



In 75 years since its independence, India has made significant progress in almost every socio-economic indicator. The task that lies ahead is to build on this progress and bring about a society that is not only prosperous but also just, equitable and sustainable. Unfortunately, despite years of rapid economic growth, India's structural transformation remains slow. The problems ailing the system including employment, inequality etc. are compounded by the fact that one's social identity continues to play a crucial role in determining one's opportunities.

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## I. What are Social Identities?

Individuals identify themselves in multiple ways, including a personal identity or as a collective in the form of a social identity.

**Personal identity** refers to the unique ways that people define themselves as individuals (the “I”). Personal Identity markers are often the **things we choose to define us throughout our lives** - team affiliation, musical tastes, style etc.

**Social identity** refers to **people's self-categorizations in relation to their group memberships** (the “we”). These categorizations are generally assigned to us or something we are born into.

**Table 1.1. Types and Examples of Social Identities**

Social Identities	Definition	Examples of identities
<b>Caste</b>	A division of society based on social and religious norms.	Brahmin, Kshatriya, Vaishya, Shudras, Untouchables
<b>Race</b>	Socially constructed. Race refers to a person's physical characteristics, such as bone structure, height and skin, hair, or eye colour.	White, Black, Negritos, Mongloids etc.
<b>Sex/Gender</b>	The label assigned at birth based on the reproductive organs a person is born with.	Male, female, transgender, intersex
<b>Sexual orientation</b>	A person's identity in relation to the gender or genders to which they are sexually attracted.	Heterosexual, Homosexual, lesbian, bisexual, asexual
<b>Ethnicity</b>	Cultural factors, including regional culture, ancestry, kinship ties and language.	Indo-Aryan, Dravidian, Bengali, Marathi
<b>Social Class</b>	A division of a society based on social and economic status.	Upper Class, Middle Class, Lower Middle Class, Poor People

## 2. What is Structural Transformation?

Structural transformation is defined as the **transition** of an economy from low productivity and labour-intensive economic activities to **higher productivity, capital and skill-intensive activities**.

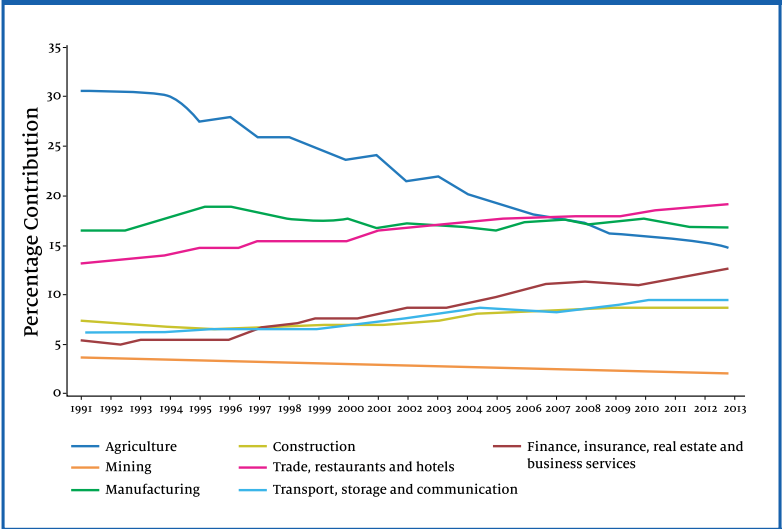
### 2.1. What are the indicators of Structural Transformation?

- **Shift from agriculture:** Process whereby the resources (labour, capital, and technology) in any economy are **shifted out of low-productivity primary activities** into modern, higher-productivity sectors.
  - ▷ It is evident from the **declining share of agriculture** in GDP and employment.
- **Capital accumulation:** Accumulation of **physical and human capital**, and changes in composition of demand, production, employment and trade.
- **Migration:** Rural-to-urban migration underpinned by rural and urban development.
- **Demographic transition:** A demographic transition from high rates of births and deaths (common in underdeveloped and rural areas) to low rates of births and deaths - associated with better health standards in developed and urban areas.
- **Sectoral distribution:** It entails the rise of a modern economy based on a higher share of manufacturing and service sectors.
  - ▷ It is typically measured through **employment distribution, value-added distribution and final consumption expenditure distribution**.

**Box 2.1. Where does India stand on these indicators?**

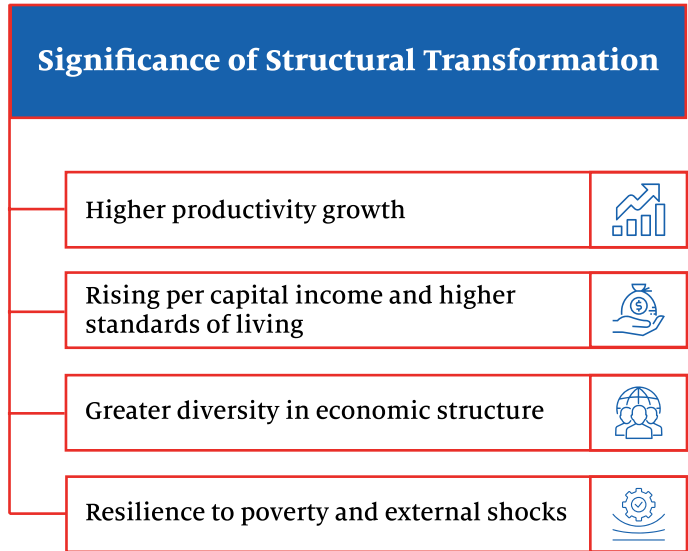
- **Employment distribution:** After stagnating since the 1980s, the share of **workers with regular wage or salaried work** started increasing in 2004, going from 18% to 25% for men and 10% to 25% for women.
  - This is accompanied by a simultaneous **decline in agricultural employment.**
- **Presence of formal economy:** Between 1983 and 2019, the share of the non-farm sector in employment rose 20%, but the majority of such jobs were of the informal variety.
- **Share of manufacturing:** Manufacturing has failed to expand its share of GDP or employment significantly.
- **Growth of service sector:** The **services sector had had a positive impact** on the economy.
- **Employment creation:** Since the 1990s, year-on-year **non-farm GDP growth and non-farm employment growth are uncorrelated** with each other suggesting that policies promoting faster growth need **not promote faster job creation.**
  - However, between 2004 and 2019, on average growth translated to decent employment. This was interrupted by the pandemic.

**Figure 2.1. Structural change in India**



**2.2. How Structural Transformation can be achieved?**

- **Diversification of economic activities:** Encourage diversification by promoting the development of new industries and sectors.
- **Investment in human capital:** Enhance education and skill development programs to build a highly skilled and adaptable workforce.
- **Infrastructure development:** Improved infrastructure can lower production costs, facilitate trade, and attract investments, fostering economic development.
- **Technology adoption:** Institutions and policies that promote the development, adoption and use of technologies and innovations to change what an economy produces.
- **Access to finance:** Ensure access to finance for businesses, particularly small and medium-sized enterprises (SMEs).
- **Trade policies:** Develop and implement trade policies that promote international competitiveness, encourage specialization and improve access to new markets.
- **Knowledge:** Knowledge has emerged as the main driver of sustained structural transformation.



**Box 2.2. In Conversation: Interconnectedness of Economic Growth and Structural Transformation**

**Vinay**

Hey Vini, did you know economic growth and structural transformation are closely linked?

Really? How so?

Well, as a country grows economically, its industries and sectors change. This is structural transformation. It's like moving from farming to manufacturing and then to services.

Ah, I see! So, as people move to better jobs in these new sectors, it boosts the economy, right?

Exactly! And with more investment and technology, these sectors become more productive and efficient, leading to even more growth.

So, it's like a cycle! But is it always smooth?

Not always. Sometimes, if not managed well, it can lead to problems like unemployment or inequality. That's why policies are important to guide this transformation.

Got it! So, for our country to keep growing, we need both economic growth and structural transformation to go hand in hand.

Right! And it's essential for creating better opportunities and a higher quality of life for everyone.

**Vini**



### 3. What is the relationship between social identities and structural transformation?

The relationship between structural change and social disparities is **complex and multifaceted**.

➤ **Dual relationship:**

➤ **Structural transformation creates new opportunities** and one's gender, caste, religious or ethnic identity plays a crucial role in exploiting these opportunities.

➤ **Conversely, social norms and hierarchies** play a role in determining the nature of the structural transformation being experienced by a country.

➤ For example,

» **Patriarchal norms** may prevent women from taking advantage of new jobs being created, by preventing them from leaving the home for employment.

» But equally, the presence of restricting gender norms **changes the labour supply**, it turn affecting the availability of labour, capital and types of industries in the economy.

➤ **Inequality and Marginalization:** Structural transformations can impact different social groups unevenly.

➤ For example, certain marginalised groups like tribal populations may find it challenging to adapt to changes in the economy, contributing to disparities in wealth, income, and employment.

➤ **Political power:** Social identities often come with power dynamics that influence individuals' and groups' access to resources, opportunities, and decision-making. Structural transformations can either **reinforce existing power imbalances** or create opportunities for marginalized groups to challenge and reshape these dynamics.

➤ **Labour Market Dynamics:** Changes in the economy, such as automation or globalization, can impact the demand for certain types of labour. This can affect different social groups differently, depending on factors like skill levels, education, and historical patterns of discrimination.

➤ **Cultural and Social Impacts:** Economic transformations often bring about changes in cultural norms and social structures.

➤ For instance, traditional gender roles or cultural practices may either adapt to or resist economic transformations, shaping the overall societal response.

➤ **Social Movements:** Social identities can be a driving force behind social movements and activism advocating for economic justice and structural changes.

#### Box 3.1. Emerging tech and caste and other social identities

**India's caste-based system of discrimination is expanding online, which is evident from:**

- Digital divide between disadvantaged caste groups and others which widens the existing gaps in education, healthcare and economic opportunities.
- Algorithmic bias in Artificial Intelligence (AI) and other emerging technologies reflecting social inequalities.
- Underrepresentation of marginalized caste groups in technology workforce.
- Reinforcement of stereotypes and discriminatory practices in marketing and advertising through social media platforms.
- Privacy concerns and profiling of individual belonging to marginalized caste groups.

**Emerging technology can play an effective role in addressing caste disparities through:**

- Bridging digital divide by providing affordable and accessible technology infrastructure.
- Ensuring fairness in algorithms and training datasets for emerging technologies such as AI.
- Political mobilization of marginalized caste groups, community empowerment and spread of social awareness.
- Diversification of financial resources and improving access to educational, healthcare and skill training resources.

## 4. How structural change has influenced existing social disparities?

The relationship between structural change and social disparities is complex and multifaceted.

### Positive Influence

- **Increase in upward mobility:** Between 2004 and 2018, the labour movement can be seen from casual employment towards regular salaried jobs.
  - ▷ In 2004 over 80% of sons of casual wage workers were themselves in casual employment. For non-SC/ST castes, this fell from 83% to 53% by 2018 and from 86% to 76% for SC/ST castes.
- **Reduction in caste-based segregation:** Caste-based industrial segregation decreased between 1983 and 2021.
  - ▷ In the early 1980s, Scheduled Caste workers were more than 5 times over-represented in waste-related work and over 4 times in leather-related work. This has declined rapidly over time, though it is not eliminated as of 2021-22.

### Negative Influence

- **Overrepresentation in low-salary jobs:** Marginalized identities tend to be overrepresented in low-paying occupations despite structural transformations.
  - ▷ For instance, SC workers are far more **likely to be in casual employment** as compared to Others.
- **Lower caste entrepreneurs:** SC and ST owners are **barely represented among firms employing more than 20 workers**. Correspondingly, upper caste overrepresentation increases with firm size.
- **Sectoral structure and employment:** Upper castes show the most diversified sectoral structure and the largest pace of structural change.
  - ▷ The **decline in the proportion of self-employed workers among lower caste groups has been slow**.

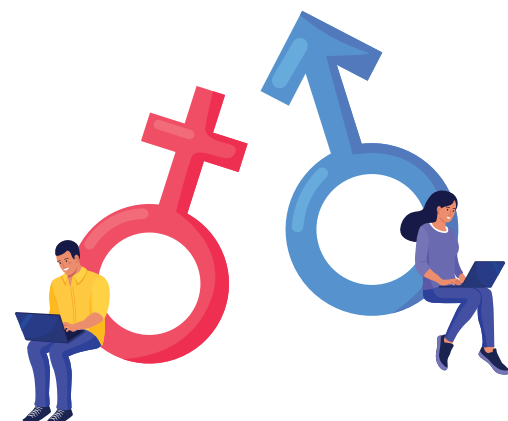
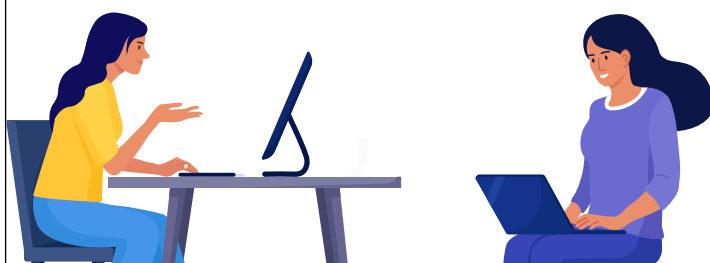
### 4.1. What has been the relation between Women's Employment and Structural Transformation?

#### Positive relation

- **U-shaped relationship:** U-shaped relationship is observed between women's employment and economic growth.
  - ▷ Structural transformation **initially pushes women out of the workforce** as demand for women's labour in agriculture falls. As growth continues and female education levels rise, new employment opportunities and higher wages pull women into the workforce.
- **Gender norms: Progressive norms** on women's autonomy correlate with higher likelihood of employment.
- **Gender earnings gap:** Raw gender earnings gaps have narrowed over time, but remain much **higher than caste or religion-based gaps**.
  - ▷ Disparity in earnings is widest in self-employment and for SC/ST women workers.
- **Increase in regular wage employment:** Significant increase in proportion of women workers who had regular wage jobs - going from just under 10% in 2004 to 25% in 2018.

#### Negative relation

- **Declining rural female LFPR:** Two major factors have been identified for the falling LFPR - a displacement of women workers due to mechanisation and rising household income combined with social norms that value women's unpaid domestic work more than paid work.
- **Gender norms:** A common gender norm is the "**male breadwinner**" norm, i.e. husbands are considered the primary earners with wives contributing to household income only if necessary.
  - ▷ The PLFS data shows that in households where the husband's earnings are high, the **probability of the wife being employed is low**.
- **Jobless Growth:** It pushes women out of the workforce, raises female unemployment rates, or traps them in low-productivity informal work.





## 5. Way Forward

- ▶ **Policy Interventions:** Governments and institutions play a crucial role in shaping the relationship between social identities and economic transformation.
  - ▶ Policies that address discrimination, and promote equal opportunities can help mitigate negative impacts on marginalized groups and promote more inclusive economic development.
- ▶ **Social safety net:** Implement social safety net programs to mitigate the potential negative effects of structural transformation on vulnerable populations.
  - ▶ This can include unemployment benefits, skills training programs, and other support mechanisms.
  - ▶ For instance, **Nordic countries provide affordable access to inclusive social services** regardless of income or economic need.
- ▶ **Regional development:** Foster balanced regional development to ensure that the benefits of structural transformation are distributed more evenly across different geographic areas. This can help reduce regional disparities and promote inclusive growth.
  - ▶ For instance, the **Bavaria region of Germany** has adopted flexible instruments such as city networks, innovative milieus and regional marketing as strategies for the development of the region.
- ▶ **Monitoring:** Establish mechanisms for monitoring and evaluating the progress of structural transformation initiatives. Regular assessments can help policymakers make informed decisions and adjust strategies as needed.
  - ▶ For instance, **India's PRAGATI initiative** monitors and reviews important programmes of the Government of India.
- ▶ **Equitable access to Knowledge:** Invest in education and training programs that provide equal opportunities for all segments of society.
  - ▶ For instance, **the Community Integrated Education model in Israel** promotes education for children with special needs.
- ▶ **Gender equality policies:** Implement and enforce policies that promote gender equality in the workforce. Addressing gender disparities in employment, wages, and opportunities is essential for creating a more inclusive economy.
  - ▶ India's **Self-Help Groups (SHGs) movement** is transforming the lives of marginalized women.
- ▶ **Financial Inclusion:** Promote financial inclusion by ensuring banking access to all segments of society through technology and expansion of financial network.
  - ▶ For instance, the Government of India's **JAM trinity (Jandhan Yojana, Aadhar, and Mobile)**.

## Conclusion

"The economic structure is not independent of the social and cultural context in which it is embedded. As such, any meaningful transformation in the economy must be accompanied by a corresponding shift in social identity." - Amartya Sen



## TOPIC AT A GLANCE

### Social Identities and Structural Transformation in India

**Social identity** refers to **people's self-categorizations in relation to their group memberships** (the “we”). For instance, these are based on caste, race, gender etc.

Structural transformation is defined as the **transition** of an economy from low productivity and labour-intensive economic activities **to higher productivity, capital and skill-intensive activities.**



#### Relationship between social identities and structural transformation

- ⊕ **Dual relationship** where structural transformation creates new opportunities, but social identity plays a significant role in their exploitation.
- ⊕ **Inequality and marginalization** among certain social groups due to the uneven impact of structural transformation.
- ⊕ Structural transformations either **reinforce existing power imbalances** or provide a way for marginalized groups to **reshape power dynamics.**
- ⊕ Structural transformations bring about **changes in cultural norms, social structures, and economic opportunities.**
- ⊕ Social identities can **drive social movements** that can result in large-scale structural transformations in society.



#### Influence of structural change on existing social disparities

- ⊕ **Positive influences include:**
  - Increase in upward mobility through shift in the nature of employment.
  - Reduction in caste-based industrial segregation.
  - Reduction in gender-based earning disparities.
- ⊕ **Negative influences include:**
  - Overrepresentation of marginalized identities in low-salary jobs.
  - Very low representation of lower castes in ownership of firms or entrepreneurship.
  - Lack of diversified sectoral structure of lower caste groups.



#### Relation between women's employment and structural transformation

- ⊕ **Positive relation:**
  - **U-shaped relationship** as structural transformation initially pushes women out of the workforce but later pulls them into the workforce.
  - **Progressive gender norms** on women's autonomy correlate with higher likelihood of employment.
  - **Raw gender earnings gaps** have narrowed over time.
- ⊕ **Negative relation:**
  - Declining rural female LFPR due to **mechanization of agriculture and rising household income** combined with social norms.
  - **Male breadwinner norm** i.e. husbands are the primary earners and domestic responsibilities.
  - **Jobless growth** and decline in agricultural employment



#### Way forward

- ⊕ **Policy interventions** that address discrimination, promote equal opportunities and drive inclusive development.
- ⊕ **Implementation of social safety net programs** to mitigate potential negative effects of structural transformation on vulnerable populations.
- ⊕ **Foster balanced regional development** to reduce regional disparities.
- ⊕ **Establish monitoring mechanisms** for evaluating the progress of transformation initiatives.
- ⊕ **Equitable access to knowledge** with investments in education and training programs.
- ⊕ Implement policies that promote **gender equality and financial inclusion** of underserved groups.



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