



Types of Unemployment

The working age population of a country can be subdivided into two categories: the employed and the unemployed. In this article we discuss some of the events that lead to the various categories of unemployment. A snapshot of Fiji's unemployment history is also given.

An unemployed person is one who does not have a job but is actively seeking one. There are various reasons why a person is unemployed. These reasons can be categorised by one of the five types of unemployment that exist in an economy during a particular time.

The first type of unemployment refers to cyclical unemployment. Cyclical unemployment occurs when an economy is in recession, that is, when there is a decline in total production and demand in an economy. During this time, employers may need fewer employees to meet the lower levels of demand. In a few extreme cases firms may even close down as they would find it extremely difficult to sustain a profitable business operation. As a result, several workers may be laid off. However, when the economy strengthens - the demand for goods and services returns. Employers, therefore, would hire more workers to meet the new higher levels of consumer demand. Naturally, the number of people employed increases during periods of healthy economic growth.

The second type of unemployment is seasonal unemployment. It is usually found in the agricultural sector where production is typically seasonal. The sugar industry is one such example. Cane cutters and sugar mill workers may be unemployed when the cane cutting and crushing season is over. However, they are likely to be re-employed when the planting season begins or when the crushing season commences.

The third type of unemployment is known as structural unemployment. It refers to workers who are displaced from their existing jobs because of developments in technology or due to new levels of skills required to do the job. For example, people available with shorthand skills may not be

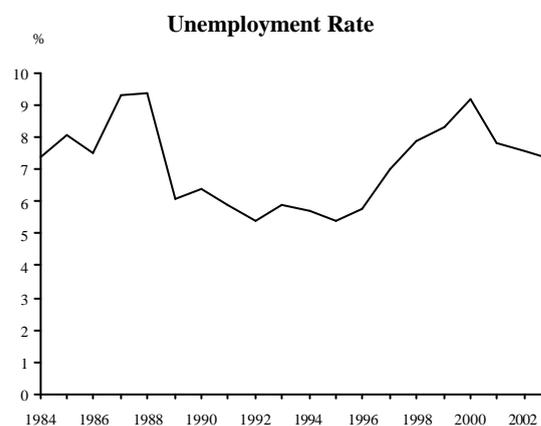
able to find jobs because of the demand for people with computing skills.

The fourth type of unemployment is known as frictional unemployment. It arises when workers leave their current job in search of work that pay better or are more attractive. It may be noted that this type of unemployment relates to the period in which the workers leave their existing jobs and until they find their new employment. Thus this type of unemployment may be of a short duration only.

The last category of unemployment is known as disguised unemployment. This occurs when too many workers carry out tasks. For example, ten workers may be employed to do a current job when in fact only seven workers could complete it. The statistics would show no unemployment among the ten workers, even though three of them really do not contribute much to output.

The graph below shows Fiji's unemployment rate over the past two decades.

As can be seen from the chart, Fiji's



Source: Fiji Islands Bureau of Statistics
Note: Estimates for 1999-2003

unemployment rate for the period 1984 - 2003 averaged around 7 percent. However, in the 1990s it averaged around 6 percent. Notably, the unemployment rate started to increase from 1995. It peaked in 2000 as a result of a large number of redundancies. At the same time fewer new jobs

were created as the economy slid into recession following the political problems of the country at that time.

On a positive note, the unemployment rate started to trend downwards from 2001 on the back of improving economic conditions. Moreover, the continued optimism in Fiji's labour market conditions is directly linked to the good economic growth we are currently experiencing. In the future, given the positive outlook for our economy, creation of more new jobs is expected. However, to keep unemployment low, greater investment spending from both government and private sector is essential.

Finally, it may be noted that the employed group of people can be subdivided into those that are engaged in paid employment and those that are self-employed. Persons in paid employment, like teachers and accountants, receive a wage or salary in return for the work they do. People in the latter category are involved in the production of goods and services for their own use. That is, people in this category do not depend on someone else for employment.

Examples include subsistence farming and fishing. In some instances individuals in this category may sell the surplus goods to meet their basic needs and wants.

RESERVE BANK OF FIJI