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# 1

# Introduction

Abigail Martinez earned only 55 cents per hour stitching clothing in an El Salvadoran garment factory. She worked as long as eighteen hours a day in an unventilated room; the company provided undrinkable water. If she upset her bosses they would deny her bathroom breaks or demand that she do cleaning work outside under the hot sun. Abigail's job sounds horrible. However, many economists defend the existence of sweatshop jobs such as hers.[1]

"In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs at All." Only a right-wing free-market apologist for global capitalism could ever write an article with such an appalling title, right? Wrong. Those are the words of a darling of the left, *New York Times* columnist and Nobel Prize winning economist Paul Krugman.[2] Krugman argues that critics have not found a viable alternative to these Third World sweatshops and that the sweatshops are superior to the rural poverty the citizens of these countries would otherwise endure.

Krugman is not alone. After Haiti's devastating earthquake, Paul Collier, author of *The Bottom Billion*, prepared a report for the United Nations outlining a reconstruction plan for the country.[3] The development of a Haitian garment industry was central in his plan. He argued that Haiti had good access to key markets and that "due to its poverty

[1] Facts in this paragraph are reported by Leslie Kaufman and David Gonzalez in a *New York Times* article on April 24, 2001, entitled "Labor Standards Clash with Global Reality."

[2] Paul Krugman, "In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs at All," *Slate Magazine*, March 1997.

[3] "Haiti: From Natural Catastrophe to Economic Security," *A Report for the Secretary-General of the United Nations*, January 2009. Retrieved from http://www.focal.ca/pdf/haiticollier.pdf.



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and relatively unregulated labour market, Haiti has labour costs that are fully competitive with China." Collier essentially outlined a sweatshop model of economic development for Haiti.

Wages and working conditions in Third World sweatshops are appalling compared to the wages and conditions that I and most readers of this book are likely used to. Any decent human being who has witnessed poor workers toiling in a sweatshop should hope for something better for those workers. So why have people such as Krugman, Collier, and many other economists from across the ideological spectrum defended sweatshop employment? These economists have defended sweatshops because they are the best achievable alternative available to the workers who choose to work in them, and the spread of sweatshop employment is part of the process of development that can eventually lead to higher wages and improved working conditions.

How bad are the alternatives to sweatshops? In Cambodia, hundreds of people scavenge for plastic bags, metal cans, and bits of food in trash dumps. Nicholas Kristof reported in the *New York Times* that "Nhep Chanda averages 75 cents a day for her efforts. For her, the idea of being exploited in a garment factory – working only six days a week, inside, instead of seven days in the broiling sun, for up to $2 a day – is a dream."[4] Other common alternatives are subsistence agriculture, other informal sector work, begging, or even prostitution.

Recent international trade did not invent poverty. The history of humanity is one of poverty. In most places in the world, for most of human history, people had low incomes, worked long hours, and had short life expectancies. Poverty has been the norm and unfortunately still is the norm for much of the world's population. Although First World citizens often express a desire for an end to poverty, normal Third World rural poverty does not raise the sense of moral outrage that sweatshops do.[5] People become more outraged about sweatshops

[4] Nicholas Kristof, "Inviting All Democrats," *New York Times*, January 14, 2004.

[5] I continue to use "Third World" to describe the poorer countries of the world even though it is a bit dated and out of fashion. "Developing world" is often inaccurate, as many countries are actually getting poorer, and besides, rich countries are still developing, too. I do not like "less developed" because then their problem is insolvable – some countries will always be relatively less developed no matter how rich they get. Underdeveloped is true of all countries, even rich ones, compared to their potential. I will continue to use Third World until someone comes up with something more satisfactory.

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because the poor workers are toiling for our benefit. Unfortunately, that moral outrage can lead wealthy consumers and their governments to take actions that, although they may assuage their feelings of guilt, make Third World workers worse off by taking away their ability to work in a sweatshop and throwing them into an even worse alternative such as scavenging in a trash dump.

This book provides a comprehensive defense of sweatshops. I do not deny that sweatshops have wages far below the levels in the developed world. Nor do I deny that sweatshops often have long and unpredictable working hours, a high risk of injuries on the job, and generally unhealthy working conditions. Sweatshops also sometimes deny lunch or bathroom breaks, verbally abuse workers, require overtime, and break local labor laws. Despite these atrocious conditions, sweatshops are still in the best interest of the workers who choose to work in them.

Sweatshops that coerce their workers with the threat of violence or use the local government to do it for them are the one type of sweatshop I condemn and will not defend. That is slave labor and has no place in a moral society. That type of sweatshop cannot be defended by the economic arguments made in the remainder of this book. If a worker must be coerced with the threat of violence to accept a job, then that job is obviously not the best alternative available to that worker – otherwise they would have voluntarily taken the job.

Despite all of their drawbacks to Western eyes, most sweatshops with low wages and poor working conditions are places where workers voluntarily choose to work. Rarely do employers actually use the threat of violence to obtain employees. Admittedly, workers' other options are often much worse. A starving person with no alternative employment is likely to take a very bad job if offered one. But that does not change the fact that the bad job was his best option. To help sweatshop workers, more options are needed. Unfortunately, much of the anti-sweatshop movement is aimed at taking away the sweatshop option without replacing it with something better that is actually attainable.

Economic theory is used throughout this book, but nowhere do I advocate "economic efficiency" as my ethical standard. The welfare of poor workers and potential workers in the Third World is the standard used throughout this book. Nowhere do I favor economic efficiency, the welfare of Western consumers, or profits at the expense of workers. The welfare of the worker is the end; the crucial question is the means

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to achieve it. Any serious anti-sweatshop activist *must* be concerned with this question. Market forces motivate how firms interact with workers; thus, activists need to appreciate the role they play as a means to helping workers. Economics puts limits on peoples' utopias. Wishing does not make things so. Economic theory forces us to examine how actions taken by activists, nongovernmental organizations (NGOs), governments, consumers, and others will impact the incentives of businesses that employ sweatshop workers. Unfortunately, many actions for which the anti-sweatshop movement has agitated adversely impact incentives and harm worker welfare.

Chapter 2 introduces the anti-sweatshop movement. It is a diverse movement that includes celebrities, ministers, students, politicians, intellectuals, unions, and consumer activists who advocate for policies such as international labor standards and minimum or "living" wages in the name of helping workers. When a country fails to adopt their favored policies, they will sometimes advocate imposing trade restrictions against the country. In other cases, they may simply protest an individual firm or company that uses sweatshop labor, which can lead to consumer boycotts.

But what effect will such actions have on the welfare of workers? To answer this question we need to understand the economic forces that determine sweatshop wages. Chapter 3 explains how the maximum wage that workers can earn is limited by their productivity and their next best alternative employment limits the minimum wage they will voluntarily accept. Unfortunately, many actions taken by activists do nothing to raise these two bounds; in fact, they often advocate policies that would push wages above the maximum level employers are willing to pay. As a result, sweatshop wages do not improve; instead, the jobs disappear. The second half of Chapter 3 examines possible exceptions scholars have raised to the basic theory outlined in the first half of the chapter.

If sweatshop workers lose their jobs, what are their other alternatives? Are they all destined to scavenge in trash dumps? Chapter 4 systematically investigates how sweatshop wages compare to alternative employment in the countries where they operate. It compares the apparel industry wages in sweatshop countries, and those in the very firms that the Western press has identified as sweatshops, with the average income in each country. The apparel industry, and even the

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firms recognized as sweatshops, usually pays more than the average national income. Sometimes they pay two, three, or even four times the average pay in the country. Sweatshop jobs are not just better when compared to scavenging in trash dumps. They are better than many of jobs in the countries where they are located.

Even some critics of sweatshops will admit that the wages paid by sweatshops are better than worker alternatives. But then they claim that the real problem is the deplorable health and safety standards in these factories. But health and safety standards and working conditions more generally, are intimately tied to wages. Employers care about the total cost of compensating workers but care little about how that cost is divided between wages and other forms of compensation. Workers do care. As a result, firms have every incentive to make the mix of compensation match the preferences of their employees. As Chapter 5 argues, health and safety standards are low because the workers' overall level of compensation is low, and they prefer the vast majority of that compensation in wages. The best cure for low health and safety standards is the process of economic development.

What about the children? In 1993 U.S. Senator Tom Harkin proposed banning imports from countries that employed children in sweatshops. In response, Bangladeshi firms laid off 50,000 children. What was their next best alternative? According to the British charity Oxfam, many of them became prostitutes or starved.[6] Prostitution and starvation are clearly worse alternatives than sweatshop labor. Chapter 6 explains how all of the preceding arguments apply to children as well as adults and how economic growth leads to the abolition of child labor.

What about ethics? Don't workers have a "right" to better treatment or higher wages? Even if the sweatshop is the workers' best alternative, is it not still unethical to buy their products? Chapter 7 makes an ethical case for buying sweatshop products on consequentialist grounds, considering issues of background injustice and exploitation.

Anti-sweatshop activists often seem to forget that they live in countries that once had widespread use of sweatshops, too. Chapter 8 will provide some historical perspective by examining the role that sweatshops played in the development of the United States and other wealthy countries. Sweatshops are important in creating new technology and

[6] See Paul Krugman, "Reckonings; Hearts and Heads," *New York Times*, April 22, 2001.

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capital that eventually raises labor productivity. This process of economic growth leads to improved wages and working conditions. Although the process took more than 100 years in the United States, it can happen much more rapidly today because the world has a greater amount of capital and technology that it can export to these poor countries. Witness the rapid rise of the Asian tigers and China's growth today. Chapter 8 will also demonstrate that the level of development the United States had achieved before adopting more stringent labor standards was much greater than the level of development in sweatshop countries today. If the United States had adopted more stringent standards when it was as poor as the sweatshop countries today, it would never have grown to be as rich as it is now.

Chapters 9 and 10 describe how sweatshops can be replaced with better alternatives. Chapter 9 builds on the previous chapter by describing how the process of economic development takes place and the necessary enabling environment that allows a country to grow out of sweatshops.

Sweatshops may be the best option currently available for workers, but any moral person would aspire to help improve those conditions. What good can activists possibly do? Chapter 10 outlines positive steps activists can take to improve the lives of sweatshop workers. "Ethical" branding is one option, and there is a role for profit or nonprofit firms in monitoring this labeling. Trade policy and immigration law are other areas in which activism could help. All the actions outlined in this chapter would help improve the lives of poor sweatshop workers, but they will be marginal compared to the main cure.

The very process of industrialization and development, of which sweatshops are part, is ultimately the cure for sweatshops. As capital accumulates, technology improves, and as workers build skills productivity rises. As firms compete with each other for the productive workers, total compensation gets bid up. This process raises wages and improves working conditions, and it occurred in virtually all of the wealthy countries in the world today.

I have studied sweatshops for the past ten years. In that time I have become convinced that many well-meaning people advocate actions that are detrimental to the lives of sweatshop workers because they do not understand the economic forces that govern the creation of sweatshops and their alternatives. The remainder of this book explains these

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economic forces and illustrates them with the best available evidence. This book is intended for a wide audience that includes economists, other social scientists, and policy makers. It is also intended for the general public, particularly people who have been active in the antisweatshop movement and genuinely care about the welfare of impoverished sweatshop workers.

Rather than hold protests that risk cutting the process of development short by destroying sweatshop jobs, activists should instead buy products made in these factories and embrace the forces of economic development that will improve the lives of sweatshop workers. *New York Times* columnist Nicholas Kristof recently wrote that people need to rethink their objections to sweatshops and that "we need to build a constituency of humanitarians who view low-wage manufacturing as a solution."[7] I hope you will join this constituency by the time you are finished reading this book.

[7] Nicholas Kristof, "My Sweatshop Column," *New York Times*, January 14, 2009. Retrieved from http://kristof.blogs.nytimes.com/2009/01/14/my-sweatshop-column/.

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# 2

# The Anti-Sweatshop Movement

The modern anti-sweatshop movement began developing in the early 1990s, but much of the activity was limited to isolated protests and individual actions. In the latter half of the 1990s, the movement developed many interrelated organizations that waged sustained campaigns against sweatshops. Most of those organizations continue their anti-sweatshop activism today. The movement contains a mix of celebrities, politicians, unions, student activists, and scholars. Some affiliate with major anti-sweatshop organizations, whereas others speak out or protest on their own.

There are significant differences between the different organizations within the anti-sweatshop movement in terms of both the changes for which they advocate and how they pursue their advocacy. However, all of the major anti-sweatshop organizations have this in common: They all believe that free-market competition in the global economy is not, at least alone, the best way to improve the lives of sweatshop workers. The groups vary in their opinion of exactly how the process of free market competition should be altered to improve the lives of workers. Some advocate consumer activism through either boycotts or "shop with a conscience" programs. Other groups want legal mandates created and enforced that dictate living wages, health and safety standards, and working-hour regulations. Some groups favor trade restrictions on countries that do not mandate and enforce these labor standards. Some groups concern themselves only with child labor, whereas others focus mostly on the freedom to unionize.

The remainder of this chapter traces the development of the major players in the anti-sweatshop movement and outlines what reforms each group wants and how it agitates for them. No attempt is made



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within this chapter to assess the merits of the policies they advocate; these are examined later. Rather, this chapter provides a guide to how those later arguments apply to the individual organizations.

## THE DEVELOPMENT OF THE ANTI-SWEATSHOP MOVEMENT

Although most of the modern anti-sweatshop movement has its beginnings in the 1990s, there were important predecessors. Unionization and activist campaigns for domestic sweatshops were active in the United States around the turn of the twentieth century. Most important for the modern international movement, however, was the creation of the International Labor Organization (ILO) in 1919, and it continues to play an important role in the anti-sweatshop movement today.

The ILO is an organization of governments, employers, and workers, and is now an agency of the United Nations. The ILO develops conventions that are legally binding on countries that enter into ILO treaties, as well as recommendations that serve as guidelines but are not legally binding. The ILO "core labor standards" conventions address the freedom of association and right to bargain collectively, the elimination of forced and compulsory labor, the abolition of child labor, and the elimination of discrimination in the workplace. The ILO's 1998 Declaration on Fundamental Principles and Rights at Work reiterated these principles; the ILO then launched a campaign to achieve universal ratification of the eight conventions in these areas.[1]

There are 180 additional conventions and 200 recommendations that cover many other aspects of employment. Approximately seventy of the conventions and recommendations deal with occupational safety and health standards.[2] According to the ILO, it places a "special importance on developing and applying a preventive safety and health culture in workplaces worldwide."[3]

ILO conventions also mandate members to set a minimum wage (conv. 131), limit maximum working hours to eight in a day and

[1] International Labor Organization, Declaration on Fundamental Principles and Rights at Work, retrieved from http://www.ilo.org/declaration/lang--en/index.htm.
[2] Retrieved from http://www.ilo.org/safework/info/standards-and-instruments/lang--en/index.htm.
[3] ILO, Safety and Health at Work, Retrieved from http://www.ilo.org/global/topics/safety-and-health-at-work/lang--en/index.htm.

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forty-eight in a week (conv. 1), and guarantee paid maternity leave for fourteen weeks plus paid work breaks for breastfeeding (conv. 183). Conventions cover a host of other areas, as well.

Although ILO conventions are binding only on member countries that ratify them, the ILO also campaigns for more widespread acceptance of its conventions and recommendations. These conventions and recommendations have also served as focal points for many of the anti-sweatshop groups that developed in the 1990s.

The real birth of the modern international anti-sweatshop movement came in 1990. In Europe, the Clean Clothes Campaign began in the Netherlands. This coalition of consumer, labor, religious, human rights, and feminist groups agitated for better conditions in sweatshops. In the United States, the National Labor Committee (NLC) decided to make international sweatshops its signature campaign. The NLC's director, Charlie Kernaghan, one of the most influential early anti-sweatshop activists, gained notoriety for himself and the cause of sweatshops by going after prominent brands and celebrities with otherwise wholesome images in the media. In one famous instance, he confronted Kathy Lee Gifford on television with a Honduran garment worker who produced her line of clothes, and made Kathy Lee cry (see Chapter 4). NLC's activism helped raise awareness that would foster the creation of future anti-sweatshop groups.

The NLC primarily investigates and exposes what it believes to be human and labor rights abuses committed by U.S. companies producing goods in the Third World. It engages in research and popular campaigns to raise awareness in the United States about these abuses, and attempts to help workers abroad learn and defend what it believes are their rights. It has issued hundreds of reports alleging abusive sweatshop activities in dozens of countries. The NLC gives workers' efforts in these countries international visibility and "press[es] for international legal frameworks with effective enforcement mechanisms that will help create a space where fundamental internationally recognized worker rights can be assured."[4]

In addition to publicizing specific conditions, the NLC also pushes for legislation. For example, the NLC wrote the 2006 Decent Working

[4] Institute for Global Labour and Human Rights, Mission, retrieved from http://www.nlcnet.org/about.

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