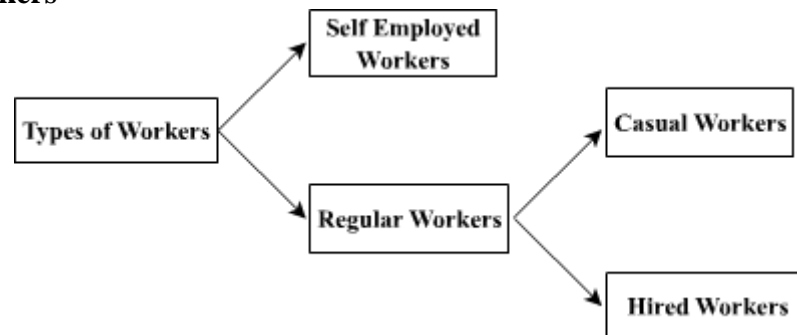

CHAPTER 7

EMPLOYMENT: GROWTH, INFORMALISATION AND OTHER ISSUES

- ❖ **Workers** refer to those who are involved in the production activity and contribute to the generation of GDP.

- ❖ **Types of Workers**



- ❖ **Self employed** workers are those who are engaged in their own business or own profession, for example, a farmer working on his own field.
- ❖ **Regular workers** are permanently employed workers by the employers. They get social security benefits, for example, an engineer working in a construction company.
- ❖ **Hired workers** are those who work for others by means of rendering services to others and getting paid in return, for example, a teacher working in a school.
- ❖ **Casual workers** are those who work on daily wages. They are not hired by their employers on regular basis.
- ❖ **Labour supply** (supply of labour corresponding to different wage rates) is the amount of labour that the workers are willing to offer corresponding to a particular wage rate.
- ❖ **Labour force** refers to the number of workers actually working or willing to work at a particular wage rate.
- ❖ **Work force** refers to those who are actually working and does not include those who are willing to work.
- ❖ **Worker Population Ratio** is defined as the proportion of population that is actively contributing to the production of goods and services.
$$\text{Worker-Population Ratio} = \frac{\text{Total Workforce}}{\text{Total Population}} \times 100$$
- ❖ **Jobless economic growth** refers to a situation when the level of output in the economy rises (due to technological improvement) without proportionate rise in the employment opportunities. This is because the technological improvement substitutes labour for machines. Therefore, unemployment continues to exist, even when there is a rise in GDP.

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- ❖ **Formal sector** (organised sector of the economy) includes all the government departments, public enterprises and private enterprises that hire 10 or more workers.
 - ❖ **Informal sector** (unorganised sector of the economy) includes all private enterprises that hire less than 10 workers, besides farming and self-employment ventures.
 - ❖ A situation of decline in the percentage of workforce in the formal sector along with simultaneous rise in informal sector's workforce is known as **Informalisation of Workforce**.
 - ❖ When the percentage of casually hired workers in the total work force tends to rise overtime with simultaneous decline in the self employment and regular salaried workforce, then such a situation is referred to as **Casualisation of Workforce**.
 - ❖ An individual who is ready and willing to work at existing wage rate but does not get work is considered as **unemployed**.
 - ❖ **Two Types of Unemployment**
 - **Disguised Unemployment**- The kind of unemployment that arises when the number of workers engaged is more than what is actually required in a job is called disguised unemployment. For example, if a piece of land can be cultivated by five people efficiently, but eight people are engaged, then three people are disguisedly unemployed.
 - **Seasonal Unemployment**- The kind of unemployment that arises when people are not able to find jobs during some months of the year is called seasonal unemployment. For example, farmers are seasonally unemployed for few months before harvesting crops.
 - ❖ **Causes Responsible for Increasing Unemployment in India**
 - **Slow Economic Growth** failed to generate newer employment opportunities for the growing population.
 - **Population** is rising at a much higher rate than the rate of increase in the employment opportunities.
 - Farmers remain unemployed for three to four months in a year as **agriculture is a seasonal occupation**.
 - **Neglecting small scale industries** has made a significant proportion of population unemployed. Also the stiff competition from large firms and lack of easy and cheap credit facilities made the cottage and small firms more vulnerable.
 - **Lack of infrastructure** impedes the growth of the industries that in turn obstructs employment generation.
 - Due to staunch beliefs in the **traditional and cultural values**, the decisions regarding females taking up jobs are still governed by her family members (a major cause of low female participation in workforce).
 - Lack of investments in education and health sectors leads to lack of **quality human capital**, thereby increasing their probability of being unemployed.
 - **Ineffective planning and information catering system** has further made it difficult to disseminate information regarding various employment generation schemes and plans and consequently people lack awareness.

❖ Economic Consequences of Unemployment

- **Underutilisation of Human Capital-** Country fails to utilise its human resources optimally due to high unemployment rates.
- The **rate of capital formation declines** due to the inability of rising unemployed population to save and invest.
- Due to high unemployment rate the **aggregate output** for the economy will also be **low**.
- **Reduces Productivity-** Per capita productivity remains low due to widespread unemployment, poverty and inferior quality of human capital.

❖ Steps to Solve the Problem of Unemployment

- **Steps to increase productivity levels** lead to higher profits that in turn results in higher investment and generates higher demand for labour.
- **Providing assistance to self employed persons-** Government should provide facilities like credit, better seeds and irrigation to small and marginal farmers.
- **Controlling population-** People should be made aware of various birth control measures and also the benefits associated with family planning and nuclear-family.
- **Development of infrastructure** such as dams, bridges, canal, roads, etc.
- **Increase in investments in developing human capital-** technical education, imparting skills, on-the-job training, quality medical facilities, etc.
- Policy re-formulation and special plans focusing on the **development of the small scale and cottage industries** such as easy and cheap credit facility.
- Encouraging **private investments in industrial sector** via financial concessions such tax holidays, etc.
- **Increasing production** in the agricultural and industrial sectors in order to increase employment opportunities.
- Use of **labour intensive technique** rather than an undue reliance on capital intensive techniques of production.