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Economic Chapter 12: Economics of unemployment

Definition of unemployment

Unemployment refers to the failure of member of the labour force to obtain the job at the ruling wage rate despite his ability and willingness to work.

Unemployment is divided into two broad categories:

- (a) **Involuntary unemployment.** This is a situation where a member of labour force is willing and actively looking for jobs but cannot find employment at the ruling (ongoing) wage rate.
- (b) **Voluntary Unemployment.** This is a situation where jobs are available but a member of the labour force is not willing to take on the job at the ruling (ongoing) wage rate.

Causes of Voluntary Unemployment

1. The low unacceptable current wage. Such individuals prefer a higher wage.
2. **Rich family background.** Some individuals come from rich families and they are not willing to do certain jobs of low status.
3. **Strong desire for leisure by an individual.**
4. **Expectation of better paying alternative jobs.** Some people may prefer to remain unemployed hoping to get better job in future.
5. **Early retirement.** Some individuals can decide to retire before retirement age and therefore they become voluntarily unemployed.
6. **Desire by certain workers to remain at home and attend to their families for example house wives.**
7. **Existence of money reserves.** Some people might be having a lot of money on reserve and they can survive even if they are not working.
8. **Existence of unfavorable working conditions.**
9. **Laziness of some workers.**

Rate of Unemployment

Rate of unemployment refers to the ratio of unemployed labour force to the total labour force.

$$\begin{aligned} \text{Unemployed rate} &= \frac{\text{Labour force} - \text{employed}}{\text{Labour force}} \times 100\% \\ &= \frac{\text{Number of unemployed}}{\text{Labour force}} \times 100\% \end{aligned}$$

Example 1

Suppose a country has the total labour force of 15million people and 13 million people are employed. Find the rate of unemployment.

Solution

$$\text{Unemployment rate} = \frac{15-13}{15} \times 100 = \frac{2}{15} \times 100 = 13.3\%$$

Employment multiplier (E.M)

This refers to the number of times a change in primary employment multiplies itself to give a final change in

total employment.

$$E.M = \frac{\text{Change in primary employment} + \text{Change in secondary employment}}{\text{Change in primary employment}}$$
$$= \frac{\text{Change in total employment}}{\text{Change in primary employment}}$$

Suppose the government increases its expenditure on sugar production, it will create employment in this sector which is primary employment. Due to increased sugar output, employment opportunities will be created in other sectors for example in transport, storage, processing etc. This is called secondary employment.

Example 2

Suppose 20 additional people are employed in a sugar cane plantation so that secondary employment increases by 40, find the employment multiplier.

$$\text{Employment Multiplier} = \frac{\text{Change in total employment}}{\text{Change in primary employment}} = \frac{20+40}{20} = 3$$

Under employment

This is the state of underutilization of economic resources. In case of labour, it is a situation where a person's capacity to work is under-utilized

Under employment can be experienced under the following conditions

1. Labour working fewer hours than desired.
2. Working full time in a socially undesirable activities even if they are productive for example prostitution, thieves etc.
3. Doing a job which is not in line with one's training for example a lawyer working as a History teacher or as a farmer.
4. Working full time in unproductive activities due to lack of cooperate factors for example peasants using digging sticks instead of hoes.
5. Working full time but getting wages below the wage fixed by the government.
6. Being fully employed but not wholly effective because of poor attitude towards work.

Types of unemployment

(a) Seasonal unemployment. This is the form of unemployment where labour is unemployed during certain periods due to seasonal changes for example change in the climatic conditions may render people previously employed unemployed especially in the agricultural sector.

Solutions to seasonal unemployment

1. **Diversification of economic activities.** Individuals should be involved in a variety of activities as a way of increasing their employment opportunities.
 2. Promoting industrialization. Industries are not affected by bad weather and other natural factors
 3. Irrigation in case of agriculture during dry seasons.
- (b) Technological unemployment.** This is the type of unemployment caused by change in the techniques of production where machines replace labour for example the use of capital intensive techniques of production results in some people being replaced by machines.
- (c) Structural unemployment.** This is a long-term form of unemployment resulting from structural changes in the conditions of supply and demand in the economy.

Causes of structural unemployment

1. Changes in fashions or tastes for example when tiled houses replace iron roofed houses, the makers of iron sheets become unemployed.
2. Changes in production techniques which reduce the demand for labour for example use of capital intensive technology where machines replace labour.
3. Exhaustion of supply of major natural resources for example mining which makes miners unemployed.
4. Rural urban migration due to regional imbalance between rural and urban areas.
5. Political instability
6. High population growth rates in the structure of the economy.
7. Lack of co-operant factors of production for example capital.
8. Laying off of workers involuntarily and permanently due to government policy

Solutions to structural unemployment

1. Encouraging flexibility in production to enable industries to change with the changes in tastes and fashions.
2. Encouraging the use of appropriate technology which suits the socio-economic conditions of the economy.
3. Diversifying labour skills and retraining workers whose skills are no longer in demand. This enables the workers to cope with the changing structure of the economy.
4. Controlling rural urban migration by making rural areas attractive for example establishing good economic and social infrastructure in rural areas.
5. There is need for serious man power planning to forecast future trends of labour demand in the economy.
6. Ensuring political stability
7. Reducing the unnecessary laying off workers by the government

(d) **Frictional (normal/transitional) unemployment.** This is the short term form of unemployment which arises when the labour force is unemployed in the process of moving from one job to another. This is because workers and firms may take time to locate each other.

Cause of frictional unemployment

1. Lack of information about the available job opportunities on the side of the unemployed workers.
2. Geographical immobility of labour that is where labour is not willing to move to other areas where jobs can be found.
3. Lack of information on the side of employers of the existence of those unemployed whom they can employ.

Solutions to frictional unemployment

1. Providing workers with information about the availability of jobs through advertisement of jobs in Newspapers, Radio etc.
2. Providing firms with information about unemployed workers.

3. Encouraging labour mobility such that the unemployed can easily move to areas where there are jobs.
- (e) **Residual unemployment.** This is unemployment resulting from physical or mental disabilities which makes the worker unable to work.
- (i) **Disguised unemployment.** This is the form of unemployment where the marginal product of labour is zero or negative and a worker can be removed from the job without affecting total output.
- (g) **Search (Graduate) unemployment.** This is the form of unemployment where newly qualified individuals are not working but are busy looking for jobs. This is mainly due to poor manpower planning.
- (h) **Hidden unemployment.** This is the form of unemployment where labour is employed in a low grade occupation as compared to the high skills and qualifications attained for example a female university graduate becoming a house girl. Or It is where one does a job which is not in line with one's educational training and qualifications for example an engineer working as a secondary school Mathematics teacher.
- (i) **Casual (Erratic) Unemployment.** This is where a worker is employed when work is available and becomes unemployed when work is completed for example people working on contract such as building contractors.
- j) **Persistent unemployment.** This is where people remain unemployed whether it is a depression or a boom (business cycle).
- (k) **Open-Urban Unemployment.** This is where people are actively looking for jobs in urban areas but cannot find them. It is mainly caused by increased number of job seekers from rural areas as a result of Rural Urban migration.
- (l) **Keynesian (Demand Deficient/Cyclic/mass/general) unemployment.** This is the form of unemployment which is caused by deficiency in aggregate demand for goods and services especially in times of economic depression.

General causes of unemployment in developing countries

1. **Rapid growth of population.** The fact that population grows faster the rate at which employment is created; many people remain unemployed.
2. **Existence of the defective (poor) education system.** The system is theoretical in nature therefore prepares job seekers instead of job creators. The white-collar jobs are in short supply yet the turnover of the education system is high, leaving many school graduates unemployed.
3. **Rural urban migration.** Due to rural-urban wage gap and other push and pull factors, most people migrate from rural areas to urban centers primarily in search of better wage employment opportunities which are not always available in urban centers. Since the rate of rural to urban migration is higher than the rate of urban employment creation, many migrants from rural areas become unemployed in urban centers.
4. **Use of inappropriate technology:** Use of capital intensive production technique by some industries reduces the demand for labour hence unemployment.
5. **Discrimination and sectarianism in labour market.** This is based on tribes, gender, religion, political ideologies and many other socio-economic factors. This leaves some members of the society unemployed due to lack of connections.
6. **Seasonal variations in economic activity.** This is brought about by climatic changes especially in the agricultural sector leading to seasonal unemployment,
7. **The IMF structural adjustment programs.** Policies like privatization, retrenchment of civil servants

and demobilization of soldiers aimed at reducing the number of government employees as a way of reducing government expenditure. This leads to short run unemployment,

8. **Lack of information regarding the presence of jobs in the labour market.** This leads to frictional unemployment.
9. **Existence of political instabilities in developing countries.** Political insecurity destroys productive infrastructures and distorts production activities. This greatly discourages both domestic and foreign investment hence unemployment.
10. **Lack of serious manpower planning by the government.** Governments do not effectively relate training in higher institutions of learning with the available employment opportunities. Consequently, more labour force is produced for certain professions than the country's ability to absorb the trainees. This results into surplus labour supply for certain professions hence unemployment.
11. **Excessive use of foreign expatriates at the expense of the local labour.** This is common in foreign funded projects, NGO's and in businesses owned by foreigners. This leads to unemployment of the local labour force.
12. **Deficiencies in demand for some products.** This forces some industries to layoff some workers hence unemployment. For example the coffee industry.
13. **Poor infrastructural facilities.** This is in form of poor road network, poor communication facilities etc. which lead to low levels of investments hence unemployment.
14. **High levels of inflation in the economy.** This increases the costs of production which discourages both domestic and foreign investment hence unemployment.
15. **Existence of natural disabilities in form of physical and mental handicaps leading to residual unemployment.**
16. **The poor land tenure system.** Land tenure system refers to the rights regarding ownership and use of land in the economy. Some people have plenty of land which is under-utilized while others do not have land at all and therefore they remain unemployed.
17. **High levels of poverty.** Most people earn low incomes and therefore this leads to low aggregate demand. This discourages investments hence low levels of economic growth and employment.

Policies (Measures) being used to reduce unemployment in Uganda

1. **Educational reforms.** The education system is being revised to suit the man power requirements of the country. More emphasis is being put on vocational education in order to make graduates job makers instead of job seekers. Science based subjects are also being emphasized by the government.
2. **Economic diversification.** The government is diversifying the economy in order to reduce dependence on one sector. This is being done by encouraging the growth on number of sectors like small scale industries, fisheries, tourism etc. in order to increase the rate of job creation in the economy.
3. **Control of population growth rate.** Measures are being taken to control population growth rate through family planning, emphasizing girl child education etc. This is aimed at ensuring that the population growth rate matches the rate of resource exploitation hence controlling unemployment.
4. **Modernization and commercialization of agriculture.** This is being done through the application of modern techniques of production, use of resistant crops and animals, agricultural research etc. aimed at increasing production and reducing unemployment.
5. **Encouraging the use of appropriate technology.** Use of labour intensive technology is being

emphasized so as to absorb the surplus labour and reduce on unemployment.

6. **Rural development and transformation.** The government is transforming rural areas through infrastructure development, rural electrification, health, rural water and sanitation etc. This is aimed at increasing economic activities and employment opportunities in rural areas as a way of reducing rural urban migration.
7. **Political Stability.** The government is promoting political stability through democratic governance and the use of the amnesty laws. This is helping to create a conducive investment climate both for local and foreign investors hence creating more employment opportunities.
8. **Promoting investment.** The government is attracting foreign investments by providing investment incentives to foreign investors in form of tax holidays and tax exemptions. This is helping to increase investment and creation of employment opportunities in various sectors of the economy.
9. **Infrastructural development.** The government is setting up and improving on the infrastructure for example construction roads, transport and communication facilities, as well as banks and educational facilities in the country. This is aimed at creating more employment opportunities.
10. **Economic integration.** This is aimed at expanding the market for goods and services in the economy as a way of stimulating investment hence creating more employment opportunities.
11. **Privatization policy.** The government is expanding the private sector as a way of creating efficiency in production hence creating more employment opportunities.
12. **Economic liberalization.** The government is removing unnecessary controls from economic activities to allow private individuals to freely participate in business activities. This helps to create more employment opportunities as many people are involved in trade.
13. **Advertising of the existing jobs.** The government is guiding jobs seekers on the availability of jobs by advertising them in mass media. This is helping to reduce on frictional unemployment.
14. **Providing credit to the local investors.** The government is providing soft loans to people to enable them invest and create employment opportunities. This is being done through schemes like poverty eradication programs, prosperity for all funds etc.
15. **Control of inflation.** The government is controlling inflation by using restrictive fiscal and monetary policies. This has encouraged investment hence creating more employment opportunities.
16. **Land reforms.** The government is reforming the land tenure system in order to enable the landless to have access and ownership over land. This is being done by introducing the land act which stops the eviction of squatters by landlords.

Theories of unemployment

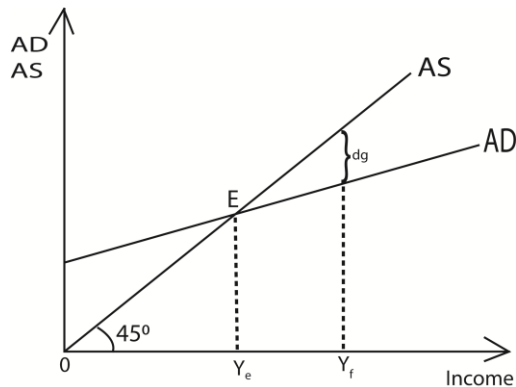
There are two basic theories which explain the causes and solutions to unemployment. These include;

- (a) The Keynesian unemployment theory
- (b) The rural urban migration theory

(a) The Keynesian theory of unemployment

This theory was put forward Lord Keynes. According to Keynes, unemployment is caused by

deficiency in aggregate demand for goods and services in times of economic recessions (depression). Since demand for labour is derived demand, it means that low aggregate demand for final products forces firms to reduce their output. This discourages investments in the economy hence less demand for labour.



The level of unemployment $Y_e Y_f$ is due to deficiency in aggregate demand d_g .

Lord Keynes based his theory on the following assumptions;

1. A closed economy with well-developed private sector
2. Full employment of labour and other factors of production
3. Well-developed industrialized economy
4. Existence of excess capacity in consumer industries

According to Keynes, the major remedy (solution) to unemployment is increasing effective aggregate demand through the use of the following policies.

1. **Reducing direct taxes.** When income taxes are reduced, consumers' disposable incomes increase. This enables consumers to increase their demand for goods and services.
2. **Increasing government expenditure as a way of stimulating consumption and production of goods and services in the economy.**
3. **Subsidization of consumers.** This increases consumption of goods and services which leads to an increase in investment hence more demand for labour.
4. **Using expansionary monetary policies aimed at increasing money supply for example reducing bank rates, buying government securities to the public etc.** This increases aggregate demand, hence increased employment.
5. **Increasing wages for labour**
6. **Encouraging private investment by providing incentives.** This encourages investment hence more demand for labour.
7. **Trade policy by encouraging exports and discouraging imports.** This promotes domestic investment hence increased demand for labour.

Relevance (Applications) of the Keynesian theory of unemployment in developing countries

To a small extent, the Keynesian theory of unemployment is applicable to developing countries in the following ways.

1. **At times unemployment in developing countries is as a result of a fall in aggregate demand both domestically and abroad as the theory suggests.** A decline in demand for exports and domestically consumed products leads to a decline in production and employment at home especially in the

agriculture sector making the theory applicable.

2. **In developing countries there is some degree of industrialization hence making the theory applicable.** Increased demand for industrial products can cause demand for capital and labour employed to increase thus making the theory applicable.
3. **Good investment climate affects employment levels of employment in developing countries.** Therefore provision of favorable investment climate such as tax holidays and other incentives to investors increases the level of investment and employment creation in the economy which makes the theory applicable to developing countries.
4. **In the long run, as supply of co operant factors increase level of employment, hence the theory becomes applicable.** Since unemployment in developing countries arises from the supply side, in the long run when. Skills increase capital becomes available, techniques of production improve and employment increases thus making the theory relevant to developing countries.
5. **Use of appropriate expansionary monetary policies especially in situations of economic depression may bring about economic recovery as well as promoting investment and aggregate demand.** This makes the theory applicable.
6. **Reducing direct taxes on consumers' incomes can be used to increase household expenditure and aggregate demand** which induces firms to increase output and employment thus making the theory applicable.
7. **Increasing government expenditure as a fiscal policy may stimulate income generating and employment creating ventures and establishment of socio-economic infrastructure that improves both incomes and employment in LDCs as the theory suggests.**

Limitations (irrelevance) of the Keynesian theory of unemployment in developing countries

To a greater extent, the Keynesian theory of unemployment is not applicable to developing countries in the following ways.

1. **It based on the assumption of a closed economy yet developing economies (LDC'S) are open economies.** They primarily depend on the exportation of agricultural, raw materials and the importation of consumer and capital goods and this makes the Keynesian theory irrelevant to developing countries in this respect.
2. **It is mainly concerned with demand deficiency yet unemployment in developing countries is mainly due to limited supply of cooperate factors.**
3. **The high marginal propensity to import in developing countries limits the multiplier effect and therefore employment at home cannot be checked by increasing aggregate demand.** This is because when consumers' incomes increase, the greater proportion of increased incomes is spent on consumption of imported goods. This results in creation of employment in the import markets but not in the domestic economy. Therefore, increasing aggregate demand as prescribed by Keynes therefore doesn't lead to creation of employment opportunities in the domestic economy.
4. **As a solution to unemployment, Keynes proposes policies which increase the level of aggregate demand like deficit financing.** However these policies tend to cause inflation in developing countries.
5. **Keynesian theory is based on the assumption of an economy with a big and strong private sector yet developing countries have small and weak private sectors while the public sector is large and strong.** An increase in aggregate demand therefore does not lead to rapid increase in employment generation since the private sector is small and cannot expand quickly.
6. **The theory emphasizes the investment multiplier as the major contributor to employment yet in developing countries it is mainly the export multiplier.** Increase in investment does not automatically lead to sustained creation of employment due to small domestic markets. But increase

in export markets however creates the need to increase output leading to increased capital and labour employed.

7. **The theory assumes highly industrialized economies yet LDCs are mainly agro-based countries.** Developing countries mainly depend on agriculture whose supply is inelastic. Even if demand is increased, resources would not automatically be employed to increase supply and this makes the theory inapplicable.
8. **The theory is based on the assumption of a highly monetized economy yet developing countries are largely subsistence economics.** Increased aggregate demand does not usually lead to change in activities of the subsistence sector since it is not affected by change in the monetary conditions of the economy.
9. **It assumes well developed product, factor and money markets yet in developing countries they are still young and weak.**
10. **The theory assumes conditions of full employment of resources yet in developing countries experience high levels of unemployment and under employment of resources.**
11. **Due to structural difficulties, firms in developing countries do not respond quickly and effectively to change in demand as the theory assumes.** This is due to under development in the factor and money markets, which limits the access of firms to borrowed funds for investment.
12. **Keynes did not consider the causes and solutions to other types of unemployment,** for example seasonal, structural and frictional unemployment which are prevalent in developing countries.
13. Most industries in developing countries are located in urban areas. Therefore setting up more industries in urban areas would lead to rural urban migration hence open-urban unemployment.

(b) Rural- urban migration theory

- **Rural urban migration** refers to the movement of people from rural areas to urban areas in search for better opportunities. These are as a result of push and pull factors.
- **Push factors are those which tend to push people from rural areas.** That is the unfavorable factors in rural area.
- The pull factors are those which attract people from rural areas. That is the favorable factors existing in urban areas

Causes of rural urban migration

1. The wage-gap between the urban and rural areas. People move to towns in search for higher wage earning opportunities.
2. Availability of jobs in towns. People move to towns with the hope of securing urban jobs.
3. Availability of social amenities such as access to clean water, power supply, good schools, hospitals, recreational facilities etc. in urban centers attract people from rural areas to urban centers.
4. High population pressure on land in rural areas which leads to land shortage. Therefore the land less are forced to move to urban areas to look for better opportunities.
5. Political insecurity in rural areas. These include rebel activities, wars, cattle raids which push people from rural areas to towns.
6. Social-cultural factors existing in rural areas like witchcraft, circumcision, forced marriages, genital mutilation etc. force those who are opposed to these cultures to seek for refuge in urban areas.
7. Inappropriate education system which trains people for white collar jobs that are found in urban areas. In addition, students migrate from rural areas to urban centers in search for better educational opportunities.

8. Use of capital intensive production techniques in agriculture in rural areas for example use of tractors reduces the demand for labour in rural areas. Therefore the surplus labour migrates to urban areas to look for jobs.
9. Occurrence of natural calamities for example drought, pests and diseases, poor soils negatively
10. High population growth rates in the rural area leads to population explosion where population exceeds the available resources especially land. Those that cannot be accommodated by the limited rural resources migrate to urban areas in search of opportunities and economic survival.

Consequences of rural urban migration

1. **Open-Urban unemployment.** In most cases those who go to towns in search for jobs fail to get them. They end up on streets still looking for jobs.
2. **Increase in urban dependants.** Those who fail to get jobs end up being dependent on few working relatives hence increased dependence burden.
3. **Development of slums and the related social evils for example prostitution,** easy spread of diseases, high crime rates etc.
4. **Shortage of social amenities (facilities) in urban areas.** For example shortage of health services, educational services, transport facilities, poor housing etc. due to overcrowding in urban areas.
5. **Increase in the cost of living in urban areas.** This is due to increased demand for goods and services as compared to the limited supply. This leads to inflation.
6. **Low agricultural output as the energetic youth migrate to the urban areas leaving the young and the old in rural areas.**
7. **Reduced government tax base. This is due to a high number of people who are unemployed in urban areas.**
8. **Balance of payment problems are likely to result due to a reduction in food production in rural areas.** This forces the government to import food products.
9. **Labour exploitation in form of under employment as employers enjoy cheap labour from rural areas**
10. **Increased government expenditure on provision of social services.** Rural urban migration increases government expenditure as government has to increase the provision of socio-economic sustaining requirements for the fast growing urban population.

Policy measures to reduce rural-urban migration

1. **Rural industrialization.** Industries can be set in its rural areas in order to create employment opportunities in the rural areas and discourage people from migrating from rural areas to urban centers in search of employment opportunities.
2. **Education reforms.** The education system should be made practical and relevant for living in rural areas in order to avoid migration of educated people to urban areas in search for white collar jobs.
3. **Provision of social and economic infrastructures such as banks, roads, rails, school, health facilities, electricity and recreational facilities to make rural areas as attractive as urban centers.**
4. **Ensuring political stability.** This avoids a situation in which people insecurity in rural areas migrate to urban centers for safety.
5. **Stabilization of agricultural prices to minimize rural urban income gap.** This can be done by finding new markets for agriculture products whose prices are high. It can also be achieved by processing agricultural products to add value.

6. **Encouraging the use of appropriate techniques** of production to provide employment opportunities to rural population instead of using capital intensive techniques that displace labour.
7. **Diversification of economic activities in the rural areas** to reduce dependence on nature that causes seasonal unemployment and seasonal migration of people from rural to urban centers.
8. **Rural support schemes and credit schemes.** These are systems, which need to be created to stimulate the productivity of both small and large agricultural farms. These include making more effective and efficient the rural institutions directly connected with production such as banks, money banks lenders, public credit agencies and provision of services such as technical and educational extension services, storages and marketing facilities etc.
9. **Establishment of irrigation schemes as well as research into drought and disease resistant varieties to avoid seasonal unemployment.**
10. **Population control through family planning as a means of increasing employment in the long run.**
This is because reduced population growth rates reduce the number of future jobs seekers which is one of the primary causes of rural-urban migration.

Manpower planning

This is government attempt to influence, direct and control educational priorities and investments in accordance with the future human resource needs of the country.

Man power problems in developing countries

1. **Poor education system.** The education system tends to train job seekers rather than job creators (makers) that is, theoretical subjects are emphasized at the expense of practical subjects.
2. **High levels of illiteracy and low skills.** The majority of labour is unskilled and less educated skills necessary for economic development such as engineers, doctors, etc. are still wanting.
3. **Poor manpower planning whereby in certain sectors, there is excess labour supply while in others, there is labour shortage (Arts and Science related employment).**
4. **Unemployment problem.** This is due to high population growth rates beyond the country's capacity to create jobs.
5. **Excessive use of expatriates.** This limits the citizens to take up vital positions since the expatriates are trusted more than the nationals.
6. **Poor standards of living.** This is due to low incomes and malnutrition which reduces labour productivity and efficiency.
7. **Negative attitudes towards work.** Many people have poor attitude towards work. They prefer leisure to work and they believe in making easy and quick money.
8. **Brain drain.** This is the flow of skilled and educated manpower from one country to another. This is mainly due to political instabilities, under employment, poor working conditions etc.

Possible solutions to the manpower problems in developing countries

1. **Education reforms.** The education system should be made practical and relevant. Vocational subjects should be emphasized to encourage job creators.
2. **There is need to train labour in accordance with the socio-economic needs of the country.** This can be implemented by the ministry of economic development and planning.
3. **There should be a reduction in the use of expatriates and more trust should be put in the local manpower.**
4. **Industrialization.** Industries should be set up especially in rural areas in order to create employment opportunities in the rural areas and discourage people from migrating from rural areas to urban centers in search of employment opportunities.
5. **Encouraging the use of appropriate techniques of production** to create employment opportunities for the population instead of using capital intensive techniques that displace labour.
6. **Population control through family planning as a means of increasing employment in the long run.** This is because reduced population growth rates reduce the number of future jobs seekers.
7. **There should be improvement in the wages paid to workers so as to improve on their standards of living.** This can help to improve on labour productivity.
8. **Brain drain can be solved by the government adopting strict emigration laws and even the home remuneration package of the educated people should be improved.**
9. **Diversification of economic activities in the rural areas** to reduce dependence on nature that causes seasonal unemployment and seasonal migration of people from rural to urban centers.

Revision questions

Section A questions

- 1 (a) Distinguish between seasonal unemployment and demand deficient unemployment
(b) Give two solutions to seasonal unemployment in an economy
- 2 (a) What is meant by structural unemployment
(b) Mention two causes of and two solutions to structural unemployment in our country.
- 3 (a) Distinguish between frictional unemployment and residual unemployment
(b) Give any two solutions to residual unemployment in your country

Section B questions

- 1 (a) Account for open urban unemployment in your country
(b) Explain the measures being taken to tackle unemployment problem in your country
- 2 (a) What, according to J.M, Keynes are the solutions to unemployment in developing countries
(b) Explain the limitations of the Keynesian theory of unemployment in developing countries.
- 3 (a) Explain the Keynesian theory of unemployment
(b) To what extent are the Keynesian unemployment policies relevant to your country?
- 4 (a) Distinguish between structural unemployment and disguised unemployment
(b) To what extent is unemployment a result of structural factors in your country.
- 5 (a) Define the term "manpower planning"
(b) Discuss the major manpower problems in your country.
(c) Suggest the possible remedies to manpower problems in your country.
6. Explain the causes and solutions to the following forms of unemployment
 - (a) Frictional unemployment
 - (b) Keynesian unemployment
 - (c) Cyclical unemployment

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