Income Inequality In India

Context

- Income inequality is at an all-time high and is growing unabated.
- Rising inequality and unemployment are creating ruptures in the fragile fabric of our society.

Background

- In the global level where 82% of the wealth generated last year worldwide went to the 1%, while 3.7 billion people that account for the poorest half of the population saw no increase in their wealth, the survey said. Also, Billionaire wealth has risen by an average of 13% a year since 2010 – six times faster than the wages of ordinary workers, which have risen by a yearly average of just 2%.
- India’s richest 1% acquired 73% of the total wealth created in the country in 2017, as per a new survey by international rights group Oxfam.
- 67 crore Indians, which comprises the population’s poorest half, saw their wealth hike by only 1% in 2017 according to the same report.
- In India, this is also more problematic due to the prevalence of caste system and regional imbalances.
- A study jointly conducted by a few Indian universities found that Only 22.3 per cent of the upper caste Hindus own 41 per cent of the country’s total wealth and form the richest group, whereas 7.8 per cent of Hindu Scheduled Tribes own the lowest share of the country’s assets at 3.7 per cent.
- The study also highlighted that five states — Maharashtra, Uttar Pradesh, Kerala, Tamil Nadu and Haryana — owned about 50 per cent of the country's total wealth.

Issues

- This goes against constitutional ideas of equality of status and opportunity and the equitable distribution of wealth.
- Regional imbalances will pose a serious threat to cooperative federalism.
- Government must promote inclusive growth by promoting measures like land reform, social security pensions, scholarships and skill training for the vulnerable communities.
- It must also explore introducing inheritance tax for the super-rich.
- Private sector investment is also a necessity and that has to be encouraged by improving business environment, discouraging tax-terrorism, and promoting pro-enterprise policies.
- According to Oxfam erosion of workers’ rights; excessive influence of big business over government policy-making; and the relentless corporate drive to minimise costs in order to maximise returns to shareholders are major causes of income inequality.

Way Forward

- Government has to ensure that its policies address these causes and ensure the creation of a free and fair market.
- Quality of public services like health and education is also a great leveller and government must also focus in this regard.
- The Central government and NITI Ayog should evolve policies to correct inequalities between states and bring out cooperative federalism in its true form.
- A comprehensive plan to promote inclusive growth is the only solution to address the income inequality problem in India.