

Semester II DSC

Unemployment

What is Unemployment?

Unemployment is defined as the condition of being unemployed, or, it refers to the number or proportion of people in the working population who are unemployed (have no jobs). An unemployed person is one who is an active member of the labour force and is able to and seeks work, but is unable to find work during a specified reference period (a week or a month or a year).

Types of Unemployment

Broadly, unemployment can be divided into two types: Voluntary Unemployment and involuntary, unemployment.

- Voluntary unemployment arises due Unemployment to reasons that are specific to an individual.
- Involuntary unemployment is caused by a large number of socio-economic factors such as structure of the market, level and composition of aggregate demand, government intervention, and so on. Thus, there are different kinds of unemployment depending on the nature, causes, and duration of unemployment.

Unemployment is broadly classified in following categories.

Structural unemployment: This kind of unemployment occurs when there is any change in consumer demand and technology in the economy. For instance, when computers were introduced, many workers were dislodged because of a mismatch between the existing skills of the workers and the requirement of the job. Although jobs were available, there was a demand for a new kind of skill and qualification. So, persons with old skills did not get employment in the changed economic regime, and remain unemployed. This is called structural unemployment.

Cyclical unemployment: When there is an economy-wide decline in aggregate demand for goods and services, employment declines and unemployment correspondingly increases. Therefore, it is sometime

referred to as 'demand deficient unemployment'. For instance, during the recent global slowdown, in late 2008, many workers around the globe lost their jobs.

Frictional unemployment: This type of unemployment refers to a transition period of looking for a new job, for different reasons, such as seeking a better job, being fired from a current job, or having voluntarily quit a current job. The period of time between the current to a new job is referred to as frictional, or temporary unemployment.

Seasonal unemployment, a type of frictional unemployment, occurs in specific activities or occupations which are characterized by seasonal work. An example of seasonal unemployment is the joblessness during non-cultivation in rural areas.

Natural rate of unemployment: The sum total of frictional and structural unemployment is referred to as the natural rate of unemployment.

Open unemployment: Open unemployment arises when a person, voluntarily or involuntarily, keeps himself or herself out of consideration for certain jobs.