

Determining the Adequate Level of Government Support to Overcome Global Unemployment

Forum: General Assembly

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Introduction

The International Labour Organization (ILO) defines unemployment among two types of people: a person who has been actively seeking employment for the last four weeks and is available to start work in the next two weeks or a person who has found a job and is waiting to start the job in the next two weeks. Global unemployment is an urgent social issue acknowledged by the eighth goal of the United Nations 17 Sustainable Development Goals: Decent Work and Economic Growth. As unemployment not only generates individual financial hardship and poverty but also economic harm for the whole society, countries have instituted policies to aid the unemployed and promote inclusive and sustainable economic growth. However, not all policies have experienced success, and adequate government support must be determined to overcome global unemployment.

Background

Most modern countries have developed unemployment insurance protection, assuring the unemployed with an adequate standard of living for a certain period. Nevertheless, the International Labour Organization reports that 75% of 150 million unemployed people lack unemployment insurance protection. A part of the reason is the inconsistent level of government support. For example, the maximum duration of unemployment benefits varies widely across countries. Countries such as Australia, Belgium, and New Zealand have no limits in unemployment benefits, while countries such as the United Kingdom and the United States of America limit benefits for a half year or less. Furthermore, several individual policies are insufficient in assisting the unemployed. In the 1990s, almost all Organization of Economic Cooperation and Development (OECD) countries reduced protection assigned by unemployment benefit systems and tightened eligibility rules. Some countries in central and eastern Europe even failed to provide unemployment benefits for around half of the unemployed in the early 1990s.

Unemployment has always been a critical problem globally, but in recent years, the



Soup kitchen for the unemployed during the Great Depression

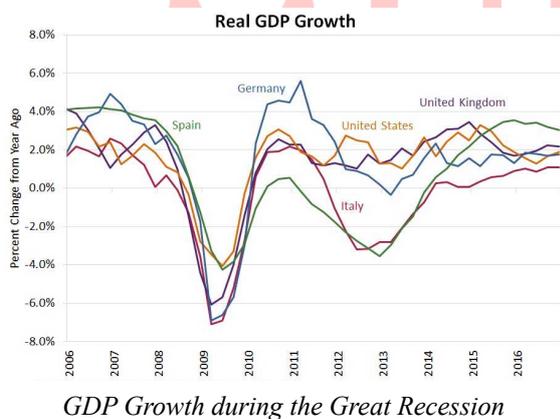
situation has deteriorated due to COVID-19. Compared to 2019, the global unemployment rate in 2020 increased from 5.4 % to 6.5 %, or from 33 million to 220 million people, not including the 81 million people who departed from the labor market. The crisis has exacerbated the young, women, and low-paid workers' participation in the market and will continue to generate inequality.

Along with the inadequate measures taken by individual countries and the pandemic situation, the implementation of government support for unemployment has also surprisingly caused negative side effects. Although unemployment benefits encourage consumption and prevent a fall in the Gross Domestic Product (GDP), benefits that are too generous tend to discourage job searching. Thus, effective solutions from the government have yet to be constructed and are still crucial in determining the appropriate degree of government support.

Problems Raised

Economic Instability

High rates of unemployment impact various aspects of society. Economic costs of unemployment for countries are evident. For instance, the United States expended \$18.26 billion in July 2020 for unemployment benefits while collecting less tax than before. This cost forces governments to borrow money or reduce other types of federal spending degrading the economic situation.



In addition, high levels of unemployed reduce the gross domestic product (GDP). The economy is run by a fair amount of supply and demand. However, if the number of unemployed citizens with a lack of income increases, they will spend less money on domestic products. Hence factories or companies that produce these goods will not earn enough money to generate products, causing GDP deterioration and economic slowdown.

Impact on Individuals

Other than costs to the country, unemployment often immediately impacts an individual's standard of living. This phenomenon includes decreases in the average savings rate, depleting retirement savings, and particularly, the deterioration of the mental and physical health of workers. For instance, insecurity of income and the subsequent feeling of loss of control commonly lead to anxiety. A loss of self-esteem derives from a drop in status among the community due to unemployment. The loss of a job means social isolation and loss of engagement with the community. If unemployment extends, workers may experience erosion of useful skills, and due to a lack of income, families may deny their children of educational opportunities, depriving the economy of those future talents.

Inequality

Unemployment causes tensions and increases gaps between people. When jobs are

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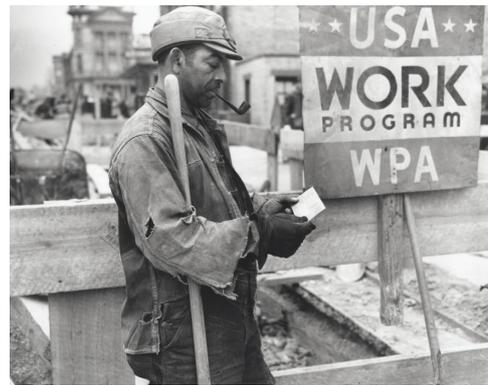
scarce, it spurs intolerance and racism especially in immigrant communities where minorities are often seen as competition. Gender divisions are also hardened because finding a job is more difficult for women than men. Currently, the global labour force participation is 75% for men and 49% for women. Guaranteeing the freedom to work is essential not only in an ethical sense but also from an economic perspective; the ILO predicts that reducing gender gaps in labour force participation would significantly boost global GDP.

International Actions

As the need to relieve unemployment has been conspicuous in the past, legislations regarding this issue have been created, which serve as a foundation and precedent for future collective legislation.

Works Progress Administration (WPA)

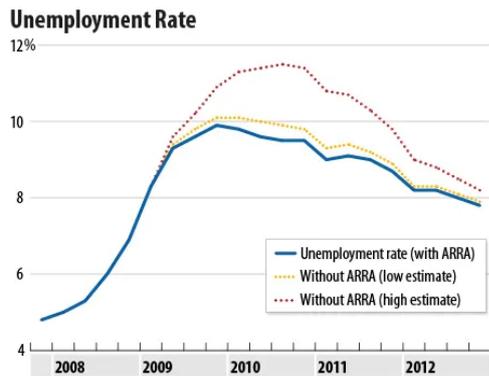
The Works Progress Administration, later renamed as Work Projects Administration, was a temporary employment and infrastructure program funded by the government aimed to provide work for victims of the Great Depression. In 1935 under the leadership of President Roosevelt, the Works Progress Administration alleviated the unemployment crisis in which 20 % of Americans were unemployed. By promoting public infrastructure projects for unskilled men, patronizing artists, and creating part-time jobs for the youth, the Works Projects Administration generated jobs for 8.5 million people in total. However, in 1939 the WPA faced increasing charges of mismanagement of the program by workers, and appropriations were reduced. Furthermore, the WPA was often criticized for working inefficiently as it avoided cost-saving technologies to hire more workers. The WPA ended in 1943 when unemployment rates reached less than 2 % due to weapon production for World War II.



WPA employee receiving his paycheck

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

Mahatma Gandhi National Rural Employment Guarantee Scheme was Indian labor law and social security measure that guarantees at least 100 days of wage employment to every rural household with an adult member willing to do unskilled manual work. The desired results of the act included creating productive assets, ensuring social inclusion and protection, and enhancing livelihood security in all rural districts of the country. The types of work taken up included public works related to natural resources management, rural infrastructure, and the development of fallow or wastelands. The program led to 51 million beneficiary households generating 2343 million person-days of employment and expenditures at 0.3 % of GDP in 2017. MGNREGS's rights-based design ensured coverage of vulnerable populations and the poor during crises while also prioritizing female participation. Despite its success, many citizens experienced delays in wage payments, and MGNREGS performance has been weaker in poorer states.



Estimated unemployment rates with and without ARRA

American Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act of 2009, also known as the Stimulus, was an American legislation enacted by the U.S. Congress and signed by President Barack Obama in response to the Great Recession of 2008 to 2009. The package was designed to stimulate the U.S. economy by creating and saving jobs. The law provided \$787 billion for the Stimulus, and the money was spent on tax relief, entitlement programs, grants, loans, and contracts. The unemployment rate began to drop in 2010, and the

Congressional Budget Office estimated that the number of people employed increased between 1 million and 2.9 million due to the legislation.

Possible Solutions

As there are many aspects to this problem, many solutions can be proposed. In history, when unemployment rose, the government intervened with means to create jobs as these policies have been effective in stabilizing the economy. Legislations such as the aforementioned Works Progress Administration temporarily stabilized the U.S. economy during the Great Depression. At times of economic distress such as the COVID-19 pandemic, government measures to stimulate job growth is crucial.

Yet, the role of the government in overcoming unemployment is not limited to times of economic distress. Government expenditures are one possible way to create more jobs since millions of people are employed in government-funded work. For example, The Federal Highway Administration estimated in 2007 that \$1 billion government spending in federal highway expenditures contributed to 30,000 jobs.

As globalization favors the highly skilled, unemployment policies should also target providing the unemployed with skills through ways such as apprenticeship schemes or quality workplace training. Moreover, reducing the immobility of labor is necessary to aid people who are coping with high house prices, social ties, and regional differences. Another possible solution is to encourage entrepreneurship and innovation to spur market demand and new job opportunities.

Glossary

Savings Rate: a measurement of the amount of money expressed as a percentage or ratio that a person or group of people deduct from their disposable personal income

International Labour Organization (ILO): a specialized agency created in 1919 as a part of the Treaty of Versailles that became of the United Nations since 1946 devoted to promoting justice and internationally recognized human and labor rights.

Unemployment Benefits: also known as unemployment compensation or unemployment insurance,

MUNiSC XIV General Assembly

this is paid by the state to unemployed workers who lost their jobs due to layoffs or retrenchment as a means to provide a source of income until they can find employment.

Timeline

1911 – The Liberal Party government of the United Kingdom instituted the National Insurance Act 1911, the first modern unemployment benefit scheme.

1919 – The International Labour Organization is created as part of the Treaty of Versailles.

1920 – The United Kingdom implemented the dole system of payments for the unemployed for 29 weeks of unemployment benefits through the Unemployment Insurance Act 1920.

1935 – The United States implemented the Social Security Act and the Works Progress Administration.

1945 – European countries began to utilize unemployment benefits after the Second World War.

1946 – The International Labour Organization became a specialized agency of the United Nations.

1998 – The ILO Declaration on Fundamental Principles and Rights at Work is adopted by all member states.

2005 – The Government of India passed the Mahatma Gandhi National Rural Employment Guarantee Scheme.

2020 – Global unemployment rate increased drastically from 5.4 % to 6.5 % due to COVID-19.



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MUNiSC XIV General Assembly

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