

## THE POLITICS OF SWEATSHOP LABOUR

JANELLE PÖTZSCH  
Universität Paderborn  
Fach Philosophie  
[janelle.poetzsch@upb.de](mailto:janelle.poetzsch@upb.de)

ORCID: 0000-0003-1389-8916

This paper provides a political account of sweatshop labour by highlighting the role of political actors in establishing and sustaining exploitative working conditions in global sweatshops. In academic debates on sweatshop labour, the focus has been mostly on the responsibility of business or consumers (cf. Arnold & Bowie, 2007; Meyers, 2007; Zoller, 2015), although there are some authors who deal with the role of trade unions and civil society (cf. Kabeer, 2000). To provide a broader picture, I draw on the differentiation between extractive and inclusive institutions made by development economists Acemoglu and Robinson (2013) and apply this account to the sweatshop issue. I argue that sweatshops are a political rather than an economic problem, and substantiate my claim by drawing on the Chinese household registration system *hukou*, and the political background conditions in Bangladesh.

**Keywords:** sweatshop; textile industry; sweatshop labour; structural injustice; extractive institutions; *hukou*; Bangladesh.

Este artigo oferece uma interpretação política das condições laborais degradantes ao sublinhar o papel dos atores políticos no estabelecimento e manutenção das relações de exploração laboral nas empresas do mundo inteiro. Nos debates académicos acerca do trabalho em condições degradantes, o foco tem estado essencialmente na responsabilidade das empresas ou dos consumidores (cf. Arnold & Bowie, 2007; Meyers, 2007; Zoller, 2015), ainda que haja alguns autores que abordam o papel dos sindicatos e da sociedade civil (cf. Kabeer, 2000). De modo a oferecer uma imagem mais ampla, toma-se de empréstimo a distinção, estabelecida pelos economistas Acemoglu e Robinson (2003), entre instituições extractivas e inclusivas e aplico esta ferramenta interpretativa ao tópico das condições laborais degradantes. Argumenta-se que estas condições são mais um problema político do que económico, e procura-se fundar esta alegação numa exposição do sistema *hukou* chinês de registo de domicílio bem como nas condições contextuais políticas existentes no Bangladesh.

**Palavras-chave:** sweatshop; indústria têxtil; trabalho sob condições abusivas; injustiça estrutural; instituições extractivas; *hukou*; Bangladesh.

## 1. Sweatshop – Definition and Issues

Although the term “sweatshop” is highly charged with “emotional, historical, and moral significance” (Zwolinski, 2006), which I shall detail below, its current usage can be pinned down to characterise factories in emerging economies which produce apparel and electronics on the commission of (mostly) American and European companies. The term “sweatshop” dates back as far as to the late 19th century and used to describe the workplace of a “sweated worker”, a person who did not work in a factory, but on commission in his or her home (cf. MacLeon, 1903) – as to date, “sweated workers” were typical of the apparel industry. There are several reasons: For one, the manufacture of apparel required very little investment on part of the worker except a sewing machine. Apart from low requirements, the work was also very flexible, i.e. the individual worker could contract for as little, or as much, work as he or she wanted or felt capable of performing. Such flexibility was also cherished by manufacturers, who tried to circumvent the inherent volatility of the apparel industry by contracting with individual and independent workers (so-called “outworkers”), rather than hiring long-term personnel. This particular form of organisation in reaction to volatile markets is deemed a defining characteristic of the apparel industry: “One hundred years of industrial sewing can be summarised by three S’s: skill, ‘seasonality’, and subcontracting” (Green, 2003, p. 40).

Then as now, the term “sweatshop” implies serious social criticism and aims at the *quality* of a job, rather than its type. As a result, “sweatshops” can exist in numerous contexts and industries; in fact, the term has also been applied to non-industrial and desk-work to call attention to problematic working conditions (cf. Fraser, 2001). However, I shall use the term “sweatshop” to refer to factories in emerging economies which produce apparel, textile, or electronics on the commission of American or European brands. These factories are notorious for low pay, long working hours, and dangerous working conditions. Moreover, workers are being subject to scrupulous supervision and intimidation (cf. Radin & Calkins, 2006, p. 262).

Still, ethical as well as economic valuations of these factories vary greatly. Some authors embrace sweatshops for the employment opportunities they offer and consider sweatshops an inevitable stage in economic development (Powell & Zwolinski, 2012; Wheelan, 2010), whereas

others criticise sweatshops for their low pay and hazardous working conditions and hold that these factories constitute a violation of human rights (Arnold & Hartmann, 2006; Arnold, 2010) or a prime example of global injustice (Young, 2006). As a result, there are also differences as regards appropriate remedies to sweatshops: While some authors hold that the benign forces of an unfettered competition will eventually result in higher pay and better working conditions in sweatshops (Gordon, 1998; Powell & Zwolinski, 2012; Zwolinski, 2007), others maintain that the poor wages and working conditions ought to be attended to by business or consumers (Arnold & Bowie, 2007; Arnold & Hartmann, 2006; Meyers, 2007; Schwartz, 2010; Zoller, 2015). Comparatively little attention has yet been paid to the role of political background conditions in establishing and sustaining sweatshops. The part of governments has so far been mentioned only in passing, and mainly to refute any special responsibility on part of corporations. For instance, Matt Zwolinski and Benjamin Powell counter the claim that multinational enterprises (MNEs) exploit workers by influencing the background conditions against which labour agreements are being made by pointing out that

Very often, however, limiting background conditions will not be the result of any injustice assignable to MNEs. Sometimes, the main constraint on workers' options will be a poverty that owes its existence not to any positive evil but rather to the absence of the delicate combination of social, political, geographic, and other factors needed for the production of wealth and economic development. At other times, it will be an injustice perpetrated by their own government without the collusion of foreign business interests. (Powell & Zwolinski 2012, 467f.).

The aim of my paper is to investigate this interesting claim. Specifically, it aims to show that an adequate moral analysis of sweatshop labour includes political factors in addition to market forces. To that end, I apply the account of Acemoglu and Robinson (2013) on extractive and inclusive institutions to the sweatshop issue and argue that sweatshops result from 'extractive institutions', i.e. economic institutions which are designed to extract resources from a society for the benefit of its ruling class (Section 2). I choose the framework of Acemoglu and Robinson (2013) precisely for its political component, i.e. the two authors do not confine their analysis of global poverty to economic factors but pay special attention to the way political background conditions influence the economies of developing and emerging countries. I thereby seek to broaden our understanding of sweatshop labour by showing to what extent sweatshops

are less the result of a country's economy but rather its political background conditions that set the stage for that economy.

I will substantiate my claim by drawing on the Chinese household registration system *hukou*, and the political background conditions in Bangladesh (Section 3). These two countries are the world's largest producers of textiles (and also of electronics, when it comes to China), which makes them compelling 'test cases' for the background conditions against which the problem of sweatshop labour arises. Besides, my paper draws attention to the hitherto neglected aspect that sweatshops are usually located in emerging economies instead of "genuine" developing countries. This suggests that it takes a certain financial strength as well as a certain degree of centralization and consolidation of state power to establish the necessary infrastructure for sweatshops. Such infrastructure is key for attracting foreign investors. Put differently, today's "sweatshop countries" possess the very means to be able to pursue a different kind of economic policy. This raises the question of why countries like China and Bangladesh continue to rely on sweatshop labour. I will answer this question by detailing that sweatshops are essentially an issue of power distribution.

## **2. Extractive and inclusive institutions**

In their book *Why Nations Fail. The Origins of Power, Prosperity and Poverty* (2013), economists Acemoglu and Robinson challenge common assumptions about why some nations became rich and others remained poor. They start out by analysing two cities: Nogales in Arizona, US, and Nogales in Mexico. Since these have the same people, culture, and geography, there must be a different explanation for the wealth of the one and the destitution of the other. They attribute the difference in economic and political development to the border which divides the two cities: The inhabitants of Nogales in Arizona have access to the economic and political institutions of the US and the corresponding entitlements and benefits they offer, whereas the citizens of Nogales in Mexico

live in a different world shaped by different institutions. These different institutions create very disparate incentives for the inhabitants of the two Nogaleses. [...] These incentives created by the different institutions

of the Nogaleses and the countries in which they are situated are the main reason for the difference in economic prosperity on the two sides of the border. (Acemoglu & Robinson, 2013, p. 9).

The development of these dissimilar institutions can be traced back to the respective history of the two cities/countries: Whereas the economic and political institutions of Mexico, as of Latin America in general, developed under the influence of fierce colonialism, roughly the same kind of colonial policy in the English settlements of North America quickly came to a dead end. Probably due to an extremely low population density (both among the colonists and the native population), the Virginia Company and those English settlers higher up the social ladder did not succeed in establishing a coercive labour regime. In contrast to this, “the population density [in Latin America, J.P.] was as high as four hundred people per square kilometre, more than five hundred times higher. What was possible in Mexico or Peru was not feasible in Virginia” (Acemoglu & Robinson, 2013, p. 25) – for the simple reason that malcontent settlers in Virginia voted with their feet. If colonial leaders wanted to sustain their settlements, they had to offer incentives to their workers, which in turn influenced the kind of politics pursued in the English colonies and eventually led to the kind of institutions which now sets Nogales in Arizona very much apart from its Mexican namesake. Essentially, the nature of political and economic institutions a society adopts depends on its distribution of political power: “When there is conflict over institutions, what happens depends on which people or group wins out in the game of politics – who can get more support, obtain additional resources, and form more effective alliances” (Acemoglu & Robinson, 2013, p. 79).

In this context, Acemoglu and Robinson differentiate between extractive and inclusive institutions. In states with inclusive political institutions, political power is distributed broadly and subject to constraints. Moreover, this power is also centralised and thereby enables the state to enforce laws and precludes the kind of power struggles typical of so-called “failed states” like, e.g., Somalia, a society which is

divided into deeply antagonistic clans that cannot dominate one another. The power of one clan is constrained only by the guns of another. This distribution of power leads not to inclusive institutions but to chaos, and at the root of it is the Somali state’s lack of any kind of political centralization [...] and its inability to enforce even the minimal amount of law and order (Acemoglu & Robinson, 2013, p. 80).

One might object that the fact that Somali clans succeed in restraining each other and that none of them is strong or influential enough to subdue the others proves that there are indeed constraints on power and on the exercise of power. However, note that this power is neither centralised nor widely acknowledged; hence the endless power struggles since no clan recognizes the claims of the other (it's not like they agree on legislative periods...). Furthermore, such 'clan system' implies the exclusion of all those who are no members of any clan, i.e. the majority of the Somali populace is left out. There are "checks and balances" by clans, on clans, and through clans, whereas the Somali state itself is unable to establish order. Hence, there do seem to be constraints on power, yet of an inadequate kind.<sup>1</sup>

To summarise, political institutions are inclusive only if they are centralised and pluralistic. If either of these conditions is not met, political institutions are extractive. Somalia is an example of an extractive society that lacks centralised political institutions and hence executive power. Examples of extractive societies whose institutions are centralised yet not (or: not sufficiently) pluralistic might be North Korea and China (more on this below in Section 2.2.).

Acemoglu and Robinson underline that extractive political institutions are designed to "concentrate power in the hands of a narrow elite and place few constraints on the exercise of this power" (Acemoglu & Robinson, 2013, p. 81). This concentrated political power is then used to set up extractive economic institutions which extract resources from a society for the benefit of its rulers. It is important to note that there is a strong synergy between extractive political and economic institutions, both feeding on each other by providing incentives for implementing them. Recall the functioning of slave-owning societies like those of the American South or of the sugar plantations in the Caribbean, whose exploitative economic systems relied on the political disenfranchisement of slaves (cf. Acemoglu & Robinson, 2013, p. 81; see also Fogel & Engermann, 1974; Foner, 1988).

Nevertheless, that a certain structure strongly favours one group does not necessarily imply that that structure was established intentionally by that group. For instance, what are we to make of patriarchy, a system that strongly favours (some) men?<sup>2</sup> Does this mean that patriarchy has been intentionally created to cater to male needs, as extractive institutions have been established

---

<sup>1</sup> Thanks to an anonymous reviewer for raising this point.

<sup>2</sup> Thanks to an anonymous reviewer for pointing this out to me.

to benefit some ruling class? Yes and no. As regards patriarchy, recall J.S. Mill's observation that it

never was the result of deliberation, or forethought, or any social ideas, or any notion whatever of what conduced to the benefit of humanity or the good order of society. It arose simply from the fact that from the very earliest twilight of human society, every woman [...] was found in a state of bondage to some man. (Mill, 2008, p. 475).

This implies that patriarchy built on already existing relations – relations that favoured men because of their superior physical strength. Put differently, they were able to utilise an initial advantage since “systems of polity always begin by recognizing the relations they find already existing between individuals” (Mill, 2008, p. 475). Similarly, the labour regimes in Mexico and Virginia (see above, p. 7) depended on local social conditions. Colonial leaders simply did what was politically feasible. The initial asymmetry that existed between men and women, or colonial leaders and settlers, increased in the course of their continuous interaction. Consequently, the advantages of this interaction systematically accrue to the more powerful party involved (cf. Tilly, 2001).

This means that although it might well be that patriarchy and exploitative labour regimes were not *created* intentionally, they are certainly being sustained on purpose – simply because the people favoured by these systems learned of, and got used to, the advantages these systems offered them. In this context, recall Mill's interesting claim that patriarchy became increasingly superfluous due to civil progress, which makes “the laws of servitude in marriage [...] a monstrous contradiction to all the principles of the modern world” (Mill, 2008, p. 557). Nevertheless, (some) men are very reluctant to give up patriarchy since they do not want to lose their high power and status that come with it. They might even adhere to patriarchal norms unintentionally, simply because the rewards of an unequal system that favours them are so hard to resist.

It could be argued likewise that political leaders of countries with extractive political and economic institutions have become used to the status and comparative wealth they have attained through these institutions, as I will do in Section 2.2 when I detail why 1) extractive institutions

generate comparatively little economic surplus and why 2) societies with extractive institutions adhere to them nonetheless.

## 2.1. The problems of extractive institutions

Acemoglu and Robinson point out that societies with extractive institutions are problematic for two reasons that are closely related: For one, they disenfranchise the great majority of their members and thus put them at a social disadvantage. Second, these societies are politically and economically static since their institutions have the single purpose to secure the ruling elite's wealth and power. This implies that the government adheres to extractive institutions despite the comparatively limited surplus these institutions generate since "[e]conomic institutions that create incentives for economic progress may simultaneously redistribute income and power in such a way that a predatory dictator and others with political power may become worse off" (Acemoglu & Robinson, 2013, p. 84). Therefore, societies with extractive institutions do not implement other, more beneficial ones for the simple reason that the ruling class fears the transformative effects of economic growth. Therefore, "[g]rowth thus moves forward only if not blocked by the economic losers who anticipate that their economic privileges will be lost and by the political losers who fear that their political power will be eroded" (Acemoglu and Robinson 2013: 86). This is also why economic growth under extractive institutions is short-lived: For one, extractive institutions stifle innovation because innovation is linked to 'creative destruction', i.e. the replacement of the old with the new<sup>3</sup>, which also has a destabilising effect on power relations. Second, "the ability of those who dominate extractive institutions to benefit greatly at the expense of the rest of society implies that political power under extractive institutions is highly coveted" (Acemoglu & Robinson, 2013, p. 430). This harbours the risk of political instability, which leads either to chaos, like in Somalia, or to the establishment of a repressive regime, as e.g. in North Korea or China.

There are several reasons to consider China a society with extractive institutions, both politically and economically speaking. Its impressive economic growth was and still is channelled by the state, who decides which sectors and companies receive additional capital and

---

<sup>3</sup> The term 'creative destruction' was coined by Austrian economist Joseph A. Schumpeter (1883-1950) in his classic *Capitalism, Socialism, and Democracy* (1942). It implies that economic change necessarily dissolves old structures – both economic and political.

which are allowed to expand. The fact that the Chinese state is able to coordinate economic activity to such a degree suggests a high level of political centralization. Still, “[d]espite the recent emphasis in China on innovation and technology, Chinese growth is based on the adoption of existing technologies and rapid investment, not on creative destruction” (Acemoglu & Robinson, 2013, p. 439). This implies that economic growth is neither perceived as nor meant to be a threat to existing power structures. Rather, Chinese officials “have felt secure enough to manufacture significant economic reforms and still manage to cling to power” (Acemoglu & Robinson, 2013, p. 94). This sense of security is also owed to the fact that Chinese economic institutions are anything but inclusive, with property rights being highly insecure and labour mobility being seriously curtailed, as I will show below. Moreover, only few business people dare to engage in any activity without the support of political cadres. But once such a connection between business and politics is established, it is “highly lucrative for both. Businesses supported by the party receive contracts on favorable terms, can evict ordinary people to expropriate their land, and violate laws and regulations with impunity.” Those unable to forge such connections enjoy not even “the most basic of property rights, the right to sell one’s own labour in the way one wishes” (Acemoglu & Robinson, 2013, p. 439).

In the following, I shall use the differentiation between extractive and inclusive institutions made by Acemoglu and Robinson to characterise countries whose economies rely heavily on sweatshop labour. In the same way that the distinction between extractive and inclusive institutions allowed Acemoglu and Robinson to cast light on a blind spot of development economics, I shall draw on this differentiation to broaden our perspectives on sweatshop labour by showing that sweatshops are a political rather than an economic problem. They persist not because of poverty, but because of a deprivation of rights. Essentially, it is not (or at least: not primarily) a country’s wealth or poverty that gives rise to sweatshop labour, but its political background conditions that exclude some people and thereby make them economically vulnerable. This thesis is further substantiated by the fact that sweatshops are not confined to the export processing zones of emerging economies. Instead, they continue to exist also in developed countries like the US, where the workforce consists mainly of illegal migrants, i.e. disenfranchised persons who are hence highly vulnerable (Bender & Greenwald, 2003; Bonacich & Appelbaum, 2002; Ross, 2004). I will first dwell on the implications of the Chinese household registration system to illustrate the extent to which Chinese workers are being marginalised to

achieve economic growth (Section 3), and how this system increases political and economic control (Section 3.1.). I will conclude with an overview of the political background conditions in Bangladesh and their impact on the textile industry of that country in order to show that also Bangladesh is characterised by extractive political and economic institutions (Section 3.2.).

But before that, let me discuss two possible objections to my argument. To begin with, one might object that my analysis focuses on just two countries to illustrate under which conditions sweatshops arise, and that my argument hence cannot be generalised. Sweatshops are located all over the world, not just in China and Bangladesh. Besides, they flourish not only in non-democratic states, but also in democratic ones like Indonesia, and even the US (Bonacich & Applebaum, 2002) – in other words, sweatshops can be found even in countries that display what Acemoglu and Robinson call inclusive institutions. I think the crucial point is that some people are politically marginalised even under inclusive institutions. For instance, Bonacich and Applebaum (2002) and Ross (2004) have shown that sweatshops in the US are typically staffed with illegal migrants. Just like people living in countries with extractive institutions, they lack the right of co-determination. The political and economic institutions of democratic countries like the US or Indonesia simply are not inclusive enough, as they still leave a significant number of people vulnerable.

Then there is the uniqueness of China's household registration system. One might hence object that my argument is too generic and overly specific at the same time. However, China and Bangladesh account for a large portion of the global labour market. This would make them significant case studies regardless of the general applicability of my argument. Yet I believe these case studies bear more than mere empirical evidence. They pinpoint the preconditions of exploitative working conditions and who is usually being subjected to them.

One concluding note on the significance of my seemingly isolated case studies: China and Bangladesh are no remote examples. Their economic success might induce other developing or emerging economies to copy their problematic economic model and thus exacerbate the "race to the bottom" that sweatshop opponents and labour rights activists warn against (Chan & Ross, 2003; Piore, 1997).

### 3. China: The Creation of a Labour force

The majority of workers in Chinese sweatshops are internal migrants, i.e. persons who migrate from rural China to boom towns like Hong Kong and Shenzhen to seek employment. Their exploitation is facilitated by the Chinese household registration system, the *hukou*. Since its introduction in the 1950s, this system assigned a residence either in town or in the country to every Chinese citizen. To attract workers, urban residents were granted several privileges like subsidised housing, food and medical care (Naughton, 2007, p. 117).

For financial reasons and to avoid a mass migration of the rural population, the great majority of the Chinese people were assigned a rural *hukou*. Migration was (and is) being limited by withholding public provisions like medical care, unemployment benefits, and housing for rural migrants<sup>4</sup> (Xu, 2000, p. 123). The *hukou* system has been liberalised in the late 1980s and now concedes rural migrants freedom of travel. But still, rural migrants cannot claim public benefits (Wang, 2003) and are allowed to stay only temporarily in the cities. Additionally, they need several legal documents even for a temporary stay in the city. The fees for such documents amount to several wages, or 10 percent of workers' annual income (Alexander & Chan, 2004, 619f).<sup>5</sup> Not only the migrants themselves, but also the firms which hire them have to apply to the local authorities for certificates, which have to be renewed every year. Employers usually apportion the costs for these forms to their employees (Pun, 2005, 43f). Apart from that, employers demand their employees to deposit a certain sum as a surety. Therefore, an employee cannot leave an employer otherwise than by being fired – if he leaves of his own volition, he forfeits the deposited sum. Employees are bonded additionally by the habit of employers of confiscating worker's documents: Migrants are legally obligated to carry their papers with them at all times. If they are caught without these by the police, they face being imprisoned or sent to labour camps (Zhao & Kipnis, 2000; Unger, 2002; Alexander & Chan, 2004). Besides, persons with a rural *hukou* are not allowed to work in other sectors than in export and heavy industries (Harney, 2009). Due to this decree, rural migrants account for 70 to 80% of all employees in the textile and construction industries (Lee, 2007). Note that these are not only the most dangerous jobs but also those most likely to violate health and security laws. As a result, migrants make up about 90 percent of all victims of occupational disease (Harney, 2009, p. 65). Even in these low

<sup>4</sup> This is also why dormitories are provided in Chinese sweatshops. See Xu (2000) and Pun (2005).

<sup>5</sup> The average monthly wage in Shenzhen is about 300 Yuan (roughly \$30), see Pun (2005, p. 96).

wage sectors, migrants are being paid 40% less than employees with an urban *hukou* (Wang & Zuo, 1999). Such discrimination has tremendous effects on China's economic development: According to some estimates, internal migrants contribute around 30 to 31% to the GNPs of Peking and Shanghai (Chan, 2010, p. 362). The share of urban residents with a rural *hukou* has been rising continuously since the 1980's, which underlines the growing importance of this population for China's export industry. Some authors consider this pool of cheap labour created by the *hukou* system to be the main reason for China's impressive economic growth (Chan, 2010; Harney, 2009; Rivoli, 2009).

### 3.1. Consequences of the hukou-registration

The *hukou* registration constitutes a systematic disadvantage of a major part of the Chinese population. It is also an important factor in China's economic growth. In this section, I depict the social consequences of this discrimination between workers and peasants. This is helpful in clarifying that the conditions of a free labour contract are not met in Chinese sweatshops. Rather, the social and political discrimination workers experience through the *hukou* system is a necessary prerequisite for their compliance to enter contracts for sweatshop labour in the first place.

First of all, the Chinese household registration is a means of social control: because people with a rural *hukou* are only temporarily considered as workers and are sent back to their villages as soon as their employment ends. They hence also lack a lasting form of identity.<sup>6</sup> Due to their ambiguous identity, their exploitation is both disguised and intensified because the migrants themselves are unsure about their rights. And even though the benefits from their migration are poor and temporarily limited, several million people migrate into the cities annually.<sup>7</sup> This is due to the *hukou* system as well, because it is the main cause of the large disparities between urban and rural standards of living.<sup>8</sup> The causes for migration can thus be traced back to an urban-biased economic model (Chan & Pun, 2010) which allows an "ideological and productive

<sup>6</sup> Their ambiguous situation is mirrored in the term *mingong*, which can mean both "temporary worker" as well as "peasant worker" (Pun, 2005, p. 46).

<sup>7</sup> In 2011, 158 million migrant workers did not live in the communities they have been assigned to. See <http://english.peopledaily.com.cn/90785/7738580.html>

<sup>8</sup> The urban per capita income is 3, 2 times higher than the rural one (Naughton, 2007, p. 133). See also Hairong (2008) Measured by the differences between urban and rural standards of living, China is one of the most unequal countries in the world. Its current Gini-coefficient is 0.465 (0.4 is considered a warning level by the United Nations. See <https://www.statista.com/statistics/250400/inequality-of-income-distribution-in-china-based-on-the-gini-index/> (last access July 5<sup>th</sup> 2021).

process of making new laboring subjects” (Hairong, 2008, p. 138). Furthermore, the appeal of urban residence for people with a rural *hukou* is also rooted in the propaganda of the last three decades which portrays peasant life as the ‘moribund other’ (Hairong, 2008, p. 42) of modern urban life. This has additionally strengthened people’s desire for urban living: “The city, however conceived, has become an object of increasingly intense desire” since the 1970s (Schein, 2001, p. 225). Additionally, the rural provinces also carry the social costs of economic development. This is due to the low wages paid to migrants and the fact that they are denied any form of social security (Hairong, 2008, p. 259). Apart from caring for the old and invalid, also the reproduction of workers is borne by the provinces (Hairong, 2008, p. 43). The Communist Party depicts this home bias as a decisive advantage which rural migrants enjoy because it makes them superior to (or, as officials put it, more flexible than) former generations of workers of state-owned enterprises.<sup>9</sup>

Moreover, the *hukou* registration affects not only the labour supply, but also the development of wages: The great majority of migrants stop working in the export processing zones in their mid- to late twenties.<sup>10</sup> Their residence permit expires as soon as their employment ends; which is why they have to return to their home provinces. Since workers know from the very beginning that their stay in the city will be limited, they see no necessity to organise and strive for better working conditions. Therefore, their poor bargaining position is unlikely to improve since it is consolidated by market forces and political ones. The social discrimination of rural migrants is not only a precondition for their ‘willingness’ to work in sweatshops, but also essential for such exploiting working conditions to persist. Granting such a stigmatised group equal rights amounts to forfeiting a decisive competitive advantage.

### **3.2. Bangladesh: Willful Governance Gap**

Bangladesh is to date the second-largest producer of textiles in the world, surpassed only by China. The garment industry accounts for more than 80% of Bangladesh’s exports and 23% of its GDP. Since the mid-1990s, Bangladesh has experienced an economic growth rate of 6% per

---

<sup>9</sup> Hairong quotes a member of a NGO who told migrants: “Your position is superior to laid-off urban workers, because they are used to eating state rice and are dependent. You are each a small boat and easy to turn around” (Hairong, 2008, p. 190).

<sup>10</sup> At that age, they are either fired or leave the factory on their own accord because they can no longer keep up with the work speed.

year.<sup>11</sup> There are two main reasons for this enormous economic success. For one, wages in Bangladesh are even lower than in China.<sup>12</sup> Second, the European Union has dispensed with some of its regulations concerning the import of textiles in 2011: According to older guidelines, a certain amount of apparel products were expected to come from precisely those countries which export the end product, or garment. This rule was a serious drawback to Bangladesh's textile industry since this country relies heavily on imported cloth. Things have changed tremendously since this regulation has been repealed: Bangladesh's garment industry today has an annual turnover of US\$ 9 billion dollars and earns 75 – 85 percent of foreign currency (Rahman et al. 2019, p. 230). Yet this extraordinary success also has its downsides: The wages paid in the garment industry of Bangladesh are the lowest in the world – too low, in fact, to cover the basic costs of living. As a result, the living conditions of Bangladesh textile workers are worse than the living conditions of any other social group of that country (Hossain, Ahmed & Akter, 2010). Apart from such low wages, textile workers also suffer from poor regulations concerning safety and health. Bangladesh is notorious for its deficient building regulations, resulting in numerous industrial accidents. One of the most devastating was the collapse of the Rana Plaza factory on April 24, 2013, “the world's worst industrial accident in 30 years” which claimed the lives of 1.134 workers. The plight of Bangladesh garment workers is the result of a serious governance gap since the government “lacks the political will, the technical capacity, and the resources necessary to protect the basic rights of its workers” (Labowitz & Baumann-Pauly, 2014, p. 9). As for the lacking resources and capacity, the country's poor infrastructure has direct consequences on the working conditions in the garment sector: bad roads and unreliable power supply intensify production delays and raise production costs, which result in long shifts for workers and unsafe facilities (Labowitz & Baumann-Pauly, 2014, p. 10). Then there is the peculiar structure of the garment industry with its tendency to “indirect sourcing”, i.e. subcontracting. Outsourcing is and always has been an essential and popular feature of the garment industry worldwide, not only in Bangladesh (see Ross, 2004 and Green, 2003, for details). It offers several advantages like the increase of profit margins and production capacities while keeping costs low. On condition that there is “an effective regulatory framework and efficient markets, the indirect sourcing model could allocate and re-allocate production according to the competitive advantages of each actor in the supply chain” (Labowitz & Baumann-Pauly,

---

<sup>11</sup> See [http://www.ilo.org/dhaka/Informationresources/Publicinformation/Pressreleases/WCMS\\_226720/lang--en/index.htm](http://www.ilo.org/dhaka/Informationresources/Publicinformation/Pressreleases/WCMS_226720/lang--en/index.htm)

<sup>12</sup> According to some estimations, Chinese workers make four to eight times more than textile workers in Bangladesh, see Harney (2009, p. 250).

2014, p. 17). But given the poor political and economic structures of Bangladesh, outsourcing has resulted in a fierce ‘race to the bottom’ i.e. the supply chain is driven solely by the pursuit of the lowest costs, thereby blocking the path to any investments in wages, working conditions, or technology. Subcontracting allows more powerful suppliers to pass down economic pressure to factory owners at the bottom of the supply chain, who cannot afford the most basic safety investments. This implies that the likelihood of regulations being applied decreases with every step down the production chain. By reducing control and transparency for both buyers and regulators, the risks for workers increase.

Despite these well-known issues, current financial structures and incentives encourage subcontracting. Due to the high barriers to enter business, suppliers depend on credits. But since credits are “made available on the basis of total order and export volume” instead of production capacity, it is the suppliers who “demonstrate the highest order and export volumes” who enjoy the greatest access to capital – a competitive distortion endorsed by the ministry of finance (Labowitz & Baumann-Pauly, 2014, p. 18).

There is reason to believe that legislators have vested interests. Approximately 10 % of members of parliament have investments in the garment sector (Chalmers, 2013), and the influence of this industry on politics and regulation is remarkably high (Transparency International Bangladesh, 2013, pp. 18–19). The close relationship between business and government has direct consequences on labour laws. One recent example is the amendment to the Bangladesh Labour Act (BLA) on July 15, 2013, in the aftermath of Rana Plaza. Although the law now includes a modified compensation regime and some provisions regarding the implementation of safety provisions, it still falls short of international standards. The International Labour Organization stated that workers still face serious restrictions as regards their freedom of association, the most manifest surely being the 30 % minimum membership requirement to form a union (apud Labowitz & Baumann-Pauly, 2014, p. 30).

Another indication for an unbalanced political decision-making process is the high rate of corruption in Bangladesh, which ranks 146th of a total of 179 states (Transparency International, n.d.). Labour unrest, very common in Bangladesh, is claimed to stem mainly from workers’ feeling of exclusion from political participation (Absar, 2001). Their deprivation of political rights has direct effects on their employment conditions: Only very few factories issue labour

contracts or payrolls which would allow workers to gather how their wage is actually being calculated. Likewise, payment for overtime is highly obscure and difficult to comprehend (Yunus & Yamagata, 2014), thereby enabling employers to circumvent the legal minimum wage.<sup>13</sup>

### 3.3. Summary

The two case studies of China's household registration system, the *hukou*, and the political background conditions in Bangladesh were meant to vindicate my argument that sweatshop labour is essentially a political rather than an economic problem. My point is that China and Bangladesh, the two largest producers of garments and textiles in the world, rely on what Acemoglu and Robinson (2013) have termed extractive political and economic institutions, i.e. these two countries are societies whose economic and political structures are designed such as to extract resources from its members for the benefit of its ruling class (Acemoglu & Robinson, 2013). The establishment of extractive institutions depends on an initial asymmetry in power between the parties involved that has become institutionalised and thus makes the less powerful party more vulnerable, both politically and economically speaking (cf. Section 2 above). Chinese rural migrants are second-class citizens who do not enjoy the same rights as people with an urban *hukou* and moreover are subject to very specific regulations. They are a politically disenfranchised labour force the Chinese state "channels" into the export industry. Yet the *hukou* system has not only political but also ideological effects: The residence permit of rural migrants expires with their employment contract, which is why they have to return to their home provinces as soon as they are out of a job (which usually happens when the workers are in their late 20s when they can no longer keep up with the work speed in factories). Since workers know from the very beginning that their stay in the city will be limited, they see no necessity to organise and strive for better working conditions.

As regards Bangladesh, the high level of subcontracting is a good example of a structural issue that stems from the pursuit of individual advantages. Still, we have to bear in mind that people outsource economic and health risks to less powerful parties simply because they can (cf. Lessenich, 2018). At first glance, this might seem like an example of the kind of structural

---

<sup>13</sup> Such fraud is further facilitated by the piece rate system, i.e. the payment of workers per item rather than per working hour. This obscures the relation between hours worked and the actual payment – a practice which is also very common in China, see Chan and Siu (2010).

injustice identified by Young, i.e. something that just happens to come into being. Yet given the vested interests of government officials in Bangladesh (see above, p. 22) and the high rate of corruption in this country, I consider the account of Acemoglu and Robinson to give a more accurate picture of how political issues translate into economic hardship for textile workers. Although it is true that features like corruption and vested interests obtain also in other societies, they are of a completely different quality in a country like Bangladesh that ranks 146 out of 179 countries on the latest Corruption Perceptions Index.

Furthermore, possibilities to participate in political decision-making are severely limited in societies with extractive institutions to secure the power imbalance in favour of those at the top. This is most evident in the case of Bangladesh, where there are close links between business and government and where workers are being excluded from the policy-making process, e.g., via a ban of unions. Similar mechanisms are at work in China. Its export sector employs mainly internal migrants, i.e. people who are disenfranchised when they leave their rural *hukou* and migrate to “boom towns” like Shenzhen. Apart from rather obvious rights deprivations like wage discrimination or the confiscation of workers’ papers, workers experience also very subtle mechanisms of discipline and control: Both countries are dominated by a social discourse which is deeply influenced by their urban-biased economic policy. This has two effects: For one, it depicts city life as the only lifestyle worth striving for and thereby adds validity to the present economic policy which neglects the improvement of rural living standards. Second, it conveys the idea of rural migrants as lacking and unwilling to adapt to the demands of economic development. That way, current social discourse has the effect of undermining the social legitimacy of worker protests.

The aim of my paper was to provide a political account of sweatshop labour. Contrary to Young’s account of structural exploitation, i.e. the idea that exploitation is brought about involuntarily by the combined actions of those who share institutions, my account implies clear intentionality. The exploitation in global sweatshops is made possible, or at least facilitated, by wilful political decisions that create a vulnerable workforce.

#### 4. Conclusion

This paper has dealt with an aspect which had been seriously neglected in the academic discussion of sweatshop labour: the role of political actors in setting up unjust background conditions against which labour agreements are being made. The focus of past research on sweatshops has been almost exclusively on the role of transnational corporations (Arnold & Bowie, 2007; Zwolinski, 2012). In order to complete the picture, I have applied the account of development economists Acemoglu and Robinson (2013) to the sweatshop literature. Furthermore, I have discussed the Chinese household registration system and the political background conditions in Bangladesh in order to show that sweatshops are based on extractive institutions, i.e. political and economic structures designed “to extract resources from the rest of society” (Acemoglu & Robinson, 2013, p. 81) for the benefit of its ruling class. This makes sweatshops a political rather than an economic issue.

#### References

- Acemoglu, D. & Robinson, J. (2013). *Why nations fail. The origins of power, prosperity and poverty*. Profile.
- Absar, S. S. (2001). Problems surrounding wages: The ready-made garment sector in Bangladesh. *Labour and Management in Development Journal*, 2 (7).
- Alexander, P. & Chan, A. (2004). Does China have an apartheid pass system?. *Journal of Ethnic and Migration Studies*, 30(4), 609–629. <https://doi.org/10.1080/13691830410001699487>
- Arnold, D.G. (2010). Transnational corporations and the duty to respect basic human rights. *Business Ethics Quarterly*, 20(3), 371–399. <https://doi.org/10.5840/beq201020327>
- Arnold, D.G. & Bowie, N. E. (2007). Respect for workers in global supply chains: Advancing the debate over sweatshops. *Business Ethics Quarterly*, 17(1), 135–145. <https://doi.org/10.5840/beq200717121>
- Arnold, D. G. & Hartman, L. P. (2006). Worker rights and low wage industrialization: How to avoid sweatshops. *Human Rights Quarterly*, 28, 676–700. <https://doi.org/10.1353/hrq.2006.0029>
- Bender, D.E. & Greenwald, R. A. (Eds.) (2003). *Sweatshop USA. The American sweatshop in historical and global perspective*. Routledge.

- Bonacich, E. & Appelbaum R. P. (2002). *Behind the label: Inequality in the Los Angeles apparel industry*. University of California Press.
- Chalmers, J. (2013, May 2). Special report: How textile kings weave a hold on Bangladesh. *Reuters: U.S.*.  
<http://www.reuters.com/article/2013/05/02/us-bangladesh-garments-special-reportidUSBR E9411CX20130502>
- Chan, A. & Ross R. J. S. (2003). Racing to the bottom: International trade without a social clause. *Third World Quarterly*, 24, 1011–1028.  
<https://doi.org/10.1080/01436590310001630044>
- Chan, A. & Siu, K. (2010). Analyzing exploitation. The mechanisms underpinning low wages and excessive overtime in Chinese export factories. *Critical Asian Studies*, 42(2), 167–190.  
<https://doi.org/10.1080/14672715.2010.486599>
- Chan, J. & Pun, N. (2010). Suicide as protest for the new generation of Chinese migrant workers: Foxconn, global capitalism, and the State. *The Asia Pacific Journal*, 37(2),  
<http://japanfocus.org/-Pun-Ngai/3408>
- Chan, K. W. (2010). The household registration system and migrant labor in China: Notes on a debate. *Population and Development Review*, 36(2), 357–364.  
<https://doi.org/10.2307/25699064>
- Gordon, J. D. (1998). Maquiladoras: The first world abusing the third world?. *Business Ethics: A European Review*, 7(1), 7–11. <https://doi.org/10.1111/1467-8608.00078>
- Green, N.L. (2003). Fashion, flexible specialization, and the sweatshop: A historical problem. In D.E. Bender & R.A. Greenwald (Eds.), *Sweatshop USA. The American sweatshop in historical and global perspective* (pp. 37–56). Routledge.
- Fogel, R.W. & Stanley E. (1974). *Time on the cross: The economics of negro slavery*. Little Brown.
- Foner, E. (1988). *Reconstruction. America's unfinished revolution, 1863-1877*. Harper & Row.
- Fraser, J. (2001). *White-Collar sweatshop: The deterioration of work and its reward in corporate America*. Norton.
- Hairong, Y. (2008). *New masters, new servants. Migration, development, and women workers in China*. Duke University Press.
- Harney, A. (2009). *The China price. The true cost of Chinese competitive advantage*. Penguin Books.

- Hossain, J., Ahmed, M. & Akter, A. (2010). Decent work and Bangladesh labour law: Provisions, status, and future directions. BILS Research and Advisory Team.
- Kabeer, N. (2000). *The power to choose: Bangladeshi women and labor market decisions in London and Dhaka*. Verso.
- Labowitz, S. & Baumann-Pauly, D. (2014). Business as usual is not an option. Supply chains and sourcing after Rana Plaza. NYU Stern Center for Business and Human Rights. [http://www.stern.nyu.edu/cons/groups/content/documents/webasset/con\\_047408.pdf](http://www.stern.nyu.edu/cons/groups/content/documents/webasset/con_047408.pdf)
- Lee, Ch. K. (2007). *Against the law: Labor protests in China's Rustbelt and Sunbelt* University of California Press.
- Lessenich, S. (2018). *Neben uns die Sintflut. Wie wir auf Kosten anderer leben* [The deluge right next to us. How we live at the expense of others]. Piper.
- MacLeon, A.M. (1903). The sweat-shop in Summer. *American Journal of Sociology*, 9(3), 289–309. <https://doi.org/10.1086/211221>
- Meyers, C. (2007). Moral duty, individual responsibility, and sweatshop exploitation. *Journal of Social Philosophy*, 38(4), 620–626. <https://doi.org/10.1111/j.1467-9833.2007.00402.x>
- Mill, J. S. (2008). *On liberty and other essays*. Oxford University Press.
- Naughton, B. (2007). *The Chinese economy. Transitions and growth*. The MIT Press.
- Piore, M. (1997). The economics of the sweatshop. In A. Ross (Ed.), *No sweat. Fashion, free trade, and the rights of garment workers* (pp. 135–142). Verso.
- Powell, B. & Zwolinski, M. (2012). The ethical and economic case against sweatshop labor: A critical assessment. *Journal of Business Ethics*, 107, 449–472. <https://doi.org/10.1007/s10551-011-1058-8>
- Pun, N. (2005). *Made in China. Women factory workers in a global workplace*. Duke University Press.
- Radin, T.J. & Calkins, M. (2006). The struggle against sweatshops: Moving toward responsible global business. *Journal of Business Ethics*, 66, 261–272. <https://doi.org/10.1007/s10551-005-5597-8>
- Rahman, R., Shariar, S. & Sokvibol, K. (2019). Determinants of Exports: A Gravity Model Analysis of the Bangladeshi Textile and Clothing Industries. *FIIB Business Review*, 8(3), 229-244. <https://doi.org/10.1177%2F2319714519872643>
- Rivoli, P. (2009). *The travels of a t-shirt in the global economy*. Wiley.

- Ross, R.J.S. (2004). *Slaves to fashion. Poverty and abuse in the new sweatshops*. The University of Michigan Press.
- Schein, Louisa. (2001) Urbanity, Cosmopolitanism, Consumption. In: N. N. Chen (Ed.), *China Urban: Ethnographies of Contemporary Culture* (pp. 225-241) Durham: Duke University Press.
- Schwartz, D.T. (2010). *Consuming choices. Ethics in a global consumer age*. Rowman & Littlefield.
- Tilly, C. (2001). Relational origins of inequality. *Anthropological Theory*, 1(3), 355–372. <https://doi.org/10.1177/14634990122228773>
- Transparency International Bangladesh. (2013). *Annual Report 2013*. <https://www.ti-bangladesh.org/beta3/index.php/en/annual-reports/4372-tib-annual-report-2013>
- Transparency International. (n.d.). CPI 2020: Tabellarische Rangliste [CPI 2020: Tabular Ranking]. <https://www.transparency.de/cpi/cpi-2020/cpi-2020-tabellarische-rangliste/>
- Unger, Jonathan. 2002. *The Transformation of Rural China*. Armonk: M.E. Sharpe.
- Wang, F.-L. (2003). *Organizing through division and exclusion: China's hukou system*. Stanford University Press.
- Wang, F. & Zuo, X. (1999). Inside China's cities: Institutional barriers and opportunities for urban migrants. *American Economic Review*, 89(2), 276–280. <https://doi.org/10.1257/aer.89.2.276>
- Wheelan, C. (2010). *Naked economics: Undressing the dismal science*. Norton.
- Xu, F. (2000). *Women migrant workers in China's economic reform*. St. Martin's Press.
- Young, I. M. (2006). Responsibility and global justice: A social connection model. *Social Philosophy and Policy*, 23(1), 101–130. <https://doi.org/10.1017/S0265052506060043>
- Yunus, M. & Yamagata, T. (2014). Bangladesh: Market force supersedes control. In T. Fukunishi & T. Yamagata (Eds.), *The garment industry in low-income countries: An entry point of industrialization* (pp. 77–104). Palgrave.
- Zhao, Shukai & Andrew Kipnis. (2000) Criminality and the policing of migrant workers. *The China Journal*, 43, 101-110.

Zoller, D. (2015). Moral responsibility for distant collective harms. *Ethical Theory and Moral Practice*, 18, 995–1010. <https://doi.org/10.1007/s10677-015-9568-6>

Zwolinski, M. (2006). Sweatshops – Definitions, history, and morality. In J. Ciment (Ed.), *Social issues in America: An encyclopedia*. M.E. Sharp.

Zwolinski, M. (2007). Sweatshops, choice, and exploitation. *Business Ethics Quarterly*, 17(4), 689–727. <https://doi.org/10.5840/beq20071745>

Zwolinski, M. (2012). Structural Exploitation. *Social Philosophy and Policy*, 29(1), 154–179. <https://doi.org/10.1017/S026505251100015X>