

ISID

Institute for Studies in Industrial Development

An institution of Indian Council of Social Science Research (Ministry of Education)

Policy Research to Foster India's Industrial Transformation

282

WORKING PAPER

**Looking through Employment Elasticities:
A study of the organised
manufacturing sector in India**

Sangeeta Ghosh

March 2024

**Looking Through Employment Elasticities:
A Study of the Organised Manufacturing Sector in India**

Sangeeta Ghosh

ISID **Institute for Studies in Industrial Development**
An institution of Indian Council of Social Science Research (Ministry of Education)

4 Vasant Kunj Institutional Area, New Delhi – 110 070

Phone: +91 11 3510 4511 | *E-mail:* info@isid.org.in | *Website:* <https://isid.org.in>

March 2024

ISID Working Papers are meant to disseminate the tentative results and findings obtained from the ongoing research activities at the Institute and to attract comments and suggestions which may kindly be addressed to the author.

Looking Through Employment Elasticities: A Study of the Organised Manufacturing Sector in India

Sangeeta Ghosh *

[Abstract: The organised manufacturing sector in India has been a sector that has failed to generate employment growth through the 1980s and 1990s well into the beginning of 2000s. This is well documented in literature as decades of “job-less growth” with employment elasticities close to zero. New evidence from the Annual Survey of Industries reveals that the pattern of employment growth from the mid-2000s has finally tuned to register employment elasticities of above 0.5 for many of the 55 3-digit sectors under study to bring the average to above 0.5 as well. While certain sectors had registered higher employment elasticities even in the 1980s and 1990s, this kind of overall positive employment elasticity that is witnessed for the organised sector for the last 15 years is unprecedented. We comment on the loci of new employment growth, the quality of employment generated and enquire into its relations to labour intensities and manufacturing composition. We see that positive employment elasticities registered in the last 15 years is not in contradiction to increased capital intensities. This fall in labour intensity is seen to be true for across all sectors, including labour-intensive sectors as well as low technology-intensive sectors. We note that the fall in labour intensities have not been as rapid as seen in earlier years and that for many sectors labour intensities seemed to have reached a floor in recent years. The study shows that the new employment growth, however, has been largely on account of contractual workers, with over 40% of the new employment created being that of contract workers between 2008 and 2017-18. This points towards intensified trends towards increasing informalization in the organised manufacturing sector, a sector that otherwise has the potential to offer better and more decent employment conditions.]

Keywords: *Employment; employment elasticity; employment growth; organised manufacturing; contract workers.*

JEL Classification: J21

* Assistant Professor, Institute for Studies in Industrial Development (ISID), 4, Institutional Area, Vasant Kunj, Phase II, New Delhi – 110070. Mobile: +91 98338 31068.

*For the complete working paper, please contact the author at sangeeta.ghosh.jnu@gmail.com;
sangeeta@isid.org.in*

List of ISID Working Papers

- 281 Role of Clusters in the Growth of MSMEs: A Case Study of Moradabad Metal Craft Cluster, *Ajit Jha and Surya Tewari*, March 2024
- 280 Impact of Pandemic on Firm Performance in India across Size and Sectors: A Study Based on Formal Enterprises, *Akhilesh Kumar Sharma and Vanshika Jain*, February 2024
- 279 Exploring the Changing Dynamics in Indian Toy Sector: Challenges and Way Forward, *Ramaa Arun Kumar and Kanishk Rohilla*, February 2024
- 278 Evaluating Performance of ODOP and Its Role in Industrial Development of Uttar Pradesh, *Surya Tewari and Ajit Jha*, February 2024
- 277 Technological change and productivity growth in Indian electronics industry, *Sanjaya Kumar Malik*, January 2024
- 276 Trade Liberalisation, Export Margins, and International Competitiveness in the Indian Manufacturing Sector, *R Rijesh*, January 2024
- 275 Harnessing the Potential of Sustainable Industrialization in South Asia: Some Policy Lessons for Advancing SDG-9, *Nagesh Kumar & Shiladitya Chatterjee*, December 2023
- 274 Changing Household Consumption of Services: Redefining the Boundaries of Discretionary and Non-discretionary Expenditures, *Satyaki Roy & Veerpal Kaur*, December 2023
- 273 Understanding Firm's Transition, Entry, and Exit across Size, Sectors, and Age in India, *Akhilesh Kumar Sharma*, November 2023
- 272 Financial Liberalization and Saving in India: An Empirical Analysis, *Santosh Kumar Das*, November 2023
- 271 Pre-mature Servicification of Consumption Demand and India's Service-led Growth, *Satyaki Roy*, October 2023
- 270 Manufacturing-led Transformation for Realizing India's Development Aspirations in the Context of a Fractured Trading System: Challenges, Opportunities, and Strategic Interventions, *Nagesh Kumar*, October 2023
- 269 Determinants of Energy Intensity: Evidence from India's Iron and Steel Firms, *Anjali Tandon*, September 2023
- 268 Manufacturing Productivity in Indian States: The Role of Infrastructure, Agglomeration, and Exports, *Mahua Paul & Smruti Ranjan Sahoo*, September 2023
- 267 FDI, International Trade and Global Value Chains (GVCs): Trends and Patterns in India's GVC Participation, *Isha Chawla & Nagesh Kumar*, March 2023
- 266 R&D behaviour of Indian Firms: A Case of High-tech Manufacturing, *K Seenaiah*, March 2023
- 265 Impact of Import Liberalisation on Employment in Manufacturing Industries in India, *Ramaa Arun Kumar*, March 2023
- 264 Public Sector Performance in India and the Ongoing Contestation between Efficiency and Equity, *Satyaki Roy & Santosh Kumar Das*, March 2023
- 263 Trade, Structural Change, and Productivity Growth in the Indian Manufacturing Sector, *R Rijesh*, February 2023
- 262 Adoption of Industry 4.0 Technologies in India's Start-up Ecosystem, *Sanjaya Kumar Malik*, February 2023

* Most of the working papers are downloadable from the institute's website: <https://isid.org.in/>

The **Institute for Studies in Industrial Development (ISID)** is a public-funded, non-profit, autonomous institution dedicated to conducting policy research, advocacy, capacity-building, and outreach activities to foster the industrial transformation of India.

Registered on October 7, 1986, under the Indian Societies Registration Act 1860, ISID in 1988, became one of the institutions that are supported by the Indian Council of Social Science Research (ICSSR), (Government of India), through grants-in-aid. Since 2006, the Institute operates from its own well-appointed campus located in the Vasant Kunj Institutional Area in South Delhi.

The research themes and key projects are classified under following broad thematic areas:

- o Industrial Structure, Performance, and Policies
- o Corporate Governance and Industrial Financing
- o Leveraging MSMEs and Start-ups for Industrial Transformation
- o Globalization, FDI, and Trade
- o Technology, Innovation and Industry 4.0
- o Green Industrialization Strategy
- o Employment and Labour Markets
- o Spatial Dimensions of Industrial Development and Industrial Infrastructure
- o Sectoral Studies on Competitiveness of Indian Manufacturing

ISID is recognized as a Scientific and Industrial Research Organization (SIRO) by the Government of India. It is also listed on DARPAN portal of NITI Aayog (India's Planning Agency) as a recognized think-tank. It is also a member of the Asia-Pacific Research Network on Trade (ARTNet) and the South Asia Network on SDGs (SANS) of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). ISID's Databases and e-resources are accessed by the academic community across the country through the Information and Library Network (INFLIBNET) Centre of the University Grant Commission (UGC).

ISID **Institute for Studies in Industrial Development**
An institution of Indian Council of Social Science Research (Ministry of Education)

Policy Research to Foster India's Industrial Transformation

4 Vasant Kunj Institutional Area, New Delhi - 110070, India

Phone: +91 11 3510 4511 | E-mail: info@isid.org.in | Website: <https://isid.org.in>