



## Socio-Economic Inequality in India

This editorial is based on [“Rags To Rags”](#) which was published in Indian Express on 13/12/2021. It talks about the issues of economic-inequality in India and how it has been exacerbated by the Covid-19 Pandemic.

That India is a highly unequal economy is beyond contestation. India’s household surveys tend to massively underreport consumption, income and wealth.

Moreover, it’s hard to dispute the notion that [Covid-19](#) has deepened existing faultlines, exacerbating entrenched inequalities.

The rise in the fortunes of the very rich during this period, when juxtaposed against the misery of the millions of [migrant workers](#) who had to walk back to their villages, is a stark reminder of the extent of economic disparities.

In this context, the latest edition of the [World Inequality Report \(2022\)](#) serves as a useful reminder of the concentration of income at the very top of the pyramid.

## Socio-Economic Inequality in India

- **Areas of Inequality:** By and large, the discourse on inequality in India tends to centre around **disparities in consumption, income, and wealth.**
  - However, the country is also marked by high levels of **inequalities in “opportunities”.**
- **Factors Affecting Inequality in Opportunities:** An individual’s **class of origin, his/her household of birth, who his/her parents are,** tend to have a significant bearing on his/her educational attainment, employment and income prospects, and as a consequence, his/her class of destination.
  - Characterised by low levels of social mobility across generations, children born in disadvantaged households have a lower chance of moving up the income ladder.
- **India-Specific-Findings of World Inequality Report:**
  - According to the report, **India is now among the most unequal countries** in the world.
  - In India, the **top 10% of the population earns 57% of the national income.**
    - Within the top 10%, the very elite top 1% earns 22%.
    - In comparison, the share of the bottom 50% in national income has declined to 13%.
  - The **female labour income share is equal to 18%** which is significantly lower than the average in Asia [21%, excluding China].
- **Impact of Covid-19 Pandemic:** Covid has led to a **worsening of education** inequalities, **induced labour market scarring,** and **exacerbated income inequality** which in turn, is quite likely to depress social mobility.
  - **Impact on Education:** The [ASER 2021](#) attests the fact that extended closure of schools and the **shift to online modes of education has widened the learning gaps** between children from poor and affluent households.
    - **Younger children from low-income households** were more deprived of mediums of learning such as smartphones, tablets, internet etc.

- Moreover, over a fourth of children in households with a smartphone could not access it.
- **Impact on Jobs:** Since the onset of the pandemic, there has been a decline in labour force participation in India, **specially among the women labour-force.**
  - In the same period, the **unemployment rate has risen from 7.5% to 8.6%** which implies that among those looking for jobs, those **unable to find jobs, perhaps even at lower wages**, have risen.
  - Among the people with jobs, **more are increasingly being employed as casual wage labour.**
    - The growing “casualisation” or “contractualisation” of the workforce implies an **absence of well-paying, productive jobs.**

## Way Forward

- **Nordic Economic Model:** To make the current redistribution of wealth more equitable, the current neo-liberal model can be replaced by the ‘Nordic Economic Model.’
  - This Model consists of **effective welfare safety nets for all, corruption-free governance, the fundamental right to quality education & healthcare, high taxes for the rich**, etc.
- **Political Empowerment:** It is the first key ingredient of poverty removal. People with political agency will demand and obtain better education and healthcare.
  - It will also **erode the structural inequality and sectarian divides** in society.
- **Redistribution of Wealth:** The World Inequality Report, 2022 suggests **levying a modest progressive wealth tax on multimillionaires.**
  - Given the large volume of wealth concentration, modest progressive taxes can generate significant revenues for governments.
  - A global effective wealth tax rate of 1.2% for wealth over \$1 million could **generate revenues of 2.1% of global income.**
- **Increasing the Reach of Basic Necessities:** Given the growing inequality in India, the direction that public policy should now take is evident; there is a need to spread health and education far more widely amidst the population.
  - By **ensuring universal access to public funded high quality services** like Public health and education, social security benefits, employment guarantee schemes, inequality can be reduced to a great extent..
- **Employment Generation:** The hindrance in the growth of manufacturing sectors like Textile, Clothing, automobiles, consumer goods etc. is an important reason for rising inequalities.
  - **Labor-intensive manufacturing has the potential to absorb millions of people** who are leaving farming while the service sector tends to benefit the urban middle class.
- **Mitigating Wage Inequalities:** The [International Labour Organisation \(ILO\)](#) recommends that a minimum wage floor should be set in a manner that balances the needs of workers and their families with broader economic factors.
- **Promoting Civil Society:** Providing a **greater voice to traditionally oppressed and suppressed groups**, including by enabling civil society groups like unions and association within these groups.
  - Scheduled castes and Scheduled tribes should be motivated to become entrepreneurs, **schemes like [Stand up India](#) need to be expanded** to widen its reach by increasing funding.
- **Imbibing Gender Equality:** There is a need to remove barriers to women’s full inclusion in the economy, including through **access to the labor market, property rights and targeted credit and investments.**
  - Encouraging more women to become entrepreneurs will provide a long-term solution.
  - By creating jobs and furthering investment in health and education, **entrepreneurship among women could transform India’s economy and society.**

## Conclusion

- It is clear that Covid-19 pandemic has more severely affected the vulnerable section of the society, especially in terms of employment and education. Concerted efforts are required, for ensuring enabling conditions for these sections to be educated and employed along with social security

provisions, to provide them a level playing field in the labour market.

- Moreover, wealth taxes on the super-rich and a robust redistribution regime could arrest, if not reverse, the current trend of rising inequality.

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***Drishti Mains Question***

The Nordic Economic Model is a prudent way forward to solve the problem of socio-economic inequalities in India. Discuss.

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