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Inequality

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Abstract

When there exist unequal or unjust distribution of resources and opportunities among members of a given society, we can say that the society is inequal. Most common metric of this type inequality is income inequality, which refers to the extent to which income is evenly distributed within a population. This paper analyses the nature and causes of the patterns of inequality in India.

Key words: Inequality, NSSO, Gini coefficient

The United Nations describes inequality as “the state of not being equal, especially in status, rights and opportunities”. Economic inequality is widespread and to some extent inevitable. It is our belief, however, that where rising inequality is not properly addressed, it leads to all manner of political and social catastrophes. In all societies, human beings care deeply about inequality and changes in inequality levels have concrete consequences for people’s living conditions, and they challenge our most basic and cherished notions of justice and fairness. Are different social groups getting all they deserve" Is the economic system treating different categories of labour-income earners and property owners in a balanced and equitable manner, both locally and globally". Across the world, people hold strong and often contradictory views on what constitutes acceptable and unacceptable inequality. Again, to some extent, this will always be so our objective is not to bring everyone into agreement about inequality: this will never happen, nor the simple reason that no single, scientific truth exists regarding the ideal level of inequality, let alone the ideal social policies and institutions to achieve and maintain it. Ultimately, it is up to public deliberation and political institutions and processes to make these difficult decisions still, without aspiring to make everyone agree on the ideal level of inequality.

There are 119 billionaires in India in 2017. 73% of the wealth generated in 2017 in India went to the richest 1%, while 67 crore Indians who comprise the poorest half of the population saw only a 1% increase in their wealth. The National Statistical Organization (earlier called the National Sample Survey Organization) used to publish countrywide consumer expenditure surveys every five years from 1972-73 onward, but since 2011-12 it has not published a survey. Since 2014, the Centre for Monitoring Indian Economy (CMIE) is conducting the Consumer Pyramid Household Survey (CPHS) and has been filling this gap to some degree, but several researchers have raised questions about how representative the sample frame is, especially in covering the extremely poor.

Different data sources, which are usually collected in different ways and measure different aspects of economic activities, can often lead economists to draw different conclusions on how economic inequality has evolved. This also makes the discussion regarding changes in Indian inequality over the past decade to be always generating some controversy.

Inequality can be broadly classified in to two categories-economic inequality and social inequality. Economic inequality is the unequal distribution of income and opportunity between individuals or different groups in society. Whereas social inequality occurs when resources in a given society are distributed unevenly based on norms of a society that creates specific patterns along lines of socially defined categories e.g. religion, kinship, prestige, race, caste, ethnicity, gender etc. have different access to resources of power, prestige and wealth depending on the norms of a society. Both these categories are deeply intertwined and inequality of one type affects the inequality in another e.g. Social Inequality due to gender have large impact on income of women. In patriarchal societies large gender wage gap tends to exist.

How to measure income and wealth inequality?

There are different ways of using different indicators and data sources & choices to measure inequality. Among these indicators, all are not neutral and may have substantial impacts on findings. This is not only a matter of academic debate among statisticians but anyone hoping to design appropriate policies should have a clear understanding of current and past inequality dynamics i.e. thus briefly discuss the key concepts which are central to understanding the rest of the findings. Whatever the source of data and the metric used to monitor economic inequality, the measurement starts from the same basic input. A distribution of any income or wealth group shows the number of individuals in this group and their shares of the total income or wealth, as such, the distribution is a relatively complete set of information, Official inequality reports and statisticians often use measures of inequality such as the Gini index. Technically speaking, the Gini corresponds to the average distance between the income or wealth of all the pairs of individuals. To make it comparable between countries and over time, it is appropriate to normalize in such a way that complete equality corresponds to 0, and complete inequality is 1 (one person owning everything). This an acceptable distance from perfect inequality. Additionally, the strength of the Gini index that it combines information on all individuals in a society—is also its main weakness. because it summarizes a distribution in a single index. A given value for the Gini coefficient can result from distributions that are actually radically different. For example, a country may experience both a Gini-reducing decrease in poverty and a rise in the share of income going to the top, which increases the Gini. If these effects offset each other, the overall Gini can remain constant, creating the impression that the distribution of income is not changing. The raw data which is used to compute Gini indexes is often of relatively low quality, especially at the top of the distribution.

Another powerful way to measure inequality is to focus on the share of national income captured by each group. In the United States, for example, the top captures of national income i.e., the average income in the top is many times larger than the average income. The bottom 90%, by contrast, captures 53% of national income, so individuals in the bottom on average earn of the average income.

Unemployment Profile: The employment and unemployment status in a given period is ascertained by looking at the rate of Worker Population Ratio (WPR) and the Unemployment Rate (UR). WPR can be defined as the percentage of employed persons in the population, and the Unemployment Rate is measured as the percentage of persons unemployed among the persons in the labour force.

The Education Gap: Education plays a more significant role in reducing inequalities and poverty. It is not only a positive trigger to socioeconomic mobility, but its impact on the structural transformation of a society only leads to stability and sustainability. As a Sustainable Development Goal, the focus is not only on providing education to all but on the good quality of education. This means an inclusive education system should focus on a robust infrastructure and make the system more socially responsive, i.e. no one desirous of education should have to choose against pursuing it because of their social or economic context. Additionally, an overall level of basic education should be maintained in the society that equips them to lead a life of dignity and adequacy. The Right to Education Act, 2009 tried to build an education system that rests on equitable distribution of resources and promotes the development of marginalised and disadvantaged groups.

Globalisation and Inequality: Globalisation seems to be traditionally associated with decreasing inequality. From the Hecksher-Ohlin model we see that as an economy opens up to trade, the demand for less skilled labour will increase and it will come from less developed countries causing the inequality level to decrease.

Dominance of Tertiary Sector: As the skilled workforce is mainly employed in tertiary sector automatically their income will be higher than the other sectors which engage semi-skilled or nonskilled workers. In countries which are populous like India and where tertiary sector is not much developed the inequality level will also increase.

Gender: The Global Gender Gap Report, 2016, ranks India at 108 among 144 countries. Four parameters for measuring gender inequality are economic participation and opportunity, health and survival, educational attainment and political empowerment. Gender wage gap is highest in India according International Labor Organization. One fourth women are paid 34% less than men. Women comprise over 42 per cent of the agricultural labour force in the country, yet they own less than 2 percent of its farm land according to the India Human Development Survey (IHDS).

Cast: Caste is significant factor for determining access to resources like education, income, health valued by individuals. India's upper caste households earned nearly 47% more than the national average annual household income, the top 10% within these castes owned 60% of the wealth within the group in 2012, as per the World Inequality Database.

Religion: Religious identities are significant for an individual's ability to mobilize resources. Religious identities can cause prejudices which may lead to economic exclusion and other forms of discrimination which can impact jobs and livelihood opportunities. While minorities such as Christians, Parsis and Jains have a larger share of income/consumption than their population share, Muslim and Buddhist populations have significantly lower access to economic resources.

Ethnicity: Tribal communities in India have been identified as ethnic group on the basis of their unique culture, language, dialect, geographical location, customs etc. The National Family Health Survey 2015-16 (NFHS-4) showed that 45.9% of ST population were in the lowest wealth bracket as compared to 26.6% of SC population, 18.3% of OBCs, 9.7% of other castes.

Conclusion: We see that growth in India continues by the tertiary sector. Higher inequality in this sector will continue to fuel the increase the inequality and also its intensity. According to Oxfam if India stops inequality from rising further, it could end extreme poverty for 90 million people by near future. If it goes further and reduces inequality by 36%, it could virtually eliminate extreme poverty.

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