

NCERT INDIAN ECONOMIC DEVELOPMENT · CHAPTER 6

Employment: Growth, Informalisation and Other Issues

Summary notes based on NCERT Indian Economic Development, Chapter 6

UNDERGRADUATE & CLASS 12 ECONOMICS STUDY MODULE

Meaning of employment and workers

Economic activities are activities that contribute to the Gross National Product (GNP).

Workers include people engaged in economic activities, whether self-employed or working for an employer.

Workers temporarily unable to work due to illness, injury, bad weather or other reasons are also counted as workers.

Unpaid household work performed by women is often not recognised as economic activity, leading to an underestimation of women's contribution.

Employment contributes to national income, individual livelihood and economic development.

Workforce in India

India's workforce was approximately 545 million in 2022–23, according to the chapter.

Around two-thirds of the workforce lived in rural areas.

Approximately 77% of workers were men and 23% were women.

Rural women constituted about one-fourth of the rural workforce, compared with around one-fifth in urban areas.



Worker–population ratio (WPR)

WPR measures the percentage of the population engaged in economic activities.

Formula: Worker-population ratio = (Total workers ÷ Total population) × 100.

ACCORDING TO NCERT, 2023–24:

Rural WPR is higher partly because economic necessity pushes more people into work.

Women's participation is significantly lower than men's, particularly in urban areas.

Social attitudes, family responsibilities and the non-recognition of unpaid work contribute to the gender gap.

WORKER-POPULATION RATIO, 2023–24

Category	WPR
Overall India	43.7%
Rural India	45.6%
Urban India	38.9%
Men	56.4%
Women	30.7%
Rural women	34.8%
Urban women	20.7%

Source: NCERT Chapter 6 data records for 2023–24.

Types of employment based on status

Self-employed:

People who own and operate their own enterprises, such as shopkeepers and independent professionals.

Regular salaried employees:

People who work for an employer and receive wages or salaries regularly.

Casual wage labourers:

Workers who receive payment for work performed and often lack employment security.

DISTRIBUTION OF WORKFORCE BY EMPLOYMENT STATUS, 2023-24:

Employment status	Share	
Self-employed	58.4%	Self-employment remains the largest source of livelihood.
Regular salaried	21.7%	Casual wage workers are particularly vulnerable because their work and income may be irregular.
Casual wage labourers	19.9%	

Employment across economic sectors

The economy is divided into three major sectors:

Primary:

Agriculture, forestry, fishing, mining and related activities.

Secondary:

Manufacturing, electricity, gas, water supply and construction.

Tertiary or services:

Trade, transport, storage and other services.

Workforce distribution by sector:

Sector	1972-73	2023-24
Primary	74.3%	46.1%
Secondary	10.9%	24.1%
Services	14.8%	29.8%

The share of workers employed in agriculture and related activities has declined substantially.

Employment in manufacturing, construction and services has increased.

The primary sector remains the largest single source of employment.

Around 60% of rural workers depend on the primary sector, while approximately 61% of urban workers are employed in services.

Women workers are more concentrated in the primary sector than men.

Growth and changing employment patterns

Between 1951 and 2023, India's GDP generally grew faster than employment.

Employment growth remained at or below 2% during much of this period, according to the chapter.

The gap between GDP growth and employment growth widened during certain periods.

Jobless growth

refers to a situation in which economic output increases without a corresponding increase in employment opportunities.

Economic growth alone does not guarantee adequate job creation.

Informalisation of the workforce

The workforce is classified into formal and informal sectors.

The formal sector includes public sector establishments and private establishments employing 10 or more hired workers, as defined in the chapter.

The informal sector includes many small enterprises, farmers, agricultural labourers, self-employed workers without hired employees and casual wage workers.

NCERT FIGURES FOR 2019-20:

Employment category	Workers
Total workforce	535 million
Formal sector	59 million
Informal sector	476 million
Formal share	Approximately 11%
Informal share	Approximately 89%

Formal sector workers generally have better access to social security, employment protection and regulated working conditions.

Informal workers often face irregular income, limited social protection and greater employment insecurity.

The growth of informal employment has remained a major concern despite economic development.

Informalisation in Ahmedabad

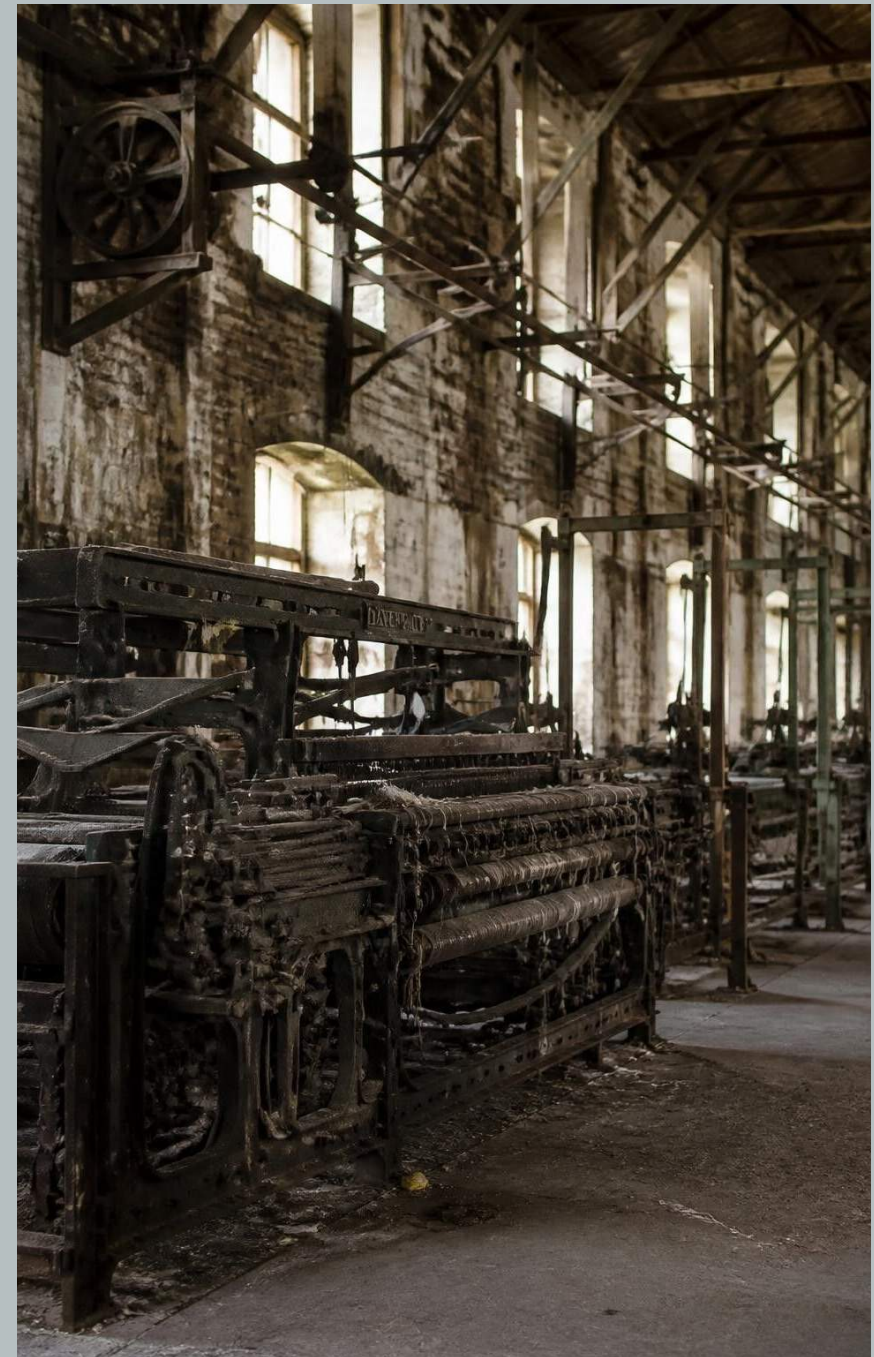
Ahmedabad's textile industry historically employed large numbers of workers in relatively secure jobs.

In the early 1980s, textile mills began closing across India.

In Ahmedabad, more than 80,000 permanent workers and over 50,000 non-permanent workers lost their jobs during the period of mill closures.

Many displaced workers moved into informal employment.

The case illustrates how industrial decline can reduce job security and push workers into less protected forms of employment.



Types of unemployment

Open unemployment:

People willing and seeking to work cannot find employment. It includes people actively looking for jobs but unable to obtain them.

Disguised unemployment:

More workers are engaged in an activity than are actually required. Removing some workers does not reduce output. It is common in Indian agriculture. An older study mentioned in the chapter estimated that about one-third of agricultural workers were disguisedly unemployed in the late 1950s.

Seasonal unemployment:

Employment is available only during particular periods of the year. It is common in agriculture, where work varies according to the agricultural season. Workers may migrate temporarily to urban areas to find employment during the off-season.

Government initiatives for employment generation

Governments generate employment both directly and indirectly.

Direct employment: Recruitment in government departments and employment through public enterprises and government-run services.

Indirect employment: Government production and investment create demand for inputs, encouraging private enterprises to expand production and employment.

Employment generation programmes also support poverty alleviation and the development of community assets.

Activities include rural roads, housing, sanitation, drinking water, primary education, healthcare and land development.

MGNREGA, under the 2005 Act, promises 100 days of guaranteed wage employment to rural households willing to undertake unskilled manual work.



Key conclusions

Economic growth and employment growth do not always move together.

Self-employment continues to account for the largest share of the workforce.

Employment has shifted from agriculture towards secondary and service-sector activities.

Informal employment remains widespread, with limited social security for many workers.

Women have lower measured workforce participation than men, partly because unpaid work is often not counted.

Disguised and seasonal unemployment remain important features of rural India.

Government intervention plays a significant role in generating employment and supporting vulnerable workers.