

VISUAL 6.1

FEATURES OF SWEATSHOPS

Workplace Conditions

- Low wages
- Long work hours
- Health and/or safety hazards
- Arbitrary discipline by managers or owners
- No job security
- Physical abuse, threats and intimidation
- Workers have no voice in government
- Child labor

(**Note:** These conditions result in a sweatshop when they occur in combination, are taken to an extreme and last a long time.)

Contributing Factors

- Dense populations
- Limited education
- High unemployment
- Few job alternatives
- Extreme poverty
- Workers with low productivity
- No social safety net
- Corrupt, weak or undemocratic government
- Secrecy and lack of workplace transparency, often in places without a free press
- No system of justice to protect basic rights
- Consumer ignorance about or neglect of the plight of sweatshop workers

VISUAL 6.2

MARKET STRUCTURES

COMPETITIVE LABOR MARKET

Characteristics

- Many buyers of labor
- Many sellers of labor
- Free entry or exit
- Voluntary exchange
- Good information for both buyers and sellers

Economic Prediction

Firms are forced to pay the equilibrium wage determined by supply and demand. Wages reflect workers' contributions; otherwise, workers who feel exploited are able to find better jobs.

LESS-COMPETITIVE LABOR MARKET

Characteristics

- One buyer of labor or collusion of several buyers acting as one
- Many sellers of labor
- Entry of competing firms blocked
- High costs for workers to search for jobs
- Coercive exchange because other job options for workers are artificially blocked
- Asymmetric (one-sided) information or bargaining power

Economic Prediction

Wages are set below competitive equilibrium. Firms exploit workers because they pay the workers less than the value of their marginal contributions. Exploitation can persist if workers have trouble finding other jobs and problems in the justice system aren't resolved.

VISUAL 6.3

APPROACHES TO ETHICAL ISSUES

Ethical Approach	To Determine Whether Sweatshops Are Helpful or Harmful	Consider
Outcomes matter. (Outcomes-based ethics)	Examine the outcomes in people's lives	<ul style="list-style-type: none"> • Impact on workers' standard of living • Opportunity costs
Duty matters. (Duty-based ethics)	Ask whether the basic dignity of all human beings is upheld. The process, particularly whether anyone's human rights are violated, is key.	<ul style="list-style-type: none"> • U.S. Declaration of Independence • Geneva Convention for Treatment of Prisoners of War
Character matters. (Virtue-based ethics)	Decide whether sweatshops contribute to the formation of good character and virtues for workers, managers and consumers	<p>“The superior person understands what is moral. The small person understands what is profitable.”</p> <p style="text-align: right;">— Confucius</p>

VISUAL 6.4

THE MARKET APPROACH: APPAREL-INDUSTRY CERTIFICATION

Many consumers would like to buy products made under acceptable working conditions. One way to provide this information is for independent associations to certify factories that meet basic standards.

The Fair Labor Association (FLA) is one apparel-industry certification group. Participants include Adidas-Salomon, Eddie Bauer Inc., Gear for Sports, Gildan Activewear, Nike, Outdoor Cap, Patagonia Inc., Phillips-Van Heusen Corp., Puma, Reebok International and 194 colleges, universities and secondary schools in the United States and Canada with more than 1,900 licensees.

FLA members agree to abide by the association's Workplace Code of Conduct, which prohibits

- forced labor, including prison labor
- child labor
- physical, sexual, psychological and verbal harassment and abuse
- discrimination on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion or social or ethnic origin
- unsafe and unhealthy working conditions

The code also requires participants to

- recognize and respect the right of employees to bargain collectively
- pay employees the local or industry minimum wage
- provide workers with legally required benefits
- maintain reasonable hours of work and give employees one day off each week
- pay employees for working overtime