

# Manufacturing Sector Employment in India: A review of literature

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## Introduction

The Indian manufacturing sector, since independence, has come a long way, having traversed from building industrial foundations in 1950's and early 1960's, to the license-permit Raj prevailing through mid-60s to early-80s, followed by a phase of liberalization in the 1990's having come to the present phase of globalisation characterized by a continued confident opening up of the economy, despite having been faced with one crisis after another. India's economic growth in last three decades has been led by the growth of service sector. GDP growth during the first decade of the present century (1999-2000 to 2011-12) averaged 7.3 percent per annum. Recently, this process has slowed down substantially, falling to 4% in 2019-20, against 4.2 percent estimated earlier. However, it remains service-led, with the sector averaging at 6.9 percent (Economic Survey, 2019-20).

India has a large amount of surplus low-skilled labour in agriculture (Subramanian and Felman, 2019) and this must be moved to productive employment in non-agricultural activities if faster and sustainable growth is to be achieved. The experience of various countries of the world has demonstrated how only an expanding manufacturing sector can absorb this surplus labour (Dreze and Sen, 2013). Many economists point out that shifts in demand, both domestic and global, have changed the composition of the production basket, with wage goods comprising as much as 49% of all demand, which means growth of traditional manufacturing depending on technology intensive exports can no longer absorb surplus agricultural labour which exists in most developing countries, including India (Todaro and Smith, 2009). Another argument is that technological change in the

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