

Forum:	General Assembly 2
Issue:	Raising the Minimum Wage in Less Economically Developed Countries
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Introduction

Our world consists of two different types of countries: MEDCs (more economically developed countries) and LEDCs (less economically developed countries). There are multiple factors that define each country, whether they are economic, social or environmental. But when looking at the word ‘developed’ and LEDCs, you need to understand that it can be about an individual and their standard of living *and* a country as a whole, when looking at their economy. A factor that can improve both of these aspects is minimum wage. Increasing the minimum wage will stimulate consumer spending whether that is when purchasing products or making investments. It will help business’s bottom lines and, in the end, grow the economy, which is a major aspect of further developing a country. This report is written to help delegates gain a better understanding of the topic and aid them when writing resolutions.

Definition of Key Terms

Minimum Wage

Lowest wage per hour that a worker must be paid, as mandated by federal law (Liberto).

MEDCs

More economically developed country – advanced, industrialized (“What is an MEDC country”).

LEDCs

Less economically developed country – developing, relatively poor (“What is LEDC”).

GDP

Gross Domestic Product – the total market value of all the finished goods and services within a country’s borders in a specific time period (Chappelow).

GNP

Gross National Product – the total value of all final goods and services produced by a country’s citizens (regardless of their location) in a particular time period (“GNP”).

Background Information

History of Minimum Wages

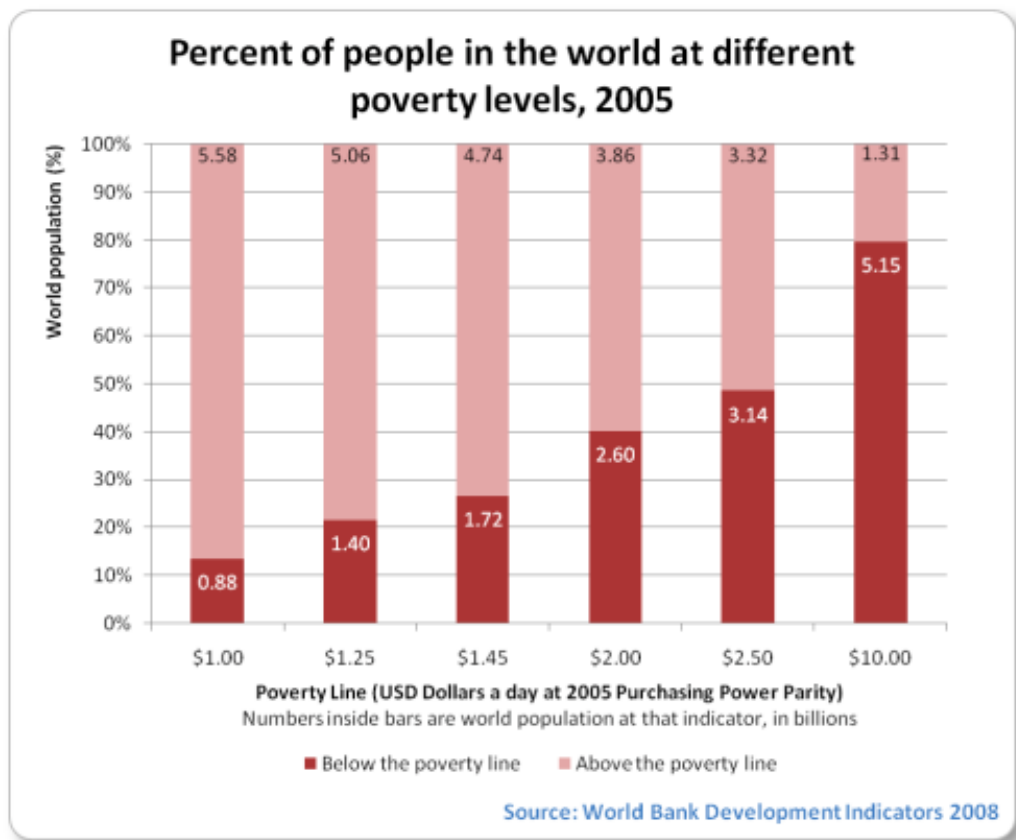
New Zealand was the first country to introduce minimum wages in 1894, with Australia following closely behind, starting in 1896 (Bateman). Since then, it’s been an important subject for each nation.

In the United States, beginning in the 1800s, American businesses hired women and children for a lower wage than men. By 1910, 2 million children worked for up to 20 hours each day and as a result, many were killed or injured (“The History of Minimum Wage Laws”).

In the 1920s, American lawmakers wanted to improve these working conditions and five years later, almost 15 states had passed a minimum wage law even if it was only 16 cents per hour. Over the years, it gradually increased and currently it’s at \$6-14, depending on the state (“The History of Minimum Wage Laws”).

How Poverty affects Developing Countries

There are numerous ways that poverty affects a country and its people, whether that is for the individual or for the country as a whole.



Caption 1: World Population and the Poverty Line

The graph above shows that at least 80% of humanity survives on less than \$10 a day.

According to UNICEF, because of poverty in less developed countries, more particularly in sub-Saharan Africa and South Asia, almost 22,000 children die each year because of multiple reasons; may be because they are underweight and stunted, lack of clean water, lack of proper hygiene conditions, etc.

As for the country as a whole, statistics show that the richest 20% of the world's population accounts for 75% of the world income whereas the poorest 40% of the world's population accounts for just 5%.

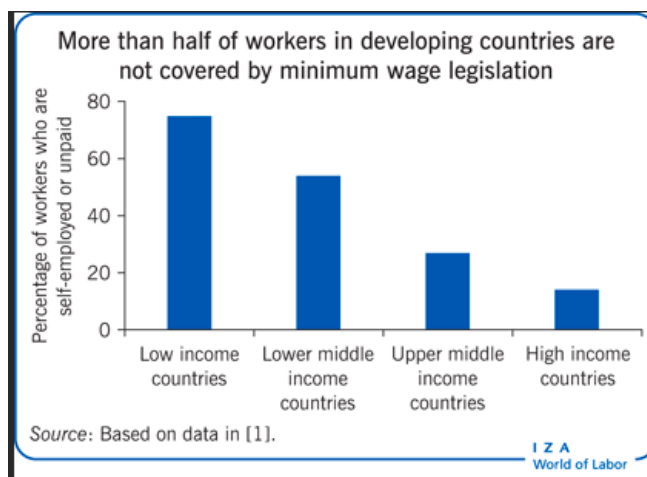
Key Issues

Unemployment

Businesses are tight when it comes to money and having to pay their staff a higher amount would result in them hiring less employees or even shutting down the business all together. According to a reliable study, raising the minimum wage in a small county would cost 47,000 jobs in 5 years (“Another Study Reveals the Harmful Effects of Raising the Minimum Wage”).

May only apply to formal workers

Businesses are tight when it comes to money and having to pay their staff a higher amount would result in them hiring less employees or even shutting down the business altogether. According to a reliable study, raising the minimum wage in a small county would cost 47,000 jobs in 5 years (“Another Study Reveals the Harmful Effects of Raising the Minimum Wage”).



Caption 2: Percentage of workers unaffected by the minimum wage

The graph above shows us that in LEDCs, majority of the workers are informal or self-employed, meaning that the minimum wage would not apply to them, therefore wouldn't result in the country further developing because it wouldn't benefit more than half of their population. On the other hand, for formal workers, some already receive more than the

required minimum wage, meaning there would be no benefit in that situation. Rather, because businesses would have to pay some workers more money, they might cut staff, which would increase poverty (Gindling).

Major Parties Involved and their Views

There aren't exactly specific countries that view minimum wages out of their country, but there are multiple organizations that try to lift people out of poverty. These organizations focus on doing it by creating a holistic environment and then improving by focusing on health, security, education, etc. rather than other methods of lifting them out of poverty. Some of these organizations include International Rescue committee, Concern Worldwide U.S, InterAction, etc.

Timeline of Relevant Resolutions, Treaties, and Events

Date	Description of Event
1894	New Zealand passes the minimum wage law, which soon spreads to the rest of the world
20 th Century Onwards	Developing countries suffer from low minimum wages
1956	Indonesia and other developing countries pass laws for minimum wages
2004	Algeria tries to raise their minimum wage but it results in them losing more money

Evaluation of Previous Attempts to Resolve the Issue

In Algeria, they attempted to increase the minimum wage in 2004 from 8,000 to 10,000 DA. It cost them 24 Billion DA per year (which is approximately \$310 million) and half of it was paid for by the state, the other half through social security funds (Saget).

In Uruguay, the minimum wage is so low that less than 3% of workers receive that amount or lower. Therefore, they find it pointless to increase the minimum wage because only a small amount of their formal workers population is receiving that amount of money. Meaning, that it wouldn't benefit the country's economy as the rest receive a higher amount (Saget).

Possible Solutions

When brainstorming possible solutions, it's important to look at the key issues and try to think of a way to improve them. For example, trying to find a temporary solution for unemployment or trying to enlarge the pool of people who receive minimum wage. Of course, it's important to raise awareness but more than that, to educate people about investment and such things that can help to grow the economy.

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