The pillars of an equitable post-COVID India

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(Mains GS 2 & 3 : Issues relating to development and management of Social Sector/Services relating to Health, Education, Human Resources & Inclusive growth and issues arising from it.)

Context:

- COVID-19 in the last one year has once again reminded us of the growing inequalities in India.
- A recent Pew Research Report shows that India's middle class may have shrunk by a third due to the novel coronavirus pandemic while the number of poor people earning less than ₹150 per day more than doubled.
- The Pew report also warned that the situation may actually be worse than estimated because of worsening inequalities.
- International organisations like the World Bank, the International Monetary Fund and the International Labour Organization have also warned about rising inequalities in several countries including India due to the pandemic.

COVD-19 made inequality worse:

- Inequalities in India have been high even in the pre-COVID-19 period.
- The economic shock due to the pandemic has been much more severe for the country for two reasons.
- First, pre-COVID-19, the economy was already slowing down, compounding existing problems of unemployment, low incomes, rural distress, malnutrition, and widespread inequality.
- Second, India's large informal sector is particularly vulnerable.
- Inequalities were increasing earlier also but the pandemic has widened them further. For example, the share of wages declined as compared to that of profits.
- The big companies and a large part of the corporate sector could manage the pandemic.
- The quarterly net profit of the BSE200 companies reached a record high of ₹1.67 trillion in the third quarter of FY21 and was up by 57% year-on-year.
- But the informal sector and workers have suffered a lot with loss of incomes and employment in the last one year.

Recovery is more k-shaped with rising inequalities:

- The economy recovered in the third quarter of FY21 with a positive GDP growth of 0.4% as compared to minus 24.4% in the first quarter and minus 7.3% in the second quarter.
- For the year FY21, the economy would contract by 8%. GDP growth is likely to increase by 10%-11% in FY22.
- But the levels of GDP show that it will grow only around 1.1% in FY22 as compared to FY20 levels.
- According to the Centre For Monitoring Indian Economy, the employment rate is still 2.5 percentage points lower now as compared to the level before the lockdown last year.
- Women lost more jobs and many are out of the workforce. Inequalities have increased in health care and education.

Steps to curb rising inequality:

- As the British economist Anthony Atkinson says, "much is written about the 1 per cent and the 99 per cent. But, if we are serious about reducing income inequality, what can be done?"
- Reduction in inequalities is important for its own sake and for improving demand which can raise private investment, consumption and exports for higher and sustainable economic growth.

Focus on employment and wages:

- Creation of quality or productive employment is central to the inclusive growth approach.
- At the macro level, the investment rate which declined from 39% in 2011-12 to 31.7% in 2018-19 has to be improved.
- Investment in infrastructure including construction can create employment.
- In the recent Budget, the central government has rightly focused on capital expenditure for infrastructure.

Challenges in employment:

- Need is to create productive jobs for seven to eight million per year
- correcting the mismatch between demand and supply of labour (only 2.3% of India's workforce has formal skill training as compared to 96% in South Korea, 80% in Japan, and 52% in the United States)
- Structural reforms needed to cope with the challenge of jobless growth (manufacturing should be the engine of growth. Here, labour-intensive exports are important and manufacturing and services are complementary).
- Focus should be on micro, small & medium enterprises and informal sectors including rights of migrants.

- Getting ready for automation and technology revolution and for this skills need to be upgraded.
- Ensure Social security and decent working conditions for all.
- Need is to raise real wages of rural and urban workers and guarantee minimum wages.

Improving human resource:

- Approaches need to shift to create equality of opportunity by improving human development.
- Increasing public expenditure on health and education is another form of redistributive measure.
- COVID-19 has supplied us several lessons on the health sector. Public expenditure on health is only 1.5% of GDP.
- Apart from spending on vaccines and other related measures, we need to move towards universal health care and spend 2%-3% of GDP on health.
- Education and health achievements are essential for reducing inequality of opportunities.
- In education, there are islands of excellence that can compete internationally even as a vast majority of masses of children are churned out with poor learning achievement.
- We also have the experience of a digital gap in education during the pandemic.
- One has to fix this dichotomy in health and education.

Providing a quasi-universal basic income:

- Providing a quasi-universal basic income and other safety nets to people is utmost required.
- For example, C. Rangarajan suggested three proposals on minimum income for the poor and the vulnerable in the post-pandemic period.
- These are: cash transfers to all women above the age of 20 years; expanding the number of days provided under the Mahatma Gandhi National Rural Employment Guarantee Act and a national employment guarantee scheme for urban areas.
- In all these proposals, there is no problem of identification.
- A combination of cash transfers and an expanded guarantee scheme would provide income support to the needy.

Increasing farmers income:

- Increasing farmers' income especially for small and marginal farmers is needed to reduce inequalities and create demand.
- Farmer producer organisations should be strengthened.
- States have to be given a bigger role in agri-marketing reforms.
- The terms of trade for agriculture have to be improved.

Widen tax base:

- Enhancing tax and non-tax revenues of the government is needed to spend on the above priorities.
- The tax/GDP ratio has to be raised, with a wider tax base. Richer sections have to pay more taxes.
- Similarly, the inequalities between the Centre and States in finances should be reduced.
- State budgets must be strengthened to improve capital expenditures on physical infrastructure and spending on health, education and social safety nets.

Conclusion:

- Apart from economic factors, non-economic factors such as deepening democracy and decentralisation can help in reducing inequalities.
- Unequal distribution of development is rooted in the inequalities of political, social and economic power.
- In the post-COVID-19 world, addressing inequality is important for higher and sustainable economic growth and the well-being of the population.