

Corrigendum/Explanation SFG 2025 Level 1 Test 14

There is 1 change in today's paper (Q.9). In Q.9, the correct answer is Option (b).

Q.9) There was a doubt with respect to the 1st statement i.e. "The unemployment rate in the economy may be zero if the Labour Force Participation Rate (LFPR) is equal to the Worker Population Ratio (WPR)" is correct or incorrect.

Exp) The statement is incorrect. When we are talking in general, Labour Force Participation Rate (LFPR) and Worker Population Rate (WPR), then the denominator in LFPR is persons of ages above 15 years, while in Worker Population ratio denominator is persons of all ages. The denominators of LFPR and WPR are not the same, so they can never be equal. By 'in general', we mean when percentages with respect to LFPR or WPR appear in newspapers or other places, then it is in the context of what has been explained above. It is similar to when we talk about GDP, it is assumed it is Real GDP and not nominal GDP. For more clarity, kindly watch the discussion by the faculty taken in the class with respect to this question.
But note that the Periodic Labour Force Survey calculates the Labour Force Participation rate for all ages, for ages between 15-29 years and for ages above 15 years. Similarly Worker Population ratio is calculated for all ages, for ages between 15-29 years and for ages above 15 years. If the question had mentioned what the denominator would be in that case, the answer would be different.

For Future Reference:

Q.9) In the context of Indian economy, consider the following statements:

- I. The unemployment rate in the economy may be zero if the Labour Force Participation Rate (LFPR) is equal to the Worker Population Ratio (WPR).
- II. In the last 5 years, annually, the unemployment rate in urban areas has always been higher than rural areas.

Which of the statements given above is/are correct?

- a) I only
- b) II only
- c) Both I and II
- d) Neither I nor II

Ans) b

Exp) Option b is the correct answer

Statement I is incorrect: As per the Periodic Labour Force Survey (PLFS), the **Labour Force Participation Rate (LFPR)** measures the percentage of the population that is in the labour force, i.e., those who are employed, seeking employment, or available for work **to the total working population (i.e. persons of age above 15 years)**. The **Worker Population Ratio (WPR)** measures the percentage of the population that is actually employed to the total population.

The **Unemployment Rate (UR)** is defined as the proportion of persons in the labour force who are unemployed and is calculated as:

$$\text{UR} = (\text{Number of unemployed persons} / \text{labour force}) * 100.$$

Thus, Labour Force Participation rate and Worker Population ratio can never be equal.

Note: Periodic Labour Force Survey calculates, Labour Force Participation rate for all ages, for ages between 15-29 years and for ages above 15 years. Similarly Worker Population ratio is calculated for all ages, for ages between 15-29 years and for ages above 15 years. But when in general we are talking about Labour Force Participation rate then the denominator in LFPR is persons of ages above 15 years while in Worker Population ratio denominator is persons of all ages.

For an unemployed person to be counted in the Labour Force, s/he must meet three specific criteria:

- Be without work: They did not have a job during the survey reference period.
- Be currently available for work: They were available to start working.
- Be actively seeking work: They made specific efforts to find a job within the recent past

Thus, those not seeking work will not be counted as part of the labour force.

Statement II is correct: As is clear from the figure given below that between 2019-2020 and 2023-24, the unemployment rate in urban areas has always been higher than rural areas.

Indicator	all-India								
	Rural			Urban			Rural+Urban		
	male	female	person	male	female	person	male	female	person
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2023-24	2.7	2.1	2.5	4.4	7.1	5.1	3.2	3.2	3.2
2022-23	2.7	1.8	2.4	4.7	7.5	5.4	3.3	2.9	3.2
2021-22	3.8	2.1	3.2	5.8	7.9	6.3	4.4	3.3	4.1
2020-21	3.8	2.1	3.3	6.1	8.6	6.7	4.5	3.5	4.2
2019-20	4.5	2.6	3.9	6.4	8.9	6.9	5.0	4.2	4.8
2018-19	5.5	3.5	5.0	7.0	9.8	7.6	6.0	5.1	5.8
2017-18	5.7	3.8	5.3	6.9	10.8	7.7	6.1	5.6	6.0

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

2023-24 refers to the period July 2023 – June 2024 and likewise for 2022-23, 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

Source:

https://www.mospi.gov.in/sites/default/files/press_release/Press_note_AR_PLFS_2023_24_22092024.pdf

<https://egyankosh.ac.in/bitstream/123456789/101279/1/Unit-3.pdf> - Page no 43

<https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2120359®=3&lang=2>

Subject:) Economy

Topic:) Unemployment

Subtopic:)