Sectors of the Indian Economy

What are economic sectors?

- We group economic activities into sectors to understand them better.
- These sectors show how we produce goods and services.

Types of Sectors:

- **Primary Sector:**
    - Uses natural resources directly.
    - Examples: Farming, fishing, mining.
    - Produces raw materials like cotton, milk, and minerals.
    - Also called the agriculture and related sector.
- **Secondary Sector:**
    - Transforms raw materials into finished goods.
    - Involves manufacturing and industry.
    - Examples: Making cloth from cotton, producing sugar from sugarcane.
    - Also called the industrial sector.
- **Tertiary Sector:**
    - Provides services to support primary and secondary sectors.
    - Examples: Transportation, banking, communication.
    - Includes essential services like teachers and doctors.
    - Also called the service sector.

How do we measure the sectors?

- We use the value of goods and services, not just the quantity.
- We only count the value of **final goods and services** to avoid double-counting.
- **Gross Domestic Product (GDP)** is the total value of all final goods and services produced in a country in a year.

Historical Changes in Sectors:

- Many developed countries started with a dominant primary sector.
- Over time, the secondary (industrial) sector became more important.
- In recent times, the tertiary (service) sector has become the most important in developed countries.

Primary, Secondary and Tertiary Sectors in India

Rising Importance of the Tertiary Sector:

- The tertiary sector has grown the fastest in India over the past 40 years.
- It is now the largest producing sector in India.

Reasons for the growth of the tertiary sector:

- **Basic Services:** A growing economy needs more hospitals, schools, banks, etc.
- **Supporting other sectors:** Growth in agriculture and industry increases demand for services like transport and trade.
- **Rising incomes:** People with higher incomes demand more services like restaurants, tourism, and private schools.
- **New services:** Information and communication technology has created new and essential services.

Employment in India:

- **Uneven growth:** While the tertiary sector is growing, not all jobs are good. Many service sector jobs are low-paying with limited opportunities.
- **Underemployment in agriculture:** More than half of Indian workers are in agriculture, but it produces only a small part of GDP. This means there are too many people working in agriculture, and they are not working to their full potential (disguised unemployment).

How to create more employment:

- **Improve agriculture:** Invest in irrigation, credit, and infrastructure to help farmers produce more and create more jobs in rural areas.
- **Promote industries and services in rural areas:** Set up food processing plants, cold storage facilities, and other businesses in rural areas to create jobs closer to where people live.
- **Invest in education and health:** Build more schools and hire more teachers and health workers.
- **Develop tourism:** Promote tourism to create jobs and boost local economies.
- **MGNREGA 2005:** This act guarantees 100 days of employment per year to rural households and provides unemployment allowances if the government fails to provide jobs.

Key takeaway:

India needs to create more and better jobs in both the secondary and tertiary sectors to reduce underemployment and improve people's lives.

Understanding the Organized and Unorganized Sectors in India

Organized Sector:

- **Formal and Regulated:**
    - Companies and workplaces registered with the government.
    - Follow laws and regulations (e.g., Factories Act, Minimum Wages Act).
    - Formal processes and procedures.

- **Worker Benefits:**
  - Job security.
  - Fixed working hours with overtime pay.
  - Paid leave, holidays, and medical benefits.
  - Provident fund and gratuity.
  - Safe working environment.
  - Pension after retirement.

Unorganized Sector:

- **Informal and Unregulated:**
  - Small and scattered units.
  - Largely outside government control.
  - Rules and regulations often not followed.
- **Challenges for Workers:**
  - Low and irregular pay.
  - No overtime, paid leave, or holidays.
  - Lack of job security.
  - Poor working conditions.

Protecting Workers in the Unorganized Sector:

- **Challenges:**
  - Limited growth in organized sector jobs.
  - Some organized sector businesses operate informally to avoid regulations.
  - Workers forced into low-paying, insecure jobs.
- **Who needs protection?**
  - Rural: Landless laborers, small farmers, sharecroppers, artisans.
  - Urban: Workers in small-scale industries, casual laborers, street vendors.
  - Scheduled castes, tribes, and backward communities facing social discrimination.
- **How to provide protection:**
  - **Rural:** Support small farmers with access to seeds, credit, storage, and markets.
  - **Urban:** Support small-scale industries and protect casual laborers.
  - **General:** Enforce labor laws, provide social security benefits, and create more formal sector jobs.

Public and Private Sectors:

- **Public Sector:**
  - Government owns assets and provides services.
  - Focus on social welfare and providing essential services.
  - Examples: Railways, post office.
- **Private Sector:**

    - Private individuals or companies own assets and provide services.
    - Driven by profit.
    - Examples: TISCO, Reliance Industries.

Why is the public sector important?

- Provides services that the private sector may not offer at a reasonable cost (e.g., roads, bridges, electricity).
- Supports industries and agriculture (e.g., by providing electricity at affordable rates, buying crops at fair prices).
- Fulfills essential social responsibilities (e.g., education, health care, safe drinking water).
- Addresses poverty and inequality by focusing on the needs of the poorest regions and people.