



INDIA: MOVING TOWARDS EQUAL OPPORTUNITIES FOR ALL?



ऑक्सफैम इंडिया
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1. INTRODUCTION

In India . . . we must aim at equality. That does not mean and cannot mean that everybody is physically or intellectually or spiritually equal or can be made so. But it does mean equal opportunities for all, and no political, economic or social barriers. It means a realization of the fact that the backwardness or degradation of any group is not due to inherent failings in it, but principally to lack of opportunities and long suppression by other groups. Jawaharlal Nehru, The Discovery of India.

Decades of rapid and unequally shared growth are adding new dimensions to old disparities along gender, caste, religious and tribal lines. But this trend stayed at the margin of public debates until recently. Discussions about inequality seemed to evolve in fragmented territories: economists debated about the comparability of inequality measures; policymakers discussed the right balance between growth and inclusiveness; women, Dalit, Muslim and Tribal activists fought for their entitlements under the policies set up to compensate for a history of suppression. Several recent works of syntheses connect dots of evidence. They outline a coherent narrative around a wide spectrum of issues—estimates of income distribution, stark disparities in human development outcomes, policy choices and patterns of exclusion. These various dimensions build a solid ground to ask more pressingly: how does the trend impact on India's society and its system of governance? Is this what we aim at? Have we factored in the price of inequality?

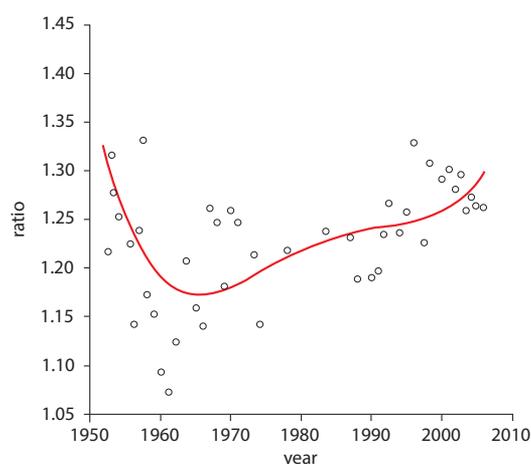
2. FRAMING THE INEQUALITY DEBATE

All countries in the world have inequalities of various kinds. India, however, has a unique cocktail of lethal divisions and disparities. Few countries have to contend with such extreme inequalities in so many dimensions, including large economic inequalities as well as major disparities of caste, class and gender. Jean Dreze, Amartya Sen, An Uncertain Glory.

2.1. The Richer and the Rest

Data uncertainties have traditionally clouded assessments of monetary inequalities. Conventional estimates based on consumption expenditure suggest that levels of inequality remained relatively low, despite being on the rise over the past two decades.¹ However, recent assessments based on income indicate that disparities could be on par with some of the world's most unequal countries, second among all BRICS countries (Brazil, Russia, India, China, South Africa), only to South Africa (Lanjouw, Murgai, 2011: 25).² In terms of trends, disparities between urban and rural areas have grown sharply in recent decades and reached levels close to those witnessed just after Independence.

Figure: Per capita consumption – ratio of urban mean to rural mean³



¹ Official measures of the GINI based on expenditure, due to the lack of reliable data on income, for example are a moderate 0.32, compared to 0.42 in China, 0.4 in Russia, 0.55 in Brazil, and 0.63 in South Africa, at: <http://data.worldbank.org/indicator/SI.POV.GINI>. In contrast, estimates of income GINI are at 0.53; P. Lanjouw, R. Murgai (2011) 'Perspectives on Poverty in India', Washington DC: World Bank, at: www.wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/05/05/000356161_20110505044659/Rendered/PDF/574280PUB0Pers1351B0Extop01D0186890.pdf (accessed September 2013).

² Ibid.

³ Ibid.

Income trends at the very top are a marker of how much India's richest people benefited during the recent decades of rapid growth. In the mid-1990s, India had two resident billionaires with a combined wealth of \$ US 3.2 billion; in 2012 this number increased to 46 with a combined wealth of US \$ 176 billion. Over the same period, the share of total wealth owned by India's billionaires rose from less than 1 per cent of GDP to 22 percent, when the stock market was at its peak in 2008, before settling at 10 per

cent in 2012.⁴ The identity of today's 46 richest Indians illustrate social disparities along caste, religion and gender lines: 28 are from traditional merchant classes; most others belong to upper caste communities—there is one woman, one Muslim and no Dalit or Adivasi among them.

Beyond this, estimates based on income tax files of the richest 0.01 per cent of the population suggest that income concentration at the top is increasing rapidly since the 1980s, after three decades of reduction following Independence. Between 1981 and 2000, the income of India's richest increased annually by 11.9 per cent.⁵ In contrast, the annual increase in real household expenditure for the entire population over the same period was 1.5 per cent.⁶ At the end of this period income concentration among the super rich was comparable to the early 1950s. With inequalities growing further over the past decade, concentration has reached levels that find a comparison only in the colonial era.

These numbers assume their full meaning when contrasted with how low the scale starts for a majority of Indians. India's newly revised poverty line, set at Rs 32 per day in urban areas and Rs 26 in rural areas, is widely dubbed "starvation line" for its failure to "ensure anything above the bare subsistence".⁷ The share of population under this cut off line declined from 45.3 per cent in 1993 to 21.9 per cent in 2012. However, if judged against the median developing country poverty line of US \$ 2 per day on purchasing power parity, more than 80 per cent of rural inhabitants and

⁴ Forbes, India's 100 richest people, available at: <http://www.forbes.com/india-billionaires/>.

⁵ A. Banerjee, T. Piketty (2004), 'Top Indian Income: 1922-2000', London: Centre for Economic Policy Research, at: <http://piketty.pse.ens.fr/files/BanerjeePiketty2004.pdf> (September 2013).

⁶ Ibid.

⁷ J. Dreze, A. Sen (2013), *An Uncertain Glory*, London: Allen Lane, p. 189.

just under 70 per cent of urban inhabitants would be categorized as poor.⁸ Frequent relapses into poverty by households located just above the poverty line complete this picture of vulnerability. Clearly, benefits have been fragile for a majority of the population.

To some extent, income inequalities follow traditional patterns of social discrimination along caste, gender, religion and tribes. In rural areas, poverty rates are 14 per cent higher among Adivasis than among non-scheduled groups and 9 per cent higher among Dalits; similarly, in urban areas, poverty rates among Dalits and Muslims exceed those of non-scheduled groups by 14 per cent.⁹ Trends in poverty reduction suggest that these inequalities are growing wider, with an average annual poverty reduction of 2.1 per cent among Adivasis and 2.4 per cent among Dalits, against 2.7 per cent for other groups in rural areas; in urban areas, the annual pace of poverty reduction was a meagre 1.8 per cent for Muslims, 2.1 per cent for Dalits and Adivasis, against 2.7 per cent for other groups.¹⁰ These disparities become critical when regional differences are taken into account. In Bihar for example, there are signs that Dalits are, as a group, falling behind others,¹¹ whereas Muslims are falling behind in Uttar Pradesh, Bihar, West Bengal and Assam.¹²

2.2. Missing Jobs, Low Wages and the Grip of Discrimination

Trends in wages also illustrate how in the past two decades different sections of the society have benefitted unequally. Average growth in real wages has been sluggish, and even turned to the negatives in the early 2000s.¹³ For example,

in the agricultural sector, growth in real wages has dropped “from 5 per cent per year in the 1980s to 2 per cent or so in the 1990s and virtually zero in the early 2000s”,¹⁴ before increasing again after the introduction of the National Rural Employment Guarantee Act in 2006, by 2.7 per cent for men and 3.7 per cent for women between 2005 and 2010.¹⁵ In contrast, the top 0.01 per cent wages increased by an annual average of 11 per cent in real terms between 1981 and 2000.¹⁶ The absence of a system of social security for the estimated 93 per cent of the workforce in the informal sector adds to the significance of these disparities.¹⁷ It forces poorer households to resort to informal coping mechanisms with high human costs when faced with accidents or joblessness.

Important wage disparities exist along gender and caste lines: in the private sector, the average wage among casual workers is 40 per cent lower for women than for men in urban areas and 30 per cent lower in rural areas;¹⁸ only a limited part of this gap appears linked to differences in capacities.¹⁹ If considering the entire salaried workforce—casual and regular—estimates based on data from 2004-5 found that the average wage for men was two and a half times higher than for women, on account of women’s concentration in low-paid jobs.²⁰ This could be one of the factors that explain the significant drop in women’s workforce participation—from 33 per cent in 1993 to 25 per cent in 2011—at a time when India witnessed unprecedented growth in GDP.²¹ Other

⁸ P. Lanjouw, R. Murgai (2011) ‘Perspectives on Poverty in India’, op. cit, pp. 3-4.

⁹ These group disaggregated figures date back to the 2009-2010 National Sample Survey though the calculation is in line with the Planning Commission’s new poverty line quoted above; Government of India (2012), ‘Press Note on Poverty Estimates 2012’, Delhi: Planning Commission, at: http://planningcommission.nic.in/news/press_pov1903.pdf [Accessed September 2013].

¹⁰ S. Thorat, A. Dubey (2012), ‘Has Growth Been Socially Inclusive during 1993-94 and 2009-10?’ *Economic & Political Weekly XLVII* (10), pp. 43-54.

¹¹ P. Lanjouw, R. Murgai (2011) ‘Perspectives on Poverty in India’, op. cit, p. 28.

¹² Government of India (2012), ‘Press Note on Poverty Estimates 2012’, op. cit.

¹³ A. Kundu, P.C. Mohanan (2010), ‘Employment and Inequality Outcomes in India’, Paris: Organization of Economic Cooperation and Development, p. 28, at: www.oecd.org/els/emp/42546020.pdf [accessed September 2013].

¹⁴ Stressed by authors; J. Dreze, A. Sen (2013), *An Uncertain Glory*, op. cit.

¹⁵ Ibid: 29

¹⁶ A. Banerjee, T. Piketty (2004), ‘Top Indian Income: 1922-2000’, London: Centre for Economic Policy Research, at: <http://piketty.pse.ens.fr/files/BanerjeePiketty2004.pdf> (September 2013).

¹⁷ A. Sengupta et al (2007), ‘Report on Conditions of Work and Promotion of Livelihoods in the Informal Sector’, Delhi: National Commission for Enterprises in the Informal Sector, Government of India, available at: www.prsindia.org/uploads/media/Unorganised%20Sector/bill150_20071123150_Condition_of_workers_sep_2007.pdf (accessed July 2013).

¹⁸ Calculation based on: Government of India (2013), ‘Key Indicators of Employment and Unemployment in India, Delhi: National Sample Survey Office, p. 102.

¹⁹ M. Bordia Das (2006), ‘Do Traditional Axes of Exclusion Affect Labour Market Outcomes in India?’ Washington DC: World Bank, at: <http://siteresources.worldbank.org/INTRANETSOCIALDEVELOPMENT/Resources/sdp97-web.pdf> (accessed September 2013).

²⁰ P. Das (2012), ‘Wage Inequality in India, Decomposition by Sector, Gender and Activity Status’, *Economic & Political Weekly*, Vol XLVII, No 50.

²¹ Government of India (2013), ‘Key Indicators of Employment and Unemployment in India, 2011-12’, Delhi: National Sample Survey Office, available at: <http://pib.nic.in/newsite/>

factors may include mindsets that are adverse to women's mobility;²² risks of harassment at the workplace,²³ the lack of basic amenities like toilets and crèches, and the difficulty to manage the double burden of household chores and employment.

Caste-based discriminations have traditionally confined Dalit workers to casual low-paid labour, in agriculture notably. The caste system is evolving with India's society, but its impact on employment opportunities is lasting, despite a slight shift since the 1980s, away from casual employment—from 44.6 per cent to 41.7 per cent—and into self-employment—from 11 per cent to 15.6 per cent.²⁴ Various studies suggest that caste acts as a glass wall preventing lower caste groups from accessing well-paid positions in the regular sector.²⁵ The profiling of workers in one ministry drives home the lasting impact of this dimension even where affirmative action aims to overcome discrimination: Dalit representation ranged between 13 per cent in higher level positions and 18 per cent in lower level positions; it was 59.4 per cent among sweepers.²⁶

Other excluded groups hardly fare better in terms of employment opportunities. Poor Muslims remain confined to self-employment—the share was as high as 45.5 per cent of them in urban areas and 24.5 per cent in rural areas in 2011–12.²⁷ They also have very limited access to financial assets: they do not own more land than Dalits and have limited access to credit. As a result, self-employment largely means low and irregular income—a situation that translates in the group's high and persisting levels of poverty.

erelease.aspx?relid=96641 (accessed September 2013).

²² The National Family Health Survey (NFHS) found that only one in three women were allowed to venture alone to places such as the market, the health center or outside the community; the percentage was less than 13 among girls from 15 to 19 years of age (IIPS 2007: 512–513).

²³ A survey of 400 women working in various formal and informal sectors finds that 17 percent of respondents had faced sexual harassment at work; Social and Rural Research Institute (2012), 'Sexual Harassment at Workplace in India', study supported by Oxfam India, Delhi: SRI.

²⁴ M. Bordia Das (2011), 'Poverty and Social Exclusion in India', op. cit., p. 18.

²⁵ Ibid; S. Thorat, K. Newman (2010), *Blocked by Caste: Economic Discrimination in Modern India*, Delhi: Oxford University Press, and literature cited there.

²⁶ Ibid, p. 20.

²⁷ Government of India (2013), 'Key Indicators of Employment and Unemployment in India, 2011–12', Delhi: National Sample Survey Office, available at: <http://pib.nic.in/newsite/erelease.aspx?relid=96641> (accessed July 2013).

Dynamics of exclusion have historically played out differently for the Adivasis, but today they are concentrated in low-paid casual work in agriculture, on construction sites and in brick factories.

The trends above have to be read in light of a widely noted feature of India's development trajectory—'the zero job growth'.²⁸ As traditional livelihoods are being eroded, notably in rural areas where agriculture does not provide a living for all, emerging sectors fail to generate enough employment to compensate for the erosion or simply match the number of young people who arrive on the job market every year. This scarcity further emphasizes the disadvantages resulting from discriminatory social norms. Even where traditionally excluded groups are gaining capabilities by studying more, the competition with more established groups often prevents them from translating their greater human capital into economic opportunities.

2.3. Education: Equality's Fledgling Ground

Education is among the biggest watersheds in India's landscape of inequalities. As it stands, it presents a fledgling ground for more equity, amidst a scenario that is one of the most unequal worldwide.

Efforts towards universal education were channeled through the Sarva Shiksha Abhiyan (the education for all movement) and more recently through the Right to Compulsory and Free Education Act in 2010. Progresses are worth stressing: the near universal enrolment of children contrasts sharply with the 30 per cent of men and 60 per cent of women aged 40–59 who never enrolled.²⁹ The number of schools with two rooms nearly doubled between 1996 and 2006, and drinking water facilities or toilets increased significantly.

There are signs that certain groups are starting to overcome their historic disadvantage: Dalit boys in particular are studying more (see table below). However, deep inequalities in children's

²⁸ International Labour Organisation (2013), 'Global Employment Trends 2012: Recovering from a Second Jobs Dip', Geneva: ILO, p. 79, available at: www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf (accessed June 2013).

²⁹ S. B. Desai, A. Dubey, B. L. Joshi, M. Sen, A. Shariff, R. Vanneman (2010), *Human Development in India: Challenges for a Society in Transition*, Delhi: Oxford University Press.



A creche for children of migrant workers at a construction site

access to quality education persist. Girls across all groups appear to be left behind in secondary school attendance. In rural areas, the number of girls who never attended schools was a high 35.8 per cent among Muslims falling in the other backward class category in 2007-8; it was 29.3 among Adivasis and 24.7 among Dalits against 8 per cent for girls and 4 per cent for boys in other groups.³⁰ Boys and to a lesser extent girls in urban areas fare better but disparities between groups also affect them.

The actual time spent learning is much lower. Various surveys across the country suggest that teaching activities are less than half of what they would be if all teachers in all schools were present and actively teaching.³¹ According to Dreze and Sen, the time that is spent learning when cumulating poor attendance of children and teacher is no more than “one-fourth of what would happen in a well-functioning schooling system”.³²

³⁰ Government of India (2008), ‘National Sample Survey 64th Round, 2007-2008’, Delhi: National Sample Survey Organization.

³¹ PROBE Team (1999), Public Report on Basic Education, New Delhi: Oxford University Press; M. Kremer, k. Muralidharan, N. Chaudhury, J. Hammer, F.H. Rogers (2005), ‘Teacher Absence in India: A Snapshot’, *Journal of Economic Literature*, 49.

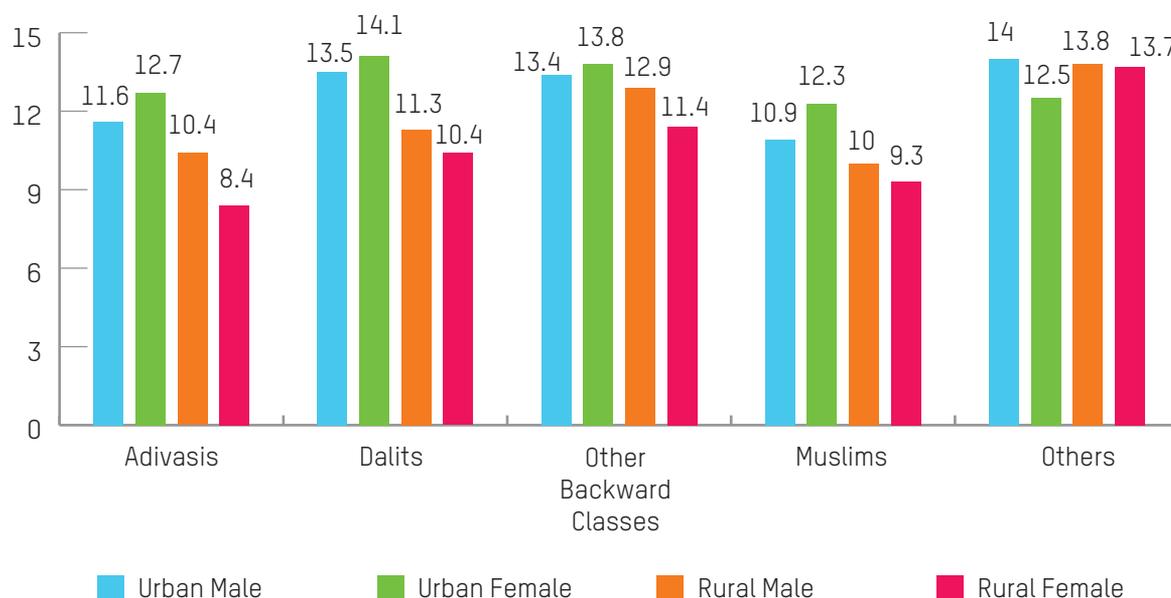
³² J. Dreze, A. Sen (2013), *An Uncertain Glory*, op. cit., p. 120.

Learning outcomes reflect these challenges: they are among the most unequal in the world and are very poor on average. Across regions, the ability to read simple texts among government school pupils aged eight to 11 varied from a low 26 per cent in Jammu and Kashmir followed by Uttar Pradesh at 29 per cent and Bihar at 40 per cent, to a high of 81 per cent in Himachal Pradesh, followed by 80 per cent in Kerala and 78 per cent in Tamil Nadu. Furthermore, one striking feature of this survey is the overall low level across the country.³³ The ‘PISA 2009+’ survey conducted in 75 countries, including middle and high-income countries as well as two of India’s best performing states—Himachal Pradesh and Tamil Nadu—indicates that education outcomes in the two states were comparable only to Kyrgyzstan and lower than all other countries surveyed.³⁴

³³ S. B. Desai, A. Dubey, B. L. Joshi, M. Sen, A. Shariff, R. Vanneman (2010), *Human Development in India: Challenges for a Society in Transition*, op. cit., p. 94.

³⁴ M. Walker (2011), ‘Pisa 2009 Plus Results’, Camberwell, Victoria: Australian Council for Educational Research, at: www.research.acer.edu.au/cgi/viewcontent.cgi?article=1000&context=pisa.pdf (accessed September 2013).

Figure: Percentage of population aged 5 to 29 that attended secondary school (2007-8)



For an increasing number of parents, the response to such dismal outcomes has been to shift to private schools. According to a survey by the Annual Status of Education Centre, the number of children enrolled in private schools has increased dramatically in the past decade to reach 28.3 per cent today and could pass the threshold of 50 per cent in 2018 if the trend continues.³⁶ The shift to private schools affects some children more than others: in 2006, a study across seven major states of northern India found that the percentage of boys who go to private schools, at 24 per cent, was six points higher than those among girls; only 7 per cent of Adivasis and 9 per cent of Dalits were registered in a private school against 33 per cent for general castes.³⁷

The above trends point at the risks for children from poorer, less educated households to be left behind in neglected government schools. The Right to Education Act, which relies among other means on parents' involvement to hold

the system accountable for delivering quality education, could be undermined if efforts to improve education prospects increasingly became a matter of leaving a dysfunctional government system. The concentration of groups like Dalits and Adivasis in the public school system, whose voice has traditionally been curtailed by dynamics of discrimination, is another matter of concern in that regard.

On the other hand, the quality of private schools, while somewhat better on average, varies tremendously:³⁸ there are outstanding institutions and there are obscure enterprises that sell services of dubious quality, notably in rural areas where the offer is scarce and parents with low levels of education have limited scope to assess the quality of the education provided to their children.

Kerala, which has the highest percentage of children enrolled in private schools with some of the best learning outcomes in the country, paradoxically illustrates the importance of a solid foundation of government education. Privatization was preceded by the creation of

³⁵ Ibid.

³⁶ Annual Status of Education Centre (2013), 'Annual Status of Education Report 2012', Delhi: Pratham, p.4, at: www.pratham.org/file/ASER-2012report.pdf (accessed September 2013).

³⁷ This was in 2006; today the figures would be higher, but the differences between social groups are unlikely to be affected; E. Hill, M. Samson, S. Dasgupta (2011), 'Expanding the School Market in India: Parental Choice and the Reproduction of Social Inequality', *Economic & Political Weekly*, Vol XLVI, No. 35.

³⁸ W. Wadhwa (2008), 'Private Schools: Do they Provide Higher Quality Education', Delhi: Annual Status of Education Report, available at: <http://images2.asercentre.org/Resources/Articles/art06-ww-private-schools.pdf> (accessed September 2013).

a quality government school system.³⁹ As a consequence, Kerala is one of the few states where the difference in learning outcomes between government and private schools disappears if controlling for other significant variables like parents' education and income.⁴⁰ Without a strong public education system, the risk exists that timid progress towards greater equity of opportunities will be undermined, as richer and more educated parents afford quality schools for their children, the relatively less fortunate have to make do with mediocre private schools, and the poorest are left to bear with a fledgling government system.

2.4. When the Tightrope has no Net: Walking through Health Hazards

At 1 per cent of GDP, India's public spending on health is one of the lowest worldwide.⁴¹ Private funds complete the country's total expenditure on health, at 4.5 per cent of GDP. Direct payments during treatment constitute more than 70 per cent of expenditure.⁴² India's government

³⁹ For this argument, see: J. Dreze, A. Sen (2013), *An Uncertain Glory*, op. cit., p.

⁴⁰ Ibid.

⁴¹ World Bank data: public health expenditure, <http://data.worldbank.org/indicator/SH.XPD.PUBL/countries>, (accessed October 2012).

⁴² Ibid.

health system showcases the symptoms of its neglect: infrastructure is decaying; shortage of staff is severe; drugs are rarely available. Poorly regulated private providers have spread in the vacuum, and today account for 82 per cent of patient care. The quality of services varies tremendously: a few outstanding institutions contrast with a large number of inadequate offers;⁴³ the plethora of offers in urban centres contrasts with the scarcity in rural areas: with 0.2 hospital beds per 1,000 people, against 2.5 recommended by the WHO, physical access to hospitals and doctors has become an obstacle in rural India.⁴⁴

India's poor health indicators are a consequence of this situation. Life expectancy, at 65 years, is the lowest in South Asia and comparable only to Pakistan. The difference between the richest and the poorest 20 per cent is 11 years. The gap increases further if adding group-specific vulnerabilities: on average Adivasi people who fall

⁴³ In rural Rajasthan, about 40 percent of private providers did not have a medical degree, and almost 20 percent had not completed secondary school education. A. Banerjee, A. Deaton, E. Duflo (2003), "Healthcare delivery in rural Rajasthan", *Economic & Political Weekly* (39): pp. 944-49.

⁴⁴ K. Yadav, P. Jarhyan, V. Gupta, C. S. Pandav (2009), "Revitalizing Rural Healthcare Delivery: Can Rural Health Practitioners be the Answer?" *Indian Journal of Community Medicine* 34(1), pp. 3-5.

A private hospital, Delhi ▼





A government district hospital, Bihar

under the poverty line live 16 years less than the country's richest 20 per cent, and this figure, at 57 years, has decreased marginally over the past 20 years.⁴⁵

Other indicators show similar disparities. For example, the average under-five mortality rates at 61 per 1000 births are higher than in other South Asian countries; they further increase to 88 among Dalits and 96 among Adivasis.⁴⁶ The health crisis in remote regions shows starkly in poor health indicators among the Adivasis. However, the poorest 20 per cent of India's urban population fares hardly better, with under-five mortality rates at 92 per 1000 children. This shows that a quality network of private providers can hardly be the solution for the poorest without addressing issues of access.

The reliance on private expenditure adds one important dimension to those mentioned so far: the unequal vulnerability to risk. The percentage of India's population that falls below the poverty line because of health expenditure has been increasing steadily in recent years. The latest

estimate, which dates back to 2005, is at 6.2 per cent per year.⁴⁷ More than 40 per cent of the population has to borrow or sell assets for treatment, according to the 2004 National Sample Survey. With no solid government system, people are left with little else than their individual assets when faced with hazards of life: those who have savings and network walk the tightrope; others are left without a net.

2.5. To Have or Not a Toilet around the Corner

This discussion would not be complete without getting down to the basics. According to the latest census, one in two Indians had to practice open defecation—a figure that is one of the highest worldwide.⁴⁸ Here again, disaggregated figures shows the lasting impact of dynamics of exclusion: in urban areas, where progresses in sanitation over the past decade have brought down the share of people without access to a toilet from 30.6 per cent in 1993 to 11.3 in 2009, some groups are left behind:⁴⁹ more than

⁴⁵ S.K. Mohanty, S. Ram (2010), "Life Expectancy at Birth Among Social and Economic Groups in India", Mumbai: International Institute for Population Science, <http://www.iipsindia.org/pdf/RB-13%20file%20for%20uploading.pdf> (accessed October 2012).

⁴⁶ International Institute of Population Sciences (2007), "Key Findings, National Family Health Survey-3, 2005-06", Mumbai: IIPS, p. 181, at: www.measuredhs.com/pubs/pdf/SR128/SR128.pdf (accessed June 2013).

⁴⁷ P. Berman, R. Ahuja, L. Bhandari (2010), "The Impoverishing Effect of Healthcare Payments in India: New Evidence and Methodology", *Economic & Political Weekly* (XLV:16), pp. 65-71.

⁴⁸ J. Dreze, A. Sen (2013), *An Uncertain Glory*, op. cit., p. 279.

⁴⁹ D. Mahadevia (2013), 'Urban Poverty in India and Post-2015 Framework', Delhi: Oxfam India, pp. 8-9, at: www.oxfamindia.org/sites/default/files/Working%20paper%202017.pdf (accessed September 2013).

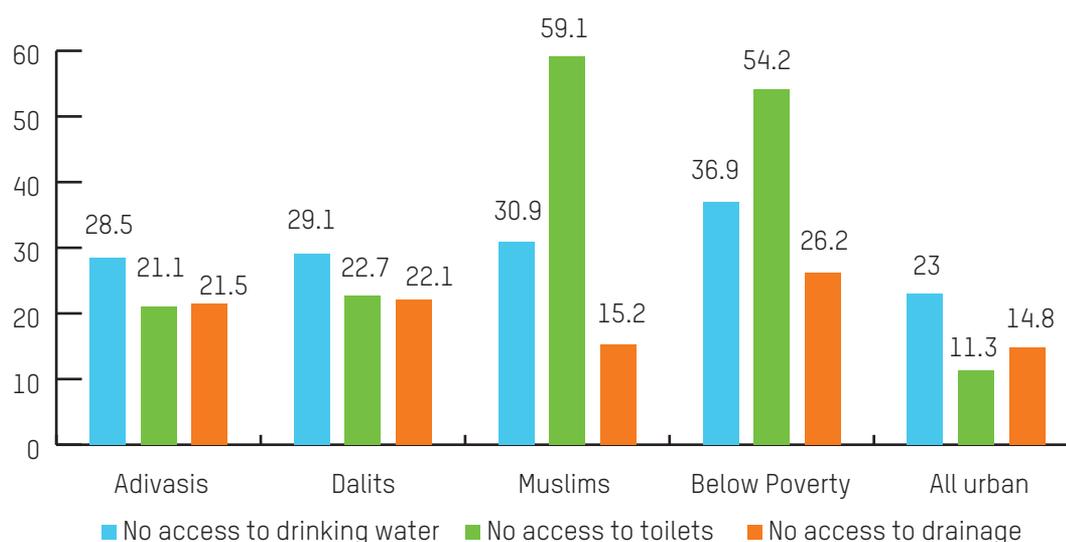
59 per cent of Muslim households continue to have no access to a toilet at home or in their surrounding; other below poverty line households fare only slightly better, with 54 per cent—a share that contrasts sharply with the average population at 11 per cent (see graph: access to basic sanitation services). While disparities are slightly less striking, a significant number of poor people from excluded groups continue to have no access to other basic sanitation aspects such as safe drinking water and connection to covered drainage. Such disparities disproportionately affect women, who are traditionally responsible for fetching water, and who face greater risks and humiliation without a toilet of their own.

2.6. About Networks and Chances

The complex and evolving dynamics that underlie disparities along gender, caste and religious lines call for a more nuanced discussion than can be developed here. However, one dimension is worth stressing before concluding these framing sections: the power of social networks.

When jobs are very few and mostly informal, healthcare not guaranteed, and places in good schools terribly scarce, networks are powerful vectors of opportunity. The importance of Dalit networks for example in supporting individual members of the community to cope with hazards of life is well established,⁵² as is their role in defining economic opportunities among self-

Figure: Access to Basic Sanitation Services



Dreze and Sen have forcefully argued that inequality takes a different meaning when the most basic needs of those at the lower end of the scale are not met.⁵¹ They further note that public debates in India have often lost sight of the cruder reality of the bottom 30–50 per cent by focusing instead on the relative deprivation of the middle class. This question is raised by the above disparities: at the end of two decades that have seen annual levels of growth in GDP averaging more than 8 per cent in major cities, why have basic infrastructures that have such fundamental importance for health, security and wellbeing of the poor been so neglected? Why are policy debates on these issues so few?

⁵⁰ Ibid.

⁵¹ J. Dreze, A. Sen (2013), *An Uncertain Glory*, op. cit., p. 279.

employed Muslims.⁵³ Across groups, evidence exists of the link between social networks and the ability to access loans, or quality healthcare and schooling.⁵⁴

Their role as vectors of discrimination is no less important. The Indian Human Development Survey confirms that Adivasis, Muslims, Dalits, and women across all groups have very few contacts within the government, education and health systems compared to other groups.⁵⁵

⁵² M. Bordia Das (2011), 'Poverty and Social Exclusion in India', op. cit., p. 21, and literature cited there.

⁵³ T. Fazal, 'Muslims of India: Vulnerabilities and Needs', Oxfam India Working Paper (publication forthcoming).

⁵⁴ S. B. Desai, A. Dubey, B. L. Joshi, M. Sen, A. Shariff, R. Vanneman (2010), *Human Development in India: Challenges for a Society in Transition*, op. cit., p. 178.

⁵⁵ Ibid.

Adivasis are particularly vulnerable in that regard: two out of three had no contact at all in any of the positions above; this compares with less than one out of three among upper caste people. At the village level, the importance of caste networks in channeling service delivery is a noted feature of local politics.⁵⁶

Numerous studies point at the importance of caste networks in the private sector—starting from prospects of recruitment and wages,⁵⁷ ownership of companies,⁵⁸ or representation in corporate boards.⁵⁹ Liberal professions are no exception in this regard. A recent survey of various liberal professions in Allahabad shows the dominance of upper caste groups: two upper caste groups represent an overwhelming majority—75 per cent of average and up to 100 per cent in some sectors in positions of leadership at the press club, the bar association, trade and teacher unions, publishers, NGO workers and faculty.⁶⁰ This figure compares with 20 per cent representation of these groups in the city's population as a whole.

2.7. Rents and Redistribution

The cohabitation of persisting poverty and of highly concentrated wealth is a complex problem that cannot be wished away with simple solutions. However, experience from countries like Brazil show that inequalities can be reduced by ambitious investments in basic services and conditional cash transfers. Examples such as Kerala show how a quality education system can help reduce inequality of learning outcomes. At an all-India level, the government's flagship National Rural Employment Guarantee Act has helped redress depressed wages of unskilled rural workers—notably for women who are at the very bottom of a strongly unequal scale.

However, these measures require resources, and India's share of public spending on social

services is among the lowest worldwide. The situation may be most dramatic in the health sector, at 1 per cent of GDP against the 6 per cent recommendation of the World Health Organisation,⁶¹ but the 3.5 per cent of GDP for education also is much below the recommended threshold.⁶² Some other major policies are similarly underfunded—the 2006 Protection of Women from Domestic Violence 2006 for example has been implemented with virtually no funds from the central government.⁶³ Furthermore, without financial means, measures as fundamental as social security for the majority of informal workers will remain unconceivable. There are of course other challenges such as bottlenecks for disbursement and issues related to accountability. Nevertheless, stable and adequate funding would certainly play an important role in overcoming these systemic issues.

Can India afford it, only five years after the country passed the threshold of US \$ 1005 per capita gross national income that according to the World Bank distinguishes middle income countries from poorer ones?

India's total tax to GDP ratio, at 15.5, is among the lowest of all G20 countries just above Mexico and Indonesia, and far below other BRICS countries. India also stands out for its small share of direct taxes on income and wealth, at 37.7 per cent against an average of 53.7 per cent for the OECD.⁶⁴ Instead the country relies on indirect taxes, which apply to goods and services, allowing only a rough distinction between poorer and richer clients based on product types. Income taxes as a share of GDP have been stagnant for the past two decades: the share of population subjected to income taxes in India

⁵⁶ S. Corbrige, G. Williams, M. Srinastava, R. Veron (2005), 'Seeing the State: Governance and Governmentality', Cambridge University Press.

⁵⁷ See section above: 'Missing Jobs, Low Wages and the Grip of Discrimination'.

⁵⁸ S. Thorat, K. Newman (2010), *Blocked by Caste: Economic Discrimination in Modern India*, op. cit., pp. 311–327.

⁵⁹ D. Ajit, H. Donker, R. Saxena (2012), 'Corporate Boards in India: Blocked by Caste?' *Economic & Political Weekly*, Vol XLVII, No 31.

⁶⁰ A. Agarwal, J. P. Dreze, A. Gupta (2013), 'Notes on the Caste Composition of Public Institutions in Allahabad', Department of Economics Allahabad University.

⁶¹ D.B. Evans, R. Elovainio, G. Humphreys (2010), 'Health System Financing, The Path to Universal Coverage', Geneva: World Health Organisation, p. xv, <http://www.who.int/whr/2010/en/index.html>, [accessed October 2012].

⁶² Available at: <http://data.worldbank.org/indicator/SE.XP0.T.GD.ZS> [accessed September 2013].

⁶³ Lawyers Collective (2012), 'Staying Alive, 5th Monitoring & Evaluation on the Protection of Women from Domestic Violence Act', Delhi: Lawyers Collective and International Centre for Research on Women, at: www.lawyerscollective.org/files/Staying%20Alive%205th%20M&E.pdf [accessed November 2012].

⁶⁴ P. Prakash (2013), 'Property Taxes Across G20 Countries: Can India Get it Right?', Delhi: Oxfam India, Centre for Budget Governance and Accountability, p. 4, at: www.oxfamindia.org/sites/default/files/Working%20paper%2015.pdf [accessed September 2013].

has remained at 2-3 per cent between 1986 and 2008; in China it rose from 0.1 per cent to 20 per cent over the same period.⁶⁵ Similarly, the share of income tax to GDP remained at around 0.5 per cent in India, while it rose from 0.1 per cent to 2.5 per cent in China.⁶⁶ It may be argued that with nearly 93 per cent of the population in the informal sector and a majority of people that continue to live not far above the poverty line, taxing income is a greater challenge in India. However, even if focusing on the super rich, India's maximum tax rate imposed on the highest incomes dropped from 60 in 1979, to 50 in 1990, and was further reduced to 33 in 2002. Today, India firmly stands among the countries with lowest marginal tax rates in the world—with just a few places like Honk Kong, Russia, Bolivia and Brazil below that.

The situation is not much different for wealth. The tax on inheritance was abolished in 1985; the tax on wealth is so low that its revenue as percentage of GDP cannot be estimated.⁶⁷ The tax on property, at 0.4 per cent of GDP, is also one of the lowest across all G20 countries, higher only to Indonesia and Mexico.⁶⁸

These trends in taxation policies take their full meaning in light of the imbalance between return on wealth and return on labour. The imbalance is crude in India, where wages are depressed by a job offer that does not match the demand for employment of a mass of poorly trained labourers with no social security to fall back on. To take just one example, investors promise between 12 and 15 per cent annual return on a long-term investment in property in some of India's rapidly developing cities. This contrasts with stagnant real wages of casual workers in urban areas. Why do India's richest people contribute so little when income concentration at the top has reached levels unseen since Independence, and when the government is in dire need of funds to finance fundamental public reforms? The trend raises questions about the power of the richest to influence political processes and policies in a

way that suits their interest.

Stark debates around the government's announcement that it considers introducing an inheritance tax illustrate these plays of power. Debates about India's subsidies do too. The Food Security Bill, which provides subsidized food to poor households, is a case in point. The cost of the policy, at 1 per cent of GDP is not negligible, and the law has been fiercely criticized for the burden it would impose on public finances. In contrast, the government has so far renounced reducing fuel subsidies that represent 1.9 per cent of GDP on account of widespread resistances.⁶⁹ Studies suggest that benefits of the fuel subsidy could be up to seven times more for the 10 per cent richest households than for the 10 per cent poorest.⁷⁰

⁶⁵ T. Piketty, N. Qian (2009), 'Income Inequality and Progressive Income Taxation in China and India, 1986-2015', *American Economic Journal* 1:2, p. 54, at: www.econ.yale.edu/~nq3/NANCYS_Yale_Website/resources/papers/PikettyQianAEJ.pdf [accessed September 2013].

⁶⁶ *Ibid.*

⁶⁷ P. Prakash (2013), 'Property Taxes Across G20 Countries: Can India Get it Right?', *op. cit.*, p. 9.

⁶⁸ *Ibid.*, p. 8.

⁶⁹ R. Anand, D. Coady, A. Mohommad, V. Thakkor, J. P. Walsh (I), 'The Fiscal and Welfare Impacts of Reforming Fuel Subsidies in India', Washington DC: International Monetary Fund, p. 10, at: www.imf.org/external/pubs/ft/wp/2013/wp13128.pdf [accessed September 2013].

⁷⁰ *Ibid.*; also see: R. Lahoti, J.Y. Suchitra, P. Gautam (2012), 'Subsidies for Whom: The Case of LPG in India', *Economic & Political Weekly*, Vol. XLVII, No. 44.

3. HAVE WE FACTORED-IN THE PRICE?

This ... is about why our economic system is failing for most (of us), why inequality is growing to the extent it is, and what the consequences are. The underlying thesis is that we are paying a high price for our inequality—an economic system that is less stable and less efficient, with less growth, and a democracy that has been put into peril. Joseph E. Stiglitz, The Price of Inequality.

Until recently, letting some move ahead of others may have seemed a requirement to generate the growth required to lift the majority out of poverty. Today, evidence from India and from other countries provides a ground to ask afresh where to set the balance of growth and inclusiveness. To conclude this discussion, we may ask whether the sentence from Joseph Stiglitz's book about the United States speaks to the situation in India. The questions below will help factor in the price of inequality for India.

Is it effective? Evidence across the world shows the high price of inequality for the wellbeing of not just those at the bottom, but for all. A highly unequal health system reduces health outcomes of the entire population. Dismal education opportunities among a large section of the population harm the economy as a whole. Deplorable sanitation in slums and rural areas cause dangerous pollutions, not just for those directly affected.

Is it safe? Studies across the world suggest that one of the costs of inequality could be rise in crime. In India, the relation has not been studied systematically and the lack of reliable crime data calls for prudence. However, recent trends in violence suggest that the correlation maybe worth probing. What if, for example, there was a link between rising inequalities and recent series of sexual crimes that have spurred emotions across the country? Beyond this, how will the rise of inequality affect the fragile unity between communities whose history is marked by violent clashes? Will income inequalities that have grown along differences of caste and religion spur communal violence? Predictions may not be prudent, but examples from other countries suggest that the risk needs to be factored in much more seriously than it is currently.

Is it compatible with democracy? Monetary inequality has reached levels never seen since Independence. India's democracy is formally strong, but imbalances in power and voices have since the beginning challenged its depth. Mandated political representation for discriminated groups and better education have resulted in tremendous progress, but have not overcome traditional disparities of power and influence. The focus of public debates on issues that affect the relatively richer suggest that rising inequalities could unduly tilt the balance of public attention towards the richer. The series of scandals linking big money with political power is another sign that increasing concentration of wealth could have a price for the country's democratic institutions.

Does it allow equal opportunities for all? The discussion above highlights how monetary inequalities have grown dramatically along existing lines of social divide: the richest have gained tremendously, while average income has lagged, undermined by a scarcity of productive jobs and low wages; groups such as Dalits, Adivasis, Muslims and women have fared much worse on average. These economic trends interact with non-monetary dimensions, such as the divide between those who can afford services of private health and education providers and those who rely on a neglected government system. Furthermore there are signs that recent trends could undermine fledgling efforts towards greater equity, in education notably. These different dimensions combine to create a society that is very distant from the idea of equal opportunity stated along the values of justice, liberty and fraternity in the Preamble of the Constitution, and mentioned again as one of the Directive Principles of State Policy. In light of this we may ask again: is it what we aim at? Have we factored in the price?

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