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THE STATE OF INEQUALITY IN INDIA REPORT



Introduction: The State of Inequality Report

- While they seem interchangeable, inequality refers to the uneven distribution of resources and opportunities that create profound distinctions and inequities are understood as differences and disparities that stem from poor services and are usually remediable.
- **Anyone can feel unequal in any given context; the idea, therefore, is to understand when inequality resists an individual's ability to exercise freedom and restricts access to resources essential for a dignified living.**
- The **State of Inequality in India Report** focuses on the state of inequality in India with in-depth coverage of variables such as:



Income Profiles



Labour Market Dynamics



Health



Education



Household Characteristics

The Inequality-Poverty Correlation

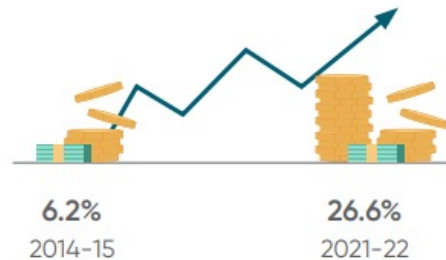


- ❖ There are no benchmarks or qualifying lines for inequality as there are for poverty. Poverty and inequality are mutually reinforcing variables that spill over in the form of socio-economic inequities. Factors like an increase in the rate of income deprivation undoubtedly lead to higher chances of descent into multidimensional poverty.
- ❖ International Organisations like the World Bank and IMF have given consistent attention to understanding the nature of inequality and measuring poverty globally. Recently, these organisations have released working papers on understanding the rate of poverty reduction and deriving a new methodology for measuring poverty.
- ❖ World Bank's working paper, titled '**Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought**' by **Sutirtha Sinha Roy and Roy Van Der Weide**, focuses on the new household panel survey by the Consumer Pyramids Household Survey.
- ❖ The IMF working paper '**Pandemic, Poverty and Inequality: Evidence from India**' by **Surjit S Bhalla, Karan Bhasin and Arvind Virmani** argue that extreme poverty in India continues to be low (lower than 1%) in the pandemic years as it was in pre-pandemic years due to various social protection measures taken by the government.

For detailed analysis, refer to the Appendix I

A Solution in Social Protection?

- ❖ As an approach toward ensuring welfare for the most vulnerable population and as a corrective measure to social and economic inequities present in society, social protection schemes act as a mechanism to increase the resilience of marginalised people to socio-economic shocks.
- ❖ **While welfare schemes (benefit transfers, cash/in-kind transfers) might not immediately reduce poverty incidence, they offer a cushioning effect against radical socio-economic changes.**



- India's expenditure on social services has increased over the years from **6.2%** in **2014-15** to **26.6** in **2021- 22** (as per Budget Estimates).



- There has been a slight decline in expenditure on social services in **education** (from **10.8%** to **9.7%**)



- There has been a consistent rise in expenditure on social services in **health** from **4.5%** to **6.6%**

The following is a list of social protection schemes offered by the Government of India (GOI) :

| Sector | Initiative |
|---------------------------------|---|
| Education and Skill Development | National Apprenticeship Training Scheme |
| | Academic Bank of Credit |
| | e-PGPathshala |
| | Unnat Bharat Abhiyan |
| | Pradhan Mantri Kaushal Vikas Yojana |
| | Jan Shikshan Sansthan (JSS) Scheme |
| | Sarva Shiksha Abhiyaan |
| | Rashtriya Madhyamik Shiksha Abhiyan |
| | PM e-VIDYA |
| | National Digital Education Architecture |
| NIPUN Bharat Mission | |

| Sector | Initiative |
|--|---|
| Drinking-Water, Sanitation and Safe Fuel | Jal Jeevan Mission (JJM) |
| | Swachh Bharat Mission (Grameen) [SBM-G] |
| | Pradhan Mantri Ujjwala Yojana (PMUY) |

| Sector | Initiative |
|----------------------------|--|
| Housing and Infrastructure | Pradhan Mantri Awaas Yojana-Gramin (PMAY-G) |
| | Pradhan Mantri Gram Sadak Yojana (PMGSY) |
| | Pradhan Mantri Sahaj Bijli |
| | Har Ghar Yojana |
| | Unnat Jyoti by Affordable LEDs for All (UJALA) |

| Sector | Initiative |
|-----------|---------------------|
| Nutrition | POSHAN Abhiyaan |
| | Anaemia Mukh Bharat |

| Sector | Initiative |
|--|--|
| Employment | Aatmanirbhar Bharat Rojgar Yojana (ABRY) |
| | MGNREGS |
| | The Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM) |
| | Pradhan Mantri Shram Yogi Maan-Dhan (PM-SYM) Yojana |
| National Pension Scheme for Traders, Shopkeepers and Self-Employed Persons | |

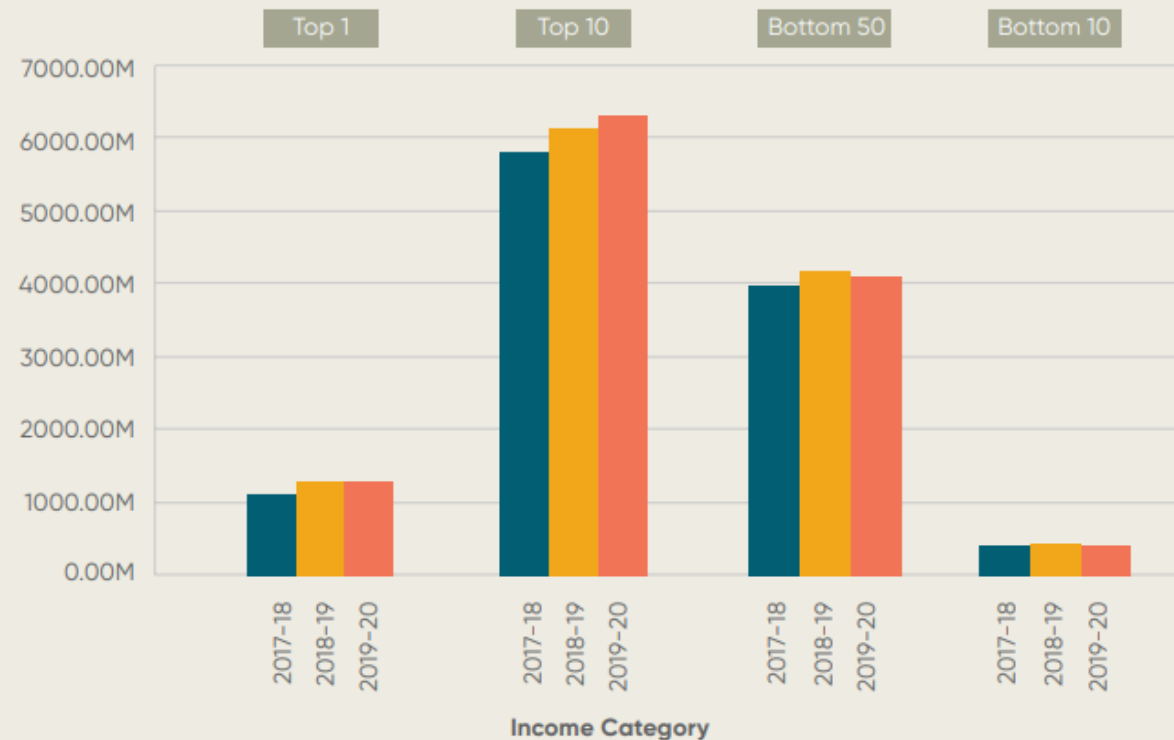
| Sector | Initiative |
|--------|---|
| Health | Ayushman Bharat Health and Wellness Centres (AB-HWCs) |
| | Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) |
| | PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) |
| | Ayushman Bharat Digital Mission (ABDM) |
| | e-Sanjeevani |



सही पोषण - देश रोशन



- Inequities in the labour market like lack of secure jobs, increasing informalisation, gender-based profiling or restriction in moving from ascribed identities often translate into vulnerability and deprivation in everyday life
- As per PLFS 2019-20, a monthly salary of a minimum of Rs 25,000 (Rs 300,000 yearly) was amongst the top 10% of the total wages earned.



The graph above represents the trends across the three years pertaining to changes in the cumulative annual income of Top 1%, Top 10%, Bottom 50% and Bottom 10%. (Source: Sample Estimates from PLFS 2017-18, 2018-19, 2019-20)

- Based on the total incomes earned in 2019-20, the top 10% earns equivalent to bottom 64%.

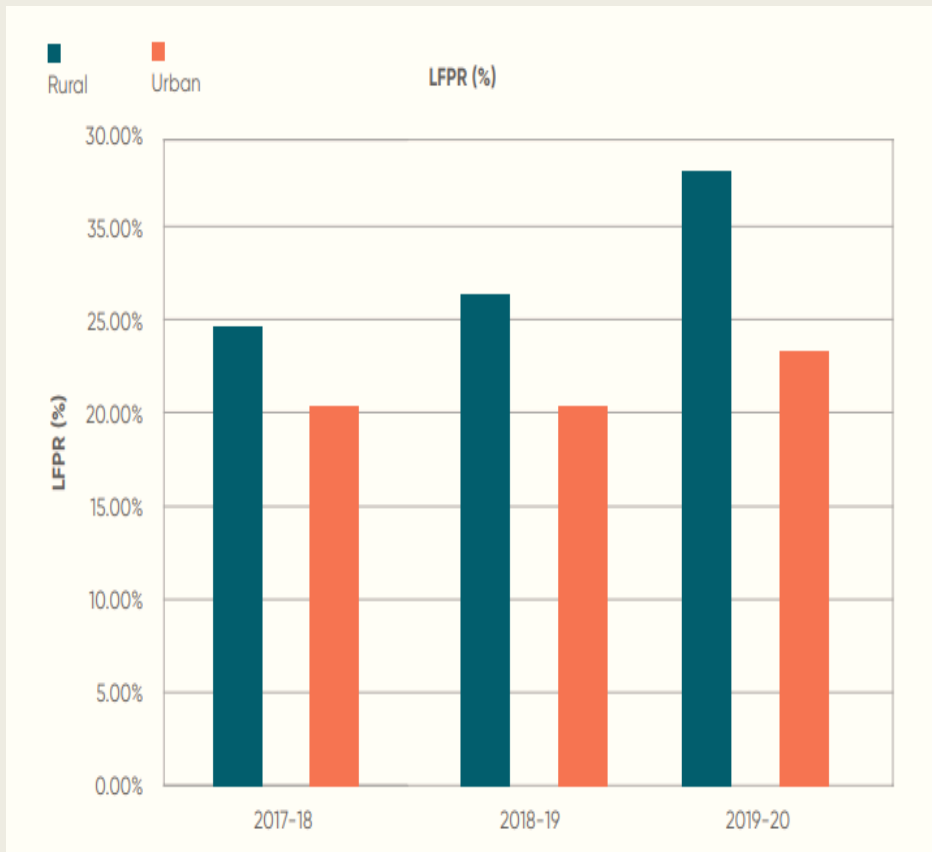
₹ 25000
(Rs 300,000 yearly) is amongst the **Top 10% of Total Wages earned**

Labour Market Dynamics

According to the annual reports of PLFS – since 2017-18, the labour force participation rates have registered an upward growth in percentage points.

From 49.8% in 2017-18, to 50.2% in 2018-19. In 2019-20, it was 53.5%.

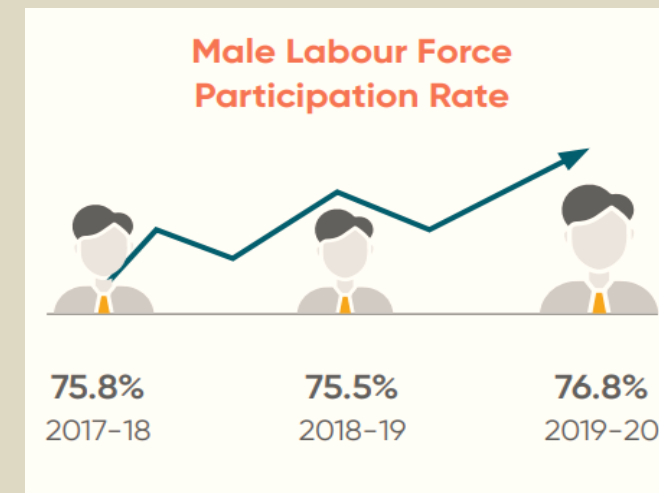
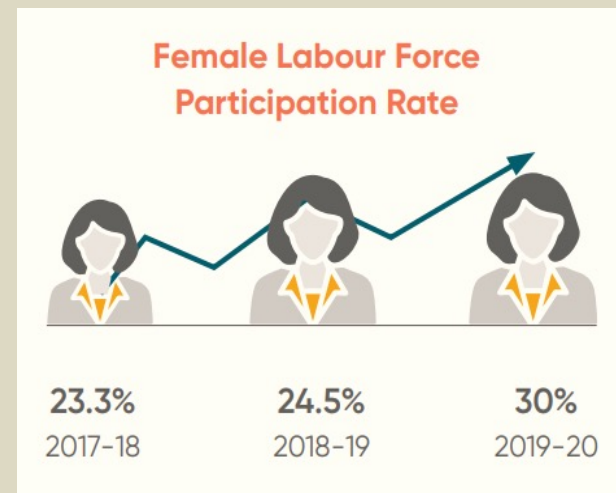
This implies that there have been positive structural changes leading to an improved labour force participation rate in the last three years.



The graph represents the labour force participation in sectors (rural, urban) over the three years (Source: PLFS 2017-18, 2018-19, 2019-20)

The female participation rates continue to be lower than the male labour force participation rate despite of the targeted efforts to empower women in the labour market.

In 2017-18 the female LFPR was 23.3%, increasing to 24.5% in 2018-19 to 30% in 2019-20. In contrast, the male LFPR continues to account for more than 70% of the total labour force participation rate (75.8% in 2017-18, 75.5% in 2018-19 and 76.8% in 2019-20).

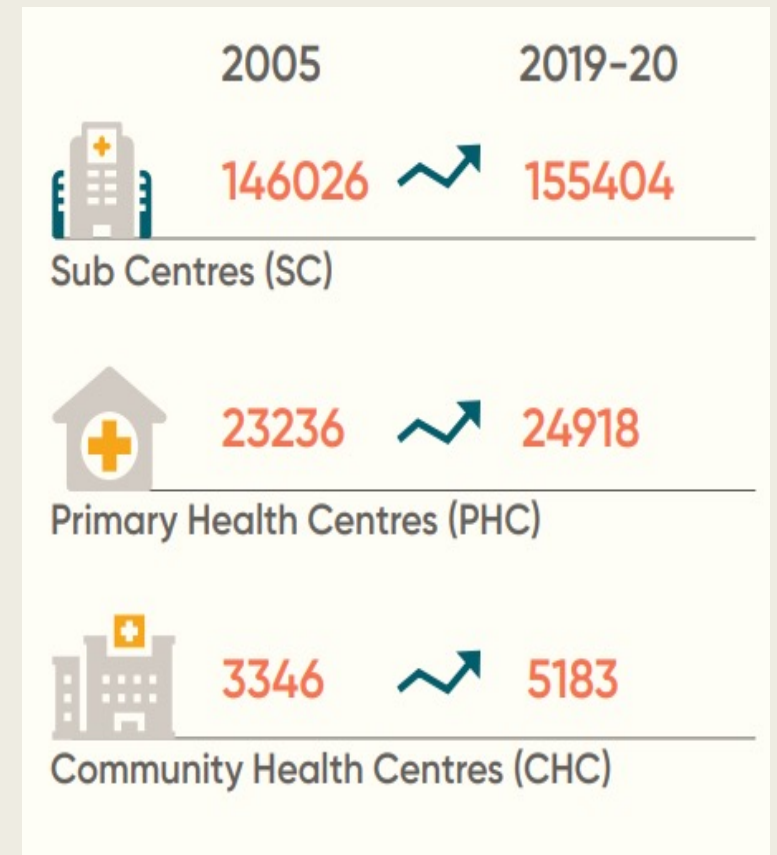


The Road to Health

❖ There have been constant improvements in demographic indicators like Infant Mortality Rate, Under Five Mortality Rate and Neo-Natal Mortality Rate.

| Indicator | NFHS - 5 (2019-21) | NFHS - 4 (2015-16) |
|--|--------------------|--------------------|
| Infant Mortality Rate (per 1000 live births) | 35.2 | 40.7 |
| Under Five Mortality Rate (per 1000 live births) | 41.9 | 49.7 |
| Neo-Natal Mortality Rate (deaths per 1000 live births) | 24.9 | 29.5 |

❖ Additionally, as per Rural Health Statistics 2019-20, as of March 2020, there are 155404 Sub Centres (SC), 24918 Primary Health Centres (PHC), and 5183 Community Health Centres (CHC) in rural India.

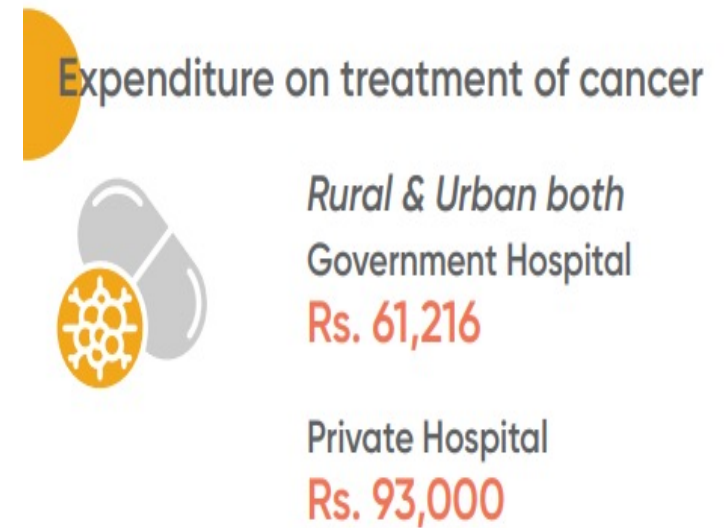


Out-of-Pocket Expenditure

- Making healthcare accessible also requires it to be affordable. In India, astronomically high medical bills are one of the significant reasons households descend into poverty or suffer a major hit in their savings and other expenses.
- The average Out-of-Pocket expenditure per delivery in a public facility came to be Rs 2916.

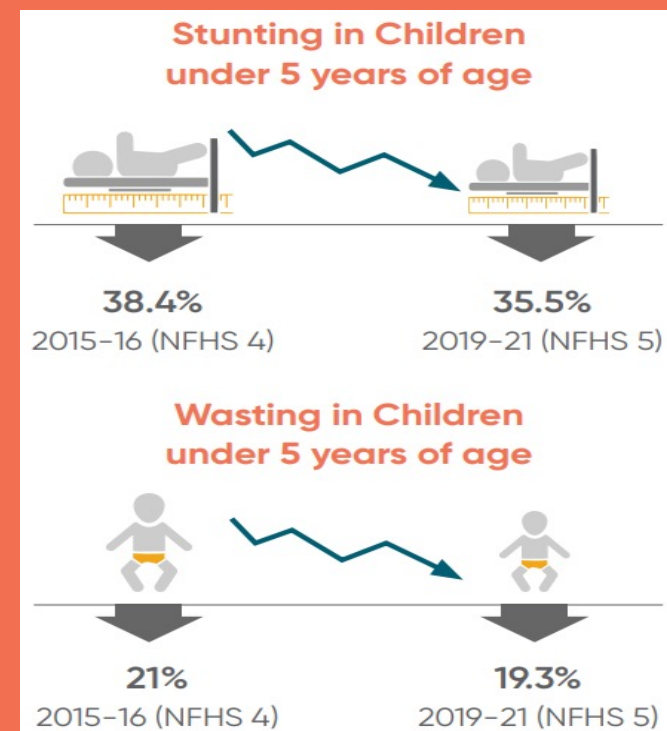
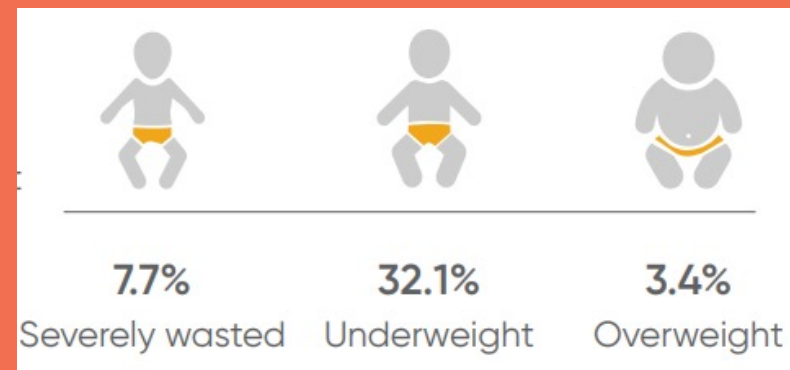


- The average expenditure per hospitalisation for the treatment of cancers comes to be around Rs 61,216. In private hospitals, for the same disease, the expense shoots up to around Rs 93,000.



Nutritional Profile

- Nutrition profile among children has improved compared to 2015-16 (NFHS 4). Additionally, **32.1%** of children (under five years) were reported to be underweight, and **3.4%** as overweight.
- Jharkhand (**26.2%**) and Bihar (**25.6**) have the highest rate of women with low BMI, while Bihar (**21.5**) and Gujarat (**20.9**) have the highest rate of men with below normal BMI.
- Bihar continues to be the state with the highest population of nutritionally vulnerable children, with as many as **41%** of children below 5 years being underweight and **42.9%** having stunted growth. Maharashtra has **25.6%** of children as wasted and **10.9%** as severely wasted – the highest in the country.



The Education Gap

- As a determinant of increased quality of life, education is an investment in human capital triggering an upward social mobility.
- Currently, the literacy rate in India (for five years & above) is at **77%**, with **71%** of females and **84.1%** of literate males.
- Where Physical Infrastructure is concerned, in 2019-20, **97.5%** of schools in India had established facilities for safe drinking water on the school premises. This was a substantial increase from 2017-18, with approximately 59% of schools having access to safe drinking water.
- According to the Jal Jeevan Mission as well, as many as **83.11%** of schools and **78.89%** of Anganwadi Centres have a tap water supply for use in toilets/urinals and handwashing.
- About **95%** of schools have functional toilet facilities (95.9% functional boy's toilets and 96.9% for girls) on the premises.
- Similarly, in 2019-20 **83.3%** of schools have electricity connections, while only 80.16% of schools across India have a functional electricity connection.

- ❖ As per NFHS-5 (2019-21), 71.8 % of the female population aged 6 years and above have attended school at least once. At the same time, the percentage of women who have completed at least ten or more years at 41%

- **Gross Enrolment Ratio**

| EDUCATION LEVEL | 2019-20 | | | 2018-19 | | |
|---------------------------|---------|--------|--------|---------|--------|--------|
| | GIRLS | BOYS | TOTAL | GIRLS | BOYS | TOTAL |
| PRIMARY (I-V) | 103.69 | 101.87 | 102.74 | 101.78 | 100.76 | 101.25 |
| UPPER PRIMARY (VI-VIII) | 90.46 | 88.93 | 89.67 | 88.54 | 87 | 87.74 |
| SECONDARY (IX-X) | 77.83 | 77.97 | 77.9 | 76.93 | 76.87 | 76.9 |
| HIGHER SECONDARY (XI-XII) | 52.4 | 50.52 | 51.42 | 50.84 | 49.49 | 50.14 |

Source: UDISE+ Dashboard – 2019-20

- ❖ While the gross enrolment has increased in the higher secondary level (classes 11th -12th), one can notice a steady decline from primary to higher secondary among girls and boys.

- **Net Enrolment Ratio**

| EDUCATION LEVEL | 2019-20 | | | 2018-19 | | |
|---------------------------|---------|-------|-------|---------|-------|-------|
| | GIRLS | BOYS | TOTAL | GIRLS | BOYS | TOTAL |
| PRIMARY (I-V) | 92.37 | 90.52 | 91.4 | 89.83 | 88.56 | 89.16 |
| UPPER PRIMARY (VI-VIII) | 71.89 | 70.44 | 71.14 | 69.91 | 68.18 | 69.01 |
| SECONDARY (IX-X) | 50.3 | 50.17 | 50.23 | 49.01 | 48.25 | 48.61 |
| HIGHER SECONDARY (XI-XII) | 9.79 | 9.31 | 9.54 | 8.89 | 8.74 | 8.81 |

Source: UDISE+ Dashboard – 2019-20

- ❖ The NER can be defined as the number of students (boys and girls) from a specific age group enrolled in an age-appropriate level of education.
- ❖ Net Enrolment Ratio (NER) has also improved from 2018-19, but the same pattern of declining enrolment ratio as one moves from primary to higher secondary is visible.

Enrolment in Schools

- ❖ In terms of dropout rates, the percentage of students dropping out from various levels of education has significantly improved from 2018-19, with a decline from **4.45%** overall to only **1.4%** at the primary level.
- ❖ The falling dropout rates are across female and male students. Likewise, in upper primary, the dropout rate has fallen from **4.68%** to **2.60%** in 2019-20 and from **17.9%** to **16.09%** in secondary.



- ❖ The everyday experiences of inequality and poverty are intensely reflected in the living standards of the population, and therefore mapping the household conditions becomes essential to ascertain the extent of inequality and its socio-economic manifestations.
- ❖ In India, as per NFHS-5 (2019-21), **95.9%** of households in the country have access to improved drinking water sources. This is an improvement from **94.4%** as per NFHS-4 (2015-16). The rural areas have also reported a **94.6%** coverage and **98.7%** household access to improved drinking-water sources. To this end, the Jal Jeevan Mission (JJM) envisages providing safe and adequate drinking water through functional tap connections (FHTC).
- ❖ Goa, Telangana and Haryana achieving **100%** coverage of FHTCs. By 15th August 2019, **16.75%** of households had tap water connections, and most recently, nearly **49%** of households had tap water connections.



Household Characteristics

- ❖ The 5th round of NFHS has depicted that **70.2%** of households have access to improved sanitation facilities which is a significant improvement from a dismal **48.5%** in 2015-16 (NFHS-4).
- ❖ Since the start of the Swachh Bharat Mission – Gramin (SBMG), there has been a reported increase of **61.24%** in the number of households with toilet facilities in rural areas. From **38.7%** coverage in 2014, India has achieved **100%** coverage in Individual Household Latrine (IHHL).
- ❖ Regarding electrification, **88%** of the population lived in households with electricity in 2015-16. This number increased to **96.8%** by 2019-21, with urban areas reporting **98.7%** and the rural regions **96.8%**. As part of Sustainable Development Goal 7 – “Affordable and Clean Energy”, **99.99 %** of households are electrified.
- ❖ As per NFHS 5 (2019-21), States like Goa (96.5%), Telangana (91.8%), Mizoram (83.8%), Andhra Pradesh (83.6%) and Tamil Nadu (82.9%) have had the top percentage in households using clean fuel for cooking with huge improvement from the NFHS-4. There has been a remarkable improvement at the All-India level from **43.8%** in 2015-16 to **58.6%** in 2019-21.



Insights and Recommendations

- ❖ It is challenging to arrive at a singular definition of a deprived household or vulnerability, but we can assume that a household devoid of essential means of survival or not having the purchasing capacity to access life-saving or life-nurturing services can be called a deprived household.
- ❖ Economic factors like loss of job, informalisation of work that takes away worker benefits, low incomes and having no assets or wealth transcend into the social lives by restricting their mobility and trapping the households in a vicious circle of dearth and inequities.
- ❖ In terms of income inequality, the income concentration among the top-few skews the distribution of income among the earning population leading to inconsistency in the distribution of gains. The income disparity is more pronounced as the distance between the top-most and the bottom-most is only increasing.
- ❖ Concerning the health infrastructure, there has been considerable improvement in solidifying the primary health care system with the prime focus on rural integration with the peripheral health infrastructure. The concerted investment into this sector has also led to an increase in child and maternal healthcare (higher life expectancy rate and lower infant mortality rate).
- ❖ Likewise, education is another sector where investment has been brought to fruition (despite the marginal reduction in expenditure), with schools becoming more infrastructurally developed. Making schools infrastructurally sound, directly impacts high enrolment rates and low dropout rates. This influences the inequality discourse as accessible and affordable education leads upward mobility.

Insights and Recommendations

- ❖ It is recommended to establish airtight slabs that make class-based distinctions clear to trace movement within a class and in and out of the class. Additionally, this will help define the middle-class income share and target beneficiaries of social protection schemes that constitute the lower-middle-class, lower-class, and those below the poverty line.
- ❖ Raising minimum income and introducing universal basic income are some of the recommendations that can reduce the income gap and equal distribution of earnings in the labour market.
- ❖ Looking at the difference between the labour force participation rate in rural and urban areas, it is our understanding that the urban equivalent of schemes like MGNREGS that are demand-based and offer guaranteed employment should be introduced so that the surplus-labour is rehabilitated.
- ❖ Most importantly, the government must allocate more percentage of the expenditure towards social services and the social sector to make the most-vulnerable population resilient to sudden shocks and stop their descent into poverty.
- ❖ Equitable access to education and creation of more jobs with long-term growth are vital for triggering an upward mobility among the poor.
- ❖ The government should also encourage regular exercises like the Foundational Learning and Numeracy Index and Ease of living and Social Progress Index for the purpose of stock taking of the extent vulnerability among households and how to promote their overall well-being.

The Way Forward



- The information available on inequality, the kind that this report seeks to bring out, will be a public good as it will help formulate reform strategies, a roadmap for social progress and shared prosperity, and determine the nature of change required for the reduction of inequality and poverty and sustained growth of the country.
- The State of Inequality in India Report, thus brings the conversation to the public and encourages the governmental institutions to foster public deliberation on the matter. India has always been able to translate its challenges into unique opportunities
- Additionally, the emphasis on the interaction between social and economic aspects of inequality helps us holistically drive policy action through social protection frameworks. It raises pertinent issues related to ease of living, and sectoral outcomes, especially learning, as the importance of education in bringing structural shifts in patterns of inequality cannot be understated.
- This report should engage in conversations that develop methodological frameworks to assess the Ease of Living and Social Progress to ascertain if the overall well-being of the citizens of the country has been improved or not. Assessments of these kinds help establish what proportion of the population can live decently and what could be the role of all tiers of government to increase the quality of living.
- With continued and determined intervention in the field of reducing inequality, the future ahead is full of potential with equitable development and inclusive growth. There can never be one understanding of inequality, nor a single solution. Therefore, consistent and comprehensive efforts that intend to break the inequality trap through structural means should be the basis of all policies and reforms ahead.

Appendix I

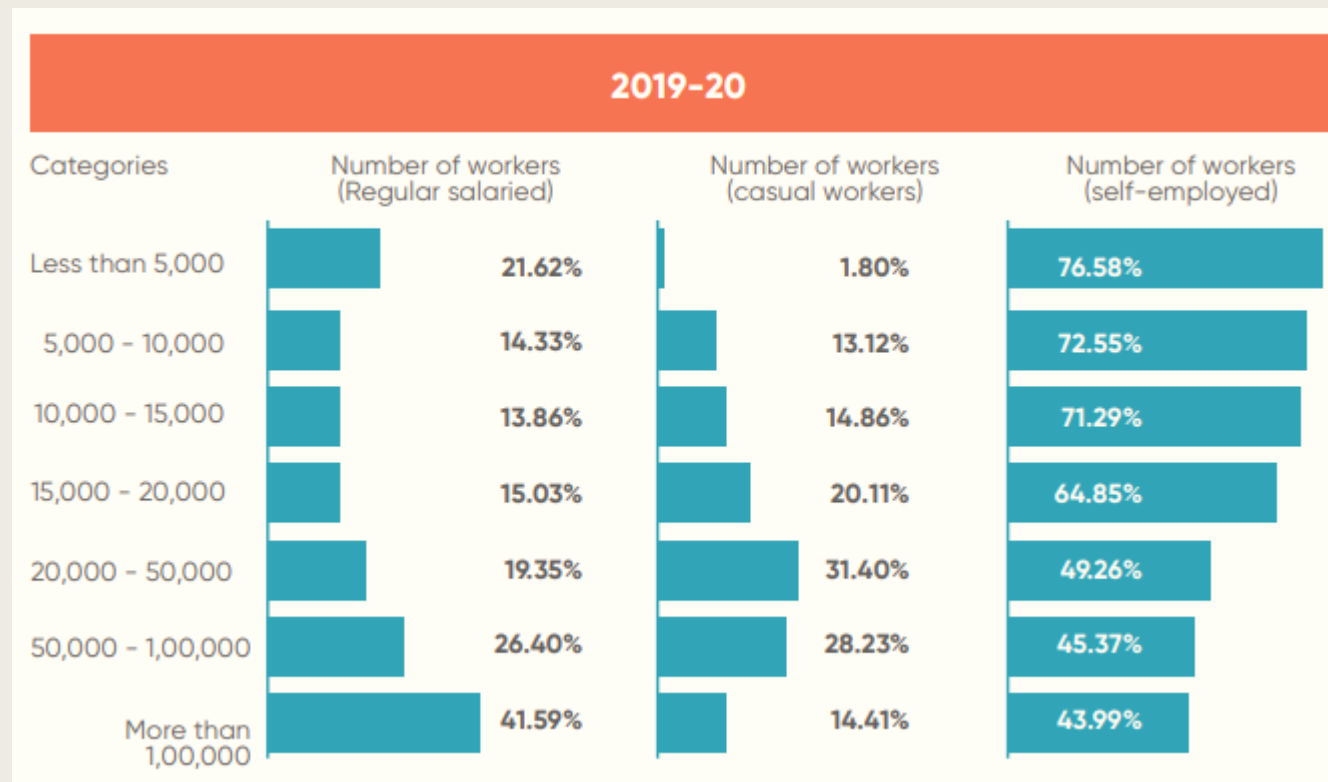
- ❖ International Organisations like the World Bank and IMF have given consistent attention to understanding the nature of inequality and measuring poverty globally. Since 1990, both organisations have closely watched the progress in poverty reduction in India.
- ❖ The World Bank and IMF have released working papers on understanding the rate of poverty reduction and deriving a new methodology for measuring poverty.
- ❖ World Bank's working paper, titled **'Poverty in India Has Declined over the Last Decade But Not As Much As Previously Thought'** by **Sutirtha Sinha Roy and Roy Van Der Weide**, focuses on the new household panel survey by the Consumer Pyramids Household Survey.
- ❖ They argue that poverty is 12.3 percentage points lower in 2019 than in 2011, but this rate of poverty reduction is much lower than the decline between 2004 and 2011.
- ❖ Further, rural areas witnessed more significant poverty reduction than urban areas but stalled by 2019. Meanwhile, urban poverty rose by 2 percentage points in 2016 due to an economic slowdown.
- ❖ Roy and Van der Weide highlight the importance of the need for a more robust and regular statistical exercise in India that can offer information on the rise and decline of poverty using official figures. The last expenditure survey by NSSO was released in 2011, giving an official poverty estimate.

- ❖ The IMF working paper ‘**Pandemic, Poverty and Inequality: Evidence from India**’ by **Surjit S Bhalla, Karan Bhasin and Arvind Virmani** claim that extreme poverty in India continues to be low (lower than 1%) in the pandemic years as it was in pre-pandemic years due to various social protection measures taken by the government.
- ❖ They argue for a case of fiscal interventions being included in the poverty estimates to highlight the impact of these schemes. Notably, they say that subsidies like food subsidies have had a striking impact on the level of poverty in India.
- ❖ It is observed that with the inclusion of food subsidies in the poverty calculation, extreme poverty has shown a declining trend (as low as 0.8% in 2020-21). The Gini Coefficient (a measure of real inequality) has reduced to a level near the lowest recorded – it was 0.292 in 2020-21, while the lowest was recorded in 1993-94 at 0.284.

Appendix II: India's Income Profile

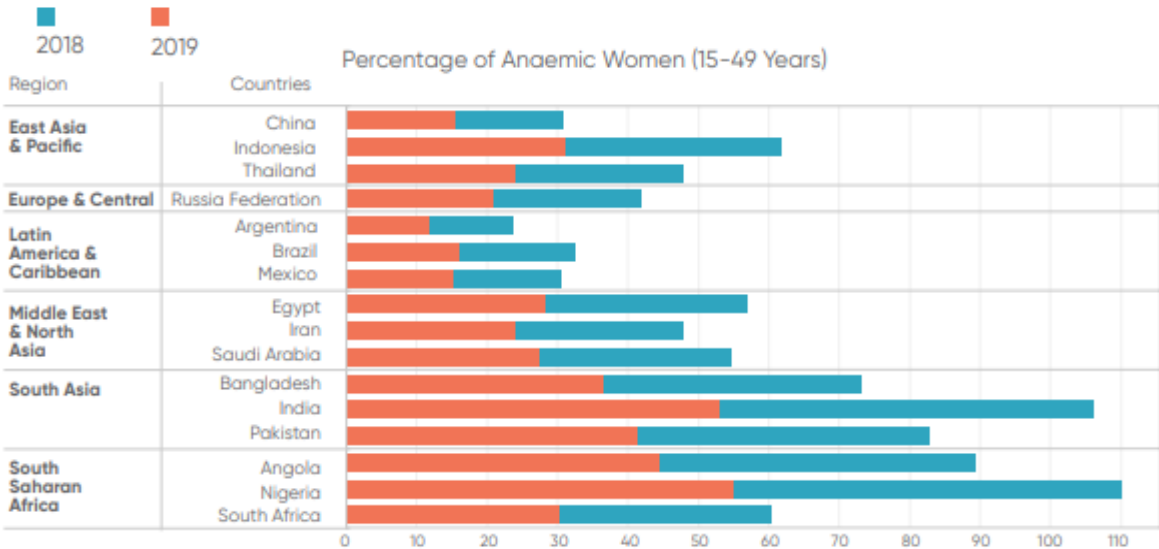
❖ The wage earners can be classified into regular salaried, self-employed and casual workers according to the nature of employment. In 2019-20, out of a sample of about 123988 workers, nearly 20.71% accounted for casual workers, 45.78% as self-employed and 33.50% as regular salaried.

- *In each income category, self-employed workers have the highest concentration.*
- *Additionally, self-employed workers have the highest share in the lowest income categories.*

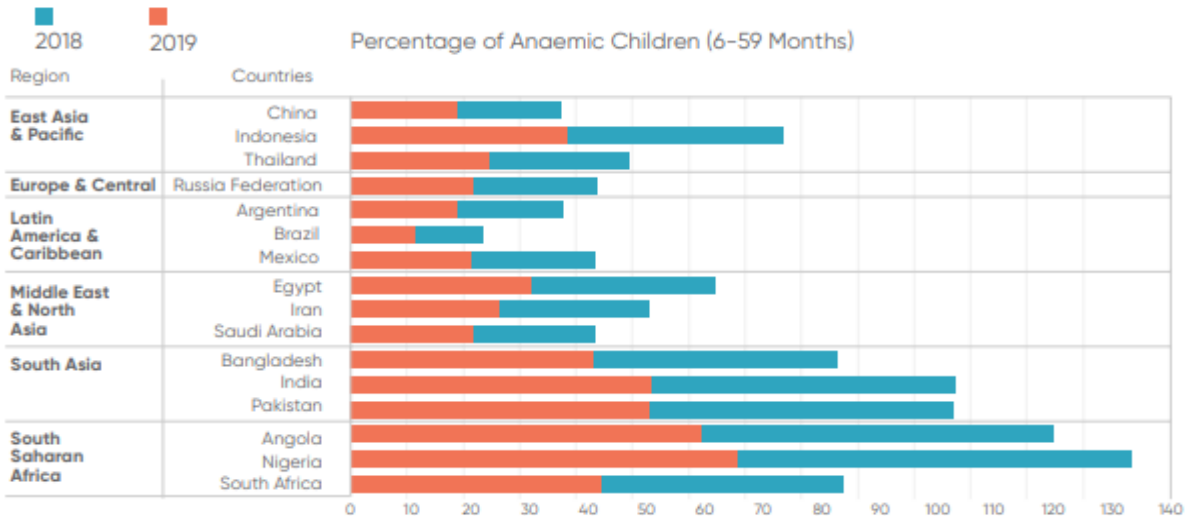


The table above shows the percentage share of types of workers in different (annual) income categories. (Source: PLFS 2019-20 and author's calculations)

Globally, among the developing countries and emerging markets (as defined by the IMF), **India has the highest anaemia prevalence in the South Asian region** (Pakistan, India and Bangladesh), with 53% among pregnant women and children under five years of age. India's average is above the global average of 39.8% among children between 6-59 months and 36.5% for pregnant women.



The graph shows the percentage of anaemic women in their fertile years (15-49 years) in developing countries (Source: WHO)



The graph shows the percentage of anaemic children between 6-59 months in developing countries (Source: WHO)

Appendix III: India's Fight against Anaemia

- In India, the percentage of anaemic children under 5 years of age (6-59 months) has increased from 58.6 % in 2015-16 to 67.1% in 2019-21. Gujarat reports more than the national figure, with 79.7% of children having anaemia, which increased from 62.6% in 2015-16.
- More percentage of pregnant (15-49 years) women have anaemia compared to 2015-16. It has increased from 50.4% to 52.2%. This increase has not been as steep as reported in other demographics but remains a cause of concern nonetheless.
- Bihar has the highest rate anaemia among pregnant women with 63.1% (registering an increase of 4.8% from NFHS-4), closely followed by Gujarat with 62.6% (an 11.3% increase).

The Institute for Competitiveness

U 24 / 8, DLF Phase 3
Gurgaon 122 002
Haryana, India



+91 124 437 6676



info@competitiveness.in



IFC

INSTITUTE *for*
COMPETITIVENESS