

## Employment: Growth, Informalisation and other Issues



an activity which enables a person to earn

### BASIC CONCEPTS

#### (I) Gross Domestic Product (GDP)

Money value of all final goods and services produced in a country in a year is called Gross Domestic Product at market price (GDPMP).

If to GDPmp, *we add net factor income from abroad (NFIA may be positive, negative or zero) this becomes gross national product at market price (GNPMP)*

$$\text{GNPMP} = \text{GDPMP} + \text{NFIA}$$

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नकुल ढाली (The Economics Guru)

CBSE, UK Board, UP Board, Bihar Board, MP Board, CG Board, Rajasthan Board, Haryana Board

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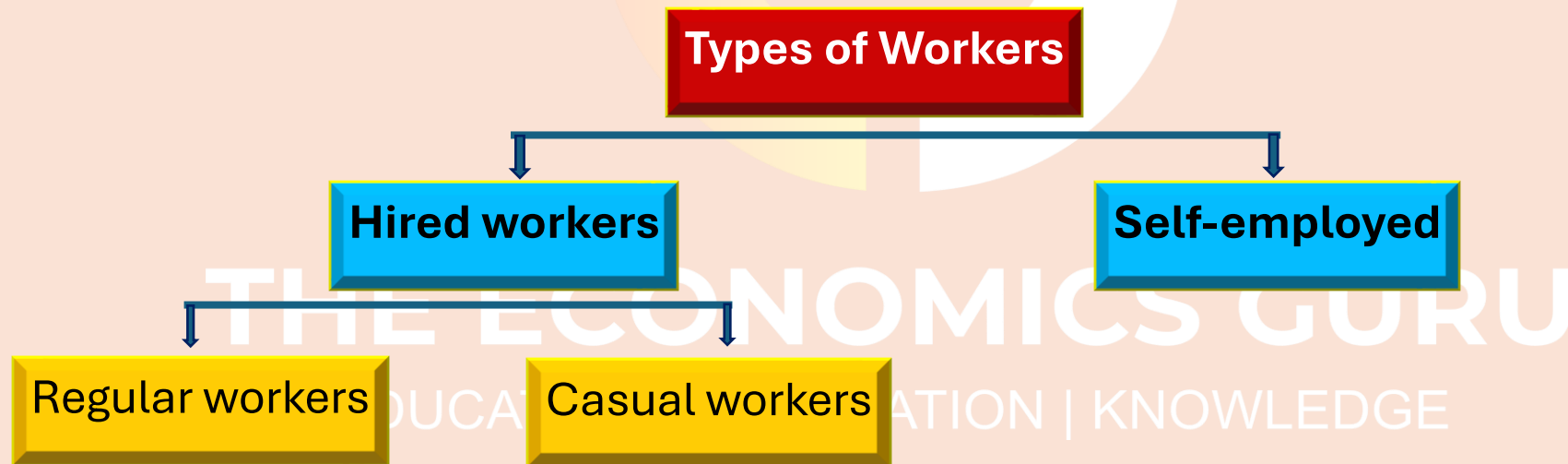
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## (II) Economic Activities:

These are the activities which contribute to gross domestic product (or gross national product) of the country e.g., a farmer grows wheat for sale, a doctor treats patients, a broker helps in purchase and sale etc.

## (III) Workers

All those people (human resources) who are engaged in economic activities, in any capacity high or low, are workers. In the above example, the farmer, the doctor and the broker are workers.



## 1. Hired workers

These are the workers who are **employed by others** and are **paid wages or salaries in return of their services**.

This is also known as **wage employment**.

They receive wages for rendering their services e.g. a doctor working in a government or a private hospital for salary.

### Hired workers are of two types:

- (i) Regular Workers and (ii) Casual Workers

#### (a) Regular workers. (Regular salaried employees)

- These are hired on permanent/regular basis by their employers
- These get social security benefits (pension, gratuity fund etc.)
- For example, Teachers employed in a school, Civil engineer, Bus conductors, Government officials etc. °
- These account for nearly 23% of India's work force.

#### (B) Casual workers.

- These are not hired on permanent/regular basis by employers.
- These do not get social security benefits (pension, gratuity fund etc.)
- For example, construction workers, labourers engaged in others' farms.
- These account for 25% of India's workforce.

## 2. Self-employed workers

- These are the workers who use their own resources (land, labour, capital, enterprise) and operate an enterprise to earn their living.
- In other words, they are not employed by others.
- They provide jobs to themselves on their own.
- About 52% of workforce in India belongs to this category.
- Self-employment is a major source of living in India.
- For example, shopkeepers, businessmen, a doctor running his own clinic, cement shop owner etc.

### Difference between Hired workers and Self-employed worker

Hired Workers	Self- Employed workers
These workers are employed by others (employers) on salary.	These use their self-employed resources to earn a living.
These work on resources (land, capital and entrepreneur) provided by others for example, a civil engineer in the construction company, a doctor working in a government hospital etc.	These use their own resources to get employment i.e., they use self-owned land, capital and entrepreneur. For example, a doctor running his own clinic, a cement shop owner

## Difference between Regular workers and Casual Workers:

Regular Workers	Casual Workers
These are hired on permanent basis e.g., a doctor employed in a government hospital.	These are not hired on permanent basis e.g., daily wage earners who work on construction sites.
These are entitled to social security benefits (pension etc) from their employers,	These are not entitled to social security benefits from their employers
These have strong bargaining power as they can form trade unions	These have weak bargaining power as they cannot form trade unions,

## Labour Force and Workforce

### 1. Labour force

It includes all those who are working and though not working but are seeking work and are available for work. In other words, it includes employed and unemployed workers.





### **Labour force includes**

- all persons in the age group between 15 years and 60 years who are employed (working)
- are willing and available to work though they are presently unemployed (not working)

### **Labour force does not include**

- children below 15 years of age and old people above 60 years of age
- handicapped persons.
- all those who are not willing and not available for work.

## **2. Workforce**

It includes all those who are employed at a particular point of time. In other words, these refer to those persons who are working.



### **Workforce includes:**

- Persons who are engaged in economic activities.
- In other words, it is total number of persons who are actually working .

### **Workforce does not include**

Unemployed persons even though they are willing and available for work.

## Relation between Labour Force and Workforce

(1) **Labour force** = Workforce + Unemployed persons (who are willing and available for work)

In other words,

Labour force = No. of persons working x No. of persons though not working but are seeking and/or are available to work

(2) **Workforce** = Number of persons working

To calculate unemployed persons

**Unemployed persons = labour force - Workforce**

- During **2017-18**, India had about **a 471 million strong workforce**.
- Since majority of our people reside in rural areas, **The rural workers** constitute about **two-third of this 471 million**.
- About **77% of the workers are men** and the rest are women (men and women include child labourers in respective sexes).
- **Women workers** account for **one-fourth of the rural workforce** whereas in urban areas, they are just one-fifth of the workforce.
- Women carry out **works like cooking, fetching water and fuelwood and participate in farm labour**. They are **not paid wages** in cash or in the form of grains at times they are not paid at all. For this reason, these women are not categorised as workers,



#### (IV) Employment:

- It is an activity which enables a person to earn.
- When undertaken this activity, a person renders his services and get paid (wages or salaries) in return.



If all those who are willing and able to work, are working at the existing wage rate, the situation is called **full employment**.

If some of these do not get work, the situation is called unemployment.

#### Employment may further be classified as:

- Wage employment (hired workers)
- Self-employment (self-employed workers)

#### Rate of Unemployment

It is the ratio of number of unemployed persons to labour force multiplied by 100

$$\text{Rate of unemployment} = \frac{\text{No of unemployed persons}}{\text{Labour force}} \times 100$$

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## PARTICIPATION OF PEOPLE IN EMPLOYMENT

It refers to participation of people in the Employment activity. Worker population ratio is used to measure the participation of people.

Worker population ratio is an indicator which is used for analysing the employment situation in the country.

- If this ratio is higher, it means that engagement of people is greater.
- If this ratio is medium or low, it means that a very high proportion of its population is not involved directly in economic activities.

Worker population ratio is calculated by dividing the total number of workers in India by the population in India and then multiplying by 100 i.e.,

**Worker population ratio or Workforce participation ratio =  $\frac{\text{Workforce}}{\text{Total Population}}$**

*Population is defined as total number of people who reside in a particular locality at a particular point of time.*

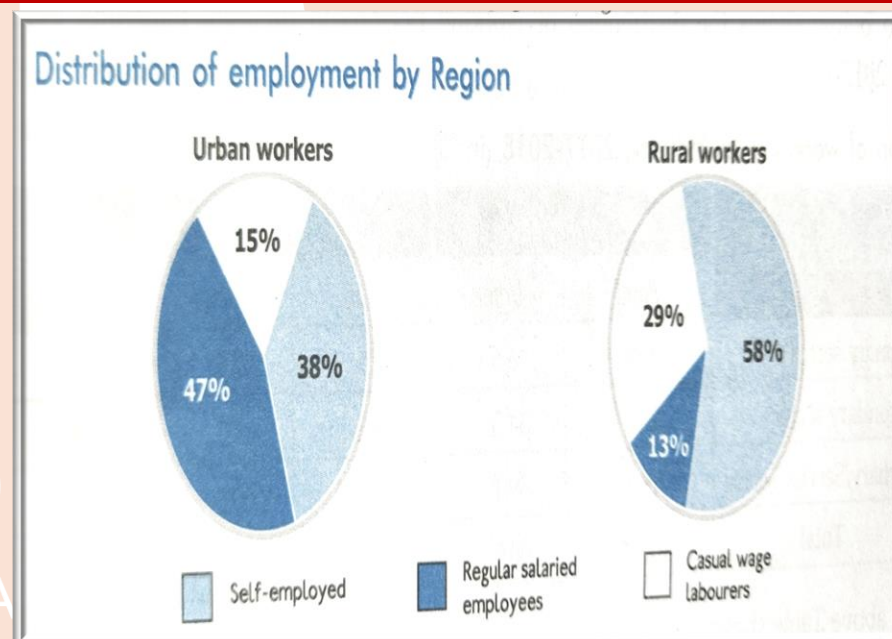
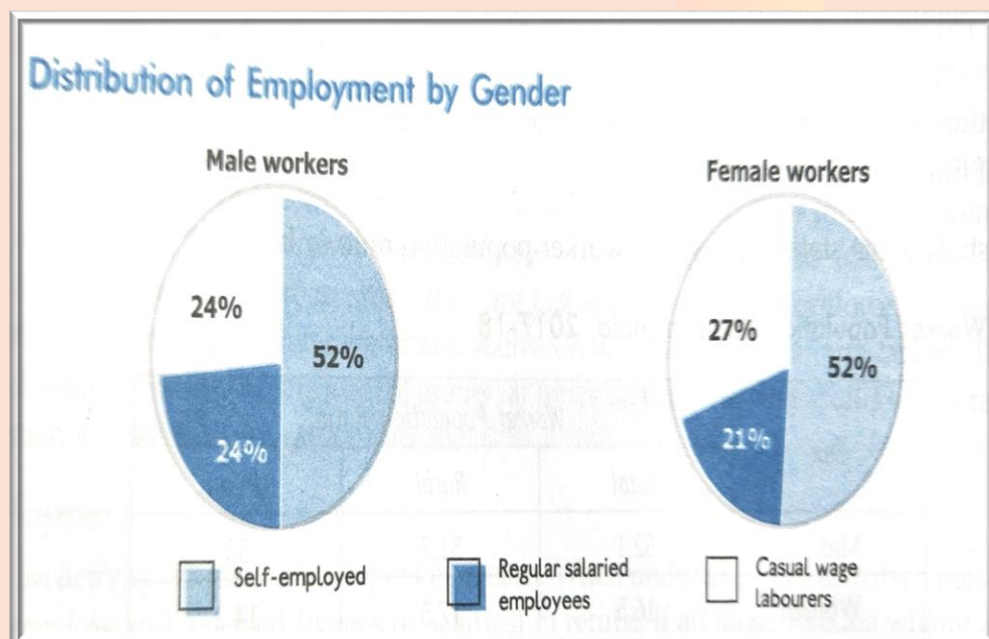
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## Worker Population Ratio in India, 2017-18

	Worker Population Ratio		
Sex	Total	Rural	Urban
Men	52.1	51.7	53
Women	16.5	17.5	14.2
Total	44.7	35	33.9

## Distribution of Employment:



## Distribution of Employment in Different Sectors:

Distribution of workforce by Industry, 2017-18 (in %)

Industrial Category	Place of Residence		Sex		Total
	Rural	Urban	Men	Women	
Primary Sector	59.8	6.6	40.7	57.1	44.6
Secondary Sector	20.4	34.3	26.5	17.7	24.4
Tertiary/ Service Sector	19.8	59.1	32.8	25.2	31.0
Total	100.0	100.0	100.0	100.0	100.0

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## Informalisation of Indian Workforce

**Informalisation** of workforce is the process by which the percentage of the workforce in the informal sector increases over time, while the percentage of the workforce in the formal sector decreases.

### Formal Sector (Organised Sector)

- All the public sector establishments and those private sector establishments which **employ 10 or more hired workers are called formal sector** establishments
- The **government** through **labour laws enable them to protect their right** in various ways
- These workers are **entitled to social security benefits** such as provident fund, gratuity, pension etc.
- These workers **form trade unions** and have strong bargaining power as their rights are protected by various labour laws.
- According to the data collected in 2012, **30 million workers out of 473 million workers are working in organised or formal sector.** (6% of the total workforce)
- Out of 30 million formal sector workers only 6 million i.e., about 20% are women and 24 million i.e., about 80% are men.

### Informal Sector (Unorganised Sector)

- All private sector establishments which **employ less than 10 workers are called informal sector** establishments.
- These workers are **not entitled to social security benefits** such as pension, provident fund, etc. These do not get regular income.
- These workers **cannot form trade unions** and have weak bargaining power and their rights are not protected by labour laws.
- This sector includes millions of farmers, agricultural labourers, owners of small enterprises etc.
- According to the data collected in 2012, about **94% of the total workforce is in informal** sector.
- In the informal sector male workers account for 70% of workforce and female workers account for 30% of workforce.

### Difference between Formal Sector and Informal sector

Formal Sector	Informal Sector
It is an organised sector which includes all the public sector enterprises and private enterprises which employ 10 or more than 10 workers,	It is an unorganised sector which includes all the private sector enterprises which employ less than 10 workers.



Employees working in this sector are known as formal workers	Employees working in this sector are known as Informal workers.
The workers in this sector can form trade unions.	The workers in this sector cannot form trade unions.
6% of the total workforce is employed in the formal sector.	94% of the total workforce is employed in informal sector.

## Unemployment

Unemployment refers to a situation in which all those who are able and willing to work, fail to find work (a job) that earns them a living.

**NSSO**, now called as **National Statistical Office** (Previously known as National Sample Survey Organisation) defines:-

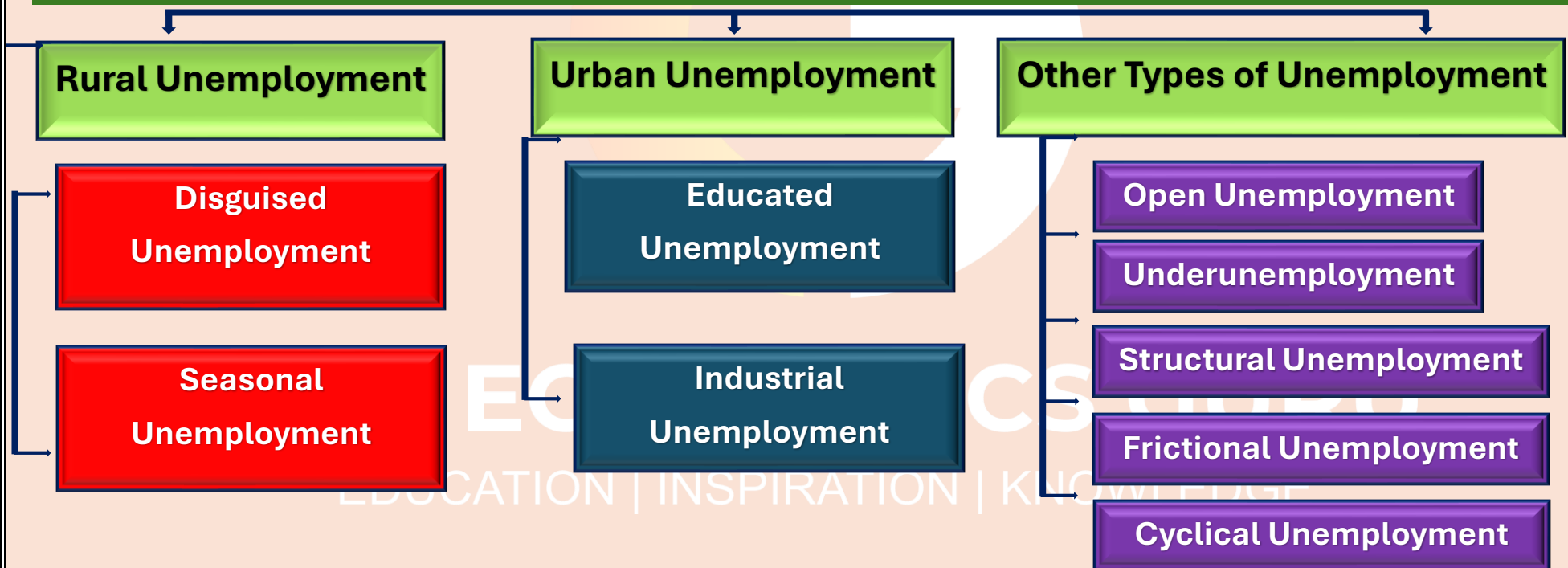
*unemployment as a situation in which all those who, owing to lack of work, are not working but either seek work through employment exchanges, intermediaries, friends or relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing conditions of work and remunerations.*



**Economists define unemployed person as one who is not able to get employment of even one hour in half a day. Thus:**

- Unemployment is a situation when all those who are able and willing to work, fail to get jobs at the prevailing wage rates.
- Unemployment measures involuntary idleness of individuals.
- It means wastage of valuable services of human resources of the country.

### **TYPES OF UNEMPLOYMENT**



## Rural Unemployment

Nearly 75% of workers in rural areas are working in primary sector. Working in this sector causes two types of unemployment

- **Disguised unemployment**
- **Seasonal unemployment**



### 1. Disguised unemployment

- It is a situation when more than actually required number of workers are engaged in work. If some of them are withdrawn from the job, the total output will remain unaffected.

**For example**, if only 2 workers are needed on 4 acres of land to carry various operations on this farm and actually 5 workers are working, then three workers are counted under disguised unemployment.

- Thus, when all those who apparently seem working in agriculture are not able to contribute individually to the total output, would be counted in disguised unemployment.
- A study conducted in late 1950s stated that about one third of agricultural workers in India are disguisedly unemployed.

## 2. Seasonal Unemployment

- It occurs because agriculture is seasonal in nature. The farmer is unemployed in off season.
- On an average, a farmer in India remains unemployed for **about 6-7 months in a year**, if he grows just one crop in a year and because he cannot prepare his land for any other crop in off season, he remains unemployed during this period.
- Seasonal unemployment occurs in many other seasonal activities too, such as brick making, sugarcane crushing, ice-cream making, woollen processing etc.



## Urban Unemployment

Data on urban unemployment can be easily obtained from the employment exchanges. In **1962, there were 32.4 lakh unemployed** registered with employment exchanges, this number increased to around **400 lakhs in 2004**.

here are two types of unemployment found in urban areas:

- Industrial unemployment
- Educated unemployment





## 1. Industrial unemployment

- It refers to the unemployment which occurs because of modern industrial development. It which is based on adopting capital intensive technology that uses labour saving devices Hence many people are rendered unemployed.
- Also, there is **rapid increase in population** in India and the industrial sector has not expanded so much as to create job opportunities to absorb the ever-increasing labour force.
- There has been tendency of **migration of people from rural areas** to urban areas which further adds to the problem of industrial unemployment.



## 2. Educated unemployment

- Since independence, there has been tremendous **expansion of educational facilities** at school, college and university level. This has **led to increase in the number of educated persons** in the country.
- **Education system in India is degree-oriented and not job-oriented.** Hence educated persons fail to get employment.
- There is no correlation between the number of educated persons and amount of job opportunities.



## Other Types of Unemployment

Following are some other common types of unemployment found in India. These are:

### 1. Open unemployment

- It refers to the unemployment in which people are able and willing to work but fail to get work. They are ready to work at the existing wage rate, but there are no job opportunities available.

People looking for jobs in newspapers, through their friends and relatives, in factories and offices etc. are some of the examples of open unemployment. Some of these registers themselves in employment exchanges.



### 2. Underemployment

- It is a situation when a worker does not work for full time or even if he is working for full time, he is paid less than what should he get.

Underemployment may be visible in nature. In this situation, persons get employed for less than normal work hours. **For example,** if a person works for 5 hours a day compared to 8 hours of normal work time, then he is underemployed.





### 3. Structural unemployment

It arises due to mismatch between demand of specified type of workers and unemployed persons. It exists because of structural changes in the economy.

This may be due to:

(a) **Change in technology**

(b) **Change in the pattern of demand**



### 4. Frictional unemployment

It is a temporary phenomenon. It occurs when workers leave one job and need some time to wind up the previous job and “undertake some formalities to join the new one.

In this process **they are not working for some time**

This may also happen due to imperfect knowledge about information on job availability or may be **during breakdown of plant or during installation of new machines** and equipment's etc.



### 5. Cyclical unemployment

This problem is common in capitalist advanced nations which face trade cycles of boom, recession, depression and recovery.

During the phases of recession and depression i.e., when the level of income is falling causing further fall in demand of goods and services, the nations would find cyclical unemployment. It is the fall in income and output levels that workers are thrown out of jobs because of which there is slowdown in production and correspondingly a cut in employment Opportunities.

## **CAUSES OF INCREASING UNEMPLOYMENT IN INDIA**

Following are the main causes of increase in unemployment in India:

### **1. Population explosion**

- A high growth rate of population keeps adding more people nearly 4 million persons every year to the existing labour force who are seeking employment.
- Increase in population is at a faster rate than the increase in number of job opportunities.

### **2. Low rate of economic development**

- Slow growth rate of economy is another important factor that has led to unemployment.
- the actual growth rate of economy always is lesser than the targeted (required) growth rate and the result is that unemployment tends to mount

### 3. Low level of development in agriculture

- Our primary sector, especially agriculture is underdeveloped and there is heavy pressure of population on agriculture.
- Old methods of cultivation, seasonal nature of agriculture, disguised unemployment and lack of awareness. are some of the reasons responsible.

### 4. Low level of industrial development

- The slow growth in the industrial sector has resulted in less job opportunities for workers
- Increase in population and migration of workers from rural areas to urban.
- Most of the existing industrial units are shifting to capital intensive technology
- A number of small and cottage industries have declined due to lack of finances and development of modern industries.

### 5. Lack of vocational and technical education

- The existing education system fails to provide vocational and technical education to students
- Its degree-oriented nature is different from the job-oriented nature of education which is at all levels.
- Due to increase in educational and institutional facilities, number of educated persons is required to get employment.

## 6. Low level of capital formation

- Lack of capital formation generate more employment opportunities.
- There is overall low level of income in the economy, level of savings also is low causing low level of investment and capital formation.

## 7. Immobility of labour

- There is low level of mobility of labour in India.
- There are many reasons such as lack of awareness about job markets, family circumstances, language problems, religion etc, which hinder the mobility of workers to better or new jobs.

## 8. Joint family system In India

- There is still joint family system prevalent both in rural areas and urban areas.
- In large families, many family members depend on the joint income of the family.
- Its effect is similar to effect of disguised unemployment as the joint income earned by one or two family members is divided among many family members.

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## EFFECTS (CONSEQUENCES) OF UNEMPLOYMENT IN INDIA

### 1. Economic effects (consequences)

**Fall in production and income.** As human resources are not utilised to the full, there will be loss of output and income to the extent of unemployment.

**Low level of saving and investment.** It is because of low level of income that people are not able to save and invest sufficiently causing decline in capital formation.

**Poverty.** A person without employment is not contributing to national income of the country. Hence not earning for himself too.

### 2. Social effects (consequences)

**(i) Low level of standard of living.** Unemployment means a state of low quality of life as the person is not earning and is not able to maintain dignified standard of living.

**(ii) Inequality** in the distribution of income. Unemployment corresponds to inequality as some are working and earning and some are not.

**(ii) Social unrest.** Unemployment adversely affects the peace in the society. Being in the state of suffering, unemployed person may resort to theft, dacoity, deception etc.

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## **SUGGESTIONS TO SOLVE THE PROBLEM OF UNEMPLOYMENT**

### **1. Increase in growth rate of GDP**

- Increase in production of goods and services is the first important measure to be taken in this regard.
- By accelerating the growth rate, the economy will be able to create job opportunities.
- To achieve this, production in agricultural and industrial sectors should rise. Development of small scale and cottage industries should increase.

### **2. Population control**

- There is urgent requirement to control the growth rate of population so that addition to existing labour force can be reduced,
- An effective strategy like family planning programmes should be initiated to control population.

### **3. Development of agricultural sector**

- We need to develop agricultural sector effectively i.e., it should be modernised and mechanised so that labour productivity can be enhanced



- There should be improvement in methods of cultivation, irrigational facilities, land reforms, government support to farmers etc.

#### 4. Educational sector reforms

- As the existing education system is more degree-oriented, efforts should be made to make it job-oriented.
- The system should include vocational and technical education at all levels of education.

#### 5. Financial help to self-employed workers

- In rural areas, government should provide short term, middle term or long term loans to farmers to buy seeds, equipments, manure etc.
- In urban areas, there should be financial assistance given to set up their own enterprises

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## 6. Infrastructural development

Infrastructural facilities like health, education, hospitals, dams, roads etc are very important. If these facilities develop in right direction, these would enable overall development of the to develop the economy.

## 7. Implementation of employment programmes

- Government should initiate and implement special employment programmes to achieve wage employment and self-employment.
- Government can do this through employment exchanges to direct the unemployed persons to the possible work areas.
- Some areas where such programmes can be initiated are irrigation, power, agriculture, soil conservation etc.

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## GOVERNMENT POLICIES & PROGRAMMES IN EMPLOYMENT GENERATION

### 1. Direct efforts

- Government employs people in various departments for administrative purposes
- It runs industries, hotels and transport companies and hence provides employment directly to workers.
- People working in government schools, government hospitals, government offices are some of the examples of direct employment by the government.

### 2. Indirect efforts

- When production of goods and services by government enterprises increases, then private enterprises which receive raw materials from govt. enterprises will also be able to increase production of goods and services produced by them.
- It will generate employment opportunities in private sector too because of increase in their sales and output.

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## Measures Undertaken by the Government to Solve Unemployment

### 1. Rural Employment Generation Programme (REGP) Self-employment)

This programme aims to creating self-employment opportunities in rural areas and small towns. it was implemented by Khadi and Village Industries Commission. Under this programme, one can get financial assistance in the form of bank loans, to set up small industries that generate employment.

### 2. Prime Minister's Rozgar Yojana (PMRY) (Self-employment)

The educated unemployed from low income families in rural and urban areas Can get financial help to set up an enterprise that generates employment under PMRY. It generated employment by setting up 7 lakh micro enterprises during the eighth plan, By 2003-2005, 3.5 million people got employment under the scheme of PMRY.

### 3. Swarna Jayanti Shahari Rozgar Yojana (SJSRY) (Self-employment and Wage employment)

- SJSRY mainly aims at creating employment opportunities for both self-employment and wage employment in urban areas.

- The cost of the programme is Rural Employment Generation Programme shared between the centre and the state in the ratio of 75:25.
- **Rural Employment Generation Programme (REGP) and Prime Minister's Rozgar Yojana (PMRY)** have now been merged into **Prime self-employment programme and urban wage Minister's Employment Generation Programme** employment programme were started under (PMEGP) w.e.f. April 2008.

#### 4. Swarnajayanti Gram Swarozgar Yojana (SGSY) (Self employment)

The SGSY is a self-employment programme, launched with effect from April 1, 1999.

It aims at encouraging micro enterprises and to bring the assisted poor families (Swarozgaries) above the poverty line, by organising them into Self-Help Groups (SHGs).

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### 5. Sampoorna Grameen Rozgar Yojana (SGRY) (Wage employment)

- This scheme was launched with effect from September 2001. The scheme aims at providing wage employment to poor unskilled workers in rural areas.
- The cost of the programme is to be shared between the centre and the state.

### 6. Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (Wage employment)

- In August 2005, the Parliament passed a new act to provide wage employment.
- The aim of the act is to provide guaranteed wage employment to every household whose adult volunteer is to do unskilled manual work for a minimum of 100 days in a year.
- This act is known as Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA).

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