

Topic IV
Employment,
Unemployment
and
Poverty

- **Economic Activities:** Activities that contribute to the National Income of the country
- **Employment:** All those who are engaged in an economic activity in whatever capacity are called employed or Workers
- **Full Employment:** Situation under which all those who are **willing & able to work at the prevailing wage rates** are employed according to their **skills**

- **Under-Employment:** Situation under which persons are working less than they are willing to work or they do not get wages according to their skills.
- **Unemployment:** Situation when a part of population is seeking job but is unable to get employed due to lack of work.

- **Types of Unemployment**

- 1. Functional/Frictional Unemployment:** Refers to temporary unemployment during the interval period when people change from one job to another.

- 2. Structural Unemployment:** Refers to unemployment due to mismatch between available & required skill set in the economy. Result of structural changes in the economy.

- Frictional & Structural unemployment are unavoidable in most economies & together are referred as **Natural Rate of Unemployment** or minimum unemployment rate acceptable even under full employment situation.

3. Cyclical Unemployment: Caused due to business cycles. When economic boom is followed by a slowdown, production falls & industries retrench employees to cut costs, causing cyclical unemployment.

4. Seasonal Unemployment: Caused due to seasonal nature of agricultural production leading to about 75% of land remaining unused for 3 to 4 months in India.

5. Disguised Unemployment: Refers to the situation of employing **surplus labourers** whose **Marginal Productivity=0**. It means that even if they are removed from agricultural activity, production will not decline.

Employment & Unemployment Indicators

- **Labour Force (LF):** Part of population which is willing and able to work.
- **LF= Number of Employed Persons+ Number of Unemployed Persons**
- **Labour Force Participation Rate (LFPR):**
Number of persons in the LF per 1000 persons in the population.

- **Worker Population Ratio (WPR):** Number of persons employed (Workers) per 1000 persons in the population.
- **Proportion Unemployed (PU):** Number of persons unemployed per 1000 persons in the population.
- **Unemployment Rate (UR):** Number of persons unemployed per 1000 persons in the labour force (employed+unemployed).

- **Measuring Employment & Unemployment: National Sample Survey Office (NSSO)**
conducts detailed sample survey every 5 years to estimate employment & unemployment in 3 ways.
- It is based on a **reference period** during which respondents are asked about their **activity status** i.e. for how many days or hours they were working.

1. Usual Status (US): It classifies a person as unemployed if he was not working even for 30 days but was available for work during last 1 year.

2. Current Weekly Status (CWS): It classifies a person as unemployed if he did not work for even one hour during the week preceding the survey, despite being available for work.

- 3. Current Daily Status (CDS):** Under this a person working between 1-4 hours a day denotes half person-day of employment while one working for 4 or more hours denote 1 person-day.
- In this way, total person-days of employment is measured during 7 days preceding the survey.

- **Occupational Structure:** Refers to distribution of employment among the different economic sectors viz. Agriculture, Industries & Services.
- Generally, with economic development, share of Agriculture in GDP & employment decreases and that in Industries increases and later there is a shift from Industries to Services

- Indian Occupational Structure

	Share in Employment	Share in GDP
Agriculture	52%	14%
Industries	14%	21%
Services	34%	65%