Mains Practice Question

Q. Inequality has risen substantially from the 1980s onwards, due to profound transformations in the economy such as deregulation and the reforms of 1990s. Comment.

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Approach

- Describe inequality and give facts regarding rising inequality in India post reform era.
- Give arguments to show Inequalities are rising post reform era.
- Give conclusion.

Introduction

- Inequality is the unequal distribution of income and opportunity between individuals or different groups in society.
- The Gini co-efficient of wealth in India in 2017 is at 0.83, which puts India among the countries with highest inequality.

Body

Increasing inequality post reforms has been due to the following factors:

- **Welfare expenditure cut:** Reducing real welfare expenditure in education and health due to constraints like fiscal deficit has reduced the redistribution policies which were earlier practiced to tackle inequalities.
- **Failure of Manufacturing sector:** Increasing privatization led to job loss in public sector, further absence of manufacturing sector in India caused growth in reform era essentially job-less growth.
- **Inability to join service sector:** Service sector's contribution is increasing in GDP, however individuals lacking skills like education and other soft skills do not easily fit in service sectors thus excluding large mass from organized sector employment. Higher premium to skill/education meant that wages of graduates and above rose faster than others even among regular workers
- **In-formalization of economy:** Increase in in-formalization of economy after deregulation to reduce cost of doing business and enhancing competitiveness. Income in informal sector is extremely low in comparison to formal sector. Not only did the economy not create sufficient jobs, there was deterioration in quality of existing jobs. Two third of all workers in organized private sector are informal workers.
- **Regional inequalities:** The deceleration of growth in the poorer states witnessed in the 1990s has important implications for regional balance. Regional differences in per capita income levels have long been a matter of concern in India. Post reform poor states like Uttar Pradesh and Bihar has consistently been lagging far behind of industrial states like Maharashtra and Gujarat.
- **Weaker sections:** Disparity in asset ownership has worsened by social groups with disadvantaged groups like SCs/STs and religious minorities like Muslims.

Conclusion

- Even though poverty declined faster post reforms but inequality increased further. Two-fold strategy of achieving high economic growth and direct anti poverty measures through social welfare programmes like MNREGS and proposed Universal Basic Income can help in reducing inequalities.

- Equitable growth should be the focus of any inclusive approach. Employment focus is the major part of equity approach. There is need for more diversified agriculture for raising the income of farmers. Future employment has to be created in manufacturing as welll as service sector. In this context, Make in India initiative, focus on start-ups, Mudra, financial inclusion, etc., are steps in the right direction.