



# UNEMPLOYMENT

Unemployment refers to a situation in which the workers who are capable of working and willing to work do not get employment.

# Types of unemployment

- **Frictional unemployment**
- **Structural unemployment**
- **Cyclical or Keynesian unemployment**
- **Seasonal unemployment**



# Frictional unemployment

Frictional unemployment occurs when a worker moves from one job to another. It is a result of imperfect information in the labor market, because if job seekers knew that they would be employed for a particular job vacancy, almost no time would be lost in getting a new job, eliminating this form of unemployment.



# Structural unemployment

- Structural unemployment arises when the qualification of a person is not enough to meet his job responsibilities. Conversely, structural unemployment arises when the salary offered to a person falls short of the minimum wage that can be paid for the concerned job.



## Cyclical unemployment

Cyclical or demand deficient unemployment occurs when the economy is in need of low workforce. The demand for labor increases with the economy in the growth phase. Again, when the economy passes through depression, demand for labor decreases and the extra workers are released as the unemployed labor force.





# Seasonal unemployment

- Seasonal unemployment occurs when an occupation is not in demand at certain seasons.




# Causes of unemployment

- *High Population growth.*
- *Absence of employment opportunities.*
- *Seasonal Employment.*
- *Joint Family System.*
- *Increasing turnout of students from Indian Universities.*
- *Slow Developing of Industries.*
- *Insufficient Rate of Economic Progress.*

# Costs of unemployment

- **Individual** :Unemployed individuals are unable to earn money to meet financial needs. Failure to pay installments or to pay rent may lead to homelessness through eviction. Unemployment increases chances of malnutrition, illness, mental stress, and loss of self-esteem, leading to depression.



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- **Society:** An economy with high unemployment is not using all of the resources, i.e. labor, available to it. Since it is operating below its production capability, it could have higher output if more people are usefully employed.

However, there is a difference between economic efficiency and unemployment: if the frictionally unemployed accepted the first job they were offered, they would be likely to be operating at below their skill level, reducing the economy's efficiency.

# Measurement

- Economists typically focus on the unemployment rate. The unemployment rate is expressed as a percentage, and is calculated as follows:

**Unemployment rate = unemployed worker / total labor force \* 100**

As defined by the International labor organization, "unemployed workers" are those who are currently not working but are willing and are able to work for pay, currently available to work, and actively searching for work



# Solutions

- **A Change in the pattern of investment**
- **Encouragement to small enterprises as against big enterprises**
- **Problem of Choice of technique**
- **Encouragement of New Growth Centers in Small Towns and Rural Areas**
- **Subsidies on the Basis of Employment**
- **Reorientation of Educational Policy**



THANK  
YOU