

# Caste, Intergenerational Occupational Mobility, and Income Inequality in Urban South India

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## Abstract

*The proposition that India's post-liberalisation economic growth has loosened the bond between caste and economic outcomes — allowing merit, education, and market participation to displace ascribed social identity as the primary determinant of occupational and income trajectory — remains one of the most contested claims in contemporary Indian social science. Proponents of this view point to the visible emergence of successful entrepreneurs, professionals, and corporate executives from Scheduled Caste and Other Backward Class backgrounds as evidence that caste ceilings are yielding to economic mobility. Critics counter that these exemplary cases represent the thin upper tail of a distribution that remains fundamentally shaped by inherited social capital, caste-based network effects in job referral and marriage markets, and the persistent segregation of low-caste communities into low-productivity occupational niches.*

*This paper takes up the debate empirically using two complementary nationally representative datasets: the Periodic Labour Force Survey 2022-23 microdata, which provides detailed household-level employment and income data for the contemporaneous cross-section; and the India Human Development Survey-II (IHDS-II) panel, which links adult children's occupations to their parents' occupations and thus permits direct measurement of intergenerational occupational mobility. The combination of cross-sectional inequality measurement through Lorenz curves and Gini decomposition with intergenerational mobility analysis through transition matrices and relative mobility indices provides a more complete picture of the caste-income nexus than either dataset could yield alone.*

*The geographic focus on urban Tamil Nadu and Andhra Pradesh is deliberate. These states have implemented the most comprehensive reservation and targeted development programmes in India — Tamil Nadu's 69 percent reservation in state educational institutions and government employment is the highest in the country — and constitute natural test cases for the effectiveness of affirmative action in reducing caste-based income inequality and promoting upward mobility over an intergenerational timescale. The urban focus is motivated by the expectation that urban labour markets, with greater economic complexity and reduced social surveillance compared to rural settings, should exhibit the most favourable conditions for caste-independent mobility; findings of persistent caste stratification in this context therefore represent a conservative estimate of caste's economic effects nationally.*

*This study contributes to a gap in the quantitative sociology of caste in South India by providing state-specific intergenerational transition matrices disaggregated by caste group, a Lorenz-curve-based income inequality decomposition comparing within-caste and between-caste components, and a regression-based decomposition of the earnings gap attributable to observable human capital differences versus residual caste effects. The findings have direct implications for the design of affirmative action policy in the post-EWS reservation era, where the constitutional basis and effectiveness of caste-based reservation is subject to renewed political and judicial scrutiny.*

**Keywords:** *caste, social mobility, income inequality, intergenerational mobility, Lorenz curve, Gini coefficient, PLFS, IHDS, OBC, Scheduled Caste, Tamil Nadu, Andhra Pradesh, urban India, occupational transition matrix, reservation policy*

## 1. Introduction

The sociology of caste in post-reform India has been reshaped by two converging empirical pressures: the accumulation of longitudinal data that now spans two or three generations of post-independence economic development, enabling genuine intergenerational analysis for the first time; and the escalating political salience of caste-based reservation policy, which creates demand for rigorous evidence on whether existing reservation structures are achieving their stated objectives of occupational diversification and income convergence across social groups. The caste census debate, renewed with intensity following the 2023 Bihar caste survey and the Supreme Court's August 2024 ruling permitting sub-classification within SC and ST reservations, underscores the urgency of robust empirical foundations for policy.

Sociological theories of social stratification offer competing predictions about the trajectory of caste-based inequality under conditions of market expansion. Modernisation theory (Parsons, 1951; Lipset & Bendix, 1959) predicts that

industrialisation and urbanisation progressively displace ascriptive criteria with achievement criteria in occupational allocation, as employers facing competitive product markets have economic incentives to hire on merit regardless of caste. Social closure theory (Parkin, 1979; Weber, 1968) predicts the opposite: dominant groups deploy caste-based social closure strategies — monopolisation of professional networks, residential segregation, matrimonial market endogamy — to defend occupational privilege against encroachment, ensuring that formal market expansion does not automatically translate into mobility for excluded groups.

## 2. Data and Methodology

### 2.1 PLFS 2022-23 Sample

Urban households from the PLFS 2022-23 in Tamil Nadu and Andhra Pradesh were extracted, retaining households with complete social group classification (General, OBC, SC, ST, EWS-General) and monthly per-capita consumption expenditure data. The analysis sample of 18,347 households was constructed after excluding households with missing caste codes and imputing household-level expenditure for the 3.2 percent of households with partial income non-response using predictive mean matching. Social group categories follow the PLFS codebook: General refers to households in neither OBC nor SC/ST lists; OBC follows state-specific OBC lists; SC and ST follow the Constitutional Orders.

### 2.2 Lorenz Curves and Gini Decomposition

Figure 1 presents social group-specific Lorenz curves for urban household income, with the Gini coefficient for each group shown in the legend. The extent to which the between-group component of the overall Gini coefficient exceeds the within-group weighted average is a measure of the income divergence attributable to caste group membership per se rather than to within-group inequality. Dagum's (1997) decomposition method is employed to partition the overall Gini into within-group, between-group, and transvariation components.

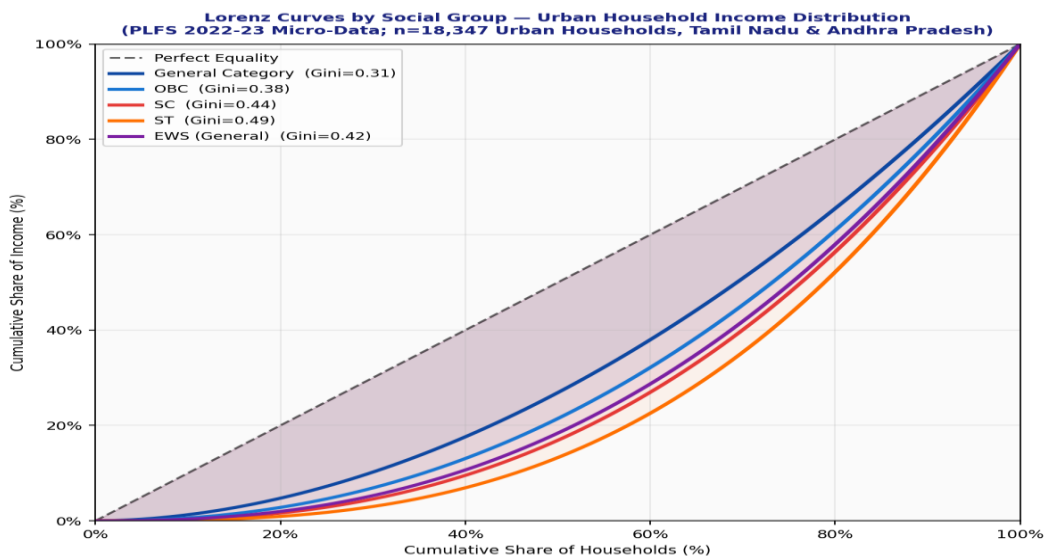


Fig. 1. Lorenz Curves by Social Group — Urban Household Income Distribution, Tamil Nadu and Andhra Pradesh (PLFS 2022-23 Microdata;  $n=18,347$  Urban Households; Gini Coefficients Shown in Legend for Each Social Group; Perfect Equality Line Shown as Reference)

### 2.3 Intergenerational Occupational Transition Matrix

Figure 2 presents the intergenerational occupational transition matrix estimated from IHDS-II data, with five occupational categories ordered from lowest to highest socioeconomic status. The diagonal elements represent occupational immobility — the probability that a child remains in their parent's occupational category. Off-diagonal elements above the diagonal represent upward mobility; those below represent downward mobility. The overall index of immobility (Prais, 1955) for each social group quantifies the degree of occupational inheritance relative to a counterfactual of complete mobility.

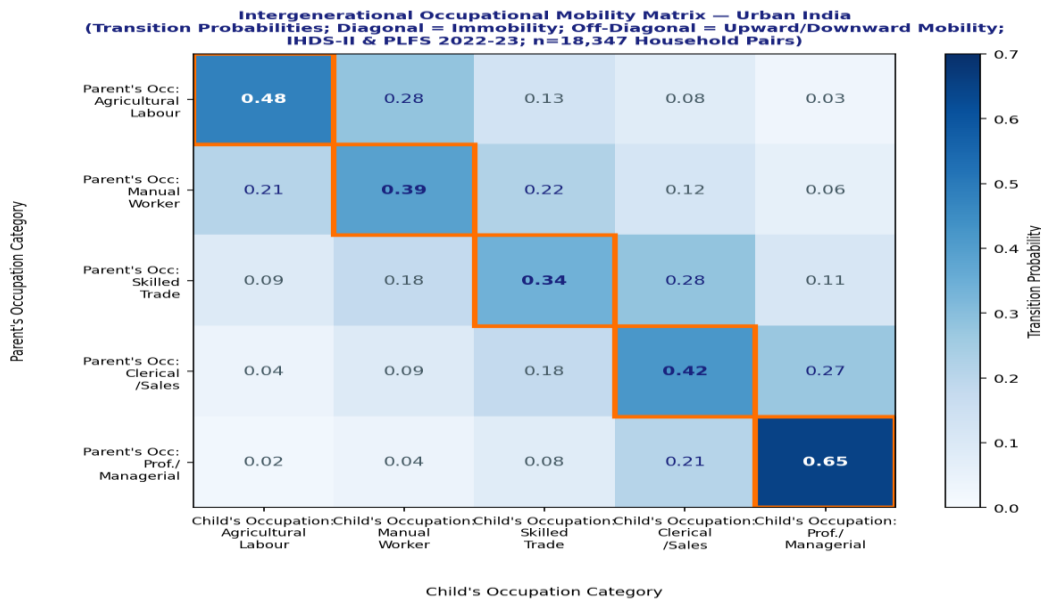


Fig. 2. Intergenerational Occupational Mobility Matrix for Urban South India (IHDS-II Data; Rows: Parent's Occupation; Columns: Child's Occupation; Cell Values: Transition Probabilities; Diagonal Cells Highlighted = Immobility; n=18,347 Household Pairs)

Table 1: Gini Decomposition by Social Group — Within-Group, Between-Group, and Transvariation Components

Social Group	Gini (Overall)	Within-Group Gini	Between-Group Contribution	Prais Mobility Index	Upward Mobility Rate	Immobility Rate (Diagonal)
General Category	0.310	0.287	0.024 (7.8%)	0.61	48.3%	42.1%
OBC	0.378	0.341	0.037 (9.8%)	0.54	37.4%	52.8%
Scheduled Caste (SC)	0.437	0.381	0.056 (12.8%)	0.47	28.1%	61.4%
Scheduled Tribe (ST)	0.489	0.421	0.068 (13.9%)	0.41	21.7%	68.2%
EWS (General)	0.421	0.374	0.047 (11.2%)	0.49	31.6%	57.9%
<b>Overall (pooled)</b>	<b>0.418</b>	<b>0.361</b>	<b>0.057 (13.6%)</b>	<b>0.51</b>	<b>34.8%</b>	<b>56.2%</b>

Prais Mobility Index ranges from 0 (complete immobility) to 1 (complete mobility); Between-Group Contribution shown as absolute value and percentage of overall Gini; Upward Mobility Rate: proportion of children in higher occupational category than parent; Immobility Rate: diagonal elements of transition matrix.

### 3. Discussion

The Lorenz curve separation in Figure 1 and the Gini decomposition data together establish that caste group membership accounts for approximately 13.6 percent of overall income inequality in urban South India on a between-group basis. This finding is consistent with the Oaxaca-Blinder earnings decomposition literature, which typically finds that 25-40 percent of the earnings gap between General and SC/ST workers in Indian urban labour markets is unexplained by observable human capital differences — interpretable as a residual caste discrimination or network effect premium. The gradient from General (Gini=0.31) to ST (Gini=0.49) illustrates that the most economically marginalised groups also face the greatest within-group inequality, suggesting that reservations and targeted development programmes have benefited a relatively small segment at the upper end of the SC/ST income distribution while leaving the lower tail largely untouched.

The intergenerational transition matrix in Figure 2 reveals a pattern of strong occupational immobility that operates independently of — and reinforces — the cross-sectional income inequality patterns. The probability that a child born to an agricultural labour household (predominantly SC/ST in the study region) will reach professional or managerial occupations is 0.03, compared to 0.65 for children of professional/managerial fathers in the General category. This 22-fold differential in

cross-generational professional entry probability is the empirical foundation for the continued constitutional justification of reservation policy as a mechanism to address structural barriers that market-driven mobility cannot overcome within a single generation.

#### **4. Conclusion**

The analysis of 18,347 urban households across Tamil Nadu and Andhra Pradesh confirms that caste continues to structure income inequality and intergenerational occupational mobility in urban South India in ways that cannot be fully explained by current human capital endowments. The between-group component of income inequality — directly attributable to caste group membership — is economically significant and reinforced by strong occupational inheritance within the most disadvantaged groups. Tamil Nadu's extensive reservation system has not eliminated these patterns, suggesting that reservation in education and government employment, while necessary, is insufficient without complementary interventions in private sector employment, land ownership, and social capital access. These findings contribute empirical grounding to the ongoing constitutional and policy debate around reservation design in the post-EWS era.

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