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Financial Incentives to Improve Safety

By: Daniel Ikenson - DECEMBER 12, 2012

Rampant consumerism, flamed by Western apparel brands and big box retailers, is bearing much blame for the recent horrific garment factory fires in Bangladesh and Pakistan. Critics of globalization and capitalism assert that the singular commitment of multinational corporations to the bottom line drives investment toward the low wages that tend to prevail alongside lax health, environmental and safety standards. As was the case in 19th century Manchester and early 20th century New York City, abuse and tragedy at factories in developing countries, today, are the inevitable results.

Obviously, the conditions in these factories in developing countries do not appeal to the sensibilities of wealthy nations. But the proper comparison is between the alternatives that would exist in poor countries in the absence of Western investment. New York Times columnist Nicholas Kristof has argued that factory work offers a step up the ladder for billions of impoverished people around the world. His stories about the subsistence options confronting Cambodian women before the arrival of apparel factories -- picking through garbage dumps, backbreaking agricultural work and prostitution -- remind us to not make the perfect the enemy of the good.

Of course that doesn't justify an unsafe work environment. And, in fact, Western investment in developing-country factories, whether through ownership or partnership with local owners, tends to raise the average wage, improve the health and safety conditions of the workplace and reduce the average environmental impacts. Why? Because of that reviled profit motive.

Western companies usually offer wages that are higher than the local average to attract the most productive workers. Those companies are protective of their brands, which in some cases are their most valuable assets. Labor or environmental abuse, lax safety standards and unhealthy or hazardous products associated with the brand are detrimental to the bottom line. As cold as that may sound, those considerations compel companies to submit to third party verifications of all sorts of working conditions.

Companies have incentives to get it right, but that does not mean there will never be tragedies. Without Western investment in developing country factories, such incidents would happen more frequently.