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# A STUDY ON MEASURES FOR REDUCING INCOME INEQUALITIES IN INDIA

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**Abstract**:

*Many industrialized countries, developing countries, and countries that have recently made the transition from communism to market-oriented economies are characterized by high and increasing income inequality. Trends in income inequality have been understood to have ethical significance for different reasons. Some have argued that lessening income inequality is a valuable goal in itself. This essay, on the other hand, focuses on three instrumental reasons for pursuing economic policies that engender less income inequality, particularly in developing countries.*

## Introduction:

Income inequality is the unequal distribution of household or individual income across the various participants in an economy. Income inequality is often presented as the percentage of income to a percentage of population. For example, a statistic may indicate that 70% of a country's income is controlled by 20% of that country's residents. ncome inequality is often associated with the idea of income "fairness." Most people consider it "unfair" if the rich have a disproportionally larger portion of a country's income compared to the general population. The causes of income inequality can vary significantly by region, gender, education and social status. Economists are divided on the implications of income disparity and on whether it is ultimately positive or negative.

Income inequality has grown increasingly evident since the 1980s, when the distribution of income had 30 to 35% of national income going to the top 10% of earners. Since then, the percent of income going to the top 10% has increased to 50%, creating a huge disparity between high earners and low earners. The issue has become politically and economically divisive regarding its root cause and acceptable solutions. While most economists agree that the growth in disparity is generally attributable to unequal education, environment and social interactions, they don't fully agree on the specific mechanisms that are driving the increase.

## Contributing Factors to Income Inequality

Education is known to affect equality in societies. Certain social-economic groups of people do not have access to quality education in the United States, especially at the secondary school level. In countries that provide higher-quality secondary education across the economic spectrum, there is much less income disparity.

Competition for talent creates a salary divide. There is much more competition for high-quality executive talent, which has driven salaries for executives higher relative to the level of generated productivity. Big bonuses and other incentives have led to an inflation of executive salaries.

Stagnant wages play a big role in inequality. The median income for low- to middle- income workers has been mostly flat since 2007, while executive compensation has increased. The diminished influence of labor unions has also led to flat or declining wages among workers.

Family and social interactions impact earning potential. Social and emotional skills critical to leading a quality life are not sufficiently developed in economically distressed areas with a high percentage of unstable families.

Increased demand for high-skilled workers adds to a widening wage gap. Companies are investing more heavily in developing a high-skilled workforce, driving wages up for high-skilled workers. This leads to de-emphasizing or automating low-skilled functions, pushing wages for low-skilled workers down.

**Government polices to reduce income inequalities**

8 ways to reduce income inequalities

Extreme economic inequality is corrosive to our societies. It makes poverty reduction harder, hurts our economies and drives conflict and violence. Reversing this trend presents a significant challenge, but one where we've seen some progress. Below we offer eight ways to move the world forward in reducing global inequality.

**1. Stop Illicit Outflows**

In developing countries, inadequate resourcing for health, education, sanitation and investment in the poorest citizens drives extreme inequality. One reason is tax avoidance and other illicit outflows of cash. According to Global Financial Integrity, developing countries lost $6.6 trillion in illicit financial flows from 2003 through 2012, with illicit outflows increasing at an average rate of 9.4 percent per year. That's $6.6 trillion that could reduce poverty and inequality through investments in human capital, infrastructure and economic growth.

**2. Progressive Income Tax**

After falling for much of the 20th century, inequality is worsening in rich countries today. The top 1 percent is not only capturing larger shares of national income, but tax rates on the highest incomes have also dropped. How much should the highest income earners be taxed? This is obviously a question to be decided domestically by citizens, and opinions differ. For instance, economist Tony Addison suggests a top rate of 65 percent rate on the top 1 percent of incomes.

**3. A Global Wealth Tax?**

In Capital in the Twenty-first Century , Thomas Piketty recommends an international agreement establishing a wealth tax. Under his plan, countries would agree to tax personal assets of all kinds at graduated rates. The skeptics do have a point about whether this particular plan is practical, but we shouldn't give up on the idea. Because wealth tends to accumulate over generations, fair and well-designed wealth taxes would go a long way towards combating extreme inequality.

**4. Enforce a Living Wage**

Governments should establish and enforce a national living wage, and corporations should also prioritize a living wage for their workers and with the suppliers, buyers and others with whom they do business. Low and unlivable wages are a result of worker disempowerment and concentration of wealth at the top — hallmarks of unequal societies. As human beings with basic needs, all workers should earn enough to support themselves and their families. Governments and corporations should be responsible for protecting the right to a living wage, and corporations should commit to responsible behavior that respects the dignity of all workers.

**5. Workers' Right to Organize**

The right of workers to organize has always been a cornerstone of more equal societies, and should be prioritized and protected wherever this basic right is violated. Extreme inequality requires the disempowerment of workers. Therefore, the right of workers to organize and bargain collectively for better pay and conditions is a global human rights priority. Despite Article 23 of the Universal Declaration of Human Rights — which declares the right to organize as a fundamental human right — workers worldwide, including in the United States, still face intimidation, fear and retribution for attempting to organize collectively. Where unions are strong, wages are higher and inequality is lower.

**6. Stop Other Labor Abuses**

Companies worldwide are also replacing what was once permanent and stable employment with temporary and contingent labor. Often called "contingent" or "precarious" workers, these workers fill a labor need that is permanent while being denied the status of employment. In the United States, this trend is called "misclassification," in which employers misclassify workers as "independent contractors" when they are actually employees. Contingent labor also occurs through outsourcing, subcontracting and use of employment agencies.

**7. Open and Democratic Trade Policy**

Negotiating international trade agreements behind closed doors with only bureaucrats and corporate lobbyists present has to end. These old-style trade agreements are fundamentally undemocratic and put corporate profits above workers, the environment, health and the public interest. We need a new, transparent trade policy that is open, transparent and accountable to the people.

**8. A New Economics?**

Economists are often imagined as stuffy academics who value arcane economic theory above humanitarian values. The field's clinging to parsimonious theories gave us such winners as the Washington Consensus and a global financial system that imploded in 2008. Thankfully, there's a movement among economics grad students and scholars to reimagine the discipline. As they acknowledge, we clearly need a new economics that works to improve the lives of everyone, not just those already well off. For instance, what could be more radical than a Buddhist economics? This is the path promoted by economist and Rhodes Scholar E .F. Schumacher, who says humanity needs an economics that creates wealth for all people, just not money for privileged people and corporations. Economics should take into account ethics and the environment, and treat its claims less like invariable truths.

## Conclusion

The research paper concludes that while societies with relatively high income inequality can, in principle, be equitable, it is more likely that income differentials will compound and aggravate unfairness in the allocation of opportunities, the functioning of the political process, and efforts to improve the well-being of the least advantaged. To tackle inequality, financial inclusion is imperative in emerging and developing countries while in advanced economies, policies should focus on raising human capital and skills and making tax systems more progressive.

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