

EMPLOYMENT AND PRODUCTIVITY IN INDIAN INDUSTRIES—SOME QUESTIONS OF THEORY AND POLICY*

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1. *Introduction*

1.0 As part of the process of planning, major goals of economic and political policy have been discussed continuously during the past 15 years. An issue that has become increasingly important is the possibility of conflict between two aims, namely, higher employment and higher output. Once one introduces time element in the discussion, this conflict becomes quite apparent. Thus, for maximizing long-run output, a capital intensive technology is considered to be more productive. However, to maximize employment in the short run, a labour intensive technique seems to be superior. Maximization in the long run may not necessarily imply maximization in the short run, or *vice versa*. The government therefore has been involved in the question: how much to invest between small and large-scale industry? The debate, both at government and at public levels, has been very much preoccupied with national aggregates. A more meaningful policy, obviously, would have to be discussed, and certainly aimed, at a much disaggregated level. A sensible disaggregation would involve the breaking-up of the industrial sector between different industries. Since actual investment has to be made at the industry level, policy needs to be discussed at this level.

1.1 Once one discusses issues at the industry level, many other features become visible and acquire necessary importance. One important feature is the market for the product of different industries. As one introduces market in the analysis, market imperfections, price

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