Human Development Index (HDI) was introduced by UNDP (1990) in its first Human Development Report.

### What is Human Development?

- United Nations Development Programme (UNDP) describes human development as "the process of widening people's choices and the level of well-being they achieve at the core of the notion of human development.
- In principle, these choices can be infinite and can change over time.
- But, at all levels of development, the three essential choices are for people to lead a healthy and long life, to acquire knowledge and to have access to the resources needed for a decent standard of living.

Human development approach is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live. Human development approach focusses on –

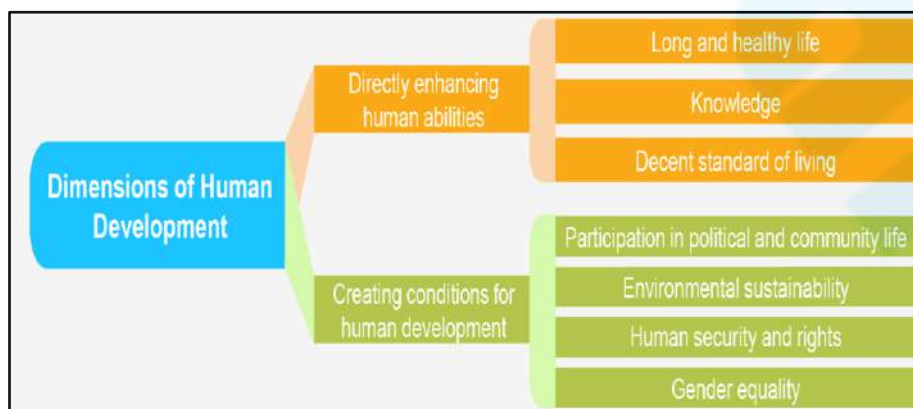
1. **People:** The human development approach focuses on improving the lives people lead rather than assuming that economic growth will lead, automatically, to greater opportunities for all. Income growth is an important means to development, rather than an end in itself.
2. **Opportunities:** Human development is about giving people more freedom and opportunities to live lives they value. In effect this means developing people's abilities and giving them a chance to use them.
3. **Choices:** Human development is, fundamentally, about more choice. It is about providing people with opportunities, not insisting that they make use of them.

## Why Human Development?

According to Paul Streeten, human development is necessary on account of the following reasons –

- Human development is the end while economic growth is only a means to this end.
- Human development is a means to higher productivity.
- It helps in lowering the family size by slowing human reproduction.
- Human development is good for physical environment.
- Human development and reduced poverty contribute to a healthy civil society, increased democracy, and greater social stability.

## Dimensions of Human Development



## Essentials Component of Human Development

The noted Pakistani economist Mahbub ul Haq considered four essential pillars of human development. These are –

1. Equity
2. Sustainability
3. Productivity
4. Empowerment

1. **Equity:** If development is to enlarge people's choices, people must enjoy equitable access to opportunities.
2. **Sustainability:** Another important facet of human development is that development should 'keep going', should 'last long'. The concept of sustainable development focusses on the need to maintain the long-term protective capacity of the biosphere. This then suggests that growth cannot go on indefinitely; there are, of course, 'limits to growth'.
3. **Productivity:** Another component of human development is productivity which requires investment in people. This is commonly called investment in human capital. Investment in human capital—in addition to physical capital—can add more productivity.
4. **Empowerment:** Human development paradigm envisages full empowerment of the people. Empowerment means that people are in a position to exercise choices of their own free will.

## Human Development Report (HDR)

- The Human Development Report (HDR) is an annual report published by the Human Development Report Office of the United Nations Development Programme (UNDP).
- The first HDR was launched in 1990 by the Pakistani economist Mahbub ul Haq and Indian Nobel laureate Amartya Sen.
- Since then, reports have been released most years and have explored different themes through the human development approach, which places people at the center of the development process.
- The Human Development Reports have an extensive influence on the development debate worldwide.
- They have also inspired national and regional analyses which, by their nature, usually address issues that are more country – or regionally - specific.

- The title of Human Development Report (HDR) 2019 is “Beyond income, beyond averages, beyond today: inequalities in human development in the 21st Century”.

## Human Development Index (HDI)

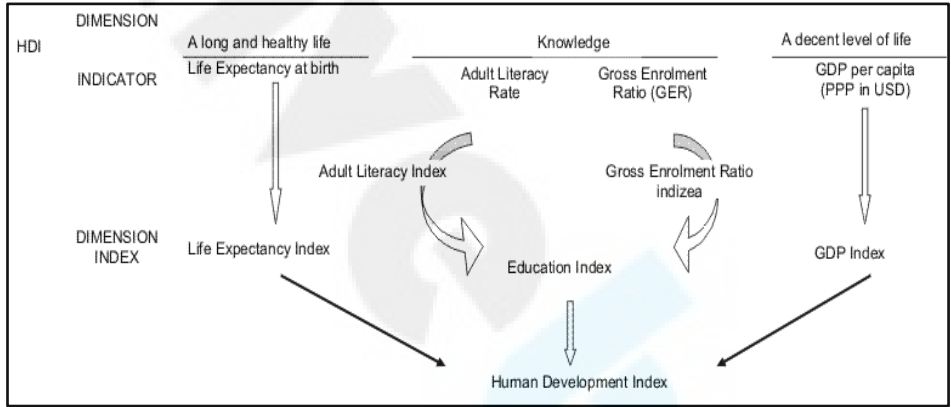
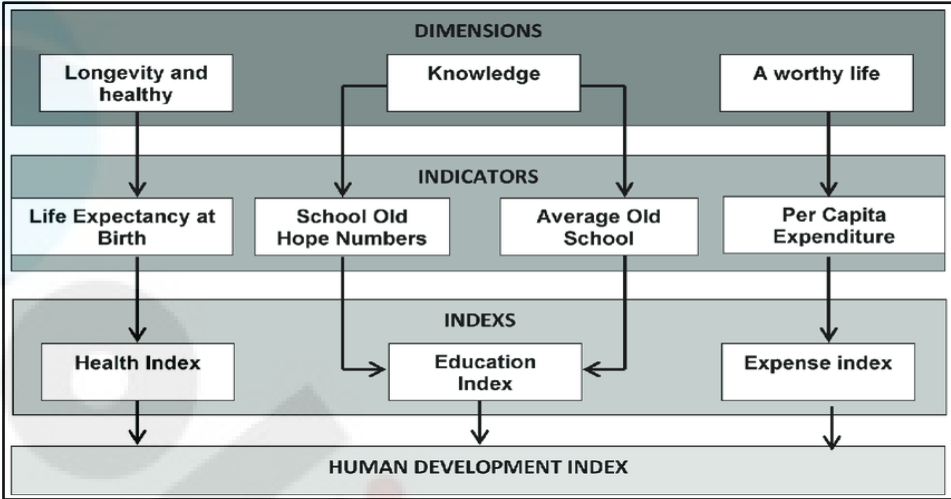
- The Human Development Index (HDI) is a statistical tool used to measure a country's overall achievement in its social and economic dimensions.
- The social and economic dimensions of a country are based on the health of people, their level of education attainment and their standard of living.
- Pakistani economist Mahbub ul Haq created HDI in 1990 which was further used to measure the country's development by the United Nations Development Program (UNDP).
- HDI measures the average achievement in three basic dimensions of human development:
  - A long and healthy life is measured by life expectancy at birth.
  - Knowledge as measured by the adult literacy rate (with two-third weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one third weight).
  - A decent standard of living as measures by GDP per capita (PPP US\$).

Before calculating HDI, an index for each of the three dimensions is created. For this purpose, maximum and minimum values are chosen for each indicator.

## Indicators of HDI

Calculation of the index combines four major indicators:

1. Life expectancy for health.
2. Expected years of schooling.
3. Mean years of schooling for education.



**What is HDI?**

Published by the **United Nations Development Programme (UNDP)**, it is a statistical tool used to measure a country's overall achievement in its social and economic dimensions. The social and economic dimensions of a country are based on the health of people, their level of education attainment and their standard of living.

It is part of the **Human Development Report**.

The other indices that form the part of the 2019 Report are:

- 1. Inequality-adjusted Human Development Index (IHDI),
- 2. Gender Development Index (GDI),
- 3. Gender Inequality Index (GII) and
- 4. Multidimensional Poverty Index (MPI).

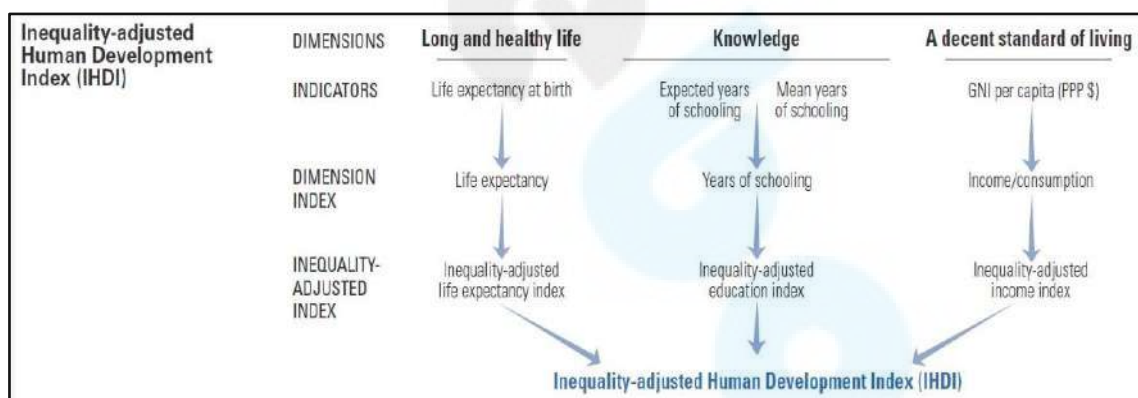
HDI measures average achievement of a country in three basic dimensions of human development:

- 1. A long and healthy life.
- 2. Access to knowledge.
- 3. A decent standard of living.

HDR 2010 introduced three new measures – Inequality-adjusted Human Development Index, Gender Inequality Index and Multidimensional Poverty Index.

### Inequality-Adjusted HDI

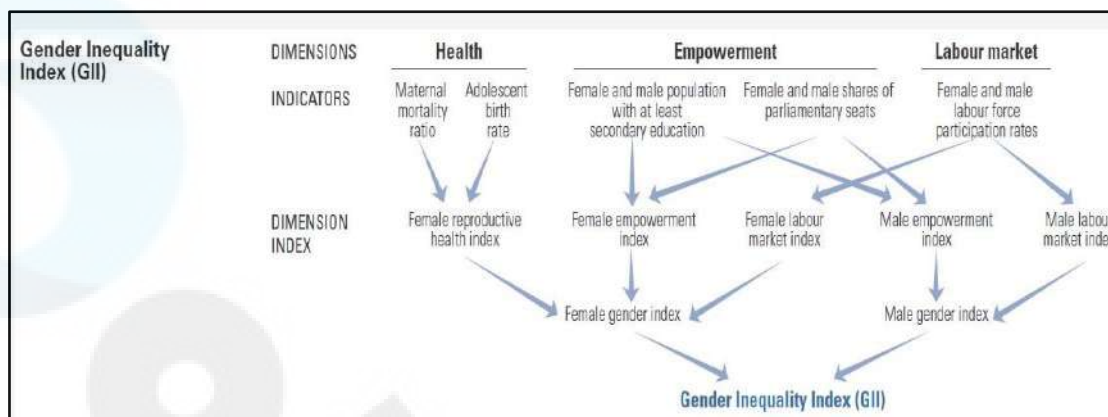
- The inequality adjusted HDI looks beyond the average achievement of health, education, and income, to show how these are distributed among its residents.
- Thus, the IHDI is distribution-sensitive average level of human development.
- For example, if the top 10% of the population controlled 90% of the country's wealth/income, there would be a high level of inequality.
- Two countries with different distributions of achievements can have the same average HDI value.
- Under perfect equality the IHDI is equal to the HDI but falls below the HDI when inequality rises.



### Gender Inequality Index (GII)

- Human Development Report (HDR) 2010 introduced a new measure Gender Inequality Index (GII).
- As per United Nations Development Programme, this index is a composite evaluation which captures the loss of accomplishment, within a nation, due to gender inequality.
- The new index was introduced as an experimental measure to remedy the shortcomings of the previous indicators, the [Gender Development Index](#) (GDI) and the [Gender Empowerment Measure](#) (GEM), both of which were introduced in the 1995 Human Development Report.





## Dimensions of GII

Dimensions of GII: It includes three critical dimensions for women –

1. Reproductive health
2. Empowerment
3. Labour market participation

## Indicators of GII

- The dimensions of reproductive health have two indicators – maternal mortality ratio and adolescent birth ratio.
- The dimensions of empowerment have two indicators – female and male population at least secondary education, and female and male shares of parliamentary seats.
- The dimensions of labour market participation have one indicator – female and male labour force participation rate.

## Gender Related Development Index (GDI) & Gender Empowerment Measure (GEM)

- The dimensions of reproductive health have two indicators – maternal mortality ratio and adolescent birth ratio.
- The dimensions of empowerment have two indicators – female and male population at least secondary education, and female and male shares of parliamentary seats.
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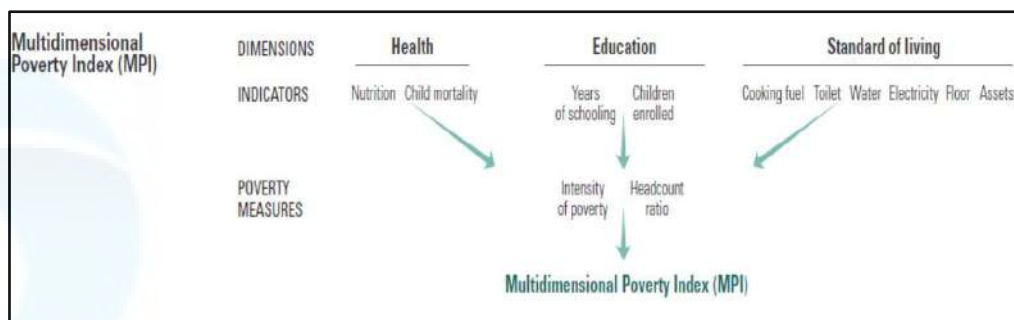


## Multidimensional Poverty Index (MPI)

- Like development, poverty is multidimensional – but this is traditionally ignored by headline money metric measures of poverty.
- The Multidimensional Poverty Index (MPI) identifies multiple deprivations at the household and individual level in health, education and standard of living.
- It uses micro data from household surveys, and—unlike the Inequality-adjusted Human Development Index—all the indicators needed to construct the measure must come from the same survey.
- Each person in a given household is classified as poor or non-poor depending on the weighted number of deprivations his or her household, and thus, he or she experiences.
- These data are then aggregated into the national measure of poverty.
- The MPI reflects both the incidence of multidimensional deprivation (a headcount of those in multidimensional poverty) and its intensity (the average deprivation score experienced by poor people).
- It can be used to create a comprehensive picture of people living in poverty, and permits comparisons both across countries, regions, and the world and within countries by ethnic group, urban or rural location, as well as other key household and community characteristics.
- The MPI offers a valuable complement to income-based poverty measures.

### Multidimensional Poverty Index

- The Multidimensional Poverty Index was launched by the **UNDP** and the **OPHI** in **2010**.
- MPI is based on the idea that **poverty is not unidimensional** (not just depends on income and one individual may lack several basic needs like **education, health** etc.), rather it is **multidimensional**.
- The index shows the **proportion of poor people** and the **average number of deprivations** each poor person experiences at the same time.
- MPI uses three dimensions and ten indicators which are:
  - **Education:** Years of schooling and child enrollment (1/6 weightage each, total 2/6);
  - **Health:** Child mortality and nutrition (1/6 weightage each, total 2/6);
  - **Standard of living:** Electricity, flooring, drinking water, sanitation, cooking fuel and assets (1/18 weightage each, total 2/6)
- A person is **multidimensionally poor** if she/he is deprived in one third or more (means 33% or more) **of the weighted indicators** (out of the ten indicators). Those who are deprived in one half or more of the weighted indicators are considered living in **extreme multidimensional poverty**.
- MPI is significant as it recognizes poverty from different dimensions compared to the conventional methodology that measures poverty only from the income or monetary terms.



Global Multidimensional Poverty Index 2020 was released by the United Nations Development Programme (UNDP) and the Oxford Poverty & Human Development Initiative (OPHI) in July 2020.

The data of the index is based on the study of poverty trends in 75 countries.

### Global Scenario

- 1.3 billion people are still living in multidimensional poverty. More than 80% are deprived in at least five of the ten indicators used to measure health, education and living standards in the global MPI.
- The burden of multidimensional poverty disproportionately falls on children - half of multidimensionally poor people are children under age 18.
- 65 out of 75 countries studied significantly reduced their multidimensional poverty levels between 2000 and 2019.
- About 84.3% of multidimensionally poor people live in Sub-Saharan Africa and South Asia.
- 67% of multidimensionally poor people are in middle-income countries.

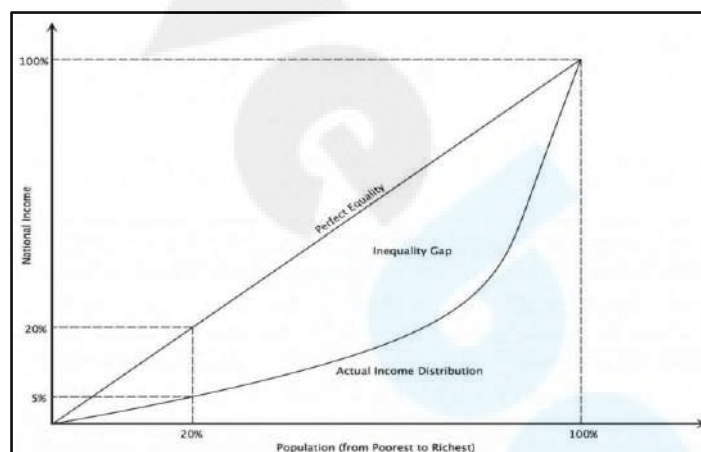
### Indian Scenario

- India lifted as many as 270 million people out of multidimensional poverty between 2005-06 and 2015-16.
- Neighbourhood Scenario: In China, 70 million people left multidimensional poverty between 2010 and 2014, while in Bangladesh, the numbers declined by 19 million between 2014 and 2019.
- Impact of Covid-19: Covid-19 is having a profound impact on the development landscape. The study finds that on average, poverty levels will be set back 3 to 10 years due to Covid-19.

- Sustainable Development Goals: The index emphasises on measuring and monitoring progress under the goals to reach 'zero poverty by 2030-Goal 1 of the SDGs'.

## Lorenz Curve & Ginni Coefficient

- The distribution of Income in an economy is represented by the Lorenz Curve and the degree of income inequality is measured through the Gini Coefficient.
- One of the five major and common macroeconomic goals of a government is the equitable (fair) distribution of income.
- The Lorenz Curve (the actual distribution of income curve), a graphical distribution of wealth developed by Max Lorenzin 1906, shows the proportion of income earned by any given percentage of the population. The line at the 45° angle shows perfectly equal income distribution, while the other line shows the actual distribution of income. The further away from the diagonal, the more unequal the size of the distribution of income



## Gini Coefficient

- The Gini Coefficient, which is derived from the Lorenz Curve, can be used as an indicator of economic development in a country.
- The Gini Coefficient measures the degree of income equality in a population.
- The Gini Coefficient can vary from 0 (perfect equality) to 1 (perfect inequality).

A Gini Coefficient of zero means that everyone has the same income, while a Coefficient of 1 represents a single individual receiving all the income.

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