

If you bought a pair of jeans for \$50, how much money would you expect the worker who sewed the jeans to receive? \$25? \$10? \$5? You might be shocked to learn that a laborer might receive only \$1 from the sale of those jeans. That's just 2% of the retail price.¹

So where does the rest of that money go? Much of it goes to advertising, corporate salaries, store rental fees, and "middle men" (people who connect manufacturers with retailers). Some of it is spent on raw materials, like cotton. Very little goes to the people who actually make the clothing.

American companies import more goods from China than from any other country. Much of China's wealth comes from investment from foreign companies. These companies hire factories in China to make products that will be sold in the United States. In the year 1998, exports from



THE NATIONAL LABOR COMMITTEE

A teenage worker in an electronics factory takes a nap.

China to the United States were around \$71.2 billion. Over the past decade, exports have increased to over \$287.8 billion. Growing exports over the years have been products such as computers, apparel, household items, and furniture.²

Like many countries, China has labor standards designed to protect its workers. According to the International Labour Office, China has laws related to worker hours (generally 8 hours per day), overtime compensation (50-200% greater than the base pay rate), and required rest days (2 per week). Minimum wage is set by each region of the country. The lowest minimum wage is 270 yuan per month (about \$40/month) in the Province of Jiangxi. The highest is 750 yuan per month (\$110/month) in Shanghai City. China also has labor unions that protect workers' rights.³

China is an attractive location for manufacturing for several reasons. Chinese factories are able to keep costs low for foreign corporations. Also, China has a number of major ports and terminals to make shipping easy. And they have the largest labor force of any country in the world.⁴

The True Cost of Labor

The unattractive side of manufacturing reveals the real-life working conditions for Chinese laborers and the toll that production of material goods is taking on the environment. Although China has restrictive labor laws, these laws are often broken. Some factories maintain two sets of books in order to evade inspectors who visit the factories. One estimate suggests that over half of Chinese suppliers submit false pay records to inspectors, and only a

- 1 China Blue website, "The Blue Jeans Business," www.pbs.org/independentlens/chinablue/ (accessed November 11, 2009).
- 2 Loretta Tofani, "American Imports, Chinese Deaths," Part one of four, *The Salt Lake Tribune*, October 21, 2007, www.pulitzercenter.org/temp/China_Series.pdf.
- 3 International Labour Office, Minimum Wages Database and Working Time Database, www.ilo.org (accessed November 2, 2009).
- 4 CIA World Factbook, <https://www.cia.gov/library/publications/the-world-factbook/> (accessed November 2, 2009).

small fraction of Chinese factories obey limitations on daily working hours. Apparel manufacturers often do not pay workers for mandatory overtime and may not allow workers more than a few days off each month.⁵

The toxic chemicals that are used to make products impact the health of factory workers. On a daily basis, workers in many factories in China inhale or are exposed to toxic materials like lead, mercury, cadmium, and benzene. Benzene is a colorless and flammable liquid that can be used to make materials like ink, paint, and plastic. Excessive benzene exposure can lead to leukemia, bone marrow damage, and a damaged immune system.⁶

Direct exposure to other industrial materials can result in lung cancer and silicosis, a lung disease. Epidemiologists estimate over 4 million workers throughout China have developed silicosis by ingesting toxic air. A lack of proper ventilation in factories allows these carcinogens (cancer-causing substances) to circulate in the air without proper disposal. Health protections such as good ventilation systems and protective masks could reduce the number of workers who develop diseases and illnesses from working in factories.⁷

In some factories, workers also risk losing fingers and limbs by working with unsafe machines. Within the province of Guangdong, for example, 360,000 workers have lost limbs since 1995. Because of this, the government created a law in 2002 ordering factories to replace unsafe machines over time.⁸

In addition to impacts on workers' health and safety, factories can take a large environmental toll. Factory wastes discharged into rivers and into the air cause pollution, which leads to illness among people who do not even work at the factories. China's primary energy source for providing electricity to factories is coal, which is a fossil fuel that contributes to climate change and smog. Hundreds of thousands of premature deaths have been traced to China's environmental degradation, of which factories play a significant role.⁹

The Bottom Line

The low costs of labor and land in China are a tempting option that can save the United States millions of dollars when importing products. However, the true cost of production in China has had impacts on people and the environment that are not included in the price of products. Governments, businesses, and consumers all play a role in these impacts. Enforced labor practices around the world can result in improved health for the environment, workers, and consumers.

What's a Concerned Shopper to Do?

If you want to buy products that improve the lives of the people who make them, by providing a fair income and a safe workplace, how can you put your money where your mouth is?

For one thing, you can look into the labor and environmental practices of companies that sell products you want to buy. Many companies publish these policies online.

You can also let companies know that the way workers and the environment are treated matters to you. Would you prefer to buy products that are made by workers who are paid a fair wage? Would you prefer to buy products that were produced without causing environmental harm? If so, let companies know!

If you've ever heard the expression "money talks," you know that how you choose to spend money sends a message. Send a message by buying products from companies that you want to support.

- 5 "Secrets, Lies, and Sweatshops," *BusinessWeek*, November 27, 2006, www.businessweek.com/magazine/content/06_48/b4011001.htm.
- 6 Loretta Tofani, October 21, 2007.
- 7 Ibid.
- 8 Loretta Tofani, "American Imports, Chinese Deaths," Part two of four, *The Salt Lake Tribune*, October 22, 2007, www.pulitzercenter.org/temp/China_Series.pdf.
- 9 BBC News, "China 'buried smog death finding,'" July 3, 2007, <http://news.bbc.co.uk/2/hi/asia-pacific/6265098.stm>.

You're the Boss

Group members: _____

Guiding Question: If you were an executive at a U.S. company that sells clothing sewn in China, what policies would your company require Chinese factories to follow?

Directions: Work through the questions on this page to construct two potential corporate policies.

1. Of the following, which two things do you think are most important?

Labor Standards	Environmental Impacts
<ul style="list-style-type: none"> • Maximum number of hours in a work day • Guaranteed rest days each week • Required breaks during work day • Health insurance for workers • Safety training and equipment • No child workers • No harassment or discrimination by managers • Other: _____ 	<ul style="list-style-type: none"> • Recycle and reuse waste materials • Use locally sourced materials • Purchase sustainably extracted raw materials • Set and enforce limits for air and water pollution • Find alternatives to replace toxic materials • Record and report on disposal of all wastes • Create durable materials that will not break • Other: _____

2. For the two most important things, write a policy statement for each.

For example: *Our company is going to require any factories it works with to limit workers to a strict 50-hour work week.*

Policy Statement #1: _____

Policy Statement #2: _____

3. For each policy, determine its pros and cons.

For example: *Pro—Limiting workers to a strict 50-hour work week could increase the productivity and health of workers. Con—Limiting workers to a strict 50-hour work week could increase prices for consumers.*

Policy Statement #1 Pro: _____

Policy Statement #1 Con: _____

Policy Statement #2 Pro: _____

Policy Statement #2 Con: _____