

# Analysis of the World Unemployment Rate and Solutions in the Context of COVID-19

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## ABSTRACT

The novel coronavirus pneumonia is also known as a global pandemic. Since it was firstly discovered in December 2019, the world has entered a high-risk moment. This moment has a great impact on the global economy, especially in the period of economic globalization. This paper will discuss the global unemployment situation caused by the economic crisis which is due to COVID-19 and may propose some feasible solutions. This paper will mainly analyze the unemployment situation during the epidemic period according to the existing research data. Data sources include experiments by scholars or reports from international organizations. This paper concludes the causes of high unemployment rate and the current situation of unemployment.

**Keywords:** COVID-19, unemployment, global economics, social aspects, economic crisis.

## 1. INTRODUCTION

Since December 2019, Wuhan, China has found many cases of viral pneumonia. On January 30, 2020, WHO announced that the epidemic of New Coronavirus would be listed as a public health emergency of international concern. The novel coronavirus pneumonia outbreak has become a global pandemic WHO said on March 11th. The outbreak of the novel coronavirus pneumonia has caused a great imbalance in the growth between the countries and the different domestic departments. In other words, not only will the gap between developing and industrialized countries widen, but the gap between different government agencies inside a country would widen as well.

It is believable that novel coronavirus pneumonia has caused a global economic crisis. In this economic crisis, which is different from before, unemployment caused by isolation deserves attention. This paper will analyze the global unemployment situation under the COVID-19 crisis. This paper will first explain the reasons for such high unemployment rate. Second, it describes the current situation of unemployment worldwide. Then, it will briefly describe the negative impact of unemployment. Finally, this paper will forecast the future situation of unemployment rate and give feasible solutions.

## 2. CAUSES OF THE GLOBAL UNEMPLOYMENT

To a large extent, the slowdown of global economic development is the main reason for the rise of global unemployment rate. When the supply of labor exceeds the demand, there will be unemployment. Therefore, this paper will explain the reason for the high unemployment rate by analyzing the changes in labor supply and demand. First, in the early stage of the epidemic, China shut down many factories in order to prevent and control the epidemic because reducing human exposures can effectively lessen the risk of virus infection.

As one of the largest trading countries in the world, China, to some extent, caused the temporary depression of foreign trade enterprises in neighboring countries and even western developed countries[1]. At the same time, due to the implementation of trade restrictions in various countries, also led to the contraction of the scale of foreign trade. These are not decisions made by the governments based on their own short-term economic interests. In fact, novel coronavirus is infectious and has a high mortality rate. To this end, countries have taken the strategy such as closing borders, blocking global personnel flow to prevent the spread of novel coronavirus. This is a short-term emergency measure for long-term economic development[2]. Although, after a

while, international trade slowly recovered, but the more crisis occurred at home. As the epidemic spirals out of control, factories in some European countries have been shut down. As a result, unemployment rose rapidly. Second, the closing of borders and the blocking of global transportation have largely contributed to low oil prices. During the novel coronavirus pneumonia, the oil price was significantly lower than the arithmetic means from 2000 to 2020 [6]. As a result, low oil prices will lead to a sharp drop in the price of the ruble. Russia has abundant oil and gas reserves, and it is the world's second largest crude oil exporter in 2019. However, a crash in oil price caused many influences on Russian finance.

Low oil prices first led to a reduction in foreign trade income and consequently Oil export enterprises and bank settlement system will require less rubles. In addition, if consumers lose confidence in oil price, the less confidence will lead to the withdrawal of overseas investment. The decreasing overseas investment can also contribute to the lower price of ruble. Thus, based on the above reasons, the price of the ruble will decrease. From 2019 to 2020, the ruble price dropped from a median of 0.0609 to a median of 0.0558 [6].

In Russia, low oil prices and the sharp devaluation of the ruble, in turn, lead to an increase in the unemployment rate. That is because enterprise vitalities declined with these factors. Originally, it was only because the cessation of foreign trade on a global scale might itself lead to a slowdown in the development of the global economy. Subsequently, low oil prices and the sharp drop in ruble prices have increased the slowing down rate of global economic development.

In the final analysis, fundamentally, the recession of the global economy makes the vitality of enterprises declines, which leads to the reduction of the demand for labor force. Therefore, the fall in demand should be the fundamental reason for the reduction of the unemployment rate. In other words, novel coronavirus pneumonia brought about a slowdown in the global economic development, which is largely responsible for the rise in global unemployment.

### **3. CURRENT STATE OF GLOBAL UNEMPLOYMENT**

The high unemployment rate is one of the manifestations of unemployment in the economic crisis caused by COVID-19. Different researchers have different estimates at the unemployment rate in the US caused by novel coronavirus pneumonia. At the end of March 2020, the number of people applying for unemployment benefits in the United States will reach an all-time high of more than 3 million [8]. According to the Washington Post, in only one month after trump declared a state of emergency in the United States, another 22 million people have lost their jobs, offsetting a decade of

new jobs. Novel coronavirus pneumonia may account for 47millions of unemployment, and the unemployment rate may reach 32%, according to the Federal Reserve Bank of Saint Louis. The reason for such large-scale unemployment is the sudden halt in tourism, international education, exports, public health, manufacturing and construction. Some of these industries rely on large-scale international flows, others on factory closures. All of which exacerbates further layoffs.

The mental health problems of the unemployed or those who are engaged in unstable jobs are also one of the manifestations of the unemployment situation in this economic crisis. In the United States, millions of workers have unstable jobs. They often do not have fixed working hours and perfect job security. This kind of unstable work will bring them psychological pressure. During the period of COVID-19, the mental vulnerability of workers brought about by this instability increased. COVID-19 may enable family and work more contradictory [3].

Youth's position in the labor force is more vulnerable, which is also the manifestation of unemployment in the economic crisis. As reported by the International Labor Organization (2020a), in fact, young people were already in a weak position in the labor force long before the crisis. However, the massive unemployment and job instability generated during the epidemic had a very painful impact on young people around the world. The COVID-19 economic crisis, accompanied by a sharp rise in unemployment, competition among workers and a possible increase in digitalization, is likely to result in a serious disinvolvement of young workers from the labor market for some time [5].

### **4. CONSEQUENCE OF EPIDEMIC SITUATION**

COVID-19 may have some psychological effects on the unemployed or non- permanent workers. Blustein et al. believe that people without a stable job will experience chronic stress and uncertainty[3], which makes them face the risk of mental health, physical and relationship problems. In fact, a study conducted in Japan shows that the mental health of non-permanent workers would not be negatively affected after the Japanese government declared the state of emergency [7]. However, unemployment is an important factor affecting the mental health of ordinary workers. This may be because the non-permanent workers have more psychological expectations for the instability of their jobs, while the ordinary employees who originally have jobs cannot accept losing their jobs.

The rising unemployment rate and job instability will lead to the loss of workers' income and the consequent decline in the consumption of goods and services to a certain extent. This chain reaction leads to pessimistic expectations of the company or the economy. By the end

of May 2020, the International Monetary Fund (IMF) has predicted 8% economic recession, while the European Union (EU) has predicted 9.8% [1]. This kind of organization's pessimistic expectation of the world economy may enable employers have negative thoughts. The most intuitive consequence of this negative thought is large-scale layoffs, or even permanent layoffs. In fact, it is also true that large-scale layoffs are not uncommon during the epidemic period. Even large chain companies have news of layoffs or even closure of physical stores because they cannot afford the expensive labor costs.

This epidemic will even affect the amount of news people consume and their preference for news content. During the epidemic, Chiara analyzes the search results of novel coronavirus pneumonia and unemployment that searched by Americans via google and eventually finds the relationship between them. Before the outbreak, the interaction of the search results between unemployment rate and health was very weak. In other words, the increase in the search volume of one topic does not affect the search volume of the other topic. However, when the pandemic started, the interaction was greatly enhanced. That is because the public health problem brought by COVID-19 is one of the important reasons for unemployment. Therefore, this shows that the epidemic made the relationship between health and economic conditions closer. More importantly, whenever the number of searches for unemployment increases, the number of searches for epidemic news decreases. On the contrary, as the number of people searching for epidemic news rises, so will the number of people search for jobs. This situation highlights the importance of alleviating the novel coronavirus pneumonia.

Finally, the crisis may have a disproportionate impact on certain groups thereby deepening social inequality. Young people are one of the most vulnerable groups because they usually have short-term and seasonal employment relationships [1]. In addition, women and immigrants are also vulnerable groups. Women are vulnerable to the crisis because they often work in low-income jobs, while migrants are vulnerable to the lack of protection and social rights.

## **5. FORECAST OF GLOBAL ECONOMY AND UNEMPLOYMENT RATE**

The uncertainty of epidemic situation has a great influence on the prediction of unemployment rate. Therefore, different assumptions will yield different predictions. If it can be optimistic about the epidemic situation that is to say, according to historical experience, if the labor market can play at least part of the role, the unemployment rate will not exceed 20%, and will rapidly decline after the impact. However, if this public health incident cannot be solved quickly on a global scale, there will happen bankruptcy and other permanent chaos. First, because of loss of full-time jobs, tens of millions of

people will fall into poverty again. Second, at the same time, the crisis will exacerbate the existing inequality and threaten the livelihood of 1.6 billion workers in the irregular economic field. Thus, the Gini coefficient, which measures income inequality, will increased significantly in many countries, especially in the developing countries where have more workers in the irregular economic field.

## **6. SOLUTIONS TO UNEMPLOYMENT**

In view of the current situation of the labor market, such as highly inactive economic activities, increasing long-term unemployment and employment inequality, it should be emphasized that it is not only necessary to extend unemployment benefits, but also urgently need to take major policy intervention to meet the total demand, especially for low-income groups. In the research of Maria, Barbieri and Gallo, they found that the current stimulus policy and the maintenance of aggregate demand in the United States play a key role in preventing the labor market fluctuations caused by the repeated pandemic waves, while reducing the negative impact of unemployment on GDP [2].

The disadvantaged position of young people in the labor market has also been mentioned above. Therefore, in order to improve the status of young people in the labor market and improve their irreplaceable, in the long run, governments should provide more skills training for young people, so that young people will not be eliminated in the wave of digitization.

It is worth adding that in this epidemic, the importance of telecommuting has been gradually highlighted. First, it can reduce the time that employees spend on commute. In addition, it can reduce costs of office space for companies. Perhaps telecommuting will be used as a mode of office after the end of the epidemic, even for a long time in the future.

Finally, there are something that can be contributed by the communities. For example, online job search workshops and career education interventions for adolescents both are useful strategies to achieve the reemployment of the unemployed. Moreover, another effective way to achieve reemployment is evaluating the reasons causing individuals to lose jobs. Then, the communities can offer assistances according to reasons, such as temporary government assistance, emotional support counseling, retraining for better future job prospects, relocation.

## **7. CONCLUSION**

Overall, the novel coronavirus pneumonia caused by the economic recession has three manifestations. The first is to close borders and stop global transportation. The

second point is low oil prices. The third point is the sharp drop in ruble prices.

The economic recession caused by the epidemic is the main cause of global unemployment. When it comes to the unemployment situation in this economic crisis, the first is the high unemployment rate, the second is the panic caused by uncertain jobs, and the last is the decline of young workers' status in the labor market.

These unemployment conditions will also have adverse economic effects. The psychological problems of some workers are prominent, and the pessimistic economic expectations in turn enable people lose confidence in the economy, leading to more inactive economic activities. Moreover, the economic crisis brought about unfair employment. It is optimistic that the epidemic brought unprecedented experimental opportunities for researchers, more laws will be found, so as to better avoid the next crisis. Although there are many negative effects, according to historical experience, the unemployment rate will not rise to a more exaggerated figure and will recover in the near future. Based on the unprecedented global unemployment, the government should reasonably stimulate demand and meet demand.

At the same time, in the long run, more skills training should be provided to improve the employability of young people. It is worth mentioning that telecommuting may become a appropriate office mode in the future.

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