

Labor Exclusion and the Erosion of Citizenship Responsibilities

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Summary. — This paper shows that workers who do not receive legally mandated benefits due to employer noncompliance take a negative perspective – not only toward the employer as it has been documented – but also against the state. They consider that the state did not protect their rights, and hence feel fewer obligations to comply with their duties as citizens. Using a list experiment, as well as household data from nine Latin American countries, we show that nonregistered workers are less likely to obey the law, pay taxes, and vote compared to registered workers.

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1. INTRODUCTION

There is a growing policy oriented literature that focuses on violations of labor law. Several studies attempt to measure the extent and depth of noncompliance with a number of legally mandated requirements such as minimum wages, maximum working hours, occupational health and safety, and social security coverage. Research shows that noncompliance with labor regulations is pervasive, particularly in less developed countries (Bhorat, Kanbur, & Mayet, 2012; Kanbur, Ronconi, & Wedenoja, 2013; Rani, Belser, Oelz, & Ranjab, 2013; Ronconi, 2010).¹ There is, however, debate about the welfare implications of this fact. On the one extreme, noncompliance is viewed as a way to achieve *de facto* flexibility and economic efficiency in countries where political distortions explain the existence of overly stringent labor laws. On the other extreme, noncompliance is viewed as workers' exploitation and as an impediment to effectively implement policies that solve labor market failures.

This paper shows that, regardless of which of the above views is more accurate, noncompliance with labor regulations produces more social costs than previously thought. Workers who do not receive the labor benefits to which they are legally entitled alienate – not only against the employer – but also against the state. They consider that the state did not protect their rights, and reciprocate by not complying with their civic duties. That is, employer noncompliance with labor legislation erodes workers' citizenship responsibilities.

The paper is related to the vast literature on political theory which discusses the meaning and importance of the concept of citizenship. As pointed out by Van Deth (2011, p. 403) "Political philosophers from Aristotle and Plato to Michael Walzer and Benjamin Barber have dealt with the relationships between the requirements of the community on the one hand, and the rights and obligations of people living in that community on the other". The debate between those who emphasize citizenship-as-rights and those who emphasize citizenship-responsibilities has been overcome to some extent by recognition that citizenship involves both rights and responsibilities (Janoski, 1998; Ulriksen & Plageron, 2014). Furthermore, recent research emphasizes that "the health and stability of a modern democracy depends... on the qualities and attitudes of its citizens" (Kymlicka & Norman, 1994, p. 352). That is, citizenship matters for both normative and instrumental reasons. Although there are several views

as to what constitutes a responsible citizen, they usually tend to include the aspects that we cover in this study, that is, law-abidingness and the willingness to evaluate the performance of those in office and to engage in public discourse.²

As Galston (2001) points out a good citizen is made, not born, bringing a set of interesting questions about the determinants of good citizenship behavior. A number of related literatures deal with this broad subject and they can be categorized into two groups according to which component of good citizenship behavior they study. One group attempts to explain why people obey the law. Economists, as well as other social scientists, have extensively analyzed tax evasion and criminal behavior. One of the most influential theories argues that individuals are rational utility maximizers and obey the law when the material benefit of doing so is higher than the cost (Allingham & Sandmo, 1972; Becker, 1968). The empirical evidence, however, suggests that, while the probability of being caught and the expected fine are strong determinants of compliance, other factors that go beyond mainstream economics, and are usually labeled social norms, also influence compliance (Alm, McClelland, & Schulze, 1992; Andreoni, Erard, & Feinstein, 1998). These factors include notions of fairness, tax morale, and reciprocity, either toward their fellow citizens or toward the state. For example, Frey and Torgler (2007) show that an individual's willingness to pay taxes is higher when he perceives that most other members of society comply with their tax obligations, and Timmons and Garfias (2015) and Ortega, Ronconi, and Sanguinetti (2012) find that it is higher when he perceives that the government is doing a good job. The empirical literature on criminology also shows that deterrence is an important determinant of crime, but social norms, as well as other factors, also matter (Freeman, 1999; Tyler, 2006).

The second group, more dominated by political scientists and sociologists, attempts to explain the other components of good citizenship behavior, such as political participation and civic engagement. Mettler and Soss (2004) divide this group into four intellectual traditions: A sociological tradition that explains political participation by linking them to the individual's position within social structures (Milbrath & Goel, 1977); a psychological tradition that emphasizes the

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importance of identities, beliefs, values, and feelings (Campbell, Converse, Miller, & Stokes, 1960); an economic tradition that focus on individual self-interest (Downs, 1957); and the political tradition which explains political participation as product constructed through the interplay of political actions and institutions.³ Within the latter tradition, there is an approach known as “policy feedback” that emphasize that “policies produce politics” (Pierson, 1993); and in particular, explores how access to social benefits affects political participation and civic engagement (Campbell, 2003). For example, Mettler (2002) shows that the G.I. Bill – a program that offered numerous social benefits to US veterans of World War II- produced higher levels of political participation of veterans through enhancement of their civic capacity and predisposition for involvement.

This paper builds on the above literature, and particularly on the policy feedback approach, to show that lack of government enforcement, and the consequent violation of labor rights, affects an individual predisposition to fulfill her civic duties. Informal workers consider that the state failed to protect their rights, and reciprocate by not complying with their civic duties. This is, to the best of our knowledge, a novel contribution. The policy implications are also important and go beyond the labor policy debate described above. Labor exclusion should not only be a concern for those who emphasize citizenship-as-rights but also for those who underscore the importance of citizen responsibilities since access to rights promotes good citizenship behavior. The paper also makes an empirical contribution. Most previous research attempting to explain variation in good citizenship behavior, and particularly political participation, suffers from endogeneity problems and does not provide clear evidence of the underlying mechanisms driving the correlations. A notable example is the socioeconomic status (SES) model, which shows a positive correlation between citizen activity and SES (i.e., income, education, and occupation). We provide both experimental and non-experimental evidence, and show the importance of reciprocity as the underlying mechanism.⁴

Furthermore, most of the existing research has focused on the United States and Western Europe, that is, in countries with institutionalized democracies.⁵ However, as pointed out most prominently by Guillermo O’Donnell, the usual definitions of state, democracy, and citizenship are not always useful to understand the political reality of new democracies in Latin America. In particular, O’Donnell (1993) stress that, while in well-established democracies the state extends its legality almost completely homogeneously over all their territories and social sectors, in new democracies, such as Argentina, Brazil, or Peru, the rule of law extends irregularly over them. He provides the example of peasants and slum-dwellers who are often unable to get fair treatment in the courts, to be safe from police violence, or to obtain from state agencies those services to which they are legally entitled. The violation of these rights produces what O’Donnell calls “low-intensity citizenship”; and this phenomenon further erodes the rule of law since it promotes opportunism, greed, lack of solidarity, and corruption among members of society. This paper provides empirical evidence supporting one of the important theoretical concepts in O’Donnell’s work, that is, a state that is unable to enforce its legality produces a democracy of low-intensity citizenship.

Finally, this paper is also related to the literature on organizational citizenship behavior (OCB), that is, employee “behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in aggregate promotes the effective functioning of the organization” (Organ, 1988, p. 4).⁶

The empirical evidence suggests that employees engage in OCB in part to reciprocate good treatment from the employer (Coyle-Shapiro, Kessler, & Purcell, 2004). This paper also argues that reciprocity is one of the underlying mechanisms explaining good citizen behavior, but not toward the employer as in the OCB literature, but toward the state. In the OCB literature there is little room for public policies because the employer internalizes most of the benefits/costs of treating workers fairly/unfairly. This paper, however, suggests quite the contrary. It shows that employer noncompliance with labor regulations produces social costs that far outweigh private costs. Employees who do not receive the labor benefits to which they are legally entitled reciprocate against the state and society by ignoring their civic responsibilities such as voting and complying with the law. These behaviors produce costs that are certainly not fully internalized by the employer.⁷

The paper is organized as follows: The next section discuss how excluded workers attribute responsibilities for their hardships. Section 3 provides non-experimental evidence using a household survey conducted in nine Latin American countries. The evidence shows that informal workers (i.e., those who do not receive legally mandated labor benefits) are less likely to vote and to comply with taxes compared to formal workers. Because of potential unobserved heterogeneity and social desirability bias, we conduct a list experiment. Section 4 presents the results which indicate that approximately one third of informal workers negatively reciprocate against the unfair treatment they receive from their employer – and the lack of state intervention to correct the labor violation- by not complying with their civic responsibilities. Finally, Section 5 concludes by briefly discussing the policy implications of the results.

2. ATTRIBUTING RESPONSIBILITY TO THE STATE

The hypothesis of this paper is that Latin American workers who do not receive legally mandated benefits due to employer noncompliance take a negative perspective against the state. They consider that the state did not protect their rights, and hence feel fewer obligations to comply with their duties as citizens.⁸

The key intervening step in our hypothesis is the assumption that (at least some) workers attribute responsibility to the state for the lack of compliance with labor laws rather than perceiving their hardship as individualized. The literature on public opinion shows that, both in developed and developing countries, democratic governments are rewarded or punished according to the level of unemployment and the performance of the economy (Lewis-Beck & Ratto, 2013; Powell & Whitten, 1993). But, violations of labor rights have received little attention. Interestingly, empirical evidence shows that in general unemployed US citizens tend to interpret their hardship as reflecting flaws in themselves (Sniderman & Brody, 1977), while in other countries people have a tendency to blame the system (Sharone, 2013). However, context matters, and when unemployment becomes higher even US citizens tend to blame the state (Incantalupe, 2012).

We expect Latin American workers to attribute responsibility to the state for the lack of access to legally mandated benefits for a number of reasons. First, noncompliance with labor benefits is very high in the region. Bosch, Melguizo, and Pages-Serra (2013) find that 37% of employees in Latin America are informal. In this high-informality context, it is more likely that workers perceive their hardship as politicized rather than individualized because the magnitude of the problem is

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