

CBSE Class 9 Economics

Chapter 2: People as Resource

PREMIUM STUDY NOTES — EXAM REVISION EDITION

SECTION 1: CHAPTER INTRODUCTION

In the previous chapter, we explored the components of production and analyzed how land, labour, and physical assets cooperate to create wealth. This chapter focuses on the most dynamic, versatile, and essential factor of production: the human population, treated as an asset rather than a liability under the heading **People as Resource**.

- **Meaning of Human Resource:** Human resource refers to a country's working population viewed through the lens of their existing productive skills, intellectual capacities, and specialized abilities.
- **Why People are Considered a Resource:** Like land or minerals, a population is an economic resource. When investments are made in this resource via health, education, and skills training, it transforms into an asset capable of driving technological progress and economic value.
- **Importance of Human Capital:** Human capital is superior to other inputs. Land and physical capital cannot become useful or generate value on their own; they require human intelligence, labor, and management to acquire economic utility.
- **Brief Overview of the Chapter:** These premium notes explore human capital formation, distinguish between market and non-market activities, trace indicators of educational and public health systems, and systematically analyze the structural problem of rural and urban unemployment.

SECTION 2: DETAILED EXPLANATION OF CONCEPTS

Human Resource

The collective population of a country characterized by its capacity to engage in productive economic work and generate value.

Human Capital

The accumulated stock of specialized knowledge, technical skills, practical competencies, and health attributes embodied in a nation's working population.

Population

The total number of citizens living within a territory. Instead of viewing a large population solely as a burden requiring food and clothing, economics treats it as a productive force when properly trained.

Education

The institutional process of teaching, training, and learning. It expands a citizen's mental capacity, broadens social horizons, and increases economic efficiency.

Health

A state of complete physical, mental, and social well-being, rather than merely the absence of disease. It directly impacts a worker's energy levels and stamina.

Skill Development

The targeted acquisition of technical expertise, vocational proficiency, and operational capabilities that increase an individual's value in the employment market.

Productivity

The economic efficiency of production, measured by the volume of final output generated per unit of input (such as per worker or per hour worked).

SECTION 3: PEOPLE AS A RESOURCE & CAPITAL FORMATION

To clearly explain how human resource operates, the NCERT textbook contrasts two fictional childhood friends from the same village of Semapur: **Sakal** and **Vilas**.

The Instructive Case of Sakal vs. Vilas

Sakal's Path: Sakal was a healthy 12-year-old boy. His parents were eager to educate him. They took out a loan to enroll him in a vocational course in computers at a nearby town. Sakal was industrious and completed the course with merit. He secured a job in a private firm and designed a new type of software that boosted the firm's sales. His employer recognized his labor value and rewarded him with a promotion. Sakal's education and health yielded a high long-term economic return.

Vilas's Path: Vilas was an unfortunate boy from the same village. His father died when he was a toddler, and his mother earned a meager income selling fish at the local market. Vilas suffered from arthritis, but his mother could not afford medical care. He remained illiterate and un-schooled. When his mother fell ill, Vilas was forced to take up the same occupation, earning a low income selling fish. The absence of initial investments in education and health left Vilas in a cycle of low-wage poverty.

Human Capital Formation

- **Meaning:** The process of acquiring and increasing the number of persons who have the skills, education, and experience essential for the economic development of a country.
- **The Input Investment:** It occurs when a country invests financial and institutional resources into **Education, Training, and Medical Care**.

- **The Virtual Cycle:** Educated and healthy parents recognize the value of education and tend to invest heavily in their children's schooling and health. This creates a virtuous cycle of development. Conversely, uneducated or disadvantaged parents may get trapped in a vicious cycle, neglecting their children's development and reinforcing generational poverty.
- **The National Asset:** Japan is a prime example of a nation that possessed few natural resources but invested heavily in human capital. By building a highly educated and healthy workforce, Japan successfully transformed into an advanced, wealthy economy.

SECTION 4: ECONOMIC ACTIVITIES BY MEN AND WOMEN

Human actions that generate goods, services, or financial returns are classified as **Economic Activities**. These activities are divided into three structural sectors:

1. **Primary Sector:** Activities that extract or harvest products directly from nature. *Examples: Agriculture, forestry, animal husbandry, fishing, poultry farming, mining, and quarrying.*
2. **Secondary Sector:** Activities that transform raw materials from the primary sector into finished goods through manufacturing and processing. *Examples: Manufacturing textiles, steel production, construction.*
3. **Tertiary Sector:** Activities that provide support services to the primary and secondary sectors. This sector does not produce physical goods directly, but generates functional utility. *Examples: Trade, transport, communication, banking, education, health, tourism, insurance.*

Market Activities vs. Non-Market Activities

Economic activities are further divided into two operational types based on remuneration:

- **Market Activities:** Production tasks performed for remuneration, profit, or pay. This includes producing goods or rendering services for the market, including government service. These activities directly add value to the National Income.
- **Non-Market Activities:** Production tasks performed primarily for self-consumption. *Examples: A subsistence farmer growing wheat solely to feed their family, or a homemaker performing household chores.*

Gender-Based Division of Labour

Due to historical and cultural factors, a distinct division of labor often exists between men and women within the family. Men generally work in the open fields or offices to earn wages, while women manage domestic chores like cooking, cleaning, and childcare.

The Economic Imbalance: Domestic work performed by women is categorized as a non-market activity; it is not paid and is **not recognized in the calculation of National Income**. However, when women acquire advanced education and professional skills, they enter the formal employment market, where their labor value is paid equally to men based on education and skill levels.

SECTION 5: QUALITY OF POPULATION

The ultimate growth rate of a country depends on the **Quality of its Population**. This quality is determined by three main indicators: **Literacy Rate, Life Expectancy (Health), and Skill Acquisition**.

1. Education as a Quality Driver

- Education contributes to the growth of society by enhancing national income, enriching cultural heritage, and increasing the efficiency of governance.
- **Government Interventions (NCERT Facts):**
 - **Sarva Shiksha Abhiyan (SSA):** A significant step toward providing elementary education to all children in the age group of **6 to 14 years**. It is a time-bound initiative undertaken in partnership with state governments.
 - **Mid-Day Meal Scheme:** Implemented globally across government schools to improve the nutritional status of children and encourage student enrollment and attendance.
 - **Navodaya Vidyalayas:** Specialized residential schools established by the central government in each district to provide quality education to talented rural children.
 - **Vocational Streams:** Developed to equip high school students with practical skills geared toward immediate employment.

2. Health as a Quality Driver

- An unhealthy worker is a liability to an organization because illness reduces productivity and consistency. Good health is an essential requirement for realizing one's potential and well-being.
- **Public Health Metrics:** India's national health policy aims to improve accessibility to healthcare, family welfare, and nutritional services, especially for underprivileged sections.
- Over recent decades, these interventions have led to a steady increase in **Life Expectancy** alongside a significant reduction in the **Infant Mortality Rate (IMR)**, **Crude Birth Rates**, and **Death Rates**.

SECTION 6: UNEMPLOYMENT

Unemployment is a major socio-economic problem that occurs when people are willing and able to work at the prevailing wage rates but are unable to find gainful employment.

The Age Framework: The workforce population includes individuals aged between **15 and 59 years**. Children below 15 and senior citizens above 59 are excluded from this framework, meaning their lack of formal employment is not classified as unemployment.

Types of Unemployment in India

1. Seasonal Unemployment

- **Nature:** Occurs when people are unable to find jobs during certain months of the year. This pattern is common in rural areas tied to agricultural cycles.
- **Mechanism:** Farming relies on specific busy periods like sowing, harvesting, weeding, and threshing. Outside these months, agricultural laborers often face periods without work.

2. Disguised Unemployment

- **Nature:** Occurs when more people are employed in an activity than are actually required. The surplus workers appear to be working, but their individual contribution to total output is zero. This is a major structural issue in Indian agriculture.
- **NCERT Example:** Suppose an agricultural plot requires the labor of exactly **five workers** to harvest a crop. If a family of **eight members** works on that plot, the three additional workers are disguisedly unemployed. If these three individuals are removed from the field, the total crop output will remain unchanged. Their **marginal productivity is zero**.

3. Educated Unemployment

- **Nature:** A common problem in urban areas, where young people with matriculation, graduation, or post-graduation degrees are unable to find suitable jobs.
- **The Structural Paradox:** A paradoxical manpower situation exists where there is a surplus of educated, unemployed individuals alongside a shortage of technical skills required for industrial growth.

Socio-Economic Consequences of Unemployment

- **Wastage of Human Resources:** Valuable human resource is lost, turning what could be a national asset into a liability.
- **Economic Overload:** It increases economic dependence, as unemployed individuals rely on the working population for sustenance, raising the dependency ratio.
- **Social Deprivation:** Persistent unemployment can create a sense of hopelessness among youth, leading to social instability, crime, and reduced health and educational indicators.

SECTION 7: IMPORTANT TERMS & DEFINITIONS

- **Human Resource:** The collective working population of a nation, valued for its skills and productive capabilities.
- **Human Capital Formation:** The process of investing in the education, health, and training of the population to convert it into a productive economic asset.

- **Primary Sector:** The economic sector focused on extracting and harvesting natural resources directly from the environment.
- **Secondary Sector:** The sector responsible for manufacturing and processing raw materials into finished consumer goods.
- **Tertiary Sector:** The service sector that supports primary and secondary industries through trade, transport, and finance.
- **Market Activities:** Remunerated tasks performed to earn wages, profits, or salary, which contribute to the National Income.
- **Non-Market Activities:** Tasks performed primarily for personal use or self-consumption, which are excluded from National Income calculations.
- **Disguised Unemployment:** A situation where more workers are engaged in a task than necessary, meaning the extra workers have zero marginal productivity.
- **Infant Mortality Rate (IMR):** The total number of infant deaths under one year of age occurring per 1,000 live births in a given year.

SECTION 8: NCERT KEY POINTS

CRITICAL EXAM FACTS TO REMEMBER

- **Workforce Age Limits:** The official active workforce bracket in India includes individuals aged **15 to 59 years**.
- **Primary Target Age of SSA:** Sarva Shiksha Abhiyan targets elementary education for children aged **6 to 14 years**.
- **The Zero Productivity Rule:** In disguised unemployment, the marginal economic output of the surplus workers is exactly **zero**.
- **National Income Exclusions:** Domestic work performed by homemakers is a non-market activity and is ****not included**** in National Income statistics.
- **Japan's Success Model:** Japan became a wealthy, advanced nation by investing heavily in human resource development despite lacking rich natural resources.

SECTION 9: TABLES & FLOWCHARTS

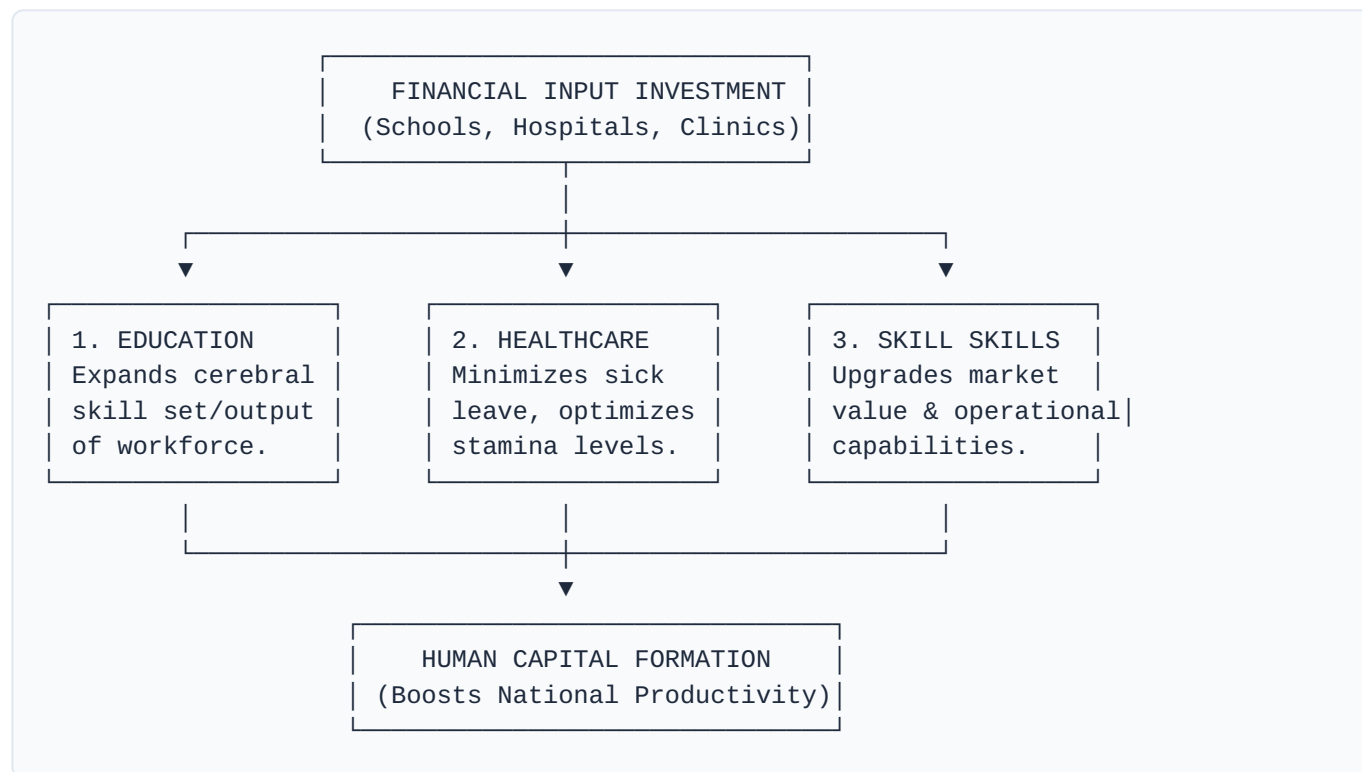
1. Difference Matrix: Human Capital vs. Physical Capital

Comparison Parameter	Human Capital	Physical Capital
Basic Nature	Intangible; embodied inside the mind and health of workers.	Tangible; visible assets like factory structures and machines.
Mobility Limitations	Cannot be separated from its owner; less mobile across borders due to immigration rules.	Completely separable from its owner; highly mobile across markets and borders.
Depreciation Reality	Depreciation can be managed and reversed through continuous learning and healthcare investments.	Depreciates over time due to wear and tear from constant use.
Economic Superiority	Superior factor; can use and add value to land and capital assets.	Passive factor; cannot create value without human intervention.

2. Summary Matrix: Market vs. Non-Market Activities

Feature	Market Activities	Non-Market Activities
Primary Motive	To earn money, wages, salary, or commercial profit.	For self-consumption, personal use, or family survival.
Financial Pay	Remunerated directly with wages or revenue.	Unpaid and un-monetized.
National Accounting	Included in National Income calculations.	Excluded from National Income statistics.

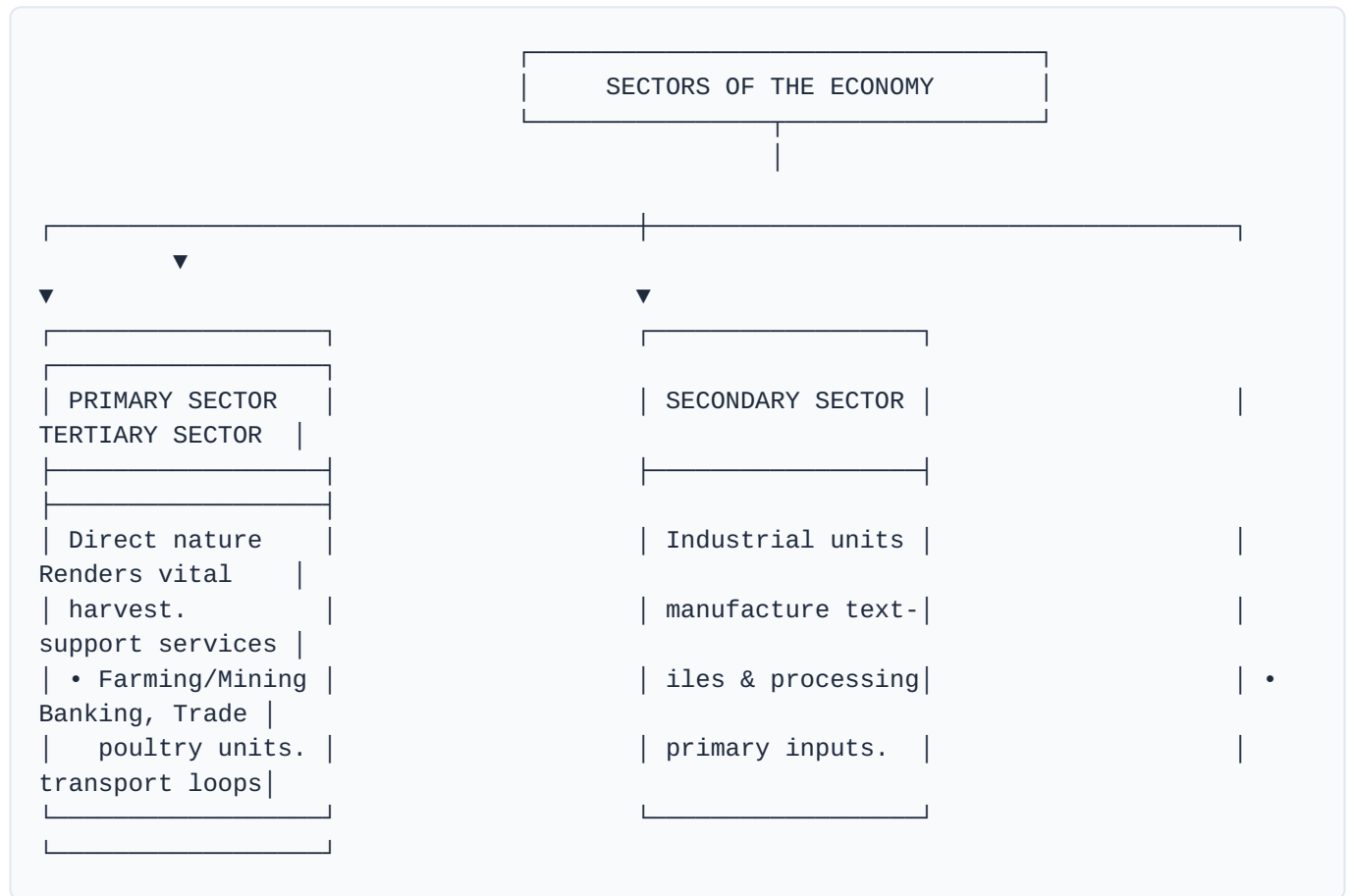
3. Human Capital Formation Process



SECTION 10: DIAGRAMS & VISUAL LEARNING NOTES

[Image of human capital formation flowchart]

The Triple Sector Matrix of Economic Activities



Visual Learning Tip:

To distinguish between the types of rural unemployment, look at the timeline. If workers find employment only during certain seasons (like sowing and harvesting) and are left without work for the rest of the year, it is **Seasonal Unemployment**. If a farm is crowded with eight workers when only five are needed, the extra workers are experiencing **Disguised Unemployment** because their removal would not reduce total production.

SECTION 11: MEMORY TRICKS

1. Remembering the Sectors of the Economy

"Remember the sequence: P.S.T. — Primary, Secondary, Tertiary"

- **P** — **Primary** (Products taken directly from nature).
- **S** — **Secondary** (Structures and factory processing).
- **T** — **Tertiary** (Transportation, trade, and support services).

2. The Three Quality Drivers of Population

"Quality depends on E.H.S."

- **E** — Education and literacy baseline.
- **H** — Health indicators and life expectancy.
- **S** — Skill acquisition and training programs.

SECTION 12: COMMON MISTAKES STUDENTS MAKE

✗ Mistake: Confusing Human Resource with Human Capital.

✓ Correction: Human Resource refers to the population available for work. Human Capital is the specific stock of skills, education, and health attributes that make that resource productive.

✗ Mistake: Categorizing household work done by family members as a market activity.

✓ Correction: Domestic chores done for family use are non-market activities because they are unpaid and do not contribute to National Income statistics.

✗ Mistake: Misunderstanding Disguised Unemployment as visible idleness.

✓ Correction: Disguisedly unemployed individuals appear to be working alongside everyone else, but their removal would not change total production because their individual productivity is zero.

SECTION 13: QUICK REVISION NOTES

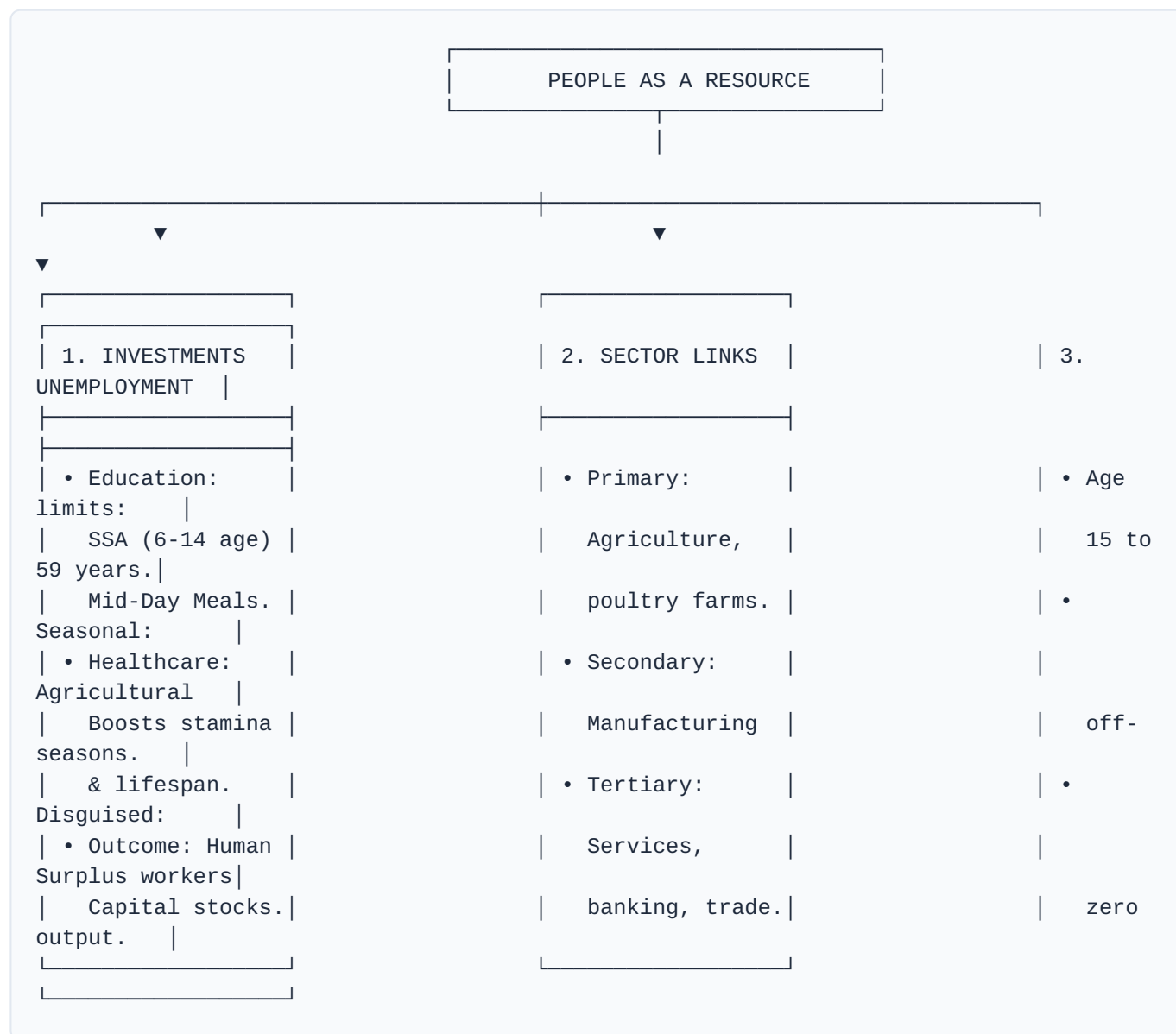
- **Asset vs. Liability:** Investments in education and health transform a population from an economic liability into a productive asset.
- **Sakal vs. Vilas Lesson:** Sakal's training led to private sector growth, while Vilas's lack of investment trapped him in low-wage poverty.
- **Three Sectors:** Economic activities are divided into Primary (extraction), Secondary (manufacturing), and Tertiary (services) sectors.
- **Accounting Metric:** Only market activities contribute value to National Income calculations.
- **Unemployment Boundaries:** Unemployment is measured strictly within the active age group of 15 to 59 years.
- **Rural Challenges:** Rural labor markets face both seasonal unemployment and disguised unemployment.

SECTION 14: ONE-PAGE SUMMARY

This chapter frames a nation's population as a productive economic asset under the concept of **People as Resource**. When investments are made in the population via education, technical training, and health care, it leads to human capital formation, which expands a nation's productive capacity. Using the comparative examples of Sakal and Vilas, the NCERT textbook shows how access to education and health services helps individuals build resilience against poverty, while a lack of investment limits economic opportunities. This human asset is superior to passive inputs like land or machinery, as physical assets cannot become productive without human management.

Human labor operates across primary, secondary, and tertiary sectors, classified into paid market activities and unpaid non-market activities for self-consumption. The overall development of a country is driven by its population quality, measured through indicators like literacy rates and life expectancy, supported by initiatives like Sarva Shiksha Abhiyan and the Mid-Day Meal scheme. However, when the economy fails to generate sufficient jobs for individuals within the 15-59 age group, it leads to unemployment. This problem manifests as seasonal and disguised unemployment in agricultural rural areas, and as educated unemployment in urban centers, which strains resources and can slow down economic growth.

SECTION 15: MIND MAP



SECTION 16: EXAM TIPS

- **Differentiate Between the Three Sectors:** When asked to classify economic activities, ensure you can accurately assign examples to their respective primary, secondary, or tertiary sectors.
- **Explain Disguised Unemployment:** Focus on the concept of zero marginal productivity. Clearly explain that while surplus workers appear to be active, their removal would not reduce total production.
- **Analyze Capital Types:** Be prepared to answer why human capital is superior to physical capital. Focus your response on how human capital is active and needed to manage passive resources.