



Southern China International MUN

Official Background Guide

Economic and Social Council: On measures to combat economic inequalities resulting from the rapid digitalization of the world.

Agenda Overseen by: Catherine He

1. Description of the Issue

1.1 History of the issue

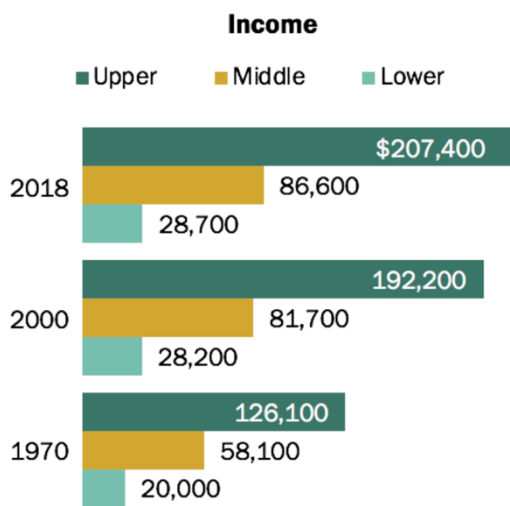
In the 21st century, we are living in a time of exciting technological developments, resulting in great transformative change. New technologies begin to mold the product and factor markets, forever altering business. Economic paradigms shift as a result affected by the accelerating innovations of the latest digital revolution. Amidst these unfolding events rise recurring issues of income inequality and related disparities especially in advanced economies. The digital revolution is not for everyone, many are left behind across deferring industries, firms, and segments of society. This effect does not pertain to the developmental gaps between MEDCs and the rest but differences within a single country as well. It is crucial to consider that machines are only a tool to enhance the human experience but when machines become more developed, policies and societal awareness should follow.

The UN recognizes inequalities of all kinds as a threat to “long-term social and economic development, harms poverty reduction and destroys people’s sense of fulfillment and self-worth¹.” Economic inequality refers to “the unequal distribution of income and opportunity between different groups in society²” Digitalization refers to “the use of digital technologies to change a business model and provide new revenue and value-producing opportunities³” Take into account the focus of this topic is addressing the unequal distributions of economic resources as an result of digital technologies and no other influences such as political and discriminatory biases however they may be connected. It is also important to note not to confuse *digitalization* with *digitization* or *digital transformation* which are all related but not quite the same thing. Digitization is the conversion to a digital format. Digitalization is the use of digital technologies. Digital transformation is the disruptive change that happens as a result⁴. In this case, digitization and digital transformation can be considered as the past and future stages of digitalization. For this conference, the latter two terms could theoretically be used interchangeably.

Digitalization can be traced back to the 1950s when the digital revolution kicked off with the invention of microchips and semiconductors⁵. Through the years as digitizing manual processes have proven to be efficient and productive in manufacturing and telecommunications in the early stages, it quickly integrated into other sectors of society such as finance, media, and even

healthcare. Digitization has had profound effects on business and the nature of work reshaping them in several ways.

From an industry standpoint, inequalities have greatly increased among firms and workers. The increase in automation of low -to middle-skilled jobs has shifted the demand for labor toward high-level skills. This hurts the wages and jobs at the lower end of the spectrum as workers lose their incomes in the face of advanced machinery. The existence of new technologies tends to favor capital, winner-take-all business outcomes, and higher-level skills which leads the distribution of both capital and labor income to become more unequal as the source of income shifts away from labor to capital. Unfortunately, policies have been late to respond to these technological changes facilitating major jumps in economic inequality. A classic example is the United States:



The study conducted by the Pew Research Center showcases the median household income in the United States from 1970 to 2018⁵. It suggests income of upper-income levels doubling while middle- and lower-income levels are far behind on the scale. This data supports the concurrent wave of the digital revolution as the incomes of the top 5% of earners have increased the fastest for those that identify as the winners of the result taking the majority of business outcomes⁵. Thus, economic inequality rises within a country through the increased use of technologies in labor-intensive industries.

On a macro scale, technology has facilitated global connectivity allowing businesses to operate on a wider scale, the international markets. With reduced barriers to entry comes a greater number of consumers and demand augmenting the growth of companies and thus countries that enjoy the luxury of sufficient technological access. LEDCs such as Haiti are especially at a disadvantage due to economic and infrastructure challenges that may affect the countries' digital inclusion. In other developing countries such as Ethiopia, this issue may be limited to certain rural areas but is nonetheless still a problem at large. This enlarges economic inequality from the lack of equal opportunities benchmark which will only widen as the developed world trends along the digital path.

1.2 Recent developments

The introduction of artificial intelligence has brought digitalizing world into a brand-new era. Many of the previously mentioned adverse effects of digitalization applies to automation. Job displacements are most noticeable in manufacturing industries with routine and repetitive tasks. As a result, low-skilled workers face disproportionate unemployment and reduced job opportunities. Moreover, ownership of advanced technologies such as AI are concentrated in the hands of the wealthy which further increases the skill gap thus contributing to economic inequality. Privacy concerns and algometric biases also pose as an obstacle to equality. If user information is not adequately protected, it may lead to exploitation and further economic

disparities. The training system of AI often exist an inherit bias present in the data used to train these models. If the problem is not addressed AI models may perpetuate and even exacerbate these biases which could jeopardize the fairness of certain outcomes.

The ramifications of AI on economic inequality also exhibits positive effects. Ai powered financial technologies have expanded access to financial services for underserved populations. This contributes to financial inclusion and allows individuals without traditional credit histories to access loans. AI technology stimulates new employment opportunities by opening positions for data science and system maintenance. Online courses and educational apps incorporating AI-based systems can bridge educational gaps and improve overall skill level of employees.

In 2015, the Addis Ababa Agenda for Action and the 2030 Agenda for Sustainable Development joined in an effort to establish the Technology Facilitation Mechanism to support the Sustainable Development Goals⁷. The TFM aims to facilitate multi-stakeholder collaboration and partnerships by sharing information, experiences, guidance, and joint activity at a country level and policy advance within the Member States, civil society, the private sector, the scientific community, United Nations entities, and other stakeholders⁸. The initiative has attracted many interests ranging from academics, technologists, practitioners, NGOs, and private sector communities that are typically not associated with UN debates. A critical constraint in pushing the effort forward is the lack of funding for TFM activities. There is also an absence of a formal decision to request states involved to regularly provide a report on their efforts associated with the TFM which results in a major shortcoming that serves to show there is plenty of room for improvement on the project.

The World Programme of Action for Youth tackles inequality through youth collaboration⁷. The program focuses on prioritizing areas and lists specific actions such as providing training to promote the use of technology whilst protecting them from detrimental elements as a means to combat inequality in the long run. The project's means of implementation range from a national level to regional cooperation to international cooperation to combat the unfair results of rapid digitalization.

Specifically, WPAY encourages the education and skill development of youths regardless of their background by providing inclusive and equitable education for all young people. The program mainly takes place in conflict zones or rural communities. This ensure that the marginalized and vulnerable have access to quality educational resources to reduce disparities in employment and enhance overall economic prospects of these young individuals.

WPAY also collaborates with governments, NGOs, international organizations, and the private sector. The sharing of resources, knowledge and experience allows better facilitation of implementing effective strategies to address economic inequality among youth. These include the creation of inclusive policies that would take into account the diverse new and unique circumstances of young people worldwide to create a more equitable global landscape.

Key Terms

Economic Inequality- unequal distribution of income and opportunity between different groups in society⁹.

Digitalization- the use of digital technologies to change a business model and provide new revenue and value-producing opportunities.³

Digitization- adaptation of a system, process, etc. to be operated with the use of computers and the internet¹⁰.

Digital Transformation- incorporation of computer-based technologies into an organization's products, processes, and strategies¹¹.

More economically developed countries (MEDCs)- countries characterized with high life expectancy, access to essential amenities and high disposable income¹⁴.

Less economically developed countries (LEDCs)- countries characterized with low life expectancy, inadequate access to essential amenities and low disposable income¹⁵

Non-governmental organizations (NGOs) – a voluntary group of individuals or organizations not affiliated with any government to provide public service or to advocate public policy¹⁶.

2. Emphasis on the Discourse

2.1 Stance of Intergovernmental Organizations

The **European Union (EU)** is an intergovernmental organization consisting of 27 European countries, unifying the region and influencing every member's policy regarding economics, security, and so on. The EU recognizes the impacts of digitalization commenting on how it does not necessarily lead to an overall loss in employment but rather a displacement of workers. The EU also notes the increase in economic inequality in terms of skill distribution also mentioning the price of digital products may disproportionately benefit richer households as they tend to spend a higher percentage of their expenditure on digital products. The EU plans to tackle these effects through policies. Policies that avoid the polarization of labor markets ensure training and re-training opportunities. They recognize education efforts may not suffice to address the inclusion challenges in the labor market fueled by digitalization. For instance, the lack of 'good jobs' is defined by the middle class that seeks appropriate benefits and career prospects. This prompts labor market and innovation policies targeted at the creation of such jobs¹².

The **African Union (AU)** is a continental organization comprised of 55 member states representing nations across the African continent. The AU recognizes the enormous economic opportunity digitalization holds in virtually every sector for Africa hence enabling socio-economic development as a high priority for the organization. The AU seeks innovations and technology as a means to stimulate job creation thus serving as a solution to poverty and reducing inequality. The overall objective is to harness digital technologies as a means to transform African societies and economies to promote Africa's integration whilst ensuring Africa's ownership of modern tools of digital management¹³.

2.2 Stance of developed countries

Developed states such as the United States and United Kingdom often have an abundant supply of technology and are top runners in economic inequality within the nation. To mitigate these effects, developed countries should focus on narrowing the gap in their own country and aiding developing countries on their journey. This would be initiating policies that would reform education systems, the labor market, social safety nets, and other socio-economic sectors of society. Developed countries are also likely to extend a hand in efforts to combat this issue internationally. This may involve creating no blocks or joining and supporting the WPAY efforts to achieve global equality.

2.3 Stance of developing countries

Developing countries are more focused on the issue of digitization rather than policy implementation though both are important parts of the solution. The outlook for combating economic inequality due to digitalization in developing varies in two forms:

First, there are the developing countries whose interests resemble those of the developed nations. These are countries such as Peru that have extensive digitalization in many of their industries whether it be telecommunication, financial services, healthcare, or others. These countries already have a ready supply of technology and pursue future development in terms of implementing appropriate policies and taking measures to ensure inequality does not increase further.

The second type is the developing countries that are the most heavily burdened by the lack of digitalization. These are countries such as Haiti. their approach would revolve around seeking additional aid from other countries to establish the base for digitalization in the country. The process would require fervent collaboration with regional and international powers to create the digital platform and train locals to use the technology appropriately to contribute to the economy in the long run.

3. Possible solutions

3.1 In favor of developed countries

Developed countries are likely to focus on policy interventions as a way to address economic inequality. This may include the implementation of progressive taxation, social safety nets, or targeted programs to support workers who are affected by technological changes. Policies may include an increased investment in education and training programs to equip their workforce with the higher-level skills that are needed in the digital economy. This enhances human capital and reduces inequality by ensuring wider access to opportunities. To engage with the global effort developed countries may begin digital inclusion initiatives to bridge the digital divide between citizens of the globe. This can take the form of supporting the TFM program mentioned above or starting new organizations targeted at promoting digital literacy in places that may be behind.

3.2 In favor of developing countries

Likewise, developing countries could also work on suitable policymaking. Those that are targeted toward digital inclusion ensure access to technology for all citizens. This holds

especially true for rural areas of developing countries that may face specific challenges which would need tailor-solutions for each situation. Investment in education and skill development on the use of digital technology would greatly benefit the population. Governments could support small and medium enterprises as a way to foster entrepreneurship and innovation at times like these to empower local businesses. It is important to highlight the differences in economic and political aspects of these solutions compared to those of developed countries. Developing nations should keep in mind at all times the situation in the status quo that may be preventing development. This can be issues such as conflicts in the area or lack of development in rural places. While creating policies to improve economic inequality it is necessary that aspects that are often affected such as education and healthcare challenges are also addressed. Since developing countries often lack the capital, resources, and experience of developed nations, it is also greatly beneficial for developing countries to collaborative on a global scale with each other or developed countries to address economic inequality due to rapid digitalization more efficiently and productively.

4. Keep in mind the following

When researching your country's stance, it is crucial to keep in mind that all contributions matter to the topic at stake no matter how big or small. Countries as a whole are on completely different spectrums of the digitalization process which means there is a variety of need for support in all stages of development. It is also important to pinpoint where your country is on the digital transformation. It is also inevitable that there is no stopping the rapid digitalization of the world which means resolutions that are against or slowing down digitalization as a whole are highly unfavorable.

1. *Consider the advancement of digitalization in your country and how that has affected the nation.*
2. *What methods can be taken to use digital technology to humanity's advantage in decreasing inequality?*
3. *When policy-making, how should economic growth and economic inequality be balanced?*
4. *What kinds of specific technology should be shared when collaborating internationally?*
5. *If your country is relatively undeveloped, what can the country do to attract specialists to help your country with digitalization issues?*
6. *How should the efforts be measured in order to efficiently view progress over time?*

5. Evaluation

Digitalization has changed much of how the world operates. It touches on various aspects of society from general economics to individual lives. An unfortunate result raises the issue of economic inequality due to rapid digitalization. Some countries may need to work on policy-making processes while others are still working on increasing digital literacy in the nation. No matter what stage the country is in, cooperation is crucial as the steps to achieving equality. Seek out alliances and create the best resolution for your country.

6. Bibliography

1. <https://www.un.org/sustainabledevelopment/inequality/>
2. <https://wol.iza.org/key-topics/economic-inequality#:~:text=Economic%20inequality%20is%20the%20unequal,climb%20up%20the%20social%20ladder.>
3. <https://www.gartner.com/en/information-technology/glossary/digitalization>
4. <https://www.linkedin.com/pulse/digitalization-past-present-future-bedir-tekinerdogan>
5. <https://hatchworks.com/blog/product-design/history-digital-transformation/#:~:text=Some%20key%20events%20in%20the%20history%20of%20digital%20transformation%20include,computing%20and%20big%20data%20analytics.>
6. <https://www.pewresearch.org/social-trends/2020/01/09/trends-in-income-and-wealth-inequality/>
7. <https://www.un.org/development/desa/youth/news/2022/01/reducing-inequalities-through-digital-public-goods-and-youth-collaboration-for-the-sdgs/>
8. <https://sdgs.un.org/sites/default/files/2023-01/TFM%20informal%20note%20by%20the%20Secretariat%20-17Oct2022%20rev.pdf>
9. <https://www.apa.org/topics/economic-inequality>
10. <https://languages.oup.com/google-dictionary-en/>
11. <https://www.techtarget.com/searchcio/definition/digital-transformation>
12. <https://www.ecb.europa.eu/pub/pdf%20scpwps/ecb.wp2809~6d29dc358d.en.pdf>
13. <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>
14. <https://www.twig-world.com/film/medcs-1617/#:~:text=Key%20facts,education%20and%20high%20disposable%20income.>
15. <https://globalawareness1212.wordpress.com/what-is-ledc/>
16. <https://www.britannica.com/topic/nongovernmental-organization>