Economy

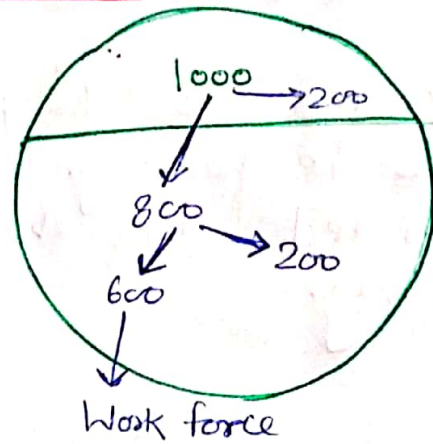## Topics- Implementation of Economic Reforms
In Different Sectors

Unemployment

Labour force Participation Rate

$$LFPR = \frac{Labour\ force}{Total\ Population\ under\ working\ group} \times 100$$

$$= \frac{WF + In.unemployed}{Total\ Population\ under\ working\ group} \times 100$$

1000 → 200

800

600 → 200

Work force

Types of Unemployment

> **Valuntary Unemployment**

It occurs when a person is not willing to work at the prevailing market base rate or does not desire to work. It is not taken into consideration while measuring or estimating unemployment in a economy.

> Involuntary Unemployment / open Unemployment
It is the condition when the it does not get work or
Worker is willing to work but it does not get work or
Job. It is also known as open employment.

> frictional Unemployment
It is temporary unemployment which is
associated with the changing of jobs in an
economy.

> Structural Unemployment
It is concerened with the structural pattern. of the
economy. It is due to a mismatch between the
skills of the a person and the requirements of the
job it arises due to the following situation.
⇒ Shortage of factors of Production like Capital, technology
etc.
→ Workers do not have skills for new Industry.
→ Demand for labour is less than supply.

⚡ Cyclical Unemployment Business Cycle / Trade Cycle

It is associated with the business cycle of the economy. i.e; the general recession in the overall economy. It occurs due to economic cycle of Boom Recession and depression.

During Recession demand falls which leads to fall in level of output and thdue to that unemployment will go out.
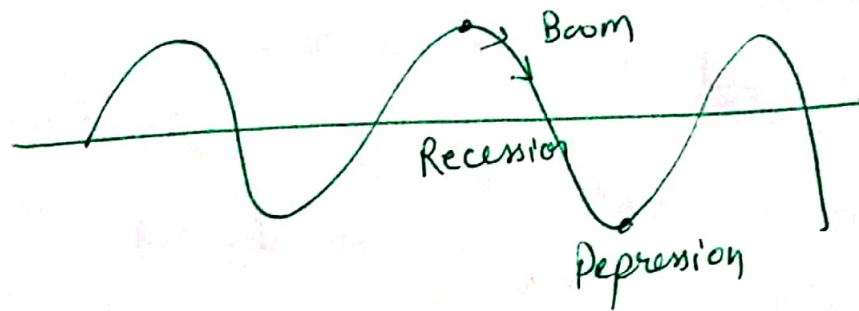

Seasonal Unemployment

It arises because some occupation require works only during certain parts of the year during season only such as the agricultur sector.

Under Employment

It is a situation in which a person is employed in a job which is not suitable with his or her qualifications, skills and experience. Under this condition potential of the workers are not utilized to the optimum level. Under employment is another problem for developing country like India.

> ## Disguised Unemployment / employment

5 Person

output → 100

$MP_L = 0$
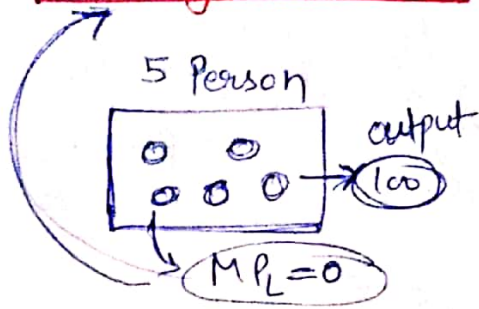
$MPL \Rightarrow$ Marginal Productivity of Labour.

It is the situation in which more persons are employed to a job or productive activity, which can be done with equal effeciency by less number of Labourer or workers. following are the features of Disguised unemployment —

1. Marginal Productivity of Labour is zero ($MP_L = 0$)

2. It is not possible to identify the person who are actually unemployed.

3. Access of labour and lack of capital is the principal reason of disguised unemployment. Generally it is associated with the agriculture Sector.

The Repost is based on the Periodic Labour force Survey (PLFS) conducted by NSSO from July 2017 to June 2018.

All India — Rural

	Male	Female	Person
LFPR	54.9	18.2	37.0
UR ↓	5.8	3.8	5.3

(Unemployment Rate)

All India — Urban

	Male	Female	Person
LFPR	57.0	15.9	36.8
UR	7.1	10.8	7.8

All India — Urban + Rural

	Male	Female	Person
LFPR	55.5	17.5	36.9
UR	6.2	5.7	6.1

⧧ Unemployment Rate (UR)

$$UR = \frac{\text{No. of unemployed Person}}{\text{No. of employed Person + No. of unemployed Persons}} \times 100$$

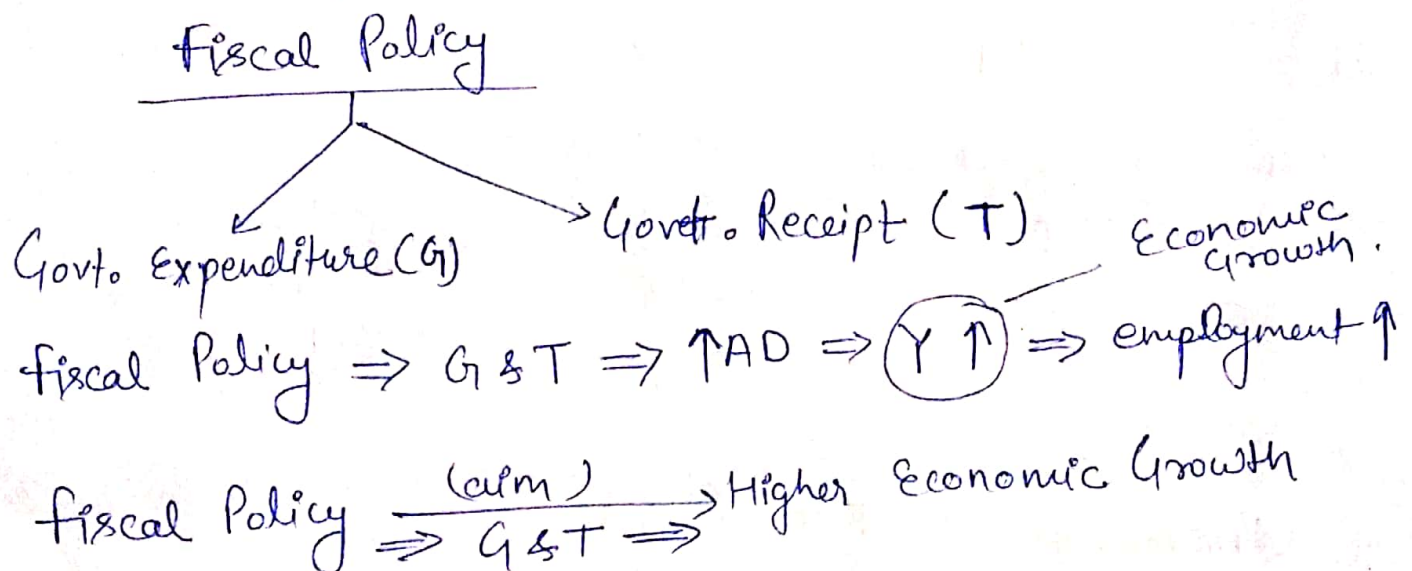$$UR = \frac{\text{No. of Unemployed Person}}{\text{Labour force}} \times 100$$

Macro Economic Policies

1. Monetary Policy
2. Fiscal Policy
3. foreign Trade Policy (FTP).

Fiscal Policy / Fiscal System

fiscal Policy formulated and implemented by the Government of India.

Fiscal Policy

Govt. Expenditure (G)   →Govt. Receipt (T)   Economic Growth.

fiscal Policy ⇒ G & T ⇒ ↑AD ⇒ (Y ↑) ⇒ employment ↑

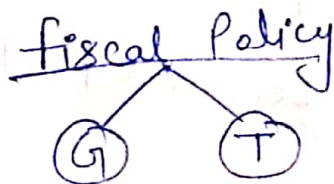fiscal Policy $\xrightarrow[\Rightarrow G \& T]{(aim)}$ ⇒ Higher Economic Growth

$$AD = C(Y-T) + I + G + X - M$$

fiscal Policy involves use of taxes and government expenditure to influence economy. fiscal Policy is the means through which a government adjust its level of expenditure and taxes in order to achieve higher economic growth and development.
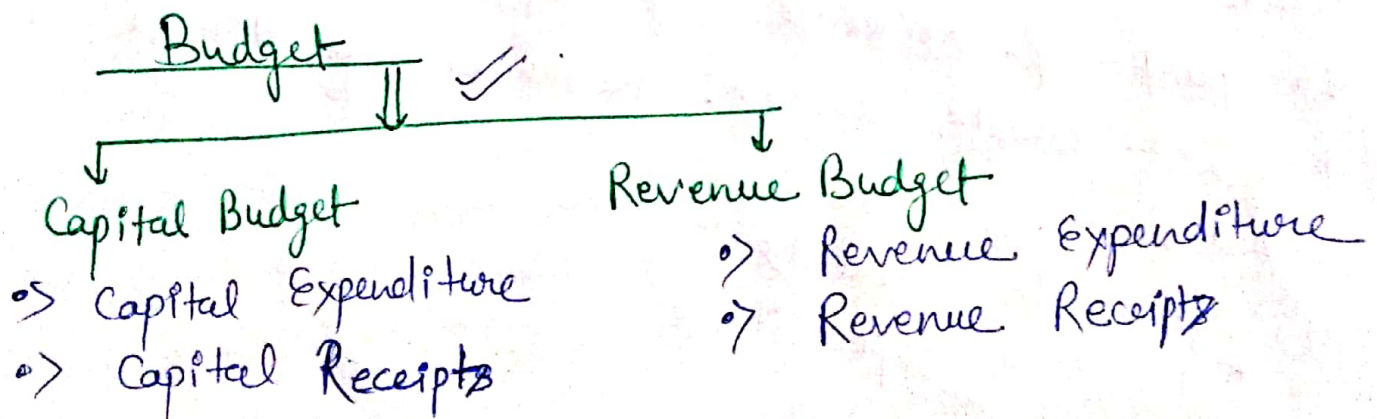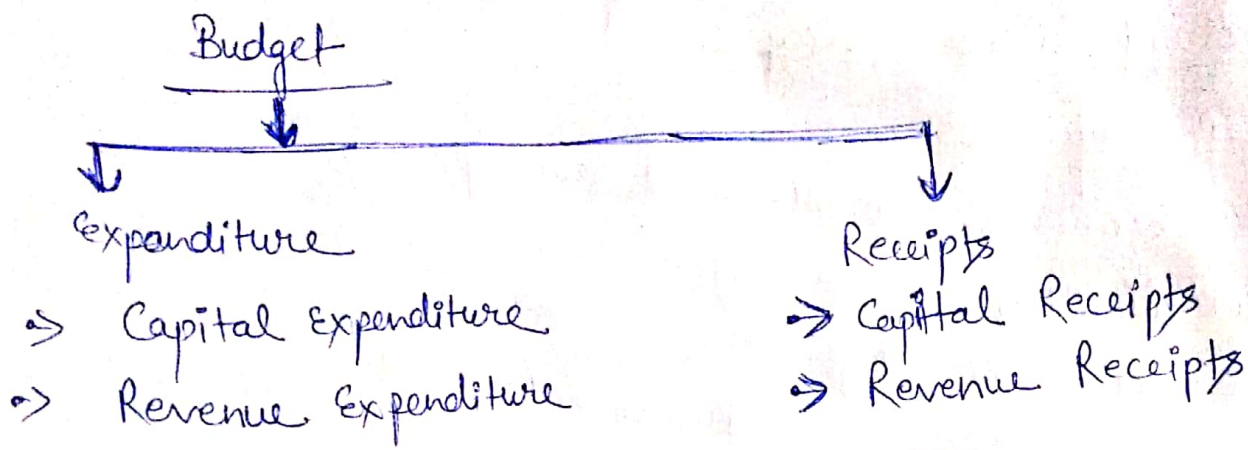
Objectives of Fiscal Policy

→ Higher Economic Growth and Development.
→ Industralisation in Country.
→ Development in Agriculture Sector.
→ Encouraging Saving & Investments.
→ Increasing Job opportunity.
→ Export Promotions.
→ Infrastructure Development
→ Social Sector Development.
→ Stability of the Economy.

fiscal Policy
Ⓖ Ⓣ

Annual financial Statement
└→ Budget

Budget

Capital Budget
⊸> Capital Expenditure
⊸> Capital Receipts

Revenue Budget
⊸> Revenue Expenditure
⊸> Revenue Receipts

Budget

```
                    Budget
        ┌──────────────┴──────────────┐
        ↓                             ↓
```

Expenditure   **Receipts**
⇒ Capital Expenditure   ⇒ Capital Receipts
⇒ Revenue Expenditure   ⇒ Revenue Receipts

Budget → Budget is an annual financial statement of the government which represents expected or estimated expenditure and expected or estimated receipt of the Govt of India during a particular fiscal year.

Expenditure

The Govt Expenditure can be divided into two parts.

1. Revenue Expenditure

Any expenditure of the government that does not relate to assets or liabilities of the govt. are the part of revenue expenditure. It is generally does not create assets. Revenue expenditure includes —

(i) interest Payments
(ii)* Defence Expenditure.
(iii) Subsidies
(iv) Public administration
(v) All grants

→ All grants given to state and other parties are also treated as Revenue expenditure. But some of the grants may be used for creation of assets. etc. Revenue expenditure is similar to consumption and maintance expenditure.

2. Capital Expenditure

Any expenditure of the Govt. that related to or changes the assets or liability of the Govt is the part of Capital expenditure. like

1) Loans given to State or other parties.
2) Expenditure for Assets Creations (or) Capital formation.
3) Loans Repaid etc.

Receipts

Non—debt ← Receipts → Debt

1) Taxes
2) Non-Taxes
3) Non—debt Capital Receipt

Central Govt Receipts can broadly be divided into non debt and debt receipts. Non—debt receipt Comprise the tax revenue. and Non debt Capital Receipt like recovery of loans like disinvestment receipt.

Debt Receipt mostly comprise of market borrowing and other liabilities, which the government is obliged to repay in the future.

Govt receipts can be divided into two parts

1→ Revenue Receipts
2→ Capital Receipts

Revenue Receipts— any receipts of the Govt that does not relate with assets or liablities is part of revenue receipts. Revenue receipts to include the following.

▷ Taxes
→ Income Tax
⇒ Corporation Tax / Profit Tax / Corporate Tax
→ Custom duties
⇒ Central Excise Duty
⇒ CGST / GST
⇒ Cess
⇒ Surcharges etc.

2) Non - Taxes
→ Interest Received on loan which is given to states or other parties
→ Dividends / Profits
⇒ Surplus of RBI etc.