

Relative Income Mobility around an Inflationary Shock *

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Abstract

To identify which households gain or lose in *relative* terms during inflation, we examine Turkey’s recent inflationary shock, triggered by a policy experiment that kept domestic interest rates low despite rising global rates. Using individual-level panel data, we classify households into social classes based on income sources, decompose income changes into intensive and extensive margins, and model relative income mobility. We find pronounced downward mobility among pension- and transfer-dependent households. Overall, households relying on pensions, wages, or transfers lost ground relative to those earning primarily business income. Among labor-dependent households, job-to-job transitions play a central role in preserving or improving rank, particularly for poorer households. By contrast, informal employment is consistently associated with downward mobility, and new minimum-wage jobs provide no significant protection against relative decline.

Keywords: Inflation shock, redistribution, income mobility, income dynamics

JEL Codes: E31, E52, D31, C33

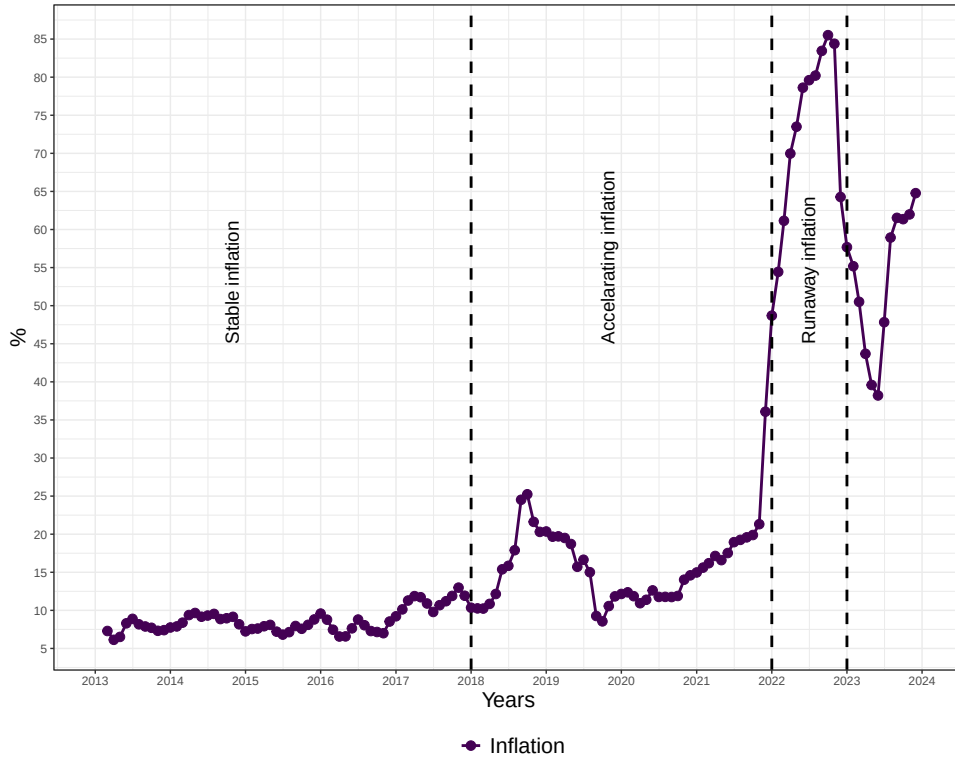
*The replication package will be made available upon publication. We thank two anonymous referees for their thoughtful and constructive comments, which helped us improve the manuscript. We thank Akash Bhatt, Christopher Boone, Arindrajit Dube, Ina Ganguli, and Hasan Tekgüç for their insightful feedback on an earlier version of this paper.

1 Introduction

A longstanding debate in economics concerns whether inflation primarily disadvantages lower-income households (Jäntti & Jenkins, 2010)—acting as a “regressive tax” on wages and savings (Erosa & Ventura, 2002)—or whether it can instead favor them by reducing the real burden of debts owed to wealthier creditors (Del Canto, Grigsby, Qian, & Walsh, 2025; Zheng, Mishra, & Yang, 2020). When high inflation is widely understood to act as a regressive tax, a well-established literature suggests that cost-push high inflation places a disproportionate burden on lower-income households (Albanesi, 2007; Hobijn & Lagakos, 2005; Hochmuth, Pettersson, & Jessen Weissert, 2025; Kaplan & Schulhofer-Wohl, 2017), reflecting limited capacity of lower-income households to hedge against price instability (Easterly & Fischer, 2001), differences in price elasticities across income groups (Clayton, Jaravel, & Schaab, 2018; Cravino, Lan, & Levchenko, 2020), unequal inflation in the consumption baskets of poorer households (Argente & Lee, 2021; Cravino & Levchenko, 2017; Jaravel, 2019; Ley, 2005; Prati, 2024; Wasner, 2026), and adverse movements in the prices of the assets these households tend to hold (Semieniuk et al., 2025).

The precise mechanisms through which inflation reshuffles social hierarchy remain under-explored, however, largely because most studies in this literature compare income deciles over time, even though people move between deciles (Jäntti & Jenkins, 2015). To address this limitation, we study the distributional consequences of a recent negative real interest rate shock by using longitudinal micro-data to track how specific social classes gain or lose relative ground during an inflationary spiral.

Figure 1: Inflation Rate in Turkey, 2013-2023



Note: The data series are obtained from the Central Bank of Türkiye’s EVDS data distribution system.

Since 2018, Turkey has served as a laboratory for observing relative income dynamics under inflationary shocks. While most developing economies tightened monetary policy in response to global rate hikes, Turkey adopted an unorthodox policy regime characterized by policy rate cuts despite rising inflation, resulting in deeply negative real interest rates. This was accompanied by a rapid depreciation of the lira and an inflation rate that exceeded 80% by late 2022, as shown in Figure 1. The government’s response was generally viewed as unconventional and as disconnected from the fundamentals of monetary policy.

This policy environment gave rise to an active redistributive mechanism that has begun to receive systematic attention in recent research. Gürkaynak, Kısacıkoglu, and Lee (2023) employ the post-2021 period as a natural

experiment to demonstrate the failure of “Neo-Fisherian” views, arguing that abandoning the Taylor principle led directly to unanchored inflation expectations and currency depreciation. Complementing this, [Kara and Simsek \(2025\)](#) study how shifting exchange-rate risk to the government balance sheet effectively protected specific asset holders at the expense of the public budget. [Yilmaz and Uzar \(2025\)](#) and [Yilmaz and Bulut \(2025\)](#) study the same period and find that inflation cannot be explained solely by conventional cost-push factors such as exchange-rate depreciation or rising input costs. Instead, they point to “profit inflation” as a main force behind the price surge.

To identify the winners and losers of this self-inflicted and politically driven change in monetary policy, which offers a unique setting to analyze how inflation shocks reshape income distribution, we leverage rich panel data from the Survey of Income and Living Conditions (SILC), tracking the same households over time. This longitudinal approach is critical. Researchers often analyze income distribution changes by deciles to compare different periods in terms of income inequality. However, since individuals move within the income distribution over time, assessing whether those who are currently poor or rich have gained or lost requires tracking their personal income trajectories rather than examining shifting income groups.

Therefore, we examine which social classes are relatively more vulnerable to inflation by classifying individuals according to their sources of equal-split income in an origin year. Tracking individuals across time, we study how income-decile positions shift in a destination year across social classes, and estimate how changes in rank depend on origin position in the social ladder. To uncover the mechanisms behind these mobility patterns, we then decompose total income changes into intensive and extensive margins. Shifts in relative position come from two sources. One is earnings changes among people who stay continuously in a given income-generating state (the intensive margin). The other is movement into and out of these states (the extensive margin). Since our decomposition highlights the central role of labor income and employment adjustments within the household, we focus on richer labor-market information and regress changes in household income rank on key labor-market variables to further identify the labor-market drivers of relative mobility.

Our findings confirm a distinct “reshuffling” of economic fortunes during the inflationary period. We find that pension- and transfer-dependent households faced the steepest downward mobility. Focusing only on whether groups move up or down in deciles hides differences in how far they move. Two groups may both experience upward mobility, yet one can gain more than the other and thus improve its relative position. Consistent with this, we find that those relying on business income achieved the largest cumulative relative gains compared to other social groups, including labor-dependent households. Among households that rely primarily on labor income, job-to-job transitions play a central role in preserving or improving relative income positions, especially for lower-income households in this inflationary period. By contrast, dependence on informal employment is systematically linked to downward mobility, while entry into new minimum-wage jobs offers no significant protection for lower-income households.

These results offer five key contributions to the literature. First, much of the literature on inflation’s distributional effects focuses on who loses more purchasing power, driven by differences in consumption baskets or indexation. For Turkey specifically, in a World Bank paper, [Baez, Inan, and Nebiler \(2021\)](#) construct decile-specific inflation experiences using heterogeneous consumption bundles and exposure differences. We move from exposure/incidence to rank dynamics by considering the inflationary environment as a period of re-ordering in relative positions, not only different real-loss rates.

Second, recent work on inflation and distribution is moving toward individual exposure and household decisions under heterogeneous inflation exposure ([Del Canto et al., 2025](#); [Kukk, Toczynski, & Basten, 2025](#); [Pallotti, Paz-Pardo, Slacalek, Tristani, & Violante, 2024](#); [M. Weber, Gorodnichenko, & Coibion, 2022](#)). This literature highlights how differences in inflation expectations and income levels shape distributional outcomes during inflationary episodes. Instead of focusing mainly on net nominal positions, we contribute to this strand by showing that income source—whether households rely primarily on labor, business income, pensions, or transfers—constitutes a central axis of positional change in income distribution.

Third, recent literature finds that post-pandemic inflation was driven mainly by supply shocks and demand recovery ([Glover, Mustre-del Río, & von Ende-Becker, 2023](#); [Hansen, Hansen, Toscani, Toscani, & Zhou, 2023](#)), but in some sectors firms used increased pricing power to raise markups, so profits accounted for a non-trivial share of price increases ([Alvarez-Blaser, Auer, Lein, & Levchenko, 2025](#); [Davis, 2024](#); [I. M. Weber & Wasner, 2023](#)), resulting in a decline in the labor share of national income in some cases ([Orhangazi & Yeldan, 2023](#)).

However, there remains a scarcity of evidence on how these dynamics played out at the household level. We provide rare micro-level evidence to complement these findings by showing that households primarily dependent on business income experienced the largest cumulative gains in relative position during the runaway inflation.

Fourth, our findings fit squarely into—and extend—a growing macro-labor literature that emphasizes how inflation reshapes on-the-job search and job mobility. Recent work by [Afrouzi, Blanco, Drenik, and Hurst \(2024\)](#) shows that unexpected inflation slows real wage adjustment within matches, inducing job-to-job transitions that generate tight labor markets alongside declining real wages. Complementary studies document that labor market tightness associated with heightened inflation can increase wages through increasing on-the-job search and mobility. These mobility-driven gains are typically concentrated among workers at the lower end of the distribution ([Autor, Dube, & McGrew, 2023](#); [Bostanci, Koru, & Villalvazo, 2025](#); [Faccini & Melosi, 2025](#)). Our evidence from Turkey is consistent with these mechanisms: we find that workers during the heightened inflation improve their relative positions in the labor market primarily through extensive-margin adjustments such as job-to-job transitions, while households relying on fixed income such as pensions, transfers, or households employed in informal employment experience systematic downward mobility. In this sense, our paper uses micro-level evidence to show that inflation redistributes income across social classes, raises the relative returns to job-to-job mobility in the labor market, and disproportionately harms income sources subject to nominal rigidities.

In the remainder of the paper, our objective is to identify who were adversely affected or benefited in relative terms from the inflation shock. To this end, Section 2 first outlines our dataset, units of observation, definitions of income, and sample restrictions. We then explain how we classify individuals by income sources to construct social classes and examine income rank changes for each social class around the inflation shock. While the social-class analysis shows which groups relatively gained or lost ground, it does not explain why these differences arise. To uncover the mechanisms behind these relative rank movements, Section 3 decomposes income into its intensive and extensive components to identify which margin drives mobility during the period of runaway inflation. Since our decomposition shows that extensive-margin adjustments in labor income are associated with mobility, we leverage our granular labor market variables to focus on households that rely on labor market income to understand how labor income affects relative income mobility. Given the widespread debate over the accuracy of inflation statistics in Turkey during this inflationary period, a key advantage of our rank-based approach is its independence from price deflators, since we measure mobility through relative position rather than absolute levels. Based on our analysis, Section 4 concludes with policy implications for social protection in high-inflation environments.

2 Dataset and sample

2.1 Data

To understand distributional effects of a macroeconomic shock, researchers often examine changes in income distribution by deciles to compare periods in terms of income distribution. However, comparing the income of individuals at a given decile in one year with those in the same decile in another year ignores the fact that these are not the same people. Because individuals move within the income distribution over time, understanding whether those who are currently poor or rich have gained or lost during an inflation shock requires tracking income trajectories rather than comparing aggregate deciles over time.

To address this, we use the Survey on Income and Living Conditions (SILC) conducted by the Turkish Statistical Institute (TurkStat). SILC, based on a two-stage stratified cluster sampling design, is the only survey in Turkey with a panel component, to the best of our knowledge. The survey includes four sub-samples, forming 2-year, 3-year, and 4-year panels. For our benchmark analysis, we rely on the 4-year panel, which tracks the same individuals over four consecutive years, to focus on more permanent income components.

SILC begins with the 2006 wave, and for every wave the income information refers to the previous calendar year. Up to the income year 2014, 4-year panels were available every other year; after 2014, they have been available annually. The latest wave is 2021–2024, with income data referring to 2020–2023. From the 2012–2015 wave onward, the employment variable’s coding changes. To ensure variable consistency, the analysis is limited to income years 2012–2023—years that also correspond to a more policy-relevant stage in Turkey’s recent income

dynamics.

2.2 Sample

We include individuals over 19, exclude co-residents who are not household members, and focus on households with a constant size for four years to control for demographic effects.

The final dataset contains 385,159 adult individual-year observations, representing 102,878 unique adult individuals and 48,732 households. The SILC panel is nationally representative of Turkey’s population. Its stratified two-stage cluster sampling design, combined with the use of household weights, ensures that our sample’s demographic and income characteristics closely mirror those of the broader population. Thus, the findings derived from this survey can be generalized to national-level trends with confidence.

2.3 Units of analysis and income concept

To be consistent with the Distributional National Accounts (DINA) framework (Alvaredo et al., 2024) and make income deciles comparable with the World Inequality Database as much as possible, we focus on “equal-split adults” by summing disposable personal incomes and household income and then dividing the total equally among adult members. Although we focus on individual ranks as our primary unit of analysis, the use of equally divided household income, which is the same for every member of a household, implicitly makes the household the actual unit of analysis. We assume full within-household pooling of resources, a standard assumption in the DINA framework, though we acknowledge it may mask intra-household inequality.

Disposable personal income captures post-tax annual wages from primary and secondary jobs,¹ in-kind employer-provided benefits, pension receipts, and social transfers, employer and self-employed income. We classify entrepreneurial income as employer income (self-employment income) if the individual reports their primary job status as an employer (self-employed).² Imputed rents, financial income, and rental income are recorded as household income.³

2.4 Defining social classes

To identify which social classes are more vulnerable to inflation in relative terms, we categorize individuals according to their sources of equal-split income.

Income dominance identifies which source of income contributes more than $\theta\%$ to an individual’s total equal-split income in a given period. In the benchmark case, we set θ to 50 percent.⁴ Let $y_{i,t}^{(s)}$ denote the income of individual i from source s in year t , and let $y_{i,t}^{\text{total}} = \sum_s y_{i,t}^{(s)}$ be the total equal-split income of individual i in year t , where income sources include *financial*, *rental*, *labor*, *pension*, *employer*, *self-employed*, and *transfer* income. Income dominance for source s is defined as:

$$D_{i,t}^{(s)} = \begin{cases} 1, & \text{if } \frac{y_{i,t}^{(s)}}{y_{i,t}^{\text{total}}} > \theta \\ 0, & \text{otherwise} \end{cases} \quad (1)$$

Income persistence $P_i^{(s)}$ counts the number of periods in which source s dominates total equal-split income: $P_i^{(s)} = \sum_{t=1}^{T_i} D_{i,t}^{(s)}$. In our benchmark analysis, we classify a person into a social class if the persistence of relevant income source exceeds two periods out of four periods. If an individual does not have a dominant and persistent source of income, they are categorized into the ‘mixed’ group.

¹It is important to note that shareholders actively working at their firms might have been considered earning labor income.

²Entrepreneurial income refers to the revenue generated from entrepreneurial activity in the reference income period, minus all expenses incurred during the same period, including business costs, taxes, and social insurance contributions.

³TurkStat calculates imputed rents by using regression models based on housing-related explanatory variables. Rental income is defined as the earnings obtained from leasing real estate—such as apartments, shops, or stores—as well as properties like fields, gardens, or land, during the reference period, after deducting all costs associated with generating this income, including insurance, taxes, repairs, and maintenance. Financial income refers to post-tax earnings obtained from sources such as bank account interest, dividends from companies or financial institutions, and similar sources.

⁴In some alternative specifications presented below, we set different thresholds as a robustness check.

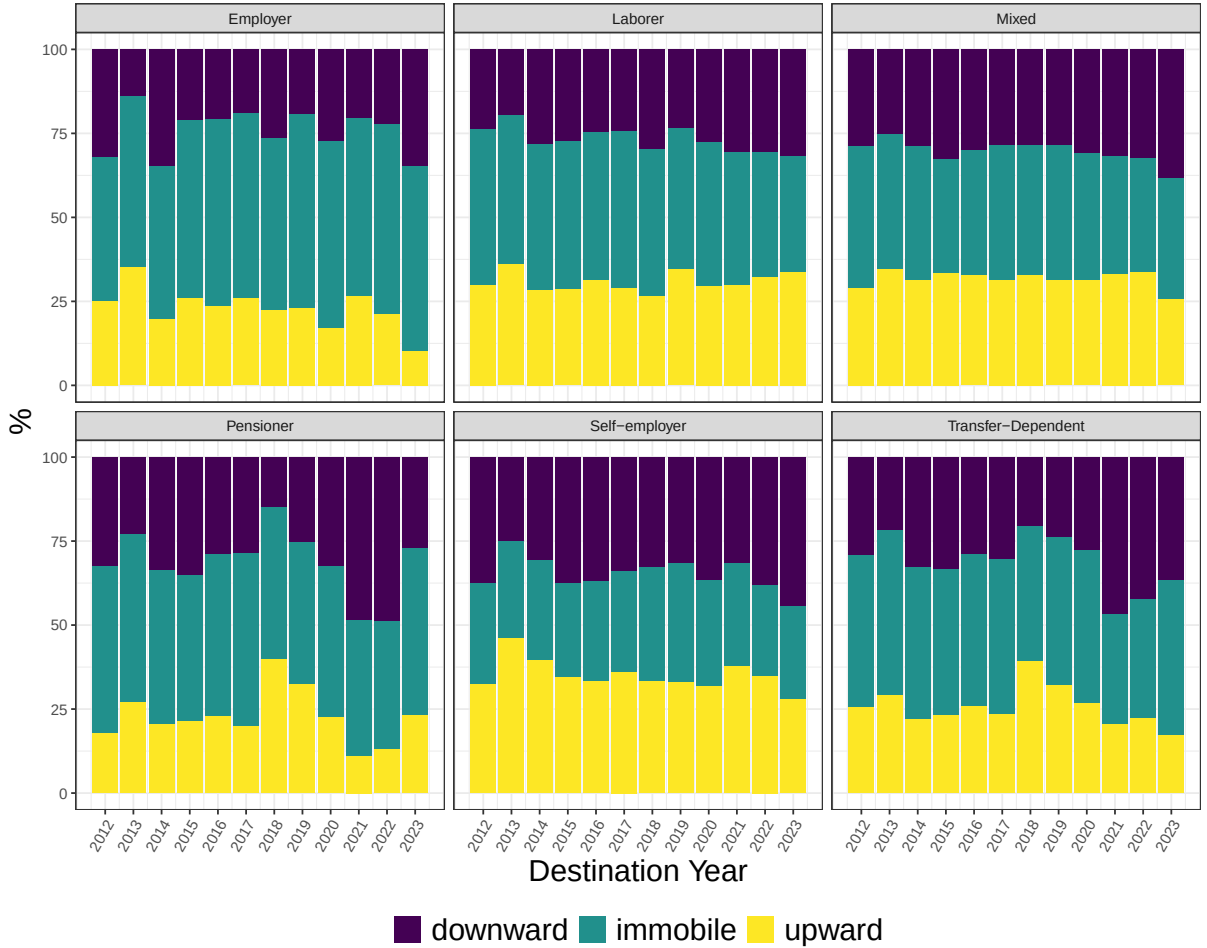
Note that since the dominance threshold is strictly greater than 50 percent, it is impossible for two income sources to both dominate in the same period. The social groups therefore are mutually exclusive at the period level. We use a 50% dominance threshold to ensure that the classes are mutually exclusive. Our results are robust to using a higher threshold such as 80%. Also note that as we emphasized above, we are effectively classifying households rather than individual members since we use equally divided household income—which is the same for every household member. Out of a total of 48,732 households, 20,568 are classified as laborers, 11,134 as mixed, 7,630 as pensioner, 3,930 as self-employed, 3,893 as transfer-dependent, 1,285 as employers, 119 as rentiers, and 28 as financiers.⁵

3 Modeling relative mobility dynamics

3.1 Overview of rank changes

To give the intuition behind our analysis of positional changes in the following sections, Figure 2 shows how income decile—measured using equal-split income—changes from origin year $t - 1$ to destination year t across the social classes defined above.^{6 7}

Figure 2: 2-Year Income Mobility by Social Class



Note: The figure displays the distribution of equal-split income decile mobility from origin year $t - 1$ to destination year t across different social classes defined in Section 2.4 (excluding "Financier" and "Rentier" due to their small sample sizes). The y-axis shows the average change in deciles. θ is 50%.

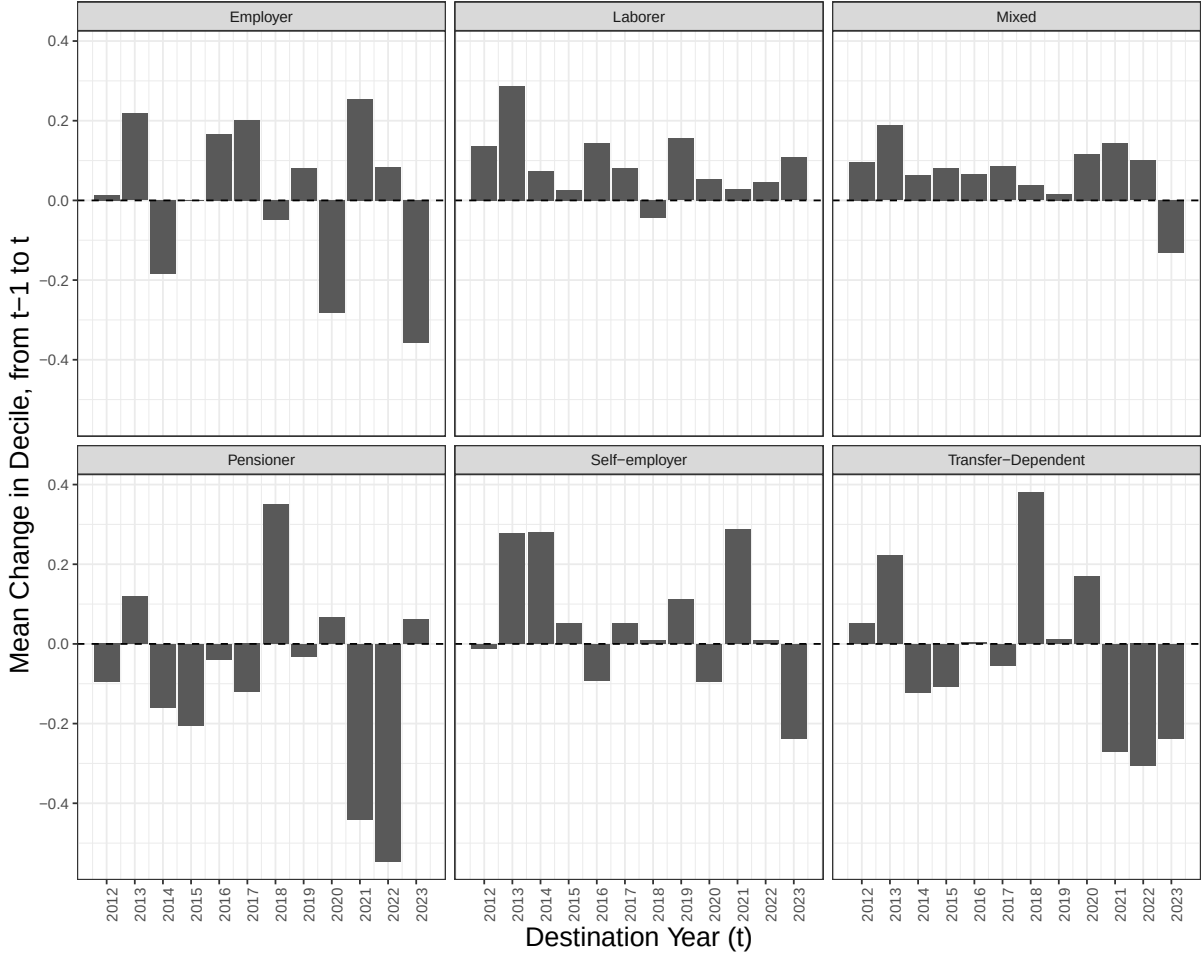
⁵ Given the limited representation of rentiers and financiers in the sample, we omit them from the subsequent analysis.

⁶ Decile 1 represents the poorest 10% while decile 10 represents the richest 10%.

⁷ The figure is presented in table form in Table A1.

Figure 2 shows that households dependent on pension income and transfer income faced, on average, increased downward mobility with the rise of inflation in 2021 and 2022.⁸

Figure 3: Mean Change in Income Decile by Social Class



Note: The figure displays the distribution of equal-split income decile mobility from origin year $t - 1$ to destination year t across different social classes defined in Section 2.4 (excluding "Financier" and "Rentier" due to their small sample sizes). The y-axis shows the average change in deciles. θ is 50%.

However, focusing solely on the direction of change in decile masks important heterogeneity in the magnitude of movements. When comparing two groups, both may experience more upward mobility in a given year, but one group can achieve higher average gains than the other. Even if both groups move up, the group with smaller average relative gains effectively loses ground relative to the faster-moving group. For example, if the employer class moves up on average 2 deciles while the labor class moves up only 1 decile, the employers improves its relative position compared to the laborers, even though both experience upward mobility. Hence, upward mobility in absolute terms does not necessarily translate into an improvement in relative positional standing. In fact, Figure 3 shows that between 2021 and 2022, the employers experienced the largest cumulative improvement in relative position compared to laborers, pensioners, transfer-dependent households, and the mixed group.⁹

3.2 Relative positional changes of social classes

To better quantify the heterogeneity in the magnitude of rank movements presented in Figure 2, we continue by estimating how rank changes from the origin year to the destination year depend on the class, which allows us to

⁸Using a more stringent class threshold ($\theta = 80\%$) in Figure A1, or looking at four-year rather than two-year mobility in Figure A2, does not alter this result.

⁹Figure A3 demonstrates that applying a stricter criterion for class definitions, with θ set at 80 percent, does not affect this interpretation.

identify the social classes most likely to experience relative losses during the runaway inflation:

$$r_{h(i)t} - r_{h(i)t-1} = \alpha + \sum_{g=1}^6 \sum_{t=2012}^{2023} \beta_{gt} \mathbf{1}\{g_{h(i)} \in G\} \cdot \mathbf{1}\{\text{year} = t\} + \sum_{d=1}^{10} \beta_d \mathbf{1}\{r_{h(i)t-1} \in d\} + \epsilon_{h(i)t}, \quad (2)$$

where the dependent variable is the change in equal-split income decile between the origin year $t - 1$ and the destination year t for random individual i from household h in class g .¹⁰ The key explanatory variables are interactions between class dummies and year indicators, with separate coefficients β_{gt} for each class-year combination, while β_d controls for the origin decile.¹¹

Without controlling for the origin decile and without using weighted least squares, this regression reproduces Figure 3 in a slightly modified form, with average rank changes computed relative to the baseline group—the employers. When controlling for the origin decile, the interpretation changes only slightly: rank changes are then presented relative to the baseline group within the baseline decile.

Taking this clarification into account, Figure 4 displays the interaction coefficients—estimated separately for the bottom 70% and top 30% of the origin distributions.¹² We focus on 2021 and 2022—years marked by rapidly rising inflation. Laborers experienced average upward mobility in these years as shown in Figure 3, but their interaction terms presented in Figure 4 are negative, indicating that their gains were smaller than those of employers, so they lost relative ground. Pensioners, who faced large downward mobility on average, show strongly negative interactions in these years, highlighting their relative losses during the inflationary period. This decline in the relative position of laborers and pensioners compared to employers is particularly marked among households at the lower end of the income distribution. Transfer-dependent households similarly exhibit negative interactions, signaling that inflation exacerbated their relative positional setbacks, but only at the bottom of the origin distribution. Figure A4 indicates that examining 4-year mobility instead of 2-year mobility does not substantially alter this interpretation, while Figure A5 shows that using a stricter class definition—by setting θ (as defined in Section 2.4) to 80%—also does not meaningfully change the conclusion, with pronounced negative interaction coefficients in 2022 for these groups.

Armed with the intuition provided by the changes in relative ranks, we now turn to a parsimonious comparison to capture the effects of runaway inflation. A natural starting point is to interact inflation, $\pi_t\%$, with our social class categories:

$$r_{h(i)t} - r_{h(i)t-1} = \sum_{g=1}^6 \beta_g \mathbf{1}\{g_{h(i)} \in G_g\} + \lambda \ln \pi_t + \sum_{g=1}^6 \theta_g (\mathbf{1}\{g_{h(i)} \in G_g\} \times \ln \pi_t) + \sum_{d=1}^{10} \gamma_d \mathbf{1}\{r_{h(i)t-1} \in d\} + \epsilon_{h(i)t}. \quad (3)$$

An alternative strategy is to formally compare the pre- and post-2021 periods using a difference-in-differences framework. Inflation between 2020 and 2023 can plausibly be viewed as exogenous, as it was driven by unconventional monetary policy changes that resemble a natural experiment and are largely unrelated to underlying economic fundamentals, as discussed in Gürkaynak et al. (2023). Given that, the interaction between the post-2021 indicator and social class categories estimates the differential post-2021 change:

$$\begin{aligned} r_{h(i)t} - r_{h(i)t-1} &= \sum_{g=1}^6 \beta_g \mathbf{1}\{g_{h(i)} \in G_g\} + \lambda \mathbf{1}\{t > 2021\} \\ &+ \sum_{g=1}^6 \theta_g (\mathbf{1}\{g_{h(i)} \in G_g\} \times \mathbf{1}\{t > 2021\}) + \sum_{d=1}^{10} \gamma_d \mathbf{1}\{r_{h(i)t-1} \in d\} + \epsilon_{h(i)t}. \end{aligned} \quad (4)$$

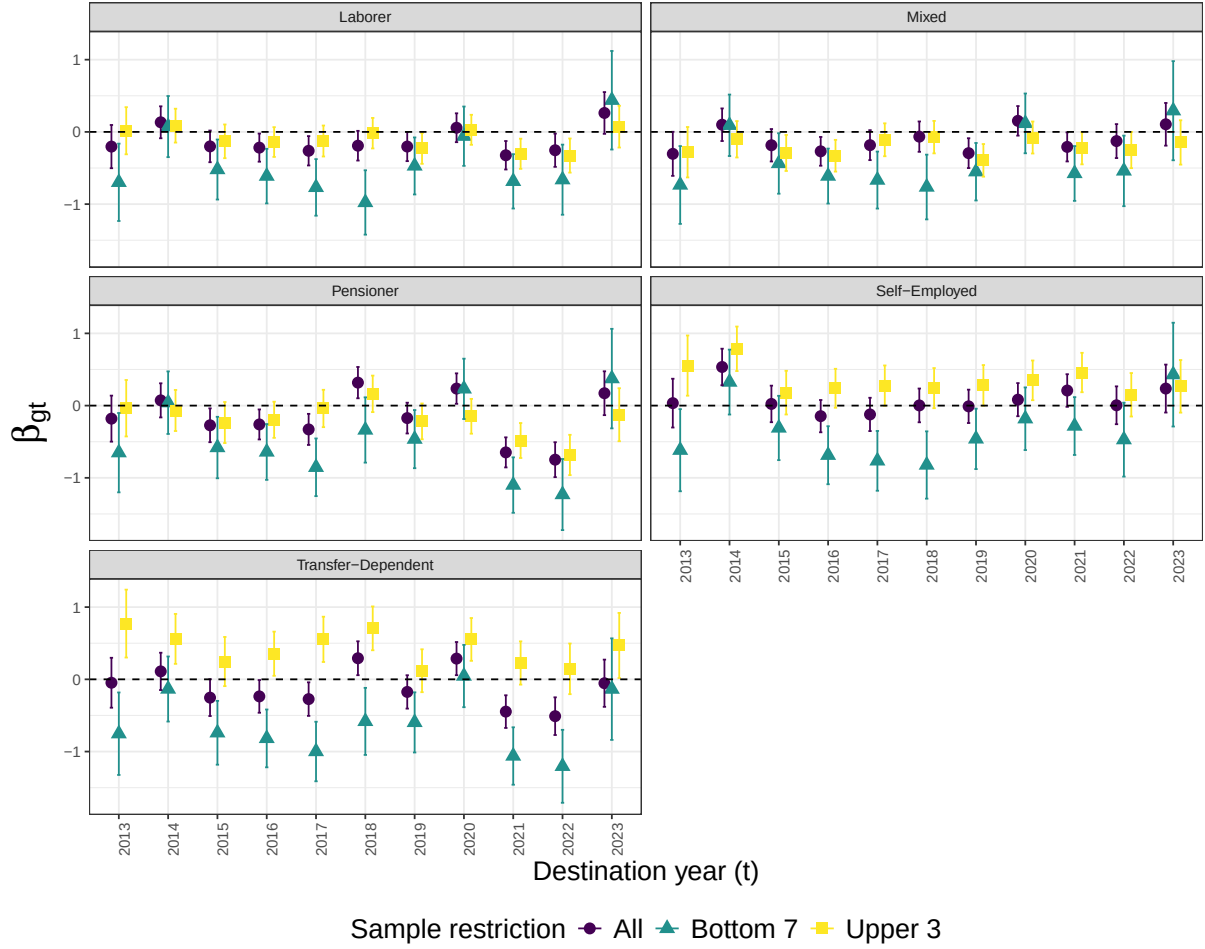
Finally, rather than comparing different households (i.e., households, see Section 2.3) at a point in time, we can track the same household over time and examine how their rank evolves relative to their own long-run

¹⁰Since we are using equal-split household income, which is identical for all individuals in the same household, keeping multiple individuals per household will inflate our sample size artificially, and we are not gaining additional variation from within-household data unless we want to track individual outcomes (e.g., employment, education). So we choose a random individual per household, and our unit of analysis implicitly becomes household.

¹¹Since the diagonals of the decile transition matrix show that lower deciles are more likely to move up in rank, social classes in lower deciles are also more likely to move up the ranks. We thus include decile dummies to isolate the effect of belonging to a particular social class.

¹²Table A2 presents summary statistics for a set of key variables. Table A3 and A4 report full results from the estimation.

Figure 4: 2-Year Relative Positional Changes of Social Classes



Note: The figure displays the estimated coefficients for the interaction terms β_{gt} from the model defined in equation 2. The baseline destination year is 2012, and the employer group serves as the reference group. For the sample restriction "All", the intercept α , i.e., expected rank change from 2011 to 2012 for the employers, is estimated to be 1.28, controlling for the origin decile. The model has a residual standard error of 48.50227, a multiple R-squared of 0.106, and an adjusted R-squared of 0.105. The F-statistic is 208.4129 with 140,249 degrees of freedom. Standard errors are homoskedastic. Vertical bars indicate the 95% confidence intervals. Table A3 and A4 report full results from the estimation.

average position, and how these differences aggregate to social classes, leveraging the panel structure of the data to control for unobserved time-invariant household characteristics $\alpha_{h(i)}$ and common time shocks δ_t :

$$r_{h(i)t} = \alpha_{h(i)} + \delta_t + \sum_{g=1}^6 \beta_g \mathbf{1}\{g_{h(i)} \in G_g\} + \lambda \mathbf{1}\{t > 2021\} + \sum_{g=1}^6 \theta_g (\mathbf{1}\{g_{h(i)} \in G_g\} \times \mathbf{1}\{t > 2021\}) + \epsilon_{h(i)t}. \quad (5)$$

We report the estimated parameters of equations 3, 4, and 5 in the first, second, and third columns of Table 1, respectively. The estimates are remarkably consistent across the three models. Model (3) shows that a log-point increase in the inflation rate leads to a 0.176-decile larger decline (or slower increase) in rank for pensioners and a 0.133-decile larger decline (or slower increase) in rank for households relying on transfer income, relative to the omitted reference group of employers. This implies a significant decline in the relative position of pensioners and transfer-dependent households. Model (4) collapses year-by-year changes into a single post-2021 indicator and shows a similar qualitative pattern: pensioners lose 0.312 deciles (or gain 0.312 deciles less) after 2021 relative to employers. The corresponding relative decline for transfer-dependent households is 0.277 deciles. Model (5) exploits the full panel structure of the dataset by including time-invariant household-level fixed effects and year-specific effects to compare each household’s rank with its own long-run rank. As a result, the post-2021 rank penalty for pensioners triples in magnitude to -0.973 deciles, while the penalty for transfer-dependent households doubles to -0.560 deciles. The interaction terms that capture the effects of the inflation shock on the laborer, mixed, and self-employed groups are smaller in magnitude and not statistically significant at conventional levels, but this should not be read as evidence that households that were dependent on labor income were unaffected. Recall that the estimates in Figures 3 and 4 show that laborers lost relative ground in 2021 and 2022, particularly at the bottom of the origin distribution. Models (3) and (4) average high-inflation years and low-inflation years and thus mute and collapse year-by-year effects.

It is important to add that the treatment variable in our difference-in-differences specifications varies at the group-year level. The effective sample size thus is much smaller than the number of households in our analysis. This may overstate the precision of our estimates because households within the same group may be affected by common group-year shocks. The standard alternative (i.e., clustering standard errors on the group) is also not available here, as we observe only six classes, and cluster-robust inference is typically unreliable with so few clusters (Cameron, Gelbach, & Miller, 2008; Cameron & Miller, 2015; MacKinnon & Webb, 2018). We therefore follow Donald and Lang (2007, pp. 222–223) and re-estimate equation (4) on class-year cell means in model (6):¹³ We average the dependent variable within each of the 6 classes $\times$ 12 years = 72 class-year cells, weighting each cell by the population.

Model (6) leaves the point estimates almost unchanged but increasing the standard errors by about 3.5 times. The post-2021 rank penalty is 0.300 deciles for pensioners (compared with 0.312 in Model 4) and 0.267 for transfer-dependent households (compared with 0.277). The interactions for laborers, mixed, and self-employed households remain close to zero. The main difference is precision: with only 72 cells, none of the interaction effects can be statistically distinguished from zero.

We interpret model (6) as a benchmark for what model (4) can identify with precision. All specifications consistently, in magnitude and sign, point to a post-2021 rank gap for pension- and transfer-dependent households. But this penalty is precisely estimated only when households within the same class-year are treated as independent observations.

3.3 Quantifying the components of relative mobility dynamics

How does the household income mix respond to inflation shocks? How do these responses, and the resulting changes in the sources of income growth, shape the mobility patterns documented in the previous section? When households fell behind during heightened inflation, was it because they lost an existing income source or because their income grew too slowly in relative terms?

¹³We would like to thank the anonymous referee for this recommendation.

Table 1: Relative Income Mobility by Class, Against Inflation and Against the Post-2021 Break

	(3)	(4)	(5)	(6)
(Intercept)	1.517*** (0.109)	1.416*** (0.029)		0.296** (0.089)
Laborer	-0.246* (0.112)	-0.217*** (0.026)		-0.187* (0.092)
Mixed	-0.501*** (0.114)	-0.381*** (0.027)		-0.344*** (0.094)
Pensioner	-0.096 (0.117)	-0.500*** (0.028)		-0.459*** (0.097)
Self-employer	-0.411** (0.128)	-0.349*** (0.030)		-0.313** (0.106)
Transfer-Dependent	-0.151 (0.126)	-0.445*** (0.030)		-0.403*** (0.105)
Log inflation	-0.013 (0.040)			
Laborer $\times$ Log inflation	0.002 (0.041)			
Mixed $\times$ Log inflation	0.035 (0.042)			
Pensioner $\times$ Log inflation	-0.176*** (0.043)			
Self-employer $\times$ Log inflation	0.025 (0.047)			
Transfer-Dependent $\times$ Log inflation	-0.133** (0.046)			
Post-2021		-0.052 (0.081)		-0.060 (0.287)
Laborer $\times$ Post-2021		0.067 (0.083)	-0.017 (0.083)	0.074 (0.295)
Mixed $\times$ Post-2021		0.068 (0.085)	0.048 (0.085)	0.073 (0.302)
Pensioner $\times$ Post-2021		-0.312*** (0.087)	-0.973*** (0.087)	-0.300 (0.308)
Self-employer $\times$ Post-2021		0.047 (0.096)	0.018 (0.095)	0.047 (0.338)
Transfer-Dependent $\times$ Post-2021		-0.277** (0.093)	-0.560*** (0.092)	-0.267 (0.329)
Observations	133,210	140,330	179,155	72
R ²	0.104	0.101	0.856	0.608
Household fixed effects			X	
Year fixed effects			X	
Origin decile dummies	X	X		residualised

Notes: Homoskedastic standard errors in parentheses. In Model (3) log annual inflation is interacted with the household's class and regressed on the household's rank change from $t - 1$ to t . Model (4) replaces log inflation with a dummy taking one if income year is post-2021, zero otherwise. Model (5) regresses the class-by-post-2021 and household- and year-fixed effects on the household's rank. Model (6) collapses the dataset to class-year cells, and re-estimates Model (4) on class-year cell-means, weighted by the population. Origin-decile dummies are estimated but not shown in columns (3) and (4). Since the origin decile varies inside a class-year cell, Model (6) does not include origin decile controls. The dependent variable there thus is the residual from a regression of the decile change on the origin decile dummies. $+p < 0.1$, $* p < 0.05$, $** p < 0.01$, $*** p < 0.001$. Full coefficients are reported in Table A5.

Relative mobility measures presented in the previous section are ordinal and therefore silent about these questions. A household's rank change in the distribution is consistent both with an absolute loss of labor income, due to job loss for example, and with positive but below-median nominal growth in labor income. Under a high-inflation regime, these cases are different. This difference can be theoretically consequential, yet can be masked when we focus only on rank changes.

To recover this cardinal content of each rank transition by attributing the household's total income change to its sources and to the margin along which each source adjusted, we decompose changes in total income into their intensive and extensive margins. Changes in relative position can arise either from changes in earnings among individuals who remain continuously active in a given income-generating state (the intensive margin) or from entry into or exit from income-generating states (the extensive margin). Changes along the intensive margin capture whether an income source that a household already had generated more or less income. Changes along the extensive margin capture whether an income source emerged or disappeared because, for example, someone entered employment, retired, or lost a job.

To formalize this idea, let $y_{i,t}$ denote the equal-split income of individual i at time t , and $y_{i,t-1}$ the corresponding income a year earlier. The total income change is defined as $\Delta_i = y_{i,t} - y_{i,t-1}$. Each individual's income can be expressed as the sum of K distinct income sources, such that $y_{i,t} = \sum_{k=1}^K y_{i,t}^k$. Accordingly, the total change in income can be written as

$$\Delta_i = \sum_{k=1}^K \left(\Delta_i^{k,I} + \Delta_i^{k,E} \right), \quad (6)$$

where the superscripts I and E denote the *intensive* and *extensive* margins, respectively.

The intensive margin captures changes in the intensity of earnings conditional on participation in a given income source:

$$\Delta_i^{k,I} = (y_{i,t}^k - y_{i,t-1}^k) * 1(y_{i,t}^k > 0, y_{i,t-1}^k > 0), \quad (7)$$

where $1(\cdot)$ is the indicator function. The extensive margin captures entries into and exits from an income source:

$$\Delta_i^{k,E} = (y_{i,t}^k - y_{i,t-1}^k) * 1(y_{i,t}^k = 0, y_{i,t-1}^k > 0 \text{ or } y_{i,t}^k > 0, y_{i,t-1}^k = 0). \quad (8)$$

To obtain comparable contributions across sources, we normalize each component by the total absolute change:

$$\Delta_i^* = \sum_{k=1}^K \left(|\Delta_i^{k,I}| + |\Delta_i^{k,E}| \right), \quad (9)$$

and define the normalized contribution of source k and margin $m \in \{I, E\}$ as

$$C_i^{k,m} = \frac{\Delta_i^{k,m}}{\Delta_i^*}, \quad \text{with} \quad -1 \leq C_i^{k,m} \leq 1. \quad (10)$$

By construction, the absolute contributions sum to unity:

$$\sum_{k=1}^K \sum_{m \in \{I, E\}} |C_i^{k,m}| = 1. \quad (11)$$

Positive values of $C_i^{k,m}$ indicate that a given source and margin contributed to income growth, while negative values indicate a reduction. Aggregating over individuals using survey weights w_i yields population-level contributions:

$$\bar{C}^{k,m} = \frac{\sum_i w_i \Delta_i^{k,m}}{\sum_i w_i \Delta_i^*}, \quad (12)$$

which measure the average share of total income changes attributable to each income source and margin type in the population.

Figure 5 shows the decomposition results by mobility group. An important pattern is that the overall contribution of the entry margin (first row) is significantly smaller for downwardly mobile individuals compared to immobile and upwardly mobile groups. In upward mobility (third column), labor income is typically the primary

driver of entry margin, followed by self-employment and financial income.

The exit margin's (second row) negative impact is largest among downwardly mobile groups, with labor income losses being the main contributor.¹⁴ Remarkably, the negative contribution of the exit margin declined sharply after 2019.¹⁵ Before that, falling behind was due to labor income disappearing. After that, households fell in relative rank while their nominal incomes were still rising. In other words, falling behind has evolved from a phenomenon characterized by an absolute loss of income to one in which income simply fails to keep pace with the incomes of others: Those who fell in relative position (first column) during 2022 and 2023 in particular were increasingly relying on growth from existing income sources, with labor income playing the largest role. Among those who maintained (second column) or improved their position (third column), growth in existing (third row) labor income within the household and in imputed rent from already owned or occupied housing became increasingly important contributors to overall income growth.

Figure 5: Average Contribution of Income Sources to Total Income Changes by 2-Year Mobility Status



Note: The figure illustrates the average contribution of income source k and margin type m to total income changes from $t - 1$ to t , measured across mobility—defined as the direction of the change in equal-split income decile from $t - 1$ to t .

Overall, Figure 5 indicates that household-level labor market entry plays a crucial role in improving relative positions. The loss of labor income within the household was a defining feature of those who experienced downward mobility up to 2019. After 2019—amid accelerating inflation—the loss of labor income no longer characterized

¹⁴In 2019, the loss of pension income contributed notably to the overall negative impact. We verified that this pattern is not due to data errors or measurement issues—it is genuinely reflected in the data. For public pensions, a sudden drop to zero is uncommon, except for conditional pensions, such as survivor benefits, which end if the recipient remarries or passes away.

¹⁵Because our normalization sums absolute income changes across all sources, inflation-driven nominal increases can mechanically raise the intensive margin's share: upward nominal revisions to existing income sources will typically dominate the loss from a pre-existing income source that disappears during inflation. In a high-inflation year, this can exaggerate the intensive margin's relative weight.

this group’s income growth. Instead, their share of income growth increasingly came from existing income sources. The evidence points to downward mobility during the inflation episode being driven largely by relative income losses and constrained access to additional labor income, not by falling out of employment or other income sources. Post-2019, downward mobility was rarely driven by unemployment (the exit margin). Instead, it was driven by the inability of existing income sources to keep pace with inflation.

While household-level labor market entry may be associated with upward mobility, two important issues remain. First, the tendency to enter the labor market likely differs across classes, which our decomposition in this section does not capture. Second, because our class definition is based on permanent income, it may not fully reflect how households respond to inflation through reallocating income sources in a shorter run, raising concerns about endogeneity in the classification itself.

To address these concerns, a natural starting point is to define classes based on annual dominant income instead of on four-year persistent dominant income.¹⁶ Armed with this revised definition of social classes, we interact *lagged* annual class status with the post-2021 indicator and regress this interaction term, in the first column of Table 2, on a dummy variable that takes a value of 1 if the household’s social class (i.e., dominant income mix) changes from year $t-1$ to t , and 0 otherwise. The first column of Table 2 shows that only pensioners and transfer-dependent households, using our class definition based on the dominant income mix in the given lagged year, are more likely to leave their dominant income source in response to inflation shock. Columns 2–4 decompose that response by dominant income mix destination: to no dominant source at all (no income source is dominant any longer), to earned income (labor, self-employment, employer income becomes dominant), or to other unearned income (pension, transfer, financial, or rental income becomes dominant).¹⁷ They show that pensions or transfer income did not get replaced by any other income sources. The interaction term for the mixed class shows that for households with no dominant source, the chance that unearned income took over fell 0.052, while earned income takeover rose 0.025. This suggests that, after 2021, pensions, transfers, rents and financial income were simply too small to become anyone’s majority source. Laborer, employer and self-employer interactions are not distinguishable from zero in all four columns, so the shock did not reshuffle where earned-income households got their income.

3.4 Labor market drivers of mobility

Since our decomposition of income growth into extensive and intensive margins emphasizes that labor income and employment adjustments are the primary drivers of mobility outcomes, we focus specifically on labor-income-dependent households, where detailed labor market data enable a clearer identification of the mechanisms underlying these mobility patterns.

We continue by regressing the change in household rank from the origin year $t-1$ to t on three-way interactions between a post-2021 indicator, a lower-income decile dummy ($d < 8$), and a set of key labor market variables:¹⁸

$$\begin{aligned} r_{h(i)t} - r_{h(i)t-1} = & \sum_{d=2}^{10} \gamma_d \mathbf{1}\{r_{h(i)t-1} \in d\} + \mathbf{X}'_{it} \beta \\ & + \lambda_1 \mathbf{1}\{t > 2021\} + \lambda_2 (\mathbf{1}\{t > 2021\} \times \mathbf{1}\{r_{h(i)t-1} < 8\}) \\ & + \mathbf{X}'_{it} \theta_1 \mathbf{1}\{t > 2021\} + \mathbf{X}'_{it} \theta_2 \mathbf{1}\{r_{h(i)t-1} < 8\} + \mathbf{X}'_{it} \theta_3 (\mathbf{1}\{t > 2021\} \times \mathbf{1}\{r_{h(i)t-1} < 8\}) + \epsilon_{h(i)t}, \end{aligned} \quad (13)$$

where $\mathbf{X}_{it}$ refers to the labor market variables. Changes in the total number of months or hours worked within a year shape households’ exposure to inflation, with stress-driven expansion of labor market participation and work intensity potentially buffering relative losses. Job-to-job transitions provide an important adjustment channel, better enabling workers to realign wages in response to rapidly changing market conditions during inflationary periods. Controlling for changes in months worked within the household, increases in informal employment are

¹⁶A household in this setting can switch class year to year. If a household’s dominant income is labor income in a given year, for example, the household’s annual class for that year is defined as laborer.

¹⁷The decomposition terms in columns 2–4 are mutually exclusive and sum to column 1 exactly.

¹⁸Because the labor market variables correspond to the survey reference year rather than the income reference year, we make a reference year adjustment.

Table 2: Change in the Household's Dominant Income Source After 2021, by the Class It Held a Year Earlier

	Any change	To no dominant	To earned income	To other unearned
(Intercept)	0.175*** (0.006)	0.084*** (0.004)	0.072*** (0.004)	0.018*** (0.003)
Laborer	-0.079*** (0.006)	-0.032*** (0.004)	-0.053*** (0.004)	0.007* (0.003)
Mixed	0.285*** (0.006)	-0.084*** (0.004)	0.164*** (0.004)	0.205*** (0.004)
Pensioner	-0.043*** (0.006)	0.010* (0.004)	-0.046*** (0.004)	-0.007* (0.003)
Self-employer	0.074*** (0.007)	0.038*** (0.004)	0.016*** (0.004)	0.021*** (0.004)
Transfer-Dependent	0.023*** (0.007)	0.021*** (0.004)	0.002 (0.004)	-0.001 (0.004)
Post-2021	-0.015 (0.018)	0.001 (0.012)	-0.013 (0.011)	-0.003 (0.010)
Laborer $\times$ Post-2021	0.010 (0.018)	0.003 (0.012)	0.012 (0.012)	-0.005 (0.010)
Mixed $\times$ Post-2021	-0.028 (0.020)	-0.001 (0.013)	0.025* (0.013)	-0.052*** (0.011)
Pensioner $\times$ Post-2021	0.054** (0.019)	0.033** (0.013)	0.018 (0.012)	0.002 (0.011)
Self-employer $\times$ Post-2021	0.025 (0.021)	0.000 (0.014)	0.019 (0.013)	0.006 (0.012)
Transfer-Dependent $\times$ Post-2021	0.036+ (0.020)	0.016 (0.013)	0.015 (0.013)	0.005 (0.012)
Num.Obs.	139617	139617	139617	139617
R2	0.104	0.023	0.093	0.102

Notes: In column (1), the dependent variable is a dummy variable that reports whether the household's dominant income source in year t differs from the one it held in year $t-1$. Columns (2) to (4) decompose that change by where the household's income mix ended up. Columns (2) to (4) are mutually exclusive, so they sum to column (1) exactly. *To no dominant* means no income source reaches the benchmark dominance threshold any longer; *to earned income* means labor, self-employment or employer income became the dominant income sources; *to other unearned* means pension, transfer, financial or rental income took over. The key explanatory variable in these models is the class the household did belong to in the *previous* year. Contrast this with the four-year persistent class definition employed by the models discussed elsewhere in the paper. Employer is the reference class. Homoskedastic standard errors in parentheses. + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

likely to amplify the negative effects of inflation shocks, as earnings in informal jobs rarely adjust due to the absence of mechanisms such as indexed contracts or structured wage bargaining. Conditional on changes in months worked within the household, an increase in the number of workers near the minimum wage will affect relative position depending on both the indexation of the minimum wage and households' initial ranking in the income distribution.

Table 3: Three-Way Interaction Effects on Household Rank Mobility

<i>Dependent variable: Change in equal-split income rank ($t - 1$ to t)</i>	
Δ #Months worked per person $\times$ post-2021 $\times$ 1st–7th deciles	0.013 (0.015)
Δ #Working hours per person $\times$ post-2021 $\times$ 1st–7th deciles	0.003 (0.004)
Δ #Job-to-job transitions per person $\times$ post-2021 $\times$ 1st–7th deciles	0.335** (0.158)
Δ #Informal employment per person $\times$ post-2021 $\times$ 1st–7th deciles	−0.245 (0.271)
Δ #Minimum wage employment per person $\times$ post-2021 $\times$ 1st–7th deciles	0.178 (0.142)
#Adult members $\times$ post-2021 $\times$ 1st–7th deciles	−0.080 (0.054)
#Informal employment per person ($t - 1$) $\times$ post-2021 $\times$ 1st–7th deciles	−0.425* (0.257)
Observations	40,198
R^2	0.172
Adjusted R^2	0.171

Notes: Homoskedastic standard errors are reported in parentheses. All specifications include origin decile fixed effects and baseline labor market controls. The model estimates heterogeneous effects across time (post-2021) and across the lower distribution (1st–7th deciles) using three-way interactions. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Full estimation results are presented in Table A6.

Table 3 reveals a striking hierarchy of coping mechanisms. The third row shows that job-to-job transitions (coefficient: 0.335 (0.158)) are associated with more upward income mobility (or less downward mobility) for lower- and middle-income households during the 2022–2023 inflation, indicating that changing jobs allowed workers to realign wages and partially protect their relative position amid rapid inflation. Indeed, job-to-job transitions can allow workers to reset their wages, while incumbent employees are more likely to experience wage stickiness (Autor et al., 2023).

In contrast, informal employment is associated economically significant rank penalty (−0.425(0.257)). The most plausible explanation is that informal workers are more likely to lack formal bargaining power and indexation mechanisms. This is probably what leaves informal workers fully exposed to the inflation tax.

Among households primarily dependent on labor income, each additional month of employment per household member is associated with a 0.013-decile increase in their ranking from year t to $t - 1$. In other words, households that expand their labor supply are more likely to move upward—or avoid downward movement or face greater decile changes—within the overall income distribution, a small and imprecise effect.¹⁹ Increasing working hours per household member (second row) is also associated with more upward rank mobility (or less downward rank mobility), but the effect is smaller and statistically insignificant, suggesting that expanding hours offered no or only limited protection against relative position losses.

For households at the lower end of the income distribution, increases in minimum-wage employment within the household have large but imprecise positive effects on mobility, accounting for the change in the number of

¹⁹Deciles are measured across all households before restricting the sample to labor-dependent households.

months worked and hours per household member. There is no conclusive evidence suggesting that minimum-wage employment offers protection against relative position losses during the runaway inflation.

4 Conclusion and policy implications

How does a monetary policy shock that leads to runaway inflation reshape the income distribution? Which households gain or lose in relative terms? In this paper, we seek to answer these questions in the context of the so-called “New Turkey Model,” a policy experiment that kept domestic interest rates low despite rising global rates. We use individual-level panel data that allow us to classify households into social classes based on their permanent income sources, decompose income changes into intensive and extensive margins, and model relative income mobility. Our analysis of the policy shows that, while framed as a strategy to boost employment and exports, it effectively functioned as a mechanism of regressive redistribution and created a clear hierarchy of winners and losers.

The relative losers of this experiment were households that relied on fixed incomes. Pensioners and transfer-dependent households faced significant downward mobility. This confirms, once again, that in the absence of high-frequency indexation, those outside the active labor market suffer the most from the “inflation tax.” On the other hand, households with business and entrepreneurial income improved their relative position when runaway inflation hit for the first time. The observed pattern is consistent with a relative shift of resources from those with fixed income to capital owners.

For households that relied on labor income, defensive adaptation was the dominant strategy. We first identify a “minimum wage paradox”: although minimum wage hikes were aggressive even in real terms, labor-dependent households that relied on minimum-wage income still experienced a worsening in their relative position as a result of high inflation. The households that showed resilience were those able to change jobs. This suggests that in high-inflation environments, labor market flexibility becomes a necessity for the poor, while staying in the same job becomes a liability.

These findings offer lessons for non-rich countries facing similar trade-offs between reducing inflation and promoting growth through expansionary monetary policy. First, the collapse of pensioner mobility underscores that annual or semi-annual adjustments are insufficient during high-inflation episodes. Social protection systems must incorporate automatic, high-frequency indexation mechanisms to prevent the rapid erosion of fixed-income standards of living. Second, the inability of minimum wage employment to buffer relative rank suggests that relying solely on nominal wage hikes is an ineffective tool for equity during runaway inflation. Third, the relative divergence between business owners and wage earners implies that broad credit expansion is a blunt instrument that deepens inequality. Stabilization programs should prioritize targeted cash transfers to the “losers” (pensioners, fixed-income households) rather than generalized credit subsidies that disproportionately benefit the “winners” (business owners).

Despite providing new evidence on the distributional impact of inflation, our study has certain limitations that open avenues for future research. First, our analysis is confined to the short-to-medium term (a four-year panel surrounding a single inflationary episode); the longer-run consequences could be explored as further data become available. Second, we focus on income-based mobility and do not capture non-income dimensions of welfare (such as wealth changes, debt burdens, or access to public services) that high inflation might also affect. Third, we exploit variation across six social groups over twelve years, which may be insufficient to obtain precise estimates. Finally, while we identify associations between specific household responses (e.g., increased work effort or job changes) and relative mobility outcomes, establishing causality for these relationships was beyond our scope—future studies might employ causal inference techniques or natural experiments to pin down cause-and-effect dynamics.

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Statements and Declarations

None

Credit authorship contribution statement

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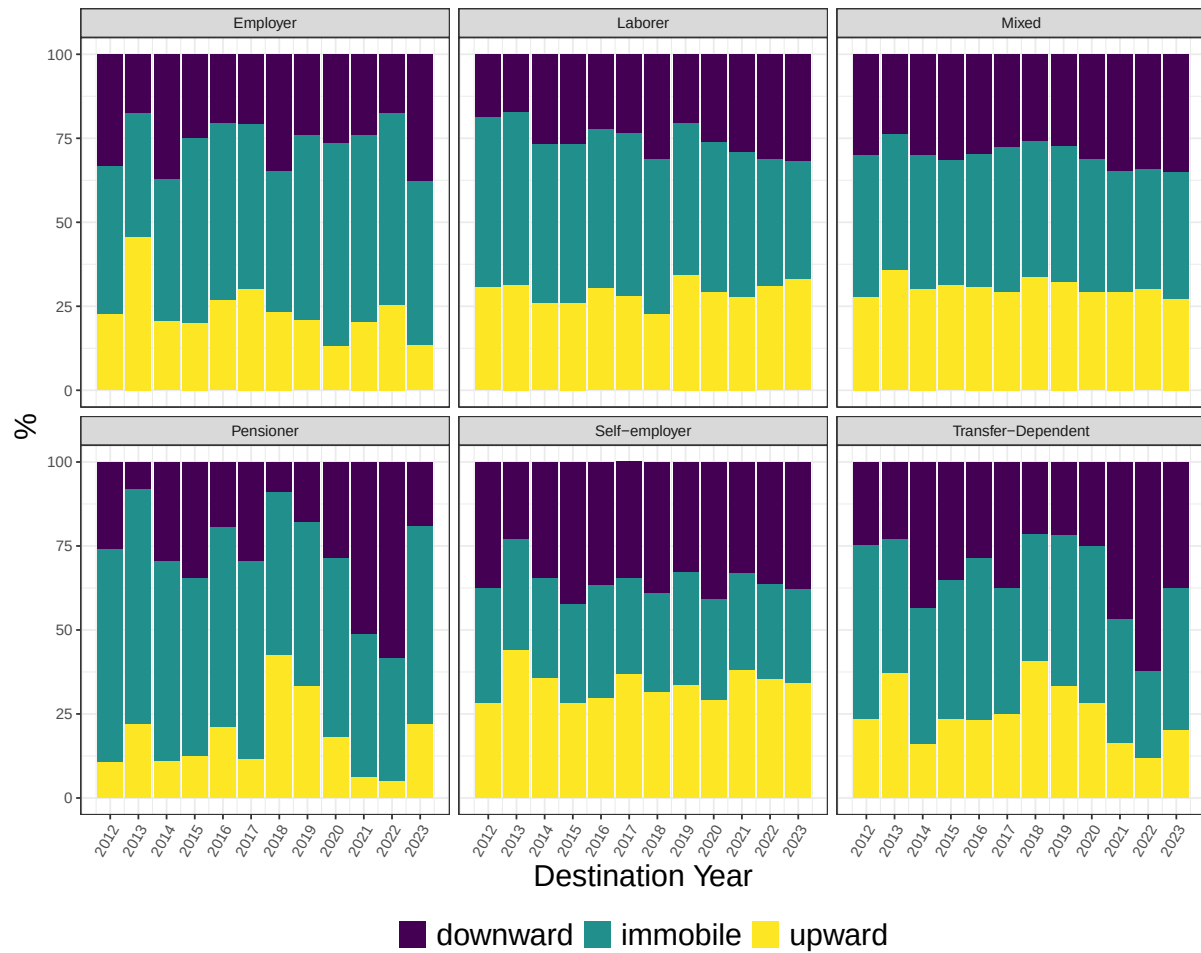
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Supplementary Files

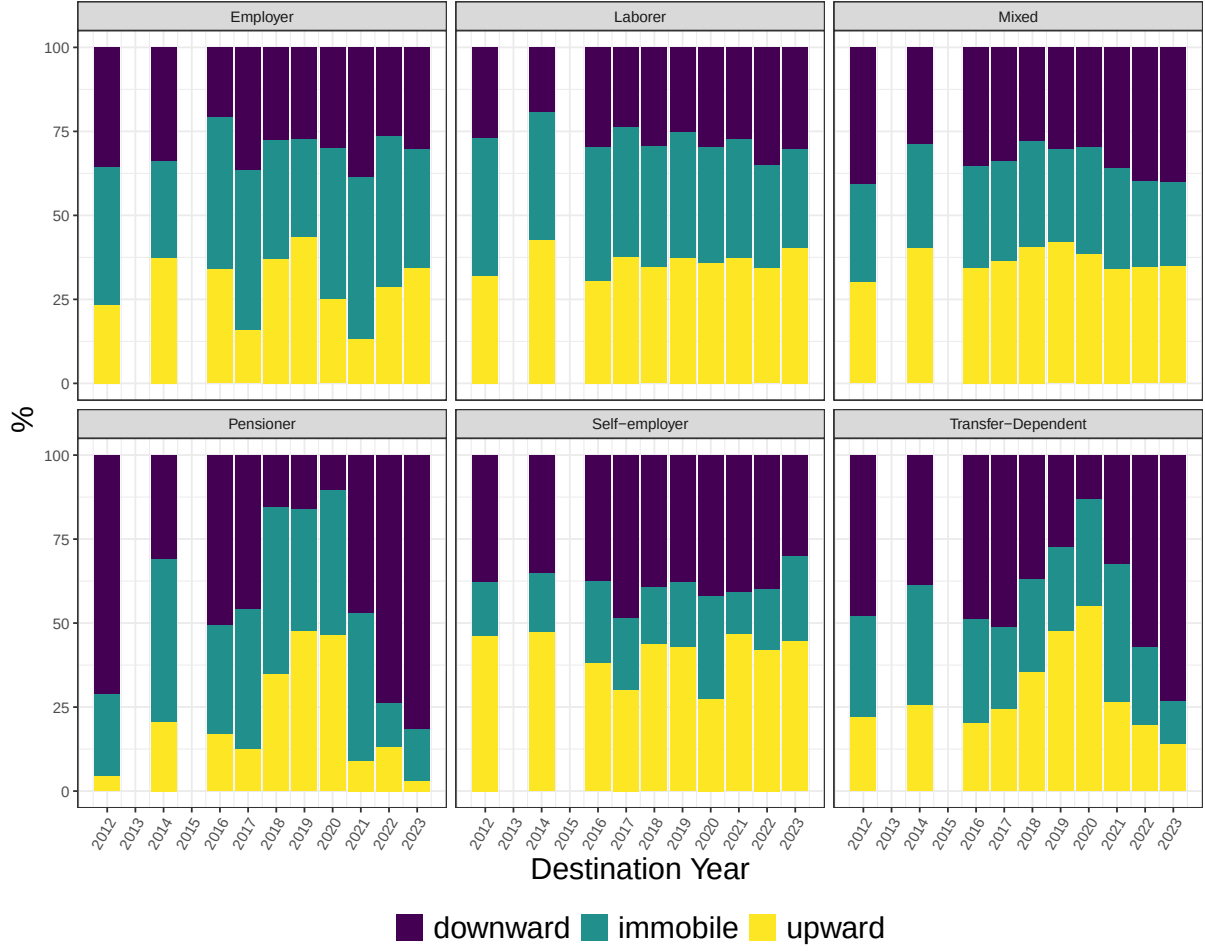
Figures

Figure A1: 2-Year Income Mobility by Social Class, $\theta = 80\%$



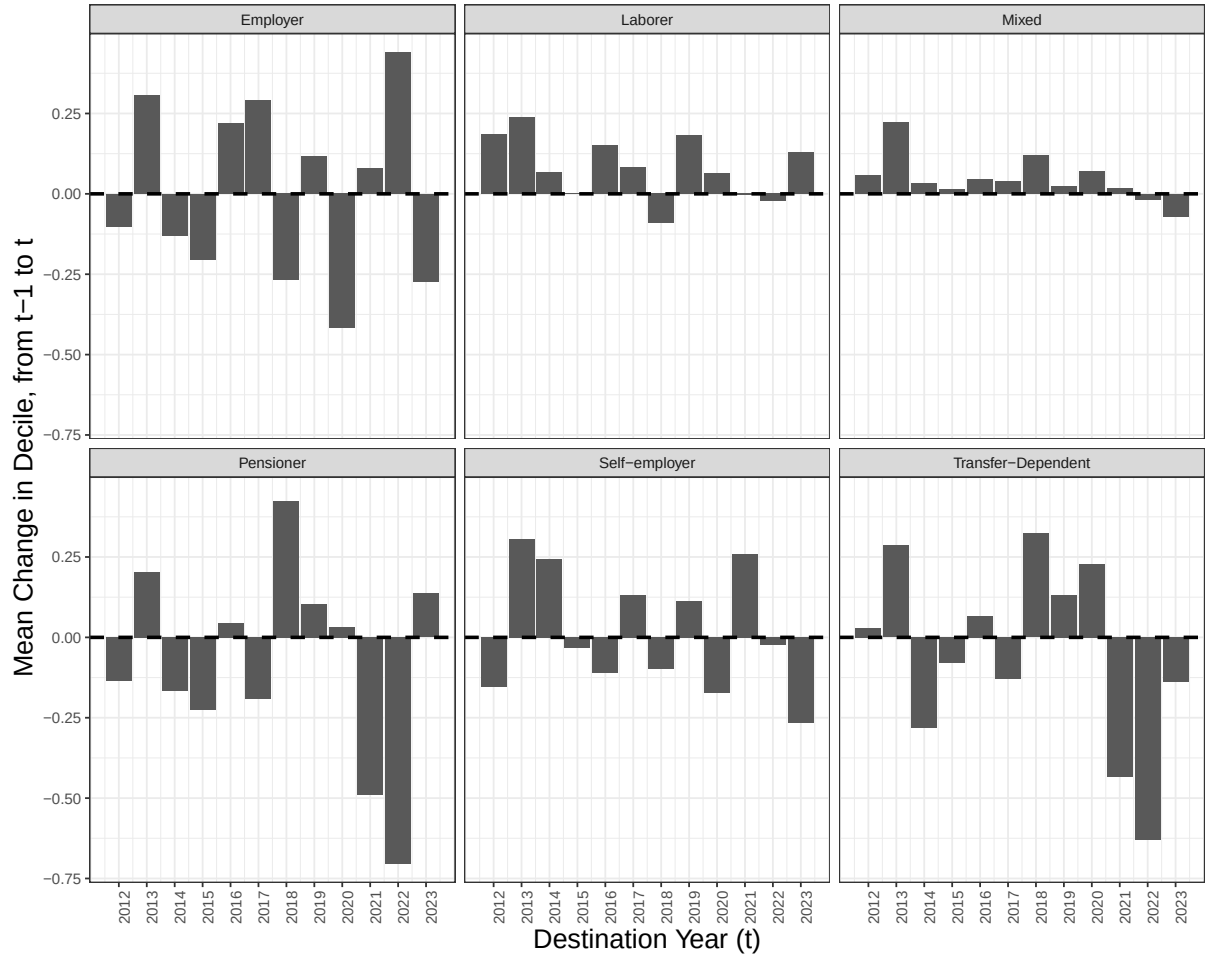
Note: The figure displays the distribution of equal-split income decile mobility from origin year $t - 1$ to destination year t across different social classes defined in Section 2.4 (excluding "Financier" and "Rentier" due to their small sample sizes). The y-axis shows the average change in deciles. θ is 80%.

Figure A2: 4-Year Income Mobility by Social Class, $\theta = 80\%$



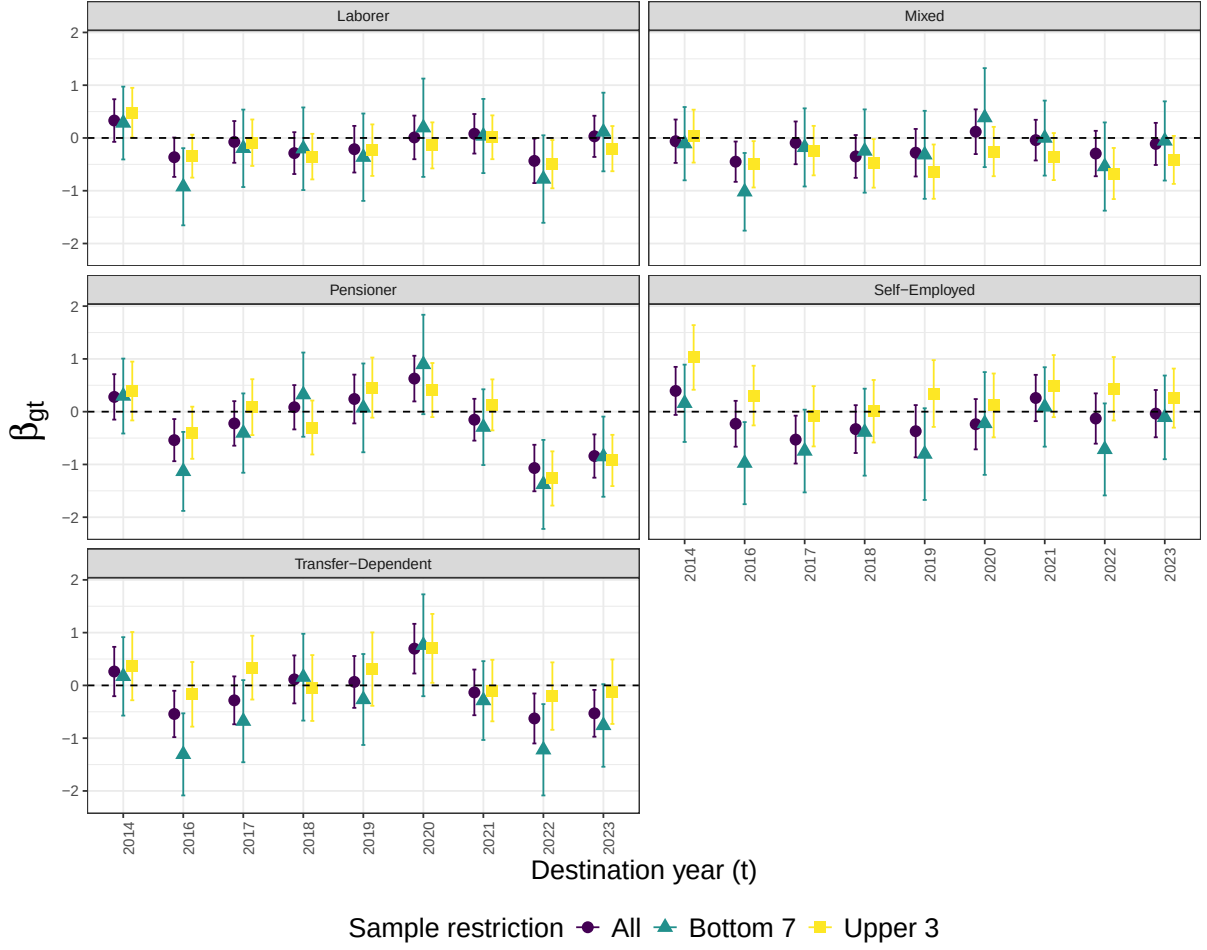
Note: The figure displays the distribution of equal-split income decile mobility from origin year $t - 3$ to destination year t across different social classes defined in Section 2.4 (excluding "Financier" and "Rentier" due to their small sample sizes). The y-axis shows the average change in deciles. θ is 80%.

Figure A3: 2-Year Mean Change in Decile by Social Class, $\theta = 80\%$



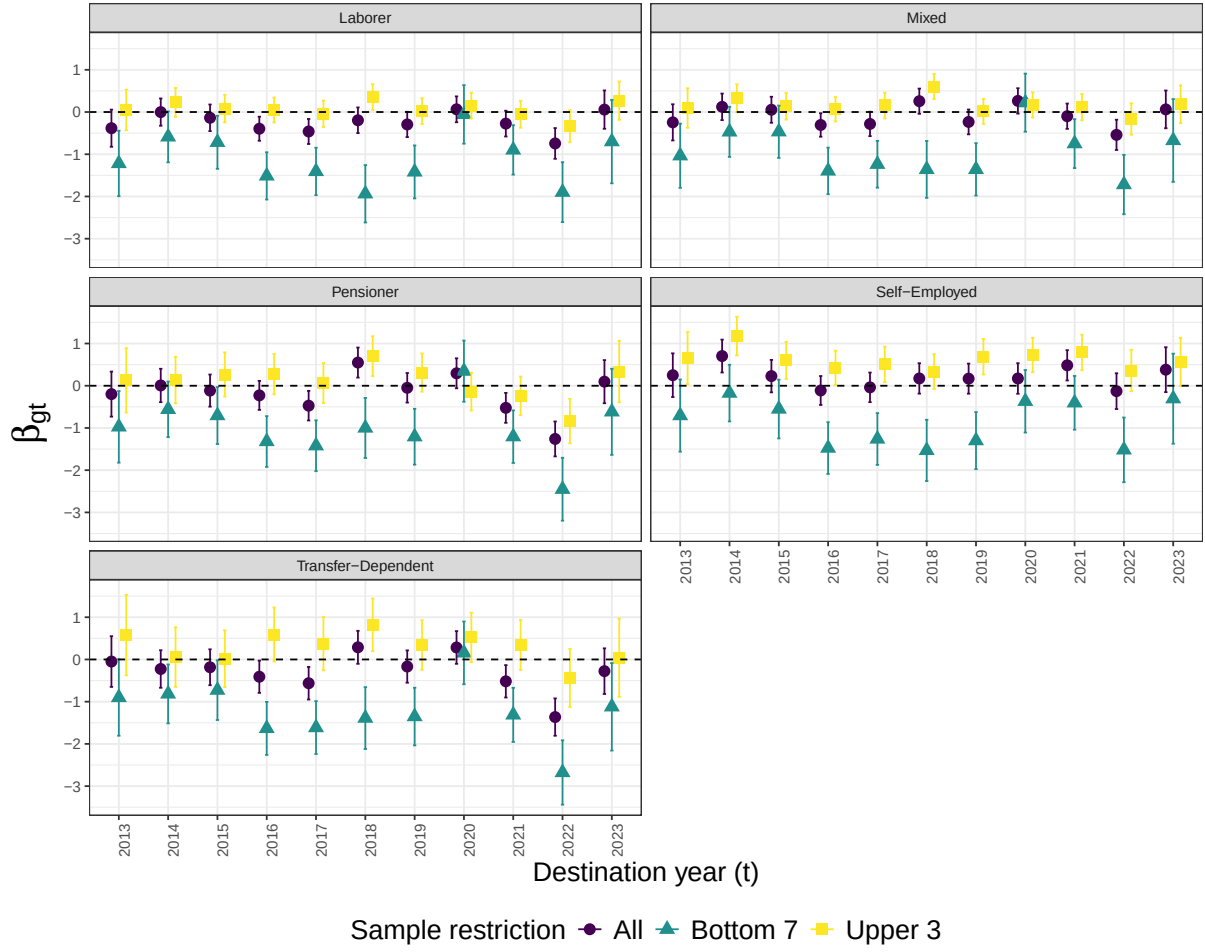
Note: The figure displays the distribution of equal-split income decile mobility from origin year $t - 1$ to destination year t across different social classes defined in Section 2.4 (excluding "Financier" and "Rentier" due to their small sample sizes). The y-axis shows the average change in deciles. θ is 80%.

Figure A4: 4-Year Relative Positional Changes of Social Classes, from $t - 3$ to t



Note: The figure displays the estimated coefficients for the interaction terms β_{gt} from the model defined in equation 2. The baseline destination year is 2012, and the employer group serves as the reference group. For the sample restriction "All", the intercept α , i.e., expected rank change from 2011 to 2012 for the employers, is estimated to be 2.05, controlling for the origin decile. The model has a residual standard error of 63.89, a multiple R-squared of 0.183, and an adjusted R-squared of 0.182. The F-statistic is 160.3467 with 48,371 degrees of freedom. Vertical bars indicate the 95% confidence intervals.

Figure A5: 2-Year Relative Positional Changes of Social Classes, $\theta = 80\%$



Note: The figure displays the estimated coefficients for the interaction terms β_{gt} from the model defined in equation 2. The baseline destination year is 2012, and the employer group serves as the reference group. For the sample restriction "All", the intercept α , i.e., expected rank change from 2011 to 2012 for the employers, is estimated to be 1.25, controlling for the origin decile. The model has a residual standard error of 48.58, a multiple R-squared of 0.102, and an adjusted R-squared of 0.101. The F-statistic is 200.4389 with 140,625 degrees of freedom. Vertical bars indicate the 95% confidence intervals.

Table A1: Income Mobility Shares by Class and Year

	Year	Mobility states		
		Downward	Immobile	Upward
Employer	2012	32.3	42.6	25.2
	2013	13.8	51.1	35.1
	2014	34.9	45.3	19.8
	2015	21.3	52.7	26.0
	2016	20.7	55.7	23.6
	2017	19.1	55.1	25.9
	2018	26.4	51.2	22.5
	2019	19.2	57.8	22.9
	2020	27.5	55.4	17.1
	2021	20.6	52.6	26.7
	2022	21.8	57.1	21.1
	2023	34.9	55.4	9.7
Laborer	2012	23.6	46.4	30.0
	2013	19.6	44.4	36.0
	2014	28.2	43.3	28.5
	2015	27.2	44.2	28.5
	2016	24.6	43.9	31.5
	2017	24.4	46.7	28.9
	2018	29.7	43.7	26.6
	2019	23.3	42.2	34.5
	2020	27.8	42.5	29.7
	2021	30.5	39.6	29.9
	2022	30.6	37.2	32.2
	2023	31.6	34.5	33.8
Mixed	2012	28.8	42.2	29.1
	2013	25.3	40.1	34.5
	2014	28.7	39.9	31.4
	2015	32.7	33.9	33.4
	2016	29.8	37.5	32.7
	2017	28.6	40.1	31.3
	2018	28.6	38.5	32.9
	2019	28.5	40.3	31.2
	2020	30.9	37.9	31.2
	2021	32.0	34.8	33.2
	2022	32.6	33.7	33.7
	2023	38.3	36.1	25.5
Pensioner	2012	32.4	49.8	17.8
	2013	22.9	50.1	27.0
	2014	33.7	45.8	20.5
	2015	35.1	43.6	21.3
	2016	28.8	48.5	22.7
	2017	28.4	51.7	19.9
	2018	14.9	45.2	39.8
	2019	25.2	42.5	32.3
	2020	32.3	45.2	22.5
	2021	48.6	40.4	11.0
	2022	48.7	38.3	13.0
	2023	27.0	49.9	23.1
Self-employer	2012	37.6	30.0	32.4
	2013	25.1	28.9	46.0
	2014	30.6	29.9	39.5
	2015	37.4	28.1	34.5
	2016	36.9	29.8	33.3
	2017	34.1	29.9	36.0
	2018	32.6	34.2	33.2
	2019	31.5	35.5	33.0
	2020	36.8	31.6	31.7
	2021	31.5	30.8	37.7
	2022	38.1	27.1	34.8
	2023	44.6	27.7	27.7
Transfer-Dependent	2012	29.2	45.5	25.4
	2013	21.8	49.1	29.1
	2014	32.7	45.5	21.8
	2015	33.5	43.6	23.0
	2016	28.9	45.4	25.7
	2017	30.5	46.1	23.4
	2018	20.5	40.3	39.2
	2019	23.8	44.2	32.0
	2020	27.6	45.7	26.7
	2021	46.6	33.0	20.4
	2022	42.2	35.7	22.1
	2023	36.5	46.0	17.5

Notes: Shares are expressed in percent. Mobility categories are defined based on upward and downward transitions over a two-year window.

Table A2: Summary Statistics

Variable	N	Mean	St. Dev.	Min	Max
<i>Panel A: All Two-Year Transitions of Unique Households</i>					
$\Delta rank$	141,186	0.040	1.634	−9	9
Pensioner	140,757	0.158	0.365	0	1
Laborer	140,757	0.425	0.494	0	1
Employer	140,757	0.026	0.160	0	1
Self-employer	140,757	0.080	0.271	0	1
Transfer-dependent	140,757	0.081	0.273	0	1
Financier	140,757	0.001	0.024	0	1
Rentier	140,757	0.002	0.050	0	1
<i>Panel B: Two-Year Transitions of Unique Laborer Households</i>					
$\Delta rank$	40,198	0.051	1.448	−9	9
Δ #Minimum wage employment per person	40,198	0.0002	0.279	−1.000	1.000
Δ #Job-to-job transitions per person	40,198	−0.004	0.244	−1.000	1.000
Δ #Informal employment per person	40,198	−0.005	0.199	−1.000	1.000
Δ #Months worked per person	40,198	−0.015	2.822	−12.000	12.000
Δ #Working hours per person	40,198	−0.786	13.009	−99.000	99.000
#Informal employment per person ($t - 1$)	40,198	0.096	0.218	0.000	1.000
#Minimum wage employment per person ($t - 1$)	40,198	0.184	0.277	0.000	1.000

Notes: Panel A reports summary statistics for all two-year household transitions used in the social class analysis. Panel B reports summary statistics for the labor market adjustment sample used in the mobility regressions.

Table A3: Year $\times$ Class Interaction Effects on Δ Rank

	Laborer	Mixed	Pensioner	Self-employer	Transfer-Dep.
<i>Panel A: Full sample, $N = 140,330$</i>					
2013	-0.204 (0.153)	-0.304* (0.156)	-0.180 (0.163)	0.034 (0.172)	-0.047 (0.176)
2014	0.133 (0.113)	0.099 (0.115)	0.073 (0.120)	0.535*** (0.129)	0.110 (0.132)
2015	-0.201* (0.112)	-0.185 (0.115)	-0.272** (0.120)	0.023 (0.129)	-0.253* (0.130)
2016	-0.218** (0.099)	-0.269*** (0.102)	-0.261** (0.106)	-0.146 (0.114)	-0.236** (0.115)
2017	-0.262** (0.104)	-0.184* (0.106)	-0.329*** (0.110)	-0.122 (0.118)	-0.274** (0.119)
2018	-0.191* (0.105)	-0.066 (0.107)	0.318*** (0.111)	0.003 (0.119)	0.292** (0.120)
2019	-0.203** (0.103)	-0.294*** (0.105)	-0.173 (0.109)	-0.010 (0.118)	-0.174 (0.118)
2020	0.057 (0.102)	0.153 (0.104)	0.236** (0.108)	0.082 (0.117)	0.287** (0.117)
2021	-0.324*** (0.101)	-0.208** (0.103)	-0.648*** (0.106)	0.209* (0.115)	-0.447*** (0.115)
2022	-0.254** (0.117)	-0.127 (0.120)	-0.749*** (0.123)	0.004 (0.134)	-0.510*** (0.133)
2023	0.262* (0.147)	0.105 (0.151)	0.171 (0.155)	0.236 (0.169)	-0.054 (0.167)
<i>Panel B: Upper two deciles, $N = 41,560$</i>					
2013	0.016 (0.166)	-0.281 (0.178)	-0.036 (0.199)	0.554*** (0.213)	0.772*** (0.240)
2014	0.087 (0.120)	-0.102 (0.128)	-0.068 (0.145)	0.786*** (0.157)	0.560*** (0.176)
2015	-0.131 (0.119)	-0.292** (0.127)	-0.234 (0.145)	0.179 (0.154)	0.246 (0.174)
2016	-0.141 (0.105)	-0.330*** (0.112)	-0.196 (0.128)	0.240* (0.138)	0.354** (0.156)
2017	-0.126 (0.109)	-0.109 (0.116)	-0.040 (0.132)	0.277* (0.142)	0.553*** (0.160)
2018	-0.018 (0.108)	-0.073 (0.115)	0.163 (0.129)	0.242* (0.142)	0.706*** (0.155)
2019	-0.229** (0.108)	-0.394*** (0.115)	-0.219* (0.126)	0.280* (0.143)	0.119 (0.151)
2020	0.029 (0.106)	-0.078 (0.113)	-0.148 (0.123)	0.350** (0.140)	0.552*** (0.151)
2021	-0.303*** (0.106)	-0.227** (0.113)	-0.483*** (0.124)	0.458*** (0.139)	0.226 (0.153)
2022	-0.328*** (0.121)	-0.252** (0.128)	-0.683*** (0.142)	0.150 (0.153)	0.145 (0.179)
2023	0.072 (0.148)	-0.146 (0.157)	-0.126 (0.187)	0.267 (0.186)	0.469** (0.230)
<i>Panel C: Lower seven deciles, $N = 98,774$</i>					
2013	-0.698** (0.273)	-0.735*** (0.275)	-0.651** (0.280)	-0.617** (0.290)	-0.753*** (0.291)
2014	0.074 (0.216)	0.091 (0.217)	0.041 (0.221)	0.326 (0.229)	-0.134 (0.230)
2015	-0.521** (0.212)	-0.437** (0.214)	-0.580*** (0.217)	-0.310 (0.227)	-0.740*** (0.225)
2016	-0.612*** (0.193)	-0.612*** (0.194)	-0.642*** (0.197)	-0.687*** (0.205)	-0.818*** (0.204)
2017	-0.769*** (0.200)	-0.667*** (0.201)	-0.854*** (0.204)	-0.765*** (0.211)	-0.999*** (0.210)
2018	-0.977*** (0.227)	-0.763*** (0.229)	-0.337 (0.231)	-0.822*** (0.238)	-0.582** (0.237)
2019	-0.471** (0.201)	-0.551*** (0.203)	-0.464** (0.205)	-0.461** (0.213)	-0.596*** (0.212)
2020	-0.060 (0.209)	0.118 (0.211)	0.232 (0.213)	-0.182 (0.221)	0.045 (0.220)
2021	-0.684*** (0.192)	-0.575*** (0.193)	-1.100*** (0.196)	-0.283 (0.204)	-1.061*** (0.203)
2022	-0.662*** (0.248)	-0.540** (0.249)	-1.231*** (0.251)	-0.471* (0.261)	-1.204*** (0.258)
2023	0.438 (0.348)	0.293 (0.350)	0.374 (0.352)	0.429 (0.367)	-0.136 (0.359)

Note: Cells: coefficient (SE). *p<0.1; **p<0.05; ***p<0.01. Baseline year = 2012; baseline class = Employer.

Table A4: Base Effects (Type, Year, Lagged Decile) on Δ Rank

	(1) Full	(2) Upper deciles	(3) Lower Deciles
<i>Panel A: Class — baseline = Employer</i>			
Laborer	−0.079 (0.064)	0.144** (0.069)	−0.329*** (0.119)
Mixed	−0.269*** (0.065)	−0.099 (0.073)	−0.470*** (0.119)
Pensioner	−0.383*** (0.069)	0.051 (0.083)	−0.671*** (0.122)
Self-employer	−0.392*** (0.073)	−0.831*** (0.087)	−0.322** (0.126)
Transfer-Dependent	−0.373*** (0.076)	−0.764*** (0.101)	−0.376*** (0.128)
<i>Panel B: Year — baseline = 2012</i>			
2013	0.346** (0.147)	0.069 (0.156)	0.874*** (0.268)
2014	−0.146 (0.108)	−0.176 (0.111)	−0.047 (0.212)
2015	0.163 (0.108)	0.026 (0.111)	0.519** (0.208)
2016	0.257*** (0.096)	0.121 (0.098)	0.684*** (0.189)
2017	0.278*** (0.100)	0.093 (0.103)	0.809*** (0.196)
2018	0.063 (0.101)	−0.086 (0.101)	0.829*** (0.224)
2019	0.240** (0.100)	0.135 (0.102)	0.587*** (0.198)
2020	−0.110 (0.099)	−0.127 (0.099)	0.034 (0.207)
2021	0.289*** (0.097)	0.124 (0.100)	0.735*** (0.189)
2022	0.251** (0.114)	0.133 (0.114)	0.774*** (0.245)
2023	−0.254* (0.143)	−0.198 (0.139)	−0.351 (0.345)
<i>Panel C: Lagged decile — baseline = decile 1</i>			
Decile 2	−0.335*** (0.019)	—	−0.315*** (0.020)
Decile 3	−0.605*** (0.019)	—	−0.580*** (0.020)
Decile 4	−0.832*** (0.019)	—	−0.809*** (0.020)
Decile 5	−1.049*** (0.019)	—	−1.032*** (0.020)
Decile 6	−1.251*** (0.019)	—	−1.235*** (0.020)
Decile 7	−1.419*** (0.019)	—	−1.405*** (0.020)
Decile 8	−1.549*** (0.019)	—	—
Decile 9	−1.550*** (0.019)	0.002 (0.015)	—
Decile 10	−1.504*** (0.019)	0.070*** (0.015)	—
Constant	1.285*** (0.063)	−0.352*** (0.065)	1.433*** (0.117)
Year × Type interactions	Yes	Yes	Yes
Observations	140,330	41,560	98,774
R ²	0.106	0.032	0.089
Adj. R ²	0.106	0.030	0.088
Residual SE	48.502 (df 140249)	42.054 (df 41486)	50.751 (df 98696)
F Statistic	208.413*** (80; 140249)	18.493*** (73; 41486)	124.643*** (77; 98696)

Note: Cells: coefficient (SE). *p<0.1; **p<0.05; ***p<0.01.

Year × Type interactions estimated jointly; reported in Table A3.

Table A5: Relative Income Mobility by Class: Full Coefficients Behind Table 1

	(3)	(4)	(5)	(6a)	(6)
(Intercept)	1.517*** (0.109)	1.416*** (0.029)		0.010 (0.097)	0.296** (0.089)
Laborer	-0.246* (0.112)	-0.217*** (0.026)		0.071 (0.100)	-0.187* (0.092)
Mixed	-0.501*** (0.114)	-0.381*** (0.027)		0.061 (0.103)	-0.344*** (0.094)
Pensioner	-0.096 (0.117)	-0.500*** (0.028)		-0.088 (0.106)	-0.459*** (0.097)
Self-employer	-0.411** (0.128)	-0.349*** (0.030)		0.047 (0.115)	-0.313** (0.106)
Transfer-Dependent	-0.151 (0.126)	-0.445*** (0.030)		-0.004 (0.114)	-0.403*** (0.105)
Log inflation	-0.013 (0.040)				
Origin decile 2	-0.378*** (0.020)	-0.339*** (0.019)			
Origin decile 3	-0.628*** (0.020)	-0.612*** (0.019)			
Origin decile 4	-0.891*** (0.020)	-0.837*** (0.019)			
Origin decile 5	-1.104*** (0.020)	-1.053*** (0.019)			
Origin decile 6	-1.290*** (0.019)	-1.257*** (0.019)			
Origin decile 7	-1.480*** (0.019)	-1.427*** (0.019)			
Origin decile 8	-1.600*** (0.019)	-1.556*** (0.019)			
Origin decile 9	-1.596*** (0.019)	-1.558*** (0.019)			
Origin decile 10	-1.573*** (0.019)	-1.511*** (0.019)			
Laborer $\times$ Log inflation	0.002 (0.041)				
Mixed $\times$ Log inflation	0.035 (0.042)				
Pensioner $\times$ Log inflation	-0.176*** (0.043)				
Self-employer $\times$ Log inflation	0.025 (0.047)				
Transfer-Dependent $\times$ Log inflation	-0.133** (0.046)				
Post-2021		-0.052 (0.081)		-0.063 (0.313)	-0.060 (0.287)
Laborer $\times$ Post-2021		0.067 (0.083)	-0.017 (0.083)	0.052 (0.321)	0.074 (0.295)
Mixed $\times$ Post-2021		0.068 (0.085)	0.048 (0.085)	0.039 (0.329)	0.073 (0.302)
Pensioner $\times$ Post-2021		-0.312*** (0.087)	-0.973*** (0.087)	-0.195 (0.336)	-0.300 (0.308)
Self-employer $\times$ Post-2021		0.047 (0.096)	0.018 (0.095)	-0.012 (0.369)	0.047 (0.338)
Transfer-Dependent $\times$ Post-2021		-0.277** (0.093)	-0.560*** (0.092)	-0.213 (0.359)	-0.267 (0.329)
Observations	133210	140330	179155	72	72
R ²	0.104	0.101	0.856	0.301	0.608
Household fixed effects			X		
Year fixed effects			X		

The models of Table 1. Homoskedastic standard errors in parentheses. + p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001.

Table A6: Labor Market Adjustment of Laborer Households: Full Coefficients
behind Table 3

	Δ Decile
Intercept	1.452*** (0.045)
Origin decile 2	-0.283*** (0.038)
Origin decile 3	-0.656*** (0.037)
Origin decile 4	-0.782*** (0.037)
Origin decile 5	-1.012*** (0.037)
Origin decile 6	-1.224*** (0.036)
Origin decile 7	-1.356*** (0.036)
Origin decile 8	-1.404*** (0.067)
Origin decile 9	-1.429*** (0.065)
Origin decile 10	-1.428*** (0.062)
Δ Months worked	0.030*** (0.005)
Post-2021	-0.154+ (0.092)
Δ Job-to-job move	-0.052 (0.053)
Δ Informality	-0.752*** (0.101)
Δ Around minimum wage	-0.345*** (0.056)
Household size	-0.097*** (0.021)
Around minimum wage ($t - 1$)	-0.207*** (0.054)
Informality ($t - 1$)	-1.002*** (0.088)

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Table A6: Labor Market Adjustment of Laborer Households: Full Coefficients
behind Table 3 (Continued)

	Δ Decile
Δ Weekly hours	0.016*** (0.001)
Δ Months worked $\times$ Post-2021	0.011 (0.012)
Δ Months worked $\times$ Bottom 7 deciles	0.063*** (0.006)
Post-2021 $\times$ Bottom 7 deciles	0.387** (0.121)
Post-2021 $\times$ Δ Job-to-job move	0.028 (0.125)
Bottom 7 deciles $\times$ Δ Job-to-job move	0.101 (0.065)
Post-2021 $\times$ Δ Informality	0.236 (0.241)
Bottom 7 deciles $\times$ Δ Informality	0.080 (0.112)
Post-2021 $\times$ Δ Around minimum wage	-0.280* (0.113)
Bottom 7 deciles $\times$ Δ Around minimum wage	0.436*** (0.068)
Post-2021 $\times$ Household size	0.023 (0.045)
Bottom 7 deciles $\times$ Household size	-0.057* (0.024)
Post-2021 $\times$ Around minimum wage ($t - 1$)	-0.079 (0.118)
Bottom 7 deciles $\times$ Around minimum wage ($t - 1$)	0.350*** (0.067)
Post-2021 $\times$ Informality ($t - 1$)	0.312 (0.232)
Bottom 7 deciles $\times$ Informality ($t - 1$)	0.553*** (0.099)
Post-2021 $\times$ Δ Weekly hours	-0.005+ (0.003)
Bottom 7 deciles $\times$ Δ Weekly hours	0.006*** (0.001)

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Table A6: Labor Market Adjustment of Laborer Households: Full Coefficients
behind Table 3 (Continued)

	Δ Decile
Δ Months worked $\times$ Post-2021 $\times$ Bottom 7 deciles	0.013 (0.015)
Post-2021 $\times$ Bottom 7 deciles $\times$ Δ Job-to-job move	0.335* (0.158)
Post-2021 $\times$ Bottom 7 deciles $\times$ Δ Informality	-0.245 (0.271)
Post-2021 $\times$ Bottom 7 deciles $\times$ Δ Around minimum wage	0.178 (0.142)
Post-2021 $\times$ Bottom 7 deciles $\times$ Household size	-0.080 (0.054)
Post-2021 $\times$ Bottom 7 deciles $\times$ Around minimum wage ($t - 1$)	0.018 (0.152)
Post-2021 $\times$ Bottom 7 deciles $\times$ Informality ($t - 1$)	-0.425+ (0.257)
Post-2021 $\times$ Bottom 7 deciles $\times$ Δ Weekly hours	0.003 (0.004)
Observations	40198
R^2	0.172
Adjusted R^2	0.171
RMSE	1.321

Notes: The model of Table 3, printed in full. Homoskedastic standard errors in parentheses. + $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.