

Study notes for Economics topic Unemployment and Poverty

In our present blog, we will study about Unemployment and Poverty. Let's start.

Employment is the number of people having a job. **Unemployment** is the number of people who don't have a job but are looking for one.

Labour force

Labour force is the sum of employed(n) and unemployed (u). $L = n + u$

$$\text{Unemployment rate} = \frac{\text{unemployment}}{\text{labour force}}$$

Types of Unemployment

- 1. Open Unemployment:** A large section of the labor force does not get a job that may yield them a regular income. It happens when the labor force expands at a faster rate than the growth rate of the economy.
- 2. Disguised Unemployment:** It is a situation in which more people are doing work than actually required. It is characterized by zero marginal productivity. For example, 5 people working on a farm which requires only 3.
- 3. Seasonal Unemployment:** It occurs during certain seasons of the year. In some industries, production takes place only in some seasons. So people engaged in this remain unemployed during the off-season.
- 4. Cyclical Unemployment:** It is caused by trade cycles at regular intervals. Generally, capitalist economies are subject to trade cycles.
- 5. Structural Unemployment:** It arises due to changes in the economic structure of a country.
- 6. Underemployment:** It arises when people employed contribute less than their capacity. For example, an engineer may work as a clerk.
- 7. Casual Unemployment:** It arises when a person is employed on a day-to-day basis with or without contracts. It may happen due to the nature of work, shortage of input, fall in demand, etc.
- 8. Chronic Unemployment:** It arises when unemployment continues to be a long-term feature of a country.
- 9. Frictional Unemployment:** It arises due to improper adjustment between the supply of labor and demand for labor.
- 10. Technological Unemployment:** It arises due to specific modifications in production techniques, which might not require a lot of manual labor.

Poverty

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Poverty is the state of not having enough material possessions or income for a person's basic needs. The word poverty comes from the old (Norman) French word poverté (Modern French: pauvreté), from Latin paupertas from pauper (poor). According to the World Bank, "Poverty is a pronounced deprivation in well-being and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life".

Type of Poverty

On the basis of social, economic, and political aspects, there are different ways to identify the type of Poverty:

- 1. Absolute poverty:** It is also known as extreme poverty or abject poverty, it involves the scarcity of basic food, clean water, health, shelter, education, and information. Absolute Poverty is usually uncommon in developed countries.
- 2. Relative Poverty:** It measures when a person cannot meet a minimum level of living standards, compared to others at the same time and place.
- 3. Situational Poverty:** It is a temporary type of poverty based on the occurrence of an adverse event like an environmental disaster, job loss, and severe health problems.
- 4. Generational Poverty:** It is handed over to individuals and families from one generation to another. This is more complicated as there is no escape because the people are trapped in its cause and unable to access the tools required to get out of it.
- 5. Rural Poverty:** It occurs in rural areas with populations below 50,000. It is the area where there are fewer job opportunities, less access to services, less support for disabilities, and quality education opportunities.
- 6. Urban Poverty:** It occurs in metropolitan areas with a population of over 50,000. These are some major challenges faced by the Urban Poor like limited access to health and education, inadequate housing and services, unhealthy environment, and so on.

This was all in this blog. Stay in touch for more.