

UNEMPLOYMENT

UNEMPLOYMENT

It is a microeconomic problem where labour force is willing and capable of being employed at a prevailing market wage rate but it is involuntarily underutilized.

Unemployment rate can be calculated as:

$$\text{Unemployment rate} = \frac{\text{No. of unemployed}}{\text{Total labour force}} \times 100\%$$

TYPES OF UNEMPLOYMENT

There are different types of unemployment depending on their causes namely:

- 1. Disguised unemployment:** This type of unemployment is also referred to as hidden unemployment and it occurs when the work available to a given workforce is not sufficient to keep it fully employed. Such that some members of the workforce could be excluded without loss of output.
- 2. Seasonal unemployment:** This type of unemployment is caused by annual seasonal changes which effect economic activities in certain sectors.
- 3. Structural unemployment**
This type of unemployment is caused by changes in technology i.e the introduction of ATM in the banking centre contributed to the laying off of tellers in these sectors.
- 4. Frictional unemployment**
Is caused by immobility of labour force but not lack of demand for labour i.e when people lack knowledge concerning job opportunities in other sectors or towns they suffer from this type of unemployment.
- 5. Demand deficiency unemployment**
This type of unemployment is also referred to as Keynesian unemployment and it is caused by changes in the trade cycles.

Causes of unemployment in developing nations e.g Kenya

1. **Rapid population growth:** In many developing nations population grows faster than the overall growth of the economy. This leads to a situation whereby labour force joining the labour market is faster than the absorption capacity of the economy.
2. **The use of inappropriate technology:** In developing nations technology is often labour saving or capital intensive which leads to unemployment since most of their economies have labour surplus.
3. **Nature of education systems**
4. **Seasonality in production:** This cause of unemployment is common in developing nations where agriculture is the main sector of the economy – Thus changes whether leads to seasonal unemployment in this sector.
5. **Limited product market:** In developing nations the product market is concentrated in the developing countries i.e. United States, United Kingdom etc. This is likely to cause unemployment especially when the developed nations control the importation of goods from the LDC's.
6. **Massive rural to urban migration**

REASONS FOR CONCERN ABOUT UNEMPLOYMENT

1. Unemployment represent a waste or potentially productive human capital i.e when labour is unemployed this means that the economy is not producing as much as it could. This also indicates that national income is low and hence welfare of the population is also low.
2. Unemployment means a higher dependency ratio i.e the few employed have to support a large number of dependents thereby affecting the saving capacity hence investment.
3. Unemployment leads to an increase in Social problems such as criminals, prostitution, child abuse, family breakups etc.
4. Unemployment leads to loss of human capital since unemployed labour will lose its skills with time.
5. Unemployment also leads to problems such as housing, sanitation, transportation e.t.c.
6. In order to maintain the unemployed, the government will be forced to increase its expenditure on social amenities instead of development.

POLICIES TO CURB/REDUCE UNEMPLOYMENT IN DEVELOPING COUNTRIES (KENYA)

1. **Seasonal unemployment:** Can be solved by diversification of economic activities and more innovations.

2. **Relevant education system:**

Education systems adopted should emphasis on talents and skills required by the labour market, the system should also emphasis on technical and science education, furthermore the government should design an education system which is geared towards self-employment.

3. **Diversification of product market:** Firms should seek new markets for their commodities e.g they would exploit the opportunities available within east africa community, COMESA etc.

4. **Intensive Rural Development**

This can be achieved by the government giving incentives to companies to be located in such places.

5. **Encouraging foreign direct investment (FDI)**

To attract FDI's the developing nations should aim at making their political and economic environment to be conducive for investments.