

# Unemployment controversies

data

March 15, 2019

## Manifest Pedagogy

Jobless growth and steps taken by government to enable job creation is an important aspect for prelims and mains examination. Also, formalisation, social security and data collection methods need to be focused upon.

## In news

NSSO releases Unemployment rate

## Placing it in the syllabus

LPG reforms

Unemployment

## Static dimensions

- Types of Unemployment.
- CDS, CWS, UPS (Measures)

## Current dimensions

- Business cycles and Jobless growth.
- Missing Middle.
- Unemployment measures.
- Gig economy vs Desire for better jobs.

## Content

### Types of Unemployment

## **Underemployment**

Underemployment may be defined as a situation in which workers are employed below their education or skill level, or their availability.

## **Cyclical unemployment**

Cyclical unemployment is a factor of overall unemployment that relates to the regular ups and downs, or cyclical trends in growth and production, that occur within the business cycle. When business cycles are at their peak, cyclical unemployment will tend to be low because total economic output is being maximized. When economic output falls, as measured by the gross domestic product (GDP), the business cycle is low and cyclical unemployment will rise.

## **Seasonal Unemployment**

The Seasonal Unemployment means the demand for a specific kind of work and workers change with the change in the season. Simply, the period when the demand for the manpower as well as the capital stock reduces because of a decreased demand in the economy at a particular point in time in a year causes the seasonal unemployment.

## **Structural Unemployment**

Structural unemployment is a longer-lasting form of unemployment caused by fundamental shifts in an economy and exacerbated by extraneous factors such as technology, competition and government policy. Reasons why structural unemployment occurs include workers' lack of requisite job skills or that workers live too far from regions where jobs are available and cannot move closer.

## **Frictional unemployment**

Frictional unemployment is the unemployment that results from time spent between jobs when a worker is searching for, or

transitioning from one job to another.

### **Disguised unemployment**

Disguised unemployment exists where part of the labor force is either left without work or is working in a redundant manner where worker productivity is essentially zero.

### **Natural unemployment**

Natural unemployment is often defined as the lowest rate of unemployment an economy will reach. It is “natural” because its causes are things other than the problems caused by a bad economy.

### **Approaches to Measure Unemployment**

#### **Current Daily Status(CDS)**

The current daily status approach to measuring unemployment seeks to ascertain the activity status of an individual for each day of the reference week. It reports time disposition of an individual on each day of the reference week. This means that in addition to recording the activity being pursued, time intensity is also recorded in quantitative terms for each day of the reference week.

#### **Current Weekly Status(CWS) Unemployment**

The Current Weekly Status (CWS) approach to measuring unemployment uses seven days preceding the date of survey as the reference period.

A person is considered to be employed if he or she pursues any one or more of the gainful activities for at least one-hour on any day of the reference week. On the other hand, if a person does not pursue any gainful activity, but has been seeking or available for work, the person is considered as unemployed.

For classification of the population under current weekly

status approach, a priority-cum-major time rule has been adopted. According to the criteria, status of 'working' gets priority over status of 'not working' or 'being available for work'. Status of 'seeking or being available for work' in turn gets priority over non-gainful activities pursued. When a person is found to be possessing more than one gainful activity, the unique activity is decided as that activity on which relatively more time has been spent.

### **Usual Principal Status(UPS) or Usual Status**

The Usual Status approach to measuring unemployment uses a reference period of 365 days i.e. one year preceding the date of the survey of NSSO for measuring unemployment.

The Usual Status approach of measuring unemployment also looks at the principal activity and subsidiary activity status of the worker.

The status of activity on which a person has spent relatively longer time of the preceding 365 days prior to the date of survey is considered to be the usual principal activity status of the person. The Usual Principal Activity status (UPS), written as Usual Status (PS), is determined using the majority time criterion and refers to the activity status on which h/she spent longer part of the year. Principal usual activity status is further used to classify him in/out the labour force.

### **NSSO VS NITI Aayog**

NITI Aayog stated that the Unemployment data report of NSSO saying India's unemployment rate rose to a 45-year high in 2017-18 is "not verified" and further said that the government did not release the report because the data is still being processed.

### **Business cycles and Missing Middle**

The business cycle is the pattern of expansion, contraction and recovery in the economy. Generally speaking, the business cycle is measured and tracked in terms of GDP and unemployment – GDP rises and unemployment shrinks during expansion phases, while reversing in periods of recession. Wherever one starts in the cycle, the economy is observed to go through four periods – expansion, peak, contraction and trough.

India's future growth depends critically on the nation's ability to populate its missing middle—the medium-sized producers and middle class of consumers. The greatest number of Indian businesses are small or microenterprises, many operating in the informal economy and not contributing to India's tax base. Agricultural production is hampered by tiny and decreasing farm sizes and by the impracticality of applying technology to increase crop yields.

The causes of the missing middle relate to government policies, such as a growth-stifling regulatory environment; India's large population of individuals living below the poverty line; and, perhaps of most concern for its pervasiveness, poor performance on human development measures. A deficit in education despite a generally adequate number of school buildings and the low participation of women in the paid workforce are two factors contributing to an inadequate supply of skilled workers and low production output. Without a middle class of producers (income earners), there is no middle class of consumers.

## **Controversies**

1. Resignation of national statistical commission members
2. Shift to monthly data collection and hindrance caused due to non disclosure of data by NITI Aayog
3. Historically higher unemployment rate predicted by NSSO
4. Gig economy- number of jobs being created by uber and ola (nature of jobs)
5. Data on EPFO and ESIC confirms formalisation but not

fresh additions to workforce

6. Greater aspirations and skill gaps visible from both demand side-jobless growth and supply side- skill gaps faced by industry for new age jobs.

### **What is Gig Economy?**

In a gig economy, temporary, flexible jobs are commonplace and companies tend toward hiring independent contractors and freelancers instead of full-time employees. A gig economy undermines the traditional economy of full-time workers who rarely change positions and instead focus on a lifetime career.

### **Working of the Gig Economy**

- Due to the large numbers of people willing to work part-time or temporary positions, the result of a gig economy is cheaper, more efficient services, such as Uber or Airbnb, for those willing to use them.
- Those who don't engage in using technological services such as the Internet tend to be left behind by the benefits of the gig economy.
- Cities tend to have the most highly developed services and are the most entrenched in the gig economy.
- While not all employers tend toward hiring contracted employees, the gig economy trend often makes it harder for full-time employees to develop fully in their careers since temporary employees are often cheaper to hire and more flexible in their availability.

However, the government has asked the standing committee on labour force statistics (SCLFS) to look into the abnormalities in a recent report on employment and suggest changes keeping in mind the high economic growth in the country in last four years.