Chapter I

Introduction
1.1 Stating the Problem

The emergence of services as the prominent income generating sector in the Indian economy has generated considerable debate, especially in the last two decades. While there is optimism regarding the sector's growth performance, the sustainability of the process, defined in terms of the ability to combine high rates of income growth and generating adequate employment, is a point of contention. This is especially important in a region which records high levels of unemployment, poverty and income inequality. Beginning with this disproportionate relationship in income and employment in services, this study investigates the structural changes within Indian services as a result of the economic growth process. The sustainability of services-led growth is examined by problematising the structure of employment in the sector, apart from its almost stagnant growth. Considering the wide regional variations in the sector's growth pattern, the case of Kerala, which displays a distinct trajectory, is looked into in detail. Although a proportionate relationship exists in income and employment generation in Kerala's services, its output growth pattern presents a striking similarity with the national average, contrary to the expectation for a region with high human development and huge inflow of remittances. Subsequently, the study attempts to capture intra-state variations in services growth by exploring its linkages. Considering changes in India's economic policies post 1990s which facilitated the growth of the private sector, the study proceeds by tracing how private players have influenced the growth process of health and education in Kerala. The crucial roles played by health and education in shaping the state's high human development and the sector's increasing share in services employment make the choice appropriate. Thus, the study compares Kerala's service sector with that of India, while also attempting to capture the sector's growth process. By inter-weaving macro and micro evidence, the study intends to understand how dominant theories could explain the complex process of services growth in India and bring into focus local-level factors which are central to the understanding of the structural changes associated with the sector's growth.
1.2 Conceptualisation of Services

Services, often used synonymously with tertiary or residual sector, conventionally represented a heterogeneous group of economic activities that are non-storable, non-transferable and intangible. Though the division of the economy into primary and secondary sectors dates back to the Physiocrats, services did not receive much attention, due to their small share and due to the implied notion that activities clubbed in the sector are ‘luxurious’. For the same reason, it received a mere passing reference in classical and Marxist writings. To classical economists, apart from primary and secondary sectors, other activities were ‘unproductive’. Adam Smith notes that, ‘services generally perish in the very instant of their performance and seldom leave any trace or value behind them’ (Smith 1930:352). To Mill, the term ‘unproductive’ does not necessarily imply any stigma as ‘...production is not the sole end of human existence...’ (Mill 1909:44). However, he maintains the distinction between productive and unproductive labour and extends the notion of productive labour ‘only when it materialises in good’ or ‘directly or indirectly to the production of goods’, thereby restricting unproductive workers to, ‘players, buffoons, musicians, opera singers.’ Marx, too maintains the distinction between productive and unproductive labour, with tertiary sector workers falling into the latter category.

Services gained significance during the first quarter of the 20th century and their role in the process of economic development was largely captured by the ‘stage theories of development’. It was Fisher (1939) who introduced the division of the economy into primary, secondary and tertiary. Later, Clark defined tertiary activities as ‘...principal of which are distribution, transport, public administration, domestic services and all other activities producing a non-material output1 (Clark 1940:182). A more neutral term ‘services’, was introduced by Kuznets bringing the sector into economic discussion (Kuznets 1972).

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1 However, this definition is a little ambiguous as Marshall points out ‘man cannot create material things’, and in that sense, all industries provide services in one form or another. A similar view is expressed by Fisher when he notes that capital goods provide flow of services over time. For details, see Alfred Marshall (1929) Principles of Economics. London. p. 63 and Irving Fisher (1965) The Nature of Capital and Income. A.M. Kelley, New York, p. 19.
However, there is no consensus among scholars on what constitutes the service sector, and this lack of clarity is evident in the different works of the same scholar also. Although a service was generally understood as an economic activity other than those which produced goods, there is no agreement on the dividing line between goods and services or what lies in the boundaries of the service sector (Fuchs 1968; Stigler 1956).

The nature of output, simultaneity of production and consumption, organisation of production and the level of capital intensity were used to define service. To Hill, 'a service may be defined as a change in the condition of a person, or of a good belonging to some economic unit, which is brought as the result of the activity of some other economic unit, with the prior agreement of the former person or economic unit' (Hill 1977: 318). He further stresses that 'goods and services belong to different logical categories' and services must be consumed as they are produced, unlike goods that can be produced and stored, making it essential for the user and the provider of the service to interact. With the increasing role of services, there emerged a series of studies that classified services according to their nature or stage of consumption, thereby providing a framework to define what falls in the category of services.

For instance, Bhagwati (1984) divides services into two categories: first, those that necessarily require the physical proximity of the user and the provider; and second, those that do not essentially require physical proximity, though they may be useful. Services that require essential physical proximity have been further categorised into three groups: mobile provider and immobile user, e.g., shifting labour to the construction site in another place; mobile user and immobile provider, e.g., hospital.
services; and mobile user and mobile provider, e.g., lectures, haircuts.

According to Katouzian (1970), services can be classified into three categories: *new services*, that are mainly an increasing function of per capita income and leisure time (education, modern medical care, entertainment, etc.); *complementary services*, directly connected with the rise of industry, growth of intermediate goods, unification of home and international market, bureaucratisation and urbanisation (banking, finance, transportation, wholesale and retail trade); and *old services*, demand for which comes from the less equitable distribution of income and monopoly position of buyers as well as the relative lack of alternative employment for the producers of these services (domestic service).

Elfring (1989) in his study on the expanding role of service sector employment in advanced economies has classified services into four broad categories: *producer services*, defined as activities whose output is purchased mainly by enterprises as they are intermediate or auxiliary to the production process in other activities (business and professional services, financial and insurance services and real estate); *distributive services*, which involves distribution of commodities, information and transportation of persons (retail and wholesale trade, transport and communications); *personal services* that are mainly determined by individual consumer demand (hotels, bars and restaurants, repair services and other miscellaneous personal services); and *social services*, that are distinct from the other three due to their non-market characteristics and are mainly provided by government, non-profit organisations, private business and professions (government services, health and education services and miscellaneous social services).

For the purpose of classifying international transaction in services, the World Trade Organisation (WTO) under the General Agreement on Trade in Services (GATS), has adopted a classification of services based on four modes of supply. They include: (i) *cross-border supply of services*, similar to trade in goods, where services are embodied in tradable media such a paper documents, computer diskettes or digitised and transmitted via telecom links; (ii) *consumption abroad* refers to service trade where the consumer moves to the country that produces the service, as in the case of tourism; (iii) *commercial presence or movement of capital* occurs when there is establishments of service operations in the consuming country, analogous to foreign direct investment and involves the setting up of branch office overseas; and (iv) *movement of natural persons* delivers the services through the movement of service suppliers as in the case of
software and construction services.

The boundary line between goods and services is getting narrowed as services are increasingly becoming portable and tradable. New forms of services and the changing nature of services due to the introduction of new technologies make definition of services difficult and ambiguous. For the purpose of the study, agriculture, livestock, fisheries, forestry, mining and quarrying are grouped under primary sector; manufacturing, construction, electricity, gas and water supply under secondary sector and all other economic activities like wholesale and retail trade and hotels and restaurants (henceforth Trade and Hotels); land (including railways) water and air transport, other supporting transport activities, post and telecommunications (henceforth Transport); financial intermediation including banking, insurance and pension funding, activities auxiliary to financial intermediation, real estate, renting and business activities (including renting of machinery and equipment without operator and of personal and household goods) and computer-related activities (henceforth Finance); and public administration and defence, education, health, repair services (of motor vehicles and motorcycles, personal and households goods), personal services and recreational and cultural activities (henceforth Community, Social and Personal Services) in the service sector.\(^4\)

1.3 Situating Services in Economic Theories

Theories dealing with the dynamics of the service sector in the process of economic growth can be broadly grouped under two heads: those dealing with growth in the developed countries and those explaining growth in the less developed countries. While stage theories of development capture the former, explanations for services growth in the less developed countries are found in the surplus labour hypothesis and in arguments put forward by the dependency school.

Conventional theories of the role of services suggest that countries pass through a sequence of phases in the course of development and in an advanced stage, the economy is characterised by a larger contribution of the service sector in its national income and employment. Though 'stages' in the growth processes did receive attention

\(^4\) For detailed classification, see National Industrial Classification published by CSO, retrieved from <www.mospi.gov.in> on 02-6-2009.
by earlier theorists, it was Fisher's study that brought services to the central stage. As Fisher notes, 'the shifts of employment towards secondary and tertiary production revealed by the census are inescapable reflection of economic progress' (Fisher 1935:5–6). A similar argument is advanced by Clark and he states that '...studying economic progress in relation to the economic structure of different countries, we find a very firmly established generalisation that a high average level of real income per head is always associated with a high proportion of the working population engaged in tertiary industries... Low real income per head is always associated with a low proportion of the population engaged in tertiary production...' (Clark 1940: 6–7).

Simon Kuznets gave an empirical grounding to the analytical arguments of Fisher and Clark by analysing time series data from 25 countries covering more than a century. The study indicated the increasing share of services in income and employment with economic progress (Kuznets 1972). It was also noted that in less developed countries, decline in the share of agricultural sector was compensated by services and such a shift occurred despite low initial share of labour force in the industrial sector. His argument was later strengthened by the findings of Yves Sabolo (1975), Paul Bairoch (1975) and Lyn Squire (1981). For instance, the study by Squire (1981) pointed out that during the period from 1880 to 1960, within the non-agricultural sector in developing countries, services have consistently accounted for a larger proportion of labour force than industry. Further, three quarters of the reduction in the share of the labour force in agriculture in the developing countries from 1900 to 1960 was absorbed into services. Two reasons are given for increasing share of services with income growth: (a) relatively high-income elasticity of demand for services compared to goods and; (b) low productivity per worker in services compared with other sectors. However, both the arguments raised to explain services growth were met with sharp criticism.

For instance, Summers (1985) argued that services consist of activities with varying income elasticity of demand. It was also pointed out that no strong evidence exists to show that the growth of the sector in the advanced countries has been the result of higher income elasticity of demand for services compared to goods (Stigler 1956; Fuchs 1968; Worton 1969; Gershuny and Miles 1983). A part of the sector's growth

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could be explained due to low productivity as Fuchs points out based on his study of 48 U.S. states over the period 1929-1965 (Fuchs 1968). The possibility of underestimating services output was also raised (Griliches 1992). Further, it is also argued that in services, the possibility of technical change is limited and the increase in the sector's output is merely a manifestation of the rise in wages, popularly known as Baumol's cost disease hypothesis (Baumol 1967). However, at least a part of services growth in the post 1990s is linked to technological advancement as in the case of telecommunication (Kochhar et al., 2006) though problems associated with estimating services output continue to exist (Triplett and Bosworth 2001).

Studies also point out that the relative importance of service sub sectors vary during different stages of development (Katouzian 1970; Bhalla 1970). As argued by Bauer and Yamey (1951), major activities in services are not always luxuries, and for that very reason, even in underdeveloped countries, a high share of labour may be employed in the sector. Nevertheless, the movement of workers from agricultural to non agricultural sectors has been confirmed by various studies (Johnston 1970), though the rate and pattern of change display a wide inter-country variations. While most European countries followed the pattern of employment change as explained by Fisher and Clark, in U.S. and Canada, labour moved into manufacturing and services simultaneously (Amin 1974; Riddle 1986) and in Japan, the share of service workers was greater than that of manufacturing (Emi 1978). In such a context, the concept of splintering, which captures sub-contracting of certain activities in manufacturing to services emerging from increased specialisation of production, and ultimately leading services output to increase deserves importance (Bhagwati 1984).

'Excess labour', flowing into services is one explanation provided for the high services growth in less developed countries where the sub sectors that experience growth are 'domestic and personal service, religious services and like' (Kuznets 1959: 61). This may be due to population pressure on agriculture or inadequate employment generation in manufacturing. Unemployed workers in those economies end up in petty services that require low investment and skill to which entry is relatively easy. So the size of employment is limited only to the supply of labour offered at that wage (Udall 1976), making services employment distinct in less developed countries. By the same logic, the growth of the sector in less developed and developing countries is not considered as a good indicator of economic development (Rao 1954). It is also pointed
out that income elasticity of demand for services could only explain a small portion of the service sector employment in less developed countries (Bauer and Yamey 1951; Bhalla 1970). On the contrary, demand for services employment arises from poverty, where customers demand products in small quantities and the absence of regular markets promotes the growth of petty traders who employ small amounts of capital (Rottenberg 1953). However, services growth resulting from unemployed labour moving into the sector could not provide a satisfactory explanation due to two reasons. Firstly, the entry of the unemployed to all service activities is not easy. Secondly, the argument cannot explain the growth of certain services sub sectors like health and education. On the contrary, evidence indicates that many services activities in less developed countries have grown in response to the increased demand for final and intermediate services (Sabolo 1975). Moreover, it is also pointed out that around 60 per cent of the employment in the sector in less developed countries was induced by the growth of primary and secondary sectors (Squire 1981).

Dependency school offered a different explanation for the service sector growth in less developed countries. According to Frank (1978) and Amin (1974; 1976), the 'hypertrophy' of the service sector in the less developed countries is deeply embedded in the historical development process of these countries. The excess growth of services in the less developed countries has been due to the export orientation of these economies and its linkages with services (Frank 1978). 'Distortion' towards service sector growth, according to Amin, exists 'in the conditions governing the integration of pre-capitalist societies into international capitalist market'. He further notes that the larger the degree of integration, the larger is the size of the tertiary sector (Amin 1974:194 and 1976:245–239). The process starts with the monetisation of the peripheral economy which initiates a series of impacts like an increase in export activities that specialise in light industries and import of finished goods. This ultimately affects village craftsmen, depriving them of their livelihood, which then forces the newly unemployed to migrate to urban centres. Moreover, increase in ground rent resulting from the inequality in the distribution of economic resources, especially land, results in increased consumption of export goods and certain service activities (Amin 1974). The combined effect will be an increase in the service sector employment. However, this theory is critiqued as it overlooks internal dynamics of particular under developed counties where the service sector growth pattern displays considerable variation (Smith 1980).
It is clear from the discussion that the existing theoretical frameworks cannot completely explain services growth, especially in the context of the developing countries. A part of the reason may be due to the heterogeneity of activities included in the service sector. This has become extremely important with the increased prominence of certain sub sectors like information technology and the increasing tradability of services. In order to arrive at a meaningful explanation for the service sector growth, there is a need to undertake an enquiry that is economy specific as each economy has a distinct trajectory of development. In this background, this thesis attempts to understand the service sector growth in India.

1.4 Context of the Study

The recent euphoria with respect to services growth is caused by the increasing contribution of the sector to the national income, trade flows and other macro economic aggregates of both developed and developing countries. In 2006, services contributed 69 per cent of total world output (World Bank 2009), while the sector’s share in employment was 43.3 per cent in 2008 (ILO 2009). In 2007, trade in commercial services recorded a growth of 18 per cent, while trade in goods grew by 15 per cent (WTO 2008). The case of India is not different from the global picture, with services contributing 54 per cent of GDP in 2006–07. A steady increase is also noted in service’s share in foreign direct investment (FDI) and trade flows. For instance, during April to November 2007, the highest cumulative FDI inflow was in services (financial and non financial), estimated to be around 20.22 per cent, while it was around 9.35 per cent and 8.79 per cent in computer-related operations and telecommunications respectively (GoI 2008). In 2007, India contributed 2.7 per cent of the world’s export in commercial services (WTO 2008).

While there is a general optimism regarding services growth experienced in India, a few questions are raised regarding the sustainability of the growth process. An important criticism of the disproportionate relationship between income and employment generation in services was noted even in the 1980s (Mitra 1988; Mazumdar 1995). For instance, in 1980 the share of services in income was around 40 per cent while employment generation in the sector was below 20 per cent. Despite the increasing prominence of services in GDP, employment generation in the sector continues to be low, around 27 per cent in 2004–05, which is a crucial concern for an
economy where unemployment continues to be a major problem. Further, the increase noted in services income prior to industrialisation (Mitra 1988) has also raised doubts on the sustainability of the growth process. Such predominance of services growth was attributed to the de-industrialisation pursued in British India (Bagchi 1982), unprecedented increase in governmental activities, demonstration effect creating demand patterns similar to that of high income countries (Panchamukhi et al., 1986) and also urbanisation (Mitra 1992). Concerns were also raised about the wide divergence in the growth of services output from that of the commodity producing sectors and its implications on inflation, income distribution and balance of payments (Bhattacharya and Mitra 1990).

Previous attempts made to assess the sources of economic growth in the Indian economy using econometric techniques confirm the role of the service sector (Panagariya 2004; Rodrik and Subramanian 2005; Nayyar 2006; Rakshit 2007; Balakrishnan and Parameswaran 2007). Studies based on the input-output transaction matrix also indicate a steady increase in services per unit of output generated in the economy (Hansda 2003; Bhowmik 2003). There were also attempts to identify reasons for the growth of the Indian service sector. The study by Gordon and Gupta (2004) indicates that high income elasticity of demand for services, technological advancement and trade liberalisation are the important factors that have influenced services growth in India. The study further notes that sectors like communication services, financial services, business services and community services (health and education), which were open to FDI, external trade and private ownership, were the ones that experienced faster growth during this period. The growing use of services input in manufacturing sector, which increased from 0.06 per cent in the 1980s to 2.07 per cent in the 1990s, is another reason pointed out for the increasing share of services in the Indian economy (Banga and Goldar 2007).

Critics of the service-led growth process suggest the possible overestimation in services output by highlighting the data sources and methodology adopted to estimate income. For instance, it is pointed out that the quality of income data is especially poor in the private corporate sector and the unorganised services (Shetty 2007; Sharma et al., 2007; Saluja and Yadav 2007) while practical difficulties in arriving at value adding at each stage and in finding appropriate price deflators in services are also noted (Nagaraj 2009). Concerns are also raised about the possible overestimation of certain services
output, especially that of public administration and defence, due to the income method adopted to arrive at the sector’s output as against the production method in primary and secondary sectors. However, evidence is rather weak in this regard in the 1980s (Datta 1989; Nagaraj 1990; Kumar 1992) and even after the Fifth Pay Commission’s recommendations (Handsa 2002).

The issue of sustainability and appropriateness of services-led growth in India primarily emerges from the asymmetric relation between income and employment in the sector. Considering the significance of the issue for the Indian economy, this study attempts to understand services growth basically from the perspective of employment. For this purpose, the study examines the structure of employment generation in services and argues that the pattern of employment generation within services, its nature and remuneration have effects on distributional outcomes, which should be incorporated within the broader purview of concerns.

Interestingly, the trajectory of service sector growth in regional economies presents a pattern that deviates from the national picture (see Appendix Table 1.A.1). Though services have emerged as the prominent income generating sector in a majority of the states, the share of services income is not always correlated with growth of NSDP. For instance, Gujarat has high growth in NSDP, 7.1 per cent during 1993–94 to 2004–05, but the share of services income was 44.6 per cent in 2004–05, which is below the national average. West Bengal, also records high NSDP growth, but displays slightly higher share of income originating in services, 55.5 per cent in 2004-05. However, the disproportionate relationship between services income and employment is a common feature at the state level despite a high share of income originating in services. For instance, in Karnataka, the share of services income was around 70 per cent in 2004–05, but the employment generated by the sector was only 24 per cent. On the contrary, Kerala presents a different case with a high share of income and employment originating in services (60 per cent and 38 per cent respectively in 2004–05), contrary to the point often raised to critique the sector’s growth at the all India level. The pattern of services income and employment in the regional economies clearly indicates distinct growth trajectories embedded in the macro data. To understand the nuances in service sector growth, it is appropriate to undertake a study situating the sector’s growth process within a regional economy.
For this purpose, the state of Kerala, which displays a distinct pattern of services growth, is chosen for a detailed study. Apart from the proportionate relationship between income and employment within services, contrary to the aggregate Indian experience, the economy presents features that justify the selection. For instance, services contributed a significant share of income and employment in the state during the early decades of the 20th century due to the socio-economic specificity of the region. Further, the lopsided growth pattern of the economy has been characterised by a direct shift from primary activities to services in contradiction to conventional economic theory. This formed an important feature of Kerala's development experience, apart from high human development at low economic base (UN and CDS 1975). Despite such a unique development pattern, low economic growth was a matter of serious concern in Kerala till the 1990s, especially in the commodity producing sectors. While unfavourable terms of trade was the main reason cited for the poor agricultural performance, the fragile production base, technological backwardness resulting in low labour productivity and relatively high wages negatively affected industrial output (Subrahmanian and Pillai 1986; Kannan 1986; Subrahmanian and Azeez 2000). Despite the poor performance of the commodity producing sectors, high growth was noted in services income and employment.

The role of services became more prominent during the revival of the economy in the late 1990s and crucial links in explaining the sector's growth were provided by migration and high human development indicators in Kerala. The unprecedented changes witnessed in Kerala's economy, following large scale migration to the Persian Gulf during the 1970s, is well documented. The impact of remittances on the economy is revealed by the fact that in 2006–07 remittances accounted for 20 per cent of the state's NSDP (Zachariah and Rajan 2007). Given this context, it is logical to assume that migration and high human development indicators play an important role in shaping a distinct pattern of services growth in the state. However, data present a different story and in the study, it is argued that in spite of the early growth of services, the proportionate relation between income and employment within the sector, high human development indicators and huge inflow of remittances, the pattern of employment generation in Kerala's services ultimately presents a striking similarity with that of India. This not only highlights the sustainability issue regarding services growth but also provides a critique of the state's development experience. Subsequently, the study
attempts to capture inter-sectoral and intra-state variations in service growth and attempts to derive possible linkages that shape the growth process at the local level.

A crucial factor, often not adequately addressed within the sustainability debate, is the role of different sub sectors in services growth process. As noted previously, changes in economic policies in the post 1990s were an important factor that influenced services growth by increasing the role of the private sector. It would be appropriate to enquire how this affected service sub sectors and their growth processes. For this purpose, the study has chosen to examine the case of education and health sectors in the state. The selection of sub sectors is justified considering the fact that achievements in health and education had an undisputable role in shaping Kerala's development experience and the role of the private sector in providing education and health services in the state. However, differences in administrative arrangements that existed in the region that constitutes the present Kerala resulted in intra-regional variations in the spread of education and health services. Although governmental intervention in the post-independence period was to a large extent successful in mitigating such differences, disparities continued to exist with northern districts of Kerala lagging behind the rest of state in human development indicators. An important factor behind the growth of the private sector in education and health is migration. Evidence suggests that migrants spend a significant proportion of remittances on education and health (Chakraborty 2005). This 'new demand', created by migration, needs to be juxtaposed with the high value attributed to education and health in the region.

Tracing temporal and spatial variations in the growth processes of health and education, the study also brings into focus how the private sector influences the growth trajectory of services. Among other factors that influenced the growth of education and health, it is hypothesised that these service sub sectors have become profitable avenues for investment in Kerala as growth stagnated in the commodity producing sectors. In education, this has altered the historical role played by private agents (from philanthropic to capitalist interests) and the debates associated with self-financing professional colleges lobbying to confront government intervention is analysed to argue the point. In the case of health, intra-state variation in the provision of the public services is highlighted as an important factor that has influenced private investment. The point is proved by tracing the growth pattern of private and public health institutions under different systems of medicine. The case studies on education and health in Kerala
bring into focus the dynamism of service sector growth that is often missed in macro level analysis.

1.5 Objectives of the Study

The overall objective of the study is to understand the sustainability of services growth in India. The specific objectives are the following:

1. To understand internal changes in the composition of service sector income and employment in India.
2. To examine the growth trajectory of services in Kerala and its commonalities and differences from the Indian case.
3. To trace how the private sector influences the growth processes of service subsectors.

1.6 Sources of Data and Methodology

The study attempts to understand intricacies in services growth process from 1980 to 2004–05 and utilises both primary and secondary data sources. For data related to income, the study relies on National Accounts Statistics published by Central Statistical Organisation (CSO) for all India figures and Economic Review published by Department of Economics and Statistics of Kerala government. To understand the changing structure of employment, quinquennial Employment and Unemployment Rounds conducted by the National Sample Survey Organisation for the years 1977–78 (32nd round), 1983 (38th round), 1987–88 (43rd round), 1993–94 (50th round), 1999–2000 (55th round) and 2004–05 (61st round) were used. Further, the Economic Tables published by the Census of India for the years 1981, 1991 and 2001 were also consulted for employment figures at the district level. To understand the trends and patterns in services income and employment, data is analysed at the disaggregated level using standard quantitative tools. To understand how private capital influences the growth of services, an in-depth study of health and education sectors in Kerala was conducted. For the purpose, a variety of data sources are consulted that included departmental publications of the health and education departments, legislative assembly documents and Supreme Court and High Court judgments regarding self-financing colleges. Informal discussions were also conducted with the key players in the education sector.
Further details on data sources and methodology are provided in the respective chapters.

1.7 Organisation of the Study

Apart from introductory chapter, the study is organised into four main chapters. The second chapter addresses the changing structure of income and employment in Indian services by capturing trends and patterns as well as the nature of employment and wages. Apart from the low employment growth, the chapter problematises the pattern of employment growth in Indian services to enquire into the sustainability issue. The trajectory of service sector growth in Kerala and its intra-state differences are examined in the third chapter. The analysis aims to compare and contrast the services sector in the state with that of India considering Kerala’s high human development and migration linkages. Further, an attempt is also made to capture inter-district variations in services growth and its correlates. The fourth and fifth chapters address the private sector’s influence on services growth and the issue is addressed by capturing the growth processes of the education and health sectors in Kerala. The final concluding remarks embody the major findings and analysis of the study.
### Table 1.A.1: Inter-state Variations in Service Sector Income and Employment in India

(in per cent)

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<td>NSDP</td>
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<td>38.6</td>
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<td>19.8</td>
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<td>Himachal Pradesh</td>
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<td>Kerala</td>
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<td><strong>20.2</strong></td>
<td><strong>54.7</strong></td>
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Note: (a) Employment in UPSS, see Chapter 2, Section 2.2 for definition; and (b) income figures are at 1993–94 prices

Source: CSO, various years and NSS, unit level data of 50th and 61st Employment and Unemployment Survey