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**ASSIGN
BUSTER**

Increasing Shareholder Wealth INTRODUCTION The goal of all corporations is to increase shareholder wealth. Shareholder wealth is increased by increasing the corporation's profit. In a corporation involved in manufacturing, reducing the cost of the factors of production is essential for growth. One of the major components of production costs is labor. When it comes to labor costs, the corporation and the worker usually have very different goals. The corporation wants to pay the worker as little as possible, while maintaining the productivity and quality required by its customers. The worker, on the other hand, seeks to increase his or her personal wealth by demanding the highest possible wages and benefits. Because of this somewhat adversarial relationship, corporations and labor have developed strategies to strengthen their positions.

One of Labor's main defenses is to organize in unions. The existence of unions can be an effective method of gaining a position of strength, especially when dealing with power corporations. Depending on the size of the corporation, they might have the power to employ methods which are difficult for the workers to prevent or counteract.

One tactic used by corporations to reduce labor costs is the utilization of sweatshop labor. A sweatshop is a manufacturing facility that operates below minimum standards of safety and/or wages and benefits.

Sweatshops flourished in the United States in the late 1800s and early 1900s.

This paper will examine the re-emergence of sweatshop manufacturing in the U. S. and abroad, and its impact on how manufacturers do business. Two U. S. corporations will be discussed in detail. And the issue of utilizing low

costlabor domestically and offshore, including arguments for against this practice, will be discussed.

ISSUE BACKGROUNDSSince, by definition, sweatshops violate the basic rights of workers, a brief discussion of the history of the labor movement is a necessary element in understanding the use of sweatshops. This section is intended to give a brief outline of some of the events leading to worker's rights laws. The following information was excerpted from NBC News Online.

June 3, 1900 Garment workers form the International Ladies' Garment Workers' Union to protest low pay, fifteen-hour workdays, no benefits, and unsafe working conditions. While weak at the onset, the ILGWU struggles to help all workers fight for better conditions and higher pay.

1909 November 22, 1909-February 15, 1910 Organized by the ILGWU, 20, 000 shirtwaistmakers, mostly women and children, stage the first garment workers strike. Many picketers are beaten or fired.

In the end, the garment workers win a pay raise and a work reduction to 52 hours of work per week. July - October, 1910 ILGWU organizes a second large strike which featured 50, 000 cloak-makers. Taking their lead from the women, this mostly male strike won uniform wages, a shorter work week, and paid holidays. A Joint Board of Sanitary Control is set up, as well as an arbitration board. As a result of the strikes in 1909 and 1910, the ILGWU swells in membership.

March 25, 1911 One of the worst fires in U. S.

history breaks out at the Triangle Shirtwaist Company in Manhattan's Lower East Side, killing 146 garment workers. The Triangle fire prompts the government to take action and establish regulatory control over the industry.

Days after the tragedy, 80, 000 people participate in a funeral procession up Fifth Avenue.

June 25, 1938 President Franklin Roosevelt signs the Fair Labor Standards Act (FLSA) also known as the federal wage and hour law guaranteeing a minimum hourly wage of 25 cents. The law is enforced by the Department of Labor's Wage and Hour Division and sets the federal minimum wage and overtime requirements. It also prohibits child labor and requires employers to keep adequate time and payroll records. In 1996, the FLSA covers more than 110 million workers. 1958 The largest nationwide ILGWU strike in union history occurs, with 100, 000 union members walking out of factories. They win new concessions, including more holidays and higher wages. 1960s-1980s This three-decade period is marked by rapid globalization which hits the garment industry.

In the 1960s, faced with increased unionization, higher wages, and better benefits in the Northeast, companies begin moving factories South. However, by the late-1970s, the South had all but caught up in terms of Union activity. In the 1980s, many manufacturers and retailers begin outsourcing their production to subcontractors in Central America and Asia. Countries such as Honduras, El Salvador, Nicaragua, Malaysia, Indonesia, and Singapore provide free-trade zones and laborers who would work, according to the National Labor Committee, for as cheap as 9 cents per hour. By the late 1980s and early 1990s, under increased competition from foreign subcontractors, sweatshops start to flourish once again in