

Module 1

Lecture #05

Poverty & Inequality

Learning Outcomes:

- Understand the concept and measurement of poverty
- Understand the concept of inequality.

Introduction to Poverty

- Poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education, and information. It depends not only on income but also on access to services.

Measurement of Poverty

- **Absolute Poverty:** A condition where household income is below a necessary level to maintain basic living standards (food, shelter, housing). This condition makes it possible to compare between different countries and also over time.
- **Relative Poverty:** It is defined from the social perspective that is living standard compared to the economic standards of the population living in surroundings. Hence it is a measure of income inequality.

Causes of Poverty in India

- Population Explosion
- Low Agricultural Productivity
- Inefficient Resource utilisation
- Inflation
- Unemployment
- Lack of Capital and Entrepreneurship
- Social Factors
- Climatic Factors

Major Poverty Alleviation Programs in India

- ***Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)***
 - Provides 100 days of wage employment to rural households.
 - Focuses on creating durable assets and strengthening the livelihood resource base.
- ***National Food Security Act (NFSA)***
 - Aims to provide subsidized food grains to approximately two-thirds of India's population.
- ***Pradhan Mantri Awas Yojana (PMAY)***
 - Aims to ensure housing for all by 2022 through affordable housing to the urban poor.
- ***Pradhan Mantri Jan Dhan Yojana (PMJDY)***
 - Financial inclusion program to ensure access to financial services, like banking, savings, and deposit accounts, remittance, credit, insurance, and pension.
- ***National Rural Livelihood Mission: Aajeevika (2011)***
 - It evolves out the need to diversify the needs of the rural poor and provide them jobs with regular income on a monthly basis.
 - Self Help groups are formed at the village level to help the needy.
- ***National Urban Livelihood Mission***
 - The NULM focuses on organizing urban poor in Self Help Groups, creating opportunities for skill development leading to market-based employment and helping them to set up self-employment ventures by ensuring easy access to credit.
- ***Pradhan Mantri Kaushal Vikas Yojana***
 - It will focus on fresh entrant to the labour market, especially labour market and class X and XII dropouts.

Key Terms

- **Headcount Ratio (HCR):** Proportion of the population below the poverty line.
- **Poverty Gap Index:** Measures the intensity of poverty by considering how far below the poverty line the poor are.

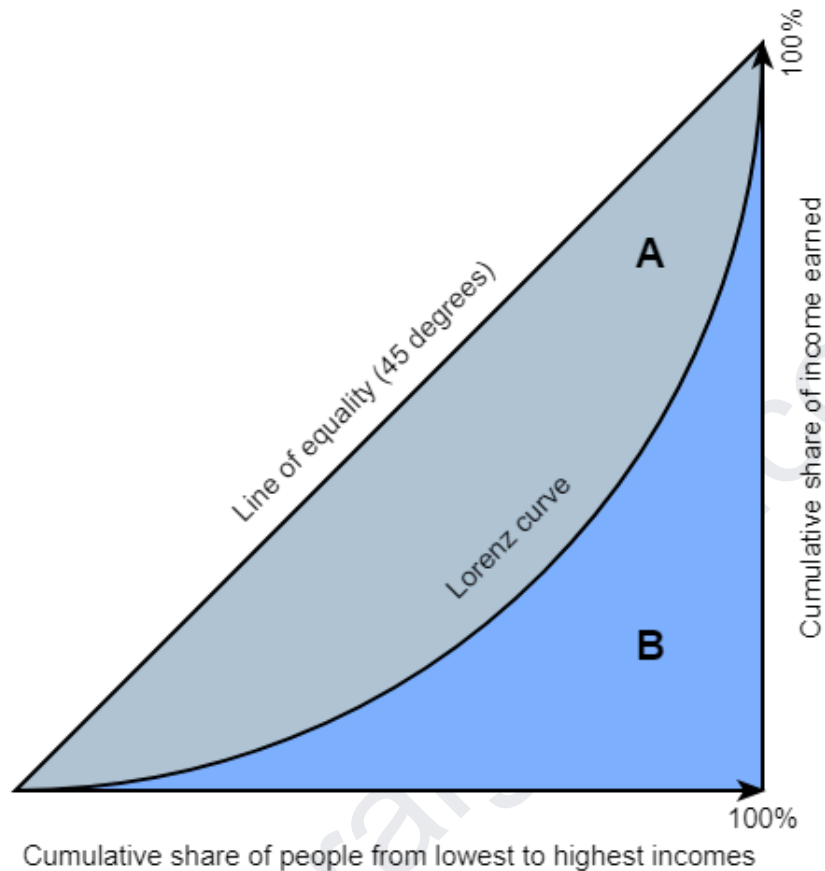
- **Multidimensional Poverty Index (MPI):** Considers various deprivations that individuals face at the same time, such as health, education, and standard of living.
- **Poverty Line:** The minimum level of income deemed adequate in a particular country. It is determined by the cost of a basket of essential goods and services.

Introduction to Inequality

- The United Nations describes inequality as “the state of not being equal, especially in status, rights and opportunities”.
- Inequality can be broadly classified in to:
 - **Economic inequality:** Economic inequality is the unequal distribution of income and opportunity between individuals or different groups in society.
 - **Social inequality:** It occurs when resources in a given society are distributed unevenly based on norms of a society that creates specific patterns along lines of socially defined categories e.g. religion, kinship, prestige, race, caste, ethnicity, gender etc. have different access to resources of power, prestige and wealth depending on the norms of a society.
- Both these categories are deeply intertwined and inequality of one type affects the inequality in another e.g. Social Inequality due to gender has a large impact on the income of women.

Measures of Economic Inequality

- **Lorenz Curve:**
 - A graphical representation showing the distribution of income or wealth. The curve plots the cumulative percentage of total income received against the cumulative percentage of recipients.



Causes of Economic Inequality

- **Historical Factors:** Colonialism, feudalism, and historical land ownership patterns contribute to persistent inequality.
- **Economic Factors:** Differences in education, skills, and employment opportunities lead to income disparities. Technological advancements and globalization can exacerbate these differences.
- **Social Factors:** Caste, gender, and racial discrimination limit access to opportunities for marginalized groups.
- **Policy Factors:** Tax policies, government spending, and regulatory frameworks can either mitigate or worsen inequality.

Consequences of Economic Inequality

- **Economic Consequences:**
 - Reduced economic growth due to lower consumer spending and investment.
 - Increased poverty and reduced social mobility.
- **Social Consequences:**
 - Higher crime rates and social unrest.
 - Poor health outcomes and reduced life expectancy.
- **Political Consequences:**
 - Erosion of democratic institutions and governance.
Increased political polarization and instability.

Measures to Deal with Inequalities

- **Constitutional Provision:** Enforcement of Constitutional Guarantee of equality as enshrined in fundamental rights. Articles 14, 15 and 16 form part of a scheme of the Constitutional Right to Equality. Article 15 and 16 are incidents of guarantees of Equality, and give effect to Article 14.
- **Promoting Civil Society:** Provide a greater voice to traditionally oppressed and suppressed groups, including by enabling civil society groups like unions and association within these groups. Scheduled castes and Scheduled tribes should be motivated to become entrepreneurs, schemes like Stand up India need to be expanded to widen its reach by increasing funding.
- **Women Empowerment:** For gender equality policies like affirmative action by reserving seats in legislatures, increasing reservation at Local self government both at Urban and village level to 50% in all states, strict implementation of The Equal Remuneration act, 1976 to remove wage gap, making education curriculum gender sensitive, raising awareness about women right, changing social norms through schemes like Beti Bachao Beti Padhao etc.
- **Inclusion of Religious Minorities:** Religious minority groups need special attention through representation in government jobs, provision of institutional credit, improvement of their education access, protection of their human rights by empowering National commission for Minority, strengthening rule of law etc.

- **Progressive Taxes:** Additional public resources for public services by progressive taxes on wealthy more and by increasing the effective taxation on corporations, more importantly broadening the tax base through better monitoring of financial transactions.
- **Economic Policies:** 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 great extent.
- **Employment Generation:** The failure to grow manufacturing sectors like Textile, Clothing, automobiles, consumer goods etc. is the important reason for rising inequalities. Labor-intensive manufacturing has the potential to absorb millions of people who are leaving farming while the service sector tends to benefit majorly urban middle class.

Case Study

- Examine countries like Scandinavian nations that have successfully reduced inequality through comprehensive social policies.