

planned development, it was expected that the proportion of work-force engaged in agriculture would fall. This, however, required (i) a rapid increase in agricultural productivity and (ii) a suitable employment policy. But during the plan period, agricultural productivity has increased at a very slow rate. The so-called green revolution was limited to a few crops and a few states, land reforms had been delayed, irrigation facilities could not be expanded much, etc. For all these reasons, agriculture failed to generate much agricultural surplus and it hindered the process of transfer of labour both from demand and supply sides.

But the basic cause for this rigid occupation structure is the failure of our employment policy. No serious attempt was really made by the Indian planners to develop the rural economy keeping in view (a) the necessity to mobilise the vast idle labour force and (b) raise the productivity of labour. In fact, employment was viewed as the by-product of growth. It was expected that employment would automatically rise with the level of output. **First**, programmes for reducing unemployment and under-employment in rural areas failed miserably on account of poor organisation. **Secondly**, very little effort was made by planners to raise non-agricultural rural employment. **Thirdly**, the programme of land reforms failed to create small owner-holding. **Fourthly**, on the industrial front, emphasis was given on the capital goods industries. Small scale and cottage industries were relatively neglected. **Fifthly**, there was rapid expansion of luxury and durable consumer-goods industries, once again using capital-intensive methods, with imported machinery.

Another major factor behind static occupation structure is the high rate of population growth. It has led to the high rate of growth of labour force. As a result, the problem of decreasing the proportion of population dependent on agriculture has become more difficult. Measures to control the growth of population were both inadequate and ineffective.

It seems that the only meaningful way to change the occupation structure is to abandon the policy of building enclaves of modern large-scale industries but to foster the growth of non-agricultural employment, particularly in the rural sector. For this, small scale industries and rural infrastructure are to be developed. Equally urgent is the control of population growth.

22.9. Inequality in the Distribution of Income in India

We know that per capita income is only an average figure. We cannot get any idea about the standard of living from the per capita income. If income of a few rich rises, then per capita income rises but the standard of living of the common people will not increase. Thus, with the growth in income, if inequality of income in any country rises, the standard of living may not rise even if per capita income rises. It has been found in India that per capita income during the plan period has increased, but the inequality of income has increased side by side. As a result, the standard of living of the people has not increased very much. Removal of poverty and reduction in inequality of income distribution were two major goals of our plans. But

even after a long era of economic planning, these two major problems are very much present in the Indian economy.

To study the problem of inequality in the distribution of income in India, a committee was set up in 1960 under the chairmanship of Prof. Mahalanobis. The committee is known as Mahalanobis Committee. The committee submitted its report in 1964. From this report we can get a picture of income inequality in India. The committee utilised the estimates of the Reserve Bank of India and showed that the richest 5% people enjoyed 17% of total income in the rural areas. On the other hand, the poorest 20% people received only 9% of total income. In the urban areas, the richest 5% people got 20% of total national income while the poorest 20% people enjoyed only 7% of total income. This shows that there is inequality in the distribution of income in both rural and urban areas. The committee also found that the income inequality was greater in urban areas than in rural areas.

Apart from the estimates of Mahalanobis Committee, there are two other important estimates of income inequality in India. One estimate is made by Iyengar and Mukherjee and the other by the National Council of Applied Economic Research or NCAER. These two estimates also give similar pictures. According to the estimate of NCAER, in 1960, the richest 10% families of both urban and rural areas enjoyed 42.4% and 33.6% of national income respectively. On the other hand, the poorest 20% families of both rural and urban areas obtained only 4% of national income.

The World Bank, in its report of 1989, has presented the picture of income inequality in India. From this report, it is found that in 1975-76, the richest 20% families of India enjoyed 49.4% of national income. On the other hand, the poorest 20% families enjoyed only 7% of national income. However, in the reports of 1990 and 1991, it has been mentioned that this inequality has somewhat reduced in the year 1983. To estimate income inequality, these reports have considered the distribution of per capita expenditure. According to these reports, the richest 20% families spent 41.4% of total expenditure in the year 1983. On the other hand, the expenditure of the poorest 20% families was only 8.1% of total expenditure. All these estimates strongly establish that there are glaring inequalities in the distribution of income in India. The National Sample Survey (NSS) also obtained similar picture of inequality in the distribution of consumption expenditure. The NSS estimate also pointed out that this inequality was greater in urban areas than in rural areas.

Thus, different estimates and surveys indicate that there are severe inequalities in the distribution of income in India. Some economists think that this inequality has increased during the plan period. However, there are others who refuse to accept it. The study of NSS indicates that the income inequality has reduced to some extent, though by negligible amount. However, this study does not include the incomes of some very rich persons. Hence, some economists are unwilling to accept the NSS view. We shall say that it is not certain that income inequality has increased. But again, it is not certain either that the income inequality has decreased over time.

However, we may note that savings of the high income group have increased tremendously during the plan period. We know that savings depend directly on income. Hence, the sharp increase in savings of the high income group is due to the sharp increase in their income. From this perhaps it can be indirectly deduced that the inequality in the distribution of income in India has increased during the plan period. But the point is, even if inequality has not increased, the present inequality in income is severe and acute.

22.10. Causes of Income Inequality in India

Many factors have contributed to the inequality of income in India. We briefly mention them one by one. The Mahalanobis Committee has given two main reasons for the unequal distribution of income in India.

First, due to widespread unemployment and underemployment and consequent low productivity of labour, income of a large section of people is low. Thus, according to Mahalanobis Committee, inadequate economic development is the main reason for low income of the masses.

Secondly, according to this committee, another important reason behind this income inequality is tax evasion. Due to widespread tax evasion, income has concentrated at the hands of few people.

With these two factors, we may add some other factors behind the unequal distribution of income in India.

Thirdly, there is severe inequality in the distribution of wealth in India. It is another important reason behind the inequality in income distribution. In the rural areas, land is the main productive asset. But there is severe inequality in the distribution of land. In the urban areas also, there is inequality in the distribution of land. This factor has greatly contributed to the present inequality in the distribution of income in India.

Fourthly, income inequality is a feature of any capitalist economy. Though India is a mixed economy, all the features of a capitalist system are present here. Hence, the problem of inequality in the distribution of income associated with a capitalist system is also found in India.

Fifthly, another factor behind the inequality in the distribution of income is inflationary trends in prices. When inflation occurs, wage rate in the organised sector increases. The organised workers press for higher wages and they generally get it. But workers of the unorganised sectors do not get higher wages during inflation. Most of the workers in India are employed in the unorganised sectors. They generally receive low wages. During inflation, their real wage or real income further falls. Thus, the gap between incomes of organised workers and unorganised workers widens.

Sixthly, the 'permit-quota raj' at least upto 1985 is also responsible for the present inequality in the distribution of income. The high income group has been able to secure the benefits of these licensing and controlling policies on exports, imports, etc. Hence, their income has increased considerably. But the majority of the people associated with these activities could not secure the benefits. Hence, the inequality in the distribution of income has increased.

Seventhly, the adoption of capital intensive technology in some industries has led to a concentration of income and wealth in the hands of

few capitalists. It has reduced employment of the masses and thus widened the inequality in income.

Lastly, factors like dishonesty among the businessmen and the industrialists, administrative laxity of the government, lack of political will to reduce the income inequality, etc., have also helped to increase the inequality in the distribution of income in India.

22.11. Measures to Reduce Inequality in the Distribution of Income

The government of India has adopted some measures to reduce the inequality in the distribution of income. Some of these measures are as follows :

First, to reduce income inequality in the rural areas, a ceiling on land holdings has been imposed. The government takes over the surplus land and redistributes it among the landless and marginal farmers. This is expected to reduce inequality in the distribution of income in rural areas.

Secondly, to reduce inequality in the distribution of income in the urban areas, the government has also fixed a ceiling on the urban property.

Thirdly, for agricultural labourers, minimum wage act has been passed.

Fourthly, the government has been paying pensions to the helpless widows and old labourers in the rural areas. Provisions have also been made to pay unemployment doles to the unemployed workers.

Fifthly, the payment of bonus has been made compulsory in each industry.

Sixthly, to remove unemployment and underemployment, several employment generating projects have been taken both in the rural and urban areas. Important among them are Jawahar Rojgar Yojana (JRY), Integrated Rural Development Programme (IRDP), Food for Work (FFW), Employment Assurance Scheme (EAS), Prime Minister's Rojgar Yojana (PMRY), etc. Further, some projects have been launched to promote self-employment. Important among them are Training of Rural Youth for Self-employment (TRYSEM), Self-employment Programme for the Urban Poor (SEPUP), Self-employment for the Educated Urban Youth (SEEUY), etc.

Seventhly, the government has been providing many incentives for industrial development in the backward areas. This will reduce regional inequality in the development of industries.

Eighthly, the government has also taken some measures to unearth black money and to stop tax evasion. To reduce the inequality in the distribution of income, Mahalanobis Committee also recommended for reforms in tax policy.

Comment : In spite of these measures, the inequality in the distribution of income has not been reduced. These measures have failed to make any considerable impact on poverty and income distribution. Many states have not yet completed land reform programmes. As a result, sufficient amount of surplus land could not be obtained. Minimum Wage Act meant for agricultural labourers is not also followed in many areas of the country. The amount of black money is also very large. It could not be unearthed.