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INDIA'S COMMITMENT TO REDUCING INEQUALITY (CRI): A FACTSHEET

ऑक्सफैम इंडिया
OXFAM
India

The gap between the rich and the poor continues to rise, with the rich experiencing unparalleled growth in their wealth, despite the pandemic. India's top one percent of population holds 42.5 percent of national wealth while the bottom 50 percent, the majority of the population, owns a mere 2.8 percent of the national wealth[i] . The Commitment to Reducing Inequality Index is a global report that ranks 158 governments, including India, across the world on their commitment to reducing inequality.

INDIA IN THE GLOBAL CRI

India's richest 10% now hold nearly three-quarters of the total wealth[ii], and between 2018 and 2022, India is estimated to produce 70 new millionaires every day[iii] . The CRI 2020 ranks India at 129 out of 158 countries on government policies and actions in areas of public services (education, health, social protection), taxation and workers' rights. However, the saving grace for India has been the taxation pillar where it ranks 19, while the other two pillars reflect the troublesome conditions of public services (ranked 141) and labour rights (ranked 151).

THE PRESENT DOCUMENT: A LOOK AT THE PERFORMANCE OF STATES

India has been one of the fastest growing economies in the world in the last decade. According to Human Development Index, in the last three decades, India's life expectancy at birth increased by 11.6 years, average schooling years by 3.5 years, and per capita income by 250 times[iv] . More than 270 million people in India were lifted out of poverty from 2005 to 2016 — the largest by any country in that period[v]. Despite this, however, India has also seen great economic divergence between its states. The demographics, literacy and development indicators of India's states are now vastly different. Indeed, some of the analysis suggests that it is the only large economy in the world that is experiencing an economic divergence across its large states[vi]. The present document looks at the extent to which India as a nation is moving to address inter-state inequalities.

GLOBAL CRI AND THE PRESENT ANALYSIS: A METHODOLOGICAL DISCLAIMER

This factsheet, unlike the CRI, is not an index; it only covers a sub-set of indicators covered by the CRI, but provides a snapshot of some of the various pillars followed by the global report. Unlike the focus of the global CRI, which has the twin focus of looking at the wealth inequalities too, the present analysis focuses on inter-state inequalities in performance. The focus is on providing an overview of the extent to which some of India's states are investing in policies that address the needs of India's poor. We also highlight the vast gaps in performance that exist between the various states of India.

THIS FACTSHEET LOOKS AT THREE AREAS AFFECTING INTER-STATE INEQUALITY:

1. State of Public Services -Health, Education, Social Security
2. Minimum wage and Informal sector
3. Resource transfer to the states from the Centre

The India factsheet does not strictly follow the indicators of the global index. It is based on the nuances of the Indian context and availability of data. The global CRI examines the extent of progressivity of taxation policies as a mode of reducing the gap between rich and poor. Thus, while the global index looks at taxes like Personal Income tax (PIT), Corporate Income Tax (CIT) and Value Added tax (VAT), levying these is outside the mandate of individual states in India. Goods and Services Tax (GST) is under the Centre's fold and the rates are decided by the GST council. Instead we look at states' dependence on resources from the centre and how this has changed pre and post GST as a reflection of the capacity of states to invest resources to correct developmental inequalities. The CRI global labour pillar measures respect for trade unions, legal protection for women workers and minimum wages. It measures levels of informal and vulnerable employment, and looks at the impact of labour market inequalities. However, much of this data is not available at the state level. Therefore, for labour reforms, we focus on state-level minimum wages and explore the level of vulnerability among workers by looking at the size of the informal sector in the states. This analysis becomes even more relevant during the current pandemic when the informal sector took a huge hit with the possibility of 400 million informal workers being pushed into poverty due to the pandemic[vii].

METHODOLOGY NOTE

We look at these pillars at the state-level in 'non-special category status[1]' states[2] to look at the government's commitment to tackling issues of inequality. The centre is constitutionally obligated to prioritise these special category status states in providing grant assistance. Hence, for uniformity in the analysis, we look at the states that have not been granted this status. These states include Andhra Pradesh, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. Delhi, though not a part of the analysis, has been discussed on account of being the National Capital.

This analysis is based on secondary data collected from different published sources. Data for Expenditure on Health, Education, Social Security, Grants and Transfers has been taken from Reserve Bank of India (RBI) State Finances from 2015-16 to 2019-20. Data for Projected Population from 2015-2019 has been taken from National Health Mission. Data for Gross State Domestic Product (GSDP) from 2015-16 to 2019-20 at constant prices is used from Ministry of Statistics and Programme Implementation (MOSPI). However, GSDP for 2019-20 for Gujarat and Kerala has been calculated by estimating growth rate from 2017-18 to 2018-19 and taking same growth rate to get 2019-20 figures. GSDP for Maharashtra for 2019-20 has been extracted from Maharashtra's Economic Survey of 2019-20. Data for Enrolment and Retention Rate is taken from the DISE dashboard of the website. Minimum Wages have been taken from the notifications issued by each state. Size of Informal Sector has been taken from Periodic Labour Force Survey 2017-18. For growth rate calculation, we apply the formula of Average Annual Growth Rate (AAGR) and Coefficient of Variation (CV) is calculated through the ratio of standard deviation and mean of the series.

[1] Special Category Status is a classification given by Centre to assist in the development of those states that face geographical and socio-economic disadvantages. These include Assam, Nagaland, Himachal Pradesh, Manipur, Meghalaya, Sikkim, Tripura, Arunachal Pradesh, Mizoram and Uttarakhand. Jammu and Kashmir was also classified under the special category status until this was scrapped as per Article 370 in 2019.
[2] Goa has been excluded, since it is a very small state compared to the rest, and might skew the analysis

INDIA'S COMMITMENT TO REDUCE INEQUALITY: SOME STATISTICS

1. To earn what the CEO of India's top tech company earns in a year, the lowest paid unskilled worker in India would take 23,504 years[3]. With earnings pegged at INR 122 per second, the CEO would make more in 10 minutes than what the unskilled worker would make in the entire year.

2. The National Education Policy states that it will increase public investment in the education sector to 6 percent of Gross Domestic Product (GDP) soon,[viii] however, as per the average growth rate of all the non-special category status states below 6 percent of expenditure, it would take about 14.5 years, on average, for them to reach the target expenditure.

3. As per International Institution for Management Development's Global Competitiveness Report,[ix] India ranks second from bottom on total public expenditure on education per student out of 63 countries.

4. The per student expenditure of Kendriya Vidyalaya is about INR 27,000[x] , which is four times the per capita education expenditure in Delhi and six times of India.

5. As per government's commitment to the Sustainable Development Goals (SDG), public health expenditure should be 2.5% of GDP by 2025[xi] . However, average growth rate of the non-special category status states suggests that it would take 15 years to achieve 2.5% of GSDP at the state level.

[3] Methodology: To calculate CEO pay, Oxfam used the figures for total calculated compensation. This is the sum of all compensation components which include: salary; bonus and options as per media reports. It is assumed that CEOs work 12 hours a day, 26 days a week (taking only Sundays off). For minimum wages, we take the lowest minimum wage of unskilled worker among all the states (see table 2.1) for calculation.

PUBLIC SERVICES: HEALTH, EDUCATION, SOCIAL SECURITY

This pillar looks at actions taken by the government with respect to spending on health, education and social security. It covers per capita expenditure, expenditure as a percentage of total expenditure and as a percentage of GSDP. Since social security targets a specific sub-group of the population (those availing old age pension, disability pension, widow pension, etc.), we limit the scope of its analysis to expenditure on social security as a percentage of total expenditure. Additionally, for education, we look at enrolment and retention rate to measure coverage of services.

TABLE 1.1: PER CAPITA EXPENDITURE ON EDUCATION[4] AND HEALTH FOR 2019-20 (IN INR)

Rank	State	Education
1	Andhra Pradesh	6398
2	Kerala	6004
3	Maharashtra	5837
4	Chhattisgarh	5710
5	Haryana	5352
6	Rajasthan	5179
7	Tamil Nadu	4726
8	Odisha	4470
9	Punjab	4316
10	Karnataka	4247
11	Gujarat	3903
12	Madhya Pradesh	3897
13	West Bengal	3608
14	Jharkhand	3098
15	Bihar	3007
16	Uttar Pradesh	2798
17	Telangana	2584
	All State and UTs	4430

Rank	State	Health
1	Kerala	1910
2	Haryana	1671
3	Andhra Pradesh	1628
4	Chhattisgarh	1606
5	Odisha	1461
6	Karnataka	1347
7	Punjab	1312
8	Rajasthan	1276
9	Tamil Nadu	1270
10	Madhya Pradesh	1210
11	Maharashtra	1207
12	Gujarat	1199
13	Jharkhand	1108
14	Telangana	1035
15	West Bengal	906
16	Uttar Pradesh	725
17	Bihar	697
	All State and UTs	1261

[4] Includes expenditure on Sports, Art and Culture under revenue expenditure and capital outlay calculated from the report on state finances published by Reserve Bank of India

In 2019-20, per capita expenditure on education is lowest in Telangana at INR 2584 and highest in Andhra Pradesh at INR 6398. For health, the per capita expenditure is lowest in Bihar at INR 697 and highest in Kerala at INR 1910. There is a difference of INR 3814 in highest and lowest per capita education expenditure in states and of INR 1213 in highest and lowest per capita health expenditure.

Delhi, an exception due to the special status[5] granted to it has high per capita expenditure on education and health at INR 7638 and INR 3685, respectively. The per capita expenditure for all states and UTs stands at INR 4430 for education and INR 1261 for health. The per student expenditure of Kendriya Vidyalaya is about INR 27,000, which is four times the per capita education expenditure in Delhi and six times of India. The standard for expenditure on public services should be adequacy, which would result in better outcomes.

The Adivasi or Tribal population fare worse in development indicators than the non-marginalized population. High expenditure on public services would lead to better outcomes in these indicators. Among the states dominated with tribal population, Chhattisgarh is the only one that lies in the top five ranks for per capita education expenditure, while Chhattisgarh and Odisha are in the top five for per capita health expenditure.

The growth rate of per capita expenditure in these states for the last five years (Figures 1 and 2) suggest that Andhra Pradesh has the highest growth rate at 20.8% for education and 23.5% for health in the last five years. Telangana experienced a negative growth rate of 2% in education and Bihar had the lowest growth rate for health at 4.2%.

[5] Under Article 239AA of the Constitution, wherein governance of Delhi is partly handled by the central government and part by the state government

FIGURE 1: AVERAGE GROWTH RATE OF PER CAPITA EXPENDITURE ON EDUCATION FROM 2015-16 TO 2019-20

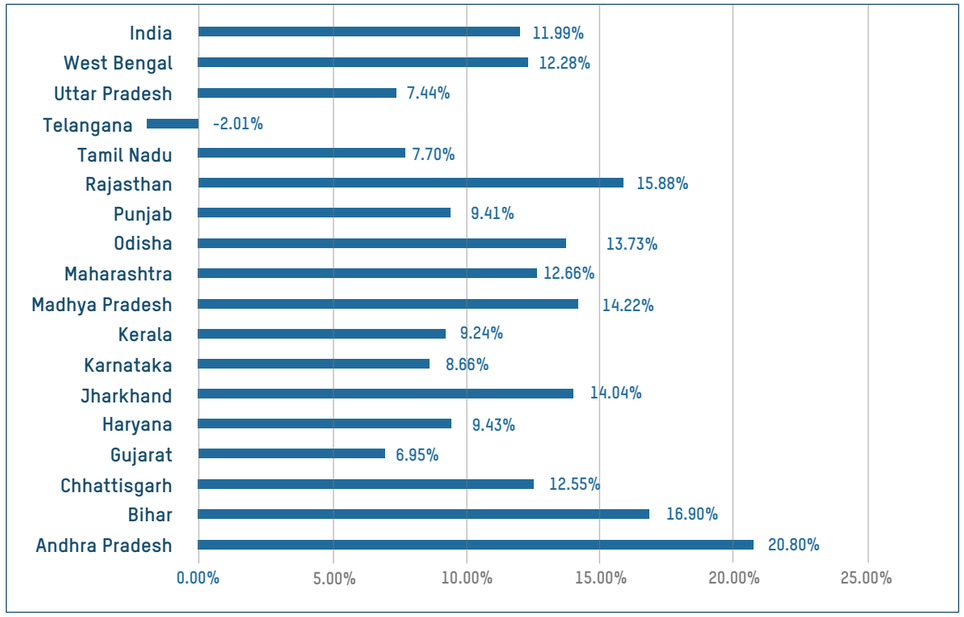

FIGURE 2: AVERAGE GROWTH RATE OF PER CAPITA EXPENDITURE ON HEALTH FROM 2015-16 TO 2019-20

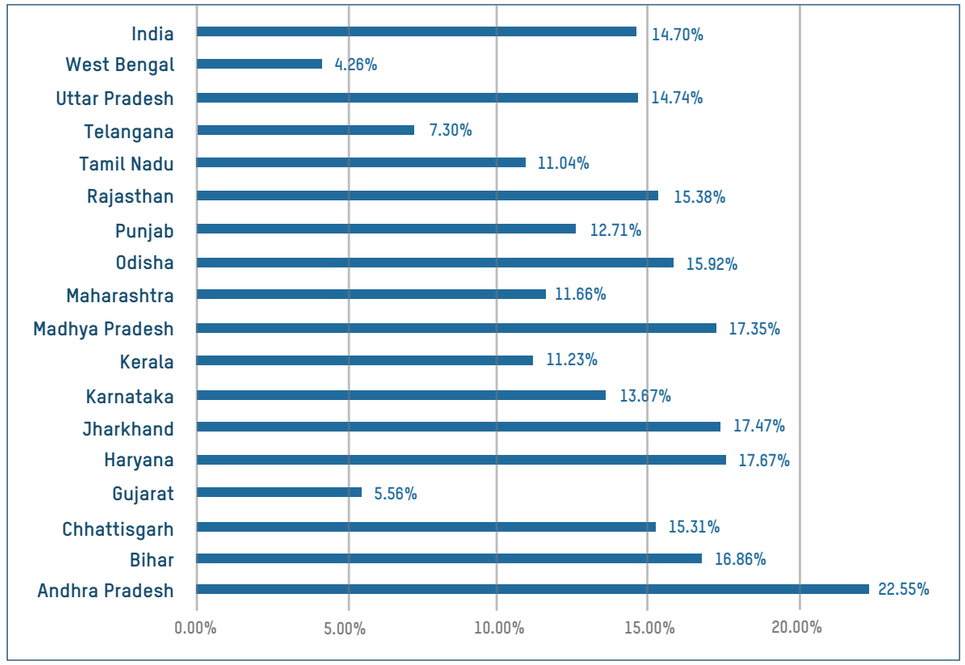

TABLE 1.2: HEALTH, EDUCATION AND SOCIAL SECURITY EXPENDITURE AS A PERCENTAGE OF TOTAL EXPENDITURE IN 2019-20

Rank	State	Education
1	Bihar	17.9
2	Maharashtra	17.7
3	Chhattisgarh	17.7
4	Rajasthan	17.3
5	West Bengal	16.1
6	Andhra Pradesh	14.7
7	Madhya Pradesh	14.2
8	Odisha	14.0
9	Kerala	14.0
10	Jharkhand	13.6
11	Tamil Nadu	13.5
12	Uttar Pradesh	13.4
13	Gujarat	13.1
14	Haryana	13.0
15	Karnataka	11.9
16	Punjab	10.3
17	Telangana	6.6
	All State and UTs	14.7

Rank	State	Health
1	Chhattisgarh	5.0
2	Jharkhand	4.9
3	Odisha	4.6
4	Kerala	4.5
5	Madhya Pradesh	4.4
6	Rajasthan	4.3
7	Bihar	4.2
8	Haryana	4.1
9	West Bengal	4.0
10	Gujarat	4.0
11	Karnataka	3.8
12	Andhra Pradesh	3.7
13	Maharashtra	3.7
14	Tamil Nadu	3.6
15	Uttar Pradesh	3.5
16	Punjab	3.1
17	Telangana	2.6
	All State and UTs	4.2

Rank	State	Social Security
1	Andhra Pradesh	9.6
2	West Bengal	7.9
3	Telangana	7.7
4	Karnataka	7.3
5	Haryana	6.8
6	Odisha	4.7
7	Uttar Pradesh	4.3
8	Jharkhand	4.1
9	Rajasthan	3.5
10	Tamil Nadu	3.4
11	Bihar	3.2
12	Madhya Pradesh	3.0
13	Kerala	2.7
14	Chhattisgarh	2.4
15	Punjab	2.3
16	Maharashtra	1.1
17	Gujarat	1.0
	All State and UTs	4.1

The variation in percentage of expenditure for health and education among the states over the last five years (2015-2019) suggests that interstate inequality in expenditure has risen from 14.8% to 20.6% for education and 48.4% to 57.7% for social security. However, for health, the inequality among the states has declined from 17.7% to 15% in the last five years.

Interstate inequality in the percapita expenditure for health and education also shows a rising trend over the last five years. Variation in the per capita expenditure among the states has risen from 23% to 28% for education and 38% to 44% for health in the last five years.

Delhi, the National Capital, spent 25.2 per cent of its expenditure on education, 12.2 percent on health and 5.4 percent on social security in 2019-20. For all states and UTs, Education Expenditure, Health Expenditure and Social Security Expenditure as a percentage of Total Expenditure stood at 14.7, 4.2 and 4.1 percent,respectively.

Among the states dominated by the tribal population, Chhattisgarh is in the top five for expenditure on education as a percentage of total expenditure. Chhattisgarh, Jharkhand, Madhya Pradesha and Odisha are in the top five for expenditure on health out of total expenditure. None of these states are in the top five for social security expenditure.

Education expenditure out of total expenditure has been growing fastest for Rajasthan at 8.7% while the rate of growth is lowest for Telangana at negative 11.2%. Negative growth rate implies that education expenditure as a percentage of total expenditure has declined in the last five years. For health, the highest growth rate has been for Haryana at 8.9% and lowest is for West Bengal at negative 5.6%.

FIGURE 3: AVERAGE GROWTH RATE OF EDUCATION EXPENDITURE AS % OF TOTAL EXPENDITURE FROM 2015-16 TO 2019-20

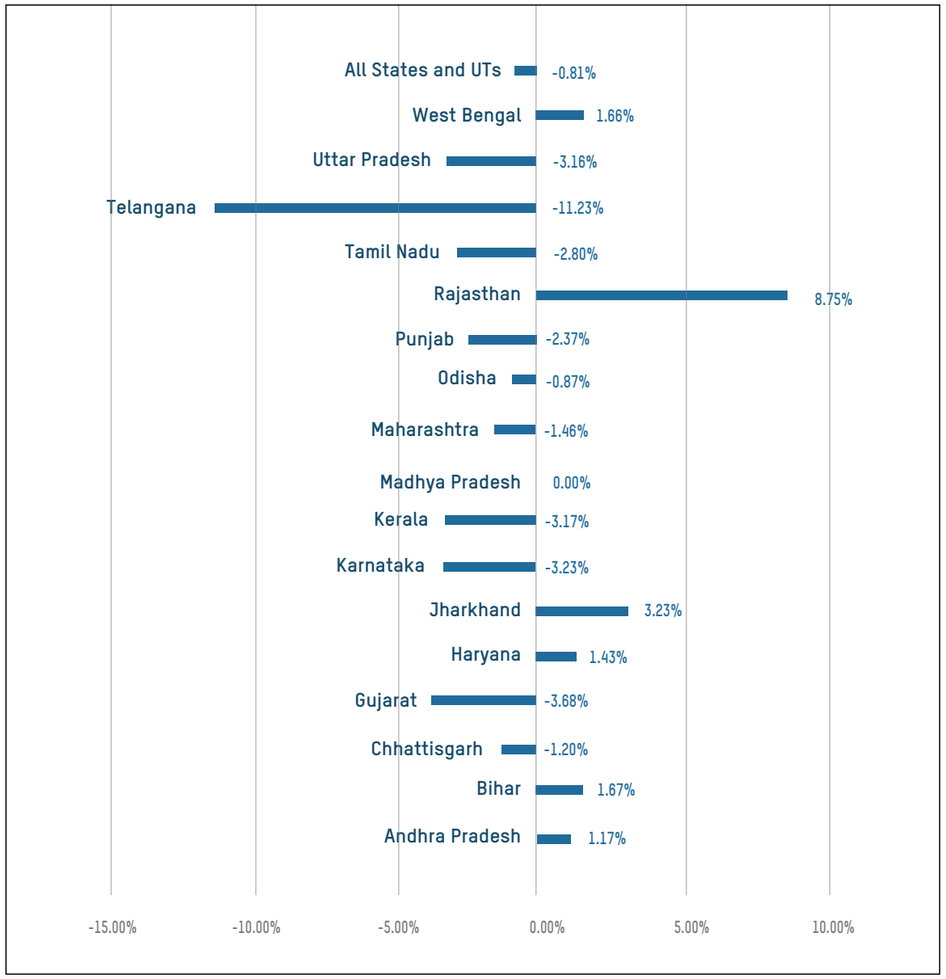

FIGURE 4: GROWTH RATE OF HEALTH EXPENDITURE AS % OF TOTAL EXPENDITURE FROM 2015-16 TO 2019-20

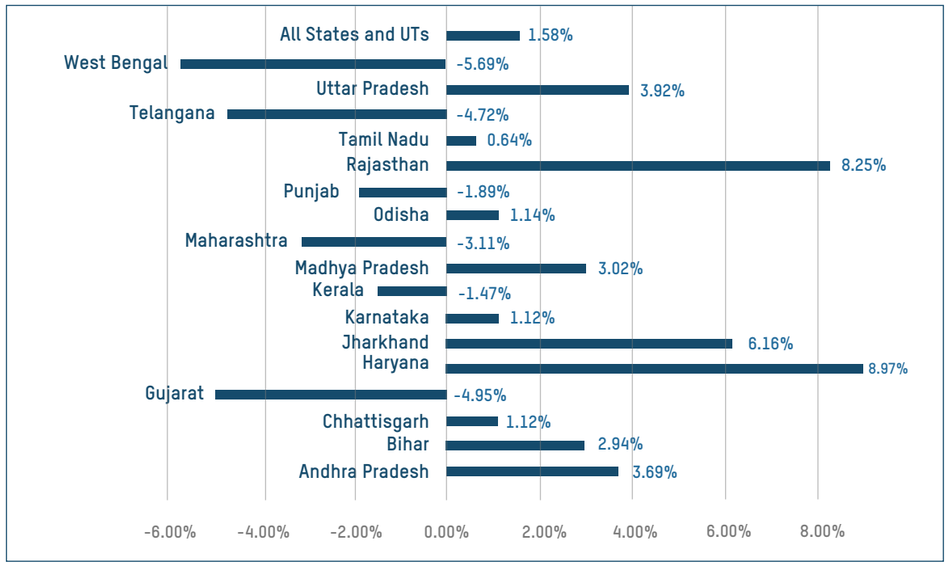

TABLE 1.3: HEALTH AND EDUCATION EXPENDITURE AS A PERCENTAGE OF GSDP IN 2019-20. STATES ARE RANKED AS PER THEIR EXPENDITURE IN 2019-20

Rank	State	Education				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Bihar	6.5	6.3	8.2	6.5	6.5
2	Chhattisgarh	5.1	5.6	5.8	7.0	6.7
3	Madhya Pradesh	4.3	4.6	4.9	5.5	5.7
4	Rajasthan	3.8	4.1	4.3	5.3	5.6
5	Uttar Pradesh	5.1	5.4	4.4	5.1	5.3
6	Andhra Pradesh	3.4	3.2	3.4	3.2	5.0
7	Odisha	4.0	3.6	4.0	4.7	4.9
8	Jharkhand	3.8	4.3	4.0	5.0	4.8
9	Kerala	3.5	3.7	3.6	4.1	4.4
10	West Bengal	3.2	3.6	3.7	3.5	3.5
11	Maharashtra	2.5	2.5	2.5	2.8	3.3
13	Punjab	2.7	2.6	2.5	2.9	3.1
13	Tamil Nadu	2.7	2.6	2.6	2.8	2.7
14	Haryana	2.4	2.5	2.5	2.7	2.7
15	Karnataka	2.3	2.2	2.2	2.3	2.3
16	Gujarat	2.2	2.0	2.1	2.2	2.0
17	Telangana	2.3	2.4	2.2	2.1	1.5
	All State and UTs	3.2	3.2	3.3	3.8	4.1

Rank	State	Health				
		2015-16	2016-17	2017-18	2018-19	2019-20
1	Bihar	6.4	7.6	8.6	9.9	6.5
2	Chhattisgarh	1.3	1.5	1.7	2.1	1.9
3	Madhya Pradesh	1.2	1.2	1.4	1.4	1.8
4	Rajasthan	1.2	1.2	1.3	1.7	1.7
5	Uttar Pradesh	1.2	1.3	1.3	1.5	1.6
6	Andhra Pradesh	0.9	1.0	1.2	1.4	1.4
7	Odisha	1.0	1.1	1.1	1.3	1.4
8	Jharkhand	0.8	0.9	0.8	0.9	1.3
9	Kerala	1.0	1.1	1.1	1.2	1.1
10	West Bengal	1.2	1.2	1.2	1.2	1.1
11	Maharashtra	0.7	0.8	0.7	0.8	0.9
13	Punjab	0.6	0.6	0.6	0.8	0.8
13	Tamil Nadu	0.6	0.7	0.7	0.8	0.7
14	Haryana	0.6	0.7	0.7	0.7	0.7
15	Karnataka	0.6	0.6	0.6	0.7	0.7
16	Gujarat	0.7	0.7	0.7	0.7	0.6
17	Telangana	0.7	0.7	0.7	0.9	0.6
	All State and UTs	0.8	0.9	1.0	1.1	1.2

As per Niti Aayog, Education expenditure as a % of GDP should be 6% by 2022[xii]. It goes as high as 8.7 percent of GSDP for Bihar in 2019-20, with lowest in Gujarat at 2%. Except for Bihar and Chhattisgarh, all the states are below 6%of expenditure. In 2019-20, education expenditure as % of GSDP differed by 7.2% and health expenditure by 1.4% in the highest and lowest ranked state.

In the past five financial years, only Gujarat's expenditure as % of GSDP has seen a decline, while it has stayed the same in 2015-16 and 2019-20 for Karnataka and Tamil Nadu, and increased in the rest.

As per government's commitment to the SDG goals, public health expenditure should be 2.5% of GDP by 2025. Highest percentage in 2019-20 is of Bihar at 2%. This percentage goes as low as 0.6 percent in Gujarat and Telangana. While Gujarat is third highest in GSDP, it is lowest in expenditure in health as a percentage of GSDP. On the other hand, even though Bihar is 5th lowest in GSDP, its % of health expenditure is highest among the major states.

Over the course of five financial years, percentage of health expenditure has declined for Gujarat and West Bengal. The top five states in health expenditure as % of GSDP are those with lower GSDP namely Bihar, Chhattisgarh, Madhya Pradesh, Jharkhand and Odisha.

States like Gujarat, Maharashtra and Tamil Nadu have high GSDP but their education and health expenditure is among the lowest.

TABLE 1.4: GROSS ENROLMENT RATIO[6] AND RETENTION RATE[7] AT THE ELEMENTARY LEVEL[8]

Rank	State	Gross Enrolment Ratio at Elementary Level	Gender gap in Gross Enrolment Ratio at Elementary Level (Female-Male)
1	Bihar	99.87	11.27
2	Karnataka	99.66	-0.47
3	Punjab	98.71	6.7
4	Tamil Nadu	98.56	1.43
5	Chhattisgarh	98.45	0.7
6	Odisha	98.14	-2.25
7	Maharashtra	97.94	1.23
8	West Bengal	96.3	4.79
9	Gujarat	95.83	3.74
10	Rajasthan	95.76	-0.58
11	Jharkhand	95.04	2.16
12	Kerala	94.56	0.74
13	Haryana	94.08	5.29
14	Madhya Pradesh	91.25	1.05
15	Andhra Pradesh[9]	82.54	-2.59
16	Uttar Pradesh	82.09	9.79
17	All State and UTs	97.2	1.1

Rank	State	Retention Rate at Elementary Level	Gender gap in Retention Rate at Elementary Level (Female-Male)
1	Tamil Nadu	96.2	1
2	Maharashtra	91.5	-2.2
3	Gujarat	90.2	-5.3
4	Andhra Pradesh[9]	84.4	-1
5	Karnataka	84.3	-0.9
6	Chhattisgarh	75.1	3.4
7	Odisha	74.8	0.3
8	Uttar Pradesh	68.3	3.4
9	Madhya Pradesh	60.4	0.1
10	Bihar	58.1	6.3
11	Rajasthan	57.3	-3.5
12	West Bengal	53.2	8.7
13	Jharkhand	44.4	1.4
14	Punjab	N A	N A
15	Kerala	N A	N A
16	Haryana	N A	N A
17	All State and UTs	71.1	1.4

[6] Number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education.
[7] Enrolment in Grade 8 in a year as a proportion to enrolment in Grade 1 seven years back is termed as retention rate at elementary level, as per DISE
[8] In India, elementary level refers to primary education, that is, 1 st to 8 th standard
[9] Includes Telangana

On average, gross enrolment ratio and retention rate for all states and UTs is at 97.2 and 71.1 respectively, which means that about 26% of those enrolled do not complete their elementary education. There is a difference of 17.8% between highest and lowest ranked state for gross enrolment ratio and of 51.8% for retention rate.

Except for Karnataka, Odisha, Rajasthan and Andhra Pradesh, gross enrolment ratio is higher for females than for males. In the case of retention rates, Karnataka, Maharashtra, Gujarat, Rajasthan and Andhra Pradesh have lower retention rates for females than for males.

States with highest enrolment ratio are also the states with highest education expenditure as a percentage of GSDP. On the other hand, retention rate is higher for states with high GSDP.

The analysis traces the expenditure on education, health and social security. Education expenditure is almost four times that of health for all states and UTs. With the pandemic shedding light on the country's dwindling healthcare system, it becomes imperative to re-examine the expenditure in this sector. Not to mention that even though expenditure in education and health increases in absolute values in India, it has decreased as a percentage of total expenditure over the last five years. To overcome rising inequality, these sectors need to be given more priority in the budget.

MINIMUM WAGES AND INFORMAL SECTOR

The labour pillar measures the state of legal protection of workers by looking at state-level minimum wages. It also measures size of the informal sector to get an idea of the extent of vulnerability that exists in the workforce.

TABLE 2.1: MINIMUM WAGES (PER DAY RATES)

Rank	State	Year of latest notification	Unskilled	Semi-Skilled	Skilled	Highly Skilled
1	Kerala	August, 2020	481.46	465.31	457.23	449.15
2	Karnataka[10]	April, 2019	418.74	457.24	499.59	546.18
3	Maharashtra	July, 2020	375.54	407.69	437.54	NA
4	Haryana	July, 2019	347.08	364.43	401.79	442.97
5	Andhra Pradesh	April, 2020	343.27	358.15	363.12	379.12
6	Tamil Nadu	April, 2019	342.12	344.46	346.38	347.96
7	Chhattisgarh	April, 2020	341	366	396	426
8	Punjab	September, 2019	338.05	368.05	402.55	442.25
9	Telangana	April, 2019	337.85	352.73	357.69	373.69
10	Uttar Pradesh	April, 2020	331.73	364.9	408.75	NA
11	Madhya Pradesh	April, 2020	318.27	351.23	404.23	454.23
12	Odisha	April, 2020	303.4	343.4	393.4	453.4
13	West Bengal	July, 2020	292	321	353	389
14	Bihar	April, 2020	287	299	364	444
15	Jharkhand	October, 2019	274.81	287.9	379.51	438.39
16	Gujarat	April, 2020	268	276	284	NA
17	Rajasthan	May, 2019	225	237	249	299

NOTE: Where minimum wages is given as a range based on the different zones of the state, the lowest value is taken as minimum wages. States of Andhra Pradesh, Kerala, Tamil Nadu and Telangana, where minimum wages were given on a monthly basis, have been calculated on per day basis taking a 26-day working month.

Kerala has the highest minimum wages across all states for unskilled, semi-skilled, skilled and highly skilled workers while Rajasthan has the lowest Minimum Wage across all categories.

To highlight the inequality that exists among states, wages for unskilled workers in highest and lowest ranked states is of INR 56 per day, which translates to a difference of INR 80,000 per year.

[10] April, 2020 MW got revoked due to COVID-19

TABLE 2.2: SIZE OF INFORMAL SECTOR [11]

			Rural		Urban		Total	
Rank	State	Total	Male	Female	Male	Female	Male	Female
1	Uttar Pradesh	85.4	89.8	75.8	81.8	66.6	86.9	71.8
2	Andhra Pradesh	78.3	83.4	78.9	77.2	69.5	80.1	73.6
3	West Bengal	76.8	83.8	68.1	75.2	57.2	80	62.8
4	Chhattisgarh	74.6	78.8	76.7	71.7	63	75.7	71.1
5	Punjab	74	76.5	50.4	79.8	49.2	78.2	49.7
6	Rajasthan	73.7	73.4	64.4	78.1	57.5	75.2	61.6
7	Kerala	67.3	77.6	39.2	75.3	38.9	76.5	39.1
8	Gujarat	67.1	67.6	48.8	70.9	51.9	69.7	51
9	Haryana	67	75.4	66	60	49.5	68.3	56.6
10	Odisha	66.9	72.3	52.1	63.8	47.1	70.1	50.8
11	Jharkhand	66.5	69.8	74.7	59.8	51	66.9	63.4
12	Karnataka	66.5	74.5	61.3	65.5	47	69.1	51.9
13	Madhya Pradesh	64.8	67.5	57	67	51.3	67.3	54.1
14	Bihar	63.4	64.9	54.6	59.6	36.7	64.1	49.5
15	Tamil Nadu	60	69.9	49.8	57.6	52.3	63	51.2
16	Telangana	59.9	66.8	73.9	55.3	50.7	59.4	61.6
17	Maharashtra	56.8	65.9	51.9	56.6	42.3	59.5	44.6
	All India	68.4	74.5	59.3	67.3	51	71.1	54.8

The presence of the informal sector is very strong in India with 68.4% workers involved in the informal sector, with 71.1% of males and 54.8% of females. Informal sector is smallest in Maharashtra and largest in Uttar Pradesh.

Highest presence of informal sector for males is in Uttar Pradesh (86.9%) and for females is in Andhra Pradesh (73.6%). The percentage goes as low as 39.1% for females in Kerala and 59.5% for males in Maharashtra. Delhi's informal employment is at 31.8% for females and 64.8% for males.

In general, informal sector has higher percentage of male workers than females, except for rural Jharkhand and Telangana.

States like Uttar Pradesh and West Bengal with fifth and sixth highest GSDP in 2019-20 (at constant prices) also have a huge informal sector. At least three-fourths of their workers are in the informal sector. Meanwhile, states like Jharkhand (rank 11) and Odisha (rank 10) with low GSDP among these states have a comparatively lesser presence of the informal sector in their state.

Seven out of every 10 workers in India are in the informal sector. This begs the question of protection of labour rights. The informal sector has taken a huge hit in the pandemic and 400 million workers could possibly be pushed into poverty, according to ILO. Not to mention the high inequality among minimum wages with a difference of INR 80,000 in a year between the unskilled workers of Kerala and Rajasthan. Social security for workers, formal job contracts, paid leaves and decent wages should be ensured for all employed persons.

[11] Definition of Informal Sector as per PLFS 2017-18: the enterprise types proprietary and partnership are classified as informal sector enterprises.

RESOURCE TRANSFER TO THE STATES FROM THE CENTRE

This pillar looks at the transfers and grants received by states from the centre. This doesn't necessarily mean that the receipts are as per a state's needs but it helps understand the centre's commitment to reducing inequality by providing support to the economically weaker states. This support from the centre would enable the states to reduce inequality in areas of public services and labour reforms. Additionally, we look at how these transfers and grants have changed pre and post GST to gauge at the impact that regressive taxation has on a state's self-reliance.

TABLE 3.1: PER CAPITA TRANSFER [12] AND GRANT [13] RECEIPTS FOR 2019-20

Rank	State	Transfer
1	Chhattisgarh	9453
2	Odisha	8978
3	Madhya Pradesh	7753
4	Bihar	7258
5	Jharkhand	6978
6	Andhra Pradesh	6670
7	Uttar Pradesh	6614
8	West Bengal	6267
9	Kerala	6116
10	Karnataka	6050
11	Rajasthan	5755
12	Telangana	5298
13	Tamil Nadu	4489
14	Punjab	4461
15	Haryana	3856
16	Gujarat	3834
17	Maharashtra	3817
	All State and UTs	6388

Rank	State	Grant
1	Andhra Pradesh	11695
2	Odisha	6998
3	Chhattisgarh	6989
4	Punjab	6041
5	Karnataka	4902
6	Madhya Pradesh	4422
7	Bihar	4101
8	Jharkhand	3699
9	Rajasthan	3453
10	Haryana	3443
11	Tamil Nadu	3382
12	Gujarat	3377
13	West Bengal	3343
14	Kerala	3332
15	Maharashtra	3292
16	Uttar Pradesh	3025
17	Telangana	2197
	All State and UTs	4862

The top five states are economically weaker states, while advanced states have lesser per capita transfers, indicating that economically weaker states are prioritized during transfer of central taxes.

Grant is provided in the form of central schemes and special assistance. Andhra Pradesh has highest per capita at INR 11,695, and lowest is in Telangana at INR 2,197 which is five times less than Andhra Pradesh. Telangana has also ranked at the bottom for per capita education, percentage of expenditure on education and health as a percentage of total expenditure.

Among the tribal-dominated states, Odisha is at second position, Chhattisgarh is third, Madhya Pradesh is sixth and Jharkhand is eighth, which implies that backward districts are getting high per capita grants from the Centre.

Delhi does not receive transfers from the Centre, while its per capita grant was INR 3390 in 2019-20. Per capita transfers and grants for all states and UTs stood at INR 6388 and INR 4862, respectively.

[12] Refers to state's share in central taxes as decided by the 14 th Finance Commission
[13] Grant is provided in the form of central schemes and special assistance.

TABLE 3.2: GRANTS AND TRANSFERS AS A PERCENTAGE OF TOTAL EXPENDITURE, PRE AND POST GST

STATES RANKED AS PER 2019-20 EXPENDITURE

Rank	State	Grants and Transfers as % of Total Expenditure (2015-16)	Grants and Transfers as % of Total Expenditure (2019-20)	Increase from 2015-16 to 2019-20
1	Bihar	61.0	67.7	6.7
2	Odisha	47.7	50.2	2.5
3	West Bengal	46.2	42.9	-3.3
4	Madhya Pradesh	45.5	44.5	-1.0
5	Chhattisgarh	45.1	50.8	5.7
6	Jharkhand	42.8	46.7	3.9
7	Uttar Pradesh	41.3	46.2	4.9
8	Andhra Pradesh	37.6	42.1	4.5
9	Rajasthan	27.5	30.7	3.3
10	Karnataka	26.6	30.8	4.2
11	Kerala	23.7	22.0	-1.7
12	Tamil Nadu	23.5	22.5	-0.9
13	Telangana	22.3	19.1	-3.3
14	Maharashtra	20.1	21.5	1.5
15	Gujarat	19.4	24.2	4.7
16	Punjab	19.4	25.0	5.6
17	Haryana	14.5	17.7	3.2
	All State and UTs	35.6	37.4	1.8

Bihar is the most dependent on centre's grants and transfers out of all the states. Its dependence has increased by 6.7% post GST. Other states with an increase in dependence on the Centre post-GST are Andhra Pradesh, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Maharashtra, Odisha, Punjab, Rajasthan and Uttar Pradesh.

If we look at total transfers and grants from the centre, we see that dependence on centre has increased by 1.8% from a pre-GST to post-GST regime.

Post the introduction of GST, reliance on funds from the centre has increased by 1.8 percent. Per Capita transfers are highest in the tribal-dominated states, while per capita grants are exceptionally high in Andhra Pradesh, with second and third highest in states of Odisha and Chhattisgarh, respectively. This reflects centre's commitment to provide aid to economically weaker states.