

# COMMITTEE GUIDE

ECOSOC



**United Nations Economic and Social  
Council**

Valentina Tello and Sofia Suárez

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## Presidents' Letter

Dear Delegates,

It is a pleasure to welcome you all to the UN's Economic and Social Committee (ECOSOC) and to the twentieth version of the Colegio Colombo Británico's Model United Nations. Foremost, allow us to introduce ourselves: We are Valentina Tello and Sofía Suárez, 11th grade students at Colegio Bolívar. Although this is our first MUN model as presidents of a committee, we both have a great deal of experience participating as delegates in various models; thus, we're very excited to see how this committee, and the topics we've chosen, will create an interesting and fun debate for us all. Regardless of how much experience you have in MUN, we hope that this model will be a special and meaningful experience where you can learn something new and work to solve some of the biggest issues worldwide.

The ECOSOC committee is one of the six principal organs of the United Nations. Its mission is to promote a higher quality of living, full employment, and global economic and social progress. Throughout our topics and debates, we aim to produce fascinating and intriguing discussions. Having a successful model is impossible without two primordial elements: investigation and participation. As your presidents, we trust that you will be knowledgeable on the subjects we will be discussing, and that you will take an active role in the discussion in order to create a successful debate. Additionally, it's important to keep in mind that you are representing your nation's political ideas, not your own, and that's why we expect your performance in the model to reflect that. Your ability to conduct research, engage in argument, and communicate effectively will come together to help you thrive in this model. Most significantly, this model will mould you into an ethical and considerate global citizen with a wide range of knowledge on worldwide problems.

MUN is truly a one-of-a-kind experience that will help you in more ways than you can imagine. It will help you to widen your perspective on the world and to develop your understanding of crucial issues through discussion and knowledge. As your presidents, we really hope that each of you will value and benefit from this opportunity as much as we have done throughout our time as delegates. Finally, we sincerely hope that you will be interested in and passionate about the committee's topics because we firmly feel that they are pertinent issues that demand discussion and resolution.

Keeping in mind that this is a middle school committee, it is possible that many of you are rookies (meaning this will be your first model). Although it may seem difficult at first, we want to remind you that doing your absolute best is what matters most. We would like to congratulate and thank you all for taking the initiative to join the Model UN in the first place. We would also like to remind you that we're here for you if you need help with anything or would like some advice. Please feel free to contact us through our email before or during the model: [ecosoc@ccbcali.edu.co](mailto:ecosoc@ccbcali.edu.co). Lastly, we are very excited to be your presidents and are looking forward to meeting you all.

Kind regards,

Sofia and Valentina

ECOSOC Presidents

## **Simulation Topic:** *The link between cryptocurrencies and criminal activity*

### **I. History/Context**

The use of cryptocurrencies as a form of digital currency has increased significantly worldwide over the past decade. Cryptocurrency's popularity can be explained by the fact that this system doesn't rely on banks to verify transactions. With the help of this person-to-person technology, anyone can send and receive payments from anywhere.

Blockchain, a distributed public database that records all transactions and is maintained by currency holders, is the technology that supports cryptocurrencies. People don't actually own anything material if they own cryptocurrency. What they possess is a key that allows the owners to transfer a record or a unit of measurement from one individual to another without the use of a reliable third party (for instance, a bank). Even though Bitcoin has been present since 2009, cryptocurrencies and blockchain technology applications are still at an early stage in terms of financial development, and additional applications are anticipated in the future. The technology might be used to trade bonds, equities, and other financial assets.

Cryptocurrencies have experienced significant price, popularity, and mainstream adoption growth during the last several years. To put it into perspective, the daily dollar volume on the multiple cryptocurrency exchanges and markets online is in the billions. Unfortunately, a connection between cryptocurrencies and criminality is unavoidable given these levels. Bitcoin alone has a market capitalization of more than \$250 billion as of January 2018, and the other 1,000 cryptocurrencies collectively have a market capitalization of an additional \$400 billion. Due to the market's fast growth and the technology's inherent secrecy among users and transactions, the wrong kind of users have also been drawn to it. With crypto transactions requiring no use of real names, criminals may transport millions of dollars across borders unnoticed. Essentially, they can commit a crime without leaving any evidence behind. Crime and cryptocurrency are intertwined in several financial activities, including illicit trade, money laundering, evading capital controls, and the ability to fund terrorism.



(Business Insurance, 2022)

It is nearly impossible for governments and law enforcement organizations to stop cybercriminals from committing crimes without being able to identify the source of the illicit activity. The recorded incidents of money laundering alone top \$5.2 billion in Europe, which gives an idea of how large and pervasive illicit cryptocurrency activity is in numerical terms. According to a January 2018 paper titled *Sex, Drugs, and Bitcoin* 44% of all bitcoin transactions, and over a quarter of all users are connected to unlawful activity. Additionally, roughly half of bitcoin holdings, or 51%, as well as about 20% of the overall cash worth of transactions are linked to unlawful behaviour over time. The study's findings show that these users jointly hold almost \$8 billion worth of bitcoin and engage in about 36 million transactions every year with a value of about £72 billion.

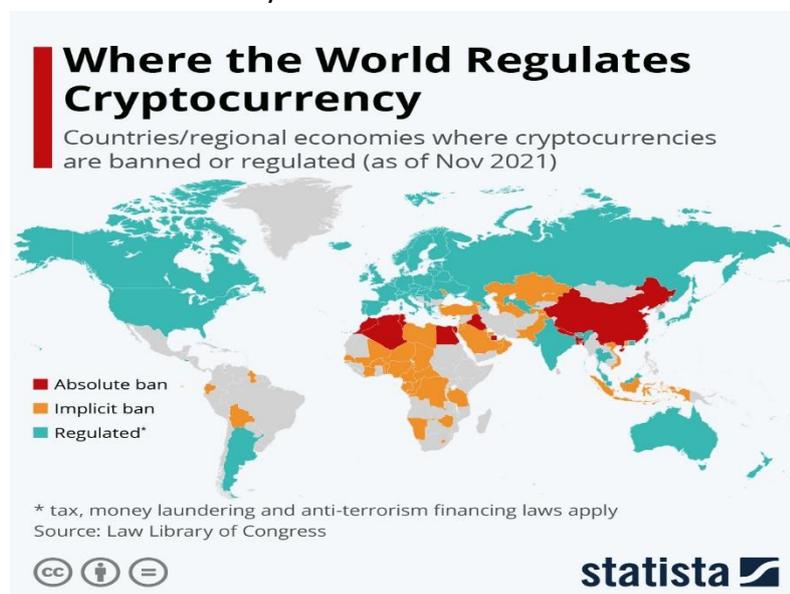
Understanding the issue could be essential for regulators, judges, and law enforcement in deciding if new rules requiring crypto users to identify themselves are required or even legal. Surprisingly, there is little consensus on the extent of cryptocurrency crime. Money laundering through traditional finance has a value of up to \$2 trillion, according to the U.N. Office on Drugs and Crime, which is similar to the combined value of all cryptocurrency markets worldwide. Regulators are concerned about the volumes overall, as well as what percentage of the crypto sector they represent. They have taken note of how quickly virtual

assets are gaining popularity and are considering what the scale of the problem might be in the future, not just today.

Fabio Panetta of the European Central Bank highlighted a wide variety of statistics regarding illegal cryptocurrency activities, ranging from less than 1% to as much as 50% of all virtual transactions. In a recent speech he condemned the business as being comparable to a lawless “Wild West.” One reason for the variation in figures is whether one considers, a single criminal activity, for instance drug purchases made with cryptocurrency or crimes in the market as a whole. Those who buy Bitcoin and other types of cryptocurrencies just have it and hold on to it through its various price fluctuations aren’t doing anything wrong. That means the majority of those using it to make purchases are therefore more likely to be involved in illicit activity.

## II. Current Situation

Because it has the potential to disrupt the current financial system and undercut their position in it, governments throughout the world are watching the advancement of cryptocurrency with caution. In its current state, cryptocurrency causes three problems for governmental control: it cannot be regulated, criminals utilize it, and users are able to evade capital regulations. Hence, it will continue to be perceived with suspicion by established authorities until the network reaches maturity.



(Statistica, 2022)



Another problem with cryptocurrencies is the theft and extortion that happens to innocent buyers of the currencies. About US\$3.2 billion was stolen directly from accounts in 2021, whilst US\$7.8 billion were obtained through fraudulent investment schemes. Investors discover that the apps they have been using to invest in cryptocurrencies are false, and they lose all their money as there is no way to trace where it has gone. This problem tends to affect younger people in the 20 – 49 age bracket who see advertisements for investing in cryptocurrencies on social media.

Despite all the Fear Uncertainty and Doubt (FUD), all the adversaries, and all the restrictions, this is a silent revolution that is moving forward slowly but definitely. It has changed the way in which people carry out financial transactions, but it can cause severe problems to both users and governments if it is allowed to flourish with no regulation.

### **III. Key points of the debate**

- The invisible nature of cryptocurrencies
- Existing cryptocurrency regulations
- Lack of protection for investors using cryptocurrencies
- Use of cryptocurrencies to hide illegal financial transactions
- Ways to regulate the use of cryptocurrencies

### **IV. Guiding questions**

1. Does your country allow cryptocurrencies as a form of legal payment?
2. How does the use of cryptocurrencies affect your country's economy?
3. Does your country have any restrictions or regulations for the use of cryptocurrencies?
4. Has your country had problems with criminal activity in connection to cryptocurrencies?
5. What has your country done, if anything, to combat criminal activity linked to

cryptocurrencies?

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## **Topic 1:** *Financing standards for the treatment of prisoners*

### **I. History/Context**

The faults that can be seen in the majority of prison systems around the world are founded on the country's overall social and economic insufficiencies. Prisons are revealed to be violent, brutal, and psychologically harmful institutions, meaning that convicts live in a depersonalizing and dehumanizing environment. These include financial limitations, space restrictions, a shortage of volunteers and counsellors, an excessive number of prisoners, general issues with corrections, a lack of aftercare services, legislative obstacles, and ineffectiveness in the legal system. All these factors are reflected in the prison system's overcrowded facilities, violence within the prison walls, a shortage of basic supplies like food and medicine, and various reports of guards and other staff members abusing the convicts. These problems have obvious repercussions.



(Madagascar: Amnesty International, 2018)

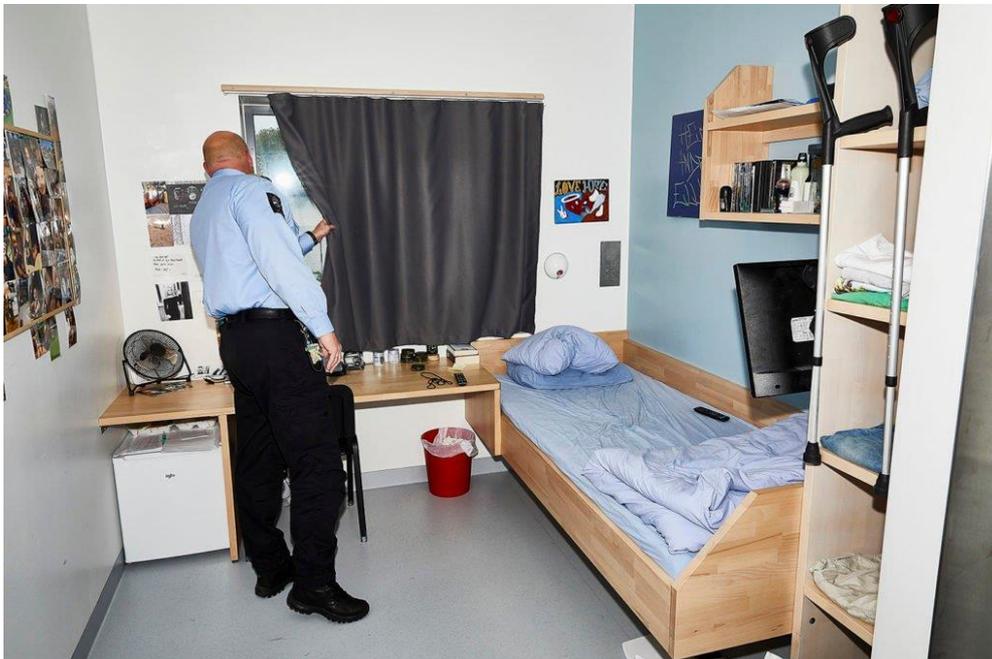
When they are admitted to their facilities, all inmates typically feel traumatized and hopeless to some extent. This emotion is amplified when it is combined with violence and manipulation

from other inmates and custodial staff. A prison's harmful environment is frequently aggravated by incidents of sexual assault, physical and psychological torture, and a strong sense of isolation and solitude forced on the inmates. It has been established that this type of prison environment is detrimental to society, despite some who may claim that this type of punishment is proportional to the offense the inmates did to land themselves in jail in the first place.

Prior to anything else, it's critical to keep in mind that jail is, in the words of the think tank Prison Policy Initiative, "an expensive endeavour." Authorities, who are typically public, are required to meet the fundamental needs of inmates who, by definition, are unable to care for themselves. These needs include food, health care, occasionally clothes, housing, and any related operating expenses like building maintenance, electricity, or water. Safety and security come at a major financial expense as well, including hiring, training, and employee compensation. Finally, sufficient financing is required to create an atmosphere that is favorable for rehabilitation and reinsertion through targeted activities, programs, and assistance. Therefore, the amount of monetary resources a country is willing to pay to support prisons determines the budget for prisons and, by extension, the conditions of the prisoners.

Providing prisons with adequate funding is not about numbers, figures, or about marginal change. In the current context, given the situation in so many countries, it is about human rights. When prison funds are insufficient to give prison and probation employees the tools they need to carry out their duties safely and effectively, both inmates and staff may suffer grave consequences. Rising tensions, violence, and eventually fatalities within jails are frequently the results of deteriorating living conditions for inmates and deteriorating working conditions for staff. If prison resources are insufficient to create an atmosphere that is conducive to rehabilitation, incarceration turns into a cycle that is nearly impossible to break, with high rates of recidivism and lasting effects on the individuals involved as well as society at large.

Simply put, a lack of financing causes human rights abuses in jails and should be handled as such, not just as a budgetary issue. Universal standards for the treatment of prisoners are a way to ensure that prisoners are treated in a dignified way with a chance to rehabilitate. However, not all countries have the economic resources to implement these policies.



(Norway: YES! 2020)

## II. Current Situation

The incredibly different living conditions around the world have given attention to the idea of a universal standard for the treatment of prisoners. There are several prison systems around the world that are going through a crisis, which has major consequences for the inmates, their families, and society at large. The reality in many jails frequently falls short of international norms and even threatens to undermine the main goal of a prison sentence: Protecting society from crime. Around the world, prisons are violent spaces, often beyond the control of authorities, and very expensive for a country to maintain.

### Prisons in Latin America

In Chile, one of every three deaths in prison is due to a fight between prisoners. In January 2021, some 100 prisoners were brutally murdered when two gangs fought for control of

Brazil's prisons. More than 370 inmates died in Brazilian prisons. It is difficult to analyse the effect of incarceration on crime levels. However, rising crime rates and recent crime patterns compared to growth in incarceration in Latin America and the Caribbean suggest that putting more people in jail is not a solution. Furthermore, it is expensive for societies and economies.

Recent studies on the costs of crime and violence in 17 countries in the region found that the direct and indirect costs of incarceration total US\$14 billion a year between 2010-2014, or an average of 0.4% of regional GDP. These costs include prison administration and indirect costs of income not generated by incarcerated people who stop carrying out economically productive activities.

The prison population doubled between 1995 and 2014, and the incarceration rate grew by 137%, reaching 240 prisoners per 100,000 inhabitants. During the same period, homicide rates doubled from 13 to 24 homicides per 100,000 inhabitants. In other words, more people went to jail and more people were killed.

High homicide and incarceration rates in Latin America and the Caribbean raise important questions about the proper functioning of prisons, even as governments continue to build more prisons. The cost of managing them nearly doubled, from \$4.3 billion in 2010 to \$7.8 billion in 2014. But there are differences in the region. Brazil has the lowest spending rate, with just 0.06 percent of GDP spent on prison administration. The country with the highest average expenditure is Barbados, with 0.47% of GDP. They are followed by Jamaica and Trinidad and Tobago, with 0.34% and 0.33% of GDP, respectively. As these are relatively small economies, these high percentages probably express the large, fixed costs involved in running a prison system.

To put the spending numbers in perspective, the average figure for the 17 countries in this study is almost three times higher than the cost of fully financing the main government programs for the fight against poverty in Mexico and Brazil.

## Haiti

More than 5,500 people are housed in Haiti's 17 jails, although only 10% have been found guilty, and many more have not even been charged. With 2,500 inmates filling the National Prison in Port-au-Prince to eight times its capacity, there are only 25 guards on duty and there is a severe lack of health care. 90% of prisoners have some type of scabies or chronic itching, and the risk of tuberculosis (TB) is significantly greater than the national average. The system also has limited access to food and inadequate water supplies.



(BBC, 2017)

## El Salvador

Many prisons around the world fail to help their inmates learn from their crimes and go back to society as dignified citizens, but the case of El Salvador has gotten completely out of hand. Following 87 murders in March 2022, the government of El Salvador announced that it had detained more than 600 gang suspects and reduced the amount of food provided to prisoners. The government also proclaimed a state of emergency and since then they have arrested 46,000 people in a country of population 6.5 million. According to human rights organizations, the approach has resulted in numerous violations of human rights, including fatalities in state care as the already overburdened jail system has been pushed to the limit. Al Jazeera was informed by Arjun Chaudhuri, an Amnesty International advocate for Mexico

and Central America. "There is no genuine access to fundamental necessities like food or healthcare, and violence is practiced inside prisons. It gives an awful impression.

According to the non-profit Prison Policy Initiative, El Salvador had one of the highest incarceration rates per capita in the world prior to the start of the state of exception, second only to the United States. According to the World Jail Brief database, El Salvador's prison system had around a 35 percent overflow of its 27,000 maximum capacity as of 2020. Additionally, human rights organizations had already raised concerns about the government's cruel prison enforcement methods which go against UN guidelines on prisoner treatment.

### **Prisons in Norway, what is their mentality?**

In 2018, Norway spent \$129,222 per prisoner, whereas Michigan State in the USA spent \$38,051 per prisoner. In Norway, prisons are well known for emphasizing on rehabilitation. Some claim that they are exemplars of humane behaviour and contribute to Norway's low crime rates when compared to other nations. In Norway, it is thought that criminals should learn from their incarceration and get ready for a successful transition back into society. The objective is to help prisoners learn from their mistakes and improve as people, while also preventing repeated offences.

For instance, Halden Prison is regarded as one of the most humane prisons in the world because it tried to preserve as much normality as possible. There are no window bars, fully functional kitchens, and a significant effort made to build rapport and trust between the guards and the prisoners. According to Are Hoidel, the director of Halden, "Every inmate in a Norwegian jail is returning to society. Do you prefer people who have been rehabilitated or people who are angered? Halden uses vocational programs to help offenders get ready to return to "outside life." Prisoners work in woodwork, production lines, recording studios, and even have music lessons. To uphold the emphasis on rehabilitation rather than punishment, life sentences do not exist in Norway. How can other countries adopt this mentality? Do they have the resources to do so?

According to The Borgen Project, Norway's unique prison system has had an exceptional result on the country's economy. The research focused on the outcomes of Norway's distinctive jail system and its philosophies. First, fewer individuals are reincarcerated, which increases the number of people who can contribute to Norway's economy after serving their sentences. Second, there was a 34% rise in this group's participation in job training programmes and a 40% increase in employment rates among inmates who were unemployed prior to being detained. Last but not least, the prison system in Norway provides its inmates with academic knowledge and practical skills that enhance both their personal life and the nation's economy over the long run.

### **Mass incarceration Vs. a Country's Socio-economic State**

It doesn't come as a surprise that countries with the highest levels of poverty are at the same time those with the highest prison population. For instance, Brazil has a prison population of 759,518 and a poverty rate of 29.6% and spends around US\$150 per prisoner a month. Brazil also has the 7th-highest crime rate in the world, with a homicide rate of 23.6 homicides per 100,000 inhabitants in 2020. Brazil's immensely high prison population is due to the fact that high levels of poverty lead to the absence and/or poor quality of education. In turn, this generates people with little or no access to higher education, employment, or to develop independent economic activities that allow the economic development of an individual. This trend can be seen in most (if not all) developing countries around the world.

This situation constitutes a favourable environment for crime to grow because it is usually, as a general rule, the source of income for people with little education or in poverty. In other words, if a country's poverty increases, so will crime. This is the reason the least developed nations tend to be the victims of the highest levels of crime, whether that is common, violent, or organized, or even political dishonesty. In this way, the high levels of delinquency generate more arrests and cause the prison population to grow, creating mass incarceration and the need for more resources to maintain prisons and their inmates.

Under these circumstances, a totally opposite result comes out from the one state officials and civilians pursue with custodial sentences. That is an inmate's resocialization, which is the

process of helping an individual change their ways, so they can go back to society. This is because the high levels of prison population make it impossible to carry out the process of resocialization that constitutes a state's duty as a way to recover the social behaviour of those detained. This is due to the lack of economic capacity to control these high volumes of detainees and to finance the necessary rehabilitation programmes.

### **What can be done/solutions to consider**

Developing countries need immediate and long-term solutions to solve the problem of prison overcrowding.

Short Term Solutions: Nations require funding to create proper mechanisms targeted at prosecution, and punishment. But they also require efficient prison systems that guarantee respect for human rights. Above all, they require alternatives for resocialization (study, learning arts and crafts, sports, etc.) to achieve this objective. Developing countries require funding that is not always within the reach of their precarious economies. Although these solutions do not immediately guarantee the reduction of the prison population (in fact, they may increase it), they do guarantee an efficient management of this population and contribute to its reintegration into society.

Long Term Solutions: As mentioned before, everything is based on education, because with good quality education, people are trained to access the labour market or to start their own businesses, which gradually reduces crime levels and with it prison overpopulation. The solutions mentioned above should be applied in parallel and the results will only be seen over the years as long as these policies are applied continuously.

#### Successful projects in prisons in developing countries

Although there are often financial problems in running prisons in developing countries, there have been some successful social programmes to help prisoners become more self-sufficient. In Bolivia, the association Semilla de Vida has helped women prisoners to create small businesses, whilst in Colombia a restaurant was opened in Cartagena that is attended by women prisoners. In Namibia, great efforts have been made to improve the prison system;

offenders work in agriculture which not only helps to give the prisoners a healthy diet, but also means that food can be sold outside the prisons.

### **UN Basic Principles for the treatment of Prisoners**

In December 1990 the UN General Assembly adopted “*The Basic Principles for the Treatment of Prisoners.*” This resolution may come in handy when researching this topic:

<https://www.ohchr.org/en/instruments-mechanisms/instruments/basic-principles-treatment-prisoners>

### **III. Key points of the debate**

- Link between poverty and crime
- Insufficient resources to pay for prison care in developing countries
- Well-being of prisoners
- Rehabilitation of prisoners
- Reducing overall crime rates in developing countries
- Prisons that exacerbate the problem of criminal activity through poor management and opportunities for inmates

### **IV. Guiding questions**

1. What sort of physical and mental health care is provided to prisoners in your country?
2. Is your delegation's government allocating enough monetary resources to develop a functionally adequate prison system?
3. In your country, does the prison system favour the growth of crime, or does it help to lower crime rates?
4. To what extent does your country follow the UN's standard minimum rules for the treatment of prisoners?
5. What should be done to ensure that all countries can follow these rules?

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## Topic 2: Addressing underpayment of wages in mass markets

### I. History/Context

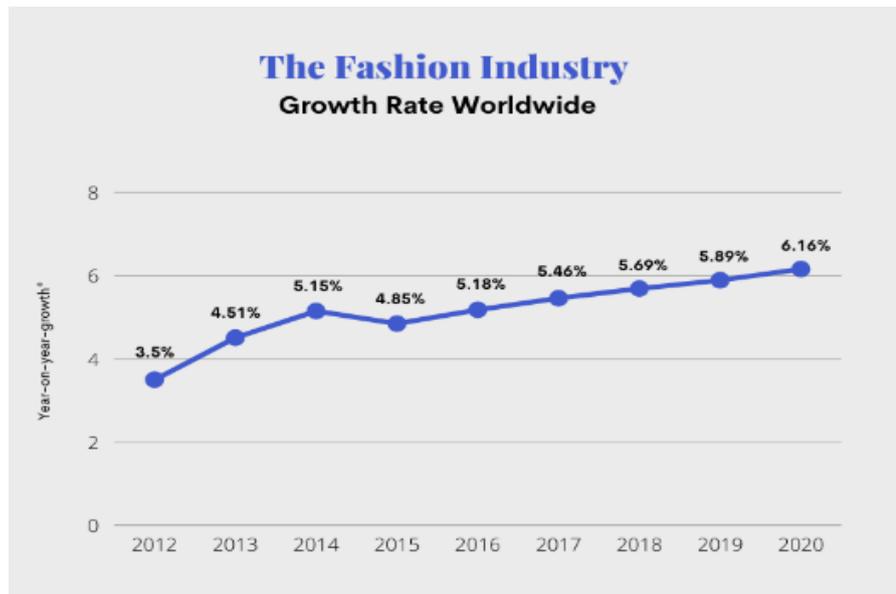
#### What is the mass market?

To first learn about the mass market, it is key to fully understand what that means. The term describes the manufacturing of products and services that almost every member of society needs. They are produced in large quantities and sold for relatively low prices in order to boost their sales. Fast fashion is a common example of a mass market industry, though there are many others – gasoline, soap, and electric and gas utilities, napkins, etc.



(Mass market goods: Esmart, 2012)

The mass market produces need-based products, basically items that the average citizen cannot live without. For example, telecommunications, hygiene products, etc. This industry does not have a specific target customer, rather they try to reach their products to as many people as possible; for this same reason, their items have to be produced in large quantities and for low prices. In terms of capitalism: they have to increase the supply in order to reach the demand, since it is a product that will always be needed. The mass market is at the core of consumerism. To learn more about consumerism, it is recommended to read the following article by Investopedia: <https://www.investopedia.com/terms/c/consumerism.asp>



(Her Bones, 2022)

### How did mass markets start?

The rise of mass merchandise distribution started in the late 19th century due to advances in transportation (such as railways and automobiles). The combination of population growth, higher standards of living, rising wages, and urbanization opened the door for the mass market to develop even more. Producing large quantities of every-day items was necessary in order to keep up with the social development at the time, so the industry needed restructuring: a rapid system of production, distribution, and merchandising. Some examples of the mass market brands at the time are the Ford Motor Company and Coca-Cola.

### The rise of sweatshops

As the US started to industrialize in the nineteenth century, the idea of sweatshops first appeared in American history. This was the start of labour exploitation, including underpayment, in industry. Originally, the circumstances in some areas of the clothing industry were referred to as “sweatshops.” It quickly spread to a variety of other industries, where low-skill workers were put to labour in subpar circumstances for long hours and with low pay. Sweatshop workers frequently took their work home with them in the late nineteenth and early twentieth centuries, working extra time.

During this time, numerous immigrant families that moved to the US worked under these terms. Manufacturers were able to make a great number of demands on their employees because there were little government rules governing working conditions, hours, or wages during this time. In 1996, the U.S. Department of Labor (DOL) confirmed that more than 22,000 apparel shops in the nation fitted their definition of a sweatshop. Although there are still some sweatshops that operate illegally in the United States today, the number of them substantially decreased when the federal government started to enact legislation to protect employees in the twentieth century. Regardless, they are not gone completely.

### **Mass Market Retailers: What is it? How did it start?**

The leaders of the mass market and the clients of these sweatshops are mass market retailers, who are also known as mass merchandisers. Essentially, they are companies that sell large quantities of mass market items. They do not sell high-quality or durable goods, but they are a friendly option for those who don't want to spend as much. Some examples are supermarkets, fast fashion shops, and drugstore and warehouse chains. As cities start to industrialize and the population increases, these retailers are becoming much more common worldwide.



Some examples are Wal-Mart, BestBuy, Amazon and H&M. (Wal-Mart, Africa: NYT, 2022)

## **II. Current Situation**

### **Globalization**

Nowadays, there are sweatshops all around the world, especially developing countries. Nonetheless, there are still numerous sweatshops in developing countries such as the United

States, Russia, and even European countries. The most common mass market goods that are produced in sweatshops are clothing, electronics, cotton, coffee, and cocoa.

Sweatshops' main purpose is to cut the production and manufacturing costs, that is the reason behind their low wages. The cause of underpayment, especially to people from developing countries, is that big brands and companies take advantage of their social situation. Most of the workers belong to low-income families or undocumented immigrants who would take any job in order to provide food for their family. Many of the workers are working long, being paid well under the minimum wage, have little to no vacation, and they are not being paid for their overtime work. Besides, there's been cases of sweatshops using human trafficking in order to get cheaper labour, basically paying slave wages.

### **Current examples**

With the rise of retailers, underpayment has not stopped nor decreased, despite the numerous laws and regulations given in each country. It is recommended to look up the specific laws your country has regarding worker exploitation in factories, or the consumption of goods manufactured that way. In the book 'The Corporation' (2004), Joel Bakan claimed that Nike factory workers in Indonesia only earned 0.3% of the market value of the products they made. To put it in perspective, if they manufactured a pair of leggings that were sold for 40 USD, they would just get 0.12 cents.



(Indonesian Nike factory: El Viejo Topo, 2016)

Additionally, Asian factories that supply brands like Gap, Walmart, and H&M are continuously being exploited with 'sweatshop' treatment, even after the regulations have been set, and after the collapse of the infamous Bangladeshi factory. This happened in 2013, when a building collapsed, killing 11,127 garment workers. This became the outburst for a revolution against the mass market industry, especially the fast fashion section.

Despite this, a series of reports done by the Asia Floor Wage Alliance (international coalition of trade unions and human rights organizations) demonstrate that pretty much nothing has been done about the conditions in factories in Bangladesh and Asia overall. This same study affirms that Bangladeshi, Cambodian, Indian, and Indonesian workers who make clothes for brands like Walmart, face "intensive labour exploitation and abuse" (underpayment is part of labour exploitation). Based on interviews with 344 workers over 80 supplier factories, the report suggests there are multiple rights violations from Wal-Mart's suppliers in East Asia.



(Cambodia factory worker: RFA, 2014)

In Cambodia, the workers of supplier factories have contracts that "leave them susceptible to unsafe working conditions, low wages, denial of benefits and harsh penalties for engaging in union activity—including termination of employment." Some other examples are Microsoft, whose suppliers in China are forcing teenagers to work 15+ hour shifts under 'sweatshop conditions', according to a study done by the National Labor Committee. Also, Gap has been

accused of forced overtime, physical punishment, and poverty-level wages in East Asia and the Middle East, even including pregnant women.

### **Walmart's situation**

In 2013, Walmart was sued by the National Labor Relations Board because of low wages. It was explained that they were violating workers' rights and exploiting foreign workers, considering they paid well under the minimum wage. In the lawsuit, it was mentioned that the Bangladeshi workers were in the factories from 7:45 am to 10:00 pm seven days of the week, for a total of six months (and counting) and never had a day off (Ferrell & Fraedrich, 2015). Their wages weren't worth a whole day's work, either.

Walmart, being the biggest company in the U.S. and having a great impact on its economy, should not have issues regarding compensation of workers. They are the biggest private employer in the world, with more than 2.2 million workers; also, they have a revenue higher than many countries' GDP. However, 70% of their worker leave within the first years, and this is because they wages are not enough for how much work they are forced to do (Eisenberg, 2012). The compensation and exploitation issue cannot be ignored any longer because it impacts the US, Canada's, India's, China's, Chile's, and South Africa's unemployment rate and the well-being of their citizens.

### **Underpayment in mass markets per regions**

Latin America has a 'sweatshop' situation very common in low-income sectors, known as the 'Maquiladoras'. The Spanish word 'maquilar' means "to create a product through the use of machinery," which is where the name of these maquiladora factories started. This industry employs workers, underpays them, and exploits them, while causing heavy health issues at the same time. The maquiladora employers prioritize the production of merchandise rather than the well-being of their employees. They started in Mexico, but quickly spread to Central and South American countries, such as Nicaragua, El Salvador, Honduras, Uruguay, Venezuela, Colombia, etc. (pretty much every Latin American country has an issue with the maquiladora industry).



(Maquiladoras Mexico: Izquierda Diario, 2020)

Other countries outside the continent have the same concept, just named differently: countries such as Syria, Madagascar, Ghana, Bulgaria, Thailand, and of course, China.

China currently has an empire in the industry of mass market, they are the leaders of production globally. Just as an example, China annually produces no less than 8 billion pairs of socks, which is a third of the world's total sock production. They produce possibly the cheapest goods, and the exportation process is easy, which is a benefit for big brands and the industry as a whole.

Most of the maquiladora workers are women from 16-24 years of age, and they accept the adverse working conditions due to the lack of experience, knowledge, and education that these women have. In a Nicaraguan factory, young women are paid the equivalent of US\$0.12 cents per shirt produced. The male managers capitalize on the naivety of female maquiladoras for boosting productivity because they realize that the young girls will not organize labour unions and protest, so they can be exploited to increase profits.

To do a brief summary, it is mainly developing countries in Latin America, Asia, and Africa which are affected by exploitation in mass market industries, although this is a global problem. Even if the country does not have a massive 'sweatshop' and underpayment issue, every single country buys from mass markets. Not only that, but it is mainly the European

countries such as the UK, France, Germany, etc., who allow and promote these brand names to settle in their cities and sell mass market goods without asking first the ethics behind it nor regulating them. If a country allows the consumption of these mass-produced products without checking the circumstances under which they are made, it also has blame to claim, as well as those who avoid regulating the sweatshop factories within their country.

### **Key things to keep in mind**

- The Western Hemisphere is known for its capitalist mentality, where supply and demand are the backbone of the economy. The population understands that they live in a consumer society, so it is normal to have big factories with many employees in order to increase supply. A very common tactic is to produce a large amount of supply and sell it cheaper, which is usually done with the help of organizations like the *maquiladora* industry. Regardless of people's opinions about the ethics inside a *maquiladora* factory, there is no doubt that *maquiladoras* help boost the economy by producing high quantities of a product for cheaper than usual, feeding the consumerism of the Western Hemisphere. Essentially, one of the main reasons why the mass market has so much power and has gained so much recently is because of how common capitalism is in the western world. Capitalism fuels this industry since they are the main consumers.
- There is a reason why most of the mass market retailers are from the U.S., because they are the main consumers of these goods (as well as European Countries and other developed nations).
- This problem is structural, not individual. Many corporations who sell the products don't actually produce them and have no idea what is going on with suppliers. There is a power dynamic between them, as the suppliers avoid wage talk and retailers don't ask questions about it. This industry is full of ignorance and indifference.

### III. Key points of the debate

- Consumerism and its effects on mass markets
- Working conditions in mass-market industries
- Lack of regulation of mass-market factories
- Multinational corporations driving down prices and wages
- Methods to protect worker wages in developing countries
- Responsibility of governments to ensure that mass-market products are not causing exploitation of workers.

### IV. Guiding questions

1. Does your country have any major manufacturing industries? How important are they for the economy?
2. What laws or restrictions does your country have regarding the production and consumption of mass market products, if any?
3. In what ways (negative or positive) does mass production affect your country's economy?
4. If your country imports any mass market products, what does it do to ensure that minimum wages are being paid in the countries where they are produced?
5. What controls are needed globally to ensure that manufacturing workers are paid fair wages?

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