

**DRIVERS OF STRUCTURAL TRANSFORMATION IN INDIA'S LABOUR
FORCE: A PANEL-DATA ANALYSIS**

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ABSTRACT

This study investigates the determinants of structural transformation in India, focusing on the shift of employment from agriculture to non-agricultural sectors between 2015 and 2024. Using a panel dataset comprising 29 Indian states over ten years, the analysis estimates a log-linear Random Effects GLS model to quantify the elasticity of the Rate of Structural Transformation (RST) with respect to a set of economic, educational, infrastructural, and technological variables. Key explanatory variables include real wages in the agricultural and non-agricultural sectors, average years of education among agricultural workers, Gross Fixed Capital Formation (GFCF), Net Irrigated Area (NIA), the number of UPI digital transactions per 1,000 people, and a COVID-19 dummy. The results reveal that improved irrigation coverage and increasing digital financial transactions strongly accelerate structural transformation, while higher educational attainment within agriculture tends to anchor workers in the farm sector by increasing rural productivity. Wage dynamics exhibit a non-linear relationship with RST: rising agricultural wages initially encourage non-farm transitions but later reduce the incentive to exit agriculture due to enhanced in-sector returns. Non-agricultural wages, though only marginally significant, act as a positive pull factor. The pandemic shock temporarily reversed progress, highlighting the fragility of labour mobility in the face of external disruptions.