

# Structural Change and Service-led Growth in India

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January 2019

## **Abstract**

In the last 30 years, India grew substantially, agricultural employment declined markedly, manufacturing employment did not change much but consumer service employment increased rapidly. In the cross-section of Indian districts we also find a strong correlation between income per capita and the employment share in consumer services. We use micro data on expenditures shares, regional data on employment shares and income per capita and a spatial model of structural change to infer the underlying reasons for these patterns. Our exercise implies that productivity growth in consumer services account for .... % of aggregate productivity growth in India. We also show that differences in consumer service growth across Indian districts account for ...% of the observed change in spatial inequality.