Comments on “Manufacturing Growth and the Lives of Bangladeshi Women”

Chris Blattman, Columbia University

September 2014
Why is this paper important?
The immediate welfare effects of industrialization are ambiguous.

- Direct effect on workers
- Local indirect effects
- Generalized effects
An interesting contrast to China and comparison to Ethiopia
Some mild worries

• Pre-existing trends in villages look similar, but still…
  – Garment villages 1.8 km versus 6.8km from Dhaka
  – Among other indications of imbalance
  – Thus similarity in pre-trends is quite surprising

• In part taken care of by years of exposure variation
  – But what else in Dhaka is correlated with exposure?
What would strengthen our confidence in the difference in difference approach?

• More discussion and analysis of factory location patterns
  – Test with national firm surveys?

• Expand sample?
  – Currently 44 factory v. 16 non-factory villages
  – Might be able to focus on villages along some quasi “discontinuity”

• Control directly for village-specific pre-trends in education, marriage, etc.
Should take care, since this is not a full picture of welfare

- Omitted outcomes
  - Vulnerability to sexual violence/harassment outside home
  - Effect on missing women
  - Risk of never marrying?
  - Impact on quality of schooling as enrolment increases

- Unclear who gains from women’s education
  - Parents/husband capture wages?
  - Firms pay the reservation wage, which hasn’t changed much?
Another possible mechanism

- What about increased female income into the household?
  - From older girls working
  - From general increase in labor demand from increased

- Could girls education be especially income elastic compared to boys?
  - Especially when new earnings are from females
What is not picked up with this strategy?

- General welfare-improving effects
  - Rising perception of returns to girls (thus understate treatment effects)
  - Rising real incomes (e.g. falling prices of imports/consumption goods)

- General welfare-reducing effects
  - Disruption of traditional activities reduces reservation wage firm must exceed
  - Existing social order, disruption
Finally: How pessimistic should we be about the direct effects on workers?

• Briefly: evidence from a randomized trial of Ethiopian women in garment and related factories
Maa Garment, near Mekele, Ethiopia
One-year impacts

- Being offered a job has virtually no effect on earnings, wages, or wealth
- Firms pay very low
  - Below the reservation wage of most applicants
- Thus ~80% quit the sector within a year
  - Those who stay are those with poorest outside options
- No large adverse health or education impacts in short term