By Amit Kapoor

SKEWED AT THE TOP: India and its Income Inequality

IN THE LAST TWO YEARS of the pandemic, the world has been a witness to the play of the rich getting richer and at the cost of the poor. The *World Inequality Report 2022*, reveals that globally, the wealthiest 10 per cent capture 60-80 per cent of income while the bottom 50 per cent get a mere five per cent of it. In India the top 10 per cent control 57.1 per cent of the income, and the bottom 50 per cent hold 13.1 per cent. One could argue that this gap could be due to sudden economic changes triggered by the pandemic, but trends from pre-pandemic times have a similar story to tell as well. As per the unit-level data released by the Periodic Labour Force Survey (PLFS) in 2017-18, the top 10 per cent of salaried incomes held 32.5 per cent of the total incomes generated in that year. By 2019-20, this number rose to 33.58 per cent. In both surveys, the top 10 per cent continues to earn twice as much as the bottom 50 per cent.

The concentration of income at the top has significant implications for understanding inequality and poverty in the country. First, as the gap between the top-few and the bottom-most widens, wealth inequality gets intensely profound. Globally, the bottom five per cent barely holds any wealth (according to the *World Inequality Report 2022*), with India and Latin America faring poorly among other regions. In India, the PLFS 2019-20 data has presented zero and even negative annual incomes, meaning that there are individuals with no savings or where expenditure exceeds the income with a possibility of debt. Second, the yearly income of Rs 3,00,000 (Rs 25,000 a month) is already captured in the top 10 per cent of the income (as per PLFS 2019-20). With the average annual income being approximately Rs 12,500 (a little over Rs 1,000 a month), hardships and depravity among the bottom is certain. Third, the data revealed that the top 10 per cent grew by 8.1 per cent as compared to 2017-18, while the bottom 10 per cent registered a downfall by 0.94 per cent. Whereas the bottom 50 per cent accounted for some growth – 3.75 per cent, it is clear that the growth rate is slow-paced and has marginalised the poorest of the poor. In terms of workforce share, 20.8 per cent of casual labourers earn less than Rs 50,000 in a year (less than Rs 5,000 a month), while nearly nine per cent of regular-salaried employees earn less than Rs 50,000 in a year (as per 2019-20 PLFS data).

There is no easy way to account for individual experiences of depravity, and the government surveys have their own set of limitations, but what these numbers tell us at a macro-level is the extent and intensity of poverty and inequality. Income is a marker that influences the consumption, expenditure, and savings patterns of a household. Assessing individuals' behaviour at the two ends of the income scale helps us determine who is resilient to economic shocks and who is not. At another level, looking from the welfare perspective, the degree of dependence on social protection schemes also highlights the impact of low incomes on poor households. A low income concentration among the bottom-most also suggests a dismal disposable household income which further impedes their access to proper healthcare, education and resources required for sustenance, leading to stagnated economic mobility. Low incomes or loss of income is also a reason for households descending into multidimensional poverty.

In this scenario, redistributive measures like the transfer of benefits and proactively increasing income and employment for the bottom-most are ways to enhance the financial and existential security of poor households. BW

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