GECMUN 6: CREATE!

ECOFIN

LOWERING EU UNEMPLOYMENT RATES

CHAIR REPORT

SEAN RHEE
MOON CHO

LETTER FROM THE CHAIRS

Dear Delegates,

Welcome to GECMUN VI! We are Moon Cho and Sean Rhee, seniors at Yongsan International School of Seoul. It is our greatest pleasure to be serving you as the chairs of the Economic and Financial Affairs Council (ECOFIN). The ECOFIN Council is responsible for the coordination of economic policies in European Union Member States. In this committee, we will focus on lowering the EU's current unemployment rate.

This is our first time chairing, and we hope to get the most out of this experience, just as you all will at GECMUN. For new MUNers, we know how nerve-racking it is to speak up, but always remember that it never hurts to try. We encourage all delegates to fully engage themselves in the debate and share creative ideas consistently and enthusiastically. But most importantly, don't forget to have fun, meet new people, and enjoy GECMUN VI!

If you have any questions, please feel free to email us at 20.moon.cho@yisseoul.org and 20.sean.rhee@yisseoul.org, as we will be happy to help you any way that we can. We look forward to seeing you all!

Sincerely,
Moon Cho and Sean Rhee

INTRODUCTION

The Economic and Financial Affairs Council (ECOFIN) is one of the oldest configurations of the Council of the European Union and is composed of the Member States' Economics and Finance ministers. One of its most important tasks is to prepare and adopt the annual budget of the European Union.

The ECOFIN Council works on economic policy coordination, monitoring of Member States' budgetary policy and public finances, the euro, financial markets and capital movements, the finances of international negotiations involving climate change, and economic relations with third countries. It also coordinates European Union positions for international meetings, such as the G20, the International Monetary Fund and the World Bank.

In GECMUN VI, we will be combating the EU's current high unemployment. Out of the 28 members of the European Union (including the UK), 15 have unemployment rates higher than the natural rate of unemployment of 5%; Italy, Spain, and Greece all have shocking rates of over 10%.

KEY TERMS

EU
The European Union

IPT rate
The rate of involuntary part-time employment

Eurozone
The area where the Euro is used (also known as euro area)

Two-tier market
A financial system where different exchange rates are used for various types of transactions.

European Sovereign-debt Crisis
A financial crisis in Europe where certain nations such as Greece have been unable to repay their national debt. It resulted in the collapse of many banking systems and a loss of confidence in many nations' economies

Eurobonds
Jointly-issued bonds designed to bring economic benefit to less stable countries at less cost to them.

AGENDA INFORMATION

The 2008 Financial Crisis was the largest recession to occur since the Great Depression, and the atmosphere of instability that it brought (in part) kicked off the European Sovereign-debt Crisis - also known as the Eurozone Debt Crisis - which started in 2009 and continues to this day. Following this, the European Union set targeting unemployment (as in lowering, as opposed to raising, unemployment) as the most urgent issue on its agenda. After concerted and coordinated effort to address the Eurozone Debt Crisis (see Past Solutions), the European Union has seen economic improvement. For example, Greece's unemployment rate went from 27% in 2012 to just under 18% at the start of this year. And although this does demonstrate that there has been some headway in addressing the European Union's economic instability and unemployment issues, the European Union has still not fully recovered from the economic shock of the European Sovereign-debt Crisis.

The general unemployment rate in the European Union has been on a steady decline from 11% in 2013 to 6.3%: a record low ever since the turn of the century. While these numbers are promising, 6.3% is still above the natural rate of unemployment (5%) and the IPT rate has been going up since the early 2000s. As a matter of fact, as of 2017, the IPT rate in the European Union was over 25%. Therefore, although general unemployment has been on a steady decline in nearly all European Union nations, this has primarily been due to rising levels of temporary employment, especially among young workers. From this, it can be seen that the current structure of employment in the European Union is not sustainable, especially for future generations.

Unemployment in the eurozone dropped to 7.5% in May 2019; however, despite more than five years of economic expansion in the eurozone, younger generations are still facing high unemployment and underemployment. On the surface, it seems that the environment for European workers has improved significantly since due to mass economic expansion. However, over the past decade, the eurozone has developed a two-tier labour market, and young people are finding it difficult to get a job. Youth unemployment is still extremely high; 16% of workers aged between 15 and 24 are unemployed, and this is double that of the general population.

Clearly, in both the European Union and the eurozone, employment rates seem to be improving, and yet, under the surface, the situation is worse than it appears. In addition, other nations, even with high rates of involuntary part-time employment, are still struggling to deal with the aftermath and continued stress of the European Sovereign-debt Crisis as seen in states such as Greece, Italy, Spain, and France.

MAJOR MEMBER STATE STANCES

GREECE

Greece remains far from the mean unemployment rates of the European Union and the eurozone. Unemployment rates still remain extremely high, with long-term joblessness undermining workers' skills. With little investment from domestic or foreign sources, economic growth has been stagnant; labor-market advances have been driven largely by tourism. Greece's unemployment rate dropped to 17.6 % in April 2019, from 18.1 % in March 2019. Youth unemployment rate in Greece is expected to be 35.4% by the end of the year.

SPAIN

Spain has one of the highest unemployment rates compared to other OECD countries. The Spanish economy declined for five years, destroying jobs in construction and services. Although unemployment rates are decreasing, they still remain very high at 16.5% in 2017 and 13.6% in 2019. Rates are particularly bad among the young and low-skilled workers, since most jobs created have been unstable and of inferior quality.

FINLAND

Unemployment rates have declined to moderately high levels of around 7.5%, but efforts to address long-term and youth unemployment have been less successful. An unemployment-benefit reform has cut eligibility durations and has increased work conditionalities. Finland's unemployment rate has been trending downward throughout the current government's term.

NETHERLANDS

After a long-term slump, the Dutch economy is getting better, with all economic indicators above their averages, and unemployment rates fairly low. Short-term challenges would include the potential impact of Brexit, and an emerging labor shortage. Labor-market weaknesses include low employment rates among migrants and a growing dual labor market separating secure from precarious jobs. Youth unemployment rate in Netherlands was 10.8% from 1983 until 2019, decreasing to 6.2% percent in April 2019.

IRELAND

The Irish economy has shown impressive growth in the past decade; unemployment rates have decreased to moderate levels, although youth unemployment rate remains high. Youth unemployment rate in Ireland has increased to 10.3% in July from 10.1% percent in June 2019. Jobs have shifted away from low-skill construction work toward higher-skill services and manufacturing.

SWEDEN

The unemployment rate is moderate by EU standards, but has reached its lowest figure in ten years. The Swedish government has pledged to halve this by 2020. The influx of refugees has not significantly increased unemployment rates, although long-term labor-market integration remains a challenge. Government-sponsored employment has replaced a policy of work incentives as a means of providing labor-market access. Furthermore, the youth unemployment in Sweden has fallen to its lowest level since the financial crisis in 2008.

GERMANY

Unemployment rates are at a 20-year low, at a rate of 3.1% in May 2019. Fears that the massive influx of refugees would push up unemployment rates have proved unfounded. The country continues to play a leading role on issues such as the European sovereign debt crisis and combating low unemployment rates in Spain, Italy, and Greece. Germany's youth unemployment rate is 7.7%, the lowest in the EU.

DENMARK

Despite political polarization over immigration issues, Denmark's economy continues to perform notably well. Unemployment rates are low at a rate of 5.1% in May 2019, and long-term unemployment has not increased dramatically. Productivity growth rates have declined. However, recent observations indicate the country is close to the international trend in this area. Youth unemployment rate has also decreased to 8.1% in June 2019.

SWITZERLAND

Unemployment rates are very low, averaging 2.6% in 2018. Unemployment figures in Switzerland are amongst the lowest in the world, only 3.8% as job-seeking in 2016. Employment rates are extremely high, though about 45% of employed women engage in part-time work. On the other hand, an analysis by the Federal Statistics Office (FSO) suggested that Switzerland's real unemployment rate may actually have been double the official figure - at 4.9%.

NORWAY

Labor-market policies have kept unemployment minimal and employment rates high, in part due to women's high participation rates. After a short-term rise, unemployment rates in the extraction industries have again fallen. The youth unemployment rate is fairly high at a rate of 9.2%.

FRANCE

France is the second-largest economy in the EU after Germany, and the country is the fourth-most populated in Europe. However, it has maintained slow population growth since the mid-2000s. France has struggled with high unemployment since the 2008 global financial crisis, as have other EU countries. But while unemployment has improved for other European nations, it has continued to affect France's productivity and competitiveness. The unemployment rate is slowly decreasing, but still remains high at 8.6% (May 2019).

BELGIUM

Unemployment rates are not high by euro-zone comparison, but employment rates have stagnated due to a number of labor-market weaknesses and distortions. Labor income is strongly taxed, while capital income is often untaxed or inefficiently taxed. Promising corporate-tax reforms are underway.

UK

The prospect of Brexit has shifted the country's economic calculus. Unemployment rates remain very low, to the point that full employment has become an official objective. However, this has come at the cost of weakness in real wages and weak productivity growth. Real wages only recently reached their pre-crisis levels. The UK youth unemployment rate was 10.4% in March 2019.

LUXEMBOURG

Unemployment rates are moderate and declining, with cross-border commuters accounting for a very high share of the workforce, enabling a high degree of flexibility. Employment rates among workers 55 and older are very low by EU standards. The current unemployment rate is approximately 5.5%. However, the youth unemployment rate has increased to 14.2%.

AUSTRIA

Unemployment rate in Austria was 4.7% in May 2019. Although unemployment rate is fairly low, since joblessness is closely associated with low educational levels, the country should focus on creating a consistent policy approach to manage migration. Open borders and labor migration have contributed to falling real incomes for blue-collar workers; the EU single market continues to be viewed by many as a threat.

LATVIA

Though remaining moderately high, unemployment rates have fallen dramatically in the past half-decade, due to the labor flight to Western Europe. In May 2019, the unemployment rate was 6.4%. However, structural unemployment is a concern. Youth unemployment rates are considerably high; youth unemployment rate in Latvia averaged 20.8% from 1998 until 2019, reaching an all time high of 40.80% in January 2010.

CYPRUS

Although Cyprus previously dealt with high debt and poor employment rates, growth has returned to moderately high levels, driven by tourism, large construction projects and private consumption. Unemployment rates have fallen substantially from 2013 (16.8% to 6.5% in June 2019), but remain well above pre-crisis levels. Youth unemployment remains a problem; the average youth unemployment rate from 2000 to 2019 is 18.4%.

PORTUGAL

Unemployment rates have fallen steadily, reaching 8.5% in late 2017, down more than two points in a year. These gains have been driven by growth and emigration. The minimum monthly wage has been increased. Business associations approved this policy in return for a reduction in their social-security contributions for affected workers. Portugal's high youth unemployment rate has decreased since 2013 from 41.4% to 18.9% in June. However, the numbers remain relatively high.

ITALY

Unemployment rates have increased in recent years, with jobless rates particularly dramatic among the young. In May 2019, Italy's unemployment rate was a shocking 9.9%. However, reforms have increased labor-market flexibility while providing incentives to offer long-term contracts. Policies have seen more success in increasing employment rates among older workers than among younger cohorts.

PAST ACTIONS

EUROBONDS

Eurobonds are bonds that are jointly issued by multiple EU nations. Because they are jointly issued, they allow countries that are economically weaker, to share the load factor of borrowing money to give said weaker nations an economic benefit at a lower cost. Although these have been used and have been supported by countries such as France in the past, other nations such as Germany have opted for other means of stimulating economic growth and in turn, employment.

MERKEL'S SEVEN-POINT PLAN

- "Launch quick-start programs to help business startups.
- Relax protections against wrongful dismissal.
- Introduce "mini-jobs" with lower taxes.
- Combine apprenticeships with vocational education targeted toward youth unemployment.
- Create special funds and tax benefits to privatize state-owned businesses.
- Establish special economic zones like those in China.
- Invest in renewable energy." (Eurozone Debt Crisis, Amadeo)

Angela Merkel's plan to bring the eurozone out of recession involved helping businesses by lowering both their entry barrier cost and continual maintenance cost. She also sought to try and and loosen economic restrictions in certain regions to create economic hubs which would bring growth to the rest of the country.

THE EUROPEAN EMPLOYMENT STRATEGY

The European Employment Strategy, or EES, was a framework established before the 2008 Financial Crisis and the Eurozone Sovereign-debt Crisis; however, it served as a basis for which members of the EU could work together to generate jobs that paid better. Although it is arguable whether or not this has been successful, it did work to bring countless jobs and create a general infrastructure to help EU nations improve employment rates.

QUESTIONS TO CONSIDER

- How can unemployment rates be kept on the decline or in the same, relatively-low range without widespread use of temporary or part-time employment?
- Is it in the best interest of the European Union to more broadly dismantle the eurozone or to fundamentally restructure the system of the eurozone given the unreliability following the European Sovereign-debt crisis?
- How can the EU work together to help struggling members such as Greece, Spain, Italy, and France recover from their current state of debt and unemployment?

- Should national welfare programs be prioritized in order to provide relief to unemployed workers or should there be a larger attempt to get the citizenry out of need of welfare. How should these two be balanced, and how can people living under welfare or the state be incentivized to enter the workforce and give up their welfare privileges.
- How can long term job stability be improved for younger generations given that they are currently the most likely to be either unemployed or be working under involuntary part-time employment?
- What are the most realistic policies that governments could implement in order to address unemployment more effectively?

BIBLIOGRAPHY

Amadeo, K. (2019, February 1). Eurozone Debt Crisis. Retrieved from https://www.thebalance.com/eurozone-debt-crisis-causes-cures-and-consequences-3305524.

Deutsche Welle. (n.d.). Eurozone unemployment falls to lowest rate since 2008: DW: 01.07.2019. Retrieved from https://www.dw.com/en/eurozone-unemployment-falls-to-lowest-rate-since-2008/a-49427704.

Edwards, J. (2019, January 27). Unemployment is low only because 'involuntary' part-time work is high. Retrieved from https://www.businessinsider.com/unemployment-vs-involuntary-part-time-work-underemployment-2019-1.

EU: unemployment rate 2019 by country. (n.d.). Retrieved from https://www.statista.com/statistics/268830/unemployment-rate-in-eu-countries/.

European employment strategy. (n.d.). Retrieved from https://ec.europa.eu/social/main.jsp?catId=101&langId=en.

Home. (2017, October 5). Retrieved from https://www.consilium.europa.eu/en/.

Kenton, B. B. and W. (2019, June 24). Learn About the European Sovereign Debt Crisis. Retrieved from https://www.investopedia.com/terms/e/european-sovereign-debt-crisis.asp.

Kuepper, J. (2019, May 22). What Are Eurobonds and How Do You Invest in Them? Retrieved from https://www.thebalance.com/eurobonds-and-how-to-invest-in-them-4158937.

Pryce, V. (2015, March 31). How to fix Greece: A seven-point plan for economic salvation. Retrieved from https://www.independent.co.uk/news/world/europe/how-to-fix-greece-a-seven-point-plan-for-economic-salvation-10144753.html.

Romei, V. (2019, July 17). Young people struggle in eurozone's two-tier labour market. Retrieved from https://www.ft.com/content/6ca9cfd8-9cc8-11e9-9c06-a4640c9feebb.

Unemployment - Youth unemployment rate - OECD Data. (n.d.). Retrieved from https://data.oecd.org/unemp/youth-unemployment-rate.htm.

Unemployment rate (Seasonally adjusted data, not calendar adjusted data). (n.d.). Retrieved from https://www.google.com/publicdata/explore?ds=z8o7pt6rd5uqa6_&met_y=unemployment_rate&idim=country_group:eu&fdim_y=seasonality:sa&hl=en&dl=en.

Unemployment statistics. (n.d.). Retrieved from https://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.

Designed by Minsung Son, Kiyoun (Louis) Lee