Sweatshops, Opportunity Costs, and Non-Monetary Compensation: Evidence from El Salvador[1]

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Abstract. Using evidence from field interviews, this article examines the alternative employment opportunities of thirty-one sweatshop factory workers in El Salvador and their perceptions about what types of non-monetary benefits they receive in their current employment. Interview subjects provide insights into the benefits of their own and peers' employments, their next-best alternative employment, and other aspects of total compensation. We find that workers perceive factory employment to provide more desirable compensation along several margins.

Introduction

To better understand the role of "sweatshop" factories in developing countries, this article investigates how sweatshop employment compares to employees' alternative employment opportunities and examines the non-monetary aspects of their compensation.[2] Economists argue or assume that people reveal their preferences through their choices, suggesting that voluntary employment in a sweatshop indicates that it is the worker's best available option given those available.[3] This article examines the question for a small group of workers in El Salvador. We identify how favorably workers perceive their alternative employment opportunities and what role factory jobs play in their lives. The economic analysis of sweatshop factories usually refers only to contexts in which workers voluntarily choose their employment.

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Slavery, human trafficking, and employer theft of passports, for example, are a distinctly different issue and outside of the scope of this article.[4]

A worker's productivity determines the upper bound on total compensation, and sweatshops often provide capital and technology that make workers more productive than they would be in other local jobs. In fact, sweatshop pay often compares favorably with the country's standard of living. Powell and Skarbek (2006) examine wage estimates given by sweatshop critics and find that in nine out of eleven countries, sweatshop wages equal or exceed the country's average income. For seventy-hour workweeks in Cambodia, Haiti, Nicaragua, and Honduras, sweatshop wages are double the national average income. In nine out of ten countries for which apparel-related sweatshop wages were available, employees earned wages equal to or greater than the country's average national income by working fifty hour workweeks. Brown, Deardorff, and Stern (2003) document that multinational firms regularly pay higher wages and provide better working conditions than local firms. Aitken, Harrison, and Lipsey (1996) find that higher levels of foreign investment are associated with higher wages. Lipsey and Sjoholm (2001) find that foreign-owned firms pay higher wages than local firms do and that wages at local firms rise when foreign-owned firms are present. Apparel manufacturers and foreign employers often compensate their employees favorably compared to others' earnings within their own country.

Workers' next best alternative employment opportunities determine the lower bound on wages. If strong competition for labor exists, there will be upward pressure on wages.[5] Many critics decry large, international corporations opening up third-world factories or relatively wealthy Westerners purchasing products from these factories. However, as available alternatives increase in amount and quality, factory owners will pay their workers higher wages to retain them. Boycotts may block workers' access to the productivity-enhancing capital and technology that foreign investment brings. In a recent interesting study, Harrison and Scorse (2010) find that anti-sweatshop campaigns that led to increases in the Indonesian minimum wage resulted in "large, negative effects . . . on aggregate manufacturing employment." They attempt to identify the effect of anti-sweatshop

activism on specific districts within Indonesia that produced textiles, footwear, and apparel (TFA) in the early 1990s based, in part, on who Nike employed as vendors in 2004. With this data, they find that "while anti-sweatshop activism did not have additional adverse effects on employment within the TFA sector, it did lead to falling profits, reduced productivity growth, and plant closures for smaller exporters."[6] Basu and Zarghamee (2009) model consumers' choices to boycott products made by child labor and find that the boycott can actually lead to a rise rather than fall in child labor because of a backward bending household labor supply curve.

The relevant alternative employment opportunities to sweatshop labor are often much worse. For example, journalist Nicholas Kristof (2009) reports on children who survive by picking through a "vast garbage dump" for plastic in Phnom Penh, Cambodia. These children, he reports, hope to someday work in a sweatshop instead of scavenging through the dangerous, dirty trash heaps (see also Kristof 1998). After the introduction of U.S. anti-child labor legislation in Congress in 1992, Bangladesh textile factories terminated the employment of an estimated fifty thousand illegal child laborers. UNICEF (Bellamy 1997: 60) reports that the children had little to no access to education and found employment in "stone-crushing, street hustling and prostitution—all of them more hazardous and exploitative than garment production." For third-world workers, sweatshops often provide much better employments than their available alternatives. While Kristof (2009) provides useful anecdotal evidence, this article seeks to provide a more systematic examination of the alternative employment opportunities of sweatshop workers and factory compensation with evidence obtained through open-ended field interviews of thirty-one Salvadoran sweatshop workers.

Heterodox approaches, such as the Marxist and Old Institutionalist literatures, provide alternative perspectives to mainstream economics on scarcity, choice, and wage labor. They emphasize historic-empirical analysis rather than formal modeling, dynamic and conflictual processes rather than static equilibrium, the possibility that economic forces lead to domination and power relationships, methodological collectivism, an interest in want-creation, and embrace a value-directed inquiry (Dugger 1996). Feminist economics shares many of

these tenets and emphasizes the importance of unpaid, household labor and the role of race, gender, and class (Power 2004).

Like these heterodox approaches, our study emphasizes a rich contextual analysis of social phenomena rather than a focus on formal modeling, allowing for examination of out-of equilibrium states of the social provisioning processes. Our study is an attempt to collect, document, and understand the qualitative, historical accounts of populations traditionally viewed as marginalized (low income earners and females). The majority of workers that we interviewed are female and all of them are low-skilled by developed country standards, and as such, our study focuses on the context of decisions made by a subordinated group and examines the interplay between market exchange and household production activities (Power 2004). In addition, we examine how factory work relates to Amartya Sen's (1999) emphasis on the importance of obtaining "capabilities" such as education. All of the aforementioned factors typically occupy the forefront of heterodox studies of labor and development and auxiliary positions in similar mainstream studies.

Perhaps most clearly consistent with these heterodox approaches, our research methodology explicitly recognizes that people give meaning to their economic activities, and these provide a necessary foundation for understanding the social provisioning process. As Dugger (1996: 40) explains about the people engaged in the social provisioning process, "[t]hose other people can talk. They can write. They can tell their own stories. What economists need to do is learn how to ask questions and learn how to listen to people's stories." By adopting an open-ended interview research method, we attempt to access the meanings that people give to their jobs and make these central to understanding factory work and labor supply decisions.

Despite the similarities with heterodox literatures, this article remains primarily within the mainstream economics perspective. We focus on the traditional neoclassical assumptions of preference revelation through choice and use methodological individualist economic theory to inform our survey instrument and research design. Central to our study is the continuance with the assumption that scarcity is "a part of the human condition" rather than "part and parcel of life within our advanced capitalist economy" because of want-creation by adver-

tisers and corporations (Matthaei 1984, 91). While we recognize that heterodox theories of wages and labor may not agree with the concept of scarcity as an ever-present relationship between desirability and availability within real resource constraints, we maintain that the opportunity cost concept is important and fruitful for understanding sweatshop labor decisions.[7]

Methodology

This research focuses on El Salvadoran factories because journalists and social activists have frequently criticized its sweatshops and the National Labor Committee has actively been involved in workers' rights issues there since the 1980s.[8] At an Adidas shareholders meeting in November 2008, Sonia Lara Campos (2008), an activist with the National Labor Committee in Central America, criticizes Salvadoran apparel manufacturers and asks, "[h]ow long do the workers of Adidas have to wait until they receive a dignified wage?" Campos (2008) reports that worker compensation barely provides for the food needs of a family of four and is insufficient for a broader basket of necessities.

Through an in-depth examination of subjects' alternatives to and compensation in Salvadoran sweatshops, we bring evidence to bear on these claims as well as provide evidence regarding the role of sweatshops in the lives of El Salvadorian wage earners. We collected these data in early 2009 from subjects employed in two factories in El Salvador: the Partex Apparel Group and Royal Textiles. These factories produce garments for organizations such as Adidas and the United States military. Interviewing subjects at two factories is not necessarily representative of factory work in general or representative of El Salvadoran factories in particular, but this method provides two advantages. First, to the extent that this sample contradicts critics' claims, it reveals that there is greater heterogeneity in the welfare implications of factory labor than is commonly implied in popular and public policy discussions of sweatshops. Second, these interviews provide a rich description of how factory employment affects a particular group of subjects in a developing country, so they provide a more accurate and complete depiction of sweatshop work than relying only on wage data.[9]

Our study focuses on the subjects' perspectives of their environment, employment, and their relevant opportunities. In total, we conducted and recorded thirty-one interviews with employees.[10] The sample consists of approximately fifty-five percent females, and subjects are, on average, twenty-nine years old. Interview subjects at both factories work as either cutters of material or machinists who sew the products. All potential interview subjects work in these same two jobs. We used both purposive and random sampling methods for selecting interview subjects; we asked for volunteers and we randomly selected subjects from alternating project groups based on where they were sitting in the factory. The only difference in responses between these two groups is that a greater percentage of the subjects who volunteered rather than being randomly selected reported payment related problems, thirty-eight percent versus seventeen percent. This may reflect a greater desire to voice concerns on the part of volunteers than randomly selected subjects. Recognizing that the views of employers may also be of interest, we conducted interviews with managers of each factory. We conducted all interviews in private and with strict confidentiality. We communicated the confidentiality protocol to the subjects both verbally and in writing in both English and Spanish. We conducted the interviews with a local Spanish interpreter and recorded the entire process. A transcription service in the United States then retranslated and transcribed the recordings. This ensures that no miscommunications or incorrect translations might have occurred between the interviewer, subject, and translator. These measures provide assurance to interview subjects and help to elicit truthful responses and ensure accurate communication.

Given that our central question concerns why subjects choose their current employment, how they value the non-monetary components of compensation, and how they perceive their relevant alternatives, qualitative research methods offer several advantages. First, in seeking to understand the non-monetary components of compensation, we necessarily are dealing with few quantitative variables. A worker's assessment of the various non-monetary aspects of employment in a particular job is multifaceted. It is this diversity and subjectivity of non-monetary compensation that makes generating precise measurements of total compensation infeasible. As past

research has focused on quantitative variables, such as wages and employment (Powell and Skarbek 2006; Harrison and Scorse 2010), this article hopes to provide a richer (though admittedly still imperfect) depiction of compensation by focusing on the non-monetary components. Second, the open-ended nature of an interview (as opposed to a survey instrument) invites respondents to supply their own interpretive framework to the question and have their perspective reflected in the answer. Survey instruments provide a list of possible responses, which allows researchers to increase sample size, but at the expense of restricting the set of responses to a range selected by the researchers. Smaller sample sizes result from using open-ended interviews, but this method provides more informative results. The aim of the research, in fact, was to identify alternatives that we as researchers do not know. Because of the open-ended interview process, there are not thirty-one answers to all of the questions. However, our data are consistent with the standards in the literature when using this research method. For example, a recent book (Esbenshade 2004) on sweatshops and monitoring in El Salvador relies on one hundred thirty nine personal interviews, but only eighteen of which are with Salvadoran factory workers. Given that the aim of our research is substantially narrower, we feel that thirty-one interviews is sufficiently large to provide evidence and is consistent with the literature.

Our central research question is explicitly concerned with privileging the respondents' narratives over the researcher's prior understanding of possible responses (Weiss 1994). This technique attempts to overcome for the imposition of Western standards on the opportunity sets of workers in developing countries. For example, Bhagwati (2004) has argued that policymakers often develop advice and standards based on the tradeoffs faced by Westerners, not by the individuals living within developing economies (see also Hall and Leeson 2007). By allowing the interview subjects to frame and inform their responses with personal experience, the subjects provide greater insight about what perspectives and beliefs guide their action, and thereby avoid to some extent the preconceived reference points of the researcher (Denzau and North 1994) and provide evidence for policymakers about their actual tradeoffs.

Alternative Opportunities for Sweatshop Workers

We designed our interview instrument to elicit responses about what subjects perceive to be their alternative employment opportunities and how they value non-monetary aspects of their employment. This might not always be obvious to an individual, so we asked a variety of questions about subjects' previous employment, pay and working conditions, peers' employment situations, and alternative opportunities. By examining together the answers from these various questions, the interviews provide a strong indication of how subjects perceive their employment relative to their alternatives.

To begin, we report on a formal policy that affects compensation: El Salvador's minimum wage. Table 1 identifies the government-mandated daily minimum wage in different industries.

Compared to other industries, clothing and manufacturing factory work has the third highest minimum wage. The subjects in these jobs benefit from the higher wage relative to workers in other industries.

We asked subjects if pay at their current employment was sufficient to provide for their needs. Forty-eight percent of respondents answered in the affirmative with no qualifications (see Table 2). Forty-one percent answered in the affirmative, but noted hardships in

Table 1

Salvadoran Daily Minimum Wage by Industry

Business and Service Industry	$6.41
Industry (not clothing and manufacturing)	$6.27
Clothing and Manufacturing Factories	$5.57
Seasonal Agriculture/Coffee	$4.34
Harvesting Coffee	$3.28
Seasonal Agriculture/Sugar Mills	$3.16
Agriculture and Livestock Industry	$3.00
Harvesting Sugar Cane	$2.78
Harvesting Cotton	$2.50

Source: El Salvadorian Labor Code, Edition 62a, July 2008.

Table 2

Are you able to manage financially with what you earn? ($n = 27$)

Yes, unqualified	13
Yes, qualified	11
No	1
Managed with the assistance of family	2

Source: Interviews.

doing so. One subject answered that her current pay was insufficient to meet her needs, and two subjects noted that they also rely on the contributions of family members.

One subject explains that sweatshops provide important nonmonetary compensation:

> I do like to work here. I don't like working in the fields anymore. I make more money here so it's better here. There are also other benefits the company provides and that help us at home and with the family. . . . I think that working in a factory you have the benefit of having medical insurance, medicine, and benefits such as now they are providing school packages for our children who go to school. They give us vouchers for shoes. Those are benefits you can have at a company. In a job as a housekeeper, you don't get any of that. It does have its advantages sometimes because you don't have to pay for transportation or food but you don't get any other benefits. While here at the factory, you do have some things. You can go to them for assistance and if they can help you, they do (Subject 10).

Past research that examines only monetary compensation of factory workers will underestimate the benefits of factory employment by ignoring these many additional forms of compensation. Another subject explains, "The textile factory work is much more favorable because many of the stores don't provide insurance, [social security] or any of the benefits that the law says they should provide. One practically only has the salary and one even has to figure out a way to eat breakfast and lunch from that salary. Things like that. The factory work is very good" (Subject 6).

Table 3 presents subjects' appraisals about many facets of sweatshop employment, including wages, working conditions, location,

Table 3

How Do Your Current Wages and Conditions Compare to Your Previous Employment? ($N = 24$)

		Specific					
Subject	General	Wages	Conditions	Stability	Location	Benefits	Schedule
1	Improved	+					
3	Improved	+	+				
4	Improved						
6	Improved					+	
8	Improved	+					
9	Improved	+			+		
10	Improved	+				+	
11	Improved	+				+	
12	Improved	+					
13	Improved						
14	Improved	+	+				
15	N/A	+	−				+
16	N/A			+			
17	Improved		+	+			
18	Improved			+			+
19	Improved	+	+				+
20	Improved	+				+	
21	Improved	+	+				
22	N/A	+	+				
23	N/A			+			
24	N/A			+			
25	N/A	−				+	
28	Worse	+	+		−		
29	Improved		+				

Source: Interviews.

stability, and other non-monetary benefits. Some subjects reported higher wages but noted that other, less-desirable factors offset this to some extent. When asked about their current employment relative to previous employments, one subject reported her current total compensation was worse than in previous jobs (see Table 3). The subject

explains, "In some ways yes [it is a better job], in some ways no, because there I was closer to my family. Here, in contrast, I'm far from my children all day long. So, no. It's not better here" (Subject 28).

Table 3 provides a rough summary of workers' views about various aspects of their employment. The subjects indicating specific benefits of sweatshop employment over previous employment are indicated by a "+" and those indicating a cost associated with their current position compared to previous employment are indicated by "–". Those subjects marked as "N/A" gave only descriptions of the relative costs and benefits of current employment without specifically indicating that they thought these attributes made their current employment, on net, better or worse than previous jobs.

We asked how subjects viewed their jobs relative to their peers' jobs (Table 4). Seven reported that their peers earn more, and seven reported peers earning less than they do. Three interviewees reported that their peers had better working conditions, and nine people reported that their peers had worse working conditions. Four subjects responded that peers employment or compensation is less certain; for example, compensation in factory work was explained to be more certain from week to week relative to street vending or agricultural work.

Sweatshop critics allege widespread abuse of employees. To examine this issue, our study asked subjects if employers had mistreated them or if they had ever heard of employers in other locations mistreating workers. Table 5 presents the subjects' assessments of employer mistreatment. Because employer abuse can take many

Table 4

How would you describe your peers' jobs?

Earn More	7
Earn Less	7
Better Working Conditions	3
Worse Working Conditions	9
Earnings Less Stable	4

Source: Interviews.

Table 5

Employer Treatment of Subjects ($n = 28$)

No Conflicts	14
Verbal Conflicts	12
Payment Related Conflicts	8

Source: Interviews.

forms and range in severity from isolated verbal incidents to systematic nonpayment, or even involve physical or sexual assaults, it was especially important in this case to privilege subjects' responses over the suggestions of researchers.

Fourteen respondents reported no conflict with either former or current employers. Twelve subjects reported conflict with employers, giving examples of verbal conflicts. For example, one subject explains, "Sometimes . . . the bosses treat [workers] badly, they pressure them to increase production, there's a lot of pressure put on them in other places. They want more and more production. That's what they say." Another subject recalls a conflict with an abusive manager by stating that, ". . . more than anything else, it's insults when people are working, to get them to hurry up by offending them. . . . [At this factory], it was a supervisor, like she was screaming at them and insulting them. But they solved that quickly, and they fired her [the supervisor] . . ." A subject explains, "at [my past job] it was very difficult because people treated us with very rude words, nicknames, things like that" (Subject 6). Ten subjects reported hearing their peers talk about workplace conflicts, but did not experience any problems themselves: "Sometimes when you travel by bus and there are many people going to work you hear them say that the bosses treat them badly, that they pressure them to increase production. . . . Not where I have worked, but you hear people say those things when they talk to their friends" (Subject 25).

The failure to pay subjects presents a serious problem because it violates the foundational agreement of the exchange, which presumably made the voluntary participation of the subject beneficial ex-ante. Table 6 summarizes all of the payment related incidents found in our study.

Table 6

Payment Related Incidents Reported by Subjects ($n = 8$)

Employee	Personally Experienced or Heard About From Others	Nonpayment or Delayed Payment	Attributed to Closing of Sweatshop	Qualified as an Isolated Occurrence
Subject 1	Second Hand	Nonpayment	No	Yes
Subject 5	Second Hand	Nonpayment	Yes	No
Subject 6	Experienced	Delayed	No	No
Subject 7	Second Hand	Delayed	No	No
Subject 9	Second Hand	Delayed	Yes	Yes
Subject 19	Experienced	Delayed	No	No
Subject 20	Experienced	Nonpayment	Yes	No
Subject 24	Experienced	Delayed	No	Yes

Source: Interviews.

The first three columns show that four subjects reported hearing about employers paying subjects late or not at all and four personally experienced such problems in former sweatshop employment (Subjects 6, 19, 20, 24). None of the subjects interviewed reported payment related problems in their current employment. The third column shows that five of the eight incidents involved subjects receiving late payment for their labor services, while three occurrences involved no remuneration at all for their labor services.

Of the three accounts of nonpayment, two subjects attributed the failure to pay to the closing of the factory, which was also a reported reason for delayed payment. For example, Subject 20 recounted, "I worked for [a factory] and they didn't pay me. . . . They closed the factory and they didn't pay us." Several other subjects identified the same factory, which had subsequently closed down, as having a bad reputation for treating workers poorly.

One subject explains that factories may seem bad but they provide an opportunity to increase one's earnings: "Many people say that in those businesses [factories], you are forced to work, but you are not forced; you make an effort to make more money." Moreover, when

Table 7

Prior Generation's Employment

	Mother's Employment		Father's Employment	
Occupation	Responses	Percent	Responses	Percent
Homemaker	8	32%	0	0%
Agriculture	9	36%	15	65%
Vendor / Crafts	4	16%	1	4%
Housekeeper	2	8%	0	0%
Manufacturing	1	4%	3	13%
Construction	0	0%	3	13%
Other	1	4%	1	4%
Total	$N = 25$	100%	$N = 23$	100%

Source: Interviews.

asked about abuses, some subjects explained that employers treated them well: "For the two years that I've been working here, I feel that a situation like that [a problem with the employer] hasn't happened. On the contrary, they usually try to help us because the majority of us are women and single mothers. There are always benefits and good incentives . . ." (Subject 9). Another subject, in response to a question about abuse, said, ". . . the bosses are very approachable. They talk to us. Even outside of working hours, they talk to us and joke with us" (Subject 6).

Economic development often involves more than just higher wages or improved working conditions. One broad measure of economic development is to compare the opportunities of sweatshop workers to the employment options of the previous generation. Table 7 summarizes findings for the employment activities of the subjects' mothers and fathers. Interviews revealed that thirty-two percent of subjects grew up with their mothers at home. Another sixteen percent of the subjects' mothers earned income by selling crafts or foodstuff produced in the home. Of those women who did work outside the home, agricultural day labor was the most common occupation.

One subject described her decision between working in the home and going to work in the factory, indicating that for women entering the workplace it is an improvement:

> "They pay me $35.00 per week and I can manage with that. But what if I wasn't able to make that much working from home? If you work from home, you also spend money daily, and sometimes, we spend more than we earn. Sales are not a good business right now. When I have a conversation with someone, I tell them that we better hope that the factories won't begin to flag because the factories help people a lot. Factories and businesses like one this help women a lot" (Subject 17).

Agricultural work represented the most common employment of subjects' fathers. Three subjects indicated that their fathers worked in various types of construction, and two others indicated employment opportunities of street vending or service related activities. Of the forty-three parents discussed in the interviews, only four held jobs in manufacturing and only one of those was held by a woman.

One subject explains, "[my] parents always say, you should be more than I am so you won't have to work so hard. I will provide you with an education so that—not that you will make very much, but that at least you won't have to work so hard, so you won't have to work in the rain or under the sun" (Subject 25). This subject perceives factory employment as an improvement over the agricultural employment of former generations.

Amartya Sen stresses the importance of certain types of improved non-monetary factors, termed "capabilities," such as life expectancy, infant mortality, malnutrition, and the environment as indicators of economic development. Sen emphasizes the importance of access to education (1999: 41, 90, 108, 129).

Salvadoran sweatshop workers perceive themselves as receiving higher wages and better working conditions than in other employment, and these jobs facilitate their children's access to education. According to the United Nations (2010), in El Salvador the primary education dropout rate for all genders is approximately thirty-one percent. There were twenty-six children among the fourteen interview subjects with children in our study. Excluding those children who did not attend school or who could only do so with family assistance, eighty-eight percent of these children were currently enrolled in

Table 8

Can you manage to send your children to school? ($n = 14$ subjects with a twenty-six school age children)

Yes	23
Yes, with family assistance	2
No	1

Source: Interviews.

school (see Table 8). Family assistance allowed two children to attend school who would not have been able to do so solely with sweatshop wages. One subject's child, eighteen years old at the time of the interview, dropped out of school after the ninth grade. As the employee reported, "My son no longer wanted to go to school but he is learning to be a mechanic in an auto shop" (Subject 10).

After we asked one subject how long she plans to send her child to school, she responded, "Well, I think that while I have a stable job or if I can find a better one, I think until he goes to university. Until he becomes independent and can have a life that is good for him, a life like the one I wasn't able to have" (Subject 1). One subject explains:

> "With the way the situation is right now—now that I am at this company, it's not that I can do everything; but now that I am here, I feel that I will be able to [send the children to school]. When I earned less, I only had enough to buy one school uniform, just a few notebooks; I would buy them little by little. Now that I am working here and I am making a bit more money, I feel that I can balance the expenses better" (Subject 9).

These subjects believe that the increased earnings from sweatshop labor facilitate acquisition of greater capabilities through increased access to education. This is consistent with the findings by Subrick and Boettke (2002), who find empirically that increased economic development correlates strongly with improved measures of capabilities. For Salvadoran workers, factory employment can play an important role in intergenerational mobility and enhanced educational opportunities for their children.

Conclusion

Few people in developed countries would enjoy working in a third-world "sweatshop" factory, as the pay and working conditions are generally much worse than opportunities in developed countries. The options available to unskilled labor in the developing world are context dependent, influenced by the interaction between a variety of institutional and historical factors. Our study privileges the workers' own perceptions and narratives about what the relevant alternatives are for their labor. As a result, this method better allows the subjects (not the researchers) to impart their own understanding about the nature and scope of their labor supply choices. In contrast to more opaque quantitative analysis, these narratives more easily convey the beneficial and perverse outcomes that can result from spontaneous orders (Martin and Storr 2008; Dugger 1996).

Field interviews reveal that subjects perceive their alternatives, including agricultural work and street vending, as less desirable when compared to sweatshop labor. Non-monetary benefits are an important part of this appraisal. The interviews provide information about the margins along which subjects' compensation improves and identify factory employment as one means of improving intergenerational mobility, educational attainment, and improved economic opportunities for women. This analysis suggests two implications for sweatshop-related policy and economic development more broadly.

First, policies for developing countries that are based on legal standards in developed countries can undermine development because they differ from the actual community's relevant opportunity sets.[11] Hall and Leeson (2007) investigate the claim that government-mandated labor standards currently in place in developed countries are appropriate for developing economies. Finding that the United States was much wealthier at the time the country adopted different labor regulations, they conclude that imposing similar labor standards on developing countries involves an income tradeoff inappropriate for their current level of wealth. Our research similarly finds that sweatshop labor policy based on Western standards may be inappropriate because workers in developing countries have fewer opportunities and are less productive than workers in developed countries are.

Focusing on the actual opportunity sets of employees (and potential employees) in these countries can improve policy by recognizing a 'do no harm' approach to adopting labor standards. While labor regulations in the United States may be tolerable, requiring employers to meet certain wage levels, working conditions, or benefits programs can do substantial harm to poor workers by eliminating their most preferred employments. For example, Harrison and Scorse (2010) find large, negative effects on aggregate manufacturing employment from the imposition of a higher minimum wage motivated by the U.S. government's threat to withdraw special tariff privileges because of human rights issues.

Second, our study of the employment opportunities of sweatshop workers is relevant to understanding the process of economic development more generally.[12] Jeffrey Sachs (2005: 11) argues that factory manufacturing is an important step in developing a more prosperous economy, noting, "sweatshops are the first rung on the ladder out of extreme poverty." In fact, we find that sweatshops are several rungs higher on the ladder. By showing that subjects are indeed choosing employment opportunities that improve their wellbeing and capabilities, our results are consistent with Sachs' arguments about the benefits of sweatshop employment.

Notes

1. The authors thank Chris Coyne, Cynthia Mertens, Matt Zwolinski, two anonymous referees, and the Editor for helpful comments.

2. Though scholars define "sweatshop" in varying ways, the term usually refers to factories in developing countries that produce goods, often apparel, for multinational corporations and consumers in developed countries and employ workers for (what the speaker believes are) low wages and poor working conditions. For a more thorough discussion of the definition of sweatshops, see Zwolinski (2006). More broadly, Zwolinski (2007) provides an important discussion on the ethical issues surrounding sweatshops

3. Social scientists in fields other than economics and outside of orthodox economics have been especially skeptical of such a claim, in part because of differing perspectives on how people form preferences and the meaning of opportunity cost itself. Dugger (1996), for example, perceives individuals as possessing a fetishism of commodities and suggests that people are "buying more and more consumer commodities without ever receiving any intrinsic,

consummating satisfaction from them." Consistent with this logic is continued employment at a job that provides no intrinsic, consummating satisfaction for the employee.

4. On this point and a case for sweatshops in the human rights context, see Powell (2006).

5. In a perfectly competitive labor market, these upper and lower bounds will simply be conditions that characterize equilibrium.

6. Harrison and Scorse (2010) note that the identification of TFA districts in this way is an important limitation because these may not be the firms and locations used in the early 1990s. As a result "it is difficult to sign the direction of the bias, since it is equally likely that only the pro-worker or anti-worker vendors have survived."

7. While Marxists may reject the concept of opportunity cost, we assert that all choice—even choice in constrained environments—necessitates trade-offs on the margin. Our framework views labor decisions as voluntary and non-coercive, even where differential abilities and endowments are present. The voluntarism of labor supply decisions is the theoretical component that allows for assessing forgone alternatives as costs of pursued action perceived by the agent ex ante to be beneficial.

8. In addition, there have been several studies about workers' conditions and the use of monitoring programs against employee abuse in factories (Varley 1998; Esbenshade 2004: 165–198).

9. In addition, our findings can reject the strong claims often made by activists that sweatshop workers are universally exploited.

10. We report the demographic and household characteristics in Appendix 1.

11. Voluntarily adopted codes of conduct, corporate policy, and community-based consumption standards do not necessarily entail the same welfare costs as government imposed standards (Powell and Zwolinski 2010).

12. Boettke, Coyne, and Leeson (2008) identify the difficulty of accomplishing successful institutional change. They argue that the "stickiness" of institutional changes depends on the source of the institutional change (being either foreign or indigenous) and the type of change (either bottom-up or top-down oriented). Ultimately, they conclude that institutional changes that are indigenously developed and based on bottom-up processes will be most successful. Sweatshop employments based on voluntary participation fit these criteria for effective and persistent institutions.

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Appendix

Interview Subject Demographics

Subject	Gender	Age	Spouse	Highest Level of Education Attainment		Children				Household Composition
				Year Completed	Age	Number	Age	Of School Age*	School Attendance	
1	Female	36	—	9th Grade	—	1	9	Yes	Yes	—
2	Male	24	Y	High School	—	1	4	No	—	Nuclear Family
3	Male	21	P	High School	16	0	—	—	—	With Partner
4	Female	43	—	High School	15	1	24	No	Yes	Extended Family
5	Female	25	P	High School	—	0	—	—	—	Nuclear Family
6	Male	25	—	High School	16	2	12, 1.5	Yes	Yes	Parents In Home
7	Male	19	N	High School	17	0	—	—	—	Parents In Home
8	Female	24	Y	High School	—	**	—	No	—	Nuclear Family
9	Female	31	Y	High School	18	2	7, 8	Yes	Yes	Nuclear Family
10	Female	36	Y	7th Grade	—	3	18‡, 15, 10	Yes	No‡	—
11	Male	28	Y	High School	19	2	7, 5	Yes	Yes	Nuclear Family
12	Male	25	N	High School	16	0	—	—	—	Parents In Home
13	Male	24	—	—	14	0	—	—	—	Parents In Home
14	Male	21	N	High School	17	0	—	—	—	Parents In Home
15	Male	30	Y	High School	—	2	9, 4	Yes	Yes	Nuclear Family
16	Female	21	N	9th Grade	—	0	—	—	—	Parents In Home

Appendix *Continued*

Subject	Gender	Age	Spouse	Highest Level of Education Attainment		Children				Household Composition
				Year Completed	Age	Number	Age	Of School Age*	School Attendance	
17	Female	42	Y	High School	—	3	17, 15, 12	Yes	Yes	Nuclear Family
18	Male	29	Y	High School	+	1	3	No	—	Parents In Home
19	Female	37	—	9th Grade	—	3	16, 11, 9	Yes	Yes	Parents In Home
20	Female	36	—	High School	15	1	21	No	—	Parents In Home
21	Female	34	—	—	13	4	14, 12, 12, 9	Yes	Yes	Single Parent
22	Female	39	—	—	15	0	—	—	—	Alone
23	Female	29	—	6th Grade	—	0	—	—	—	Parents In Home
24	Male	27	—	9th Grade	18	2	4, 2	No	—	Parents In Home
25	Male	27	Y	High School	—	2	6, 2	No	—	Parents In Home
26	Male	40	—	—	—	2	—	—	—	Nuclear Family
27	Female	33	—	8th Grade	15	3	17, 16, 4	Yes	Yes	Single Parent
28	Female	23	Y	6th Grade	—	2	7, 2	Yes	Yes	Nuclear Family
29	Male	28	—	9th Grade	—	0	—	—	—	Parents In Home
30	Female	24	—	High School	—	0	—	—	—	Parents In Home
31	Female	24	Y	8th Grade	—	2	8, 3	Yes	Yes	Nuclear Family

*Of School Age (7–18); **Subject was three months pregnant at the time of interview; ‡Child dropped out after 9th grade to learn to be an auto mechanic.