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Labour accounts for a small proportion of overall unit cost

From Prof Sanjay G. Reddy.

Sir, Jagdish Bhagwati and Amrita Narlikar present a welter of confusions in their argument as to why “Signing up to safety rules does workers more harm than good” (July 19). They neglect the elementary point that buyers (of goods such as garments in countries such as Bangladesh) have the power to create incentives for manufacturers, even if action by manufacturers is ultimately required. They also fail to recognise that a generalised climate of raised consumer expectations will reduce the incentive and possibility for buyers simply to seek to source the same goods elsewhere, where working conditions are still worse and wages even lower.

They also fail to recognise that labour costs are a small proportion of the overall unit cost of goods, even in the case of the most labour-intensive manufactures (see the Appendix to International Trade and Labor Standards: A Proposal for Linkage, by Christian Barry and Sanjay G. Reddy or our previous writings in this newspaper), leaving ample room to improve working conditions and raise wages without harming the overall advantage of developing countries in the production of labour-intensive manufactures, and without even reducing the advantage of individual countries if international co-operation encourages such an effort to be simultaneously undertaken elsewhere. Professor Bhagwati and Dr Narlikar lay all responsibility for action on the shoulders of just one party (individual employers in developing countries) and conceive of such action as essentially voluntary. This is not just causally simplistic: to repeat their own words, “it also promises to do untold harm”.

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