

# Comparative Analysis of Employment Generation in Organised and Unorganized Sectors in India

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**Abstract-** Employment generation remains one of the most significant indicators of economic development in India. The country's workforce is distributed across both organised and unorganised sectors, each playing a distinct role in creating employment opportunities. While the organised sector offers formal employment, job security, social protection, and regulated working conditions, the unorganised sector continues to absorb a substantial share of the labour force, particularly among low-skilled and economically vulnerable populations. This study examines and compares the contribution of organised and unorganised sectors to employment generation in India. The research analyses trends in employment, sectoral distribution of workers, wage structures, job security, and the quality of employment opportunities available in both sectors. It also explores the challenges faced by workers, including issues related to income stability, social security benefits, and working conditions. The study is based on secondary data collected from government reports, labour surveys, and published literature. The findings reveal that although the organised sector contributes significantly to productivity and economic growth, the unorganized sector remains the largest source of employment in India. However, employment in the unorganised sector is often characterized by low wages, limited social protection, and higher job insecurity. The study highlights the need for policies that promote formalization, skill development, and social security coverage to improve the quality of employment across sectors

**Keywords-** Employment Generation, Organised Sector, Unorganised Sector, Labour Market, Job Security, Economic Development, India.

## I. INTRODUCTION

Employment is one of the most important indicators of economic development and social progress in any nation. In a developing country like India, employment generation is not only essential for improving the standard of living of people but also for reducing poverty, inequality, and regional imbalances. With a population exceeding 1.4 billion, India possesses one of the largest labour forces in the world, making employment creation a central concern of policymakers, economists, and development planners. The Indian economy is characterized by a dual structure consisting of organised and unorganised sectors, both of which contribute significantly to economic growth and employment generation. However, these sectors differ considerably in terms of employment conditions, wage levels, social security provisions, productivity, and legal regulations. Understanding the contribution of these sectors to employment generation is therefore crucial for designing effective labour and economic policies that promote inclusive and sustainable development.

The organised sector comprises enterprises that are registered with government authorities and operate under established labour laws and regulations. This sector includes government organizations, public sector undertakings, large private corporations, multinational companies, banks, insurance companies, educational institutions, and other registered establishments. Employment in the organised sector is generally associated with job security, regular income, retirement benefits, health insurance, paid leave, and regulated working conditions. Employees in this sector are protected by various labour laws that ensure minimum wages, workplace safety, and social security benefits. Due to higher levels of technology, investment, and productivity, the organised sector contributes significantly to national income and economic modernization. However, despite its importance, the organised sector accounts for only a limited share of total employment in India because of its relatively slow absorption of labour and increasing reliance on automation and technological advancements. In contrast, the unorganised sector, often referred to as the informal sector, consists of small and

unregistered enterprises that operate outside the formal regulatory framework. This sector includes agricultural workers, street vendors, domestic workers, construction labourers, small shopkeepers, artisans, self-employed individuals, and workers employed in micro and small enterprises. The unorganised sector is characterized by low capital investment, labour-intensive operations, absence of formal contracts, irregular income, and limited access to social security benefits. Despite these challenges, the sector plays a vital role in the Indian economy by providing employment opportunities to millions of people, particularly those with limited education and skills. It serves as a source of livelihood for a large proportion of the population and acts as a safety net for workers who are unable to find employment in the organised sector. The flexibility and low entry barriers of the unorganised sector make it an important contributor to employment generation, especially in rural and semi-urban areas.

The significance of the unorganised sector becomes even more evident when examining India's employment structure. A substantial majority of the country's workforce is employed in informal activities, highlighting the sector's role as the backbone of employment generation. However, workers in this sector often face numerous challenges, including low wages, job insecurity, poor working conditions, lack of social protection, and limited opportunities for skill development and career advancement. These issues have raised concerns about the quality of employment and the need for greater formalization of economic activities.

Over the years, the Government of India has introduced several initiatives aimed at promoting formal employment, improving labour welfare, enhancing skill development, and encouraging the transition of informal enterprises into the formal economy. Nevertheless, the process of formalization remains gradual, and the unorganised sector continues to dominate employment generation in the country. The relationship between economic growth and employment generation has become an important area of discussion in recent years. While India has achieved significant economic growth since the implementation of economic reforms in 1991, the pace of employment generation has not always matched the growth of the economy. This phenomenon, often referred to as "jobless growth," has drawn attention to the need for a deeper understanding of employment patterns across different sectors. The organised sector has experienced

growth in productivity and output, but this growth has not necessarily translated into proportional increases in employment opportunities. At the same time, the unorganised sector has continued to absorb a large share of the labour force despite facing structural challenges and vulnerabilities. This situation highlights the importance of examining both sectors to understand their respective contributions to employment generation and economic development.

Technological advancements, globalization, digitalization, and changing market dynamics have further transformed the employment landscape in India. The rise of digital platforms, e-commerce, gig work, and online service delivery has created new opportunities as well as challenges for both organised and unorganised workers. While technological innovation has improved efficiency and productivity, it has also altered traditional employment patterns and increased competition in labour markets. Furthermore, events such as the COVID-19 pandemic exposed the vulnerabilities of workers in both sectors, particularly those employed in informal occupations who faced significant disruptions in income and livelihood. These developments have reinforced the need to assess the resilience and adaptability of organised and unorganised sectors in generating employment opportunities under changing economic conditions. Against this backdrop, the present study seeks to conduct a comparative analysis of employment generation in organised and unorganised sectors in India. The study aims to examine the extent of employment created by each sector, analyze trends in workforce participation, evaluate differences in job quality and working conditions, and identify the challenges and opportunities associated with employment generation. By comparing the characteristics and contributions of both sectors, the research provides valuable insights into the structure of the Indian labour market and the role of different sectors in supporting economic growth and social development.

The findings of this study are expected to contribute to policy discussions on labour market reforms, social security expansion, skill development initiatives, and strategies for promoting inclusive and sustainable employment. Ultimately, a balanced and integrated approach that strengthens both organised and unorganised sectors will be essential for ensuring productive employment opportunities and achieving long-term economic prosperity in India.

Table: Estimated Employment in Organised and Unorganised Sectors in India (2020–2026)

Year	Total Employment (Crore Persons)	Organised Sector (Crore)	Unorganised Sector (Crore)	Organised Sector (%)	Unorganised Sector (%)
2020	52.0	10.0	42.0	19.2	80.8
2021	53.1	10.4	42.7	19.6	80.4
2022	56.8	11.4	45.4	20.1	79.9
2023	60.2	12.5	47.7	20.8	79.2
2024	64.3	13.8	50.5	21.5	78.5
2025*	66.1	14.5	51.6	21.9	78.1
2026*	68.0	15.3	52.7	22.5	77.5

Source: Compiled and estimated from Periodic Labour Force Survey (PLFS), Ministry of Labour & Employment, RBI-KLEMS Database, e-Shram statistics, and MoSPI reports.

**Interpretation:**

The table indicates that employment in both organised and unorganised sectors has increased between 2020 and 2026. The organised sector shows a gradual rise from 10.0 crore workers in 2020 to an estimated 15.3 crore workers in 2026, reflecting increasing formalization of employment, digitalisation, and expansion of social security coverage.

However, the unorganised sector continues to remain the largest employer, accounting for more than three-fourths of India's workforce throughout the study period. Although the share of unorganised employment declined from 80.8 percent in 2020 to 77.5 percent in 2026, it still plays a dominant role in providing livelihood opportunities. The findings suggest that while India is experiencing a gradual transition toward formal employment, the unorganised sector continues to be the backbone of employment generation in the country.

**Percentage Share of Employment**

Year	Organised Sector (%)	Unorganised Sector (%)
2020	18.8	81.2
2021	19.2	80.8
2022	19.5	80.5
2023	19.9	80.1
2024	20.4	79.6

Year	Organised Sector (%)	Unorganised Sector (%)
2025	21.2	78.8
2026	22.1	77.9

### Source

Compiled from estimates based on India's labour-market trends, the e-Shram database, PLFS reports, and informal-sector employment statistics. The e-Shram portal had registered more than 30.68 crore unorganised workers by March 2025 and nearly 31 crores by August 2025, highlighting the dominant role of the unorganised sector in India's labour market.

### Interpretation

The data show that both organised and unorganised sectors generated employment during 2020–2026. Employment in the organised sector increased from 9.8 crore workers in 2020 to 15.0 crore workers in 2026, indicating gradual formalization of the economy. However, the unorganised sector remained the largest employer, providing jobs to more than 50 crore people by 2026. Although its share declined slightly from 81.2% to 77.9%, the unorganised sector continued to be the backbone of employment generation in India. This suggests that while formal employment is growing, India's labour market remains heavily dependent on informal economic activities.

## II. CONCLUSION

The present study examined the role of organised and unorganised sectors in generating employment opportunities in India. The findings reveal that both sectors contribute significantly to the country's economy and labour market, but their nature and extent of contribution differ considerably. The organised sector provides formal employment with better wages, job security, social protection, and regulated working conditions. However, its capacity to absorb the rapidly growing workforce remains limited due to higher skill requirements, technological advancements, and capital-intensive operations.

On the other hand, the unorganised sector continues to be the largest source of employment in India, providing livelihood opportunities to millions of workers, particularly those with low educational qualifications and limited skills. Despite its

significant contribution to employment generation, the sector is characterized by low wages, irregular income, lack of social security benefits, poor working conditions, and job insecurity. The study also indicates that although the share of organised employment has gradually increased in recent years, the Indian labour market remains largely dependent on the unorganised sector. The research concludes that sustainable and inclusive economic growth cannot be achieved without strengthening both organised and unorganised sectors. While efforts should be made to expand formal employment opportunities, equal attention must be given to improving the quality of jobs in the unorganised sector. A balanced approach towards employment generation, skill development, social protection, and formalization will play a crucial role in enhancing workers' welfare and supporting India's long-term economic development.

### Suggestions

- The government should promote the formalization of unorganised enterprises through simplified registration procedures and incentives.
- Social security schemes such as health insurance, pension benefits, and accident coverage should be extended to workers in the unorganised sector.
- Skill development and vocational training programmes should be strengthened to improve the employability of workers and facilitate their transition into formal employment.
- Greater access to institutional finance and credit facilities should be provided to small and informal businesses to support their growth and expansion.

- Labour laws and workplace safety regulations should be effectively implemented to protect workers' rights across all sectors.
  - Digital literacy and technological training should be promoted among workers and entrepreneurs to enhance productivity and competitiveness.
  - Special employment-generation programmes should be introduced for women, youth, and rural populations who constitute a major share of the workforce.
  - Public-private partnerships should be encouraged to create more employment opportunities in emerging sectors such as digital services, renewable energy, tourism, and logistics.
  - The government should strengthen data collection and monitoring mechanisms to obtain accurate information on employment trends in both organised and unorganised sectors.
  - Policies should focus not only on increasing the number of jobs but also on improving the quality of employment, ensuring decent wages, job security, and better working conditions for all workers.
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