

The False Dilemma of the Sweatshop
By Christian Berry and Sanjay Reddy
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In 1910, Thomas Dawley, the US government inspector, recorded this testimony as part of his investigation of labour practices in the American south: "You people from the north do not know anything about the poor people of the south. A few of you have stumbled into our cotton-mill villages and have seen some of the conditions among the poor in them, think they are bad, but it is nothing to what you may see in the country."

He summed up his case against well-meaning but, in his view, misguided child-labour abolitionists: "We are often led blindly by propaganda, which in its inception may have a good cause to sustain, but blinds even those who have eyes to see and hearts to feel, and who honestly desire to lift the fallen, strengthen the weak, alleviate suffering and at least leave the world better than they found it."

We find similar proclamations today in the global context. "Anyone who cares about fighting poverty," Nicolas Kristof explained in The New York Times last month, "should campaign in favour of sweatshops, demanding that companies set up factories in Africa." Such critics seek similarly to persuade us that workplaces in which workers may be put at great risk, paid very low wages and subjected to physical intimidation or sexual harassment are tickets out of poverty for the global poor.

As in the child labour debate in the US a hundred years ago, critics like Mr Kristof present us with a dilemma: either continue to benefit from and accept these wages and poor working conditions or if we cease to buy products produced in such a manner jeopardise millions of people's livelihoods. They argue that instead of seeking improvements in working conditions and wages in poor countries, we ought to encourage the establishment of workplaces that provide workers with the jobs that they desire, however poor the conditions of employment.

This modern-day dilemma is just as false as that presented by Dawley in the early 20th century. Poorer countries can avoid a trade-off between enhancing labour standards and taking full advantage of job-creating production and trading opportunities if current international trade rules are reformed so that they reward instead of punish countries that improve labour standards.

Defenders of the status quo are concerned that improved labour standards will raise the cost of production, leading countries that implement them to become less attractive locations for export-oriented production. Under present international trade rules, companies can profit by choosing to operate in a country in which labour standards are more lax, or are un-enforced.

Such diversion of trade and investment would not occur if global trading rules instead rewarded countries that promote labour standards by offering them additional access to export markets in rich countries and by providing them with financial assistance that

could be used to neutralise the cost-raising effects of worker-friendly reforms (through measures such as wage subsidies paid to employers that improve labour standards). The competition between poorer countries to attract trade and investment by lowering labour standards can be diminished.

What about the competition between richer and poorer countries? Even if improvements in labour standards raise labour costs in poorer countries, these costs will remain much lower than in rich countries and there will be a strong incentive to manufacture in poorer countries and to trade with them. A poorer country that improves labour standards can remain an attractive site for export-oriented production, especially if other poorer countries simultaneously improve labour standards.

The global trading system should be designed in a manner that recognises the limited resources and enforcement powers of governments in poorer countries and that respects relevant differences in priorities and social norms. It should tailor expectations concerning labour standards to the level of development of each country so as to promote workers' interests without setting expectations that are unreasonably high.

Countries that are indifferent to the most egregious and systematic violations of basic labour standards should be isolated within the world trading system. Such countries (whether they are sites of production or of registration, ownership or management of companies engaged in such violations) should be denied the preferential trading opportunities and other benefits accorded to countries that seek to promote workers' interests.

New worker-friendly rules for international trade can provide powerful assistance to workers in poor countries. Those who care about fighting poverty and exploitation should stop cheering for sweatshops and help in the struggle to make worker-friendly rules for international trade a reality.

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