Unemployment Issues, Dimensions and Analysis
Defining Unemployment

- Unemployment can be defined in a “broad” or “strict” sense, depending on the inclusion or exclusion of those without a job who are available for work, but are not actually seeking it.
- According to international statistical standards, the term unemployment should in principle satisfy the three criteria of:
  - being without work,
  - being available for work, and
  - seeking work
The narrow or strict definition of unemployment excludes from the rank of the unemployed those individuals above a certain age (normally 15 years and above) who are without a job and available for work, but who are not actively seeking work.
Defining Unemployment Cont’d

• The broad definition of unemployment regards all of those without a job who are available for work as unemployed even if they have made no attempt to look for work.
• The broad definition always yields higher rates of unemployment than the strict definition
Measuring Unemployment

• The unemployment rate is expressed as a percentage, and is calculated as follows:

• Unemployment rate = \( \frac{\text{Unemployed workers}}{\text{Total labour force}} \)
ILO’s 4 different methods to calculate the employment rate:

• Labour Force Sample Surveys
• Official Estimates
• Social insurance statistics such as unemployment benefits are computed based on the number of persons insured representing the total labour force and the number of persons who are insured that are collecting benefits.
• Employment office statistics which only include a monthly tally of unemployed persons who enter employment offices
Okun’s Law

- This law tries to explain the relationship that exists between unemployment rate and real GDP.

- *Since employed workers help to produce goods and services and unemployed workers do not, an increase in the unemployment rate should be associated with decreases in real GDP.*

- This negative relationship between unemployment rate and GDP is called Okun’s Law.
Okun’s Law Cont’d

• If the unemployment remains the same, real GDP grows by about 3 per cent.
• This growth in GDP is a results of growth in the labour force, capital accumulation, and technological progress.
Rural Unemployment

• The unemployment rates in rural areas tend to be much higher than the unemployment rates in urban areas.

• Reasons:
  • There are not much employment opportunities
  • Small businesses get overrun by major corporations and franchises that enter.
  • Small business cannot compete with these big business
Unemployment in Namibia - Recent trends

• Namibia, in its Labour Force Surveys, is using narrow definition of unemployment.
• The unemployment statistics are collected simultaneously with employment statistics.
• Collected by means of direct survey, which are always conducted by well-trained enumerators/interviewers.
After independence, four comprehensive Labour Force Surveys have been conducted. The first comprehensive Labour Force Survey was conducted in 1997, followed in 2000, 2004 and 2011. The 2011 Namibia Labour Force Survey was the latest survey conducted in Namibia. 2011 37%
Unemployment in Namibia- Recent trends cont’d

• See the Namibia Income and Expenditure Survey 2010 and the Labour Force Survey 2013
Types of Unemployment

1. Frictional unemployment
   • It occurs when a worker moves from one job to another.
   • The time period between jobs is considered frictional unemployment and it is also a type of voluntary unemployment.
   • It is always present in an economy
   • Involuntary unemployment rate is equal to unemployment rate minus the rate of frictional unemployment
2. seasonal unemployment
   due to seasonal jobs (farming)
3. Structural unemployment

- It occurs when the number of jobs in a labour market is unable to provide substantial jobs for everyone who want one
- It last longer
- Skills may become obsolete
- Innovation
Types of Unemployment Cont’d

4. Cyclical unemployment
   • Unemployment due to trade cycles