



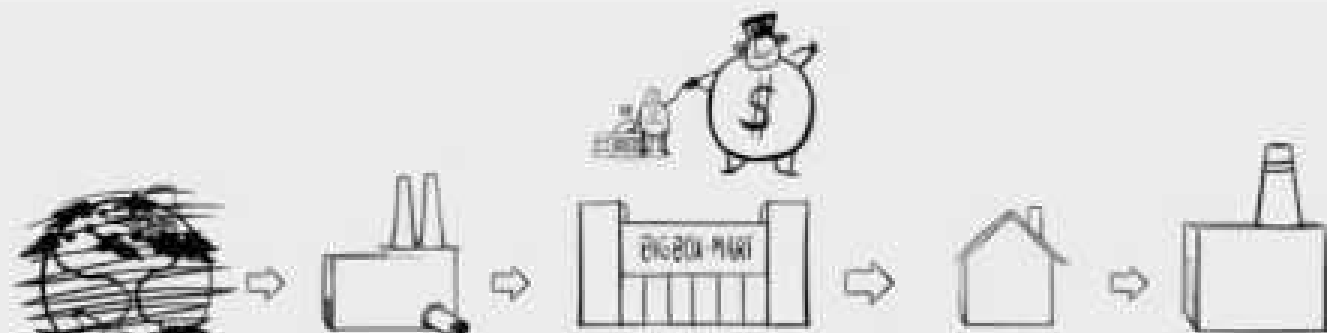
# *Cost of Production*

*{Earth Systems & Resources*

# Objectives

Students will:

- Explain various factors that might contribute to a company's sourcing decisions
- Describe real-life working conditions
- Weigh the pros and cons of corporate manufacturing policies
- Develop corporate policies with sustainability in mind
- Identify costs and benefits of global trade



we'll start with attraction which is already word for natural two / pro

# Think About It!

- Raise your hand if you know where your clothes were made.
- Work with your shoulder partner. Determine where your shirt was made. Your shoes, your pants, your socks...?
- Write your answers on the front board.

*Where were your clothes made?*

# *Did you know...*

- We import most of our clothes from China?
- Why do you think we import so many of our goods from China?
- Why not the U.S. or somewhere closer?

# *Working for a Living*

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.

# *Working for a Living*

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.



# Working for a Living

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 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.

# *Working for a Living*

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.

# Working for a Living

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. they have the largest labor force of any country in the world. Chinese resources are cheap!

# Working for a Living

## 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. This is done in order to evade labor laws that protect workers.

# Working for a Living

One estimate suggests that over half of Chinese suppliers submit false pay records to inspectors, and only a 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.



# Working for a Living

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.

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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.





# *Working for a Living*

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.



A dormitory  
at a steel  
company in  
the provinces.

Taken by the New  
York Times

# Working for a Living

In addition to impacts on workers' health and safety, factories can take a large environmental toll. Factory waste is discharged into rivers and into the air causing 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, in which factories play a

# Working for a Living

## 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.



A handful of women were eating their lunch here instead of in the dining hall. Each room has six small bunk beds, so up to twelve workers live in a single room-it's noticeably small and crowded. All their belongings are kept and confined to their own bunk space, and some even cover their bunk with a curtain for added privacy.

Taken by the Kevin Shum

# Working for a Living

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.

# Working for a Living

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.

Poor treatment of workers in Chinese factories which make Apple products has been discovered by an undercover BBC Panorama investigation.





*In Table Groups*

*Work on the Handout "You're the Boss"....*

*Yes you can write on it!*



# *Optional Videos*



