

COMMENTARY ON INDIA'S
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14

**HUMAN DEVELOPMENT REPORT 2019
A REVIEW**

**Shraddha Jain
Thiagu Ranganathan
Amartya Paul**

**Edited by
Ritika Jain**



CDS
Thiruvananthapuram

India's Economy and indeed its society has been undergoing a major change since the onset of economic reforms in 1991. Overall growth rate of the economy has increased, the economy is getting increasingly integrated with the rest of the world and public policies are now becoming very specific compared over arching framework policies of the pre-reform period. Over the past few years, a number of important policies have been enunciated, like for instance the policy on moving towards a cashless economy to evolving a common market in the country through the introduction of a Goods and Services Tax. Issues are becoming complex and the empirical basis difficult to decipher. For instance the use of payroll data to understand growth in employment, origin-destination passenger data from railways to understand internal migration, Goods and Services Tax Network data to understand interstate trade. Further, new technologies such as Artificial Intelligence, Robotics and Block Chain are likely to change how manufacturing and services are going to be organised. The series under the "Commentary on India's Economy and Society" is expected to demystify the debates that are currently taking place in the country so that it contributes to an informed conversation on these topics. The topics for discussion are chosen by individual members of the faculty, but they are all on issues that are current but continuing in nature. The pieces are well researched, engages itself sufficiently with the literature on the issue discussed and has been publicly presented in the form of a seminar at the Centre. In this way, the series complements our "Working Paper Series".

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INTRODUCTION

Ritika Jain

Organising society with economic activities in a way which enhances people's well-being has always been a perennial challenge. Over the last three decades, there seems to be an ever growing focus on economic growth with the understanding that it will automatically take care of distribution over time. However, one of the key issues we face across the world is that of drastic inequality in wellbeing among the population. The defense for such inequality has been that with high economic growth, economic inequality will initially increase but gradually it will reduce and we will achieve a more equal society. This is the notion popular to us from the Kuznet's curve. This defense has proven to be quite weak as we find that economic and social inequalities have sustained over a long time in most economies in the world. This posits a persistent problem that requires urgent academic and policy attention.

It is in this background that various reports have been asking the policy makers to focus on inequality by indicating the levels of inequality and suggesting policies to address the structural aspects of inequality. For instance, the Global Social Mobility Report (GSM) published by the World Economic Forum, the Human Development Report (HDR) published by the United Nations Development Program, and several other regional reports focus on various dimensions of inequality. For instance, GSM Report (2019) focuses on constructing an index for social mobility which is linked with inequality and the interactions therein. This index is based on five dimensions of social mobility- health, education, technology, work, protection and institutions. Further, the report discusses that there is a direct and linear relationship between a country's income inequality and social mobility score on the index. Low social mobility entrenches inequality and higher inequality fuel lower social mobility. Hence, one of the main submissions of the report is to enhance social mobility to tackle the pressing problem of inequality.

At the national level, the Oxfam report on Inequality for India has focused on unpaid care work in the context of analysing income inequality. Since one of the most tenacious forms of social inequality is related to gender, the report brings gender inequality to the forefront. The report focuses on social norms, violence against women and gender inequality and makes social mobility more India specific.

HDR, on the other hand, is an annual report published by the United Nations Development Programme. Against the backdrop of policy practitioners equalizing growth and development in the

second half of the twentieth century, the launch of Human Development Reports brought back the focus on people with the first HDR beginning with “*People are the real wealth*”. First launched in 1990, Human Development Reports are instrumental in the influence on the development debate worldwide. Since these reports focus on human development, they have a strong influence on the updated set of indices, including the HDI. Each Report focuses on a topical development theme, providing country-level analysis and policy recommendations. The Report’s theme, message and policy recommendations are embraced at a global level leading to several regional and country development reports being conceptualised on it. A common feature to all 29 reports is the focus on human centric development ideas and approach.

HDR of 2019 focuses on how the measures of inequality go beyond the incidence of opportunities and focus more on the quality or extent of opportunities. It is divided into three parts:

1. Part I, titled *Beyond income* deals with discussion on aspects other than income and the processes leading to these inequalities.
2. Part II, titled *Beyond averages*, examines the relevance of going beyond summary measures of inequality that focus on a single dimension.
3. Part III, titled *Beyond today* focuses on inequalities in human development that will shape prospects of people who will be living in the 22nd century.

In this article we focus on providing a critical review for these different aspects of HDR 2019. The review is divided into three parts with focus on some aspects covered in HDR 2019. Section 2 presents the issues related to human development, gender, and capability approach. Section 3 analyses issues related to measurement of economic inequality and Section 4 presents a critique of the HDR 2019 and the approach adopted therein.

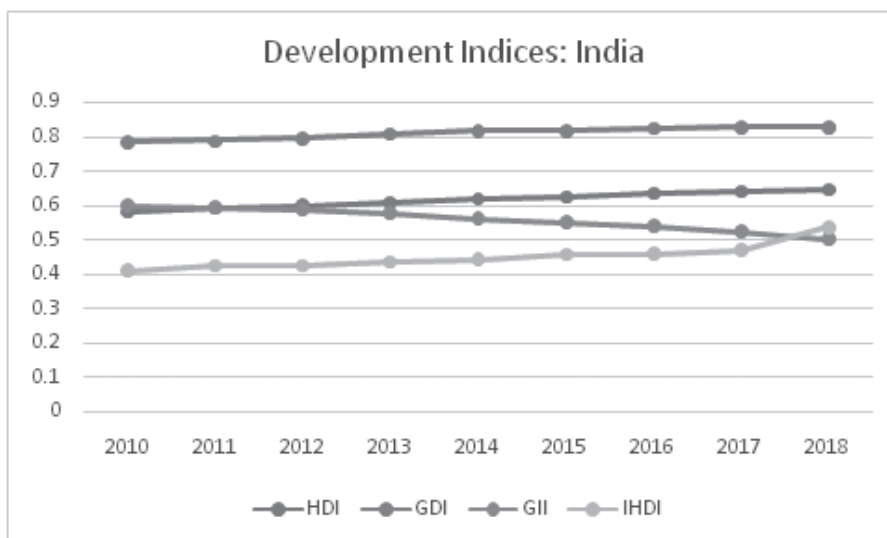
HUMAN DEVELOPMENT, GENDER, AND CAPABILITY APPROACH

Shraddha Jain

“Inequality is not so much a cause of economic, political, and social processes as a consequence. [...] Some of the processes that generate inequality are widely seen as fair. But others are deeply and obviously unfair, and have become a legitimate source of anger and disaffection.” (Deaton, 2018 as cited in HDR, 2019)

2.1 Introduction

Human Development Reports brought out by UNDP have moved beyond a simplified way of measuring wellbeing through Human Development Index and have devised a plethora of indices to incorporate various kinds of inequalities. Since 2010, along with the Human Development Index, Human Development Reports (HDRs) have been publishing cross country information on Inequality-adjusted Human Development Index, Gender Development Index, Gender Inequality Index and Multidimensional Poverty Index measures. For India, there seems to be slight improvement across these dimensions in the past few years (Figure 1). However, the larger question is about what we have gained through these improved measures and how do we move ahead. These questions bear importance, especially when we observe prevalence of significant malnutrition, women bearing highly disproportionate responsibilities of care, prevalence of domestic violence, falling female labour force participation, and increasing incidence of mental illnesses/stress, while countries have been growing at decent rates. Some of these do not seem to have clear associations with material resources such as income or wealth. The report itself shows that MPI has no correlation with income inequality but was strongly associated with loss in HDI in terms of health and education (Kovacevic 2019; UNDP and OPHI 2019 as cited in HDR, 2019). The purpose of my discussion is to highlight that an analysis of human development shall not be limited to appropriate metric/metrics to capture development/wellbeing, but it needs a nuanced understanding of mechanisms and processes that lead to inequalities in human capabilities. The HDR 2019 has made a limited attempt to bring in these complexities.

Figure 1: Development Indices in India

Source: <http://hdr.undp.org/en/data>

This section is divided into six sub-sections. The following sub-section discusses a few highlights of the HDR 2019. The third sub-section presents a discussion about gender inequality and the capability approach. Sub-section 2.4 discusses the policy framework to address inequalities followed by few thoughts on the need for better data highlighted in the report. I conclude this section by discussing the case of Kerala to understand human development: beyond incomes, beyond averages and beyond today.

2.2 Few highlights of the Report

Human Development Report 2019 has brought to notice significant complexities involved in measuring Human development and capabilities. It claims to hold the following view:

“It considers that the inequalities we care about may indeed be moving targets and thus aims to identify patterns and dynamics of inequality in a wider set of capabilities that may be increasingly relevant during the 21st century” (HDR 2019, p. 31).

The report notes a convergence across populations in basic capabilities such as low infant mortality and access to primary education. However, we observe growing divergences in enhanced capabilities such as life expectancy at 70 years of age, attainment of tertiary education and access to modern technologies. HDR 2019, defines basic capabilities as follows:

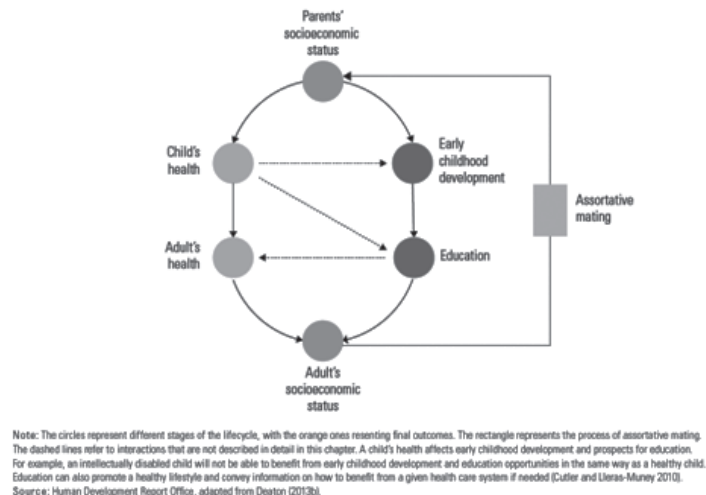
“Basic capabilities thus refer to the freedom to make choices necessary for survival and to avoid or escape poverty or other serious deprivations.” (HDR, 2019).

Moreover, basic capabilities are evolving and specific to context. For instance, resilience to recurrent shocks is considered to be a basic capability, however, in the Indian context, water crisis is a recurring problem but we need to ponder if resilience to such a crisis can be seen as a basic capability. The report does not neglect the low achievement for certain populations, even in terms of basic capabilities. Convergence in basic capabilities is not absolute, advances in education and health continue to leave many behind. For instance,

“Despite greater access to immunizations and affordable medical technologies, child mortality rates in the poorest households of the world’s poorest countries remain high” (HDR, 2019).

The report gives considerable attention to the experience of dignity, freedom from discrimination and perception of inequality. These experiences have also been identified to bear more importance than income inequalities.

Figure 2: Education and Health along the lifecycle



Source: HDR 2019

More crucially, it has brought in the discussion that inequalities result from differential exposure to opportunities and constraints in terms of health and education during life-cycle of the human being (Figure 2). This exposure would determine the possibilities for inter-generational mobility (also discussed through Great Gatsby Curve, which is positive correlation between income inequality and intergenerational mobility). Similar life cycle approach has been used to bring forth the restricted choices faced by girls and women. They face disparities and power imbalances at the time of birth, during childhood, adolescence and adulthood which are exemplified within households and in economic, political and social spheres. Further, inequalities interact with other contextual determinants of human development: economy, society, political arena, peace and security. Hence, inequality dynamics depends not just on growth trajectories, but on the nature of policies and institutions. Inequalities may also

result in lack of social cohesion and elite capture of institutions leading to power imbalances.

The report uses Gender Inequality Index to show slow progression towards gender equality. The discussion suggests that it has been easier to record progress in basic capabilities but harder for enhanced capabilities. Trend analysis of the Multidimensional Gender Social Norms Index showed that proportion of men and women worldwide, with no gender bias fell between 2005-2009 and 2010-2014. Gender norms are also observed to be closely related to the life cycle starting for pre-birth stage to old age. Norms can change through economic development, diffusion of communication technology, new laws and programmes and social and political activism. Moreover, children learn about practices from what they observe and the way they are socialised. HDR, 2019 recognises that some norms are easier to evolve, while others are not. Women are susceptible to backlash both in private and public spheres. More importantly, even well intended programmes might fail and have unintended consequences if structural norms and practises are not taken into account.

2.3 Gender Inequality and Capability Approach

The HDR 2019 focuses on horizontal inequalities and illustrates that inequalities accumulate over life which reflects ‘deep power imbalances’. To analyse and address gender inequalities, some feminist scholars have engaged with the capability approach proposed by Amartya Sen. This subsection discusses the developments in this strand of literature.

In the 1990s, Sen’s capability approach made important strides in enhancing our understanding of development process and wellbeing beyond income or resource-based measures. Unlike income based or utility-based approach, the capability approach has specified, “a space within which ‘comparisons of life quality’ (how well people are doing) are most revealingly made among nations” (Nussbaum, 2000). Following its tradition, Human Development Report 2019 invokes the concept of capabilities “broadly defined as people’s freedom to choose what to be and do” reiterating that these cannot be reduced to income and wealth as these resources are merely instrumental in achieving human capabilities (HDR, 2019). Moreover, resource-based approach does not take into account differential potential of individuals in converting resources into capabilities. In this regard, capability approach incorporates both market and non market factors that define capabilities and analyses individuals who are part to social and political system.

Sen advocated that assessment of gender inequality has to be beyond material resources and in terms of functioning and capabilities. The concept has also made important contribution in highlighting intra-household inequalities in the capabilities. Although his framework had been immensely appreciated, it has also been criticised due to absence of a definite list of capabilities. These advancements have been made from the perspective of ensuring gender equality, especially because several aspects of gender inequality such as poor reproductive health, domestic violence, burden of housework and care, are irreducible to incomes/wealth (Robeyns, 2003). According to Nussbaum (2000), Sen’s approach has provided useful space for comparing quality of life; however, this approach would lose its essence

without a normative conception of what to make out from such comparisons. She advocated for a list of universally applicable list of capabilities. This list was constructed at an abstract level but could be more specific according to the context (Nussbaum, 2000 as cited in Robeyns, 2003). Citizens shall make political claims around these capabilities. Robeyns (2003) adopts a middle approach. Instead of imposed list of capabilities, Robeyns (2003) argues for a list that can be organically arrived at. She says,

“.....capability approach, postulates that when making normative evaluations, the focus should be on what people are able to be and to do, and not on what they can consume, or on their incomes. The latter are only the means of wellbeing, whereas evaluations and judgments should focus on those things that matter intrinsically, that is, on a person’s capabilities.” (Robeyns, 2003: p 62).

According to her, process of arriving shall be more important, even if the democratically arrived at list is same as the one given by Nussbaum. We should not analyse capabilities according to data that is available on achieved functioning without defending a priori list. To bridge the gap between conceptual framework and empirical exercise, Robeyns (2003) said the following:

“...we are interested in evaluating group inequalities in the space of capabilities, and not in achieved functionings. But given that we have little direct information about people’s capability levels, we could start by taking group inequality in achieved functionings as indicative of inequalities in capabilities. This could later be refined and adapted in the face of new evidence or compelling arguments.”

List of capabilities in the context of western countries has been as follows:

1. Life and physical health
2. Mental wellbeing
3. Bodily integrity and safety
4. Social relations
5. Political empowerment
6. Education and knowledge
7. Domestic work and non-market care
8. Paid work and other projects
9. Shelter and environment
10. Mobility
11. Leisure activities
12. Time autonomy
13. Respect
14. Religion

2.4 Policies to Address Inequalities

a) General Policy Framework

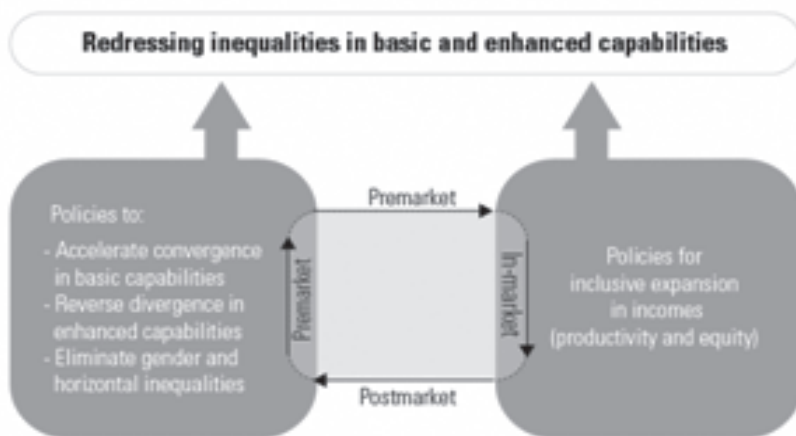
The HDR 2019 lays stress on ‘virtuous policy cycle’ (Figure 3) comprising of pre-market, in market and post market policies. Pre-market inventions shall be funded by post-market tax collection. The pre-market invention would be helpful in enhancing productivity leading to expansion of incomes. The report recognises the potential to enhance other capabilities through pre-market invention. It says:

“Premarket policies can reduce disparities in capabilities, helping everyone enter the labour market better equipped—even though it is important to emphasize that this is far from the only reason why capabilities matter and that by enhancing capabilities the contributions to expanding incomes go beyond participating in the labour market (they can, for instance, enhance political participation)”. (HDR, 2019: p. 224)

However, a lot of emphasize has been given to labour market productivity and efficiency, for instances discussing in-market policies for fairer income distribution that do not hinder the incentives for labour productivity. However, it misses out that productivity is not easily measured in some sectors, especially service sector when labour is both input and an output.

The HDR 2019 also advocates for universal access social services along with targeted policies for marginal groups. Due to group-based discrimination and other socio-economic challenges benefits to universal services may not reach to all. However, the report acknowledges that there may be several challenges to the political will for such interventions. The challenges may arise due to presence of economic elites like those who can withhold investments, control press, fund election campaigns (HDR,2019).

Figure 3: A Framework for designing policies to redress inequalities in human development



Source: Human Development Report Office calculations as cited in HDR 2019

b) Gender Equality

To address gender inequalities, the report advocates for education, awareness about gender stereotyping and incentives such as parental leaves.

Paternal leaves and maternity benefits have been considered to be an important intervention to ensure gender equality. However, there are various complexities around parental leaves that work towards gender equality. Firstly, maternity benefits may not be for increasing participation of women in work, but it may be to ensure they don't neglect their domestic duties and child care responsibilities (Nyberg, 2004, 2008 as cited in Castro-García and Pazos-Moran, 2015). Secondly, in the Indian context the amended Maternity Benefit Act, 2017, provides for 26 weeks of paid maternity leaves which might restrict employers to hire women who would be considered as an additional cost during their maternity (Matthew, 2019). Provision of day care facility would also be an additional cost for employers, especially in the absence of state sponsored child care policy. On the other hand, whatever intervention the state had for the provision of day care for the poor section is also on the decline. Between January 2015 and January 2019, there has been 68.6 percent decline in number of functional crèches under the Rajiv Gandhi National Crèche Scheme¹.

Third important aspect is the participation of men in child care responsibilities. Castro-García and Pazos-Moran (2015) discusses parental leaves for European countries and showed that, to ensure men's participation, parental leaves had to be non transferable, highly paid and of longer duration. However, in India only central government employees can avail paternity leave that too for two weeks only. This implies that maternity leaves in the absence of paternity leaves, is a gendered intervention which does not ensure men's contribution to child care.

The report argues for involvement of boys and men into discussions and availability of better data for analysis. It also advocates for the following:

“Norm-aware interventions for women focus on supporting them by providing solutions that work around existing social norm constraints.”

However, the challenge is to devise interventions in such a way that they not only maneuver the existing norms but have potential to defy them. Addressing social and gender norms is a humongous task. Norms are not exogenous and static. Their evolution depends upon who benefits from confirming to norms and what is lost for those who challenge the norms. As discussed earlier, women are susceptible to backlash both in private and public spheres and even well intended programmes might fail. A popular instance is of political representation of women. An affirmative action may result mere 'tokenism' rather than actual participation of women into the democratic decision-making process.

¹ http://timesofindia.indiatimes.com/articleshow/67765125.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Further, gender just outcomes will not emerge only through women's participation in governance. There is requirement for gender education of male elected representatives; careful designing of training programmes for men, careful designing of projects that open opportunities to newer interests that can potentially challenge existing power relations (Kodoth and Mishra, 2011).

The report proposes for greater education, awareness and designing incentives to promote gender equality, which also involves participation of women in different spheres. A specific kind of intervention that the report could have dealt with about is 'gender budgeting' or 'gender mainstreaming'. This approach is not only about making public expenditures but is a framework that can potentially deal with development as a social, political and economic process.

“Gender budgeting is a process of bringing forward a gender perspective at all stages of policymaking. This includes the employment of a gender lens in the formulation of legislation, policies, plans, programmes and schemes, allocation and collection of resources, implementation, monitoring, audit and impact assessment of programmes and schemes, and corrective action to address gender disparities. It is far from just reporting information in the format provided for the Gender Budgeting Scheme. It uses the budget as one of many entry points to correct gender gaps, but it is not limited to the budget statement. Rather, it is a continuum or an ongoing process of applying a gender lens at all stages of policymaking—before, during, and after the passage of the budget.” (Kapur, 2020).

Moreover, it's not only about making specific expenditures to address gender inequalities but also involves assessment of implications of overall expenditure and fiscal policy using gender perspective (Elson 1993 as cited in Addabbo et. al. 2010). Addabbo et. al (2010) using the capability approach, provided extensive framework for gender auditing/budgeting. It first requires 'politically accepted and locally specified dimensions of women's empowerment'. The authors made special reference to caring, which is most often provided by women, enhances capabilities but is a capability in itself.

In India gender responsive budgeting had been faltering in many ways (Sinha and Mishra, 2012). For instance, it just remains an ex-post exercise and its difficult to demarcate expenditure for men and women (Kapur, 2020). There are several ambiguities in how programmes fall under different ministries. Sinha (2020)² notes the following:

“While the ICDS comes under the Ministry of Women and Child Development, mid-day meals in schools for children up to class 8 implemented by the HRD ministry is also included in the NFSA (National Food Security Act)”.

2.5 Need for Better Data

The report places lot of emphasize on the collection on quality data, however, there is not enough discussion on what this quality data would imply. Secondly, it is well recognised that any single metric won't be sufficient to capture progress made in human capabilities. Therefore, several

2. <https://thewire.in/health/budget-2020-malnutrition-hunger>

agencies have been pondering about creating parsimonious dashboard of indicators that capture various aspects of wellbeing, but which is not too large to process and comprehend (Stiglitz et. al., 2018). Thirdly, United National Development Programme (UNDP) themselves have constructed several indicators, therefore, is the call for better data pointing towards insufficiency of such measures, in other words, what have we gained from these advancements? Following are a few perspectives about data collection and understanding data as statistics and for understanding pathways or constraints to make progress in human capabilities:

1. Basic statistics are definitely required to capture several dimensions of human life such as wealth held by the top one percentage, access of safe drinking water throughout the year, reporting of crime. It includes enhanced transparency of data as suggested by the report and disaggregated distribution of any indicator/metric. It also includes adequate coverage of the metric, for instance, Economic Survey of India, 2019, used Employee Provident Fund Organisation payroll data to estimate rise in jobs. However, there are serious concerns over coverage of labour force in such payrolls.
2. At the next level, we need information to assess differentials in equal outcomes. For instance, two states/countries might have same infant mortality rates, however, one has high incidence of malnutrition but the other doesn't.
3. We need to move beyond quantifiable indicators to further our understanding of enhancement of capabilities. For instance, there is mixed evidence on whether economic empowerment of women can reduce gender-based violence. Moreover, violence can take various forms - economic, sexual, physical and emotional. Hence, one shall not just depend on available outcomes to make sense of capabilities. Rather, data and information need to be collected according to capabilities that a society intends to achieve.
4. There is need for an engaging discussion about forms of data collection and dissemination of information. The HDR, 2019 identifies three main data sources of income inequality, household surveys, administrative tax data and national accounts. But all the three have their respective pros and cons, for example, tax data excludes many with low income and there can be evasion of taxes. On the other hand, the richest may be missed in the household surveys. Therefore, any assessment of economic wellbeing and inequality shall bring together several forms of data. Report recognises the potential role played by investigative journalism in this regard. Such forms of data hold immense importance in shaping political claims.
5. A strand in academic research promotes mixed methods for collection of data, analysing and interpreting results. This is important for the assessment of any kind of intervention. For instance, Kabeer (2019) analyses the outcomes of Random Control Trials (RCT) performed to address poverty in West Bengal (India) and in Sindh (Pakistan) through qualitative studies. The

divergences in results were attributed to inadequacy of RCT evaluation to account for a section of people who were targeted, but were not part of end-line survey, greater zeal for participation from a marginalised group, likely influence of organisations implementing the programme and conditions under which livestock (assets provided during the intervention) would survive and expand. Kabeer (2019) argued for mixed methods for research to augment limitations of RCTs and to make better interpretation of its findings.

6. There are methodological advancements suggesting collection of individual level data to capture intra-household inequalities. One such attempt has been made by Vijaya, Lahoti and Swaminathan (2014) in India. They highlight that even in non-poor households; there is a reasonable proportion of households where only women are poor. This indicates inequalities within households which needs to be further investigated. For instance, Cantillon and Nolan (2001) measures disadvantages among Irish spouses in various non-economic indicators. Collection of individual level information won't be sufficient unless they are carefully designed and processed. For example, the relational aspects and gaps in outcomes for spouses, siblings, and generations have to be carefully gauged.

2.6 Discussion and Case of Kerala: Human Development Beyond Incomes, Beyond Average, Beyond Today

The preceding sub-sections have brought forth that any discussion on human development and inequalities involves complexities that are economic, social and political in nature. Moreover, they may not always be quantifiable. Structural and power imbalances may also result into unequal access to newer forms of technologies and resilience to climate conditions. Case of Kerala, a state in India, is a fine example to discuss human development beyond incomes, beyond averages and beyond today. At the sub-national level, the state achieved high levels of human development indicators (higher than national average) despite slow economic growth (Dreze and Sen, 1997). These achievements were attributed to prudent public expenditure policies, such as universal and free education and health coverage by the government, which was resource-stricken state with no substantial economic activity taking place in the state. Further, there were benefits from historic social movement challenging social hierarchies and from land reforms. In other words, the progress was not market led and benefits of public infrastructures could be further drawn because of collective action and greater levels of awareness about their utilization of public services (Kurien, 1995). However, the benefits didn't reach the marginal groups such as the fisheries sector, because of their dependence of nature resources leading to uncertainty of returns, lack of class consciousness due to dependence on 'open access' resource and social structures, dependence of market for other provisions (Kurien, 1995).

The experiences of Kerala also illustrate that progress made in gender development indicators such as female literacy and work participation, may not be accompanied by enhancement of other capabilities. There have been negative trends in women's property rights, rapid growth and spread of dowry and rising gender-based violence (Kodoth and Eapen, 2005).

Post reform period witnessed a different development trajectory in Kerala. This period was marked by economic growth and rising inequality which was resulted from different factors. All sections didn't benefit from growing migration and there were changes in the structure of the state economy. Kerala experienced service led growth with a stagnant agricultural sector, further, land reforms failed to address the marginalisation of Tribals and landless Dalits (Oommen, 2014).

The preceding discussion on Kerala, highlight aspects of human development and inequalities that are beyond incomes and beyond averages. However, most recent discussions in the state are around growth policies undertaken in 'ecologically sensitive' areas (such as mining etc.) that has resulted in recent floods and landslides (Padma, 2018).³ This highlights that development process has to be beyond today and be sustainable.

The Kerala experience informs us that along with public action, collective action is also important, however, in India there are several challenges in organising a large informal labour force, especially in sectors like paid domestic work. Moreover, instead of the pre-market, in market and post market framework, we need policy discussion around market and non-market dimensions. Therefore, any discussion on Human Development needs careful understanding of economic and social political details.

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3. <https://www.nature.com/articles/d41586-018-06145-2>

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MEASUREMENT WITHOUT A “GINI” - IS IT TIME TO PUT THE GINI BACK INTO THE BOTTLE?

Thiagu Ranganathan

“If you cannot measure it, you cannot improve it” – Lord Kelvin

3.1 Introduction

The Human Development Report 2019 focuses on inequality that is pertinent beyond income, beyond average, and beyond today. In the ‘beyond average’ part of the report, it focuses on how different measures could provide us a better understanding of existing inequalities. Chapter 3 and 4 in the report address this theme with Chapter 3 focusing on measures of inequality in income and wealth other than summary measures.

Inequality, seen as lack of equality, is something that seems easy to define but quite difficult to measure. Measurement of inequality requires us to address the following aspects – what dimension (income, wealth, capabilities, consumption expenditure, etc.) to measure inequality of, what is the appropriate metric (a summary index like Gini, Atkinson, or a partial index like quintile ratio), and whether we have the data available to measure it. The Chapter 3 of Human Development Report 2019 analyses the two questions – whether we have quality data available to measure inequality and what is the appropriate metric. The two aspects are reviewed in the following two sections and the last section provides a conclusion.

3.2 Inequality Data Availability

Economic inequality is typically measured across income or wealth or consumption. The data for these three are available in household surveys, administrative data with tax information, and national accounts data. Each of these different sources has certain advantages in estimating certain information over the others. For instance, the household surveys typically are useful in measuring data related to incomes, consumption, and assets of a large proportion of the population. They are also useful in understanding the variations across different socio-demographic groups. However, the household surveys are not very useful in estimating the incomes in the richest people in the countries as they are typically not covered in the household surveys. For this purpose, tax data is useful in this regard but

they may not be able to provide information on the lower tail of the population. Also, the data in this case could also be affected because of tax evasion and avoidance.

The World Inequality Database (WID) has developed a measure on the data that is made available by the countries to develop an inequality data transparency index. The index focuses only on data related to income and wealth and gives equal emphasis to both of them. The data inequality transparency index is a score ranging from 0 to 20 and is developed by providing scores to the following aspects mentioned in Table 1.

Table 1: Inequality Data Index Parameters

Sr.No	Data source availability to researchers	Points
1	Income survey tabulations	1 point
2	Income survey microdata	Up to 3 points
3	Wealth survey tabulations	Up to 1 point
4	Wealth survey microdata	Up to 3 points
5	Income tax calculations covering labour income	Up to 1 point
6	Income tax calculations covering capital income	Up to 1 point
7	Income tax micro data covering labour income	Up to 2 point
8	Income tax microdata covering capital income	Up to 2 points
9	Wealth tax or estate tax tabulations	Up to 2 points
10	Wealth tax or estate tax tabulations	Up to 4 points

Source: World Inequality Database ¹

For 181 countries for which the index was calculated, the average transparency index score is 3.73 out of 20. Around 15 countries have a score of 0. Only 14 countries have a score of 10 or above. India has a score of 6 out of 20. On a comparative scale, there are only 33 countries that do better than India in this score. India has a score of 2 points for income surveys, 3 points for wealth surveys, and 0.5 points each for labour income and capital income tax data. The way they have arrived at this score across each parameter is not very clear. A mention of the method in which they come up with this score could have helped us understand the index better. Particularly, for an index that measures transparency, the methods should have been more transparent.

1 <https://wid.world/transparency>

There are other concerns to the way the index has been developed. When many countries do not have a wealth tax, the inclusion of wealth tax data in the index does not seem to be a good idea. For instance, India had a wealth tax from 1957 and it was abolished in 2016 due to low yield and high collection costs. The index could probably include some other indicator for data on wealth rather than wealth tax. The index also places too much emphasis only on availability of various data. Mere availability might not really help us understand inequality better. There could have been some weightage for the quality of the different data sources. The number of households surveyed and the representativeness of the survey do not have any weightage in this index. The issues related to quality of data, revisions, and timeliness of the release of data are critical and as we see in the context of national sample surveys in the India context. There has been a decline in many of these parameters though the availability itself does not change.

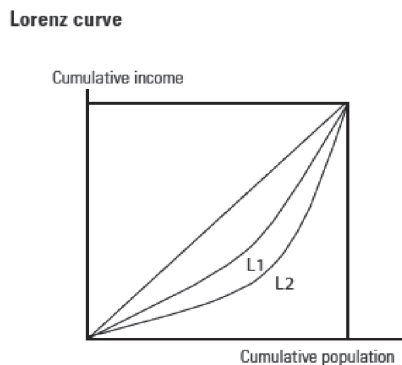
3.3 Gini out of the bottle

The chapter also focuses on what could be the ideal metric that measures inequality. Gini coefficient is a kind of summary index as it captures inequality across the entire distribution. Measures like coefficient of variation, Theil's index, and Atkinson's index are summary measures of inequality. These are the more popular measures but there are also partial indices which measure inequality based on certain parts of the distribution. An example is the Kuznet's ratio which measures the ratio of income share of top 20% to bottom 40%. Though there are various measures of inequality, the most commonly used index by far is the Gini coefficient. In the 10 commonly used databases, 9 use Gini, 4 of these databases use quantile ratio (90/10), 3 of these databases each use Theil's index use income share of top 10%. This dominance of Gini as a measure of inequality is for a particular reason – Gini coefficient satisfies most of the properties we expect an inequality measure to hold. There are four important desirable properties of an inequality measure. They are as follows:

- Symmetry (or anonymity) implying that the measure does not change if people switch incomes.
- Population invariance (or replication invariance) implying the index remains same if the whole population is “cloned” more than once.
- Scale invariance (or mean independence) implying the index level should not change if all incomes are scaled up or down by a common factor and
- Transfer (or Pigou-Dalton Transfer Principle) implying that in case of regressive transfer of income from a poor person to richer person, the index should rise.

The indices that satisfy these four principles are called Lorenz-consistent indices, i.e., for Lorenz curves L1 and L2, the index will be greater for L2 if L2 lies below L1 everywhere (e.g. See figure 1 below).

Figure 1: Lorenz Curve Examples



Source: Human Development Report 2019

Gini coefficient satisfies all the above four properties and that is one of the reasons why it is popularly used. In particular, the transfer principle is not satisfied by some of the partial indices and it is one of the reasons they are less preferably used in analysis of inequality. For instance, if there is a transfer of income from the people in the 40th percentile to those in the 60th percentile which is a regressive transfer, the 90/10 quintile ratio (the ratio of incomes earned by the 90th percentile to that earned by 10th percentile) does not change. Even more problematic is the case when there is a transfer from 5th percentile to the 10th percentile (a regressive transfer), the 90/10 quintile ratio may see an improvement. This is the reason why Gini and other summary distributions are widely used more than the partial indices. There are also other summary indices like Atkinson's index and Theil's index (sub-class of General Entropy indices) which also have an additional property of sub-group decomposability and incorporation of inequality aversion of the society which is not available in Gini coefficient. Still, for some reasons, Gini coefficient has become the most popular measure of inequality measurement over time. One possible reason for its popularity could be that Gini coefficient could also be presented as the ratio of area between the Lorenz curve and the 45% line (line of equality) and the area below the 45% line. Such an exposition makes it relatively simple to explain as compared to Atkinson's or Theil's index. The popularity of Gini could thus be attributed to relative ease of exposition and satisfaction of many desirable properties of an inequality measure.

There are limitations to using any index as the only index for measuring inequality. It is the same with Gini and there have been recent debates against and for the use of Gini^{2,3}. There are two major strands of criticisms on Gini. First, the Gini measures only the quantifiable economic factors and does not measure other measures of wellbeing like those related to mortality and educational

2 <https://www.prospectmagazine.co.uk/magazine/rebottling-the-gini-why-this-headline-measure-of-inequality-misses-everything-that-matters>

3 <https://blogs.worldbank.org/developmenttalk/defense-gini-coefficient>

achievements. This criticism is a bit harsh on Gini as no other inequality metric is likely to give a picture of the same. Second, Gini does not seem to change much even when there have been changes in the extreme values of the income distribution. This is an important criticism and needs to be considered with seriousness. Consider the case of UK. The Figure 2 below shows the evolution of various indices over the years for UK.

Figure 2: Evolution of Inequality in UK over time



Source : <https://www.chartbookofeconomicinequality.com/inequality-by-country/united-kingdom/>

From the Figure 2, we see that during the period between 1990 to 2014, the Gini coefficient virtually remains constant at 0.34. During the same period, the earning at top decile as a proportion of median income goes up from 185% to 196% and the share of top 1% in gross income goes up from 9.8% to 12.7%, hitting a peak of 15.4% in 2009. The fact that Gini does not change much to changes in extreme distribution might seem to suggest it is insensitive to changes in extreme values, but there is some literature that indicates that is not the case⁴. But, such a finding does raise a few concerns about the use of Gini as a measure of economic inequality. In such cases, there are other measures that could provide a better understanding on economic inequality. It seems that the Gini does need to be put back into the bottle and lesser enthusiasm shown towards it.

4 Gastwirth, J.L. (2017). Is the Gini Index of Inequality Overly Sensitive to Changes in the Middle of the Income Distribution? *Statistics and Public Policy*, 4(1):1-11.

Lorenz consistency just means that when there is a clear dominance among two distributions, the Gini coefficient will clearly indicate the inferior Lorenz curve to have higher inequality. This does not mean that Gini coefficient will be different for any two income distributions. For instance, when Lorenz curves cross, we might have a scenario where Gini has the same value even though the distributions are different. This is true for any index and Gini is no exception. Also, in most cases, when we compare income or wealth distributions over time for a same economy, we are more likely to be dealing with distributions whose Lorenz curves will cross at one or more points. There is other reason why Gini might have gained popularity in the past. There was very little data available to us on the incomes earned by top 1% or top 10% as the household survey data were poor in collecting these. In such scenarios, Gini was a useful measure. The availability and usage of tax data to unearth the incomes of 1% and 10% is what has made us look into the drawback of Gini. Now, it might be useful to use partial indices of inequality as well. An interesting measure that is highlighted in the human development report is the elephant curve that indicates the income growth of various percentiles in the income distribution over time. Figure 3 below shows the global income growth from the period 1988 to 2008 which closely resembles an elephant and indicates how the top percentiles have garnered most of the economic growth in this period.

Figure 3: Global Income Growth 1988-2008



Source: <https://newforum.org/en/inequality/inequality-101-with-branko-milanovic-and-arjun-jayadev/>

Another index of interest is the share of top 10% in the pre-tax income. In this regard, EU is the most equal region with top 10% holding 34% of the income. The Middle East is the most unequal with top 10% holding 61% of the pre-tax income. India does quite badly in this regard with the top 10% holding 55% of the pre-tax income. This has increased from around 30% in 1985 to 55% since

2010. This is a huge increase and is highest across all regions except Russian Federation. We also find that during the period between 2000 to 2018 the average income growth in India was 122% while that of the bottom 40% was only 58%. These kind of statistics provide different picture of inequality as compared to Gini coefficient. In the Indian case, the Gini coefficient of per capital expenditure just grew by 0.31 in 1993 to 0.35 in 2011⁵.

3.4 Discussion

This note reviews the Chapter 3 of the Human Development Report 2019 which focuses on the measures beyond summary measures of inequality. In particular, the chapter focuses on two aspects – one is on the availability of data for measuring inequality and the other on identifying the appropriate measure for inequality.

In terms of data availability, the study focuses on the inequality data transparency index developed by World Inequality Database and stresses the need for better data quality on inequality. The focus on data quality is encouraging, but the report could have delved into further few aspects of data quality. First, it could have presented an alternative for wealth data for countries that do not have wealth tax. Second, along with availability of various data in the data transparency index, the report could have provided ways to incorporate the dimensions of quality and timeliness of survey data in the mentioned parameters.

In terms of picking the appropriate index, the report has brought in good arguments for and against the use of summary indices and need to use multiple indices when judging inequality. The report's call to moderate the enthusiasm to use Gini is appropriate. The partial measures at times are also useful in drawing attention of inequality to the policy makers. We might not have had "Occupy Wall Street" protests if the people were told that the Gini coefficient went up 10 basis points. It happened because the mobilization took place by drawing attention to the growth of income of top 1%. In this regard, some of the partial measures, which may not be Lorenz consistent, may draw the right attention to drastic developments in the extreme parts of the income distribution.

The report could have also delved into the processes that have lead to this scenario. As the report indicates, there are partial measures which indicate worsening of inequality while some of the summary measures do not. The report could have delved a bit into why this has happened. In the policy chapter later in the report, there are suggestions to address the market power of firms. The report could have indicated more on how the market power caused such form of inequality that is observed across various countries in the world. The report talks about variations in partial measures of inequality across various regions (Africa, BRICS, Europe, and USA), but does not mention much about why these variations exist. An explanation of the linkages between policy, politics, and the inequality measures (partial/summary) could have made the discussions in the chapter much richer.

5 <https://www.chartbookofeconomicinequality.com/>

A SHORT NOTE ON HUMAN DEVELOPMENT REPORT- 2019

Amartya Paul

4.1 Introduction

As Amartya Sen puts it, one should look at development as a process of expanding the real freedoms that people enjoy (Sen, 2001). This view, contradicts with the popular views of development, such as aligning development with mechanization, technological advancement and growth of gross domestic product or gross national product. Growth of income is of course an important instrument for an economy to progress, but real freedom also depends on other set of indicators such as *social arrangements*¹, *socio-political and civil rights*. In a country with higher per capita income, institutions may fail to deliver such basic rights if the economy perennially remains polarized. In such a society, concentration of freedom due to institutional inefficacy can sometime result in a difference of *achievements*² of the individuals. This difference of achievements is what popularly termed as inequality. Across spaces, there could be many dimensions of such achievements or inequality in the world.

4.2 Background and Brief Summary of the Report

The recent Human Development Report (hereafter HDR' 19) touches upon some of such pressing inequality issues considering numerous dimensions at length. Given the fact that global inequality is rising for a long time now, readdressing this issue was long due. It is also coming at a time when scholars have found cross country evidences of inequality to be one of the major reasons to cause heterogeneities – social unrest, political imbalances, discrimination in the labour market, unequal human capital investments, and so on – in the economy. In addition, incorporation of “halving inequality” as one of the primary goals in SDGs may have also triggered to undertake this as well. The first Human Development Report (UNDP, 1990), written based on the Human Development Index (HDI), preaches Sen’s idea of human development that it should be about freedom of choices. They admit,

1 For example, provisioning social safety nets like guaranteed job, universal education and health care facilities should come as the topmost priority for a federal government. Similarly, delivering equal political rights to individuals can be a determinant of the real freedom.

2 Achievement is a broad term which can be considered as an intermediate outcome of existing economic processes includes various dimensions such as income, education, health, agency of women and gender inequality.

“income is not the sum total of human life”. HDR’19, conceptually grounded on the same, revolves around the idea of going beyond the conventional income based measures of wellbeing. Beyond income, the report has considered four crucial sources of inequalities – (a) inequality due to asymmetries in equality of opportunity at birth, (b) in 21st century a crucial source of severe inequality can be the fast growing climate crisis and technological change, (c) political, societal and economic imbalances can raise inequalities through power imbalances and (d) dearth of systematic policies abled to tackle new generation of inequality in the society. At this point, it is important to note that the report explores all these aspects and provides an important holistic picture of the current scenario but lacks in terms of methodological rigor that leads to a bigger challenge of feasibility.

4.3 Some Generic Issues with HDRs

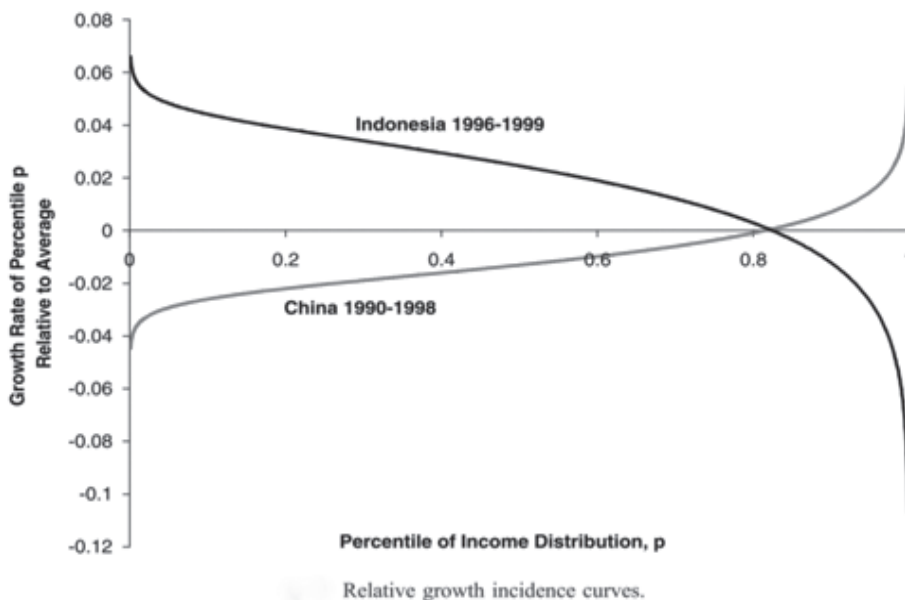
A common consensus is therefore, the development process is multifaceted in nature. The issue that I like to stress here is generically applicable to “HDR approach” in general and it is largely related to empirical bottlenecks with regard to the policy formulation, implementation and the method used to formulate the same, and of course, not conceptual. In reality, the realization of the severity and quantitative significance of these inequality generating indicators (point (a) to (d)) are likely to vary much across countries and over time. For example, the quality of education a fifth grade kid gets in India would differ significantly with a same grade kid in Nordic countries. Further, evidences from the literature show that because training in schools differ across countries, other education related parameters such as drop-out rates, years of schooling, quality of teachers pose serious challenges in estimation. Comparing them is challenging and calls for robust statistical measures which is missing in the report. In addition, another critique of proposed non-income dimensions can be found in Srinivasan, 1994. He argues that incorporation of other indicators would be deemed relevant if they have additional explanatory power in assessing the development performance. Theoretically, if these indicators measure different aspects of the same i.e., they are mutually orthogonal, then each measure an aspect of development unrelated to that of the other. Contrasting to these, if these indicators are correlated, say perfectly correlated, they are basically measuring the same. Statistically, to address this, a principal component analysis would be employed which will basically take a transformation of the set of indicators to an equal number of mutually orthogonal linear combinations and generates the variance among the indicators explained by each combination. Srinivasan argues that the anomaly would occur while a fewer combinations in the set explain a large proportion of the variance implying the information contained in the set can largely estimated by these few combinations. Also note, data generating processes vary significantly across countries that again generates sufficient amount of skepticism and raises another set of questions on how far these information are comparable across space and time.

4.4 An Alternative to Beyond Income

Therefore, before going beyond income it is somewhat important to ask whether or not existing measures of economic wellbeing can give a better measure if they undergo necessary improvement.

Needless to say, measuring production is important as it gives an idea of total economic activity running in the economy at the current time. Amartya Sen in a recent work with Joseph Stiglitz and Jean-Paul Fitoussi (Stiglitz et al., 2009) suggest an alternative, keeping in mind the measurement bottlenecks with non-income dimensions. The study proposes that by incorporating ‘quality’ in the measure of GDP, can improve the measure of wellbeing. It is challenging but it is vital as it would provide a better estimate of real income and real consumption, parameters conventionally used as the measure of wellbeing. Moreover, the quality adjustment is important because underestimation of that is directly linked to overestimation of inflation which in turn underestimates the real-income of the economy. The commission, 2009 categorically proposes, instead of taking production based measures the countries should take income based and consumption based measures to evaluate wellbeing of an individual – an analogous concept of inclusive growth. The basic argument of inclusive growth says it is not growth alone but the quality of growth which acts as the major driver to achieve sustainable development or wellbeing. It is therefore manifested in the distributional aspects of the growth and its impact on welfare outcomes. Recently, a plethora of studies have emerged that proposes the ways through which a growth process can be made deemed inclusive. The report can very well take that into consideration in their future ventures. The broad results came out from these studies show that growth adjusted with inequality and poverty can always provide a better scenario.

Figure 1: Growth incidence curves for China and Indonesia



Source: Kraay, 2006

Ravallion & Chen, 2003, provides a simple income based measure, named growth incidence curve (GIC) in which the quality aspect of growth can be easily brought in. Figure 1 presented below is such a GIC plot for China and Indonesia for the period 1990-98 and 1996-99. GIC plots percentile change in income for a given period of time as against the population percentile. It is quite clear from the picture that although China had overall better growth experience, Indonesia's growth was way more inclusive. In fact, inequality in China has increased tremendously during the growth spell. Thus, it is expected that the bottom class of people in Indonesia enjoyed more "real freedom" than that of China.

4.5 Good Vs Bad Income Growth: A Policy Question

HDRs have largely recommend countries should focus on human development rather than rising incomes of the people. The recent HDR too is no exception. However, the report does not offer help with respect to the priorities a country needs to have between setting up growth oriented policies and public spending on social services. Note, *people's choices* can also be enhanced through a growth process which has solely benefited the rich class but from a society's point of view this growth process is not "good" income growth. To achieve more such "good" income growth, the policy chapter proposes that instead of a bottom-up approach, a developing country should target non-poor formal low-wage workers in the initial stage and then expand benefits upward and downward. According to them, emphasis on this class would provide incentive to both the higher and lower income people to participate in the production process. Given that even IMF has questioned trickle-down theory, how the benefits would be expanded to bottom class of people is not clear. Further, in India where majority of the workers do not have formal contract, identification of such class is almost impossible. Moreover, in a country with large poverty and increasing inequality, targeting a specific class would actually push millions of people below the poverty line permanently. In contrast to the reports proposal, it is well argued in the literature that, in countries like India, where density around the poverty line has remained significantly high, a bottom up approach through guaranteed employment, universal public distribution system and higher human capital investment, can enhance substantial welfare outcomes. Further, it is important to mention here that although there are evidences that economic growth did have a heterogeneous impact in some countries but evidences are more systematic that says growth does reduce absolute poverty and promote human development if that growth process remains 'pro-poor', which can only be achieved through appropriate policy formulation.

4.6 Conclusion: Role of the State

In a followed-up section the report talks about productivity enhancement of individuals and thereby combating the problem of rising inequality (Chapter 7, pp. 233). However, it is important to note that productivity is highly an individual's performance centric measure (and thereby function of

*circumstances*³) and it alone is not sufficient unless the institutions take affirmative steps. SDG-16 recognizes the importance of development of effective, accountable and transparent institutions are essential as it can raise the necessary resources for spending on the crucial government programmes. The report fails to acknowledge such a role that a federal state can play in tackling inequality. Especially, for developing countries which are arguably still in a “capability trap”, the priority should be given to build such institutions which instead of acting just as an enabling factor should also play an affirmative role as a federal institute in formulation policies and their implementation. Therefore, following Sen’s capability theory, what is needed is not convergence in capabilities, rather convergence in functioning.

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3 So far, most studies have defined inequality in terms of differences in outcome, i.e. inequality resulting from the existing demographic, social and political processes. This common view is challenged by some influential philosophers like Dworkin (1981), Arneson (1989) or Cohen (1989). They argue that inequality generating from the factors that are beyond scope of individual’s control, termed as circumstances by Roemer in his later work (Roemer, 1993, 1998, 2003), should only be considered while letting, at the same time, individuals bear the consequences for which they are responsible.

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