

Structural Transformation of Employment and Income Inequality in the High Growth Regime: A Study with Micro Level Data in India

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This study explores the distributional issues of growth by taking employment structure into account with micro level information from employment and unemployment survey in India. The study analyses employment status and wage inequality over the new growth regime in India that started in the early 1980s by decomposing Gini index and estimating quantile regression. While ‘within’ group inequality declined, the ‘between’ group inequality increased markedly during the 1990s. The incidence of inequality was higher in the urban economy as compared to the countryside. The ‘within’ group inequality increased at a higher rate among regular wage earners than the self-employed group during the initial decade of reforms. To locate the possible factors for inequality we have estimated conditional earnings at different quantiles. The estimated results suggest that the returns to education at a particular education level are higher at the upper quantiles. Thus the wage distribution is more unequal because of unequal access to education and the effect is escalating over time. Earnings inequality between different groups of workers even at the same level of education increased over time during the post-reforms period.

JEL Classification: C29, D31, I21

Keywords: Employment Structure, Quantile Regression, Earnings Inequality, India