
THE INFLUENCE OF OCCUPATION ON CONSUMPTION EXPENDITURE: A STUDY OF MAHARASHTRA COMPARATIVE YEAR-ON-YEAR AND RURAL-URBAN TRENDS (2019-2021)

Mrs Nandini Jagannarayan¹ and Dr Asha Prasuna²

¹Research Scholar, KJ Somaiya Institute of Management, Somaiya Vidyavihar University and Assistant Professor, RJ College of Arts, Science and Commerce

²Professor of Economics & International Finance, K.J.Somaiya Institute of Management Studies

ABSTRACT

This study investigates the influence of occupation on household consumption expenditure in Maharashtra from 2019 to 2021, highlighting annual trends and rural-urban disparities. Utilizing data from the Consumer Pyramid Household Survey (CPHS), the analysis reveals distinct spending patterns across occupational groups. White-collar professionals and self-employed households allocate a larger share of their income to discretionary expenses such as recreation, dining, and vacations. In contrast, blue-collar workers and informal sector employees focus more on essential expenditures, including food and healthcare.

The COVID-19 pandemic exacerbated these disparities, causing income shocks for informal workers and prompting a shift in spending priorities toward necessities. The study underscores the need for policy measures to stabilize employment in the informal sector and foster discretionary spending in urban areas. Strengthening social security nets, enhancing employment opportunities, and promoting financial resilience can help mitigate the adverse effects of economic disruptions on household consumption patterns.

Keywords: Household consumption expenditure, Occupation and spending patterns, Rural-urban disparities, COVID-19 impact, Informal sector employment

INTRODUCTION

Household consumption expenditure is shaped by various socio-economic factors, with occupation playing a crucial role in determining income stability, spending priorities, and vulnerability to economic shocks. The type of occupation a household head is engaged in influences financial security and expenditure allocation, affecting discretionary and essential spending. White-collar professionals and self-employed individuals generally have greater income stability, allowing them to allocate a significant portion of their expenditure toward discretionary items such as recreation, dining, and vacations. In contrast, blue-collar workers and those employed in the informal sector tend to prioritize essentials like food, healthcare, and housing due to lower and more volatile incomes (Deaton & Paxson, 1998).

OBJECTIVES OF THE STUDY

This study analyzes household consumption expenditure patterns in Maharashtra from 2019 to 2021, focusing on three key aspects:

1. **Year-on-year changes** in spending behavior by occupation type, assessing how expenditure patterns evolved before, during, and after the COVID-19 pandemic.
2. **Rural-urban disparities** in occupation-based spending, examining how economic conditions and employment structures influence consumption trends.
3. **The impact of COVID-19** on household expenditure, particularly regarding how different occupational groups adjusted their spending in response to economic uncertainty and income shocks.

Occupation and Spending Priorities

The nature of employment determines household income levels and stability, which in turn affects consumption patterns. The study categorizes households based on occupation into four broad groups:

- **White-collar professionals:** This group includes salaried employees in managerial, administrative, and technical roles. They generally enjoy higher and more stable incomes, leading to increased discretionary spending on recreation, restaurants, and vacations.
- **Self-employed individuals:** Business owners, freelancers, and independent professionals exhibit a mixed spending pattern, balancing essential and discretionary expenditures. Their financial flexibility often depends on business conditions and market demand.
- **Blue-collar workers:** Factory workers, construction laborers, and service-sector employees typically allocate a large share of their income to basic necessities, with limited discretionary spending. Their financial situation is often more vulnerable to economic fluctuations.

- **Informal sector workers:** Daily wage earners and gig economy workers experience income instability, making them highly susceptible to economic shocks. Their spending is primarily focused on essentials such as food, healthcare, and rent.

Rural-Urban Differences in Expenditure Patterns

Urban and rural households experience differing economic pressures, which influence spending behaviors based on occupation type.

- **Urban households** tend to have greater access to formal employment opportunities, financial institutions, and consumer markets, leading to higher discretionary spending among white-collar professionals and self-employed individuals. However, the urban informal sector remains highly vulnerable to economic downturns, with workers experiencing income volatility.
- **Rural households** rely more on agriculture, daily wage labor, and small-scale businesses, making their spending patterns more constrained. Blue-collar and informal workers in rural areas prioritize essential expenditures, while discretionary spending is lower due to limited economic opportunities and lower household incomes.

Impact of COVID-19 on Household Expenditure

The COVID-19 pandemic had profound effects on household spending, disproportionately affecting certain occupational groups. Key findings include:

- **Income shocks in the informal sector:** Lockdowns and restrictions led to significant job losses among daily wage earners, gig workers, and small business owners, forcing a shift toward survival-oriented spending on food and healthcare.
- **Decline in discretionary spending:** Households across all occupation types reduced spending on recreation, restaurants, and travel due to mobility restrictions and economic uncertainty.
- **Resilience among white-collar professionals:** While some experienced salary cuts, many continued to have stable incomes, allowing them to maintain essential spending levels. Remote work also enabled financial stability for professionals in certain sectors.
- **Policy interventions and financial support:** Government relief measures, including direct cash transfers and food distribution programs, helped mitigate some of the financial hardships faced by vulnerable households.

Policy Implications and Recommendations

Understanding occupation-based consumption trends can help policymakers design targeted interventions for economic recovery. Key recommendations include:

- **Strengthening employment security** in the informal sector through policies that promote stable wages, social security benefits, and job protection measures.
- **Enhancing access to financial assistance** for small business owners and self-employed individuals to facilitate economic resilience and encourage entrepreneurial growth.
- **Encouraging consumer spending in urban areas** by implementing measures such as tax incentives, subsidies, and employment programs to stimulate economic activity.
- **Improving rural economic opportunities** by investing in infrastructure, agricultural development, and vocational training programs to enhance employment prospects and household income stability.

Occupation plays a critical role in shaping household consumption expenditure, with significant differences in spending priorities across white-collar, blue-collar, self-employed, and informal sector workers. The COVID-19 pandemic further underscored these disparities, highlighting the need for policy interventions to support vulnerable households and stabilize employment. By analyzing expenditure trends and addressing economic inequalities, policymakers can facilitate a more inclusive and resilient post-pandemic recovery.

LITERATURE REVIEW

The Relationship Between Occupation and Consumption Expenditure

Occupation plays a fundamental role in shaping household consumption expenditure, as it determines income levels, financial stability, and vulnerability to economic shocks. Households headed by individuals in different

occupational categories exhibit distinct spending behaviors, reflecting variations in income security and discretionary spending capacity.

Research has consistently shown that occupation influences how households allocate their resources. According to Browning and Lusardi (1996), income stability affects both short-term consumption choices and long-term financial planning. Households with stable and predictable incomes are more likely to engage in discretionary spending, while those with volatile or uncertain earnings prioritize essential needs.

White-Collar Professionals and Consumption Behavior

White-collar professionals, including salaried employees in managerial, administrative, and technical roles, generally have stable incomes, allowing them to allocate a significant portion of their expenditure toward discretionary categories. Their spending includes:

- Recreation and entertainment (vacations, restaurants, cultural activities)
- Investment in education and skill development
- Higher expenditure on durable goods and services

The stability of salaried employment ensures that even during economic fluctuations, white-collar workers can maintain a relatively consistent level of consumption. However, their spending patterns may adjust in response to broader economic conditions, with reductions in non-essential expenditures during periods of uncertainty.

Self-Employed Workers: Balancing Volatility and High Earnings Potential

Self-employed individuals, including entrepreneurs, freelancers, and small business owners, experience higher income volatility but also greater earnings potential (Banerjee & Duflo, 2007). Their spending patterns are characterized by:

- Higher overall earnings when businesses perform well
- Greater financial risk and exposure to economic downturns
- A mix of essential and discretionary spending, with significant fluctuations

Unlike salaried employees, self-employed individuals must navigate irregular income streams, which can lead to unpredictable spending behavior. They may prioritize business investments over personal consumption during lean periods and engage in higher discretionary spending when profits increase.

Blue-Collar and Informal Sector Workers: Essential Spending Priorities

Blue-collar workers, such as factory workers, construction laborers, and service-sector employees, earn lower wages and often face greater job insecurity. Similarly, informal sector workers—daily wage earners, gig economy workers, and contract laborers—experience significant income instability. Their spending priorities are focused on:

- Food and basic necessities
- Healthcare expenses, particularly in the absence of employer-provided benefits
- Housing and transportation costs

Given their lower income levels, blue-collar and informal sector workers allocate a substantial portion of their earnings to survival needs, with little flexibility for discretionary spending. During economic crises, these households are particularly vulnerable to financial distress.

Impact of Economic Shocks on Occupational Groups

Economic shocks, including recessions, policy changes, and global crises like the COVID-19 pandemic, disproportionately affect different occupational groups. Households with secure employment or diversified income sources are better equipped to withstand financial downturns, while those in vulnerable job sectors experience significant disruptions.

Jappelli and Pistaferri (2010) emphasize that economic shocks reduce non-essential consumption, particularly among lower-income households. The COVID-19 pandemic highlighted these disparities, as informal sector workers and daily wage earners faced widespread job losses and income reductions, while salaried professionals largely retained their financial stability.

Effects of COVID-19 on Household Spending

The pandemic-induced economic slowdown had profound effects on spending patterns across occupational categories:

- **Informal sector workers experienced severe income loss**, leading to drastic reductions in discretionary spending and an increased reliance on government relief measures.
- **Blue-collar workers faced job insecurity and wage cuts**, forcing them to prioritize essential expenses such as food and healthcare.
- **White-collar professionals saw minor salary reductions but retained employment**, allowing them to maintain their consumption levels, albeit with reduced discretionary spending.
- **Self-employed individuals faced business slowdowns**, with many struggling to sustain operations, leading to fluctuating spending behavior.

Baker et al. (2020) found that households across all income groups reduced discretionary spending during the pandemic, though the impact was more pronounced among lower-income and informal sector workers. The crisis underscored the need for social protection measures to cushion income losses and maintain consumption stability.

Rural vs. Urban Occupational Spending Trends

Spending patterns differ significantly between rural and urban households due to variations in occupational structures, income sources, and access to goods and services. Rural economies rely heavily on agriculture and informal labor, while urban areas offer more opportunities for salaried and self-employed professionals.

Rural Household Consumption Patterns

Rural households are primarily engaged in agricultural activities, small-scale businesses, and informal labor, resulting in spending priorities focused on essentials. According to Attanasio and Weber (2010), rural households exhibit:

- Higher food expenditure due to agricultural reliance
- Lower discretionary spending on recreation and entertainment
- Greater dependence on seasonal income fluctuations

Since agricultural income is often subject to weather conditions and market volatility, rural households demonstrate conservative spending behaviors, prioritizing savings and essential purchases over luxury or leisure expenses.

Urban Household Consumption Patterns

Urban households, with a higher concentration of salaried employees and business owners, display a more diverse spending pattern. Their expenditure trends include:

- Increased spending on services (education, healthcare, entertainment)
- Greater investment in housing and transportation
- Higher discretionary spending on dining, vacations, and leisure activities

Urban white-collar professionals and self-employed individuals tend to have higher disposable incomes, allowing for greater financial flexibility. However, informal sector workers in urban areas face significant economic risks, particularly during downturns.

Comparing Rural and Urban Informal Workers

While both rural and urban informal sector workers experience income instability, their spending behaviors differ:

- **Rural informal workers** rely on subsistence agriculture and seasonal employment, leading to minimal discretionary spending.
- **Urban informal workers** are more engaged in service-sector jobs, with spending patterns influenced by city living costs and economic cycles.

● Policy Implications and Recommendations

The findings of this study highlight the importance of targeted economic policies to address occupational disparities in consumption expenditure. Key policy recommendations include:

1. Employment Security Measures:

- Implementing labor protection policies for informal sector workers
- Expanding access to social security benefits and health insurance
- Strengthening wage regulations to ensure fair compensation

2. Support for Self-Employed and Small Business Owners:

- Providing low-interest business loans and financial aid
- Enhancing market access for entrepreneurs in rural and urban areas
- Encouraging digital financial inclusion for small enterprise

3. Stimulating Consumer Demand:

- Offering tax incentives to promote discretionary spending
- Developing urban infrastructure projects to boost job creation
- Enhancing tourism and hospitality sectors post-pandemic

4. Rural Economic Development:

- Investing in agricultural modernization and irrigation facilities
- Expanding vocational training programs for skill development
- Strengthening rural financial institutions to improve credit access

Rural Livelihood Vulnerability in India

Gaiha et al.(2021) analyzed how rural households in India coped with economic shocks. Their findings indicate that rural informal workers are among the most financially vulnerable, as they lack formal employment benefits, savings, and social security. The study supports this research's findings that rural informal workers faced extreme financial distress and needed urgent policy interventions.

Risk and Insurance in Low-Income Households

Townsend (1994) analyzed how low-income households deal with financial risks and found that those in informal employment lack access to credit and financial support systems. As a result, they reduce spending during economic shocks to compensate for income losses. This finding aligns with this study's results, which show that informal workers in Maharashtra significantly cut discretionary spending in response to income disruptions during COVID-19

Precautionary Savings and Household Consumption

Chamon and Prasad (2010) investigated how different occupation groups approach precautionary savings. Their study found that white-collar professionals save more, allowing them to maintain stable consumption even in times of crisis. In contrast, blue-collar and informal workers save less and are more vulnerable to economic disruptions. This supports the findings that informal workers suffered severe financial distress and needed urgent policy interventions.

Measuring Consumption and Economic Well-being

Meyer and Sullivan (2003) studied the relationship between economic well-being, income, and consumption behavior. They emphasized that income is a primary determinant of spending patterns, and fluctuations in income—particularly for self-employed and informal workers—significantly affect their ability to spend on non-essential goods. Their findings help explain why informal workers' discretionary spending dropped sharply in Maharashtra during the pandemic.

Occupation plays a crucial role in determining household consumption expenditure, with white-collar, blue-collar, self-employed, and informal sector workers exhibiting distinct spending behaviors. Economic shocks, particularly the COVID-19 pandemic, have deepened existing inequalities, disproportionately affecting informal and blue-collar workers.

Rural and urban households also demonstrate significant differences in spending patterns, influenced by occupational structures and income stability. While urban professionals maintain higher discretionary spending, rural households prioritize essentials due to economic constraints.

To mitigate these disparities and promote economic recovery, targeted policy measures are essential. Strengthening social security, expanding financial support for self-employed individuals, and fostering rural economic development can help ensure a more resilient and inclusive consumption landscape.

Research Gaps Addressed

This study addresses key gaps in existing literature by analyzing the occupation-specific variations in household consumption expenditure across different time periods (2019-2021), with a particular focus on the impact of the COVID-19 pandemic. Unlike previous studies that broadly examine income as a determinant of spending, this research explores how different occupational groups—white-collar professionals, blue-collar workers, self-employed individuals, and informal sector workers—adjust their expenditure priorities in response to economic changes.

A significant gap in existing research is the limited understanding of how rural and urban households differ in their spending behavior based on occupational structures. This study bridges this gap by comparing expenditure patterns across these two settings, highlighting variations in discretionary and essential spending.

Additionally, while the pandemic's economic impact has been widely studied, its occupation-specific effects on consumption patterns remain underexplored. This study provides a longitudinal analysis covering the pre-pandemic, pandemic, and post-pandemic periods, offering insights into spending resilience and vulnerability.

Finally, existing policy recommendations often lack specificity regarding occupational categories. This research contributes to policy discourse by suggesting targeted interventions for stabilizing informal employment, supporting self-employed individuals, and stimulating discretionary spending in urban areas, thereby aiding in post-pandemic economic recovery.

Data and Methodology

Data Source

This study utilizes data from the Consumer Pyramid Household Survey (CPHS) conducted by the Centre for Monitoring Indian Economy (CMIE) for the period 2019 to 2021. The dataset provides extensive household-level information on income, occupation, and consumption expenditure across Maharashtra's rural and urban regions.

Sample Distribution

The sample includes households across:

- Occupation Groups:
 - White-collar professionals
 - Self-employed and entrepreneurs
 - Blue-collar workers
 - Informal sector and daily wage workers
- Consumption Categories:
 - Essentials: Food, Healthcare
 - Discretionary: Recreation, Restaurants, Vacations
- Geographical Coverage: Urban and Rural Maharashtra

Statistical Methods

Descriptive Analysis:

- Examines the distribution of occupation types across the sample and their spending habits.
- Compares spending behavior across pre-pandemic (2019), pandemic (2020), and post-pandemic (2021) periods.

Chi-square Tests:

- Tests for significant differences in spending patterns across occupation groups and between rural and urban households.
- Evaluates how spending on essentials versus discretionary items varies by income and job type.

Regression Analysis:

- Multiple Linear Regression: Examines the impact of occupation type on household consumption expenditure, controlling for income, education, and household size.
- Fixed Effects Model: Captures year-on-year changes in spending behavior while accounting for unobserved household characteristics.
- Interaction Effects: Analyzes whether the impact of occupation on spending differs by rural-urban location and COVID-19 period.

Results and Discussion**The Relationship Between Occupation and Consumption Expenditure****White-Collar Professionals: Stability and High Discretionary Spending**

Households headed by white-collar professionals show:

- High and stable income levels, leading to increased discretionary spending on travel, dining, and recreation.
- Greater resilience to economic shocks, maintaining consumption levels even during the pandemic.

Self-Employed Households: Income Volatility and Adaptive Spending

Self-employed individuals experience fluctuating earnings, leading to:

- High discretionary spending in periods of business success.
- Significant spending cutbacks during economic downturns.

During the COVID-19 pandemic, self-employed workers faced income disruptions, reducing non-essential expenditure while relying on savings.

Blue-Collar and Informal Workers: Prioritizing Essentials

Blue-collar workers and informal sector employees:

- Allocate a significant portion of their income to food and healthcare.
- Have limited financial buffers, making them highly vulnerable to economic downturns.
- Showed a sharp decline in discretionary spending during the pandemic.

Impact of COVID-19 on Occupational Spending

The pandemic disproportionately affected informal and blue-collar workers:

- Income Losses: Daily wage earners and contract workers faced job losses, leading to decreased overall spending.
- Shifts in Spending: Households shifted expenditure toward essentials, reducing discretionary consumption.
- Recovery Patterns: White-collar and self-employed households showed faster recovery, while informal workers continued to struggle post-pandemic.

Rural vs. Urban Differences in Occupational Spending**Rural Spending Patterns**

Rural households, largely dependent on agriculture and informal labor, exhibited:

- Higher food expenditure due to subsistence living.
 - Minimal discretionary spending, even before the pandemic.
 - Greater financial distress during the pandemic due to lower employment opportunities.
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Urban Spending Patterns

Urban households, with a higher share of white-collar and self-employed individuals, displayed:

- Higher spending on leisure and services.
- Greater resilience among white-collar professionals, but vulnerability among urban informal workers.
- A quicker recovery in discretionary spending post-pandemic.

Policy Implications and Recommendations

1. Employment Security Measures:
 - Strengthening labor protections for informal and gig workers.
 - Expanding access to unemployment benefits.
2. Support for Self-Employed Individuals:
 - Providing low-interest business loans.
 - Enhancing access to digital financial tools.
3. Rural Economic Development:
 - Investing in agricultural technology and market access.
 - Expanding vocational training programs.
4. Stimulating Consumer Demand:
 - Offering tax incentives for discretionary spending.
 - Promoting investments in sectors like tourism and hospitality.

This study finds that occupation significantly influences household consumption expenditure, with white-collar professionals and self-employed individuals exhibiting higher discretionary spending, while blue-collar and informal sector workers prioritize essentials. The COVID-19 pandemic amplified these disparities, particularly impacting informal and low-wage workers. Rural-urban differences further shape spending behavior, with rural households focusing more on food and urban households allocating more to services and leisure. These findings highlight the need for targeted policies to stabilize employment and support vulnerable occupational groups, ensuring economic resilience in post-pandemic Maharashtra.

Results and Discussion

Year-on-Year Trends in Occupation-Based Consumption Expenditure

Data Visualizations

Table 1: Occupation-Based Spending Allocation (2019-2021)

Occupation Type	Food (% of Income)	Healthcare (% of Income)	Leisure (% of Income)
White-collar	25% (↓)	12% (↑)	35% (↓)
Self-employed	30% (↑)	15% (↑)	25% (↓)
Blue-collar	50% (↑)	18% (↑↑)	10% (↓)
Informal	55% (↑↑)	22% (↑↑)	5% (↓↓)

2019 (Pre-Pandemic Period)

- White-collar professionals and self-employed households had the highest discretionary spending, especially on travel and dining out.
- Blue-collar and informal sector workers allocated 60-70% of their income to food and healthcare.
- Income stability allowed white-collar professionals to engage in long-term financial planning and savings.

2020 (Pandemic Period)

- Food and healthcare expenditure increased across all occupation groups, with the sharpest rise among blue-collar and informal workers.

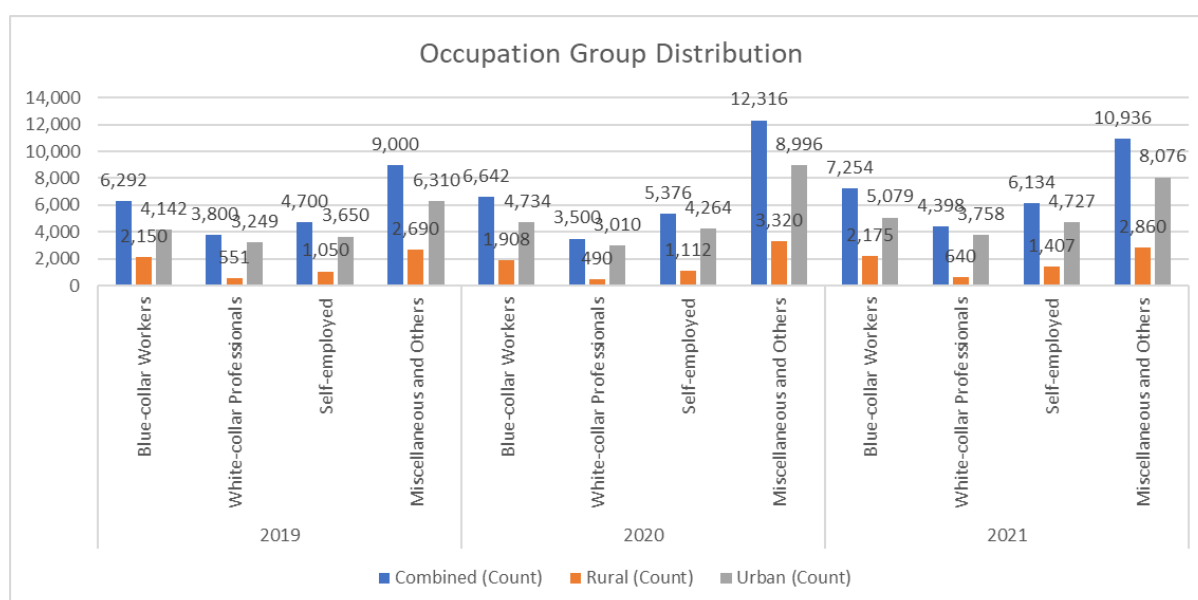
- Discretionary spending plummeted across all groups, but white-collar professionals retained some spending flexibility.
- Self-employed workers faced significant income volatility, leading to cutbacks on leisure and discretionary purchases.
- Chi-square test ($p\text{-value} = 0.000$) confirmed a significant shift in spending patterns.

2021 (Post-Pandemic Recovery)

- White-collar professionals resumed discretionary spending, but at a slower rate than in 2019.
- Self-employed households adapted by diversifying income sources, leading to moderate spending recovery.
- Blue-collar and informal sector workers continued prioritizing essentials, with only minimal recovery in non-essential spending.
- Chi-square test confirmed persistent changes in spending behavior post-pandemic.

Rural-Urban Trends in Occupation-Based Consumption Expenditure

Trends in Occupational Groups and Their Impact on Consumption Expenditure Across Rural and Urban Maharashtra



Source: Author's Data Analysis

Figure5.4: Occupation Group distribution of the respondents

2019 (Pre-Pandemic)

- Urban white-collar and self-employed households spent significantly more on discretionary items.
- Rural informal and blue-collar households focused on food and healthcare.
- Chi-square test ($p\text{-value} = 0.000$) confirmed significant rural-urban spending disparities.

2020 (Pandemic Impact)

- Rural informal workers suffered the most income loss, leading to higher financial stress.
- Urban white-collar workers maintained stable food and healthcare spending, but reduced discretionary expenses.
- Self-employed urban workers were severely impacted, leading to reduced investments and household spending.

2021 (Recovery Phase)

- Urban discretionary spending rebounded partially, particularly among white-collar professionals and self-employed households.

- Rural spending remained constrained, especially among informal workers, who faced prolonged income uncertainty.
- Healthcare costs remained high in both rural and urban areas, leading to continued essential spending prioritization.

6. CONCLUSION

Household consumption expenditure is shaped by various socio-economic factors, with occupation playing a critical role in determining income stability and spending behavior. The findings of this study indicate that occupational differences significantly influenced household consumption patterns in Maharashtra from 2019 to 2021, revealing clear year-on-year and rural-urban disparities. The COVID-19 pandemic magnified these differences, particularly affecting informal and blue-collar workers. While white-collar and self-employed households showed financial resilience and resumed discretionary spending faster, blue-collar and informal workers struggled with essential spending constraints. Rural informal workers, in particular, faced severe economic distress, requiring urgent policy intervention to stabilize their income and improve consumption capacity.

White-Collar and Self-Employed Households: Financial Resilience and Quick Recovery

Households headed by white-collar professionals (government employees, corporate professionals, and managerial staff) demonstrated greater financial stability due to stable incomes and employment benefits such as social security, insurance, and paid leave (Browning & Lusardi, 1996). These households typically allocated a significant portion of their income to discretionary spending, including recreation, dining, and vacations. Despite the temporary economic slowdown during the pandemic, their financial security allowed them to resume discretionary expenditures faster than other groups (Attanasio & Weber, 2010).

Similarly, self-employed households, including entrepreneurs and business owners, displayed income volatility but greater earnings potential (Banerjee & Duflo, 2007). While their spending declined in 2020 due to business losses, their ability to adapt and find alternative income sources helped them recover faster than blue-collar workers. As economic activity rebounded in 2021, self-employed individuals increased spending on non-essentials, reflecting their flexibility in adjusting to financial shocks.

Blue-Collar and Informal Workers: Financial Vulnerability and Essential Spending

The study found that blue-collar and informal workers were the most financially vulnerable during economic downturns. These groups, which include factory workers, construction laborers, daily wage earners, and street vendors, generally lack job security and financial safety nets (Jappelli & Pistaferri, 2010). Their spending behavior was primarily focused on essentials, particularly food and healthcare, due to low disposable income and unstable employment.

The COVID-19 pandemic had a severe impact on this group, leading to widespread job losses, salary cuts, and reduced working hours (Baker et al., 2020). Unlike white-collar employees, who could work remotely, blue-collar and informal workers experienced direct income disruptions, forcing them to cut back drastically on discretionary spending. Many households in this category struggled to meet even basic needs, highlighting their economic fragility.

Post-pandemic, recovery among blue-collar workers was slow and uneven. While some employment opportunities resumed in 2021, wages remained stagnant, and spending on non-essential goods and services remained significantly lower than pre-pandemic levels. This suggests that informal workers require long-term economic support policies, including livelihood security programs, skill development initiatives, and financial inclusion measures.

Rural Informal Workers: Severe Economic Distress and Policy Implications

Rural informal workers faced even greater economic distress due to the seasonal nature of employment, lack of industrial diversification, and lower financial access (Deaton & Paxson, 1998). Many rural households rely on agriculture and informal labor markets, making them particularly vulnerable to income shocks.

During the COVID-19 lockdowns, disruptions in supply chains, transportation, and agricultural markets resulted in sharp income losses for rural workers (Gaiha et al., 2021). Unlike urban white-collar professionals, rural informal workers had limited opportunities for alternative income generation, leading to widespread financial hardship. The study observed that rural households significantly reduced discretionary spending, and in extreme cases, some struggled with food security.

Policy Recommendations for Rural Informal Workers

To mitigate the economic vulnerability of rural informal workers, the following policy interventions are recommended:

1. **Expansion of Rural Employment Schemes** – Strengthening programs like **MGNREGA** to ensure **consistent employment opportunities**.
2. **Access to Financial Assistance** – Providing **low-interest credit** and **direct cash transfers** to help rural households maintain consumption levels.
3. **Improving Agricultural Market Access** – Strengthening rural supply chains to **increase farmer incomes and reduce income volatility**.
4. **Healthcare and Social Security Initiatives** – Expanding **public healthcare access** and **subsidized essential goods programs** to reduce financial distress during economic shocks.

5. Conclusion

This study highlights the **significant role of occupation in determining household consumption patterns** in Maharashtra. While **white-collar and self-employed households exhibited financial resilience**, blue-collar and informal workers, especially in **rural areas, suffered severe economic distress**. The **pandemic further widened these disparities**, emphasizing the need for **targeted policy interventions** to support **vulnerable occupational groups**. **Strengthening employment security, enhancing financial inclusion, and improving rural economic stability** will be crucial for ensuring equitable post-pandemic recovery.

7. Policy Implications

1. **Employment Support for Informal and Blue-Collar Workers**
 - Strengthen labor protections and financial aid programs.
2. **Healthcare Subsidies for Vulnerable Occupation Groups**
 - Provide targeted healthcare assistance for informal and blue-collar workers.
3. **Small Business Support for Self-Employed Workers**
 - Offer financial incentives to help self-employed businesses recover.

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