

Forum: Economic and Financial Committee (GA2)

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TOPIC 2: The question of mandatory minimum living wage in light of inflation.

I. Introduction to the Topic

Inflation, [defined](#) as the rate of change in prices over time, has been rising globally. Amongst the long-lasting impacts of the global pandemic, Covid-19, Russo-Ukrainian conflicts, and other international problems, many developed nations had a similar approach. Specifically, during the pandemic, many countries were hit with a recession. Many people saved money rather than spending money and the economy seemed to be falling. As a result, many governments released money into the economy, urging more spending. However, this approach has led to global inflation after the recession ended.

[Inflations](#) are fundamentally caused by a rapid increase in money supply and low-interest rates by the government. A part of this chain is the [federal reserve interest rate](#), a target interest rate a nation sets on banks. As high-interest rates will deter further spending and eventually drop the costs of goods and services, the federal interest rate plays a major role in controlling inflation. However, due to the global pandemic and international recessions, governments lowered these interest rates, raising the price of services and goods. These higher prices persist despite the global pandemic dying down. Along with the higher prices from measures during the pandemic to combat recessions, Russia's invasion of Ukraine has been detrimental to the stability of the global [economy](#). The invasion has directly hurt the production of many Russian and Ukrainian exports. Furthermore, the various sanctions placed on Russia have hurt the global supply chain. The invasion has also hurt imports and exports for many nations in a strong trade relationship with either of the two countries. In addition, private sectors and corporate greed have also been at the center of long-lasting inflation. One of the underlying issues of global inflation, [the private sectors](#) have constantly been increasing prices, neglecting the potential consequences. Simply put, companies have reached a much higher margin of profit by using higher prices of labor and

resources as an excuse to significantly boost profits. Ultimately, corporate greed has been detrimental to world economics.

These causes of inflation have ultimately led to several consequences. Among them are the basic living standards for [minimum wage workers](#). The sudden increase in services, goods and overall living costs now damages the life of minimum wage workers who need to pay for the heightened prices of several basic needs with the same wage as before. Many workers already struggle to meet basic needs or standards in life like proper shelter, sanitation, and hunger. When dealing with the problem at hand, it's also important to note the complexity as minimum wages doesn't solely concern the poorly paid employees, but also the employers and other stakeholders.

II. Definition of Key Terms & Concepts

Definition of Key Terms

Consumer Price Index (CPI): The consumer Price Index (CPI) is one measure of the average change of prices based on consumer goods and services over time. The CPI includes nationwide spending like food, transportation, clothing, and other potential costs. Inflation is specifically calculated by subtracting the price of year 1 from year 2, dividing by year 1, then finally multiplying 100. Many member nations utilize the [CPI](#), organizing different consumer based goods into "baskets" and reporting statistics. CPI is crucial to the topic at hand as it's a major way nations keep track of different inflation rates. Identifying inflation rates is an important initial step for proper cooperation and eventually resolution creation.

Living Wage: [Living wage](#) is defined as the minimum wage that is required for a person to have a normal standard of living and to maintain food, shelter, and other necessities. The living wage, however, isn't higher than the minimum wage for many nations as maintaining a certain quality of life is too expensive especially with inflation. The living wages are important because, though they might not be set as a feasible minimum wage, they provide a specific goal for minimum wage each nation must strive for.

Recession: [Recession](#) describes a decrease in economic activity or spending in a certain area. Recessions are identified by examining the overall economy. For example, economists inspect the fall in Gross Domestic Production ([GDP](#)), consumer spending, and more. Recessions occur differently case by case, but recessions are crucial to inflation. In many cases, the aftermath of recessions are large-scale inflations. During many recessions, the various measures taken by countries like providing money or lowering prices impact the economy even after the recession ends.

Fiscal Policy: [Fiscal policies](#) describe a government trying to control the economy by using government funds or taxation. These policies often help restart a falling economy, stabilize the economy, and reduce poverty. This type of policy is used in some cases to handle recession or inflation.

Monetary Policy: [Monetary policies](#) is a method where the government uses interest rates to control the economy. The monetary policies help stabilize the economy by balancing the expenditure and income. The monetary policies help control recessions and inflations as it helps the consumers spend more or less by heightening or lowering interest rates.

Shrink Flation: [Shrinkflation](#), otherwise known as package downsizing, means maintaining the same price for a product while decreasing the size. In shrink flations, companies can hide rising prices but each product contains much less value prior to the following changes. Though this phenomenon existed before covid-19, after the lasting impacts of covid-19 on the economics, more and more companies have resorted to downsizing to keep the same prices.

III. Key Stakeholders

NELP (National Employment Law Project): The [NELP](#) is an organization created for workers. The focus of this organization is to promote basic minimum wage requirements, maintain basic living costs, and ensure all employment laws are respected. The NELP are crucial to the fundamental problem of living wages and the potential changes in minimum wages to correspond to the impacts.

IMF (International Monetary Fund): [IMF](#) is an organization that promotes global cooperation in light of economic instability and trouble. IMF is an international organization with members from 150 nations. They are crucial to many economic issues as well as urging adequate solutions. Specifically, the IMF monitors the international economy and recommends potential solutions to specific problems. So, the IMF could be one possible organization member nations can work in tandem with.

UN DESA (United Nations Department of Economic and Social Affairs): [UN DESA](#) is a part of the United Nations that focuses solely on economics and social affairs. The department plays a key role in intergovernmental support and cooperation, analysis of economic and social issues, and capacity building. This department organizes major summits and conferences for member nations and helps assess and inform the international community

of the status quo. The cooperation and information UN DESA can bring for member nations can be a valued part of dealing with minimum wage and inflation.

ILO (International Labor Organization): [ILO](#) is an organization focusing on setting a global standard for labor. ILO aims to provide low wage workers with a way to a basic standard of living and equal treatment. As ILO is important to global working standards, they help establish a unified standard of key concepts like [minimum wage](#).

IV. Key Issues including Background Information

Russo-Ukrainian War: On [February 24, 2022](#), Russia launched an invasion on Ukraine's capital Kyiv. This initial invasion has led to a war between the two neighboring nations. This invasion developed much more in the months to come, leading to a number of casualties on both sides. This ongoing war is influential to not only these two involved but the entire world. The war has caused a major problem in international trading because both [Ukraine and Russia](#), important contributors to crops and energy sources, have helped maintain a global supply chain. As a result of this war, supply chains have been corrupted, leading to higher prices for different resources.

Covid-19: The [global pandemic](#) has had a major impact on the economy. Covid-19 initially led to different policies and restrictions that limited people from going outside and actively spending. Furthermore, covid-19 has hurt imports for many countries as international trade became harder, leading to higher prices. Finally, the pandemic has hurt the labor force, decreasing the number of workers. Ultimately, less goods and services became available, leading to even higher prices.

Minimum Wages Inadequate for Inflation: In light of the numerous factors adding up to inflation the base cost to maintain living necessities became much higher. Though each country has varying minimum wages, many nations aren't paying close to enough for minimum wage workers to live purely on their jobs. In regard to dealing with minimum wages with inflation, it's important to consider how the wages will be sufficient to help workers meet a basic living standard.

Employers Perspective: One reason that the issue of minimum wage is complicated is that minimum wages concern both the employee and the employer. Though increased minimum wage has [benefits](#) for employers such as increased work ethic and decreased employee turnover, increased minimum wages can urge a hostile response from the employer or

business standpoint. For example, with higher minimum wage, businesses began to hire workers for much shorter [shifts](#).

V. Timeline of Resolutions, Treaties, and Events

Timeline of Resolutions, Treaties, and Events

Date	Description of event
1970	The Minimum Wage Fixing Convention was a general conference of the ILO. This convention led to a 14 article convention that urged all nations a part of ILO to pass this convention. Article 1 of this convention establishes all workers appropriate for minimum wage to be properly paid. This conference created a strong legislature for minimum wage.
January 2016	The Sustainable Development Goals (SDGs) were in force by January 1, 2016. Specifically, goal 8 promotes inclusive and sustainable economic growth. In light of inflations and economic instability, the living standard for low wage or minimum wage workers is threatened. With the establishment of this goal, all member nations became mindful of inclusive economic growth, extending to all workers.
January 2020	The World Health Organization (WHO) first identified a novel virus in Wuhan, China. Later called the Covid-19 became a global pandemic. This virus would be detrimental to the global economy, having a long lasting impact in 2022. Furthermore, the global pandemic has damaged both domestic and international economies, damaging supply chains and trade networks.
February 2022	In February 2022, Russia first invaded Ukraine. This war would greatly impact the national economy by disrupting a supply chain and international trade network. Many nations involved in foreign relations and trade with both Ukraine and Russia were hit with a sudden end to trades, ultimately helping cause a world-wide inflation.
June 2022	The European Union has announced an additional group of sanctions. This is especially significant because it has been carried on by a unanimous vote. These sanctions will place further restrictions on the Russian economy as major exports like oil will be limited. Simultaneously, these sanctions show how the trade network between Russia and many nations is being severed, hurting both parties.
June 2022	The 110th ILO conference took place over May 27 to June 11. In this conference, broad economic issues were discussed by member nations and the ILO. In the conference, a resolution dealing with the living wage was discussed. Overall employment was a focal point of discussion. This conference holds much information on the status quo of minimum wage and potential improvements for member nations.

VI. Possible Challenges & Solutions

Extent of Minimum Wage: The current minimum wages are certainly too low for people to be able to fit the basic necessities. In light of heightened prices for basic goods and services, certainly, this must be improved. Still, a complexity to consider is the employer's perspective. As the minimum wage is being paid by the employer, if such prices become too high many businesses will turn to alternatives or aim to hire less employees, negatively impacting workers.

Permanent Minimum Wage Increase: Wage change is necessary right now due to inflations. However, as the state of the economy constantly changes, if the inflation rate drops but the minimum wages remain, it'll prove to be an inadequate burden for businesses as well as the economy. So, it's crucial to consider if simply increasing minimum wages permanently is the solution to inflation.

Monetary Policies: Monetary policies can be a feasible solution to inflation. First by governments increasing their interest rates, this will in turn lead to higher interest rates from banks. Ultimately, fewer people will borrow money from banks as interest rates are much higher than before. As a result, the total money circulation drops as well, slowing down inflation.

Higher Supply: Amongst the causes for the global inflation, one is the lack of supply for the high demand during the pandemic. As international trades and domestic workforces declined, due to various lockdowns and other pandemic measures, many nations couldn't provide sufficient supply, leading to higher costs. In order to solve this problem supply needs to be improved. One way is to invest in different markets to improve productivity. For example, utilizing new technology may improve supply and fit the demand for a lower cost.

VII. Recommendations for Resolution Writing including Research

When drafting resolutions, delegates should consider the complexity of the topic at hand. Though many might be tempted to simply suggest increasing minimum wages, it is advised for delegates to be mindful of the various parties involved, not just the employees. Also, delegates should be mindful of the discrepancy between the impact of the inflations in each nation. For many nations, it's important to have different stances based on how they were or weren't affected socially or economically by the inflation. Finally, delegates should aim to draw from the stakeholders and Non-Governmental Organizations (NGO) to find the best solutions rather than considering only their country's stance.

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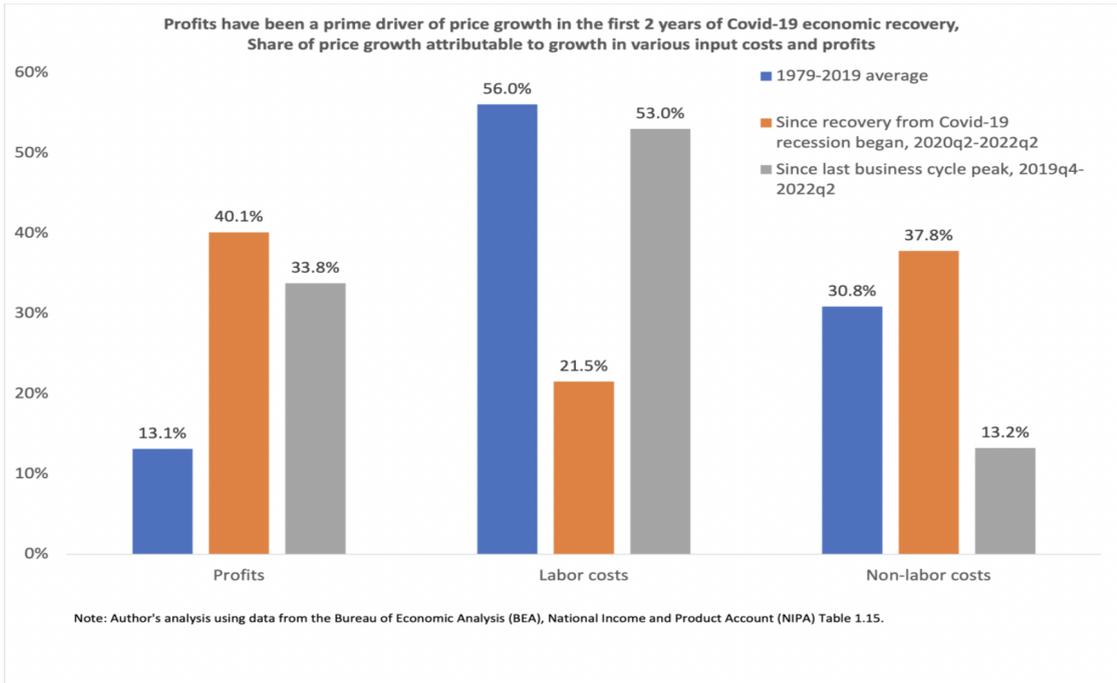
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IX: Additional Resources

[source](#)



[Country-Based Minimum Wages](#)