Labor Rights, Economic Competition and Policy Convergence

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Motivation?

Revisit the "race to the bottom" (RTB) thesis, as it applies to government respect for workers' rights

3 Strands in the Literature

1. The determinants of state protection of worker rights in *law* and *practice*

2. The sociopolitical consequences of global capitalism (i.e. IEB theory)

3. International policy diffusion

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RTB Thesis

- Decoupling of 'economy' from 'society'

- Global economy rewards states that can provide greater efficiency and profitability, and lower production costs and market frictions

- States need to *compete* with each other

- This is bad for workers' rights
  - Convergence around the weakest laws and practices

RTB Thesis

Of course, there are alternatives, too…
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(But in either case, the central causal mechanism is
competition, and the observed outcome is
convergence in one direction or the other…)

Empirical Tests?

- Largely have used economic openness as a proxy for *competition*

- Problems with this?
    - Not really a direct test – only shows us the effects of integration in general…

Our Argument

- The *competition* mechanism works by making states' policy choices (in part) dependent upon the policy choices of their competitors

- A couple implications follow:
  1. Not all competitors are equal
     - Geographically and economically proximate states are more salient competitors
  2. Direction of effect will vary in accordance with competitors' laws/practices

Our Argument

Hypothesis:

Government respect for worker rights is positively related to competitors' respect for worker rights

Research Design

- Unit of Analysis: Country-Year

- Sample: 123 non-OECD countries

- Time-frame: 1994-2010

Research Design

- DVs: Worker Rights in Law and Practice dataset

  - Right to Association (0-2)
  - Right to Bargain Collectively (0-2)
  - Freedom from Forced Labor (0-2)
  - Minimum Age of Employment (0-2)
  - Minimum Wage (0-2)
  - Occupational Safety and Health (0-2)
  - Reasonable Limitations on Working Hours (0-2)

Research Design

- DVs: Worker Rights in Law and Practice dataset

  - Right to Association (0-2)
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  Union Rights (0-4)

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  Substantive Rights (0-10)

Research Design

- Main IV: *Competitive Context*
  - Average level of respect for worker rights, weighted by each state's competitive 'distance' from the referent state
    - Geographic; labor endowment; economic output; export network

- Another important IV: *Bilateral Trade Context*
  - GMP (2009) suggest another mechanism by which worker rights policies/practices diffuse: Direct trade ties
    - We construct a similar measure here to control for this…

Research Design

- Controls:
  - Population
  - GDP per capita
  - Trade/GDP
  - FDI/GDP
  - Polity
  - Conflict on Location
  - Lagged Dependent Variable

Analysis

Table 1: Ordered Probit Models of Labor Laws and Practices, 1995-2009

	(1)	(2)	(3)	(4)
	Union Rights		Substantive Rights	
	Laws	*Practices*	*Laws*	*Practices*
Competitive Context	0.141**	0.082**	0.189***	0.063***
	(0.067)	(0.040)	(0.030)	(0.021)
Bilateral Trade Context	0.095	0.062	-0.015	0.008
	(0.099)	(0.070)	(0.064)	(0.019)
ln(Population)	-0.058*	-0.085***	-0.010	-0.059**
	(0.033)	(0.031)	(0.033)	(0.024)
ln(GDPpc)	-0.035	-0.041	0.064*	0.122***
	(0.044)	(0.036)	(0.033)	(0.027)
Trade/GDP	0.002	0.000	-0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)
FDI/GDP	-1.658**	-0.498	0.244	-0.369
	(0.722)	(0.738)	(0.393)	(0.450)
Polity	0.018*	0.011	0.001	-0.003
	(0.010)	(0.007)	(0.006)	(0.005)
Conflict on Location	0.232**	0.127	0.031	-0.141*
	(0.111)	(0.089)	(0.081)	(0.084)
LDV	3.143***	2.079***	1.696***	1.038***
	(0.144)	(0.096)	(0.103)	(0.041)
Observations	1514	1514	1514	1514

Robust Standard errors clustered by country in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

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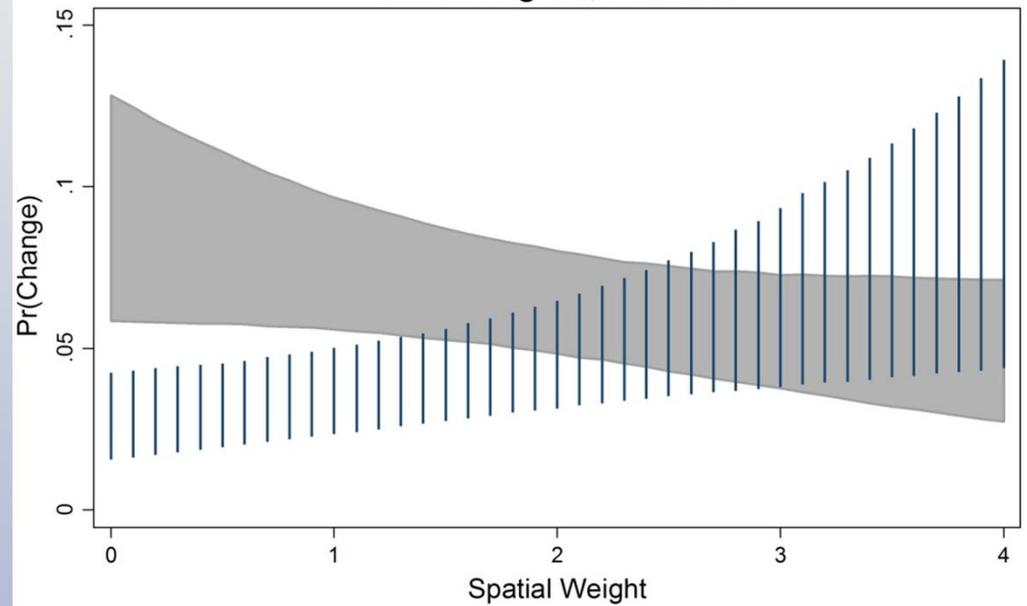* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Multinomial Logit Models
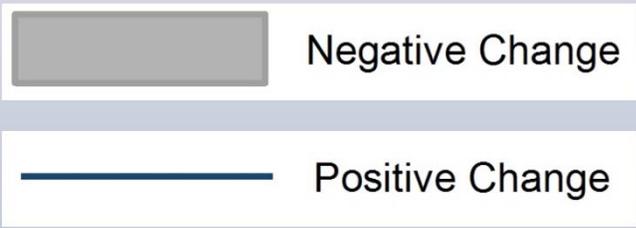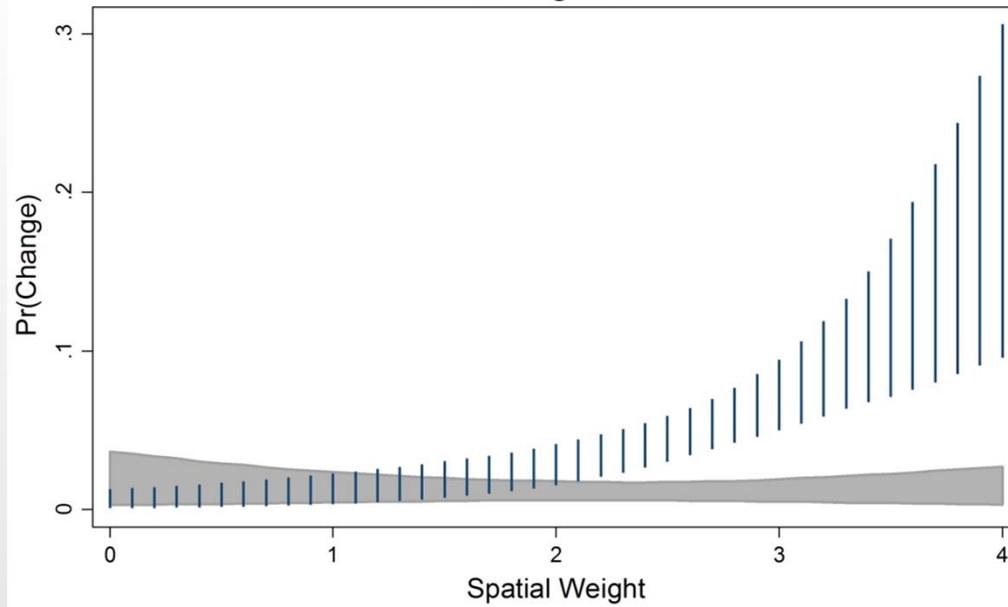
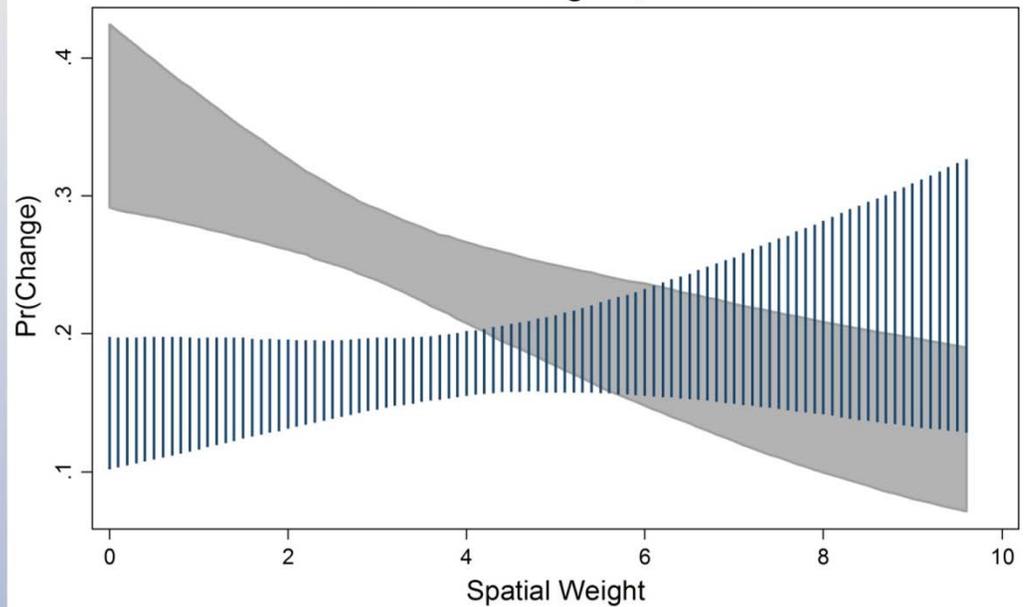Substantive Rights, Law

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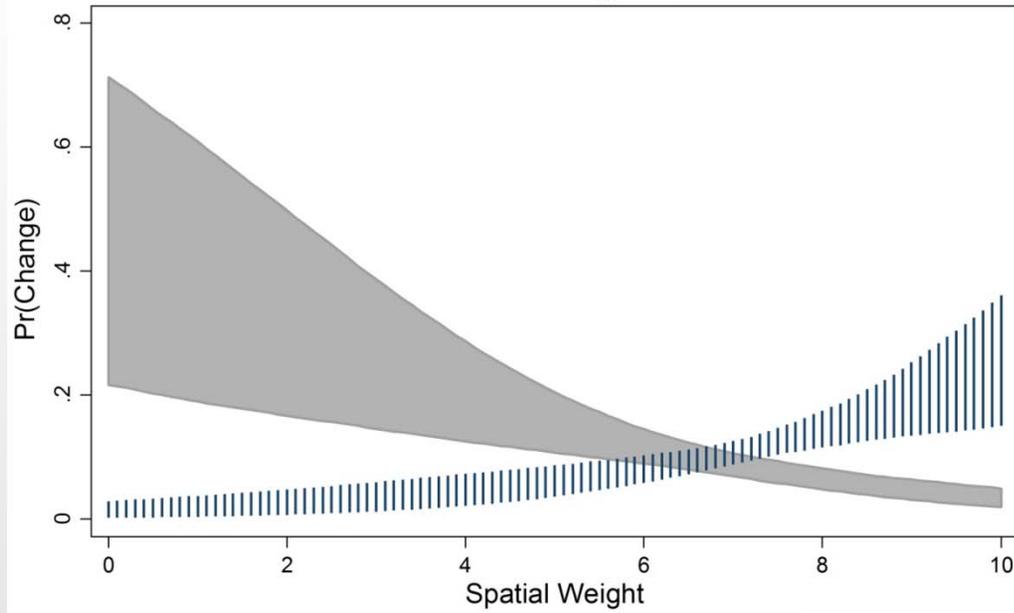
Substantive Rights, Practice

Negative Change

Positive Change

Conclusions

- Competitive pressures do seem to be causing some interdependence in states' policy choices (i.e. diffusion via competition)

- But this isn't leading to an absolute RTB or CTT – the direction of convergence depends…

- These analyses are still preliminary…