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. RTB 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…
(“Climb to the Top”)
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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)
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Union Rights (0-4)

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

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<thead>
<tr>
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Union Rights, Practice

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Spatial Weight

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Negative Change

Positive Change
Multinomial Logit Models

Substantive Rights, Law

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…