

Are Sweatshops Ethically Defensible?

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Abstract:

Sweatshop labor has been a source of debate among scholars due to the ethical concerns it raises. A defender of sweatshops would argue that sweatshop labor is a means of reducing company costs that also provides employment opportunities to economically underdeveloped countries. A sweatshop opponent would defend that potentially hazardous working conditions and minimal wages cannot be ethically justified. Previous studies in the field have highlighted both the strengths and weaknesses of each side of the sweatshop labor debate. This paper will take the specific position that sweatshops are a permissible form of labor so long as laborers are able to maintain a minimum standard of living, which includes affording basic necessities and having basic human rights respected. In addition, the paper argues that there is some motivation for businesses to promote socially responsible business practices extending beyond legal requirements.

Introduction

Multinational enterprises (MNE's) utilize outsourcing in order to reduce operating expenses through saved labor costs, usually increasing overall profits. Sweatshops are factories that have low wages and poor labor conditions, at least by the standards of more economically developed countries, and they are frequently used by MNE's to fulfill supply chain processes. The United States Department of Labor specifically defines a sweatshop as a factory that violates two or more labor laws. These poor conditions lead to debate over the ethical conduct of companies towards their suppliers and employees. Although the working conditions of sweatshops are characterized as potentially dangerous and exploitative, they are often the best employment option available to international laborers. The labor arrangement's exploitative nature may be mutually beneficial in that it benefits the laborer without directly harming them. Thus, there is sufficient justification to either support or refute the ethicality of sweatshops.

This paper will defend the claim that sweatshops are a permissible labor arrangement so long as their employees are able to maintain a minimum standard of living. Maintaining a minimum standard of living in this paper refers to individuals earning wages that satisfy basic health and sanitary needs, as well as allowing for some quality of life. A minimum standard of living is more than simply being able to afford basic necessities; rather, there must be some level of fulfillment that ensues. Aristotle defines a fulfilling life as having fulfilled our rational nature, which leads to some form of happiness aside from affording basic necessities (Aristotle et. al., 2009). An individual may live a fulfilling life if they have the time to visit with loved ones, pursue personal projects, or engage in hobbies, among other pursuits. The individual must not

achieve fulfillment only through their work; the conditions of their labor arrangements must not be so severe that they hinder the worker's ability to pursue fulfillment in life. Another plausible interpretation of fulfillment is one that includes basic, or human, rights. The American philosopher Henry Shue defines rights as basic "only if enjoyment of them is essential to the enjoyment of all other rights," (Beitz & Goodin, 2009). Some examples of basic human rights include freedom from inhumane treatment, the right to health, and the right to liberty. In summary, a good definition for achieving a minimum standard of living is one that extends beyond merely affording necessities. It must also include basic human rights which, in turn, contribute to a fulfilling life. The current working conditions endured by many sweatshop employees cannot be classified as ethically justified because they violate basic human rights of freedom from inhumane treatment and the right to health and liberty. However, changes could be made that would render sweatshop labor arrangements ethically justifiable.

A sweatshop can be a permissible form of labor despite falling well short of ideal working conditions. In a study of ten different countries that have historically utilized sweatshop labor, individuals in nine out of ten countries earned higher wages from sweatshop labor than the average national income while working fifty hours per week (Powell & Skarbek, 2004). Within those ten countries, laborers in Honduras and Nicaragua earned sweatshop wages that amounted to over six times the national income average. We can safely assume that, in any given country, an individual earning six times the national income average is able to afford basic health and sanitary needs. Thus, sweatshop labor satisfies our first requirement of meeting a minimal standard of living.

The second qualification for maintaining a minimum standard of living is having the ability to pursue a fulfilling life. A key factor related to fulfillment is the quantity of time spent at

a job, for long hours decimate the ability to spend time pursuing personal interests. The aforementioned study compares the annual income of ten countries under four different work week lengths: 40 hours, 50 hours, 60 hours, and 70 hours per week. It is unsurprising that the average annual income is directly related to the number of hours worked. Yet, identifying the industry wages from working 40 or 50 hours per week is significant because it is comparable to first-world standards of labor hours. The quantity of individuals earning higher than the national average while working 40 hours per week only falls to eight out of ten countries (as opposed to nine out of ten countries at 50 hours per week). Since we assume there is a significant relationship between hours worked and the ability to lead a fulfilling life, it seems that the second requirement for having a minimum standard of living is met as well. Sweatshop laborers who work for 70 hours per week may not be able to achieve the same level of fulfillment. Although their annual income is relatively higher, it comes at the expense of foregoing time spent with family members or pursuing hobbies. It therefore seems that both requirements, which are affording basic necessities and having the ability to live a fulfilling life, can be satisfied at the average work week of forty to fifty hours per week.

Different Types of Sweatshop Labor

Today, sweatshops can be found in most third-world countries that are in the process of industrialization. However, the reality of what goes on inside these factories is not always publicized in more economically developed countries. We hear generalizations about sweatshop working conditions, consisting of intense labor for long hours, as well as minimal compensation for work. Yet, hearing an anecdote from a person who has engaged in sweatshop labor helps put

these labor conditions into perspective. Some labor arrangements are simply inexcusable. The following narratives describe inevitable conditions that exist around the world, for it is important to recognize labor arrangements that are impermissible no matter the circumstance.

Coercive labor has existed throughout history in the forms of slavery, serfdom, and corvee labor. Today, though far less common, coercive labor arrangements still exist in the form of quasi-slavery and debt peonage, to name a few. Some of the most infamous cases of modern-day slavery can be found in the Asian seafood industry. Fishing vessels near Thailand have been accused of selling and forcing Burmese and Cambodian men to work as slaves, fishing for 20 hours per day with no compensation. Individuals have reported being offered amphetamines by their captains in order to work through the night, and insubordination often results in serious injury or even death (Palmstrom & Service, 2012). The horrific conditions endured by the people in these situations is not, in any form, comparable to sweatshop labor. It is important to recognize that these situations still exist though, to both raise awareness about the state of modern-day slavery and clearly differentiate between slavery and sweatshops. We assume that the sweatshops being referred to in this paper are noncoercive labor arrangements; conversely, modern-day slavery is a clear example of coercive labor arrangements. The elements of choice and consent are employed throughout the rest of this paper to explain why sweatshop labor arrangements are permissible, even though they fall well short of ideal working conditions.

A statement before the Subcommittee of Interstate Commerce, Trade, and Tourism was delivered in 2007 by Sheikh Nazma, a Bangladeshi woman who participated in coerced child labor. Nazma assisted the Bangladesh Center for Work Solidarity as they conducted research on child labor in a factory called Harvest Rich, which produces textiles for Puma, Hanes, and JCPenney, among others. Their research revealed that "...children, just 11, 12, and 13 years of

age working at the Harvest Rich factory... were paid six cents an hour, 53 cents a day, and \$3.20 a week..." (*Senate Hearing 110-1062*). Child labor is another major concern of sweatshop debates not only because it is illegal, but also because many people would agree that children are especially vulnerable to exploitation relative to adults. Thus, it is important to distinguish between child labor and sweatshop work among consenting adults. While the issue of child labor is important there is not widespread disagreement over its ethical status; most individuals would agree children working in sweatshops is always ethically wrong. Some individuals may be under the false assumption that all sweatshops contain some degree of child labor. That is not the case. It is thus necessary to make a careful distinction between elements of child labor and the kinds of sweatshops talked about in this paper.

Both of these distressing stories highlight scenarios that seem almost impossible to imagine by a first-world country's standards, but they represent the atrocities faced by so many workers within sweatshops. Child labor is not necessarily a part of the sweatshop debate because most people, even those in support of sweatshop labor, would agree that child labor arrangements are ethically impermissible. Similarly, the lack of debate surrounding coercive labor shows that its conditions are too severe to be considered permissible. Neither child labor nor coercive labor are ethically justified under any circumstance. Nevertheless, both Nazma's and the fishermen's experience is still very much relevant in highlighting the current state of real-life labor arrangements that exist in developing countries under the influence of multinational entities.

The ethical permissibility of individuals engaging in sweatshop labor is debated more than the permissibility of child labor or coerced labor because there is evidence to support the claim that, despite poor working conditions, sweatshop labor can provide economic benefits to

workers. A group of women working in the garment industry revealed some of the physical experiences they encountered while employed in sweatshops that manufactured clothing for GAP and H&M. Pressure to meet deadlines with quick turnarounds often resulted in threats and physical abuse according to factory workers in Bangladesh, Cambodia, India, Indonesia, and Sri Lanka. One female worker in an Indian factory detailed the extent of the verbal abuse she faced after a dispute over low wages (Hodal, 2018). An Indonesian sweatshop that supplies garments for GAP faced allegations of overheads throwing materials at employees without actually touching them, so that no visible marks could be used as evidence to file a police report (Hodal, 2018). These conditions faced by sweatshop laborers only scratch the surface of the physical and psychological abuse endured by workers. Aside from sustaining bruises at the hands of their employers, the inability to file a formal complaint due to a lack of evidence creates a sense of helplessness and weakness within a laborer. Facing no consequences for their harmful actions also gives sweatshop overheads a stronger sense of power over employees. Jennifer Rosenbaum, the Global Labor Justice director in the United States, identified that unreasonable production targets and underbid contracts are often the cause of laborers working unpaid overtime and working fast under extreme pressure in addition to physical and psychological abuse (Hodal, 2018). It is also important to note that many of these cases are not reported due to fear of retaliation or backlash in the workplace from the same people causing harm in the first place. Nevertheless, each employee is purposely engaging in a non-coercive labor arrangement due to some perceived benefit.

Another reoccurring issue of employee mistreatment within Adidas sweatshops was brought before the European parliament at a hearing in 2000. Rainy Hutabarat of the Urban Community Mission (UCM) identified that "Wages are still below the legal minimum set by the

government, the number of hours people work exceeds the legal maximum and people are paid less than a dollar a day," (Osborn 2000). The German sportswear company insisted that these claims were based on old data, yet they admitted that they were aware "everything was not perfect" in their factories overseas (Osborn 2000). Aside from the illegality of wages and hours exceeding regulatory limitations, this type of treatment can amplify feelings of emotional abuse, as well as providing overloads with a false illusion of power over their workers.

The analysis of the sweatshop debate in this paper focuses most closely on the experiences faced by people who worked indirectly for GAP, H&M, and Adidas in garment factories. While most people would not directly support the potentially hazardous conditions encountered by workers in sweatshops, there is evidence to suggest that the tradeoff of harm for a stable source of compensation is sufficient to justify below average working conditions and low pay. A person's choice to work in a sweatshop is also a morally significant choice because it reveals that sweatshops are the most beneficial employment opportunity available to them. The element of choice furthers the idea that such labor arrangements are non-coercive in nature. Conversely, sweatshop critics believe that poor working conditions are a failure of multinational entities to recognize employee's rights. The content of this paper will be an analysis of both sides of the debate that emerges from sweatshop labor. So, this paper will align most closely with the physical and psychological harm that happens in a non-coercive labor agreement faced by textile laborers in the GAP/H&M and Adidas factories.

To clarify, the sweatshops referred to in this paper are non-coercive labor agreements between a business and an able-bodied adult; laborers are free to withdraw from their position in a sweatshop at any time. The nature of non-coercive labor agreements assumes that there is some advantage to continuing with sweatshop work, despite unfavorable working conditions and

relatively low pay, because a lack of coercion indicates that an individual could have made the decision to refrain from sweatshop labor if they desired to do so. Additionally, an individual's employment opportunities are not limited by sweatshop labor; instead, they only add to their available options. This paper will not define sweatshops as having any elements of coerced labor, quasi-slavery, or slavery arrangements. The analysis focuses only on sweatshops that do not use child labor, and where all employees work under a non-coercive labor agreement.

The benefits received by laborers who are able to maintain a minimum standard of living are great enough to outweigh the badness of unfavorable working conditions. Sweatshops can still be a permissible form of labor, even though their conditions fall short of what is ethically ideal, because they are a necessary step towards industrialization in developing countries. If sweatshops did not have such a substantial influence on a nation's economic growth, then it would be much more difficult to justify their permissibility. Opponents of sweatshops would argue that their hazardous conditions and low pay render them impermissible. I disagree. This paper will lend partial support to sweatshop opponents by agreeing that some sweatshop working conditions may be unethical. But it will disagree with sweatshop opponents by arguing that sweatshops that meet certain minimal standards are permissible labor arrangements.

Moreover, this paper will support that international sweatshops are a more reasonable approach to manufacturing than U.S.-based production, and MNE's are not obligated to hire only citizens from the country in which they are based. Sweatshops are a crucial element of industrialization in developing countries that can be used as a vessel for attracting foreign investment over other countries and thus strengthening their economy. Assuming that businesses should only manufacture products within their home country is simply unrealistic in terms of labor force and infrastructure availability. Finally, I will argue that MNE's have a social

responsibility to the communities in which they operate that extends beyond the legal minimum. A common misconception is that increased social responsibility provides benefits to non-shareholder stakeholders only. However, both shareholders and non-shareholder stakeholders are capable of enjoying the benefits from social responsibility, thus promoting ethical behavior that surpasses legal requirements.

Sweatshops in the Public Discourse

Sweatshops are a controversial issue in American society due to the quantity of people affected by job displacement every year. Because of its widespread relevance, the sweatshop debate is often a topic of discussion among politicians and pundits. Former president Donald Trump voiced his support of keeping supply chain processes within the United States. President Trump sought to renegotiate NAFTA terms in hopes of creating trade barriers to keep production within the U.S., as well as promote domestic job growth. The former NAFTA agreement that was in place when Trump started his presidency allowed the U.S., Mexico, and Canada to operate as an economically integrated market by easing trade barriers. Trump's actions towards reduced economic integration did not promote job growth or increase production. For example, the auto industry benefited from NAFTA by increasing productions by more than one million cars yearly; the Trump administration then imposed a tariff on steel (Rizzo, 2018). According to the Council of Foreign Relations, the steel tariff could potentially deprive 40,000 employees of their jobs, as well as reduce the number of cars being produced every year (Rizzo, 2018).

An accurate representation of job displacement under the Trump Administration can be seen from the U.S. Department of Labor's well documented applications for federal aid through

the Trade Adjustment Assistance program. Applications for the assistance are indicative of not only the quantity of jobs being displaced, but also to which countries they are relocated. There were 184,888 jobs lost to outsourcing under the Trump administration, compared to 172,336 jobs outsourced under the Obama administration in the same amount of time (Donnan, 2020). The country to which most of the jobs were moved was Mexico, with China and Canada also representing significant quantities of job relocations.

Similar to Trump, former president Barack Obama also encouraged employment growth within the United States and a reduction on production outsourcing. This data is relevant because, although both the Trump and Obama administrations advocated for “insourcing,” a significant number of jobs were still being outsourced during their presidential years. A likely reason for this phenomenon is that businesses need to be able to produce products as cheaply as possible through mass production to remain economically competitive within their industry, even if politicians and activists advocate otherwise.

The number of jobs displaced makes the sweatshop debate a popular topic because it directly affects so many Americans, especially in the manufacturing industry. People also have the right to know where their products are coming from and the labor that goes into making them; any person who purchases an internationally made product has a stake in sweatshops. The potentially dangerous working conditions of sweatshops portrayed in the media often cause people to sympathize with international laborers who suffer from inhumane treatment. Individuals may advocate for improved working conditions through a potential boycott of sweatshop-made products. But, in reality, this advocacy is not effective in actually helping the sweatshop laborers escape their current employment situation. Though many people claim to

object to outsourcing, only a small percentage of these people would be likely to stop supporting sweatshops by refusing to purchase the inexpensive products they produce.

In 1997, former president Bill Clinton moved to reduce the presence of sweatshops in the United States through a “no sweatshop” code of conduct. The idea was that companies would be given a “no sweatshop” stamp of approval if their laborers received minimum wage, worked a maximum of 60 hours in one week with at least one day off, and if the companies agreed to have their labor conditions independently monitored (Blustein, 1997). Regarding the textile industry, Clinton identified in his plan that “As important as the fabric apparel workers make for us is the fabric of their lives - which is part of the fabric of our lives here at home and around the world. Their health and their safety - their ability to make a decent wage - their ability to bring children into this world and raise them with dignity and have their children see their parents working with dignity - that's an important part of the quality of our lives,” (Clinton, 1997). Clinton introduced a humanitarian element into his justification by reminding listeners that sweatshop laborers are people too, so they are entitled to basic human rights within their place of employment. Specifically, basic human rights that are relevant to sweatshop labor include freedom from inhumane treatment and the right to health.

In sum, politicians have been actively involved in combating the questionable labor standards in sweatshops that produce goods sold in the United States. Advocacy from people in positions of power has an important role to play in ensuring that organizations respect basic labor standards. But there is still additional advocacy needed to motivate MNE’s to act in an ethically responsible way.

The Ethical Case Against Sweatshops

One of the biggest concerns from opponents of sweatshop labor is the low standard for working conditions in many factories in developing countries. Some of these conditions include poor air quality, limited access to windows and natural light, fire hazards, exposure to toxic chemicals, and faulty building structures at risk of collapse. For these reasons, there is a strong argument that sweatshops cannot be classified as ethically acceptable.

MNE's can cause harm to sweatshop laborers within the factories through physical and psychological coercion in addition to the poor working conditions endured. For example, subcontractors may set unreasonable daily quotas or force employees to work through injuries sustained from working in sweatshops. In the case of GAP and H&M sweatshops, laborers were physically assaulted with objects in a way that avoided leaving identifiable marks as punishment for failing to meet daily quotas. In turn, a lack of evidence of physical abuse limits an individual's ability to document formal complaints and set boundaries between themselves and their supervisors. Sweatshop opponents argue that MNE's are responsible for the actions of their subcontractors and suppliers, so they must also be held accountable for any form of abuse faced by employees at the hands of their subcontractors and for the failure to abide by applicable legal standards (Arnold and Bowie, 2007). Failing to address poor working conditions strengthens the sweatshop opponent's concern about unethical treatment because it tacitly deems mistreatment acceptable.

It is possible that companies are not fully aware of the conditions that exist within their international factories because of geographic distance and language barriers in communication. A company may have labor arrangements that limit employees to working no more than 60 hour

per week, for example. However, if local management were using physical and psychological force to make employees work unpaid overtime to meet production quotas, the company executives on the other side of the globe would certainly not be aware of these breaches on a day-to-day basis. Breaching these contractual agreements is unethical because it exposes laborers to harmful treatment to which they did not consent. This consent under coercion violates the second requirement of our definition of a minimum standard of living by breaching an individual's basic human rights.

The choice to work in a sweatshop, being heavily influenced by economic duress, calls into question of what exactly constitutes consent. It is true that this paper focuses on sweatshop labor arrangements in which the employee is free to quit or find a new job at any time. Nevertheless, the constraint of economic duress is a morally important condition to consider because it reveals the possibility that the concept of "choice" contains more gradations than we think. MNE's usually place themselves in a position to maintain plausible deniability with regard to any claims of coercive labor but preexisting economic conditions in underdeveloped countries make it difficult to conclude that employees' choice to work in sweatshops is completely consensual.

The limited options available to laborers when determining which job to pursue is morally significant. Sweatshop critics argue that a choice is not made freely when constrained by the coercion of economic necessity, which is the reality for most sweatshop workers (Miller 2003). For example, a parent in a third world country who desperately needs to provide for their children may have the following employment opportunities available to them: subsistence farming, scavenging landfills for scrap metals, street vending, or working in a sweatshop. The parent would rationally choose sweatshop labor as the most financially sound option because

they are bound by the essential need to provide a minimum standard of living for themselves and their dependents. The sweatshop position is also the only choice out of the four options that exists in the formal economy, meaning that it is often the only option that provides a consistent source of income. While the parent may in a sense choose to work in the sweatshop, it is more often than not the only realistic option when factoring in the constraints of economic necessity. One might thus conclude that laborers are coerced into choosing the position that will provide them with the most reliable source of income to provide for themselves and their family.

There are steps that can be taken to protect worker's safety and reclassify sweatshops as morally acceptable labor arrangements. Many arguments against sweatshops call for legal action to set minimum wages and standards of care to protect the well-being of employees. The International Labor Organization has established "Conventions and Recommendations" for minimum health and safety standards in factories (Arnold and Bowie, 2003). Furthermore, the Council of Economic Priorities has a system used to determine the minimum livable wage within a given country based on factors such as daily calorie intake and household size (Arnold and Bowie, 2003). This system should be considered by MNE's when establishing a minimum wage for international employees while taking into consideration the legal minimum wage already established in a country. Following the recommendations set forth by organizations concerned with ensuring minimally decent working conditions, new laws could be introduced, and previous laws could be more strictly enforced, to help treat employees with the basic human rights of dignity and respect in their place of employment.

Some legislation has already been introduced to protect the rights of laborers and establish minimum wages within a country. However, even with laws on the books supporting the rights of sweatshop laborers, there is some motivation for local law officials to purposefully avoid

enforcing them. A developing nation benefits from the tax revenues than a MNE provides to the community (Powell and Zwolinski, 2012). International companies deliberately outsource to countries with minimal policy enforcement, so an increase in policy enforcement could lead a business to relocate their operations to a different country. The potential loss of revenue motivates countries not to enforce strict legal standards, thus minimizing the effectiveness of any legislative action. Any future advocacy for safety standards should not result in the creation of new labor laws, for this would provide new incentive to relocate outsourcing operations to a different country.

Arnold and Bowie's argument against sweatshops supports the claim that MNE's are responsible for the actions of their subcontractors, including any mistreatment faced by sweatshop employees at the hands of their bosses. Companies may address this issue through enhanced social responsibility efforts that promote employee's rights, as well as encouraging employees to speak up about their work environment without fear of prosecution. In the case of GAP and H&M employees being physically abused without the ability to file formal complaints, a third-party organization could conduct thorough evaluations of claims on behalf of the MNE to ensure the victims of abuse are being recognized and the abusers are being appropriately disciplined. Moreover, a yearly internal audit of these factories would be beneficial in identifying problems or shortcomings that exist on behalf of local overhead's lack of performance. Just because a company has contractual agreements in place, does not mean they are being followed. It would be beneficial to employees if companies took initiative to ensure their contractual agreements are being properly enforced.

Defenders of Sweatshops

Industrialization is a necessary step in a country's pursuit towards economic development. Sweatshop labor is utilized in such countries as a means to carry out industrialization. Most economically developed countries used sweatshop labor at some point in their history, but, because they have already been industrialized, people use a stricter ethical code to cast judgement upon MNE's who exploit the means of industrialization for their own gain. If sweatshop labor is no longer a necessary tool to remain economically competitive, it can be hard to imagine the value it creates as a result. Recognizing this internal bias is important before thinking about whether sweatshops can be classified as permissible labor arrangements.

People who live in a developing country, where sweatshops are seen as the next step in towards industrialization, may be more likely to hold a less negative view of sweatshops because their necessity is recognized. Sweatshop labor is also a common form of employment in these countries, so it is likely not viewed as wrong or degrading to work in one in the same way that it would be in a developed country where sweatshop labor is significantly less prevalent.

. Specific economic conditions that differ between underdeveloped and developed countries can further explain their permissibility, as well as explain the negative attitudes that develop towards sweatshops in countries that have already industrialized. For example, critics may argue that the wages received by sweatshop employees are insufficient because they compare them to first-world minimum wages. Sweatshop worker's wages may be low, but a difference in the cost of living would help to explain a portion of the wage gap.

Most sweatshops pay their employees at or higher than the minimum wage of the country in which they are located. Minimum wage may not be enough to sustain an individual and their

family in a first world country. In a developing country, however, a percentage of the population working in the informal sector earns less than minimum wage. A developing country's minimum wage is capable of supporting basic necessities because much of the population works in the informal economy earning less than minimum wage. Assuming that most of the population is able to afford basic necessities, and much of the population earns less than minimum wage, then those individuals earning minimum wage or higher are more able to financially support themselves than the majority of individuals in the informal economy.

In 1996, *The Washington Post* reported that an Indonesian woman working in a Nike sweatshop received the minimum wage equivalent of \$2.28 per day, which categorized her as a higher-paid Indonesian (Maitland, 2003). This was possible because nearly half of Indonesia's working population labors in the informal sector where a federal minimum wage is not guaranteed. By contrast, the lowest earning members of a first world country typically earn minimum wage because the informal economy is nearly obsolete, so there are much fewer employment options available that pay below minimum wage. Minimum wage thus becomes the baseline for affording basic necessities because an employed person in a first world country earning less than minimum wage is extremely unlikely. Other factors to keep in mind that differ between countries at different stages of economic development are the average length of work days, average amount of vacation time taken by employees, and differences in the standard employer-employee relationship.

It is unrealistic to suggest that companies should eliminate outsourcing. In the United States, for example, labor laws are stricter than in other parts of the world. This means that customers would absorb the additional costs of the business paying the difference between a sweatshop minimum wage and an American minimum wage to produce the exact same product.

Companies would also face additional transportation costs for any materials located outside of the United States. The popular apparel brand Wrangler can be found at any Walmart location with their original jeans available for \$20.00 per pair, on average ([Walmart](#)). However, the brand released a special line of Wrangler: “Made in USA” jeans that retail between \$64.95 to \$74.95, which is over three times the price of their outsourced denim pants ([All American Clothing](#)). Wrangler jeans are only one such instance of an American made product in which the outsourced alternative is much more affordable and therefore more popular. Furthermore, the United States does not have the infrastructure or labor force to support the manufacturing of every product sold by companies located in the country. The only alternative left for organizations is to move production overseas where infrastructure and a sufficient labor force are available, and available at a much lower cost.

One of the most prominent arguments in defense of sweatshops is that an individual who freely chooses to work in a sweatshop is thereby assuming the risk of working there. The element of choice indicates that working in a sweatshop is the best available option for laborers. This choice is morally significant because, even with limited employment options, there are still factors that make the work more appealing than other jobs (Zwolinski 2007). Consider the aforementioned case involving sweatshop laborers in GAP and H&M garment factories. The details of their working conditions are undoubtedly unfavorable, but there must be some factors keeping employees from simply quitting and finding a different job (the nature of a non-coercive labor agreement). That element is a steady source of income obtained from a sector of the formal economy protected by minimum-wage requirements. The combination of long hours, low wages and minimal safety standards is thus more desirable when compared to other opportunities such

as subsistence farming or scavenging, causing an individual to choose sweatshop employment over other jobs.

MNE's benefit significantly by taking advantage of the labor arbitrage through sweatshops, but this doesn't mean that they benefit at the cost of the laborers. Defenders of sweatshops argue that many laborers would be worse off without sweatshops, so having the available option of sweatshop labor is better than not having the employment opportunity at all (Zwolinski 2007). If working in a sweatshop is the best available option for most sweatshop laborers, then removing the sweatshops altogether would cause even greater harm to their overall well-being by removing a primary source of income. In addition, many developing nations do not have social welfare programs in place, such as unemployment benefits or maternity leave, to provide supplemental sources of income for people who are unemployed for extended periods of time. The transaction can therefore be justified as mutually beneficial because the sweatshop laborers are receiving compensation while the multinational corporations are reducing labor costs.

The benefits received by stakeholders through outsourcing extends beyond simply providing income to employees. Even though the primary goal of MNE's is not to improve local communities, there are a number of unintended benefits that resulted from the mutually beneficial sweatshop labor arrangements. Potential employees often move out of rural farming areas and into industrial urban neighborhoods seeking work. The burden placed on the land is reduced, so rural wages often increase as a result (Krugman 1997). The volume of jobs created often lowers unemployment rates, particularly in urban areas. The length of time a sweatshop exists in a country can have a trickle-down effect on wages as well. In countries where outsourcing is common, such as Bangladesh or The Philippines, multiple MNE's with factories

in close proximity may compete over the available workforce. This competition would promote a wage increase in order to attract employees to one factory over another, so a longer duration of competition should lead to higher wages. Countries such as China that are becoming increasingly industrialized have seen employment competition drive up wages over the years. The average hourly wage in China in 2017 reached \$3.60, which is a 64% increase from 2011 (Yan, 2017). Comparatively, the average Chinese manufacturing laborer earned only \$0.57 per hour in 2002 (Banister, 2005). This hourly rate is more comparable to countries like Portugal or South Africa which are traditionally viewed as second-world countries rather than third-world countries.

Increased competition for laborers through sweatshops has also unintentionally aided the social welfare of some countries. In fact, Bangladesh and Indonesia have seen measurable successes in terms of diminishing malnutrition and starvation rates (Krugman 1997). These improvements are not the result of governments taking better care of their citizens; the wealth creation introduced by outsourced productions has allowed for living standards to raise.

Both sides of the debate would agree that it is wrong to harm people, and businesses have an obligation not to harm their employees. Opponents of sweatshops would assert that better working conditions are necessary in order to protect employees from harmful exploitation, such as the physical and psychological coercion suffered by employees of GAP and H&M sweatshops. On the other hand, defenders of sweatshops would claim that removing sweatshops would cause more harm to people than the sweatshop labor itself. It is important to consider the claims made by both sides of the sweatshop debate to gain a wholistic understanding of the situation that sweatshop laborers are in.

Exploitation: Mutually Beneficial versus Harmful

Both sides of the sweatshop debate argue over the interpretation of exploitation. Exploitation can be defined as using another person's vulnerability for one's own benefit (Zwolinski, Ferguson, and Wertheimer, 2022). While the term indicates that one party receives greater compensation than the other, it does not have to be at the cost of the other party's well-being. Mutually beneficial exploitation is an interaction between two parties in which both are benefited in a way that leaves them better off than before the transaction occurred. Exploitation still indicates that the net benefits received by both parties are unequal, for a mutually beneficial transaction that benefits two parties equally would no longer be exploitative. Sweatshop labors are benefited in the sense that a steady source of income supports a minimum standard of living; MNE's are benefited through increased profits by way of labor expense reduction. In contrast, harmful exploitation would leave the disadvantaged party worse off than they were before the transaction while only advancing the interests of the more advantaged party. A harmfully exploitative relationship would not provide the worker with the conditions necessary to support basic needs for themselves and have the opportunity to pursue personal interests, otherwise described as falling short of achieving a minimum standard of living. A certain level of injustice is received by the worker as they engage in a relationship that leaves them no better off than if the transaction had not occurred at all.

Determining whether an exchange can be classified as mutually beneficial exploitation depends on how the exchange affects the involved parties' wellbeing. I assume here that justice requires that every individual has access to resources they can use to provide for themselves and satisfy a minimum standard of living. In other words, a person must be capable of fulfilling their natural desire for happiness to some degree, and they must be able to afford basic health

necessities. For instance, consider the significance of the wages received by sweatshop laborers in determining if their circumstance is mutually beneficial or harmful. Wages received by a laborer that are at or above the income needed to provide basic health and sanitary needs for that laborer are an example of mutually beneficial exploitation in the employer-employee relationship that is just. MNE's benefit from cheaper operating expenses while employees are provided with a steady source of income that is likely higher than their next best employment option, and the opportunity to finance basic health and sanitary needs indicates that the first condition for achieving a minimum standard of living has been met. The workers are still exploited in the sense that their earnings are minimal compared to the profits made by MNE's, but both parties nevertheless benefit financially from the relationship.

The labor wage example could instead be an example of impermissible exploitation if the wages received by the worker were less than what could be earned if an individual were to choose their next best option of employment, and those wages were below what is necessary to afford basic necessities. A corporation would benefit unfairly in this instance because their profit would be at the expense of another person's minimum well-being and overall health. Some might argue that a MNE's profits are too steep when compared to sweatshop wages to be considered fair in the first place, but fairness and equality are not interchangeable. An equal tradeoff would not be exploitative but rather an agreement, and all sweatshops contain some degree of exploitation. A labor arrangement would be impermissibly exploitative if the worker were paid less than what is required to afford basic necessities in a country (Miklós, 2019). This is because, if an individual is not able to afford basic health and dietary needs, the little benefits that they do receive from a working agreement are ethically impermissible. The inability to afford such basic needs violates the first requirement of our interpretation of a minimum standard

of living. MNE's would benefit off of the indirect harm of their employees. Notice that a livable wage is not synonymous with a country's minimum wage because it is possible, although difficult, to provide for oneself with earnings from a job paying less than minimum wage. The level of injustice faced by a worker under such circumstances would be considered impermissible unless individuals are paid a livable wage relative to their country, given that the corporation is more than capable of incurring the labor wage expenses.

The working conditions a laborer endures is another factor that can determine whether a sweatshop arrangement is mutually beneficial or impermissible, and potentially dangerous working conditions may raise concerns as to the levels of injustice received by a worker. Working conditions that allow one to still pursue individual interests, such as working no more than 10 hours per day, would be classified as mutually beneficial exploitation because corporations can avoid additional operating expenses by not actively seeking to improve the work environments of their employees. The workers are benefited on a smaller scale by having the opportunity to work in a condition that allows them to have a fulfilling life, and it is likely better than their next best alternative. Again, being able to achieve fulfillment is a necessary condition to be met for a minimum standard of living. On the other hand, working for 14+ hours each day is a possible injustice faced by laborers that hinders one's ability to live a fulfilling life. It would be highly unreasonable for a person to pursue interests and spend time with loved ones if they spent two thirds of their day, or more, in a sweatshop. These conditions are not mutually beneficial because they do not provide persons with the conditions necessary to pursue passions or engage in personal hobbies.

Defenders of sweatshops justify mutually beneficial exploitation by arguing that a person cannot be wronged by an arrangement in which an individual consents to their end of the deal. In

conjunction, the consent cannot be provided under any form of duress, and the arrangement cannot limit the options available to a person but only add one additional option. Say a man is on a guided tour through the Amazon rainforest when he is suddenly bitten by a snake. The tour guide recognizes the type of snake bite and identifies it as poisonous, and he has the only treatment of antivenom in his hiking backpack in case of emergencies. Before giving the antivenom to the tourist, the tour guide says he will only provide the treatment on the condition that the tourist pays his rent for the next twenty years. The tourist verbally agrees, and the tour guide provides him with the antivenom as promised, saving his life. In this hypothetical situation, the tourist consents to his end of the deal by agreeing to pay the tour guide's rent for the next ten years. He was not forced in any way to accept the deal and could have declined the offer at any time.

Chris Meyer's paper on the subject defends the position that sweatshops are morally wrong not because they don't benefit laborers, but because they benefit disproportionately from people in a disadvantaged state (Meyers, 2004). The theoretical tourist case assumes that the tourist cannot be wronged if they consent to the treatment. Yet, the benefit is disproportionate in that the tourist's life is exchanged for their money- a choice that would not need to be made, had the tour guide used a non-exploitative set of ethical standards to evaluate the potentially fatal situation. Meyers argues that a person can be wronged even if they are benefited because unfairly benefiting from another's misfortune constitutes exploitation (Meyers, 2004). So, sweatshop labor can still be impermissible even if the following conditions are satisfied: the laborer is benefited, the laborer chooses the position over all other employment positions, and the choice to work is made without duress. The tour guide could have benefited from the situation more proportionately if he instead asked for \$100, say, in exchange for the antivenom. This could be

compared to a MNE increasing the wages it pays to its sweatshop employees. Both the tour guide and the MNE would still benefit off of the tour guide and laborer's unfortunate circumstances, but the benefits received would not be as disproportionate.

Most individuals would consider this hypothetical individual's actions to be morally wrong. The tour guide in this scenario adds to the tourist's options without removing any, as well as allowing him to freely choose an option, to which he willingly consents. The tour guide does not use any coercion or threat of future action to influence the man's decision. Meyers (2004) identifies that a case similar to this as analogous to present-day sweatshops in which people are exploited based on all of the aforementioned conditions. This imaginary scenario fails to consider the possibility that, while an exploitative agreement may contain all of these elements, it can still be morally misguided.

One of the strongest arguments to make against Meyer's comparison of exploitative arrangements rests upon his undoubted assumption that the individual is not being coerced in any way. In an extreme circumstance, such as choosing between life or death in the tourist case, it seems improbable to assume that the individual is not being wronged because they are provided with the element of choice free of coercion. This is because the choice does contain some degree of coercion. I believe the definition of consent must be altered to the following: A cannot wrong B if B chooses an option that is better than their next best alternative, and their next best alternative is still a reasonable option. The tourist in the tour guide scenario has two simple options: life at the expense of their income, or death. Death being the next best alternative to one foregoing a majority of their income is not a reasonable option because of its severity and unfavourability to almost all people. Thus, the next best alternative of death being unreasonable means that the tour guide has essentially threatened the tourist through coerced consent.

Differentiating between a reasonable option can be further explained by analyzing the distinction between an offer versus a threat. An offer occurs when a person is presented with a choice that makes moving from their past situation to their current situation a preferable option. An offer becomes a threat if a person strongly prefers not to move from their past to their current situation, but does so out of necessity (Zimmerman, 1981). In the tourist exploitation case, it is wrong to claim that the situation is free of coercion because the tourist's next best option of choosing death is unreasonable. Most people would only choose death as their best option if it was under extreme circumstances. The tour guide's offer is aligned more closely with that of a threat because the tourist would strongly prefer not to forego their savings, yet they do so out of necessity to save their lives. Any reasonable person would choose life over death under these conditions.

On the contrary, it has been noted that the next best alternative for a person working in a sweatshop is typically some variation of subsistence farming or scavenging. Given the circumstances of developing countries, subsistence farming or scavenging is actually a very reasonable option for sweatshop workers. Of course, these options do not seem reasonable by first world standards. The reality of such a large proportion of the labor force being able to provide for themselves with informal wages support that these are reasonable alternatives to sweatshop labor. The difference between options is not as extreme as life or death; it is instead the difference between labor arrangements. Altering the definition of consent to ensure the next best option is still a reasonable choice is crucial to showing how the tour guide case presents a threat, whereas the case of sweatshop labor presents an offer. Most people would agree that an offer is more morally acceptable than a threat.

Comparing the different options available to sweatshop laborers to an extreme example of a life versus death scenario highlights the idea that the degree of coercion faced by an individual is morally significant. Critics of sweatshops argue that the coerciveness of the labor arrangement resides in the constraint of economic duress, for individuals must choose the highest paying job to afford their basic needs. Yet, when presented with two different jobs, one paying significantly more than the other, would the reasonable person not choose the higher paying job? Even if the person is already well off by their country's standards, the desire for more money is not only limited to those who don't have it. Stating that laborers are constrained by economic conditions is only to say that they desire the most amount of money. The ability of laborers in the informal sector to afford basic needs means that any job paying a higher wage must also allow one to afford basic needs, and the difference between the two contributes to a fulfilling life by allowing laborers to become less affected by economic duress and pursue their interests. Arguing against Meyer's premise that the hypothetical contains no coercion is necessary for sweatshop supporters to defend because it highlights that the unavailability of a reasonable next-best option undermines the supposed consent agreed upon by exploited persons.

Sweatshops and Social Responsibility

Corporations choose to relocate their production processes to countries with an abundance of cheap labor readily available and minimal legal standards that would hinder their operations. Rather than identify how sweatshops conditions can improve, it is necessary to identify the current state of the country that left a large quantity of the workforce in the position to be exploited as their best available option. Outsourcing usually exists where companies can

take advantage of a country's current state of desperation and profit from it. Most people would agree that any form of exploitation is morally wrong to some degree, so corporations are responsible for countering that wrongness by helping the global poor. The main reason for this claim is that the structural injustices in a country that cause poverty are the result of economic institutions supported by MNE's in the first place (Berkey, 2021). Yet, the exploitation by MNE's leaves a society in no worse condition than they were already in while providing individuals with another employment option. It is the responsibility of a given country's government to ensure justice for their citizens through financial aid or social welfare programs. Unfortunately, this is not a reality in many countries. Sweatshops may not promote the most effective change in a society, but they are often a necessary step towards growth and industrialization in developing countries. So, if sweatshops are necessary, ensuring that MNE's take steps to promote the greatest good through their actions is the most effective approach in enhancing their ethical permissibility.

There are two different business models that hold opposing views towards the promotion of social responsibility extending beyond legal requirements: stakeholder theory and shareholder theory. Shareholder theory is the belief that management should use shareholders' interests to guide their ethical principles and decision-making processes, by way of increasing profits and stock prices. One of the first supporters of shareholder's rights was American economist Milton Friedman, who argues that "corporations have no higher purpose than maximizing profits for their shareholders," (Friedman, 1970). Shareholder interests are specifically prioritized over other stakeholders because of their financial ties to a company's success.

According to Milton Friedman, a business is nothing more than an artificial collection of entities and relationships, so it is impossible for the business itself to have any form of social

responsibility (Friedman, 1970). Social responsibility can only be held at the individual level, which resides in the hands of a company's executives. Furthermore, an individual in power is simply an agent of the individuals who own the company- shareholders. Friedman ultimately suggests that corporations have no social responsibility to provide additional support to the local communities in which they operate because that would extend beyond their primary purpose of profit maximization. Decision making should thus be centered around the shareholder's interests, which do not align with social responsibility because it does not directly finance or create profit for the company. Other stakeholders of the company could spend their own money to enhance social objectives if they wish to do so, but for a company's executives to put resources towards social objectives would fail to reflect how stockholders would want their money invested (Friedman, 1970). In addition, the money spent to fund social objectives could be used to fund other value-creating activities within the company. Corporations do have some legal responsibility to minimize pollution outputs, pay taxes, and obey local contracts. However, social responsibility implies there is action taken beyond the minimum legal requirements. There is little motivation for a corporation to finance these activities beyond minimum requirements, according to Friedman, for it is neither in the shareholder's best interest nor the most profitable allocation of resources.

Shareholder theory is becoming increasingly untenable as business models shift towards recognizing the importance of satisfying all stakeholders in the company through ethical management, as opposed to placing one group on a pedestal above the rest. Laws have shifted in recent years to support the ethical management of corporations, such as the Clean Air Act or the Clean Water Act, which monitor pollution and regulate its outputs into the environment (Freeman, 2007). These acts support the interests of local communities, who are an important

stakeholder, by reducing the harmful effects of pollution. Other laws have been enacted to support employee's rights and further promote ethical management. The Age Discrimination in Employment Act and The National Labor Relations Act are two reforms that have protected the interests of yet another stakeholder, employees, by providing them with the right to an inclusive work environment and the right to unionize. All of these legal actions stray from shareholder theory as a recognition of other stakeholders is promoted through legal action, making it necessary to consider groups other than shareholders alone. Incorporating ethical management into the consideration of stakeholder interests can help to avoid potential harm to the company's reputation or even future lawsuits against the corporation.

Shareholder theory also falls short of a morally justifiable business model by failing to consider the other stakeholders in a company, such as suppliers, consumers, and employees, and how their goals overlap with those of other shareholders. R. Edward Freeman furthered this idea by noting that "[The Managerial View] understands a business as an essentially hierarchal organization fastened together with authority to act in the shareholder's interests... according to this view the only change that counts is change oriented towards shareholder value" (Freeman, 2007). If all decisions by a company were made with solely the interests of shareholders in mind, then situations such as unsatisfactory customer service or poor-quality products would only be resolved in a way that prioritizes shareholder interests above all else. Centralizing decision-making processes on a single group's interests may promote socially irresponsible behaviors, inhibit innovation, and encourage myopic thinking.

Stakeholder theory should be accepted as an alternative business model rather than shareholder theory. Organizational executives have a responsibility to each group of stakeholders to carefully consider and respect their input into decision-making processes. There may be some

variation of where exactly ethical boundaries lie, but any entity that supports a business should be treated with dignity and respect by managers and employees of that business. Corporations and markets are functionally similar in that they both encourage entities to engage in mutually advantageous transactions to advance their interests (Boatright, 2006). The benefits created from these transactions are important to each entity's success, but it can only be achieved if ethical management is involved in the process. Aside from treating stakeholders with dignity and respect, a company also owes it to these groups to abide by contractual agreements and meet their professional expectations in business practices. Stakeholder theory is relevant because it considers the needs of all stakeholders in a company equally as opposed to placing greater emphasis on shareholder interests over those of other stakeholders. So, using ethical management as a guiding principle to meet stakeholder needs will have a greater impact on a company's success than only satisfying shareholder needs or engaging in stakeholder relationships without ethical principles.

Stakeholder theory supports the argument that corporations have a social responsibility to the communities in which they operate that exceeds legal requirements. This framework recognizes all groups of stakeholders as having significant interests, and some of these groups might have social welfare concerns that shareholders otherwise wouldn't. For example, say a sweatshop factory in Malaysia releases a legal amount of pollution into a nearby river as a normal byproduct of their production processes. Over time, it has been discovered that the fish populations in that river have slowly been decimated with signs of pollution in their bodies when they wash ashore. The local community is concerned because many people rely on the fish population in order to feed their family. Stakeholder theory calls for the interests of the community, as well as other stakeholders, to be served to the best of their ability. Although the

factory is releasing pollution within legal boundaries, the external consequence it has on the local community is significant in that it is gradually decreasing an otherwise reliable source of food. Stakeholder theory encourages social responsibility that extends beyond the requirements of the law would endorse the firm putting forth additional efforts to save the contaminated fish populations. On the other hand, shareholder theory would dismiss the pollution issue because spending money on efforts to reduce environmental damages would typically not align with the interests of shareholders. It is important to recognize that the factory is under no legal obligation to reduce their pollution levels in this scenario because they have already complied with standards set forth by the law. Rather, their decision to help address pollution that affects the community is an ethical choice resting on the weight of importance to which they place on each stakeholder groups' interests. So, stakeholder theory is much more likely to agree that corporations have some level of social responsibility to those affected by their operations compared to shareholder theory.

There is additional motivation for corporations to practice social responsibility that provides benefits to both them and their stakeholders. Firstly, acting in a socially responsible way can increase the corporation's public image. Engaging in volunteer work or contributing to local activist groups and charities is something that the company could promote through their online platforms to raise awareness about their missions. Making these acts public could attract new business partners or potential customers who support businesses with reputable corporate social responsibility (CSR), which may even offset some of the associated financial costs. The popular shoe brand Reebok is a company that has contributed to social improvements and set long-term profitability goals centered around improving their brand reputation through their strategic implementation of CSR. The footwear brand established the Reebok Human Rights

Foundation, adopted new codes of conduct that addressed labor standard issues, and obtained a leadership position in the CSR movement against sweatshops, among other efforts (Yu, 2015). Factories that were once considered sweatshops in the Fujian Province of China can now be referred to simply as factories because they are no longer in violation of numerous labor laws. The footwear industry is infamously recognized for using sweatshops to manufacture their products, so Reebok's ability to address this issue sets them ahead of their competitors in terms of CSR and ethical production practices. The most important takeaway from this example is that the company went beyond minimum requirements to mitigate poor working conditions for international laborers by investing in social reform programs. The company will reach their long-term profitability goals through improved brand reputation as a CSR leader in their industry, proving that there are additional benefits to satisfying the needs of all stakeholders rather than shareholders alone.

Assuming that all members of a stakeholder group have the same exact interests is implausible. Some shareholders may prioritize short-term earnings over long-term earnings (Stout, 2012). Some customers may place more weight on sustainability than price. Some employees might value an inclusive work dynamic over higher wages. If it is impossible to satisfy the interests of all the members within a single stakeholder group, then it seems reasonable to try to satisfy the greatest number of people possible. I believe that the consideration of multiple stakeholder groups will promote more short and long-term success, in terms of both profitability and social responsibility, than focusing only on a single group's interests.

Conclusion

I have argued that sweatshops are a permissible form of labor arrangement, so long as individuals are capable of maintaining a minimum standard of living. I define a minimum standard of living as having two components: being able to afford basic health and dietary necessities and being able to achieve fulfillment while basic human rights are respected. It is highly unlikely for these conditions to be satisfied in a labor arrangement containing coerced labor or child labor under any circumstance. There are a number of benefits that result from sweatshop labor, both intended and unintended. Some of these benefits include tax revenues paid to local governments, decreased unemployment rates, competitive wages, and even reduced malnutrition and starvation rates.

The element of choice is significant to this debate because a laborer's decision to work in a sweatshop reveals that there is some appeal that makes this option better than their next best alternative. Furthermore, removing such arrangements could actually cause harm by removing a steady source of income. What exactly constitutes a morally meaningful choice is a crucial question because there are preexisting conditions in a country that make exploitation the best available option for a majority of the population. But the mutually beneficial nature of non-coercive sweatshops leaves workers better off than if the transaction had never occurred at all.

There is motivation for MNE's to act in an ethical way by promoting socially responsible activities that extend beyond the legal requirement while considering the input of stakeholders. Aside from abiding by laws regulating pollution output, companies can put forth efforts to encourage social responsibility by promoting safe working conditions, volunteering in local communities, and regularly monitoring employee satisfaction, among other measures. Engaging

in such activities will be likely to expand a corporation's customer base because it contributes to a positive public image. Additionally, promoting CSR could lead to new partnership opportunities or investments.

Another consideration for businesses to make to promote CSR, although not touched upon in this paper, is promoting sustainability in their operations. There are undeniably harmful environmental effects that sweatshops have on the environment, including deforestation and air, water, and land pollution. Companies may be able to offset some of these negative consequences by limiting the waste produced during product manufacturing or increasing the use of recycled materials during packaging and transportation.

Overall, sweatshop labor is often the most effective labor arrangement to promote economic growth in underdeveloped countries by way of industrialization and foreign investment. Sweatshops are controversial, but there are strong ethical reasons to at least tolerate them. Moreover, promoting ethical business practices through increased social responsibility can benefit the bottom-line financial performance of MNE's.

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