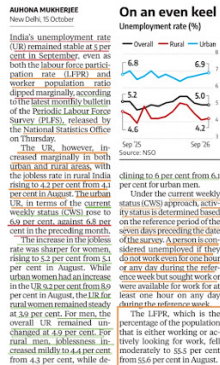


Unemployment & Labor Markets

Core Economic Concepts, Measurement Indicators, NSO Frameworks, and PYQ Analysis

Unemployment rate steady at 5% in Sep



1. Introduction to Unemployment

Unemployment refers to a state where an individual is actively searching for employment but is unable to find work. Economically, it highlights underutilized human capital. In the context of the **Indian Economy**, tracking unemployment is critical for demographic dividend optimization.

2. Key Types of Unemployment

- **Disguised Unemployment:** **Marginal productivity of labor is zero**. More people are employed in a job than required. **Mains link: Indicates structural agrarian distress and lack of non-farm jobs.**
- **Seasonal Unemployment:** Occurs during certain months of the year in agriculture or tourism.
- **Structural Unemployment:** Caused by a mismatch between worker skills and market demands due to technological change.

Other Important Forms of Unemployment

- **Technological Unemployment:** Job loss resulting from automation, robotics, and AI implementation.
| **Mains link: Requires continuous reskilling and upskilling frameworks.**
- **Underemployment:** Individuals working in jobs below their qualification level or working part-time involuntarily.

3. Measurement of Unemployment in India

Official labor data is primarily compiled via the | **Periodic Labour Force Survey (PLFS)** by the | **National Statistical Office (NSO)** under the Ministry of Statistics and Programme Implementation (MoSPI).

Core Labor Metrics

Metric	Definition / Formula	Significance
LFPR (Labor Force Participation Rate)	$(\text{Labor Force} / \text{Total Population}) \times 100$	Percentage of population offering or seeking work. Reflects female labor force participation trends.
WPR (Worker Population Ratio)	$(\text{Employed Persons} / \text{Total Population}) \times 100$	Percentage of employed people relative to total population.
UR (Unemployment Rate)	$(\text{Unemployed Persons} / \text{Labor Force}) \times 100$	Proportion of labor force actively seeking work but unable to find it.

Mains Perspective: Low Female LFPR in India is a structural bottleneck. Economic surveys point towards social norms, safety, and lack of flexible work as primary drivers rather than just lack of demand.

NSO Activity Status Measurement Approaches

- **UPSS (Usual Principal and Subsidiary Status):** Reference period of **365 days**. Captures chronic, long-term unemployment. Subsidiary status requires working at least 30 days in a year.
- **CWS (Current Weekly Status):** Reference period of the last **7 days**. A person is employed if they worked for at least 1 hour on any day. Captures short-term fluctuations.
- **CDS (Current Daily Status):** Evaluates activity status on **each day of the preceding 7 days**. Captures daily underemployment and part-time status accurately. **Most comprehensive measure of unemployment intensity.**

4. Important Key Takeaways

- **PLFS replaced the quinquennial Employment-Unemployment Surveys (EUS)** of NSSO to provide annual labor indicators.
- Disguised and seasonal unemployment are symptoms of a rural-heavy economy transition lag.
- Jobless growth remains a critical challenge for India's manufacturing and service sectors.

5. UPSC Previous Years' Questions (PYQs)

Prelims Q: Disguised unemployment generally means: (*UPSC CSE 2011*)

- (a) Large number of people remain unemployed | (b) Alternative employment is not available
(c) Marginal productivity of labor is zero | (d) Productivity of workers is low

Answer: (c)

Mains Q: Drop in Labour Force Participation Rate (LFPR) has been a matter of concern. What are the drivers of the trends in female labor force participation in India? (*UPSC CSE GS-III*)