**Definition:** Sweatshop from *The AMA Dictionary of Business and Management*

Factory employing cheap labor, for long hours and under unsafe conditions, so as to mass-produce goods. Though largely produced for the developed world, today these goods are made in underdeveloped countries where there are few laws protecting workers. The term, however, dates back to early U.S. factories, especially the garment industry.

**Summary Article:** Sweatshops

From *International Encyclopedia of Organization Studies*

Sweatshops are one of the most paradoxical organizational and production forms of industrial capitalism. Existing prior to the rise of the factory system, the sweatshop is often depicted in imagery and language that would have it as, if not precapitalist, at the very least parochial, arcane, and part of a chaotic, disorganized, unregulated system of production. However, its longevity, its insertion and embeddedness in diverse structures of production, and its current global geographic distribution call for a reevaluation of the sweatshop. The apparent reemergence of the sweatshop since the 1980s carries some continuities with the earlier period of sweatshop production from the 1850s to the 1930s, while demonstrating significant differences.

**Conceptual Overview**

The sweatshop was never outside the capitalist system of production but integral to it. During the rise of the factory system of production, the sweatshop was one nodal point in the production chain, extending down from retailers at the top, manufacturers, contractors, and home production. Even with mechanization, labor was the most important cost in the manufacture of clothing because machine labor could not replace human labor in clothing assembly operations, as Seidman noted in 1942. Contracting out work allowed manufacturers flexibility in meeting production targets for buyers without having to invest unnecessarily in plant and equipment, a particularly important consideration given the seasonality of the industry. Manufacturers could focus on the higher value-added design, cutting, and mark-up operations in-house, while contracting out some of the most labor intensive assembly operations. Savings in the labor cost of clothing assembly provided manufacturers with competitive advantage in seeking orders from buyers for retail organizations. Contracting out work also allowed manufacturers to bypass or undermine union organization and collective agreements, observed Scott and Cassidy in 1935.

Contracting was thus an integral structural component of the clothing industry from the beginning, and this industry was at the forefront of outsourcing long before it became fashionable in other industries and in management discourse. Just as retailers could drive down costs by fomenting competition between manufacturers, contractors were in competition with one another to win work from the manufacturers. The entire production chain operated on the basis of lowering the cost of labor, and this was particularly so for the contractors. Thus, many manufacturing establishments and especially contract factories operated in sweatshop conditions, characterized by low wages, piece-work, long hours, and unsanitary, unhealthy working conditions. The clothing industry, and the sweatshop, was also

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characterized by a social division of labor relying on immigrant and women workers, by weak and uneven union representation, and by weak regulation of factories and of working conditions. Monitoring and enforcement of laws was difficult given the complexity of the production chain and easily evaded by the sweatshop form of organization.

The very conditions that generated and kept sweatshop production viable also gave rise in North America in the first three decades of the 20th century to some of the largest labor and union mobilizations, as well as cross-class coalitions of labor, immigrant, women’s and welfare organizations, and investigative journalists. The antisweatshop campaigns, union mobilization, and organizational strikes of the 1910s, 1920s, and 1930s eventually led to a combination of relatively effective union representation, collective agreements, in some places with extensions of the conditions of collective agreements to nonunionized workplaces, and state legislation of factory and working conditions, which introduced a regulatory and organizational framework that lead to a reduction in the conditions that generated the sweatshop and in which sweatshops could operate. However, the antisweatshop campaigns and union mobilization of the first three decades of the 20th century did not and has not eliminated hierarchical divisions of labor based on gender, ethnicity, and occupation, or the pejorative notions of skill and unskilled labor in the apparel industries, argues Bender. As well, two structural features of the apparel production chain that were generators of the sweatshop were not eliminated, the dominance of the retail sector over apparel manufacturing and the contracting system.

**Critical Commentary and Future Directions**

Since the 1980s, there has been a powerful, well-documented, and contested reemergence and resurgence of the sweatshop, but, in contrast to the earlier period, on a global scale. Between 1980 and 2000, global clothing production rose by almost 40% and production for export by nearly 350%, according to the International Labor Office in 2000, much of which is done by subcontractors, including in sweatshops. Whereas sweatshop production in the earlier epoch was largely for national markets, contemporary production is for global as well as national markets. Sweatshops are an integral part of the global economy. They do not just sit alongside or in the margins of the formal sector and of regulated industry. They are often used by regulated industry in a subcontracting relationship to drive costs down and to avoid regulation.

The contemporary supply chain in clothing production is complex, but operates through three core links that, as before, involves retail organizations at the top, manufacturers, contractors, and subcontractors, identified by Pollin, Burns, and Heintz in 2004. The resurgence of the sweatshop has been driven by changes in the retail sector, in regulatory and trade regimes, and in technology. The retail sector has been transformed since the 1970s, with an increasing concentration among a small number of chains and department stores, the rise of global brands, and “lean retailing.” Large retail organizations operate with considerable market power relative to manufacturers and contractors, as Klein has observed. At the same time, there is very strong price competition within the retail sector, which leads to pressure on the manufacturers, who depend more and more on orders from the small number of organizations that dominant the retail sector.

As manufacturers and contractors compete largely on price, and as their largest cost component is often labor, the result is that just as brand-name fashions in the early 20th century were often assembled in sweatshops or sweatshop conditions, so too are the global brands of today. There are other costs in establishing competitive production in the garment industry, in particular, quality,
production line flexibility, and proximity to retail markets. However, innovations and new technologies in information and communication, in transport, and in retail inventory control and distribution allow retailers to source their products globally. Global sourcing, and outsourcing have also been driven by the liberalization of apparel and textile markets and the move away from protection of the textile and apparel sectors in Europe and North America, and the ending of multifiber arrangements, according to Rosen in 2002. New information and communication technologies have also been incorporated in apparel production, and computerized designs can be instantly fed to factories in Asia or Latin America, a movement led by companies such as Nike beginning in the 1970s and 1980s, according to Hu-DeHart in 2003.

Clothing and apparel production today is thus characterized by organizationally disaggregated but global supply chains, as Hartman, Arnold, and Wokutch argued in 2003, of which sweatshops are an integral part. In the assembly plants operated by subcontractors in low-wage countries, subcontractors are responsible for recruiting, training, disciplining workers, setting wages, and all aspects of labor-management relations, noted Hu-DeHart in 2003. This allowed manufacturers, design houses, and global brands to claim ignorance as well as denial of responsibility for the conditions under which their goods are assembled by subcontractors in Asia or Latin America. However, while there has been a dramatic increase in global apparel production, including sweatshop production, and a corresponding decline in apparel and footwear factories in North America and Europe, there has also been a resurgence of sweatshops in Europe and North America, generated in part by unemployment, immigration, and deregulation.

Wherever it occurs, the conditions and characteristics of the sweatshop of the early 21st century are remarkably similar to those of the late 19th and early 20th centuries. These include avoiding even low labor costs that may be legally required, regular nonpayment of legal minimum and overtime wages, deduction of fines or penalties for not fulfilling quotas or for returned work, unsanitary and unhealthy working conditions, and a gendered social division of labor.

In a period of globalization of production and global production chains since the 1980s, regulation of workplaces and of working conditions is even more imperative than in the early sweatshop period. Due to the dynamics of the apparel supply chain in which contracting constitutes such an important part, many workplaces operate outside of regulatory frameworks such as minimum wage laws and occupational health and safety standards. The weak regulatory and enforcement environment is generally coupled with strong sanctions by employers and often by governments against workers’ freedom to associate and to organize. However, at the very time that global production, including national and international sweatshop production, was increasing dramatically, Ross noted in 2004 that there was a concomitant decline in state-allocated resources for inspection and enforcement of workplaces and labor laws. Labor and factory law enforcement that relies on power of local governments has declined because globalization and the mobility of the industry undermine ability of local governments to enforce their laws as well as the capacity of unions to organize workers, according to Esbenshade’s analysis of codes of conduct in 2004. Nevertheless, the emergence of global brands such as Nike and of retail chains of global reach such as Wal-Mart and the importance of brand image and corporate reputation made these organizations susceptible to campaigns that focus on the sweatshop conditions under which much of their merchandise is produced, as Pollin, Burns, and Heintz noted in 2004. Hartman, Arnold, and Wokutch observed in 2003 that antisweatshop mobilizations, campaigns, and boycotts led to the emergence of corporate codes of conduct by the

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large retailers and manufacturing organizations.

Regulation, codes of conduct, and monitoring are evolving fields and the focus of management innovation, even if much of it is driven by antisweatshop campaigns. Areas of concern that have been demonstrated, however, are the retail organizations’ tendency to flexibility with regard to enforcement of voluntary codes and manufacturers’ and contractors’ capacities to subvert or bypass codes. In particular, as Bender, Esbenshade, and Ross each note, the tendency of organizations is to leave freedom of association and organization out of codes of conduct and to exclude labor and labor unions from having a significant role in monitoring and compliance. This is crucial, as it is upon exploited labor and the exclusion of labor organizations that the sweatshop rests. Moreover, the limited capacity of monitoring agencies, whether they are private companies or NGOs, to observe and evaluate all production sites and processes, means that on-site workers need to be integrated into monitoring and compliance arrangements, and their voices and the voices of their union representatives to be heard, as called for by the Workers Rights Consortium, a monitoring and mobilization organization that emerged from the antisweatshop movement. To not do so would also continue another characteristic of the sweatshop, past and present: authoritarian paternalism. As long as and to the extent that compliance monitoring leaves workers and unions out, it is not effective in ameliorating sweatshop conditions because of flaws in the way it is carried out and conflicts of interest and the structure of the industry, as Esbenshade argued in 2004.

The sweatshop is a paradox of the global economy. It sits alongside contemporary and evolving forms of organization and production. However, paradox does not equate the sweatshop as being outside of or separate from the regulated, formal economy and formal organizations. The sweatshop is an extension of formal organizations, of the formal economy, and of regulation. As an organizational form, it is durable, adaptable, and flexible in its resistance to regulation. The sweatshop is also the meeting point for social and consumer mobilization, for labor organizing, and for innovation in management practice.

See also
Business Ethics; Corporate Social Responsibility; Globalization; Wage Inequities; Worker Rights

Further Readings


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