

EMPLOYMENT: GROWTH, INFORMALISATION AND OTHER ISSUES

SOME BASIC CONCEPTS

UNEMPLOYMENT – Unemployment refers to a situation when **people are willing to work** at existing wage rate and are **able to work but are not getting work**.

People who are **not willing to work** are not considered as unemployed.

WORKER – Worker is an **individual who is engaged in some kind of production activity (economic activity) in order to earn a living**.

Workers may be classified as:

- (a) Self-employed
- (b) Hired

SELF – EMPLOYED WORKERS – These are those workers who are **engaged in their own business or own profession**.

HIRED WORKERS – These are those workers who **work for others**, they render their services to others and as a reward, **get wages/salaries or maybe they are paid in kind**.

Hired workers may be further classified as:

- (a) **Casual Workers** – These are the **daily wagers**. They are **not hired on a regular basis** by their employers.

They are **not given any kind of social security benefits** such as provident fund, pension, no annual leave etc.

Casual workers are generally **unskilled workers** working on construction sites.

- (b) **Regular workers** – They are **hired on a regular basis** by the employers.

They are **entitled to all security benefits** such as pension, provident fund etc.

A regular worker is usually a **skilled worker**.

Nature of employment in India is multifaceted. Some get employment throughout the year, while some employment for only few months in a year.

LABOUR SUPPLY

It refers to **supply of labour corresponding to different wage rates**.

It is measured in terms of man-hours of work or man-days (**8-man hours equal to one-man day**)

Supply of labour may increase or decrease even when number of workers remains constant.

It is **related to wage rate**.

LABOUR FORCE

It refers to **number of persons actually working or though not working are willing to work i.e. looking for work.**

In other words, labour force is sum total of employed and unemployed persons.

Size of labour force increases or decreases only when the number of persons actually working or willing to work increases or decreases.

Following group of people are excluded from labour force:

- (a) People who are not willing to work
- (b) People who are not available for work

WORKFORCE

It refers to the **number of people who are actually working and does not account for those who are willing to work but not working.**

Workforce = Labour force – Number of persons unemployed

Number of persons unemployed = Labour force – Workforce

Unemployment rate = $\frac{\text{Number of people unemployed}}{\text{Size of labour force}} \times 100$

Worker- Population ratio = $\frac{\text{Total workforce}}{\text{Total Population}} \times 100$

It refers to **percentage of population actually working.**

The ratio of labour force to total population is called **labour force participation rate.**

SIZE OF WORKFORCE IN INDIA

- During 2017-18, **India had about 471 million workforce (47.1 crores).** Since majority of people live in rural areas, the proportion of workforce is higher in rural areas. **About 2/3rd of workers are rural workers.**
- About **77% of workers are male** and rest are female workers.
- **Rural women participate in larger no. of productive activities as compared to urban women.**

WHY THE BULK OF OUR WORKFORCE IS RURAL BASED?

- **Maximum population lives in rural areas** and earn their livelihood through **working in primary sector** and thus maximum workforce is in rural areas.
- Over the years, people have **failed to find gainful employment in secondary sector and tertiary sector** due to lack of education and skills. Thus, workforce is less in urban areas.

- **In rural areas, women are also a part of workforce in bulk** because they have to work in order to financially support their families. This situation is not there in urban areas where women work as housewives in home.
- **In urban areas, high priority for education** implies low priority for jobs at an early age. This keeps the rate of participation relatively low.

WHY IS PERCENTAGE OF FEMALE WORKERS LOW AND LOWER STILL IN URBAN AREAS?

Low employment among women is a **sign of social and economic backwardness of a nation**. Economic backwardness because economy fails to generate enough jobs.

Social backwardness because job work for women outside their homes is considered to be a social taboo.

Some of the reasons are:

- (a) **Female education in India is still a distant dream**, implying low opportunities for job.
- (b) Among most families in urban areas, job work for women is still governed by family decisions rather than the individual's own decision. Thus, even if they have opportunities available, they are not actually utilised.
- (c) **Higher employment among women in rural areas is due to widespread rural poverty**. Female workers in rural areas are largely engaged in low paid and less productive jobs to add to their family income.
- (d) Some of the other reasons are – **law and order, efficient public transportation, violence against women at work place etc.**

RATE OF PARTICIPATION IN INDIA

It refers to **participation of people in production activity**, and is **measured as a ratio of workforce to total population of the country**. (For table refer copy)

- (a) For every 100 persons, around 35% are workers in India.
- (b) Rate of participation for the urban areas is about 34%.
- (c) Rate of participation for the rural areas is about 35%.
- (d) In urban areas, rate of participation is about 53% for men and about 15% for women.
- (e) In rural areas, rate of participation is about 52% for men and about 18% for female.

Observations:

- (a) **High dependency ratio**: Overall rate of participation in the country is not very high, implying not many people are engaged in production activities. Thus, it means a high dependency ratio in the country.

(b) High rate of participation, but low level of productivity in rural areas: Rate of participation is higher in rural areas compared with urban areas.

But, despite higher participation productivity and income continues to be low in rural areas.

(c) High rate of participation for women in rural areas: Rate of participation for women is higher in rural areas compared with urban areas.

- In rural areas, poverty forces women to avoid education and seek employment.
- Without proper education, people in rural areas find only less productive jobs and get low wages. Thus, to support their family many rural women have to work.
- In urban areas, high priority for education implies low priority for jobs at an early age. This keeps the rate of participation relatively low.

(d) Under-estimation of women workers in the country: There is significant under-estimation of women workforce in the country. This is because:

- Women rendering household services as housewives are not deemed as workers as they are not paid for it and it is very difficult to ascertain market value of the services provided by women.
- Women providing services on the family farms in rural areas and in the family business in the urban areas are not treated as workers because unpaid women workers are not considered as workers.

Whereas unpaid men working on family farms and family business are considered as employed and thus as workers.

SELF-EMPLOYED AND HIRED WORKERS

Workers who own and operate an enterprise to earn their livelihood are known as self-employed. **About 52% workforce** in India belongs to this category.

Casual wage labourers accounts for 25% of India's workforce. Such labourers work for others on a casual basis and in return they are paid for their work.

When a worker is employed by someone or an enterprise and paid his or her wages on a regular basis, they are known as **regular salaried employees**. **Such type of workers accounts for 23% of workforce.**

PIE CHART 7.1 (Refer copy for the pie diagram)

Self-employment is a major source of employment for both men and women as this category accounts for more than 50% of the workforce. In India most of the small and marginal farmers are self-employed in their own fields. In urban areas also people like to work in their own business no matter whether it is of small scale.

Casual wage work is the second major source for both men and women.

(a) **Due to lack of capital, proper education and skills** people are forced to work as casual labourers.

(b) People who are **disguisedly unemployed in agriculture sector** look for casual work to financially support their families.

In case of regular salaried employment, men are in greater proportion as compared to women. However, in the past few decades there has been increase in number of women in regular salaried jobs.

Wage employment is a more significant source of livelihood for women as compared to men.

In order to financially support their family, maximum women in rural areas are ready to work as casual labourers.

Q. Why there is less no. of women in regular paid jobs? (2 points)

PIE CHART 7.2 (Refer copy for the pie diagram)

The **self-employed and casual wage labourers** are found more in **rural areas** than in urban areas.

In **urban areas, both self-employed and regular salaried workers** are more. In urban areas people are more educated and skilled. Thus, it is easier for them to get regular paid jobs in urban areas.

In urban areas, people look for skilled jobs in offices and factories while in rural areas, family farms are the most attractive means of employment.

In rural areas, only % of people are engaged in regular salaries work due to illiteracy, lack of skills and absence of strong service sector.

Q. Why self-employment is a significant source of livelihood in India?

EMPLOYMENT IN FIRMS, FACTORIES AND OFFICES

In the course of economic development of a country, labour flows from agriculture and other related activities to industry and services. In this process workers migrate from urban to rural areas.

At a much later stage, the industrial sector begins to lose its share of employment as the service sector enters a period of rapid expansion.

We can divide all economic activities into **eight different industrial divisions**:

- | | |
|---------------------------------------|--------------------------------|
| (a) Agriculture | (e) Construction |
| (b) Mining and Quarrying | (f) Trade |
| (c) Manufacturing | (g) Transportation and Storage |
| (d) Electricity, Gas and Water Supply | (h) Services |

These eight industries can be clubbed into three major sectors:

- (a) Primary sector – (a) and (b)
- (b) Secondary sector – (c), (d), (e)
- (c) Tertiary sector- (f), (g), (h)

Table 7.2 shows the distribution of working persons in different industries during 2017-18.
(Refer copy for the table)

- **Primary sector is the main source of employment** for majority of workers in India. Heavy dependence on primary sector is a **sign of backwardness** as productivity level is very low and thus structure of wage rate is not much beyond the subsistence level.
- **Secondary sector provides employment to only about 24% of workforce and 31% workforce is in service sector.** Thus, secondary and tertiary sectors have failed to generate enough employment even after 70 years of Independence.
- Secondary sector lagging behind the tertiary sector points to the fact that industrialisation has failed to take-off to become the leading sector of growth.
- In **rural areas about 60% of workforce depends on agriculture, forestry and fishing** and rest 20% and 20% earn their livelihood through secondary sector and tertiary sector. Due to lack of non-farm job opportunities in rural areas, people are engaged more in primary sector in rural areas.
- In urban areas, the main source of employment is service sector which provides employment to about 60% of workforce. Secondary sector employs about 35% of workforce in urban areas. In urban areas people are more educated and are skilled and thus they find better employment opportunities in secondary and tertiary sector.
- About 3/5th of women are engaged in primary sector and rest in the other two sectors. Women lacks the knowledge and skills required to work in these sectors.

7.6 GROWTH AND CHANGING STRUCTURE OF EMPLOYMENT

[CHART 7.3 and TABLE 7.3] ANALYSIS OF CHART 7.3

- During the period 1951-2012, **GDP of India grew positively and was higher than the employment growth rate.**
- However, there was always **fluctuations in the growth of GDP.** During this period, **employment grew at the rate of not more than 2%.**
- In the late 1990's employment growth rate reached the level of growth India had during the first and second five-year plans.
- During 1990's we can observe **widening gap between growth of GDP and employment.** This means that in the Indian economy, without generating employment, we have been able to produce more goods and services. This phenomenon is known as **jobless growth.**

ANALYSIS OF TABLE 7.3

- Distribution of workforce by different sectors shows **substantial shift from farm work to non-farm work.**
- In 1972-73, about 75% of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50%.

- Secondary and service sector has shown some growth. The share of these sectors has increased from 11 to 24 percent and from 15 to 27 percent.
- The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work. **This movement of workforce is called casualisation of workforce.**
- **Casualisation of workforce** refers to a situation when the percentage of casually-hired workers in the total workforce tends to rise over time. Some of the reasons for increasing casualisation are:
 - (a) Many self-employed and marginal farmers look for casual work during the off season and due to low income in agriculture sector many farmers are becoming casual workers.
 - (b) Slow growth of employment in formal sector is also a reason for workers taking up casual work.
 - (c) There is increase in demand of casual workers in urban areas due to increased construction activity going on in urban areas.

7.7 INFORMALISATION OF INDIAN WORKFORCE

We can classify workers into two categories:

- (A) Formal (Organised) sector
- (B) Informal (Unorganised) sector

(A) FORMAL SECTOR: Formal sector refers to **organised sector of the economy**. It includes all government departments, public enterprises and private enterprises which **hire 10 or more workers**. Those working in the organised sector are called formal workers.

(B) INFORMAL SECTOR: Informal sector refers to **unorganised sector of the economy**. It includes all private enterprises which **hire less than 10 workers**. Those working in the unorganised sector are called informal workers. Thus, informal sector includes millions of **farmers, agricultural labourers**. Owners of **small-scale businesses** and **self-employed workers** who have less than 10 workers working in their organisation. It also includes all the casual workers.

- Workers in formal sector are entitled to social security benefits such as provident fund, pensions etc. while workers in the informal sector are not.
- While the economic interest of the workers in formal sector is protected through various labour laws, there are any protective laws for the informal sector (other than Minimum wages act)
- To protect their economic interest, workers in the formal sector can form trade unions; no such unions exist in informal sector.
- Employment in informal sector depends on the nature of market. They are hired when the market conditions are favourable and fired when market conditions are not favourable.

Informalisation of workforce is defined as a situation where percentage of workforce in the formal sector tends to decline and that in the informal sector tends to rise.

As economy grows, more and more workers should become formal sector workers and the percentage of workers engaged in the informal sector should decrease. However, the situation is reverse in India.

Category	Number of workers (in millions)		
	Male	Female	Total
Formal sector	24	6	30
Informal sector	310	133	443

7.8 UNEMPLOYMENT

- Economists define **unemployed person as one who is not able to get employment of even one hour in half a day.**
- There are **three sources of data on unemployment**:
 - (a) Reports of Census of India
 - (b) National Sample Survey Organisation's Reports of Employment and Unemployment situation
 - (c) Directorate General of Employment and Training Data of registration with employment exchange

RURAL UNEMPLOYMENT

Rural unemployment is dominated by **disguised and seasonal unemployment.**

(A) Disguised Unemployment: Disguised unemployment occurs when the number of workers engaged in a job is much more than actually required to complete the job.

- If some of them are withdrawn from that job then total production will not fall. **(MP of worker is 0)**
- Disguised unemployment is **common in Indian agriculture**. The main reasons are:
 - (a) Farming families continue to work on family land, no matter even if the actual number of workers exceeds the number required.
 - (b) Lack of job opportunities outside agriculture forces people to work on family farms. Thus, it increases the possibility of disguised unemployment.

(B) Seasonal Unemployment – It occurs because agriculture is a seasonal employment. It is estimated that farmers who grows one crop in a year generally remains unemployed for 5 to 7 months.

During off-season, the farm workers are out of job i.e. they have no work to do.

TERMS USED IN THIS CHAPTER

1. **STRUCTURAL UNEMPLOYMENT** – Structural unemployment occurs due to structural changes in the economy. Structural changes are of two types:
 - (a) Changes in technology as a result of which people equipped in old technology are no longer needed.
 - (b) Changes in pattern of demand because of which certain industries are closed down and workers are thrown out.
2. **FRICTIONAL UNEMPLOYMENT** – It refers to the form of unemployment where people are unemployed for some time while changing one job to another.
3. **CYCLICAL UNEMPLOYMENT** – It occurs owing to cyclical fluctuations in the economy. Phases of Boom, recession, depression and recovery are typical characteristics of an economy.

Boom refers to rise in GDP growth rate and thus rise in employment.

Recessions is a phase where is slowdown in the economy and thus there is a cut in production and thus a decrease in level of employment.

Depression is a phase where there is decrease in Aggregate demand and thus a cut in production and employment.

Recovery is a phase where Aggregate demand starts to rise in the economy and as a result production and employment starts to rise.

GOVERNMENT AND EMPLOYMENT GENERATION

Government has taken many initiatives and started various programmes to generate enough employment opportunities in the country.

Government provides “Direct employment” by employing people in various departments for administrative purposes. It runs various public sector enterprises; government schools; government hospitals etc. and thus provide employment directly to workers.

With increase in output of goods and services of government enterprises, private enterprises providing inputs and raw materials to the government will also increase their output. Thus, no. of employment opportunities in the country will increase. This increase in employment is known as “Indirect employment” by the government.

Some of the programme’s government run to generate employment and to eradicate poverty in the country are:

(a) Pradhan Mantri Rojgar Yojana (PMRY)

- It was launched in the year 1993.
- It is a self-employment scheme meant for the unemployed educated youth.
- Each educated youth is eligible for a loan of ₹1,00,000 to start a small business.

(b) Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)

- This is one of the schemes government implement to generate employment for those who are need of jobs in rural areas.
- It promises 100 days of guaranteed wage employment to all rural households who volunteer to do unskilled manual work.
- If the manual work is not provided to beneficiary within 15 days, he will be given unemployment allowance.
- Labour oriented tasks like rain water harvesting, road construction, construction and renovation of traditional water bodies etc. will be undertaken under this scheme.

(c) Pradhan Mantri Kaushal Vikash Yojana or Skill India Mission

- Under this scheme, trainees are provided financial reward and a govt. certification on successful implementation of training and assessment which will help them in securing a job for better future.

NCERT QUESTIONS

1. Are the following workers – a beggar, thief, a smuggler, a gambler? Why?

Ans. No. A worker is one who is involved in a production activity that contributes to the GDP of the country.

**4. The newly emerging jobs are found mostly in the Sector.
(Manufacturing/service)**

Ans. Service

5. An establishment with four hired workers is known assector establishment. (formal/informal)

Ans. Informal sector. Informal sector is the unorganised sector of the economy. It includes all enterprises that hires less than 10 workers, excluding farming and self-employment activities.

**6. Raj is going to school. When he is not in school, you will find him working in his farm.
Can you consider him as a worker? Why?**

Ans. Yes, Raj can be considered as worker. This is because he is contributing to total output of the farm.

A person who is engaged in an economic activity or is assisting anyone in an economic activity and thereby contributing to the GDP of the country is regarded as a worker.

**7. The following table shows distribution of workforce in India for the year 1972-73.
Analyse it and give reasons for the nature of workforce distribution.**

Place of residence			
	Male	Female	Total
Rural	125	69	195
Urban	32	7	39

Ans. (a) The total workforce in India in the year 1972-73 was 234 million that includes 195 million workforce of rural workers and 39 million of the urban workers.

Thus, more than 80% of workforce was in rural areas as most of them consisted of self-employed farmers working in agricultural sector.

(b) The rural workforce comprises of 64% of the male workforce and 36% of female workforce.

In rural areas, female also do casual work and work on farms to financially support their family.

(c) The urban workforce comprises of 82% of male workers and 18% of female workers.

In urban areas, families do not allow female members to do jobs and they are confined only to household works.

(d) Thus, by analysing the above data we can conclude that Indian economy was agrarian in 1972-73 where level of productivity and income was low. As a result, there was widespread poverty in the country.

8. The following table shows the population and worker population ratio for India in 1999-2000. Can you estimate the workforce (urban and total) for India?

Region	Estimates of population (in crores)	Worker population ratio	Estimated no. of workers
Rural	71.88	41.9	?????
Urban	28.52	33.7	?????
total	100.40	39.5	?????

13. Why are regular salaried employees more in urban areas than in rural areas?

Ans. Regular salaried employees are those hired workers who work permanently for a given employer. They are generally skilled workers and are entitled to all types of social security benefits.

These workers are more in urban areas because the job they perform requires special skills and knowledge and such skills and knowledge can be acquired through process of education and training that is available in urban areas.

Big companies that hire regular salaried employees have their offices in urban areas because of availability of infrastructure and all the other facilities such as communication, transportation, banking etc.

14. Why are less women found in regular salaried employment?

Ans. Employment data shows that only 13% of women workers are regular salaries employees in India.

Most of the female workers live in rural areas where they work in family farms (self-employed) or they work as casual workers which requires very limited level of education.

Generally regular paid jobs are found in industrial and service sector. Female workers find it difficult to find employment in these sectors due to their lack of education, knowledge and skills.

In urban areas many educated and skilled female workers do not continue their jobs for a long time period due to family pressure.

15. Analyse the recent trends in sectoral distribution of workforce in India.

- The three major sectors of an economy are i.e. Primary, secondary and tertiary. The primary sector includes agriculture, forestry, fishing etc. The secondary sector consists of manufacturing, industries and construction. The tertiary sector consists of trade, communication, transportation, services etc.
- Primary sector is the main source of employment for our workforce as it provides employment to more than 50% of the workforce.
- People living in urban areas are basically engaged in secondary and tertiary sector whereas people living in rural areas earn their livelihood through primary sector.
- Over the years there is increase in share of employment in tertiary sector.
- A high percentage of female workers earn their livelihood by working in the primary sector.

16. Compared to the 1970's, there has hardly been any change in the distribution of workforce across various industries. Comment.

Ans. India being an agrarian economy has majority of population dependent on agriculture sector to earn their livelihood. Although, the developmental strategies in India have aimed at reduction of population dependent on agriculture, yet the reduction in the population engaged in agriculture has not been significant.

- Distribution of workforce by different sectors shows **substantial shift from farm work to non-farm work**.
- In 1972-73, about 75% of workforce was engaged in primary sector and in 2011-12, this proportion has declined to about 50%.
- Secondary and service sector has shown some growth. The share of these sectors has increased from 11 to 24 percent and from 15 to 27 percent.
- The distribution of workforce in different status indicates that over the last four decades (1972-2012), people have moved from self-employment and regular salaried employment to casual wage work. This movement of workforce is called casualisation of workforce.
- **Casualisation of workforce** refers to a situation when the percentage of casually-hired workers in the total workforce tends to rise over time.
- Thus. It can be concluded that although changes in the distribution of workforce have taken place, yet industrial and tertiary sector need to increase their share in the workforce distribution by generating more employment opportunities and by absorbing excess labour from the agriculture sector.

18. Do you think that in the last 50 years, employment generated in the country is commensurate with the growth of GDP in India? How?

Ans. Economic growth implies growth in the real GDP. The increased output level is achieved by generating more employment opportunities and through employing better technologies.

During the recent past, India has witnessed jobless economic growth that raised the aggregate output level without the proportionate rise in employment opportunities and thus unemployment continued to exist.

The reason is that the rise in GDP is caused by employing modern and advanced technologies that substituted labour for machines. This failed to generate enough employment opportunities in the industrial and tertiary sectors.

Industrial and the tertiary sectors failed to absorb the excess labour from the agricultural sector as they lacked the required skills and knowledge. As a result, disguised unemployment in the agricultural sector continued along with low levels of productivity and massive poverty.

MNC's played an important role in India's economic growth but they failed to generate enough employment opportunities in the country. They employed only educated, trained and skilled workers.

Thus, we can conclude that employment generated in the country does not commensurate with the growth of GDP in India.







