

**URBAN AND RURAL  
UNEMPLOYMENT IN INDIA**

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# THE PROBLEM OF THE EDUCATED UNEMPLOYED

by

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It has now been admitted by the Planning Commission that the greatest failure of our Five-Year Plans has been in the field of employment generation as is evidenced by the growing backlog of the unemployed at the end of each Plan. A second feature of this failure is that while all the Five-Year Plans paid lip-service to the urgent need for solving this problem, the Plans (barring the II Plan in a sense), gave few specific programmes to foster more employment. As for the problem's magnitude, estimates have varied from 70 million (projected in 1966) to 6.5 million in the Fourth Plan. The latest estimate is to be found in the recently published Bhagwati Committee Report viz. 9 million unemployed and 9.7 million employed for less than 14 hours a week. The Committee of Experts on Unemployment (in 1970) advocated caution in interpreting the National Sample Survey estimates: "It is inappropriate to assume that the percentage of unemployed reported during a Round based on data collected over a year refers to full-time employment." The suggestions of this Committee are being implemented by the data collecting agencies and a comprehensive labour force survey has been undertaken by the N.S.S. for 1972-73. On the basis of information available from the Directorate-General of Employment and Training, employment in all establishments in the public and private sectors, employing 10 or more workers, increased from 16.63 million in March 1969 to 17.04 million in March 1971 and to 18.325 millions in September 1972. In brief the average annual increase of job-seekers during 1966-71 was 20.1 per cent. This percentage shot up to 42.8 in 1972. As against this, it has been estimated that during 1951-70 the industrial sector could offer additional employment to only 4 million persons.

"Free Enterprise was born with man and shall survive as long as man survives."

—A. D. Shroff

1899-1965

Founder-President

Forum of Free Enterprise.

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\* The author is a well-known economist.

A third facet of this general unemployment problem, that has grown progressively in intensity since the beginning of our Plans, is the problem of the educated unemployed and the first feature of this problem to be noted is that it has grown because of the very progress that has been achieved under the Five-Year Plans.

It will be conceded that the magnitude of the problem of the educated unemployed can be gauged by looking at the numbers of unemployed in the urban areas in the first instance. It will also be agreed that the problem is steadily increasing in its intensity through the urbanisation trends that have set in in our population movement since 1941. For these purposes then we depend upon the returns given by the 488 Employment Exchanges functioning in the country at the end of 1972. These Exchanges included 51 University employment information and guidance bureaux, 13 professional and executive employment offices, 10 Project Employment Exchanges and 11 Special Employment Exchanges. It is reasonable to assume that an increasing number of persons seeking jobs in towns go to enrol themselves at these Exchanges and this percentage was estimated to be between 30 and 35 in 1969-70. The trend of these registrations during the past five years 1968-1972 can be summarised as under:

1968	1969	1970	1971	1972
3,011,642	3,423,885	4,068,554	5,099,919	6,887,973

These figures indicate a percentage rise of 9.9 in 1968 to 25.3 in 1971 and over 27 percent in 1972. It is also pertinent to add that in 1968 1 person out of 8 on the live register of Employment Exchanges was provided with a job. But in 1971 this tempo had slowed down to 1 out of every 11.

In India the labour force accounts for 35 per cent of the total population. Whereas the average *annual* increase among the unemployed was 20.1 per cent between 1966 and 1971, this percentage shot up to 42.8 in 1972

Two more features of these figures need to be added to this survey (1) that the rate of employment in the organised

sector of our industries declined from 2.5 per cent in 1969-70 to 2.2 in 1970-71; but it went slightly up in 1971-72 to 2.8 per cent. The comparative trends in employment in the public and private sectors during the last 6 years may be seen in the following table:—

Employment in Lakhs			Percentage change over the Previous year		
1965-66	93.8	68.1	161.0	—	—
1966-67	96.3	66.8	163.9	2.7	—1.9
1967-68	98.0	65.3	163.3	1.7	—2.4
1968-69	100.3	66.0	166.3	2.2	1.3
1969-70	103.5	66.9	170.4	2.5	2.4
1970-71	107.1	67.4	174.5	3.2	0.7
1971-72	112.09	67.69	179.78	3.9	0.1

Secondly these figures of the Employment Exchange also show that more and more women have been seeking jobs than ever before. Whereas at the end of December 1970, women seekers for jobs numbered 485,000, in December 1971 they numbered 583,000; and 705,000 in December last year. As against these registrations the placements of women work seekers were 42,966 in 1970 and 48,053 in December 1971.

In the field of technical man-power the most disquieting development has been the growth of the numbers of unemployed Engineers.

#### *Registration of Engineers with Employment Exchanges*

Year	Degree	Diploma	Total
1965	3,426	11,342*	14,768
1966	4,335	18,681*	22,953
1967	6,951	28,290	35,241
1968	11,026	39,547	50,573
1969	13,101	44,733	57,834
1970	16,466	47,350	63,816

\* Estimates Fourth Five-Year Plan: Mid-term Appraisal Vol. II p. 200.

At the end of the Plan, however, even after a cutback in new Admissions — the total number of Engineers will increase by 190,000 in the course of the Plan, so that by 1973-74 the total stock is estimated 460,000.

The foregoing set of figures, while they are largely illustrative, are intended to bring out (a) the pace at which their numbers are growing and further (b) the solution requires, in fact analysis not just of growth of unemployment itself but the whole development process. In other words, for a lasting or long-term solution it is not a question of just 'providing jobs' to mop up open unemployment.

These figures should also suffice to indicate that the problem has indeed ceased to be purely an economic problem. It then hardly needs to be added that to bring out its sociological implications it would require a Beveridge Report, if not a Beveridge Volume on Social Security. With a population growing at the rate of 2.58 per cent per year and one whose increase only in the last decade has exceeded the total population of Japan, and the growing rate of urbanization, one can easily assert that unless the gravity of the population growth is realised and honest endeavours are made to find solutions the problem will engulf social order itself.

Let us now turn to the solutions. One conclusion can be stated straightaway, viz., that at this stage of the problem instead of an All-India approach, it will be more fruitful to attempt a solution on a regional or atomistic basis.

Secondly, we shall confine ourselves to some short range solutions—though the long range approaches would be no less important.

(1) The Mid-term Appraisal of the Fourth Plan reviewing the Planning Commission efforts says, "The question of providing employment to the increasing number of educated persons and trained personnel is being given special attention. Emphasis is being attached to vocationalization of education . . . Schemes have been undertaken such as investigation and preparation of project report for irrigation, power,

industrial and other programmes included in the (Fourth) Plan." (2) A more concrete effort is that of the State Bank of India—which for the last 6-7 years has been specially assisting entrepreneurs to set up small industries of their own with liberal assistance and guidance from the Bank. Reports indicate that the Bank's scheme has been meeting with a reasonable amount of success. Though it is too early to assess its working fully it has to be realised that entrepreneurs must come forward and must (even with the help the Bank invariably offers) bring forward worthwhile schemes; for although 95 per cent of the risk that the Bank undertakes in financing such schemes is covered by the Reserve Bank Guarantee Scheme, in the last analysis a Bank is an institution that deals in other peoples' money. (3) The Budget of the Government of India for 1971-72 made a special provision for schemes designed to suit the educated unemployed including engineers and technicians. Programmes have been formulated by various Central Ministries involving an Annual outlay of Rs. 25 crores.

These two years programmes may be summarised as under:—

- (i) Ministry of Education 30,000 Additional Teachers.
- (ii) Ministry of Irrigation and Power — 500 Soil Survey Parties.
- (iii) Ministry of Petroleum and Chemicals — Assisting unemployed Graduates in setting up shops under the leadership of Indian Oil Corpn.

There are similar schemes under the Ministries of Agriculture, Shipping and Transport and Health and Family Planning. (4) In regard to small-scale industries, several states like Punjab, Gujarat and Maharashtra have given a lead to other States through their Small-Scale Industries Development Institutes. While these schemes are becoming increasingly known, it is difficult to quantify their results or assess their performance. A feature of the Punjab Scheme taken up in 1970 is that it proposes to pay an allowance of Rs. 50

to 100 per month until the person is able to settle down with his scheme (5) While dealing with individual schemes, it will be of interest to refer to the Syndicate Bank's Scheme in some greater detail. Three years ago this Bank conducted a case study in South Kanara District of the educated unemployed numbering 373, analysing their qualifications, and their preferences from among the jobs that could be offered to them as also (specifically) their readiness in each category of qualification to take up self-employment. Thus out of these persons, 236 were ready to take up self-employment jobs while most of the Undergraduates and persons with Steno-typist qualifications preferred "jobs" only. (6) More recently the same Bank organised a Loan campaign in collaboration with the Small-Scale Industries Services Institutes in different parts of the country in order to popularise its self-employment scheme. (7) A word may be added regarding the Bhagwati Committee on Unemployment set up in 1970. In its interim report—submitted in February 1972—it had suggested short-term remedial measures under various heads such as Minor Irrigation, Rural Electrification, Roads, Inland Transport, Construction and Rural Housing, Rural Water Supply and Education. It had suggested an outlay of Rs. 130 crores for 1972-74 and it estimates that this would provide employment for 2.8 lakhs of skilled and unskilled workers.

A district or a limited region should be taken as a unit for survey and remedial measures should be taken up by a Chamber of Commerce (or a group of them). There is so much talk here as well as in other countries about social obligations of business. One could hardly think of a more urgent and significant sphere of such activities than relieving unemployment in a country like ours.

The next point is that the Chamber of Commerce "adopts" this region for devising and executing remedial measures, say for a period of 3 to 5 years, to start with. What is implied here is the kind of adoption which Mr. Arvind Mafatlal and his organisation do for the purpose of administering relief in times of natural calamities. Their

organised campaigns of relief backed by concerned efforts to rehabilitate the villages, should provide the guidelines. Again, briefly the Chambers of Commerce should be much better qualified and competent to carry out such schemes than any governmental machinery like a community block if past experience is any guide.

A Second Scheme is that a large-scale unit should be encouraged to adopt 4-5 schemes of small entrepreneurs. to begin with in the engineering and chemical industries including food-processing. The large-scale units could help, guide and finance the start of small units by selected entrepreneurs and offer them such terms that at the end of 5 years each of these small units may feel free to become independent. Each of these large units who sponsor such schemes should be provided with incentives for the purpose and also given suitable rewards on successful performance of their commitments.

A third Scheme is for the White Collared and Blue Collared Workers organised in their trade unions. While the present scheme of compulsory bonus payment cannot be expected to last much longer (because of its patently unjust character) a profit-sharing scheme is most likely to be evolved in the near future. Anyway, these unions may be asked to start a scheme of Unemployment Insurance among different classes of skilled and semi-skilled workers. It is conceded that under our existing conditions of labour movement in the country and the manner in which it has been handled by the Government, such a scheme may be described as fantastic. But if Trade Unions in the country are ever to be weaned away from their present preoccupations and take up constructive trade unionism, nothing could be more fruitful than the start of a scheme of Unemployment Insurance on such a modest scale.

# RURAL UNEMPLOYMENT AND UNDEREMPLOYMENT IN INDIA

by

PROF. PRAVIN VISARIA\*

The 1971 census has reported about 80 per cent or 438 million out of India's 547 million people to be resident in some 567,000 villages. The adequacy of work available to some 40 to 45 per cent of the nearly 44 crore persons living in these rural areas for even a subsistence level of income is the focal point of many current discussions of the unemployment problem in our country.

In one sense, a consideration of the problems of employment, unemployment and underemployment of the rural population, separately from those of the urban population, might appear rather unnecessary. At least within the states, there are no explicit barriers to movement between rural and urban areas. Rural unemployed can and, to some extent, do migrate to urban areas if jobs are, or are expected to be, available there. Similarly, the unemployed matriculates or higher-educated persons who may be resident in rural areas, are generally looking for urban or urban-type jobs. The incidence of unemployment among matriculate and higher-educated persons in rural areas exceeds that in urban areas. Their problem is serious because of the paucity of suitable job opportunities. However, they are numerically a small group. The absolute number of such "educated" unemployed tends to be higher in urban areas. Therefore, one can make a case for an aggregative view of the employment opportunities in the economy as a whole. However, the marked differences in the occupational structure of the rural and urban economy form an important dimension of the problem of rural employment and unemployment and their separate consideration becomes imperative.

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According to the data available from the three post-Independence censuses as well as the various rounds of the National Sample Survey, about 80 per cent of the rural workers are engaged in agriculture, either as cultivators or as agricultural labourers. In urban areas, on the other hand, the proportion of urban workers engaged in agriculture is much smaller, around 12 to 15 per cent. Further, the rural workers working in the non-agricultural sector are engaged mainly in household industries or miscellaneous services while a majority of the urban workers are employed in the organized large-scale sector, including the public sector. On the whole, more than two-third of the rural workers are self-employed or own-account workers or unpaid family workers, i.e., those who help on the family farm or in the household enterprise without any direct reward in cash or kind. The proportion of employees who work for others is much smaller in rural areas than in urban areas.

As a result, rural and urban employment and unemployment differ significantly not only from the point of view of their measurement but also in terms of the appropriate remedial policy actions.

Within rural areas, there are significant differences in the problems of those who own and cultivate land, agricultural labourers who own small landholdings and those who are landless, the rural artisans and others. Of course, these groups are not mutually exclusive because over a period of a year, for varying durations of time, some land-owners and artisans work as agricultural labourers; and some land-owners and agricultural labourers take up work somewhat similar to that of artisans. Yet a distinction among these groups according to their "main" activity generally proves useful.

It is well known that employment in agriculture tends to be seasonal and depending on the weather and the crop, intermittent and discontinuous. Under such a situation, only the attached agricultural labourers, who are hired by cultivators with large land holdings for a long duration of time ranging between three or four months and a year, have stable

jobs like the salaried employees in urban areas. A large proportion of the unpaid family workers are women who work as and when there is demand for their labour on the family farm or in the household activities like spinning or weaving. They have other things to do in the household and, in all probability, they do not miss or regret the non-availability of outside work. For the rest of the workers, periods of involuntary idleness are interspersed with work or employment which might at times involve long work days and strenuous effort. Of course, for owner-cultivators with moderate-sized landholdings, agriculture is more a way of life than an occupation and a daily visit to the farm is a part of routine. They can always find something useful to do and the slack season provides them a welcome rest or relief after the hard work during the peak season. If the land is irrigated, the cultivator can raise more than one crop and find more work for himself as well as for agricultural labourers. For the latter, however, even the small land holdings provide only limited employment and income. They face acute hardship because their earnings during days of employment are not adequate to sustain them during the slack season or on days when employment cannot be obtained during even the peak season. The lot of the rural artisans has also deteriorated with the increasing monetization of the economy and the competition of comparable products manufactured in urban centres with the help of more modern technology. As a result, they are also forced to seek wage-employment to supplement their incomes from their primary occupations.

It should be obvious from the above discussion, and particularly the seasonal nature of agricultural activities, that the number or proportion of rural workers who tend to be without work intermittently for varying periods of time during the year tends to be very high in rural India. If we add up all these days of worklessness, and divide them by a figure representing an appropriate number of days for which a man normally works during a year, we would obtain an estimate of the man-years of unemployment. There is no doubt that the estimate would turn out to be a stagger-

ing figure and that there is a substantial waste of the real resources of labour, available in the country. Yet, very few persons in rural India tend to be without work throughout the year or for a long period of time during the year.

Let us discuss briefly the criteria used by the National Sample Survey to measure the level of unemployment. During these surveys, the respondents in sample households are asked about their activity during the week preceding the date of interview. Persons without work throughout the reference week and seeking or available for work are considered unemployed. However, even nominal work during the reference week is considered adequate to classify a person as employed and unemployment during a part of the week is not taken into account. The proportion of unemployed persons during successive (and overlapping) reference weeks, estimated on the basis of the criteria just outlined, is averaged over the year and is put forward as the estimate of rural unemployment. According to such estimates for the years between 1958-59 and 1966-67, between 4 to 5 per cent of the rural population classified as in the labour force was reported to be unemployed.\* However, these figures really indicate an average situation during the year. They suggest that the rural workers were without work and unemployed for four to five per cent of available man-weeks of labour time.

In the past, the NSS estimate of the proportion of unemployed in rural areas has sometimes been multiplied with the estimated rural population and it is stated that during 1960-61 and 1965-66 between 6 to 7 million persons were unemployed. Such figures were used for the estimates of the "backlog of unemployed" that were presented in some of our Five-Year Plans. The absence of such figures from the Fourth Plan for 1969-74 has provoked much adverse

\* See: Pravin Visaria, "Employment and Unemployment in India: A Review of Selected Statistics", Appendix-11 to the **Report of the Committee of Experts on Unemployment Estimates**, Planning Commission, New Delhi, October 1970; and "Unemployment in India in Perspective", **Economic and Political Weekly**, Vol. 5, Special Number, July 1970.

comment. And uninformed grim portrayals of the volume of unemployment, both present and future, are a daily fare. However, the figures that pertained to rural India did not really indicate the number of unemployed persons. They involved an unintended addition of the weeks of unemployment of different individuals and amounted to estimates of the man years of unemployment. Further, as estimates of the man years of unemployment, they were under-estimates because days of unemployment within the reference week were not taken into account in the NSS estimate. And as estimates of the number of chronically unemployed men, they were substantial overestimates.

All empirical surveys and investigations lead us to the conclusion that in our rural economy, there is very little open, chronic unemployment but substantial underemployment. It seems to be strange and we may doubt the tools of measurement or the *bona fides* and the judgement of the investigators and the analysts. However the rural explanation seems to lie in the fact that few in rural India (or even in urban India) can afford to remain unemployed for any length of time. Most of them are forced by necessity to accept any available work, irrespective of the income it can bring or the personal preferences. It is not surprising, therefore, that the incidence or the level of unemployment (not the absolute number of unemployed) is reported to be higher among households with higher *per capita* expenditure.'

Turning to underemployment, it can be said to exist whenever persons have less work than what they are willing

1 The incidence of unemployment shows the unemployed as per cent of the labour force (i.e., workers plus unemployed).

2 **Per capita** expenditure is used as a proxy for income. The data on the subject are based on the Ninth Round of the National Sample Survey, conducted during August-November, 1955. See: The National Sample Survey, Report No. 62, **Report on Employment and Unemployment** (Ninth Round, Supplementary, May-November 1955), Delhi, 1962. See also, Pravin Visaria, "Labour Force in India Retrospect and Prospect", a paper presented at the Golden Jubilee Seminar of the Department of Economics, University of Bombay, March, 1972.

to perform. The weeks of unemployment estimated by the NSS are a part of such underemployment. According to an alternative definition of under-employment, all persons below a certain income norm (e.g. receiving less than a certain minimum income) are considered underemployed. This definition is not easy to apply in practice but there is no doubt that a substantial proportion of our rural population, which might be employed by standards that are (or can be) adopted in any field survey, would be classified as underemployed by the income criterion. The remedy for this situation lies in raising the productivity in different sectors of the economy and, as noted below, in altering the occupational structure of the rural society. Information on the extent of such underemployment has also been collected in several Rounds of the NSS. For this purpose, persons classified as employed during the week are asked about the hours for which they had work, whether they were available for additional work and if so, for how long or how many hours. According to some analysts, the question about the availability for additional work is too hypothetical and the respondents cannot envisage the nature, location and duration of the additional work as well as the likely wage rate. As a result they do not attach much importance to the data. In my opinion, however, the responses do give a broad indication of the extent to which the respondents feel the pressures to earn additional incomes.

The major conclusions suggested by the NSS data on unemployment and underemployment can be summarized as follows. First, the proportion of population affected by underemployment shows marked seasonal fluctuations. Secondly, the extent of involuntary part-time work varies significantly among persons with different occupations. Thirdly, the problem is most acute for agricultural labour households without land or with very small landholdings and also for craftsmen such as blacksmiths, carpenters, leather-workers etc.<sup>3</sup> Finally, the employed persons belonging to different *per capita* expenditure classes do not report any noteworthy differences in the average weekly hours of work. Also, the

3 For an extended discussion of the NSS data on these issues, see author's "Unemployment in India in Perspective", **Op. Cit.**



proportion of workers with less than 28 hours of work shows only a *weak* inverse relationship with *per capita* expenditure of the household. Yet, as would be expected, the proportion of workers reporting availability for additional work is indeed higher among the households with low *per capita* expenditure.<sup>4</sup>

These conclusions clearly have direct policy implications. The constraint of space rules out any detailed discussion of the relevant policy measures. However, it needs to be emphasized that apart from the waste of resources involved in widespread rural underemployment, it affects the bottom 30 to 40 per cent of the rural population whose living standards, measured by their *per capita* expenditure, appear to be below the minimum that needs to be provided. It is, therefore, necessary that vigorous measures to provide them with additional employment should form an important component of our development plans. Such programmes are not really contingent on frightening estimates of the "backlog of unemployment."

One might add an impression, unsupported by any specific evidence, that a substantial proportion of the bottom 40 per cent of the rural population belongs to the disadvantaged groups of scheduled castes and tribes. (According to the 1971 Census, the scheduled castes and tribes together formed over 24 per cent of the rural population and about 21.5 per cent of the total population). The social or cultural disadvantages of the nearly 118 million persons belonging to these groups are closely interlinked with their backwardness. Their problems are complex and simplistic solutions are unlikely to work. Moreover, efforts to ameliorate the lot of these disadvantaged groups will require not only large financial resources but a dedicated cadre of workers, backed by necessary technical skills.

It is also likely that many cases of acute need and hardship would be found among persons classified as "outside the labour force" (i.e. neither underemployed nor unemployed). Chronic illness or disease, caused and/or aggra-

<sup>4</sup> The relevant data were collected in the 19th Round of the NSS conducted during 1964-65. See: Pravin Visaria, "Labour Force in India: Retrospect and Prospect", *Op. Cit.*

vated by non-availability of adequate medical care and nutrition form a vicious circle with poverty. Problems of this kind are unlikely to be relieved without a concerted programme of what is termed as social assistance.

In order to relieve underemployment and mobilise the idle labour time for productive economic activity, several measures have been proposed over the past two decades. The community development programme, initiated during the First Five-Year Plan, and the rural industries projects and the rural works programme formulated under the Third Five-Year Plan were intended to mitigate the problem of underemployment. Unfortunately, these programmes have not made much impact on the prevailing situation. In fact, the performance of the rural works programme has been so disappointing that a drastic reconsideration of its organizational framework appears to be an urgent need. Similarly, the rural industries programme needs to be reoriented to ensure the canalization of available local resources and skills into enterprises that would produce items with a growing local and/or outside demand. Perhaps, an exploratory initial concentration of the programme in certain selected districts or areas, on the lines of the Intensive Agricultural Development Programme, would help to chalk out the proper strategy.

The basic malady of India's rural economy is the high number of workers on limited cultivable land. With continuing population growth the number of rural workers will continue to grow while the scope for extending the area of land under cultivation is limited. Extension of irrigation facilities does indeed make possible multiple cropping and more intensive cultivation, which increase the demand for labour and reduce underemployment. However, the rise in the wage rates of hired labourers associated with the higher labour demand in areas where high yielding varieties of seeds have been introduced has induced mechanization of certain labour-intensive operations. It might also induce greater use of family labour in the place of hired labour. As a result, the long-run situation appears to be very disturbing.

Unfortunately, the pace of increase of non-agricultural employment during the past 10 to 15 years has been relatively slow. The new industrial units generally use highly capital-intensive technology. In other industries, the household-industry sector has been facing the severe competition of the products of modern or mechanized units. Besides, even through the natural increase of our urban population about 109 million (reported by the provisional 1971 census figures), the urban labour force will grow annually by more than one million persons; and to absorb them in productive economic activity, a substantial volume of investment would be necessary. Therefore, the additions to the rural labour force will need to be absorbed mainly in the rural areas only. If the prevailing underemployment is not to be accentuated as a result, a substantial increase in the non-agricultural employment opportunities in rural areas through a diversification or "disagriculturalization" of the rural economy must become a major goal of the development effort.

A precise blueprint for the "disagriculturalisation" or diversification of the rural economy is difficult to produce. Yet, there is no paucity of things that need to be done. In most of the districts, the facilities for health, education, transport, banking etc., need to be augmented substantially. A programme of better roads, improved facilities for credit and marketing and processing of the agricultural produce through specialised agencies would also create a fairly large number of employment opportunities although one wonders whether the chief beneficiaries would only be the "educated" youth in rural and urban areas, who come from the upper stratum of society. To raise the requisite resources may seem very difficult but if the political authorities are determined, the rural rich, who have reaped the major benefits of the green revolution, could certainly make a substantial contribution. The strange juxtaposition of the demand for better living conditions in rural areas and the unwillingness of even the well-to-do to pay for them must be overcome.

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—Eugene Black

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published by M. R. PAI for the Forum of Free Enterprise, "Sohrab House", 235 Dr. Dadabhai Naoroji Road, Bombay-1. and printed by Michael Andrades at Bombay Chronicle Press. Sayed Abdullah Brelvi Road, Fort, Bombay-1.