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## **RBI Working Paper Series 6: Employment Intensive Growth Crucial for India to Meet the Demographic Dividend Challenge**

The Reserve Bank of India today placed on its website a Working Paper titled "[Estimating Employment Elasticity of Growth for the Indian Economy](#)" under the Reserve Bank of India Working Paper Series\*. The paper has been authored by Smt. Sangita Misra and Shri Anoop K. Suresh.

Employment elasticity is a measure of the percentage change in employment associated with a 1 percentage point change in economic growth. It indicates the ability of an economy to generate employment opportunities for its population as per cent of its growth (development) process. Employment elasticity thus represents a convenient way of summarising the employment intensity of growth and is commonly used to track sectoral potential for generating employment and in forecasting future growth in employment. This paper attempts to provide updated estimates on employment elasticity - both aggregate as well as sector specific - using a variety of approaches and taking into account National Sample Survey as well as Annual Survey of Industries data up to 2011-12.

The empirical findings indicate that aggregate employment elasticity estimates for India have declined over the decades and vary from 0.18 (arc elasticity) to 0.20 (point elasticity) during the post reform period. Sector-wise, while agriculture has witnessed negative elasticity, services sector including construction, has generally been employment intensive. Manufacturing employment elasticity has hovered around 0.3. Within manufacturing, the employment elasticity for organised manufacturing sector based on various estimates is in the range of 0.4-0.5 for the 2000s. Sectors which have been employment intensive during 2000s include wearing apparel, furniture and leather products, motor vehicles, rubber products and electrical equipment. The paper finds that with growth moderating in 2012 and 2013, employment elasticity is likely to have lowered. Going forward, employment intensive growth is crucial for India to meet the demographic dividend challenge, with a focus on industries where employment elasticity is higher.

*\* The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.*

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