

GROWTH AND STRUCTURAL CHANGES IN THE ECONOMY OF HIMACHAL PRADESH

Sanjeev Kumar* and Falguni Pattanaik**

Structural change is defined as a shift in the sectoral composition of national output and employment, while the economic growth denotes the rate of expansion in the national output. The economy of Himachal Pradesh has also experienced structural changes in its output and employment structure during last three decade. This is highlighted by sharp decline in the share of agriculture sector in the state income. But, the resultant decline in employment share has not taken place in the agriculture sector. Himachal Pradesh did not experienced the classical pattern of structural changes. Agriculture sector remains a major source of livelihood in the state especially for rural peoples. Looking at the growth rates, it seems that the economy of Himachal Pradesh grew more than 5 percent during the whole study period. The growth is primarily driven by industrial and service sector. Within industrial sector, manufacturing; electricity, gas and water supply has been noted major source of growth. While service sector growth is driven by banking and insurance followed by trade hotel and restaurant and transportation. The reason for the rapid growth of industrial sector is special package of incentive which is provided by the Central Government to the state.

Keywords: Himachal Pradesh, Economic growth, Employment.

INTRODUCTION

After the independence, Himachal Pradesh emerged as a full-fledged state, and hence, the economy of the state underwent many changes. As compared to other states, Himachal Pradesh occupies the position between fourth to tenth depending on many indicators like Per-Capita State Domestic Product, health, literacy rate, etc. Its level of growth is almost at par with the level of advanced and developed states of India. At present, Himachal Pradesh is one of the fastest growing states in the country. During 2012-13, the State Gross Domestic Product (GSDP) is estimated to be Rs. 41,939 crores in 2011-12 as against Rs. 39,036 crores in 2010-11, thereby putting forth a growth rate of 7.4 percent. For the same period, per-capita income of the state increased to Rs. 74,694 from Rs. 67,475 with a growth rate of 10.7 percent (GoHP, 2012-13). This economic growth is mainly driven by industrial and service sector. Within industrial sector, manufacturing; electricity, gas and water supply has been noted major source of growth. While service sector growth is driven by banking and insurance followed by trade hotel and restaurant and transportation. Industrial development in the state almost started during the 90s, but the pace of growth was noted after 2004-05 because of special package of incentive provided by the central government and sector specific industrial policies by the state government. As a result the share of manufacturing sector in the state domestic product expand with rapid rate. It increase to 15.71 percent in 2013-14 from 2.62 percent in 1980-81 with an increase of around 13.09 percent. The agriculture, horticulture, and other allied activities are the main source of livelihood for peoples of the state. In 2011-12 around 63.3 percent of people are found to be engaged in the primary sector in case of rural Himachal Pradesh. The share of urban population in the primary sector is merely 8.41 percent. In the urban area most of

* Junior Research Fellow, Department of Humanities and Social Sciences, Indian Institute of Technology, Roorkee, Uttarakhand-247667, Email: vashishtsanjeev147@gmail.com

** Assistant Professor, Department of Humanities and Social Sciences, Indian Institute of Technology, Roorkee, Uttarakhand-247667, Email: falgunipattanaik@gmail.com

the people earn their livelihood primarily from the services sector (NSSO, 2011-12). The declining share of agriculture sector in the total income of the state does not affect the importance of this sector, and still it is the highest contributing sector to the employment (GoHP).

So, with this brief background, it is crucial to understand the way in which the economy of Himachal Pradesh grew over the period, which is analyzed in this paper. The whole study is comprised of eight sections including introduction. Sections two and three are devoted to the review of literature and data source. In sections four and five, the sectoral growth and change in sectoral composition have been analyzed. In section sixth, we dealt with the pattern of industrialization. In the seventh and eighth section, agricultural development and occupational pattern in the state has been analyzed, which is followed by the conclusions in the last section.

LITERATURE REVIEW

Theoretical and Empirical Evidences

Structural change is defined as a shift in the sectoral composition of national output and employment, while the economic growth denotes the rate of expansion in the national output. With subsequent development, it is observed that the structure of the economy has changed from traditional methods to modern techniques of production. With modernization, the share of agriculture in output and employment declines, but the share of industrial sector increased with increase in output and employment. Consequently, after reaching a higher level of development, the share of services sector has increased and has become the most important component of the economy.

The first literature on the structural change dates back to the works of Fisher and Clark. Clark (1940) qualified the movement of labour from agriculture to manufacturing and from manufacturing to commerce and services, as “the most important concomitant of economic progress”. More specifically, the growth in the service sector is mainly explained as the result of shifting income elasticity of demand, which in the process later came to be known as the ‘hierarchy of needs’ (Appelbaum and Schettkat, 1999). As economies grow richer, the tastes switch away from the basic needs of food and shelter towards non-material goods, including services. In other words, the increasing service employment share recorded in the post-industrial economies could be the result of rising per capita income levels. In 1967, Baumol recognized the key theoretical foundation for the extension of service sector employment—the slower productivity growth in services is compared to manufacturing; this later came to be known as “Baumol’s disease”. Baumol’s disease is the expansion of the employment share in services relative to industry, and acts the direct consequence of services that diminish productivity.

Under the structural change hypothesis, an underdeveloped economy passes through three different stages of development. In the first stage, majority of the economic resources are engaged in the agricultural sector. With the growth of an economy, resource allocation increases in the industrial as well as service sector, which is known as the second stage. In the third stage, when the economy gets matured, it shifts the resources from agricultural and industrial sectors to service sector, and gradually service sector becomes the highest contributing sector of the economy (Fisher, 1939; Clark, 1940; Kuznets, 1971; Chenery, 1982).

Therefore, structural change is a long run phenomenon, and it involves continuous shifts in sectoral share of economic activity. Structural change in the world economy indicates that world economy has undergone rapid change, and service sector plays an important role in enhancing the world production. From 1970 to 2005, the share of global service sector has increased from 52

percent to 68 percent; whereas the share of agriculture sector has declined from 10 percent to 3.6 percent and that of industry has also declined from 38 percent to 29 percent. These trends clearly reflect that tertiarisation has become a dominant feature of structural change in the world economy (Memedovic and Lapadre, 2009).

However, this trend of structural change has not only been observed in the developed countries but also in the developing countries, which is observed in both product market as well as the factor market. In 2002, most of the developed countries like United Kingdom, the United States, France, Japan, Germany, and Australia have revealed the homogenous pattern with less than 5 percent share of output and employment in agricultural sector. However, developing countries like Korea Republic, Malaysia, Thailand, China, Philippines, Indonesia, India, and Pakistan have revealed the heterogeneous pattern of output and employment, in which the share of agricultural output and employment ranged from 3 to 23 percent and from 10 to 61 percent, respectively. The highest share of agriculture in output and employment suggest that agricultural sector still plays a dominant role in the developing countries (Datt, 2006). Similar works on the growth and structural change of SAARC countries further confirm that except few, most of the SAARC countries follow divergent path of structural transformation, which deviate from the classical pattern of structural transformation that is followed by the developed countries in their process of economic development. Most of these countries have not yet matured as industrial dominant economy before reaching the services led economy (Sawhney, 2010).

The studies on Indian experience suggest that India over a long period has been following the path of structural transformation that the developed country of today has followed with slight variation in the employment structure. This is highlighted by declining the share of agriculture sector as well as the stagnant share of industrial and increasing share of service sector in GDP. However, this pattern of structural transformation is continuing over a long time, but after 1990-91, the speed of transformation has become faster (Papola, 2005). In 2010, Mazumdar explained three turning points in the economic growth; one in the mid-sixties, second in the eighties, and third in the nineties. The period before eighties is known for slower aggregate growth; during the eighties, the industrial sector has played a significant role for rising growth and structural changes; and in the period after eighties, the industrial sector has been replaced with services sector and structural changes arise owing to the expansion of public sector (Mazumdar, 2010). Cortuck and Singh (2010) observed that there is a significant relation between growth and structural changes in India during 1951 to 2007. Bhat (2014) concluded that manufacturing sector is an export deriving sector and employment generating sector but has not adequately developed in India. Its contribution is very low (14 to 16 percent) in the national GDP, and since 2007 the growth of manufacturing sector declines owing to the lack of investment both from private and public sectors.

The state level analysis indicates the facts that there is wide disparity in structural changes and economic performance across the states. Economic reforms in the country have played a major role in the economic growth across the states (Baddely, McNay and Cassen 2005; Datt, 2006). The states that have higher potential of industrialization are growing at a faster rate than the backward states, and regional disparity is widened in terms of state domestic product during the post reform period (Bhattacharya and Sakthivel, 2004). But regional disparity in term of industrialization has weakened during the period from 1980-81 to 2008-09 across the states. Gujarat has experienced fastest growth in the industrialized economy followed by Haryana, Punjab, and Himachal Pradesh. Most of these states have experienced structural change; the share of agricultural sector has declined in all the states. The highest decline in the agricultural sector has been observed in Orissa, Karnataka, Kerala, and Gujarat. But in the case of Punjab and Haryana, the decline is relatively lower. Major shift has been observed in the favor of manufacturing sector, especially in Gujarat and Orissa (Papola, 2011).

DATA SOURCE AND METHODOLOGY

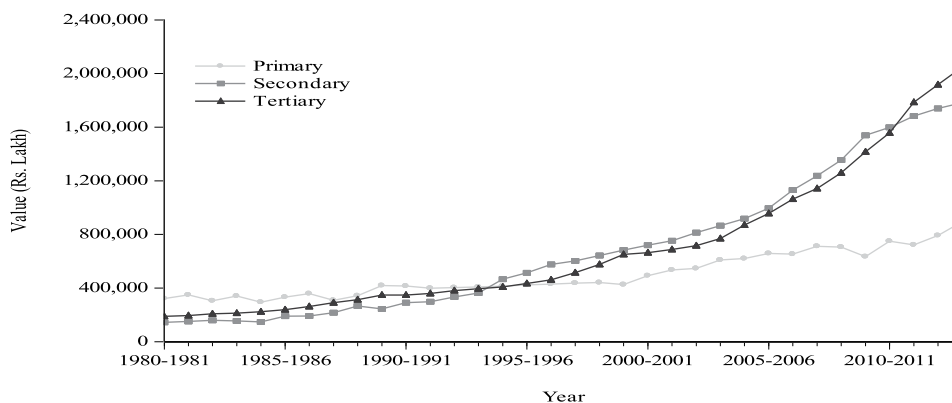
The study is mainly based on secondary data. Data has been collected from various sources such as Central Statistical Organization (CSO) data published by Economic and Political Weekly Research Foundation (EPWRF), Directorate of Economics and Statistics, Government of Himachal Pradesh, and National Sample Survey Organisation (NSSO). The period considered in this study is not consistent for all the indicators due to the absence of homogeneity in the availability of data. Though new series GSDP data is accessible from 2004-05 onwards, the back series data is not available with the same base year. Splicing method is used for making the whole data set uniform. The share of various sectors and sub-sectors in GSDP and employment is utilized to show the structural change in economy. Moreover, the stylized facts of industrial and agricultural development in the state have been also provided in the study.

SECTORAL GROWTH IN HIMACHAL PRADESH

Figure 1 shows the total income originating in different sectors of economy of Himachal Pradesh from 1980-81 to 2013-14. It clearly indicates that over the years total income in different sectors of economy has continued to increase. But the growth pattern of Himachal Pradesh is not uniform across different sectors. The estimated results of growth are presented in Table 1 and Figure 2. In 1980-81, the total income originating from the primary sector was Rs. 325048 lakhs. In 2013-14, it reached to Rs. 803001 lakhs, thus showing a growth rate of around 0.52 percent (Table-1). But, according to statistics in Table 2, the growth rates in the primary sector were more than 2.50 percent in all the decades except the decade of 1991- 2000. During this period, the primary sector grew with a growth rate of merely 0.34 percent. Similarly, the agricultural sector demonstrated negative growth rate. Therefore, the liberalization of the 1990s had barely any visible impact on the growth of primary sector and particularly in the agricultural sector in the state.

However, the secondary and tertiary sectors in the state of Himachal Pradesh demonstrated highest growth rates over the entire period with the sub-periods. To elaborate, during 1980-81, the total income originating from the secondary sector was Rs. 151508 lakhs and with severe variations, it reached to Rs. 1734639 lakhs in 2013-14, thereby displaying a growth rate of approximately 4.02 percent. Within the secondary sector, manufacturing sector showed highest growth rate during the entire period, including the sub-periods, followed by other sectors such as electricity, gas, and water supply (Table-1). The total income originating from the tertiary sector was Rs. 197264 lakhs in 1980-81, which increased to Rs 1917117 lakhs in 2013-14 with a growth rate of nearly 1.89 percent. The tertiary sector is the only sector that continued to grow over the period. Its growth rate increased from 6.47 percent in 1981-1990 to 7.36 percent in 1991-2000 and further to 9.17 percent in 2001-2010. Within the tertiary sector, different services like trade, hotel, and restaurants; banking and insurance; real estate, public administration, and other services have been playing an important role in the growth of the economy of Himachal Pradesh during the mentioned periods (Table-1 and-2).

After observing the growth rates in different sectors of the state economy, it appears that the economy of Himachal Pradesh has grown in an unstable and fluctuating manner over the period. The economic growth of the state is mainly driven by the manufacturing sector, electricity, gas and water supply; trade, hotel and restaurants; banking and insurance; real estate and public administration. However, this growth has had no significant impact on the growth of primary sector, particularly on the agricultural sector. There is no link between the growth of primary and secondary sector and the growth of primary and tertiary sector.

Figure 1: GSDP of Himachal Pradesh at 2004-05 Constant Prices

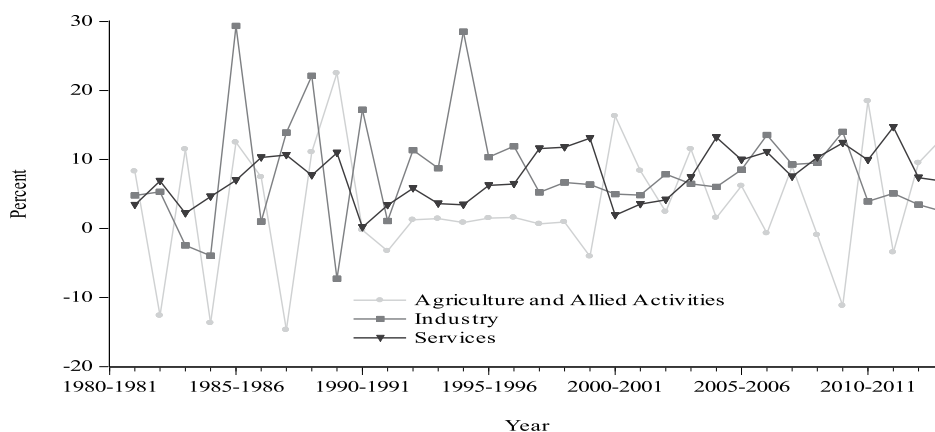
Source: Computation Based on EPWRF data base.

Table 1: Growth Rates in Himachal Pradesh GSDP, 1980-81 to 2013-14 at 2004-05 Constant Prices

Sector/Year	TE Values 1980-81	TE Values 2013-14	Growth Rate
Primary	325048	803001	0.52
Agriculture	228620	575361	0.76
Secondary	151508	1734639	4.02
Manufacturing	20403	761040	6.10
Construction	162865	637523	2.29
Electricity, Gas and Water supply	16714	336075	5.72
Mining and Quarrying	1547	14395	1.57
Tertiary	197264	1917117	1.89
Transport Storage and Communication	15669	275340	1.85
Trade, Hotels and Restaurants	51630	466525	1.95
Banking and Insurance	6201	247909	3.90
Real Estate, Ownership of Dwellings etc.	54911	159020	0.67
Public Administration	36073	241678	2.25
Other Services	43808	526642	2.37
GSDP	671288	4454757	1.80
Per Capita GSDP (Rs)	15960	63878	0.85

Source: Computation Based on EPWRF data base.

Note : Triennium Ending Value: y/t = (+ +).

Figure 2: Annual Growth Rates of Himachal Pradesh

Source: Computation Based on EPWRF data base.

Table 2: Sub-Period Growth Rates in Himachal Pradesh GSDP, 1981-1990 to 2011-14 at 2004-05 Constant Prices

Year	1981-1990	1991-2000	2001-2010	2011-2014
Primary Sector	3.03	0.34	2.79	6.34
Agriculture	5.19	-0.35	1.96	7.07
Secondary Sector	3.52	9.18	8.89	3.69
Manufacturing	15.42	14.63	12.25	4.31
Construction	0.62	7.25	6.21	2.99
Electricity, gas and water supply	28.46	10.94	10.8	3.69
Tertiary Sector	6.47	7.36	9.17	9.81
Transport	5.48	11.03	13.59	11.1
Trade, Hotels hotels and restaurants	6.4	6.81	8.83	8.1
Banking and insurance	18.97	8.35	18.16	6.08
Real Estate etc.	2.55	2.94	4.12	6.49
Public Administration	9.53	6.22	6.53	5.74
Other Services	7.35	9.76	7.17	15.28
GSDP	5.24	5.91	7.44	6.56
Per Capita GSDP	3.36	4.05	6.00	5.15

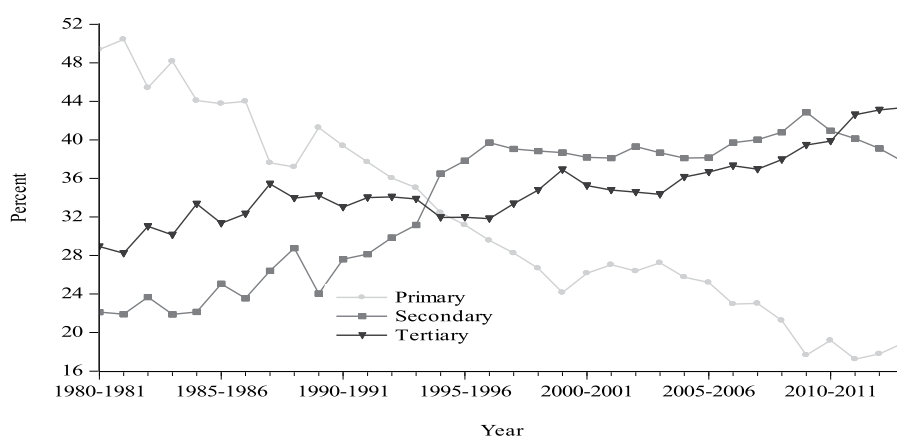
Source: Computation Based on EPWRF data base.

Change in Sectoral Composition

The economy of Himachal Pradesh has witnessed major structural changes since the last three decades. Major changes have been observed in the share of primary, secondary, and tertiary sectors (Figure-3). It is observed that the contribution of primary sector declined from about 49.38 percent in 1980-81 to 39.40 percent, 26.15 percent, 19.19 percent, and 18.94 percent in 1990-91, 2000-01, 2010-11, and 2013-14, respectively. During this period, the share of primary sector in the GSDP declined by 30.19 percent, which is the highest among all the sectors. The agricultural sector, which is a major component of the primary sector, gradually declined from 32.81 percent in 1980-81 to 30.42 percent, 19.68 percent, 13.96 percent, and 13.92 percent in 1990-91, 2000-01, 2010-11, and 2013-14, respectively. In the entire period, the agricultural sector declined by 18.89 percent. As far as the share of secondary sector is concerned, it has shown an increasing trend in the mentioned study period. It increased from 22.12 percent in 1980-81 to 27.60 percent in 1990-91, 38.19 percent in 2000-01, and 40.93 percent in 2010-11. After 2010-11, the share of secondary sector declined to 37.71 percent in 2013-14. Similarly, all the sub-components of the secondary sector have shown an increasing trend up to 2010-11, thereafter their share in the GSDP slightly declined. Within the secondary sector, the share of manufacturing sector increased with the highest percentage in the entire period followed by electricity, gas, and water supply. From these figures, it can be confirmed that the economy of Himachal Pradesh has started to become the services led economy before emerging as a full-fledged industrialized economy.

About tertiary sector, it has continually shown an upward trend in the state income during the reference period. It was the second highest contributor to GSDP during 1980-81 subsequent to the primary sector. The share of tertiary sector increased to 33.01 percent in 1990-91, 35.25 percent in 2000-01, 39.87 percent in 2010-11 and 43.10 percent 2013-14. At present, it has become the highest contributing sector to GSDP of the state. Within this sector, transport storage and communication has achieved the highest increment in the contribution of tertiary sector income followed by banking and insurance and trade, hotel, and restaurants.

Figure 3: Percentage Contribution of GSDP in Himachal Pradesh



Source: Computation Based on EPWRF data base.

**Table 3: Sectoral Shares of Himachal Pradesh GSDP, 1980-81 to 2013-14
at 2004-05 Constant Prices**

Sector/Year	1980 -81	1990-91	2000-01	2010-11	2013-14	Change in between 1980-81 to 2012-13
Primary Sector	49.38	39.40	26.15	19.19	18.94	-30.19
Agriculture	32.81	30.42	19.68	13.96	13.92	-18.89
Secondary Sector	22.12	27.60	38.19	40.93	37.71	15.59
Manufacturing	2.62	5.03	12.14	17.65	15.71	13.09
Construction	18.52	18.01	20.09	15.43	13.93	-4.59
Electricity, Gas and Water supply	1.09	4.70	6.03	7.86	7.23	6.14
Tertiary Sector	28.93	33.01	35.25	39.87	43.89	14.96
Transport Storage and Communication	2.42	2.31	3.10	5.58	6.10	3.68
Trade, Hotel and Restaurants	6.33	8.24	9.10	9.78	9.02	2.69
Banking and Insurance	0.77	2.05	2.11	3.59	4.02	3.25
Real Estate etc.	7.24	6.58	3.90	3.57	3.57	-3.67
Public Administration	4.24	6.67	5.86	4.50	5.01	0.77
Other Services	5.30	7.68	7.98	8.85	10.06	5.30

Source: Computation Based on EPWRF data base.

PATTERN OF INDUSTRIALIZATION IN HIMACHAL PRADESH

Growth of Small Scale and Large Medium Sector

Industrial development in Himachal Pradesh is relatively a recent phenomenon in comparison to the neighboring states like Haryana, Punjab, and Uttarakhand. It gradually enlarged during the last two decades because of the continuous increase in the infrastructural facilities and implementation of sector specific industrial policy (GoHP, 2002). For this reason, large number of industrial units have been established in the state. Industrial growth has gained speed after the special package of incentive by central government as well as by the state government (GoHP, 2014-2015). This leads to considerable investment in both small scale and large medium sector. In 1991-92, there were around 21518 small scale enterprises, wherein Rs. 222 crores were invested, and approximately 89997 people were given employment. In the case of large medium sector, the number of enterprises was merely 112 with investment of Rs. 224 crores and employment contribution of nearly 15280 for the same period (Table-4). During 2001-02, the number of enterprises in both small scale and large medium sector increased to 29479 and 193, respectively, and investment of Rs. 685 crores and Rs. 2375 crores was made correspondingly. For this reason, the number of people employed increased to 126594 in small scale sector and 29702 in large medium sector. In 2011-12, the contribution of both the sector reached to a very high level because of the significant efforts of state government. Both the sector showed significant difference in the pattern of growth in the same period (Table-4). For example, small scale sector shows higher contribution in both the number of employment and

number of enterprises. But in terms of investment, its contribution is very low in relation to large medium sector (Table-4).

Table 4: Pattern of Small Scale and Large Medium Industries in Himachal Pradesh

Year	Small Scale Industries			Large medium Industries		
	No. of Enterprises	Investment (Crore)	No. of Employment	No. of Enterprises	Investment (Crore)	No. of Employment
1991-92	21518 (99.5)	222 (49.8)	89997 (85.5)	112 (0.51)	224 (50.2)	15280 (14.5)
1996-97	25617 (99.4)	485 (23.3)	106665 (81.7)	160 (0.62)	1596 (76.7)	23895 (18.3)
2001-02	29479 (99.3)	685 (22.4)	126594 (81)	193 (0.65)	2375 (77.6)	29702 (19)
2006-07	33618 (98.9)	1411 (22.9)	157328 (78.4)	356 (1.04)	3833 (73.1)	43232 (21.6)
2011-12	38220 (98.7)	5193 (32.5)	207314 (77.9)	487 (1.25)	10798 (67.5)	58804 (22.1)

Source: Department of Industries, GoHP.

Note: Value in parentheses indicates percentage share of SSI and LMI in total Industries of the state.

Growth of Factory Sector

In Table 5, the growth of factory sector of Himachal Pradesh along with its contribution in Indian factory sector has been presented. It is clearly evident from the table that the factory sector of Himachal Pradesh showed significant growth over the period. In 1980-81, there were merely 173 factories working in the state with just 0.18 percent share in the Indian factory sector. This number in 2000-01 increased to 507 and further to 2210 in 2010-11, which inally reached to a higher level of 2806 in 2013-14. Presently, its contribution in the Indian factory is around 1.25 percent. But it is important to note that its growth has started rising with high speed since 2004-05 (Figure-6). It is further noted the case that growth does not increased during the economic reform period, it rather increased at a slow pace in comparison to the period after 2004-05.

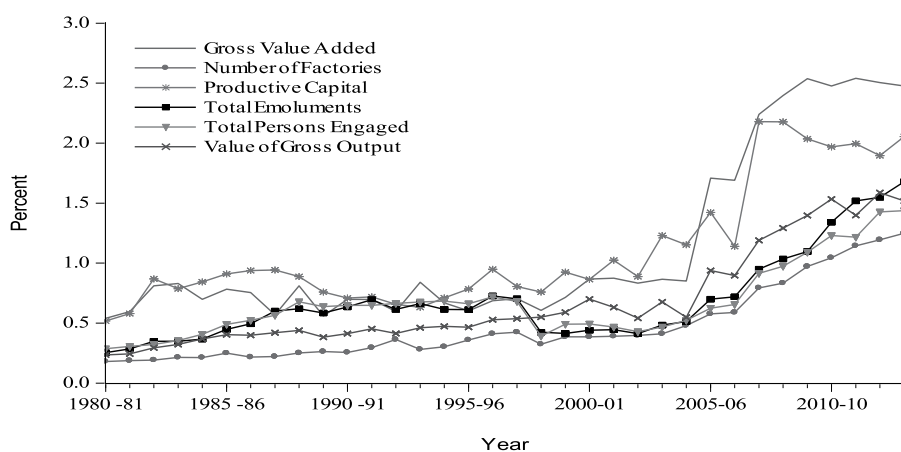
The benefits of growth has also been observed in the other indicators like productive capital, total persons engaged, value of gross output, and gross value added. During 1980-81 in the state, the productive capital, total person engaged, value of gross output, and gross value of output was just Rs. 22335 lakhs, 22532, Rs. 14298 lakhs, and Rs. 7476 lakhs, respectively. Similarly, the share of Himachal Pradesh in Indian productive capital, total person engaged, value of gross output, and gross value of output were approximately 0.52, 0.29, 0.23, and 0.54 percent, respectively. This indicates that during 1980s Himachal Pradesh had small industrial base. In 2000-01, the share of these indicators reached to Rs. 435888 lakhs in productive capital, 39369 in total person engaged, Rs. 648155 lakhs in value of gross output, and Rs. 154743 lakhs in gross value added, which aggravated in 2013-14 to a very high level of Rs. 6237616 lakhs in productive capital, 194608 in total person engaged, Rs. 9954730 lakhs in value of gross output, and Rs. 2637778 lakhs in gross value added. Similarly, the share of productive capital, total person engaged, value of gross output, and gross value of output in Indian factory increased to 2.05, 1.44, 1.52, and 2.48 percent, respectively.

Table 5: Growth of Factory Sector in Himachal Pradesh, 1980-81 to 2013-14

Year	Number of Factories	Productive Capital (Lakh)	Total Persons Engaged	Value of Gross Output (Rs Lakh)	Gross Value Added (Rs Lakh)
1980 - 1981	173 (0.18)	22335 (0.52)	22532 (0.29)	14298 (0.23)	7467 (0.54)
1990 - 1991	282 (0.26)	124832 (0.71)	53664 (0.65)	111713 (0.41)	42987 (0.70)
2000 - 2001	507 (0.39)	435888 (0.86)	39369 (0.49)	648155 (0.70)	154743 (0.87)
2010 - 2011	2210 (1.04)	4386179 (1.97)	156396 (1.23)	7184348 (1.53)	2063796 (2.48)
2013 - 2014	2806 (1.25)	6237616 (2.05)	194608 (1.44)	9954730 (1.52)	2637778 (2.48)

Source: Annual Survey of Industry various Issues.

Note: Value in parentheses indicates percentage share of Himachal Pradesh in Indian Factory sector

Figure 6: Himachal Pradesh Share in Indian Factory Sector, 1980-81 to 2013-14

Source: Annual Survey of Industry various Issues.

AGRICULTURAL DEVELOPMENT IN HIMACHAL PRADESH

Agricultural sector plays an important role for economic development of any economy, especially for the developing economies. Besides providing self-sufficiency in food to the population, agriculture release labour, provides raw material to the industry, and generates foreign exchange. The importance of this sector is widespread for the state like Himachal Pradesh where around 90 percent of the population lives in rural areas, and 63 percent of total workers depend for their livelihood on agriculture. The details of selected variables of agriculture in Himachal Pradesh have been presented in Table-6. It can be seen from the Table that in the last few years, the structure of the economy of Himachal Pradesh changed with a reasonable decline of agriculture's share in GSDP from 28.51

percent in 1990-91 to 13.22 percent in 2010-11. Despite a fall in its share, agricultural sector has become a major source of income in the state because of higher dependence of the rural workforce in this sector for employment (Table 6). Out of the total area of the state, the total cropped area, cultivatable area, net area sown, net irrigated have not changed much over the period. During 2010-11, Himachal Pradesh has about 600.8 cultivated area, 543.4 net sown area, 938.6 total cropped area, and 193 gross irrigated area (area in '000 hectares). However, the consumption of fertilizer, wage per day, and area under high yield variety has grown significantly during the given period. But the food grain production in the state has not increased over the period. Considering the average size of land holding, it has been considerably declined from 1.21 percent in 1990-91 to 1.07 percent in 2000-01, which further declined to 0.99 percent (Table-6).

Table 6: Selected Agricultural Variables in Himachal Pradesh

Sr. No.	Variables	1990-91	2000-01	2010-11
1.	Agriculture share in GSDP (%)	28.51	18.79	13.22
2.	Himachal contribution in India GDP (agriculture)	0.95	0.84	0.79
3.	Agricultural workers (%)	66.54	68.47	62.85
4.	Total cropped area	983.6	947.6	938.6
5.	Gross irrigated area	166.8	180.9	193
6.	Consumption of Fertilizer (in M.T.)	-	71.1	110.26
7.	Area under HYV (in '000 Hectares)	-	623.28	729.2
8.	Agriculture wage per day (in ₹)	29.00	67.75	-
9.	Food Grain Production (in M.T.)	1433.3	1112.1	1420.41

Source: Department of Economics and Statistics, GoHP.

Note: area in '000 Hectare

Area and Production of Major Crops

In this section, the area and production of major crops have been presented in Table 7 during different periods in Himachal Pradesh. It is clearly evident from the Table that maize and wheat are the two main crops cultivated in the state and they constitute more than 65 percent of the total cropped area. Rice is the third highest cultivated crop in the state and cover more than 8 percent of the total cropped area followed by pluses and barley (Table-7). There was marginal decline in the area under cultivation of barley, ragi, pulses, and common millets during 2000-01. Similarly, no other crops have been growth in the area under cultivation. Furthermore, in 2010-11, the situation of the area under cultivation almost remains stagnant for these crops. If we see the trends of overall area under cultivation of total food grain, we observed that it has marginally declined from 88.6 percent in 1990-91 to 86 percent in 2000-01 and further to 84.7 percent in 2010-11. Moreover, the areas under cultivation of potato, vegetables, and ginger have grown considerably from 11.4 percent in 1990-91 to 14 percent in 2000-01 and further to 15.3 percent.

The production of major crops shows a slightly different pattern and most of the crops have experienced a declining trends. In the 1990-91, out of the total food grain production, the share of maize, wheat, and rice were approximately 34.18 percent, 34.40 percent, and 5.56 percent, respectively. However, in the 2000-01, the production of maize and rice improved and reached to the

level of 45.79 percent and 8.37 percent, whereas the production of wheat declined to 16.83 percent. But in 2010-11, the production of wheat further improved with a small rate and production of maize and rice declined to 23.16 percent and 4.5 percent, respectively. On the contrary, the production of barley, pulses, common millets, and ragi have experienced small changes over the period. It is interesting to observe that the production of potato, vegetables, and ginger has witnessed a significant growth. The share in the total production is almost double from 25.2 percent in 1990-91 to 50.97 percent in 2010-11.

Table 7: Area and Production of Major Crops (in percent)

Crops	Area			Production		
	1990-91	2000-01	2010-11	1990-91	2000-01	2010-11
Rice	8.6	8.6	8.2	5.56	8.37	4.45
Maize	32.4	31.4	31.6	34.18	45.79	23.16
Wheat	38.3	38.3	38.1	31.40	16.83	18.86
Barley	3	2.7	2.4	2.24	1.43	0.96
Pulses	4.1	3.3	3.6	0.66	1.31	1.41
Ragi	0.6	0.4	0.2	0.21	0.28	0.07
Common millets	1.6	1.2	0.6	0.54	0.48	0.12
Total food grains	88.6	86	84.7	74.80	74.49	49.03
Other crops	11.4	14	15.3	25.20	25.51	50.97
Total	100	100	100	100.00	100	100

Source: Department of Economics and Statistics, GoHP.

Note: Other crops includes potato, vegetables and ginger.

OCCUPATIONAL PATTERN IN HIMACHAL PRADESH

Sectoral Share of Employment

The changing nature of the occupational pattern of workforce is a significant part of the economy, which is analyzed to have good knowledge of the structural changes in the economy of Himachal Pradesh. In the conventional sense, the structure of workforce in an economy is expected to move gradually from primary to secondary and then to tertiary sector. Table 8 presents the distribution of rural and urban workforce across the sector in of the economy of Himachal Pradesh. The data shows that there has been a significant transformation of both the rural and urban workforce in the state. But the transformation of workforce is very slow in comparison to income across the sectors. The sectoral share of employment by rural-urban classification shows significant differences in the state. In rural area, majority of people earn their livelihood mainly from primary sector and in urban area, majority workforce earns their livelihood from the tertiary sector during 1993-94 (Table-8). In rural area, the contribution of primary sector in providing employment came down to 69.7 percent in 2004-05 from 80.6 percent in 1993-94 and further to 63.3 percent in 2011-12, whereas in urban area, the contribution of primary sector in providing employment declined to 8.5 percent in 2004-05 from 18.1 percent in 1993-94 and finally to 8.41 percent during 2011-12. As far as the secondary sector is concerned, its share significantly grew in rural area from 10.4 percent in 1993-94 to 20.8 percent in 2012-13, whereas in urban area, the growth of employment in secondary sector is more rapid from 14.4 percent in 1993-94 to 40.6 percent in 2011-12. On the basis of rural-urban classification, there

is also difference in the employment taking place in tertiary sector. In rural area, the share of tertiary sector employment before reaching to the highest level started to decline, whereas, in urban area, the share of tertiary sector employment significantly declined from 67.6 percent in 1993-94 to 50.9 percent in 2011-12.

Table 8: Sectoral Share of Employment by Rural-Urban classification in Himachal Pradesh, 1993-94 to 2011-12 (in percent)

Year	Rural			Urban		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
1993-94	80.6	10.4	9.3	18.1	14.4	67.6
1999-00	73.6	14.3	12.1	11	21.5	67.5
2004-05	69.7	16.1	14.1	8.5	37.3	54.0
2009-10	62.2	20.6	16.7	8.5	24	67.6
2011-12	63.3	20.8	15.8	8.41	40.6	50.9

Source: NSSO various Rounds.

Workforce Participation Rate

Table 9 presents that the workforce participation rate for Himachal Pradesh based on rural-urban classification from 1993-94 to 2011-12, using UPS and UPSS measures. It may be noted that rural workforce participation rate in Himachal Pradesh grew significantly from 43.4 percent in 1993-94 to 45.3 percent in 2004-05 and further to 49.6 percent in 2011-12 using UPS. However, by using UPSS measure, its workforce declined marginally from 55.4 percent in 1993-94 to 53.3 percent in 2011-12. Different trends were observed in urban workforce participation rate compared to rural workforce participation rate. According to UPS and UPSS measures, urban workforce increased significantly to a higher level, that is, from 32.9 percent and 36.3 percent in 1993-94 to 40.4 percent and 41.6 percent in 2011-12, respectively.

Table 9: Workforce Participation Rate by Rural-Urban classification in Himachal Pradesh, 1993-94 to 2011-12 (in percent)

Year	Rural		Urban	
	UPS	UPSS	UPS	UPSS
1993-94	43.4	55.4	32.9	36.3
1999-00	39.0	50.0	30.4	32.2
2004-05	45.3	53.0	43.5	45.6
2009-10	47.3	51.2	34.9	35.9
2011-12	49.6	53.3	40.4	41.6

Source: NSSO various Rounds

Employment Growth by Type of Work

Table 10 shows the distribution of workers based on rural-urban classification by the type of work such as self-employed, regular employed, and casual labor in Himachal Pradesh from 1993-94 to 2011-12. In Himachal Pradesh, self-employed workforce in both rural and urban area shows a declining trend. During 1993-94, more than 85 percent of workforce in rural area was self-employed, whereas, in urban area, the percentage of self-employed people was around 38.4. However, in 2011-

12, the share of self-employed workforce in both rural and urban areas declined to 71.1 percent and 30.3 percent, respectively. As a result, regular employed person in rural as well as urban areas increased to 14.1 percent and 60.6 percent in 2011-12 from 7.1 percent and 50.5 percent in 1993-94 in the state. Casual labor marginally increased by 6 percent from 1993-94 to 2009-10, thereafter, it started to decline and reached to the level of 14.6 percent during 2011-12 in rural area, whereas in urban area, casual labor grew with various up and down swing and finally reached to the same level as it was during 1993-94.

Table 10: Usually Employed Persons by Type of Employment in Himachal Pradesh, 1993-94 to 2011-12 (in percent)

Year	Rural			Urban		
	Self Employed	Regular Employed	Casual Labour	Self Employed	Regular Employed	Casual Labour
1993-94	85.6	7.1	9.1	38.4	52.5	9.1
1999-00	78.7	10.1	11.2	37.6	51.6	10.8
2004-05	76.7	11.9	11.5	34.1	37.5	28.3
2009-10	70.8	14.3	15.0	39.0	48.7	12.3
2011-12	71.1	14.1	14.6	30.3	60.6	9.1

Source: NSSO various Rounds

CONCLUSIONS

The paper concludes that the economy of Himachal Pradesh has witnessed very high rate of growth owing to manufacturing activities, electricity, gas and water supply; trade, hotel and restaurants; banking and insurance; real estate and public administration. Industrial and agricultural developments show the difference over time. Industrial development started almost during the 90s, but the pace of growth was noted after 2004-05 because of special package of incentive provided by the central government and sector specific industrial policies by the state government. As a result, large number of industrial units has been established in both small scale and large medium sector, which lead to higher investment particularly in the large medium sector. Although Himachal Pradesh contributes just a small share in Indian factory, but its share continually increased to 2806 units in 2013-14 from 173 units in 1980-81 in the Indian factory sector. This is also observed in case of other indicators of factory sector such as productive capital, total emoluments, total persons engaged, value of gross output, and gross valued added. The importance of the agricultural sector is wide for the state of Himachal Pradesh due to higher dependency of the rural workforce. This sector has experienced a reasonable decline of agriculture's share in GSDP. Despite a fall in its share, agricultural sector is a major source of income in the state, particularly for rural people.

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