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GIST OF IMPORTANT REPORT

THE STATE OF INEQUALITY IN INDIA REPORT

BY: ECONOMIC ADVISORY COUNCIL TO THE PRIME MINISTER (EAC-PM)

For Civil Services Examination

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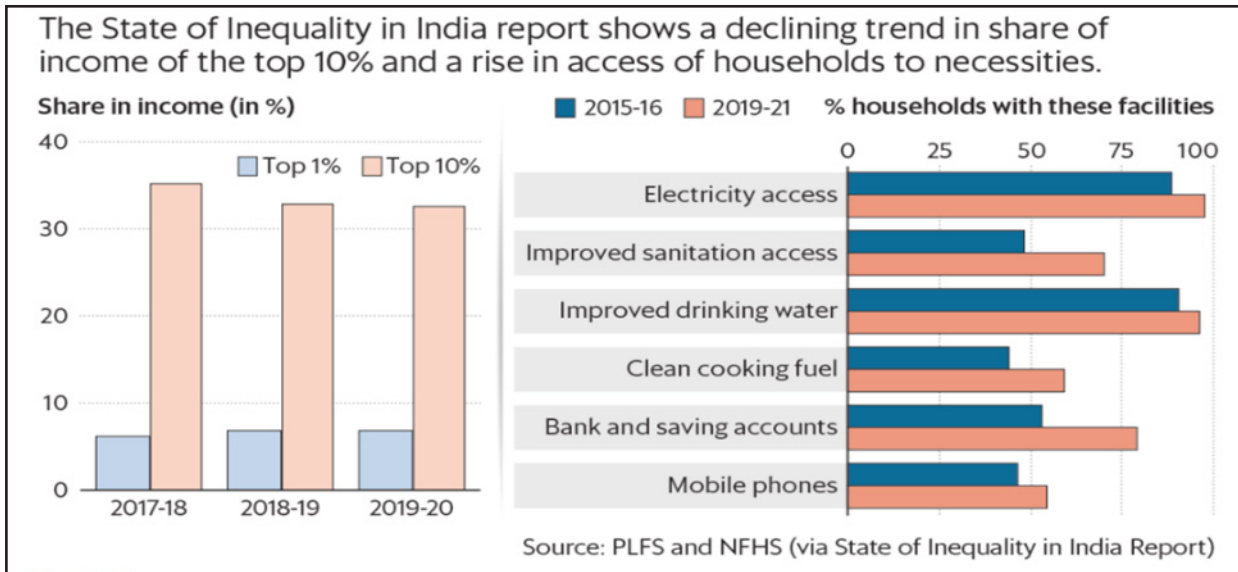
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THE STATE OF INEQUALITY IN INDIA REPORT

- **About:** The State of Inequality in India Report was released today by Dr Bibek Debroy, Chairman, Economic Advisory Council to the Prime Minister (EAC-PM).
- **IFC:** The report has been written by the Institute for Competitiveness and presents a holistic analysis of the depth and nature of inequality in India.
- **Aim:** The report compiles information on inequities across sectors of health, education, household characteristics and the labour market. As the report presents, inequities in these sectors make the population more vulnerable and triggers a descent into multidimensional poverty.
- **Key areas:** The report consists of two parts – Economic Facets and Socio-Economic Manifestations.
 - ▶ The report looks at five key areas that influence the nature and experience of inequality.
 - ▶ These are income distribution and labour market dynamics, health, education and household characteristics.
 - ▶ Each chapter is dedicated to explaining the current state of affairs, areas of concern, successes and failures in terms of infrastructural capacity and finally, the effect on inequality.
 - ▶ The data is derived from various rounds of the Periodic Labour Force Survey (PLFS), National Family and Health Survey (NFHS) and UDISE+.
 - ▶ The report stretches the narrative on inequality by presenting a comprehensive analysis that shapes the ecosystem of various deprivation in the country, which directly impacts the well-being of the population and overall growth.
 - ▶ It is a study that cuts across the intersections of class, gender, and region and highlights how inequality affects the society.



Key Highlights of the Report:

■ Wealth Concentration

- ▶ The report emphasises that wealth concentration as a measure of inequality does not reveal the changes in the purchasing capacity of households.
- ▶ The share of the top 1% accounts for 6-7% of the total incomes earned, while the top 10% accounts for one-third of all incomes earned.
- ▶ A 44.4% wealth concentration in the highest quintile in urban areas is contrasted with a meagre 7.1% concentration in that in rural India.

■ Unemployment status

- ▶ In 2019-20, among different employment categories, the highest percentage was of self-employed workers (45.78%), followed by regular salaried workers (33.5%) and casual workers (20.71%).
- ▶ The share of self-employed workers also happens to be the highest in the lowest income categories.
- ▶ The country's unemployment rate is 4.8% (2019-20), and the worker population ratio is 46.8%.

■ Health infrastructure

- ▶ In the area of health infrastructure, there has been a considerable improvement in increasing the infrastructural capacity with a targeted focus on rural areas.
- ▶ From 1,72,608 total health centers in India in 2005, total health centers in 2020 stand at 1,85,505.
- ▶ States and Union Territories like Rajasthan, Gujrat, Maharashtra, Madhya Pradesh, Tamil Nadu and Chandigarh have significantly increased health centers (comprising of Sub-centers, Primary Health Centers, and Community Health Centers) between 2005 and 2020.

■ Health Status

- ▶ The results of NFHS-4 (2015-16) and NFHS-5 (2019-21) have shown that 58.6% of women received antenatal check-ups in the first trimester in 2015-16, which increased to 70% by 2019-21.
- ▶ 78% of women received postnatal care from a doctor or auxiliary nurse within two days of delivery, and 79.1% of children received postnatal care within two days of delivery.
- ▶ However, nutritional deprivation in terms of overweight, underweight, and prevalence of anaemia (especially in children, adolescent girls and pregnant women) remains areas of huge concern requiring urgent attention, as the report states.

- ▶ Additionally, low health coverage, leading to high out-of-pocket expenditure, directly affects poverty incidences.

■ Education and Household Conditions

- ▶ Education and household conditions have improved enormously due to targeted efforts through several social protection schemes, especially in the area of water availability and sanitation that have increased the standard of living.
- ▶ The report emphasized that education and cognitive development from the foundational years is a long-term corrective measure for inequality.
- ▶ By 2019-20, 95% of schools have functional toilet facilities on the school premises (95.9% functional boy's toilets and 96.9% functional girl's toilets).
- ▶ 80.16% of schools have functional electricity connections with States and Union Territories like Goa, Tamil Nadu, Chandigarh, Delhi, Dadra and Nagar Haveli and Daman and Diu, Lakshadweep and Puducherry have achieved universal (100%) coverage of functional electricity connections.
- ▶ The Gross Enrolment Ratio has also increased between 2018-19 and 2019-20 at the primary, upper primary, secondary and higher secondary.
- ▶ In terms of improvement in household conditions, emphasis on providing access to sanitation and safe drinking water has meant leading a dignified life for most households.
- ▶ According to NFHS-5 (2019-21), 97% of households have electricity access, 70% have improved access to sanitation, and 96% have access to safe drinking water.

World Bank Report

- As per World Bank Report, India has made progress in reducing poverty since the 2000s.
- Poverty headcount ratio as a percentage of the population has declined from 37.2% in 2004 to 13.6% in 2015.
- Aided by higher economic growth, over 90 million people improved their living standards between 2011 and 2015.
- However, 176 million Indians were still below the poverty line.

Recommendations of the Report:

- Creating income slabs that provide class information
- Establishing universal basic income
- Creating jobs, especially among the higher levels of education and;
- Increasing the budget for social protection schemes.

Way forward:

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. India's robust and multidimensional social protection system has been an inspiration to the world at large. The emphasis on the interaction between social and economic aspects of inequality helps to holistically drive policy action through social protection frameworks. It raises pertinent issues related to ease of living, and sectoral outcomes.

Economic Advisory Council to the Prime Minister (EAC-PM)

- It is a non-constitutional, non-permanent and independent body constituted to give economic advice to the Government of India, specifically the Prime Minister.
- The council serves to highlight key economic issues facing the country to the government of India from a neutral viewpoint.
- It advises the Prime Minister on economic issues like inflation, microfinance, and industrial output.
- Bibek Debroy is the current chairman of the current EAC, appointed in 2017.
- Dr. C. Rangarajan was the Chairman of the previous PMEAC.

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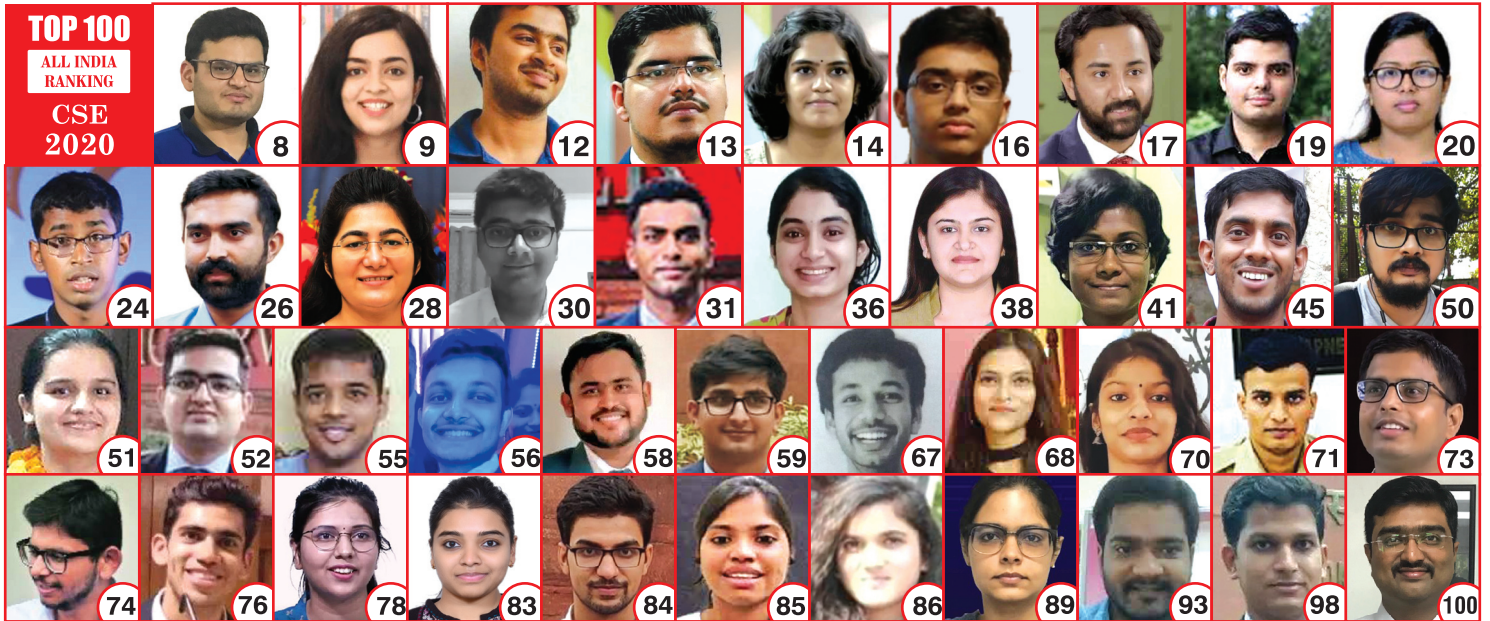
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