

Services Sector and Job Creation



The Union Budget 2026–27 places the services sector at the heart of India's job creation strategy, recognizing that services like IT, tourism, healthcare, design, AVGC (Animation, Visual Effects, Gaming, Comics), and education are pivotal for employment and exports. Rather than relying solely on manufacturing, the Budget signals a pivot to services-led growth as the primary engine for jobs and foreign exchange earnings[1]. This shift is based on a simple rationale: services generate more employment per unit of output than industry, and India's strength in services can be leveraged to absorb its large and growing workforce.

In recent years, the services sector has already become the backbone of the economy, contributing about 60% of GDP and about 30% of overall employment. It is also India's gateway to the world, accounting for a record USD 387.6 billion in exports in FY25 – the highest ever. India is now the world's 7th-largest services exporter, with its share of global services exports rising to 4.3%. The Budget builds on this momentum by placing services at the center of growth and job policies, aiming for India to capture 10% of the global services trade by 2047. In the sections below, we explore how key service industries – from IT to tourism to healthcare and creative industries – are being bolstered to create jobs and boost exports.

Services as the Engine of Employment and Exports

The services sector today is not just an appendage to the economy but its driving force. It provides about 62% of urban employment in India, underscoring its role in absorbing both skilled and semi-skilled workers in cities. It also attracts the bulk of foreign investment (nearly 80% of FDI inflows in recent years) and earns critical foreign exchange, helping stabilize India's external accounts. The Economic Survey 2025–26 highlighted that strong performance in IT-BPM, financial services, tourism, and professional services has made India a magnet for investors and a hub for Global Capability Centres and startups.

The Budget explicitly acknowledges the centrality of services for job creation. Officials note that services generate higher employment per rupee of output than manufacturing, making them "critical for absorbing the workforce". This insight has driven a series of measures to strengthen service industries, modernize their infrastructure, and build a skilled labor pool for them. From tax incentives to skill programs, the policy support is shifting toward enabling services to thrive.

Importantly, the focus is on sustainable, long-term employment rather than short-term job schemes. The Budget avoids announcing arbitrary "job creation numbers" and instead lays out conditions for sustainable employment growth via skills and service sector development. This marks a strategic shift: the government is moving from directly creating jobs to facilitating sectors that create jobs, especially services.

IT and Digital Services: Driving Exports and Innovation

Information Technology (IT) and IT-enabled services (ITeS) remain India's flagship service exports and a major employer of the educated workforce. The Budget reinforces this by rationalising taxes and regulations to bolster India's IT leadership. It proposes to unify and simplify the taxation of IT services – including software development, BPO, KPO, and R&D – under one category with a common safe-harbour framework. This simplification will reduce compliance complexity for hundreds of IT firms and improve their ease of doing business.

The government has set an ambitious target for services exports – a 10% global market share by 2047 – and IT will be a big contributor to this goal. Indian IT companies are already expanding into new fields like AI, blockchain, and product design, moving up the value chain. The Budget's emphasis on digital public infrastructure and the announcements of tax holidays for data centers and cloud services till 2047 will indirectly boost IT services by strengthening the digital ecosystem.

Crucially, India's success in IT has spawned a vibrant startup and innovation ecosystem. The Budget notes India's emergence as a global hub for technology startups, including in areas like artificial intelligence, and the presence of over 21.6 crore demat accounts and 12 crore unique investors which reflects deepening tech-driven financial inclusion. By continuing to invest in digital infrastructure and skills (e.g., an Education-to-Employment committee for tech skill mapping), the government is ensuring the IT sector can keep expanding and creating high-skill jobs.

Tourism and Hospitality: A Job Multiplier

Tourism is another service industry receiving a major fillip, given its strong multiplier effect on jobs across hospitality, transport, and local economies.

The Finance Minister highlighted that tourism has the potential for massive employment generation and foreign exchange earnings. To realize this, the Budget unveiled a comprehensive package for tourism development:

- **National Institute of Hospitality:** A new National Institute of Hospitality will be set up by upgrading the National Council for Hotel Management and Catering Technology, serving as a bridge between academia and industry in hospitality. This will enhance training for hospitality management, improving service quality and employability of graduates.
- **Upskilling Tourist Guides:** A pilot scheme will upskill 10,000 tourist guides at 20 iconic sites through a standardized 12-week training (with IIM collaboration). By professionalizing tourist guides, the government aims to improve visitor experience while creating skilled jobs in smaller towns and heritage sites.
- **Digital Tourism Infrastructure:** A “Destination Digital Knowledge Grid” will be established to digitally document all places of significance – cultural, spiritual, natural. This creates a new ecosystem of jobs for local researchers, historians, content creators and tech professionals who will build digital content and manage tourism platforms. It’s an innovative approach to blend technology with tourism, expanding employment in content development and digital services.
- **Experiential and Eco-Tourism:** The Budget provides for developing 15 archaeological sites into vibrant cultural destinations with curated walkways and immersive interpretation centers. It also announces ecologically sustainable tourism trails – mountain trekking routes in the Himalayas and Eastern/Western Ghats, “turtle trails” along coastal nesting sites, and bird-watching trails. These initiatives will spur nature and adventure tourism, generating local jobs in tour operations, conservation, and hospitality. As noted, “India has the potential and opportunity to offer world-class trekking and hiking experiences”, and doing so will create livelihoods in remote regions.
- **Niche and Regional Tourism Circuits:** Targeted efforts will strengthen heritage circuits, spiritual tourism hubs, and tourism in the Northeast (with a dedicated Buddhist Circuit scheme for states in the region). By aligning tourism development with infrastructure and connectivity, the Budget seeks to ensure benefits reach across states.

All these measures position tourism as a scalable economic activity that can create jobs at various skill levels. As a labor-intensive sector, tourism can employ youth and women in remote areas, stemming distress migration. The Budget explicitly frames tourism as a tool for non-migrant employment in smaller towns and rural areas. Indeed, plans to train local youth as guides and develop local sites mean people can find work in their own communities, boosting rural incomes and cultural preservation simultaneously.

Even sports tourism and sports ecosystems find a mention – the Khelo India Mission expansion will create structured roles for coaches, support staff, and sports administrators, again acknowledging sports as part of the wider services economy.



Healthcare and Medical Tourism: New Avenues for Employment

- **Allied Health Professionals (AHPs):** The Budget proposes adding 100,000 allied health professionals across 10 disciplines over the next five years. Allied health roles – technicians, therapists, paramedics, etc. – are crucial for a robust healthcare system. By investing in training these AHPs, the government is creating a large cadre of skilled workers who will find jobs in hospitals, diagnostics, and public health, while also improving the quality of care. Additionally, 1.5 lakh caregivers are to be trained in the coming year under programs aligned with the National Skills Qualifications Framework. This caregiver training (covering geriatric and long-term care) not only fills a growing need domestically but also prepares youth for overseas job opportunities in the care economy, as mobility agreements in trade deals open up nursing and caregiver jobs abroad.
- **Regional Medical Hubs for Medical Tourism:** To tap into the booming medical tourism market, the Budget will support states in establishing five Regional Medical Value Tourism Hubs in partnership with private players. These hubs will be integrated healthcare complexes combining advanced hospitals, medical research institutions, AYUSH centers, post-care rehabilitation facilities, and dedicated facilitation for international patients. By clustering world-class treatment with hospitality, these hubs aim to attract foreign patients (particularly from developing countries) seeking quality affordable care. This will create diverse job opportunities for health professionals – not just doctors and nurses, but hospital administrators, translators, patient coordinators, and hospitality staff. Each medical tourist can generate multiple local jobs in hospitals, hotels, and transport. The Finance Minister highlighted that such hubs will provide jobs for a range of health professionals including doctors and AHPs.

- **Expansion of Healthcare Infrastructure:** The Budget also boosts health infrastructure which indirectly creates jobs. It funds new medical colleges (including All India Institutes of Ayurveda) and upgrades of district hospitals and trauma care centers. Infrastructure expansion means more faculty positions, more health workers, and construction jobs in the short run. Over time, a larger healthcare network will absorb the many trained professionals being produced.
- **AYUSH and Traditional Medicine:** By investing in AYUSH (Ayurveda, Yoga, Unani, Siddha, Homeopathy) through new institutes and upgraded pharmacies, the government is also supporting job creation in India's traditional wellness sector. AYUSH hospitals, wellness centers, and product manufacturing employ thousands, and with growing global interest in alternative medicine, this sector can contribute to exports and tourism as well.

Overall, the Budget's approach to healthcare is two-pronged: meet domestic health needs (especially in under-served areas) while leveraging India's strengths to attract global health consumers. This creates a virtuous cycle of investment and job creation – as India's healthcare capacity grows, it can serve more domestic and foreign patients, generating revenue that further expands services and employment.



Creative Economy and AVGC: Tapping the Orange Economy

One of the most forward-looking aspects of the Budget is its focus on the "Orange Economy" – creative industries such as animation, visual effects, gaming, comics, design, and media. These sectors are rapidly growing with digitalization and have immense potential for skilled employment and exports of content. The Budget formally recognizes the AVGC sector as a key area for job growth, noting it is "projected to require 2 million professionals by 2030".

To build this talent pipeline, the government announced a landmark initiative: establishing AVGC Content Creator Labs in 15,000 secondary schools and 500 colleges across India. In partnership with the Indian Institute of Creative Technologies (IICT) in Mumbai, these labs will train students in animation and game design from a young age. This is a massive skills infusion that will prepare a generation of creators for the booming digital entertainment industry.

As Finance Minister Nirmala Sitharaman stated in her speech, "India's AVGC sector is a growing industry, projected to require 2 million professionals by 2030", hence these labs are being set up to meet industry needs. The scheme not only opens new career pathways for students (many in smaller towns where such training was scarce), but also strengthens India's position as a global content production hub.

Alongside AVGC, design services got a boost with a proposal to establish a new National Institute of Design (NID) in eastern India. This acknowledges India's rapidly expanding design industry – spanning product design, fashion, graphics, user experience design, etc. The new NID will churn out skilled designers and spur design innovation, feeding into various industries from textiles to technology. By spreading design education to the east, it also ensures more balanced regional growth in creative skills.

Investments in the creative economy reflect an important realisation: ideas, art, and culture can be powerful economic assets. The Economic Survey 2025–26 noted that creativity-led sectors like media, entertainment, and culture can drive urban employment and even boost tourism. These activities derive value from "ideas, artistic expression and cultural capital rather than physical goods". Harnessing this "soft power" sector not only creates high-value jobs (often for the youth) but also builds cultural exports – films, animation, gaming – that carry Indian influence abroad. The Budget's support for the Orange Economy thus plants seeds for long-term, innovation-driven growth in services.

Education and Skilling: Linking People to Service Jobs

Underpinning all these sectoral initiatives is a strong emphasis on education, skill development, and human capital. The services sector can only expand as fast as the talent supply allows. Recognizing this, the Budget places skill-building interventions alongside industry measures. A few notable steps:

- **Education to Employment Standing Committee:** The Budget proposes a High-Powered "Education to Employment and Enterprise" Standing Committee. This body will map skill gaps in emerging industries, identify high-employment service sub-sectors, and assess how technologies like AI will impact future jobs. By having a dedicated group to align education with market needs, the government aims to ensure the millions of new service jobs can be filled by appropriately skilled Indians. It reflects the understanding that degrees alone are not enough – curricula must evolve to improve employability.
- **Reformed ITR and Skill Programs:** In sectors like tourism and healthcare, specific skill programs (guides training, caregivers training) have been discussed. Beyond those, the Budget also bolsters general skill initiatives.



- For example, Samarth 2.0 for upgrading textile skills was mentioned elsewhere, which feeds into design/fashion services. Expect similar revamps in ITIs and polytechnics to focus on service trades (like hospitality, retail, logistics).
- **Investment in Institutions:** New institutes (hospitality, design, pharmaceutical research etc.) are essentially investments in creating centers of excellence that will produce the specialized workforce required for services. The girls' hostels in every district for STEM students is another enabling measure – encouraging more women to pursue scientific and technical education without safety or accommodation concerns. This will ultimately widen the talent pool for high-skill service industries (IT, biotech, design, etc.) and promote gender inclusion in the workforce.

All these educational measures align with the view that India's demographic dividend can be realized through service jobs if the youth are properly skilled. The country is moving from an era of labor surplus to one of skill surplus, where the competitive advantage will lie in human capital quality. The Budget's thrust on skilling indicates a long-term plan to supply world-class workers to both domestic service industries and the global market. In fact, by emphasizing training in areas like caregiving, the government acknowledges that Indian workers can seize opportunities abroad (for instance, nurses or caregivers in aging societies) – essentially exporting services through personnel.

Conclusion: Services at the Core of India's Next Growth Story

The Union Budget 2026–27 makes it abundantly clear that services are not just supporting sectors but the lead actors in India's growth story. By embedding service-sector initiatives across the Budget – from tourism and AVGC to healthcare and IT – the government is capitalizing on areas where India has both comparative advantage and large job-creating potential. This integrated approach marks a departure from viewing services as ancillary; instead, services are now seen as "the primary job engine" of the economy.

For employment, this focus cannot come sooner. The bulk of India's new livelihoods in the coming decade are expected to come from services – be it a data analyst in an IT firm, a tourist guide in a heritage site, a nurse in a medical hub, or an animator at a gaming studio. The Budget's measures will create millions of such direct and indirect jobs, many of them high-skill, high-paying roles that can uplift incomes. Notably, these jobs often have a strong export or foreign-currency earning component (IT exports, medical tourists, foreign film/gaming clients, etc.), which means services growth also fortifies India's balance of payments.

We are also witnessing a virtuous cycle: success in services brings in FDI and global partnerships, which in turn create more opportunities. For instance, the growth of Global Capability Centres in India (captive R&D and back-office units of MNCs) has attracted investment and positioned India as a hub for innovation in AI and fintech. The Budget's supportive policies will likely accelerate this trend, bringing more global service mandates to India's shores.

In sum, Budget 2026–27 cements the central role of the services sector in driving India's economic transformation. It seeks to move India up the value chain – from assembling goods to designing solutions, from back-office work to knowledge-driven work. If implemented effectively, these initiatives will not only produce immediate employment gains but also solidify the foundation for India to become a \$5 trillion economy largely on the strength of its service industries. As services thrive, they will pull up other sectors too (manufacturing and agriculture benefit when services like finance, logistics, and IT are efficient). The road ahead promises an India that is the office, hospital, studio, and laboratory for the world – a global service powerhouse creating prosperity and jobs for millions of its citizens.

Sources: The Economic Survey 2025–26 highlights India's status as the 7th-largest services exporter and notes the sector provides 30% of total employment (and 62% of urban jobs). Economic Times reporting on the Budget confirms the government's strategy of targeting a 10% share of global services exports by 2047 and focusing on high-employment service sub-sectors. The Press Information Bureau release on tourism details plans for medical tourism hubs, a national hospitality institute, and guide training, emphasizing tourism's role in job creation. Another PIB release and NDTV coverage underscore the push for the creative economy, with 15,000 schools to get AVGC labs and a new Design institute, given the sector's projection of 2 million jobs by 2030. The Budget also outlines adding 1 lakh allied health professionals and 1.5 lakh caregivers, and formally recognizes the "orange economy" as a key growth area. These measures collectively illustrate how services are being positioned as the cornerstone of job creation and export expansion in India's budget for 2026–27.