

THE UNITED NATIONS DEVELOPMENT PROGRAMME

Background Guide



Hello Delegates!

Welcome to ShriMUN, I am so pleased to have you all in the UNDP. My name is Nakita Niyogi and I will be the Chair of your committee. I am very excited for the coming week and eagerly anticipate your outlooks and discussions on the agenda at hand, as it is a relevant one indeed.

Before attending however it is essential that you read this guide, for it will give you a thorough background. I furthermore urge you to read beyond this guide as well, particularly the details concerning your own country, for a more intense and well-informed committee.

While this particular committee has no crisis to be solved or conflict to be addressed, we hope to come up with innovative reports and feasible ideas on this topic. My Director Rishabh has already included the points that we are expecting from all the delegates.

Do not hesitate to contact me or either of your Directors for any further questions. Best of luck, I look forward to chairing an engaging committee!

Best regards,
Nakita Niyogi
Chair, United Nations Development Programme, ShriMUN 2016

Dear Delegates,

Welcome to the United Nations Development Programme! My name is Mahi Khanna, and I will be your Director this year. I am very excited for this year's conference and am looking forward to working with all of you. How does globalisation affect the labour market? Does the process of globalisation benefit everyone equally? Throughout this committee, we will be addressing the very relevant and highly significant topic of 'Globalisation of Labour'. The UNDP is best for coming up with long-term solutions for such consequential topics, which would benefit the global community as a whole. As delegates, I urge each and every one of you to research adequately, understand your country's stand on the agenda, and come up with concrete solutions for the same. My hope is that you all represent your country's well, debate passionately, and broaden your horizons. My only advice to you would be to also go beyond the contents in this background guide, and think of creative and unique ways to make this debate extremely engaging. Don't worry about being too technical, if you understand the basics of what the agenda is asking for, you will automatically have the upper hand in committee. For any queries or doubts, feel free to contact any member on the Executive Board - we will be more than happy to help you out!
All the best, and happy MUNing!

Best regards,
Mahi Khanna
Director, United Nations Development Programme, ShriMUN 2016

Dear Delegates,

I, Rishabh Minocha welcome you all to the United Nations Development Program (UNDP), ShriMUN 2016. Firstly, it will be an honour to preside over this session, for your presence and the agenda for this council is something, I personally am really looking forward to. Secondly, do not get jittered by the length of this guide. Choose to read almost all of it, especially the highlighted parts and the conclusion. Understanding this agenda is important, because on the face it seems to be simplistic, while actually it is not.

I hope I fulfill my duties to the best of your expectations, while you do me the least of a favour by at least reading this guide and a few examples of practical application of these very ideas in the real world on your own. As a past delegate myself, there are a couple pieces of advice I would like to share with you all. First, make sure to adequately prepare yourselves for the conference. This means not only reading the Background Guide and looking over the research and preparation questions, but also doing your own outside research so you are prepared to debate either topic during committee. **Understand the agenda and research while you are thinking along with readings. Think different, think new.**

It would be hard for a delegate to derive one's foreign and opinionated policy on the concept; therefore it is imperative they look into their local practice with respect to judgments and legislation within their own countries first.

How to debate and prepare and what I expect.

- What do you understand by the term Globalisation of Labour.
- Secondly, I expect one to explore first analytically that how much is labour globalized as of now.
- Thirdly, preparation MUST start with the guide to understand what we are looking at. Then develop your own structure to the debate in terms of addressing each of the topics. **Do read the guide!**
- Understand the mandate of the committee and prepare suggestions according to that. the wider you research in terms of themes, the better chances you have at contributing to debate. So prepare subtopics first (as topics for moderated caucuses maybe) then research them separately(for speeches in each Caucus).
- For a complete speech: Identify:-
 - 1) Areas that need attention.
 - 2) Suggest what to do (in compliance with logic and your foreign policy).
 - 3) Suggest how to do it-give examples from the past or an analytical algorithmic framework.
 - 4) Tell us why to do it-legality, viability and practicality.

Sincerely,
Rishabh Minocha
Director, United Nations Development Program, ShriMUN 2016
rishabh@todaysfuture.in

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 than it's worth. Additionally, more people than ever are flooding into cities in response to the implementation of 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 UNDP 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.

How Globalized Is Labour?

A first question to address is how the opening up of China, India, and the former Eastern bloc countries, together with ongoing demographic developments, has affected the global labor supply. This is not easy to answer because much depends on the assumptions made about how much of a country's labor force is in, or could potentially compete in, the global market. One simple approach is to weigh each country's labor force by its export-to-GDP ratio. By this measure, the effective global labor supply quadrupled between 1980 and 2005, with most of the increase taking place after 1990. East Asia contributed about half of the increase, due to a marked rise in working age population and rising trade openness, while South Asia and the former Eastern bloc countries accounted for smaller increases. While most of the absolute increase in the global labor supply consisted of less-educated workers (defined as those without higher education), the relative supply of workers with higher education increased by about 50 percent over the last 25 years, owing mostly to advanced economies, but also to China. Advanced economies can access this increased pool of global labor both through imports of goods and services and through immigration. Trade has been the more important channel and has grown more rapidly, not least because immigration remains highly restricted in most countries. However, Immigration has expanded significantly over the past two decades in some large European economies (Germany, Italy, and the United Kingdom) and in the United States. The share of immigrants in the U.S. labor force is now close to 15 percent and hence comparable to the share of imports in GDP. Elsewhere the share of immigrants is still substantially less than the share of imports

in GDP, but it is not negligible. Focusing on trade, the share of developing country products in the manufacturing imports of advanced economies has doubled since the early 1990s. This owes much to China. Developing countries have also been capturing an increasing share of world markets. At the aggregate level, however, trade is a win-win game. As China, India, and the Eastern bloc countries have opened up, world markets and opportunities to export have expanded considerably for advanced economies and developing countries alike. 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 (though not as rapidly as the share of developing countries in their own imports). Further, while both import and export prices have been on a declining trend relative to output prices, the terms of trade of advanced economies have improved by a cumulative 7 percent since 1980. Most notably, there was a substantial improvement in the terms of trade of Japan in the first half of the 1980s. However, the large fall in import prices at this time was mainly the result of the strong appreciation of the yen at a time when oil prices were falling, and was not directly related to globalization. [1]

How Has the Globalization of Labor Affected Workers in Advanced Economies?

The rapid growth of the global labor supply and its manifestation through increasing exports of emerging market and developing countries leads to the question of how these trends have affected workers in advanced economies. With exports from emerging market and developing countries being intensive in labor, especially unskilled labor, traditional trade theory would predict that the integration of these countries into the world economy would exert downward pressure on the wages (corrected for productivity) of workers in advanced economies. Hence, the share of national income received by labor—the so-called labor share—would be expected to decline. To see this, it is worth noting that the labor share can be expressed as the ratio of labor compensation per worker to average worker productivity. Nevertheless, workers in advanced economies could still be better off if the positive effects from enhanced trade and productivity on the economy's income (the size of the total "pie") are larger than the negative effect on the share of this income that accrues to labor. The vast literature documenting gains from trade suggests that the increase in the economy's income may indeed be substantial.

HISTORY AND DESCRIPTION OF THE ISSUE

The Changing Role of Labor

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, 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, 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."²⁵ 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 UNDP 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.²⁸ 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.²⁹ 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.”³⁰ 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.³¹ 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.”³² 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.³⁴ 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.³⁵ 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.³⁶ 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.³⁷ 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.³⁸ 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 UNDP 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.³⁹ 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.⁴⁰ Advanced economies such as the United States and Europe have significantly increased the rate at which they import cheap goods from developing economies.⁴¹ 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.⁴² 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.”⁴³ 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.⁴⁴ 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; it is also vital to consider the effect of the growth of labor on economies of both developed and developing countries.

International Labor Organization

The ILO was created in 1919 as part of the Treaty of Versailles that ended World War I.⁶² The ability of the world to manufacture materials and trade at a high rate became glaringly obvious during World War I, causing the international community to create the ILO to protect workers in the international economy. The preamble of the ILO contains many clauses, all of which still have importance in today's fight against the abuse of laborers. The preamble includes clauses that stress the importance of limiting work hours, regulating labor supply, protecting workers against absences due to illness, protecting children and elderly workers, fair pay, and freedom of association.⁶³ The ILO initially had very poor enforcement capabilities, allowing industrializing states to brush aside these provisions. However, the preamble of the ILO was an important step in the defense of labor across the world. It was not until after World War II that the ILO became a specialized agency of the UN.⁶⁴ The ILO had a much tougher job after the Second World War, primarily due to rapid industrialization of many of the world's countries during this time. Developed countries after WWII became a minority in the ILO, which forced the organization to consider the impact of increased labor rights on the development of lesser-developed countries.⁶⁵ From 1977-1980, the United States withdrew from the organization because it believed that the ILO was imposing unnecessary recommendations on member countries, causing the ILO to lose a quarter of its budget and sparking fears that the organization was powerless.⁶⁶ Nonetheless, the ILO continued to have an influential international presence, especially after the end of the Cold War when it focused on "emphasizing the importance of placing social justice at the heart of international economic and social policies."⁶⁷ For example, in 1989, the ILO ratified Convention 169, which extended social protections to indigenous workers.⁶⁸ In more recent years, the ILO has highlighted the importance of safety and health at work, social protection, and youth employment.⁶⁹ By doing so, the ILO has sent a message that the social rights of workers cannot be overlooked during the globalization of the international economy.

World Trade Organization

While agencies like the ILO and the United Nations Human Rights Council (UHCHR) have largely dealt with the implementation of labor standards that protect the most basic rights of workers, the World Trade Organization (WTO) in many ways plays the opposite role: protecting the world's businesses and

corporations from legislation that hinders economic development.⁷⁰ In the past, the WTO has taken on a significant amount of criticism for its role in protecting the world's businesses. Most famously, more than 40,000 citizens from all parts of the world took to the streets in Seattle in November of 1999 to protest a new millennium round of trade negotiations by the WTO.⁷¹ At the forefront of the protesters' grievances was the lack of protection that the world's corporations gave to workers, as well as the absence of significant worker protections in any previous WTO agreement.⁷² Protests like this one demonstrate the passion and relentlessness of those who defend the social rights of workers worldwide. Nevertheless, it is important to consider the economic arguments that the WTO presents, especially considering the role of ECOFIN in international economics. In particular, many important questions have been raised by the WTO, all of which are extremely important to address during committee. For example, if a country has lower labor standards than another country, does that country have an unfair exporting advantage?⁷³ Also, how can this unfair advantage (if it exists) be dealt with, and what powers does the UN have to enforce labor standards?

The WTO has made it explicitly clear that it "rejects the use of labor standards for protectionist purposes, and agrees that the comparative advantage of countries, particularly low-wage developing countries, must in no way be put into question."⁷⁴ This presents the idea that labor standards can have lasting economic consequences on free trade and economic development, which is something that must undoubtedly be considered in the debate on the globalization of labor. Delegates should look to their own country's policies on labor standards when developing a stance on this issue. Aside from addressing the issue of labor standards, the WTO also deals with the implementation and removal of international trade barriers, as well as the facilitation of free trade to promote economic growth.⁷⁵ In many cases, the WTO achieves these goals through formal negotiations and meetings. The Uruguay Round, which was the largest ever negotiation of international trade, began on 20 September 1996 and took major steps in the liberalization of trade.⁷⁶ In addition to creating the WTO itself, the Uruguay Round led to significant reductions in agricultural and textile tariffs.⁷⁷ Unfortunately, however, the international trade policies of the WTO have not benefited everyone, especially developing countries.⁷⁸ A great example of this occurrence is the banana industry in Jamaica.⁷⁹ For years, Jamaica was given preferential treatment by Europe, who provided a tax-free quota of 105,000 tons of imported bananas per year.⁸⁰ Access to the European market allowed Jamaica's banana farmers to earn a living and support their families. However, the United States sued Europe, arguing that it showed preferential treatment to Jamaica, and eventually the WTO ruled in the United States' favor.⁸¹ Consequently, Jamaica's banana farmers were forced to compete with farmers all across South and Central America, where labor is cheaper and soil is more ideal for banana growing.⁸² In fact, "Jamaica's entire banana production could be produced by one farm in Central America."⁸³ As expected, Jamaica's banana industry was destroyed because it could not compete in the "free market" against corporation such as Dole and Chiquita; the number of banana farmers in Jamaica shrink from 45,000 to 3,000 in only a few years.⁸⁴ The example of Jamaica's banana industry proves that trade liberalization policies by the WTO can hurt local, domestic businesses by forcing them to compete with corporations. In committee, delegates will have to consider how to protect low-income laborers like Jamaica's banana farmers from large corporations.

Labour law mediates the relationship between workers (employees), employers, **trade unions** and the government. Collective labour law relates to the tripartite relationship between employee, employer and union. Individual labour law concerns employees' rights at work and through the contract for work. Employment standards are social norms (in some cases also technical standards) for the minimum socially acceptable conditions under which employees or contractors are allowed to work. Government agencies (such as the former US Employment Standards Administration) enforce labour law (legislative, regulatory, or judicial).

Labour law arose in parallel with the Industrial Revolution as the relationship between worker and employer changed from small-scale production studios to large-scale factories. Workers sought better conditions and the right to join (or avoid joining) a labour union, while employers sought a more predictable, flexible and less costly workforce. The state of labour law at any one time is therefore both the product of, and a component of struggles between various social forces.

As England was the first country to industrialise, it was also the first to face the often appalling consequences of industrial revolution in a less regulated economic framework. Over the course of the late 18th and early to mid-19th century the foundation for modern labour law was slowly laid, as some of the more egregious aspects of working conditions were steadily ameliorated through legislation. This was largely achieved through the concerted pressure from social reformers, notably Anthony Ashley-Cooper, 7th Earl of Shaftesbury, and others.

Working Conditions

Working conditions are at the core of paid work and employment relationships. Generally speaking, working conditions cover a broad range of topics and issues, from working time (hours of work, rest periods, and work schedules) to remuneration, as well as the physical conditions and mental demands that exist in the workplace. The globalised mass production of cheap consumer goods by multinational companies (MNEs) has a notorious dark side: working conditions in factories, suppliers and subcontractors of the MNEs in developing countries are often appallingly bad. This concerns issues like child labour, safety conditions, disciplinary measures, pay, overtime regulations, maternity leave, the possibility of workers to create trade unions etc. Sadly in some cases it even concerns issues like slavery and slavery-like conditions. As became clear in the 1990s in the course of public campaigns directed towards factories of large companies such as Nike, who were found to sell products which were made under strikingly poor working conditions (in so-called 'sweatshops'), public

opinion seemingly holds that global firms do carry a responsibility for the working conditions in their supply chains - including the ones at their legally independent suppliers and subcontractors.

As a result of the pressure brought by public opinion and social expectations, MNEs have indeed started to take on the responsibility the public claims they have concerning their supply chains. However, they mostly did (and do so) only insofar as they fear reputational problems when not fulfilling the public's expectations because of their potentially negative economic consequences. Based on the same logic, business ethics usually tries to argue that there is a 'business case' - meaning an economic argument - for corporate social responsibility measures, including these directed at improving working conditions in supply chains. Whereas it may be applicable for the most famous brands due to their high visibility and consequent vulnerability to reputational damage, for most other firms it may as well not apply.

Child Labour

A serious outbreak of fever in 1784 in cotton mills near Manchester drew widespread public opinion against the use of children in dangerous conditions. A local inquiry presided over by Dr Thomas Percival, was instituted by the justices of the peace for Lancashire, and the resulting report recommended the limitation of children's working hours. In 1802, the first major piece of labour legislation was passed – the Health and Morals of Apprentices Act. This was the first, albeit modest, step towards the protection of labour. The act limited working hours to twelve a day and abolished night work. It required the provision of a basic level of education for all apprentices, as well as adequate sleeping accommodation and clothing.

The rapid industrialisation of manufacturing at the turn of the 19th century led to a rapid increase in child employment, and public opinion was steadily made aware of the terrible conditions these children were forced to endure. The Factory Act of 1819 was the outcome of the efforts of the industrialist Robert Owen and prohibited child labour under nine years of age and limited the working day to twelve. A great milestone in labour law was reached with the Factory Act of 1833, which

limited the employment of children under eighteen years of age, prohibited all night work and, crucially, provided for inspectors to enforce the law. Pivotal in the campaigning for and the securing of this legislation were Michael Sadler and the Earl of Shaftesbury. This act was an important step forward, in that it mandated skilled inspection of workplaces and a rigorous enforcement of the law by an independent governmental body.

A lengthy campaign to limit the working day to ten hours was led by Shaftesbury, and included support from the Anglican Church. Many committees were formed in support of the cause and some previously established groups lent their support as well. The campaign finally led to the passage of the Factory Act of 1847, which restricted the working hours of women and children in British factories to effectively 10 hours per day.

CASE STUDY: **Wages in China**

The current situation in China is an excellent example of how the labor situation is rapidly changing. For the past few decades, China's seemingly limitless labor force has helped produce extremely cheap goods for the rest of the world.¹²³ However, this pattern is changing in China as wages begin to rise. After an estimated 10.7% increase in wages in China during 2013, wages are expected to increase 11% in 2014, according to Lu Ting, a Hong Kong-based economist for Bank of America.¹²⁴ Other analysts, like those from JP Morgan, estimate that wages will rise nearly 15% this year.¹²⁵ This increase in China's wages is occurring for a variety of reasons. First, a higher percentage of China's population is receiving higher education, which means less unskilled laborers and more skilled ones that require higher wages for their jobs.¹²⁶ As a result, China's economy is moving from a manufacturing-based economy to a service-based one, a transition that will steadily continue for the next couple of decades.¹²⁷ Additionally, many of China's provinces have increased the minimum wage in response to public opinion against low wages.¹²⁸ For example, in Changsha, in the Hunan province, authorities increased the minimum wage by 9.1% in December of 2013.¹²⁹ The city of Xi'an in Shaanxi province increased its minimum wage by 15% in 2013 and then by another 11.3% in 2014, while Yangzhou in the Jiangsu province witnessed a 15.6% increase.¹³⁰ Delegates must consider the reasons for these wage increases and understand their impact.

The effects of these wage increases on the Chinese economy are expected to have both national and global impacts. For the people of China, rising wages are good news for those seeking fair pay for the world's workers. Consumers will also have more money to spend, which is important for national

economic growth within China. A larger amount of money is moving into the hands of China's households, therefore increasing the size of the middle class.¹³¹ However, higher wages in China means that it is losing its competitive edge against other countries in the fight to attract international business.¹³² The rising cost of labor is affecting the profitability of corporations based in China. This is because corporations must spend more of their money on paying wages of their workers. In turn, large corporations are looking to other countries in Southeast Asia like Bangladesh, Cambodia, and Vietnam as viable alternatives to manufacture their products.¹³³ For example, Crystal Group, a clothing manufacturer for global corporations such as Abercrombie and Fitch and Gap, "has more than tripled its staff in Vietnam over the past three years, but made only small increases in its China workforce," stating that its decision to relocate is simply a matter of economics.¹³⁴ As China loses manufactures to other countries, "its leaders face a tough choice between keeping wages on a rising trend to boost household income, and controlling costs for the manufacturers that create many of the mainland's jobs."¹³⁵ The current wage crisis in China provides an excellent example of how the world's labor force is intertwined. Delegates should use this current situation as an example of the economic impact of globalization on labor, and understand that this is only one of many similar instances across the world.

Pearl River Delta

The Pearl River Delta, located in Guangdong province of China, is considered by many to be "the world's factory floor."⁸⁵ In recent years, the Pearl River Delta has become one of China's most profitable and successful export processing zones.⁸⁶ The total income generated in the region is comparable to the total GDP of the entire state of Taiwan.⁸⁷ However, despite the economic productivity of the region, the Pearl River Delta is also known for the poor conditions that exist for the millions of rural migrant workers that live there. Migrating from all regions of China, the workers in the Pearl River Delta sell their labor to companies that in many instances abuse their international rights. Among the workers in the Pearl River Delta, 95% are migrants and 60% are women under the age of twenty-five.⁸⁸ Despite the fact that these women leave their homes in hopes of returning with money to support their families, almost all of them face extremely difficult hardships in the factories.⁸⁹ Nevertheless, despite the hardships they face, these workers are what make the economic success of the Pearl River Delta a reality. There are 70,000 Hong Kong companies that operate in the Pearl River Delta, all of whom benefit greatly from the current lack of enforcement of labor laws. ⁹⁰ Therefore, plans that give assistance to this region's workers may potentially have an effect on the economic productivity of these corporations. Additionally, they may face backlash from countries in which these corporations are located.

The shoe industry in the Pearl River Delta is especially known for its poor treatment of workers.⁹¹ According to a group of sixteen college professors who traveled to the Pearl River Delta to examine employee-worker relations in the shoe industry, "The work is dirty and dangerous. In particular, long exposure to glues used to adhere soles and uppers is hazardous to worker health...workers were not wearing masks or gloves as protective measures when exposed to chemical fumes."⁹² Laborers work more than twelve hours a day and spend six to seven days a week in the factories, where they live year round with limited vacation time.⁹³ Many of the nearly eleven million nonresident migrants of

the Pearl River Delta live in rooms attached to factories with other coworkers crammed into the same room as them.⁹⁴ They must pay around \$3.50 USD per month for rent while they must also pay for electricity, water, and other appliances as well. Many of them fail to return after vacation time because the conditions are so harsh.⁹⁵ Migrant workers in the Pearl River Delta must also deal with the challenges of negotiating written labor contracts with their employers.⁹⁶ According to Dr. Liu Kaiming, the Executive Director of the Institute for Contemporary Observation (ICO), 60% of the migrant workers in the Pearl River Delta have no labor contracts.⁹⁷ Labor contracts are important for workers because they specifically set wages, hours, and time off, therefore limiting the ability of businesses to demand more from their workers than what they are paid for. Even though a small percentage of workers have labor contracts, many laborers do not have the educational background to negotiate legitimate, favorable contracts with their employers.⁹⁸ For example, “although laws in China guarantee women workers maternity leave, migrant workers are frequently fired if they become pregnant, or employers may simply refuse to provide this benefit. Dr. Liu documents a number of cases where worker contracts specified that they would be charged a minimal fee to cover death and disability insurance, but workers learned that although this money was collected, no funds were ever dispersed. Injured workers received no money or compensation for their disabilities.”

The Pearl River Delta is one case study that represents a general pattern that is occurring in response to globalization across the world: massive profits by corporations at the expense of the lives of workers. However, dealing with places like China’s Pearl River Delta is not an easy task. Corporations are driven by profit, and consequently, they will not change the way they operate unless they are forced to do so. Even when worker protection laws are in place, some companies refuse to follow these laws because there is a lack of accountability and law enforcement.¹⁰⁰ Additionally, because so much of the exploitation of labor takes place in a limited number of countries, such as China and India, the policies of these countries carry tremendous weight and influence on wages across the world.¹⁰¹ Although international standards are important in setting a precedent regarding worker’ rights, most bodies of the UN can only suggest legislation rather than demand it. Therefore, delegates of ECOFIN must be innovative and find ways to encourage developing countries to protect their workers. Otherwise, problems like the ones in the Pearl River Delta will continue to exist.

Topics the EB would like to see:-

- 1) To find proper balance between workers’ wages and rights and economic productivity
- 2) The solution to the issue by each and every country without going against its policies.
- 3) The minimum working conditions, the minimum wage and its enforcement.
- 4) How has it affected HR, immigration etc.