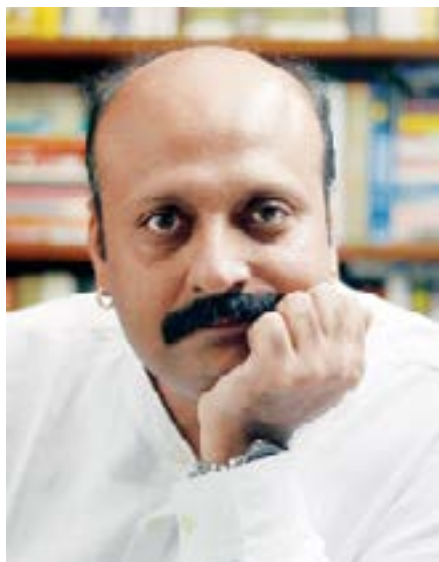


Income Inequality Patterns Across India



Clockwise from the left: Amit Kapoor & Mukul Anand



patterns they reflect are critical to understanding and addressing broader inequality across the country. An analysis of the Periodic Labour Force Survey (PLFS) from 2017–18 to 2023–24 reveals that income inequality at the national level has persisted and, in keyways, deepened. The median income rose from Rs102,000 to Rs144,000 over this period, reflecting a compound annual growth rate (CAGR) of 5.92 per cent.

The top one per cent in India earned at least Rs 75,000 per month in 2023–24. This threshold has increased from Rs 50,000 in 2017–18 reflecting a CAGR of 6.99 per cent. In 2017–18, the monthly income to be in the top 10 per cent was Rs 25,000. It has since risen to Rs 32,000 with a CAGR of 4.2 per cent. For the bottom 50 per cent, income levels moved from Rs 8,500 to Rs 12,000 while the bottom 10 per cent saw their thresholds inch up from Rs 3,200 to Rs 3,900 only. This muted 3.35 per cent CAGR at the lowest rung is a sharp contrast to the accelerating gains at the top pointing to growing asymmetries in income gains across the Indian labour market.

The Gini coefficient, which is a stand-

EVERY TALE of rapid economic growth carries within it a quiet and yet persistent question; who truly benefits and who gets left behind? India's development journey is no exception. The World Bank's 2025 Spring brief highlighted that 171 million people have been lifted out of extreme poverty in India. Poverty is however absolute and pegged to a poverty line. Inequality on the other hand is quantifiable as a stock or a flow variable. If we look closer into official numbers in India, it is evident that the widening income gaps are quietly redrawing the boundaries of opportunities. This persistent income inequality cannot be brushed away as a mere statistical concern; it is a powerful force that influences social and political cohesion, progress and the very foundations of inclusive growth. Research across global economies, from Piketty's Capital Accumulation to Amartya Sen's Capability approach unanimously show that societies with entrenched income divide risk slowing innovation, weakening democratic participation, and stalling social progress. In India's case, bridging the income gap is not just a moral necessity but an economic imperative: the promise of a truly inclusive and resilient Bharat depends on it. The former Chair of the PM's Economic Advisory Council noted that *"Inequality is an emotive issue. It is also an empirical issue, since definition and measurement are contingent on the metric used and data available, including its timeline."* Under his tenure there was a continuous examination into the issues of poverty and inequality with empirical evidence embedded in databases across India. Keeping his legacy alive, the Institute for Competitiveness conducted a thorough study into Income Inequality and Labour Markets in India.

Labour market data offers a powerful lens into the structural drivers of income inequality in India, revealing how systemic disparities and not just individual skills shape wage outcomes. Since labour incomes form the core of household earnings, the



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The weakening of India's middle-income groups, reflected in both PLFS and income tax return data, signals a worrying trend toward a hollowing-out of the economic centre

ard measure of income inequality, remained around 0.42 during this period, suggesting little meaningful change even as per capita GDP rose from \$1,907 to \$2,481. Moreover, the Theil index stood at 0.33 in 2023–24, reinforcing the picture of concentrated gains at the upper end of the income distribution. Further analysis also revealed accelerating growth at the top and stagnation at the bottom income levels. The ratio of the top one per cent income threshold to that of the bottom 50 per cent increased from 5.89 times to 6.25 times over these seven years. In contrast, the gap between the top 10 per cent and the bottom 50 per cent narrowed slightly only from 2.94 times to 2.67 times, suggesting some marginal improvements among the broader middle-upper tier, though gains remain modest and uneven. This undeniably casts a worrisome shadow over the prospects of equity and mobility in the Indian Labour Market.

At the sub-national level, stark disparities in inequality dynamics have emerged, with some states diverging significantly from the national average.

States like Himachal Pradesh, Meghalaya, Chhattisgarh, Maharashtra, Odisha, and Jharkhand exhibited the highest levels of income inequality, as measured by both Gini and Theil indices. In these states, the gap between the top one per cent and bottom 50 per cent was particularly pronounced, indicating that wealth accumulation at the top has outpaced improvements at lower income levels. Conversely, states such as Mizoram, Bihar, Manipur, and Goa showed relatively lower inequality levels. Some of these states notably Mizoram and Bihar also managed to narrow gaps between income thresholds, reflecting stronger inclusivity at the bottom half of the distribution. Income dynamics within employment types also varied widely across states. In Himachal Pradesh and Maharashtra, self-employed workers exhibited the widest income gaps, while salaried workers in states like Chhattisgarh and Meghalaya showed growing top-end income concentration. Additionally, the rural-urban income divide widened in many states, particularly among top income thresholds, compounding the

problem. For instance, urban top 10 per cent incomes were more than double rural incomes nationally by 2023–24, with states like Himachal Pradesh, Bihar, Goa, and Meghalaya leading this rural-urban divergence.

The weakening of India's middle-income groups, reflected in both PLFS and income tax return data, signals a worrying trend toward a hollowing-out of the economic centre. Addressing income inequality in India demands more than aggregate economic growth. As Nobel Laureate Joseph Stiglitz has noted, middle-class erosion threatens both political stability and sustainable demand-driven growth. This requires deep, structural interventions: strengthening rural economies, investing in education and skill-building for lower-income groups, promoting gender parity in labour markets, and expanding access to formal employment. In a rapidly transforming India, equitable distribution of opportunities and incomes will be key not just for fairness, but for building a resilient and prosperous nation capable of harnessing its full demographic and economic potential. **BW**

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