

**FORUM:** Human Rights Council (HRC)

**QUESTION OF:** Debating the effectiveness of a global minimum wage as a means of fighting poverty and exploitation of workers

**STUDENT OFFICER:** Emil Schnapauff

## **INTRODUCTION:**

The concept of a global minimum wage has the potential to combat poverty and reduce the exploitation of workers. In an economy and labor markets shaped by globalization, disparities in wages between countries are becoming increasingly significant. According to the ILO, more than 90 percent of its member states have minimum wages set through legislation or binding collective agreements. However, in many countries minimum wages fail to meet workers' needs. Therefore, discussion often revolves on implementing living wages which focus on the necessary level required for a decent standard of living. An appropriate wage level has a strong influence on achieving the United Nations Sustainable Development Goals (SDGs). Especially the first Goal "No poverty" is directly enabled but also Goal 8 "Decent Work and Economic Growth", Goal 5 "Gender Equality" and Goal 10 "Reduced Inequalities" are directly enabled. The Goals 2, 3, 4, 6, 7, 9, 11 and 17 are indirectly enabled.

## **DEFINITION OF KEY TERMS:**

**Minimum wage:** The minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period of time, which may not be reduced either by individual or collective agreement, which is guaranteed by law and which may be fixed.

**Living wage:** "Wage level that is necessary to afford a decent standard of living for workers and their families, taking into account the country's circumstances and calculated for the work performed during normal hours. It should be calculated in accordance with the ILO's principle of estimating the living wage and be achieved through the wage-setting process in line with ILO principles on wage setting." - International Labor Organization (ILO).

Purchasing Power Parity (PPP): Due to the existence of many different currencies, economies and standards of living worldwide, a common financial denominator is needed in order to determine, e.g., the global poverty threshold. With the use of PPP, data on each nation's consumption and income rates, as well as each specific living wage, is converted into internationally comparable terms. The International Comparison Program (ICP) uses price data from across the globe and global exchange rates (usually based on the US dollar) to calculate the PPP.

Poverty Threshold: The poverty threshold or poverty line is the minimum level of income considered adequate to *survive* in a particular country. The global poverty line is defined and adjusted by the World Bank. In June 2025 it was raised to \$3.00 per person per day, which replaces the previous \$2.15 poverty line.

Extreme Poverty: Extreme poverty is “a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services”. The World Bank estimates 9.9 percent of the world's population are living in extreme poverty by the new standard of \$3.00 per day.

## **BACKGROUND INFORMATION:**

Most ILO member states have minimum wage regulations in place. However, those minimum wages oftentimes don't meet the needs of workers and their families. One reason for minimum wages being too low for workers to cope with is that they are set too low in the first place. This might happen if governments do not consult workers' representatives. If minimum wages are not adjusted through collective bargaining, they are likely to become too low as the cost of living increases. Furthermore, minimum wages require frequent adjustments to keep up with inflation and need to be monitored, enforced and sanctioned if employers fail to provide such.

Many countries have multiple rates which can vary by industry, occupation or both. Minimum wages in, e.g., the agricultural sector are often lower than minimum wages in other sectors.

However, during the last decades, in a profit-oriented environment, corporations profited off countries with little labor rights and regulations while paying low wages. If those countries choose to improve the situation, corporations could easily move to other countries. Therefore,

nations need to compete to attract investments and businesses by lowering labor rights and wages. A minimum wage helps strengthening workers' rights and end the race to the bottom.

Minimum wages should consider the needs of workers and their families as well as economic factors. Additionally, minimum wages should be set relying on agreed criteria, adequate statistics and a system of monitoring and evaluation of the effects. Lastly, a mechanism of regular adjustments should be established.

High rates of non-compliance with minimum wage regulations are more likely in rural than in urban areas and in the informal than in the formal economy. Non-compliance has negative effects on Human Rights (see also *Impacts on Human Rights*) as women, as well as disadvantaged ethnic and social groups, are frequently more likely to be underpaid. Also, compliant employers suffer since it gives non-compliant employers an illegitimate cost advantage.

Before implementing a *global* minimum wage, it is important for countries to have a foundation in place. This includes national minimum wage regulations and institutions to monitor and enforce compliance. As a basis of a global minimum wage a certain formula or index should be used. But absolute terms for setting a global minimum wage are also possible. When the foundation for a global minimum wage is laid, further negotiation between nations is needed to develop regulations that regard the concerns as well as the benefits and achieve higher levels of compliance.

In countries where minimum wage regulations are in place, minimum wages often do not provide enough for workers and their families to afford a decent standard of living. Therefore, debate in these countries is shifting in the direction of implementing *living wages* that enable workers and their families to afford a decent standard of living rather than living on the *poverty threshold* or potentially in *extreme poverty*.

When implementing a minimum wage, it needs to be done carefully to prevent possibly drastic effects. If companies are able to allocate only a certain amount of capital to wages, implementing a minimum wage that is set unreasonably high would automatically lead to layoffs of employees, as the increase in the price of labor reduces the demand for it. Those layoffs would result in a high unemployment rate among mainly unskilled workers, ultimately leaving them with even less income. Alternatively, the increase in the price of labor might be covered by a rise in prices, which could displease consumers and reduce competitiveness. Higher costs of living would result in a zero-sum game for workers in minimum wage jobs.

However, more and more companies adopt due diligence frameworks in their supply chains to support Human and Workers' Rights

## **IMPACTS ON HUMAN RIGHTS:**

Poverty wages impact numerous human rights, including but not limited to the:

*Right to enjoy just and favorable conditions of work* (Article 23): Workplace practices may hinder a worker's ability to adopt a healthy work-life balance, for example, when wages are insufficient to provide an adequate standard of living and workers are required to work excessive hours in order to supplement their income. The failure to receive a *living wage* may also impact a worker's ability to provide adequate care for their family, including childcare, food and accommodation.

*Right to rest and leisure including reasonable limitation of working hours* (Article 24): Where wages are insufficient to provide an adequate standard of living, workers may need to work excessive hours to supplement their basic income. This could impact the worker's quality of life, lead to low productivity, increase the risk of health and safety violations and potentially impact mental and physical health.

*Right of everyone to an adequate standard of living* (Article 25): The article lays out factors of an adequate standard of living, which includes adequate food, clothing and housing.

Inadequate wages may compromise the ability of parents to provide necessary protection to their children – including adequate food, healthcare and shelter. This is likely to be a particularly acute issue in areas where public child welfare systems are poor or non-existent. Given that many of the countries in which *living wages* are likely to be a particular issue are unlikely to have strong or easily accessible public health systems, inadequate wages are likely to have an impact on the health of employees and their families. Healthcare can form a significant part of any person's income, with workers on low wages forced to ration the health products and services they purchase.

## **POTENTIAL ISSUES:**

Minimum wages fail to meet workers' needs because their needs are not taken into account, a minimum wage is not enforced and/or the minimum wage is not regularly adjusted.

Countries may not have a minimum wage regulation in place yet.

Countries with struggling economies will have more difficulties than countries with strong economies when introducing a *minimum* or *living wage*.

Sovereignty concerns regarding domestic labor policies as well as monitoring and enforcing compliance.

### **POSSIBLE SOLUTIONS:**

*Minimum wage commissions* can offer a framework of consultations between governments, representatives of workers and employers. When both employers and workers are included in negotiations, balanced results and higher compliance levels are more likely.

Strategies and measures for compliance and enforcement can help analyze the extent of non-compliance, strengthen workers to claim their rights, conduct labor inspections and inflict sanctions that deter non-compliance.

Using existing concepts for setting the height of a global minimum wage, e.g., *Kaitz Index*.

### **MAIN PARTIES INVOLVED:**

International Labor Organization (ILO)

Organization for Economic Co-operation and Development (OECD)

European Union (EU)

### **QUESTIONS FOR DELEGATES:**

What actions can be taken to end separate minimum wages for certain sectors?

How can international organizations enforce compliance without infringing on national sovereignty?

How can we balance ethical labor practices with economic competitiveness?

What actions could be taken to formalize the informal sector in order to increase compliance?

## SOURCES:

*C131 – Minimum Wage Fixing Convention, 1970 (No. 131)*, International Labor Organization, [https://normlex.ilo.org/dyn/nrmlx\\_en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CO\\_DE:C131](https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CO_DE:C131)

*Global Wage Report 2024-25*, International Labor Organization, [https://www.ilo.org/sites/default/files/2025-02/GWR-2024\\_Layout\\_E\\_RGB\\_Web.pdf](https://www.ilo.org/sites/default/files/2025-02/GWR-2024_Layout_E_RGB_Web.pdf)

*Due Diligence Framework*, UN Global Compact, <https://bhr-navigator.unglobalcompact.org/issues/living-wage/#due-diligence-considerations>

*Minimum Wages*, International Labor Organization, <https://www.ilo.org/topics/wages/minimum-wages>

*Protect, respect and remedy framework*, 2008,

(Aims to implement:

1. The duty of states to protect against human rights infringements by other parties
2. The responsibility of corporations to respect human rights
3. Access for victims of human rights abuses to sufficient remedy, including judicial mechanisms)

<https://digitallibrary.un.org/record/625292?v=pdf>

*Sustainable Development Goals (SDGs)*, <https://sdgs.un.org/goals>