

Learning outcome 4 – Factor Markets: Labour, Land, and Capital

Lecture - sweatshops

SWEATSHOPS

Sweatshops

- workplace in which workers are employed at low wages and under unhealthy or oppressive conditions. In England, the word sweater was used as early as 1850 to describe an employer who exacted monotonous work for very low wages. "Sweating" became widespread in the 1880s, when immigrants from eastern and southern Europe provided an influx of cheap labour in the United States and central Europe. (Source: <https://www.britannica.com/topic/sweatshop>)

Sweatshops– as American as the apple pie (Laura Hapke – Sweatshop: the history of the American idea)



Triangle Shirtwaist Co. Fire 1911 - NYC



Source: National Museum of American History



Adorable! Ivanka Trump Reunited With Long-Lost Sweatshop While On Asia Trip



Breaking Burgh satirični blog



How does traditional economics justifies the existence of sweatshops

- The most basic point made by defenders of sweatshops is that workers' voluntarily choose to accept sweatshop employment - demonstrates that sweatshops are the best alternative available to them.
- workers may agree to labour under poor conditions, but only because they have no other option for securing income– (Powell i Zwolinski, 2012)

- Wage is determined by profit maximization – paying more and improving working conditions doesn't come free.
- Insisting on minimal wage increases the cost of production and labour becomes more expensive.
- This influences the economic situation in the country – less foreign investments are coming, companies are moving their production into cheaper countries and job market shrinks – i.e. demand decreases (Maitland, 1997).

- Riley (2017) *sweatshops*, although for us in the West are morally appalling, represent better alternative in poor countries since other choices are much worse (subsistence agriculture)
- Powell and Skarbek (2004) research in Asia and Latin America - wages from sweatshop work exceed national average income in eight out of ten countries surveyed.
- In paying more than the national average, it lifts people out of poverty and gives them money to spend and invest in things that improve not only their individual lives, but the condition of the nation as a whole.

- The extra money that can be earned can be taxed to provide basic infrastructure and sound governance. More importantly, the extra money earned can be spent by individuals on education, healthcare motorbikes and goats
- As Riley states (2017):,, If people wish to forgo pleasant working conditions (or escape worse working conditions) for these things, then who are we to stop them?

- It is not the role of the business to solve problems of restrictive policies, lack of care for population or endemic poverty. That is the exclusive responsibility of the governments in these countries.

Case: Patagonia and migrant-labour exploitation issue

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Patagonia

- socially responsible business - "cause no unnecessary harm" motto, the program "One Percent for the Planet" - 1% of revenue donated to environmental organizations; company itself creates programs to protect ecosystems, especially in the United States.
- In 2012 became the so-called Certified B Corporation - companies that voluntarily want to be certified and evaluated by the non-profit association B Lab every year to ensure the achievement of the highest standards of social and environmental responsibility, transparency and legal accountability

- They are one of the founders of the American Fair Labor Organization, which aims to improve production practices in the textile industry, and a member of the Fair Trade USA organization, which pays a higher price for its products to its suppliers.

- Patagonia pays higher prices and controls and provides advisory services in the field - both to its first-tier suppliers (companies that assemble finished products) and second-tier suppliers (suppliers that produce raw materials for first-tier suppliers).
- All of them are audited on established quality standards, respect for environmental protection and protection of workers' rights. P. helps them through trainings (fire protection, workers' complaints system) and the establishment of org. systems (fair compensation policies, etc.).
- Patagonia pays for all this for its suppliers

Patagonia and the case of exploitation of migrant workers in Taiwan

- Based on yearly *audit* in 2011. NGO Verite went to visit 4 taiwanese suppliers
- the practice was to employ migrant labor through temp agencies that charged up to \$ 7,000 for their services. (3 years duration of working visa of which migrants would 2 years work for repayment and 1 year for themselves; after the expiration they had to return to their countries and re-apply again).

What did Patagonia do?

- transparently informed the public about everything and announced a number of measures to resolve the situation with a timeline of activities
- from January 2015, suppliers may not charge recruitment services to migrant workers (either paid by suppliers, or direct employment)
- Overpaid money returned to migrants
- intensive cooperation with the Taiwanese State Employment Agency to find solutions to such bad employment practices (for example, the agency provided advice to suppliers on direct employment opportunities)
- intensified close cooperation with their suppliers - at the end of 2014 a new standard on employment of migrant worker was made and translated into Chinese

What did Patagonia do?

- they shared their experience at conferences of the International Labour Organization and the Fair Trade Labour Association,
- they also actively cooperate with the Taiwan Ministry of Labour . With their help (and with the cooperation of other government agencies), they organized a series of conferences on improving the quality of labour relations in Taiwan.
- In 2021, the introduction of a measure to completely eliminate recruitment services payment at their suppliers.
- 2021 – together with Walmart, HP, SAP Cloud – White House Forum on Combating Human Trafficking in Supply Chains