Chapter 6: Employment: Growth, Informalisation and Other Issues

Exercises — Employment: Growth, Informalisation and Other Issues

Q1 Who is a worker?

SOLUTION

A worker is a person who is engaged in an economic activity — that is, an activity which contributes to the gross national product of the country.

Workers include all those who are engaged in economic activities, in whatever capacity, whether high or low. Even those who temporarily abstain from work due to illness, injury, bad weather, festivals, or social and religious functions are considered workers.

Workers also include those who help the main workers in these activities. Both paid employees and self-employed persons are workers. A person is not required to be paid by an employer to be counted as a worker; those who own and operate their own enterprises also qualify as workers.

Answer: A worker is any person engaged in economic activities that contribute to the gross national product, regardless of capacity — including self-employed persons and those temporarily absent from work due to illness or other reasons.

Q2 Define worker-population ratio.

SOLUTION

Worker-population ratio is an indicator used for analysing the employment situation in a country. It shows the proportion of the total population that is actively contributing to the production of goods and services.

It is calculated by dividing the total number of workers by the total population and multiplying by 100.

If the ratio is higher, it means greater engagement of people in economic activities. If it is medium or low, it means a high proportion of the population is not directly involved in economic activities.

According to Table 6.1 in the chapter, the worker-population ratio for India in 2023-24 was about 43.7 overall — approximately 45.6 in rural areas and 38.9 in urban areas.

Answer: Worker-population ratio is the proportion of total population engaged in economic activities, calculated as (total workers / total population) x 100. It indicates the level of economic participation in a country.

Q3 Are the following workers — a beggar, a thief, a smuggler, a gambler? Why?

SOLUTION

No, a beggar, a thief, a smuggler, and a gambler are NOT workers in the economic sense.

According to the chapter, a worker is one who is engaged in an economic activity that contributes to the gross national product of the country. Economic activities are those which add to the national output — producing goods and services — in a legitimate and recognised manner.

Begging does not involve producing any good or service; it is a transfer of income, not a productive activity. Theft and smuggling are illegal activities — they do not create goods or services but merely redistribute or transfer existing wealth illegally; they do not add to the GNP. Similarly, gambling is not a productive economic activity; it involves redistribution of money among participants rather than creation of output.

Since none of these activities contribute positively to the gross national product, these persons cannot be classified as workers in the economic sense.

Answer: No. A beggar, thief, smuggler, and gambler are not workers because their activities do not contribute to the gross national product. Workers must engage in legitimate economic activities that add to national output.

Q4 Find the odd man out (i) owner of a saloon (ii) a cobbler (iii) a cashier in Mother Dairy or Milk Cooperative Society of your area (iv) a tuition master (v) transport operator (vi) construction worker.

SOLUTION

The odd one out is (iii) a cashier in Mother Dairy or Milk Cooperative Society.

The reason is that the cashier is a regular salaried employee — someone engaged by an enterprise and paid wages on a regular basis. All the others — the owner of a saloon, a cobbler, a tuition master, a transport operator, and a construction worker — are either self-employed or casual wage labourers.

The owner of a saloon owns and operates the enterprise. A cobbler is typically self-employed. A tuition master generally works independently. A transport operator owns and runs the transport service. A construction worker is a casual wage labourer. Only the cashier has a structured employer-employee relationship with a regular salary in an organised establishment.

Answer: The odd one out is (iii) a cashier in Mother Dairy or Milk Cooperative Society, because this is the only regular salaried employee in the list. The others are self-employed or casual wage labourers.

Q5 The newly emerging jobs are found mostly in the _____ (service/manufacturing).

SOLUTION

The newly emerging jobs are found mostly in the service sector.

As stated in the chapter's conclusion, in the last few decades, the expansion of the service sector and the advent of high technology have allowed many new kinds of jobs to emerge. Outsourcing of work has become a common practice, and the service sector has seen rapid expansion.

The chapter also notes a shift in the structure of workforce away from the primary sector towards the secondary and service sectors, with service sector showing the most dynamic growth in recent years.

Answer: The newly emerging jobs are found mostly in the service sector.

Q6 An establishment with four hired workers is known as _____ (formal/informal) sector establishment.

SOLUTION

An establishment with four hired workers is known as an informal sector establishment.

According to the chapter, all public sector establishments and those private sector establishments which employ 10 hired workers or more are called formal sector establishments. All other enterprises — those employing fewer than 10 hired workers — form the informal sector.

Since this establishment has only four hired workers, which is below the threshold of 10, it falls in the informal sector.

Answer: An establishment with four hired workers is an informal sector establishment, because only establishments with 10 or more hired workers qualify as formal sector.

Q7 Raj is going to school. When he is not in school, you will find him working in his farm. Can you consider him as a worker? Why?

SOLUTION

Yes, Raj can be considered a worker.

According to the chapter, all those who are engaged in economic activities — in whatever capacity — are workers. Working on a farm is an economic activity because it contributes to the production of food grains and raw materials, which form part of the gross national product.

The fact that Raj also goes to school does not disqualify him from being a worker. He is engaged in productive economic activity on the farm when not in school, and that work contributes to national output.

Workers are not required to work full time or exclusively — even those who work part time in economic activities count as workers.

Answer: Yes, Raj is a worker. Working on the farm is an economic activity that contributes to the gross national product. A person need not work full time to be counted as a worker.

Q8 Compared to urban women, more rural women are found working. Why?

SOLUTION

The chapter provides clear data and reasoning for this difference. According to Table 6.1, for every 100 rural women, about 35 participate in the employment market, whereas in urban areas, only about 21 out of every 100 urban women are engaged in economic activities.

In rural areas, the economic condition of families is generally poor. People cannot afford to stay at home when there is work available, so both men and women participate in agricultural and allied activities. Rural women work in farm labour, fetching water and fuelwood, and a variety of home-based activities.

In urban areas, where men are able to earn higher incomes, families tend to discourage female members from taking up jobs. A greater section of the urban population is also able to pursue education longer, and urban families may have higher social barriers against women working outside the home.

Additionally, the chapter notes that many household activities done by women are not recognised as productive work, but in rural areas, women's direct participation in farm work is more visible and counted. The overall economic pressure in rural households compels greater female participation.

Answer: Rural women participate more in employment because rural households have limited incomes and cannot afford to keep women at home. Urban women face social barriers, and higher male incomes in urban areas discourage female employment.

Q9 Meena is a housewife. Besides taking care of household chores, she works in the cloth shop which is owned and operated by her husband. Can she be considered as a worker? Why?

SOLUTION

Yes, Meena can be considered a worker.

According to the chapter, workers include all those who help the main workers in economic activities. Working in the cloth shop is an economic activity — it contributes to the production of services and to the gross national product.

The chapter also clarifies that workers include self-employed persons and those who assist in family enterprises. Meena is actively helping operate the family business — a cloth shop — which is a recognised economic activity.

Moreover, the chapter discusses how women working in family farms and enterprises are often not counted as workers simply because they are not paid separately, but economists argue that they should be counted as workers since their contribution to the enterprise is real and productive.

Thus, even though Meena may not receive a separate wage, her work in the cloth shop qualifies her as a worker.

Answer: Yes, Meena is a worker. Working in the cloth shop is an economic activity that contributes to national output. The chapter makes clear that those who help in family enterprises — even without separate pay — are counted as workers.

Q10 Find the odd man out (i) rickshaw puller who works under a rickshaw owner (ii) mason (iii) mechanic shop worker (iv) shoeshine boy.

SOLUTION

The odd one out is (iii) mechanic shop worker.

The rickshaw puller working under a rickshaw owner, the mason, and the shoeshine boy are all casual wage labourers — they work for daily or piece wages without a regular or permanent employment arrangement.

A mechanic shop worker, on the other hand, is more likely to be a regular salaried employee — working for an established enterprise on a fixed and regular basis.

Alternatively, one could argue the shoeshine boy is self-employed. But in the context of the categories discussed in the chapter — self-employed, regular salaried, and casual wage labourers — the mechanic shop worker stands out as the one most likely to have a regular salaried or stable employment status among the rest who are casual workers.

Answer: The odd one out is (iii) mechanic shop worker, who is likely a regular salaried employee, while the rickshaw puller, mason, and shoeshine boy are casual wage labourers.

Q11 The following table shows distribution of workforce in India for the year 1972-73. Analyse it and give reasons for the nature of workforce distribution. You will notice that the data is pertaining to the situation in India about 50 years ago!

Place of Residence	Male (millions)	Female (millions)	Total (millions)
Rural	125	69	195
Urban	32	7	39

SOLUTION

The 1972-73 data shows that the overwhelming majority of workers — about 195 out of 234 million total (roughly 83 per cent) — lived in rural areas. This reflects India's agrarian character at that time, with most people depending on agriculture and allied activities.

Men dominated the workforce in both rural and urban areas. In rural areas, 125 million men worked compared to 69 million women. In urban areas, 32 million men worked compared to only 7 million women.

The low participation of women — especially urban women — can be explained by social norms that discouraged women from working outside the home, limited access to education and skill training, and the non-recognition of much of women's household and farm labour as economic activity.

The chapter notes that in 1972-73, about 74 per cent of the workforce was engaged in the primary sector. This means rural workers were predominantly engaged in agriculture, which required large numbers of family members including women and children, explaining the higher

rural female participation.

Urban workforce was much smaller (39 million) compared to rural (195 million), reflecting that India was still in the early stages of urbanisation and industrialisation in the 1970s. The service and industrial sectors were not large enough to absorb significant numbers of workers.

Overall, this distribution reflects an economy dominated by subsistence agriculture, with limited industrialisation, low female urban participation, and high rural dependence — consistent with India's situation about 50 years ago.

Answer: In 1972-73, about 83 per cent of workers were rural, reflecting India's agrarian nature. Men dominated both rural and urban workforces. Urban female participation was very low due to social barriers. The high rural workforce share reflects the primary sector dominating employment at over 74 per cent.

Q12 The following table shows the population and worker-population ratio for India in 1999-2000. Can you estimate the workforce (urban and total) for India?

Region | Population (crores) | Worker-Population Ratio | Estimated Workers (crores)
Rural | 71.88 | 41.9 | 30.12
Urban | 28.52 | 33.7 | ?
Total | 100.40 | 39.5 | ?

SOLUTION

The worker-population ratio gives us the percentage of the population that is working. To estimate the number of workers, we use the formula: Workers = (Population x Worker-Population Ratio) / 100.

Urban workforce: Population = 28.52 crores, Worker-Population Ratio = 33.7

Urban workers = (28.52 x 33.7) / 100 = 961.124 / 100 = 9.61 crores (approximately)

Total workforce: Population = 100.40 crores, Worker-Population Ratio = 39.5

Total workers = (100.40 x 39.5) / 100 = 3965.8 / 100 = 39.66 crores (approximately)

We can verify: Rural workers (30.12) + Urban workers (9.61) = 39.73 crores, which is approximately equal to the total of 39.66 crores (minor difference due to rounding).

Answer: Urban workforce = (28.52 x 33.7) / 100 = approximately 9.61 crores. Total workforce = (100.40 x 39.5) / 100 = approximately 39.66 crores.

Q13 Why are regular salaried employees more in urban areas than in rural areas?

SOLUTION

Regular salaried employees are more common in urban areas because of the nature of economic activities and enterprises found there.

The chapter explains that in urban areas, the nature of work is different from rural areas. Everyone cannot run factories, shops, and offices of various types independently. Moreover, enterprises in urban areas — industries, banks, hospitals, government offices, IT companies, and service firms — require workers on a regular basis and therefore employ them on a salary.

In rural areas, the dominant activity is agriculture, and since the majority of those depending on farming own plots of land and cultivate independently, self-employment is greater. There are fewer organised enterprises that would hire workers on a regular salary.

Chart 6.2 in the chapter shows that regular salaried employment is much higher in urban areas (about 40 per cent of urban workers) compared to rural areas (about 13 per cent of rural workers). This gap directly reflects the concentration of formal sector enterprises and organised industries in urban regions.

Answer: Urban areas have more organised enterprises — industries, offices, banks — that require regular workers and pay salaries. In rural areas, farming dominates and most people are self-employed cultivators, so regular salaried employment is rare.

Q14 Why are less women found in regular salaried employment?

SOLUTION

The chapter provides several reasons why fewer women are in regular salaried employment.

First, social and cultural barriers restrict women from seeking formal employment, especially in many communities where higher male incomes lead families to discourage women from working outside the home.

Second, women's household work — cooking, fetching water and fuelwood, farm labour — is often not recognised as productive economic work. As a result, many women are engaged in unpaid or underpaid informal work rather than formal salaried jobs.

Third, women have lower access to education, skill training, and professional qualifications compared to men, making them less competitive for regular salaried positions in formal sector establishments.

Fourth, regular salaried employment is concentrated in urban formal sector enterprises. Women's participation in urban employment is much lower (about 21 per cent of urban women) compared to men.

The chapter also notes from Box 6.1 that women constitute only about one-sixth of the formal sector workforce, reflecting the combined effect of social restrictions, lower educational access, and occupational segregation.

Answer: Fewer women are in regular salaried employment due to social and cultural barriers, non-recognition of women's work, lower access to education and skills, and the concentration of formal sector jobs in urban areas where female participation is low.

Q15 Analyse the recent trends in sectoral distribution of workforce in India.

SOLUTION

The chapter, using Table 6.3, presents clear trends in sectoral distribution of workforce in India from 1972-73 to 2023-24.

Primary sector: In 1972-73, about 74 per cent of the workforce was in the primary sector (agriculture, mining, quarrying). By 2023-24, this has declined significantly to about 46 per cent.

Despite this decline, the primary sector still employs the largest share of workers, reflecting India's continued dependence on agriculture.

Secondary sector: The share of workforce in the secondary sector (manufacturing, construction, electricity, gas) has increased from about 11 per cent in 1972-73 to about 24 per cent in 2023-24. This growth reflects the gradual industrialisation of the Indian economy.

Service sector: The service sector's share has grown from about 15 per cent in 1972-73 to about 30 per cent in 2023-24. Newly emerging jobs are found mostly in the service sector, driven by growth in trade, transport, IT, banking, and other services.

In terms of status, self-employment remains the largest category (about 58 per cent), though it declined from over 61 per cent in 1972-73. There has been a trend of casualisation — movement from self-employment and regular salaried work to casual wage work — though recent data (2017-24) shows a moderate rise in regular salaried employment.

Overall, the trends reflect a gradual structural shift from an agrarian to a more diversified economy, though the pace of shift to industry has been slower than expected, and the service sector is becoming the primary driver of new employment.

Answer: The primary sector's share fell from 74 per cent (1972-73) to 46 per cent (2023-24). Secondary sector rose from 11 to 24 per cent. Service sector rose from 15 to 30 per cent. Newly emerging jobs are concentrated in services. Self-employment remains dominant but casualisation of workforce has increased.

Q16 Compared to the 1970s, there has hardly been any change in the distribution of workforce across various industries. Comment.

SOLUTION

This statement is NOT accurate. The chapter's data in Table 6.3 clearly shows significant changes in the distribution of workforce across industries between the 1970s and 2023-24.

The primary sector's share has fallen substantially — from about 74 per cent in 1972-73 to about 46 per cent in 2023-24. This is a decline of about 28 percentage points over five decades.

The secondary sector's share has more than doubled — from about 11 per cent in 1972-73 to about 24 per cent in 2023-24.

The service sector has also doubled — from about 15 per cent in 1972-73 to about 30 per cent in 2023-24.

These changes represent a major structural shift in the Indian economy, from a predominantly agrarian economy to one where industry and services together account for more than half the workforce.

However, one could qualify the statement by noting that the pace of change has been slow. Agriculture still employs the largest single share (46 per cent) even in 2023-24. The structural transformation has been incomplete compared to most developed economies where agriculture accounts for only a small fraction. But calling it 'hardly any change' is an overstatement that the data does not support.

Answer: The statement is inaccurate. Data shows major changes: the primary sector fell from 74 per cent to 46 per cent, the secondary sector rose from 11 to 24 per cent, and services rose from 15 to 30 per cent between 1972-73 and 2023-24. However, the transformation is slower than in developed economies.

Q17 Do you think that during 1950-2010 employment generated in the country is commensurate with the growth of GDP in India? How?

SOLUTION

No, employment generated during 1950-2010 was NOT commensurate with the growth of GDP in India.

The chapter states that during the period 1950-2010, Gross Domestic Product (GDP) of India grew positively and was consistently higher than employment growth. During this period, employment grew at the rate of not more than 2 per cent.

A particularly concerning trend noted in the chapter is what scholars call 'jobless growth.' In the late 1990s, employment growth started declining and reached the level that India had in the early stages of planning. During these years, there was also a widening gap between the growth of GDP and employment.

This means that the Indian economy was able to produce more goods and services without generating proportionate employment. GDP growth was driven more by productivity improvements and capital-intensive production rather than labour absorption.

Chart 6.3 in the chapter visually demonstrates this widening gap between GDP growth and employment growth, confirming that economic growth during this period did not translate into adequate job creation. This is a matter of serious concern as it means the benefits of growth did not reach a large section of the workforce.

Answer: No. During 1950-2010, GDP growth was consistently higher than employment growth, which did not exceed 2 per cent. From the late 1990s, employment growth declined further while GDP grew — a phenomenon called jobless growth — showing that growth did not generate commensurate employment.

Q18 Is it necessary to generate employment in the formal sector rather than in the informal sector? Why?

SOLUTION

Yes, it is necessary and desirable to generate more employment in the formal sector rather than in the informal sector, for several important reasons.

First, formal sector workers enjoy social security benefits such as provident fund, gratuity, pension, and maternity benefits. Informal sector workers have no such protection. As the chapter explains, workers in the formal sector earn more and are protected by labour laws.

Second, informal sector workers face great vulnerability — they can be dismissed without compensation, they do not get regular income, and they have no bargaining power. The chapter's case study of Ahmedabad textile mills illustrates how informalisation pushed over

80,000 permanent workers and 50,000 non-permanent workers into poverty when the mills closed.

Third, the technology used in informal sector enterprises is outdated, productivity is low, and workers often live in slums without basic amenities.

Fourth, the developmental planning objective has always been to provide decent livelihoods to all. The industrialisation strategy was intended to bring surplus workers from agriculture to industry with better standards of living.

The chapter notes that development planning envisaged that as the economy grows, more workers would become formal sector workers. However, the opposite has happened — informalisation has increased. The trend of jobless growth and rising casualisation has made it all the more important to promote formal sector employment that offers security, fair wages, and social protection.

Answer: Yes. Formal sector employment offers social security, regular income, legal protections, and better wages. Informal sector workers face vulnerability, no compensation on dismissal, no social benefits, and low wages. Increasing formal employment improves workers' quality of life and fulfils the developmental goal of decent livelihoods.

Q19 Victor is able to get work only for two hours in a day. Rest of the day, he is looking for work. Is he unemployed? Why? What kind of jobs could persons like Victor be doing?

SOLUTION

Yes, Victor can be considered unemployed in a meaningful sense, even though he gets some work.

The chapter explains that economists define an unemployed person as one who is not able to get employment of even one hour in half a day. By that strict definition, Victor — who gets two hours of work — technically has some employment and would not be categorised as fully unemployed.

However, Victor is clearly underemployed. He is working far below his capacity and willingness, and spends the rest of the day looking for more work. This is a form of visible underemployment — he is available and willing to work more but cannot find additional work.

The chapter describes open unemployment as a situation where a person is actively seeking work but cannot find it. Victor's situation — spending most of the day looking for work — is consistent with open unemployment in its spirit even if he technically gets a small amount of work.

Persons like Victor are likely to be engaged in casual wage labour — the chapter notes that casual wage labourers work without any regular or permanent attachment to an employer. They may work as daily labourers in construction, as loading workers, as agricultural labourers during peak seasons, or as odd-job workers in the informal sector, accepting any work available on a given day.

Answer: Victor is underemployed and largely unemployed in practice. He works only two hours but is willing and seeking full-time work, which is open unemployment. Such persons typically work as casual wage labourers — construction workers, loaders, agricultural labourers, or informal sector daily-wage workers.

Q20 You are residing in a village. If you are asked to advise the village panchayat, what kinds of activities would you suggest for the improvement of your village which would also generate employment.

SOLUTION

Based on the chapter's discussion of government employment generation initiatives, the following activities could be recommended to the village panchayat:

Construction of rural infrastructure: Building roads, check dams, school buildings, hospital facilities, and government offices generates direct employment for local workers, especially casual wage labourers and construction workers.

Development of community assets: Construction and maintenance of community wells, tanks, water bodies, community halls, and sanitation facilities creates wage employment for villagers.

Agriculture and allied activities: Supporting irrigation projects, desilting of tanks, development of wastelands and degraded lands into cultivable land, and promoting horticulture and animal husbandry can expand employment in the primary sector.

Rural drinking water projects: Laying of pipelines, construction of water storage facilities, and maintenance of water supply systems require local labour and generate employment.

Housing construction: Assisting poor families in constructing houses under government housing schemes generates both direct employment and improves living conditions.

The chapter specifically mentions that the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA) promises 100 days of guaranteed wage employment to all rural households who volunteer to do unskilled manual work. Encouraging village households to avail this scheme for local infrastructure work would be a practical recommendation.

All these activities serve the dual purpose of creating employment and improving the village's physical and social infrastructure.

Answer: Village panchayat activities that generate employment include: construction of roads, check dams, schools, and sanitation facilities; development of wastelands; desilting of water tanks; housing construction for the poor; and rural drinking water projects. These align with the MGNREGA framework of wage employment through community asset creation.

Q21 Who is a casual wage labourer?

SOLUTION

A casual wage labourer is a worker who is casually engaged in someone else's farm or enterprise and gets remuneration only for the work done, without any regular or permanent employment arrangement.

The chapter defines this category through the example of construction workers — they are

engaged by an employer on a casual basis, work as and when hired, and are paid for the specific work done. There is no guarantee of continued employment.

Casual wage labourers account for about 20 per cent of India's workforce according to the chapter. They are particularly common in rural areas and are found in activities like agricultural wage work, construction, and other informal sector activities.

The chapter identifies casual wage labourers as the most vulnerable among the three employment categories (self-employed, regular salaried, casual wage labourers) because they have no job security, no social security benefits, and no regular income. They can be dismissed without compensation and have little bargaining power with employers.

Answer: A casual wage labourer is a worker engaged casually for specific work and paid remuneration only for that work, with no regular employment arrangement or job security. Construction workers and agricultural labourers are typical examples. They account for about 20 per cent of India's workforce and are the most economically vulnerable category.

Q22 How will you know whether a worker is working in the informal sector?

SOLUTION

A worker is in the informal sector if the enterprise they work for does not qualify as a formal sector establishment.

According to the chapter, formal sector establishments are: (a) all public sector establishments, and (b) private sector establishments that employ 10 or more hired workers. All other enterprises and the workers in them belong to the informal sector.

Therefore, to determine whether a worker is in the informal sector, we check: Does the worker work in a public sector establishment? If yes, they are in the formal sector. If the worker is in a private sector establishment, does that establishment employ 10 or more hired workers? If yes, formal sector; if no, informal sector.

Other indicators that suggest a worker is in the informal sector include: they do not receive social security benefits like provident fund, gratuity, or pension; they do not have a regular salary and may be paid on a daily or piece-rate basis; the enterprise does not maintain proper accounts; the enterprise uses outdated technology; and the worker has no trade union representation or legal protection of employment.

The informal sector includes farmers, agricultural labourers, owners of small enterprises, self-employed persons without hired workers, and all non-farm casual wage labourers such as construction workers and headload workers who work for more than one employer.

Answer: A worker is in the informal sector if they work in a private enterprise employing fewer than 10 hired workers, or are self-employed without hired workers, or are non-farm casual wage labourers. Additional signs include no social security benefits, no regular salary, no trade union membership, and the enterprise using outdated technology and not maintaining accounts.