

Dynamics of Income Inequality and Employment Characteristics under Different Growth Regimes: Insights from Household Level Survey Data in India

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Paper Abstract: This study explores the distributional issues of growth by taking labour market characteristics into account with micro level information from employment and unemployment survey in India. The study analyses how inequality has changed with employment characteristics over the new growth regimes in India that started in the early 1980s by using Gini index and decomposing it into 'within' group and 'between' group inequality. While within group inequality declined, the between group inequality increased markedly during the 1990s and became stagnant thereafter in the rural economy. 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 selfemployed 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 higher the level of education higher is the wage earned by the workers. As returns to education at a particular education level were higher at the upper quantiles, the wage distribution became more unequal because of education and the effect was 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.