

## RSTV

### PERSPECTIVE: INEQUALITY IN INDIA - 19 MAY, 2022

#### IN NEWS:

- Dr Bibek Debroy, Chairman, Economic Advisory Council to the Prime Minister (EAC-PM) has released “The State of Inequality in India Report”.

#### Key Points of the Report

- The report was made **by the Institute for Competitiveness**.
- It presented an overall analysis of the depth and nature of inequality in India.
- The report has compiled the information on inequities across sectors of health, education, household characteristics and the labour market.
- The report studied the **5 key areas** that influence the nature and experience of inequality;
  - Income distribution
  - Labour market dynamics
  - Health
  - Education
  - Household characteristics.
- The report was prepared based on the data derived from;
  - Periodic Labour Force Survey (PLFS)
  - National Family and Health Survey (NFHS)
  - UDISE+
- The report first-time **focus on income distribution** to understand the capital flow, the report emphasises that wealth concentration as a measure of inequality does not reveal the changes in the purchasing capacity of households.
- The **top 10% accounts for one-third of all incomes earned in 2019-20**.
- Among different employment categories;

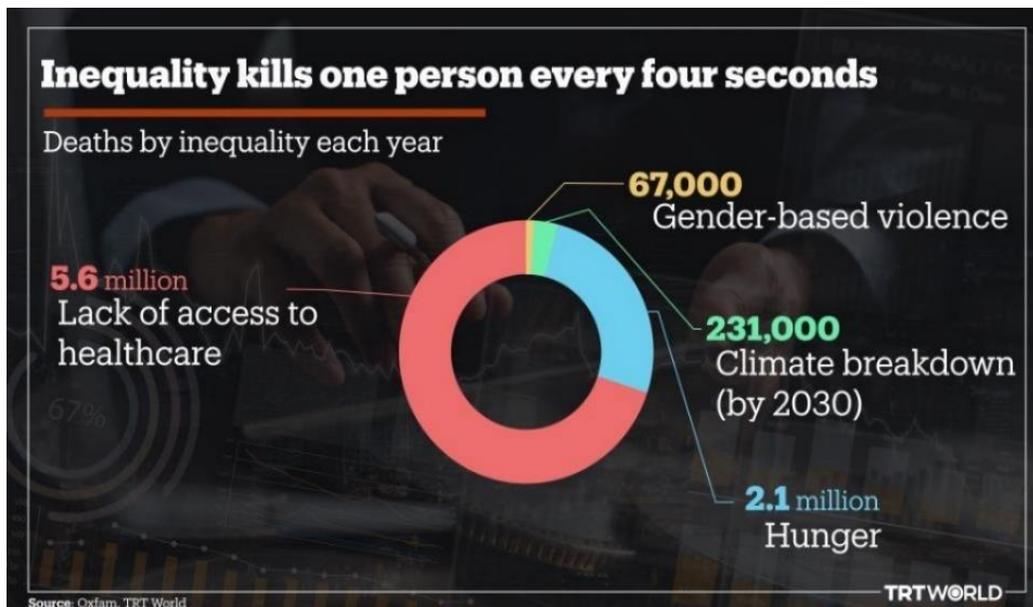
- Self-employed workers (45.78%)
- Regular salaried workers (33.5%)
- Casual workers (20.71%).
- The country's unemployment rate is 4.8% (2019-20), and the worker population ratio is 46.8%.
- Improvement in the Health infrastructural capacity with a shift in focus on rural areas.
- Education and household conditions have improved due to targeted efforts through several social protection schemes, especially in the area of water and sanitation that have increased the standard of living.
  - According to NFHS-5 (2019-21), **97% of households have electricity access, 70% have improved access to sanitation, and 96% have access to safe drinking water.**

### **Inequality in India: A general analysis**

- Unemployment had reached a 45-year high in 2017-18, as revealed by NSO's Periodic Labour Force Survey (PLFS).
- Two-thirds of people in India live in poverty: 8% of the Indian population lives on less than \$2 a day.
- Over 30% even have less than \$1.25 per day available - they are considered extremely poor.
  - This makes the Indian subcontinent one of the **poorest countries in the world**; women and children, the weakest members of Indian society, suffer the most.
- India is the second-most populous country after China with about 1.2 billion people and is the seventh-largest country in the world with an area of 3,287,000 km<sup>2</sup>.
- The highly contrasted country has enjoyed growth rates of up to 10% over many years and is one of the largest economies in the world, with a gross domestic product (GDP) of 1,644 billion US dollars.
  - But **only a small percentage of the Indian population has benefited from this impressive economic boom so far**, as the majority of people in India are still living in abject poverty.
- According to a recently released Oxfam Report, the income of 84% of households in the country declined in 2021.
- India is the **third-largest number of billionaires in the world** after China and the United States, with more billionaires than France, Sweden and Switzerland combined.
- In 2021, the total wealth of 100 of India's wealthiest people reached a record high of Rs 57.3 Lakh

Crore (\$ 775 billion). In the same year, **the bottom 50% of the population accounted for only 6% of national wealth.** Oxfam described inequality as economic violence, adding that lack of access to health care, gender-based violence, hunger and climate change kill 21,000 people each day.

- According to data from the National Sample Survey (NSS) (201718), the out-of-pocket cost (OOPE) of private hospitals is about 6 times that of inpatient treatment in public hospitals and 2 to 3 times that of outpatient treatment. India's average OOPE is 62.67 %, while the world average is 18.12%.



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### Reasons behind Poverty in India

- **Illiteracy and lack of quality education:** Despite more than 15 million graduates being produced every year, there are no jobs available for them due to a lack of quality education. Most of these graduates are studying outdated educational syllabi and hence cannot be productively employed anywhere.
- **The vicious trap of poverty:** Prevalence of massive malnourishment, stunting and wasting amongst children which negatively impact their physical and mental potential pushing them deeper into the vicious trap of poverty for the rest of their lives.
- **Sub-standard health outcomes:** More than 60% of the household incomes in many families are

devoted to health expenditure. This out of pocket expenditure on healthcare is one of the biggest pull factors for poverty.

- **Administrative Bottleneck:** Certain government policies favour one sector over the other. Also, there is a lack of rule of law and enforcement of laws such as the Minimum Wages Act.
- **Income Inequality:** According to Oxfam, the top 10% of the Indian population holds 77% of the total national wealth. 73% of the wealth generated in 2017 went to the richest 1%, while 67 million Indians who comprise the poorest half of the population saw only a 1% increase in their wealth.
- **Discrimination:** Discrimination and poverty go hand in hand. Discrimination can both cause poverty and be a hurdle in alleviating poverty. Ex: Discrimination against women, SC, ST, Disabled, Old age people etc is one of the major causes of poverty among them.
- **Nature of job:** Approximately 56% of the total working population is in the agricultural sector. Which is marked by poor landholding, low productivity and disguised unemployment?
- The issue of low employment growth within industrial and service sectors has contributed to stagnant or declining standards of living.
- **Inadequate public infrastructure:** Lack of accessibility to primary health care centres, quality public schools, research institutions, roads, waterways, rural markets, etc. act complementary to the rise and sustenance of poverty in India.
- **Poor policy structure:** Given the vicious cycle of poverty, government hand-holding is needed to support those above poverty lines to prevent them from slipping below the line.

### Way Ahead

- **The growth of the population at the current rate should be checked** by the implementation of policies and awareness promoting birth control.
- All efforts should be made to **increase the employment opportunities in the country**, either by inviting more foreign investments or by encouraging self-employment schemes.
- Measures should be taken to **bridge the immense gap that remains in the distribution of wealth among different levels of society**. A 99% one-off windfall tax on the wealth gains of the 10 wealthiest men in Covid19 alone will generate \$ 812 billion.
- Certain Indian states are more poverty-stricken than others like Odisha and the North East states.

Government should seek to **encourage investment in these states by offering special concessions on taxes.**

- Primary needs of people for attaining a satisfactory quality of life like food items, and clean drinking water should be available more readily.
- **Improvement of the Subsidy rates on commodities and the Public Distribution System** should be made.
- **Free high school education and an increased number of functioning health centres** should be provided by the government.
- At the household level, the subsidized food grains have enabled people to meet food requirements but there is no certainty of income, particularly during the pandemic time. But **Poverty is not just a measure of hunger.**
- **There is a need for Universal Income Support.** Economic Survey 2016-17 has suggested replacing all current cash transfers with universal basic income. The survey wants UBI to replace and not supplement the existing social welfare, and anti-poverty schemes like MGNREGA, PMJSY etc.
- **Investments in human capital and public goods** have significant positive impacts on private-sector productivity, with estimated rates of return ranging from 15% to upwards of 45%. The enhanced productivity of human beings or human capital contributes substantially not only towards increasing labour productivity but also stimulates innovations and creates the ability to absorb new technologies.

<https://sansadtv.nic.in/episode/perspective-inequality-in-india-19-may-2022>