AN OVERVIEW OF INEQUALITIES IN INDIA AND GLOBAL

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ABSTRACT

This paper analyses overview of inequality and other variables of inequality in India and Global. Inequality – economic, social or political has been an issue of debate and discussions both in national and international contexts. The most visible aspect is that of economic inequality - one that entails inequality of opportunity accentuated by gender, ethnicity, disability, and age, among others. Economic inequality tends to be associated with lower health achievements, high incidence of crimes and elitist biases of public policy and democratic politics. Economic inequality also has a universal nature concern both among the rich and poor countries. Unemployment and earnings inequality in India have declined in recent years, while the trend in overall income inequality is unclear. Inequality and unemployment both remain at extremely high levels by historical and international standards. There has been a very close relationship between trends in unemployment, poverty and earnings inequality in recent years. Decomposing overall income inequality by income source confirms the overwhelming importance of earnings in income inequality more generally. Inequality is only likely to be dramatically reduced through a significant expansion of decent work for the low- and semi-skilled. Simulations of an expansion of low-wage employment show that this would reduce inequality, but the effect would be limited if wages are too low. While the minimum wage would be expected to reduce inequality, its overall effects are contingent on the extent of any associated job losses and increases the gap. Lower inequalities would result in higher demand from bottom deciles, vulnerable and disadvantaged sections and lead to higher growth. Equity Defines in terms of empowerment and increase in participation of the poor; there is no trade-off between growth and equity. Reduction in corruption can help in improvement of equality.

Keywords: *Inequality, Economic Inequality, Unemployment, Poverty*

INTRODUCTION

Inequality has been an important issue in development debates. Development cannot be discussed and taken place without talking about inequality. Theories of income distribution have been in the literature of economics from before Adam Smith to the present day. Ricardo characterizes income distribution as the principal problem of economics (Sandmo, 2015). Several philosophers and economists have discussed about inequality[1]. In recent years, rising income inequality has attracted the attention of IMF, World Bank, OECD and Davos meetings. Arab Spring and Brexit also brought this issue to the limelight. The number of billionairs is increasing throughout the world with larger share in income and wealth. With the release of the book by French economist Thomas Piketty (2014), there has been more debate on inequality in several parts of the world. European economists have written more about inequality than American economists although inequality is rising in the US[2].

First time at global level, a goal on inequality is included in Sustainable Development Goals(SDGs). "By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status". It is argued that some degree of inequality may not be a problem if it provides incentives for people to accumulate human capital. Tendulkar (2010) draws a distinction between inequity and inequality. 'U' shape curve. Assets, income or expenditure are generally used for outcomes. Inequality of opportunity is often measured by studying non income dimensions such as health, education, access to basic services and human development. Individual circumstances are important for examining inequalities in opportunities. The circumstances such as gender, race, ethnicity, or place of birth are outside the control of an individual. However, the outcomes also depend on the efforts of the individual makes in education and labour market given the circumstances (Kanbur et al,2014).

Dabla-Norris et al (2015) examines trends in inequality of income and opportunities at global level. The main conclusions of the study on levels and trends are the following: (1) Global inequality is high and ranges from 0.55 to 0.70 depending on the measure used; (2) Inequalities have widened within countries. They have increased substantially in most of the advanced countries. Although inequality remained stable for the group of emerging market developing countries (EMDCs), In case of EMDCs, the rise in inequality is primarily due to shift in incomes from middle class to upper class (e.g. China and South Africa). Gini coefficient in wealth is almost double to that of income in many countries; (4) Inequality in health outcome and access to health care is high in developing countries. On the other hand, one notices declining inequality in education in EMDCs. Disparities in access to financial services between advanced countries and EMDCs are high.

High inequality can also have undesirable political and social consequences (Alesina and Perotti 1996).2 "Where the institutions of government are weak, inequality exacerbates the problem of creating and maintaining accountable government, increasing the probability of economic and social policies that inhibit growth, and poverty reduction and where social institutions are fragile, inequality further discourages the civic and social life that undergirds collective decision-making which is necessary to the functioning of healthy societies" (Birdsall 2005). Put differently, high inequality is associated with higher crime rates, lower life expectancy and conflict. This relationship between high inequality and weak growth appears to be particularly strong in countries where a large part of the population is 'trapped' in poverty. One reason that poor countries find it so difficult to grow is that all income in an impoverished household goes for consumption. There are no taxes and no personal savings. "Yet, depreciation and population growth continue relentlessly. The result is a fall in capital per person and a negative growth rate of per capita income. That leads to still further impoverishment of the household in the future" (Johnston 2010).

The Gini index in recent years fell from 66.8 in 2008 to 62.5 in 2013. This decline in global inequality due to rising incomes in populous countries such as China and India. Income/consumption surveys-based data shows that inequality increased in 42 countries while it declined in 39 countries for the long period 1993-2008.). In short period (2008-13), inequality declined in 41 countries while it increased in 19 countries.

As per the study of Asian Development Bank (ADB) Zhuang et al (2014), inequality increased for three large countries like China, India, Indonesia. A recent IMF study (Jain-Chandra et al, 2016) confirms increasing inequalities in Asia. Regarding inequality of opportunity, there is a large gap in access to education and health between the wealthiest quintile of income distribution as compared to the poorest quintile.

CONSUMPTION INEQUALITY

In India, consumer expenditure from NSS (National Sample Survey) is generally used to estimate inequality. Many studies have shown that inequality in consumption increased in the post-reform period[3]. Most of the studies show that inequality increased marginally in rural areas while it rose significantly for urban areas. Himanshu (2015) in his study found that inequality in rural areas increased from 0.26 in 1993-94 to 0.28 in 2004-05 and rose marginally in subsequent years. On the other hand, inequality in urban areas rose from 0.32 in 1993-94 to 0.38 in 2011-12. Similarly, disparities between urban and rural also increased over time.

INCOME INEQUALITY IS HIGHER THAN CONSUMPTION INEQUALITY

The inequality estimates based on consumption are lower than income-based inequalities. There are estimates based on income using India Human Development Survey (IHDS). Dubey (2016) shows that Gini coefficient for income is around 0.55 in India as compared to that of consumption at 0.37. In other words, income inequality is much higher than expenditure-based inequality in India.

INEQUALITY IN INCOME OF AGRICULTURAL HOUSEHOLDS

One can estimate income inequality for agricultural households based on Situation Assessment Survey of NSS. At the all-India level, the income Gini at 0.58 was much higher than consumption Gini at 0.28 – around 30 points higher. The estimates at state level also show similar results. The income Gini at state level varies from 0.43 in Chattisgarh and Gujarat to 0.61 in Bihar. The difference between consumption Gini and income Gini for *Asset Inequalities:* Inequalities in assets are quite high in India. Earlier studies show that in 2002 land inequality was 0.73, per capita asset holding was 0.65 and per capita holding of financial assets was 0.9910. The inequality in ownership of land was 0.76 in 2003.

A study by Rawal (2013) shows that Gini coefficient in oprational holdings in 2011-12 was around 0.78. Credit Suisse report on India reveals that the richest 1% owned 53% of the country's wealth while the share of the top 10% was 76.3%. In other words, 90% of Indians own a less than 25% of the country's wealth.

INEQUALITY ACROSS SOCIAL GROUP

One of the important forms of inequality in India relates to disparities across social groups particularly disadvantaged sections like Scheduled Castes (SCs) and Scheduled Tribes (STs). One way of looking at this inequality is to examine the poverty ratios across social groups.

Poverty declined much faster for all the social groups during the period 2004-05 to 2011-12 as compared to the period 1993-94 to 2004-05. The rate of decline in poverty is the highest for SCs. The decline in poverty for SCs and OBCs exceeded the national average during the period 2004-05 to 2011-12 (Panagariya and More, 2013). Poverty decline for STs was more or less similar to that of national average. It looks like SCs, STs and OBCs benefited equally or more in the high growth phase of 2004-05 to 2011-12. Asset distribution also shows that the share of SCs and STs is low in the total assets. Landlessness is high among SC households. Discrimination in labour market and business is also found in some of the studies. Lack of basic necessities such as housing, sanitation, education and health is another problem for these groups[5].However, income inequality is only one aspect of disparities between upper castes and disadvantaged sections. Discrimination, humiliation and violence against dalits and adivasis are examples of inequalities in non-economic factors.

INEQUALITY OF OPPORTUNITY

Equality of opportunity is important for reducing many other forms of inequalities. Access to education is an important indicator of equality of opportunity. Recent NSS 71st Round conducted in 2014 provides net attendance ratios (NAR) by quintiles, social groups and religion. The inequalities in primary education are not high. But inequality increases over the education ladder: secondary, higher secondary and above higher secondary level.

EMPLOYMENT AND EDUCATION

There can be several solutions to reduce inequality[6]. But, let's focus here on two important measures: creating productive employment and providing quality education.

Employment and Skills: There are some flagship programmes like MGNREGA going on in the country to reduce poverty and inequality. Such type programmer are important for protecting the poor. But unable to generating quality employment. There is need more diversified agriculture farming for raising the income of farmers. The future employment has to be created in manufacturing and services Sector. For that Make in India initiated, focus on start-ups, Mudra, financial inclusion, etc., are steps in the right direction. Equally, service sector employment has to be promoted. Over time, the share of the organized sector has to be raised while simultaneously improving productivity in the unorganized sector. For the new generation, moving to regular wage employment is the aspiration apart from high remunerative self employment.

Make in India: For improving quality of employment, 'Make in India' campaign is in the right direction. In China share of manufacturing in GDP rose significantly, but share of employment is low at 16%. Manufacturing generates less direct employment but more indirect employment in services21. India is an exception to the share of employment in services[7]. The country has high share of services in GDP (58.4%) but the share of services in employment is exceptionally low (26.4%). Therefore, the share of employment in services has to be raised. India has the potential to increase the number of workers in manufacturing and the contribution to the sector to overall growth. But its future development path is unlikely to mimic that witnessed in East Asia like Japan, Taiwan or even in China. India has to forge its own path that will rely on both manufacturing and services as growth engines along with emphasis on exports which looks bleak in the short run.

LABOUR MARKET INEQUALITIES

Most of the inequalities (economic and social) will have labour market dimension. Some issues on inequality exclusively deal with labour market structures, processes, mechanisms and outcomes while some others are influenced by labour institutions and labour market forces (IHD, 2014). The evidence based current research has shown that there but significant inequalities in labour markets in India reported by researchers. They further reported that Inequalities can be found across sectors, wages and earnings, quality of work, labour market access and, between organized and unorganized sector. Labour market segmentation is another important issue regarding inequalities. Wage differentials can't be explained by economic factors alone inspite of increasing occupational and geographical mobility. Segmentation based on occupational skills and consequently industry and sectors is well known. Reducing labour market inequalities is important for sustainability of growth, rise in human development and reduction in overall inequalities.

GENDER DISPARITIES

One of the important disparities in gender relates to education. "A Dalit girl from a poor family who dreams of becoming a doctor or engineer may have to struggle not only with a lack of adequate schooling facilities in the neighbourhood and economic penury at home, but also, quite possibly, with indifferent social attitudes towards her education as well as with gender discrimination in the family and society" (p.281, Dreze and Sen, 2013)[8]. Another issue is gender discrimination in employment. As is well known, the wages of women workers are lower than those of men across most employment categories and locations. The wages of women workers in India are lower by 20 to 50 per cent to male wages across different categories and locations. One question is whether education reduces gender gap. Wage of female worker with no education was 53 per cent of a man's wage in a regular job in rural areas. A graduate degree female received 70 per cent of male's wage in rural areas. In urban areas, gender gap in wages reduces faster with education. In general, education seems to have reduced wage gap between men and women as far as regular jobs were concerned (IHD, 2014).

CORRUPTION AND INEQUALITY

Good governance is important for promoting equity. Corruption is one of the obstacles for good governance.IMF (2016) carried out studies on corruption inequalities and examines in the costs of corruption and mitigating strategies as corruption can seriously undermine inclusive economic growth. It can adversely affect the determinants of economic performance that include macro financial stability, investment, human capital accumulation and total factor productivity. It can also have devastating economic and social consequences due to vilolence, civil strife and conflict. According to the study, anti-corruption strategy include transparency, rule of law, reforms to eliminate excessive regulation and effective institutions. In the studies it has been reported that corruption raises inequality and poverty through lower economic growth, biased tax system in favour of rich, poor targeting of social programmes, lobbying the government by the rich for favorable policies which perpetuate inequality in asset ownership, unequal access in education and lower social spending.

Equality of opportunity is important. While the governments have implemented policies that having tremendous growth potential, it should embark on a process of social transformation that ends discrimination on the basis of caste, class and gender. More attention has to be paid for providing clean water, sanitation, access to health care and education. India has underinvested in human and social capital. Productive employment and inquality education for everyone can reduce inequalities significantly. Another issue in the context of India is exclusion of SCs, STs, women and minorities. Here economics alone will not help inclusion. Social and political factors are important apart from economic factors. Growth with redistribution efforts will not affect social behavior without social transformation. We need social movements to reduce social exclusion. This happened partially in South India earlier in Kerala and Tamil Nadu and happening in other parts of the country now[9].

CONCLUSION

Inequalities are much more than economic disparities. The ideas of equality and inequality also have non-economic dimension. The idea of citizenship is one such example.

It is clear that the process of development must become more socially and economically inclusive. Due to lack of tolerant and inclusive society, it can generate severe social tensions. Thus, there are strong social, political and economic reasons for reducing inequalities. The agenda of inclusiveness and equality has to be given highest priority for broad based social and economic development.

Rising inequalities is a concern in many advanced and developing countries of the world.

In the context of ethics and humanism, equality is important for its own sake. Inequality reduction is also required for sustainability of growth. If we reduce personal, social, gender, rural-urban and regional disparities, both the objectives of ethics and growth of equality will be achieved. Lower inequalities would result in higher demand from bottom deciles, vulnerable and disadvantaged sections and lead to higher growth. If we define equity in terms of empowerment and increase in participation of the poor, there is no trade-off between growth and equity. Reduction in corruption can help in improvement of equality.

In current days on issue that is an environmental sustainability. Climate change is already having impact on the lives of the people, particularly the poor. There are two types of inequalities regarding environmental sustainability.

First one is the inequality in consumption patterns between advanced countries and developing countries. Second one is inequalities in consumption patterns between rich and poor in India. The consumption of the rich in India is more or less equal to the rich of the advanced countries. There is a need for reduction of unsustainable consumption pattern of the developed countries and those of rich in India.

POLICY IMPLICATIONS

Policymakers around the world need to consider policies to tackle inequality. Raising the income share of the poor, and ensuring that there is no hollowing-out of the middle class is actually good for growth. The drivers of inequality and their impact differ across countries for different income groups. As such, the nature of appropriate policies would necessarily vary across countries, and would also need to take into account country-specific policy and institutional settings, and capacity/implementation constraints. Recent work by the World Bank (2015) highlights the importance of adopting a psychological and social perspective on policymaking that takes into account what policy is implemented and Squaring equity and efficiency concerns. Lowering income inequality does not need to come at the cost of lower efficiency. Previous IMF work has shown that there does not need to be a stark efficiency-equity tradeoff (Ostry, Berg, and Tsangarides 2014).

Redistribution through the tax and transfer system is found to be positively related to growth for most countries, and is negatively related to growth only for the most strongly redistributive countries. This suggests that the effect of redistribution on enhanced opportunities for lower-income households and on social and political stability could potentially outweigh any negative effects on growth through a damping of incentives.

Fiscal policy can be an important tool for reducing inequality. Fiscal policy plays a critical role in ensuring macro financial stability and can thus help avert/minimize crises that disproportionately hurt the disadvantaged population. At the same time, fiscal redistribution, carried out in a manner that is consistent with other macroeconomic objectives, can help raise the income share of the poor and middle class, and thus support growth. Fiscal policy already plays a significant role in addressing income inequality in many advanced economies, but the redistributive role of fiscal policy could be reinforced by greater reliance on wealth and property taxes, more progressive income taxation, removing opportunities for tax avoidance and evasion, better targeting of social benefits while also minimizing efficiency costs, in terms of incentives to work and save (IMF 2014).

In addition, reducing tax expenditures that benefit high-income groups most and removing tax relief—such as reduced taxation of capital gains, stock options, and carried interest—would increase equity and allow a growth-enhancing cut in marginal labor income tax rates in some countries.

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