

**NEXT IAS**

**DAILY EDITORIAL  
ANALYSIS**

**TOPIC**

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**UNDERSTANDING INEQUALITY IN  
INDIA'S GROWTH STORY**

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## UNDERSTANDING INEQUALITY IN INDIA'S GROWTH STORY

### Context

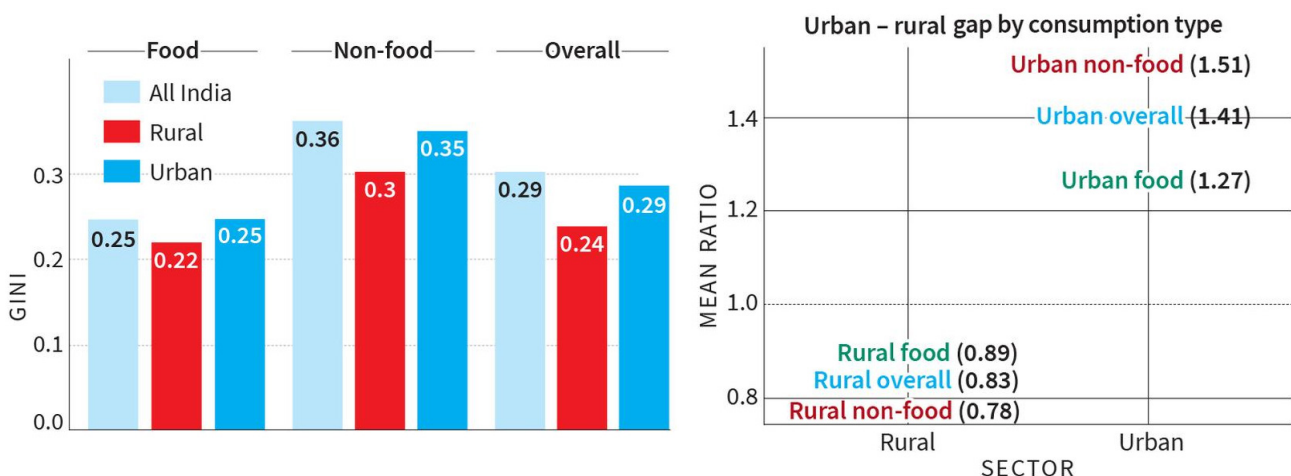
- Recent policy shifts, particularly the implementation of the four **Labour Codes** and the proposed Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) Bill, 2025 replacing MGNREGA have reignited debates on inequality, labour welfare, and rural distress.

### Understanding Inequality in India

- Inequality refers to the uneven distribution of income, wealth, consumption, opportunities, social and political power.
- It may exist across **class, caste, gender, religion, region, and urban-rural divide**
- The measurement of inequality depends on data sources, survey methodologies, and indicators such as the **Gini Index**, decile shares, and consumption ratios.

### Types of Inequality in India

- Income Inequality:** Income inequality refers to unequal earnings among individuals or groups.
  - Key Trends:** Top earners capture a disproportionate share of national income; informal workers face stagnant wages; and corporate profits have risen faster than labour incomes.
  - Evidence:** According to **World Inequality Database** estimates the top 1% holds a significant share of national income and wealth; and wage growth remains uneven between formal and informal sectors.
- Wealth Inequality:** Wealth inequality is much higher than income inequality.
  - Causes:** Unequal ownership of assets, land concentration, inheritance advantages, and financial asset accumulation by elites.
  - Impact:** Reduced social mobility, intergenerational inequality, and concentration of economic power.
- Consumption Inequality:** Consumption expenditure is often measured through NSSO surveys.
  - HCES 2023-24 Findings:** India's consumption Gini Index is estimated around **0.29** (significantly higher than the widely cited **World Bank estimate of 0.25**).
  - Average urban non-food monthly per capita expenditure (MPCE) is about **1.5 times higher** than the all-India average.
  - Rural non-food expenditure remains far below the national average.
  - The top 10% in urban India accounts for **27% of total non-food expenditure**. It means the remaining 90% contributes only 73%.
  - MPCE Gap:**
    - Urban top decile spends **6 times more** than the bottom decile.
    - Rural top decile spends **4.5 times more** than the rural bottom decile.
    - Urban richest decile spends **9 times more** than the rural poorest decile.



- **Rural-Urban Inequality:** Urban India enjoys better infrastructure, higher wages, and greater employment opportunities.
  - ♦ Rural India continues to face agricultural distress, underemployment, and poor public services.
- **Caste-Based Inequality:** Historically disadvantaged groups like SCs, STs, and OBCs continue to face lower educational attainment, wage discrimination, limited asset ownership, and occupational segregation.
- **Gender Inequality:** Women face disparities in labour force participation, wages, education, property ownership.
  - ♦ **Challenges** like unpaid care work, informal employment, and occupational segregation.
  - ♦ India's female labour force participation remains lower than global averages.
- **NSS Surveys Underestimate Inequality:** NSS consumption surveys fail to capture the **super-rich** adequately. Therefore, actual inequality is likely much higher.
  - ♦ About one-fourth of the richest 10% reportedly benefited from **PMGKY**.
  - ♦ Around 13% of them possessed **BPL ration cards**.

### Causes of Inequality in India

- **Unequal Economic Growth:** Post-1991 reforms accelerated growth but benefits were unevenly distributed.
  - ♦ **Growth favoured** urban skilled workers, corporate sectors, and service industries.
  - ♦ **Neglected Groups:** Agricultural labourers, small farmers, and informal workers.
- **Informalisation of Labour:** Over 90% of India's workforce is employed in the informal sector.
  - ♦ **Problems:** Low wages, lack of social security, job insecurity, and absence of legal protection.
- **Educational Disparities:** Quality education remains inaccessible for many due to regional imbalance, digital divide, poor public schooling. It reproduces inequality across generations.
- **Agricultural Distress:** Agriculture suffers from fragmented landholdings, low productivity, climate vulnerability, price instability.
  - ♦ Rural incomes remain stagnant compared to urban incomes.
- **Unequal Access to Healthcare:** Healthcare inequality worsens economic vulnerability through high out-of-pocket expenditure, inadequate rural health infrastructure, and unequal access to quality care.

### Impact of Inequality

- **Economic Impact:** Weak domestic demand, uneven consumption growth, and reduced productivity.
- **Social Impact:** Social exclusion, crime and unrest, and marginalisation.
- **Political Impact:** Democratic alienation, policy capture by elites, and weakening of social cohesion.

### Impact of Recent Policy Changes

- **Labour Codes and Informal Workers:** India's workforce is over **90% informal**, making social security protections critical. The **four Labour Codes** aim to simplify labour laws, improve ease of doing business, and formalise labour markets
  - ♦ However, they may dilute workers' bargaining power, increase contractualisation, reduce job security, and weaken trade unions.
- **Replacement of MGNREGA:** The proposed Viksit Bharat-Guarantee for Rozgar and Ajeevika Mission (Gramin) Bill, 2025 seeks to replace MGNREGA.
  - ♦ **Concerns** like reduced rights-based framework, possible centralisation of implementation, exclusion errors through digitisation, wage-payment delays, and weakening of rural safety nets.
  - ♦ MGNREGA historically acted as a livelihood stabiliser, a distress migration buffer, and a rural wage floor mechanism.

### Government Initiatives to Reduce Inequality

- **Welfare Schemes:** PM Garib Kalyan Anna Yojana; PM-KISAN; Ayushman Bharat; National Food Security Act; e-Shram Portal; and Jal Jeevan Mission.
- **Financial Inclusion:** Jan Dhan Yojana, Direct Benefit Transfer (DBT); and UPI ecosystem.
- **Skill Development:** Skill India Mission and PMKVY

### Way Forward

- **Strengthen Rural Employment:** Preserve the rights-based nature of employment guarantees; and ensure timely wage payments.
- **Improve Data Quality:** Better capture top-income groups; and enhance transparency in NSS and tax data integration.
- **Expand Social Security:** Universal social protection for informal workers; and portable benefits for migrant labourers.
- **Address Class and Regional Disparities:** Boost agricultural productivity; and promote labour-intensive manufacturing.
- **Progressive Fiscal Policies:** Rational wealth taxation debates; and higher public spending on health and education.

[Source: TH](#)

### Daily Mains Practice Question

- [Q] Discuss the technological significance of Mission Drishti and examine how India's space-sector reforms are enabling private participation in strengthening national security, disaster management, and economic competitiveness.

