

Employment Boom in Construction: A Tentative Explanation

From 2000 to 2012, construction employment in India grew annually at over 9 per cent – an outcome of a sharp rise in fixed investment to GDP ratio. Rural construction employment – accounting for over ½ of the total in 2000 – grew annually at 12 percent, compared to just 5 per cent in urban areas. Is the rural employment growth illusory, because of temporary (or circular) migration to urban areas (most significant sites of construction)? Or, does the employment growth represent rising rural capital formation? We contend it is the latter. Rising rural wages and falling real price of cement seems to have expanded the market for rural construction. Growth in per capita income and in housing credit explains the growth of GDP in construction (as a proxy for the employment). Cement production (as a proxy for supply or access) and housing credit (to a much less extent) explain the inter-state variation in construction employment