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Eng-112

29 March 2014

Sweatshops: Pariahs or Messiahs?

Do you want to work for one dollar per hour? If you don't, there are tens of millions of people around the world who would gladly take your place. Many consumers in developed economies would consider those wages criminal; however, if the deal between a worker and employer isn't mutually beneficial then surely one side wouldn't participate. It is easy to see how low wages are beneficial to an employer, but much harder for those in developed economies to see how low wages, bad working conditions, long hours, and hard work are beneficial to those workers employed in sweatshops. Given the assumption that sweatshops are not using forced labor, the evidence shows that sweatshops are not only good for the companies that run them and consumers that buy their products, but are also beneficial to those who work there because they are often the best option available, pay higher than average wages, and bring economic prosperity to the countries they are in.

In order to more accurately evaluate this argument, a definition for sweatshops must be determined. In an article written by Denis Arnold and Laura Hartman, and published in *Business Ethics: A European Review*, the definition of a sweatshop is laid out as

any workplace in which workers are typically subject to two or more of the following conditions: systemic forced overtime; systematic health and safety risks that stem from negligence or the wilful disregard of employee welfare; coercion; systematic deception that places workers at risk; underpayment of earnings; and

income for a 48 [hour] work week less than the overall poverty rate for that country. (207)

Child labor is not included in this definition because for many developing countries the option of sending children to school simply isn't economically feasible. Many of these countries are economically equivalent to America in the 16th and 17th century, a time when even America was forced to use child labor out of necessity. Nevertheless, these same provisions apply to children, as well as adults, in countries where child labor is still an economic necessity.

In his 1997 article, *In Praise of Cheap Labor*, Nobel Prize winning economist Paul Krugman mentions a large garbage dump in the Philippines where thousands of poor men, women, and children would scavenge to earn a living. They did this because the ten dollars or so a day that a family could earn scavenging for scrap metal and recyclables was better than the other alternatives open to them. The same situation can be seen at sweatshops across the globe. Tens of millions of sweatshop workers make the same decision as those families scavenging on the trash heaps and consistently find that sweatshops are their best option.

National Public Radio (NPR) recently did a piece where they followed a t-shirt throughout its entire production cycle. One batch of their t-shirts was manufactured in Bangladesh, and they talked with Jasmine, a women working in the factory that made their t-shirts. She lived in a tiny rooming house with her brother, sister-in-law, and one other roommate that had no running water; and worked eight to ten hours a day, six days a week for eighty dollars a month. Despite the seemingly deplorable living conditions by western standards, she was happy to have her job in the garment industry. Her other alternative was to live with her family back in her village where they were so poor that many times there wouldn't have been enough food to eat. By working in the garment industry she was able to earn a wage that was high

enough to not only support herself, but also help support her family back home, a feat that would have been impossible back in her village.

While there are many anecdotal tales about deplorable sweatshop wages, there is a startlingly small amount of academic research into the wages that sweatshops pay. This can be attributed to the fact that most economists simply don't consider it worth the research. In their paper, Powell and Skarbek note that this is because most economists view sweatshops as an exchange between worker and employer where both are better off, no matter how low the wages may seem to an outside observer (263). Essentially, the belief that workers receive a fair wage is part of the core foundation of economic theory and is accepted almost as readily as one plus one equals two. Despite this, there are a few papers that seek to quantify sweatshop wages in comparison to other earners, the Powell and Skarbek paper being one prominent example.

In Bangladesh the minimum wage is sixty-eight dollars a month; however, until recently it was only thirty-eight dollars a month. Jasmine, the worker from the NPR story, made eighty dollars per month at her factory when the minimum wage was only thirty-eight dollars, and will most likely be receiving a raise now that the new wage floor will push competition up. One might think that her situation is atypical of sweatshop workers; however, workers in the garment industry typically earn wages one and a half to three times higher than the average wage earned in their countries. The Powell and Skarbek paper took the average hourly wages of apparel workers from ten countries that each had a high sweatshop presence, and compared various length work weeks at those wages to the average earned income in each country. They found that in nine out of ten countries, the average apparel worker only needed to work a fifty-hour work week to surpass the average national wage, and that in four of those nine countries, workers earned three to seven times the average national wage (264). A fifty-hour work week sounds long

by western standards, but again, that comparison cannot be made here. Many of the other alternatives for these workers involve crushing poverty, which by its very nature, invokes a need to work for almost every waking moment. At the levels of poverty many of these individuals face, not working as much as possible means starvation.

These higher than average wages are one of the many reasons why countries that have had sweatshops while they were developing have prospered so much. Almost every developed economy in the world, at some point in their history, depended on sweatshops. It is a well documented fact that countries depend on manufacturing to transition from an agricultural economy to a more technology oriented economy. One only has to look at the global power house economies for examples of this. The United States and Japan both went through this cycle, South Korea is in the final stages of its transformation, and China is right in the middle. China especially, with its massive manufacturing base and loosening regulations, has seen a meteoric rise in wealth over the last three decades. The average citizen has benefited from this tremendously, with higher levels of disposable income than ever before.

This follows essentially the same pattern everywhere. In the beginning is a disjointed populace, usually involved in subsistence farming, with some isolated pockets of people forming the backbone of an economy. Then something happens that gives manufacturing the ability to take hold, and of course, they need employees. To attract the large numbers needed to fill their factories, these businesses must offer higher wages than what the employee would earn back in their village, plus all of the opportunity costs involved with such a dramatic life change. As more and more people make the move to cities, there are less people working the land, and rural wages will rise. This, combined with more firms entering the market, causes wage competition to drive wages up in the manufacturing sector. Eventually, once this process has gone on long enough,

people are no longer willing to scavenge garbage dumps because they can earn more doing something better (Krugman). Of course this process isn't perfect, and can potentially take hundreds of years to play out, but the developed world is a significant statement to its validity.

In conclusion, sweatshops are good for workers because of the economic prosperity they bring, higher than average wages paid, and the better alternative that they offer, as long as we assume there is no forced labor involved. It is important that forced labor is not used because this constitutes a market failure in *Laissez-faire* economics. Sweatshops may be horrible places, but at least the people who work there are generally able to afford to eat. Krugman, talking about the improvements that sweatshops bring, says it best:

It is the indirect and unintended result of the actions of soulless multinationals and rapacious local entrepreneurs, whose only concern was to take advantage of the profit opportunities offered by cheap labor. It is not an edifying spectacle; but no matter how base the motives of those involved, the result has been to move hundreds of millions of people from abject poverty to something still awful but nonetheless significantly better.

The anti-sweatshop movement has a very important role in advocating for workers rights, but at the same time, it is equally important that it doesn't go too far in its quest, lest it endanger the benefits that workers currently receive from the sweatshops they work at.

Works Cited

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