

UTTAR PRADESH: GOVERNMENT SCHEMES & SOCIOECONOMIC STATUS



PART 1

Socio-economic context in UP and the way forward
for the state

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EXECUTIVE SUMMARY

This is the first entry in Swaniti's two-part series on the socio-economic landscape of Uttar Pradesh, the government schemes being implemented to address key issues across the state, where gaps in service delivery exist and how they may be filled going forward. In this paper, we seek to develop an understanding of the socio-economic situation in the state, providing the foundation for a further examination of government schemes and service delivery gaps.

Economically, UP has seen steady growth over the past few decades as the national economy grew as a whole. Likewise, as national growth slowed in more recent years, the state's rate of growth has contracted alongside it but even more so than neighboring states and those with similar-sized economies. Significant economic disparities between regions and districts have also failed to improve over the years. Since 2017 (excluding pandemic-related shocks), UP's economic contraction has largely resulted from a sharp decline in manufacturing. Unemployment has risen during the same period and has been particularly severe for young people – those with advanced degrees and the less educated – and women. This helps explain the stagnant levels of per capita income and has fed into a cycle of migration both into and out of the state, another factor in a feedback loop of economic slowdown.

The state government's efforts at improving infrastructure are clear as well and should begin to pay dividends in the near future. Overall, there is much work to be done, but the demographic dividend of a large, young population and a well-diversified economy overall could provide UP with continued growth, provided the government can harness the state's potential.

DEVELOPING AN UNDERSTANDING OF THE SOCIO-ECONOMIC LANDSCAPE OF UP

Uttar Pradesh is a unique state on the global stage. With more than 228 million people, it is the largest

country subdivision in the world and is more populous than all but five other nations. As in much of the rest of the country, this demographic dividend – especially the large youth population – along with urbanization, growth in manufacturing, and new technologies have helped power the economic growth that has seen UP become the third-largest state GDP in the country.

According to data from the Ministry of Statistics and Programme Implementation, UP's GSDP experienced a CAGR of 10.5% from 2004/5 to pre-pandemic 2019-20. This figure was bolstered in large part by an 18% growth rate between 2010-11 and 2015-16, before contracting to a 6.46% growth rate the following four years. While these numbers depict a robust rate of economic development as a whole, the picture is less compelling when examined in relation to both UP's neighboring states and the other states in the top five by total GDP. Since 2015-16, UP has shown slower economic growth than all but one state (Rajasthan) with which it shares a border and substantially slower growth than India's other top state economies (Maharashtra, Tamil Nadu, Gujarat, and Karnataka). There are several indicators that shed light on UP's relatively slow and declining economic growth.

MULTIDIMENSIONAL POVERTY AND DISPARITIES BETWEEN DISTRICTS

First are the stark disparities in poverty rates between districts and between rural and urban areas. NITI Aayog's latest report on multidimensional poverty in states and districts, released in November 2021, shows that nearly 38% of the total population is multidimensionally poor. This places UP as the third poorest state, behind its neighbors Bihar and Jharkhand. When compared to the other states in the top-five largest economies, UP's poverty rate is double the next highest (Gujarat; 18.6%). Narrowing the data by district shows how unequal the economic development has been within the state itself. In three districts – Shrawasti, Bahraich, and Balrampur – nearly or more than 70% of the population is multidimensionally poor; on the opposite end of the spectrum are Lucknow (12.16%) and Kanpur Nagar (14.34%). Further highlighting regional disparities is the fact that eight of the ten poorest districts are in the northern part of the state.

An important caveat to the findings of the report, however, is that it is based on the National Family Health Survey from 2015-16, and there have been improvements in many areas since then. As of 2021, the number of households with electricity has increased from 73% in 2015-16 to more than 90%; homes with toilets have increased from 36% to 69%; and half of all homes are using clean fuel, compared to one-third. Additionally, Shrawasti, Bahraich, and Balrampur have since become part of the Central Government's Aspirational Districts Programme, which aims to improve socio-economic indicators in 117 of the poorest districts in the country.

Additionally, the National Statistical Office released a report in late 2020 covering education and literacy in all states, which further highlighted disparities between rural and urban populations and between men and women in UP. On literacy rates, just 60% of rural and 75% of urban women qualified as literate, compared to 81% of rural and 87% of urban men. For women especially, these numbers lag significantly behind both national averages and the other top-five economies. Likewise, just 25% of rural women and 46% of urban women have completed secondary education or beyond, compared to 38% and 57% of rural and urban men respectively. These numbers for urban populations in UP are again lagging behind the national average and its economic counterparts, but notably UP's rural populations are in line with or slightly above the national average. Again, this data is based on a 2017-18 survey, so certain improvements will have been made in the years since.

With that said, intra-district disparities and rural-urban divides are significant. They shape and are shaped by the overall economic direction of the state, the employment situation in the various sectors that power the economy, and the migration trends that are part of the same feedback loop.

MIGRATION TRENDS INTO AND OUT OF UP

UP is uniquely characterized by high rates of both in- and out-migration. In fact, 25% of India's inter-state migrants are from UP. Out-migration is highest in the eastern, southeastern, and central districts whereas migration into UP is largely taking place in the NCR region next to Delhi.

These migration patterns are part of a complex feedback loop of cause and effect that have numerous knock-on effects, not only for district and state economies but for the lives of the people leaving and left behind as well, especially youth and women. Along with other social and community effects, the cycle of migration is both an indicator of and contributor to an ongoing employment crisis and a misalignment between employment demand and employment opportunity. Unable to find stable work in their villages, people migrating to urban areas may not find the situation there any better, leaving little choice but to go further out of state or return home.

THE EMPLOYMENT CRISIS

The employment crisis in UP is reflective of the national employment crisis that has been percolating for a decade, only the state's is on an even deeper level. Nationally, the employment crisis has been summarized as the non-agricultural sectors "failing to absorb the labour moving out of agriculture" either due to that sector's inability to accommodate new workers or due to those already employed being made redundant. Less educated workers were most affected by these factors, finding increasingly fewer opportunities across the board. As a result, "the benefits of growth accrued to a thin top layer of the population – the rich."

Likewise, in UP, the problem is more severe in rural areas, as "work, both skilled and unskilled, is hard to come by in villages, where agriculture is the mainstay." The majority of the rural poor are smallholder farmers without enough land to provide for large families. Overall, "asymmetrically low income in the agriculture sector with a high workforce dependence remains a challenge," and feeds into the cycle of migration even though employment opportunities are not much better in urban areas. While the COVID-19 pandemic hit the labour markets hard in 2020 and beyond, unemployment levels in UP have been on the rise for all groups since 2012 alongside declining levels of self-employment and informal employment. Youth unemployment in 2019 was five times higher than in 2012 and higher education levels showed little benefit for finding stable work.

Likewise, “female workforce participation hit a historic low in 2018–19;” just 9.4% of women in UP were employed prior to the pandemic. During that same period, however, there was a proportional and total increase in the number of formal, salaried jobs, indicating that this crisis has been particularly devastating for the less educated and already poor sections of UP’s population.

ECONOMIC DIVERSITY, INDUSTRIAL DECLINE, AND INFRASTRUCTURE IMPROVEMENTS

Furthering these issues – and a major cause of concern regarding an economic and employment turnaround – is the state’s declining manufacturing sector. Overall, the economy is well diversified between agriculture, industry (including manufacturing), and the services sector. However, while agriculture and services have continued to grow at relatively stable rates over the past decade, manufacturing has experienced a severe contraction. From 2012 to 2017, manufacturing had a CGAR of 14.6%, substantially outpacing all other facets of the economy. From 2017–2020, prior to the pandemic, manufacturing had a negative growth rate of –3.3%. More research would be required to gain deeper insight into the reasons why UP’s manufacturing sector has declined so precipitously, though some government officials have cited national economic slowdowns and subsequent declines in demand as the primary cause. Regardless of the underlying causes, manufacturing’s struggles are especially concerning for future growth in the overall economy, employment levels, and per capita income which has increased by just 0.43% over the past four years. Strong government policies will be necessary for bringing UP’s manufacturing sector back; whether or not the current government is implementing such policies will be covered in the following paper. Though manufacturing has been on a steady decline, the state government has made efforts at improving infrastructure over the last several years in particular.

The construction of expressways connecting Delhi with districts in Purvanchal and Agra with Lucknow, two airports, the Lucknow metro system, the Defence Industrial Corridor, and other urbanization projects have improved an infrastructure system that was lagging even further behind in the late 1990s and early 2000s. Between 2017 and 2020, the gross value add of construction in UP outpaced the national average by 5.1% to 4.2% while the state's share of exports increased from 4.5% in 2016-17 to 5.6% in 2019-20. Health infrastructure and staffing also improved significantly between 2015, when there was a nearly 37% shortfall in doctors at public health clinics statewide, and 2020, when that shortfall had been reduced to just 4.2%. These improvements are notable and demonstrate the current state government's commitment to improving infrastructure across the board, but there is still a long way to go. NITI Aayog's recent report on export preparedness among states rated UP's infrastructure at 58.8 and its transport connectivity at 51.91 out of 100.

THE STATUS OF MARGINALIZED COMMUNITIES

The final pieces of UP's socio-economic landscape to be covered in this paper are the status of marginalized groups, including women, Scheduled Castes (SC), and Scheduled Tribes (ST). There are more than 65 SC communities and more than 15 STs in UP, following the passage of a bill to amend the list of STs in the state. The socio-economic conditions for these groups are broadly in line with those facing similar communities around the country. Nationally, SCs have the highest rates of unemployment across age groups and education levels. They face high rates of poverty as a result and have lower levels of education and literacy; poor housing, sanitation, and a lack of or insufficient levels of health care; and little or no representation either in government or at the voting booth. Certain forest-dwelling tribes in UP only gained voting rights in 2015 and began receiving government services and access to government schemes in 2017. Some experts have argued that 45-50 marginalized communities in UP were not receiving any benefits from the government as recently as 2016; their relatively small numbers and lack of political voice or capital rendered them effectively invisible to any major political party.

That said, the State Government has demonstrated its intention to begin to change that, as we'll see in the following paper.

As noted above, women are lagging far behind their male counterparts and their counterparts across the country in education, literacy, and employment rates. Compounding these issues, UP ranked third worst among all states in maternal mortality rate between 2017–19 with 167 deaths per 100,000 live births. The state was the second worst in infant mortality rate as of 2019 with 41 deaths per 1,000 live births. Though UP still ranks low on these indicators, steady progress has been made over the years. Women have also been making substantial gains politically. Voting rates among women have increased from 44% in 1991 to nearly 60% in 2019. Political parties have been courting women voters more and more frequently by promising a greater focus on women's issues, an important development even when they may not be able to keep all the promises being made.

CONCLUSION

The situation described above shows a state that has made gains in some areas and has much work to do in many others. The primary large-scale issues that should be a focal area of the UP state government policies and schemes going forward are of course kickstarting economic growth and employment. This should include revamping and modernizing the declining manufacturing sector and ensuring that there is a pathway for transitioning employment from the agricultural sector to the industrial sector. Narrowing the performance gaps between rural and urban areas and between districts could help stem the cycle of migration to a certain degree at the same time that it makes use of population shifts that will inevitably continue. Lastly, the government should be focused on schemes that prioritize women, youth, and other marginalized groups specifically.

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