

Input-Output Linkages across Sectors and Employment Challenge in Indian Economy

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While Indian economy has performed well in terms of growth, especially during the last decade, employment generation for the population has remained a major challenge. This is particularly so, as several growth generating sectors (especially belonging to the services sector) are mostly capital-intensive and not labour-intensive. To identify the employment generating sectors within an economy, a linkage based analysis is useful as it shows the creation of employment within the sector concerned as well as in the related sectors through its direct and indirect linkages. This paper attempts to identify the employment generating sectors in terms of their employment linkages in the Input-Output framework for 2003-2004 and 2007-2008. Further, it examines whether a high output linked sector is also employment generating or not. Identification of such sectors has implications for inclusive growth for an economy.

I Introduction

In a labour surplus economy like that of India with a growing working age population, policies for employment generation assume critical importance. According to the Labour Bureau, Government of India (2010), the unemployment rate was at 9.4 per cent in 2009-2010, an increase of 1.1 per cent over the previous survey in 2004-2005. Growth of labour, on the other hand, stood still at around two per cent for the decade between 1994 and 2005, which has added to growing unemployment in the nation.¹

Historically, since mid- 1970s employment generation has been considered as an inevitable development policy in India, and several programmes for the creation of employment were subsequently taken up. Later, India adopted a series of reform measures during the 1990s, but what the period witnessed was a phase of jobless growth. One of the reasons for low employment growth coupled

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¹ Labour Bureau, Ministry of Labour and Employment, Government of India (2010), *Report on Employment and Unemployment Survey 2009-2010*, downloaded from http://labourbureau.nic.in/Final_Report_Emp_Unemp_2009_10.pdf, accessed on 03.07.2014.