

The existence of sweatshops argument economics essay

[Economics](#)



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\n[[toc title="Table of Contents"](#)]\n

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1. [AGAINST:](#) \n \t
2. [Human Rights Violation](#) \n \t
3. [- Low wages, below living standards:](#) \n \t
4. [- Global economic imbalance:](#) \n \t
5. [-Migration of skilled labor:](#) \n \t
6. [FOR:](#) \n \t
7. [2. Enhance Economic Infrastructure and General Welfare:](#) \n \t
8. [3. Improved Working Conditions:](#) \n

\n[/[toc](#)]\n \nSustainability and Corporate CitizenshipPresented To: Todd

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AGAINST:

Human Rights Violation

Sweatshops have been defined as workplaces where basic labor rights, such as child labor, minimum wage, health and safety standards, are neglected (International Labor Rights Forum n. d.). According to the International Labor Organization (ILO), there are 215 million working children between the ages of five and fourteen in developing countries in 2008, and a significant part of them are forced to work in sweatshops (ILO 2013). These children are often abducted, confined, extremely underpaid and deprived of the rights of education and normal childhood (Vegan Peace Home n. d.). Additionally, 85% of sweatshop workers are young women aged 15 to 25, who are subject to physical abuse, long working hours, poor conditions and sexual

harassment (DoSomething n. d.). It has been reported that many of these labor source for sweatshops come from criminal activities such as human trafficking. Sweatshops have been known for forcing the workers to work under extremely dangerous and poor working conditions, as most of the multinational enterprises locate their offshore sourcing operations in the countries where looser labor regulations are in place in order to reduce labor expenses. Both cheap labor and poor working environment greatly contribute to the cost minimization. Being physically weak and lacking or having no access to education, child laborers and young female workers usually work for less money and are less likely to complain about the abuse they endure. Hence they are the main targets and victims of the sweatshops seeking for cheap labor.

2. Economically Coercive Sweatshops are economically coercive because they drive down the wages in the market as all such factories compete with each other to produce the cheapest products using the cheapest labor. In addition, other economic coercive results of sweatshops are:

- Low wages, below living standards:

Low wage is one of the major problems in the sweatshops. Transnational corporations roam the globe for the cheapest manufacturers of their products and get involved in bids in developing countries for their products. To produce the cheapest products a dehumanized labor force is mercilessly exploited, denied their civil rights, a living salary, and the right to work with self-respect in healthy safe environments. (Lendman 2010) Studies showed that doubling the wages of sweatshop workers would only increase the consumer cost of an item by around 2 percent, while consumers would be

willing to pay 15-25 percent more to ensure that a product was not made in a sweatshop which mistreated its employees and exploited them economically. (Pollin, Burns and Heintz 2012)

- Global economic imbalance:

Sweatshops create global economic imbalance as manufacturers who do not adhere to such inhuman behavior cannot produce cheap products and their business is driven down by those who procure their cheap products from these sweatshops. Thus, a TNC would always face losses due to other companies using products made in sweatshops.

-Migration of skilled labor:

Sweatshops result in migration of skilled worker as most jobs offered in developing countries with sweatshops are in such gruesome conditions that skilled labors have to move elsewhere to search for an economy which honors their dignity and provides a proper employment³. The Colonization of Multinational CompaniesThe notion of colonization comes from the 19th century during colonial times when as colonizers found it difficult to get natives from Africa, America and Asia to work in their mines and factories, farmers would be driven to leave their lands either by force or high taxes in order to join the industrialization or civilization crusade which in the end would mostly benefit the new settlers. Nowadays, this same phenomenon is seen in these same parts of the world; by observing powerful multinational corporations settling in rural areas of developing countries and by enticing weak governments with a notion of economic prosperity, farmers who were once able to support their families with the yielding of their land are

expropriated, displaced or forced to work under inhuman conditions in order to continue doing what they did before for their families but under the management of giant corporations settled in what was once farmer's property. Furthermore, the colonizing companies may become the main economic drivers for small and weak economies thus replacing the law enforcing power of governing bodies which are supposed to protect their nationals. Haiti and the building of the " Industrial Park of the North Region (PIRN)" (Haiti Open for Business 2011) is a good example of the detrimental effect of the colonization of multinational corporations in weak nations. PIRN was the project that according to the international community was intended for the reconstruction of Haiti, this industrial zone would be the heart of an economic movement that would attract foreign investment, employment and " means of subsistence to a maximum of 500, 000 people that is 10% of Haiti's population" (Haiti Open for Business 2011) . This project, is a public-private partnership between the local government of Haiti, USA and " South Korean textile giant Sae-A Trading" (Haiti Open for Business 2011). The foreseen consequences of this project according to Haiti Grassroots watch would be reflected in the environment and water pollution caused by the textile dying process and the electricity needed to run these factories, the migration of unemployed Haitians, resulting in " 10, 000 workers and their family members - 50, 000 people" (Haiti Open for Business 2011) more in the already populate are in addition to the displacement or hiring of the current land owners which account for " 250, 000 people, mostly farmers and fishermen" (Haiti Open for Business 2011). This scenario of weak government and fragile countries at the hand of multinational giants is seen

in other overpopulated countries like China and India and developing ones throughout the world.

FOR:

1, Global Economic Development According to Ricardo's theory of comparative advantage, each country in international trade can better off by exporting products in which it has the greatest comparative advantage and importing products with the least relative advantage (Pugel 2012). The countries where sweatshops are located have the lowest opportunity cost in cheap labor. Benefiting from international trade is the best option for developing countries whose competitive advantage is mainly cheap labors. In contrast, the home countries of the multinational enterprises should outsource their labor intensive operations in countries that are abundant in cheap labor in order to support world trade and global economic development. Therefore, in essence, the notion of competitive advantage in trade supports the development sweatshops in order to enhance the development of global economy. It has been known that the host countries of sweatshops usually deliberately loosen their labor regulations in order to attract more foreign capital. Sweatshops in these cases facilitate their attempt in securing foreign investment, improving the country's GDP and increasing employment rate. On the other hand, the home countries of sweatshops can focus on the skilled-labor intensive industries, which entail much more advanced education and training, by outsourcing offshore their unskilled-labor intensive operations. This means sweatshops do contribute to further enhancing the efficiency and advantage of the relatively advanced product categories of these countries.

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2. Enhance Economic Infrastructure and General Welfare:

The presence of sweatshops in developing countries increases their wellbeing and makes workers better off. Most people would not exchange or trade unless they are benefiting from the transaction. Corporations want to pay lower wages, have higher profits, build more factories, employ more people, and so on; this will increase employment in the country. While the workers are accepting these jobs because they have no other job or employment opportunities, the increase in profits will increase the number of facilities and factories' opening for business, the result of many operations is competition which will lead to a rise in wages to meet the increased demand of labor. In addition, these higher profits will also lead to higher tax revenue by the government, which would in turn improve the country's infrastructure and health and education system. In conclusion, the presence of big corporations and competition for labor actually increases wages and lowers unemployment in the country in addition to supporting the reduction of other worse human right violations such as, forced prostitution, child soldiers and drug dealing. Most counter arguments claim that the low wages paid in sweatshops do not provide a good living standard. However, living standards and purchasing power in different countries differ. For example, someone considered poor in Canada can drive a car, use a phone, and live in a decent apartment. On the other hand, in some developing countries having shelter and food would be considered enough. In practice, being able to meet human basic needs such as food and shelter does support the presence of sweatshops in places that were these basic need wouldn't be meet otherwise.

3. Improved Working Conditions:

The diffusion of technology, internet and social media, has made news travel around the world in few seconds; supporting the raise of consumers awareness of labor standards in other countries. As consumers in developed countries becoming more concerned about the living standards, wage rates, market punishment will force companies to improve labor standards in their individual operations. An example of this type of punishment was the case of Nike and the boycott they had to face by their consumers, which as per the results, can show that sweatshops paves the way for better working conditions in countries where there is none. The presence of several stakeholders has made organizations consider other factors when measuring the standards they implement in their operations.