

Unemployment

The term unemployment is a complex one and somewhat difficult to explain. A number of economists and sociologists, however, have given different definitions of unemployment. Such as **Prof. Pigou** rightly observes: “Unemployment is one of those many terms in common use the general significance of which is understood by all, but which is nevertheless somewhat difficult to define with accuracy. Are we, for example, to include among the unemployed those who are idle because they do not want to work? Are we to include sick persons or workmen out on strike or the various classes of individuals who are for one reason or another unemployable? Any discussion upon these points is more or less arbitrary.”

According to **Fairwill**, “Unemployment is forced and involuntary separation from remunerative work on the part of a member of the normal working force during normal working time, at normal wages, and under normal conditions.” In simple terms then we may say that unemployment is said to exist in a country where the able-bodied persons of working age, who are willing to work, are not able to find work at the current levels.

(Or)

“Unemployment occurs when a person who is actively searching for employment is unable to find work”.

Types of Unemployment:

Unemployment can be of the following types:

i) Voluntary Unemployment:

Voluntary unemployment is attributed to the individual’s decisions not to do any job. That is why, much or most of frictional and casual unemployment are voluntary in their nature.

ii) Frictional Unemployment:

Always present in the economy and refers to the time period between jobs when a worker moves from one job to another. It is an example of a productive part of the economy, as it tends to increase both the worker’s long term welfare and economic efficiency.

iii) Causal Unemployment:

Simply, this is unemployment caused by those who are able to work, but do not wish to. They have sufficient cash to have no need to work, and because of this, may not be cause for concern in unemployment figures.

iv) Involuntary Unemployment:

In it people are thrown out of work involuntarily and not be able to find acceptable new employment. It exists because of the socio-economic environment (including the market structure, government intervention, and the level of aggregate demand) in which individuals operate. It is mainly found in under-developed countries, both in rural as well as in urban societies.

Cyclical, seasonal, structural, classical and residual unemployment all are largely involuntary in nature.

v) Cyclical or Keynesian Unemployment:

Cyclical or Keynesian unemployment, also known as deficient-demand unemployment, occurs when there is not enough aggregate demand in the economy. Because when demand for most goods and services falls, less production is needed and consequently fewer workers are required, wages do not fall to meet the equilibrium level, and mass unemployment results. It gets its name because it varies with the business cycle, it means it can be short term (e.g. during off season for seasonal workers), medium term (during cycles in business activity) or longer term (during depression/recession such as during the Great Depression of the 1930s).

vi) Seasonal Unemployment:

Seasonal unemployment arises because of the seasonal character of a particular productive activity due to which people become unemployed during the slack season. e.g. in Pakistan agriculture is a seasonal occupation so the people have no sufficient work to do during the slack season. Other examples of seasonal industry are the ice factories, rice mills, sugar factories, etc.

vii) Structural Unemployment:

Structural unemployment occurs when a labor market is unable to provide jobs for everyone who wants one because there is a mismatch between the skills of the unemployed workers and the skills needed for the available jobs. Much of technological unemployment might also be counted as structural unemployment

viii) Hidden or Disguised Unemployment:

A situation in which more people are available for work than are shown in the unemployment statistics. It is also referred as concealed unemployment and the discouraged effect. It reveals an unusually low participation rate.

ix) Classical Unemployment:

Classical unemployment is also known as the real wage unemployment or disequilibrium unemployment. This type of unemployment occurs when trade unions and labour organizations bargain for higher wages, which leads to fall in the demand for labour.

x) Residual Unemployment:

This kind of unemployment is caused by personal factors such as old age, physical or mental disability, poor work attitudes and inadequate training.

Causes of Unemployment:

The causes of unemployment may be divided into two categories:

I. General Causes of Unemployment:

These include:

1. Rapid increase in population.
2. Illiteracy.
3. End of cottage and small scale industries due to which the villagers remain idle. Uneven development in other fields than agriculture.
4. Use of technology in agriculture.
5. Lack of money as Keynes has said that more saving and less expenditure results in unemployment.
6. Natural or seasonal calamities like drought, destruction of crops etc. in seasonal employments like sugar or tobacco industries.
7. Cultural restraints.
8. Political instability.

II. Personal Factors of Unemployment:

Personal factors include defects in character, physical disability etc. which in other words means physical, mental and moral deficiency of the labourers.

Eliot and **Merril** have mentioned the following under the personal factors:

a) Age Factor:

They point out that both young and old persons have disadvantage in getting employment. This is because young men find difficulty in getting jobs because of their inexperience while the older persons are precluded from public employment because of age bar on the ground that they produce less and are more prone to accidents.

b) Vocational Unfitness:

Employers may seek qualified and competent trained workers, who may not be available in the market. Similarly, there may be more men trained in a particular profession than required. Thus demand is less than the supply and, hence, unemployment results.

c) Illness or Physical Disability:

Many workmen are temporarily or permanently unemployed because of illness or other physical disabilities. Illness included by industrial conditions or the hazards of the particular industry may account for a large number of unemployment.

d) Technological and Economic Factors:

Technological advancement also creates unemployment. Because the increase in technology and mechanization means a displacement of human labour. So with the advancement in technology manufacturing processes have become so perfect as to be virtually automatic and, hence, reduces the demand for labour.

e) Lack of proper planning and defective distribution of manpower in various sectors of the industry with the waste of man-hours.

f) Shortage of resources and funds in industrial development.

g) Little attention towards inviting capital investment.

However, in addition to these causes in under-developed countries insufficient amount of real capital per head of population also leads to various forms of unemployment, disguised or manifested.

Effects of Unemployment:

Unemployment whether of a permanent or temporary nature has many adverse effects not only for the worker himself but for worker's family and the community at large. He suffers from personal disorganization, his health is affected and his family and the community is also affected. That is why, we may discuss these adverse effects of unemployment under four heads:

a) Unemployment and Personal Disorganization:

Unemployment whether of a seasonal or permanent nature undermines the life organization of a worker. The unemployed person faces a discouraging outlook. In utter despondency and frustration, some of them become drug addicts in order to forget their unbearable worries. In this way, they ruin their lives and those of their families. While some other take to anti-social activities in order to make ends meet. Once, they enter the world of crimes, it becomes extremely difficult to come out of it.

Lescohier explains this in the following words, "Unsteady unemployment undermines the worker's physique, deadens his mind, weakens his ambition, destroys his capacity for continuous sustained endeavour, induces a liking for idleness and self-indulgence, saps self-respect and the sense of responsibility, impairs technical skill, weakens nerve and willpower, creates a tendency to blame others for failure, saps his courage, prevents thrift and hope of family advancement, destroys a workman's feelings that he is taking good care of his family, sends him to work worried and underfed and plunges him in debt."

b) Unemployment and Family Disorganization:

In addition to the physical and mental deprivation of the unemployed bread winner, it affects his family as well. Families suffer starvation by resorting to unbearable low food. Bodies sapped through such under-nourishment become easy prey for ill-health. In desperation the children are sent to industry earlier as child labour with half the normal wage, their education is dropped and wife may seek employment in addition to her household duties. Thus, the whole family organization gets disrupted with adverse social effects.

c) Unemployment and Community Disorganization:

Owing to unemployment in a country its resources are not utilized to the full extent and production is less than the maximum. This affects the standard of living of the people and poverty, illness, crime and other socio-economic problems arise as a result of it which all lead to social disorganization.

d) Unemployment and Political Disorganization:

High levels of unemployment can also be the causes of civil unrest, in some cases leading to revolution, and particularly totalitarianism. For example, the fall of the Weimar Republic in 1933 and Adolf Hitler's rise to power, which culminated in World War II and the deaths of tens of millions and the destruction of much of the physical capital of Europe, is attributed to the poor economic conditions in Germany at the time, notably a high unemployment rate of above 20%.

Thus we see that those who are unemployed are not only a problem to themselves but are a cause of several other problems.

Remedies:

In order to meet the problem of unemployment following measures are recommended:

1) Capital Formation:

To create new employment opportunities the employment policy must press for a sustained capital formation with a proper mix of employment generating and productivity raising investment. Because capital formation generates employment not only directly in the construction activity but also indirectly, by creating production facilities which employ labour for operating and maintaining them.

2) Development of Industries:

More and more industries should be built as they will lead to curtail unemployment to a great extent.

3) Development of Rural Sector:

Foremost consideration should be given to the rural sector for two reasons – on account of the magnitude and seriousness of the problem and secondly, because the offer of better employment opportunities in the rural sector will have a salutary effect on the employment situation in the urban sector. In this regard the suggested measures include the starting of major and minor irrigation works, land reclamation schemes, the revival and development of rural industries and old handicrafts and undertaking of rural works programme in slack agricultural seasons.

4) Development of Urban Sector:

In urban sector the main steps suggested are: **(i)** revival of sick industrial units, **(ii)** to save the existing small scale industries and **(iii)** to encourage the starting of similar new industries. Moreover, the employment opportunities in the fields of education, health, social services, etc. should also be created by the expansion of these services. In this way, the trade and commerce will automatically expand with increase in the level of income of the people.

5) Retraining Programmes:

In order to minimize the technological unemployment retraining programmes should be arranged for those who are affected by it.

6) Modernization and Reformation of Educational System:

Educated unemployment could be contained by accelerated all round industrialization of the economy, including modernization of agriculture, and by an effective reform of the educational system.

7) Employment Exchanges:

A more efficient functioning of employment exchanges would help in reducing frictional unemployment to the minimum.

8) Employment of Women:

Measures should be adopted for raising the share of women in employment opportunities in the organized sector. So that they may also contribute to the development of the nation.