



Mains Practice Question

Q. An overdependence on the unorganized sector has been the reason behind India's unemployment and under-employment issue. Discuss (250 words)

11 May, 2019 GS Paper 3 Economy

Approach

- Give brief introduction of India's workforce in Informal sector.
- Give major reasons of large unorganized sector.
- Mention steps by government to alleviate this problem

Introduction

In India typically 81% of the labor force is in the informal sector. These informal sector workers have no job security, minimal benefits, very low pay, and often face hazardous working conditions. So the challenge is to create better jobs, as well as more jobs.

Body

Reasons for unsustainable large Informal sector:

- **Failure to boost manufacturing sector:** India's inability to create productive jobs for its rapidly rising young workforce stems largely from the failure of its manufacturing sector to become an engine of job creation.
 - Manufacturing generates the strongest forward and backward linkages across other sectors of the economy, which are important transmission links to growth and job creation.
 - With a strong multiplier effect, manufacturing has the potential to generate faster growth of employment in the organized sector than the services sector.
- **Capital intensive technologies:** Use of imported capital-intensive technologies, thereby cutting down on the workmen, especially in the post reform period to improve competitiveness to face competition from imported commodities.
- **Lack of skilled workforce:** The feedback from corporate India and research institutes alike is that 65-75% , 15 million Indian youth, that enter the workforce each year are not job-ready or suitably employable.
 - Just 4.69 percent of India's workforce is formally skilled, as against 52 percent in the US, 68 percent in the UK, 75 percent in Germany, 80 percent in Japan, and 96 percent in South Korea. In fellow emerging economies like China, skilled workers account for 24 per cent of the workforce.

Government initiative

- **Make in India** is a major national programme of the Government of India, the primary objective of this initiative is to attract investments from across the globe and strengthen India's manufacturing sector. The focus of Make in India programme is on 25 sectors.
- **Skill India Mission** aims to train over 40 core people in different skills by 2022. It includes various initiatives of the government like National Skill Development Mission, National Policy for Skill

Development and Entrepreneurship, 2015, and Pradhan Mantri Kaushal Vikas Yojana.

- **Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme:** Under the new EPF plan, the government will bear the entire 12 percent Employees' Provident Fund (EPF) share for all new individuals joining as industrial workers in formal sector, with a monthly salary of Rs 15,000, for three years under Pradhan Mantri Rojgar Protsahan Yojana (PMRPY) scheme.

Conclusion

The high incidence of informality in all its forms has multiple adverse consequences for workers, enterprises and societies and is, in particular, a major challenge for the realisation of decent work for all and sustainable and inclusive development.

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