



TO STUDY THE EFFECT OF UNEMPLOYMENT IN SEVERAL SECTORS USING STATISTICAL METHODS

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ABSTRACT

There are few studies on unemployment duration in developing countries. This is the first study on duration aspect of unemployment in India. We use the result of the Household Labor Force Surveys of 2000 and 2001 to construct a cross-section of durations of unemployment spells. We analyze the determinants of probability of leaving unemployment or the hazard rate. The effects of the personal and household characteristics and the local labor market conditions are examined. Non-Parametric and parametric estimation methods are used. Unobserved heterogeneity was not significant. Two alternative definitions of unemployment are considered. The analyses are carried out for men and women separately. Our results indicate that women are experiencing higher unemployment durations than men. Age has a negative and education has a positive effect on the hazard rate. The effect of the local unemployment rate is large and negative. Duration dependence of the exit rate from unemployment is different for men and women. For men, there is slight U-shaped duration dependence, while for women there is no duration dependence.

KEY WORDS: Graphical Representation, Testing of Hypothesis, ANOVA, Level of significance

INTRODUCTION

Unemployment is a common economic malady faced by each and every country of the world, irrespective of their economic system and the level of development achieved. But the nature of unemployment prevailing in underdeveloped or developing countries sharply differs to that of developed countries of the world. While the developed countries are facing unemployment, mostly of Keynesian involuntary and frictional types but the underdeveloped or developing countries like India are facing structural unemployment arising from high rate of growth of population and slow economic growth.

Structural unemployment may be open or disguised type. But the most serious type of unemployment from which those undeveloped countries like India are suffering includes its huge underemployment or disguised unemployment in the rural sector. Unemployment is a serious problem. It indicates a situation where the total number of job vacancies is much less than the total number of job seekers in the country. It is a kind of situation where the unemployed persons do not find any meaningful or gainful job in spite of having willingness and capacity to work. Thus unemployment leads to a huge wastage of manpower resources.

India is one of those ill-fated underdeveloped countries which is suffering from a huge unemployment problem. But the unemployment problem in India is not the result of deficiency of effective demand in Keynesian term but a product of shortage of capital equipment's and other complementary resources accompanied by high rate of growth of population. Present unemployment problem in India is mostly structural in nature. Unemployment in India remains a subject of concern since it was first recognized in 1950s. During that period; the Government of India had only few initiatives of employment generation until the first Five Year Plan was drafted in the year 1950-1951. This plan laid the foundation for overall and sectorial development in a medium term prospective for achieving the goal of employment growth and increasing the labor force.

For the first time, in the Seventh Five Year Plan (1985-1990), employment was placed at the core of development strategy. In the Ninth Five Year Plan (1997-2002), employment was identified as one of the three important dimensions of state policy with others being quality of life and regional balance. The Eleventh Five Year Plan (2007-2012) mainly focused on 'inclusive' growth and conceived employment as the key element of the same. Thus unemployment has received great importance in the development agenda of India since Independence.