



## Killing Inequality

This editorial is based on [“Show Commitment to Equity in the Budget”](#) which was published in The Hindu on 31/01/2022. It talks about the key findings of Oxfam Inequality Report and the issues of socio-economic inequality in India.

**For Prelims:** Economic and Social Development, Poverty, Inclusion, Social Sector Initiatives, Oxfam Inequality Report and its key findings, Article 38, Article 39.

**For Mains:** Report “Inequality Kills” - Key Findings, Causes of Inequality, Measures to reduce socio-economic inequality in India.

Recently, [Oxfam International](#) presented its annual global Inequality Report titled [Inequality Kills](#) which presented the **quantum growth in wealth of a minuscule few**, and the **simultaneous impoverishment of millions** of working people. The findings of the report remain dismal for India as well.

Inequality can be corrected by a **rights-based policy framework** to be followed by the Indian state to **protect the poor and the marginalized**.

One of the most important places to show commitment to equity, is the [Union Budget](#), and inequality should perhaps be discussed in India before and after every Union and State Budget.

### Inequality in India

- **Constitutional Provisions to Tackle Inequality:** There is a constitutional mandate in India to reduce inequality - Articles 38 and 39 of the [Directive Principles of State Policy \(DPSP\)](#) mandate a policy path.
  - **Article 38(1):** “The State shall strive to **promote the welfare of the people** by securing and protecting as effectively as it may a social order in which **justice, social, economic and political**, shall inform all the institutions of national life.”
  - **Article 39 (c):** The State shall, in particular, direct its policy towards ensuring that the **operation of the economic system does not result in the concentration of wealth** and means of production to the common detriment.
- **India Specific Findings of Oxfam Report:**
  - **Inequality of Wealth:** During the Covid-19 pandemic, the report reveals, **more than half the world’s new poor are from India**, 84% Indian households have suffered a loss of income, with **4.6 crore people falling into extreme poverty**.
    - In this period, the richest 142 people have more than doubled their wealth to more than ₹53 lakh-crore.
  - **Decline in Social Security Expenditure:** As Covid continued to ravage India, the

country's healthcare budget saw a 10% decline from RE (Revised Estimates) of 2020-21.

- The budgetary allocation for social security schemes declined from 1.5% of the total Union budget to 0.6%.
- **Increasing Fiscal Deficit:** Lowering **corporate taxes from 30% to 22%** to attract investment last year (2020) resulted in a loss of Rs 1.5 lakh crore, which contributed to the increase in India's **fiscal deficit**.
- **Factors of Inequality:**
  - **Budgetary Decline:** India is one of the few countries in the world where **during the Covid pandemic the health Budget has declined** — and that too by a huge 10% in 2021.
    - **Social security expenditure has declined** from an already low 1.5% in 2020-21 to 0.6% of the Union Budget in 2021-22.
      - It is at this end of Budget allocations where **people are deprived of the most basic services** and entitlements and are unable to survive.
      - Even after increasing allocations in the first phase of the pandemic, **allocations were frozen, and budgets were slashed** in Budget 2021-22.
    - **Inequality in Salaries and Allowances:** Social security pensions, for the elderly, for the disabled, and widows have been **frozen at ₹200-₹300 a month for almost 15 years**.
      - However, in contrast, there has been an increment in the salaries and pensions of the policymakers.
      - The increase for one crore central government employees and pensioners has cost the exchequer more than the total social security pension budget for 3.3 crore beneficiaries.
    - **Unavailability of Subsidized Foodgrain:** The **priority list of households** under the **National Food Security Act (NFSA)** has been **frozen in absolute numbers**, based on a percentage **determined from the 2011 Census**.
      - In the last 11 years, population increases amounting to approximately **10 crore eligible beneficiaries have been kept out**.
      - Therefore, approximately 12% legally entitled people — even children of existing “priority households” — cannot get subsidized foodgrain.
    - **Unequal Access to Education:** The pandemic has also produced a generation of children who have forgotten what formal education is. **Many teenagers from poor households have already joined the workforce**.
      - In this period, there has been a **6% cut in the education Budget**. Relying on online teaching, accompanied by Budget cuts, amounts to the **institutionalization of endemic multidimensional poverty**.

## Way Forward

- **Multi-Pronged Approach to Tackle Inequality:** Programs such as the National Food Security Act must receive the quantum of allocations needed. Also, the **People's Action for Employment Guarantee (PAEG)** has estimated that **approximately ₹2,64,000 crore will be needed to guarantee 100 days work for currently active job cards**.
  - The social security pensioners need to be protected from hunger, sickness and poverty. The **election season offers an opportunity** to fetch the basic rights of the unorganized and vulnerable people.
- **Gains from Tax:** All the governments should immediately **tax the gains made by the super-rich** during this pandemic period.
  - Jan Sarokar, a network of more than 30 social sector movements, has suggested that a **2% wealth tax, and a 33% inheritance tax** on the top 1% of our population **will fetch an estimated ₹11 lakh crore per annum**, to support basic social sector entitlements.
- **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 **labor-intensive manufacturing sector** of India has the

**potential to absorb millions of people** who are leaving farming while the service sector tends to benefit the urban middle class.

- The **International Labor Organization (ILO)** also 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.

### ***Drishti Mains Question***

Discuss the opportunities that the upcoming Union Budget offers in terms of tackling socio-economic inequality in India.

PDF Refernece URL: <https://www.drishtias.com/printpdf/killing-inequality>

