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Riding up the growth path

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Mobility enabled by two-wheelers has a significant relationship with income inequalities.

Poverty alleviation policies have undergone much iterations in post-Independence India. In the past 10 years, MGNREGA has been the primary focus of successive governments, with huge allocations in a bid to provide 100 days of guaranteed employment to the poorest rural households in the country. The jury is still out on the success of the programme—its critics believe that it is a massive waste of national resources and is nothing but a dole for digging holes while its supporters cite that a record 18.2 million works have been completed and a wide variety of rural assets are being created across several states in the country.

Whether MGNREGA is successful in achieving its targets or not, at the heart of the matter is the grim reality of lack of employment opportunities for a vast majority of Indians. For instance, an overwhelming 90 million households—a third of all Indian households—(totalling a population of 383 million) are dependent on daily-wage jobs (or manual labour). Starkly, 77% of these households are in rural areas. The annual average per capita income of these households is pegged at R28,167. Households dependent on agricultural labour and non-agricultural labour work number 30 million and 60 million, respectively. The level of earning of an agricultural labour household is slightly lower than that for a non-agricultural one. These numbers are a grim reminder that India's growth story still has a long way to go before it begins to have a tangible impact on such households.

The findings of the ICE 360^{o} survey 2014 shows that many of the poverty alleviation schemes are not accessible to the households that they are intended for. While BPL and Antodaya cards have achieved some degree of penetration within labour households (53% claimed to possess them), only 39% of all labour households owned MGNREGA card. Schemes such as Swarnajayanti Gram Swarojgar Yojana were availed by merely 2% of the households. Of those that had benefited from MGNREGA, just 60% were satisfied. Well-being indicators for labour households continue to be at sub-optimal level. It is obvious but factually correct that those that earn their income from non-labour occupations (like salaried, self-employed) are much better off in terms of access to essential amenities. Barely 29% have LPG connections for cooking versus 62% in non-labour households. Tap water within the premises is a luxury that is available to only 26% versus 42% of non-labour families. And a separate kitchen is to be found in just 37% households that earn their income from daily wage labour compared to 61% for non-labour households. Only 42% of labour households, compared to 69% non-labour ones have access to a toilet within their premises.

Education, or more importantly the lack of it, continues to be a major barrier that prevents millions from improving their occupational and well-being situations. For almost half of these households (48%) primary education is the highest level of education that any member in the family has achieved. In absolute terms, that adds up to a massive 44 million households who are at the bottom rung of the educational pyramid. It is not surprising that their ability to find decent jobs and earn a decent livelihood is severely inhibited. Nearly 80% of labour wage earners feel that the twin factors of low education and poor skills have impeded their ability to get decent employment. Thus, for any anti-poverty or employment generation programme to work, the crucial role that education plays in the upliftment of people cannot be ignored.

While education-for-all strategy needs to be taken up aggressively, the impact of this will be visible only in the long term. Meanwhile, there is a need to take a closer look at people's coping strategies to boost income-earning capabilities. It has been observed that mobility is one of the key factors that impacts economic activity and wealth creation in societies. Increased mobility does not only mean travelling long distances. It also includes shorter journeys with increased speeds that enable people to access economic opportunities. On an average people in Europe travel two times more than Indians and are 24 times wealthier while people in the US travel five times more and are 34 times richer. This is not to suggest that travel alone can transform the economic status of people but it does provide a window of economic opportunity to those who don't have access to jobs in their immediate vicinity.

Significantly, mobility for work has increased at a rapid pace in India. While in 1950-51 the average Indian travelled about 100 kms by road annually, this had increased to over 5,500 km by 2011-12, an annual growth rate of 6.78%. As road coverage has increased over the decades, so has the population of vehicle-owners. In 1950-51, two-wheelers accounted for a mere 9% of all vehicles in the country. By 2011-12, this had grown to a dominant 72%. In 2014-15, two-wheelers accounted for 81% of all automobiles sold.

The average price of a two-wheeler in 1983-84 was 2.6 times of per capita GDP. By 2014-15 it was a mere 0.5 times. This slow growth in prices against the backdrop of better average incomes has had an enormous impact on the economic landscape. The recent ICE 360o survey 2014 findings strongly reaffirm the linkages between increased mobility and higher income. Apart from colour TV and mobile phone, a two-wheeler is the only asset to have a sizeable ownership presence across all income classes. Nearly 35% of the households own a two-wheeler while only 7% own a car. Among the bottom 10% households, 17% own a two-wheeler while car ownership stands negligible. In fact, Indian households belonging to middle of the income pyramid spend more on protein food than on maintenance of a two-wheeler.

Moreover, transportation studies have been reporting a steady increase in 'trip rates'. A trip rate is defined as a one-way trip made by a person from a place of origin to destination. A study of traffic and transportation policy by the ministry of urban development reports a 10% increase in trip rates in a decade in urban areas with population of more than 5 lakh. The study also reports a strong relationship between the size of a city and the average trip length or average distance travelled during a trip. With ever-expanding cities, there has been a steady increase in trip length. Higher trip lengths also increase demand for last-mile connectivity. Easy maneuverability in highly congested urban roads and low space requirement in poorly planned urban parking facilities have made two-wheelers the most preferred mode of travel. This is reflected in the survey finding that 60% of all car-owners use a two-wheeler for commuting to work.

Increasingly, two-wheeler ownership is becoming an important tool for earning livelihood. A significant 67% of two-wheeler owning households depend on their vehicles for their income. Nearly 50% of two-wheelers are purchased by cultivators, shop owners, construction workers and junior level executives. Consider the impact of this on household incomes. While an average two-wheeler owning household earns R283,000 per year a non-two-wheeler household's income is in the range of R152,000. Across income classes, households that own a two-wheeler tend to have a minimum 15% higher income than those who don't own a two-wheeler. This disparity widens as incomes increase. Two-wheelers thus have emerged as an income generating asset more than just a transportation mode from one point to another.

Mobility enabled by two-wheelers also has a significant relationship with income inequalities. Urban areas with higher two-wheeler penetration tend to be more equally distributed in income while higher inequality is observed in urban areas with lower two-wheeler penetration. The data also suggests that for earning an additional R1 lakh of income, a two-wheeler owner needs to travel an additional 2.9 kilometers per day. Technological advancements have allowed manufacturers to offer higher mileage to two-wheeler owners. However, data clearly shows that corresponding benefit is not experienced by customers in the same proportion. A large part of the incremental benefit appears to be offset by increasing congestion on roads.

While encouraging two-wheeler ownership can be an unconventional way of driving economic growth, policy makers also need to focus on efforts that lead to decongestion of roads in urban centres, particularly in and around smart cities. Investing in affordable public transport modes and focusing on last-mile connectivity would provide incremental support to those who are forced to travel long distances to work. Ultimately, it is for policy makers to take a combination of measures to ensure that the large swathe of population that are dependent on daily wages for their livelihood are given a helping hand to improve their earnings. Exploring new approaches to give the underprivileged socio-economic groups a helping hand would perhaps yield greater dividend and expedite the process of economic growth for all.

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