

CUET · ECONOMICS · CLASS XI · CODE 309

Employment: Growth, Informalisation and Other Issues

CUET unit: Indian Economic Development — Current Challenges

Facing Indian Economy (Employment)
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Snapshot

- A "**worker**" is anyone engaged in production; workforce participation is measured by the **worker–population ratio (WPR)** in India.
- Workers are classed as **self-employed, regular salaried and casual wage workers**, distributed unevenly across rural/urban areas and gender.
- The **eight industrial divisions** are clubbed into primary, secondary and tertiary sectors; the workforce has shifted away from agriculture since 1972.
- **Jobless growth, casualisation and informalisation** mark the Indian workforce, with the Ahmedabad textile mill case as the standard illustration.
- **Open, disguised and seasonal unemployment** are the three types; direct/indirect government measures for employment generation include **MGNREGA 2005** — a high-yield CUET zone.
- The policy chain runs: WPR → status mix → sectoral mix → formality → unemployment types → government response.

Detailed Notes

2.1 Core concepts

- **Workers and economic activity:** activities that contribute to the gross national product (GNP) are called economic activities; all persons engaged in such activities — in any capacity (high or low, paid or self-employed) — are workers. Workers temporarily absent due to illness, injury, bad weather, festivals or social/religious functions are still workers, and helpers of main workers are also counted (NCERT §6.2, p. 94).
- **Size and composition of workforce:** India had a workforce of about **545 million in 2022-23**; rural workers form about two-thirds (**471 million**). Men constitute about **77%** of workers; women account for about one-fourth of the rural workforce and one-fifth of the urban workforce (NCERT §6.2, pp. 94–95).
- **Worker–Population Ratio (WPR):** $WPR = (\text{total workers} \div \text{total population}) \times 100$. For 2023-24, India's total WPR was **43.7** (Rural 45.6, Urban 38.9); male WPR 56.4, female WPR 30.7 (Total) (NCERT §6.3, Table 6.1, p. 95). WPR is higher in rural areas because rural people, having limited resources and lower access to education, are pushed into the labour market earlier.

- **Why female WPR is low:** many household activities performed by women are not recognised as productive work; where men earn high incomes, families discourage women from taking jobs; in urban areas only about 21 of every 100 women are economically active, against about 35 in rural areas (NCERT §6.3, p. 96).
- **Self-employed, regular salaried, casual wage labourers:** self-employed (own and operate an enterprise) form about **58%** of the workforce; casual wage labourers about **20%**; regular salaried employees about **22%** (NCERT §6.4, p. 97). Self-employment is the largest category for both sexes; casual wage work is the second-largest source for women; regular salaried jobs are dominated by men (21% vs 16% for women) (NCERT §6.4, Chart 6.1, p. 97).
- **Rural vs urban status mix:** self-employed dominate in rural areas (**65%**); urban areas have a more balanced split between self-employment (**40%**) and regular salaried jobs (**48%**), reflecting urban enterprises' demand for regular workers and the predominance of independent cultivation in villages (NCERT §6.4, Chart 6.2, pp. 97–98).
- **Industrial divisions:** all economic activity is divided into eight divisions — (i) Agriculture, (ii) Mining and Quarrying, (iii) Manufacturing, (iv) Electricity, Gas and Water Supply, (v) Construction, (vi) Trade, (vii) Transport and Storage, (viii) Services. These are grouped into three sectors — **primary** [i, ii], **secondary** [iii, iv, v] and **service/tertiary** [vi, vii, viii] (NCERT §6.5, p. 99).
- **Sectoral distribution of workforce (2023-24):** Primary **46.1%**, Secondary **24.1%**, Tertiary **29.8%** of all workers; in rural India the primary sector is **59.8%**, in urban India the tertiary sector is **60.9%**; the female workforce is concentrated in the primary sector (**64.4%**) (NCERT §6.5, Table 6.2, pp. 99–100).
- **Growth of employment and GDP — jobless growth:** during 1950–2010, GDP grew faster than employment; employment growth never exceeded about 2% and from the late 1990s it started declining further, widening the gap with GDP growth. Producing more goods and services without generating employment is called **jobless growth** (NCERT §6.6, pp. 100–101).
- **Trends in employment pattern (1972-73 to 2023-24):** share of primary sector fell from **74.3% to 46.1%**; secondary rose from **10.9% to 24.1%**; services rose from **14.8% to 29.8%**. Status-wise: self-employed 61.4%→58.4%, regular salaried 15.4%→21.7%, casual wage 23.2%→19.9% (with a peak of 31.8% in 1993-94). The shift from self-employment and regular salaried work towards casual wage work is called **casualisation of workforce** (NCERT §6.6, Table 6.3, p. 102).
- **Formal vs informal sector:** public-sector establishments and private establishments employing **10 or more hired workers** are the **formal/organised sector**; all others form the **informal/unorganised sector**. Formal sector workers enjoy social security, higher earnings and can form unions; informal workers (small farmers, agricultural labourers, small enterprises, non-farm casual labourers working for multiple employers) do not (NCERT §6.7, p. 103).

- **Scale of informalisation:** in 2019-20, of about **535 million workers**, only about **59 million (≈11%)** were in the formal sector — the remaining **≈89%** were informal. In 2011-12, women formed about one-sixth of the formal sector workforce (Box 6.1) and about 20% of formal vs 30% of informal sector workers were women (NCERT §6.7, Chart 6.4, p. 104).
- **Ahmedabad case (Box 6.2):** in the early 1980s textile mills across India began closing; in Ahmedabad about **80,000 permanent and over 50,000 non-permanent textile workers** lost jobs over a decade and slid from the secure middle class into the informal sector, leading to alcoholism, suicides and child labour. ILO efforts pushed the Indian government towards modernising informal enterprises and extending social security (NCERT §6.7, p. 105).
- **Definition of unemployment (NSO):** unemployment is a situation in which persons, owing to lack of work, are not working but seek work through employment exchanges, intermediaries, friends, relatives or applications, or express willingness/availability for work at the prevailing conditions. Economists define an unemployed person as one who is not able to get employment of even one hour in half a day (NCERT §6.8, p. 107).
- **Three sources of unemployment data:** Reports of the Census of India; NSO's Reports of Employment and Unemployment Situation and Annual Reports of the **Periodic Labour Force Survey (PLFS)**; and Directorate General of Employment and Training data of registrations with employment exchanges (NCERT §6.8, p. 107).
- **Three types of unemployment:**
 - **Open unemployment** — people actively seeking but not getting work.
 - **Disguised unemployment** — more persons engaged in an activity than required (e.g. five workers plus family on a 4-acre farm that needs only two); a late-1950s study found about one-third of Indian agricultural workers disguisedly unemployed.
 - **Seasonal unemployment** — common in agriculture, where workers find no work for several months a year and migrate to urban areas during the lean season (NCERT §6.8, pp. 107–108).
- **Government and employment generation:** the government generates employment **directly** by employing people in departments and running PSUs, industries, hotels and transport companies; and **indirectly** because raised PSU output (e.g. a government steel company) raises output and jobs in linked private firms (NCERT §6.9, pp. 108–109).
- **MGNREGA 2005:** the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 promises **100 days of guaranteed wage employment** to all **rural households** whose adult members volunteer to do **unskilled manual work** (NCERT §6.9, p. 108).
- **Employment generation programmes:** aim at poverty alleviation through employment plus services in primary health, primary education, rural drinking water, nutrition, asset-creation assistance, community asset development through wage

employment, housing and sanitation construction, rural roads and wasteland/ degraded-land development (NCERT §6.9, p. 109).

- **Conclusion — outsourcing and home as workplace:** new jobs are emerging mostly in the service sector; outsourcing — where big firms close specialist departments and hand piecemeal work to small enterprises or individuals, sometimes abroad — has made the home a workplace for many but increased informality and reduced social security (NCERT §6.10, p. 109).
- **Historical baseline:** at independence, India's workforce was about 130 million, with **over 70% in agriculture**; literacy was below 20% and the female WPR was below 20% as well. Industrialisation and education together have rebalanced the workforce since (NCERT §6.2 contextual, p. 94).
- **Indian data — rural-urban worker split:** of the **545 million workers in 2022-23**, about **471 million (≈86%)** are in rural areas, leaving roughly **75 million in urban areas** — a concentration that explains the rural focus of employment policy (NCERT §6.2, pp. 94–95).
- **Indian data — gender concentration:** women constitute about **23% of total workers**; their participation is **highest in agriculture (over 64% of female workers)** and lowest in formal manufacturing and services. The 2017–18 PLFS recorded India's female LFPR at one of the lowest in major economies — below 25% (NCERT §6.3, p. 96, contextual).
- **Why female WPR is under-measured:** a great deal of women's economic contribution — cooking, child care, kitchen gardening, livestock care, fuel collection, water collection — is treated as "domestic" and not counted in GDP or in worker statistics. The NSO's Time-Use Survey 2019 was India's first attempt to quantify this hidden work (NCERT §6.3, p. 96, contextual).
- **Sectoral shift in detail (Table 6.3, p. 102):** between 1972–73 and 2023–24, the primary sector's workforce share fell by about **28 percentage points** (74.3 → 46.1), the secondary sector's rose by **13 points** (10.9 → 24.1), and the tertiary sector's rose by **15 points** (14.8 → 29.8). This is the classic three-sector transformation but at a slower pace than China's or East Asia's experience.
- **Casualisation profile (Table 6.3):** casual wage employment rose from 23.2% in 1972–73 to a peak of **31.8% in 1993–94**, then fell to 19.9% by 2023–24 — reflecting both rising self-employment in agriculture and rising regular-salaried jobs in services (NCERT §6.6, p. 102). The rise in regular salaried from 15.4% to 21.7% in the same window is a positive sign within the formalisation story.
- **GDP-vs-employment elasticity:** with GDP growing at 6–8% but employment growing at under 2%, India's **employment elasticity of GDP** is about 0.2–0.3 — meaning every 1% GDP growth produces only 0.2–0.3% employment growth. This is the arithmetic of jobless growth (NCERT §6.6, p. 101).
- **Formal sector small-share data:** of 535 million workers in 2019–20, only 59 million were formal — a formal-sector ratio of just **11%**, one of the lowest among

major economies; about **89%** of workers therefore lack pension, paid leave, gratuity or written contracts (NCERT §6.7, p. 104).

- **Why informalisation matters:** informal workers are excluded from collective bargaining (no recognised unions), from labour-law protections (no minimum wage enforcement), from social security (no PF, ESI, gratuity), and from formal credit (no payslip → no bank loan). The Ahmedabad textile case shows how a single sectoral shock pushes thousands from formal middle-class to informal poverty (NCERT §6.7, p. 105).
- **MGNREGA scale:** in a typical year MGNREGA provides employment to **over 5 crore rural households**, with female participation often above 50% — making it the world's largest public-works employment-guarantee programme. Funding is via Central Government with State implementation; wages are paid via Jan-Dhan-linked direct benefit transfer (NCERT §6.9, p. 108, contextual).
- **Five flagship rural job programmes (historical):** Integrated Rural Development Programme (IRDP, 1978), Jawahar Rozgar Yojana (JRY, 1989), Employment Assurance Scheme (EAS, 1993), Sampoorna Grameen Rozgar Yojana (SGRY, 2001), and MGNREGA (2005) — each progressively expanded the employment-guarantee idea (NCERT §6.9 contextual, p. 109).
- **Disguised unemployment data:** NCERT cites a study from the late 1950s finding that roughly **one-third of Indian agricultural workers** were disguisedly unemployed — i.e., could be withdrawn from farming without reducing output. This is the empirical foundation of the **Lewis dual-economy** model that motivated India's industrialisation drive (NCERT §6.8, p. 107).
- **Open unemployment data:** PLFS 2023–24 reports India's overall unemployment rate at about **3.2%**, with urban youth (15–29 years) unemployment near 16% and rural at about 7%. These are conservative figures by current-status weekly definitions (NCERT §6.8, p. 107, contextual).
- **PLFS methodology:** launched in 2017–18 by the NSO, the PLFS publishes annual rural-urban estimates and quarterly urban estimates of employment, unemployment, LFPR and WPR. It replaced the quinquennial NSSO employment-unemployment rounds, providing more timely labour-market data (NCERT §6.8, p. 107).
- **The gig and platform economy** (post-NCERT contextual): rise of Ola, Uber, Zomato, Swiggy, Urban Company has produced a new category of "platform workers" who are technically self-employed but economically dependent on a single platform — a hybrid that does not fit the three-status classification and is being legally framed under the Code on Social Security 2020.

2.2 Definitions to memorise

Term	Definition	Page
Worker		94

Term	Definition	Page
	Anyone engaged in an economic activity in any capacity, including the self-employed, helpers of main workers and those temporarily absent due to illness, weather or festivals	
Economic activity	Any activity that contributes to the gross national product	94
Worker–population ratio (WPR)	$(\text{Total workers} \div \text{Total population}) \times 100$; an indicator of the proportion of population actively contributing to production	95
Labour force	All persons working or willing to work, irrespective of whether currently employed	95
Self-employed worker	A worker who owns and operates an enterprise to earn a livelihood	97
Casual wage labourer	A worker casually engaged in others' farms/enterprises and paid remuneration for the work done	97
Regular salaried employee	A worker engaged by someone or an enterprise and paid wages on a regular basis	97
Hired worker	A worker employed for wages by another person or enterprise	103
Jobless growth	Phenomenon in which the economy produces more goods and services without commensurate generation of employment	101
Casualisation of workforce	Process of workers moving from self-employment and regular salaried employment to casual wage work	102
Formal (organised) sector	All public-sector establishments and private establishments employing 10 or more hired workers	103
Informal (unorganised) sector	All enterprises and workers outside the formal sector	103
Informalisation of workforce	Rising share of workers in the unorganised sector or in informal work arrangements	103–104
Unemployment (NSO)	Situation in which persons, owing to lack of work, are not working but are seeking or available for work at prevailing conditions	107
Open unemployment	Visible category — people actively seeking work but unable to find it	107
Disguised unemployment	More persons engaged in an activity than are actually required, common in family farms	107
Seasonal unemployment	Unemployment that arises because work is available only during certain seasons of the year	108
MGNREGA 2005	Act guaranteeing 100 days of unskilled manual wage employment to rural households	108
	Government employing people in departments and PSUs	108

Term	Definition	Page
Direct employment generation		
Indirect employment generation	Higher PSU output stimulating linked private-sector jobs	109
Outsourcing	Practice of closing specialist departments and handing piecemeal work to small enterprises or individuals, sometimes located abroad	109
PLFS	Periodic Labour Force Survey — NSO's annual employment-unemployment survey	107
Workforce	Persons actually engaged in productive activity, regardless of formal employment status	94
Industrial division	Sub-category of economic activity; eight divisions grouped into three sectors	99
Social security	Protective benefits (pension, health cover, paid leave) generally available only to formal workers	103

2.3 Diagrams / processes to remember

- **Table 6.1 — Worker–Population Ratio in India, 2023-24:** Men 56.4 / Women 30.7 / Total 43.7; rural 45.6 vs urban 38.9; the largest gender gap is in urban areas (men 56.4 vs women 20.7) (p. 95).
- **Chart 6.1 — Distribution of Employment by Gender:** Male workers — Self-employed 54%, Regular salaried 21%, Casual 25%. Female workers — Self-employed 67%, Regular salaried 16%, Casual 17% (p. 97).
- **Chart 6.2 — Distribution by Region:** Urban — Self-employed 40%, Regular 48%, Casual 12%. Rural — Self-employed 65%, Regular 13%, Casual 22% (p. 97).
- **Table 6.2 — Workforce by Industry, 2023-24:** Primary 46.1%, Secondary 24.1%, Tertiary 29.8% overall; female workforce share in primary 64.4% (p. 99).
- **Chart 6.3 — Growth of Employment and GDP, 1951–2023:** jobless growth illustrated — GDP rises sharply while employment growth remains below 2% and declines after the late 1990s (p. 101).
- **Table 6.3 — Trends in Employment Pattern, 1972–2024:** Primary 74.3→46.1%, Secondary 10.9→24.1%, Services 14.8→29.8%; Self-employed 61.4→58.4%, Regular salaried 15.4→21.7%, Casual 23.2→19.9% (p. 102).
- **Chart 6.4 — Formal vs Informal workers, 2011–2020:** 2011-12 — 30 crore informal, 4.4 crore formal; 2019-20 — 47.6 crore informal, 5.9 crore formal (p. 104).
- **Worker classification flow:** economic activity → worker (self-employed / regular salaried / casual wage) → sector (primary / secondary / tertiary) → formality (formal / informal) → policy lens (employment generation programmes, MGNREGA).

2.5 Key formulas / structural ratios

Formula / Indicator	Meaning	NCERT page
$WPR = (\text{Workers} \div \text{Population}) \times 100$	Share of population that is working	95
Labour Force Participation Rate (LFPR) = $(\text{Labour force} \div \text{Population}) \times 100$	Share of population that is working or willing to work	95
Unemployment Rate = $(\text{Labour force} - \text{Workers}) \div \text{Labour force} \times 100$	Share of labour force without work	107
Formal sector cut-off = 10 or more hired workers	Boundary between formal and informal	103
Informal sector share \approx 89% of workers (2019-20)	Scale of informalisation	104
MGNREGA guarantee = 100 days	Statutory maximum guaranteed employment	108

2.4 Common confusions / NTA trap points

- **Formal sector cut-off is 10 hired workers, not 20.** A private establishment employing exactly 10 hired workers IS formal; an establishment with 4 or 9 hired workers is informal (NCERT §6.7, p. 103).
- **Disguised vs seasonal unemployment:** disguised = surplus workers visible in the same activity all year (typically family farms); seasonal = workers idle only in certain months (agricultural lean season). NTA loves to swap these (NCERT §6.8, pp. 107–108).
- **Self-employment is the LARGEST status, not regular salaried:** about 58% of workers are self-employed; together regular salaried + casual wage account for less than half (Recap, p. 110).
- **Worker definition includes the unpaid helper and the temporarily absent:** a farmer's wife who works in the family shop, a student helping on the family farm, and a worker on festival leave are all workers (NCERT §6.2, p. 94).
- **WPR is rural > urban, but the female-male gap is largest in urban areas:** rural total WPR 45.6 vs urban 38.9; urban female WPR is only 20.7 vs urban male 56.4 (Table 6.1, p. 95).
- **Casualisation \neq Informalisation:** casualisation refers to the shift in status (towards casual wage work); informalisation refers to the shift in sector (towards the unorganised sector).
- **Eight industrial divisions, not seven:** Agriculture, Mining, Manufacturing, Electricity-Gas-Water, Construction, Trade, Transport-Storage, Services. NTA often drops one to test recall.

- **Primary sector includes Mining and Quarrying**, not Construction (which is secondary).
- **MGNREGA covers only RURAL households**, not urban; only unskilled manual work; only up to 100 days.
- **Direct vs indirect employment generation**: direct = government as employer; indirect = government output raising private-sector demand.
- **Outsourcing brings work to the home but reduces social security** — both halves matter.
- **PLFS is the current annual employment survey**, not NSSO rounds.

Practice MCQs

Q1. According to the NCERT, which of the following persons would NOT be counted as a "worker"?


- A. A farmer's wife who works without pay on the family farm
- B. A factory worker who is temporarily absent due to illness
- C. A self-employed pavement vegetable vendor
- D. A retired person living entirely on inherited wealth

Q2. As per Table 6.1, India's WPR in 2023-24 was:

- A. 38.9 in rural and 45.6 in urban areas
- B. 45.6 in rural and 38.9 in urban areas
- C. 56.4 for women and 30.7 for men
- D. 43.7 in rural and 30.7 in urban areas

Q3. Which of the following statements about the distribution of the Indian workforce is correct?

- A. Regular salaried employees form the largest category.
- B. Self-employed workers account for about 58% of the workforce.
- C. Casual wage labourers form more than half of the female workforce.
- D. The share of self-employment is greater in urban areas than rural areas.

 **9 more MCQs + answer key**
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PYQ Alignment

This chapter is among the most frequently tested in CUET 309 Economics (Class XI section) — typically 6–8 MCQs a year — with the worker–population ratio (Table 6.1), the three worker statuses, the formal/informal definition (especially the 10-worker cut-off), types of unemployment (disguised vs seasonal), and MGNREGA 2005 (100 days, rural, unskilled manual) being the standard hooks. Direct statement-based and assertion–reason questions on jobless growth and casualisation/informalisation also recur, and the eight industrial divisions are favoured for match-the-following questions. See [previous CUET PYQs on this chapter](#).

CUET 2024 — Actual PYQs from this chapter

Q.25 (CUET 2024) Casualisation of workforce results in:

- A) Decrease in vulnerability B) Increase in vulnerability C) Increase in regular workers D) Employment stability
- Tests:** Casualisation of workforce **Answer:** Not in extracted key