

Welcome students for the session on disguised unemployment from Unit II: land and labor. Before we proceed, I would just like to give the outline of the topic. First, we're going to cover meaning of disguised unemployment, then types of disguised unemployment and measurement of the disguised unemployment. After learning this concept, you will be able to understand the meaning of disguised unemployment. You will also be able to elaborate the types of disguised unemployment that exist in the economy and familiarity with the different measures of disguised unemployment.

First, we will learn what the meaning of disguised unemployment? Disguised Unemployment is a situation where people are visible to be working, but in reality they do not contribute to production. In other words, it means that their marginal product of labor is zero.. It suggests that people are working more than required in numbers. When we withdraw certain numbers of people or labor from the workforce, there will be no impact on production. For example, on a plot of land, if the 10 people are working, but the actual requirement is only 5, the five people are working extra on that plot without contributing anything to the production. Now if 5 people are transferred or migrate to the industrial sector, these five people which are presently working on the agricultural plot will be contributing the same level of production which was earlier contributed by the 10 people. This kind of surplus employment is basically called disguised unemployment. It mostly persists in the underdeveloped countries and in the agricultural sector, because there is a lack of job opportunities that are available in the industrial sector or in the service sector. The Lewis model of economic development considered that there is an unlimited supply of Labor because there is a generally presence of disguised unemployment. If the marginal product of labor is positive in the rural sector, and if some labor are withdrawn, then the output will fall in the agricultural sector. But an important question does arise, does there really exist a surplus employment or disguised unemployment? There are certain important questions that also arise. How can a laborer survive with the zero marginal product of labour? Secondly, who will employ this labor who has the zero marginal product. Thirdly, the process of industrialization by transferring the labor from agriculture to the industrial sector is painless. Lastly can we quantify the disguised unemployment. To answer all these questions one has to understand how we can interpret the concept of disguised unemployment in economic literature. Broadly, there are three types of interpretations which have been given. First interpretation is to find the gap between the number of workers available for work and the amount of employment that equates the marginal product of labor and the subsistence wages. Second, the gap between the actual worker available and employment at which the marginal rate of labor is zero, or which is generally referred to as a static surplus, and third important interpretation is that the difference between the actual numbers of workers that are available at work and the level of employment at which the employment rate is zero as well as the marginal product of labor is zero.. The third classification is to get a difference between the actual number of workers available and the level of employment at which the marginal product of level labor will be zero. If some changes occurred, laborer unable to get the same level of output to be produced with the less number of workers. This type of employment is sometimes referred to as a dynamic Surplus. After understanding the interpretation, we will go to methods of measuring the disguised unemployment broadly. There are three types of measures that are available for measuring the disguised unemployment. First one is by comparing the number of workers withdrawing from the agricultural sector to the industrial sector. It means that if we withdraw some number of laborers or to

transfer them in the industrial sector or due to some disease, the labour have been reduced, then what will be the impact of the transfer of labor on agricultural production? This Type of measure was used by Scultez in 1961 when he studied the pandemic situation of influenza. In 1918 ,he found that there was no surplus labor existed in the agricultural sector. It was considered that due to this, influenza in 1918, around 8% of the labor force was reduced in the agricultural sector. But even after the reduction in reduction in the labor, the Schultz found that possibly there was no decrease in production of agricultural sector. The second important methods through which we can find out whether there exists disguised unemployment is to find the difference between the labor available and the labor required to produce the current level of output given certain techniques, adjusting to the seasonal variation in employment. Third important method which is used by the production function. We can estimate the agriculture production function for the labor coefficients. The Labor coefficient measures whether the reduction in agricultural labor will have the impact on output. In simple terms, it measures the elasticity of the labor coefficient to say whether the output is significantly different from zero after withdrawing the labour from the agriculture.

Now, the question arises, what are the types of disguised unemployment? Generally there is a debate between classical economics and neoclassical economics about how we can classify the disguised unemployment. According to the defender of the classical economists, they considered that it has never been mentioned that the decline in the number of laborers will reduce unemployment. They just try to suggest that the opportunity cost of Labor exists far in the industrial sector then in the agricultural sector because of the subsistence wages that are earned by labor in the agricultural sector. Thus we have certain types of unemployment that have to be classified. First of all there is unrealized potential output per worker due to low nutritional levels of the labor forced. It means that because of the deficiency in nutrition level and the poor health, the laborers are not able to produce to the maximum level of output and that's why they have become disguised. Secondly, there is no motivation for cultivators to pursue the production maximization. Third, there is a low average product to low aspiration for material income compared with leisure. Fourth, unemployment due to the lack of the cooperating factors. Technological unemployment generally, when technology applied in the production of agriculture, the surplus labor does exist in the agricultural sector because machines replace labor and whatever the work that was earlier done by labor is done by machines and last one is a seasonal unemployment. The Seasonal unemployment also affects the employment level in the agricultural sector. Most of the time there is no work in the off season for labor, making them or forcing them to work at the rate at which their marginal product is zero. Whatever the conditions of measuring disguised unemployment, it depends on the investigator which method to apply and what type of the employment to consider.

For measuring the disguised unemployment, generally the basic broadline suggests that if somebody wanted to measure the disguised unemployment, they should take into consideration the seasonal variation, the harvest and post harvest season, the labor which employed the farms and the labor which does not employ the form. Additional to this there should be the explicit assumptions of the models which have to be given before measuring the disguise unemployment. Issue also based on the fact the actual number of workers available and the required amount of workers that are required to produce a certain level of output. Thus, we can consider that disguised employment is a common type of problem that is faced by the agricultural economy or underdeveloped economy. I will request you for further studies or to

get insight into concepts, Please Go to the reference which have been mentioned in this book. You Will get a more details and also they will get good examples how to illustrate the concept of

disguised unemployment. Thank you very much.