



Killing Inequality

This editorial is based on [“Show Commitment to Equity in the Budget”](#) which was published in The Hindu on 31/01/2022. It talks about the key findings of Oxfam Inequality Report and the issues of socio-economic inequality in India.

For Prelims: Economic and Social Development, Poverty, Inclusion, Social Sector Initiatives, Oxfam Inequality Report and its key findings, Article 38, Article 39.

For Mains: Report “Inequality Kills” - Key Findings, Causes of Inequality, Measures to reduce socio-economic inequality in India.

Recently, [Oxfam International](#) presented its annual global Inequality Report titled [Inequality Kills](#) which presented the **quantum growth in wealth of a minuscule few**, and the **simultaneous impoverishment of millions** of working people. The findings of the report remain dismal for India as well.

Inequality can be corrected by a **rights-based policy framework** to be followed by the Indian state to **protect the poor and the marginalized**.

One of the most important places to show commitment to equity, is the [Union Budget](#), and inequality should perhaps be discussed in India before and after every Union and State Budget.

Inequality in India

- **Constitutional Provisions to Tackle Inequality:** There is a constitutional mandate in India to reduce inequality - Articles 38 and 39 of the [Directive Principles of State Policy \(DPSP\)](#) mandate a policy path.
 - **Article 38(1):** “The State shall strive to **promote the welfare of the people** by securing and protecting as effectively as it may a social order in which **justice, social, economic and political**, shall inform all the institutions of national life.”
 - **Article 39 (c):** The State shall, in particular, direct its policy towards ensuring that the **operation of the economic system does not result in the concentration of wealth** and means of production to the common detriment.
- **India Specific Findings of Oxfam Report:**
 - **Inequality of Wealth:** During the Covid-19 pandemic, the report reveals, **more than half the world’s new poor are from India**, 84% Indian households have suffered a loss of income, with **4.6 crore people falling into extreme poverty**.
 - In this period, the richest 142 people have more than doubled their wealth to more than ₹53 lakh-crore.
 - **Decline in Social Security Expenditure:** As Covid continued to ravage India, the **country’s healthcare budget saw a 10% decline from RE** (Revised Estimates) of

2020-21.

- The budgetary allocation for social security schemes declined from 1.5% of the total Union budget to 0.6%.
- **Increasing Fiscal Deficit:** Lowering [corporate taxes from 30% to 22%](#) to attract investment last year (2020) resulted in a loss of Rs 1.5 lakh crore, which contributed to the increase in India's [fiscal deficit](#).
- **Factors of Inequality:**
 - **Budgetary Decline:** India is one of the few countries in the world where **during the Covid pandemic the health Budget has declined** — and that too by a huge 10% in 2021.
 - **Social security expenditure has declined** from an already low 1.5% in 2020-21 to 0.6% of the Union Budget in 2021-22.
 - It is at this end of Budget allocations where **people are deprived of the most basic services** and entitlements and are unable to survive.
 - Even after increasing allocations in the first phase of the pandemic, **allocations were frozen, and budgets were slashed** in Budget 2021-22.
 - **Inequality in Salaries and Allowances:** Social security pensions, for the elderly, for the disabled, and widows have been **frozen at ₹200-₹300 a month for almost 15 years**.
 - However, in contrast, there has been an increment in the salaries and pensions of the policymakers.
 - The increase for one crore central government employees and pensioners has cost the exchequer more than the total social security pension budget for 3.3 crore beneficiaries.
 - **Unavailability of Subsidized Foodgrain:** The **priority list of households** under the [National Food Security Act \(NFSA\)](#) has been **frozen in absolute numbers**, based on a percentage **determined from the 2011 Census**.
 - In the last 11 years, population increases amounting to approximately **10 crore eligible beneficiaries have been kept out**.
 - Therefore, approximately 12% legally entitled people — even children of existing “priority households” — cannot get subsidized foodgrain.
 - **Unequal Access to Education:** The pandemic has also produced a generation of children who have forgotten what formal education is. **Many teenagers from poor households have already joined the workforce**.
 - In this period, there has been a **6% cut in the education Budget**. Relying on online teaching, accompanied by Budget cuts, amounts to the **institutionalization of endemic multidimensional poverty**.

Way Forward

- **Multi-Pronged Approach to Tackle Inequality:** Programs such as the National Food Security Act must receive the quantum of allocations needed. Also, the **People's Action for Employment Guarantee (PAEG)** has estimated that **approximately ₹2,64,000 crore will be needed to guarantee 100 days work for currently active job cards**.
 - The social security pensioners need to be protected from hunger, sickness and poverty. The **election season offers an opportunity** to fetch the basic rights of the unorganized and vulnerable people.
- **Gains from Tax:** All the governments should immediately **tax the gains made by the super-rich** during this pandemic period.
 - Jan Sarokar, a network of more than 30 social sector movements, has suggested that a **2% wealth tax, and a 33% inheritance tax** on the top 1% of our population **will fetch an estimated ₹11 lakh crore per annum**, to support basic social sector entitlements.
- **Increasing the Reach of Basic Necessities:** Given the growing inequality in India, the direction that public policy should now take is evident, there is a **need to spread health and education far more widely** amidst the population.
 - By ensuring **universal access to public funded high quality services** like **Public health and education**, social security benefits, **employment guarantee schemes**, inequality can be reduced to a great extent.
- **Employment Generation:** The **labor-intensive manufacturing sector** of India has the **potential to absorb millions of people** who are leaving farming while the service sector tends

to benefit the urban middle class.

- The [International Labor Organization \(ILO\)](#) also recommends that a **minimum wage floor should be set** in a manner that balances the needs of workers and their families with broader economic factors.

Drishti Mains Question

Discuss the opportunities that the upcoming Union Budget offers in terms of tackling socio-economic inequality in India.

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