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## ETHICS OF OUTSOURCING MANUFACTURING WORK TO DEVELOPING COUNTRIES

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### ABSTRACT

In this paper, I will analyze the ethics of outsourcing manufacturing work to developing countries from three different ethical principles, which are utilitarianism, Kant's categorical imperative, and personal responsibility. Using these ethical principles, I will evaluate the ethical perspective on outsourcing manufacturing work to developing countries as well as providing an analysis of why is it beneficial to use a predetermined ethical framework to form a conclusion.

### ETHICS OF OUTSOURCING MANUFACTURING

Companies choose to outsource manufacturing for several reasons, such as lower costs of production, expansion to international markets and need for skilled labor. However, there are several implications that come from outsourcing manufacturing work to developing countries, which will be analyzed in three different ethical frameworks in this paper.

### UTILITARIANISM

The principle of utilitarianism is based on the concept of doing "the greatest good for the greatest number of people". Outsourcing manufacturing is often based on cutting expenses and maximizing profit. Yamashita (2010) mentions that manufacturing goods in a foreign country can produce cheaper goods, which in turn will fulfil

utilitarianism purposes since more people will be able to afford goods, as they will be less costly. For the developing country, manufacturing outsourcing creates new jobs and often infrastructure, such as new roads and technologies. If analyzed as a whole, manufacturing outsourcing seems to pass the utilitarianism ethical principle. However, for the United States, outsourcing might not bring the greatest good for the greatest number of people, since it takes jobs away and causes harm to the lower and middle class as it results creates a decline in total income (Gordon, C., & Zimmerman, 2010).

### **KANT'S CATEGORICAL IMPERATIVE**

For Kant, people should do what is morally right no matter the consequences. According to Bardy, Drew, & Kennedy (2012), there is a direct correlation between manufacturing outsourcing and wage inequality in the United States. Thus, not only outsourcing takes jobs away from the United States but it also helps increasing wage inequalities. Thus, according to Kant's categorical imperative, the "morally right" might be difficult to analyze. For example, a company might be able to sell goods at lower prices in the U.S. by outsourcing its manufacturing to a developing country. Besides, it might bring good to the developing country with job openings and infrastructure. However, it can also bring consequences to small business in the developing countries that would not be able to compete with the cheap prices of the goods from multinational companies. Besides, different countries have different regulations of labor, and thus can create ethical dilemmas for companies, which might not agree with different regulations of labor, such as child labor or extensive hours.

Thus, it will depend on which lenses the company uses to determine what is morally right. If the company decides that the morally right thing to do is to preserve the jobs and wages of Americans, than it would not consider ethical to outsource manufacturing to developing countries. However, if the company decides that what is morally right is to produce cheap goods to sell to Americans so that more people are able to afford them, as well as producing jobs in a developing country, than it would be ethical to outsource manufacturing.

### **PERSONAL RESPONSIBILITY**

According to White (1978), one of the guidelines to ethical behavior is to take full responsibility for actions and decisions. It is also not acceptable to use excuses, such as pressure within the company or business organization. This concept is based on the biblical insight of Romans 12:2, which warns "us about the danger of allowing the world to shape us into its mold". Many companies decide to outsource manufacturing in order to produce cheaper goods, since there is pressure from other business doing the same, which creates fierce competition. In order to stay in business, companies might excuse their behavior on the pressure of globalization and capitalism, for example. Thus, according to the personal responsibility principle, it is not excusable and the company should take

full responsibility for the actions and decisions. According to Kimball & Scott (2014), about 2.4 million jobs were lost or displaced to outsourcing manufacturing by trade with China between 2001 and 2013. Thus, by manufacturing outsourcing, a company has to take full responsibility of the fact that jobs will be lost in American soil, and that it might have severe consequences for millions of people that lost job opportunities. In this case, excuses of globalization and capitalism pressure for lower prices would not be applicable.

## **USEFULNESS OF HAVING A PREDETERMINED ETHICAL FRAMEWORK FOR COMING TO A CONCLUSION**

Using predetermined ethical framework for coming to a conclusion can be useful for several reasons. The different ethical frameworks have been analyzed and used by different scholars several times. Thus, it is easier to measure the advantages and disadvantages of using each method. Besides, it creates a consistency in actions. Since the rules for each ethical principle is often the same, if applying an ethical framework to different cases, it can create a consistency in actions and valor in decisions. Moreover, when using different ethical frameworks, a person is able to analyze the same concept with different perspectives in order to be able to form a throughout opinion about the ethicality of a subject.

## **CONCLUSION**

In a world often pushed by globalization and capitalism, outsourcing manufacturing can be a great option for companies. By outsourcing manufacturing, companies are able to produce cheaper goods. However, there are several consequences attached to outsourcing, such as loss of jobs in the United States and wage gaps (Bardy, Drew, & Kennedy, 2012). For the developing country, outsourcing manufacturing can create new job opportunities and lower priced goods, as well as infrastructure, such as roads and new technologies. However, it can also create dilemmas for the companies due to different labor regulations in other countries.

Thus, analyzing the three different ethical principles, it seems that outsourcing manufacturing does not fit into an ethical framework. For utilitarianism, even though it is producing goods cheaper which would benefit more people, the fact that the total wages in the United States goes down because of loss of jobs makes it not qualify as ethical. For Kaunt, it depends on what the company believes to be morally right, and it is a complicated choice to choose if selling goods cheaper and providing jobs abroad outweighs the costs of lost jobs and wage inequality in the United States. In personal responsibility lenses, we cannot let the world shape our decisions, thus companies cannot justify that is ethical to outsource manufacturing due to the fact that several companies do it in order to have competitive pricing.

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