Increasing Inequality in India
What is causes it and how is it sustained?

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Economic Inequality in India

High and Rising Levels of Inequality

- India is a country of high inequalities.
- India does not have statistics on incomes as poverty estimates have historically been made using consumption data.
- One of the first indications that income inequalities in contemporary India were very high came from village surveys.
  - Surveys of villages we did across the country between 2005-12 produced within-village Gini coefficients between 0.53 and 0.74.
- The IHDS survey of 2011-12 estimated Gini coefficient of incomes for country as a whole to be 0.55.
- More recently, Chancel and Piketty, using a combination of tax and survey data, have estimated that top 1% adults accounted for 21% of income while bottom 50% adults accounted for only 14.7% of income.
High and Rising Levels of Inequality

- Actual levels of inequality are even higher.
  - All these estimates understate the inequality as a significant part of the income of the richest is not captured either by the surveys or in the tax data.
- All data show that incomes of Scheduled Caste, Scheduled Tribe and Muslim households are lower than incomes of Caste Hindu households.
Inequality of wealth

- A crucial factor underlying inequality of incomes is the high and rising inequality of wealth.
- The national Debt Investment Survey shows that the inequality of net wealth increased from 0.69 (2001-02) to 0.76 (2011-12).
- Landlessness and Gini coefficient of distribution of land in rural India have been increasing since 1991.
  - About 35 per cent rural households do not have any land.
  - Top 20 per cent households own about 70 per cent of land.
- According to the Credit Suisse Global Wealth Report 2018, richest 1% of Indians own 51% of wealth.
High levels of unemployment

Table: Work Participation Rates for persons aged 15-59 years

<table>
<thead>
<tr>
<th></th>
<th>2011-12</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural women</td>
<td>35.7</td>
<td>23.7</td>
</tr>
<tr>
<td>Rural men</td>
<td>80.2</td>
<td>72.4</td>
</tr>
<tr>
<td>Urban women</td>
<td>19.7</td>
<td>18.2</td>
</tr>
<tr>
<td>Urban men</td>
<td>74.6</td>
<td>69.6</td>
</tr>
</tbody>
</table>
High levels of unemployment

Table: Proportion of working age population engaged in agriculture, manufacturing and construction

<table>
<thead>
<tr>
<th></th>
<th>Agriculture</th>
<th>Manufacturing</th>
<th>Construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural women</td>
<td>26.7</td>
<td>17.4</td>
<td>3.5</td>
</tr>
<tr>
<td>Rural men</td>
<td>47.7</td>
<td>39.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Urban women</td>
<td>2.1</td>
<td>1.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Urban men</td>
<td>4.2</td>
<td>3.8</td>
<td>16.7</td>
</tr>
</tbody>
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Wages

**Figure:** Index of real wages per worker in the factory sector (2002-03==100)

**Source:** Mazumdar (2018)
Wages

Figure: Real wages in agriculture (2009–10 prices)

Source: Das and Usami (2017)
Causes and Consequences of Inequality

Disparities between profits and wages

Figure: Share of compensation to employees and operating surplus in factor incomes in the private corporate sector

- In case of private corporate sector, the share of wages in total factor incomes has fallen from about 55 per cent in 1990-91 to about 35 per cent now.
- Top 300 companies account for over 50 per cent of total corporate profits (Mazumdar, 2018).

Source: Mazumdar (2018)