

## 1. Details of Module and its structure

Module Detail	
Subject Name	Economics
Course Name	Economics 01 (Class XI, Semester - 1)
Module Name/Title	Growth of Employment and workforce in India: Part 1
Module Id	keec_10701
Pre-requisites	Before studying this module child should have basic understanding of the meaning of unemployment, economic and non economic activities.
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none"><li>• Meaning of economic and non economic activities</li><li>• Supply of labour, labour force, labour force participation rate</li><li>• Participation of people in employment</li><li>• Self employed and hired workers in India</li><li>• Employment in different sectors</li><li>• Casualization of workforce</li></ul>
Keywords	Supply of labour, labour force, self-employed, hired workers, casualisation

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### **1. Introduction**

People do a variety of work. Some work on farms, in factories, banks, shops and many other workplaces; yet a few others work at home. Work at home includes not only traditional work like weaving, lace making or variety of handicrafts but also modern jobs like programming work in the IT industry.

Work plays an important role in our lives as individuals and as members of society. People work for earning a living. Some people get, or have, money by inheriting it, not working for it. This does not completely satisfy anybody. Being employed in work gives us a sense of self-worth and enables us to relate ourselves meaningfully with others. Every working person is actively contributing to national income and hence, the development of the country by engaging in various economic activities.

We do not work only for ourselves; we also have a sense of accomplishment when we work to meet the requirements of those who are dependent on us. Having recognised the importance of work, Mahatma Gandhi insisted upon education and training through a variety of works including craft. Studying about working people gives us insights into the quality and nature of employment in our country and helps in understanding and planning our human resources. It helps us to analyse the contribution made by different industries and sectors towards national income. It also helps us to address many social issues such as exploitation of marginalised sections of the society, child labour etc.

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## 2. Workforce and Employment

The activities which contribute to gross domestic product are called economic activities. The population which is engaged in economic activities are workers. Even if they temporarily abstain from work due to illness or injury, they are called workers. It is generally believed that all those who are paid by an employer for their work are workers. However, those who are self employed are also workers. Let us understand the concept of supply of labour. Supply of labour is measured in terms of man days of work (one day is equal to 8 hours). It has reference to wage rate. Supply of labour may increase or decrease even when the number of workers remain constant as it is measured in terms of working man days.

Labour is a primary factor of production. It is considered to be important not only because it is productive but also because it activates other factors and makes them useful for production purposes. Therefore, the size of labour force in a country is of crucial importance for the level of economic activity. Size of labour force in a country is determined by the number of people in the age group 15-59 years as children below 15 years and old people above 59 years do not participate in productive activity. It should also be understood that all persons in the age-group of 15-59 years do not undertake productive labour. Such people who voluntarily keep themselves out of productive activity are not included in the labour force. Thus, the size of labour force depends on all economically active population, including unemployed. In India 40.1 percent population constituted the labour force (Census, 2011).

The increase in labour force creates pressure for generation of employment opportunities. In India the ratio of workers to the total population is low in comparison with developed countries. The worker population in rural areas is greater than urban areas, as in rural areas all members of family participate in work. There are several reasons for this. People in rural areas have limited resources to earn a higher income and thus, participate more in employment market. Many do not go to schools, colleges and other training institutions. Even if some go they discontinue in the middle to join the workforce, whereas in urban areas a significant part of population go to schools and others educational institutions for study. Urban people have a variety of employment opportunities. They look for the appropriate jobs to suit the qualifications and skills. In rural areas, people cannot stay at home as their economic conditions may not allow them to do so. The female worker population rate is much lower as compared to the male workers participation rate. There is also significant inter-state variation in workers participation rate across states.

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### 3. Basic Terms

(i) **Labour Force Participation Rate:** Labour Force Participation Rate (LFPR) is defined as the number of persons in the labour force per 1000 persons. It includes people who are employed as well as those who are unemployed but are actively looking for employment.

(ii) **Worker Population Ratio:** Worker Population Ratio (WPR) is defined as the number of persons employed per 1000 persons.

(iii) **Proportion Unemployed:** Proportion Unemployed (PU) is defined as the number of persons unemployed per 1000 persons.

(iv) **Unemployment Rate:** Unemployment Rate (UR) is defined as the number of persons unemployed per 1000 persons in the labour force (employed & unemployed).

In a country where majority of the workers are employed in the unorganized sector and pursuing multiple activities, estimating labour force and its derivatives by a single approach is a difficult task. In such cases no single measure is appropriate to estimate the labour force parameters precisely. As per International practice, labour force related parameters can be estimated for both, i.e., longer reference period and current or shorter reference periods.

### 4. Types of Workers

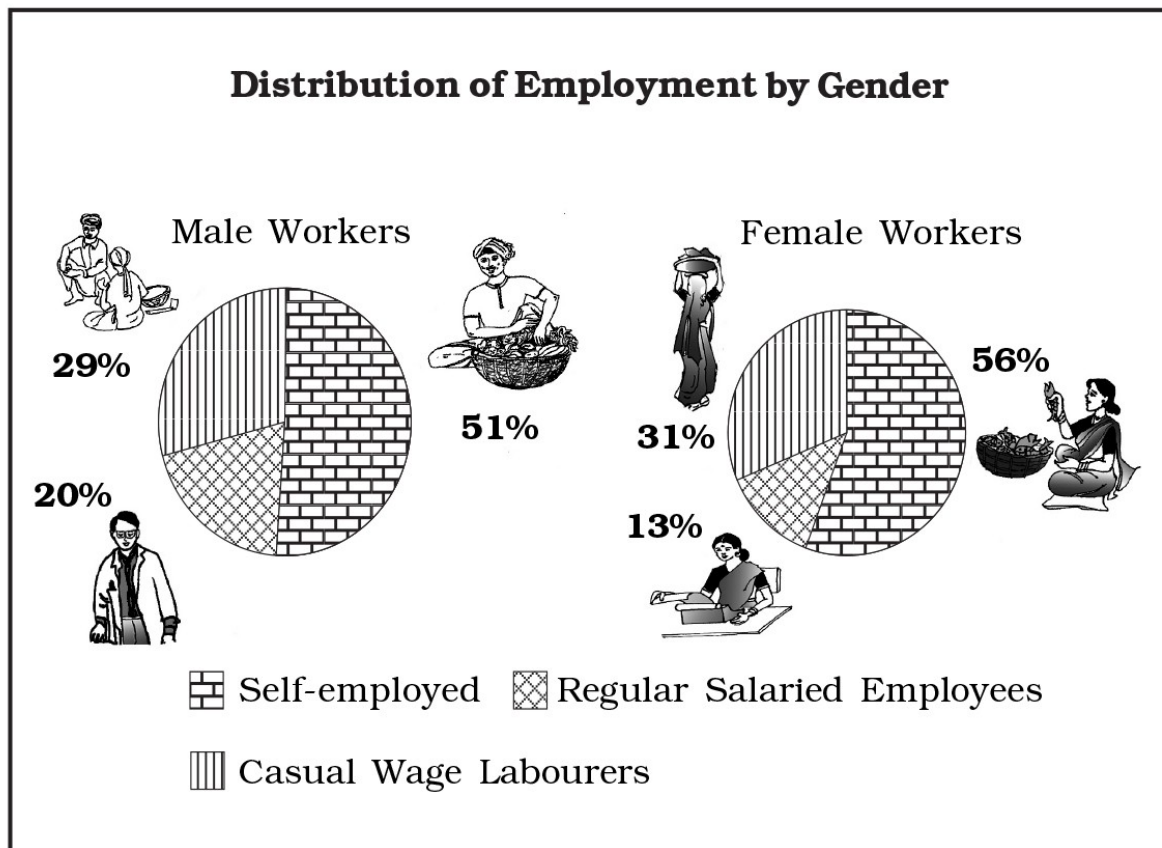
(i) **Self-employed:** Workers who own and operate an enterprise to earn their livelihood are known as self-employed. About 52 per cent workforce in India belongs to this category. A person owning a cement shop is an example of self-employment.

(ii) **Contract workers:** As per the definition of contract worker, a worker is deemed to be employed as contract worker when he/she is hired in connection with the work of an establishment by or through a contractor. Contract workmen are indirect employees; persons who are hired, supervised and remunerated by a contractor who, in turn, is compensated by the establishment. In addition to the above mentioned category of workers, the term contract workers includes workers whose work are governed by a contract agreement either in writing or orally by the establishment. More precisely, the workers hired by the establishment directly for a specific job and for a specified period will also be categorized under the contract category of workers.

**(iii) Casual wage labour:** A person casually engaged in others farm or non-farm enterprises (both household and non-household) and getting in return wage according to the terms of the daily or periodic work contract is a casual wage labour. An example of casual worker is a construction worker. They account for 30 percent of India's workforce.

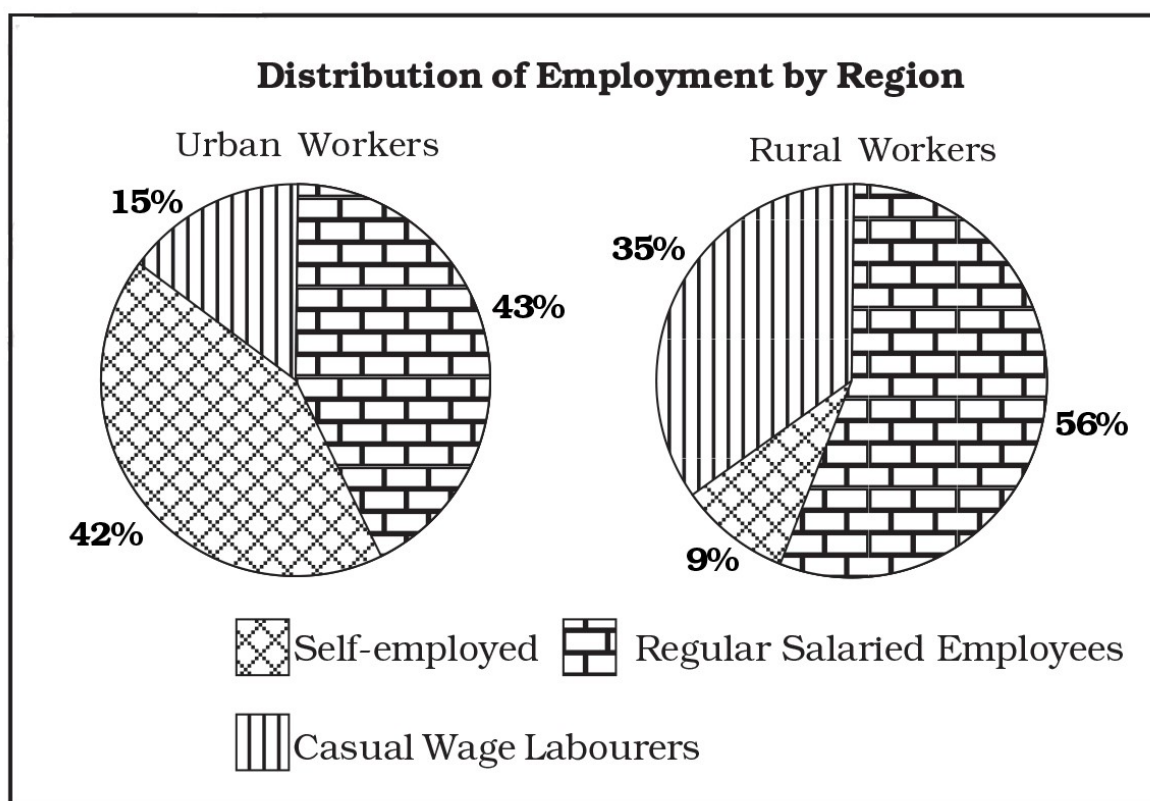
**(iv) Regular salaried/wage employee other than contract workers:** When a worker is engaged by someone or an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees. An example of regular salaried worker is civil engineer working in the construction company.

**Chart- 1.1**



Source: IED, Class XI, NCERT

Chart 1.2



Source: IED, Class XI, NCERT

Look at charts 1.1 and 1.2. The 4th Annual Employment Unemployment Survey conducted by the Labour Bureau during the period January 2014 to July 2014, has shown that the Labour Force Participation Rate (LFPR) is 52 percent for all persons. However, the LFPR for rural areas stands at 54.7 percent which is much greater than that for urban areas i.e. 47.2 percent. Self-employment is the major source of livelihood for both men and women as the category accounts for more than 50 percent of the workforce. Casual wage work is the second major source for both men and women, a little more so for the latter (31 percent). Self-employment is a major source of livelihood in India which accounts for 46.6 per cent of the workforce. Casual wage work is the second major sources with 32.8 per cent. Regular salaried employment with 17 per cent comes to the last. These show the distribution of employment by gender and by region. As we can see, men are found to be engaged in greater proportion. One of the reasons could be skill requirement. Since regular salaried jobs require skill and higher level of literacy, women might not have been engaged to a great extent.

When we compare the distribution of workforce in rural and urban areas in the Chart, we will notice that the self employed and casual wage labourers are found more in rural areas than in urban areas. In the latter, both self employed and regular wage salaried jobs are greater. In the former, since majority of those depending on farming own plots of land and cultivate independently, the share of self-employed is greater. The nature of work in urban areas is different. As every one cannot run factories, shops and offices of various types. Moreover, enterprises in urban areas require workers on a regular basis.

### 5. Employment in different sectors

Economists generally divide an economy into three broad sectors. They are, primary sector, secondary sector and tertiary sector. Primary sector includes agriculture and allied activities. Secondary sector consists of manufacturing and construction activities and in tertiary sector various types of services e.g. transport, communication, banking, insurance, trade etc. are included.

Over the last four decades, there has been considerable shift of workforce from self-employed and regular salaried employment to casual wage work. Scholars termed this process of movement from self-employment and regular salaried employment to casual wage work as *Casualization of Workforce*. The following table shows the distribution of workers by category of employment during 1972-2015.

**Table 1: Distribution of Workers by type of Employment 1972-2015 (in percentage)**

YEAR	SELF EMPLOYED	CASUAL WAGE WORKERS	CASUAL WAGE WORKERS REGULAR SALARIED EMPLOYEES
1972-73	61.4	23.2	156.4
1983	57.3	28.9	13.8
1993-94	54.6	31.8	13.6
1999-2000	52.6	32.8	14.6
2009-10	51.0	33.5	15.6
	2013-14	49.5	30.9
2014-15	46.6	32.8	20.7

Table 1 shows the distribution of workers by type of Employment. Although, self employment continues to be the major employment provider, its share declined from 61.4

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percent in 1972-73 to 46.5 percent in 2014-2015. Regular Salaried Employees: The share of regular salaried employees in total employment has stagnated at around 15 per cent. There is a marginal increase from 15.4 per cent in 1972-73 to 20.7 per cent in 2014-2015. The share of casual workers in employment has increased from 23.2 per cent in 1972-73 to 32.8 per cent in 2014-15.

## **6. Reasons for casualisation of workforce**

The factors which are largely responsible for such increasing casualisation of workforce :

- i. Shifting of status of small and marginal farmers (self-employed) into casual workforce due to sub-division of land holdings and decreasing scope of earnings from agricultural activities;
- ii. Displacement of regular workers from large industries in urban areas to the status of casual workers;
- iii. Slow growth of employment in organized sector.
- iv. Growing demand for casual labour in expanding construction, trade and services activities both in urban and rural areas leading towards casualisation of workforce.

## **7. Summary**

All those persons who are engaged in various economic activities and hence contribute to national product are workers. About two-fifth of the total population in the country is engaged in various economic activities. Men, particularly rural men, form the major section of workforce in India. Majority of workers in India are self-employed. Casual wage labourers and regular salaried employees together account for less than half the proportion of India's workforce. About three-fifth of India's workforce depends on agriculture and other allied activities as the major source of livelihood. In recent years, the growth of employment has decelerated. This tendency of slow rate of employment growth despite high rate of GDP growth is termed as '*jobless growth*'.