A Critical Analysis of The Interconnectedness Between Demand for Cheap Products by Consumers in Developed Countries and The Continuous Rise in Sweatshops in The Global South*

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Abstract

The relentless demand for cheap products by consumers in developed countries has a profound and direct impact on the proliferation of sweatshops in developing countries. This paper examines the intricate linkages between consumer behavior in affluent economies and the working conditions in the global south. It explores how multinational corporations, driven by the need to minimize costs and maximize profits, outsource production to regions with lower labor costs and less stringent labor regulations. Consequently, this economic dynamic foster environment where poor working conditions, low wages, and labor rights violations are rampant. By analyzing case studies, the paper highlights the role of weak regulatory frameworks, economic disparities, and competitive pressures that perpetuate exploitative labor practices. In particular, the study delves into the role of multinational corporations that dominate global supply chains. These corporations often prioritize cost reduction and efficiency, leading them to outsource production to developing countries where labor is cheaper. This outsourcing is exacerbated by intense competition in consumer markets, where price-sensitive consumers in developed countries demand low-cost products. The resulting pressure on suppliers often translates into the compromise of labor standards, leading to the prevalence of sweatshops characterized by long working hours, inadequate wages, unsafe working conditions, and the absence of labor rights. The paper also discusses the regulatory and governance-related challenges in developing countries. The paper concludes by proposing potential solutions to mitigate the adverse effects of global supply chains on labor conditions.

Keywords: Sweatshops, exploitative labor practices, global south, global supply chains, labor rights

Introduction

In the contemporary globalized economy, the demand for inexpensive products by consumers in developed countries has been a significant driver of production practices worldwide. This insatiable appetite for cheap goods in first world nations has led to the proliferation of sweatshops in the Global South (countries such as Bangladesh, India, Vietnam, among others), where labor is cheaper and regulations are often less stringent. A sweatshop refers to a “typically tiny manufacturing establishment employing workers under unfair and unhygienic working conditions”. They are marked by extremely tough working conditions, low wages and very long working hours. Consequently, they have become a critical point of contention in discussions surrounding ethical consumption, labor rights, and economic development.

Moreover, this issue is multifaceted, involving economic, social, and political dimensions. Consumers in developed nations often prioritize low prices over other factors such as quality, sustainability, or ethical considerations. The "fast fashion" industry is a prime example where rapid production cycles and inexpensive clothing drive consumer demand. The term "fast fashion" emerged in the early 1990s when Zara expanded to New York. The New York Times coined the phrase to highlight Zara's goal of taking just 15 days for a garment to progress from the design stage to being available for sale in stores. This trend is also evident in electronics, toys, and household goods. The constant pressure to offer lower prices leads retailers and brands to seek out the cheapest possible production methods, often resulting in the outsourcing of labor to countries with lower production costs.

Lack of consumer pressure allows companies to prioritize cost-cutting over ethical labor practices. To maintain competitive pricing, multinational corporations (MNCs) often outsource production to nations with cheap labor and lax regulations. This offshoring strategy helps companies minimize costs and maximize profits. Countries in the Global South, with their abundant labor supply and lower wages, become attractive destinations for manufacturing. The globalization of supply chains has made it challenging to trace the origins of products. Many companies use a network of subcontractors, making it difficult to ensure fair labor practices throughout the production process. This opacity has lead to the exploitation of workers in sweatshops, as oversight and accountability are often lacking. In the global market, while trading goods and services internationally has become possible, it has also led to instances of powerlessness and exploitation. Powerlessness can be defined as a “designation of a position in the division of labor and the concomitant social position that allows persons little opportunity to develop and exercise skills”.

Role of Corporations in Rise of Sweatshops

The role of corporations in the rise of sweatshops is significant and multifaceted. Several corporations, particularly in the apparel, electronics, and consumer goods sectors, have been associated with the rise of sweatshops due to their reliance on low-cost labor and global supply chains engaging in a race to the bottom. The "race to the bottom" is a phenomenon where corporations seek to minimize production costs by relocating their manufacturing operations to countries with the lowest labor costs and weakest regulations.

Corporations often adopt complex supply chains involving multiple subcontractors. This complexity makes it challenging to monitor and regulate each step of the production process. For example, the design team of these brands will be in one country creating new clothing designs based on the latest fashion trends. The design specifications are sent to multiple suppliers around the world for raw materials like fabric, zippers, and buttons. These could be located in countries like China, India, or Bangladesh. They produce the fabric needed for the clothing. Factories that produce other components, such as buttons and zippers, might be in different locations like Vietnam or Indonesia. These factories, often located in low-wage countries like Bangladesh or Vietnam, receive the raw materials and begin the process of cutting and stitching the garments. To handle large orders, primary factories may subcontract work to smaller factories. These subcontractors might lack adequate oversight, leading to potential issues with labor practices. Once the basic assembly is done, garments may be sent to other facilities for additional work such as dyeing, printing, or embellishments. These facilities can be in the same country or in different countries. Finished garments are inspected, often at a centralized facility, to ensure they meet the brand's standards. Completed garments are shipped to central distribution centers. From the central distribution center, products are sent to regional warehouses located in various parts of the world. Finally, garments are shipped to individual stores across different countries, ready for sale to consumers.

Thus, by permitting their subsidiaries to function with minimal oversight, they distance themselves from accountability for the unethical practices employed to produce their clothing at such low costs. In May 2020, Global Labor Justice (GLJ) published two reports that documented the mistreatment of female garment workers in supplier factories for H&M and Gap in Asia. These abuses included physical violence, sexual harassment, poor working conditions, and enforced overtime.

Fast Fashion-Biggest Cause of Rise in Sweatshops

Remake, a non-profit organization, states that 80% of apparel is made by young women aged 18 to 24. A 2018 report from the US Department of Labor revealed instances of forced and child labor in the fashion industry across multiple countries, such as Argentina, Bangladesh, Brazil, China, India, Indonesia, the Philippines, Turkey, and Vietnam. In her project "An Analysis of the Fast Fashion Industry," Annie Radner Linden asserts that the garment industry has always been both low-capital and labor-intensive. In her book No Logo, Naomi Klein argues that developing nations are viable for garment industries due to 'cheap labor, vast tax breaks, and lenient laws and regulations'.

While there is a growing awareness of ethical consumption, a significant portion of consumers remain either unaware or indifferent to the origins of the products they purchase. Bobbie Harro, in "The Cycle of Liberation," explains that the "waking up" stage is typically triggered by a critical incident that causes cognitive dissonance. For many fast fashion consumers, living far from the issues makes it challenging to experience an incident significant enough to induce the cognitive dissonance necessary to begin the cycle of liberation.

Case Studies of Countries with Highest Number of Sweatshops

1. **Bangladesh**
Industry Focus: Textiles and Garments
Key Issues: Extremely low wages, unsafe working conditions, long working hours.
Bangladesh is one of the most significant centers for garment manufacturing globally, and the industry is a cornerstone of its economy. However, the rise of sweatshops in the country has led to widespread labor exploitation and hazardous working conditions. This section delves into the historical background, current conditions, key issues, and efforts to address the challenges faced by workers in Bangladesh's garment sector. Since the late 1970s, Bangladesh has seen rapid growth in its garment sector. This growth has been driven by various factors, including low labor costs, trade agreements such as the Multi-Fiber Arrangement (MFA), and preferential market access to developed countries. The Ready-Made Garment (RMG) industry now accounts for more than 80% of the country's export earnings and employs over four million people, predominantly women.
Globalization has played a crucial role in the expansion of Bangladesh's garment industry. Trade policies and agreements like the Generalized System of Preferences (GSP) have provided the country with competitive advantages, making it a preferred destination for international brands seeking low-cost production. The working conditions in many of Bangladesh's garment factories are notoriously poor. Workers often endure long hours, sometimes up to 14-16 hours a day, with minimal breaks. Factories are frequently overcrowded, poorly ventilated, and lack adequate safety measures. The infamous Rana Plaza collapse in 2013, which resulted in the deaths of over 1,100 workers, brought global attention to these unsafe working environments.
Despite the critical role they play in the economy, garment workers in Bangladesh receive some of the lowest wages in the world. As of 2023, the minimum wage for garment workers is about 33 cents per hour which is insufficient to cover basic living expenses. This low wage is a significant factor in the perpetuation of poverty among workers. Labor rights violations are rampant in Bangladesh's garment industry. These include denial of the right to unionize, retaliation against workers who attempt to organize, and widespread use of temporary contracts to avoid providing benefits. Harassment and abuse by factory supervisors are also common. The health and safety of workers in Bangladesh's garment factories remains a major concern. In addition to the risk of building collapses, workers face exposure to hazardous chemicals, insufficient safety training, and inadequate emergency exits.
The majority of garment workers in Bangladesh are women, who often face gender-based discrimination and harassment in the workplace. Despite their significant contributions to the industry, women are underrepresented in leadership positions and decision-making processes. They are also more vulnerable to exploitation due to societal norms and economic pressures. Sofia Ovaa, global campaign coordinator of Stop Child Labor, said: “There are many girls in countries

like India and Bangladesh, who are willing to work for very low prices and are easily brought into these industries under false promises of earning decent wages."

The Bangladeshi government has taken steps to improve labor conditions, including increasing the minimum wage and establishing the Department of Inspection for Factories and Establishments (DIFE). However, enforcement of labor laws remains inconsistent and inadequate due to corruption, lack of resources, and political pressures.

In response to the Rana Plaza disaster, two coalitions were formed to enhance factory safety: the Alliance for Bangladesh Worker Safety, consisting mainly of U.S. brands like Gap, Walmart, and Target, and the Accord on Fire and Building Safety in Bangladesh, signed by over 200 European companies and trade unions.

2. **India**

Industry Focus: Textiles, Garments, Leather, and Handicrafts

Key Issues: Child labor, forced labor, poor working conditions, lack of labor law enforcement.

India, with its vast and diverse economy, is a major hub for manufacturing and exports, particularly in textiles, garments, leather, and handicrafts. While these industries significantly contribute to the country's economic growth and employment, they are also associated with severe labor exploitation, including the prevalence of sweatshops.

Since its economic liberalization in the early 1990s, India has experienced significant industrial growth. The liberalization policies aimed to open up the economy to foreign investment, reduce trade barriers, and privatize state-owned enterprises. This led to a surge in the manufacturing sector, especially in textiles and garments, which are labor-intensive and benefit from India's large, inexpensive workforce.

India's integration into the global economy has been driven by trade agreements and the establishment of Special Economic Zones (SEZs), which offer tax incentives and relaxed labor laws to attract foreign companies. These policies have spurred the growth of export-oriented industries, but often at the expense of labor standards and workers' rights.

Many Indian factories, particularly those subcontracting for global brands, operate under harsh conditions. Workers often face long hours, sometimes exceeding 12-14 hours a day, with inadequate breaks. Factories are frequently overcrowded, poorly ventilated, and lacking in basic safety measures, leading to a high risk of accidents and occupational diseases.

Despite the crucial role they play in the economy, many workers in India's sweatshops earn wages that are far below the living wage. As of 2023, the minimum wage in many states is insufficient to cover basic living costs, forcing workers to live in poverty. The garment sector, in particular, is known for paying meager wages to its predominantly female workforce.

Child labor remains a significant issue in India, despite laws, including the Constitution of India, prohibiting it under Article 24. In many small, unregistered workshops and home-based industries, children are employed under hazardous conditions. They are often subjected to long hours, little pay, and exposure to harmful substances.

A report by the Centre for Research on Multinational Corporations (SOMO) and the Indian Committee of the Netherlands (ICN) revealed that recruiters convince parents of young girls in India to send them for jobs in bigger cities on the promise of good wage, accommodation and proper meals but in reality, they are working under extreme conditions almost equivalent to slavery and worst forms of child labor.

3. **China**

Industry Focus: Electronics, Toys, Garments, and Textiles

Key Issues: Excessive working hours, low wages, unsafe working conditions.

China is a global manufacturing powerhouse, often referred to as the "world's factory." While the country's economic growth and industrialization have lifted millions out of poverty, they have also been accompanied by widespread labor exploitation in the form of sweatshops.

China's economic reforms, initiated in 1978 under the leadership of Deng Xiaoping, transformed the country from a centrally planned economy to a market-oriented one. These reforms opened China to foreign investment, encouraged private enterprise, and established Special Economic Zones (SEZs) with favorable business conditions. As a result, China experienced rapid industrialization and became a leading exporter of manufactured goods.

China's accession to the World Trade Organization (WTO) in 2001 further integrated the country into the global economy. This allowed China to expand its export markets and attract more foreign direct investment (FDI). The combination of low labor costs, efficient supply chains, and large-scale production capabilities made China an attractive destination for multinational corporations seeking to minimize production costs.

The working conditions in many Chinese factories, particularly those producing electronics, garments, and toys, are often harsh. Workers typically face long hours, sometimes exceeding 12-14 hours a day, with minimal breaks. Factories can be overcrowded, poorly ventilated, and lacking in adequate safety measures. Reports of excessive overtime, unpaid wages, and physical and verbal abuse are common.

Despite being higher than those in some other developing countries, wages for factory workers in China remain low relative to the cost of living in industrialized regions. Many workers live in dormitories provided by their employers, often in cramped conditions, and send a significant portion of their earnings back to their families in rural areas.

Health and safety are major concerns in Chinese factories. Workers frequently face exposure to hazardous chemicals, unsafe machinery, and inadequate safety training. The 2010 Foxconn suicides brought global attention to the stressful and dangerous conditions faced by workers in China's electronics factories.

A significant portion of the workforce in China's manufacturing sector consists of rural migrants. These migrant workers often lack access to social services and face discrimination in urban areas. The hukou (household registration) system restricts their access to housing, education, and healthcare, exacerbating their vulnerability.

There have been reports of forced labor, particularly involving ethnic minorities such as Uyghurs in Xinjiang. These reports indicate that workers are subjected to coercive labor practices, with little freedom to leave their jobs and harsh penalties for non-compliance.

4. **Vietnam**

   Industry Focus: Garments, Footwear, Electronics

   Key Issues: Low wages, long working hours, poor working conditions.

   Vietnam, a rapidly industrializing country in Southeast Asia, has emerged as a significant manufacturing hub, particularly in textiles, garments, footwear, and electronics. The manufacturing sector has played a crucial role in Vietnam's economic development. Vietnam embarked on economic reforms known as Đổi Mới in the late 1980s, transitioning from a centrally planned to a market-oriented economy. These reforms opened up the country to foreign investment, encouraged private enterprise, and stimulated rapid industrial growth. The manufacturing sector, particularly export-oriented industries, became a key driver of Vietnam's economic expansion.

   Vietnam's integration into global supply chains accelerated with its accession to the WTO in 2007. This integration provided Vietnamese manufacturers with access to international markets and attracted multinational corporations seeking low-cost production locations. The textile and garment industry, in particular, has flourished, becoming a major exporter to markets such as the United States and Europe.

   In many Vietnamese factories, particularly those supplying global brands, working conditions are often challenging. Workers frequently face long hours, typically exceeding 10-12 hours a day, and overtime is common. Factories may lack adequate ventilation, safety equipment, and emergency exits, posing risks to workers' health and safety.

   Wages in Vietnam's manufacturing sector vary across regions and industries but generally remain low compared to the cost of living, especially in urban areas. Labor rights violations are prevalent in Vietnamese sweatshops. Women constitute a large majority of the workforce in Vietnam's garment and textile industries. They often face gender-based discrimination, lower wages compared to male counterparts, and limited opportunities for career advancement. Female workers also experience higher rates of sexual harassment and workplace abuse.

5. **Cambodia**

   Industry Focus: Textiles and Garments

   Key Issues: Low wages, excessive overtime, unsafe working conditions.

Cambodia's garment and textile industry began to grow rapidly in the 1990s, following political stability and economic reforms aimed at attracting foreign investment. The industry quickly became a crucial source of employment and export earnings for the country, particularly targeting markets in the United States and Europe.

Cambodia benefits from trade preferences such as the Everything But Arms (EBA) initiative, which grants duty-free and quota-free access to European markets. This has incentivized foreign investment in the garment sector, making Cambodia an attractive destination for international brands seeking low-cost production.

Labor rights violations are common in Cambodia's sweatshops. Workers face challenges in exercising their right to organize and collectively bargain. Trade union leaders and activists have been subjected to harassment, intimidation, and violence. The use of short-term contracts and subcontracting further undermines job security and access to benefits.

Despite recent increases, wages in Cambodia's garment sector remain low. The minimum wage is set annually by the government and is often criticized for being insufficient to cover basic living expenses, particularly in urban areas like Phnom Penh. Many workers, especially women, struggle to make ends meet and are vulnerable to debt bondage.

Conclusion

This study has highlighted the issue of the directly proportional relationship between demand for cheap products by consumers in developed countries and the continuous rise in sweatshops in the Global South. The people, especially women and children working in sweatshops in all the five developing countries dealt with in this paper are working in extreme environments, their wages are way below the minimum wages, and they face harassment at the hands of their employers. The study has revealed that there are two main reasons behind the perpetuation of sweatshops in these countries, that is, firstly, it is not the lack of laws and regulations but the poor implementation of these regulations, at national and international level. Secondly, indifference and the lack of mindfulness among the consumers is the main force that drives corporations to engage in finding means of faster production. Until the mindset of the consumers around the world, especially in developed countries will not change towards making environment friendly choices and sustainability, big corporations shall have the encouragement and the reason to meet their demands by engaging in unethical means of production, further perpetuating sweatshops.

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