CHAPTER II

FORMS AND COMPONENTS OF UNDEREMPLOYMENT
This chapter deals with the discussion on various forms and components of underemployment. Generally, underemployment is of two types, i.e., open and hidden. However, conceptually, underemployment can be of various types, seasonal underemployment, open-underemployment, underemployment of expansion and disguised underemployment. The first section deals with the detailed forms and components of underemployment. Conclusions are given in the second section.

Section I

In view of the fact that various economists have not used one and the same term to connote a given situation, it is essential to follow here a suitable analytical framework.

For the purpose of field investigation, Chiang Hsieh considers that underemployment may be classified into three different forms: (i) visible, (ii) disguised and (iii) potential. Visible underemployment exists when the actual amount of labour time worked by its labour force is smaller than the amount of labour time which the labour force is able to supply. Its total quantum can be shown as:

\[ U = 1 - \frac{A}{W} \]

Where 'A' represents the actual amount of labour time worked.

by the labour force, $W$ the amount of labour time which the
labour force is able to supply, and $U$ the degree of visible
underemployment. Further, he says that visible underemployment
in agriculture may consist of two components: the seasonal
underemployment and chronic underemployment. Seasonal under-
employment prevails when the visible underemployment is entirely
of a seasonal character. Chronic underemployment exists when
even at the peak of agricultural activity the potential amount
of labour time still exceeds the amount of labour time actually
utilized. He suggests that while disguised underemployment may
exist with the same amount of capital, with the same institutional
framework and with the same size of landholding, it may be
possible, that by raising the intensity of work per hour, by
improving the organisation of work and division of labour and by
introducing simple labour saving devices requiring little or no
net addition to capital outlay, a number of workers could be
released from the land without reducing total agricultural output.
Potential underemployment is that amount of labour which might
be released from the land without reducing total output and by
introducing more fundamental changes in methods of production —
by changing the method of cultivation, by increasing the
substitution of capital for labour and by enlarging the size of
land-holdings. But potential underemployment is difficult to
assess quantitatively.

Young Sam Cho\textsuperscript{2} has observed underemployment in two

\textsuperscript{2} Cho, Young Sam, "An Estimate of Technical and Tradition-
Directed Underemployment: Methodological Consideration", 
forms viz., technical underemployment and tradition directed underemployment. Technical underemployment in agriculture appears usually in the form of seasonal idle labour. On the other hand, underemployment due to such social factors as customs and tradition is defined as tradition directed underemployment. Since tradition-directed underemployment has meaning only before the change in the traditional social institutions, there would not be any tradition directed underemployment if the institutional rigidities were eliminated.

A. Navarrette and I.M. Navarrette distinguish between cyclical disguised underemployment, structural (hidden) underemployment and the underemployment of expansion. They regard cyclical disguised underemployment as a function of foreign trade, the more important is the agricultural sector, the greater is the possibility of cyclical disguised underemployment. The other two forms of underemployment are much more important in underdeveloped economies. They are mainly due to lack of productive equipment. Structural underemployment is a chronic feature of agricultural sector. It is reflected in a desire to work at existing wage rates on the part of agricultural workers who lack regular employment during greater part of normal working time. The third form of underemployment is one which arises not in times of depression but of economic

growth and is due to the failure of complementary means of production to increase at the same rate at which supply of labour is increasing. Among the three forms, given by the authors, the structural underemployment is the most cogent one in poor countries. However, this type of underemployment need not wholly be hidden.

The Committee on underemployment of the 9th Conference of Labour Statisticians under the auspices of the International Labour Office, distinguished between two main forms of underemployment—visible underemployment and invisible underemployment. According to the Committee, visible underemployment involves shorter than normal periods of work and this is a characteristic of persons involuntarily working part time. This form of underemployment is mainly in the time dimension, measured in terms of hours, days, weeks or months and the like. It refers to both wage and self-employed labourers. The I.L.O. Committee of experts pointed out that disguised underemployment and potential underemployment are both components of invisible underemployment. The latter, according to this Committee, exists when a person's working is not abnormally reduced but whose employment is inadequate in other respects such as, (i) when his job does not permit full use of his skill or capacity; (ii) when his earnings from employment are abnormally low; and (iii) when he is

employed in an establishment or economic unit whose productivity is abnormally low. The first two situations of invisible underemployment are referred to as disguised underemployment while the third is described as potential underemployment.

N.V. Sovani states that underemployment is visible in micro terms i.e. if we take into account the idle time units for a worker under given conditions. In macro terms, it can be measured as the number of idle man-days or man-hours but not as the number of idle or completely unemployed workers. For quantitative measure of this type of underemployment, some standard time or period of employment is required to be specified in the category of invisible underemployment, which also includes wage and self-employed labour, the significant dimension is productivity. Persons in this category are, for all practical purposes, not idle in terms of time units at worst, they may be said to be performing the available service throughout the period, but whose productivity is sub-normal.

On the basis of causation, there may be different types of underemployment. Underemployment in the form of unrealized higher output potential due to low levels of nutrition, health and efficiency was discussed implicitly or explicitly by D. Majumdar

Moore and Warriner have discussed underemployment in terms of low levels of output per worker due to inadequate motivation for the cultivator or to pursue profit maximization. Other factor proportions i.e., land and capital being fixed, the relative abundance of labour may result in low productivity and disguised underemployment. This type of analysis regarding underemployment is due to Eckaus but has also been expressed by Ashok Mathur, N.A., Mujumdar and Shakuntla Mehra. Mellor and Paglin have concentrated on this aspect of underemployment. P.K. Mukherjee puts more stress on structural underemployment by which he means that the total agricultural production will not

Dorean, Warriner, Economics of Peasant Farming, Oxford, 1939.
fall even if a certain amount of agricultural labour is 
siphoned off the farming sector.

According to J.P. Bhattacharjee\textsuperscript{11}, underemployment in agriculture is a more comprehensive concept and can be taken to mean the unutilized portion of the self-employed and family manpower available to the farmers. On the basis of causes he speaks of two fundamental forms of underemployment: (i) seasonal underemployment; (ii) disguised underemployment. Seasonal underemployment is the result of the special nature of agricultural production requiring seasonal fluctuating loads of work that cannot, even with the best of management by the farming family, be evened up. Apart from this, there is a certain proportion of available labour that is not required but is utilized throughout the year. This proportion can be equated with disguised underemployment as distinct from seasonal underemployment. Disguised underemployment seems to be directly related to the factor proportions and the time disposition of the resources used over the period of production, and to the availability of labour vis-a-vis other resources on the farm. Disguised underemployment according to him, is made up of two parts: (i) disguised removable underemployment and (ii) disguised fractional underemployment (non-removable). Removal of workers

can take place only in terms of complete units of labour, such as one man or one woman or multiples thereof. It is the only quantity of underutilized labour, convertible into complete units of persons, that gives a measure of the extent of removable surplus among the farmers, the balance being unremovable due to its fractional nature.

From the immediate policy point of view N.A. Mujumdar\textsuperscript{12} considers two components of underemployment. They are (i) the disguised unemployment and (ii) seasonal unemployment. While the first may be said to arise from the intensely institutional matrix within which the production organization is cast. The second result from the unavoidably intimate connection of farm production with both the rhythmic and vagarious biological and climatic processes.

On the basis of the labour productivity criterion, B.N. Ghosh\textsuperscript{13} makes distinction between disguised unemployment and disguised underemployment. He argues that disguised underemployment in agriculture takes place when the marginal productivity of labour is low but positive and the worker is working below the norms. As against this, disguised unemployment is noticeable in case of labour whose marginal productivity is zero and which is completely unnecessary for the existing production process to continue but is still employed on


family farms. He further writes "while disguised unemployment involves a situation of zero marginal productivity of both man-hours and worker, disguised underemployment encounters only zero marginal productivity of man-hours. However, this distinction is justified only on conceptual grounds. In fact, disguised unemployment is a variant of underemployment."

A. Qayam has discussed three forms of underemployment. Visible underemployment, in his opinion, involves a large number of persons who are continually attached to their farm or land but remain idle for most of the year. Disguised underemployed are described as a substantial number of even those who do not appear to be idle and keep themselves apparently busy in some work or the other but contribute little to the net production. Yet another substantial number of persons, who do contribute to the net production with the existing methods and organisation of production, are likely to become redundant if advanced methods of production involving larger capital per person are introduced are known as "potentially underemployed". The same views were expressed by Chiang Hsieh on underemployment in 1952.

Jitendranath Goel considers that underemployment can


take two forms, viz., disguised underemployment and potential underemployment. The former exists if the same capital, land and institutional framework can release labour without changing the total output. Potential underemployment is assessed by the amount of release which occurs due to more fundamental changes. He further says that it is very difficult to give the exact dimensions of underemployment because of difficulties arising from the lack of a definition of the work-day, which can be measured either with the work hours or quantum of work done.

V.V.Giri\textsuperscript{16} conceives of two forms of underemployment. Visible underemployment, in his opinion, involves shorter than normal periods of work on the part of the persons who are involuntarily working part time. In defining the concept of invisible underemployment, the same line is taken as by the I.L.O. Committee on underemployment in 1957.

Baljit Singh\textsuperscript{17} conceives of visible underemployment and invisible underemployment as the two main forms of underemployment. He writes, "all such persons who are involuntarily working part time or for a shorter period than their normal period of work are visibly underemployed". In assessing visible underemployment, no account is taken of the


level of utilization of the skill or capacity of a worker. Its total quantum can be put in symbolic form such as:

$$N (W' - W)$$

Where, 'W' stands for average number of hours or days at work for worker, 'W' for the average number of working days or hours per worker in a year and 'N' stands for the number of employed workers. As regards invisible underemployment, he argues that a worker may have a full time job but if it is below his skill and capacity, he is invisibly underemployed. Further, if such employment involves the utilization of a part of the skill and capacity endowment, and a part time occupation, it is both visible as well as invisible underemployment. Its total quantum may be expressed as:

$$N (P_1 - P)$$

Where 'P₁' stands for the average productivity per man-day and 'P' for realized productivity per man-day.

T.L. Jain¹⁸ has decomposed the total underemployment into three components: (i) seasonal; (ii) removable, and (iii) fractional. He says that seasonal underemployment arises because of the peculiar nature of agriculture which

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Fig. 1 SETS & SUBSETS OF THE IDLE, THE WILLING, THE POOR, & THE MISEMPLOYED
is not removable. Removable disguised underemployment is that part of the labour force which can be withdrawn from the farm sector without any change in the farm organisation, techniques of production, and farm equipment and also without any loss to farm output. The retention as well as withdrawal of labour has essentially to be in whole numbers, but the demand for labour may not be in integral units. Because of this the retained labour will have an element of underemployment termed as fractional underemployment. P.N. Rosenstein Rodan has already discussed these two parts of disguised underemployment, e.g., (i) disguised removable underemployment, and (ii) disguised fractional underemployment in 1957.

In 1966 the Conference of Labour Statisticians held at the International Labour Office proposed that underemployment can be of three types: (i) visible underemployment; (ii) invisible underemployment or disguised underemployment, and (iii) potential underemployment. These above mentioned types are shown with the help of Figure I.

Visible underemployment includes persons working part-time but willing to do more work and can be counted as the intersection of the idle and willing sets (I\cap W), i.e., the sum of sectors 7, 8, 9 and 16. Invisible underemployment...

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includes persons who are not underemployed in a time sense but have very low earnings or unsuitable occupations. These would be counted as the set I'n (PUM). This is the sum of sectors 1, 5, 6, 11, 12 and 15 in figure I.

Potential underemployment is defined as employment in an establishment with abnormally low productivity. However, the identification of low productivity workers or the establishment concept insofar as low individual incomes are regarded as proxies for low productivity raises difficult issues.

Section II

The distinction between visible and invisible under-employment and the definition of other components of under-employment does not, however, appear to be worth emphasizing. It is only a conceptual requirement. Seasonal underemployment has a prominent place in agriculture where the agriculturists have to work as self-employed workers. Thus, one may find it difficult to put visible and seasonal forms of unemployment into water tight compartments. For anyone interested in the gauging of real under-utilization of available labour resources it is the total visible plus disguised underemployment which has by far the greatest significance.20

Underemployment has been discussed under two forms: (i) disguised underemployment, and (ii) seasonal underemployment. Disguised underemployment in agriculture arises when the marginal productivity of labour is low (but positive) than the prevailing market wage rate and/or the worker is working below the standard norms. Seasonal underemployment in agriculture arises out of the seasonality factor. Because of the nature of crops grown and the seasonality of operations involved, there are busy and lean periods in agriculture.

Disguised underemployment is made up of two parts: (i) disguised removable and (ii) disguised non-removable. Removal of permanent workers will take place in terms of complete units of labour and gives an extent of removable surplus, the balance being non-removable surplus among the permanent workers. Removable underemployment is that part of the labour force which can be withdrawn from the agricultural sector without any change in the agricultural factors of production and also without any loss to agricultural output.