

Unit III- Employment: Growth, Informalisation & Other Issues

Workers and their Categories, Some Important terms Related to Employment

Objective

After going through this lesson, you shall be able to understand the following concepts.

- Meaning and categorisation of workers
- Some related terms of employment

Introduction

We know that work forms an integral part of human life. People work to earn their living. Different individuals can be seen engaged in different types of work, such as in farms and in factories. In addition to fulfilling the need for money, work also satisfies one's self-esteem and self-worth. Being engaged in a productive activity gives a person the feeling that he or she is actively contributing to the national income and, thereby, to the growth process of the country.

The question that arises now is this: "Why is there a need to study about working people?" Such a study gives us a fair idea about the quality and the nature of employment. This helps in the formulation of appropriate plans and policies for the development of human resources of the country. Additionally, it offers an insight into various social issues such as the poor working conditions and exploitation of workers. The study of workers also reveals the share of the different sectors of the economy (primary, secondary and tertiary) in employment.

Meaning of Worker

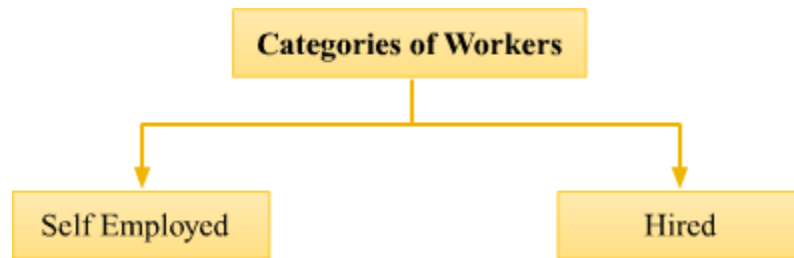
Any person who is involved in a productive activity that contributes to the flow of goods and services in an economy is called a worker. In other words, ***a worker is an economic agent who contributes to the production of goods and services and, thereby, to the GDP during a particular year.*** A worker renders services to others and, in turn, receives rewards in the form of wages or salaries, or in kind.

So, according to this definition, thieves, smugglers, beggars, gamblers, etc., cannot be termed as workers. Such people are not involved in any legal productive activity that contributes to the national income of the country.

In addition to individuals who receive salaries and wages in return for their services, there are individuals who are self-employed; for example, those running their own businesses or those working on their own farms. These people are also termed as workers.

Categories of Workers

The following diagram illustrates the two broad categories of workers.



i. **Self-employed workers:** This category includes individuals engaged in their own business or profession. For example, the owner of a factory, the owner of a shop and a farmer working in his own field are all self-employed workers.

ii. **Hired workers:** This category includes individuals who work for somebody else. They provide their services to others in return for income in the form of salaries and wages. For example, a person working in a factory, a person working in another person's field, a doctor working in a hospital are all hired workers.

The following diagram shows the two subdivisions of this category.



i. **Casual workers:** This subdivision includes individuals who are hired on a daily basis by their employers and work for daily wages. These individuals are often unskilled workers. For example, a person working at a construction site is a casual worker. Such workers are deprived of the benefits of social security such as provident fund, gratuity and pension.

ii. **Regular workers:** This subdivision includes individuals who are permanently hired by their employers. These individuals are skilled workers. Such workers are entitled to the various benefits of social security such as provident fund, gratuity and pension.

Some Important Terms

1. Labour supply: This indicates the amount of labour that individuals are willing to offer at a particular wage rate. In other words, it refers to the supply of labour corresponding to different wage rates. Labour supply is measured in terms of man-hours, that is, the number of hours a person works. Since labour supply is measured in terms of man-hours, it can be increased (or decreased) even when the number of workers remains unchanged, by increasing (or decreasing) man-hours. For instance, if a worker increases his working hours from 8 hours to 10 hours, then this amounts to an increase in the labour supply by two hours.

2. Labour force: This indicates the number of individuals who are actually working or are willing to work at a particular wage rate. Unlike labour supply, labour force is measured in terms of the actual number of workers. This implies that labour force can be increased (or decreased) only by increasing (or decreasing) the actual number of workers.

3. Workforce: This refers to the number of individuals who are actually working. Unlike labour force, workforce does not include those individuals who are only willing to work. The difference between labour force and workforce gives us an estimate of the number of persons unemployed.

$$\text{Number of persons unemployed} = \text{Labour force} - \text{Workforce}$$

4. Unemployment rate:

This indicates the percentage of unemployed people in the total labour force. It is found using the following formula.

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

5. Rate of participation: This refers to the proportion of population that actually contributes towards the production of goods and services. It is estimated as the ratio of total workforce and total population. This ratio acts as an indicator for assessing the employment levels in a particular country at any point of time. The higher the participation ratio, the higher is the engagement of people in productive activities, and vice versa. Rate of participation is also known as “worker–population ratio”. The following is the formula for calculating the rate of participation.

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

Occupation Structure in India, Participation and Workforce

Objectives

In this lesson, we will go through the following topics.

- Worker-population ratio in India
- Distribution of workers as self-employed and hired
- Occupational structure in India
- Growth and change in occupation sector
- Jobless growth

Introduction

In the previous lesson, we discussed the meaning of the term “worker” and learned the various categories of workers. We also learned some important terms related to employment, such as labour supply, labour force, unemployment rate and participation rate. In this lesson, we will analyse how India has fared in terms of employment. We will analyse the participation rate in India in terms of gender and region.

Further, we will discuss the distribution of workers with respect to the various categories and the different sectors in which they are employed (i.e. occupational structure). Finally, we will study how the occupational structure in India has changed with growth and development.

Worker-Population Ratio (Participation Rate) in India

We know that participation rate refers to the proportion of the population which is actively contributing to the production of goods and services in a country. This ratio indicates the employment level in a country at any point of time. The higher the worker–population ratio, the higher is the engagement of people in productive activities, and vice versa. The data reveals the following points.

- i. The overall participation rate for the entire country is 40%. This implies that 40% of the total population of our country is engaged in various productive activities.
- ii. The participation rate for rural areas (42%) is greater than that for urban areas (34%).
- iii. The gender-wise data shows that female participation rates for both rural and urban areas are lower than the corresponding male participation rates.
- iv. The female participation rate for urban areas (14%) is significantly lower than that for rural areas (30%).

Here is a *detailed analysis* of the above points.

i. The overall participation rate in India stands at only 40%. This means that for every 100 individuals, only 40 are engaged in productive activities. This suggests a **high dependency ratio** in the country.

ii. The data shows that the participation rate for rural areas is more than that for urban areas. This implies that **a greater proportion of the Indian population is engaged in agriculture and allied activities**. Now the question is why is there such a gap between the participation rates for rural and urban areas?

Owing to poverty and limited income-earning sources, people in rural areas often enter the workforce at an early age. Most of these people either do not attain any formal education or discontinue their education midway. They engage in various productive activities to support their families.

As against this, in urban areas, people continue their education for a longer time. Also, people in urban areas enter the workforce when they are able to find a job that suits their education and skills.

iii. Another important observation is that the participation rates for urban and rural women are lower than the same for urban and rural men. The following are some of the *factors that account for the low female participation rates*.

a. **Family dependence:** Whether to take up a job or not is a matter of individual choice. In India, however, when it comes to a woman taking up a job, it is usually the family that makes the decision for the woman. Women in India are often discouraged to take up jobs.

b. **Low literacy and education levels:** Low levels of literacy and education and lack of knowledge of technical skills among women prevent them from being gainfully employed.

c. **Non-recognition of women workers:** Women engaged in household work or those working on family farms are not recognised as workers. This is because they are not paid for these activities. This leads to underestimation of the number of women workers in the country.

iv. Finally, despite being more educated and skilled and having a higher probability of finding employment, urban women have a considerably lower participation rate than their rural counterparts. The following are some of the *reasons for the low participation rate of urban women*.

a. One does not require high degree of skills and specialisations to engage in agriculture and allied activities. Since these activities dominate the rural scene, women in rural areas can easily find employment.

b. Poverty is more widespread in rural areas than it is in urban areas. Consequently, to support the livelihood of their families, more rural women engage in productive activities, even when these activities are low-paying.

c. Urban families usually have a higher income than rural families. Also, poverty in urban areas is not as widespread as it is in rural areas. So, female members of urban families generally do not face the financial necessity to find employment.

d. In India, it is usually the family that decides whether or not a female member should take up a job. Very often, women are discouraged from finding employment.

e. Lack of proper education and lack of knowledge of technical skills prevent urban women from finding gainful employment.



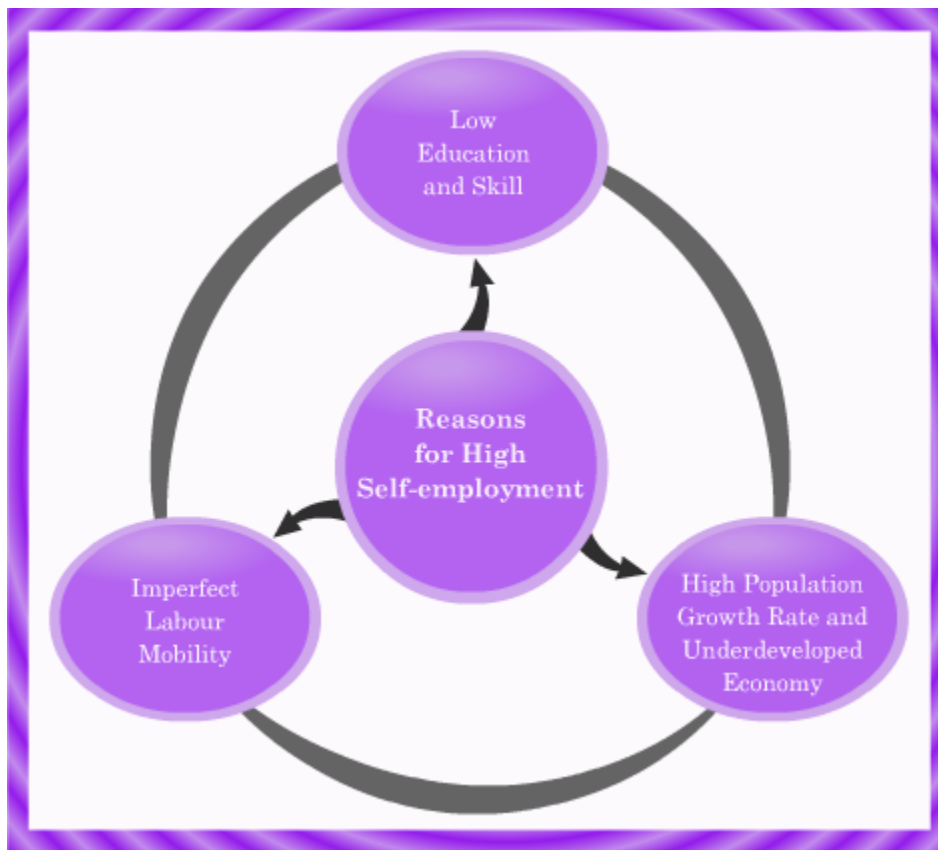
Distribution of Workers as Self-Employed and Hired.

An analysis of the categorisation of the workforce as self-employed and hired workers helps in assessing the quality of employment in a country. In India, more than 50% of the workforce is self-employed. Among hired workers, the majority are casual wage workers who account for 37% of the total workforce. The following are some of the *reasons for the high proportion of self-employed in the workforce*.

1. Low levels of education and skills: People with low levels of education and skills find it difficult to be gainfully employed as regular salaried workers. As a result, these people look to become self-employed.

2. High population growth rate and an underdeveloped Indian economy: Being a developing country, India is not able to generate enough employment opportunities for its people. The high rate of population growth aggravates the problem of unemployment. As a result, a large section of the population takes to self-employment.

3. Imperfect labour mobility: India is a diverse country with different cultures, languages, practices and traditions. These differences obstruct the migration and mobility of people from one part of the country to another in search of better avenues. Instead, people remain in their places of origin and content themselves with low-earning self-employment activities.



Let us now see whether this trend is the same across both rural areas and urban areas. Analysis reveals that **self-employment is comparatively lower in urban areas than in rural areas**. In urban areas, 42% of the workforce is self-employed and 58% are hired workers. In rural areas, 56% of the workforce is self-employed and 44% are hired workers. In urban areas, regular salaried workers form the greater portion of the workforce as compared to the self-employed and casual wage workers. This is because urban areas provide greater opportunities to acquire and enhance the skills and education required for such jobs than rural areas.

Further, big companies that hire such workers are located only in urban areas. This is because of the presence of sound infrastructural facilities such as banks, transport and

communication in urban areas. So, the jobs for regular-salaried workers are concentrated in urban areas. Thus, we find more regular salaried workers than self-employed workers in urban areas.

When it comes to a gender-wise analysis of self-employed and hired workers, we find that a **greater proportion of women workers are self-employed**. Approximately 55% of women workers are self-employed. Moreover, as hired workers, women are often engaged as casual wage workers rather than regular salaried workers. A large proportion of women are engaged in economic activities without stable contracts and steady incomes.

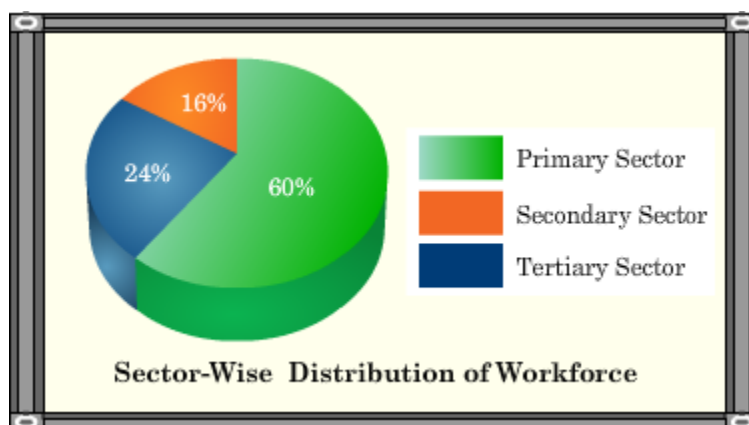
Family and other social constraints discourage women from taking up jobs. Besides, low levels of literacy, education and technical skills among women leaves them with lesser opportunities to find employment as regular salaried workers. Thus, more women engage in traditional and low-skill activities such as weaving and handicraft.

Occupational Structure/Sector-Wise Distribution of Work Force

All economic activities in a country can be divided amongst three broad sectors—the primary sector, the secondary sector and the tertiary sector.

The primary sector includes agriculture and allied activities, fisheries and forestry. The secondary sector includes various manufacturing activities. The tertiary sector comprises various services such as transport, banking and insurance.

In India, the primary sector employs 60% of the total workforce. Meanwhile, the proportions of the total workforce engaged by the secondary and tertiary sectors are 16% and 24% respectively. Thus, the majority of the population depends on the primary sector for livelihood.



In rural areas, nearly three-fourths or 75% of the workforce engages in agriculture and allied activities. On the other hand, only 11% and 13% of the rural workforce engage in activities related to manufacturing and services, respectively. Moreover, the proportion

of rural women engaged in the primary sector is more than the proportion of rural men employed in the same sector. Widespread poverty in rural areas compels more women to participate in farm activities to support the livelihood of their families, even when these activities are low-paying.

In urban areas, the services sector employs 59% of the workforce, while the primary sector accounts for just 10% of the workforce.

Growth and Change in Occupation Structure

As seen in case of various developed countries, with growth and development, the workforce shifts first from the primary sector to the secondary sector and then from the manufacturing sector to the tertiary sector. However, in India, there has been only a modest change in the occupational structure over the years.

The primary sector still employs the largest proportion of the workforce in the country. Between 1972–73 and 1999–2000, the share of the primary sector in the workforce declined only marginally from 74% to 60%. Meanwhile, the shares of the secondary and tertiary sectors increased from 11% to 16% and from 15% to 24% respectively.

The workforce distribution indicates that from 1972 to 2000, there has been a shift from self-employment and regular salaried employment to casual wage employment. This pattern of more people becoming casual wage workers rather than self-employed and regular salaried workers is termed as ***casualisation of workforce***.

Thus, we can conclude that while changes in the distribution of workforce have taken place, the industrial and services sectors need to increase their share in the workforce distribution by generating more employment opportunities and absorbing excess labour from the agricultural sector.

Jobless Growth

Economic growth implies growth in GDP, i.e. growth in the aggregate output produced during an accounting period within the domestic territory of an economy. Over the years, India has experienced a positive growth in GDP.

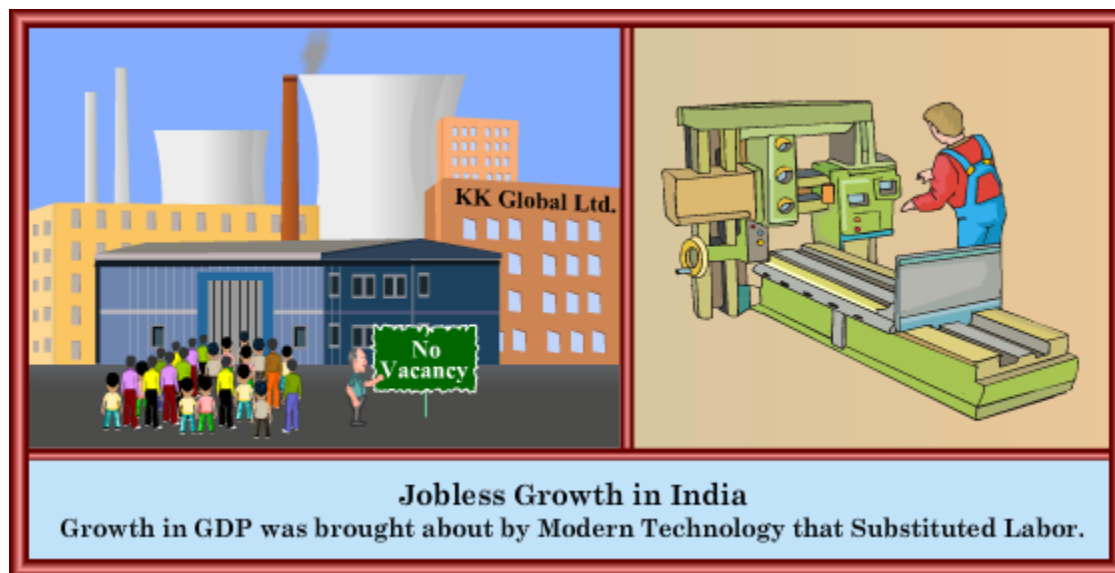
However, the rate of growth of employment has remained low as compared to the rate of growth of GDP. This suggests that the growth process in India has been unable to generate employment opportunities. In other words, there has been **a rise in GDP without a simultaneous rise in the employment rate**. This is referred to as *jobless growth*.

The prime reason for jobless growth is that the growth in GDP has been brought about by employing modern and improved technology which has substituted labour with machines. Consequently, the industrial and services sectors have failed to generate new employment opportunities to absorb the excess labour from the agricultural sector.

Thus, the agricultural sector continues to suffer from disguised unemployment along with low levels of productivity and massive poverty.

In addition to this, multi-national corporations (MNCs) that played an important role in India's economic growth, provided employment only to the educated and technically skilled part of the workforce. These MNCs relied on modern and efficient technology rather than labour for the production of goods and services.

As a result, the employment level has remained low. Over time, the gap between GDP growth rate and employment growth rate has widened to make the situation worse.



Casualisation and Informalisation of Workforce

Objectives

After going through this chapter, you shall be able to understand the following concepts.

- Concept of casualisation of workforce
- Concept of informalisation of workforce

Casualisation of Workforce

We know that workers can be divided into two broad categories: casual workers and hired workers. Over the years, there has been a continuous rise in the number of casual workers in India. At the same time, there has been a fall in the number of self-employed and regular-salaried workers. In other words, there has been a shift from regular-

salaried employment and self-employment towards casual employment. The percentage of casually hired workers increased from 23% in 1972 to 33% in 1999-2000. For the same period, the percentage of self-employed workers decreased from 62% to 52%.

This ***continuous rise in the percentage of casually hired workers in the total workforce overtime with a simultaneous decline in the number of self-employed and regular-salaried individuals, is referred to as casualisation of workforce.***

What has led to this casualisation of workforce in India? We know that a majority of the population in India is engaged in the agricultural sector. However, this sector suffers from disguised employment. This means that the number of workers engaged in farming is more than what is actually required on the farms.

Thus, the slightest of opportunities encourages these agricultural workers to migrate to urban areas for better employment. However, owing to their low skills and education, they have to work as casual labourers. This increases the percentage of casual workers in the total workforce. Additionally, due to mass unemployment in urban areas, even the skilled and the educated accept to work as casual workers.

Informalisation of Workforce

Workforce can also be divided into individuals working in the informal sector and individuals working in the formal sector.

Informal sector is the unorganised sector of an economy. Besides farming and self-employment ventures, this sector includes all private enterprises that hire less than ten workers.

Formal sector, on the other hand, is the organised sector of an economy. It includes all government departments, public enterprises and private enterprises that hire ten or more workers.

The following table distinguishes between the individuals employed in the informal and formal sectors.

Basis of Distinction	Informal Workers	Formal Workers
Organised v/s Unorganised	These workers are employed in the unorganised sector of the economy.	These workers are employed in the organised sector of the economy.

Social Security Benefits	They are not entitled to social security benefits such as pension, provident fund, etc.	They are entitled to social security benefits such as pension, provident fund, etc.
Protection by Labour Laws	They are not protected by any labour laws or trade unions.	They are protected by various labour laws and trade unions
Casual worker v/s Regular-Hired Workers	They generally work as casual workers.	They generally work as regular-hired workers.

Informalisation of workforce refers to the situation wherein there is a continuous decline in the percentage of workforce in the formal sector and a simultaneous rise in the percentage of workforce in the informal sector.

In India, informalisation of workforce is a recent phenomenon. Growth and development generally leads to a rise in the number of individuals employed in the formal sector and a fall in the number of individuals employed in the informal sector. However, in India, there has been a reversal of this trend.

Estimates reveal that nearly 93% of the workers in India are engaged in the informal sector, while only 7% are engaged in the formal sector. Some argue that this increase in the extent of informalisation is a result of the reforms of 1991 which transformed India from a “socialist” economy to a “market” economy.

To conclude, we can say that the workforce in India is increasingly becoming casualised and informalised. Appropriate steps must be taken to overcome this situation.

Unemployment– Types, Causes and Consequences on Economic Development

Objectives

In this lesson, you will go through the following topics.

- Meaning and types of unemployment
- Unemployment common in both urban as well as rural areas
- Causes of unemployment
- Consequences of unemployment

Introduction

What is meant by the word “unemployment”? It *refers to **the situation in which an individual who is able and willing to work at an existing wage rate does not get work***. Here, the words “able” and “willing” are significant. Suppose a person can work, but does not voluntarily work for some reason (say, he inherits a fortune). Can he be regarded as unemployed? No.

This is because the person is not *willing* to work despite being *able* to do so. On the other hand, consider a situation wherein a person can work and is looking for a suitable job, but is not able to find one (say, due to the lack of proper education or technical skills). Is this person unemployed? Yes, he is unemployed. Thus, an unemployed individual is one who is able and willing to work at an existing wage rate, but does not get work.

Types of Unemployment

Unemployment in India can broadly be classified into two categories- rural unemployment and urban unemployment.

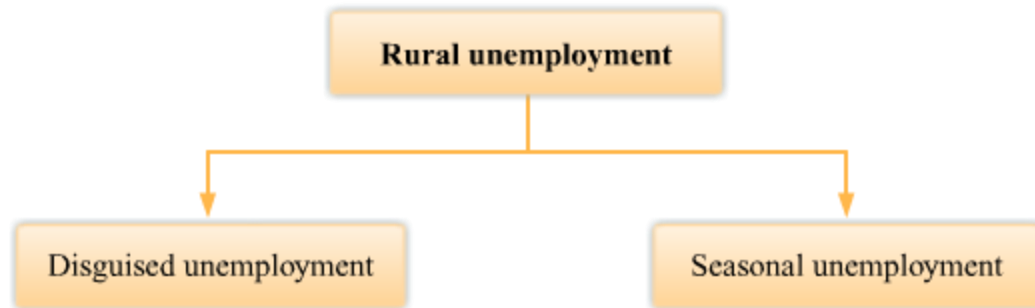
i. Rural unemployment

ii. Urban unemployment



Rural Unemployment

The majority of the rural population in India is dependent on agriculture and allied activities for sustenance. Rural areas face unemployment due to the features inherent in agriculture as an occupation. Rural unemployment can be further divided into two categories—disguised unemployment and seasonal unemployment.



1. Disguised unemployment: An entire family (or even, an extended family) working on a single farm is a common enough sight in rural India. Even if some of the family members were to be removed from the farm, the agricultural output would not be affected. This suggests that the number of workers engaged in farming is more than what is actually required.

For example, let us say that a piece of land can be cultivated by five people efficiently. However, eight people are engaged in cultivation. Now, if we were to remove three of these people, then there would be no change in the farm produce. In this case, we can say that three of the eight people are in disguised unemployment.

Thus, **disguised unemployment refers to the situation in which the number of persons engaged in a work is more than what is actually required to complete the work.** In India, disguised unemployment is prevalent due to the following reasons.

i. **Joint family system:** In a rural joint family system, almost every member of the family is engaged in farming activities on the family farm, irrespective of the requirement. Thus, most of the members remain in disguised unemployment.

ii. **Lack of alternative employment opportunities:** In rural areas, there is a lack of non-farming employment opportunities. As a result, many people remain engaged in agriculture and allied activities even when they do not contribute positively to the output.

Note: Disguised unemployment is not confined to the agricultural sector. This phenomenon can be seen in the other sectors as well. Have you ever seen a number of persons sweeping a small stretch of road? Even if some of them were to be removed, the road would still be cleaned effectively. This, once again, is a case of disguised unemployment.

2. Seasonal unemployment: Agriculture is a seasonal occupation. There exists a time lag of approximately 5 to 7 months between the cultivation of two crops. During this time, due to lack of alternative employment opportunities, farmers remain without any job. Similarly, people who engage in post-harvesting activities, find work for only some part of the year. These are examples of seasonal unemployment. Thus, **seasonal unemployment refers to the situation in which people are not able to find jobs during certain months of the year.**

Urban Unemployment

Unemployment in urban areas can be divided into two broad categories- industrial unemployment and educated unemployment.

1. Industrial unemployment: This type of unemployment refers to the situation in which individuals are willing to work in the manufacturing sector, but are unable to find a suitable job due to the lack of education or technical skills. The following are the factors responsible for industrial unemployment in India.

i. **Rural–urban migration:** Very often, people in rural areas who are unable to find gainful employment in the agricultural sector tend to migrate to urban areas in search of better job opportunities. However, the industrial sector fails to absorb such growing workforce. In such a situation, most migrants either remain unemployed or resort to working in the informal sector.

ii. **Adoption of labour-saving techniques of production:** Increasingly, modern industries are switching over from labour-intensive techniques of production to labour-saving ones. This implies use of more machinery and less labour for the production of goods and services. As a result, employment opportunities remain low in the industries.

2. Educated unemployment: This type of unemployment refers to the situation in which educated people are unable to find jobs. In India, the number of educated unemployed has substantially increased. According to a report of the Planning Commission, there were nearly 4.20 crore educated unemployed in India in 2006. Clearly, employment opportunities have not increased at the same rate as the increase in the number of educated persons. The prime reason for the rise of educated unemployment is that the Indian education system is not job-oriented. It fails to provide the kind of practical knowledge and skills that are actually required in jobs. As a result, a large number of educated persons either remain unemployed or are engaged in jobs that are not suitable as per their qualifications.

Unemployment Common in both Rural and Urban Areas

There are certain types of unemployment that are common to rural and urban areas. They are discussed below.

1. Open unemployment: This type of unemployment refers to the situation in which persons willing and able to work do not get work. Such persons remain unemployed for the full time. Educated unemployed and those unemployed on account of migration from rural areas to urban areas, fall under the category of open unemployment.

2. Structural unemployment: This type of unemployment refers to the situation in which individuals are unable to find jobs due to structural changes in the economy. Structural changes can be of two types.

i. **Changes in technology:** With the development process, the industrial sector in a country tends to switch to modern techniques of production. People who are not able to adapt to these technological changes are rendered unemployed.

ii. **Changes in demand patterns:** Over time, people's tastes and preferences change with respect to different commodities. In other words, the demand patterns of consumers undergo changes. Industries that adapt to changing market demands and modify their products accordingly are able to survive in the market. On the other hand, industries that are not able to operate in accordance with changing demands are closed down. Consequently, the people engaged in these industries lose their jobs and become unemployed.

3. Underemployment: This refers to the situation wherein individuals are less than fully employed. An underemployed person works for a lesser duration of time than what he actually can. In this sense, we say that the person remains unemployed for some hours every day, or for some months of the year. According to the data given by the National Sample Survey, "extreme underemployment" refers to the situation wherein a person works for 28 hours a week, while "limited underemployment" refers to the situation wherein a person works for 20–42 hours a week.

The following are two types of underemployment that can be identified.

i. **Visible underemployment:** This underemployment refers to the situation in which people work for less than the normal hours of work. For example, suppose the normal working hours in a particular country is 9 hours per day. Now, if a person involuntarily works for only 5 hours, then he will be in visible underemployment.

ii. **Invisible underemployment:** This underemployment refers to the situation in which a person is engaged in a work that does not fully utilise his ability. In other words, this situation exists when people do not get work according to their qualifications and skills. For example, suppose a person holding a postgraduate degree gets a work that is suitable for a graduate, then he will be in invisible underemployment. That is, the underemployment exists, but is not visible to people.

4. Frictional unemployment: This type of unemployment occurs due to imperfections in the mobility of labour. Sometimes it happens that a person wishes to change his job. However, in the process of searching for a new job, he may remain temporarily unemployed. Similarly, a person might wish to remain voluntarily unemployed for some time. For example, a female worker might take a sabbatical for a few weeks or months on account of her marriage, maternity, etc.

5. Cyclical unemployment: This type of unemployment occurs due to cyclical fluctuations such as recession and depression in the economy. During recession and depression, there is a fall in the economic activity of a country. As a result, there is a cut in the production process. Consequently, the level of employment falls and a number of workers are rendered unemployed.

Causes of Unemployment

India is severely affected by the ever-rising unemployment rate. The following are the reasons responsible for rising unemployment in India.

1. *Slow economic growth*: The low rate of economic growth in India has resulted in a low rate of employment generation. The generated employment opportunities fall short of the supply of labour. Thus, a large section of the labour force remains unemployed. Further, in order to achieve economic growth, India has looked to use capital-intensive techniques of production (i.e. more machines and technology, less labour) over labour-intensive ones. This has caused many people to lose their jobs and become unemployed.

2. *Rising population*: The problem of population explosion is a major concern for India. The population is rising at a much higher rate than the rate of increase in employment opportunities. Education, health and other basic amenities that go into the creation of quality human capital are severely strained in the face of rising population. The shortage of these facilities results in the creation of inferior human capital (i.e. unskilled, unhealthy and illiterate). This, in turn, leads to widespread unemployment.

3. *Seasonal nature of agriculture*: Since India is an agrarian economy, a major part of its workforce is employed in the agricultural sector. Agriculture is a seasonal occupation. This causes many farmers to remain unemployed for three to four months in a year between the planting of crops. Besides this, Indian agriculture also suffers from disguised unemployment which acutely hampers the productivity of labour.

4. *Neglect and decline of small-scale industries*: The decline of cottage and small-scale industries in India has left a significant proportion of the population unemployed. The goods produced by small-scale industries face stiff competition from large firms that produce both better quality and cheaper goods. In such a situation, many small-scale industries end up closing operations. As a result, the workers and artisans engaged by them become unemployed.

5. *Lack of infrastructure*: Infrastructural inadequacy impedes industrial growth. Low industrial growth rate, in turn, obstructs the generation of employment opportunities in the country.

6. *Staunch traditional and cultural beliefs*: To take up a job or not is a matter of individual choice. In India, when it comes to the question of a woman taking up a job, it is usually her family that makes the decision on her behalf. Traditional and cultural beliefs hold sway in our country and these hinder the entry of many able and willing women into the workforce.

7. *Ineffective planning and inadequate information catering system*: Dissemination of information regarding various employment generation schemes and plans is

adversely affected due to ineffective planning and an inadequate information catering system. Consequently, people remain unemployed due to lack of awareness.

8. Low factor mobility: India is a diverse country with different languages, cultures, traditions and practices. These differences obstruct migration and mobility of people from one part of the country to another in search of better employment opportunities. Due to these differences, people prefer to remain unemployed in their places of origin rather than migrate to other regions where jobs are available.

Consequences of Unemployment

High unemployment leads to the following economic and social consequences.

Economic consequences

1. Underutilisation of human capital: The presence of a large number of unemployed individuals in a country implies that a large part of the human resource is unutilised. Such wastage of manpower prevents a country from achieving its potential in terms of growth and development.

2. Low capital formation: Low employment implies low income and earnings in the country. Consequently, the ability to save and invest also remains low. As a result, the rate of capital formation is low.

3. Loss in output: Since large-scale unemployment implies underutilisation of manpower, the level of output in such a scenario is less than the optimum level.

4. Low productivity: Due to unemployment, poverty and inferior quality of human capital, per capita productivity remains low.

Social consequences

1. Deterioration of the quality of life: Unemployment leaves people with lower incomes and pushes them towards poverty. Consequently, their standard of living falls.

2. Rise in inequalities: The higher the degree of unemployment, the higher is the gap between the rich and the poor. Income remains concentrated in the hands of the few employed persons. This gives rise to various inequalities in society.

3. Social ills: Unemployment and poverty push people towards crime and other social ills. This raises the level of unrest in society.

Measures to Remove Unemployment, Employment Generation Programs in India

Objective

In this lesson you will go through the following topics.

- Measures to remove unemployment
- Employment generation programmes in India

Introduction

In the previous lesson, we learnt about the different types of unemployment and its social and economic consequences. Rising unemployment poses a serious problem for an economy. In this lesson, we will learn how this problem of unemployment can be resolved. Further, we will analyse the programmes and policies formulated by the Indian government to combat this problem.

Measures to Remove Unemployment

The following are some of the steps that can be taken to counter the problem of unemployment.

1. Increase production: It is of prime importance to increase production in the agricultural and industrial sectors in order to increase employment. For this purpose, small-scale and cottage industries should be promoted. This will not only generate new employment opportunities but also assist the industrial sector, since small-scale and cottage industries act as subsidiaries to the industrial sector. Similarly, production for the purpose of foreign trade should be promoted. Increased production activities will raise the demand for labour and, thereby, the level of employment will rise.

2. Increase productivity: The demand for labour and productivity of labour are directly related to each other. Higher productivity generates higher profits. This, in turn, results in higher investment and higher demand for labour. The productivity of workers should be increased by imparting technical know-how. This enhances their acceptability of modernisation and, thereby, increases employment opportunities.

3. Control population: Population explosion is a serious concern for any country as it hinders the prospects of economic growth. Uncontrolled rise in population leads to rise in unemployment and, consequently, rise in poverty. Thus, people should be made aware of various birth control measures and the benefits of family planning and having a nuclear family.

4. Create non-agricultural employment: In an agrarian economy like India, the majority of the workforce is employed in the agricultural sector. The Indian agricultural sector suffers from several ills, especially disguised unemployment. Moreover, since agriculture is a seasonal occupation, many farmers remain unemployed for three to four months in a year.

It is necessary to engage these people in non-agricultural sectors during this time period. Creation of non-agricultural jobs like pottery and handicrafts not only reduces disguised unemployment but also enhances the income of a farmer during the off-season. This income could then be used by the farmer to improve the farm productivity.

5. Make available easy credit and finance: Lack of sufficient financial institutions in several rural areas makes it difficult for the rural folk to obtain credit. Where available, the credit is advanced at high lending rates. This lack of credit acts as a bottleneck to rural growth. Thus, financial institutions and banks should be set up to provide easy credit to the rural people. This will encourage them to engage in self-employment activities.

6. Provide health-care facilities: Lack of sufficient and proper health-care facilities characterises the rural regions. This not only impedes rural productivity but also reduces rural life expectancy. Poor health lowers the ability of an individual to engage in gainful employment. Thus, stress should be laid on establishing proper health-care facilities such as dispensaries, hospitals and nursing homes in rural areas. Also, the people in these areas should be made aware of the health implications of hygiene and sanitation.

7. Undertake educational reforms: One of the reasons for the rise of unemployment in India is that the Indian education system is not job-oriented. It fails to provide the right kind of practical knowledge and skills required for different jobs. Steps must be taken to promote vocational training. Additionally, financial help must be given to professionals to set up their own vocational institutes.

8. Adopt of labor intensive techniques: In a labour-abundant country like India, stress must be laid on the adoption of labour-intensive techniques of production to employ more labour. This will help reduce the level of unemployment.

9. Encouragement to self-help groups: More than 60% of the people in India are self-employed. Encouraging and supporting such individuals is a way to encourage other individuals to take up self-employment activities. Self-employed individuals should be provided with different facilities such as credit, marketing, transportation and technical training.

Employment Generation Programmes

Some of the major employment generation programmes in India are discussed below.

1. Swarnajayanti Gram Swarozgar Yojana (SGSY)

Launched in 1999, this programme emphasises on the establishment of a number of small-scale enterprises and microenterprises in rural areas on individual basis and as collectives (commonly known as self-help groups or SHGs). Under this scheme, grants are forwarded to the poor in the form of loans and subsidies. It also aims at providing

training, credit and technical facilities to SHGs.

The rates are fixed at 30% and 50% of the cost of a project for individuals and for collectives (SHGs), respectively. The progress of the projects is monitored by the banks associated with this scheme. The expenditure on this scheme is shared by the central and state governments in the ratio 75:25. Up till December 2007, approximately 27 lakh SHGs had been formed under this scheme and around 93 lakh swarozgaries had been assisted.

2. Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA)

Enacted in 2005, MNREGA aims at enhancing the livelihood of the rural families by guaranteeing the adult members (who are willing to work) one hundred days of wage employment every year. This act was implemented in all states of India except Jammu and Kashmir. This act guarantees a minimum daily wage of Rs 120 (according to 2009 prices). MNREGA facilitates rural development by emphasising on the dual objectives of achieving development by developing rural infrastructure (via water conservation, canal irrigation facilities, afforestation, flood control, embankments, etc.) and simultaneously providing employment opportunities to the rural unskilled labour.

3. Sampoorna Grameen Rozgar Yojana (SGRY)

Launched in 2001, this programme aims at providing employment opportunities to surplus workers with a view to develop regional, economic and social conditions. Under this programme, various infrastructural projects such as construction of roads, wells, tanks and embankments have been undertaken.

This particular scheme seeks to provide employment by creating 100 crore man-days (capacity of workers per day) of labour. The expenditure on this scheme is shared by the central and state governments in the ratio 87.5:12.5. In 2006, this programme was merged with MNREGA.

4. The Swaran Jayanti Shahri Rozgar Yojana (SJSRY)

This scheme was launched in 1997 by merging Nehru Rozgar Yojana (NRY) and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). The objective of this scheme is to provide self-employment and wage employment to the urban unemployed or underemployed. *Two important components* of this scheme are discussed below.

i. *Urban Self-Employment Programme (USEP)*- This programme is aimed at providing assistance to the underemployed and unemployed urban poor for setting up self-employment enterprises or workshops such as petty businesses and manufacturing units. Such assistance encourages local skills and local crafts.

ii. *Urban Wage Employment Programme (UWEP)*- This programme is aimed at providing assistance to urban groups of poor women for setting up self-employment enterprises or workshops.

5. *Prime Minister's Rozgar Yojana*

This scheme is aimed at providing employment to the educated unemployed. It was launched with the objective of providing employment to more than one million educated youth by setting up 7 lakh microenterprises. By 2003-04, approximately 30 lakh persons had been employed under this scheme.

6. *National Food for Work Programme (NFWP)*

Launched in 2004, the objective of this programme is to provide wage employment to unskilled labourers in the backward states of the country. Under this programme, workers are engaged in manual and unskilled work.

To conclude, we can say that various important measures have been taken by the government for addressing the problem of unemployment in India.