SECC, Economic Reforms and Poverty in India

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The preliminary results of the Socio Economic Caste Census (SECC) of the country, exposing the utter futility of less than a quarter century of economic reforms in alleviating the deep-rooted poverty prevalent in our country and bringing the much needed socio-economic turnaround, raise serious doubts about the neo-liberal economic policies being pursued for import liberalization and foreign investment promotion. The SECC data released by the government on July 4, 2015 reveal that rural India accounts for 73 per cent of the households and 74 per cent of these survive on a monthly income of less than Rs 5,000 (Rs. 166 per day) of its highest earner. The largest number of such households is in Chhattisgarh — over 90 per cent., which is reflective of almost a nightmarish life of such a vast number of households even after six and half decades of independence.

Moreover, according to these data, 51 per cent of the households are engaged in casual, manual labour subjecting them to dark and random forces of uncertainty for their survival and subsistence. Also, the data reveal, Only 30 per cent are in cultivation, revealing that now agriculture is also not in a position to support more than a third of the rural households. According to the SECC data, even after 24 years of economic reforms, 31.26 per cent of the total rural households are in the category of "Poorest of the poor", where the main earner of the family has an "insecure and uncertain" source of income and these households too live in a "one room house with kuchcha walls and kuchcha roof". Among the SCs and STs only 17.70 per cent of SC and 10.50 per cent of ST households have their own houses. The miseries of rural India do not end here, as 44.5% of rural households live in kuchcha houses.

The neo-liberal economic policies aimed largely at liberalising foreign direct investments (FDI) in trade, commerce and industry; leading to erosion of tax-GDP ratio, especially via reducing indirect tax to GDP; trimming the welfare and social security net, rendering the masses over-dependent on Public-Private-Partnership (PPP) for delivery of publicly funded services appear to be counterproductive to our development goals.

Coming to literacy, it is most painful to find out that, over 35% of rural population is illiterate numbering over 315 million of the 884 million Indians residing in rural areas. Among the literates too, the story is not very encouraging as less than 10% are higher secondary pass or more, and only another 9.6% have cleared their class X exams. Rajasthan leads among all states with 47.6% illiterates in the state, followed by MP (44.19%) and Bihar (43.85%). Even NCT Delhi has 13.6% illiterate people. This is the demographic dividend being talked to fuel our aspirations to lead the world with our talent pool and state of affairs after 24 years of much hyped reforms. Needless to say, if three in four rural households have been earning less than Rs.5,000 per month and almost 90% of households are having incomes less than Rs.10,000 per month what would be their nutrition level and means of livelihood. These numbers are not isolated but very close to the estimates of the poor and vulnerable derived from various other estimates including those based on the consumption surveys of the National Sample Survey Organization (NSSO) as well. If Rs. 5000 per month per household is divided in the family members where an average household size is of five members, then it would mean an income of Rs.33 per person per day in the rural areas not enough even for a full single nutritive meal.

The findings of this census also reveal that 56 per cent households are landless and 70 per cent of SC households fall in this category. In rural households, 38.27 per cent are "landless households deriving major part of their income from manual casual labour" which is also not available on all the days. The highest number of such households dependent on uncertain and manual casual labour are in Tamil Nadu (55.80 per cent) followed by Bihar (54.33 per cent). The largest proportion of households with "destitute/living on alms" is in Orissa. On a very fair assessment of poverty, all the 39.4% 'automatically excluded' households can be termed as poor or below poverty line

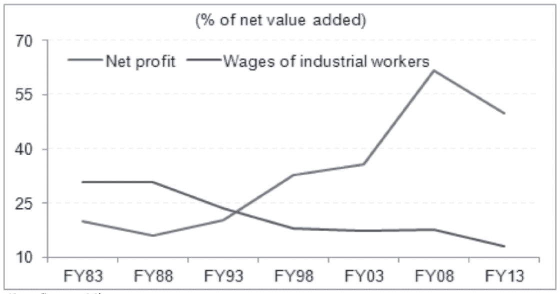
The 'automatically excluded' households, devoid of any tangible variable of inclusiveness, are found to constitute 39.4 per cent of the total rural population and constitute households with none of the following: motorised vehicles, mechanised agricultural equipment, kisan credit card with credit limit of Rs 50,000 and above, households with any member as a government employee, households with non-agricultural enterprises registered with the government, any family member earning more than Rs 10,000 a month, those paying income/professional tax, living in houses with three or more rooms with all having pucca walls and roof, owning a refrigerator, landline phone, possessing irrigated land etc. Thus, almost 40% of the rural population falls below the poverty line on the basis of this automatic exclusion. How long should these families wait to get at least one of these tangible variables of inclusiveness is not certain-whether in the same generation or in their next generation.

The process of finalization of these 2011 data too has got so much delayed that they are yet to be fully tabulated, analysed and studied. How long would it take to use them, to alleviate the plight of these households, accursed to live under such nightmarish deprivations? Moreover, these data are also partial; pertaining to only 299 of the 630 districts whose data have been completed. Thus, the present data do leave out a large majority of poorer states and districts. The total coverage of the rural area in the final list is therefore less than 40%- even three years after this survey was concluded. For urban areas it is worse, especially since the questionnaire was designed without any rigorous pilot. The quality of data for most big cities is also suspect. These results of the entire Socio Economic and Caste Census (SECC) exercise that started in 2011 are thus, yet partly out. Of the 640 districts, the draft lists for only 628 are in place and the final list of just 277 districts is available. By the time all the data would be out they would get outdated.

The big surprise is that, even after the preliminary results are out, there does not appear any tangible progress in rural as well as urban India even after a quarter century of the reforms process started in 1991, to take the economy on a new growth trajectory with its focus on farmers, agriculture industry and commerce. The SECC shows that over 51% of rural India survives on manual casual labour, while only 30% lives on cultivation. Of the rest, 1.61% are non-agricultural enterprise owners, while less than 1% are either beggars or ragpickers. But their number is also above one crore- almost 157 countries in the world have a population of less than 1 crore. Besides, on a rational analysis one finds that the poorer working class is regressing back.

Between 1990 and 2010, India's per capita income is reported to have gone up 2.5 times with an average annual growth in per capita income by more than 5%. But, the annual wage growth for the industrial workers had been only 1% during the same period, as revealed from the annual survey of industries. To the contrary, the corporate profits in net value added have grown from 28% to 55%. The share of wages in the net value added of the corporate sector has gone down from 32% to 12% between 1983-2013. The number of dollar billionaires from India in the Forbes' list went from 1 to 49 by 2010 and 90 in 2014, almost the third largest number in the world. The fast growing income divide between India's rich and poor can be largely attributed to the dismal rate at which real wages of industrial workers have grown over the past three decades. It is clearly evident from the data from the Annual Survey of Industries, published by Mint, whereby the real wages have grown by just 1% per annum between 1983 and 2013! In fact, the real wages appear to have grown far less than the growth in per capita income or productivity leading to worst miseries for the wage earners. This completely overrules the trickle-down theory based on western economic assumption that the two (growth rate and wages) move in tandem. Moreover, the rise in corporate profitability, particularly 1991 onwards is phenomenal and the wage rise has kept on lagging far behind. Share of net corporate profits as percentage of net value added in corporate sector has more than doubled. To the contrary, the share of wages has gone down to less than half in the net value added in corporate sector.

Real wages have slumped when corporate profitability is soaring



Data Source: Mint

The ensuing labour reforms are further likely to considerably erode the bargaining power of workers and their unions for having better terms of employment including better wages. In such a case, the divide would be much wider leading to stagnation in the purchasing power of the workers and in the demand, necessary for sustainable growth.

For the policy makers and economic planners as well as investors, it is important to bear in mind that the ensuing 8-10% GDP growth will be meaningful only if people have disposable income to spend, which would happen only if the income divide can be bridged to some extent and real wages grow in tandem with growth and per capita income. Without substantial rise in per capita real wages, India's growth story will hardly take off to generate turnovers and growth. The proposed labour reforms likely to take out wind from the sails of bargaining power of labour, would further strangulate growth in wages eluding the economy of requisite rise in income, demand, output, investment and employment to facilitate sustained growth.

China's success story of reforms has had a different modus operandi. At the macro -economic level, they have matched the foreign direct investment (FDI) with a much higher outbound direct investment (ODI), strengthened the domestic sector to outshine the FDI based production at home and sustained trade and current account surplus. At development and welfare levels they focused more upon rapid expansion of civic infra-structure, fast disposable income growth and wiping out poverty by rapidly generating employment and enhancing wage income through enhanced domestic investments outpacing FDI to have greater share in domestic manufacturing vis -a vis the FDI based one. They made huge investments in education, research & development, health & hygiene and civic infrastructure including water supply, sanitation, electricity and quality roads. This all happened by quality of governance supported by economic patriotism and techno-nationalism aimed at techno-globalism.

The first indicator of success of Chinese growth - its poverty level has been reduced to 1 per cent. From the point of view of civic infrastructure, most villages have 24 hours of power and water supply. All villagers have five types of social insurance and the infrastructure is modern. Several Chinese cities are even comparable to New York and Toronto but they are fruits of participation of indigenous builders, and not of the foreign realtors. China has become a world power on the basis of its high GDP growth with sustained rise in wages and disposable incomes and its rapid globalization through outbound direct investment (ODI) and not FDI alone. Efficient implementation of policies and good governance are also an important variable. In India, on the other hand, the latest NSSO data reveal that for the period 2011-12(July-June), the bottom 5 per cent of the population had to survive on Rs 521.44 a month in rural areas or Rs 17 a day. In urban areas, people have had to survive on Rs 27 a day. More than half of that meager amount was spent on food in rural areas and 42 per cent was spent on food in urban areas. How can they manage or think to manage to educate their children or how much could be left over for healthcare after square meals?

Thus, liberalisation's express objective of lifting the underprivileged out of poverty and deprivation has not been achieved at all. To the contrary, it has led to an increase in inequality of incomes to the extent that half the population is stripped of any meaningful purchasing power. A series of corruption scandals that surfaced, specially in the last five years of the previous government, showed how people in power misused their office and made unimaginable gains to fill their coffers of black money in tax havens. This disparity has just perpetuated malnutrition and other evils. If we talk of malnutrition, which has been termed a 'national shame' by the Prime Minister, it is still hovering around 42 per cent and it would be hard to go unless real wages and incomes grow. Healthcare for the poor is still not universal and Indians have one of the highest 'Out of pocket expenditure' for their health care in the world, and the exorbitant prices charged by private health care centres / hospitals which are mushrooming across the country appear to be beyond the means of 80% of households as per the SECC data.

According to the World Bank estimates also, 33 per cent of the world's poor live in India. Yet, the Planning Commission had tried in vain to push earlier that absolute poverty in India has gone down by 12.5 per cent between 2004-2005 and 2009-2011. Official poverty level after SECC release is now at 31 per cent of the population. It is a huge number. Corporate focused external sector liberalisation has ruined the scene in India while indigenously focused reforms have reformed China which focused on strengthening domestic industry in both public and private sector. India has oriented its focus on foreign investments (direct and portfolio). Indigenous enterprises of micro level, as well as the small, medium and even large scale one's have either turned sick or have been taken over by the foreign MNCs. India had only a singular outcome of reforms and that was growing foreign ownership and control of trade commerce and industry leading to deprivation and poverty. Further, there is a vast difference in the quality of governance in the two countries i.e. in China and India.

In China all schemes are properly implemented and all the leaders have had actual rural administrative experience unlike our leaders. They know the problems of rural China, whereas our rural economy not only remains neglected where and cities are the hub of action. But, the real story is hidden behind a veil;Ministers, bureaucrats and scientists travel abroad all the time to "learn more", especially from developed countries, and whatever they learn they are never able to execute. The urban- rural divide has led to massive migration to cities that have not been able to cope with this influx except to create ever new slums. More than half of Mumbai for example lives in slums because housing is just not affordable for low-income families.

Inclusive growth has been the slogan for quite a few years, but the poor have remained alienated /marginalised because of poor delivery of the social schemes. A large number of poverty alleviation schemes were started with great fanfare but the benefits did not reach most of the poor. The latest gesture of a munificent government has been the Food Security Bill which will actually exclude 33 per cent of the population from accessing PDS as a right and will provide only 5 Kg of grain as against the ICMR norm of 14 Kg for an adult and 7 Kg for a child.

Now when SECC data are telling the truth, India must think of internal reforms focusing upon reviving domestic economy including agriculture and small business to usher in an era of reviving employment, wage growth and domestic investment through invoking greater indigenous participation, rather than pursuing the route of import facilitation and foreign investment promotion. Agriculture needs a new impetus with enhanced public investments, supported by renewed spate of R&D in the crop sector. On the other side, we have only 2.04% share in world manufacturing vis a vis 23% share of China. So, as already pointed out, instead of external sector liberalisation, India needs greater focus upon revival of domestic investments, production, employment and promotion of informal sector and agriculture.