

OP-ED COLUMNIST

Where Sweatshops Are a Dream



By NICHOLAS D. KRISTOF Published: January 14, 2009 PHNOM PENH, Cambodia

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Before Barack Obama and his team act on their talk about “labor standards,” I’d like to offer them a tour of the vast garbage dump here in Phnom Penh. This is a Dante-like vision of hell. It’s a mountain of festering refuse, a half-hour hike across, emitting clouds of smoke from subterranean fires.

The miasma of toxic stink leaves you gasping, breezes batter you with filth, and even the rats look forlorn. Then the smoke parts and you come across a child ambling barefoot, searching for old plastic cups that recyclers will buy for five cents a pound. Many families actually live in shacks on this smoking garbage.

Mr. Obama and the Democrats who favor labor standards in trade agreements mean well, for they intend to fight back at oppressive sweatshops abroad. But while it shocks Americans to hear it, the central challenge in the poorest countries is not that sweatshops exploit too many people, but that they don’t exploit enough.

Talk to these families in the dump, and a job in a sweatshop is a cherished dream, an escalator out of poverty, the kind of gauzy if probably unrealistic ambition that parents everywhere often have for their children. “I’d love to get a job in a factory,” said Pim Srey Rath, a 19-year-old woman scavenging for plastic. “At least that work is in the shade. Here is where it’s hot.”

Another woman, Vath Sam Oeun, hopes her 10-year-old boy, scavenging beside her, grows up to get a factory job, partly because she has seen other children run over by garbage trucks. Her boy has never been to a doctor or a dentist, and last bathed when he was 2, so a sweatshop job by comparison would be far more pleasant and less dangerous.

I’m glad that many Americans are repulsed by the idea of importing products made by barely paid, barely legal workers in dangerous factories. Yet sweatshops are only a symptom of poverty, not a cause, and banning them closes off one route out of poverty. At a time of tremendous economic distress and

protectionist pressures, there's a special danger that tighter labor standards will be used as an excuse to curb trade.

When I defend sweatshops, people always ask me: But would you want to work in a sweatshop? No, of course not. But I would want even less to pull a rickshaw. In the hierarchy of jobs in poor countries, sweltering at a sewing machine isn't the bottom. My views on sweatshops are shaped by years living in East Asia, watching as living standards soared — including those in my wife's ancestral village in southern China — because of sweatshop jobs.

Manufacturing is one sector that can provide millions of jobs. Yet sweatshops usually go not to the poorest nations but to better-off countries with more reliable electricity and ports.

I often hear the argument: Labor standards can improve wages and working conditions, without greatly affecting the eventual retail cost of goods. That's true. But labor standards and "living wages" have a larger impact on production costs that companies are always trying to pare. The result is to push companies to operate more capital-intensive factories in better-off nations like Malaysia, rather than labor-intensive factories in poorer countries like Ghana or Cambodia.

Cambodia has, in fact, pursued an interesting experiment by working with factories to establish decent labor standards and wages. It's a worthwhile idea, but one result of paying above-market wages is that those in charge of hiring often demand bribes — sometimes a month's salary — in exchange for a job. In addition, these standards add to production costs, so some factories have closed because of the global economic crisis and the difficulty of competing internationally.

The best way to help people in the poorest countries isn't to campaign against sweatshops but to promote manufacturing there. One of the best things America could do for Africa would be to strengthen our program to encourage African imports, called AGOA, and nudge Europe to match it.

Among people who work in development, many strongly believe (but few dare say very loudly) that one of the best hopes for the poorest countries would be to build their manufacturing industries. But global campaigns against sweatshops make that less likely.

Look, I know that Americans have a hard time accepting that sweatshops can help people. But take it from 13-year-old Neuo Chanthou, who earns a bit less than \$1 a day scavenging in the dump. She's wearing a "Playboy" shirt and hat that she found amid the filth, and she worries about her sister, who lost part of her hand when a garbage truck ran over her.

"It's dirty, hot and smelly here," she said wistfully. "A factory is better."

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Response to "Where Sweatshops Are a Dream" New York Times Op-Ed 20 Jan 2009

In his New York Times Op-Ed column published on 15 January 2009, titled "Where Sweatshops Are a Dream", Mr. Kristof makes a number of points regarding what he sees as an adverse effect of labour standards compliance on the economic development of low-income countries that we feel require some clarification and comment. We agree with Mr. Kristof's assessment that increasing formalized private sector jobs in developing countries, such as those in apparel factories, are a welcome alternative to perilous, poverty-level work, such as scavenging. This is a crucial element in reducing global poverty that aligns with the missions of the International Finance Corporation (IFC), a member of the World Bank Group, and the International Labour Organization (ILO), to reduce poverty through promoting sustainable private sector development globally and to promote decent work. IFC and ILO have recently joined forces through the innovative Better Work Programme, inspired by the Better Factories Cambodia (BFC) programme, to promote these mutually enforcing goals.

Kristoff suggests that to be profitable, factories in low-income countries must be sweatshops. Productive labour is key to attracting investment and sustaining competitiveness. That hinges on jobs that are safe, protect worker rights, and pay minimum wages. A recent study by the Organization for Economic Cooperation and Development (OECD) found that countries that lower labour standards with the intent of providing a more competitive environment do not attract more foreign direct investment.

In reference to the claim that higher wages has sent the apparel industry "to operate more capital-intensive factories in better-off nations like Malaysia," trade data has shown quite the contrary. Middle-income countries have been rapidly losing apparel production to lower-income countries, like Cambodia. The U.S. Department of Commerce reported a nearly 6% decline of textile and apparel imports from Malaysia in 2007 and a further decline of nearly 3% in 2008. With an industry more than three times the size, Cambodia's imports to the US continued to grow in recent years, up 13.3% in 2007. Even as the global financial crisis began to hit the industry worldwide, Cambodia's 2008 exports to the US remained essentially the same.

The growth of the Cambodian industry over the last seven years has coincided with the high road strategy that Kristoff refers to, incidentally born of a creative bilateral trade agreement with the United States which offered increased market access as an incentive for demonstrating improved working conditions. The industry continued to thrive after the trade agreement expired while others, like that of Madagascar died out. Furthermore, while all garment manufacturing countries are suffering from the current economic downturn, there is no reason to suggest that Cambodia's industry is suffering disproportionately. In fact, a survey of international buyers at the end of the trade agreement found that compliance with minimum standards was a key reason for them to remain in the country. Ensuring good labour practices has become a prerequisite for doing business in the global apparel market. It is not a luxury sought by a small niche. International buyers, including the major retail outlets, expect compliance with labour standards and put considerable effort into auditing their supply chains on these issues. Using leverage created by this demand for increased labour standards, the Better Work programme helps local industries improve compliance and competitiveness.

Referring to the child in Mr. Kristof's article, let us not confuse a sweatshop with a factory. It is not a sweatshop that Neuo Chanthouh dreams to be in, but a factory where one could work in a safe environment and earn a decent living. The ILO and IFC, through Better Work, aim to make this dream possible by promoting both labour standards and competitiveness in global supply chains (www.betterwork.org), and ultimately improving the lives of of workers in the developing world.