

# Economic Mobility in India: A Decade of Shifts and Transformations

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**People Research India's Consumer Economy**

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# Economic Mobility in India: A Decade of Shifts and Transformations

## Abstract

*In the past decade, India has experienced significant changes in its economic landscape, particularly in the distribution of income across various segments of the population. This policy brief examines these shifts from 2015-16 to 2022-23, highlighting a dramatic reduction in poverty, a decline in the lower middle-income class, and notable growth in the middle and upper middle-income classes. These trends reflect the impacts of economic policies, the COVID-19 pandemic, and subsequent recovery efforts. The analysis underscores the need for targeted policies to sustain economic mobility and inclusiveness. Recommendations include strengthening poverty alleviation programs, supporting lower middle-income class mobility, enhancing middle-income class resilience, fostering inclusive growth, encouraging high-income sector growth, and continuously monitoring and adapting policies to emerging economic trends.*

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**Keywords:** *Economic Mobility, Income Distribution, Poverty Reduction, Indian Middle-Class, Inclusive Growth*

## Introduction

In the past decade, India has witnessed significant changes in its economic landscape. These shifts have been most evident in the distribution of income across different segments of the population. The data from 2016 to 2023 presents a compelling narrative of recovery, growth, and ongoing challenges. This article delves into these trends, highlighting the implications for the country's future economic policies.

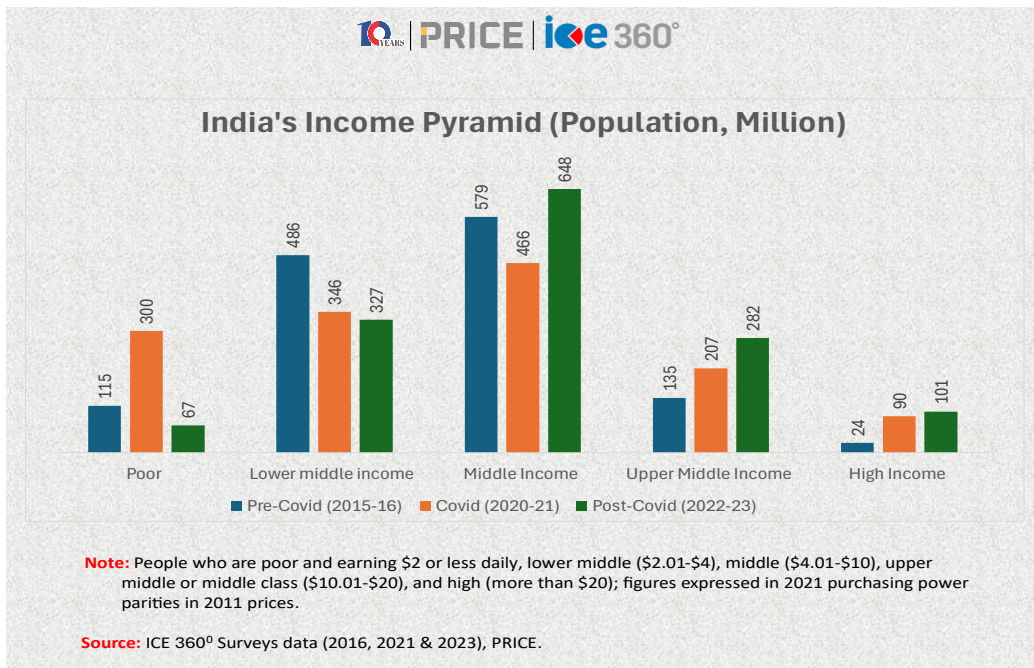
## Rising and Falling: The Dynamics of Poverty

One of the most striking changes in the Indian economy has been the fluctuation in the percentage of the population living in poverty. In 2016, 8.6% (115 million) of Indians were classified as poor, earning \$2 or less daily. This number surged to 21.3% (300 million) in 2021, a direct consequence of the COVID-19 pandemic, which wreaked havoc on livelihoods, especially in the informal sector. The pandemic-induced lockdowns and economic slowdown pushed millions into poverty, reversing years of progress. However, by 2023, the situation had markedly improved, with only 4.7% (67 million) of the population remaining in the poor category.

Poor declined significantly by 41% from 2016-2023, with an alarming 77% decrease from 2021-2023, after initially increasing by 161% from 2016-2021. This dramatic reduction can be attributed to several factors, including government intervention through stimulus packages, increased rural employment schemes, and a general economic rebound as the country emerged from the pandemic's shadow. The rapid recovery underscores the resilience of the Indian economy and the effectiveness of targeted poverty alleviation measures.

## The Shifting Sands of the Lower Middle-Income class

While poverty reduction has been a positive development, the lower middle-income class has experienced a steady decline. In 2016, 36.3% (486 million) of Indians fell into the lower middle-income bracket, earning between \$2.01 and \$4 daily. By 2023, this proportion had decreased to 22.9% (327 million). This decline suggests that a significant number of individuals in this category have ascended to higher income brackets, reflecting upward economic mobility.

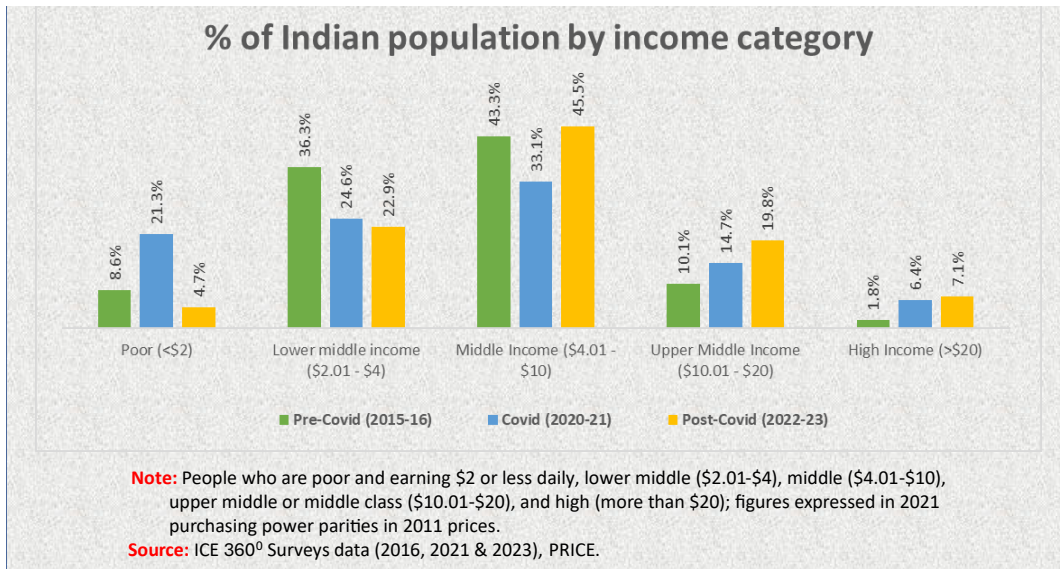


The shrinking lower middle-income class indicates positive economic transitions, with people moving up the income ladder. This shift can be attributed to improved access to education, skill development programs, and job opportunities in growing sectors such as information technology, manufacturing, and services.

## The Resilience and Growth of the Middle of Income Pyramid

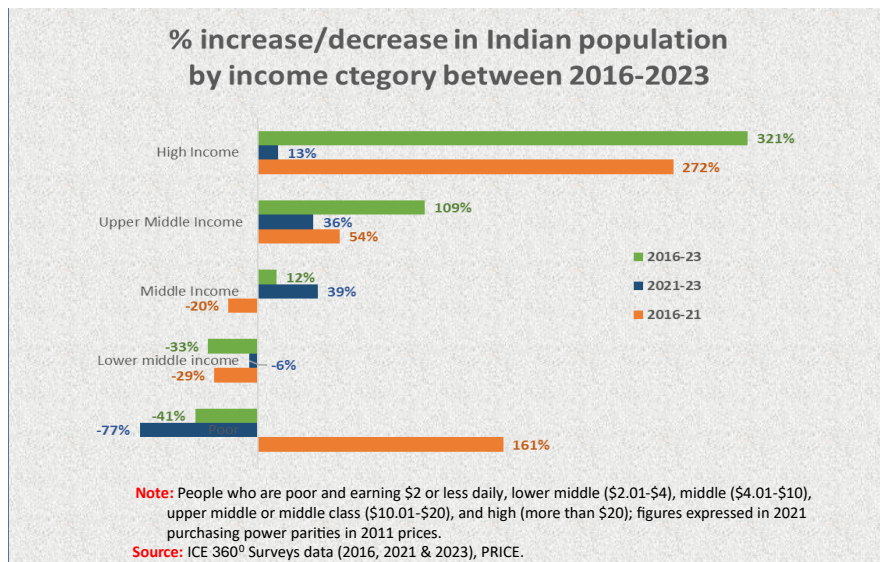
The Middle of Income Pyramid, earning between \$4.01 and \$10 daily, has shown remarkable resilience. In 2016, this group constituted 43.3% (579 million) of the population. The pandemic caused a dip, reducing this number to 33.1% (466 million) in 2021. However, by 2023, the middle-income class had not only recovered but also grown to 45.5% (648 million), the highest among all income categories.

The recovery and expansion of this are indicative of India's economic resilience and the effectiveness of recovery measures post-pandemic. A robust middle-income class is crucial for sustained economic growth as it drives consumption, supports businesses, and fosters social stability.



## The Emergence of the Global Indian Middle Class

The upper middle-income class (called middle class by global standard), those earning between \$10.01 and \$20 daily, has seen steady growth. In 2016, this group represented 10.1% (135 million) of the population. By 2023, this figure had nearly doubled to 19.8% (282 million). This group grew by 109% during the period, reflecting upward mobility, increasing affluence and economic opportunities available to a broader segment of the population.



The rise of the upper middle-income class is a positive sign of economic progress. It indicates that more individuals are achieving higher standards of living and contributing to the economy in more significant ways. This segment's growth is likely driven by the expanding sectors of technology, finance, and other high-value industries.

## The High-Income Earners

The percentage of high-income earners, those making more than \$20 daily, has also increased. In 2016, only 1.8% (24 million) of the population was in this category. By 2021, this number had risen to 6.4% (90 million), further increasing to 7.1% (101 million) in 2023. The high-income earners grew by 321% from 2016-2023, reflecting the increasing prosperity among a segment of the population, which can drive demand for luxury goods and services, further stimulating economic growth.

## Policy Implications and Recommendations

The data presents a clear picture of the evolving economic landscape in India. To sustain and enhance these positive trends, several policy measures are recommended:

- **Strengthen Poverty Alleviation Programs:** Continued focus on targeted interventions to support the poorest segments is crucial. Programs should create sustainable income opportunities and improve access to essential services like education and healthcare.
- **Support Lower Middle-Class Mobility:** Implement policies that provide skill development and employment opportunities. Focus on sectors with high growth potential and job creation capabilities to help individuals in the lower middle-income class move up the economic ladder.
- **Enhance Middle-Class Resilience:** Promote policies that enhance economic security, such as social safety nets, affordable housing, and accessible healthcare. Encourage entrepreneurship and small business development to create more opportunities within this segment.
- **Foster Inclusive Growth:** Ensure that economic growth benefits all segments of society. Invest in infrastructure and technology to create a more inclusive economy. Address regional disparities to ensure balanced development across the country.
- **Encourage High-Income Sector Growth:** Support sectors that contribute to high-income growth, such as technology, finance, and advanced manufacturing. Create an enabling environment for innovation and foreign investment.
- **Monitor and Adapt Policies:** Continuously monitor economic trends and adapt policies accordingly. Use data-driven approaches to assess the effectiveness of interventions and make necessary adjustments.

## Conclusion

India's economic landscape from 2016 to 2023 has undergone significant transformations. The reduction in poverty and the growth of the middle and upper middle-income classes highlight positive trends. However, sustained efforts are needed to ensure inclusive and equitable growth. By implementing targeted policies that address the needs of various income groups, India can build on its economic progress and create a more prosperous future for all its citizens.

## About PRICE

([www.price360.in](http://www.price360.in))

- People Research on India’s Consumer Economy (*PRICE branded as ICE 360°*) established in 2012 as an independent, *not-for-profit*, ‘fact tank’ and ‘think tank’ registered U/S 8 Companies Act. The vision of PRICE is to be the premier research institute offering unparalleled insights into India’s household economy. Its mission includes conducting high-quality research, providing data-driven insights, and fostering a deeper understanding of India’s economic landscape. The institute conducts large-scale surveys to gather data on household well-being, which it then analyzes to identify trends and develop policy recommendations. As an independent organization, PRICE is committed to producing unbiased and objective analysis, contributing to the socio-economic development of India.
- Largely supported by grants and contract research, PRICE’s strengths lie in its access to comprehensive data sets, experienced team of researchers, and strong collaborations with academic institutions, government bodies, and industry players.

## About PRICE’s ICE 360°

PRICE’s ICE 360° surveys called as **“Household Survey of India’s Consumer Economy and Consumer Environment”** aimed to generate integrated longitudinal data (Interconnected, consistent and up to date) to provide a 360° view of “household’s & people’s” progress on financial conditions (income, expenditure, saving and borrowings), living conditions, access to public goods, amenities, state welfare, health, education, occupational conditions, social and occupational mobility and inclusion in the household economy.

In recent times, it has been the only regular source of data on income, expenditure and saving in India. And among household surveys of its kind across the world, ICE 360° surveys hold a unique position on account of scientific and robust measurement of income, its massive sample size, range, and the depth of information it uncovers. Over the years, the survey has become the most credible source of information on Indian consumer market structures for decision makers in top marketing concerns, in public enterprises and Indian household economy in government.

These surveys (2014, 2016, 2021 and 2023) are mammoth and complex exercise, for instance, the Wave 2.0 covered about 300,000+ households through a household listing exercise, followed by a more detailed survey of 61,000 households - 25,000 in rural India and 36,000 in urban India deploying probability sample design. Geographically, the sample has been drawn from across 216 districts, 1217 villages and 487 towns spread across 25 major states.

### PRICE’s ICE 360° survey - Features

Feature	ICE 360° survey (2014)	ICE 360° survey (2016)	ICE 360° survey (2021)	ICE 360° survey (2023)
Survey type	Best mix of Baseline-Panel-Longitudinal -Cross-sectional			
Sample design	Probability Sample: Three stage stratified random sample design			
Coverage	21 states & UTs (Rural &Urban)	25 states & UTs (Rural &Urban)	23 states & UTs (Rural &Urban);	25 states & UTs (Rural &Urban)
Sampling frame	100,000 households	300,000 households	200,000 households	200,000 households
Sample size	20,000 households	61,000 households	40,000 households	43,000 households
Data collection	Face-to-face interview		Face-to-face interview - CAPI	
Respondents	Chief Wage Earner (CWE)/Head, Housewife and other earning members of households			
Reference period	Financial Year - 2014	Financial Year - 2016	Financial year - 2021	Financial year - 2023

The findings in the form of actionable insights, presentations, and reports including the household level data are shared with various stakeholders ranging from policymakers in government, policy advisors, business strategists, media, academic & research institutions including national and international individual researchers.

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