

Distribution of Income in India : The Story of Divergence Since 1991

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Abstract

The issue of income distribution holds great significance; it is one of the oldest questions in economics, touched upon by prominent thinkers. Growth of income and its distribution have long been perceived as intertwined issues. Growth of profits at the expense of wages can have far-reaching effects for the economy. This study focused on a particular facet of inequality. The marginalization of small peasants, agricultural labour, and the presence of a huge pool of non-farm wage workers has been fuelling incomes of the rich not just in Indian agriculture, but manufacturing and services as well. The informal and unskilled workers in the industry have taken the hit to allow room for further growth in the incomes of owners as well as managerial and skilled classes. With this backdrop, the mainstay of this research work was to examine the trends in profit and wage share for India and the skewed distribution of factor shares, particularly in the post reform period, spanning manufacturing and services sectors. The paper discussed the connect between abysmal conditions in the Indian agriculture sector and rising profits as well as growth in wage inequality in manufacturing and service sectors. Data from multiple sources was utilized to explore the inequality in the distribution of factor incomes in India. The paper highlighted that both income and wealth inequality in India have grown in the post reform period. The study found empirical evidence in support of growing capital incomes in all the three sectors and rising wage differentials in manufacturing and service sectors.

Keywords : wage share, profit share, factor income distribution, income inequality, wealth inequality, wage differentials

JEL Classification : E24, E25, J31, J43, J46

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Growing inequality has become central to macroeconomic research, globally. Inequality has multiple dimensions, it could be economic or non-economic in nature. It is imperative to study the source of inequality and skewed distribution of profits and wages is one such source. Capitalism is said to have resulted in an asymmetric division of the economic pie. Ever rising inequality, falling wage share, soaring pay packages of the directors and managers, spiraling profits, all are being viewed as features of “capitalist development.”

Fair distribution of income is not only important on normative grounds, but also to ensure macroeconomic stability. Growth of profits at the expense of wages can have far-reaching effects for the economy. Aggregate demand and investment might suffer as incomes and consumption stagnate. Also, growth dependent on profits might fuel demand for imports or goods that are capital intensive, especially for a developing country, weakening future options for better employment, remuneration for the workers, thereby weakening the working class further.

In this context, Thomas Piketty's work on wealth and income inequality ; the growing share of capital incomes across the world deserves mention. Piketty had put up an important question in the introduction to the book :

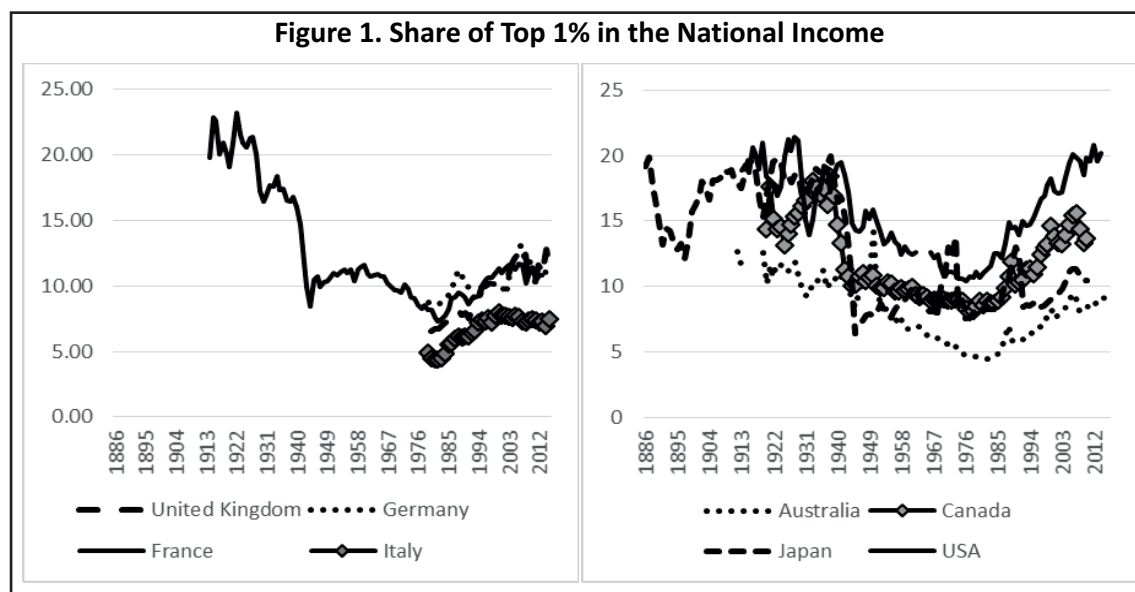
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Do the dynamics of private capital accumulation inevitably lead to the concentration of wealth in ever fewer hands, as Karl Marx believed in the nineteenth century ? Or do the balancing forces of growth, competition, and technological progress lead in later stages of development to reduced inequality and greater harmony among the classes, as Simon Kuznets thought in the twentieth century? (Piketty & Goldhammer, 2014, p.1).

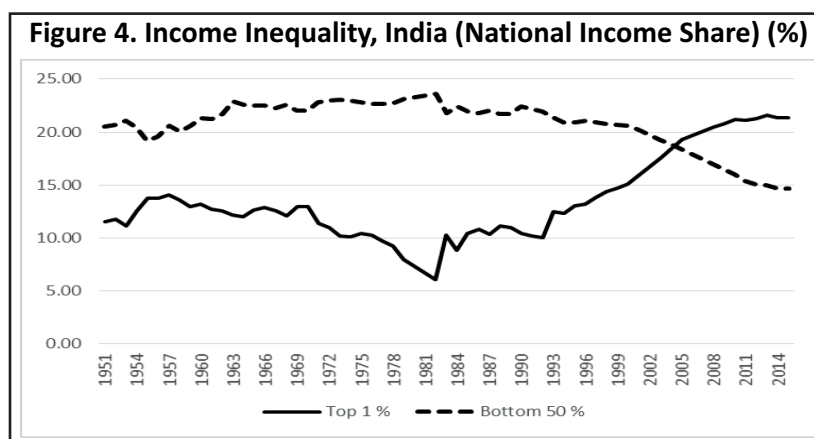
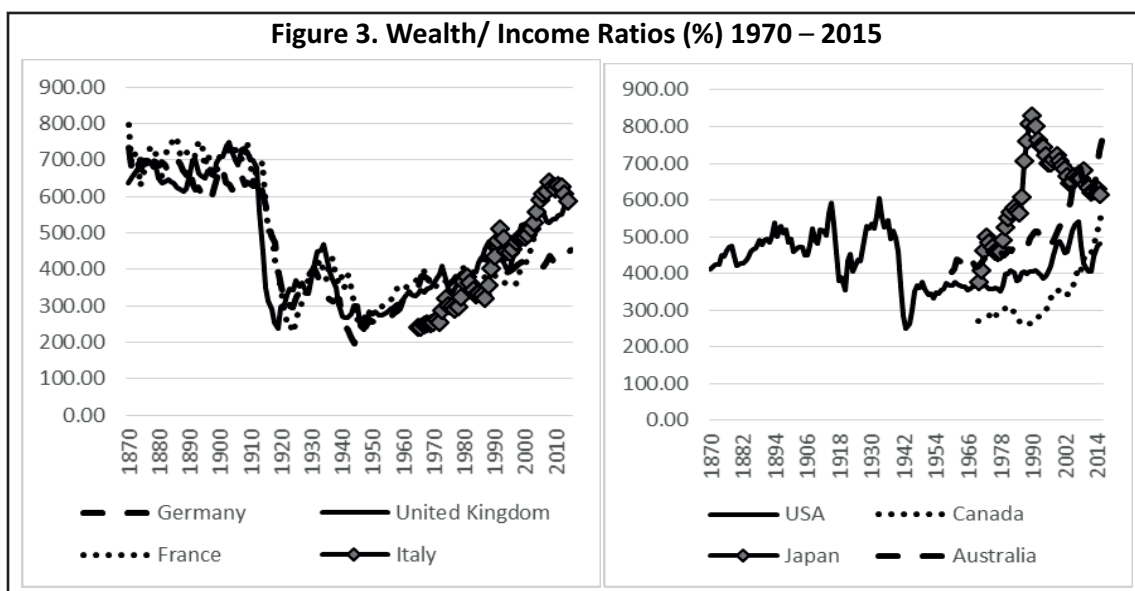
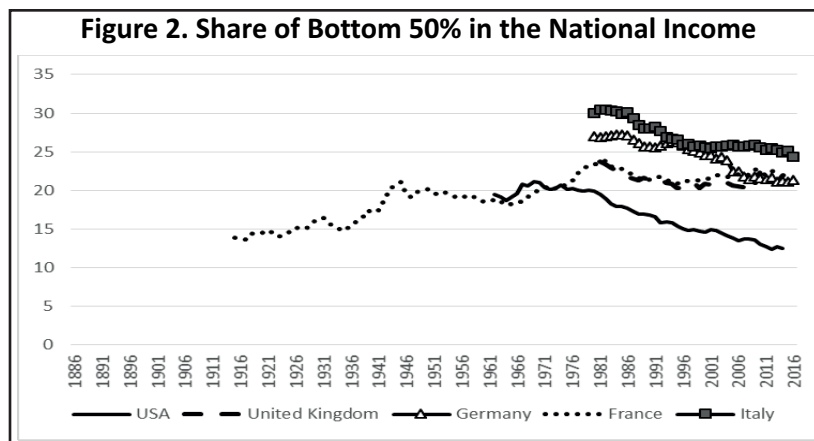
Piketty's analysis traversed through the period 1870 – 2010, spanning the data for eight developed countries ; Australia, Canada, France, Germany, Italy, Japan, United Kingdom, and USA. Piketty's analysis established that the wealth-income ratio had risen during the mentioned period for each of these countries, from about 200 – 300% to nearly 600 – 700%. For the period from 1870 – 2010, the wealth-income ratios for these countries followed a U-shaped pattern. An explanation of these trends has been offered in terms of relative price and volume effects. Piketty argued that the capital markets were functioning smoothly, until several anti-capital policies were imposed, which led to a decline in the price of assets through the 1970s. From 1980s onwards, noticeable asset price recovery took place, as these anti-capital policies were lifted.

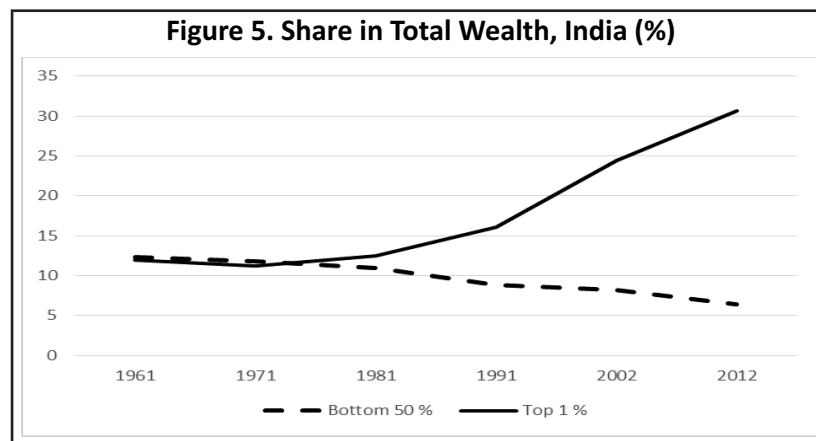
Using the simple Harrod – Domar – Solow framework, Piketty showed that wealth-income/capital-output ratio, given by β , is equal to s/g .¹ This framework spelled out why the wealth-income ratios in Japan and Europe have risen. These countries had witnessed a fall in the rate of growth of population and productivity. The wealth-income ratios were lower in the United States compared to Europe because the population had grown at a higher rate in the USA, while savings had grown at a lower rate (Piketty & Zucman, 2014).

World Inequality Database provides data on wealth-income ratios as well as income shares and wealth shares of the population. Figure 1 and Figure 2 explore the income inequality in developed countries. Figure 3 depicts the trend in wealth-income ratios in these countries. Figure 4 and Figure 5 show the share of the top 1% and the bottom 50% of the population in national income and total wealth for India. The figures suggest that India's experience has not been very different from the global inequality story. People in India struggle with sharp



¹ The ratio of saving rate (s), net of depreciation divided by the income growth rate (g) under the conditions of a slowdown in population and productivity growth.





vertical and horizontal inequalities. This inequality has several dimensions and is ever growing. Income and wealth inequality are two ways to measure economic inequality, and these two forms may reinforce each other. Inequalities in non-income dimensions are also equally worrisome. Unfortunately, in India, certain classes of people end up bearing a disproportionately higher burden of inequality.

Literature Review

Owing to a revival of interest in the analysis of the distribution of income, quality research on this issue, both old and recent exist. This work derives motivation from the existing literature on this topic. A large number of studies discuss the global scenario. Ellis and Smith (2007) showed that many developed economies in recent years witnessed a sharp growth in profits, and the profit share has been high compared with historical experience. Guerriero and Sen (2012) and Karabarbounis and Neiman (2013) reported empirical evidence to a secular decline in the labour share globally, in particularly, from 1980s onwards.

The literature on this issue exists with respect to India also. Roy (2012) explored trends in the factor income shares at the macro level for India. The paper took a closer look at these shares in various service sector industries and at two-digit level manufacturing industries. He further argued that the rising profit incomes in India have led to a growth in capital intensity, which in turn has speeded up the growth in labour productivity. The data confirmed that the growth in productivity of labour has outstripped real wage growth.

Basu and Das (2015) analyzed the role of technological factors in the growth of profit shares in the organized manufacturing sector. The paper found evidence supporting a rise in profit share, technological factors being the primary drivers of growth in profit.

Basole and Narayan (2019) studied recent trends in the Indian manufacturing sector. Drawing unit-level data from Annual Survey of Industries (ASI) for a long period (1983 – 2016), the study suggested contraction in the wage share, increased contractualization, substantial growth in the productivity of labour compared to small changes in the real wage and earnings as well as rising divergence in the earnings of the employees and wages of workers.

The research studies discussed above have guided this paper. The literature has served as a strong motivation for this study. These references have been used to substantiate the arguments made in the current work.

Data Sources

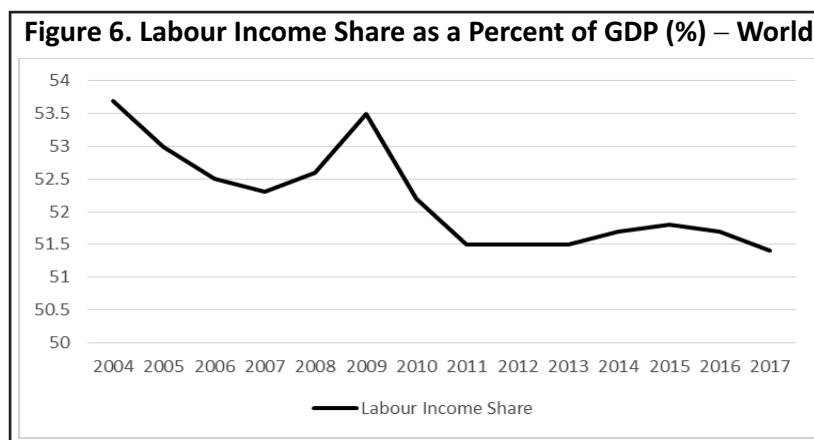
This study has relied primarily on secondary data. Data on wealth income ratios, income shares, and wealth shares of the population for various years were sourced from the World Inequality Database. World Inequality

Database provides open access to the data on distribution of income and wealth. ILOSTAT, the labour statistics database of International Labour Organization were used for the data on global labour share for the period 2004 – 2017. Data on the number of Indian billionaires and their wealth, year 1996 onwards were sourced from Forbes. National Accounts Statistics compiled by National Statistics Office, Ministry of Statistics & Programme Implementation, Government of India shares data on the factor incomes : Compensation of employees (CE), operating surplus (OS), and mixed-income (MI) for selected groupings of NAS industries. The same have been used to explore trends in factor incomes for India for various years. Data on profit share and wage share for the organized manufacturing sector for various years were taken from Economic & Political Weekly Research Foundation (EPWRF) website. Unit level data from *Situation Assessment Survey 2012–13*, National Sample Survey Office, Ministry of Statistics & Programme Implementation, Government of India were used to compare the incomes from farm, non-farm activities, rearing of animals, and wage work across different land size classes in the agriculture sector. Unit level data for various years from *Annual Survey of Industries*, National Sample Survey Office-Industrial Wing, Ministry of Statistics & Programme Implementation, Government of India were used to get data on earnings of supervisory and managerial staff and wages of contract workers. Unit level data from *Employment Unemployment Survey, 2011–12*, 68th round of National Sample Survey Office, Ministry of Statistics & Programme Implementation, Government of India and *Employment Unemployment Survey, 2015–16*, Labour Bureau, Ministry of Labour and Employment, Government of India were used to find out share of employment in the service sub - sectors, share of formal employment, proportion of illiterates, and graduate and above workers as well as skilled workers.

International Scenario

Karabarbounis and Neiman (2013) stated how stability in labor income share has become a key assumption in various macroeconomic models, since Kaldor's work in 1955 (Kaldor, 1955).² According to Bowley's Law, in the long run, the labor income share is constant. Recent empirical evidence, however, puts this stability in question, indicating a consistent decline in the share of labour income. The decline in labor income share is a global trend. Giovannoni (2014) mentioned that the 2000s witnessed a drastic deterioration of the income distribution around the world, and this triggered a rise in the research to explore the factors responsible for this trend. The global crisis of 2008 and the greater availability of data could be understood as the factors behind this reinvigorated interest.

Figure 6, utilizing the ILO modelled estimates from ILOSTAT, shows the data for global labour income



² In fact, until the 1980s, stable labour share was accepted as a stylized fact of economic growth.

share. Guerriero (2019) employed different methods to compute the labour share using data for about 151 economies (37 in Africa, 33 in the Americas, 32 in Asia, 39 in Europe, and 10 in Oceania). All the measures display a deceleration in labour income share.

A wide range of factors have been cited to explain this downward trajectory. Studies highlight how technological changes and innovation have contributed significantly in pulling down the labor share. The growing importance of high and medium-technology manufacturing, as well as financial services where profits have been rising, are all important factors. Globalization of trade and increasing openness implies an easier availability of cheap labor from the developing economies ; this helps hold down the wages and weakening the bargaining strength of the workers in the first world. In the $m-c-\acute{c}-\acute{m}$ circuit of capitalist production discussed by Marx, a capitalist begins with some monetary capital, m . This m is used to buy c , the means of production including labour power. The means of production are used to make a product, $\acute{c}$, which is then sold at a monetary value, $\acute{m}$. The aim of the capitalist is to obtain $\acute{m}$ larger than m and to maximize this difference. Capitalism, today, has grown to a stage where the traditional entrepreneur has been replaced by the financial investor, and the focus has shifted from production, that is, $c-\acute{c}$ to what part of $m-\acute{m}$ is appropriated by which class and how to increase this difference. This is happening by squeezing the working class in general. There is pressure on the enterprises and production units to generate increasing financial returns for their investors, and in this pursuit, all the efforts are made to cut down the costs, which involves wage compression. Erosion of the bargaining power of the labor institutions has added to the plight of workers.

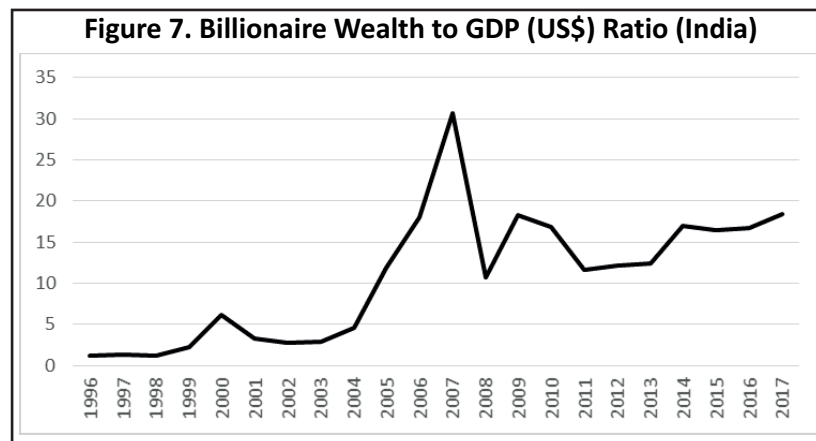
Recent empirical research points at rising profits, surging housing capital incomes, and ballooning billionaire wealth, owing to which the capital share has been rising.

Indian Experience

The rich literature in this area helps understand the broad trends in inequality in India. However, understanding the dynamics of inequality among different groups/classes is important. This is crucial to examining whether class structure plays a role in explaining the asymmetric distribution of income as well as to analyze why the benefits of growth have been cornered by certain classes, while the others remain excluded from the process of growth.

Vakulabharnam (2010) discussed the distributional dynamics of growth in India. The paper indicated an increasing divergence between the urban elite, managerial & supervisory professionals, and rural rentier classes, who have been experiencing growing incomes and the unskilled urban workers, small and marginal peasants and agricultural labour, who have been facing impoverishment. The overall consumption inequality was stratified into inter-class and intraclass components, which suggested that there are acute disparities within the broad classes as well. Since the consumption propensities of the rich and the poor classes differ from each other vastly, the underlying income disparities will exceed the consumption inequality. His analysis revealed that the biggest gainers out of the growth process are the urban elite ; rural elite and the non-agriculture workers have gained moderately ; while the urban workers (non-unionised), small peasants, and agricultural workers have lost.

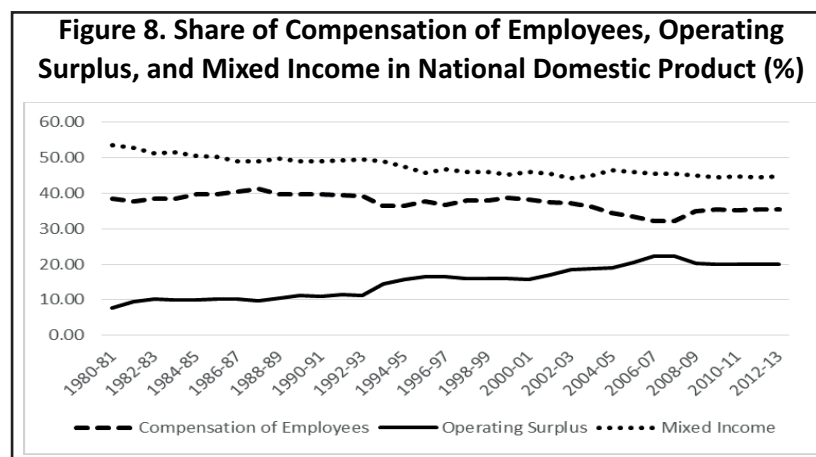
Research on inequality in India indicates that economic inequality has risen post the reforms of 1991. Himanshu (2018) stated that this rise in inequality is a consequence of policies favouring capital. Anand and Thampi (2016) and Himanshu (2018) extended evidence supporting a sharp rise in wealth inequality in India in the last decade. Anand and Thampi (2016) computed Gini coefficients of wealth for rural and urban sector. The Gini coefficient for total assets in the rural sector grew from 0.62 in 1991 to 0.67 in 2012. The corresponding figures for the urban sector are 0.65 and 0.74, respectively. The numbers point at a rising wealth inequality for both the rural and urban sector. The Gini coefficients for net worth, which takes debt into account, were found to be higher than those for total assets. The *India Inequality Report 2018* by Oxfam India stated that the wealth share of the bottom 50% of the population declined from 9% in 1991 to 5.3% in 2012 ; on the other hand, the wealth



share of the top 10% of the population rose from 51% in 1991 to 63% in 2012.

The rise in the number of billionaires and their wealth has been a striking feature of India's growth story since 1990s. The surge in billionaire wealth given the size of the Indian economy, existing levels of inequality as well as poverty among a large fraction of population raises serious concerns. Figure 7 plots trends in the share of billionaire wealth to the GDP for India as per the Forbes data. The figure shows a consistent rise in the billionaire wealth, except for a sharp drop around the time of financial crisis, extending evidence in support of the claim that the capital incomes have been rising in India.

National Accounts Statistics shares data on compensation of employees (CE), operating surplus (OS), and mixed-income (MI) for selected groupings of NAS industries. Figure 8 shows that there has been an upturn in the share of operating surplus, along with a decline in the share of compensation of employees and mixed-income. The share of compensation of employees in the net value added as per the 2011–12 data series crawled from 37% in 2011–12 to roughly 38% in 2016 – 17. Table 1 compares the decadal averages of compensation of employees, mixed-income, and operating surplus. The rise in the operating surplus has been sharper since 1993 – 94. The broad picture indicates a profit inflation at the expense of the income of workers and the self-employed.³



³ In countries like India, mixed-income corresponds to the income of self-employed in the unorganized segment of the economy, which assumes a pattern akin to wage incomes.

Table 1. Decadal Average of the Share of Compensation of Employees, Operating Surplus, and Mixed Income (%)

Decades	Compensation of Employees	Operating Surplus	Mixed Income
1980s	39.41	9.93	50.66
1990s	38.06	14.52	47.42
2000s	35.20	19.42	45.38

Trends at the Sectoral Level

If we look at the sectoral data, the broad trends are as follows : data on profit share and wage share for the organized manufacturing sector is shown in Figure 9. The figure utilizes Annual Survey of Industries data available at Economic & Political Weekly Research Foundation (EPWRF) website. The divergence in the profit and wage share is clearly visible. The data for the Indian manufacturing sector reveals that workers haven't been able to reap the benefits of economic growth. Workers have seen their share falling in the net value added, while the share of profits has sharply increased.

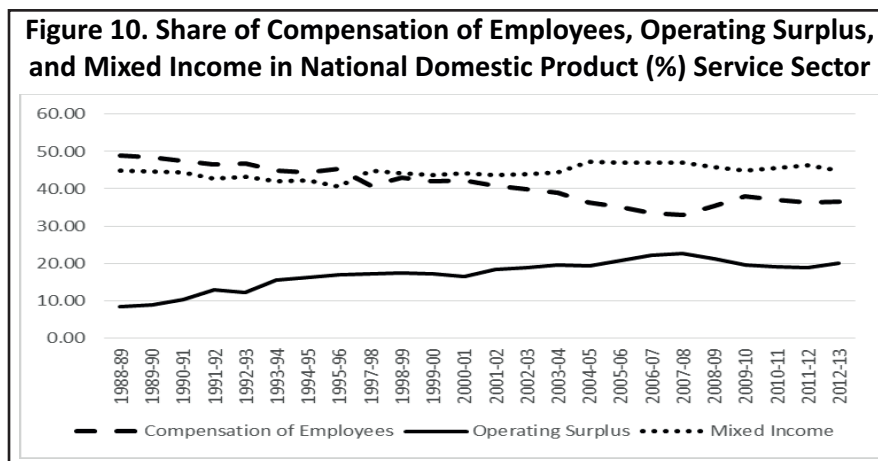
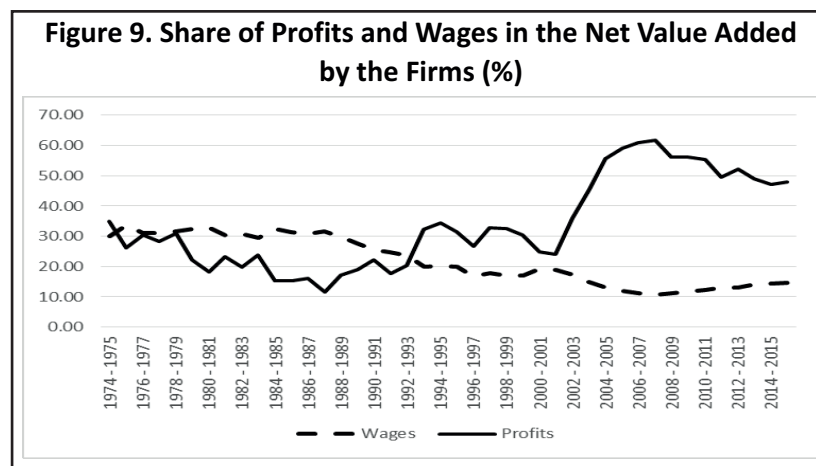


Table 2. Monthly Income (Average) from Different Sources per Agricultural Household (₹) 2012 – 13

Size Class of Land Possessed	Income from Wages/Salary	Net Receipt from Cultivation	Net Receipt from Farming of Animals	Net Receipt from Non-Farm Business	Total Income
<0.01	2902	30	1181	447	4561
0.01–0.40	2386	687	621	459	4152
0.41–1.00	2011	2145	629	462	5247
1.01–2.00	1728	4209	818	593	7348
2.01–4.00	1657	7359	1161	554	10730
4.01–10.00	2031	15243	1501	861	19637
10.00+	1311	35685	2622	1770	41388
All Sizes	2071	3081	763	512	6426

Figure 10 confirms the fall in compensation of employees as a share of net domestic product for the service sector. At the same time, the share of operating surplus has risen. The share of mixed-income has remained constant. As per the 2011–12 data series, the share of compensation of employees in the service sector has remained stagnant at 41% during the period from 2011–12 to 2016–17.

For the agriculture sector, data on net receipts from cultivation, wage work, and non-agriculture business across size class of land also brings out marginalization of the bottom size classes. Data on monthly income from different sources per agricultural household, extracted from Situation Assessment Survey unit level data for the year 2012–13 is shown in Table 2. The small land size classes have to depend on wage work, farming of animals and non-farm businesses as cultivation does not offer good returns to them. On the other hand, large land size classes get to enjoy great returns from cultivation.

Wage Differentials

While the trends in factor shares suggest that the rich are appropriating a higher share of the output in each sector, the data signals wage inequality as well, particularly for the manufacturing and service sector.

In the organized manufacturing sector, the ratio of the earnings of supervisory and managerial staff to the wage of contract workers is approximately 7:1 for the period 2000/01 to 2013/14. Using the unit level data from *Annual Survey of Industries*, Figure 11 shows ratio of earnings of supervisory and managerial staff to wages given to contract workers. The ratio has remained high over the recent years.



The service sector in India is characterized by heterogeneity, and naturally, quality of employment, wages, type of contracts, human skill, technological advancement etc., vary across service sub - sectors and this contributes to wage inequality both across the sub - sectors as well as within. Service sub-sectors differ in terms of salaries offered – the wage could depend on the workers' gender, educational status, skill, whether the worker is in the formal or the informal sector. International Labour Organization (2018) analyzed the daily wages for regular and casual workers for the year 2011–12. The data shows that the wages of the casual workers are much lower in all the service industries compared to that of regular workers, however, variation in the wages of the casual workers is little compared to high variation in the wages of regular workers. Amongst the service sub-sectors, banking and finance pays highest daily wage to the regular workers followed by real estate and business services ; public administration and defence ; education, health, and social work. Other social personal services and private households, trade, hotels, and restaurants pay the least. The difference in the daily wages paid to regular workers and casual workers is very high in the high paying service industries, however, relatively, this wage gap is little for the low paying sectors. Singhari and Madheswaran (2018) reported the average real daily wages of male and female regular workers in the formal and informal sector for the year 2011–12. The average real daily wage for a male regular worker in the formal sector was ₹ 164 for trade, hotels, and restaurants, the corresponding wage in the informal sector being ₹ 90. For transport, storage, and communication, the wage rate in the formal sector was ₹ 306.11 and ₹ 100 in the informal sector. The formal sector wage for financial, business, and professional services was ₹ 314 and ₹ 132.32 in the informal sector. ₹ 289 and ₹ 126 were the average real daily wage rates in the formal and informal sector, respectively for public administration and other services. Female regular workers earned a higher wage than men in transport, storage, and communication industry in the formal sector and almost the same wages as male regular workers in financial, business, and professional services. Also, the wages earned by females in financial, business, and professional services in the informal sector were higher than the male workers. In most of the other industries in the economy, female workers received a lower wage than men.

The discussion makes it clear that service industries like information & communication ; financial & insurance activities ; professional, scientific, & technical activities offer a better livelihood. Using the unit level data for *Employment Unemployment Survey 2011–12*, 68th round, Table 3 brings out important characteristics of employment in different service sub - sectors. The low wage sectors : wholesale & retail trade, accommodation & food services, other service activities, and activities of households have the lowest share of workers involved in formal employment.

Wage inequality could result due to differences in educational level or skill set as well. Service industries with low skill/educational requirements are characterized by low overall quality of employment. The proportion of graduates (and above) as well as skilled workers is higher in information & communication ; financial & insurance activities ; professional, scientific, & technical activities and so are the earnings of the workers engaged in these sectors.

Unfortunately, the service sub - sectors, which rank high on employment quality and remuneration have a low employment share. Table 4 shows share of service sector employment for different service industries computed using unit level data from *Employment Unemployment Survey 2011–12*, NSSO, 68th round and *Employment Unemployment Survey 2015–16*, Labour Bureau.

At the same time, in India, the unemployment rates are higher for high education classes. The *State of Working India* (2018) report stated that unemployment is the highest among the educated. The unemployment rate was computed using the data from *Employment Unemployment Survey 2015–16*, Labour Bureau. The unemployment rate for the graduates for the year 2015 – 16 was 16.3%, 14.2 % for post graduates and above, and only 2% for the illiterates. This points to the fact that the employment generation in the country is very low. The nation needs stronger efforts in the direction of education, skill generation as well as employment creation to ensure that the skilled population also gets absorbed in the workforce. Subramaniam and Ben (2018) highlighted that about 90% of the working population in India is employed in the unorganized sector, and to absorb these people in the formal

Table 3. Formal Sector Workers, Illiterates, Graduates (and Above), and Skilled Workers as a Percentage of the Workers in Different Services Sectors : 2011–12 (Usual Principal Status)

Sub - sector	Formal Sector Workers	Illiterate Workers	Graduate and Above Workers	Skilled Workers (Professional, Technical, Executive, and Managerial)
Wholesale & Retail Trade	8.51	10.87	15.44	19.29
Transportation & Storage	25.06	13.76	9.99	5.53
Accommodation & Food Services	10.77	17.62	7.91	19.49
Information & Communication	64.81	0.81	68.12	66.71
Financial & Insurance Activities	71.74	0.59	68.47	46.04
Real Estate Activities	34.39	5.88	39.9	44.99
Professional, Scientific, & Technical Activities	50.08	1.76	52.1	59.98
Administrative & Support Service	37.76	22.63	19.5	13.62
Public Administration	86.16	5.76	38.6	26.98
Education	63.67	2.48	63.07	81.98
Human, Health, & Social Work	53.42	5.35	32.22	65.76
Arts, Entertainment, and Recreation	20.37	14.98	12.88	28.2
Other Service Activities	7.43	26.51	4.81	16.55
Activities of Households	3.69	37.34	2.16	2.22

Table 4. Employment Share of Different Services Sectors in Service Sector Employment : 2011 – 12 & 2015 – 16 (Usual Principal Status)

Sub - sector	2011–12	2015–16
Wholesale and Retail Trade	22.21	19.06
Transportation & Storage	14.98	15.99
Accommodation & Food Services	5.72	4.23
Information & Communication	4.42	3.74
Financial & Insurance Activities	4.36	4.63
Real Estate Activities	0.32	0.27
Professional, Scientific, & Technical Activities	1.8	3.17
Administration & Support Service	3.31	7.43
Public Administration	10.74	8.5
Education	16.86	21.35
Human Health & Social Work Activities	4.28	4.83
Arts, Entertainment, & Recreation	0.72	0.51
Other Service Activities	5.31	3.36
Activities of Households	4.98	2.93

sector will require concerted efforts to impart appropriate skill and training. At the same time, the country is in a dire need of quality employment generation.

Conclusion

Himanshu (2018) discussed that the composition of the work-force has been changing, which has resulted in a fall in the share of agricultural labourers and cultivators with a corresponding rise in the proportion of wage workers and self-employed in the non-farm activities. On the other hand, private salaried workers and salaried government workers have seen the highest growth in per worker incomes.

A set of factors in the agriculture sector : Inequality in access to land and other productive assets, a large pool available as cheap labour, mechanization, inability of the farmers to cope with rising input prices and farmer indebtedness, participation of the poor households limited to unskilled and semi-skilled wage employment, declining public investment and policy unresponsiveness are responsible for this shift towards wage work and non-farm activities. As per the Census documents, the share of cultivators in the total working population fell from 42% in 1981 to 24.6% in 2011. At the same time, the proportion of agricultural labourers has gone up from 26.3% to nearly 30%. This is indicative of the fact that the pool of agricultural labour is growing. Marginal workers are those who participate in any productive activity for less than 6 months, so that activity is more or less subsidiary for them. The share of marginal workers has risen in the case of both cultivators and agricultural labour. The pool of agricultural labourers has grown, with a high share of workers on marginal status. Also, it is interesting to note that around the same time, non-agricultural workforce (household industry and other workers) saw a big jump in the 2001 Census, making a leap of 61.7% since 1991. Saha and Verick (2016) stated that during the period from 1999 – 2000 to 2011–12, the percentage of rural workers in the non-farm activities (as principal status workers) rose from 25.1% to 37.21% ; for subsidiary status workers, the share rose from 15% to 40%. So, there is a movement out of cultivation towards agricultural labour and non-agricultural activity.

The marginalization of small peasants, agricultural labour, and a presence of huge pool of non-farm wage workers has been fuelling incomes of the rich not just in agriculture, but manufacturing and services as well. The informal and unskilled workers in the industry have taken the hit to allow room for further growth in the incomes of owners as well as managerial and skilled classes. This needs to be understood in the light of the fact that the bargaining position of the workers has been on a decline, even in the formal sector. Chakraborty (2015) has discussed how the labour unions have been losing ground in the organized manufacturing sector since economic reforms. Growth in informal employment, where there is no support from the labour unions ; no legislative coverage ; and absence of minimum wage guarantee will only add to the plight of workers.

Research and Policy Implications

Through this study, an effort has been made to understand how in the modern day capitalist set up, the riches of the rich grow, while the marginals are marginalised further. An assessment of the global scenario and a similar situation in India points towards the fact that asymmetric division of economic product and the inequality stemming out of it are features of capitalism.

(1) Research Implications : The existing literature on inequality in India is vast and has inspired valuable research in this area. However, most of the studies have discussed personal income distribution and only few talk about the function (factor income) distribution, primarily in the manufacturing sector. Also, the studies on personal income distribution have depended on the consumption expenditure survey data of NSSO, which may not give the correct incidence of income inequality.

This paper studies the Indian case and discusses how the situation is akin to the global story. The possible factors behind the divergence of profit and wage share have been briefly discussed. Trends have been analyzed at the sectoral level as well and an effort has been made to address the issue of wage inequality, which has become a global trend. The study can invigorate interest in these areas for further research.

(2) Policy Implications : The research confirms that the key sectors in the Indian economy suffer from tendencies that support concentration of riches in the hands of the wealthy. The workers and the marginal sections have been experiencing falling returns. This calls for active support by the state in terms of effective initiatives to generate quality employment.

It is imperative to strengthen the agriculture sector so as to reduce the prevailing distress. This can be achieved by raising the public investment and ensuring strong institutional support. A lot of effort needs to be made in making the farmers aware about the support services.

Initiatives need to be undertaken in the services and manufacturing industries to generate formal employment. This could be done by switching to labour - intensive production strategies of production, wherever possible. Stronger pro-worker regulation and effective implementation is needed to curtail the spread of non-standard forms of employment. At the same time, steps are needed in the direction of skill development of India's labour force. The skills of the workers should also match the skill requirement of the industries as this mismatch has also added to the unemployment problem.

Limitations of the Study and Scope for Further Research

The analysis in the paper suffers due to the absence of incomes database in India. Though the data on factor incomes is made available by the National Accounts Statistics, treatment of mixed income (income of self-employed) and its division into operating surplus and compensation of employees is based on assumptions. The analysis with this data becomes even more difficult when dealing with sub-sectors at three digit level. While for the organized manufacturing sector, Annual Survey of Industries provides data on profits and wages ; for the service sector, the data may be obtained from the Prowess database (Centre for Monitoring Indian Economy), however, data on these variables for agriculture is limited.

The topic has great source for further research. Greater availability of data will definitely motivate academicians to research on this area. Factors responsible for the divergence in factor incomes may be studied. The factors may vary from one sector to the other. Wealth inequality may also be further explored to fill in the gap in the existing research.

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