



Indian Economic Development



EMPLOYMENT : GROWTH, INFORMALISATION AND OTHER ISSUES

After studying this chapter, the learners will

- understand a few basic concepts relating to employment such as economic activity, worker, workforce and unemployment
- understand the nature of participation of men and women in various economic activities in various sectors
- know the nature and extent of unemployment
- assess the initiatives taken by the government in generating employment opportunities in various sectors and regions.

EMPLOYMENT AND UNEMPLOYMENT

- Some Basic Concepts
- Size of Workforce in India
- Rate of Participation in India
- Self-employed and Hired Workers in India
- Occupational Structure or Distribution of Workforce by Industry
- Jobless Growth
- Casualisation and Informalisation of Workforce
- Rural and Urban Unemployment

TO DO

I. SOME BASIC CONCEPTS

What is Unemployment?

Unemployment refers to a situation when people are willing to work at the existing wage rate, and are able to work, but are not getting work. It should be noted with emphasis that such people who are not willing to work at the existing wage rate are not considered as unemployed.



Unemployment: Willing to work but not getting work

Who is a Worker?

A worker is an individual who is engaged in some production activity. A worker, or an individual engaged in production activity, contributes to GDP by rendering his services.

Self-employed and Hired Workers

Workers (or those in employment) may be classified as: (1) self-employed, and (2) hired.

- (1) **Self-employed Workers:** These are those workers who are engaged in their own business or own profession. **Example:** A farmer working on his own farm, or an entrepreneur working in his own factory.
- (2) **Hired Workers:** These are those workers who work for others; they render their services to others and as a reward, get wages/salaries. Or, may be they are paid in kind. **Example:** A proof-reader working in a publication house, or a teacher working in a school.



Self-employed Worker



Hired Workers

Casual and Regular Workers

Hired workers may further be categorised as: (i) casual workers, and (ii) regular workers.

- (i) **Casual Workers:** These are the daily wagers. They are not hired by their employers on regular basis. They are not given social security benefits, like provident fund, gratuity or pension.
- (ii) **Regular Workers:** These are on permanent pay-roll of their employers. They are entitled to all social security benefits including pension, gratuity and provident fund.
- (iii) It is often found that casual workers are unskilled workers, like a worker working at the construction site. A regular worker, on the other hand, is usually a skilled worker, like an engineer working in a factory.

Types of Workers



Self-employed Workers

[These are the people working in their own business or profession. They earn profit as a reward for their service.]

Hired Workers

[These are the people hired by others, and are paid wages/salaries as a reward for their services.]

Casual Workers

[These are like daily wagers, not on permanent rolls of the employer, and not entitled to social security benefits.]

Regular Workers

[These are on permanent rolls of their employer and are entitled to social security benefits.]

Labour Supply, Labour Force and Workforce

Labour supply and labour force are different concepts.

- (i) **Labour supply** refers to the amount of labour that the workers are willing to offer corresponding to a particular wage rate. You may be able to work 10 hours a day, but willing to work only for 6 hours a day at a particular wage.

Labour supply, thus, is measured in terms of man-hours of work (or man-days, considering 8 man hours equal to one man-day). It is always estimated in relation to wage rate.

- (ii) **Labour force**, on the other hand, refers to the number of workers actually working or willing to work. It is not related to wage rate.

Labour Supply	Labour Force
(i) It refers to supply of labour corresponding to different wage rates. Supply of labour is measured in terms of man-days of work and is always related to wage rate.	(i) It refers to the number of persons actually working or willing to work. It is not related to wage rate.
(ii) Supply of labour can increase or decrease even when the number of workers remains constant. Because the supply of labour is measured in terms of man-days or person-days: one person-day referring to 8 hours of work.	(ii) Because it is measured in terms of the number of persons (not in terms of person-days), size of labour force increases or decreases only when the number of persons actually working or willing to work increases or decreases.

- (iii) Workforce refers to the number of persons actually working, and does not account for those who are willing to work (but not working). Thus,

$$\text{Workforce} = \text{Labour force} - \text{Number of persons not working but are willing to work}$$

This brings us to the estimation of unemployment (number of persons unemployed), as under:

$$\text{Number of Persons Unemployed} = \text{Labour force} - \text{Workforce.}$$

Related to this are the concepts of rate of unemployment and participation rate. These are estimated as under:

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

$$\text{Participation Rate} = \frac{\text{Total workforce}}{\text{Total population}} \times 100$$

It refers to the percentage of population actually working.

Workforce = Labour force - Number of persons not working, but are willing to work

Number of Persons Unemployed = Labour Force - Workforce

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

$$\text{Participation Rate} = \frac{\text{Total Workforce}}{\text{Total Population}} \times 100$$

WHY DO PEOPLE WORK AND WHY SHOULD WE STUDY ABOUT WORKING PEOPLE?

Three factors explain why do people work:

- (i) People work to earn a living. It is essential for existence in a system of mutual interdependences.
- (ii) Employment infuses in us a sense of self-esteem, and brings to the fore our sense of self-worth.
- (iii) Employment contributes to GDP of the nation, and contributing to GDP gives us a sense of global pride because growth of GDP implies growth of the nation.

Four factors explain why studying about working people (or studying about employment) is significant:

- (i) Studying about employment offers insights into the quality and quantity of our human resource or human capital, which is an important determinant of economic growth.
- (ii) Employment study helps analyse the significance of different sectors (Primary, Secondary and Tertiary Sectors) in the growth process of the country. We come to know which sector employs how much and contributes how much towards GDP.
- (iii) It helps analyse many social issues such as social security of the workers, work environment, exploitation of workers, etc.
- (iv) It offers inputs for manpower planning. Understanding the nature and extent of existing employment, we can plan for our future requirement of manpower across different sectors of the economy.

2. SIZE OF WORKFORCE IN INDIA

Here are some important facts:

- (i) India has a workforce of nearly 40 crore of persons.
- (ii) About 70 per cent of the workforce comprises of male workers; only 30 per cent are female workers.
- (iii) Nearly 70 per cent of the workforce is found in rural areas; urban workforce is only 30 per cent of the total.
- (iv) Female workforce (out of the total) in rural areas is nearly 41.8 per cent, while it is only 35.31 per cent in urban areas.

What do these facts reveal? These facts raise two important questions which need to be addressed. These are:

- (i) Why is the bulk of our workforce rural-based, and
- (ii) Why is the percentage of female workers low, and lower still in urban areas?

Why is the bulk of our Workforce Rural-based?

This is simply because bulk of the jobs are in rural areas. Does it mean, bulk of our GDP is derived from the rural economy? Paradoxically not. Implying that more people are engaged in farming and allied activities, but contributing less to GDP. This means low productivity of the workers in rural areas. Low productivity implies low earnings, which is why there is widespread poverty in rural areas.

Higher percentage of workforce in rural areas apparently suggests a higher contribution of the rural economy to GDP than that of urban economy. Paradoxically, it is just opposite.

- ❑ *Employing nearly 50 per cent of workforce, the rural economy in India is contributing less than 20 per cent to GDP.*
- ❑ *Implying low productivity and low reward for work, leading to widespread poverty in rural areas.*

Why is the Percentage of Female Workers Low, and Lower Still in Urban Areas?

This is because of the following reasons:

- (i) Female education in India is still a far cry, implying low opportunities for jobs.
- (ii) Among most families in urban areas, job work for women is still governed by family decisions rather than the individual's own decision. Implying that even the available opportunities are not actually utilised.

(iii) Higher employment among women in rural areas is owing to widespread rural poverty. Female workers in rural areas are largely engaged in low paid and less productive jobs just to add to their family income. Many of them are given wages in terms of grains during the harvesting season, the season when they find most jobs.

- ❑ *Low employment among women is a sign of social and economic backwardness of a nation. Economic backwardness, because the economy fails to generate enough jobs.*
- ❑ *Social backwardness, because job work for the women (outside their homes) is considered as a social taboo.*

3. 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, as noted earlier. Here are some statistical facts relating to rural-urban rate of participation, and the rate of participation for male and female population in the country:

- (i) Rate of participation for the urban areas is about 33.9 per cent in 2017-18.
- (ii) Rate of participation for the rural areas is about 35 per cent in 2017-18.
- (iii) In urban areas, rate of participation is about 53 per cent for men and 14.2 per cent for women.
- (iv) In rural areas, rate of participation is about 51.7 per cent for men and 17.5 per cent for women.
- (v) Overall rate of participation in the country is about 34.7 per cent.

These facts offer the following observations:

- (1) **High Dependency Ratio:** Overall rate of participation in the country is not very high, implying not many people are engaged in production activity. It points to a high dependency ratio in the country.
- (2) **High Rate of Participation, but Low Level of Productivity in Rural Areas:** Rate of participation is higher in rural areas compared with urban areas.

Implying that larger percentage of population is engaged in production activity in rural areas.

But, given the fact that contribution of rural economy to GDP is lower than that of urban economy, higher rate of participation in

rural areas only points to lower productivity, lower level of income and greater poverty in the rural India. We have already substantiated this point in the previous section.

3) **High Rate of Participation for Women in Rural Areas:** Rate of participation for women is higher in rural areas compared with urban areas. Following observations support this fact:

- ◆ In rural areas, poverty compels women to avoid education and seek employment. Thus, employment (even without education) is a priority.
- ◆ When employment (and not education) is a priority, women tend to seek employment at an early age. This also raises rate of participation in the rural areas.
- ◆ Preference for even less productive jobs (vis-a-vis education) sets in motion, the vicious cycle of low productivity, low wage rate and high rate of participation in rural areas. It works like this:



High Rate of Participation for Women in Rural Areas

Entry into jobs without education → Less productive jobs → Low wage rate → Higher rate of participation to make a sustainable living

In urban areas, on the other hand, high priority for education implies low priority for jobs at an early age. This keeps the rate of participation relatively low.

Under-estimation of Women Workers in the Country

There is a significant under-estimation of women workers in the country. This is because:

- Women rendering household services as housewives are not deemed as workers. Because (a) they are not paid for it, and (b) it is difficult to ascertain market value of the services rendered by the housewives.*
- Women rendering services on the family farms in rural areas and in the family business in the urban areas are often not treated as workers, largely because of the convention of not considering unpaid women as workers, even when unpaid men working on family farms or in family business are considered as employed and therefore as workers.*

4. SELF-EMPLOYED AND HIRED WORKERS IN INDIA

Distribution of workers as 'self-employed' and 'hired' for 2017-18 is shown in Fig. 1, separately for the rural and urban areas of the country.

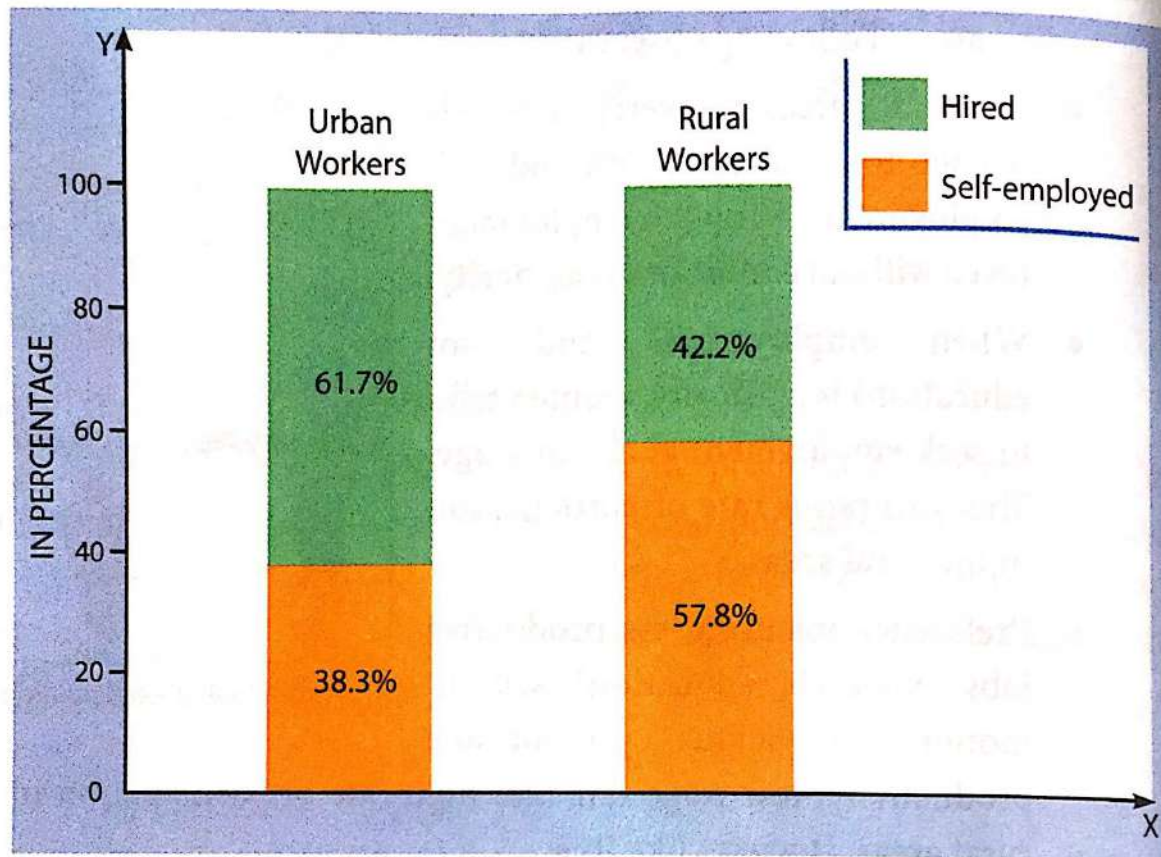


Fig. 1. Percentage Distribution of Workers (as Self-employed and Hired) according to Region

The figure shows that self-employment is higher in rural areas compared to urban areas. Two principal factors support this fact:

- (i) 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.
- (ii) In rural areas, non-farm job opportunities are limited. Accordingly, people generally do not show preference to acquire skill and training for non-farm occupations. They prefer to stay on family farms and fields as self-employed.

Both these factors imply that self-employment is an easy option in rural areas.

Fig. 2 shows percentage distribution of workers as 'self-employed' and 'hired', separately among men and women.

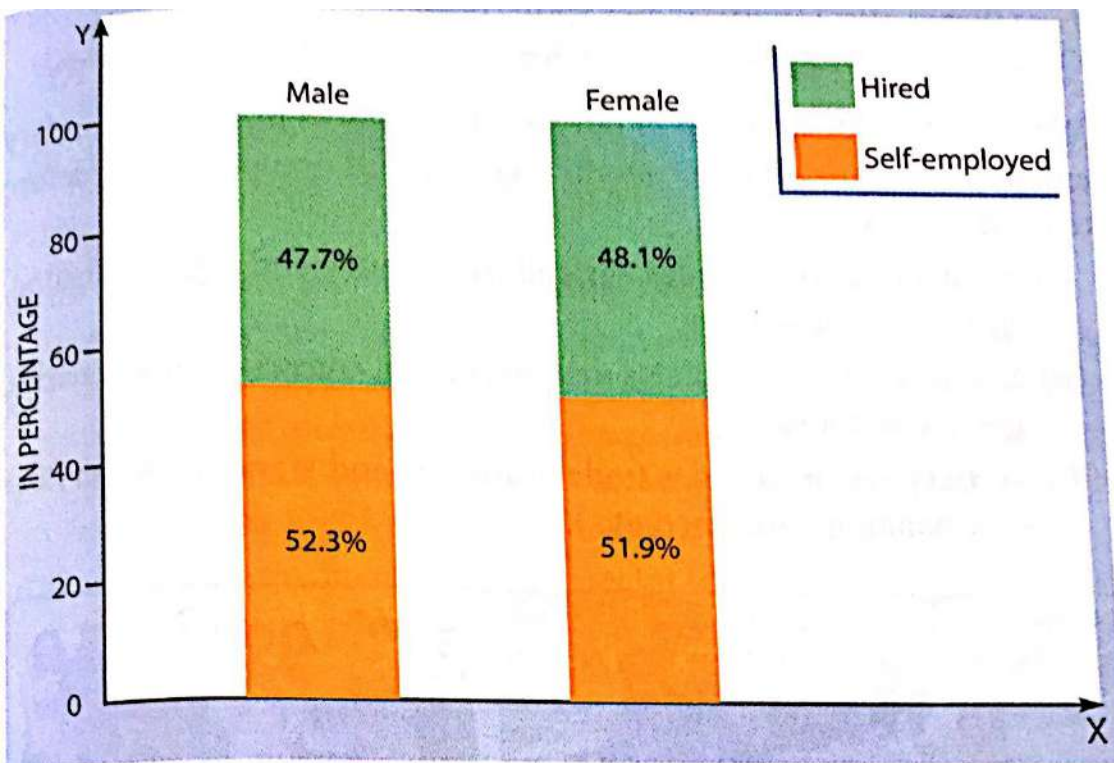


Fig. 2. Percentage Distribution of Workers (as Self-employed and Hired) according to Gender

Here, we find that among men, self-employment has become slightly more important a source of livelihood than wage-employment.

Among women, percentage of wage-employment is a bit higher than that among men. The reason is this:

Owing to their low level of education, but high compulsion for jobs (to make a sustainable living for the family), women (unlike men) are ready to work even at low wage.

Fig. 2 reveals that self-employment among women is as significant as wage-employment. This is because women in rural areas find ample opportunities of self-employment, engaging themselves in traditional jobs like spinning, weaving, dyeing and bleaching.

□ In India, self-employment is a significant source of livelihood. Because:

- (i) Literacy rate is low, implying low acquisition of skill for wage jobs,
- (ii) Owing to diverse social environment across different regions, mobility of workers is low, and
- (iii) India is an underdeveloped economy, generating less jobs owing to low level of investment.

3. OCCUPATIONAL STRUCTURE OR DISTRIBUTION OF WORKFORCE BY INDUSTRY

We now study distribution of our workforce across primary, secondary and tertiary sectors of the economy, briefly called occupational structure of the economy.

- (i) Primary sector includes agriculture, forestry and logging, fishing, mining and quarrying.
- (ii) Secondary sector includes manufacturing, construction, electricity, gas and water supply.
- (iii) Tertiary sector includes trade, transport and storage, and services (like banking, insurance, etc.).

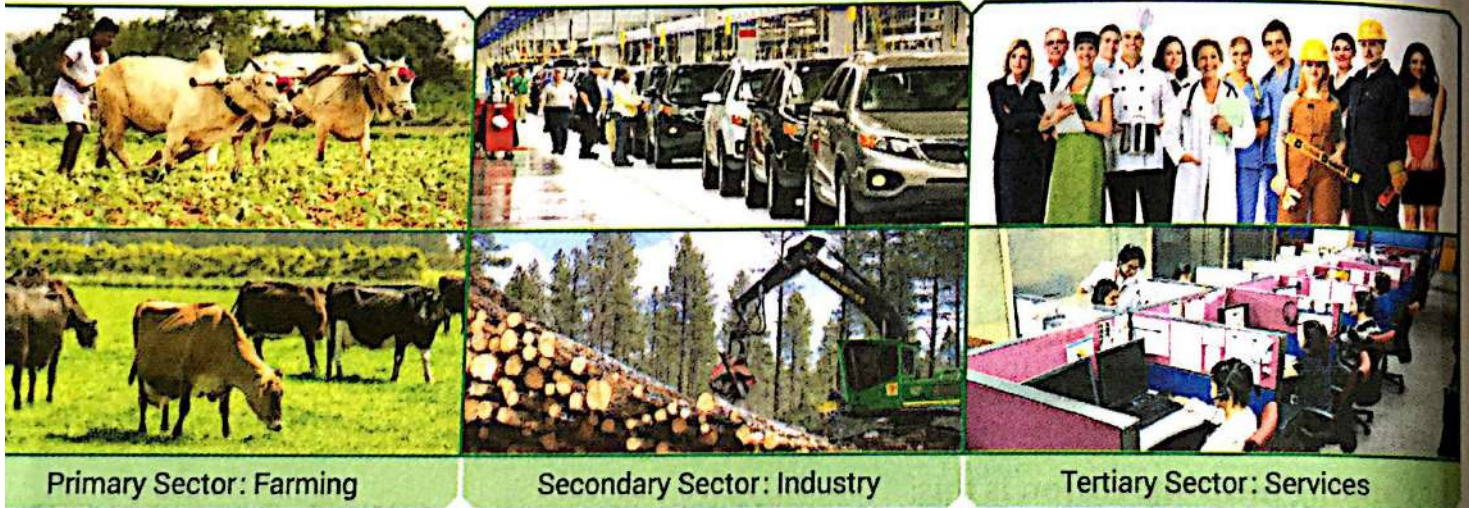


Fig. 3 shows percentage distribution of workforce across primary, secondary and tertiary sectors during the year 2017-18.

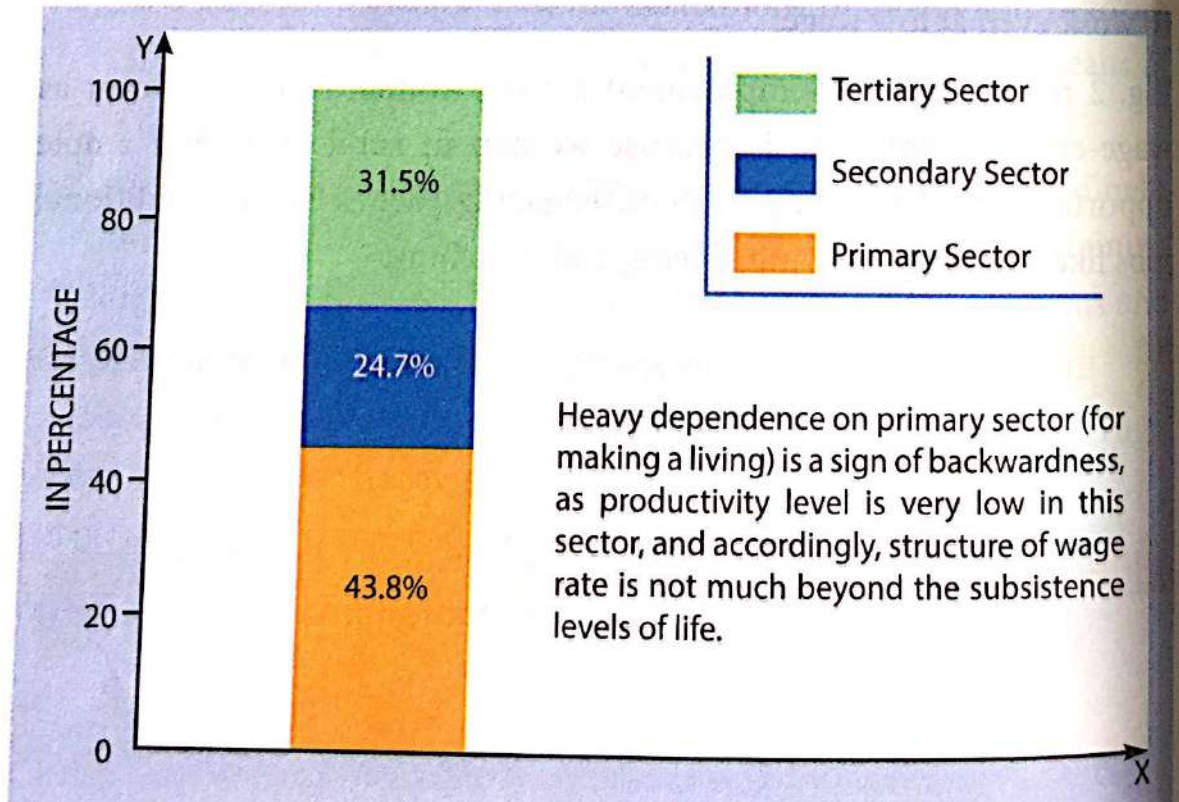


Fig. 3. Percentage Distribution of Workforce by Industry (2017-18)

Fig. 3 offers two principal observations:

- (i) As high as 43.8 per cent of our workforce is engaged in primary sector, dominated by farming.
- (ii) Tertiary sector accounts for 31.5 per cent of employment, while the secondary sector offers employment to only 24.7 per cent of our workforce.

These observations lead to the following conclusions:

- (i) A large segment of workforce continues to depend on primary activities to make a living. This is despite the fact that the level of productivity and therefore the wage rate is significantly lower in primary sector compared to secondary and tertiary sectors. This points to the backwardness of the Indian economy.
- (ii) Greater employment in primary sector (despite its low productivity) reveals that secondary and tertiary sectors have failed to generate ample job opportunities. This is another pointer to the backwardness of the Indian economy.
- (iii) 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. We all know that developed economies are industrial economies.

Distribution of Rural-Urban Workforce across Different Sectors

Fig. 4 shows the distribution of rural-urban workforce across different sectors.

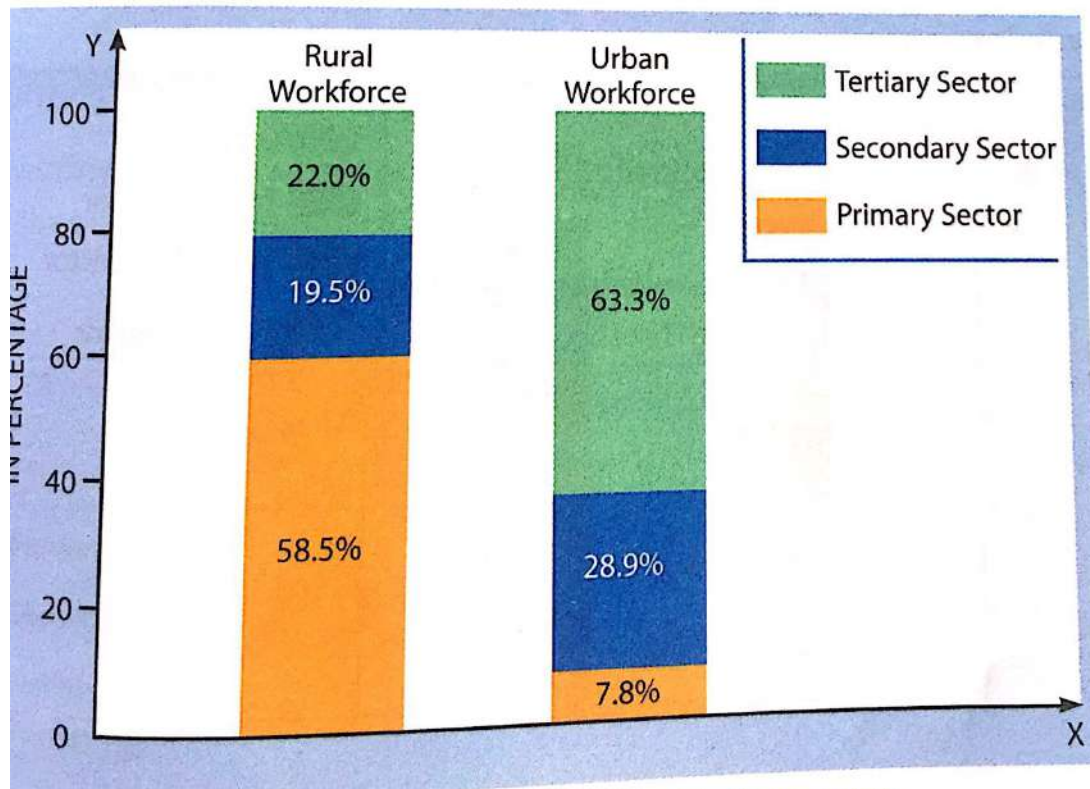


Fig. 4. Distribution of Rural and Urban Workforce across Different Sectors of the Economy (2017-18)

It offers the following observations:

- (i) While those living in urban areas are engaged largely in secondary and tertiary sectors, those in the rural areas find primary sector as their preferred source of employment.
- (ii) Tertiary sector is taking a lead over secondary sector as a source of employment in urban areas.

These observations lead to the following conclusions:

- (i) In India, trade, commerce, banking, insurance, health, education, tourism and related services are developing faster than manufacturing and allied production activities.

This may largely be explained in terms of globalisation of the economy, besides the fact that people in urban areas are becoming increasingly conscious of their quality of life, spending the bulk of their income on a variety of services (like health, education and tourism).

- (ii) There is significant lack of non-farm job opportunities in the rural areas. Which is why the rural population is engaged more in the primary sector. Lack of mobility (or limited mobility) may be another reason why people in the rural areas are engaged more in the primary sector.

Distribution of Male-Female Workforce across Different Sectors

Fig. 5 shows male-female workforce across different sectors of employment.

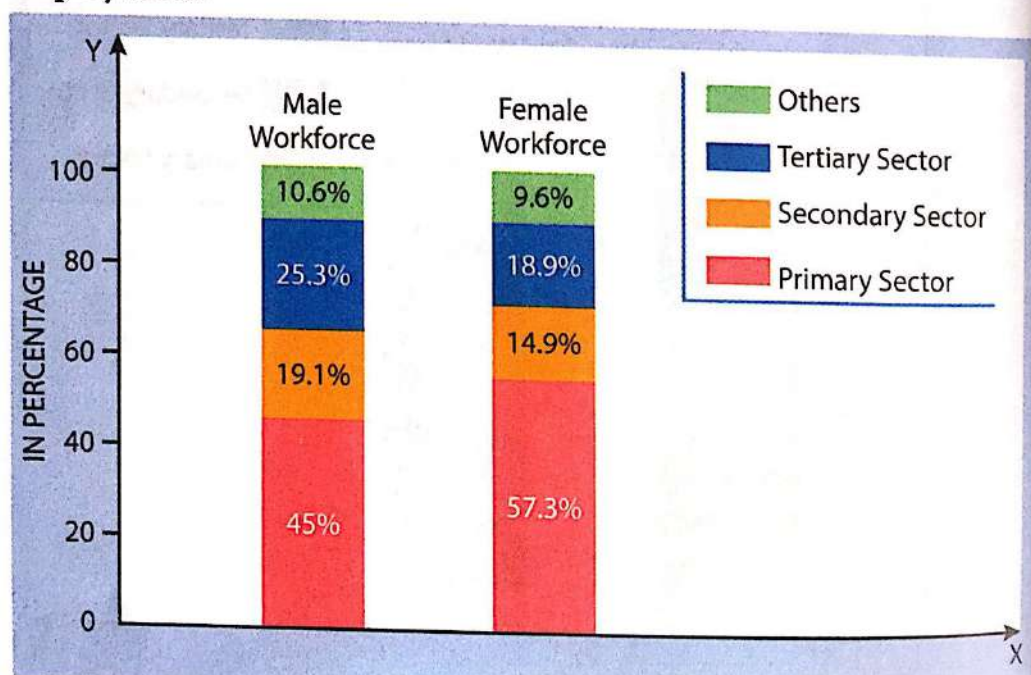


Fig. 5. Distribution of Male-Female Workforce across Different Sectors of the Economy (2000-01)

The following facts emerge from Fig. 5:

- (i) A huge percentage of female workforce (57.3 per cent) is engaged in primary sector. This is because:
 - (a) Primary activities of production are confined largely to rural areas, and
 - (b) Mobility of women in rural areas is extremely low. They would prefer to do jobs close to their homes, even when wage rate is low.
- (ii) Percentage of men finding employment in primary sector (45 per cent) is only next to that of women. It is also fairly low. It is explained in terms of the lack of jobs outside agriculture in the rural areas.

Why should larger percentage of female in rural areas be engaged in primary sector compared with male workforce? The reason is as under:

Owing to their family as well as social constraints, female workers are unwilling to migrate for jobs outside their villages.

They prefer to work at their place of residence even for a low wage.

- ❑ Female workers in the rural areas are unwilling to migrate for outside jobs.
- ❑ They prefer to work at their place of residence even for a low wage. However, they must work to supplement their family income for a meaningful subsistence.
- ❑ This explains why a very high percentage of female workforce in rural areas is engaged in primary sector.

Only a Modest Change in Occupational Structure

Overtime, there has been only a modest change in occupational structure of the country as indicated by Table 1.

Table 1. Change in Occupational Structure (1950-51 to 2017-18)

Sector	Percentage of Workforce	
	1950-51	2017-18
1. Primary	72.72	43.8
2. Secondary	10.02	24.7
3. Tertiary	17.26	31.5
Total	100	100

[Source: Report on Employment and Unemployment Survey (2017-18), Ministry of Labour and Employment]

Table 1 shows that between the period 1950-51 to 2017-18, percentage of workforce engaged in primary sector has declined from 72.72 per cent to 43.8 per cent. The percentage of workforce engaged in secondary sector has risen from 10.02 per cent to 24.7 per cent. And, the percentage of workforce engaged in tertiary sector has risen from 17.26 per cent to 31.5 per cent. Though the shift from primary to secondary sectors is noticeable, it is certainly not significant. The Indian economy continues to be viewed as agricultural economy, rather than an industrial economy.

Historical experience of the developed countries suggests a significant shift of workforce from primary sector to secondary and tertiary sectors of employment. Greater the shift, greater is the pace of growth and development. But the Indian experience presents only a dismal picture. The supremacy of primary sector as the principal source of employment remains unchallenged.

6. JOBLESS GROWTH

Economic growth occurs when GDP rises. It implies increase in the level of output.

Increase in the level of output is achieved in two ways:

- (i) through greater employment, and/or
- (ii) through better technology.

In poor countries like India where there is staggering unemployment, economic growth becomes meaningful only when it is associated with greater opportunities of employment, so that poverty is combated.

Unfortunately, Indian economy is experiencing GDP more through technology than the employment of labour. It is a situation of jobless growth.

- ❑ *Jobless growth is a situation when the level of output in the economy tends to rise owing to innovative technology without any perceptible rise in the level of employment.*
- ❑ *Jobless growth leads to chronic unemployment, even when there is a rise in GDP.*

Why are we relying more on Technology, and less on Employment?

The reason is this:

Our growth process is being increasingly hijacked by MNCs (multinational companies). These companies specialise in achieving

high growth through efficient technology rather than through greater use of manpower.

- ❑ Our growth process is being increasingly hijacked by MNCs (Multinational Companies).
- ❑ These companies specialise in achieving high growth through efficient use of technology rather than through greater use of manpower.
- ❑ The obvious result is that growth is moving faster than the opportunities of employment. By and large, it is a 'jobless growth'.

We may end up this section by stating the fact that (during the period 1951-2000) while growth rate of GDP has risen from 3.6 per cent to 8 per cent per annum, growth rate of employment has tended to slide down from 1.5 per cent to just about 1 per cent.

The growing gulf between the two rates is an alarming sign for a country where jobless labour force has tended to swell over time.

7. CASUALISATION AND INFORMALISATION OF WORKFORCE

Casualisation

An interesting feature of our workforce is that it includes a large percentage of casual workers, and their number is trending up. Note the following facts in this regard:

- (i) Percentage of casually-hired workers in total workforce has risen from 23 per cent in 1972-73 to 33 per cent in 1999-2000 and further to 39.3 per cent in 2009-2010. However, it slightly declined to 30.9 per cent in 2013-14. In 2017-18, it again declined to 24.9 per cent.
- (ii) Percentage of self-employed workers has declined from 62 per cent in 1972-73 to 52 per cent in 1999-2000 and further to 44 per cent in 2009-2010. However, it again increased to 49.5 per cent in 2013-14. In 2017-18, it further increased to 52.2 per cent.
- (iii) Percentage of regularly-hired workers in total workforce continues to hover around 15 per cent during the period 1972-73 to 1999-2000. It was 16.8 per cent in 2009-2010 and 22.8 per cent in 2017-18.
- (iv) 3.7 per cent of employed persons were reported to be hired as contract workers in 2015-16.

- ❑ Casualisation of workforce refers to a situation when the percentage of casually-hired workers in the total workforce tends to rise over time.

The figures reveal that, over time, our workforce is suffering an increasing incidence of casualisation. Why should it happen? The logic is simple, and runs like this:

- (i) The bulk of self-employed workforce is found in rural areas.
- (ii) People work on their farms and fields, not because everybody is gainfully employed, not because everybody is contributing to output, but simply because many of them are not getting non-farm jobs even when they wish to migrate.
- (iii) They are employed on their farms only for the name-sake; in fact they are disguisedly unemployed.
- (iv) Taking a chance for opportunities, these marginal workers tend to migrate to urban areas, and more often than not, they get employment only as casual workers, or as daily-wagers. This is the story of unskilled workers leading to casualisation of employment.

Even skilled workers in the urban areas are to struggle for regular jobs. This is owing to massive unemployment across all sectors of the economy. Unemployment is so huge that the bargaining power of the workers is significantly reduced. On the other hand, bargaining power of the employers is very high. They follow the principle of 'hire and fire'.

Informalisation

Employment may broadly be classified as:

- (1) Formal sector employment, and
 - (2) Informal sector employment.
- (1) **Formal Sector:** Formal sector refers to organised sector of the economy. It includes all government departments, public enterprises and private establishments which hire 10 or more workers. Those working in the organised sector are called 'formal workers'.
- (2) **Informal Sector:** Informal sector refers to unorganised sector of the economy. It includes all such private enterprises which hire less than 10 workers, besides farming and self-employment ventures. Those working in the unorganised sector are called 'informal workers'.

From the viewpoint of employment status, the underlying difference between formal and informal sectors (or between organised and unorganised sectors) is that

- (i) Workers in the formal sector are entitled to social security benefits (such as provident fund, gratuity, pension, etc.) while workers in the informal sector are not

- (ii) While economic interest of the workers in formal sector is protected through various labour laws, there are hardly any protective laws for the informal sector (other than Minimum Wages Act).
- (iii) To protect their economic interest, workers in the formal sector can form trade unions; no such unions exist in the informal sector.
- (iv) Informal sector workers are highly vulnerable to uncertainties of the market. They are hired when the market sentiments are good and are fired when there is economic slowdown.

Formal Workers	Informal Workers
(i) Work in organised sector of the economy.	(i) Work in unorganised sector of the economy.
(ii) Are entitled to social security benefits (like provident fund, gratuity, pension, etc.)	(ii) Are not entitled to social security benefits.
(iii) Can form trade unions.	(iii) Cannot form trade unions.
(iv) Are protected by various labour laws against uncertainties of the market.	(iv) Remain unprotected by labour laws, and are therefore, highly vulnerable to uncertainties of the market.

- In essence, formal workers are like regular workers, while informal workers are like daily-wagers.
- Uncertainty of employment is always a lingering threat to the informal workers.
- An informal worker is more likely to be 'casual' as well.
- Informalisation leads to casualisation.

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.

In accordance with socialistic pattern of society (as a central goal of Development Planning launched in 1951), 'formal sector employment' should have risen and 'informal sector employment' should have declined over time. Alas! just the opposite has happened in the Indian economy. And it has happened not accidentally, but as a consequence of the strategy of development since 1991.

A series of economic reforms were launched in 1991, with 'liberalisation, privatisation and globalisation' as their key elements. Consequently, there is a significant transformation from 'a controlled economy' to 'market economy'.

And, in this process of transformation there has been a significant drift towards informalisation of workers. Market economy and informalisation of workers, perhaps, are strongly correlated to each other. Informalisation is driven by the forces of supply and demand in the labour market.

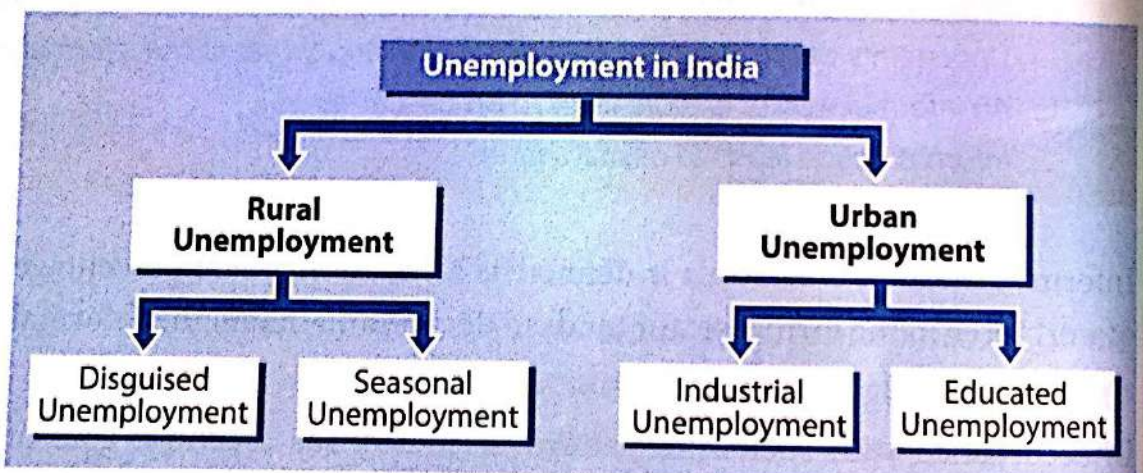
Presently, formal sector employment comes to merely 10 per cent of the total; 90 per cent of the workforce continues to be informal.

This points to growing vulnerability of the workforce to uncertainties of the market economy.

- ❑ A staggering number of 40 crore workers working in informal or unorganised sector of the economy points to growing vulnerability of the workforce to uncertainties of the market.
- ❑ Little wonder that informalisation leads to poverty, and therefore, to fragmentation of social harmony. Closure of textile mills in Ahmedabad (offering employment to nearly 1,50,000 workers) and the consequent riots are a testimony to this assertion. According to one study, when mill workers were rendered unemployed, their families took to casual jobs and many of them even took to suicides as the ultimate solution to their hardships.

8. RURAL AND URBAN UNEMPLOYMENT

Studying rural and urban unemployment, we may focus on the following classification of unemployment in India:



In what follows, we offer a brief description of the various types of rural and urban unemployment.

Rural Unemployment

Rural unemployment is dominated by disguised and seasonal unemployment. The details are as under:

- (1) **Disguised Unemployment:** Disguised unemployment occurs when the number of workers engaged in a job is much more than actually required to accomplish it. If some of them are withdrawn from that

If just two persons are required to cultivate a farm measuring one hectare but actually five persons are engaged there, then three persons are disguisedly unemployed. Disguised unemployment is rampant in Indian agriculture. The principal causes are as under:

- (i) On account of joint family system, farming families continue to work on family land, no matter the actual number of workers far exceeds the required number.
- (ii) Per person holding size continues to shrink with the expansion of the family size. Implying greater possibility of disguised unemployment.
- (iii) Lack of job opportunities outside agriculture compels the people to work on family farms. It further increases the possibility of disguised unemployment.

(2) **Seasonal Unemployment:** Another kind of rural unemployment is seasonal unemployment. It occurs simply because agriculture is a seasonal occupation.

During off-season, often the farm workers are out of job. They have no work to do.

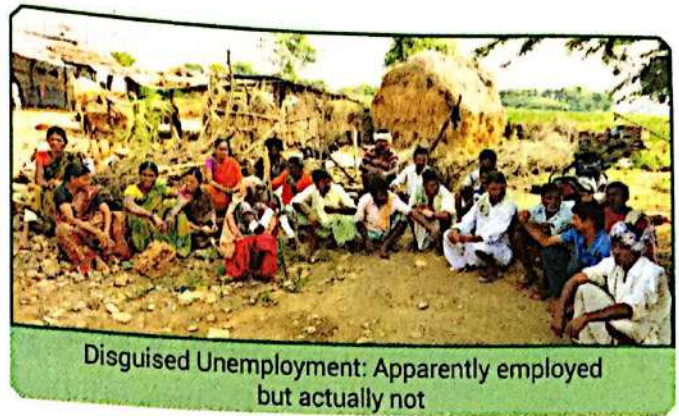
The volume of seasonal unemployment depends upon the conditions and methods of cultivation in different states.

It is estimated that a farmer who grows one crop in a year usually remains unemployed for 5 to 7 months.

In rural areas, besides agriculture, there are many other seasonal activities like sugarcane crushing, brick kilns, etc. Workers engaged in these activities remain occupied for a few months in a year. Rest of the period, they remain unemployed.

Urban Unemployment

In urban areas, unemployed people are often registered with employment exchanges. Therefore, urban unemployment is more like open unemployment, unlike disguised unemployment in rural areas. Between 1961 and 2016, the number of unemployed



Disguised Unemployment is not prevalent in Agriculture alone

- Disguised unemployment is a characteristic feature of the Indian agriculture.
- It is almost rampant there owing to a heavy pressure of population, joint family system and the lack of vocational avenues outside agriculture.
- But it is a phenomenon not confined to agriculture alone.
- Have a deeper look into the functioning of the public sector enterprises.
- It will not be surprising to find lots of persons idling all the time.
- It is a pointer to the fact that more people are employed than actually needed.
- Surely, it is a sign of disguised unemployment.



And, in this process of transformation there has been a significant drift towards informalisation of workers. Market economy and informalisation of workers, perhaps, are strongly correlated to each other. Informalisation is driven by the forces of supply and demand in the labour market.

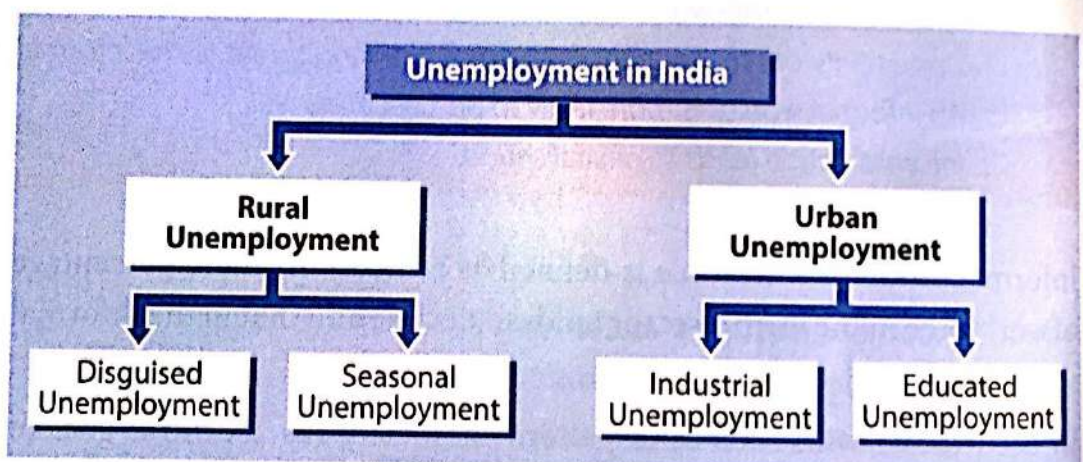
Presently, formal sector employment comes to merely 10 per cent of the total; 90 per cent of the workforce continues to be informal.

This points to growing vulnerability of the workforce to uncertainties of the market economy.

- ❑ A staggering number of 40 crore workers working in informal or unorganised sector of the economy points to growing vulnerability of the workforce to uncertainties of the market.
- ❑ Little wonder that informalisation leads to poverty, and therefore, to fragmentation of social harmony. Closure of textile mills in Ahmedabad (offering employment to nearly 1,50,000 workers) and the consequent riots are a testimony to this assertion. According to one study, when mill workers were rendered unemployed, their families took to casual jobs and many of them even took to suicides as the ultimate solution to their hardships.

8. RURAL AND URBAN UNEMPLOYMENT

Studying rural and urban unemployment, we may focus on the following classification of unemployment in India:



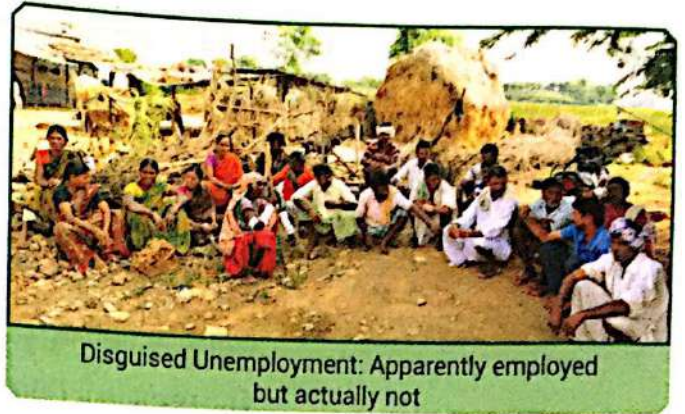
In what follows, we offer a brief description of the various types of rural and urban unemployment.

Rural Unemployment

Rural unemployment is dominated by disguised and seasonal unemployment. The details are as under:

- (1) **Disguised Unemployment:** Disguised unemployment occurs when the number of workers engaged in a job is much more than actually required to accomplish it. If some of them are withdrawn from that job, total production will not fall. For example,

If just two persons are required to cultivate a farm measuring one hectare but actually five persons are engaged there, then three persons are disguisedly unemployed. Disguised unemployment is rampant in Indian agriculture. The principal causes are as under:



Disguised Unemployment: Apparently employed but actually not

Disguised Unemployment is not prevalent in Agriculture alone

- Disguised unemployment is a characteristic feature of the Indian agriculture.
- It is almost rampant there owing to a heavy pressure of population, joint family system and the lack of vocational avenues outside agriculture.
- But it is a phenomenon not confined to agriculture alone.
- Have a deeper look into the functioning of the public sector enterprises.
- It will not be surprising to find lots of persons idling all the time.
- It is a pointer to the fact that more people are employed than actually needed.
- Surely, it is a sign of disguised unemployment.

(i) On account of joint family system, farming families continue to work on family land, no matter the actual number of workers far exceeds the required number.

(ii) Per person holding size continues to shrink with the expansion of the family size. Implying greater possibility of disguised unemployment.

(iii) Lack of job opportunities outside agriculture compels the people to work on family farms. It further increases the possibility of disguised unemployment.

(2) **Seasonal Unemployment:** Another kind of rural unemployment is seasonal unemployment. It occurs simply because agriculture is a seasonal occupation.

During off-season, often the farm workers are out of job. They have no work to do.

The volume of seasonal unemployment depends upon the conditions and methods of cultivation in different states.

It is estimated that a farmer who grows one crop in a year usually remains unemployed for 5 to 7 months.

In rural areas, besides agriculture, there are many other seasonal activities like sugarcane crushing, brick kilns, etc. Workers engaged in these activities remain occupied for a few months in a year. Rest of the period, they remain unemployed.

Urban Unemployment

In urban areas, unemployed people are often registered with employment exchanges. Therefore, urban unemployment is more like open unemployment, unlike disguised unemployment in rural areas. Between 1961 and 2016, the number of unemployed



Employment Exchange: A Centre of Information relating to Job Seekers

registered in employment exchanges has increased more than thirteen-fold. In 1961, there were 32 lakh registered unemployed, in 2016, their number rose to 435 lakh. Unemployment in urban sector is placed in two broad categories:

(1) **Industrial Unemployment:** It includes those illiterate persons who are willing to work in industries, mining, transport, trade and construction activities, etc.

The principal causes of industrial unemployment are as under:

- (i) **Rapid rise in population overtime.** Rise in population leads to a rise in the supply of labour.
- (ii) **Concentration of industry in the urban areas.** Owing to the concentration of industry in the urban areas, there is a growing tendency among rural people to migrate to urban areas in search of jobs. But, the industrial expansion has not been so significant as to offer gainful employment to all the migrants. Consequently, industrial unemployment occurs as a spillover of rural unemployment.
- (iii) **Industries in India are relying more on labour-saving western technology.** This limits the labour absorption capacity of the industrial sector, despite its expansion over time. This further compounds the problem of industrial unemployment.

(2) **Educated Unemployment:** In India the problem of unemployment among the educated people is also quite grave. It is a problem spread across all parts of the country, and poses a serious threat to social peace and harmony. Principal factors accounting for educated unemployment are as these:

- (i) **On account of expansion of educational institutions, viz., universities, colleges, schools, the number of educated persons has substantially increased.**
- (ii) **Education system in India is not job-oriented; it is largely degree-oriented.** Consequently, degree-holders often fail to find jobs.
- (iii) **Increase in employment opportunities has significantly lagged behind the increase in the size of educated labour force.** The number of educated unemployed registered with employment

Youth Unemployment and Women Unemployment

It is a common characteristic of both the rural and the urban areas.

- ❑ **Youth Unemployment:** Youth unemployment implies unemployment among the people in the age group of 15-29 years. This type of unemployment exists both in rural and urban areas, and is more among the educated (than uneducated persons) looking for white-collar job. Unemployment among the youth is a grave problem for the country. Rate of unemployment is the highest in this class of people. It implies that the contribution of the working capacity of the youth to production activities of the country is extremely low. Unemployment among the youth is the root cause of their frustration, which often drives them towards anti-social activities.
- ❑ **Women Unemployment:** Hardly 22 per cent of women are employed in the country. Roughly 78 per cent of women are busy with domestic chores. Nevertheless the number of women job-seekers is increasing every year. Several social and economic factors account for unemployment among the women. In India, social conservatism prohibits women from going out for work.

Common Types of Unemployment across Rural and Urban Areas

In India, following types of unemployment are found both in urban and rural areas:

- (1) **Open Unemployment:** Open unemployment occurs when a worker is willing to work, and has the necessary ability to work, yet he does not get work.

He remains unemployed for full time. He is totally dependent on the other members of the family.

This type of unemployment is usually found among agricultural labourers, educated persons and those who come from villages to urban areas in search of job but fail to get any work.

- (2) **Structural Unemployment:** Structural unemployment occurs due to structural changes in the economy.

Structural changes are broadly of two types:

- (i) Changes in technology as a result of which old technocrats are no longer needed; they are rendered unemployed.
- (ii) Change in the pattern of demand because of which certain industries are closed down and the workers are thrown out.

A less developed country like India encounters significant structural changes in the process of growth. Hence, a high degree of structural unemployment exists both in the rural and the urban areas.

- 3) **Underemployment:** Underemployment is a situation in which a worker does not get a full time job. He remains unemployed for some months in a year or some hours everyday.

According to National Sample Survey, a person is categorised as 'extremely underemployed' if he works only upto 28 hours a week. If a person works between 29 to 42 hours per week, he is placed in the category of 'limited underemployment'.

According to International Conference of Labour Statistics, the condition of underemployment is found:

- (i) when persons engaged in part-time work are prepared to do more work than they are actually doing, and
- (ii) when income of the persons increases after shifting to other occupation from their existing occupation.

Underemployment is of two kinds:

- (i) **Visible Underemployment:** In this case, people work lesser than the standard hours of work in a day. For example, in India a person normally works for 8 hours. If he finds job only for 4 hours a day, he will be deemed as 'visible underemployed'.
- (ii) **Invisible Underemployment:** In this case, people work full time but their income is not proportionate to their abilities. Thus, if an MA degree-holder has to work as a peon, he will be called an invisible underemployed.

(4) **Frictional Unemployment:** It occurs due to imperfections in the mobility of labour across different occupations. One wishes to move from one job to the other, but in the process of change may remain (or may even prefer to remain) unemployed for sometime. [Example: Working ladies getting married may decide to remain out of job for a couple of weeks or months.] This is called frictional unemployment.

(5) **Cyclical Unemployment:** It occurs owing to cyclical fluctuations in the economy. Phases of boom, recession, depression and recovery are typical characteristics of a market economy.

Boom relates to high level of economic activity and accordingly, a high degree of employment.

Recession is a phase when there is a liquidity crunch in the economy (funds/loans are not easily available), because of which there is a slowdown in production and a cut in employment opportunities.

Depression is a phase when aggregate demand declines, triggering a cut in output and employment.

Recovery is a phase when economic activity starts picking up: output starts responding to increase in aggregate demand (induced

through several fiscal and monetary measures). Employment opportunities begin to rise.

An Important Observation

- ❑ Structural unemployment and frictional unemployment are sometimes treated as the two variants of secular unemployment—the unemployment that tends to persist in the economy even in the state of full employment.
- ❑ This is in contrast to the cyclical unemployment—the unemployment that appears and disappears in assonance with the cyclical phases of economic activity.

Causes of Unemployment in India

Following are the main causes of ever-increasing unemployment in India:

- (1) **Slow Economic Growth:** Indian economy is underdeveloped and its rate of growth is very slow. Slow growth rate fails to generate enough employment opportunities for the rising labour force. Size of labour force is much more than the available employment opportunities.
- (2) **Rapid Growth of Population:** Constantly rising population has been a grave problem in India. It is one of the principal factors contributing to unemployment. Despite the completion of Twelve Five Year Plans, the size of unemployment has continued to scale up.
- (3) **Agriculture—A Seasonal Occupation:** Agriculture is underdeveloped in India and so offers seasonal employment. No doubt it is the primary occupation of our country and a large size of the population depends upon it, but its seasonal character does not provide stable jobs to the farmers throughout the year.
Farmers often remain idle for three to four months in a year. The size of disguised unemployed is estimated to be nearly 15 per cent of the total working population in agriculture.
- (4) **Lack of Irrigation Facilities:** Despite decades of planning, irrigation facilities continue to be scant, covering only about 44 per cent of agriculture area. For want of irrigation, mono-cropping (only one crop a year) becomes a compulsion. In the absence of multi-cropping, opportunities of employment remain limited.
- (5) **Joint Family System:** It encourages disguised unemployment. In joint families there is a high tendency to survive on joint income without work. Joint family system is more prevalent in rural areas; hence a high degree of disguised unemployment in these areas.

Suggestions to Solve the Problem of Unemployment in India

In India during 1999-2000 and 2004-05, labour force has increased at the rate of 2.84 per cent per annum whereas employment has increased at the rate of 2.62 per cent. Employment growth rate has further decelerated to 1.02 per cent in 2009-2010. Consequently, the number of people remaining unemployed has tended to rise over time. In 2018-19, 6.9 per cent of the available labour force is unemployed (Projected Figures).

How can this problem be solved? Following are some important suggestions:

- (1) **Increase in Production:** To increase employment, it is essential to increase production in agriculture and industrial sectors. Development of small and cottage industries should be encouraged.

You must understand

- That creation of employment opportunities depends upon the creation of production capacity.
- Greater production capacity requires greater capital formation. Accordingly, capital formation (or investment) must be significantly scaled up to solve the chronic problem of unemployment in India.

Foreign trade should be encouraged and production of industries minerals and plantation should be accelerated. Greater the production, greater is the demand for labour.

- (2) **Increase in Productivity:** Demand for labour is directly related to the productivity of labour. Higher productivity generates higher profits and therefore, greater demand for labour. Accordingly, productivity (implying efficiency) of labour must improve.
- (3) **High Rate of Capital Formation:** Rate of capital formation in the country should be increased. Also, investment must be directed to such areas of production where employment potential is high. Notably, capital-output ratio should be kept low. These days it is 4.3. It means, to produce goods worth ₹ 1, capital worth ₹ 4.3 is invested. If capital-output ratio is high, then increase in the rate of capital formation will have very little effect on employment. It is, therefore, essential that along with increase in the rate of capital formation, there should be decrease in the capital-output ratio.
- (4) **Help to Self-employed Persons:** Around 52.2 per cent of people in India are self-employed. Most of them are engaged in agriculture. Besides, they are also engaged in trade, cottage and small industries, building construction, restaurants, transport, etc. Government should provide facilities like irrigation, better seeds, manure, implements, credit, etc., to small and marginal farmers. In addition, self-employed persons in urban areas should be given facilities of credit, marketing, raw material, technical training and the like.
- (5) **Educational Reforms:** There is urgent need for educational reforms in the country. Only such students be admitted to colleges and universities who intend to pursue their studies with some specific objectives. Emphasis should be placed on vocational education. Educated persons must inculcate the spirit of serving in villages in the capacity of teachers, doctors, etc. Qualified engineers be given financial assistance to set up their own business establishments. The number of institutions providing employment information and guidance should be expanded and their activities be coordinated with employment agencies.
- (6) **Technique of Production:** Technique of production should suit the needs and means of the country. It is essential that labour-intensive technology is encouraged in place of the capital-intensive technology. Quick yielding industries be given preference.

(7) **Cooperative Industries:** Cooperative industries should be encouraged as far as possible. The Government of Kerala setting-up a textile mill (offering employment to 600 persons) on cooperative basis is a laudable (praiseworthy) step. In this venture, every unemployed person contributed ₹ 500 while the rest of the capital was provided by the government. Such initiatives must be encouraged.

(8) **Importance to Employment Programmes in Plans:** Such programmes should be given greater importance in plans which are likely to raise the level of employment. The programmes that can best serve this end are: irrigation projects, road construction, flood-control, forestry, rural electrification, soil conservation and development of small industries. Crash Employment Programmes should not be encouraged, as these programmes tend to swallow resources without a corresponding rise in employment on permanent basis.

Government Policy and Programmes

- (i) Problem of unemployment is essentially the problem of poverty.
- (ii) Policy and programmes initiated by the government to eradicate poverty are largely focusing on providing employment to poorer sections of the society.
- (iii) We have already discussed those programmes and policies in chapter 7 of this text. Students are advised to refer to that chapter for a comprehensive understanding of the various steps taken by the government to generate employment opportunities.
- (iv) For the sake of emphasis we would like to repeat the latest step taken by the government. It is National Rural Employment Guarantee Act. It provides guaranteed wage employment of 100 days to all those in the rural areas who are below poverty line, and are able to work and willing to work at the wage rate offered by the government.
- (v) Chapter 7 also offers a critical review of the policies and programmes of the government.
- (vi) However, we would like to add that New Economic Policy (NEP) pursued in 1991 has considerably curtailed direct role of the government in generating employment opportunities.
- (vii) NEP involves a massive drive towards privatisation. Obviously, when the size and scope of public sector tends to contract, role of government as a generator of employment opportunities is bound to shrink.

Skill India, Make in India, Start-ups

- (i) These are some recently launched campaigns by the Government of India to generate opportunities of employment.
- (ii) These campaigns are yet to actualise into the models of growth and development.
- (iii) However, one can hope that once these schemes become operational, the Indian economy would generate abundant of opportunities of employment, particularly those through 'self-employment'.



Power Points & Revision Window

- **Unemployment:** It is a situation when people are willing to work at the existing wage rate, and are able to work, but are not getting work.
- **Worker:** A worker is an individual who is in some employment to earn a living.
- **Self-employed and Hired Workers:**
 - Self-employed workers are those who are engaged in their own business/profession.
 - Hired workers are those who work for a wage/salary.
- **Self-employed and Hired Workers in India:**
 - **Urban Areas:** Self-employed 38.3 per cent, hired 61.7 per cent.
 - **Rural Areas:** Self-employed 57.8 per cent, hired 42.2 per cent.
- **Casual and Regular Workers:**
 - Casual workers are like daily-wagers; not hired on regular basis.
 - Regular workers are hired on regular basis; are on permanent rolls of the employers.
- **Labour Supply:** It refers to amount of labour (hours of work) that the people are willing to supply/offer corresponding to a given wage rate. Labour supply changes in response to change in wage rate.
- **Labour Force:** It refers to the number of people who are able to work and willing to work at the existing wage rate.
- **Workforce:** It refers to number of people actually in employment.
- **Size of Workforce in India:** Approx. 40 crore persons; 70 per cent male; 30 per cent female.
- **Participation Rate:** $\frac{\text{Total Workforce}}{\text{Total Population}} \times 100$

"ASSIGNMENT"

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Q:1:→ Who is a worker?

Q:2:→ Define worker - Population ratio.

Q:3:→ Are the following workers - a beggar, a thief, a smuggler, a gambler? Why?

Q:4:→ 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?

Q:5:→ Compared to urban women, more rural women are found working. Why?

Q:6:→ Why are regular salaried employees more in urban areas than in rural areas?

Q:7:→ Why are less women found in regular salaried employment?

Q:8:→ Analyse the recent trends in sectoral distribution of workforce in India.

Q:9:→ Do you think that in the last 50 years, employment generated in the country is commensurate with the growth of GDP in India? How?

Q:10:→ You are residing in a village. If you are asked to advise the village Panchayat, what kinds of activities would you suggest for the improvement of your village which would also generate employment?