Forum: General Assembly 5- Administrative and Budgetary (GA5)

Issue: Efforts to Coordinate a Universal Minimum Wage in All Nations

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Introduction

All around the globe, people are forced to live in abject poverty, earning less than $2 a day, having barely enough to eat, and often, working a full-time job. This is because, while it is commonly assumed that poverty and unemployment are heavily linked, 200 million of the global poor were unemployed, whereas some 1.3 billion were employed (as of 2011). That is to say, more than 85% of the world's poor are employed, and despite having a job, they are still below the global poverty line.

It also important to note that this is not a feat that is exclusive to LEDCs. In fact, according to the US Bureau of Labour, 7.6 million Americans are employed but fall below the poverty line. In order to ensure that those who are employed can live a life with an adequate standard of living, which is a right that is explicitly stated within article 25 of the Universal Declaration of Human Rights, we must implement a universal minimum wage.

However, the implementation of a minimum wage will vary strongly from country to country. This is due to the nature a myriad of reasons: the low-income jobs in LEDCs tend to be in different sectors as opposed to the low-income jobs in more economically developed countries (MEDCs); different countries have different regulations on the rights of labourers and many countries, specifically LEDCs, may rely on cheap labour to build their economy. Regardless of the complications, everyone has the right to an adequate quality of life, and this can be best ensured by coordinating a universal minimum wage.

Implementing a reasonable universal minimum wage would ensure that everyone who is employed, specifically those 1.3 billion workers who live in poverty, can afford the things needed to have an adequate quality of life, such as food, shelter, clothes, etc. However, putting in place a universal minimum wage would be an uphill battle, as many countries would oppose the implementation of wage floor. Thus, it is imperative to acknowledge the concerns of these countries and work with them so that we can implement a fair, reasonable universal minimum wage that enables everyone to live and experience an adequate quality of life.

Definition of Key Terms

Minimum Wage

The lowest wage that employers are legally permitted to pay their employees. It is an artificial wage floor, as it prevents the free market from determining wages, but rather sets a minimum that employers are obligated to pay their employees.

Working Poor

A term that describes those individuals who are employed but are still below the poverty line. Poverty is often associated with joblessness. However, this is statistically untrue. In fact, as of 2011, 1.3 billion of those below the poverty line were employed. That is to say, 85% of the global poor had jobs. It is clear that simply ensuring everyone is employed will not solve poverty; rather, it is essential that we establish a minimum wage that would guarantee that those with jobs do not have to suffer through poverty.

Poverty Line

The International Poverty Line is defined by the World Bank as $1.90 per day, while also considering other variables such as the PPP (Purchasing Power Parity). This is a line of reference that can be used when deciding on what the minimum wage should be, particularly in LEDCs.

Primary Industry

The industry that involves the extraction and/or obtaining natural resources, such as farming, mining and forestry. These jobs exist mainly in LEDCs and are often reliant on their ability to exploit cheap labour. A universal minimum wage should be coordinated in order for these jobs to not be lost in LEDCs.

Secondary Industry

The industry that involves the conversion of the resources obtained from the primary industry into products and commodities, often referred to as the manufacturing industry. Similar to the primary industry, the secondary industry in many LEDCs is often heavily reliant on their ability to provide extremely cheap labour. In order to prevent a loss of jobs in this industry in LEDCs, any minimum wage negotiated must be universal among these countries.

Tertiary Industry

The industry that primarily involves the provision of services. Minimum wage jobs in these industries are not as difficult to mandate as secondary and primary industry, as outsourcing is not a threat; most jobs in the tertiary industry must be done within the region in question.

Outsource

When a job is outsourced, it means that a company hires workers from abroad to do a given job. Many LEDCs are reluctant to enforce a minimum wage, as it means that foreign companies would have to pay the workers more, which would reduce their profits. This may incentivise the foreign company to outsource these jobs to LEDCs that do not enforce a minimum wage.

Background Information

Why a universal minimum wage is needed

Many employees cannot survive on the low wages that they would normally earn, and this require a minimum wage or some other support system. This is due to the fact that many workers perform tasks that most people are able to do, i.e, they perform unskilled labour. These workers, who require some form of support, which can be a minimum wage or other social programs, tend to work in different industries depending on the type of country in question.

Low income jobs in MEDCs

In MEDCs, the vast majority of low-income jobs tend to be in food catering and service industries. For example, in the US, the Department of Bureau and Labour Statistics estimates that of the approximately 1.7 million minimum wage workers, 1.1 million worked in food catering and service industries. Other industries with large numbers of minimum wage workers include sales & related (200,000), office and administrative support (161,000) and transportation and material moving (142,000). The reason for these jobs having an abundance of minimum wage labourers is because of the relatively large supply, but also because they cannot be outsourced; these jobs have to be done within the country.

Many of these jobs are done under mega corporations, such as McDonalds, or Amazon. These huge companies can afford to pay their workers more, so there is not a huge threat of layoffs due to a minimum wage hike. Furthermore, according to the UNODC, hikes in minimum wage also grant employees more freedom and can mitigate the levels of exploitation that employees often suffer through. However, the cost of raising minimum wage means that smaller businesses may not be able to stay open, as they may not be able to afford to pay their workers at the mandated minimum wage. While raising minimum wage might make it more difficult for businesses to enter the market, the benefits, specifically ensuring that everyone has enough to adequately sustain themselves, far outweighs this drawback.

Low income jobs in LEDCs

In contrast to MEDCs, where most low-income jobs are in the tertiary industry (indeed, most jobs of any income level in MEDCs tend to be in the tertiary industry), the majority of low-income jobs in LEDCs are in the primary industry, such as farming and mining, and the secondary industry, such as working in factories to produce components of technology. Coordinating a minimum wage in LEDCs is a far more difficult task, as many LEDCs' economies rely on cheap labour to remain competitive; they fear that if they create a minimum wage, then foreign companies will move their factories to LEDCs that do not have a minimum wage. However, if LEDCs work together to coordinate a minimum wage that is universal, that they will all abide by, then ideally, companies will be forced to raise the wages that they offer for these labourers.

However, raising the minimum wage in LEDCs can also have another unintended consequence; foreign companies become more likely to invest in methods to automate the industry, as they will see it as cheaper in comparison to paying workers minimum wages. This will result in a huge loss of jobs, which will offset the benefit of raising the minimum wage in the first place. For example, a large source of China's GDP is derived from the exportation of textile goods of brands such as Nike. If China were to implement a mandated minimum wage, Nike will inevitably relocate their factories to countries where they can pay their workers a lower wage in order to maximise profits, which will result in a loss of jobs within China. For this reason, LEDCs often have an incentive to either not have a minimum wage, or to have it be so low that its effect is negligible. Thus, in order to effectively coordinate a universal minimum wage, we must consider that many LEDCs will be extremely reluctant to acquiesce to any demands of implementing a minimum wage as it is highly likely to result in job losses.

Feasibility of a Universal Minimum Wage

One aspect of a universal minimum wage that should be considered is that different countries have different poverty levels and costs of living. So, while it is possible, albeit not ideal, to live off $20 per day in many LEDCs, the same would not apply in most MEDCs, due to a higher cost of living. For example, a "low-income family of four" in San Francisco, is defined as one earning less $117,400 a year, or about $300 a day. Furthermore, larger economies can often afford to pay their employees more, whereas smaller economies may be unable to sustain a minimum wage for employees in the public sector. Thus, because establishing a universal minimum wage may not be feasible due to the needs of people in different countries/cities varying and the fact that certain countries may not be able to afford to pay certain wages, we should aim to implement a universal minimum wage that is flexible in nature rather than one that is a hard number that does not account for the aforementioned variables.

Employer-employee power dynamics

In the current global situation regarding jobs and wage negotiation, the relations between employers and potential employees tend to be highly exploitative, especially in low income jobs. This is due to the high expendability and disposability of the workers in these jobs, who tend to be unskilled; employers can easily replace employees in these low skilled, low income jobs, and employees are aware of this fact. For this reason, they are extremely likely to accept not only poor working conditions, but also low, often almost unlivable wages, due to fear of being replaced. A universal, liveable minimum wage, while does not eradicate the exploitative nature of employer-employee relations, can help to mitigate them to an extent, as stated in the 2015 UNODC paper regarding the issue of “The Concept of ‘Exploitation’ in the Trafficking in Persons Protocol”. This power disparity between employers and employees can be further attenuated through collective organisations of labourers, often referred to as trade unions. Trade unions enable collective bargaining, which gives more power to workers, allowing them to advocate for better, liveable, sustainable wages.

Migrant workers

As previously mentioned, the relations and power dynamics between employers and employees are often exploitative, allowing employers to pay their employees an extremely low wage. This problem is accentuated when the workers in question are part of a vulnerable group. An example of this is migrants, including, refugees, asylum seekers, and undocumented immigrants. These migrants are often fleeing abject poverty, conflict, or tyrannical regimes. When they join the workforce, they are often underrepresented in trade unions, and are terrified of deportation. This allows employers to mercilessly exploit them by paying them an extremely low, often unlivable wage.

Major Countries and Organizations Involved

United States of America (USA)

The USA is a major country involved in the research regarding the consequences of minimum wage for two reasons. The first is that due to its governmental system, specifically how all 50 states have a large degree of autonomy, there is a wide variety of minimum wage laws within the country. Therefore, it is easy to observe the consequences of raising and / or lowering minimum wage. Secondly, the USA is a world leader in terms of number of academic papers published per year; this means that there are numerous studies that look at the effects of raising/lowering minimum wages in its different states, as they all are relatively autonomous. Any attempt to coordinate a universal minimum wage should involve using the United States to see the consequences of raising the minimum wage, and how to do it effectively without creating a loss of jobs. This can be done by looking at the implications and consequences of raising minimum wages in different states. For example, we can look at the economic impact of raising the minimum wage in Seattle, and analyse it in order to see whether or not it was a net positive, and how the implementation could be improved. Furthermore, as a leading economic power and one of the largest importers of manufactured goods in the world, they have a considerable amount of influence in how goods are manufactured. The United States should use this economic power to encourage LEDCs to enforce minimum wages, by importing less goods from LEDCs that do not impose satisfactory minimum wages.

China

Due to China's huge population, as well as having an economy that relies primarily on the primary and secondary sectors, millions of people are part of the working poor. In fact, The Journal of Us-China Public Administration estimates that, as of 2011, about 200 million Chinese were part of the working poor. How China will tackle the issue of a minimum wage will set an example for other Asian countries in similar situations; China rose to be the global economic powerhouse that it is today by essentially exploiting their huge population through extremely cheap labour. This encouraged foreign companies to manufacture their goods in China, such as Apple manufacturing iPhones, or Prada making their handbags in China. China's massive population often allowed them to outcompete neighbouring Asian countries who also rely on cheap labour for their income. In order to further ensure that labour remained cheap enough for these foreign companies to remain in China, trade unions have been banned, except for All-China Federation of Trade Unions (ACFTU), which is under the direct control of the Chinese Communist Party (it should be noted that ACFTU allows for unions within itself, however, they would still be under the control of the Chinese Communist Party, and thus would not be serving the interests of the workers, but rather the interests of the government). Allowing for the establishment of a plethora of trade unions without government affiliations would likely yield for better wages for the workers of China.

India

Similar to China, India have also greatly augmented the size of their economy through enticing foreign companies to base their industries in India by enabling them to pay their workers low wages. As of 2000, there were approximately 130 million labourers living below the poverty line. However, India have been improving over time. The 130 million working poor is 4 million less than it was in 1995, which suggests that progress is being made. However, there is still significant progress that could be made. 60% of India's population lives below the World Bank's poverty line, despite the unemployment rate being less than 4%. While India does have a minimum wage law, as established by the Minimum Wages Act 1948, it is quite ambiguous, allowing state governments within India to determine their own levels of minimum wage. India should therefore seek to implement a more precise minimum wage that results in workers being paid sufficiently such that they are above the poverty line.

International Labour Organisation

The creation of the International Labour Organisation (ILO), founded in 1919 as part of the Treaty of Versailles, was predicated on the notion that world peace can only be assured through social justice, specifically justice for workers. The ILO has 187 members, and their stated agenda is the ILO's Decent Work agenda, which aims to advance "the economic and working conditions that give all workers, employers and governments a stake in lasting peace, prosperity and progress". One of their strategic objectives to accomplish this is to "set and promote standards and fundamental principles and rights at work". This includes ensuring fair, liveable wages for labourers. The ILO has the potential to act as a large, transnational trade union, which means it has a huge role to play in guaranteeing and coordinating a universal minimum wage.

The World Bank

The World Bank is a financial institution that aims to help the development of countries through providing loans for projects. One key obstacle that prevents LEDCs from enforcing minimum wage is that they are not yet economically developed enough to pay employees in the public sector that amount. The World Bank can help these countries develop, through loans, funds and programs, to ensure that they are able to create sustainable nations that pay their citizens a living wage. Some successes of the World Bank include: assisting the development and revival of the coffee industry in Rwanda after the Rwandan Genocide; diversifying the agricultural industry of Mali, lifting many rural workers out of poverty; and the re-establishment of the footwear industry in Ethiopia. It is evident that the World Bank are not hesitant in investing in LEDCs, and they can use these investments to help incentivise LEDCs implementing minimum wages,

Relevant UN Treaties and Events

- The Universal Declaration of Human Rights (10 December 1948)
- International Covenant on Economic, Social and Cultural Rights (16 December 1966)
- International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (A/RES/54/158 8 February 2000

- Promoting full employment and decent work for all (ECOSOC Resolution 2008/18)

Previous Attempts to Solve the Issue

While there has been no notable attempt to coordinate a universal minimum wage by the United Nations, there have been instance of countries taking initiative to implement minimum wages nationally. While the majority of the time, countries with reasonable minimum wages are MEDCs, there have been instances of LEDCs attempting to improve the minimum wage. Notably and recently, Cambodia has been raising its legal minimum wage; however, this apparently does not seem to be enough, as the lack of transparency within the manufacturing industries has resulted in workers not actually earning the minimum wage. Any future attempts at establishing a minimum wage must, therefore, also look at increasing transparency in these low paying industries, to ensure that whatever minimum wage being set is being paid.

In MEDCs, countries often establish a mandatory minimum wage, which can vary based on the state. However, it is often the case that employees of certain vulnerable background are unable to avail of minimum wage laws. An example of this is migrants, and more specifically undocumented immigrants. These immigrants are often afraid of deportation and thus are more hesitant to raise complaints regarding wages. Employers can then exploit this and pay these individuals unfair wages. Thus, any implementation of minimum wages in MEDCs should also look to ensure that vulnerable groups are also able to benefit from any minimum wage.

The underlying issue that is being addressed by a minimum wage is that of working people not being able to afford an adequate quality of life. Other methods have also been attempted to solve this issue. These methods include, but are not limited to: food stamps subsidised by the government, allowing people below a certain income threshold the ability to procure groceries at a cheaper price; subsidised housing, where the government pay landlords to offer their houses to tenants at a reduced price; and, recently, Finland has experimented with a Universal Basic Income, as a replacement for all social programs. The intent was to pay out a lump sum to citizens that would act as a substitute for all forms of welfare. Unfortunately, the experiment was not successful as it was unsustainable, because the government could not afford to implement it.

Possible Solutions

The most immediate solution to this issue would be to encourage all governments to enforce a minimum wage, which should be decided by considering the World Bank's definition of poverty, and having the minimum wage be such that it is higher than the poverty line, which is $1.90 per day at 2015's PPP (purchasing power parity). Methods to do this could include placing tariffs on countries that refuse to enforce a minimum wage, which would thus offset the bonus profit that manufacturers make by exploiting cheap labour.

However, as many LEDCs rely on cheap labour for income, implementing a universal minimum wage may actually be detrimental to their economies; the individuals located in these nations deserve the right to a decent quality of life, which necessitates to having sufficient money. Therefore, an alternative to minimum wage which still achieves the goal of ensuring adequate quality of life, is better social programs (such as welfare), which can come in a variety of forms, such as housing subsidies, food stamps, and perhaps an altered and refined version of Finland's UBI.

Another possible solution to this issue is to regulate mega corporations more tightly and to focus on pressuring them to pay their workers a living wage. This can be done by MEDCs, who tend to import the products produced by these corporations, placing tariffs on goods produced by these companies, or simply outright refusing to do business with companies who exploit their workers. The reason why this may prove to be more effective is that governments in LEDCs will be reluctant to implement a minimum wage due to these companies moving to other LEDCs that do not have minimum wages. However, by encouraging the companies that are responsible for the exploitation to pay living wages to their workers, it is solving the problem at its root. For example, in 2015, the UN called upon clothing manufacturers to absorb the wage hike, as Cambodia were attempting to implement a minimum wage at the time.

Alternatively, the creation of trade unions can also be used in attempt to implement a universal minimum wage. Trade unions grant workers with more bargaining power, and enable them to strive for higher, fairer, less exploitative wages. This is because the inherently exploitative nature of employee-employer relations are predicated on the idea that an employer can simply hire someone else. Trade unions allow employees to cooperate and work together to lessen the harmful nature of employee-employer relations. Countries such as China, however, have banned the existence of trade unions outside of those that they approve of. The United Nations must thus put pressure on countries with restrictive labour laws such as China to allow more freedom for workers to choose a trade union that best represents their interests. Furthermore, many countries already have trade unions. These trade unions should attempt to work together with the UN and the ILO in order to more effectively advocate for a fair, universal, minimum wage.

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