Unemployment

Another major developmental issue in Indian economy is unemployment. Although this problem had existed in the past; it has become more acute after the independence. The backwardness and increasing population are mainly responsible for this problem. The socio-economic consequences of unemployment are very dangerous. It has economic consequences for the individual as well as the society.

Unemployment means idleness of man power. It is the state in which labour possesses necessary ability and health to perform a job, but does not get job opportunities. In other words unemployment is the situation in which individuals are available for work, but are not able to find a work.

In order to explain the concept unemployment it is better to distinguish between the concepts like labour force and work force. The labour force refers to the number of persons who are employed plus the number who are willing to be employed. In India the labour force excludes children below the age 15 and old people above the age 60 and mentally or physically handicapped. The work force includes those who are actually employed in economic activity. If we deduct work force from labour force we get the number of unemployment.

The unemployment rate means the number of persons unemployed per 1000 persons in the labour force.

The labour force participation rate and work force participation rate can be expressed in percentages and as given below.

Labour Force Participation Rate   =   Labour Force / Size of the population

Work Force Participation Rate   =   Work force /Size of the population

Types of unemployment

In every economy there is unemployment but the nature and magnitude differ according to the economic progress. Following are the important types of unemployment.

1. Voluntary unemployment

This is the main type of unemployment referred by the Classical economists. Voluntary unemployment is happened when people are not ready to work at the prevailing wage rate even if work is available. It is a type of unemployment by choice.

2. Involuntary Unemployment

Keynes analysed this type of unemployment. It is a situation when people are ready to work at the prevailing wage rate but could not find job.

3. Natural rate of Unemployment

This is postulated by the Post-Keynesians. According to them in every economy there exists a particular percentage of unemployment.

4. Structural unemployment

This type of unemployment is not a temporary phenomenon. It is chronic and is the result of backwardness and low rate of economic development. The structural changes of an economy are the main reason for this type of unemployment.

5. Disguised Unemployment

When more people are engaged in a job than actually required, then it is called disguised unemployment. If a part of labour is withdrawn and the total production remains unchanged because their marginal product is zero. This is a part of structural unemployment.

6. Under Employment

This exists when people are not fully employment ie; when people are partially employed. In other words it is a situation in which a person does not get the type of work he is capable of doing.

7. Open Unemployment

Mrs. Joan Robinson calls this type of unemployment as 'Marxian Unemployment'. Open unemployment is a situation where a large labour force does not get work opportunities that may yield regular income to them. It is just opposite to disguised unemployment. It exists when people are ready to work but are not working due to non-availability of work

8. Seasonal unemployment

Generally this type of unemployment is associated with agriculture because the unemployment rate is changed according to the season.

9. Cyclical Unemployment

It is generally witnessed in developed nations. This type of unemployment is due to business fluctuation and is known as cyclical unemployment.

10. Technological Unemployment

When the introduction of a new technology causes displacement of workers it is called technological unemployment.

11. Frictional Unemployment

It is a temporary unemployment which exists when people moved from one occupation to another. It will take time lag in transferring one work to another. The market imperfections are the main reason for this.

Measurement of Unemployment in India

The National Sample Survey Organization (NSSO), which provides estimates of the rates of unemployment in India on the basis of its quinquennial surveys, uses three different concepts. They are Usual Status Unemployment, Current Weekly Status unemployment and Current Daily Status unemployment.

I. Usual Status Unemployment (US)

Here the reference period is 365 days. The usual status gives an idea about long- term employment (or chronic and open employment) during the reference year. A person is considered unemployed on Usual Status basis, if he/she was not working, but was willing to work for the major part of the reference year (more than 183 days) but did not get work for even 183 days. Dividing the usual status unemployment by the size of the labour force, we get unemployment rate by usual status. This measure is more appropriate to those in search of regular employment (educated and skilled persons) who may not accept casual work.

II. Current Weekly Status Unemployment (CWS)

Here the reference period is one week .A person is considered unemployed by Current Weekly Status, if he/she had not worked even for one hour during the week, but was seeking or was available for work. The estimates are made in terms of the average number of persons unemployed per week. The Current Weekly Status approach gives an idea about temporary unemployment (or chronic plus temporary unemployment) during the reference week. Current Weekly Status is used by the agencies like Inter National Organisations (ILO) to estimate employment and unemployment rates based on weekly reference period for international comparison. Dividing the weekly status unemployment by the size of the labour force, we get unemployment rate by weekly status.

III. Current Daily Status Unemployment (CDS)

Here the reference period is each of the 7 days, preceding the date of survey in each of these days. It records the activity status of a person for each day of the 7 days preceding the survey i.e. persons who did not find work on a day or some days during the survey week. The Current daily status approach gives a composite or comprehensive measure of unemployment, i.e., it is a measure of chronic and temporary unemployment as well as under employment. Dividing the current daily status unemployment by the size of the labour force, we get unemployment rate by usual status.

The current daily status gives the most faithful picture of unemployment situation.

Magnitude of Unemployment in India

A comparison between different estimates of unemployment in 2009-10 indicates that the CDS estimate of unemployment is the highest (Table 1.15). The higher unemployment rates according to the CDS approach compared to the weekly status and usual status approaches indicate a high degree of intermittent unemployment. Interestingly, urban unemployment was higher under both the usual principal and subsidiary status (UPSS) and current weekly status (CWS) but rural unemployment was higher under the CDS approach. This possibly indicates higher intermittent or seasonal unemployment in rural than urban

areas, something that employment generation schemes like the MGNREGA need to pay attention to. However, overall unemployment rates were lower in 2009-10 under each approach vis-a-vis 2004-05.

Table 1.15

All-India NSS 66th Round Rural and Urban Unemployment Rates

Si No	Estimates	Rural (2009-10)	Urban (2009-10)	Total (2009-10)	Total (2004-05)
1	UPSS	1.6	3.4	2.0	2.3
2	CWS	3.3	4.2	3.6	4.4
3	CDS	6.8	5.8	6.6	8.2

Source: NSSO

Labour force participation rates (LFPR) under all three approaches declined in 2009-10 compared to 2004-05 (Table 1.16). However, the decline in female LFPRs was larger under each measure in comparison with male LFPRs which either declined marginally (UPSS), remained constant (CWS), or increased marginally (CDS).

Table 1.16

All-India Employment and Unemployment Indicators (per 1000)

Indicators	NSS 66th Round (2009-10)			NSS 61th Round (2004-05)		
	Male	Female	Total Person	Male	Female	Total persons
UPSS						
LFPR	557	233	400	559	294	430
Work Participation Rate	546	228	392	547	287	420
Unemployment Rate	20	23	20	22	26	23
CWS						
LFPR	550	207	384	550	257	407
Work Participation Rate	532	198	370	527	244	389
Unemployment Rate	33	43	36	42	50	44
CDS						
LFPR	540	179	365	538	215	381
Work Participation Rate	507	164	341	496	195	350
Unemployment Rate	61	82	66	78	92	82

Source: Key Indicators of Employment and Unemployment in India, 2009-10, NSSO.

Causes of unemployment in India

Following are the important causes of unemployment in India

1. Rapid population growth
2. Slow growth of the economy
3. Decay of small scale and cottage industries
4. Low rate of capital formation
5. Defective planning
6. Slow growth of agriculture sector
7. Global financial crisis
8. Illiteracy
9. Lack of training facilities

Remedial Measures for unemployment

In order to solve the problem of unemployment there is both government measures and other measures. It includes the following measures.

1. Rapid growth and expansion of the economy
2. Establishment of more work and training centers
3. Development of small scale and cottage industries
4. Establishment of poverty eradication programmes
5. Liberal institutional finance and self employment programmes
6. Establishment of more employment exchanges
7. Introduction of population control measures
8. Introduction of more public works programmes
9. Reduce illiteracy
10. Stress on vocational and technical education

The Concept of Inequality

While the concept of poverty is rooted in the "lack of access" or "a low level of access" to food, nutrition, shelter, education and other services. Inequality is related to "unequal access" or "different degrees of access" of different individuals or groups of individuals to opportunities, services and benefits. Inequality is, thus, a more general concept than poverty. It looks at the *relative levels of access* of different groups to development opportunities and benefits. The "different levels of access" in the concept of inequality also include the low level of access below which people are considered poor. In fact, the low level of access or the limit (like for example, the calorie limit for consumption) that may be set for defining poverty will itself include a number of lower levels of access.

Causes of Inequality in India

1. Private ownership of means of production
2. Poverty of the people
3. Law of inheritance
4. Concentration of economic power in the hands of a few
5. Highly unequal asset distribution
6. Inadequate employment generation
7. Inadequate development of the economy
8. Differential regional growth
9. Inequalities in professional training
10. Low investment in social sectors
11. Use of capital intensive technique of production
12. Failure of implementation of land reforms
13. Tax evasion and of the richer sections of the community
14. Inflation
15. Privatisation and globalisation

Remedial measures

In order to find out the remedial measures for inequality it is better to solve first the real causes of it in the country. Any how the following are the some of the measures to solve inequality.

1. Reduction in the concentration of economic power
2. Development of backward areas
3. Better distribution of income and wealth
4. Land reforms
5. Creating more employment opportunities
6. Provide more social security measures
7. Control of black money
8. Progressive income tax
9. Control of monopolies and trade restriction practices
10. High taxes on luxuries
11. Change in inheritance law
12. Use of labour intensive technique of production
13. More investment in social sectors
14. Control of inflation
15. Population control

SOME QUESTION PREPARE FOR EXAMINATION

1. What is unemployment? Discuss the different types of unemployment. How to estimates unemployment in India. What are the trends of unemployment in India? What are the causes of unemployment in India. What are the policy adopted by govt. Of India remedial reduce unemployment in india

2. What is inequality? What are the causes of inequality in India? What are the policies adopted by Govt. Of India reduce inequality in India?

STUDY MATERIALS PREPARE BY

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