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Topic: Unemployment : Concept and types

Unemployment

Unemployment is a term referring to individuals who are employable and seeking a job but are unable to find a job. Furthermore, it is those people in the workforce or pool of people who are available for work that do not have an appropriate job.

Unemployment, according to the OECD (**Organisation for Economic Co-operation and Development**), if persons above a specified age (usually 15) not being in paid employment or self-employment but currently available for work during the reference period.

Unemployment is measured by the unemployment rate, which is the number of people who are unemployed as a percentage of the labour force (the total number of people employed added to those unemployed).

Unemployment can have many causes, such as the following:

- new technologies and inventions
- the status of the economy, which can be influenced by a recession
- competition caused by globalization and international trade
- policies of the government
- regulation and market

According to the UN's International Labour Organization (ILO), **there were 172 million people worldwide (or 5% of the reported global workforce) without work in 2018.**

Types of Unemployment:

1. Voluntary Unemployment:

In every society, there are some people who are unwilling to work at the prevailing wage rate, and there are some who are lucky enough to get a continuous flow of unearned income from their unemployed status. Jobs are available for them but they do not want to accept them. Voluntary unemployment may be a national waste of human energy, but it is not a serious economic problem with any social repercussions. Voluntary unemployment is consistent with the state of full employment.

2. Frictional Unemployment:

Frictional unemployment is a temporary phenomenon.

It may take place in various ways. When some workers are temporarily out of work while changing jobs, it is called “frictional unemployment.” Similarly, strikes and lockouts may result in the suspension of work, and there may exist some frictional unemployment for the time being. To some extent, frictional unemployment is also caused by the imperfect mobility of labour. Factors inhibiting the geographical or occupational movement of unemployed workers into vacant jobs, thus, cause frictional unemployment.

According to economists like **Keynes** and **Lerner** “**frictional unemployment is a kind of unemployment which is quite consistent with the condition of full employment in an economy. Frictional unemployment is due to difficulties in getting workers and vacancies together.**”

3. Casual Unemployment:

In industries such as building construction, catering or agriculture, where workers are employed on a day- to-day basis, there are chances of casual unemployment occurring due to short-term contracts, which are terminable any time. Thus, when a worker's contract ends

after the completion of work, he has to find a job elsewhere, which he is likely to get depending on circumstances or he may get a fresh contract with the same firm when some new work is started.

Ex :Casual unemployment is also found in the film industry where junior artistes work on a casual basis. A specific solution to the problem of casual unemployment is very difficult to provide.

4. Seasonal Unemployment:

There are some industries and occupations such as agriculture, the catering trade in holiday resorts, some agro-based industrial activities, like sugar mills and rice mills, etc., in which production activities are seasonal in nature. So, they offer employment for only a certain period of time in a year.

For instance, work in sugar mills lasts for about six months. Rice mills work for only a few weeks.

Agriculture offers employment at the time of ploughing and as the unemployment of people engaged in such types of work or activities which cater to the seasonal demand. We may call it “seasonal unemployment.”

5. Structural Unemployment:

Due to structural changes in the economy, structural unemployment may take place. Structural unemployment is caused by a decline in demand for production in a particular industry, and consequent disinvestment and reduction in its manpower requirements.

In fact, structural unemployment is a natural concomitant of economic progress and innovation in a complex industrial economy of modern times.

6. Technological Unemployment:

A kind of structural unemployment may take place in an economy as a result of technological improvement. Such unemployment may be described as technological unemployment. Due to the introduction of new machinery, improvement in methods of production, labour-saving

devices etc., some workers tend to be replaced by machines. Their unemployment is termed as “technological unemployment.”

7. Cyclical Unemployment:

Capitalist-biased, advanced countries are subject to trade cycles. Trade cycles — especially recessionary and depressionary phases — cause cyclical unemployment in these countries. During the contraction phase of a trade cycle in an economy, aggregate demand falls and this leads to disinvestment, decline in production, and unemployment. **Lerner** calls it “**deflationary unemployment**.” Keynes emphasised that depressionary unemployment is caused by the insufficiency of effective demand.

8. Chronic Unemployment:

When unemployment tends to be a long-term feature of a country it is called “chronic unemployment.” Underdeveloped countries suffer from chronic unemployment on account of the vicious circle of poverty. Lack of developed resources and their underutilisation, high population growth, backward, even primitive state of technology, low capital formation, etc. are the major causes of chronic unemployment in underdeveloped economies

9. Disguised Unemployment:

The term “disguised unemployment” commonly refers to a situation of employment with surplus manpower, in which some workers have zero marginal productivity so that their removal will not affect the volume of total output. Suppose a given land can properly be organised and cultivated by four persons very effectively.

If however, six workers, all members of the same family, are employed on this land, the additional two workers do not contribute anything to the total output and hence, their marginal productivity will be zero. Thus, the removal of these two workers (surplus labour) will not affect the total output, even without any change in the method of production.

Thus, these two workers are said to be disguisedly unemployed.