Cornell University
ILR School

Cornell University ILR School
DigitalCommons@ILR

Articles and Chapters

ILR Collection

2007

Income Mobility in India

Gary S. Fields
Cornell University, gsf2@cornell.edu

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/articles
Thank you for downloading an article from DigitalCommons@ILR.
Support this valuable resource today!

This Article is brought to you for free and open access by the ILR Collection at DigitalCommons@ILR. It has been accepted for inclusion in Articles and Chapters by an authorized administrator of DigitalCommons@ILR. For more information, please contact hlmdigital@cornell.edu.

Income Mobility in India

Abstract
[Excerpt] 'Income-mobility' analysis involves following the same people for two or more points in time and studying the changes in their economic well-being. It is something of a cliché, but nonetheless true, that income mobility is multifaceted.

Keywords
India, income mobility, economic growth, development

Comments
Suggested Citation
Fields, G. S. (2007). Income mobility in India. [Electronic version]. In K. Basu (Ed.) *Oxford companion to economics in India* (pp. 270-272). New Delhi: Oxford University Press.
http://digitalcommons.ilr.cornell.edu/articles/229/

Required Publisher Statement
With permission from Oxford University Press India, New Delhi.

This article is available at DigitalCommons@ILR: http://digitalcommons.ilr.cornell.edu/articles/229

■ Income Mobility

'Income-mobility' analysis involves following the same people for two or more points in time and studying the changes in their economic well-being. It is something of a cliché, but nonetheless true, that income mobility is multifaceted. These many facets can be categorized as follows.

One is the issue of mobility of what among whom. 'Income mobility' denotes change in economic well-being

among suitably chosen recipient units. Economic well-being may be measured by income, consumption, or labour earnings, among others. The recipient units may be households, per capitas, adult equivalents, or individual earners.

Second is the context within which mobility is analysed. Inter-generational mobility studies look at parents and children, while intra-generational studies look at the same individuals from one year to another.

Third are the two levels of mobility analysis. Macromobility studies gauge how much mobility there is in an economy. Micromobility studies investigate what are the correlates and determinants of changes for different recipients.

Once agreement has been reached on the measure of economic well-being, the choice of recipient unit, the inter-generational or intra-generational context, and the level of analysis, analysts nonetheless mean different things when they speak of income mobility. Six notions may be distinguished.

Briefly, the six mobility notions are: time dependence, which measures the extent to which economic well-being in the past determines economic well-being at present; positional movement, which is what we measure when we look at changes in individuals' economic position (ranks, centiles, deciles, or quintiles); share movement, which arises when individuals' shares of the total income change; income flux, which is what we measure when we look at the size of the fluctuations in individuals' incomes but not their directional income movement, which is what we measure when we determine how many people move up or down how many rupees; and mobility as an equalizer of longer-term incomes, which involves comparing the inequality of income at one point in time with the inequality of income over a longer period.

In India, empirical mobility studies have been carried out using three principal data sources. These are the NCAER (National Council for Applied Economic Research) data, the ICRISAT (International Crops Research Institute for the Semi-Arid Tropics) data, and the Palanpur data.

The first source is panel data collected by the NCAER in the late 1960s, in the early 1980s, and again in the present. Using the earlier data, income mobility was studied by Coondoo and Dutta (1990). They found that income mobility in India acted to equalize the distribution of longer-term income relative to initial income, that poorer households' incomes increased at above-average rates, and that overall mobility was about one-fourth of its maximum possible value. Substantially similar macromobility findings were obtained in a later study by Bhide and Mehta (2004). In addition, in the micromobility part of their study, Bhide and Mehta found that the factors related to the persistence of poverty are scheduled tribe status, household size, number of dependent children, literacy, ownership of a house, size of cultivated area, and income from livestock. A new round of the NCAER was fielded recently; new studies using the newer changes should start appearing shortly.

The second source is the panel surveys of ICRISAT villages beginning in 1975. The surveys cover seven villages. One comprehensive study of income mobility using these data is made by Walker and Ryan (1990). Among their key findings are that two-thirds of the sample households moved into or out of poverty in their nine-year analysis period, 23 per cent of the households were chronically poor, and households need to be very well off to avoid poverty in all years. New ICRISAT data have been fielded since 2001 and are now being analysed.[1]

A third source of data is the in-depth examination of Palanpur, a village in Moradabad district of Uttar Pradesh. Drèze et al. (1992) and Lanjouw and Stern (2003) report on a series of studies that have been carried out in Palanpur over the last three decades. The advantage of such studies is that the researchers could literally track every household by name and by personal acquaintance to ensure that accurate matches were made over time. The research shows that per capita incomes are only 'weakly correlated' across years. It also shows that important improvements have been made both in the farm and non-farm sectors of the economy. In the farm economy, the labour market has tightened, raising real agricultural wages. In the non-farm economy, new job opportunities have been created. The elites were the first to benefit; the poor benefited to a lesser extent and only within the less dynamic parts of the non-farm economy. The authors conclude that although one must be realistic about the potential of off-farm employment to improve economic opportunities for the poor, improvements in living standards of the poor have been made.

This entry has briefly surveyed the directions and findings of income mobility studies in India to date. As a complement to studies of changes in poverty and changes in inequality, income mobility studies offer a wealth of exciting possibilities.

GARY S. FIELDS

References

Bhide, Shashanka and Aasha Kapur Mehta. 2004. 'Chronic Poverty in Rural India: Issues and Findings from Panel Data', *Journal of Human Development* 5: 195–209.

[1]See www.icrisat.org for further information.

Coondoo, Dipankar and Bhaskar Dutta. 1990. 'Measurement of Income Mobility: An Application to India', in Bhaskar Dutta et al., eds, *Economic Theory and Policy: Essays in Honor of Dipak Banerji*, Bombay and New York, Oxford University Press.

Drèze, Jean, Peter Lanjouw, and Nicholas Stern. 1992. 'Economic Mobility and Agricultural Labour in Rural India: A Case Study', *Indian Economic Review* 27: 25–54.

Lanjouw, Peter and Nicholas Stern. 2003. 'Opportunities off the Farm as a Springboard out of Rural Poverty: Five Decades of Development in an Indian Village', in Gary S. Fields and Guy Pfeffermann, eds, *Pathways out of Poverty*, Boston, Kluwer.

Walker, Thomas S. and James G. Ryan. 1990. *Village and Household Economies in India's Semi-Arid Tropics*, Baltimore, Johns Hopkins University Press.