

# Unemployment

Unemployment as defined by the International Labour Organization occurs when people are without jobs and they have actively looked for work within the past four weeks. The unemployment rate is a measure of the prevalence of unemployment and it is calculated as a percentage by dividing the number of unemployed individuals by all individuals currently in the labour force

## **Types of Unemployment:**

### **i. Frictional Unemployment:**

Frictional unemployment is a temporary condition. This unemployment occurs when there is a disequilibrium between demand for labour and supply of labour. It can also arise when an individual is out of his current job and looking for another job. The time period of shifting between two jobs is known as frictional unemployment. The probability of getting a job is high in a developed economy and this lowers the probability of frictional unemployment.

### **ii. Structural Unemployment:**

Structural unemployment occurs due to the structural changes within an economy. This type of unemployment occurs when there is a mismatch of skilled workers in the labour market. Some of the causes of the structural unemployment are geographical immobility (difficulty in moving to a new work location), occupational immobility (difficulty in learning a new skill) and technological change (introduction of new techniques and technologies that need less labour force). Structural unemployment depends on the growth rate of an economy and also on the structure of an industry.

### **iii. Cyclical Unemployment:**

Cyclic unemployment arises when there is a recession. When there is a downturn in an economy, the aggregate demand for goods and services decreases and demand for labour decreases. At the time of recession, unskilled and surplus labours become unemployed.

### **iv. Seasonal Unemployment:**

A type of unemployment that occurs due to the seasonal nature of the job is known as seasonal unemployment. The industries that are affected by seasonal unemployment are

agriculture, hospitality and tourism industries and also the fruit picking and catering industries.

**v. Technological Unemployment:**

This type of unemployment arises because of technological advancements that replace labour. Newly invented technologies like machines and softwares can replace the workers, as it becomes a cost-effective option for producers. Such unemployment can occur in areas where manual labour is prominently used for production.

**vi. Disguised Unemployment:**

Hidden unemployment or disguised unemployment is a kind of unemployment where some people seem to be employed but are not. This usually occurs when there is over-employment in a particular sector. This basically means that on paper you can show employment but in reality, too many have been hired to do a job that can be done by fewer people. In such cases, marginal productivity of the excess units of labour is zero. Over-crowding of workers can also result into a negative marginal productivity, that brings down total productivity. Agriculture sector in developing countries experiences the problem of disguised unemployment because of excess labour supply or lack of necessary skills among agricultural workers to be absorbed by the industrial or services sector.