ECONOMIC AND FINANCIAL COMMITTEE
(SECOND COMMITTEE OF THE GENERAL ASSEMBLY)

AGENDA

GLOBALIZATION OF LABOUR

CHAIR

VANSH KHER

Letter from the EB

Honorable Delegates,

It is my utmost pleasure to welcome you all to CENMUN 2017.It is always an honor to chair a committee at such a prestigious MUN. I believe that Delegate preparation is paramount to a successful and exciting Conference. I have provided this Background Guide to introduce the topics that will be discussed in our committee. These papers are designed to give you a description of the topics and the committee. This Guide is not intended to represent exhaustive research on every facet of the topics. I encourage and expect each delegate to fully explore the topics and be able to identify and analyze the intricacies of the issues. Delegates must be prepared to intelligently utilize their knowledge and apply it to their own country's policy. You will find that your state has a unique position on the topics that cannot be substituted by the opinions of another state. I believe that together we can have a substantial and a meaningful debate.

Good Luck Delegates,
Vansh Kher
(ChairPerson)

Introduction

The second of the six General Assembly Mains Committees, the Economic and Financial Committee is the primary economic body of the United Nations (UN). Founded as a standing committee of the

General Assembly by the UN Charter of 26 June 1945, it is purposed to "promote international co-operation in the economic field.1 Its mandate is to consider all relevant international economic issues such as macroeconomic policy, trade statute, sustainable development, globalization, poverty eradication, and technological progress. ECOFIN has devoted its past few sessions to groups of countries in special situations, including specific classes of countries such as Least Developed Countries (LDCs) and Landlocked Developing Countries (LLDC), and, along with the entire General Assembly, consider the

Palestinian people's claim to permanent sovereignty in the Occupied Palestinian Territories, including East Jerusalem, with a specific focus on the use and distribution of resources. In its past session, ECOFIN finalized 44 resolutions in several unprecedented areas, including a stance on external national debt and addressing key trade and developmental issues. While most experts consider UN resolutions to be recommendatory and non-binding in nature, some key economic decisions are included in Resolution 55/56, which created the Kimberly Process Certification Scheme to certify diamonds as non-conflict, and Resolution 1962, which laid the groundwork for the landmark Outer Space Treaty. Both of these examples illustrate that economic resolutions work best when they specify a broad-based regulatory or advisory framework that can be implemented successfully by member states or non-governmental organizations.

ECOFIN is part of the larger General Assembly, the “main deliberative organ of the United Nations,”4 and as such, resolutions passed in this committee have the support of a far greater bloc of nations than in other international financial organizations such as the International Monetary Fund (IMF), the World Trade Organization (WTO), and the World Bank. While these organizations certainly play a large and more active role than ECOFIN in the global economy, their voting constituencies are both substantially smaller than that of the General Assembly and either cater to specific interests, or utilize special voting systems. In ECOFIN however, each of the 193 member states of the UN General Assembly has one vote, giving an equal voice to each sovereign entity, large or small, developed or developing. Despite the lack of monetary leverage, given the weight behind each resolution, decisions made in this forum dictate the policies of other more active organizations such as the International Monetary Fund, World Bank, and World Trade Organization. It is for this reason that decisions made at ECOFIN have such wide-ranging effects.

AGENDA: - THE GLOBALIZATION OF LABOR

INTRODUCTION

More than 2 billion people – a fourth of the world's total population – are attempting to sell their labor to factories for almost any price, creating intense global competition that is forcing wages down. This downward movement of wages, coupled with increasingly lax workplace regulations in the developing world, is decreasing the quality of life for many of the world's poor. However, it is a reality that people must sell their labor to earn a living. Unfortunately, the conditions in which people sell their labor are often times not of their own choosing. Factors such as extreme poverty, loss of family members and utter desperation force people to sell their labor to corporations for much less that it's worth.

Additionally, more people than ever are flooding into cities in response to the implementation of neoliberal, capitalist policies in developing countries, which have cut funding from agricultural work and instead focused funds on manufacturing, leading to massive migration from countryside to cities. With an immense amount of people willing to sell their labor for less than its actual value, a constant downward pressure on wages exists. However, despite the negative social impact that low wages have on the world's workers, low wages increase the gross domestic product (GDP) of a country as well as the productivity of corporations. Therefore, the Economic and Financial Committee must find the proper balance between workers' wages and rights and economic productivity. Political changes and economic reforms over the past couple of decades have led to an integration of worldwide labor markets.

According to a report published by the International Monetary Fund (IMF), 'The development of technology, combined with the progressive removal of restrictions on cross-border trade and capital flows, has made it possible for production processes to be unbundled and located farther from target markets for a growing universe of goods and services." These changes in the international community have tied the policies of individual countries together. In today's economic climate, labor policies in one country have drastic and far-reaching consequences on the labor policies in other countries. This is largely due to a phenomenon called downward harmonization, which is when countries continuously lower their labor standards in order to attract global businesses like Nike and Starbucks. This then causes a cascade effect, as other countries across the world must lower their own labor standards in order to remain competitive. Additionally, a lack of workforce regulation in developing countries creates cheap ways for transnational corporations to manufacture their products. This lack of regulation in some countries puts pressure on deregulated labor markets to decrease wages and worker protection rights. Wages and worker's rights are no longer independent of each other from country to country; they are increasingly dependent on each other due to the ability of corporations to operate across national borders.

With so many people entering the labor force and even more expected to join due to a rising population, the delegates of ECOFIN must urgently address the state of labor in all countries of the world.

History

The Changing Role of Labor plays an integral role in the economy. Defined as "the aggregate of all human physical and mental effort used in creation of goods and services," labor is a commodity - something that can be bought and sold on the market – as well as the driving force behind all economic activity. It is also one of the three factors of production along with land and capital. Every item for sale - be it a car, a t-shirt, or a bottle of water - is a product of a complex series of integrated acts of labor. However, labor is not an ordinary commodity. It is a unique commodity that plays a special role in the international economy. Labor is the primary source of added value in any capitalist system because it can be purchased for a significantly lower price than the value that can be earned from its contribution.

This is dependent on a business' ability to purchase labor at a low enough price to earn profits. In some countries that have higher standards of living, it may be difficult for transnational corporations (TNCs) to find extremely cheap labor. However, in today's globalized world, TNCs are able to simply move their operations to countries where cheap labor is plentiful. Specifically, the presence of workers in China and India provide an immense source of labor for TNCs. These two countries alone supply hundreds of millions of people to the labor force who are willing to work for a much cheaper price than people in other, more developed countries like the United States. Therefore the average wage across the world is driven down. Despite its impressive ability to consistently add value to our economy, the role of labor has not remained constant over the past couple of decades. During the Fordism era, which took place during the decades prior to the 1970s, companies used their workers for two distinct reasons.

First: -

The workers were used to produce commodities, which are goods or services that can be bought and sold on the market. Although the role of labor has changed since the Fordism Era, labor's role as producers of commodities has remained constant throughout time.

Second: -

The workers themselves were seen as valuable consumers in national economies. Therefore, companies would pay their workers respectable salaries and give them generous pensions so that they could use their money to purchase goods from their employer and from other national businesses.

Henry Ford, an American entrepreneur who generously compensated his workers with hopes that they would use their money to buy cars manufactured by Ford, first devised the idea. Fordism as an economic system was first adopted in the United States, but it quickly spread throughout Europe and other parts of the developed world because of its unquestioned efficiency. However, Fordism did not last forever; the role of laborers in the international economy changed as the world became increasingly globalized. Instead of relying on their own workers as consumers, businesses after the 1970s could reach out to consumers across the world due to global commodity chains and decreased trade restrictions. Additionally, businesses were forced to look for new markets during the 1970s because of massive oversupply. The 1970s was only the start of this new globalized era, called Post-Fordism. Today's economy allows businesses to decrease the wages and compensation of their workers because they no longer rely on them as the sole consumers of their product. Policies implemented during era of globalization have brought an end to economies that are confined to a distinct country or region; today, national economies are intertwined with each other, resulting in an international economy that is complex and far-reaching. Unfortunately, despite the fact that the Post-Fordism era allows for businesses to be more profitable, the era has left many workers with few options other than low-paying factory jobs with poor working conditions, as well as many other misfortunes. For example, union rights that workers once had have been stripped away because workers no longer experience the same bargaining power that they once did. In today's globalized economy, corporations can simply move their operations to areas where workers are willing to work for low wages without striking. This type of global competition pits American workers against those in China and India who are willing to work for much less. Additionally, the Post-Fordism era is responsible for increasing inequality and decreasing class mobility. According to a World Bank report, almost half the world, which is over three billion people, live on less than $2.50 USD a day, and 80% of the world lives on less than $10.00 USD. Furthermore, the Economist magazine reports that "*forty] years ago, the average real annual compensation of the top 100 chief executives was $1.3m: 39 times the pay of the average worker.

Today it is $37.5m: over 1,000 times the pay of the average worker. Entering the 2000s, the top 1% of households earned 20% of all income and held 33.4% of all net worth." These staggering statistics are a reflection of limited economic opportunity for the world's poor, who are forced to sell their labor to corporations that exploit them. Additionally, the total share of money in the hands of labor is decreasing as more and more money is falling into the hands of businesses, especially in developed countries that are experiencing a boom in technology and a decline in labor unions.26 For example, from the end of World War II to the 1970s, workers in the United States took home approximately two-thirds of the total income, while businesses took home the other third.27 However, the share of income today since the 1980s has been steadily increasing in favor of businesses, as wages have not been adjusted in response to inflation. Unfortunately, the inequality of wealth in the global market is not an easy problem to fix.

Billions of people do not have the opportunity to seek higher wages, and therefore, they cannot spend their money to stimulate economic growth.

It is up to the delegates of ECOFIN to determine the best possible way to help the world's laborers escape a seemingly endless cycle of poverty.

Lastly, Post-Fordism has also led to the destruction of higher wage jobs due to the rise offshoring as an option for global businesses to cut costs. Offshoring is when businesses move their operations from one country to another because it is cheaper to operate there. In today's world, this usually consists of a business from a developed country moving its operations to a developing country that has workers who are willing to work for lower wages and labor laws that are less restrictive. Offshoring is a purely economic decision that is made possible by free trade zones in many of the world's developing countries as well as the removal of trade restrictions that existed prior to 1970s. Unfortunately for workers, one offshoring event can result in the loss of thousands of jobs. For example, Royal and SunAlliance, a transnational insurance group headquartered in the United Kingdom, "announced in October 2004 its decision to outsource 1100 jobs to India, adding to the estimated 50,000 posts already offshored from the UK from 2002-2004."This decision to offshore impacted thousands of workers in the United Kingdom who lost their jobs with Royal and SunAlliance because these workers had little to no leverage to negotiate their wages. This is because Royal and SunAlliance had the option of offshoring. Some developed countries, such as the United States, have attempted to halt offshoring from their countries. For example, in recent years, the Obama Administration has promised to crack down on offshoring businesses by "raising taxes on international earnings of U.S. firms." In doing so, the Obama Administration hopes to discourage corporations from leaving the United States.33 However, the measure has failed to pass through Congress because its opponents argue that this encourages corporations to leave the United States altogether.

Delegates will have to consider solutions like this one

to ensure that offshoring does not effect on the international labor force.

The Growth of the Worldwide Labor Market

With the opening of labor markets in China, India and former-Eastern bloc countries, the global labor supply has more than quadrupled from the beginning of the 1980s to today. This data, which was gathered using export to GDP ratios, also shows that the majority of this increase took place after 1990 when the majority of their populations became old enough to work. Approximately onehalf of the increase in labor supply can be contributed to countries in Eastern Asia, while other parts of Asia and Europe were responsible for most of the remaining increase. Today, most of the new workers that enter the world market are under-educated, but this trend is changing as developing countries like China send more children to higher education systems. Under-educated workers most often get paid extremely low wages because they perform work that does not require skill and can therefore be carried out by anyone. However, when educated, workers are paid higher wages because they are not as replaceable as non-skilled workers. Therefore, greater access to education almost always is directly correlated with higher wages. This trend is important for ECOFIN to consider when devising ways to stop the endless cycles of poverty and low wages in developing countries. There are two ways for countries to access the world's increasing pool of labor: immigration and trade. Because there are many limitations on immigration that still exist, trade of goods and services remains the more important method for gaining access to the benefits of the increasing labor pool. Advanced economies such as the United States and Europe have significantly increased the rate at which they import cheap goods from developing economies. The amount of products that have been transferred from developing economies to advanced economies since 1990 has doubled, and this trend is expected to continue in the future. However, the benefits are not being felt solely by advanced economies. The economic productivity of developing countries is also rising as a result of an increasing labor pool. A World Bank report states that

"developing countries' imports have been growing faster than those of advanced economies and the share of advanced economies' exports going to developing countries has been rising." As developing countries expand their labor market and increase the rate at which they export, their economies benefit.

Although the growth of labor is significantly increasing the rate of economic productivity across the world, it is also causing problems that are having a severe impact on the worldwide economy. The influx of money in the international economy during the era of globalization has occurred as a result of the massive production of cheap goods in developing countries. These goods, made possible by extremely cheap labor, have made developed countries much less competitive in the global market. Developed countries can no longer perform like they used to in the international economy because they are forced to compete with billions of workers overseas who are willing to sell their labor for an extremely cheap price. This has led to the loss of jobs in developed countries as well as the loss of economic productivity. Problems like this one will only increase in severity if the global economy stays in its current state. For this reason, it is important to not only focus on laborers themselves;

Delegates I expect you to also consider the effect of the growth of labor on economies of both developed and developing countries.

Delegates, Apart from this do research about these specific points which will help you understand the topic better.

- Labor Standards and Worker Protection Rights
- International Labor Organization
- World Trade Organization
- Globally Organized Labor

Current Status

Currently, many countries are experiencing an imbalance of workers. While some have too many workers, others do not have enough to support their country's economic needs. This imbalance of workers is occurring for a variety of reasons. In some countries, the population is rising too fast for the economy to sustain, creating a surplus of workers. In other countries, there is an increasingly high demand for high-tech jobs that cannot be filled due to the lack of a trained workforce, causing a shortage of workers. For example, both Brazil and Germany are millions of workers short of what will be needed in the next couple of decades to sustain their economies. On the other hand, economies like China, the United States, and South Africa will be forced to deal with a surplus of millions of workers looking for jobs in 2030 – jobs that are simply not there. According to Rainer Strack, a member of the Boston Consulting Group (BSG), the world must urgently address this imbalance otherwise it will face enormous consequences. For example, in countries like South Africa that anticipate having too many workers in the future, there will be high unemployment rates and a shrinking tax base. In countries like Germany that will be millions of workers short, crucial jobs will not be filled and "spiraling wage inflation and an inability to compete on the international stage" will result. However, having the correct number of workers does not mean that an economy in today's world will be better off. For example, the United States currently has a large amount of people looking for work, but there are still thousands of high tech engineering jobs that are empty because it is also important for workers to have the right skillset.

Each country has a its own labor force and has responded to globalization differently. However, it is still possible to predict the policies of individual countries based on their current stage of economic development. For this topic, countries can be divided into three separate blocs determined by the Development Policy and Analysis Division (DPAD) of The Department of Economic and Social Affairs of the United Nations Secretariat (UN/DESA). These three blocs include countries with developed economies, countries with economies in transition, and countries with developing economies. However, it is still important to note that there are other factors that determine a country's policy other than its stage of economic development and geographical location. These factors include its history, its current political infrastructure, and its age structure. For this reason, these three blocs can help predict the general nature of a country's position, but are in no way representative of every country's policy.

Instead, these bloc descriptions should be used in addition to other outside information to formulate a country policy.

Do research about these three things

1) Developed Economics

2) Economics in transition

3) Developing Economics

Important Links-

https://www.cepal.org/celade/noticias/paginas/2/11302/ptaran.pdf

http://www1.aucegypt.edu/src/globalization/labor_Market.htm

http://www.imf.org/external/pubs/ft/fandd/2007/06/picture.htm

https://laboureconomics.wordpress.com/2011/05/22/consequences-of-globalization-%E2%80%93-the- labour-market-2/

https://eces.revues.org/290

If you have any questions feel free to reach out to me my email address is

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