

# Sector - wise Contribution to Employment Generation in India: A Comparative Study of Organised and Unorganised Sectors

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**Abstract:** India has experienced rapid economic growth, structural shift in the economy, increase in educational attainment levels and rapid urbanization in the last 25 years. In the context of this rapid economic growth changes have also been occurred in the labour market of India. New jobs are created, competition takes place, and consumer's choice has increased with the increase in economic efficiencies and all factors in turn leads to further economic growth. Labour market of India is divided in to two sectors viz; organised and unorganised sectors. Changes in the economy also bring changes in the employment in these two sectors in different states. Again, both the sectors have a significant contribution towards the national economy, growth in the economy also bring changes in their respective share towards the economy of the country. In this paper an attempt has been done to make a comparative analysis of states with regard to employment. Special emphasis is also given on industry wise employment differences in these two sectors. Contribution of these sectors towards country's economy is also analyzed here. (Organised Sector, Unorganised Sector, Employment, States of India, Net Domestic Product.)

## 1. Introduction

The labour market of India consists of two sectors, viz, organised and unorganised sectors (India Labour and Employment Report, 2014). Both organised and unorganised sector have an important role to play in the economy of our country. Unorganised sector workers are engaged as self employed workers, regular wage/salaried or as casual workers. The activities which in general included under this sector are like manufacturing, construction, transport, trade, hotels, restaurants, business and personal services. Broadly, activities in the unorganised sector are divided in to agriculture and non - agriculture activities. (Kalyani, M. , 2016). This sector have an important role to play regarding employment opportunities as well as contribution towards GDP of the country. Out of the total labour force of India 90 percent of them come from unorganised sector and about 50 per cent of the national products are accounted for by this sector (D'souza P.A., 2013). A high proportion of socially and economically underprivileged sections of society along with women are employed in different unorganised economic activities. However, due to economic reforms initiated in India in 1991, there is a marked acceleration in employment growth in organised sector. Organised sector is the sector which acts according to the government rules with many employers and have a defined pattern of wages. This sector divided in to public sector and private sector. One of the most important strategy for achieving inclusive growth in India's five year plan is to generate productive employment accompanied by decent working conditions on a quite large scale to provide employment to the growing labour force. Organised sector help the government of India to achieve this strategy to a great extent. Organised sector is highly preferable for its advantages like job security, high wages, social security, regulated working hours, work site facilities like urinals and water etc. worker's performance is

remunerated well by the organised sector and this sector is environment friendly too (Gupta and Sanjay 2012). However, the increase in output lead to a less than proportionate increase in employment in the organised sector (Balu 2013).

Thus, organised as well as unorganised sector of India have an important role to play in the national economy in terms of Net Domestic Product (NDP) and employment. However, difference seemed to exist regarding employment not only in the country as a whole but also in different states of it.

Recognizing the growing importance of organised and unorganised sector in the economic scenario of India, the present study makes an attempt to analyze the employment growth in these two sectors in different states of India. Besides, a more specific analysis is done here regarding Industry - wise Employment in Organised and Unorganised Sector. The study also throws light on contribution of organised and unorganised sector towards NDP of the country.

## 2. Conceptual Framework

The economy of India divided in to three economic sectors viz. Primary sector (consisting agriculture, fishery, forestry, animal husbandry), Secondary sector (consisting small and large scale industries) and tertiary sector (consisting transport and communication, banking, financial and other services). These three sectors of the economy can be further classified under the organised or unorganised sectors.

On the basis of different literatures workers of the unorganised Sector are divided in to three categories. Workers employed for remuneration among the unorganised workers, directly by employers or through agencies or

contractors are wage workers. This category of workers includes casual and temporary workers or those employed by households including domestic workers. A person who casually engaged in other farm or non - farm enterprises (both household and non - household) and in return, received wages according to the terms of the daily or periodic work contract is a casual wage labourer. Wage workers also include Regular workers; they are the workers who working for others and getting in return salary or wages on a regular basis (Rinoj 2014).

Organised sector are those enterprises or places of work where the terms of employment are regular and therefore people have assured work. They are registered by the government and have to follow its rules and regulations which are given in various laws such as The Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act. In this sector workers enjoy security of employment and work only fixed number of hours. If they work more they get paid more. Workers enjoy benefits like paid leave, provident fund and medical facilities.

Organised sector is further divided in to two sectors i. e. Public sector and Private sector. Public sector is that part of the economy concerned with providing basic government services. The Private sector on the other hand is that part of the economy that is not state controlled and is run by individuals and companies for profit. The private sector encompasses all for profit business that are not owned or operated by the government.

### 3. Objectives of the Study

The broad objective of this study is to make a comparative study of organised and unorganised sector with regard to employment and their share towards economy of India. Specific objectives are -

- 1) To examine composition and trends of employment in organised and unorganised sectors of India.
- 2) To compare organised and unorganised Sector in terms of employment and share towards Net Domestic Product of the country.

### 4. Data Source and Methodology

The present study is entirely based on secondary data. The data were collected from different reports on national sample survey, various issues Economic Survey. Data on composition and trends of employment in organised and unorganised sectors of India is collected from various issues of Economic Survey, Government of India, New Delhi for the time period 1961 to 1991. From 55th round of NSS, 1999 - 2000; data on Share of organised and unorganised Sector Workers in different States of India is collected. An analysis on Industry - wise employment in organised and unorganised Sector is done here with the help of data collected from annual reports (1983 and 1988) and Quarterly Employment Review (1994 and 2000). Lastly, data on Share of organised and unorganised sectors to Net Domestic Product of India is collected from National Accounts Statistics, 1993.

Simple percentage method is applied here to analyze and interpret the data collected from different reports.

### 5. Results and Discussions

To achieve the broad objective of the study an analysis is done with the help of following heads -

#### 5.1 Composition and trends of employment in organised and unorganised sectors of India

Employment in both organised and unorganised sector of India has been changed, the trend of employment in these two sectors during the period 1961 to 2001 is analyzed here with the help of table 1. Percentage of employment is computed here applying simple statistical technique. Employment difference between the sectors is also calculated here.

**Table 1: Employment differences between organised and unorganised sectors**

Year	Number of Persons Employed (in millions)		Total	Difference in Employment	%age of Employers in unorganised Sector	%age of Employers in organised Sector
	Organised Sector	Unorganised Sector				
1961	14.60	174.10	188.70	159.5	92.26	7.74
1971	20.20	206.70	226.90	186.5	91.10	8.90
1981	22.90	214.00	236.90	191.1	90.33	9.67
1983	24.01	264.00	288.01	239.99	91.66	8.34
1987	25.70	268.00	293.70	242.3	91.25	8.75
1991	26.70	259.38	286.08	232.68	90.66	9.33
2001	27.80	NA	NA	-	NA	-

Note: N A = Relevant data not available

Sources: Various Issues of Economic Survey, Government of India, New Delhi

It is evident from Table 1 regarding employment a significant difference exists between organised and unorganised sector of India and it continue to be exist over the years viz 1961 to 2001. Besides, this gap is always in favour of unorganised sector. The different in employment seemed to be highest in the year 1987 which is 242.3, after the difference declines a little to 232.68. This decline may

took place due to the economic reform policy adopted by the government of India in the year 1991.

**5.2 Share of organised and unorganised Sector Workers in different States of India**

Employment difference in organised and unorganised sector also seemed to exist in different states of India and it is evident from table 2 -

**Table 2:** Employment differences between organized and unorganized sectors across states.

States	All Workers (%)	
	Organised Sector	Unorganised Sector
Andhra Pradesh	7.07	92.93
Arunachal Pradesh	12.98	87.02
Assam	22.04	77.96
Bihar	5.08	94.92
Delhi	26.36	73.64
Goa	24.64	75.36
Gujrat	8.03	91.97
Haryana	10.40	89.60
Himachal Pradesh	8.72	91.28
Jammu and Kashmir	11.16	88.84
Karnataka	11.05	88.95
Kerala	27.69	72.31
Madhya Pradesh	5.48	94.52
Maharashtra	11.98	88.02
Manipur	11.22	88.78
Meghalaya	7.56	92.44
Mizoram	14.46	85.54
Nagaland	26.32	73.68
Orissa	5.71	94.29
Punjab	10.09	89.91
Rajasthan	5.60	94.90
Sikkim	20.04	79.96
Tamilnadu	10.46	89.54
Tripura	17.87	82.13
Uttar Pradesh	5.48	94.52
West Bengal	10.36	89.64
Total	9.13	90.87

Source: Computed from unit level records of Employment - Unemployment Survey, 55th round of NSS, 1999 - 2000.

Analyzing table 2 it can be said that in all the states of India unorganised sector is the dominating sector in terms of employment as compared to organised sector. Employment in the unorganised sector is highest in the state Bihar with 94.92 percent of employment. Followed by the states like Madhya Pradesh (94.52 percent), Uttar Pradesh (94.52 percent) etc. Besides these, in the states like Gujrat, Himachal Pradesh, Orissa, Rajasthan employment is more than 90 percent. Incase of organised sector, Kerala have the highest percentage of employment (27.69 percent). States like Delhi, Nagaland, Goa, Assam have high percentage of employment in organised sector of India.

Hence, different in employment is seemed to exist between organised and unorganised sector of different states of India. However, one common result obtained in this analysis is that unorganised have high percentage of employment in all the states of India.

**5.3 Industry - wise Employment in Organised and Unorganised Sector of India**

More specific study has done in this paper by analyzing employment in different industries fall under organised and unorganised sectors of India. The analysis is done with the help of table 3 -

**Table 3:** Industry - wise employment in organized and unorganized sectors.

Industry	Employment (in millions)											
	1983			1987 - 88			1993 - 94			1999 - 2000		
	Organised	Unorganised	All	Organised	unorganised	All	Organised	unorganised	All	Organised	Unorganised	All
Agriculture, hunting, forestry and fishing	1.3	203.8	205.1	1.4	209.9	211.3	1.4	238.3	239.7	1.4	238.6	240.0
Mining and quarrying	1.0	0.8	1.8	1.0	1.3	2.3	1.1	1.6	2.7	1.0	1.3	2.3
Manufacturing	6.3	25.7	32.0	6.3	29.9	36.2	6.4	33.4	39.8	6.5	37.2	43.7
Electricity, Gas and Water	0.8	0.1	0.9	0.8	0.3	1.1	1.0	0.4	1.4	1.0	0.3	1.3
Construction	1.2	5.5	6.7	1.2	11.0	12.2	1.2	11.0	12.2	1.1	16.4	17.5
Trade, Hotels and Restaurants	0.4	18.5	18.9	0.4	22.8	23.2	0.5	28.0	28.5	0.5	40.1	40.6
Transport, Storage and Communication	2.9	4.5	7.4	3.0	5.7	8.7	3.1	7.4	10.6	3.1	11.4	14.5
Services	10.2	15.1	25.2	11.2	19.2	30.4	12.6	27.2	39.9	13.2	24.7	37.8

Source: Organised employment figures are obtained from annual reports (1983 and 1988) and Quarterly Employment Review (1994 and 2000), DGE and T. Unorganised employment figures have been calculated using residual method.

Being an agrarian country; employment in agriculture, hunting, forestry and fishing for both organised and unorganised sector has significance in national economy. As observed from table 3, employment in this industry for unorganised sector was 203.8 million in 1983 and it increases to 209.9 million in 1987 - 88. However, during 1993 - 94 and 1999 - 00, employment in these industries moves around 238 million. In organised sector on the other hand employment is very much less than that of unorganised sector. Employment here is more or less stagnant over the years with employment approx 1 percent. In mining and quarrying industries both in organised and unorganised sector employment fluctuates in between 0.8 to 1.6 million. Except in the year 1983, in all the periods employment in unorganised sector is more than that of organised sector. However, the gap is not much significant. In 1983, employment in organised sector is 1.0 million, whereas it is 0.8 million in unorganised sector. Again, employment in manufacturing industry shows a gap between organised and unorganised sector which is in favour of later one. In unorganised sector employment continuously increases from 25.7 million in 1983 to 37.2 million in 1999 - 00. In organised sector, employment is more or less same and moves around 6 million. In Electricity, Gas and Water industry on the other hand employment in organised sector is higher than that of unorganised sector. Whereas the gap between the two sectors is less. In construction industry, employment in unorganised sector is continuously increasing, but in organised sector it is more or less stagnant and moves around 1 percent. Trade, Hotels and Restaurants; Transport, Storage and Communication and services industry employment in the unorganised sector is continuously increasing over the years except in services industry where employment declined from 27.2 million in

1993 - 94 to 24.7 million in 1999 - 00. Again, among these three industries employment in the Trade, Hotels and Restaurants is the highest. The gap in employment between organised and unorganised sector is also larger in this industry. For organised sector, employment in Trade, Hotels and Restaurants; Transport, Storage and Communication industry is more or less stagnant. Employment moves around 0.4 to 0.5 in the former industry, whereas in case of Transport, Storage and Communication industry it fluctuates in between 2 to 3 million. In service industry, on the other hand employment increases continuously by 1 percent over the years.

Therefore, in different industries there is a difference in employment in organised and unorganised sector. Except the industries like Mining and quarrying, Electricity, Gas and Water; employment in industries of unorganised sector is higher than that of organised sector. As a whole Agriculture, hunting, forestry and fishing give highest employment to unorganised sector during the period 1983 to 1999 - 00. In organised sector, organised sector give highest number of employment over the years.

#### 5.4 Contribution to Net Domestic Product (NDP) by organised and unorganised Sectors (at current prices) -

Both organised and unorganised sector have an important role to play in the national economy and it can analyzed from the contribution of these two sectors towards Net Domestic Product of the country. This analysis is done here during the period 1980 to 1991 with the help of table 4. Share of these two sectors to economy is done here through the application of percentage method.

**Table 4:** Sector - wise contribution to NDP

Year	Sector (Rs. crore)			Share of unorganized Sector	Share of organised Sector
	Organised	unorganised	Total		
1980 - 81	33, 073	77, 267	1, 10, 340	70.03	29.97
1985 - 86	72, 952	1, 34, 610	2, 07, 562	64.85	35.15
1986 - 87	84, 652	1, 45, 555	2, 30, 207	63.23	36.77
1987 - 88	96, 755	1, 64, 755	2, 61, 510	63.00	36.99
1988 - 89	1, 14, 624	1, 99, 895	3, 14, 519	63.56	36.44
1989 - 90	1, 31, 644	2, 28, 049	3, 59, 693	63.40	36.59
1990 - 91	1, 51, 749	2, 68, 030	4, 19, 779	63.85	36.15

Source: National Accounts Statistics, 1993, pp.203 - 4

From table 4 it is observed that share of organised sector NDP increases from 33, 073 crore in 1980 - 81 to 72, 952 crore in 1985 - 86 and continuously increase up to 1, 14, 624 in 1988 - 89. But, after that there is a slight increase to 1, 31, 644 crore in 1989 - 90 and then only to 1, 51, 749 crore in 1990 - 91. In case of unorganised sector, share increases suddenly from 77, 267 crores in 1980 - 81 to 1, 34, 610 in 1985 - 86. A little increase seemed to exist after 1985. It increases only to 1, 99, 895 crores in 1988 - 89 and then to 2, 68, 030 crores in 1990 - 91. A more specific study is done here by analyzing percentage share of organised and unorganised sector towards NDP of India. As computed in the table share of unorganised sector declined from 70.03 percent in 1980 - 81 to 64.85 in 1985 - 86 and further declined to 63.23 percent in 1986 - 87 and then to 63 percent in 1987 - 88 and then percentage share slightly increases and become 63.85 percent in 1990 - 91. Percentage share of

organised sector towards NDP however increases significantly from 29.97 percent in 1980 - 81 to 35.15 percent in 1985 - 86 and then increases continuously to 36.99 percent in 1987 - 88. With a little decline in 1988 - 89, share again increases to 36.59 percent in 1989 - 90, but again declined slightly to 36.15 percent in 1990 - 91.

Analyzing the table thus it can be said that in case unorganised sector share towards NDP declines during the period 1980 - 87, whereas increases in case of organised sector. After that till 1991, with a little fluctuation, both organised unorganised sectors' share towards NDP remains stagnant. Unorganised sectors' share revolves around 63 percent and for organised sector around 36 percent. However, percentage shares of unorganised sector towards NDP still higher than that of organised sector of India.

## 6. Conclusion

Thus, it can be concluded that over the years more particularly after economic reform employment in organised sector have increased but still lagging behind unorganised sector. However, employment trends are different in various states of India. More specific analysis reveal that employment in most of the industries of unorganised sector is higher than that of organised sector. Although, employment in unorganised sector is high as compared to organised sector, but share of unorganised sector towards NDP declines during the period 1980 - 87, whereas increases in case of organised sector. However, it remain stagnant till 1991. Hence, organised sector to increase its share in the labour market some improvements required to be made in terms of working hours, wage, flexibility, facilities etc. This further needed to be accompanied by government welfare policies with proper skill development programmes to cope up with the changing environment.

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