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Sectoral Divergence in Indian Manufacturing: Organised Sector Growth and Unorganised Decline

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Sectoral Divergence in Indian Manufacturing: Organised Sector Growth and Unorganised Decline*

Abstract

Manufacturing-led growth remains central to India's structural transformation, given its potential to generate large-scale employment for unskilled and semi-skilled workers transitioning out of agriculture, as well as its strong interlinkages with services employment. However, the share of manufacturing in both employment and gross value added has remained stagnant. Against this backdrop, this paper analyses the performance of India's organised and unorganised manufacturing during the last decade using unit-level data from the ASI, NSS, and ASUSE. The findings reveal a slowdown in employment and gross value added within the unorganised manufacturing sector between 2015–16 and 2022–23, while the organised manufacturing sector recorded gains. Overall, the manufacturing sector is increasingly becoming organised with the share of unorganised sector in total employment and value added reducing over the years which can pose an opportunity or a challenge, depending on the absorption of workers in the organised sector.

JEL classification

L60, O14, O17, J21, J46, O53

Keywords

manufacturing, organised sector, unorganised sector, informal sector, structural transformation, employment, formalisation, India

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* *Disclaimer*: The views in this article represent personal views of the authors.

1. Introduction:

No major country managed to reduce poverty and carry out a structural transformation of its economy without growing reliance upon manufacturing. In the absence of large scale manufacturing in a large economy like India, there is no scope for sustained growth of output and employment merely, hence also poverty reduction, by relying upon agriculture, construction and services. In this paper, therefore, we focus on how manufacturing has performed in India. However, there is an important dimension of India's manufacturing sector that should be held in mind if the analysis is to reflect India's reality.

The Indian economy exhibits a dualistic structure, characterised by the coexistence of both the organised and unorganised sectors, as well as formal and informal workers, each playing a significant role in the generation of gross value added (GVA) and employment. While this is not surprising at India's level of development, the fact remains that this is much more the case than in many other economies at India's level of per capita income (PCI) (see analysis in Mehrotra and Giri, 2023, based on cross country data drawn from ILO, 2018). The unorganised sector (categorised as the household sector in National Accounts Statistics) accounted for 43 per cent of GVA during 2023-24 with more than 80 per cent of all workers in India engaged in the unorganised sector, and roughly 90 per cent of workers considered as informal workers. The Unorganised sector plays a bigger role in providing employment to unskilled/semi-skilled workers. In terms of GVA, the unorganised sector[1] is predominantly concentrated in agriculture, construction, trade, transport, broadcasting-related communication services, and other services, while in terms of employment almost all the major sectors have the majority of workers engaged in the unorganised sector.

[1] Unorgansied sector defined as unincorporated private enterprises owned by individuals or households, operating on a proprietary or partnership basis, and employing fewer than ten workers. As per the PLFS data, about 80 per cent of the total workforce and 63 per cent of total manufacturing workforce is employed in the unorganised sector in 2023-24.

As per Periodic Labour force survey (PLFS) data, agriculture has highest share of employment in the unorganised sector, followed by services (such as accommodation & food, trade) and then non-manufacturing industry (mainly construction) in 2023-24. In 2023-24, 46 per cent of total persons are engaged in agriculture, an increase from 42.4 per cent in 2017-18.[2] Manufacturing employment, which potentially should play an important role in absorbing labour exiting agriculture, remained stagnant at around 11.5 per cent during 2017-18 to 2023-24, having fallen from a peak of 12.8 per cent (which is low by international standards for other Asian economies, including Bangladesh) (Mehrotra and Parida, forthcoming). On an average manufacturing employment grew by 4.3 per cent during 2017-18 to 2023-24, as against 6 per cent growth in agriculture employment. During 2017-18 to 2023-24, agriculture, followed by construction, trade and other services contributed the highest to employment growth. Although the Indian economy has generated substantial employment in the past seven years—driven largely by rising female participation—much of this job creation has been distress-led, concentrated in low-earning and low work-intensity activities such as own-account enterprises, unpaid family work, and sectors including agriculture, retail trade, and accommodation and food services.

Over the past decade, the overall share of manufacturing in the economy has remained largely stagnant; however, within manufacturing, the organised sector has increased its share in both value added and employment. While this shift is generally viewed as positive, it reflects two underlying dynamics: relatively faster growth of organised manufacturing during 2015–16 to 2023–24 compared with 2010–11 to 2015–16, and a concurrent contraction of unorganised manufacturing.

Manufacturing have the potential to generate substantial employment for low-skilled workers, promoting structural transformation. Since organised manufacturing has been becoming more and more capital intensive over time (see Nagaraj, 2018, Mehrotra and Parida, forthcoming) due to among other things, automation, unorganised manufacturing can serve as the potential sector for employment diversification. Unorganised manufacturing activities—such as furniture

[2] By using PLFS ratios and MOHFW population projections, employment grew by average 5.4 per cent in usual status for person age 15 and above during 2017-18 to 2023-24. Of this, two-third of the growth came from household unpaidhelpers and self-employed- own account workers/enterprises.

making, textiles and garments, leather goods, handicrafts, and metal products—despite low value added per unit, supply essential consumption goods and, owing to their scale and labour-intensive nature, remain a critical source of employment in the Indian economy. In this backdrop, this paper attempts to delve deeper into this subject, by conducting a comparative analysis of organised and unorganised manufacturing, using Annual Survey of Industries (ASI) (for the organised) and Annual Survey of Unincorporated Sector Enterprises (ASUSE) (for the unorganised enterprises) data.

The Unorganised sector was impacted significantly during the COVID-19 pandemic as indicated by various reports and survey-based studies (Rathore & Krishna, 2020; Economic Times, 2020; Ramaswamy, 2021, Mehrotra and Parida, 2021)). PLFS data provides a broad pattern of employment, while the pandemic impact at enterprise-level is not possible based on that alone, since that data is collected from households, not enterprises. ASI (for the organised sector) and ASUSE (2021-22, 2022-23 & 2023-24) (for the unorganised sector) provides valuable information on enterprise level factors like region wise number of enterprises, employment, gross value added (GVA), credit penetration, digitisation, major problem faced etc. Using the ASI and NSS/ASUSE data, we examine the impact of COVID-19 pandemic on organised and unorganised manufacturing and the extent of its recovery post-pandemic.

The Unorganised sector shrank relatively to the Organised sector in manufacturing GVA and employment. We examine the NIC-two-digit code wise breakup of that to understand which sectors were impacted more by the pandemic in each of the organised and unorganised segments. Further, we also compare the latest data with the Unorganised Sector's surveys of earlier years - NSS 67th round 2010-11 and NSS 73rd round 2015-16 of the quinquennial survey to understand the changing dynamics in this sector.

2. Data sources

This paper uses NSS 67th (2010-11), 73rd (2015-16) rounds survey of unincorporated sector enterprises, Annual Survey of Unincorporated Sector Enterprises (ASUSE 2021-22, 2022-23, 2023-24) and Annual Survey of Industries data from 2010-11 to 2023-24. The unincorporated

sector enterprises survey covers non-agricultural establishments that are not incorporated, i.e., not registered under the Companies Act, 1956 or 2013. Its scope includes household proprietary and partnership firms, societies/trusts, co-operatives, self-help groups, and private non-profit institutions. These surveys provide detailed insights on ownership, establishment year, employment, remuneration, digitisation, receipts, and expenditures.

The Annual Survey of Industries (ASI) provides comprehensive information on India's registered manufacturing sector. Its coverage includes factories under the Factories Act,1948, bidi and cigar establishments, selected electricity undertakings, and select large units from State Business Registers.. The unit of enumeration varies by sector, typically a factory or establishment. Sampling involves a census of all eligible units in less-industrialized States/UTs and specific industries, while others follow a stratified sampling scheme.[3] For this study, unit-level ASUSE and NSS data are analysed alongside NAS and ASI statistics to assess performance of manufacturing sector.

3. Performance of Manufacturing sector

3.1 Structure of unorganised and organised manufacturing

As per ASUSE 2022-23, 65 million non-agriculture unincorporated enterprises (excluding construction, public administration) operated in India, slightly higher than 63 million enterprises in 2015-16. Total number of enterprises in unorganised sector grew sharply to 73.3 million in 2023-24 led by own account enterprises. Out of total 73.3 million enterprises, 27.4 per cent (20.1 million) belonged to manufacturing sector. The share of unorganised manufacturing enterprises within the unorganised units overall declined, from 31 per cent in 2015-16 to 27.4 per cent in 2023-24. The Unorganised segment was impacted more by the pandemic in terms of number of enterprises, employment and gross value added (Dev & Sengupta 2020; Economic Times, 2020; Kesar et al 2021). Employment in unorganised manufacturing declined from 36.0 million in 2015-16 to 30.6 million in 2022-23 (-2.3 per cent CAGR), employment picked up in 2023-24 to 33.7 million, still remaining below the 2015-16 level (Table 1). This highlights the

[3] Table 0 ASI Write Up 2023-24_R.pdf

disproportionately greater impact of disruptions such as the demonetisation (of 86 per cent of currency in circulation in November 2016), introduction of GST (July 2017), as small enterprises require more time to adapt to regulatory changes, compounded by the effects of the pandemic-induced lockdown (Chodorow-Reich et al. 2018; Kesar et al. 2021; Mehrotra & Parida, 2021; The Indian Express, 2025).

Table 1 : Unorganised vs Organised Manufacturing

	2015-16	2021-22	2022-23	2023-24
Unorganised Manufacturing				
Number of Establishments (Million)	19.7 (2.8)	17.3 (-2.1)	17.8 (-1.4)	20.1 (12.9)
Number of Worker (Million)	36 (0.6)	27.9 (-4.2)	30.6 (-2.3)	33.7 (10.1)
Real GVA (₹ Crore)	2,37,793 (9.0	2,09,384 (-2.1)	2,55,479 (1.0)	2,73,991 (6.7)
Organised Manufacturing				
Number of firms (Million)	0.23 (1.9)	0.25 (1.2)	0.25 (1.2)	0.26 (2.4)
Number of Worker (Million)	13.7 (2.3)	16.6 (3.3)	17.8 (1.2)	18.9 (5.8)
Real GVA (₹ Crore)	10,62,037 (5.3)	14,67,445 (5.5)	14,76,334 (4.8)	16,71,422 (13.2)

Note: Figure in parenthesis shows CAGR between 2010-11 to 2015-16, 2015-16 to 2021-22 and 2022-23 and Y-o-Y growth for 2023-24.
NIC-2008 code 10-33 used for ASI and ASUSE to maintain comparability.
Source: Author calculations from ASI, NSS and ASUSE data.

Total GVA of unorganised manufacturing also declined during 2015-16 to 2021-22, though it recovered marginally in 2023-24. The decline in Unorganised manufacturing GVA was led by a decline in the number of enterprises and decline in employment in both own-account enterprises

(OAEs) and Hired worker enterprises (HWEs)[4]. In unorganised manufacturing, hired worker establishments (HWE) hardly grew in number (see Table 2); nor did number of workers in HWEs grow, even post Covid recovery. On the other hand, the number of OAEs shot up just as the number of OAE workers grew – even though they still remained below the 2015-16 level. What this data indicates (which is confirmed by analysis of the NSS's PLFS for the same years) that self-employment (in the form of both own account workers as well as unpaid family labour) grew sharply after 2020. It is notable that HWEs have higher productivity than OAEs, while the growth in the latter is a manifestation of distress-driven survival activities in the unorganised sector.

Table 2: Unincorporated (Unorganised) manufacturing enterprises

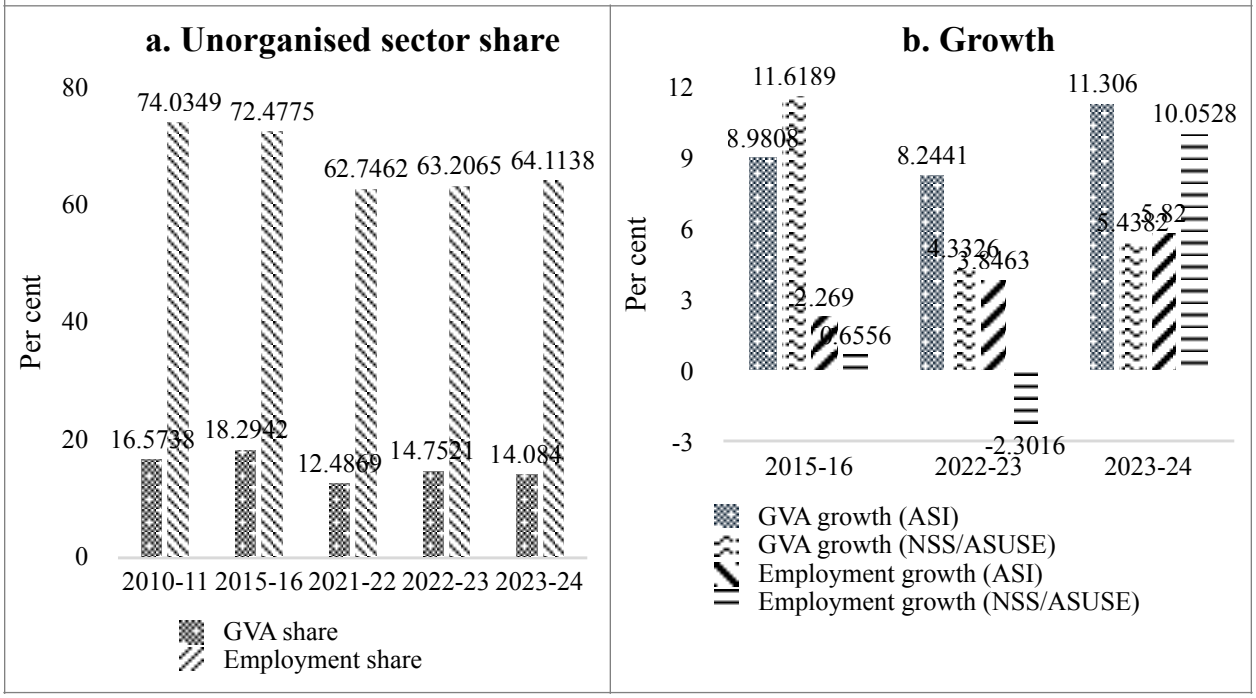
	2010-11	2015-16	2021-22	2022-23	2023-24
Number of Establishments (Million)					
OAE	14.4	16.8	15.3	15.6	17.8
HWE	2.8	2.9	1.9	2.3	2.4
Total	17.2	19.7	17.3	17.8	20.1
Number of Worker (Million)					
OAE	20.8	22.7	19.0	19.2	21.9
HWE	14.0	13.4	8.9	11.5	11.8
Total	34.9	36.0	27.9	30.6	33.7

Source: Author calculations from NSS and ASUSE data.

[4] Own Account Enterprises (OAEs) are establishments that run without any hired worker on a regular basis, while Establishments with Hired Workers (HWEs) engage at least one hired worker on a fairly regular basis.

The organised manufacturing sector has exhibited relative stability in the number of firms, workforce size, and aggregate GVA; in contrast, the unorganised manufacturing sector recorded relatively slower growth during 2015-16 to 2022-23 as compared to organised manufacturing, resulting in a fall in GVA share from 16.6 per cent to 14.1 per cent. Similarly, weak employment performance—turning negative (-2.3 per cent) over 2015-16 to 2022-23—led to a decline in employment share from 74 per cent in 2010-11 to 64.1 per cent in 2023-24 (Chart 1).

Chart 1: Unorganised sector share and growth performance



Note: CAGR for period between 2010-11 to 2015-16, 2015-16 to 2022-23 and y-o-y growth for 2023-24. GVA growth is calculated for nominal GVA.
Source: Authors calculations from ASI, NSS/ASUSE data.

3.2 Rural-Urban composition

The rural–urban composition of India's manufacturing sector reveals contrasting patterns between organised and unorganised segments. Unorganised manufacturing is predominantly rural, with around 60 per cent of establishment and over half of employment located in rural areas, though its rural GVA share remains low at about 38 per cent. Organised manufacturing, by contrast, is largely urban, with nearly 60 per cent of enterprises and employment, yet the rural share of employment has risen modestly from 42 to 45 per cent since 2010-11, even as its rural GVA share declined, reflecting weak productivity growth in rural-based organised factories (Table 3). However, what is clearly notable is that over time, for both organised and unorganised manufacturing, there is clear trend of ruralisation, or in other words, a shift away from urban location. This is not surprising given that land is more expensive in urban areas, and congestion and pollution are both increasing in urban areas. Hence, the ongoing trend is likely to remain a shift of locations of both organised and unorganised manufacturing to rural settings.

Table 3: Rural-Urban composition of manufacturing sector (Share in per cent)

	2010-11	2015-16	2022-23	2023-24	2010-11	2015-16	2022-23	2023-24
	Organised Manufacturing				Unorganised Manufacturing			
Factories/Establishments								
Rural (Per cent)	37	39	43	43	59	58	60	60
Urban (Per cent)	63	61	57	57	41	42	40	40
Total (In Lakh)	2.1	2.3	2.5	2.6	172	197	178	201
Employment								
Rural (Per cent)	42	44	45	45	53	52	54	52
Urban (Per cent)	58	56	55	55	47	48	46	48
Total (In Lakh)	127	143	185	196	349	360	306	337
GVA								
Rural (Per cent)	51	52	50	49	37	34	39	38
Urban (Per cent)	49	48	50	51	63	66	61	62
Total (In Lakh Crore)	8.3	12.7	22.0	24.6	1.5	2.7	3.6	3.8

Source: Authors calculations from ASI, NSS/ASUSE data.

In terms of performance, unorganised manufacturing expanded moderately during 2010-11 to 2015-16, with small gains in enterprises and GVA but stagnant employment. The subsequent period, 2015-16 to 2022-23, shows a sharp contraction across all indicators, as the pandemic disproportionately disrupted small, labour-intensive units, while organised manufacturing remained more resilient, sustaining growth in enterprises, employment, and GVA, particularly in urban areas.[5] The year 2022-23 to 2023-24 indicates a phase of recovery, with unorganised enterprises and employment rebounding strongly, especially in rural India, though GVA growth continues to lag behind the organised sector (Table 4). This divergence highlights the persistent vulnerability of unorganised manufacturing and the relative stability of capital-intensive, organised manufacturing units.

Table 4: Rural-Urban performance of manufacturing sector (CAGR/Per cent y-o-y)

	2010-11 to 2015-16	2015-16 to 2022-23	2022-23 to 2023-24	2010-11 to 2015-16	2015-16 to 2022-23	2022-23 to 2023-24
	Organised Manufacturing			Unorganised Manufacturing		
Factories/Enterprises						
Rural	3.4	2.4	4.0	2.5	-0.9	12.8
Urban	1.1	0.4	1.6	3.1	-2.1	13.4
Total	1.9	1.2	2.7	2.7	-1.4	13.0
Employment						
Rural	3.3	4.1	5.8	0.2	-1.6	5.4
Urban	1.7	3.4	6.0	1.2	-3.1	15.6
Total	2.4	3.7	5.9	0.7	-2.3	10.1

[5] It is also highly likely that the unorganised segments of manufacturing were impacted adversely by demonetization and the design/implementation issues of the Goods and Services tax, coming in rapid succession between late 2016 and mid-2017, after which GDP growth consistently slowed for the following nine quarters till early 2020, when Covid arrived (CII, 2021; The Indian Express, 2025).

GVA (Nominal)						
Rural	9.5	7.6	9.4	9.6	6.7	1.6
Urban	8.6	8.6	14.4	12.7	3.0	8.0
Total	9.1	8.1	11.9	11.6	4.3	5.5

Source: Authors calculations from ASI, NSS/ASUSE data.

3.3.Shifting Employment dynamics

Employment dynamics in India's manufacturing sector point to a steady shift towards the organised segment. Between 2015-16 and 2022-23, the organised manufacturing added nearly 41 lakh jobs, while the unorganised sector lost 54 lakh jobs, indicating that expansion of organised enterprises has partly displaced jobs in unorganised manufacturing (Table 5). However, this increase in organised employment does not necessarily equate to a rise in formal employment, as the last decade has seen an increase in informality within the organised sector (Mehrotra, 2019). For instance, the proportion of contract workers in India's formal manufacturing workforce rose from 34 per cent in 2010-11 to 40.2 per cent in 2021-22 (Singh, 2024). In 2023-24, both sectors reported net gains—organised manufacturing added 10.4 lakh jobs while the unorganised sector rebounded with 30.8 lakh jobs—indicating recovery in unorganised employment alongside continued organised expansion, but total employment in unorgasnied manufacturing remained below its 2015-16 level.

Table 5: Change in manufacturing employment (in Lakh)						
	Organised manufacturing			Unorganised manufacturing		
Industry	2010-15	2015-23	2023-24	2010-15	2015-23	2023-24
Food products	0.7	5.2	0.5	3.5	-3.5	0.5
Beverages	0.4	0.2	0.3	-0.3	-1.1	-0.2
Tobacco products	1.0	-0.7	-0.3	8.6	-15.9	-2.4

Textiles	1.1	1.6	-0.1	-8.8	-15.7	4.5
Wearing apparel	2.1	2.4	0.2	13.3	13.3	19.2
Leather and related products	0.9	0.3	0.2	1.3	-1.4	-0.2
Wood and products of wood and cork, except furniture	0.1	0.2	0.2	-6.5	-8.8	1.6
Paper and paper products	0.0	1.0	0.3	-1.0	0.3	0.7
Printing and reproduction of recorded media	0.0	0.0	0.0	-0.3	-1.2	0.2
Coke and refined petroleum products	0.3	0.3	0.0	0.0	0.4	-0.4
Chemicals and chemical products	1.1	3.1	0.8	-1.1	-2.0	-0.2
Pharmaceuticals, medicinal chemical and botanical products	1.8	2.8	0.3	0.0	0.0	0.0
Rubber and plastics products	1.3	3.0	0.9	-1.4	-0.9	1.0
Other non-metallic mineral products	0.8	0.4	0.9	-0.3	-2.0	-4.5
Basic metals	-0.6	4.6	1.1	0.5	1.0	-0.9
Fabricated metal products, except machinery and equipment	-0.1	1.2	0.5	2.0	-3.4	0.0
Computer, electronic and optical products	-0.2	2.1	0.4	-0.3	-0.2	0.1
Electrical equipment	-0.1	2.7	0.8	0.5	-0.5	0.0
Machinery and equipment n.e.c.	0.5	3.8	1.4	2.4	-3.0	-0.3
Motor vehicles, trailers and semi-trailers	2.2	3.3	1.1	0.0	-0.3	0.3
Other transport equipment	0.5	0.9	0.2	-0.2	0.0	0.0
Furniture	0.0	0.8	0.0	4.5	-4.2	1.2
Other manufacturing	0.9	2.4	0.5	-4.6	-3.7	10.7
Repair and installation of machinery and equipment	-0.1	0.0	0.0	-0.2	-1.4	-0.2
Total	14.5	41.4	10.4	11.6	-54.2	30.8

Source: Authors calculations from ASI, NSS/ASUSE data.

The unorganised manufacturing sector has experienced a notable decline in its relative contribution to both employment and gross value added (GVA) between 2015-16 and 2023-24. The overall worker share of the unorganised sector fell from 72 per cent to 64 per cent, while its

GVA share contracted from 18 per cent to 14 per cent, indicating a shift towards organised enterprises (Table 6). Sectoral patterns reveal that traditional labour-intensive industries—such as textiles, leather, and repair services—continue to exhibit high dependence on unorganised employment, though with declining shares. In contrast, capital- and technology-intensive industries, including chemicals, machinery, and motor vehicles, show a sharp reduction in unorganised participation, reinforcing the shift towards organised production. These trends reflect ongoing formalisation and productivity gains in manufacturing, but also raise concerns about the shrinking role of the unorganised sector, which has historically absorbed a large pool of low-skilled labour. The declining share of the unorganised sector in employment and GVA reflects a a worrying trend for India where the need for large-scale job creation remains critical.

Organised manufacturing shows overwhelming dominance in GVA, with sectors like coke and refined petroleum, pharmaceuticals, chemicals, computers, motor vehicles, and basic metals contributing over 95 per cent by 2023-24. However, this is not surprising given that these are in any case relatively capital-intensive sectors of manufacturing. Employment concentration is also high in these sectors, where organised firms employ the vast majority of workers. However, labour-intensive industries such as textiles, food processing, and wearing apparel continue to depend heavily on unorganised enterprises, as their organised employment shares remain below one-third. This indicates that while organised manufacturing drives value addition, the unorganised sector still plays a crucial role in labour absorption, especially in traditional, low-skill-intensive industries.

Table 6: Unorganised share in total manufacturing employment and GVA						
	Worker share			GVA share		
	2010-11	2015-16	2023-24	2010-11	2015-16	2023-24
Food products	74	75	67	27	30	26
Beverages	74	68	50	12	10	7
Tobacco products	88	89	84	30	32	24
Textiles	80	76	69	32	32	26
Wearing apparel	88	88	89	62	62	61
Leather and related products	53	55	41	23	28	19
Wood and products of wood and cork, except furniture	97	96	92	87	74	68
Paper and paper products	58	49	48	15	11	16
Printing and reproduction of recorded media	75	75	70	32	33	35
Coke and refined petroleum	8	8	6	0	0	0
Chemicals and chemical products	43	33	12	3	2	1
Pharmaceuticals, medicinal chemical and botanical products	5	3	2	0	0	0
Rubber and plastics products	52	39	29	10	11	7
Other non-metallic mineral products	75	74	65	23	24	20
Basic metals	11	16	11	1	2	1
Fabricated metal products, except machinery and equipment	73	75	67	29	38	30
Computer, electronic and optical products	22	14	5	3	2	1
Electrical equipment	20	26	13	3	6	2
Machinery and equipment n.e.c.	31	43	14	6	17	3
Motor vehicles, trailers and semi-trailers	12	9	7	2	1	1
Other transport equipment	14	7	5	2	1	1
Furniture	95	97	91	75	84	71
Other manufacturing	91	86	81	57	50	36

Repair and installation of machinery and equipment	92	94	92	55	73	59
Total	74	72	64	17	18	14

Source: Authors calculations from ASI, NSS/ASUSE data.

Within organised manufacturing, the period from 2010 to 2023 shows a gradual reallocation of employment towards higher value-added and technology-intensive industries. Sectors such as pharmaceuticals, chemicals, rubber, electrical equipment, machinery, and motor vehicles recorded sustained employment growth, supported by rising capital intensity and integration into global production networks. Basic metals and coke also expanded their worker share, indicating the resilience of core intermediate industries. In contrast, traditional labour-intensive sectors such as textiles, leather, and food products either stagnated or declined in their employment share, reflecting productivity improvements and competitive pressures. Overall, the organised sector demonstrates a structural transition, where employment is increasingly concentrated in capital- and technology-driven industries, even though labour-absorbing segments retain a significant base.

By contrast, unorganised manufacturing reveals a different trajectory, marked by a contraction in many labour-intensive activities. The overall employment share of textiles and wearing apparel —traditionally the largest unorganised employers—has declined sharply.Sectors such as food processing and wood products continue to absorb labour but with diminishing growth rates, while employment in chemicals, pharmaceuticals, and machinery remains negligible. Interestingly, certain activities like furniture, repair services, and some segments of “other manufacturing” retain a steady presence. The data highlights a divergence: while organised manufacturing is gaining strength in modern, capital-intensive activities, unorganised manufacturing is losing ground, especially in labour-intensive sectors, raising concerns about its future role as a mass employment generator (Table 5, 6).

The evidence points towards increasing concentration of employment in organised enterprises with higher productivity, while unorganised firms face competitive pressures, lack of scale, and limited access to capital and markets. On the one hand, this reflects structural transformation, where larger, more productive firms expand at the cost of smaller, low-technology, labour-

intensive units, while on the other hand it points towards a deeper issue of falling manufacturing jobs in unorganised sector. While organised sector expansion improves job quality, social protection, and productivity, the persistence of job losses in unorganised manufacturing calls for targeted support—through skill development, credit access, and cluster-based industrial policies —to ensure that vulnerable workers are not left behind in the transition. As per Periodc labour force survey (PLFS), during 2017-18 to 2023-24, total employment increased by 165 million, led by agriculture, trade, transport, accommodation and food, while manufacturing lagged.[6] India needs a strong manufacturing base to absorb surplus unskilled labour exiting agriculture, along with new entrants to the labour force (ILO, 2024). Manufacturing offers large-scale employment opportunities due to its labour-intensive nature and diversified segments (UNIDO, 2022). Moreover, its extensive backward and forward linkages with agriculture and services can generate multiplier effects, enhancing productivity and overall growth (Ghosh, 2015).

3.4 Manufacturing GVA: Steady organised sector vs vulnerable unorganised sector

The organised manufacturing sector's share in total GVA rose from 81 per cent in 2015-16 to 86 per cent in 2023-24, reflecting sustained expansion. During 2010-11 to 2015-16, several organised manufacturing sectors recorded strong growth in both employment and GVA, particularly pharmaceuticals, rubber, wood, and motor vehicles. The subsequent period, 2015-16 to 2022-23, shows a moderation in worker growth though GVA remained resilient in many sectors such as paper, basic metals, machinery, and furniture. While employment growth slowed, the relative strength in value addition highlights productivity improvements, but also reflects the pandemic's impact on labour absorption across organised manufacturing. In the unorganised sector, employment and worker growth remain robust during 2010-11 to 2015-16, employment growth was notable in machinery, coke, leather, and electricals, alongside strong GVA gains in machinery, coke, and basic metals. However, the period 2015-16 to 2022-23, marked by the pandemic (and earlier disruptions for the unorganised segments caused by demonetization and

[6] Absolute number of employment estimated using PLFS ratios and Ministry of heath and family welfare population projections.

the sudden implementation of a multi-rate, complicated GST (RBI, 2018; CII, 2021; The Indian Express, 2025)), shows a broad decline in worker growth, with only a few labour-intensive sectors such as paper, furniture, and basic metals recording resilience in value addition. The overall pattern suggests a weakening role of capital-intensive activities in unorganised manufacturing, with limited pockets of growth concentrated in traditional, labour-intensive sectors (Table 7).

Table 7: Growth of manufacturing real GVA (in per cent)

Sectors	Organised manufacturing			Unorganised manufacturing		
	2010-11 to 2015-16	2015-16 to 2022-23	2022-23 to 2023-24	2010-11 to 2015-16	2015-16 to 2022-23	2022-23 to 2023-24
Food products	5.4	5.6	17.8	8.3	2.5	18.2
Beverages	10.4	4.5	15.2	5.1	-0.1	18.0
Tobacco products	11.7	-1.6	6.6	13.4	-3.9	-17.4
Textiles	1.8	2.2	7.5	2.3	-1.4	2.3
Wearing apparel	11.2	4.9	8.1	11.7	1.7	25.3
Leather and related products	11.7	3.1	6.2	18.0	-1.5	-11.4
Wood and products of wood and cork, except furniture	18.8	3.1	21.0	1.2	0.6	8.4
Paper and paper products	3.6	9.5	8.4	-3.8	8.2	85.2
Printing and reproduction of recorded media	2.4	-1.2	-6.1	3.2	-3.2	19.9
Coke and refined petroleum products	9.3	-0.9	-18.2	4.7	30.2	-71.8
Chemicals and chemical products	9.6	3.5	2.0	-0.9	-4.1	23.8

Pharmaceuticals, medicinal chemical and botanical products	12.1	5.0	12.2	2.1	-1.3	69.0
Rubber and plastics products	4.5	6.0	16.8	8.2	0.8	5.0
Other non-metallic mineral products	2.3	4.7	24.1	3.8	6.0	-10.5
Basic metals	-4.7	11.5	13.7	12.4	12.3	-35.0
Fabricated metal products, except machinery and equipment	-1.2	4.7	4.3	7.9	0.7	-5.7
Computer, electronic and optical products	1.9	6.9	22.1	-2.4	-14.5	129.2
Electrical equipment	2.1	5.3	35.4	18.6	-2.0	-13.7
Machinery and equipment n.e.c.	3.9	6.3	25.3	29.6	-13.8	-9.5
Motor vehicles, trailers and semi-trailers	12.3	4.6	28.4	2.1	-4.0	92.8
Other transport equipment	1.5	5.8	29.2	-1.8	5.4	-34.2
Furniture	1.5	9.5	26.5	13.3	-1.5	24.2
Other manufacturing	10.2	9.5	24.9	4.5	7.4	-17.7
Repair and installation of machinery and equipment	-8.5	6.4	14.2	7.0	-2.8	13.7
Total	5.3	4.8	13.2	7.9	1.0	7.3

Source: Authors calculations from ASI, NSS/ASUSE data.

Organised manufacturing recorded relatively stable growth across periods, averaging 5.3 per cent during 2010-11 to 2015-16, 4.8 per cent between 2015-16 to 2022-23, and strengthening to 13.2 per cent in 2023-24. In contrast, unorganised manufacturing showed strong growth initially (7.9 per cent during 2010-11 to 2015-16) but witnessed a sharp slowdown to just 1 per cent in 2015-16 to 2022-23, with 13 out of 24 sectors registering declines (Table 7). Even in 2023-24, recovery in unorganised manufacturing GVA remained uneven, with overall growth (7.3 per cent) lagging behind the organised sector (13.2 per cent). This suggests stress in unorganised enterprises, reflecting their limited resilience and competitiveness compared to organised manufacturing.

The distribution of gross value added (GVA) reinforces the divergent trajectories of organised and unorganised manufacturing. In the organised sector, capital- and technology-intensive

industries such as coke, chemicals, machinery, motor vehicles, and electrical equipment registered rising GVA shares, supported by robust growth rates even during the pandemic years. In the unorganised sector, however, GVA remains concentrated in traditional labour-absorbing segments such as food, textiles, and wearing apparel, though their growth momentum has slowed considerably. Some subsectors—like furniture, repair, and "other manufacturing"—retain importance in unorganised GVA, but overall the trend highlights a gradual erosion of its role in value generation (Table 5, 7). Together with the employment evidence, these patterns suggest that while organised manufacturing is consolidating around high value-added activities, unorganised manufacturing continues to shrink in both scale and productivity contribution. Taken together, the evidence from both employment and GVA underscores a dual transformation—organised manufacturing is expanding in high value-added, capital-intensive activities with limited labour absorption, while the unorganised sector is losing ground in both jobs and output, raising concerns about the future of mass employment generation in India.

3.4 Inter-state divergence or convergence

The analysis of state-level trends in manufacturing highlights clear differences between the organised and unorganised sectors. In the organised segment, Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, and Karnataka consistently account for the highest shares of both workers and GVA (roughly 50 per cent share), reflecting their strong industrial base and infrastructure. In contrast, unorganised manufacturing remains concentrated in West Bengal, Uttar Pradesh, Maharashtra, and Gujarat (Table 9, 10). Between 2015–16 and 2023–24, 23 states recorded an expansion in organised manufacturing employment, while only 13 states registered growth in unorganised employment, indicating loss of jobs in unorganised manufacturing while other unorganised sector sectors, especially trade and accommodation and food witnessed gains.

States such as Haryana, Himachal Pradesh, Odisha, Uttarakhand, Rajasthan, and Punjab reported notable increases in unorganised employment, pointing to regional variations in industrial structure. Importantly, in most states, over 85 per cent of manufacturing GVA is contributed by the organised sector, though in Bihar, Kerala, West Bengal, and several northeastern states, the

share remains relatively low. This reflects either lower levels of industrialisation or a stronger orientation towards services in these states. West Bengal and Bihar continue to rely heavily on unorganised employment, highlighting structural constraints that limit their transition to formal manufacturing (Table 10).

Table 9: Comparative Patterns in Manufacturing Employment and GVA

States	Share of states (2023-24)				Unorganised manufacturing share in total manufacturing (2023-24)		CAGR (2015-16 to 2023-24)			
	Organised manufacturing		Unorganised manufacturing				Organised manufacturing		Unorganised manufacturing	
	Worker	GVA	Worker	GVA	Worke	GVA	Worker	GVA	Worker	GVA
Andhra Pradesh	3.9	4.0	4.4	4.3	65.6	14.1	5.0	12.4	-3.5	6.2
Assam	1.2	1.2	0.9	1.0	54.9	11.4	1.9	12.0	-3.3	2.4
Bihar	0.7	0.6	4.1	3.6	90.8	46.4	1.9	12.8	1.6	5.1
Chandigarh(U.T.)	0.0	0.0	0.0	0.0	51.1	13.5	-3.5	2.2	-11.2	-11.5
Chattisgarh	1.5	1.8	1.2	0.9	57.9	7.1	7.2	15.2	-0.2	5.8
Delhi	0.5	0.3	2.0	3.7	87.4	66.0	-1.8	-1.9	-0.4	1.0
Goa	0.5	0.7	0.1	0.1	18.6	2.8	3.3	0.6	-4.0	0.1
Gujarat	13.1	14.2	8.9	11.3	54.0	10.9	6.4	6.5	1.6	2.7
Haryana	6.1	6.2	1.9	3.2	35.0	7.3	6.6	12.0	5.5	11.8
Himachal Pradesh	1.2	1.6	0.6	0.5	44.4	4.8	2.9	1.7	3.8	7.1
Jammu &	0.3	0.3	1.0	0.8	83.2	27.1	-0.3	3.1	-0.3	0.1
Jharkhand	1.2	2.2	2.2	1.8	76.1	11.0	3.1	14.8	-0.4	9.9
Karnataka	6.3	7.5	5.2	5.4	58.8	10.1	2.6	11.2	-2.6	0.9
Kerala	1.8	1.6	3.2	5.3	75.2	33.8	0.7	10.2	0.9	8.8
Madhya Pradesh	2.5	3.4	4.9	2.8	77.0	11.5	4.1	11.1	1.6	5.4
Maharashtra	12.9	15.9	8.7	10.5	53.6	9.3	3.2	5.9	2.0	5.0
Manipur	0.0	0.0	0.3	0.2	94.3	88.8	-4.9	3.1	0.0	6.7
Meghalaya	0.1	0.1	0.1	0.1	74.6	13.6	0.0	11.2	3.8	4.1
Nagaland	0.0	0.0	0.0	0.1	74.0	68.9	0.6	-2.1	-6.5	-0.7
Odisha	1.9	3.2	3.9	1.9	77.7	8.4	4.9	16.1	5.7	10.9
Puducherry	0.3	0.3	0.1	0.1	37.5	5.9	-0.2	5.5	-4.6	1.2
Punjab	4.0	2.5	2.5	3.6	51.9	18.4	3.1	10.7	2.6	8.3
Rajasthan	3.8	4.1	4.9	6.0	68.8	18.3	4.9	11.4	2.7	8.3

Sikkim	0.1	0.6	0.0	0.0	8.5	0.4	9.3	14.2	-4.0	10.7
Tamil Nadu	15.2	10.3	8.3	9.8	48.4	12.8	3.2	8.5	-2.4	3.1
Telangana	4.7	3.3	3.6	3.8	57.2	15.0	3.6	7.7	-2.5	5.7
Tripura	0.1	0.0	0.1	0.1	60.6	50.7	-0.9	3.0	-8.2	-0.9
Uttar Pradesh	8.3	6.8	12.5	9.8	72.1	18.2	7.1	12.6	-1.4	4.3
Uttarakhand	2.2	2.5	0.5	0.7	28.0	3.9	1.2	0.3	3.5	8.8
West Bengal	4.0	3.2	13.8	8.4	85.7	28.6	2.5	12.6	-4.9	1.6
All India	100	100	100	100	63.2	13.4	4.0	8.6	-0.8	4.5

Note: Total manufacturing size is calculated by adding ASI and NSS/ASUSE worker/GVA.
Source: Author calculations using ASI and ASUSE micro-data.

The comparative patterns reveal distinct structural divergences across states. Industrially advanced states such as Maharashtra, Gujarat, and Tamil Nadu are characterised by the dominance of organised manufacturing, reflecting higher levels of industrialisation and capital-intensive growth. In contrast, states such as Bihar and West Bengal remain predominantly dependent on unorganised manufacturing, indicating structural dualism and a persistence of low-productivity enterprises. A third set of states, including Haryana, Himachal Pradesh, and Odisha, exhibit a dual trajectory where organised manufacturing is expanding, yet unorganised manufacturing continues to record employment growth, reflecting both transitional dynamics and uneven regional industrial development.

Table 10: Comparative Patterns in Manufacturing Employment and GVA

Category	States	Key Features
High Organised Manufacturing	Maharashtra, Gujarat, Tamil Nadu, Karnataka, Uttar Pradesh	Large industrial base; >85 per cent of GVA from organised sector; major share in both workers and GVA.
High Unorganised Manufacturing	Bihar, West Bengal, Delhi, Jammu & Kashmir, Madhya Pradesh, Uttar Pradesh	Majority of employment in unorganised units; relatively low GVA share from organised sector.
Mixed / Transition States	Haryana, Himachal Pradesh, Odisha, Rajasthan, Punjab	Growth in unorganised employment despite strong presence of organised sector; dual structure evident.

Source: Authors calculations from ASI, NSS/ASUSE data.

4. Conclusion and way forward

The manufacturing sector in India has undergone significant shifts in recent decades, with the organised segment gradually increasing its contribution to both GVA and employment. Between 2010–11 and 2015–16, the unorganised sector registered higher GVA growth and robust employment creation, absorbing a large share of workers exiting agriculture as its employment share declined. However, the subsequent period, 2015–16 to 2022–23, marked a sharp reversal, as unorganised manufacturing experienced stagnation in GVA and a steep fall in employment, accentuated by the pandemic shock. On the one hand, this points to structural change, with larger, more productive firms expanding at the expense of smaller, labour-intensive units. On the other, it raises concerns about the erosion of unorganised manufacturing jobs at a time when nearly 60 per cent of the population is below 35 years of age and 45 per cent of the workforce remains in agriculture. Creating quality employment opportunities for people exiting agriculture and new entrants to the labour force is thus an urgent policy challenge, and manufacturing retains a critical role due to its capacity to absorb semi- and unskilled labour.

Despite its importance, manufacturing's share in national GVA had remained stagnant at around 16–17 per cent since 1992, but it fell sharply post 2015, thanks to the multiple policy-induced shocks to the economy. Similarly, its employment share declined from 12.5 per cent of total employment in 2011-12 to 11.4 per cent in 2023-24.[7] This trajectory suggests a premature shift towards services-led growth and capital intensive manufacturing without fully realising large-scale industrialisation. This incomplete transformation has generated multiple challenges: continued dependence on agriculture for employment, limited absorptive capacity in manufacturing, and increasing import reliance (Ghosh, 2015; Mehrotra, 2020).

The stagnation of India's manufacturing sector reflects intertwined demand- and supply-side constraints. On the demand side, the share of manufacturing goods in household consumption

[7] As per Employment and unemployment survey (EUS) 2011-12 and Periodic labour force survey (PLFS) 2023-24, total employment grew from 485 million in 2017-18 to 615 million in 2023-24, while manufacturing employment fell from 60 million in 2011-12 to 58 million in 2020-21, picked thereafter to 70 million in 2023-24.

has declined as rising incomes have shifted spending toward education, health, and other services (Sabnavis, 2025). On the supply side, the sector faces growing competition from cheaper imports, particularly from China, and enduring structural bottlenecks such as low productivity, weak growth in labour-intensive industries, limited economies of scale, inadequate infrastructure, regulatory rigidities, and skill shortages. Credit constraints for small and medium enterprises and insufficient R&D investment further limit technological upgrading and productivity growth (RBI, 2019).

Manufacturing-led growth remains crucial for India's structural transformation. It can narrow trade imbalances, generate large-scale employment for medium- and low-skilled workers, and stimulate service-sector activities in logistics, marketing, finance, education, health, infrastructure, construction and research & innovation (Ghosh, 2015). Historical evidence underscores that industrialisation, supported by sound infrastructure, has enabled economies to achieve sustained income growth (ADB, 2013; McMillan & Rodrik, 2014). Revitalising India's manufacturing therefore requires a dual focus on strengthening both organised and unorganised segments. Enhancing competitiveness, expanding credit access, cluster based industrial policy and promoting labour-intensive, innovative production—alongside infrastructure investment, regulatory reform, and skill development—can foster inclusive industrial growth and employment generation.

Less industrialised states such as Uttar Pradesh, Bihar, and Rajasthan continue to exhibit a high dependence on agriculture and allied activities for employment. Even in relatively industrialised states like Maharashtra and Gujarat, the proportion of agricultural workers remains significant, as industrial activity is predominantly capital-intensive and geographically concentrated in limited regions in these states. This highlights the need for targeted efforts to expand the spatial reach of industrialisation, particularly into tier-3 and tier-4 cities and rural areas of less industrialised states. Strengthening both organised and unorganised manufacturing segments in these regions is essential to enhance value addition and generate broad-based employment opportunities.

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