No Sweat?

Living Standards and Sweatshop Wages in Developing Countries

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Economists have debated the costs and benefits associated with anti-sweatshop activism for more than twenty years. The modern anti-sweatshop movement dates to the early 1990s and began garnering more attention as it became more institutionalized in labor unions and various NGOs in the late 1990s. This development led the Academic Consortium of International Trade (ACIT) economists to circulate a letter warning that adopting some of the demands of anti-sweatshop activists could lead to "shifts in employment that will worsen the collective welfare of the very workers in poor countries who are supposed to be helped" (ACIT 2000, 1). In response, a group called Scholars Against Sweatshop Labor, consisting mostly of economists, circulated a letter supporting anti-sweatshop activists, touching off an ongoing debate among economists about the merits of anti-sweatshop activism (SASL 2001). Sweatshops are generally characterized by low wages relative to developed countries' wages, long working hours, and generally poor working conditions, although there is no strict definition of exactly how bad any of these characteristics must be in order to distinguish a sweatshop from other factories in less developed countries. Much of the academic debate about sweatshops centers on whether satisfying the various demands of anti-sweatshop activism, which

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include higher minimum wages, better working conditions, and improved health and safety standards, would displace enough workers in the targeted industries that the net effect on worker welfare could be negative.[1] This paper contributes to that debate by estimating how wages in sweatshop jobs compare with the relevant alternatives in the countries in which sweatshops operate. Due to data limitations, our analysis is focused exclusively on wages and does not attempt to quantify how targeted sweatshops compare with other firms in terms of length of working hours or working conditions. Thus, we are only able to establish the opportunity cost of sweatshop employment along one of the three margins that activists criticize these firms. However, if sweatshop jobs pay poorly compared with the relevant alternatives, then anti-sweatshop activism could bring significant benefits across any of these margins for workers who retain their jobs and cost little wages to displaced workers that are reemployed in other industries. Conversely, if sweatshop jobs pay well compared with the relevant alternatives, it should make us more skeptical that activism can improve worker welfare, on net, in the presence of significant employment effects.

This study obviously relates to the large literature that estimates the employment effect of minimum wage laws in developing countries. Although that literature often finds conflicting results, Neumark and Corella's recent survey of that literature finds that the unemployment effects of the minimum wage are more likely to be negative and larger in sectors that are competitive, and where the minimum wage is binding and enforced. Further, effects are more likely to be found negative in studies that use data from the formal sector and that focus on low-wage workers (2020, 2). These are precisely the type of situations that sweatshops are likely to operate in. Thus, it is important to know how sweatshop jobs compare with the alternatives, since activists often demand increases in minimum wages and these increases likely have significant negative employment effects.

This paper is most directly related to a series of papers that specifically estimate the impact of anti-sweatshop activism on employment. The first of these papers, Harrison and Scorse (2010), studied the impact of anti-sweatshop activism in Indonesia during the 1990s. Indonesia was an early target of the anti-sweatshop movement, and it doubled its real legal minimum wage between 1988 and 1996, partly in response to that activism. Harrison and Scorse use a difference-in-differences method to analyze firm-level data comparing employment growth in firms in areas targeted by anti-sweatshop activism with growth in areas that were not targeted. Harrison and Scorse find, much as standard labor economics predicts, that a doubling of the minimum wage had significant (between 12 and 36 percent depending

1. Although not the focus of this paper, there is also a substantial ongoing debate surrounding sweatshops in the business ethics literature. See Arnold and Hartman (2006); Arnold and Bowie (2007); Arnold (2010); and Coakley and Kates (2013) for examples contending that sweatshop activism will generally improve ethical outcomes. See Zwolinski (2007); Powell (2006; 2018); and Powell and Zwolinski (2012) for contributions to the business ethics literature that argue implementing the demands of anti-sweatshop activists would generally not improve outcomes under most ethical standards.

on specification) unemployment effects (2010, 263). Then, Harrison and Scorse control for the increase in the minimum wage, which, of course, was one of the activists' demands, and investigate any additional unemployment effects in firms targeted by anti-sweatshop activism. Their results indicate that there was no additional negative impact on employment of anti-sweatshop activism once they control for increases in the minimum wage.

However, more recently Makioka (2021) investigated the same Indonesian data and argued that the firms in the treatment and control groups studied by Harrison and Scorse differed on both observable and unobservable characteristics, and he used a synthetic control methodology to better address these differences. Unlike Harrison and Scorse, Makioka finds that employment decreased by 29.8 percent in firms targeted by activists. Makioka summarizes his main finding, writing, "The estimate can be interpreted as the effect of the anti-sweatshop movement through firms' increasing compliance with minimum-wage regulations, offering voluntarily higher wages, and maintaining higher working standards, because having a similar log employment over the pretreatment periods implies that the treatment and control groups are similar in terms of both observed and unobserved determinants, including minimum wages" (2021, 642).

Two very recent studies investigated how multinational brand-enforced labor standards impact employment in developing countries. Grier et al. (2023) studied how anti-sweatshop activism in the wake of the Rana Plaza factory disaster in Bangladesh led many multinational firms to agree to source only from Bangladeshi garment factories that were participating in one of two safety accords. They employ a synthetic control methodology and find that the overall reaction to the Rana Plaza disaster led to a more than a 28 percent decrease in employment in Bangladesh's garment industry. Similarly, Alfaro-Urena et al. (2022) studied the impact of multinational firms imposing "responsible sourcing" standards in Costa Rica. They find that when multinational firms impose these standards, which include compensation and working conditions, on their subcontractors, employment in these firms is substantially reduced.[2] They also use a GE model to study the welfare implications of these standards and find that while some low-wage workers experience welfare gains, the majority of low-wage workers experience welfare losses.

In a related theoretical study, Chau (2016) also finds that rooting out sweatshop conditions raises unemployment. However, she uses a search model of employment and argues that, in particular situations, while a ban on sweatshop jobs could cause unemployment, it can also raise productivity and thus be efficiency enhancing.

2. On a different but related area of study, Tanaka (2020) finds that exporting "sweatshop" firms in Myanmar have better fire, safety, and health working conditions than domestic firms even absent specific multinational codes of conduct.

The anti-sweatshop movement comprises a diverse coalition of organizations that call for numerous reforms, but common demands among many of these groups include increases in minimum (living) wages in developing countries and more stringent safety, health, and working conditions laws or codes and their enforcement by governments or multinational buyers (Powell 2014a). The literature above gives us significant reason to believe that meeting those demands would lead to job losses for sweatshop workers in the affected industries and countries. This naturally leads to the question of how the earnings of workers in sweatshops compare with the alternatives available to potentially displaced workers if sweatshops meet activists' demands. The next section describes our approach to creating a database of sweatshop wages. The third section contains our main results and demonstrates how the wages in sweatshops compare with poverty wages, agricultural wages, and average incomes in countries where they operate and how these wages have evolved over time. The final section concludes.

Data

The difference between a "normal" low-wage manufacturing job and a "sweatshop" job in a developing country is not widely agreed upon. Some scholars and anti-sweatshop organizations focus their definition on whether International Labor Organization core labor standards are violated, others focus on whether local labor laws are followed, while yet others have more opaque subjective judgments. Ultimately, there isn't a set wage, level of working conditions, or combination of these that is universally agreed upon. There is no neat database at the World Bank or any other international NGO of "sweatshop wages." Thus, we assembled our own dataset of sweatshop wages in order to compare these earnings with alternatives available in the countries where they operate.

We follow Powell and Skarbek (2006) and Powell (2014a) in surveying global news sources to document instances of reported "sweatshops" and their associated wages. Powell and Skarbek's data spanned from 1995 through 2004 and Powell (2014a) updated that data through 2010. We build on that data by examining instances of reported sweatshops from 2011 through 2019.[3] We used the EBSCOhost database and searched for the phrases "sweatshops AND wages" and synonyms for these, such as replacing *wages* with *salaries* or dollar signs, in English-language newspapers around the globe. The criterion for inclusion in our dataset was simple: every time a reporter referred to a factory in a developing country as a "sweatshop" and reported wages in the same article, it was included in our dataset. We eliminated

3. We stop at 2019 so that we don't include reports of wages (both in sweatshops and alternatives to sweatshops) that were likely impacted by the COVID-19 pandemic and may paint a misleading picture of how sweatshops generally compare with alternatives.

duplicate reports of the same factory in multiple news sources, so that each factory is included in the data only once.

Assembling the data in this manner has limitations. The first stems from our limited ability to know how the reported wages were calculated. The wages are mostly reported in U.S. dollars, British pounds, or euros, while they are rarely reported in the local currencies the workers were actually paid with. Thus, we do not know the methods used by the reporters to convert local wages into those they reported. In this article, we report all wages in dollars for comparison purposes. When wages were quoted in currencies other than dollars in our primary sources, we converted them into dollars using the applicable exchange rate of the date the article was published. Furthermore, the wages were mostly reported in either hourly, daily, weekly or monthly rates. Yet, workers are sometimes paid in piece rates and we do not know the assumptions made by reporters converting them into rates reported by work duration. Although these limitations decrease the precision of our data, we do not believe that they systematically bias the data in any particular direction. The news sources themselves are representative of the industry in general, with high-circulation mainstream papers and magazines from around the English-speaking world included in our data. However, to the extent that reporters search for more sensational stories to generate media traffic, they may overreport on the most extreme sweatshops, while underreporting about more typical sweatshops. To the extent this happens, it would bias our findings to understate how well sweatshops compare with the relevant alternatives.

The second limitation stems from the sources used by the news reporters. Reporters often interview anti-sweatshop activists and use these activists' claims to report the wages paid by sweatshops. To the extent that activists want to illustrate how poorly paid sweatshop work might be, they may choose to use the least charitable way to convert piece rates to hourly rates, or to reference the wages of the poorest paid worker in a firm rather than a more representative worker. This bias may lead reports to understate typical sweatshop wages and, thus, our comparisons in the subsequent section might be considered lower-bound estimates. However, as our next section will show, even with these two potential biases, these wages often compare favorably with the relevant alternatives.

We identified sixty-two unique cases of reported sweatshop wages across fourteen countries from 2010 through 2019. All the reported sweatshops included in this article are located in either Asia or Latin America, except for Mauritius. We eliminated stories reporting sweatshop wages in countries in Europe as well as in North America as what is considered a "sweatshop" in developed countries is considerably different, in terms of the absolute level of wages and working conditions, from those termed a "sweatshop" in less developed countries. Table 1 contains these cases of reported sweatshops, their wages, and, when available, the associated multinational brands.

Table 1
Sweatshop Wages as Reported in the Press, 2011–2019
(in U.S. Dollars)

Country	Year	Firm/Company	Reported Wage	Per
Bangladesh	2012	Adidas	0.25	Hour
Bangladesh	2012	Walmart	0.18	Hour
Bangladesh	2013		0.24	Hour
Bangladesh	2013		40.00	Month
Bangladesh	2013		52.00	Month
Bangladesh	2013		32.00	Month
Bangladesh	2013		1.00	Day
Bangladesh	2013		38.00	Month
Bangladesh	2013		37.00	Month
Bangladesh	2013		64.00	Month
Bangladesh	2013		37.00	Month
Bangladesh	2013	Primark, Edinburgh Woollen Mill, Oliver, Haggar, Bootlegger	0.20	Hour
Bangladesh	2013	Smart Fashion Export	0.13	Hour
Bangladesh	2013	Walmart, Gap	0.06	Hour
Bangladesh	2014		68.00	Month
Bangladesh	2015		0.39	Hour
Bangladesh	2015	Russell Brand	0.38	Hour
Bangladesh	2016	Gildan	0.40	Hour
Bangladesh	2017		113.00	Month
Bangladesh	2017	Tesco, Asda	0.34	Hour
Cambodia	2013		74.00	Month
Cambodia	2013		80.00	Month
Cambodia	2013		0.45	Hour
Cambodia	2013		75.00	Month
Cambodia	2014		80.00	Month
Cambodia	2015	H&M	0.65	Hour
Cambodia	2016	H&M	180.00	Month
Cambodia	2018		0.83	Hour
China	2011	Adidas	0.51	Hour
China	2012	Golden Bear	0.50	Hour
China	2013		1.26	Hour
China	2013		192.00	Month
China	2014		1.25	Hour
China	2015		1.50	Hour
China	2016		0.53	Hour

(Continued)

Table 1
Continued

Country	Year	Firm/Company	Reported Wage	Per
China	2016	Apple	312.99	Month
China	2017		1.00	Hour
El Salvador	2013		187.00	Month
Haiti	2013	Gildan	6.96	Day
Haiti	2014	Gildan Activewear	5.30	Day
Haiti	2015		4.71	Day
Haiti	2015	Gildan	0.60	Hour
India	2012		1.26	Day
India	2013	Modalu London	0.27	Hour
Indonesia	2011		2.00	Day
Indonesia	2011	Nike	0.50	Hour
Indonesia	2012	Nike	1.42	Hour
Indonesia	2013		120.00	Month
Indonesia	2016	Nike	3.00	Day
Indonesia	2018	Adidas	1.27	Hour
Mauritius	2014	Compagnie Mauricienne de Textile (CMT), Topshop, Next, Urban Outfitters	0.99	Hour
Myanmar	2013		53.00	Month
Myanmar	2015		90.00	Month
Nicaragua	2015	Gildan	0.75	Hour
Pakistan	2013		0.52	Hour
Pakistan	2014		0.53	Hour
Pakistan	2015		39.71	Month
Philippines	2015		6.70	Day
Philippines	2017		5.60	Day
Sri Lanka	2016	Ivy Park	6.17	Day
Vietnam	2013		0.53	Hour
Vietnam	2014		0.28	Hour

Sources: Major English-language world news sources compiled by authors via EBSCO-host database search.

As is evident from the table, these wages are very low compared to developed-country standards. Individually reported sweatshops have hourly wage ranges from $0.06 (six cents) per hour in Bangladesh to $1.50 per hour in China. However, the level of wages in countries where readers of these news sources live is not a relevant alternative for the workers in these factories. In the next section we compare these sweatshop wages with the standards of living available in each of the countries where reported sweatshops are located.

Sweatshop Wages Compared with Living Standards

Employment in low-skill apparel manufacturing is often the first step out of poverty for workers in developing countries. Sweatshops targeted for protests may pay less than other apparel industry employers in these countries, but if better-paid work in non-sweatshop apparel industry factories were an available option for workers in sweatshops, most would have already chosen such jobs. If anti-sweatshop activism leads to job losses in targeted sweatshops, the relevant alternative for many of these workers could be a return to informal sector work, and the associated poverty-living standards, or agricultural employment. This section compares the earnings in sweatshops reported in the previous section with poverty-living standards, employment in agriculture, and then average incomes in the countries where they are located. Finally, we compare our data with that reported in Powell and Skarbek (2006) and Powell (2014a) for the countries that appear in our study and the earlier studies to see how reported sweatshop wages have evolved over time.

Compared with Poverty

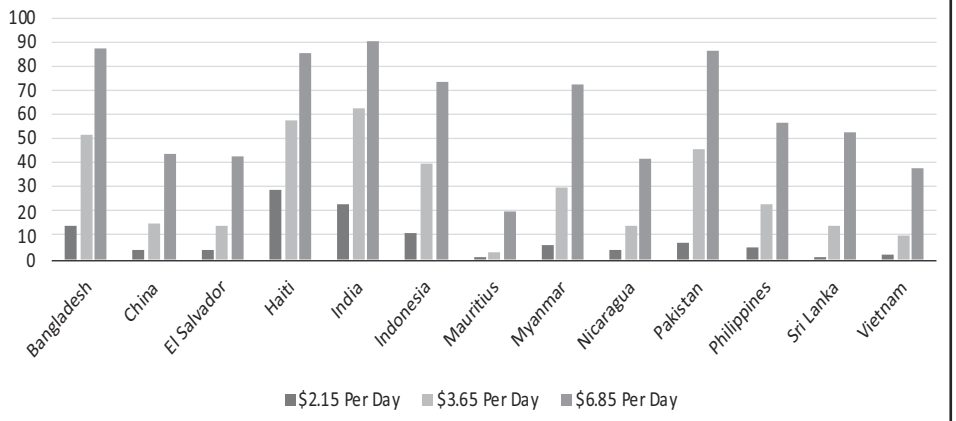
Extreme poverty is widespread in the countries with reported sweatshops. Figure 1 reports the average percentages of populations that live on less than World Bank's purchasing power parity–adjusted poverty thresholds of $2.15, $3.65, and $6.85 per day from 2011 to 2019.[4]

More than 10 percent of the population lives on less than $3.65 per day in all the countries where sweatshop wages are reported except for Mauritius and Vietnam (where 9.5 percent of the population lives on less than $3.65 per day). In more than a third of the countries roughly 40 percent of the population lives on less than the $3.65 per day standard. Extreme poverty is most prevalent in Bangladesh, Haiti, and India, where more than half the population lives below this standard. At the relatively higher $6.85 per day wage, more than 40 percent of the population lives below this standard in more than three-quarters of the countries.

To compare living standards provided by sweatshops with these extreme-poverty thresholds, we converted the sweatshop wages reported in table 1 to average daily income and adjusted for purchasing power parity. We assumed a 60-hour, six-day workweek and calculated the annual income based on the reported wages and then divided this annual income by 365 to get the average daily income. We construct a 60-hour estimate because most of the articles do not report hours worked.

4. Figure 1 shows the average percentage of the population falling in these categories for the years that data was available from the World Bank, or the closest available years, for the years when cases of sweatshops were reported in the news for each individual country. In most cases these numbers were relatively stable except for China, Indonesia, and the Philippines because of their growth. Data for Cambodia was unavailable.

Figure 1
Percentage of Population Living on Less than $2.15, $3.85, and $6.85 per Day (Adjusted for Purchasing Power Parity)



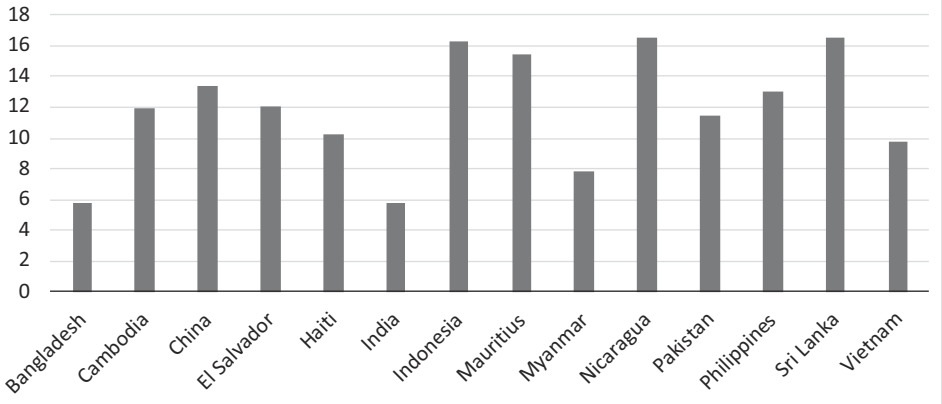
Source: World Bank, World Development Indicators.

Out of the sixty-two unique cases, thirteen reported daily working hours, but only six of those also included the number of days worked. These articles report an average of 10.8 hours per day worked and, for those that specified the number of days, an average of 63 hours worked per week. An additional eight articles simply reported weekly working hours that averaged 55.1 hours. Twelve articles in total mentioned the number of days worked, and all but one reported six days, the exception being seven days. We choose the 60-hour assumption to calculate comparisons in this section because it is a focal approximate midpoint for the roughly quarter of our sample that we have some indication of the number of hours worked. These wages are reported in figure 2.

The average daily wage in reported sweatshops was more than the $6.85 poverty threshold in every country except Bangladesh and India, where the living standards of 87 and 89 percent of their populations, respectively, fail to exceed this threshold. The average sweatshop living standard was $5.81 per day in Bangladesh and $5.83 in India, while more than half of the population in both countries was still living on an average of less than the $3.65 standard.

These averages are not obscuring the very low pay in some sweatshops relative to extreme-poverty standards. Out of the sixty-two reported sweatshop cases, only one reported a daily wage less than $2.15 and only four reported daily wages between $2.15 and $3.65. Out of those five cases, four are in Bangladesh, where more than 50 percent of the population made less than $3.65 a day. The other individual sweatshop wage reported below $3.65 was in India, paying $3.62 and barely missing the cutoff, while more than 60 percent of the population lives below that standard.

Figure 2
Average Sweatshop Earnings per Day
(in U.S. Dollars, Adjusted for Purchasing Power Parity)



Sources: Table 1 and PPP data from World Development Indicators.

Sweatshop earnings overwhelmingly pay their workers above common poverty-living standards in the countries where they operate, if their workers are only supporting themselves. When sweatshop workers are young and childless, or children themselves, as both are common, directly comparing their earnings with poverty standards is a good indication of sweatshop worker living standards. However, in cases where some portion of their wages supports other dependents, these comparisons overstate their living standard.

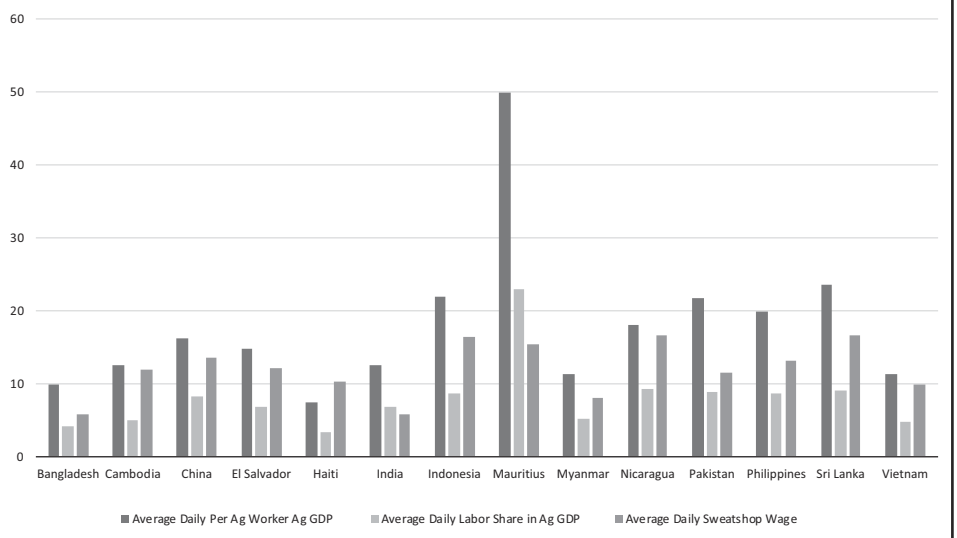
Compared with Agricultural Earnings

In most of the countries where sweatshops were reported, a large share of the population works in agriculture. Workers in the ready-made-garment industry, where sweatshops operate, are often women from rural areas where agricultural work is common (Ahmed et al. 2014, 259). More than 40 percent of the population works in agriculture in Bangladesh, Cambodia, India, Myanmar, Pakistan, and Vietnam. Only two countries, out of fourteen reported with sweatshops, have less than 25 percent of the population employed in agriculture. Thus, agricultural work is a relevant alternative that many workers might return to if they lose employment in sweatshops. Figure 3 compares the same daily sweatshop wage estimates above with potential agricultural earnings. Unfortunately, we do not have data on labor's share of output specifically within the agricultural sector, so we create both an upper-bound and a (more accurate) lower-bound estimate. The first bar for each country in figure 3 reports the daily dollar value of output per worker in agriculture. This number is simply the total dollar value of agricultural GDP divided by the number of agricultural workers and then converted to a daily rate.

If there were no other factors of production earning a return in the agricultural sector, this would represent earnings for the workers. However, obviously other factors of production do earn a return in agriculture. The second bar for each country multiplies the value of agricultural output per worker by labor's share of total GDP in each country. To the extent that labor earns a similar percentage of agricultural output as it does in other sectors, this measure roughly captures daily agricultural wages. To the extent that agriculture is more labor intensive and is relatively undercapitalized, actual wages would be higher than this estimate; thus we consider it a lower-bound estimate. Of our two estimates, we believe this second one is closer to actual agricultural earnings.

When we estimate agricultural earnings and adjust for labor's share, we find that average sweatshop earnings are higher than average agricultural earnings in twelve of the fourteen countries. In those twelve countries, sweatshop earnings exceeded agricultural earnings by an average of 86 percent. In Cambodia, Haiti, and Vietnam sweatshop earnings averaged twice the level of agricultural earnings. Pakistan had the smallest gap between sweatshop earnings and agricultural earnings among those twelve countries, at 30 percent. Agricultural earnings exceeded average sweatshop earnings only in Mauritius and India. Mauritius is a relatively rich outlier among the countries in our sample and will be discussed further in the next section. Agricultural earnings in India exceeded average sweatshop earnings

Figure 3
Estimates of Daily Wages in Agriculture vs. Sweatshop Wages (in U.S. Dollars, Adjusted for Purchasing Power Parity)



Sources: Table 1 and World Development Indicators.

by 14 percent—the smallest difference in earnings among the fourteen countries. Overall, sweatshop wages compare favorably with earnings in agriculture.

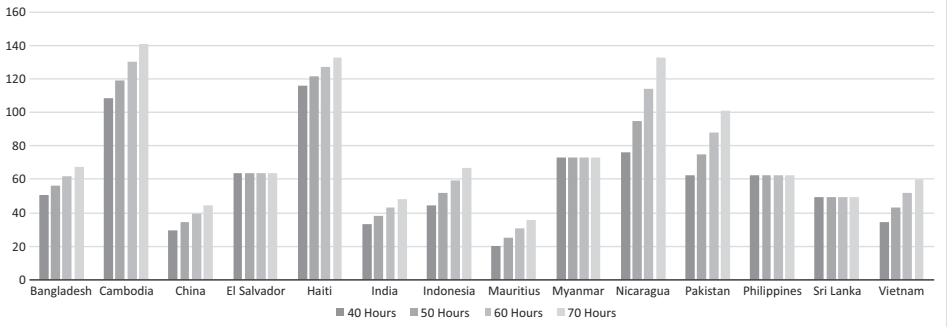
Compared with Average GDP Per Capita

Although earnings in a targeted sweatshop usually exceed extreme-poverty standards or agricultural earnings, it is also useful to compare these earnings with average living standards to see how far short, if at all, the sweatshop earnings fall compared with average income per capita.

To make this comparison we converted reported daily earnings into annual income assuming a six-day workweek, and wages reported as weekly or monthly were multiplied by 52 and 12, respectively. Hourly data was converted using four different assumptions about the number of hours worked per week: 40, 50, 60, or 70 hours. Of course, long working hours are one of the characteristics of sweatshops, so the 60- and 70-hour workweek estimates are the most relevant, based on the subset of the articles that reported hours worked. Since sweatshop wages were reported across nine years, we averaged the per capita GDP reported across each year a sweatshop was reported in that country, weighted to account for years when multiple sweatshops were reported.[5]

Figure 4 reports the average annual sweatshop earnings as a percentage of per capita GDP for each country.[6] Average income per capita might be expected

Figure 4
Annual Sweatshop Earnings as a Percentage of Average Income, by Country



Sources: Table 1 and World Development Indicators.

5. For example, if there are two sweatshops reported in 2012, one in 2015 and another one in 2017 for a country, the average GDP is calculated by adding the per capita GDP for the country in 2012 twice, for 2015 once, and for 2017 once and dividing the sum by 4.

6. In countries for which data was available only for daily, weekly, and monthly earnings but not hourly earnings, each of the four hourly assumptions generates the same height bar.

to be a high bar to compare sweatshop earnings with, but in Cambodia, Haiti, Nicaragua, and Pakistan sweatshop jobs earn more than average GDP per capita with realistic assumptions about the number of hours worked. In Bangladesh, El Salvador, Indonesia, and Myanmar sweatshop workers earn between 60 and 80 percent of the average income, while sweatshop workers in China, India, the Philippines, Sri Lanka, and Vietnam all earn about 40 to 60 percent of the national average.

The only remaining country, Mauritius, where sweatshop workers earn only about 20 percent of average GDP per capita, is an outlier in our sample in that it has considerably higher living standards than the rest of the countries, with GDP per capita averaging more than $18,000. In the case of Mauritius, the reported sweatshops were employing immigrants from Bangladesh, India, and Vietnam. Although low by Mauritian standards, the reported sweatshop earnings were high by the standards of these migrants' origin countries (164 percent of Bangladesh, 113 percent of India, and 81 percent of Vietnam's GDP per capita).

Evolution of Sweatshop Wages

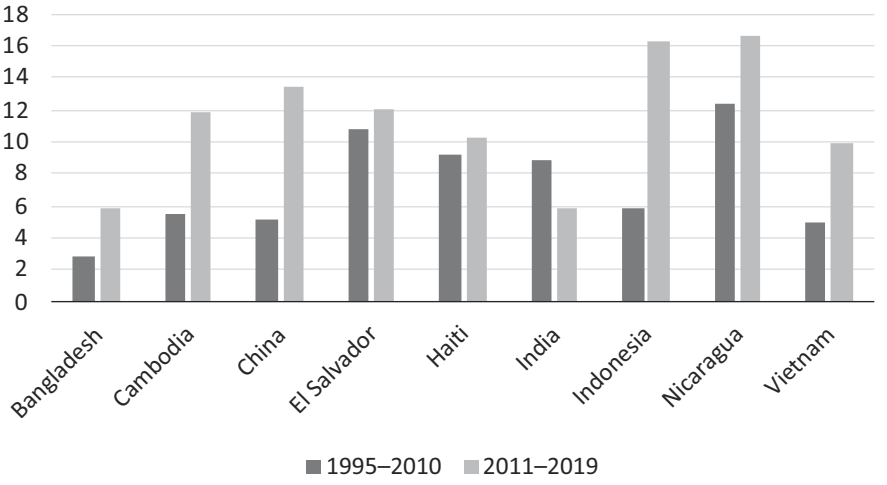
We have focused on comparing sweatshop wages with contemporaneous alternative living standards because those standards are the most relevant alternatives if a sweatshop worker becomes unemployed due to anti-sweatshop activism. However, it is also interesting to see how earnings in reported sweatshops have changed over time. Our data was collected following the same methodology of Powell (2014a) that measured reported sweatshop wages between 1995 and 2010.[7] Our data spans 2011 to 2019 and includes nine countries with daily average sweatshop earnings in common with that earlier study. Thus, we can compare the average daily sweatshop wage for these countries that was reported in news sources in the earlier period with the average wage in the more current period to see how what is deemed a "sweatshop wage" has changed over time.[8] Figure 5 reports the average sweatshop earnings per day—adjusted for purchasing power parity (PPP)—between 1995 and 2010 and between 2011 and 2019 in these nine countries.

In all countries, except India, reported sweatshop wages were higher between 2011 and 2019 than they were between 1995 and 2010. Across the nine countries, reported sweatshop wages increased an average of 74 percent from the first period to the second. Reported sweatshop wages roughly doubled in Bangladesh, Cambodia, China, and Vietnam and nearly tripled in Indonesia. Over this same period the average GDP per capita in those countries rose 67 percent. It seems that the standard of what is deemed a sweatshop worthy of reporting has risen roughly proportionately with the economic development of these countries.

7. And, as mentioned previously, Powell (2014a) followed the same methodology as Powell and Skarbek (2006) and updated that data through 2010.

8. For more historical perspective on the role of sweatshops in long-run development, see Powell (2014b).

Figure 5
Average Sweatshop Earnings per Day for Reported Sweatshops, 1995–2010 and 2011–2019 (in U.S. Dollars, Adjusted for Purchasing Power Parity)



Sources: Table 1 and Powell (2014).

Conclusion

A large literature studying the minimum wage in developing countries finds that there are significant unemployment effects of a minimum wage in the types of situations in which sweatshops are likely to operate. A much smaller literature has examined the specific effect of anti-sweatshop activism, generally finding substantial unemployment effects of activism as well. Any estimation of the welfare effects of minimum wages or other anti-sweatshop policies, employing standard cost-benefit analysis, requires weighing the gains in welfare for workers who keep their jobs against the losses in welfare for those that lose their jobs.[9] Although a full welfare analysis of these trade-offs is beyond the scope of this paper, we provide a necessary input to such a future analysis by examining how well sweatshops pay relative to the likely living-standard alternatives that are available to displaced workers. Our main finding is that sweatshop pay compares overwhelmingly favorably to widespread poverty-living standards in the countries in which sweatshops operate. Sweatshop earnings also compare favorably with agricultural earnings and often even compare favorably with average living standards. Thus, job loss from anti-sweatshop activism would likely lead to significant earnings losses for displaced workers.

9. See Powell (2018) for a discussion about value judgments in assessing worker welfare in measuring such trade-offs. There are, of course, other alternatives to standard cost-benefit analysis that would instead look to find rules that over time will create a net benefit for each individual affected by them as judged by the individual's own implicit consent.

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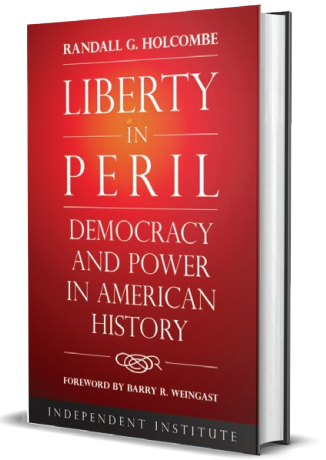

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