Disastrous Inequality

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Large disastrous shocks, like the COVID pandemic, disproportionately affect certain sections of society more than others.

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Early studies in countries like the US and UK already point to the racial and economic divide in the incidence and impact of the pandemic. Impacts seem particularly large on members of the Black, Asian and minority ethnic communities. In India too, the pandemic has divided the country into those who can afford to social distance and those who cannot. Given the origins of the pandemic in India, while the early victims of the virus were probably from better to do sections, as the virus spreads it will affect the poor more.

In the US there is a saying, that when America catches a cold black America gets pneumonia. Disasters like COVID 19 do not just biologically affect (and kill) people, but often result in slow and painful social and economic deaths for large sections. And evidence from around the world shows that the rich are able to deal with natural disasters much better than the poor.

India has caught a very severe cold and parts of it are now getting pneumonia. Our screens have been flooded with gut wrenching pictures and videos of migrants walking thousands of kilometers to their villages and towns. Many have died of exhaustion and starvation, while many have been run over by trucks and cars on highways. Many more will die of the heat in the coming days.

How did we end up in this situation? It cannot simply be because of a hastily announced lockdown. We need to think beyond this to get to the root of the problem.
Growing India, unequal India

India has grown economically. Over the last about 30 years our GDP per capita has on an average grown at 4.7% annually. And as we have grown we have also reduced absolute poverty. In past work I have looked at the relationship between growth and inequality in Indian states. Faster growing states have reduced the headcount ratio of poverty (number of individuals living below poverty line) more.

But this decrease in poverty comes from a movement of individuals just below the poverty line to just above it. The intensity of poverty has not been affected. Thus those who remain poor are chronically poor. No wonder then that the World Bank claims that the COVID pandemic will reverse hard fought gains in poverty reduction in India.

This is the (limited) good news. The bad news is that India has become more unequal over time to a situation where it now is one of the most unequal countries in the world. Consumption inequality in India has increased moderately since the early 1990s. Income inequality perhaps not so moderately. By 2016, India was second only to the Middle Eastern countries when measuring the income share of the top 10%.

According to Oxfam, the top 10% of the Indian population holds 77% of the total national wealth. 73% of the wealth generated in 2017 went to the richest 1%, while 67 million Indians who comprise the poorest half of the population saw only a 1% increase in their wealth.

One of the most obvious signs of the growing inequality in India has to be the demand for work under MGNREGA. The scheme promises work at prevailing minimum wages and should be an outside option, something to fall back upon in bad times, for people in an economy doing well. But over the last decade, as we have become richer and our rural population has been almost stagnant, demand for MGNREGA has actually grown. This demand is not just a sign of rural distress but of economic distress in the country as a whole, as migrants from rural areas provide a significant amount of the labour in our cities. In bad times, like the present, as work in cities dries up they fall back on security in their villages.
Spatial Inequality

The largest contributing factor to the above increase in inequality is spatial inequality, that is, inequality between different geographic regions. Poverty has become increasingly concentrated. In fact the most persistent increase has been in the rural-urban divide, which has increased steadily since the early 1990s and is at its highest value now.

Between state inequalities have increased too. In 2017 – 18, the ‘destination’ states, from which we are now seeing a mass exodus during COVID pandemic, Maharashtra, Andhra Pradesh, Karnataka, and Tamil Nadu (MAKT), contributed 40% to India’s GDP while their population share is 27%. The ‘source’ states, Bihar, Uttar Pradesh, West Bengal and Odisha (BUWO), contributed only 20% to the GDP but their population share is 36%. It is this disparity which is at the heart of the current unfolding tragedy.

And sadly, there seems to be no sign that poorer states are catching up. Using the Udyog Aadhar registrations from 2019 one can look at the new enterprises started in the states. MAKT, with a 27% population share had a 45% share of new enterprises. While BUWO with a 36% population share had a 12% share of new enterprises started!

The final piece in this story is that such moves to other states or cities are rarely ‘permanent’. Households get split and the connection to the village is maintained. Because while cities can offer better economic opportunities during good times they offer no security during bad ones. In bad times they need their villages. And there could not be any worse collective times than the present.

Stand up and be counted

This is by no means the first migrant crisis in India, even in the recent past, although it may be unprecedented in scale. Be it incidents of violence against migrants from the north east in Karnataka, or nativist movements in Maharashtra our cities have been becoming unwelcome of ‘others’ for some time now.

Movement of people is healthy. It allows people access to more economic and livelihood options, giving them more choice. It adds to the richness of cultural experience. And that really is India’s strength. It is what makes us different. But
this is only true when this movement is voluntary and by choice not when it is out of desperation and lack of choices.

In the wake of the mass scale movements back home there has been a discussion on how states with returning migrants can handle the situation. Can they turn this into an advantage? Poverty in these states rarely has to do with natural endowments but rather to a host of institutional drawbacks. So while it is worthwhile to start employment and skill training schemes for the returnees, a more long term strategy would be to invest in education and health at all levels and improve the business environment. They need to start undoing things which forced people out of their homes in the first place. A healthy competition between states for labour is a very desirable thing. That would be the way to ensure a more equitable growth in the country.

But one should not forget the role of the destination states. What should they do? Here I propose that ALL state governments need to think of themselves as destination states. Firstly, because the biggest chunk of migration in India is not actually across states but within states. Secondly, that is the only way to ensure that we devise labour and social security policies that encourage not discourage voluntary migration. We need to ensure that all people, irrespective of where they live, have access to minimum levels of economic and social security. Coordination between the states and the centre is key to managing this. Ultimately the responsibility of providing such security must be with the destination state. After all, it is the one which is benefitting from the migrant’s services.

Let’s face it. COVID19 did not cause this humanitarian disaster, it has simply exposed the structural flaws in India’s growth story. Flaws which have the potential to derail it.