

3. PRODUCTION AND EMPLOYMENT



SECTORS OF ECONOMY

People are engaged in different activities to earn their livelihoods.



AGRICULTURE



**These activities
are categorized
into three.**



SECTORS OF ECONOMY

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graph TD; A[SECTORS OF ECONOMY] --> B[Agriculture sector]; A --> C[Industrial sector]; A --> D[Service sector];
```

Agriculture sector

Industrial sector

Service sector

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1.AGRICULTURE SECTOR

- ❖ **Agriculture and related activities such as fishing, forestry, mining.**
- ❖ **Nature has a dominant role in the production process.**

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Agriculture

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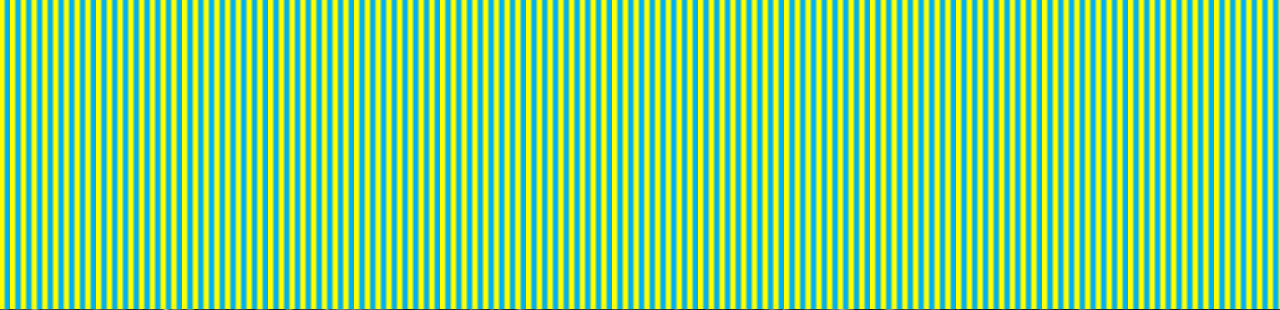




Fishing

Mining



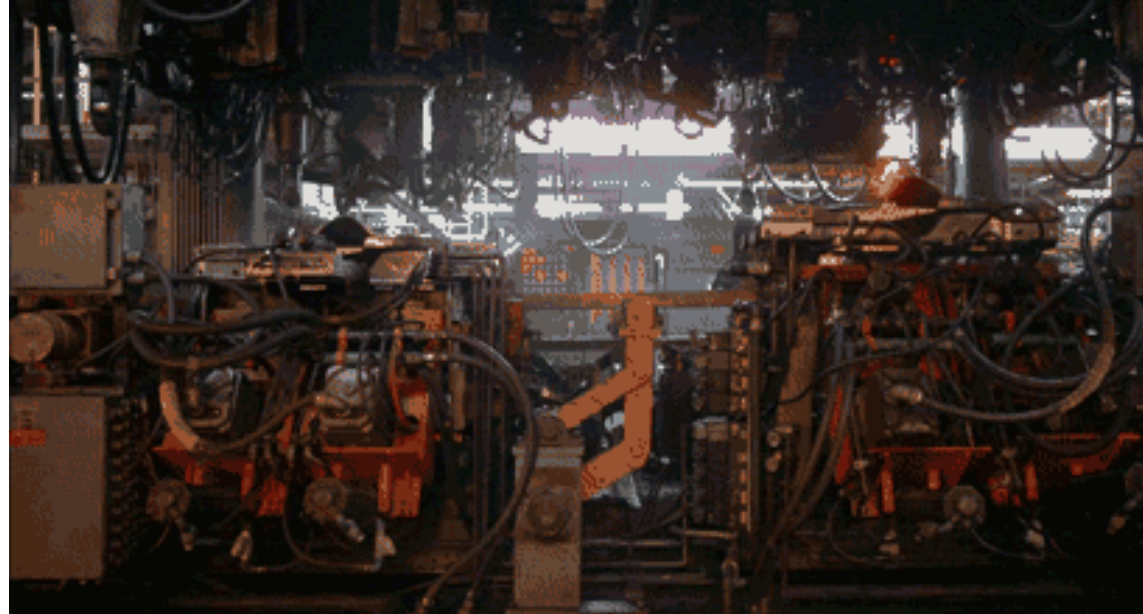
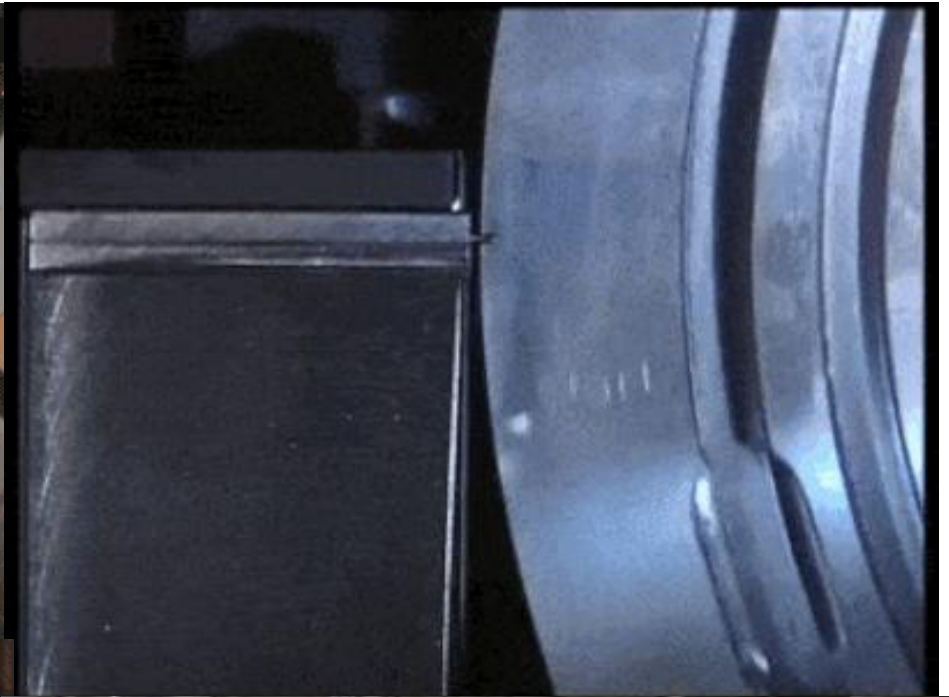
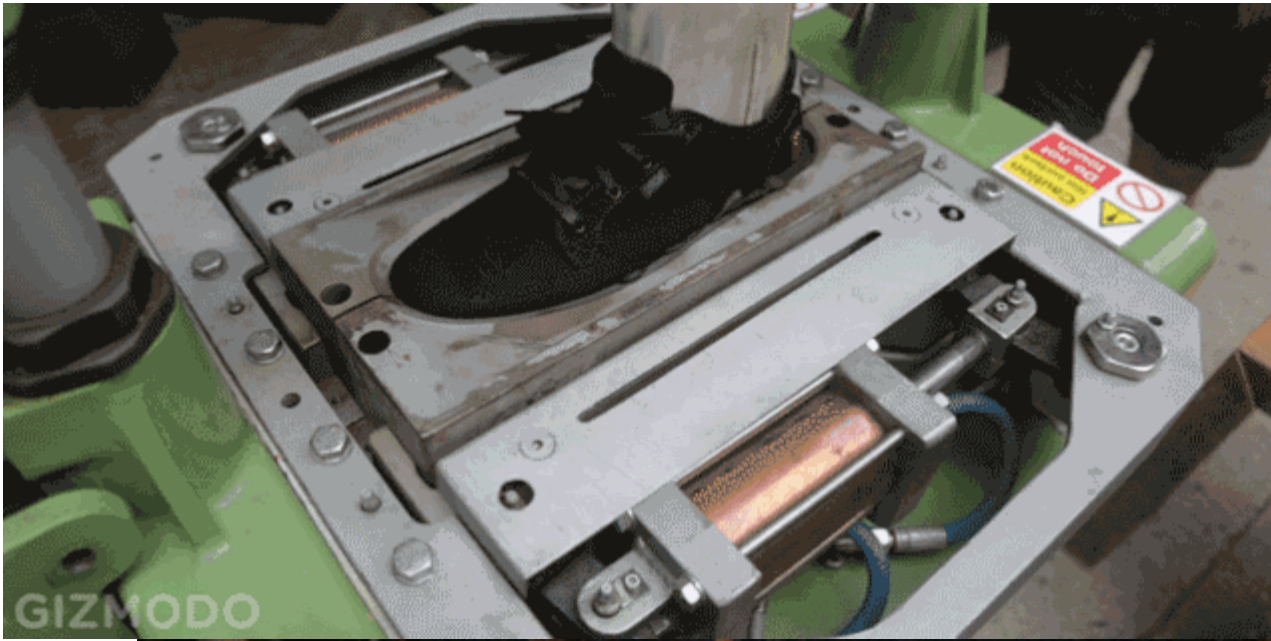


Forestry

2. Industrial sector

- ❖ **Manufacturing processes and other industries.**
- ❖ **Goods are produced by people using tools and machines.**





3. Service sector

These activities directly don't produce goods but provide services that are required for production and other services for people.



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CLASSIFY THE FOLLOWING OCCUPATIONS IN THREE SECTORS

OCCUPATION	CLASSIFICATION
Tailor	
Basket weaver	
Flower cultivator	
Milk vendor	
Fishermen	
Priest	

Courier	
Workers in match factory	
Money lender	
Gardener	
Potter	
Bee – keeper	
Astronaut	
Call centre employee	

PERCENTAGE OF WORKERS IN DIFFERENT SECTORS IN 1972 – 73 AND IN 2009 - 2010

YEAR	AGRICULTURE	INDUSTRY	SERVICES
1972 - 73	74%	11%	15%
2009 – 10	53%	22	25%

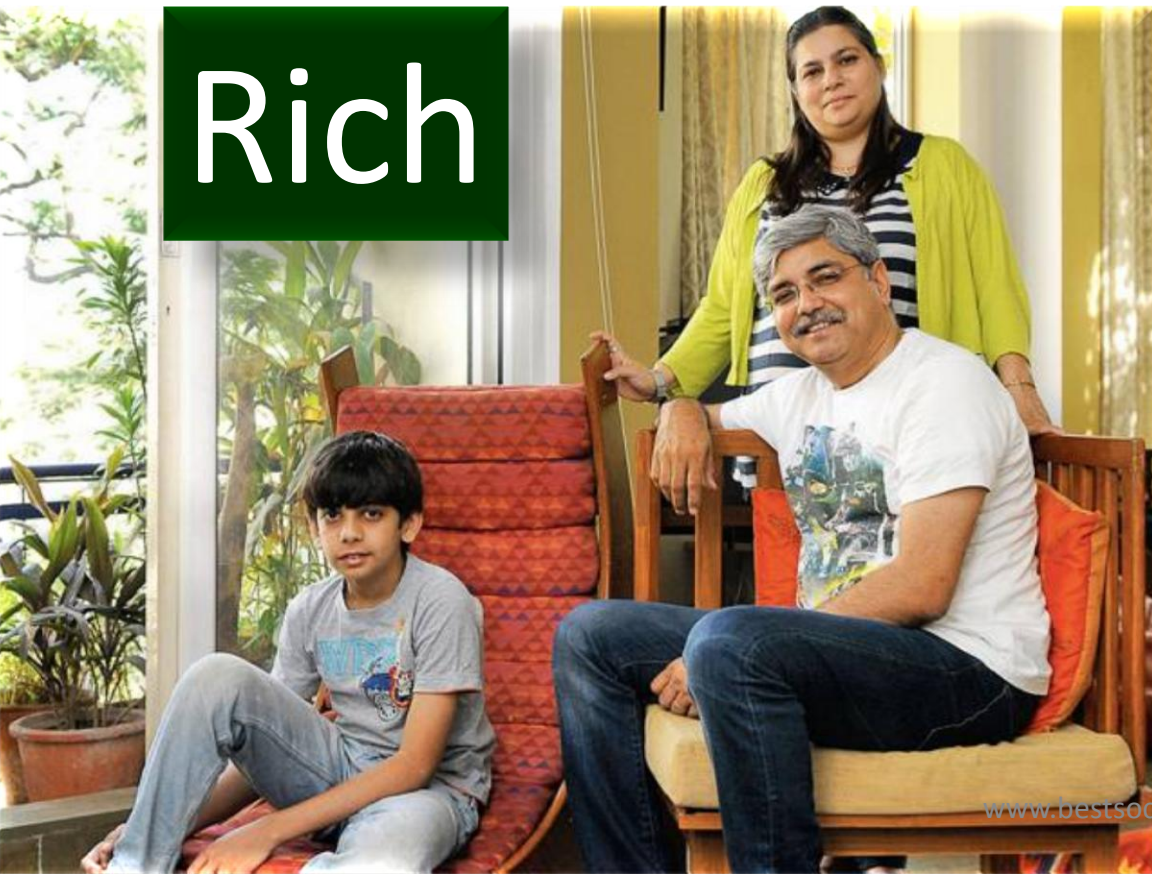
**What are your
observations
from the above table?**



GROSS DOMESTIC PRODUCT

Suppose there are two families.

Rich



Poor



**We can judge them as
“rich” and ‘poor’ based
on : the dress, vehicles,
food, furniture, house
etc.**

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- **‘INCOME’** is an important indicator to judge these families.



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For the country, we use the total value of goods and services produced in the country as the indicator of income for the country. The term used to denote this value is

Gross Domestic Product.

How do we estimate GDP?

To estimate GDP we should find out how many goods and services are produced in the country.



**You might think this is an
impossible task.**



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To get around this problem, economists suggest that the value of goods and services should be used rather than adding up the actual number.

The value of final goods and services produced in each sector during a particular year provides the total production.

The sum of production in
the three sectors gives
what is called the
**GROSS DOMESTIC
PRODUCT. (GDP)**

FINANCIAL YEAR

In India, the government's financial year runs from 1st April to 31st March midnight.

**GDP records the
market value of all final
goods and services
produced.**

FINAL GOODS



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INTERMIDIATE GOODS



But there are many items that are not sold/purchased in the market.

**Eg: work that is
done at home
like....**

Cooking



Cleaning



Organizing



Bringing up children



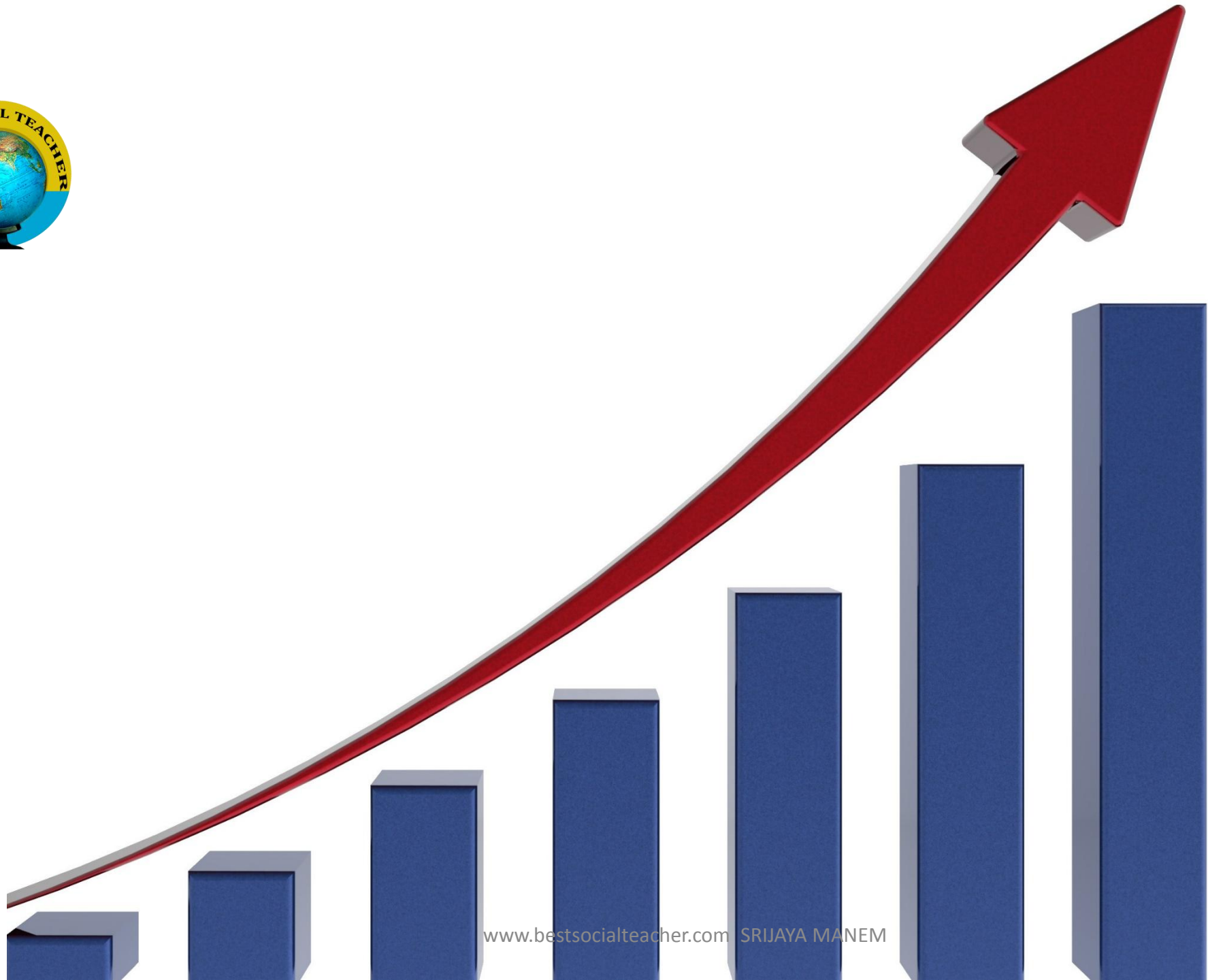
Tending plants and cattle





CHANGES IN THE
IMPORTANCE OF SECTOR –
VALUE OF GOODS AND
SERVICES PRODUCED AND
EMPLOYMENT OF PEOPLE

The size of GDP is increased as more and more goods and services are produced.



It is essential to know how this increase took place and what kind of activities contributed more to this growth of GDP.



**In developed countries
agriculture and other
allied activities
contributed more to GDP
in the initial stages.**

**Production rises as
the farming
methods change**







**It produced much
more food than
before.**

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**Hence, many
people take up
other activities.**

**There were increasing
number of craft
persons and traders.**



Crafts person

Traders



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**Buying and selling
activities increased
many times.**



**Rulers employed large
number of people as
administrators, army
etc.**



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At this stage, most goods produced from agriculture and related sectors and most people were employed in this sector.

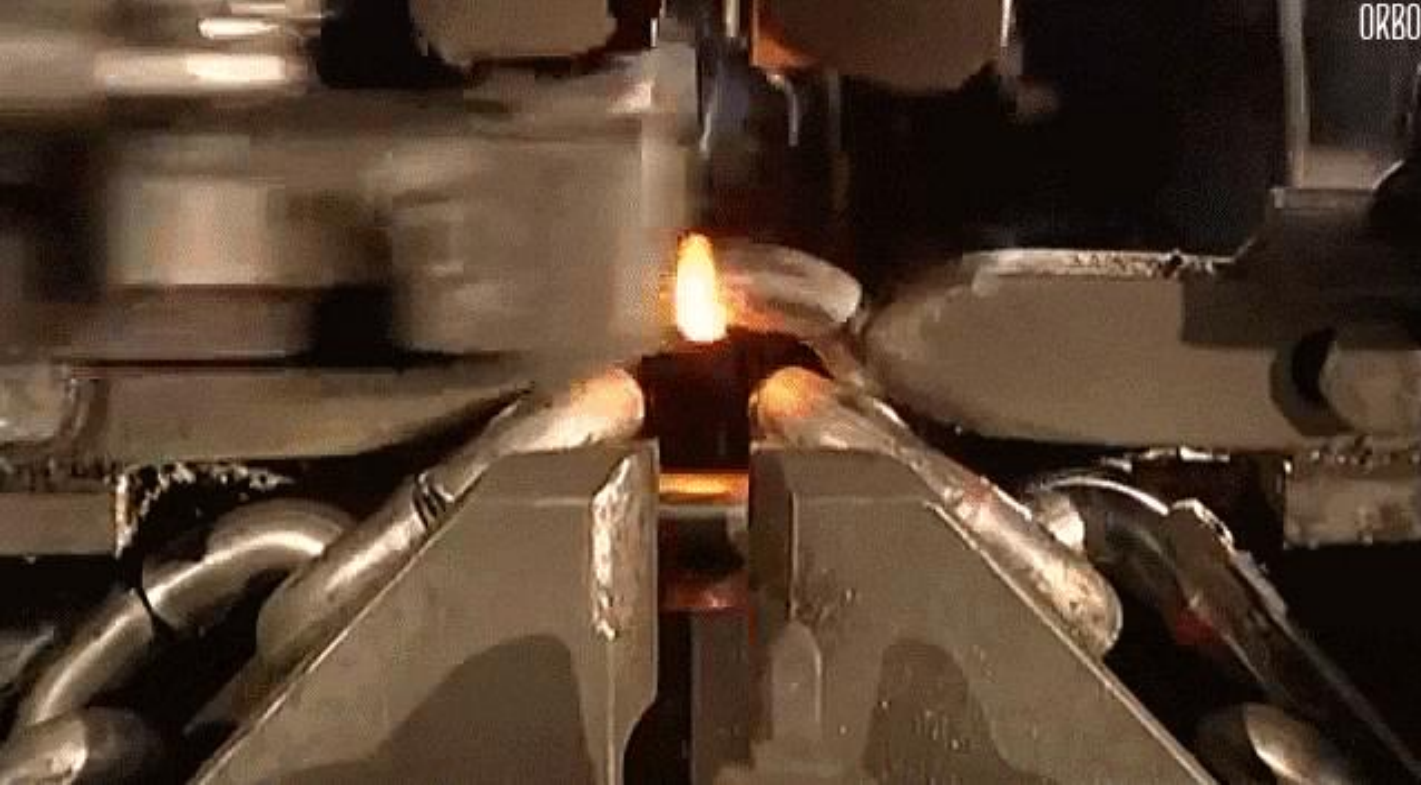


Agriculture related sectors



New methods of manufacturing were introduced, factories came up and start expanding.





ORBO



**Those people who had
earlier worked on
farms now began to
work in factories.**



**People began to
use many more
number of goods.**



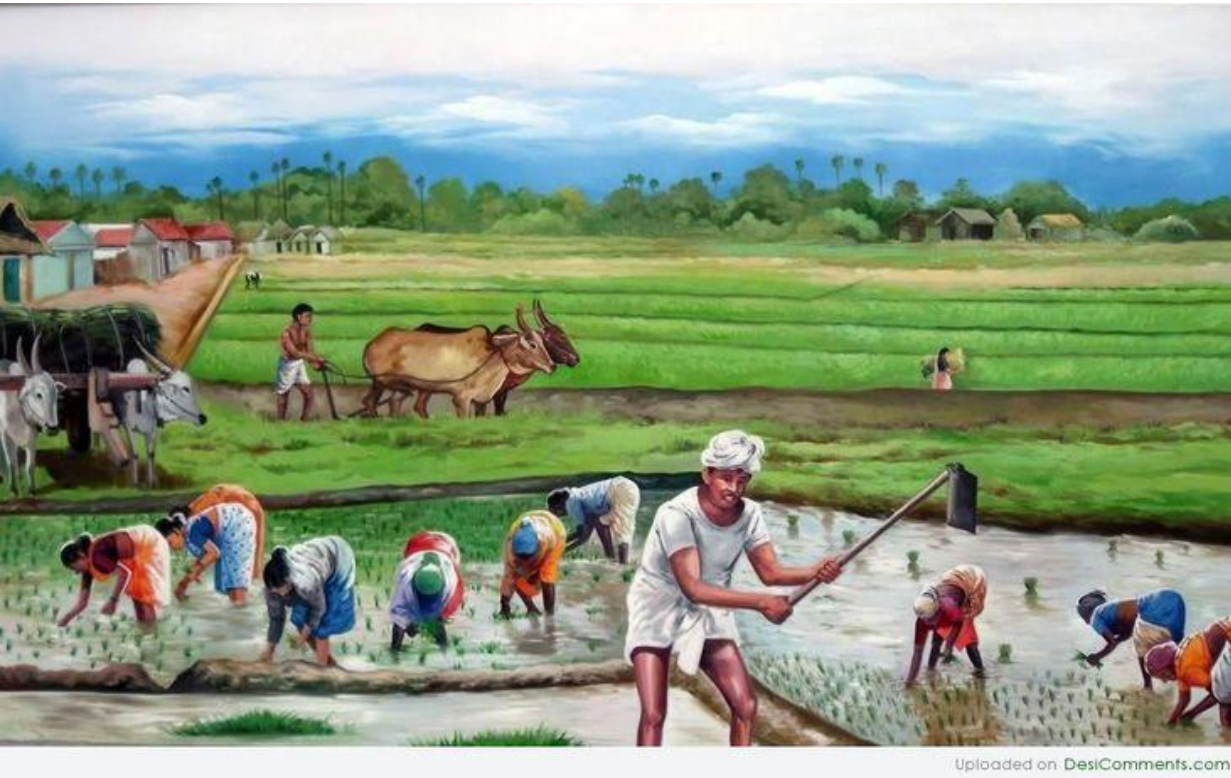
**There was mass production
by factories at much lower
rates and these goods
reached markets all over
the world.**



For these countries industrial production gradually became the most important sector in terms of production and employment.

**The importance of
sectors change from
agriculture to industry.**

EMPLOYMENT SHIFT



**In the past 50 years there
has been a further shift
from industry to service
sector for developed
countries.**

EMPLOYMENT SHIFT

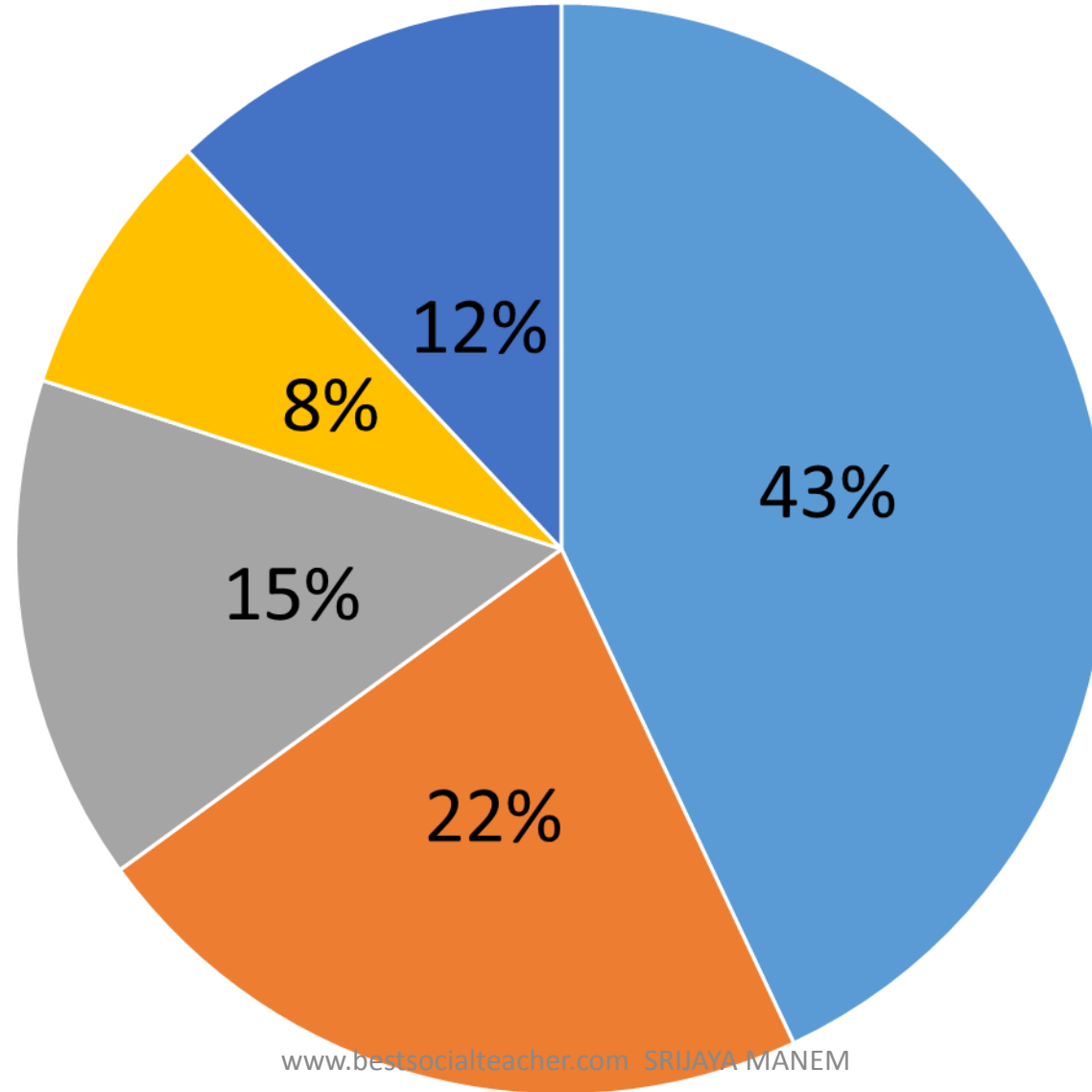


Most of the working people have also shifted and are now employed in the service sector and most of the production activities are those of services and not manufactured goods.

Look at the following pie charts.
GDP is made up of production
from the three sectors –
agriculture, industry and
services.

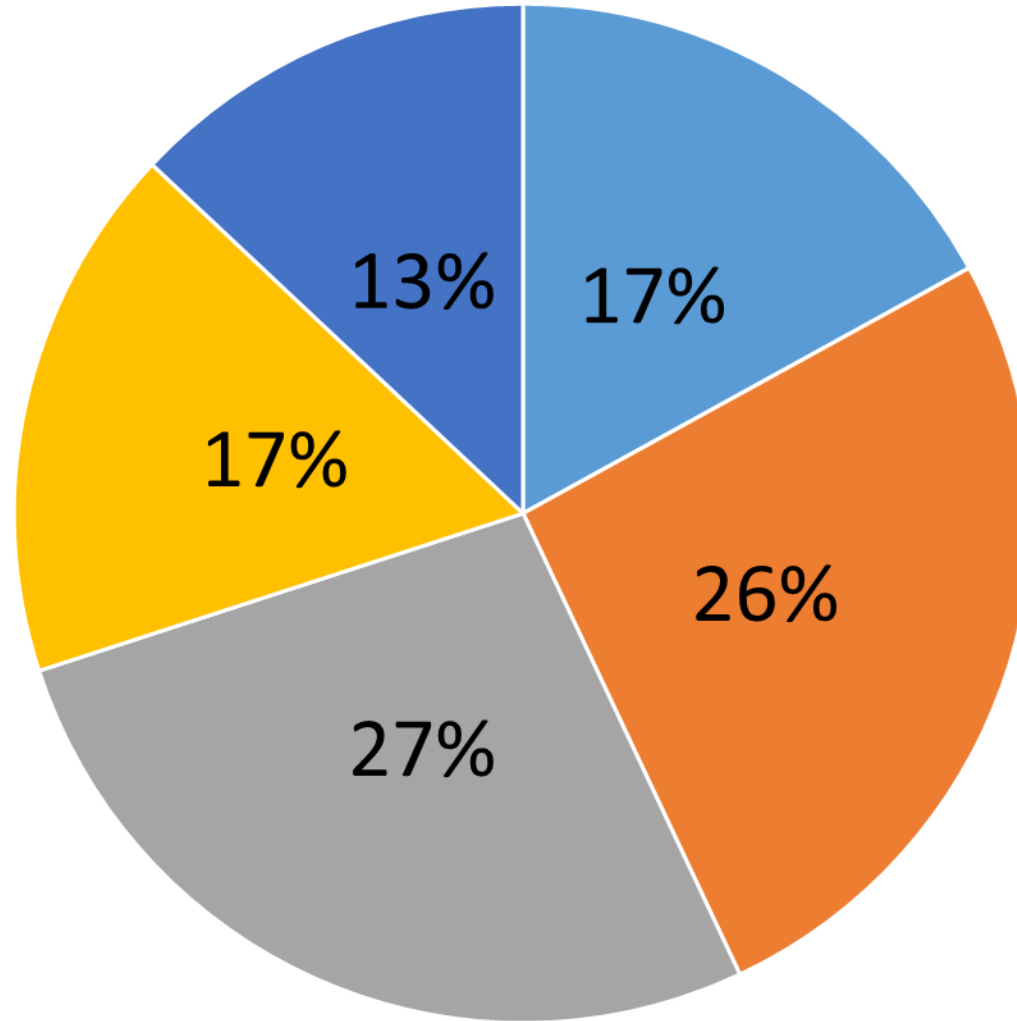
- AGRICULTURE
- INDUSTRY
- TRADE, HOTELS, TRANSPORT AND COMMUNICATION
- FINANCE, INSURANCE AND REAL ESTATE
- COMMUNITY, SOCIAL AND PERSONAL SERVICES.

GDP
from
different
sectors



1972 - 73

GDP from different sectors



2009 - 10

■ AGRICULTURE

■ TRADE, HOTELS, TRANSPORT AND COMMUNICATION

■ COMMUNITY, SOCIAL AND PERSONAL SERVICES

■ INDUSTRY

■ FINANCE, INSURANCE & REAL ESTATES

**What did you
observe from the
above pie charts ?**

Employment – The working life in India.

**The GDP has a close
relation with the total
number of working
people in the country.**

Think how?

**According to Census of India
2011, out of 1.2 billion
persons, 460 million people
are workers.**



SECTOR	PLACE OF RESIDENCE		SEX		ALL WORKERS
	RURAL	URBAN	MALE	FEMALE	
AGRICULTURE	68	8	47	69	53
INDUSTRY	17	34	34	16	22
SERVICE	15	58	19	15	25
TOTAL	100	100	100	100	100

Observations :

- ❖ There has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment.

❖ The agriculture sector continues to be the largest employer even now because not enough jobs were created in the industry and service sectors.

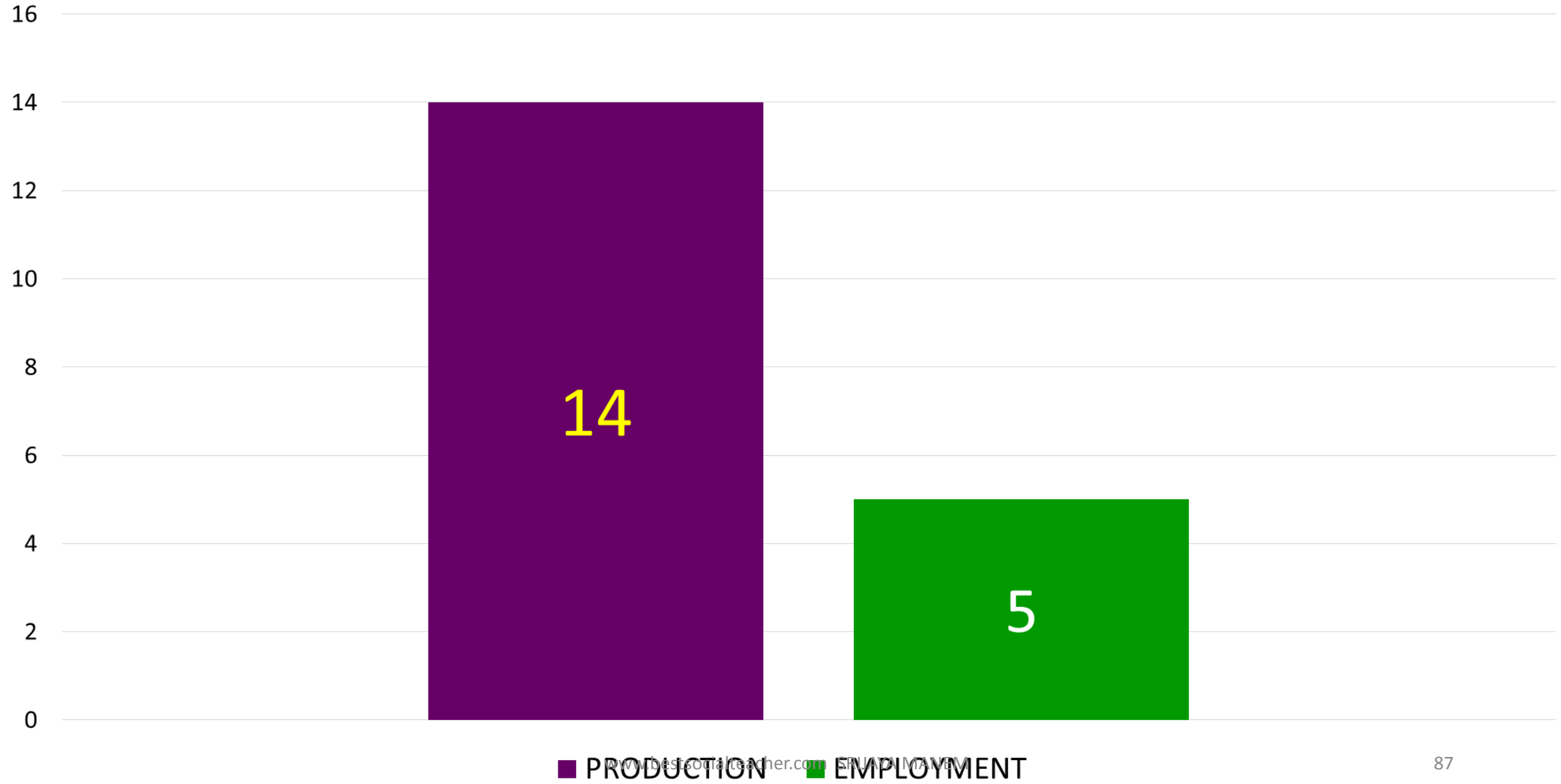
❖ Even though production of industrial goods went up by more than **9 times**, employment went up only **by 3 times**.

INDUSTRIAL SECTOR



❖ In service sector
production rose by
more than **14 times**,
employment rose
around **5 times**.

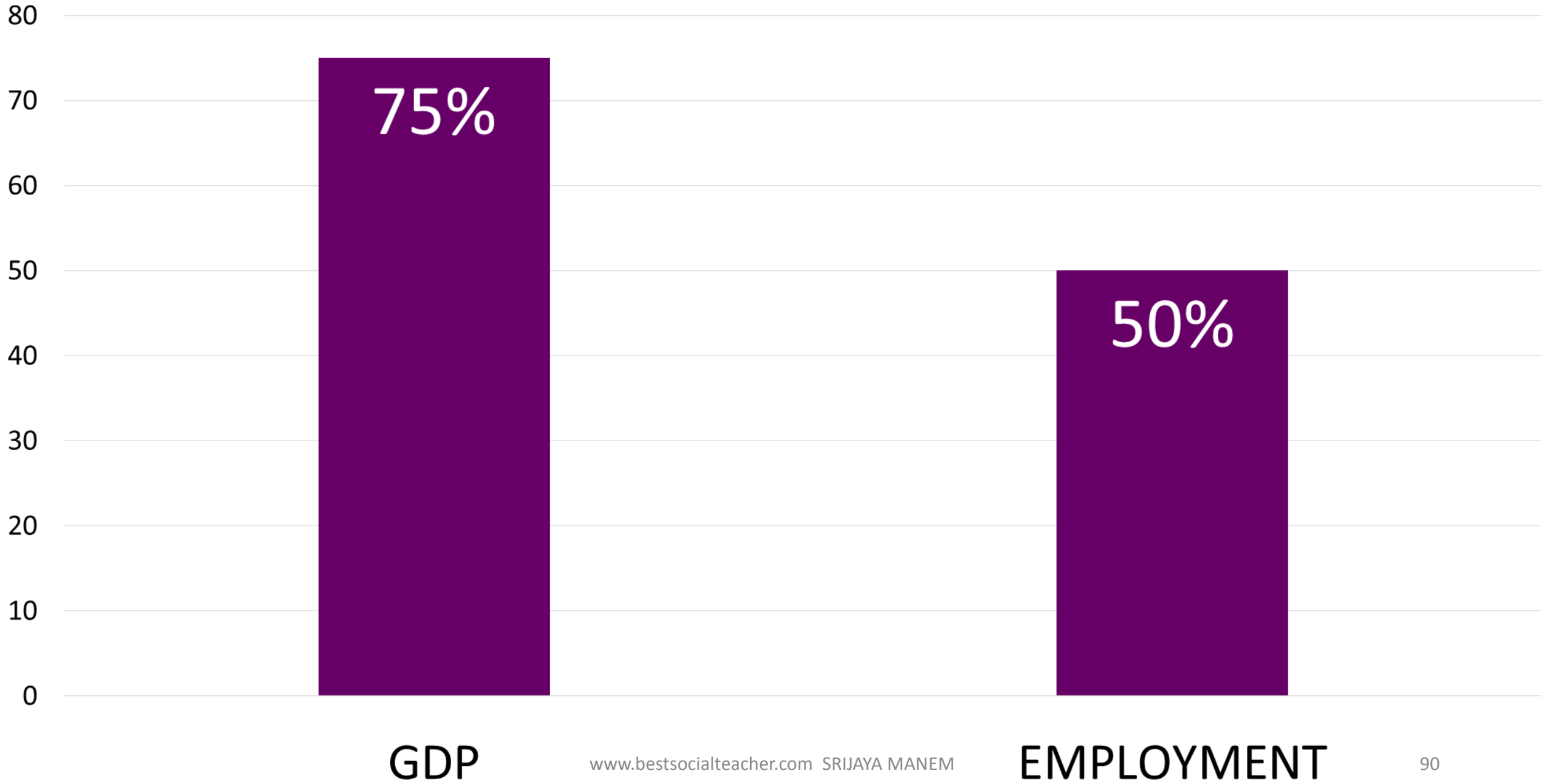
SERVICE SECTOR



As a result, more than half of the workers in the country are working in the agriculture sector, producing only one-sixth of the GDP.

The industry and service sectors produce $\frac{3}{4}$ of the GDP where as they employ only about half the portion of workers.

INDUSTRY AND SERVICE SECTORS



GDP

EMPLOYMENT

It means that there are more people in agriculture but everyone may not be fully occupied.

So even if few people move out, production will not be affected. This is called **UNDER EMPLOYMENT** or **DISGUISED UNEMPLOYMENT**.

Disguised Unemployment



When more people are engaged in some activity than the number of person required for that, this is called disguised unemployment

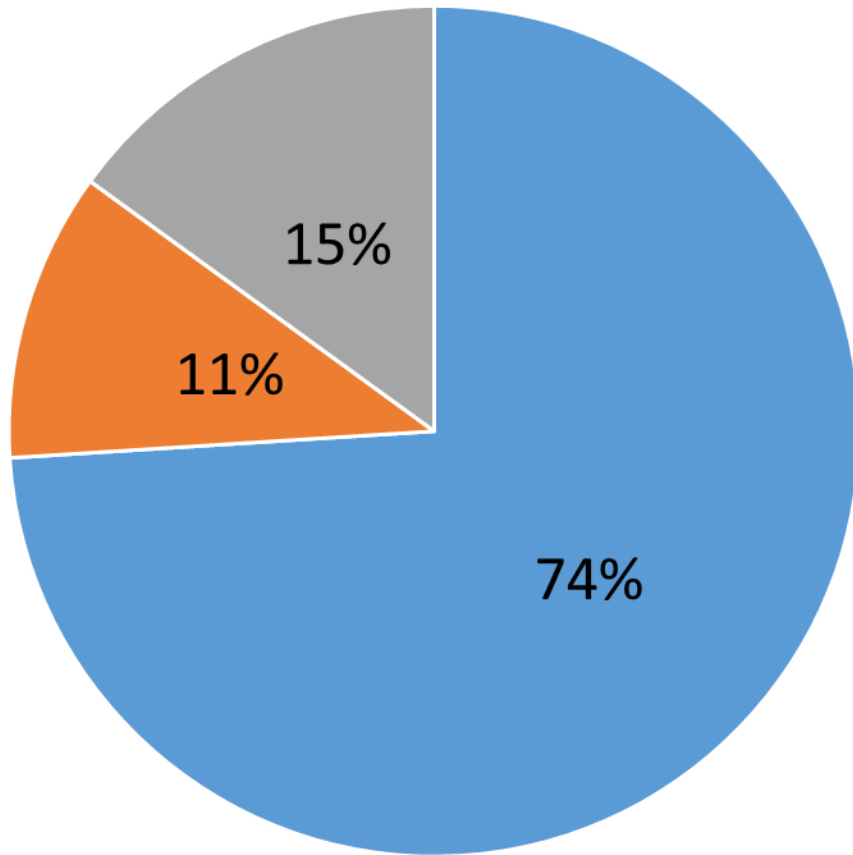
EXAMPLE:

An agricultural field require 3 laborers but people engaged in this activity is 6 then this unemployment for 3 labors is called disguised unemployment

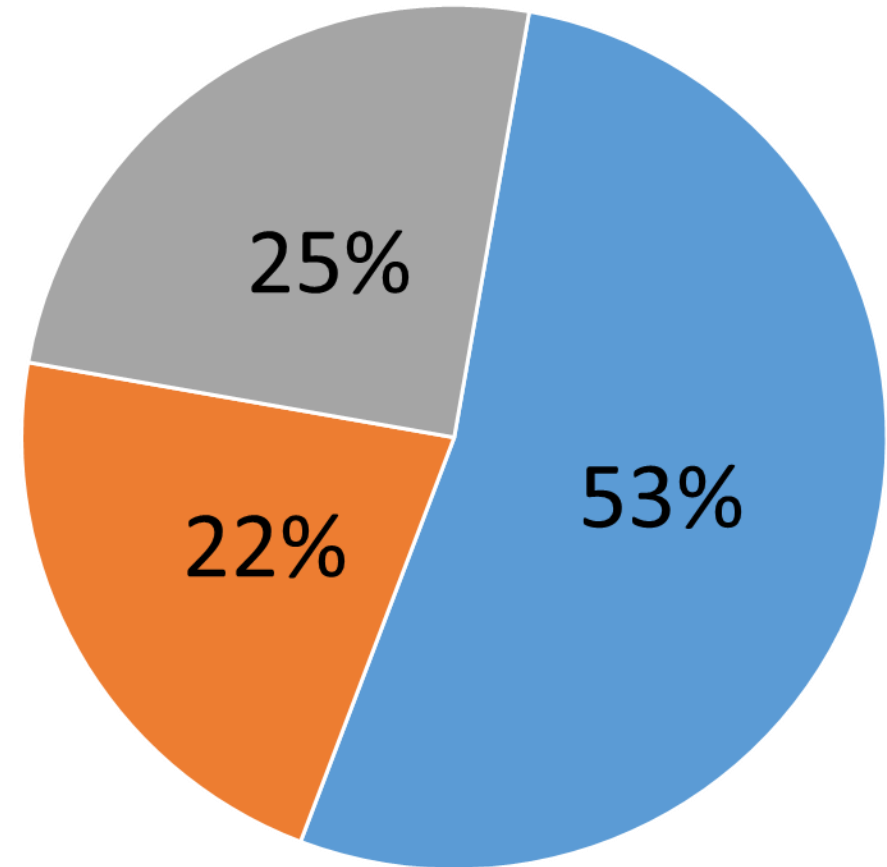
**This under
employment can also
be happen in other
sectors.**

Sectorial shares of employment

1972-73



2009-10



■ AGRICULTURE ■ INDUSTRY ■ SERVICE

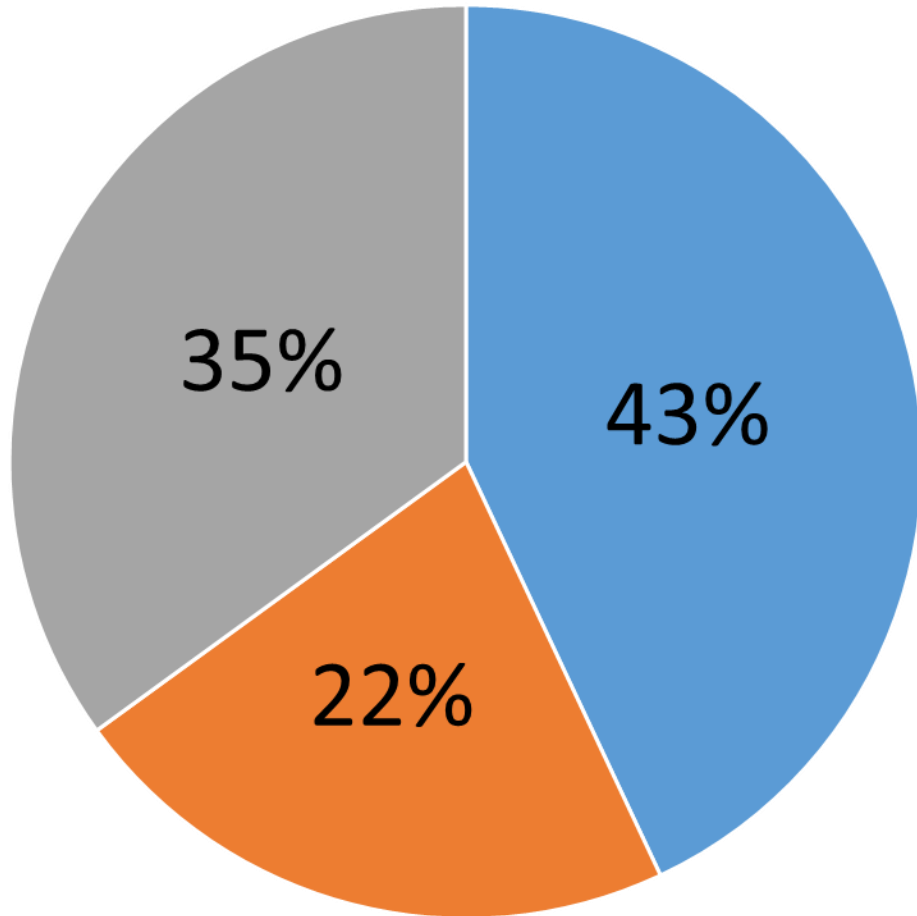
■ AGRICULTURE

■ INDUSTRY

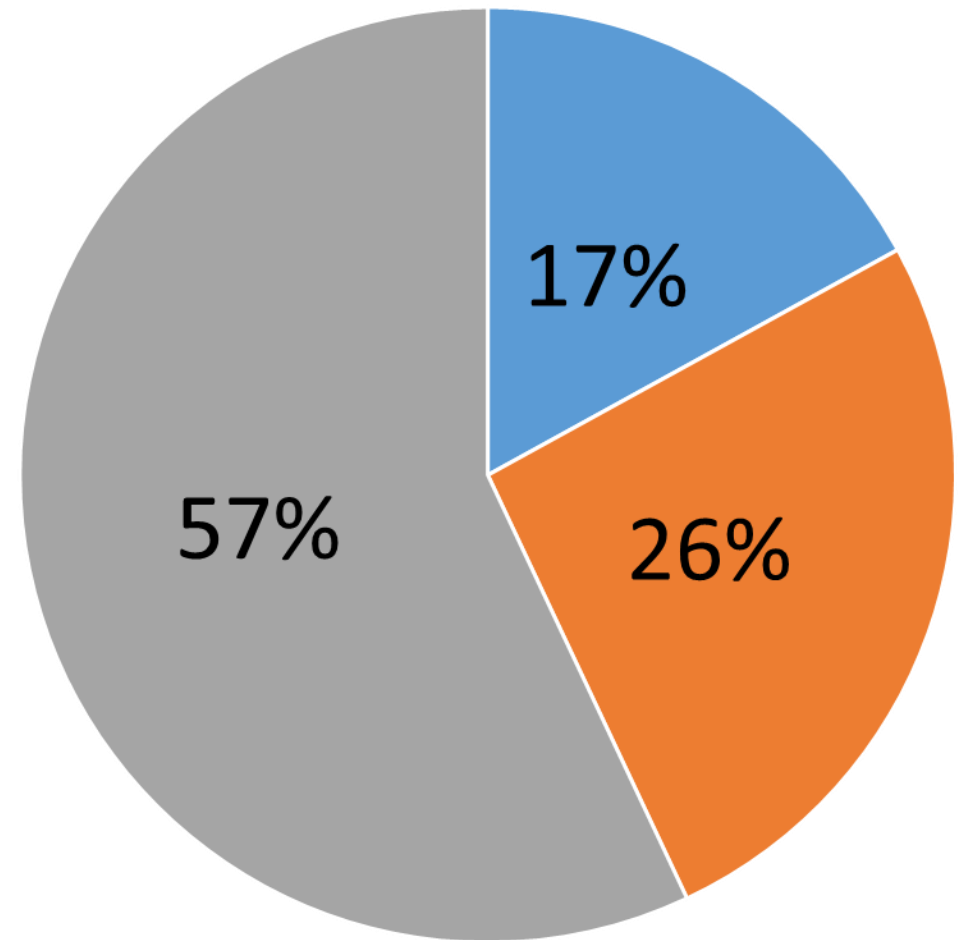
■ SERVICE

Sectorial shares of GDP

1972-73



2009-2010



While service sector has grown, all service sector activities are not growing equally well.

**At one end there are
limited number of
services that employ
highly skilled and
educated workers.**



**At the other, there are
a very large number of
workers engaged in
services such as....**

Shopkeepers



Repair persons



Transport persons



**These people barely
manage to earn a living.
They do not have
alternative opportunities
for work.**

**Hence only a part of
this sector is growing in
importance.**

Continued in the second part.....



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Thank You!!!!



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