

1. Details of Module and its structure

Module Detail	
Subject Name	Economics
Course Name	Economics 01 (Class XI, Semester - 1)
Module Name/Title	Informalisation and unemployment problem: Part 2
Module Id	keec_10702
Pre-requisites	Basic understanding of the meaning of labour, workforce and unemployment.
Objectives	<p>After going through this lesson, the learners will be able to understand the following:</p> <ul style="list-style-type: none">• Difference between formal workers and informal workers• Employment in organized and unorganized sectors• Unorganized (informal) sector employment problems of• Concept of unemployment and unemployed• Types of unemployment• Government and employment generation
Keywords	Informalisation, Unemployment, Open Unemployment, Disguised Unemployment, Seasonal Unemployment

2. Development Team

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1. Introduction

In India the proportion of casual labourers has been increasing. One of the objectives of development planning in India has been to provide decent livelihood to its people. It has been envisaged that the industrialisation strategy would bring surplus workers from agriculture to industry with better standard of living as in developed countries. Even after 65 years of planned development, more than half of the Indian workforce depends on farming as the major source of livelihood. Economists argue that, over the years, the quality of employment has been deteriorating. Even after working for more than 10-20 years, why do some workers not get maternity benefit, provident fund, gratuity and pension? Why does a person working in the private sector get a lower salary as compared to another person doing the same work in the public sector? Only a small section of Indian workforce is getting regular income. The government, through its labour laws, enable them to protect their rights in various ways. This section of the workforce forms trade unions, bargains with employers for better wages and other social security measures. Who are they?

2. Informalisation of workforce

In order to understand the nformalisation of work force , we classify workforce into two categories, (i) workers in formal and (ii) workers in informal sectors. They are also referred to as workers in organised and unorganised sectors.

All the public sector establishments and those private sector establishments which employ 10 hired workers or more are called formal sector establishments and those who work in such establishments are formal sector workers. All other enterprises and workers working in those enterprises form the informal sector. Thus, informal sector includes millions of farmers, agricultural labourers, owners of small enterprises and people working in those enterprises. It also includes self-employed, who do

not have any hired workers. It also includes all non-farm casual wage labourers who work for more than one employer such as construction workers and head load workers. Workers in the formal sector enjoy social security benefits. They earn more than those in the informal sector. Developmental planning envisaged that as the economy grows, more and more workers would become formal sector workers and the proportion of workers engaged in the informal sector would dwindle.

There are about 473 million workers in the country. There are about 30 million workers in the formal sector. The percentage of people employed in the formal sectors in the country is about only six per cent. Thus, the rest 94 per cent are in the informal sector. Out of 30 million formal sector workers, only 6 million, that is, only about 21 per cent are women. In the informal sector, male workers account for 69 per cent of the workforce.

Since the late 1970s, many developing countries, including India, started paying attention to enterprises and workers in the informal sector as employment in the formal sector is not growing. Workers and enterprises in the informal sector do not get regular income; they do not have any protection or regulation from the government. Workers are dismissed without any compensation. Technology used in the informal sector enterprises is outdated; they also do not maintain any accounts. Workers of this sector live in slums and are squatters. Of late, owing to the efforts of the International Labour Organisation (ILO), the Indian government has initiated the modernisation of informal sector enterprises and provision of social security measures to informal sector workers.

Table - 1 Employment in Organized and Unorganized Sectors

SECTOR	1983	1994	1999-2000	2009-10
Total Employment	302.75	374.45	397.00	460.17
Organized sector Employment	24.01	27.37	28.11	29
Public sector	16.46	19.44	19.41	18
Private sector	7.55	7.93	8.70	11
Unorganized sector Employment	278.7	347.08	368.89	431

Source: Renana Jhabvala, Ratna M. Sudarshan and Jeemol Unni (Ed.) Informal Economy at Centre Stage: New Structures of Employment, Sage Publications, New Delhi, 2003, pp.265.

Table 1 shows employment in organized and unorganized Sectors. As is evident from the table, that with the passage of time there has been a spurt in the employment provided by the unorganised sector, whereas jobs in the public sector and the organised sector are stable. In percentage terms, the

share of unorganised sector has increased, whereas the organised sector has not generated much unemployment in the recent period.

3. Unemployment

Unemployment refers to a situation where there are persons who are capable of working (i.e., they are physically and mentally fit to work) and are willing to work, but fail to get employment at the going wage rate. NSSO (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 condition of work and remunerations. There are a variety of ways by which an unemployed person is identified. Economists define unemployed person as one who is not able to get employment of even one hour in half a day. There are three sources of data on unemployment:

- Reports of Census of India,
- National Sample Survey Organisation Reports of Employment and Unemployment Situation, and
- Directorate General of Employment and Training, Data of Registration with Employment Exchanges.

Though they provide different estimates of unemployment, they do provide us with the attributes of the unemployed and the variety of unemployment prevailing in our country.

4. Types of unemployment in India

There exists different types of unemployment in our country, as described below:

(i) Structural Unemployment: Structural unemployment is caused by a mismatch of skills between the unemployed and available jobs. It may be caused by drastic changes in the structure of the economy, such as deindustrialisation, or some other change in the structural composition of the economy which renders some unemployed workers unable to find work in new industries with different skill requirements. As a result of structural changes or technical progress, some workers find their skill set incompatible with new techniques of production or with the requirements of new industries. It is the unemployment of these workers that is termed as

structural unemployment. Globalisation and the consequent international competition can also cause structural unemployment.

- (ii) Open Unemployment:** People look for jobs in newspapers. Some look for a job through friends and relatives. In many cities, you might find people standing in some select areas looking for people to employ them for that day's work. Some go to factories and offices and give their bio-data ask for a job but stay home when there is no work. Some go to employment exchanges and register themselves for vacancies notified through employment exchanges. The situation described above is called open unemployment.
- (iii) Disguised Unemployment:** This is a type of unemployment which is not open and persons do not feel that they are unemployed, though technically they are unemployed. Economists call unemployment prevailing in Indian farms as disguised unemployment. Suppose a farmer has four acres of land and he actually needs only two workers and himself to carry out various operations on his farm in a year, but if he employs five workers and his family members such as his wife and children, this situation is known as disguised unemployment. Put conversely, if some of the workers are removed from the job, there will be no change in total output. This means that these removed workers were not actually contributing to total output, and therefore, were technically unemployed, despite being apparently employed. One study conducted in the late 1950s showed about one third of agriculture workers in India as disguisedly unemployed. The high incidence of disguised unemployment in India may be attributed to joint family system, and lack of alternative means of employment. Due to poor labour absorption by the relatively faster growing secondary and tertiary sectors, farmers are forced to keep themselves engaged in the cultivation of family farms, which, sometimes, get smaller and smaller due to sub-division of land holdings.
- (iv) Seasonal unemployment :** Many people migrate to an urban area, pick up a job and stay there for some time, but come back to their home villages as soon as the rainy season begins. This is because work in agriculture is seasonal; there are no employment opportunities in the villages for all months in the year. There are seasons like sowing and harvesting of crops when all are busy and employment is high. But there are also slack seasons such as the period between sowing of crops and harvesting when most people have nothing much to do and are thus unemployed. It has been estimated, that a farmer who cultivates one crop in a year usually goes

without a job for almost 5 to 7 months. When farmers have no work to do on farms, they go to urban areas and look for jobs. This kind of unemployment is known as seasonal unemployment. This is also a common form of unemployment prevailing in India.

(v) Industrial Unemployment: Industrial Unemployment is a situation when people are willing and able to work in industries or manufacturing sector but are unable to find jobs. The main reason of industrial unemployment is that the pressure of population has been continuously increasing, but rate of generation of job opportunities in the manufacturing sector remains dismally low. Increasing trend of migration of population from rural to urban areas has aggravated the problem. It may also be said that industrial unemployment is a spill over of rural unemployment plus poor labour absorption by the manufacturing sector. Major cause of this poor absorption by the manufacturing sector is the massive use of labour-saving machines.

(vi) Educated Unemployment: This type of unemployment takes place when people fail to get employment despite being educated. This situation is very frustrating when after investing a considerable time and money in education, people fail to procure jobs. On the other hand, this also amounts to nation's resources going waste. When educated youth fails to get jobs, they may sometime take to anti-social and illegal activities. There are two major reasons of educated unemployment in India. One, education has failed to enhance employability of youth. These days, this is a burning issue. Many industrialists have opined that education system in India needs to be revamped so as to enhance employability of educated youth. The other reason is that the rate of job creation has not been able to keep pace with the increasing educated labour force.

5. Government and Employment generation in India

Since independence, the Union and state governments have played an important role in generating employment or creating opportunities for employment generation. Their efforts can be broadly categorised into two categories, direct and indirect. In the first category, government employs people in various departments for administrative purposes. It also runs industries, hotels and transport companies and hence provides employment directly to workers. When output of goods and services from government enterprises increases, then private enterprises which receive raw materials from government enterprises also raise their output and hence increase the number of employment opportunities in the economy. For example, when a government owned steel company increases its output, it will result in direct increase in employment in the government company. Simultaneously, private companies, which purchase steel from it, will also increase their output and

thus employment. This is the indirect generation of employment opportunities by the government initiatives in the economy.

Expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty and unemployment. Examples of self-employment programmes are Rural Employment Generation Programme (REGP), Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY). The first programme aims at creating self-employment opportunities in rural areas. The Khadi and Village Industries Commission (KVIC) is implementing it. Under this programme, one can get financial assistance in the form of bank loans to set up small industries. The educated unemployed from low-income families in rural and urban areas can get financial help to set up any kind of enterprise that generates employment under PMRY. SJSRY mainly aims at creating employment opportunities, both self employment and wage employment, in urban areas. Earlier, under self-employment programmes financial assistance was given to families or individuals. Since the 1990s, this approach has been changed. Now those who wish to benefit from these programmes are encouraged to form self-help groups. Initially they are encouraged to save some money and lend among themselves as small loans. Later, through banks, the government provides partial financial assistance to SHGs which then decide whom the loan is to be given to for self employment activities. Swarnajayanti Gram Swarozgar Yojana (SGSY) is one such programme. This has now been restructured as National Rural Livelihoods Mission (NRLM). A similar programme called National Urban Livelihoods Mission has also been in place for urban poor. The government has a variety of programmes to generate wage employment for the poor unskilled people living in rural areas. In 2005, the Parliament passed a new Act to provide guaranteed wage employment to every rural 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). This Act is a major employment initiative by the government that aims to guarantee the right to work. Under this Act, all those among the poor who are ready to work at the minimum wage can report for work in areas where this programme is implemented. This is the first scheme of its kind to provide wage employment on demand and thereby, ensure a security net to rural people. This not only has resulted in generation of employment but has also led to development of rural infrastructure, like water harvesting, drought relief and flood control measures. MGNREGA is to be implemented mainly by [gram panchayats](#). MNREGA has proved to be quite effective in [protecting the environment](#), [empowering rural women](#), reducing [rural-urban migration](#) and fostering [social equity](#), apart from its core objective of generating employment opportunities. NREGA has also checked labour migration from rural to urban areas.

Another important aspect is a new strategy implemented by the government in terms of programs like Make in India, Start up India etc. These new initiatives are tackling the employment problem from a new perspective. Some believe that we are living in an age where rather than looking for jobs, we need to create jobs. For the youth today, the real pleasure is not in getting salary, they prefer converting their innovative ideas and vision into reality. These programs tap the potential of youth in a very effective and competitive way. With the help of such programmes, within a short time, the economy has seen many inspiring success stories like Paytm, Ola, Oyo rooms, Yatra.com, and so on. All these programmes aim at providing not only employment but also services in areas such as primary health, primary education, rural drinking water, nutrition, laying of rural roads, development of wastelands/ degraded lands many such programmes.

6. Summary

Post economic reforms, India has been witness to employment opportunities in the service sector. These new jobs are found mostly in the informal sector and the nature of jobs is also mostly casual. Government is the major formal sector employer in the country. Acquiring skills and undergoing training are important for getting employment. Disguised unemployment is a common form of unemployment in rural India. There has been a change in the structure of the workforce in India. Through various schemes and policies, the government is taking initiatives to generate employment.