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Rich & poor

Aug 02 2010, 2206 hrs IST

EDITORIAL

More PLU than PLT does not mean poverty no longer an issue

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The latest Ncaer survey on "How India earns, spends and saves" is disturbing news. The survey estimates that for the first time in 2009-10 the number of high-income households (those earning above Rs 1,80,000 per annum at 2000-01 prices) has exceeded the number of poor households with incomes of less than Rs 40,000. The first inference that can be drawn is that the poor are getting marginalised as the rich become more numerous. People like them (PLT) did not have anything to lose but their numerical advantage. Alas, they seem to have lost that too. But that is happening not because PLT are fast growing out of poverty. On the contrary, it is the well-to-do that are becoming richer. Between 2000-01 and 2009-10, the number of poor households declined by 37 per cent from 65.2 million to 41 million. At the same time, the number of high-income households increased by as much as 338 per cent from only 13.8 million to 46.7 million. This means poverty is shrinking only at a pace that is much slower than the rate at which India is getting rich. That is essentially where the problem lies. Ncaer data show that if in the last decade high-income households added Rs 60,000 to their earnings on an average, the bottom 20 per cent of the households made an income gain of just about Rs 2,000. Worse still, this lopsided development is projected to go further against the poor at least until 2015. The bottom 20 per cent of households in rural areas will be earning a paltry Rs 24,276 a year by then. Why is this so? Why is the state of the poor in India so abject? The answer lies in the total failure of the state to bring the benefit of economic reforms and rapid gross domestic product (GDP) growth to the poor. India grew at 7 per cent-plus on an average in the past decade. Ncaer assumes an average annual GDP growth of 8.7 per cent in the next five years. But the poor households will not gain from this growth because they have no skills or assets to cash in on the opportunities. These households are headed by daily wage labourers or marginal farmers, 90 per cent of whom are illiterate. They can only earn an income by toiling eight hours a day or longer. The real wage for this largely unskilled labour is not going up. That seals their fate. Direct anti-poverty programmes, especially the rural employment guarantee scheme, are making a difference to the wage income of the poor households, but only so. Imparting education or skills to the poor or raising their asset base through financial inclusion so that they are able to take advantage of the fast economic growth does not hold out much promise in the short term either. The only hope seems to arise from relocation of the rural poor to urban areas. The survey projects the average income of the bottom 20 per cent of urban households in 2015 at Rs 74,825. This implies that those who escape to towns and cities have some chance of escaping poverty. The process of urbanisation in the country, based on large-scale migration of rural folk to cities, seems to support this. The good news is that the have-nots are as much part of this migration as those who possess the education, skill or resources to look for earning a better livelihood in cities.

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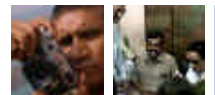
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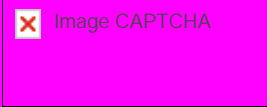
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