

Abstract

During the first four decades of the planning the Indian public sector registered tremendous growth in terms of output and investment. But at the same time its performance has been widely considered to be unsatisfactory. The objective of this dissertation is to examine the public sector's performance in terms of *productivity*. First this dissertation looks at trends in average labour productivity over the period 1977-78 to 1994-95 and compares it with trends in average real wages for public sector enterprises in different industry groups. The overall picture that emerges is that for most of the industry groups, real wage growth has fallen behind the productivity growth. This is somewhat contrary to the perception that wages have outpaced productivity increase in public sector enterprises. Secondly, the dissertation analyses trends in employment structure of public sector enterprises and finds a general trend across industry groups towards increase in the proportion of unskilled workers. Finally the dissertation goes beyond looking at partial productivity measures and estimates total factor productivity growth. The general conclusion that emerges is that a capital embodied productivity growth has occurred, which has manifested in the growth of average labour productivity growth as well. However, the econometric analysis reveals that there has been a decline in total factor productivity growth after 1987-88. This has occurred at time when the public sector reforms had just started.