



# CPE Globalization Briefs

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## Sweatshops

The term “sweatshop” was first used in the United States towards the end of the 19<sup>th</sup> century to describe working conditions characterized by long hours, oppressively hard (and often unsafe) labor, and very low pay. During the 20<sup>th</sup> century, mobilization to improve employment conditions in industrialized countries drastically reduced, but has not yet eliminated, sweatshop practices. During the past two decades, however, growing attention has been paid to exploitative labor practices in developing economies linked to large [multinational corporations](#), particularly in the labor-intensive manufacture of clothing, footwear, and toys. Increasingly, sweatshops are seen as a global issue of basic human rights for both developing and developed economies.

One important trend behind the globalization of sweatshops is the changing composition of exports in developing economies. In 1985, manufactured goods accounted for only 29 percent of all exports from developing countries. By 1996, manufacturing exports comprised 77 percent of the total from these

countries. The growth of manufacturing in the developing world unleashes more competitive pressures among global producers. Competitive pressures among manufacturing sectors can keep wages low and working hours long. Sweatshops have been one by-product of successful industrialization.

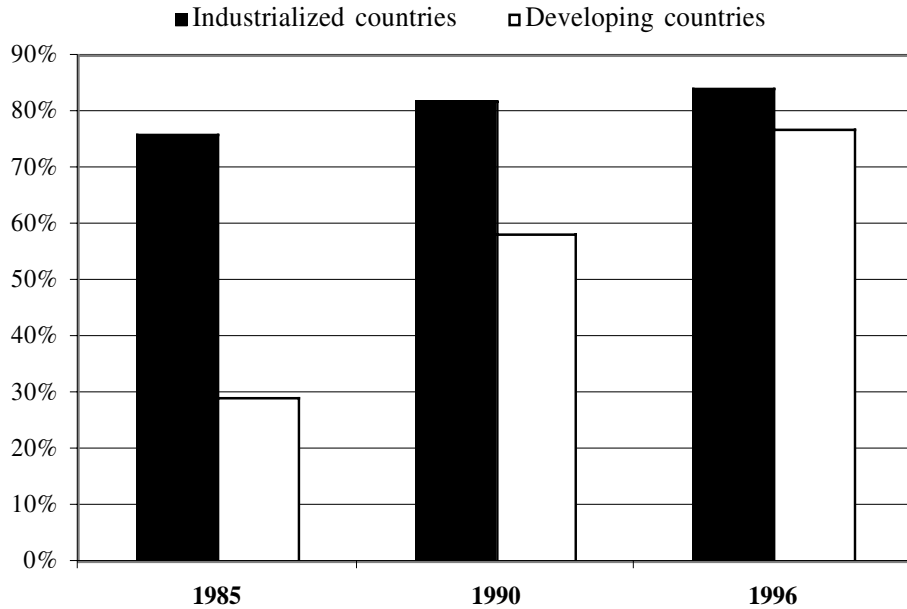
In the 1990s, student and labor organizations, primarily in industrialized countries, have begun to organize campaigns to stop sweatshop practices. These efforts have increased the profile of workplace abuses in countries around the world. However, critiques of the anti-sweatshop movement have pointed

out that better working conditions could come at the cost of fewer jobs. In developing countries, a decline in formal sector employment would force more people into the informal sector, where pay and working conditions are often worse.

Do better employment conditions come at the cost of fewer jobs? The answer is not straightforward. For example, clothing firms in Asia experienced the fastest growth in both employment and wages during the past



### Manufacturing Exports as a Percentage of Total Exports, 1985-96



Source: U.N. 1998. *World Economic and Social Survey*, Table A.16.

two decades. Therefore, having both more and better jobs is possible. This is not to argue that there is no negative relationship between wages and employment, but rather to point out that many other factors enter the picture.

One important variable is the retail price people pay. Surveys of American consumers have revealed that people are generally willing to pay from 15 to 28 percent more for clothes that are not produced under sweatshop conditions. Such price increases would more than pay for large improvements in working conditions. Furthermore, since retail prices increase with improvements in working conditions, negative employment effects would be kept very small, or even non-existent.

#### Sources:

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