



Rising inequality

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(Mains GS 3 : Inclusive growth and issues arising from it.)

Context:

As per the 'World Inequality Report 2022', India is among the most unequal countries in the world, with rising poverty and an 'affluent elite'.

Widening gap:

- While India is one of the fastest growing economies in the world, it is also one of the most unequal countries.
- The report highlights that the top 10% and top 1% in India hold 57% and 22% of the total national income respectively while the bottom 50% share has gone down to 13%.
- The average national income of the Indian adult population is Rs 2,04,200. Here, the bottom 50% earns Rs 53,610 while the top 10% earns Rs 11,66,520, over 20 times more.
- In India, the top 10% and top 1% hold 57% and 22% of the total national income respectively while the share of the bottom 50% has gone down to 13%.

Wealth inequality:

- In India the richest are getting richer at a much faster pace while the poor are still struggling to earn a minimum wage and access quality education and healthcare services.
- The average household wealth in India is around Rs 9,83,010 with the bottom 50% of the nation can be seen to own almost nothing, with an average wealth of Rs 66,280 or 6% of the total pie.

- The middle class is relatively poor with an average wealth of Rs 7,23,930 or 29.5% of the total and the top 10% owns 65% of the total wealth, averaging Rs 63,54,070 and the top 1% owns 33%, averaging Rs 3,24,49,360.
- In 2021, the wealthiest 10% of the population own 65% of total household wealth in India.

Healthcare becomes luxury:

- While the Indian government barely taxes its wealthiest citizens, its spending on public healthcare ranks among the lowest in the world.
- As a result, decent healthcare is a luxury only available to those who have the money to pay for it.
- While the country is a top destination for medical tourism, the poorest Indian states have infant mortality rates higher than those in sub-Saharan Africa.
- India accounts for 17% of global maternal deaths, and 21% of deaths among children below five years.

Gender inequality:

- Gender inequality in India is also considerably on the higher end of the spectrum.
- The share of female labour income share in India is equal to 18% which is significantly lower than the average in Asia (21%, excluding China) & is among the lowest in the world.
- However, a significant increase has been observed since 1990 (+8 p.p.) but it has been insufficient to lift women's labor income share to the regional average.

Globally inequality :

- The **COVID-19 pandemic** has exposed the stark divide between the rich and the poor, hence evaluating the state of inequality serves as an eye-opener on the income/wealth divides prevailing across regions.
- Such divides are represented in terms of the share of income/wealth among the top 10% of the population against the bottom 50% of the population.
- With regard to income, the top 10% of the global population share 52% of the total income, while the bottom half survives with a mere 8.5% of it and leaves the 40% in the middle with 40% of the income.

Worsening status:

- This distribution of income shows the tendency of a rising middle class with lower disparity in income, but it also shows that the status of the poor is worsening day by day.
- In terms of wealth, the top 10% of the global population own 76% of the total wealth, while the bottom 50% share a mere 2%.

- The practice of unabated accumulation has been possible in the absence of effective measures of redistribution on the one hand and the absence of measures discouraging undue accumulation on the other.

Varying across regions:

- The share of income among the top 10% has been varying across regions indicating that the global picture is an aggregation of the most uneven distribution of income and wealth.
- The average income levels seem to be poor predictors of the levels of inequality, with high-income countries such as the U.S. having higher levels of inequality as against countries such as Sweden, which have moderate levels of inequality.
- Similar contradictions are also seen when we contrast middle-income nations such as Brazil, India and China as against Malaysia and Uruguay.
- Hence, emerging inequalities are not necessarily an outcome of rising levels of income in the post-liberalisation era, but a depiction of poor redistributive policies towards discouragement of accumulation by governments with due sensitivity towards inequalities.

Rich nations with poor governments:

- The prevailing pattern of wealth concentration and differential levels of income around the world has also resulted in rich nations having poor governments.
- In fact, many governments are relatively poor with very limited resources, as resources are gradually moving into private hands.
- Such a situation has two underpinnings: one, governments have a limited capacity to act on inequality aversion measures and two, private interests overshadow the distributional fairness of wealth.
- The scenario is undoubtedly an outcome of the ineffectiveness of redistribution measures and also a complete absence of measures that discourage accumulation.
- Some additional features of this exposition of inequality also relate to imbalance of women's share in income as well as the ecological inequities indicated by the differential carbon emission levels.

Policy lessons for India:

- GDP growth has been rather iffy since the Global Financial Crisis of 2008 and has completely lost its momentum since the start of 2017 which leads to increase in poverty and inequality.
- Thus, for a relatively poor country such as India, the most durable and dependable way to reduce inequality is to increase the size of the GDP pie.
- However, as evidence from across the world has shown, fast GDP growth alone doesn't help, especially when it comes to tackling inequalities in accessing education and health.

- Thus, the government needs to increase public expenditure on health and education so that fast GDP growth will certainly help poors to uplift their living by decreasing out of pocket expenditure on health and education.

Conclusion:

Focus needs to be placed on reducing disparities in capability domains like education and differential endowments (tangible and intangible) that have the potential to sustain inequalities.