

## RBI's Report - Measuring Productivity at the Industry Level-

### The India KLEMS Database - First Cut

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According to the RBI's update on 'Measuring Productivity at the Industry Level-The India KLEMS [Capital (K), Labour (L), Energy (E), Material (M) and Services (S)] Database', India added nearly 4.7 crore jobs during FY 24, taking the total number of employed people to 64.33 crore spread over 27 sectors covering the entire economy. Using the Tornqvist Aggregation formula, the RBI said the annual growth in employment during 2023-24 was 6 per cent compared to 3.2 per cent in the year-ago period. Total employment increased from 53.44 crore in 2019-20 to 64.33 crore during the previous fiscal.

This dataset gives a resounding thumbs-up to the broad-based development efforts of the BJP government in general and the welfare schemes in particular. The India Alliance often castigated the welfare schemes of the BJP government as quick-fix solutions to the structural and entrenched issue of creating productive employment. It was sometimes even ridiculed as “pakodanomics”. Without going through the Report in its entirety, it is difficult to hazard a guess but I sense that there has been an acceleration of productivity growth in the Indian economy. Sectors like construction, trade, transport, and storage, which significantly contributed to higher employment, have higher employment intensity and multiplier effects across areas, including employment leading to a discontinuity in the pattern of economic growth.

My impression is that the welcome thrust on sectors, such as construction, trade, transport, and storage had a salubrious impact in driving up the present overall employment scenario and constitute the reasons behind higher employment between Fy20 and Fy24 period, as compared to the previous 15 years period.

The COVID-19 pandemic in India, as indeed in most countries of the world, devastated income, output, and employment. But post-pandemic, there was a pent-up demand and growth has now not only just stabilized but also gained traction. What is more important is that this growth here seems to stay, it has a life of its own, and a virtuous cycle of economic growth and structural transformation seems to be on in India unless there is a spanner in the works or a “black swan” event materializes out of nowhere.