



POLICY BRIEF

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Working in Export Manufacturing: A Blessing or a Curse?

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Export manufacturing can promote sustained economic growth in developing countries. In the public debate this is often associated with low wages and poor working conditions. However, evidence from several disciplines has shown that workers in these industries are no worse than they would be if those manufacturing jobs were not available. Multinational buyers can be effective in raising working standards in export factories without jeopardizing employment.

WHAT IS AT STAKE:

The manufacturing sector is key to achieve sustained economic growth due to its connections and positive effects on other sectors (Lewis 1954, Kaldor 1967). Manufacturing firms across the world are unique in their ability to catch up to the productivity levels of the most advanced in the world, as opposed to firms in the agricultural or service sector (Rodrik 2013), and countries starting to export to developed countries have been shown to upgrade quickly its export sector to more advanced products (Hwang 2007, Atkin et al. 2017).

Export manufacturing is therefore associated with sustained economic growth (Berg et. al 2012), and countries that upgrade to higher value exports grow faster (Hausmann et al. 2007). To what extent are the benefits of such growth shared by manufacturing workers? And can multinational buyers ensure that the workers' share of benefits is maximized?

KEY RESULTS:

- In popular opinion, manufacturing in developing countries is often associated with low wages, dangerous working conditions, lax regulation, and worker exploitation.
- Research has shown that factories producing for export or based on FDI pay wages equivalent to other sectors, have higher labour standards, and employ large numbers of female workers. However, there are reported adverse effects on well-being, and consequences for young workers.
- While skepticism remains on buyers' ability and interest in improving labour standards, there is some evidence of improvement through safety councils and more skilled management. Fears of consequences for competitiveness have been largely unfounded.

References:

Abebe, G., M. McMillan, and M. Serafnelli (2018). "Foreign Direct Investment and