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ECOSOC STUDY GUIDE



ECOSOC

**TOPIC A: THE RAMIFICATIONS OF
UNIVERSAL BASIC INCOME (UBI)**

**TOPIC B: EXAMINING THE NEED FOR
GLOBAL MINIMUM WAGE**



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CHAIR LETTER

Dear Delegates,

We, the chairs of The Economic and Social Council, are more than glad to welcome you to our committee in AtidMUN2023. We hope you have an enjoyable and meaningful time at this year's convention.

The first topic of this committee is "The Ramifications and Implementation of Universal Basic Income." Universal Basic Income (UBI) is a policy concept that involves providing a regular cash payment to every individual within a given population, regardless of their employment status or income level. As industries increasingly adopt automation as a replacement for the traditional workforce, many believe in a growing need to implement UBI to ensure the financial stability of all members of society.

The second topic of this committee is "Examining the Need for a Global Minimum Wage." The minimum wage is the legally mandated lowest hourly wage rate employers must pay their employees for their work. Some call for a global minimum wage to be adopted worldwide to ensure financial stability and economic equality.

We hope this guide will be helpful for your preparation for the committee. If you have any questions regarding the topics, you are more than welcome to ask us, and we will answer your questions.

Good Luck,

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INTRODUCTION TO THE COMMITTEE

The Economic and Social Council (ECOSOC) is one of the United Nations' six main organs. It is responsible for creating sustainable economic, social, and environmental development and is the central forum for international cooperation. For this purpose, the ECOSOC guides a host of UN subsidiary bodies, such as the Commission on the Status of Women (CSW), the Committee on Economic, Social and Cultural Rights (CESCR), and the Commission on Science and Technology for Development (CSTD).¹

The council comprises 54 UN member states, which the General Assembly elects for three-year terms. The board can make policy recommendations to UN member states. Still, it cannot create legislation that member states must abide by—resolutions passed in this committee by a simple majority.²

As delegates, you will take the role of the delegations of the member states of ECOSOC and try to balance your national interests while formulating policies for the betterment of the world. To achieve this goal, you must cooperate with other delegates to create solid and cohesive resolutions to the issues at hand.

¹ <https://www.un.org/ecosoc/en/content/about-us>

² https://en.wikipedia.org/wiki/United_Nations_Economic_and_Social_Council



TOPIC A: THE RAMIFICATIONS AND IMPLEMENTATION OF UNIVERSAL BASIC INCOME

BACKGROUND TO THE ISSUE

DEFINITION OF UNIVERSAL BASIC INCOME

Universal Basic Income (UBI) is a policy concept that involves providing a regular payment to every individual within a given population, regardless of their employment status or income level. For example, a country could provide each citizen \$1,000 every month. The rationale is to address income inequality, alleviate poverty, and ensure all citizens' basic living standards. It is grounded in the belief that everyone should have the means to meet their basic needs, pursue opportunities, and participate in society.

The amount of money given to each citizen depends on the policy goals of the implementing government. Generally speaking, there are two main approaches to UBI. The first, called Full Basic Income, refers to a basic income that covers the entire cost of a basic standard of living, including the necessities, food, housing, and healthcare. This would require higher amounts of money to be provided to the population. Alternatively, countries may offer their citizens Partial Basic Income. This smaller amount does not cover all the essential expenses but aims to increase living standards while providing a safety net for the population.

BENEFITS OF UBI

As we have stated, UBI can be seen as an attempt to provide a safety net for the population. In the current economic environment, two overriding issues have created the need for this extra safety net – the displacement of workers and poverty. The changing landscape of the modern labor market, characterized by automation and AI-driven technologies, has raised concerns about job displacement and income inequality. Certain lines of work may become unnecessary due to full automation (through mechanical machines or AI); this forces large amounts of workers to migrate into other fields, something which is difficult to do and would therefore increase unemployment levels, or to suffer through wage declines, which increases income inequality. UBI aims to address these challenges by providing regular payments to all individuals, regardless of their employment status.

Poverty is The second issue that can be mitigated through UBI policies. Inflation has been high since 2021, primarily due to the aftermath of the COVID-19 crisis and the War in Ukraine, and it



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has reduced the levels of disposable incomes of households. Many people can't afford many things they used to buy since necessities increased (e.g., food, rent/mortgages). Inflation can thus drive households into poverty, and there is ample evidence that this is true. In the United States, the Supplemental Poverty Rate (the amount of low-income families) has increased by 4.6 percentage points between 2021 and 2022 (from 7.8% to 12.4%), the first increase since 2010.³ In the UK, disposable income per person will fall by about 6% in 2023 and 2024.⁴ UBI can help alleviate the burden that inflation places on households by providing an extra source of income, thereby reducing poverty levels. Besides the apparent benefit of aiding people experiencing poverty, reducing poverty levels significantly positively impacts the economy. If a household has to pay \$2,000 for food and mortgages and earn precisely \$2,000 a month, they cannot buy anything else. Suppose enough people are close to the poverty line and have less money to spend on non-necessary items (such as entertainment, phones, or even cars). In that case, an economic recession is risky: people spend less money, so businesses close down (nobody buys their products). This, in turn, means that the owners of these businesses have less money, and the cycle worsens. By increasing disposable income, UBI can increase economic activity in a country and help it avoid economic recessions.

On top of its ability to spur the economy as a whole, UBI can positively affect specific critical sectors in two other ways. Firstly, it has the potential to increase entrepreneurship as it enables more people to take the necessary risks involved in doing so. Today, anyone wishing to develop their product must undertake several huge gambles. They need to invest a lot of money in developing a product while receiving no income during the development phase (as there is no product yet to sell). The number of people who can take these risks is small since it requires substantial financial support during the development phase (usually in savings or family money). This means that only people who have a firm security blanket can afford to take these risks. UBI is a way of enlarging this security blanket – during the development phase of product development, people can count on the state's primary income, thus enabling more people to take these risks. Therefore, UBI could increase the number of tech and product startup companies, increasing innovation and spurring the economy.

³ <https://www.census.gov/newsroom/press-releases/2023/income-poverty-health-insurance-coverage.html#:~:text=in%20SPM%20poverty,-.The%20SPM%20rate%20in%202022%20was%2012.4%25%2C%20an%20increase%20of,people%20age%2065%20and%20older>

⁴ <https://commonslibrary.parliament.uk/research-briefings/sn07096/>



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Secondly, UBI could enable more people to work in crucial but lower-paying sectors of the economy. Sectors such as the arts, social enterprises, nonprofits, or even teaching and research are essential parts of the economy, generally including lower wages. These lower wages render them impractical for a sizeable portion of the population. For example, a person might be uniquely qualified to be a teacher but choose not to become one due to the low pay. This is particularly damaging to the entire economy since not only are good candidates driven out, but more inferior- or unqualified workers usually replace them. For instance, low wages for teachers in Israel have driven away potentially good teachers; the qualifications to become a teacher have been reduced dramatically to maintain the required teachers.⁵ The introduction of UBI has the potential to reverse these trends by providing additional income to those working in low-paying fields, thus making them more practical. As we have seen, this could increase the quality of education and research, the number of people working for nonprofits, and the level of the arts.

In addition to these advantages, some see UBI as beneficial as it can replace government welfare systems. Government welfare programs, such as social security, are expensive and may contain inefficiencies: it is difficult to give everybody precisely the amount of assistance they require. Introducing UBI could solve these inefficiencies by letting every person decide how much money to spend on healthcare. Notice, however, that this is a very different kind of UBI than that which we have been discussing – it is strictly a partial basic income in the amount that is required to support specific government welfare programs. Thus, a government may calculate that Social Security can be replaced by paying every citizen \$500 every month, and so will implement this partial UBI and cancel the Social Security program altogether.

POTENTIAL HARMS OF UBI

Having discussed the advantages of UBI, we shall now turn our attention to its potential disadvantages. The most immediate objection to UBI is its cost: handing out money to citizens monthly requires enormous resources. If the US, for instance, were to pay each adult citizen \$500 a month, it would cost around \$1.5 trillion a year – about 20% of its annual budget. Thus, for UBI to be achieved in practice, the government must take one of four possible steps: increase taxation, reduce spending, print out more money, or increase government debt. An increase of 20% in taxation income is almost certainly impossible. So countries are left with either reducing spending, canceling other essential government programs (such as Social Security or free public education), printing more money, thereby increasing inflation, or increasing government debt,

⁵ https://fs.knesset.gov.il/globaldocs/MMM/09f3dfaf-607c-ed11-8150-005056aac6c3/2_09f3dfaf-607c-ed11-8150-005056aac6c3_11_19858.pdf



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which could harm the country's economic position and abilities in the future. In other words, the cost of UBI is too great to justify it.

Another possible objection to UBI is that it creates work disincentives. If you are paid a certain amount each month without working, you have fewer incentives to work as much as possible. This could reduce both the amount of hours that people work and the level of workforce participation as a whole – young people might decide that \$500 a month is enough for them shortly and so choose not to work for 2-3 years. Women may decide that this amount enables them to stay home with the kid while their husband works, thus lowering women's employment level. Overall, UBI might reduce the productivity of the workforce of a country and, in so doing, diminish the quality of life.

ALTERNATIVES AND DERIVATIVES OF UBI

Several alternative policies have been developed primarily due to the potential harms of UBI. These policies share many of the same goals of UBI but aim to achieve them in other ways. We will focus on two main alternatives to UBI (Conditional Cash Transfers and Means-Tested Welfare Programs, and two leading derivatives of it (Negative Income Tax and Sector-Specific Basic Income) while expanding on their proponents and defects.

ALTERNATIVES

Conditional Cash Transfers (CCT):

Conditional Cash Transfers (CCT) is a social welfare program that provides payments to individuals or households on the condition that they meet specific requirements. These requirements often involve actions that promote human development, such as enrolling children in school, seeking healthcare services, or participating in job training. By linking cash transfers to these conditions, CCT programs aim to alleviate poverty while incentivizing behaviors contributing to long-term development goals.

Since the transfer of money from the state to the population is conditional, the program's cost can be significantly lower than that of UBI. However, critics raise concerns about potential dependency and the paternalistic nature of conditioning cash transfers. They also question the administrative costs of monitoring compliance and the narrow focus on specific behaviors. Moreover, it is argued that CCT programs may overlook other dimensions of poverty and fail to address systemic issues.



Means-Tested Welfare Programs (MTWPs):

Means-tested welfare programs are social assistance initiatives that provide support and benefits to individuals or households based on their income, assets, or specific needs. These programs aim to target resources to those most in need, ensuring that assistance is directed to those with limited financial means. Means-tested welfare programs often require individuals to undergo an eligibility assessment considering their income, expenses, and other relevant factors.

Critics raise concerns about potential disincentives to work and the potential for individuals to become trapped in a cycle of dependency. They argue that means-tested programs may create a poverty trap where individuals face high effective tax rates due to reduced or lost benefits as their income increases. Critics also question the administrative complexities and costs associated with means-testing and potential errors or biases in the assessment process.

DERIVATIVES

Negative Income Tax (NIT):

NIT is a social welfare system that aims to alleviate poverty and provide income support to low-income individuals or households. Under NIT, individuals receive direct cash transfers from the government, and the transfer amount gradually decreases as their income increases. Proponents of NIT argue that it simplifies the welfare system, promotes individual responsibility, and ensures a minimum income floor for everyone.

However, NIT also faces criticisms and potential drawbacks. Some argue that the costs associated with implementing a comprehensive NIT program could be high, potentially requiring increased taxes or straining government budgets. Critics also express concerns about the potential disincentive to work, as the reduction in benefits as income rises may create a marginal tax rate that diminishes the net income gain from employment. There are also worries about moral hazard, where individuals might rely on the guaranteed income without actively seeking employment or self-sufficiency. Additionally, ensuring accurate income reporting and managing administrative complexities can pose challenges.

Sector-Specific Basic Income (SSBI):

Sector-Specific Basic Income (SSBI) is a concept that explores the idea of providing a basic income, specifically within specific sectors or industries that face challenges due to automation or other factors. Unlike universal basic income, SSBI focuses on targeted support for workers in



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vulnerable sectors. It addresses potential job displacement and promotes economic stability within specific industries.

Proponents of SSBI argue that it can help mitigate the adverse effects of automation by providing a safety net for workers in sectors most affected by technological advancements. SSBI can provide economic security and a smoother transition to alternative employment or retraining opportunities by ensuring a basic income for individuals in these industries. It is viewed as a way to support workers who may face difficulties finding new jobs or adapting to changing labor market conditions.

Critics of SSBI raise concerns about the potential cost and logistical challenges of implementing sector-specific programs. They argue that targeting specific industries may create inefficiencies and complexities in administering the benefits. There are also debates about the appropriate criteria for determining which sectors should be eligible for SSBI and how the income support should be financed.

CURRENT SITUATION

UBI STUDIES AND EXPERIMENTS

As we have seen, while there is much to gain from UBI, it might hurt the economy as a whole. Thus, countries and cities worldwide have started small-scale experiments to test it before moving forward with national implementation.

One of the earliest and largest-scale of these tests was carried out in Finland. Between January 2017 and December 2018, Finland conducted a landmark UBI experiment called the "Basic Income Experiment." It involved providing a monthly unconditional payment of €560 to a randomly selected group of 2,000 unemployed individuals aged 25 to 58. The aim was to study whether this basic income could simplify the social security system, reduce poverty traps, and encourage labor market participation. The results from this experiment were underwhelming financially, as employment rates didn't change, and the study didn't provide conclusive evidence regarding the impact of unconditional cash transfers on labor market participation. However, recipients reported experiencing less stress and improved overall well-being, indicating potential non-economic benefits.

Also, in 2017, the nonprofit organization GiveDirectly implemented a UBI experiment in rural Kenya called the "Basic Income Pilot." Over 12 years, the program provided regular cash



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transfers to eligible households in several villages. The goal was to evaluate the effects of providing direct cash assistance on poverty reduction, economic development, and overall well-being. Initial findings suggested that recipients used the funds to invest in education, health, and small businesses, leading to potential long-term benefits.

The last major test in 2017 was the "Ontario Basic Income Pilot Project" in the Ontario province of Canada—the program aimed to study the impact of unconditional cash transfers on low-income individuals and families. Participants received an essential income supplement, and the program intended to evaluate its effects on labor market participation, health outcomes, and poverty reduction. However, the pilot project was abruptly canceled in 2018 by the newly elected provincial government before meaningful conclusions could be drawn from the experiment.

In January 2019, the Indian state of Sikkim announced plans to implement a Universal Basic Income for all its residents. The proposal aimed to provide a fixed income to every adult state citizen, regardless of employment status, to address poverty and promote economic stability. As of 2023, the project is still in planning due to complications.

In June 2020, Spain launched the "Ingreso Mínimo Vital" (Minimum Living Income), a nationwide policy tackling poverty and social exclusion. It provided a monthly income supplement to low-income and vulnerable groups, including unemployed individuals, single-parent families, and people with disabilities. The amount of financial assistance varied depending on the applicant's circumstances and household size. Results have not yet been published.

In 2020, Gyeonggi Province, one of the regions in South Korea, launched a local basic income program. It provided monthly cash payments to select residents to alleviate financial burdens, especially amid the economic challenges posed by the COVID-19 pandemic. The province aimed to improve local economies, reduce inequality, and test the viability of a broader national UBI program. The basic income program in Gyeonggi Province positively impacted local economies during the COVID-19 pandemic. The cash transfers provided much-needed financial assistance to households, helping them cope with the economic challenges caused by the crisis.

Finally, UBI has gained traction in the United States, with some prominent political figures advocating for its implementation, particularly in response to increasing income inequality and automation's potential impact on jobs. During the 2020 Democratic Party primaries, Andrew Yang, a candidate, brought significant attention to UBI with his proposal for a "Freedom Dividend." In addition, some cities, such as Stockton, California, have implemented local UBI



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programs and have seen improvements in employment rates and the ability to pay off debts. However, the funds for these programs are usually received through donations (and not through the government), which makes it difficult to assess the adverse impact that the cost of these programs could have on the economy.⁶

THE FUTURE OF UBI

As of today, it is unclear what the future holds for UBI. No country has yet to implement it as a national policy; thus, many questions remain. First and foremost, there is a question surrounding the funding of UBI programs. Even if UBI is set to replace specific government programs, it is unclear which programs should be cut or replaced. But other questions arise as well. Should UBI be given the same amount to every citizen, or should poor people receive more assistance (to name one example)? What government agency will regulate this program? Will it be measured, and if so, how? Will there be backup plans in place in case UBI fails?

In addition to these issues, there are some questions surrounding the role of the UN in implementing UBI. Should the UN take an active part in recommending these policies? Is there a difference between developed and developing countries regarding UBI implementation? Are some UBI programs more suited for certain types of countries? Should international entities (such as the UN) fully/partially fund UBI programs in less-developed countries?

These questions are up to you, the delegates, to tackle. UBI is, perhaps, one of the most significant and daring economic experiments in the following decades. You are responsible for finding a practical solution for your citizens, country, and the world economy.

QUESTIONS TO CONSIDER

1. Has your country expressed interest in implementing a UBI program?
2. What welfare programs does your country supply to its citizens? Are these programs effective?
3. Would your country want to add a UBI program to replace existing welfare programs? If so, which ones?
4. How can your country fund a UBI program?
5. Do you believe that some alternatives to UBI are more effective as economic incentives? Which ones?

⁶ <https://www.theguardian.com/us-news/2021/mar/03/california-universal-basic-income-study>



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TOPIC B: EXAMINING THE NEED FOR GLOBAL MINIMUM WAGE

BACKGROUND TO THE ISSUE

DEFINITIONS

Minimum Wage

The minimum wage is the legally mandated lowest hourly wage rate employers must pay their employees for their work. It serves as a baseline standard to ensure that workers receive fair and reasonable compensation for their labor, particularly for low-skilled or entry-level positions. The minimum wage is typically set and periodically adjusted by government bodies, such as national or state legislatures or labor departments, to protect workers from exploitative pay practices and ensure a basic standard of living. The specific minimum wage amount can vary across jurisdictions and may be influenced by factors such as the cost of living, prevailing economic conditions, and social policies. Governments aim to protect vulnerable workers by establishing a minimum wage and stimulating economic growth by boosting consumer purchasing power.

Global Minimum Wage

Global minimum wage establishes a standardized minimum wage that applies uniformly across all countries and regions worldwide. Theoretically, this can be done in one of two ways – either by setting an absolute sum for minimum wage in every country (e.g., \$4 an hour) or by placing a sum relative to the labor market of each specific country (e.g., 60% of the country's median income).

A different approach to setting a global minimum wage would allow each country to determine the specific wage amount based on economic conditions, labor market factors, and social considerations. Under this approach, a global standard would ensure all countries have a minimum wage requirement. Still, the actual monetary value of the minimum wage would be determined and adjusted independently by each country according to its unique circumstances.

THE HISTORY OF MINIMUM WAGE

The history of minimum wage can be traced back to the late 19th and early 20th centuries when labor movements and social reformers advocated for fair wages and improved working conditions. Establishing a minimum wage was rooted in the belief that workers deserved a basic standard of living and protection against exploitative labor practices.



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One of the earliest instances of minimum wage legislation occurred in New Zealand in 1894 when the country established a minimum wage for female workers in specific industries. This was followed by other countries, such as Australia and the United Kingdom, enacting similar legislation to address low wages and protect vulnerable workers. In the United States, the first federal minimum wage was introduced in 1938 with the passage of the Fair Labor Standards Act (FLSA). The FLSA mandated a minimum wage of 25 cents per hour and set maximum work hours and child labor provisions. Since then, the U.S. minimum wage has been periodically adjusted and increased to keep pace with inflation and rising living costs.

Internationally, the establishment of minimum wage laws gained momentum following World War II and the post-war reconstruction period. Many countries recognize the importance of fair wages in promoting social justice, reducing poverty, and fostering economic stability. Today, minimum wage policies exist in numerous countries worldwide, albeit with scope, coverage, and enforcement variations.

The history of minimum wage reflects an ongoing struggle to balance workers' needs and the concerns of employers and the economy. As societies evolve, minimum wage policies are subject to ongoing evaluation and adjustments to address changing labor market dynamics, income inequality, and social welfare objectives.

THE EFFECT OF MINIMUM WAGE ON DIFFERENT ECONOMIES

United States

In the United States, the impact of minimum wage varies across states with different wage levels and living costs. In states with higher minimum wages, such as California and Washington, studies have shown positive effects regarding increased wages for low-wage workers. However, there is also debate about potential adverse effects, including reduced employment opportunities and higher prices for goods and services.

Germany

Germany has a relatively high minimum wage compared to some other European countries. The introduction of a national minimum wage in 2015 led to higher wages for low-paid workers, particularly in service sectors such as retail and hospitality. While there were concerns about potential job losses, evidence suggests that the impact on employment has been limited, and the minimum wage has contributed to reducing wage inequality.



Bangladesh

As a developing economy with a significant garment manufacturing sector, Bangladesh implemented minimum wage increases to improve working conditions and address labor rights issues. While higher minimum wages have increased earnings for workers, some argue that they have also contributed to factory closures and job losses as manufacturers face higher production costs and increased competition from other countries with lower labor costs.

Australia

Australia has a relatively high minimum wage compared to many other countries. The country's minimum wage policy aims to ensure fair wages and maintain a decent standard of living. The minimum wage in Australia is regularly adjusted through a national wage-setting process that considers economic factors, living costs, and social considerations. The policy has been credited with reducing poverty rates and improving wage equality in the country.

South Africa

South Africa introduced a national minimum wage in 2019 to reduce income inequality and address social disparities. The minimum wage has positively affected low-wage workers, increasing their earnings and reducing poverty rates. However, concerns about potential adverse effects on employment levels have been raised, particularly in sectors with high labor intensity and low profit margins.

HISTORICAL ATTEMPTS TO INSTALL GLOBAL MINIMUM WAGE

While there have been no attempts or concrete initiatives to establish a universally applicable global minimum wage, it is worth mentioning that various international organizations and bodies have been involved in promoting fair wages and labor standards globally. For example, the International Labor Organization (ILO), a specialized agency of the United Nations, sets labor standards and promotes decent work conditions internationally. The ILO's Minimum Wage Fixing Convention, 1970 (No. 131), provides guidelines and principles for member states to establish and adjust minimum wages.

Efforts to address global labor standards and fair wages have also been made through international trade agreements. Some regional trade agreements include provisions related to labor standards and minimum wages, aiming to ensure fair competition and protect workers' rights.



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However, it is essential to note that these initiatives focus on promoting fair wages within individual countries or regions rather than establishing a global minimum wage that applies universally. The diverse economic, social, and political contexts across nations make a GMW complex and challenging.

POSITIVE ECONOMIC EFFECTS

Setting a global minimum wage could help tackle three main issues in the global labor market: extreme poverty, wage inequalities between countries, and salary 'races to the bottom.' Firstly, establishing a global minimum wage can be a powerful tool in eradicating extreme poverty worldwide. Ensuring workers receive a minimum income regardless of location provides a safety net for vulnerable individuals and families. A global minimum wage would set a baseline standard that lifts workers out of poverty and ensures they can meet their basic needs, such as food, shelter, and healthcare. Reducing the prevalence of exploitative and substandard wages helps to break the cycle of poverty and creates opportunities for individuals and communities to thrive. This can significantly reduce extreme poverty rates, as workers can secure fair compensation for their labor and improve their overall quality of life. Moreover, by narrowing the income gap and promoting more equitable wealth distribution, a global minimum wage can contribute to a more inclusive and sustainable global economy, where the benefits of growth are shared more equitably among all members of society.

Secondly, implementing a global minimum wage can potentially reduce global wage inequalities. Establishing a baseline wage floor that applies across all countries, regardless of their economic development level, helps ensure that workers are guaranteed a minimum income level, irrespective of their geographic location or the financial circumstances of their country. This can help address the significant wage disparities between countries with higher and lower income levels.

Lastly, setting a global minimum wage can help prevent a race to the bottom regarding salaries. A race to the bottom is a case in which there are incentives for a particular entity (e.g., a country) to reduce specific standards or regulations due to competitive pressures. For example, multinational corporations may exploit differences in labor costs by relocating production to countries with lower wages, which can lead to a downward pressure on wages globally. This means that governments have an incentive to lower wages (e.g., by reducing the minimum wage) to attract large multinational companies, thereby creating a 'race to the bottom' regarding the salaries of workers. Setting a global minimum wage makes it more difficult for companies to take advantage



of meager wage rates in certain regions. This can help prevent exploitation of workers and ensure a more level playing field for labor across countries.

NEGATIVE EFFECTS

Implementing a global minimum wage, particularly with a universal standard, can present challenges and potential adverse effects. Economic disparities between countries can limit the feasibility and effectiveness of a universal global minimum wage. Countries with higher living costs and stronger economies might struggle to adjust to a single minimum wage that fails to account for their specific economic conditions. Imposing a uniform minimum wage across nations could result in unintended consequences, such as reduced competitiveness, business closures, or a decline in investment in countries where wage levels are relatively high. Furthermore, a one-size-fits-all approach may not consider the diverse economic landscapes and varying living costs across countries, potentially exacerbating economic inequalities instead of reducing them.

Furthermore, introducing a global minimum wage, especially if set relatively high, could increase unemployment in poorer countries. Small businesses or industries in less developed economies, which may heavily rely on low-wage labor, may struggle to afford higher employee wages. This could result in downsizing, job losses, or even business closures, exacerbating unemployment and economic instability in these regions. The unintended consequence of increased unemployment could undermine the overall goal of poverty reduction, as the loss of employment opportunities may further deepen poverty levels and hinder economic growth in already struggling economies.

While the previous two problems have focused on issues that arise if the global minimum wage is implemented, the last problem focuses on the difficulty of implementing it in the first place. The lack of international enforcement mechanisms poses a significant challenge to implementing a global minimum wage. As countries retain their sovereignty and decision-making authority, enforcing compliance with a global minimum wage becomes complicated. Some countries may ignore or circumvent the minimum wage requirements without effective enforcement mechanisms, undermining the goal of reducing wage inequalities. This lack of enforcement could create an uneven playing field, where countries that do not adhere to the minimum wage requirements gain a competitive advantage over those that do, further exacerbating global wage disparities.



CURRENT SITUATION

The lack of a global minimum wage has led to significant disparities in labor costs and working conditions worldwide. We will now explore the current situation arising from the absence of a GMW, focusing on the trade advantage that countries like China and India enjoy over their Western counterparts. Additionally, we will examine existing attempts to address this issue by implementing a GMW.

TRADE ADVANTAGES FROM LOW SALARIES

China and India, the two most populous countries in the world, have emerged as significant players in the global economy. Their low labor costs (due to low salaries) and relatively lenient labor regulations have granted them a considerable trade advantage over Western economies. This advantage is mainly due to the low minimum wages in these countries, which are often much lower than the standard in developed nations.

The minimum wage in China differs by province and is currently set at a range of around \$195-370 per month, or \$1.8-3.7 an hour.⁷ These figures are between 15-25% of the monthly minimum wage in the USA (~\$1,200) and around 25-50% of the hourly minimum wage in the USA (\$7.25). The situation in India is even worse, as the daily minimum wage is around \$2-5, which translates into ~\$65 per month.⁸ This creates a situation where companies can exploit low-cost labor in these countries, leading to an influx of outsourcing and offshoring. Consequently, multinational corporations can maximize profits by capitalizing on cheap labor, further perpetuating the economic imbalance.

The lack of a global minimum wage also affects workers' rights in these countries. Without standardized wage regulations, workers may be subjected to harsh working conditions, long hours, and inadequate compensation. These conditions are less likely to occur in countries with stricter labor laws and higher minimum wage standards.

INITIATIVES TO ADDRESS THE LACK OF GLOBAL MINIMUM WAGE

Recognizing the detrimental effects of the absence of a GMW on the global economy, there have been some initiatives and proposals to address this issue. While achieving an international

⁷ <https://www.china-briefing.com/news/minimum-wages-china/>

⁸ [https://www.india-briefing.com/news/guide-minimum-wage-india-2023-19406.html/#:~:text=India%20boasts%20the%20most%20competitive,approximately%20US%2465\)%20per%20month.](https://www.india-briefing.com/news/guide-minimum-wage-india-2023-19406.html/#:~:text=India%20boasts%20the%20most%20competitive,approximately%20US%2465)%20per%20month.)



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consensus remains challenging, various organizations and governments are working towards finding viable solutions.

The ILO, a United Nations agency, has been at the forefront of promoting social justice and labor rights globally. While it has not yet established a global minimum wage, the ILO has encouraged countries to develop and implement adequate policies based on national contexts. However, voluntary compliance has limited the effectiveness of these efforts, and there is a need for more robust measures.

Some multinational corporations and industry associations have taken steps towards ensuring fair wages in their supply chains. Collaborative initiatives between governments, businesses, and civil society organizations aim to establish reasonable labor practices and better salaries. These agreements have resulted in incremental improvements in some sectors, but a broader approach is necessary to address the lack of a GMW.

Lastly, trade agreements have the potential to influence labor standards across borders. Including provisions that uphold fair wages and workers' rights can help level the playing field and reduce the trade advantage that countries like China and India currently enjoy. However, there is a delicate balance to strike, as imposing strict standards on developing economies could hinder their economic growth.

As you have seen, setting a global minimum wage is a task that holds many challenges, both economically – e.g., setting a minimum wage that will increase overall global economic activity – and politically, as certain countries gain from setting low standards, and others gain from setting high standards. It is up to you, the delegates, to reach a compromise that will be both practical and beneficial, and that is no easy task.

May luck ever be in your favor.

QUESTIONS TO CONSIDER

1. What is the minimum wage in your country? Is it considered to be relatively high or low?
2. Was the minimum wage in your country raised in recent years?
3. Are any other benefits provided to workers in your country (e.g., pension)?
4. Has your country attracted multinational corporations due to its low wages?
5. Is your country losing jobs (as a result of offshoring) due to other countries' lower wages?



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6. Is the minimum wage of your major trading partners higher or lower than those in your country?
7. Are you part of a regional body or trade agreement that sets minimum wage standards?

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