

# Inequity within and across countries

## PART *I*

## focus | on Palanpur

### *Inequality traps stifle economic development in a north Indian village*

*Villagers differ markedly from one another in the opportunities they have to improve their welfare and in their abilities to use the assets and endowments available to them. Mirrored in village economic and social institutions—and in the political processes for seeking change—these deep-seated inequalities have prevented the village from improving human development and accelerating economic growth.*

The village of Palanpur, in the north Indian state of Uttar Pradesh, has been the subject of intensive study by a group of development economists between the late 1950s and early 1990s.<sup>1</sup> Researchers visited the village repeatedly and collected detailed quantitative and qualitative information. While a single village study covering a specific period of time cannot be used to draw inferences about development in rural India as a whole, it does provide a distinct window into the kind of processes that can shape growth and equity over time.

The study documents modest economic progress over time with slow growth in per capita incomes and some declines in income poverty. But alongside this sluggish growth is evidence of stagnation and even deterioration along other dimensions of well-being.

Different groups of villagers, defined by such predetermined characteristics as caste or gender, face radically different opportunities for economic and social mobility. Their economic endowments differ markedly, as do their education, health, occupational mobility, and capacity to influence and shape social and political institutions in the village. Disadvantage in one dimension of opportunity is generally reinforced by disadvantage in others, combined in a way that perpetuate the stark inequities over generations.

These deep-seated inequalities of opportunity shape, and are shaped by, market imperfections in the village, resulting in suboptimal investments and impeding growth. Inequalities are also mirrored in village institutions. State and central government policies that were introduced in the village were inevitably filtered through a highly unequal distribution of power and influence. Rather than stimulating broad economic and social progress, public policy has simply reproduced the prevailing patterns of inequality.

#### Caste

Caste in Palanpur defines opportunities and determines the activities villagers pursue, even independent of occupation, education, and other standard household characteristics. The three largest castes in Palanpur are Thakurs, Muraos, and Jatabs.

At the top is a martial caste known as the Thakurs, which accounted for about a quarter of the population in 1993. Thakurs are disproportionately represented in jobs such as the army and police that accord well with their martial past. They are typically averse to wage employment in the village, because this would place them in a subordinate position. Alert to nonfarm employment opportunities outside the village, they are well placed to take advantage of them, thanks to stronger information and social networks.

Just below the Thakurs is a cultivating caste, the Muraos, also accounting for a quarter of the population. Muraos are traditional cultivators who have continued to specialize in agriculture. Very hardworking, they have seen a rapid rise in wealth and economic status in the village. While they may still not enjoy the same social status as Thakurs, they have become more prosperous and now challenge the previously unquestioned political and economic dominance of the Thakurs.

At the bottom are the scheduled castes known as Jatabs, accounting for 12 percent of the population. Traditionally “untouchable” leather workers who now engage primarily in agricultural wage labor, Jatabs have not seen any of the social mobility of the Muraos. They remain a caste apart, with little or no land, poor education, and little access to nonfarm employment outside the village. Despite some slight improvement over the years, Jatabs continue to endure many forms of discrimination, including that from government officials.

#### Gender

Gender inequalities in Palanpur are pronounced. In 1993 there were 84 females for every 100 males, strikingly lower than in most parts of the world (where the ratio is usually greater than one). Child mortality rates are much higher among girls than among boys. As the researchers reported, “We witnessed several cases of infant girls who were allowed to wither away and die in circumstances that would undoubtedly have prompted more energetic action in the case of a male child.”<sup>2</sup>

Young girls leave their village to join their husband’s family. Marriage is “the gift of a daughter.” In the new household, the girl is acutely vulnerable with no income-earning opportunities, no property, no possibility of returning home permanently. Giving birth to a child improves her status—particularly if it’s a boy. But family planning practices are limited, leading to high fertility rates and short birth-spacing. Repeated pregnancies take an enormous toll on women’s general health and put their lives at risk at the time of delivery. Old age is strongly associated with widowhood, in part because of the typically large age difference between husbands and wives. To survive, widows depend overwhelmingly on adult sons.

The participation of women in the labor force in Palanpur is extremely low. Of 313 women age 15 or older in 1993, only 14 had anything other than domestic work as their primary or secondary occupation. This low female participation in the labor force and society, more generally, has extensive consequences. For example, the survival disadvantage of girls compared with boys tends to narrow only when adult women have wider opportunities for gainful employment. Similarly, the virtual exclusion of women from most representative institutions in Palanpur has limited the focus and quality of local politics and public action.

### Schooling

Inequalities in education are wide, declining only slowly. In the late 1950s, just under 20 percent of males age seven or older, and only 1 percent of females, were literate. By 1993, male literacy had risen to 37 percent and female literacy to just below 10 percent. Yet education is clearly of great value in Palanpur. Years of schooling strongly increase the likelihood that an individual will find employment in a regular job outside the village. Among farmers, too, direct observation strongly suggests that better-educated farmers in Palanpur have been crucial in technological innovation and diffusion.

The perceived value of female education is quite different from that for boys, because girls are expected to spend most of their adult life in domestic work. Although there is good evidence of the benefits of education in domestic activities, it is not clear that the effects of maternal literacy on child health, for example, are recognized. Even if benefits are correctly perceived, they might not be of direct interest to the parents, because daughters are “transferred” from the village when they marry. Those who bear the costs of female education thus share little in the benefits.

The upper-caste Thakurs have a view (adopted by many others) that education is not important or even suitable for the lower castes. Blatant forms of discrimination against children from disadvantaged castes have disappeared from the schooling system, but subtler forms of discrimination have remained—for example, the high-caste teacher considered any form of contact with Jatab children as “repulsive,” which likely affected his or her rapport with them and probably discouraged their attendance.

### Work

Occupational divisions in Palanpur have widened as the village has shifted from an overwhelmingly agricultural economy to one in which nonagricultural activities have come to account for 30 to 40 percent of village income. In 1957–58 some 13 villagers (of 528) were employed in regular or semi-regular nonfarm jobs. By 1993, this number had increased more than four times to 57 jobs (the total population had only doubled).

Outside jobs are associated with higher and more stable incomes, and the work is

often less strenuous and demanding than in agriculture. Access to nonfarm jobs is far from equal, however. Workers who wish to obtain a regular job generally have to pay bribes and, more important, get a recommendation or introduction from a friend or relative. Such rationing by personal contacts and influence implies that people with low social status tend to be at a disadvantage in the competition for nonfarm jobs, even for given education levels, skills, and endowments.

The least advantaged segments of the labor force in Palanpur are highly represented in agricultural wage labor. Casual wage labor in agriculture can be described as a “last-resort” occupation, one taken up by those who have no significant alternative. Agricultural wage rates have risen over time, but slowly, and there are prolonged periods of seasonal unemployment.

Econometric analysis indicates that—controlling for a large number of household characteristics (caste, demographic characteristics, education, land, and so on)—the probability of engagement in agricultural labor is 50 to 60 percent higher for households that had engaged in this occupation a decade earlier. Occupational inequalities thus result in income inequality, and they persist over long periods.

### Incomes, assets, and liabilities

Per capita incomes in Palanpur have grown at around 2 percent a year between 1957–8 and 1983–4 and income poverty fell from around 47 to 34 percent during this period. Incomes in the village are distributed about as unequally as they are in India as a whole, and income inequality has remained relatively stable over time.

An assessment of economic inequalities based on *wealth* provides a different picture. Ownership of durables has expanded, and the value of land and other productive assets has grown, implying a significant rise in gross wealth. But there has also been a dramatic and uneven expansion of liabilities. Inequality in the distribution of *net* wealth has widened in Palanpur from a Gini of around 0.46 in 1962–3 to a conservatively estimated 0.55 in 1990.

Many of the liabilities come from publicly provided and subsidized credit sources that have expanded sharply over time, but that have been associated with pervasive corruption. Disadvantaged groups, such as

the Jatabs, are the principal targets of fraudulent accounting practices that have resulted in a dizzying accumulation of debts and dramatically raised the cost of borrowing for such households. Those without access to cheap formal credit have to fall back on private moneylenders, at high interest rates.

### Collective inaction

The different bases of social division in Palanpur have led to multiple solidarities and oppositions. The village society is highly fragmented, with few solid rallying points for collective action, whether cooperative or adversarial. The limited reach of collective action, in turn, is responsible for some of the most serious failures of its development. For example, the village assembly (panchayat) is constituted every few years, but it rarely meets. In 1984 it was made obligatory that at least one woman participant be selected, but in Palanpur she is never consulted and has never attended any panchayat meetings. All decisions and responsibilities are effectively taken by a village headman, who has always come from one of the privileged groups. There also is ample scope for self-serving patronage and fraud. Modern arrangements (elections, reserved seats for low castes, and women on the panchayat) have not profoundly altered the elitist and nonparticipatory character of local politics in the village.

The dominance of privileged groups over collective institutions has had far-reaching consequences. Between the late 1950s and early 1990s, no fewer than 18 types of government-provided programs were introduced to the village: a public works road-building program, free schooling, free basic health care, old-age pensions, a fair-price shop, a farmer’s cooperative, and so on. Most of them remained non-functional, particularly when there was a redistributive component. Only programs that enjoyed strong backing from the politically advantaged in the village were allowed to succeed. The authors of the study conclude, “There is little prospect of major improvement in the orientation and achievements of government intervention without a significant change in the balance of political power, both at the state and at the local level.”<sup>3</sup>

Source: Drèze, Lanjouw, and Sharma (1998).