

Research Report

Economic and Social Council

1 | Measures to counter unemployment, especially due to COVID-19

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Introduction

The spread of the virus COVID-19 brought the whole world to a standstill. Offices and schools were closed and factories and shopping centres were shut down. Only essential businesses were allowed to stay open, and people all over the world stayed inside doors as much as possible to protect themselves. In these times, the service and entertainment sectors were hard-hit and struggled to cope. Due to the decrease in demand in almost all sectors of the economy and sales and productions reaching all time lows, it was evident that lots of people would lose their jobs due to cost-cutting measures that the company would take in order to cut back on losses.

Unemployment as it is has started to become a pandemic in itself in recent years, and the Coronavirus pandemic did not make matters better. As living costs rise and the world continues to plunge into an era of technological reliance, lots of people with menial jobs are being laid off and replaced by machinery. Also, jobs with sufficient pay to sustain a certain type of lifestyle now require more than they had before, be it educational degrees, stability, etc.

Mass migration also plays a large role in the rise in unemployment, with people from rural areas leaving when unfavourable conditions arise, and urban areas being unable to provide them all with jobs. This has only gotten worse in the lockdown and pandemic situation with people being laid off and being unable to pay their rents and living expenses. There's also a wholly different sector of purely manual labour daily wage workers who have been the worst hit, as they are unable to provide even the basic living needs for themselves and their families, for a prolonged period of time.

Definition of Key Terms

- Unemployment- It is the term for when a person who is actively seeking a job is unable to find work.
- Homelessness- It is the state of having no home.
- Informal economy- An informal economy, also referred to as the informal sector or grey economy, is the part of any economy that is neither taxed nor monitored by any form of government. This includes small businesses, service and cash based businesses, and personalised services.
- Formal economy- A formal economy refers to all economic activities operating within the official legal framework that are paying taxes on all generated incomes.
- Essential services- These are essential business services during the lockdowns that were still allowed to function. These entail Hospitals, security, grocery stores, police forces, etc.

Current State of Affairs

During the time of this pandemic, 93 percent of the world limited the actions of their people to some extent to prevent the spread of COVID-19. Informal economy workers are the most vulnerable in the labour market, and in the beginning of the pandemic itself, almost 1.6 billion of them worldwide have suffered to earn a living, not only because their sectors have been the hardest hit, but also because of the different safety protocols being put in place. Most of these workers have a limited skill set or a minimal set of prerequisites that does not allow them multiple avenues to earn a living. Some fields have been thriving, such as the Information and Technology sector, while others, such as the accommodation and food services, retail and construction industries are experiencing major losses.

There are also workers whose job descriptions do not apply in the pandemic world, and are thus not provided any compensation during these trying times, as it is believed that they should only be paid for work that they have actually completed. Because of their limited skill sets, they are unable to find other ways to earn a living and are suffering.

Another type of unemployment are students who have been studying till now and are ready to enter the workforce. However, jobs are not in demand and only the best of the best are being hired. These students do not have any experience and do not qualify. This is also difficult for them as they have student loans that they must start paying off and they have no source of income to sustain themselves. They also experience a setback in their workforce experience as they are unable to begin their work experience right away.

Major Countries and Organizations

The lowest unemployment rates in the world belong to Singapore with 3%, the Czech Republic with 3.1% and Switzerland with 3.2%, even during the pandemic. It is important to assess these countries and analyse why these countries have fared so well and what can be done to bring other countries to these low levels of unemployment.

The USA has one of the worst unemployment pandemics, as it's considered to have the worst labour rights in the free world. The Stimulus check concept might've provided citizens with extra money, but it did not in any way try to prevent people from being fired or provide opportunities for citizens to make a living. 36 million people have been fired from their jobs, which means more than 25% unemployment, as they have no self-standing job security rights, and a valid reason is not required to be fired. It has also been terribly hit by the pandemic, with some of the highest coronavirus death rates in the world.

India is a large country with quite high population densities in urban areas. This makes it much more difficult to curb the spread of the virus. Analysing how the government progressively reduced preventive measures as the number of cases drastically rose is a very complex yet interesting situation to analyse. Also, the country's unemployment rate has almost returned to its pre-covid levels, which is a great feat considering the large size of the workforce in India.

China is another important country to analyse, as they were the first hit by this virus which would make them the least prepared. They were one of the first countries to open up gradually, and have now even been able to detect no locally transmitted cases in the chinese mainland. Their unemployment rates had also risen to 6.2% during the pandemic.

A very important organisation is the international Labour Organization that provides very valuable data, insights and information about such issues.

Previous Attempts to Solve the Issue

Different governments have been subsidising salaries; offering companies to pay a large portion of their workforce's salaries. This reduces the incentive of firing people and decreases the losses that the companies experience, therefore preventing a rise in unemployment.

The Organisation for Economic Cooperation and Development (OECD) has done research through which they say that employment protection legislation is highly beneficial to job creation, productivity and investment.

However, other credible research states that job security and workplace democracy decrease unemployment best, while also improving productivity and innovation.

Possible Solutions

One of the most important solutions at the moment is mass vaccination. Quite a few vaccines have been released for the coronavirus in multiple countries. When mass vaccination takes place, the spread of the virus decreases, allowing global markets and economies to reopen, which brings back more job opportunities and provides the informal market workforce with a way to earn a living again.

Allowing economies and urban areas to open bit by bit with restrictions and guidelines in place has done amazing things for the economy, which is why it has become quite favourable.

Some other solutions that are plausible are adapting businesses to the new economy, fighting for workers' rights, and providing support for people who lose their jobs, whether it be housing, microloans or any other modes of assistance.

As said by the International Labour Organisation, "Measures for economic reactivation should follow a job-rich approach, backed by stronger employment policies and institutions, better-resourced and comprehensive social protection systems. International co-ordination on stimulus packages and debt relief measures will also be critical to making recovery effective and sustainable. International labour standards, which already enjoy tripartite consensus, can provide a framework."

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