

Sub- Topic 1: THE CONCEPT OF EMPLOYMENT, UNEMPLOYMENT AND

UNDEREMPLOYMENT;

Employment is the relationship between two parties usually based on a contract where work is paid for and where one party is the employer and the other is the employee.

Employment is typically governed by employment laws or regulations or legal contract

Note: (i) Employee is an individual who works part-time or fulltime under a contract of employment whether oral or written and has recognised rights and duties.

(ii) Employer is a legal entity that controls and directs a worker under an implied contract of employment and pays him or her salary or wage in compensation.

THE CONCEPT OF FULL EMPLOYMENT:

Full employment refers to a situation where there are more jobs than job seekers.

OR it is a situation where all people/factors of production that are willing to work can get work.

OR: It is a situation where the number of unfulfilled vacancies is equal to the number of job seekers.

OR It is where everybody who is capable and willing to work at the acceptable wage rate is able to get work.

Reasons why it is difficult to attain full employment in an economy/ Limitations to the attainment of full employment in the economy

- **Employment of inappropriate technology/ Use of advanced technology.** Inappropriate technology cannot make best use of available local resources and becomes socially irrelevant to the people since machines replace labour in the production process thus failure to attain full employment.
- **Existence of rapid/high population growth rate.** Rapid population growth rate cannot match with a few existing job vacancies thus failure to attain full employment of labour.
- **Shortage of co-operant factors of production/ Limited capital.** There is shortage of those factors that labour needs to become busy such as land and capital to create jobs hence failure to attain full employment especially in economies of developing countries.
- **Existence of inappropriate/ defective/ poor education system.** This emphasizes training of job seekers rather than job makers in a country which creates surplus labour in relation to the jobs available thus failure to attain full employment of labour.

- **Immobility of factors of production between jobs and locations/ Immobility of some factors of production.** Factors of production especially labour and capital tend to be immobile due to high level of specificity/specialization yet they are under employed hence failure to attain full employment level.
- **Rural urban migration.** The massive rural urban migration causes a mismatch between supply of labour in urban centers and demand for labour leading to open urban unemployment hence failure to attain full employment.
- **Limited domestic and foreign markets.** This makes firms to produce below the optimum level (excess capacity) leaving many resources underutilized thus failure to attain full employment level.
- **High dependence on natural factors/ Seasonal changes.** The heavy dependence on natural factors especially in the pre-dominant agricultural sector leads to people to be employed during the planting season and become unemployed after harvesting thus seasonal unemployment thus a failure to attain full employment.
- **High capital outflow especially inform of profit repatriation.** The heavy capital outflow in form of profit repatriation limits investment in the economy thus failure to attain full employment.
- **Political instability.** This disrupts economic activities in the country due to fear for loss of lives and property which limits investment and thus failure to attain full employment
- **Limited investment incentives.** This limits the level of economic activities in the country due to high costs of production and thus low level of job creation, thus failure to attain full employment.
- **Poor land tenure system.** This limits accessibility to land by potential investors to put up projects thus leading limiting full employment of resources
- **Ignorance of labour about existing jobs in the country.** This makes labour to remain jobless due to failure to establish where jobs exist hence limiting full employment of resources.
- **Discrimination in the labour market basing on race, ethnicity, religion, etc.** This makes labour to be favoured and those who are not favoured remain unemployed thus limiting full employment.
- **Unfortunate IMF conditions of retrenchment, demobilization of soldiers, etc.** This is done so as to reduce costs thus leaving many people unemployed which limits full employment.
- **Breakdown of industries/ production process.** This causes shortages in production since it leaves many people laid off thus limiting full employment of resources.
- **Poor/ Underdeveloped infrastructure.** This increases the costs of production which discourages production thus leaving many resources unemployed.

- **Limited entrepreneurial skills.** This leads to poor organization of factors of production and low risk-taking ability in businesses thus limiting investment and full employment of resources.
- **Existence of a large subsistence sector.** This encourages production for own consumption and thus leaves many resources unutilized hence limiting full employment of resources.
- **Low level of accountability.** This leads to diversion of funds by public officials to their personal interests and leave many resources unutilized thus limiting full employment of resources.

MEASURES THAT CAN BE UNDERTAKEN TO ATTAIN FULL EMPLOYMENT IN AN ECONOMY

- Encourage investment in private sector. This can be done so as to allow more investors in production which employ more people thus helping to attain full employment.
- Reduce direct taxes on people's income. This can be done so as to increase consumption expenditure on goods and services produced by firms thus encouraging more investment thus leading to full employment.
- Expand markets for output of goods and services. This should be intended to increase profitability in doing business which encourages resource exploitation and employment opportunities.
- Increase government expenditure in the public sector. This can be done so as to increase money in the hands of the public which increases aggregate demand thus generating more employment opportunities.
- Create conducive investment climate for both domestic and foreign investors. This can be done so as to reduce the cost of production which encourages more investment hence widening more employment opportunities.
- Employ appropriate technology. This can be done so as to promote use of locally available resources, increase output and employment of labour.
- Control population growth rate. This can be done so as to reduce on the population so as to match with the jobs available thus leading to full employment of resources.
- Encourage education reforms. This can be done so as to equip labour with skills which are needed in the labour market thus leading to full employment of resources.
- Develop and rehabilitate economic infrastructure. This is especially in rural areas in form of roads, electricity distribution to reduce the cost of production which help to boost the level of economic activities thus leading to full employment.

LABOUR FORCE: This is the proportion of the population that is made up of the **working age group**, excluding full time students and housewives. In other words, it is the total number of the working age group that is available for employment at any given time.

The composition of the country's labourforce:

- Size of the population
- Number of fulltime students/length of training period
- The health status of the population
- Government policy in terms of employment age/ age structure
- Social customs/number of fulltime housewives.
- Rate of migration

• **CHARACTERISTICS OF LABOUR FORCE IN DEVELOPING COUNTRIES:**

- Largest proportion of the labour force is composed of relatively young population below the age of 40 years.
- Labour force is characterised by poor health and living conditions in form of poor housing, poor feeding/nutrition and poor health care.
- Large proportion of the labour force is illiterate, unskilled and semi-skilled.
- Due to high population growth rates, there is continuous increase in the supply of labour force.
- Largest percentage of the labour force is unemployed and underemployed. This is because the supply of labour force exceeds its demand.
- Labour force is organized in weak trade unions which cannot negotiate favourably for fair working conditions and remuneration.
- Educated or skilled labour force is trained in less relevant education which prepares them for white collar jobs.
- Biggest proportion of the labour force is occupied in the agricultural sector directly and indirectly, and the smallest proportion is in the service and industrial sectors respectively.
- Child labour with age of 15 years also forms a proportion of the labour force.
- The small fraction of highly skilled labour made up of professionals is often unavailable to the country because such labour is mobile and prefers to look for more lucrative employment abroad.

Sub- Topic 2: UNEMPLOYMENT:

Unemployment refers to the failure to obtain a job at the ruling wage rate despite ones willingness to work i.e. one is willing to work but for one reason or the other cannot find a job. In other words, unemployment is a situation where people who make up a country's labour force do not have work at the going wage rate.

The unemployment rate of an economy (**rate of unemployment**) is the percentage of total workforce that is unemployed and is looking for jobs.

It is measured as the number of the unemployed divided by the total number of the labour force times 100.

Unemployment rate =

For example, if out of 20 million people in the labour force, 5 million people are unemployed; the unemployment rate in this country is calculated as below

DIFFERENCE BETWEEN UNEMPLOYMENT AND UNDER EMPLOYMENT

THE CONCEPT OF UNDER EMPLOYMENT:

UNDER EMPLOYMENT: This is the under utilisation of labour force/resources in the form of labour working less time than desired. **OR** It refers to where labour is engaging in jobs far below his/her skills.

Under-employment of labour exists in the following ways;

- Labour is working fewer hours than they wish or working less than the official full time working hours.
- People working in jobs whose requirements are below their qualifications. They are over qualified for their current jobs.
- People work full time but in less productive tasks than they are capable of performing, that is, when workers do not exert themselves to the best of their ability.
- Labour is working full time but on socially unacceptable jobs such as prostitution.
- Highly skilled workers are working in low paying jobs.
- Individuals working in part time jobs yet they would have preferred to be full-time

Causes of under employment include the following:

- Shortage of co-operant factors of production that labour needs to be kept busy e.g. capital and land.
- Poor land tenure system which limits certain communities from accessing enough land especially for commercial agricultural practices.
- Political instability which negatively affects the level of economic activities.
- Ignorance of people about availability of jobs in the job market.
- Poor attitude of people towards work caused by high preference for leisure.
- Limited skills possessed by labour force.
- Seasonal variations for example in agricultural sector where farmers are kept busy during planting and harvesting while remaining under employed in the post harvest and pre-sowing seasons.

- Rural urban migration leading to under employment in urban areas.
- High population growth rate compared to limited resource availability in an area.
- Discrimination in the labour market based on gender, race and religion.
- Poor manpower planning causing mismatch between labour demand and labour supply.
- Limited market size for the output produced especially in agricultural sector.
- Desire to retain labour force by trade unions and employers for future use

THE NATURE OF UNEMPLOYMENT:

The nature of unemployment is categorized into two i.e Voluntary unemployment and Involuntary unemployment.

VOLUNTARY UNEMPLOYMENT:

This is a situation in which people who **are able** are **not willing** to work yet employment opportunities exist.

CAUSES OF VOLUNTARY UNEMPLOYMENT

- **Laziness of workers.** Some people are naturally lazy with negative attitude towards work or take up jobs hence become voluntarily unemployed regardless of the wage offered.
- **Strong desire/ preference for leisure to work.** Some people have high preference for leisure even when jobs are available hence remain voluntarily unemployed even when jobs are available.
- **Low and unacceptable wage in the available jobs.** Some people want more wages than is currently paid and instead prefer to remain unemployed rather than working for low wages compared to the work load although jobs are available hence remain voluntarily unemployed.
- **Existence of unemployment benefits from the state/preference to live on other incomes.**
Some governments can afford to offer/give out hand outs or unemployment benefits to the unemployed individuals which enable them to have basic necessities of life hence remain voluntarily unemployed.
- **Desire to live on the existing wealth or past accumulated savings.**
Some people save a lot of money and decide to live on their accumulated savings / income without straining themselves searching for jobs elsewhere.
- **Expectations of better jobs in the near future.**
At times people prefer to remain unemployed in the short run expecting to secure better paying jobs in the near future than those currently available.
- **The unemployed being too qualified for the available jobs.**
Some people prefer to remain unemployed rather than taking on jobs for which they are too/ highly qualified or they consider inferior in relation to their qualifications e.g. a secondary school teacher teaching in a primary school, etc.
- **Poor or unfavourable working conditions in the available job opportunities.**

Sometimes people are reluctant to take on jobs where working conditions are poor for fear of their lives and prefer to remain voluntarily unemployed.

- **High risks involved in the available jobs** e.g. in mining. Sometimes people are reluctant to take on jobs where risks are high for fear of their lives and hence remain voluntarily unemployed.
- **Jobs being socially unacceptable.** Some people are of high social status and cannot take on jobs of low status or considered socially unacceptable regardless of the better payment offered. i.e consider work demean.
- **Unfavourable geographical location of jobs.** People are sometimes reluctant to take on jobs in areas with political instability, high cost of living, and poor weather conditions and instead prefer to remain voluntarily unemployed regardless of wage offered.
- **Good economic background.** Some people are born in economically strong families and can live comfortably or survive on the existing family wealth without looking for jobs elsewhere.
- **Social ties.** Some people have strong family attachments and obligations that cannot allow them to search for jobs elsewhere and hence remain voluntarily unemployed.

INVOLUNTARY UNEMPLOYMENT:

This refers to a situation in which people who **are able** and **willing** to work at the current/ on going **wage rate** are unable to find jobs.

CAUSES OF INVOLUNTARY UNEMPLOYMENT:

- **Ignorance of labourers of existing job opportunities.** Some people are unemployed because they are not aware of the existence of the jobs elsewhere in the labour market hence remain unemployed.
- **Poor education system/ inappropriate education system/Limited skills.** The education system in most developing countries trains more job seekers than job creators such that there is surplus labour as compared to the jobs available.
- **Discrimination in the labour market based on gender, age etc.** This deprives some people of jobs as they are blocked from accessing employment because of favouritism and other forms of discrimination existing in the job market.
- **Technological development/progress.** This results in high unemployment because there is replacement of labour by machines in production leaving labour unemployed.(i.e leads to technological unemployment).
- **The physical disabilities and mental incapacitation.** Persons that are disabled cannot find employment mainly because employers are not willing to take them on due to the fear that they cannot efficiently perform duties.
- **Unfavourable change in climate/seasons.** This is especially with the agricultural sector where economic activity depends on changes in climate/seasons, so that

farmers become unemployed after the harvesting season as they wait for the next planting season.

- **Decline/deficiency in aggregate demand/Limited market.** This leads to low aggregate demand for final products which leads to low investment, low incomes and low profits which forces employers to lay off workers hence leading to unemployment.
- **The high/rapid population growth rate.** This leads to excess supply of labour in relation to demand for the available job opportunities in the labour market thus leading to unemployment.
- **Political instability.** This causes fear for loss of lives and property which disrupts economic activities in the economy and thus discourages investment and prevents creation of job opportunities for the available labour force in the areas experiencing political instability.
- **Rural urban migration.** This results in excess labour supply in the urban areas in relation to the available jobs resulting in open urban unemployment.
- **The process of changing/switching jobs in the short run.** This is brought about when labourers are switching from one employment to another due to time lag between leaving one job and obtaining another hence leading to frictional unemployment.
- **Limited co-operant factors of production** such as capital and land. This reduces the demand for labour because it is difficult to use labour without the co-operant factors thus causing unemployment.
- **Poor manpower planning.** This causes excess labour supply in some sectors and a deficit in another field in the labour market and this causes unemployment.
- **Poor land tenure system.** This limits accessibility to land by the potential investors thus limiting investment and the creation of jobs hence leading to unemployment.
- **High degree of specialisation.** This makes such people fail to easily switch from one industry to another in case the job he/ she specialised in is no longer there.
- **Unfortunate IMF conditions of retrenchment, demobilization of soldiers, etc.** This is done so as to reduce costs thus leaving many people unemployed which leads to unemployment.
- **Poor/ Underdeveloped infrastructure.** This increases the costs of production which discourages production thus leaving many resources unemployed.
- **Limited entrepreneurial skills.** This leads to poor organization of factors of production and low risk-taking ability in businesses thus limiting investment and full employment of resources.

MEASURES THAT SHOULD BE TAKEN TO REDUCE UNEMPLOYMENT PROBLEM IN DEVELOPING COUNTRIES:

- **Provide tax incentives to investors.** This should be done so as to attract more investment in the economy by both the local and foreign investors due to reduced cost of doing business and thus help to create a number of employment opportunities in the economy.
- **Diversify the economy.** This should be done so as to increase the level of economic activities in many sectors of the economy hence creating a variety of job opportunities.
- **Liberalise the economy.** This encourages a big number of both local and foreign investors in the economy due to reduced restrictions of doing economic activities; this raises the level of employment in the long run.
- **Further privatise the state/public enterprises.** This should be done so as to increase efficiency and expand production due to increased involvement of private investors hence increasing the number of job opportunities in the long run.
- **Control the population growth rate.** This helps to avoid surplus labour force so that the number of job seekers does not exceed the available job opportunities.
- **Provide Credit facilities.** Such credit facilities should easily be accessed by the unemployed to enable them finance income generating activities so as to create jobs for themselves and others.
- **Undertake Education reforms.** This should be done so as to offer relevant skills to people so that they are able to create jobs instead of seeking for them hence reducing unemployment.
- **Modernise agriculture.** This should be done so as to expand productive capacity in this dominant sector which helps to expand job opportunities in the economy since there is reduced dependence on nature.
- **Adopt appropriate technology/ Improve the technology.** This should be done so as to adopt methods of production which suit the prevailing conditions in the economy and thus avoiding technological unemployment.
- **Advertise the existing job opportunities.** This should help people to be aware of the available job opportunities elsewhere and thus apply for them and be able to take on such jobs.
- **Undertake Land reforms.** This should help most people to have access to land to engage in productive activities that help to generate employment in the economy.

- **Ensure Political stability.** This should help to reduce fear for loss of lives and property instill confidence among the potential investors to increase investment expenditure which leads to increased economic activities hence creating more employment opportunities.
- **Develop infrastructure** in form of roads, railway facilities, power facilities etc. This should be done so as to reduce the costs of doing business thus expanding economic activities hence creating more jobs.
- **Widen the market.** This should be done so as to increase investment in the economy due to increased profitability of doing business and thus creating more employment opportunities in the economy.
- **Ensure Proper man power planning.** This should be done so as to identify labour needs in the economy, and putting in place relevant education and training measures to reduce excess supply of labour in some sectors and shortages of labour in others.
- **Exportation of the surplus labour to other countries should be done.** This should give an opportunity for the unemployed in the country to get jobs in foreign countries, which require their labour services at the same time lowering the unemployment rate in the economy.
- **Provide special programmes for the persons with disabilities .** Government should provide special programmes for persons with special needs/ disabilities to enable them participate in production of goods and services which reduces on residual unemployment.
- **Promote Industrialisation.** Government should ensure increased promotion of small scale industrial growth through provision of tax incentives; subsidies and reduced interest rates so as to enable entrepreneurs generate more employment opportunities for the people.

TYPES OF UNEMPLOYMENT:

1. CYCLICAL/MASS/GENERAL/KEYNESIAN UNEMPLOYMENT:

Cyclical unemployment is one that arises due to deficiency in effective/ aggregate demand for final goods and services especially in times of economic recession or depression.

The causes of cyclical unemployment:

- A fall in the level of investment in an economy which reduces the demand for labour leading to mass unemployment.
- The decrease in income level in the economy which results in a decrease in aggregate demand, which leads to a fall in investment expenditure hence a reduction in demand for labour leading to mass unemployment.

- Decrease in the general price level. This discourages investment in the economy, which reduces demand for labour hence mass unemployment.
- A fall in the level of savings in the economy which reduces the level of investment and demand for labour leading to mass unemployment.
- Decrease in the level of interest rates in the economy. This reduces supply of credit for investment hence a reduction in demand for labour.
- A fall in the level of exports of an economy leads to mass unemployment because it discourages investment in the economy and causes a reduction in the demand for labour.
- High level of importation in the economy leads to mass unemployment because it reduces the level of aggregate demand for the domestically produced goods hence discouraging domestic production and reduces the demand for labour.
- Reduced government expenditure leads to mass unemployment because it reduces the level of economic activity in the economy, which reduces the demand for labour.

The solutions to the cyclical unemployment:

- Increase government expenditure to increase aggregate demand for goods and services in the economy to increase the level of investment and employment.
- Encourage private investment through incentives to generate more employment.
- Reduce direct taxes/ taxes on incomes to increase the level of disposable income to raise the level of demand for goods and services in the economy in order to encourage investment and economic activity and employment.
- Use expansionary monetary policy to increase the volume of credit available for investors to increase the level of investment and employment opportunities in the economy
- Subsidise consumers in order to increase aggregate demand so as to encourage investment and thus create more jobs.
- Increase wages/salaries so as to increase aggregate demand and thus boost investment which helps to create more employment opportunities.
- Encourage/Increase exports so as to increase aggregate demand, which boosts investment and thus create employment opportunities.
- Reduce/ Encourage imports, this helps to preserve domestic market for local producers, leading to increased production and thus create more employment opportunities.

2. STRUCTURAL/ (MARXIAN) UNEEMPLOYMENT:

This is unemployment due to changes in demand and supply patterns in the economy such that the skills of the available labour force are no longer relevant in the job market hence becoming unemployed. For example, a fall in demand for cotton clothes

in preference for silk, results in closure of cotton textile industries and subsequent unemployment of those originally employed to produce the cotton clothes and do not have the skills to work in the new silk industry. Alternatively, the introduction of new technology such as computer technology, resulting in unemployment of labour that lacks the skills required in using the new technology.

The causes of structural unemployment:

- Changes in the demand or tastes/fashions make labour redundant when an industry closes. For example, the switch from using manual typewriters to computers renders those initially employed in the typewriter industry jobless.
- Technological advancement results into a fall in demand for labour that does not have appropriate skills for the new technology, which results into unemployment.
- Exhaustion of raw materials in the economy results into unemployment of the labour that was employed to extract and use these resources.
- The long periods in training of labour prevents labour from acquiring the necessary skills currently needed in the labour marketing hence resulting in structural unemployment.
- Labour immobility. The labour remains unemployed due to the inability to move and get employment in the available jobs.
- The occurrence of a depression in the economy results in structural unemployment. A depression is a period of low economic activity leading to mass unemployment due to low demand for labour.
- Political unrest reduces demand for labour due to the low levels of investment in the areas that are politically unstable.
- Government policy of retrenchment which involves laying off surplus labour rendering them unemployed.

The Solutions to structural unemployment:

- In-service training and retraining of workers to obtain new skills needed for the new job market.
- Uses of appropriate technology i.e. labour intensive technology.
- Ensure political stability to avoid disruptions in economic activity.
- Improve the investment climate in the economy to raise the level of employment opportunities.
- Flexibility in production to allow industries to change with changes in tastes and fashion

- Equipping workers with multiple skills to ensure that labour can easily find jobs in alternative employment.
- Proper labour planning to ensure that training of labour is in line with the type of labour demanded.
- Importation of raw materials to alleviate the shortage of raw materials in the economy to enable industries to keep in operation, which allows workers in these industries to remain employed.
- Diversify production to absorb most of the workers with different kinds of skills
- Widen market through regional co-operation/ integration.

3. SEASONAL UNEMPLOYMENT:

This is a type of unemployment where people unemployed due to climatic changes/changes in weather which affect commercial activities/ agricultural activities.

Seasonal unemployment in developing countries is primarily associated with agriculture since agricultural work depends upon Nature, therefore, in the season between planting and harvesting period of the year the farmers are employed, while remaining unemployed in the season between the post-harvest and pre sowing season.

The causes of seasonal unemployment:

- Climatic changes in case of agricultural sector.
- Periodic changes in demand for particular goods such that labour becomes redundant during other seasons when demand for these goods is not available.
- Dependence on nature for production such that people are active during the season when conditions are favourable and become idle during the period when the conditions are unfavourable.
- Individual workers have limited skills making it difficult for them to find alternative employment during certain seasons.
- Dependence on a few crops makes farmers unemployed during the season they are not active with their crop.
- Limited diversification or dependence on one sector or job leads to seasonal unemployment because workers remain idle during the season they are not active in the jobs of their specialty.

Possible solutions to seasonal unemployment:

- Modernise agriculture to minimise dependence on nature to produce. For example, use of irrigation in the dry seasons.
- Diversify the economy such that labour does not rely on one employment only.
- Acquire multiple skills so that labour is able to switch jobs in different seasons.

- Diversify agricultural activity to ensure that labour remains active in all seasons of the year.

3. CASUAL/ FRICTIONAL/NORMAL UNEMPLOYMENT:

This is one which occurs when labour is changing jobs in the short run.

OR: This is a situation when the labour force is unemployed while in the process of moving from one job to another.

OR: This is the temporary unemployment due to labour switching jobs

Casual employees remain employed as long as the work they are contracted to do lasts or when and if needed, and immediately become unemployed when they complete the work.

Causes of casual unemployment:

- Ignorance of the existence of alternative jobs such that workers fail to get new employment on completion of the work they were contracted to do
- Occupational and geographical immobility of labour
- Structural breakdown of the economy e.g. due to political instability
- Changes in demand and supply in the economy/changes in tastes and preferences/ Limited raw materials
- Automation of economic activities

4. DISGUISED UNEMPLOYMENT:

This is a situation whereby labour force is actively involved in a productive activity but the marginal product is either negligible, zero or negative.

Causes of disguised unemployment

- Limited capital to expand production
- Poor land tenure system/ shortage of land in some parts of the country.
- High population growth rates
- Lack of information about other existing jobs
- Poor and un-coordinated manpower planning schemes.
- Discrimination in the labour market e.g. nepotism causing over recruitment or over enrolment.
- Desire to retain workforce for future use.
- Inadequate skills.
- Excess supply to an occupation

Solutions to disguised unemployment:

- Train/ retrain workers to increase labour productivity at their places of work, or enable them qualify for the employment in the available jobs.
- There is need to change the land tenure system. An effective land reform policy can redistribute land to those willing to put it to effective use to create jobs and minimise overcrowding on land.
- Advertise jobs to enable workers find other jobs that are within their qualification as well as reducing congestion in some other jobs.
- The government should avail affordable/cheap credit to individuals/firms to enable them expand investment to avail employment opportunities to the surplus labour, thereby reducing overcrowding of labour in a few jobs.
- Improve entrepreneurial ability/development of entrepreneurship in the economy to improve management of the production to increase marginal productivity of labour, as well as increasing the level of investment and job creation in the economy.
- Control population growth rate to avoid excess labour supply, so as avoid overcrowding of labour in the few jobs available.
- There should be development of infrastructure to support production.
- There should be economic diversification to expand employment in all sectors of the economy.
- Undertake proper labour planning to avoid excess labour supply in particular sectors as well as ensuring that labour attains relevant skills needed in the job market.
- Encourage Agricultural modernization.
- Undertake management reforms to check on nepotism.
- Encourage privatization so as to expand production and create more jobs.

5. OPEN-URBAN UNEMPLOYMENT:

Open urban unemployment is a situation where members of the labour force are actively seen looking for jobs in urban centers but can hardly find any i.e. people are seen queuing up at the factories.

Open urban unemployment is common in urban areas where most of the unemployed come from villages in search of jobs.

CAUSES OF OPEN-URBAN UNEMPLOYMENT:

- Rural-urban migration results in excess labour supply in urban areas hence too many people without jobs at all.

- The inappropriate education system causes high unemployment in urban areas because many people in towns cannot get jobs since they are merely job seekers in towns since the education system does not train them to be job makers.
- Rapid population growth rate results in open urban unemployment because it leads to oversupply of labour in urban areas hence unemployment.
- Poor labour planning by the government, which results in excess labour in the urban sectors of the economy hence unemployment.
- Low rate of industrialisation in the economy leads to open urban unemployment because it is not possible for the industries in the urban areas to absorb all the labour force.
- The use of inappropriate technology by the firms in urban areas leads to open urban unemployment because it reduces job opportunities in the urban areas. For example, the use of capital-intensive technology leads to a reduction in the demand for labour that causes unemployment.
- Lack of information about existing jobs in the urban areas leads to open urban unemployment because many people find it difficult to access available job opportunities due to lack of perfect knowledge in the labour market.
- Discrimination in the labour market in urban areas leads to open urban unemployment because many people fail to get jobs due to tribal, race or sex segregation.
- Political instability. This destroys productive infrastructure in urban areas leaving many unemployed.
- Structural Adjustment Programs of IMF such as retrenchment of civil servants, etc.
- Changing of jobs by labour in the short run.
- Poor land tenure system.

The Solutions to the open urban unemployment:

- Encourage rural transformation to minimise rural urban migration to eliminate excess supply of labour in the urban areas.
- Reform the education system to ensure that students acquire practical skills that enable them to create employment for themselves instead of seeking for employment.
- Engage in appropriate labour planning to ensure provision of relevant skills that firms in the urban areas need.
- Engage population control policy to avoid excess labour supply in the urban areas.
- Encourage rural to rural and urban to rural migration, to reduce pressure on the job opportunities.
- Change the wage policy to reduce the wage disparities between rural and urban areas.
- Pursue an industrialisation policy to expand the industrial sector to increase availability of employment.

- Reform the land tenure system.
- Political stability should be maintained.
- Widen the market.
- Privatised public enterprises
- Investment incentives should be provided to potential investors.
- Infrastructure should be developed.
- Economic liberalization should be undertaken.

6. RESIDUAL UNEMPLOYMENT; Residual unemployment is a situation where individuals remain without work even in cases of full employment due to their physical or mental disabilities.

CAUSES OF RESIDUAL UNEMPLOYMENT:

- Physical or mental incapacitation makes such people unemployable.
- The employers are unwilling to take on workers due to their physical disabilities or impairment results in residual unemployment.
- The disabled usually fail to acquire the education and training for the available jobs.

SOLUTIONS TO RESIDUAL UNEMPLOYMENT:

- Put in place specialised education and training programs to enable the disabled to acquire education and skills to qualify for employment for the available job opportunities.
- Offering the disabled low cost credit to enable them establish economic activities
- Fight prejudice/bias of employers against employing the disabled
- Provide special programmes for persons with disabilities/special needs.

7. TECHNOLOGICAL UNEMPLOYMENT:

This is a form of unemployment that results from changes in the techniques of production where machines replace labour at work. For example, the introduction of computer technology results in displacement of workers by computers, robots replacing porters, all leading to technological unemployment.

Causes of technological unemployment

- Use of capital intensive methods of production.
- Demand for high quality goods that can only be produced by modern machines.
- Inadequate skills to cope up with the increasing tech. advancement
- Poor manpower planning by government.

THEORIES OF UNEMPLOYMENT:

1. THE KEYNESIAN THEORY OF UNEMPLOYMENT:

John Maynard Keynes developed the Keynesian theory of unemployment during the great depression of the 1930s.

The Keynesian theory of Unemployment states that “**unemployment arises due to the deficiency in effective/ aggregate demand for final goods and services especially in times of economic depression**”.

That is to say, due to low demand for final products firms reduce output due to low profit levels, income levels fall and investment is discouraged and thus less capital and labour are employed/ or workers are laid off.

The major remedy according to Keynes is increasing aggregate demand. This is done through:

- **Increasing government expenditure.** This is done so as to increase the money in circulation, hence increasing income that raises aggregate demand for goods and services in the economy in order to increase the level of investment and employment.
- **Reducing the direct taxes on people's incomes.** This is done so as to leave the public with adequate disposable income to purchase goods and services produced to promote investment and employment.
- **Using the expansionary monetary policy.** This is done so as to increase the amount of money in the hands of the public, therefore, increasing the effective demand for goods and services hence increasing the level of investment and employment.
- **Subsidisation of consumers spending.** This is to induce the demand for goods and services in the economy that induces investment and employment in the economy.
- **Encouraging private investment.** This is by putting in place investment incentives such as reduction in interest rate on credit and tax holidays for investors to increase employment in the economy.
- **Increasing wages and other forms of income.** This helps to raise aggregate demand and thus help to stimulate investment which eventually leads to increase employment opportunities.

NB: Major causes of unemployment according to Keynes;

- High taxes which reduce the disposable income.
- Reduction in government expenditure.
- Restrictive monetary policy which reduces money supply in the economy.
- Low wages paid to workers.
- A fall in the level of savings among the people.

- Increased importation of goods which reduces aggregate demand for locally produced goods.

An illustration of the Keynesian theory of unemployment:

Assumptions of the Keynesian theory of unemployment:

- The theory assumes a closed economy therefore, not influenced by external forces.
- The theory assumes a highly industrialised economy with elastic job creation to be able to increase or reduce output depending on the level of aggregate demand.
- It assumes functional or operational of product, factor and money markets.
- It assumes the existence of a large private sector i.e. a strong and responsive private sector.
- It assumes a highly monetised economy
- It assumes the possibility of full employment of resources.
- It assumes a functional investment multiplier.
- It assumes a deficiency in aggregate demand for goods and services.
- It assumes existence of idle resources such as labour skills.

APPLICABILITY/ RELEVANCY OF KEYNESIAN UNEMPLOYMENT TO LDCs

The theory in its solution to solve unemployment, it is applicable to LDCs to a smaller extent in the following ways;

- At times unemployment in LDCs results due to fall in demand both domestic and abroad e.g in the export sector due to a fall in demand for export. Therefore more incomes and employment can be generated by finding new markets for domestic products and discouraging imports that result into increased employment abroad.
- Expansionary monetary policy can be applied. e.g through selective credit control. This encourages investment in productive activities hence increased employment opportunities.
- Reduction in taxation can increase disposable income which improves households' expenditure. This leads to increase in aggregate demand which encourages investment hence creating more employment opportunities.

- Increased government expenditure can increase aggregate demand by stimulating investment and production hence more employment opportunities created.
- There is an element of industrialization in LDCs and hence it is applicable in the industrial sector although small but growing. Thus the theory cannot completely be ruled out.
- In the long run as supply of co-operating factors for labour increase (e.g capital), the theory becomes relevant since investment and production increase leading to increase in employment opportunities.
- Measures to stabilize export earnings through IMF compensatory arrangements to ensure a steady and stable export market/ demand can reduce unemployment in LDCs.
- Investment climate affects employment levels. Therefore, improvement in investment climate can attract investors leading to more job creation hence relevancy of the theory.

IRRELEVANCIES/INAPPLICABILITY/LIMITATIONS/CRITICISMS/WEAKNESSES OF THE THEORY:

To a greater extent, Keynesian unemployment is not applicable or relevant to LDCs. This theory was developed during 1930s a period of wide spread unemployment in the developed industrial countries and therefore it is common with highly industrial countries.

The theory is limited to LDCs due to the following reasons;

- **It is mainly concerned with aggregate demand yet unemployment in LDCs is basically/ mainly from the supply side.** Unemployment is due to limited supply of co-operant factors like capital to combine with labour to expand agriculture and other sectors hence irrelevant to LDCs.
- **The theory mainly emphasizes industrialized economies yet LDCs are mostly agro- based economies.** This is because the industrial sector in LDCs is still small and weak but growing sector hence irrelevant.
- **The theory assumes a closed economy yet LDCs are open dependent economies.** LDCs are import oriented therefore increasing demand for imports increases employment abroad instead since most of the goods used are imported.
- **The theory is based on existence of a big and strong responsive private sector yet in LDCs the private sector is generally small and weak or poorly developed.** This is because the sector doesn't respond due to limited markets, government interference etc.
- **The theory is based on assumption of a highly monetized industrialized economy yet LDCs economies are basically subsistence.** Therefore, Production is affected by seasonal changes and hence affected by seasonal unemployment.
- **The theory assumes full employment conditions which conditions are not found in LDCs.** There is production at excess capacity in LDCs due to limited capital, small market etc which reduces employment opportunities and therefore not applicable.
- **The theory assumes a well- functioning product, money and factor markets which is not the case with LDCs.** These markets are not yet developed and therefore do not function as in MDCs to increase income such that employment can be increased.

- **The use of expansionary monetary policy to increase the level of aggregate demand may result into inflation.** This is because an Increase in money supply which is not accompanied by corresponding increase in supply of goods and services would result into inflation.
- **The theory emphasizes investment multiplier of stimulating employment but in LDCs it is export multiplier that can stimulate employment.** This is because by Increasing investment especially in the industrial sector may not generate enough jobs since industries tend to use capital intensive technology hence not absorbing more people even if output increases.
- **There is high marginal propensity to import (lavish expenditure) which reduces multiplier effect and hence reduced employment.** This is because Increased demand and expenditure on imports increases investment and employment abroad but worsens unemployment in LDCs.
- **Firms in LDCs do not respond quickly and effectively to changes in demand due to limited capital, poor land tenure system, political instability etc.** These limit output hence limited employment opportunities.
- **The theory does not consider the causes and solutions to other types of unemployment in LDCs other than cyclical unemployment.** There is mainly disguised and seasonal unemployment therefore Keynes solutions cannot solve unemployment problem in LDCs.

2. RURAL URBAN MIGRATION THEORY OF UNEMPLOYMENT:

This is a theory which explains the movement of people from rural to urban areas, where they expect to get jobs but in the end they do not.

The rural-urban migration appears to be the result of the push factors from the population pressure and the pull factors from the uncertainties of high urban earnings supplemented by the effects of formal education and aspirations of young people again inducing them to seek their fortunes in towns/urban areas.

CAUSES OF RURAL URBAN MIGRATION IN LDCs

Pull/ attractive factors :

- **Wage gap between urban and rural areas.**
The minimum wage common in urban areas is far above the average wage of agricultural labourers in rural areas. Hence people are attracted by high incomes in urban area.
- **Unequal distribution of economic activities.** There are many economic activities in urban areas that generate high incomes/ earnings than in rural areas. Therefore people move to urban areas in hope of getting highly incomes.
- **Unequal distribution of social services (social service gap).** There is concentration of more and better education, health facilities etc in urban areas than in rural areas. Also there are cinema halls, night clubs etc and therefore people move to urban areas to enjoy such facilities resulting into open urban unemployment.
- General attractiveness and excitement of modern life in urban areas.

Push factors

- **Population pressure/ land shortage.** This is due to high population growth rate which leads to limited fertile land in rural areas and hence people move to urban areas in search for employment and accommodation.
- **Social and cultural problems.** There are fears of witchcraft, circumcision etc which are mainly associated with rural areas. Therefore people escape to urban areas where these practices are least experienced. Also urban areas act as safe heavens for wrong doers because they cannot easily be traced by authorities.
- **Political instabilities in some rural areas.** There are administrative points that guard people in urban areas than rural areas hence people look for safety in urban areas.
- **Seasonal unemployment in rural areas.** This forces people to move to urban areas to find temporarily jobs although some of them become permanent.
- **Inappropriate education system.** The system prepares the youth for white collar jobs common in urban areas yet such jobs are not readily available.
- **Unfavourable climatic conditions.** e.g harsh climate, poor soils for agriculture, etc.

NEGATIVE EFFECTS OF RURAL URBAN MIGRATION

- **Leads to high costs of living in urban areas.** It increases prices of food and house rent and also demand for social services exceeds the supply leading to high costs of living.
- **It leads to food shortage.** As people desert agriculture in rural areas, food supply also reduces leading to increase in their prices.
- **It leads to low GNP/ GDP.** Production in rural areas reduces as agriculture is deprived of energetic people hence leading to low GDP.
- **It increases government expenditure on social services.** This reduces expenditure on other productive activities hence leading to low rate of economic growth.
- **Crimes and other social problems increase.** e.g prostitution, drug abuse increase in urban areas worsening social problems.
- **It results into creation of slums.** This is due to congestion as people who fail to get jobs and those with low incomes end up living in city suburbs hence leading to low standards of living.
- **It leads to Political unrest/ Increased unpopularity of the government.**
- **Low taxable capacity because of low incomes.**
- **Leads to dependence problem resulting into B.O.P problem.**

Solutions to Rural urban Migration

- **Population control measures**
- **Change in education system/ Undertake education reforms.**
- **Increase wage of rural people/change in wage policy**
- **Undertake Comprehensive industrial programs.**
- **Change in land tenure system/land reforms.**
- **Improve the social-economic infrastructure in rural areas.**

- Improve and transform the agriculture sector.
- Extend credit facilities to potential investors.
- Ensure Proper and appropriate manpower planning.
- Adopt price and wage policies.
- Rural to rural migration through resettlement schemes/ enforcing go back to land policy.
- Encourage Urban – rural migration.
- Ensure political stability.

CAUSES OF UNEMPLOYMENT IN UGANDA:

NOTE: Refer to causes of Involuntary unemployment.

- Ignorance of labourers of existing employment opportunities
- Poor education system/ inappropriate education system/Limited skills.
- Discrimination in the labour market based on gender, age etc.
- Technological progress/development leading to substitution of labour
- The physical and mental incapacitation causing residual unemployment.
- Unfavourable change in climate/ seasons.
- Unfavourable changes in demand for products of some firms.
- The rapid population growth rate compared to job creation
- Political instability. .
- Rural urban migration causing open urban unemployment
- The process of changing jobs which leads to temporary/ causal/frictional unemployment.
- Limited co-operant factors of production
- Structural adjustment programmes e.g. retrenchment, privatisation,
- Poor manpower planning causing excess labour supply in some sectors.
- The poor land tenure system
- High degree of specialisation of labour
- Underdeveloped infrastructure

POCLICY MEASURES THE GOVERNMENT IS TAKING TO REDUCE UNEMPLOYMENT IN UGANDA:

- Providing tax incentives to investors.
- Undertaking diversification of the economy.
- Undertaking liberalisation of the economy.
- Encouraging further privatisation of public enterprises.
- Undertaking control of the population growth rate.
- Providing affordable credit facilities/ Startup capital.

- Undertaking education reforms.
- Undertaking agricultural modernisation. .
- Encouraging use of appropriate technology.
- Advertising the existing job opportunities.
- Reforming the land tenure system.
- Improving the political atmosphere.
- Developing/Improving infrastructure.
- Widening the market.
- Providing special programmes for persons with disabilities
- Promoting industrialization.
- Undertaking proper man power planning.

DISADVANTAGES/ EFFECTS/COSTS OF UNEMPLOYMENT:

- **It leads to misery and low levels of living.** It causes human suffering because the unemployed cannot afford the basic necessities of life.
- **It leads to high dependence burden.** This is so because the unemployed depend on the few relatives who are employed for survival thus leading to low savings and investment in the economy.
- **It results into low production/retards economic growth rate.** This is because of the reduction in the output since the unemployed are not productive.
- **It increases the level of immorality/social evils** such as high crime rate like prostitution, robbery etc. This is because people are usually involved in immoral acts so as to survive.
- **It encourages rural urban migration with its associated evils.** This is especially rural people who are unemployed migrate to urban areas in anticipation of getting jobs but such people do not have the required skills to take on jobs in towns and hence cause congestion and other social evils.
- **It leads to low government revenue/narrows the tax base.** This is so because the unemployed people do not pay taxes especially the direct taxes.
- **It leads to brain drain.** This is especially the highly skilled labour that is unemployed leave the country for other countries in order to secure jobs, this deprives the donor economy of the highly skilled labour force that is necessary for her economic development.
- **It leads to decline in the level of acquired skills.** The longer the individuals remain unemployed the more they lose their skills because they have no jobs to implement them.

- **It worsens income and wealth inequality.** This arises because the unemployed are deprived of income and yet the employed earn income from their employment.
- **It leads to low aggregate demand for goods and services.** This is so because the unemployed are unable to buy such goods and services, this discourages investment in the economy.
- **It leads to high government expenditure.** The government increases her expenditure to provide social services to the unemployed which strains the government budget.
- **It causes social unrest/instability in families.** This is because the bread winners in the family do not have source of income to enable them meet the basic necessities, which results into conflicts in the family.
- **It leads to underutilization of productive resources.** This is due to high levels of unemployment of many resources such as land remain underutilized thus leading to resource wastage.
- **Discourages investment in education.** This is so because many people do not realise the financial benefit in acquiring education, as majority of the educated cannot find employment.
- **Creates political tension/instability/unrest.** This is so because the unemployed feel that the government is not concerned about their plight and this results into resentment of the government in power.
- **It leads to low aggregate demand/ltd market for goods and services.** This is due to low incomes that results into low purchasing power thus discouraging investment and production.

NB: In LDCs (Uganda) there are no positive effects/Benefits of unemployment BUT could be applicable elsewhere in other economies as below.

BENEFITS/EFFECTS OF UNEMPLOYMENT

- It awakens government to its responsibility of putting appropriate development policies. Such policies like Bonnabagaggawale, Operation Wealth Creation etc aimed at generating opportunities so as to improve household incomes.
- It reduces the wage bill. This is due to competition for jobs which reduces the cost of production hence increased profits to entrepreneurs.
- It creates a large pool of cheap labour. This gives more choice to entrepreneurs to choose whom to employ at a reduced cost.
- Increases demand for inferior goods. This is because as unemployment worsens the demand for such goods increases and the profitability increases.
- It avails labour to risky jobs. This is because it forces people to undertake risky jobs such as mining which leads to increased exploitation of resources.

- It reduces labour strikes for higher wages. This is due to excess labour supply that creates fear among workers to demand for higher wages that leads to loss of jobs.
- Encourages labour mobility. Ie labour is able to change from one job to another.

Why rapid industrialization has not been able to solve unemployment problem in LDCs?

- Many industries are concentrated in urban areas. This encourages rural urban migration yet jobs are limited hence causing open urban unemployment.
- Many industries require the use of skilled labour. This is due to inappropriate education system that doesn't equip labour with relevant skills hence not solving unemployment.
- Most of their industries are owned by foreigners. Hence prefer to use capital intensive methods than labour intensive which doesn't solve unemployment.
- Most of the industries operate on small scale. Therefore have low labour absorptive capacity for the excess labour that exist in LDCs.
- Many industries use capital intensive techniques of production. This leads to technological unemployment since machines replace labour in production process.
- Many of the upcoming industries are in their infancy stages. They have high costs of production and so cant employ a big size of labour.
- Most of the industries use imported raw materials. Hence have limited linkages with other sectors.

STUDY QUESTIONS

- 1 (a) Explain the causes of unemployment according to JM Keynes
(b) What are the effects of unemployment in your country?
- 2 (a) What are the causes of unemployment in an economy?
(b) Explain the effects of unemployment in an economy.
- 3 (a) Account for unemployment problem in your country
(b) Explain the measures being taken for tackle unemployment problem in your country
- 4 (a) Explain the causes of voluntary unemployment
(b) Suggest measures that should be taken to decrease the level of unemployment in your country.
- 5 (a) What are the causes of disguised unemployment in your country?
(b) Explain the measures that should be taken to increase the level of employment in your country

- 6 (a) What is meant by the term “full employment”?
(b) Why is it difficult to attain full employment in an economy?
- 7 (a) What, according to JM Keynes are the solutions to unemployment problem?
(b) Explain the limitations of the Keynesian theory of unemployment to your country
- 8 (a) Explain the Keynesian theory of unemployment
(b) To what extent is the theory of unemployment applicable to your country?
- 9 (a) Distinguish between under employment and disguised unemployment
(b) Explain how frictional and structural unemployment arise in a developing economy like Uganda