

<b>FORUM:</b>	General Assembly
<b>ISSUE:</b>	Measures to Reduce the Impact of Increasing Unemployment Rates in the Global Labor Market
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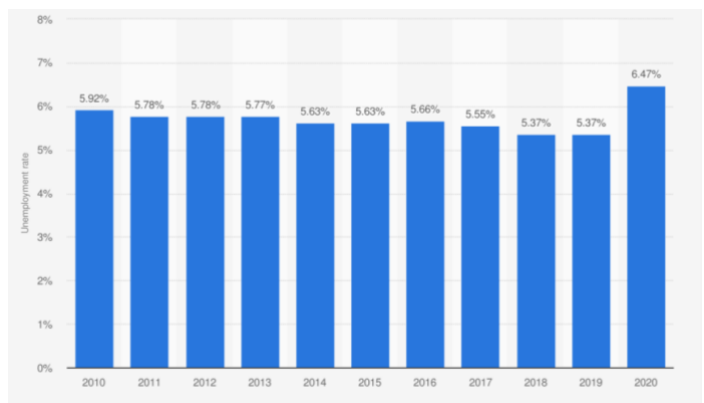
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## Introduction

The unemployment rate by definition is the percentage of people who are unemployed in a total labor force. People who do not have a career and are actively looking for a job are officially classified as unemployed. In addition to the definition, the unemployment rate reflects a broader perspective of the global economy. This means, if the unemployment rate increases, it would cause a recession in economic growth, increase poverty level and decrease human resources, like a domino effect.

The World Bank reported in 2020 that the global unemployment rate has reached the highest percentage, compared to the last nine years, marking 6.47%. It is clear that the recent pandemic has severely increased the unemployment rate – a dilemma that has been an issue annually. Workers in factories, restaurants, stores, entertainment, have become the target of the business lockdowns and the fluctuation in the economy due to COVID-19.

For instance, Disney in the United States has laid off 28,000 workers after their profits from theme parks dropped 91% due to the loss of customers after the COVID-19 outbreak. Likewise, both small and big firms started to fire many of their employees and the unemployment rate is expected to surge continuously, impacting the global economy. To mitigate the further influence of the increase in unemployment, urgent solutions are vital to society.



*The global unemployment rate from 2010 to 2020*

## Background

Today's economic downtrend is similar to the Great Depression in the 1930s. During World War I, the United States was skewed toward producing weapons and arms to sell to other countries in war. Thus, foreign customers who purchased these items brought great wealth to America. Citizens and firms in the United States started to invest in stocks and the markets were active due to the high-income



customers buying products and giving profit to firms. Accordingly, manufacturers and factory owners employed more and more workers to increase their output.

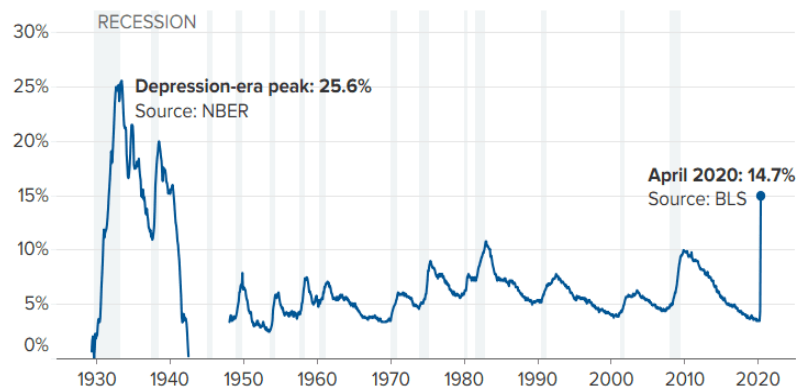
However, when the war came to an end, there was a downfall in the demand for war equipment and the firms started to decrease their productions following the trend. This also meant that the firms did not require as many employees as they used to, and started to fire many of their workers. Years of the economic recession continued, and the US unemployment rate reached its maximum of 25% in 1933. The impact of the Great Depression also rippled throughout other countries due to the decrease in international trade and *gold standards*, affecting their economy and thus their unemployment rate.

After the experience of the world's first economic depression, there have been many political and societal changes. Labour Unions encouraging *collective bargaining* were established as the number of unemployed members started to rise, and the United States government started to assist unemployed workers with unemployment compensation. Many European countries, such as Great Britain, also improved their government pensions that were furnished before the 1930s.

Many experts and social scientists view the current surge in the unemployment rate as the “most severe crisis since the 1930s.” Based on the findings of the Bureau of Labor Statistics, the American unemployment rate in 2020 was 14.7%, which means more than 23 million Americans were unemployed in that year. Omitting the American unemployment rate in 1930s, where the maximum percentage was 25.6%, the percentage reached in 2020 was the highest from 1929 to 2020, strongly suggesting that the current crisis is serious.

### Jobless rate nearing Depression-era levels

Monthly unemployment rate from the National Bureau of Economic Research (1929-1942) and Bureau of Labor Statistics (1948-present)



*The unemployment rate in America from 1929 to 2020*

## Problems Raised

### *Reduced Income and Purchasing Power*

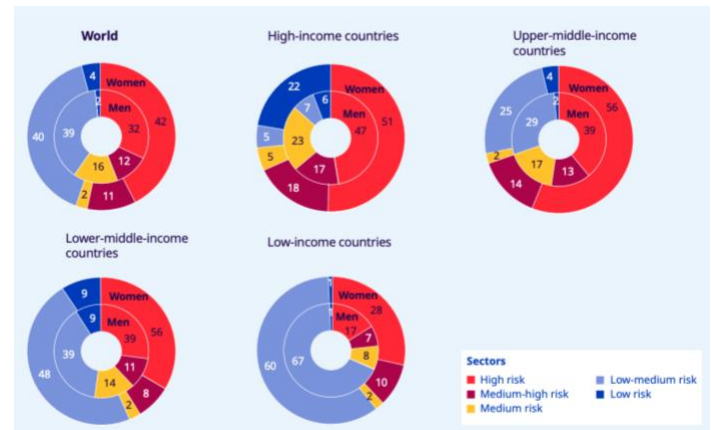
When employees lose their job, their financial budget for living decreases. This means people are unable to afford basic humanitarian needs. In the long run, unemployed people are prone to health issues due to the lack of nutritious food and health care they can afford and do not have an adequate amount of money saved for retirement in the future.



Above all, people with a decreased budget will experience a reduction in their purchasing power. In other words, the unemployed consumers would buy a fewer amount of products from the market. This decreases the profit firms earn from consumers, eventually inducing companies to fire more employees. Thus, unemployment not only impacts the individuals who lost their job but also influences workers who are employed in the labor market, causing the unemployment rate to rise considerably.

### *Women in Greater Risks*

Women in many countries around the world, especially in North Africa and the Arab states where the women unemployment rate is above 16%, have difficulties finding a job than men. Even countries that have a decent employment rate for women often represent women with vulnerable or part-time jobs. International Labour Organization also demonstrated that the labor force participation for men is 75% while for women is 49%, clearly showing the gender inequalities.



*The difference in gender risk after economic recession that causes increase in unemployment rate*

The structural nature that existed before the pandemic, has severely impacted women when the unemployment rate started to rise. Women's employment which is more concentrated in restaurants, stores, and health care left women with greater disadvantages than men, leading them back into the burden of seeking jobs.

### *Skill Loss*

Mature-aged workers are one of the greatest victims of the increase in the unemployment rate. As the period of unemployment gets longer, technology that replaces the skills of these workers increases, putting many of these workers under a burden. The new skills required in the labor market are hard to attain due to the limited access to training programs and high competition for employment among the younger generations, which causes a greater burden for mature-aged workers. This consequence is crucial for the workers in developing countries, especially where there are no old-age pensions that protect the workers from a lack of income.

## International Actions

### *Unemployment Insurance Benefits*

Unemployment insurance benefits are temporary income unemployed workers receive from the government when officially classified as unemployed. The government uses this policy to protect unemployed workers from poverty and health issues. These unemployed benefits are employed in almost all of the OECD (Organization of Economic Cooperation and Development) countries in different levels to cover up the impacts of unemployment in the labor market. For example, to mitigate the effects of the increasing unemployment rate, the United States has employed pandemic unemployment benefits starting from April 2020. Further, the Republic of Korea has also utilized this policy during the Asian financial crisis that sky-rocketed the unemployment rate to give no less than 70% of the workers minimum wage to protect them from a sudden economic recession.

However, such a solution to unemployment only seems to be effective in the short run. Due to the unemployment insurance benefits, many people who were seeking jobs started to lose their motivation. Further, the unemployed workers were unwilling to get jobs that were below the financial aid that the government gave. This caused the companies that need low-income workers to have an inadequate amount of workers, while the competition for high-income jobs rose.

### *Recreating and Protecting Jobs*

The skills required in the labor market are changing rapidly, replacing old skills with new ones. In order to help unemployed citizens quickly adapt to the alteration in demand, the government and NGOs, such as the RedR, are offering coaching and training programs for displaced workers. For instance, the RedR have launched a course that aims to teach people in Arabic countries how to effectively adapt to the online environment and help them acquire skills that are required for jobs amid the COVID-19 pandemic.



*A picture of RedR trainers training people in India*

Furthermore, to protect the existing employees from losing their jobs, especially in smaller businesses, the government offers investment in training and improving their workforce for individual companies. For instance, Qualification Opportunities Act provided small companies in Germany subsidies for employee training programs. This not only improved the skills of the workers but also boosted the firm's economic growth which helped sustain the small companies. For developing countries such as South Africa that lack fiscal aid from the government, private sectors took the initiative to





establish a group called South African Future Trust that supported smaller firms with money to preserve them from the impacts of the COVID-19 pandemic and make rooms for decent jobs that can contribute to the country's job-rich recovery.

## Key Players

### *International Job Organization (ILO)*

The international job organization is an organization established by the UN to maintain peace among governments, firms, and workers. Some of their roles include regulating employment or labor standards, analyzing social statistics (especially data from the labor market), and opening conferences to discuss and plan severe labor issues.

During the 109<sup>th</sup> session of the International Labour Conference held by the organization, delegates who participated in the discussion agreed to prioritize the creation of jobs and address the inequalities caused by the crisis. Their current agenda includes investing in jobs that have the potential to broaden their workplaces, such as education or international development; supporting education for the younger generation to help them find work; improving access to unemployment protection; and supporting small business continuity.



*A picture of the 109<sup>th</sup> session of the International Labour Conference done online*

### *Human Rights Watch*

One of the Human Rights Watch's main goals is to preserve the human rights of everyone. According to the Universal Declaration of Human Rights Article 25, it states that "everyone has the right to security in the event of unemployment," and to maintain this goal, the organization must take vital steps to protect the unemployed workers across the world.

In typical cases, the organization would oversee and analyze the government's response to a crisis and ensure that government provides adequate social protection to its citizens which includes insurance for insufficient income due to unemployment. Yet, for low-income, developing countries, the organization also takes part in making and assisting new programs that weaken the requirements to get unemployed protections and improve access to unemployed insurance.

## Possible Solutions

### *Expansionary Monetary and Fiscal Policy*

The expansionary monetary policy is when the central bank of a country lowers the interest rate to make it easier for low-income families to borrow money and afford for their basic needs that may also include expensive products such as a house or a car. This would increase the consumer's demand, which has been low due to the decrease in purchasing power from unemployment, and reduce the amount of impact that goes to firms who need profit to keep their employees. In addition, firms can also borrow money from the bank to hire more workers due to the increase in demand, which could solve the increase in the unemployment rate.

The expansionary fiscal policy is when the government can either cut taxes or increase their government spending in order to stop the increase in the unemployment rate. By cutting taxes, low-income consumers will have more money to spend. In other words, their purchasing power would increase, causing them to buy more products from the market. This increase in demand will give more profits for the firms, encouraging them to hire more workers to improve their productivity. The government can also spend its money to mitigate the increase in unemployment by hiring employees themselves. They can place these workers to provide specific services for the society or even employ them in companies through contracts and give the workers cash directly to sustain their living.

### *Improving Education*

Quality education can be a cost-effective solution to unemployment. Not only does this method increase the potential for young and mature-aged workers to seek jobs, but it also lays less burden on the government's budget. Idealistically, this method only requires the government to invest 1 billion dollars in education and the government can receive 1.3 billion dollars in return from this investment. This is because there is a strong correlation between better-educated people and high-income jobs. People who received quality education from teachers and programs afforded by the government have a higher possibility to seek jobs with high wages which means they would spend more money on goods. Accordingly, there would be an increase in economic growth that brings more wealth to the government than they have spent.

Developing countries that do not have enough money to invest in education can seek help from organizations such as the International Labor Organization or RedR. The International Labor Organization has called to action in their recent conferences to achieve job-rich recovery in countries around the world and has mentioned in their agenda to actively support education, especially in developing countries. Furthermore, the RedR is an organization that can also send trainers to different countries to teach the locals the basic skills required for decent jobs. For instance, recently, they have



educated people from several countries on how to use technology and online resources, such as Excel or Word document, which are long-lasting skills that can increase their possibility of getting a job.

## **Glossary**

### *Purchasing Power*

The value of money expressed with the amount of products one unit of a currency is able to buy

### *Pensions*

Money provided from the government to protect retirees

### *Gold Standards*

In the 1930s, many countries, especially the United States, set their value of currency according to the value of gold. However, after the economic recession, the US faced severe deflation and the countries that set their values on gold were also impacted.

### *Collective Bargaining*

The negotiation process between worker and employers on the conditions of employment which may include working hours, layoffs promotions, wages, etc.

### *Vulnerable Jobs*

Jobs with shorter hours, low wage, and has no access to social protection



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