



Building Capacity, Building Rights? State Capacity and Labor Rights in Developing Countries

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Summary. — Building state capacity has often been hailed as a cure-all for the ailments of the developing world and has been linked to human rights improvements, economic development, and the enforcement of property rights. Low state capacity, on the other hand, has been viewed as one of the primary impediments to improvements of labor rights and other social justice issues. We examine the relationship between state capacity and the protection of labor rights in panels of 85 developing countries, and 34 “supply-chain-relevant” countries. We find that changes in state capacity are only associated with changes in labor rights in countries where workers’ interests are better represented in the political system – measured alternately as left party power, democracy, union density, and potential labor power. Our findings highlight the importance of combinations of state capacity and political will in leading to improved rights of workers in global supply chains.

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1. INTRODUCTION

In 2012, the human costs of cheap labor made world headlines after factory fires in Bangladesh and Pakistan took the lives of hundreds of garment workers. As news of the fires spread, so did criticism of the public and private labor regulation schemes that were supposed to provide protection. The largest of the fires, killing 112 employees, took place at a factory called Tazreen, a producer for American brands such as Wal-Mart, Disney, and Sears in Bangladesh. The tragedy of the Tazreen factory was all the more poignant because the factory had been audited just a few weeks earlier. By the end of 2012, there had been 18 more non-fatal factory fires in Bangladesh, and in April 2013 another disaster struck: the Rana Plaza factory building in a suburb of Dhaka collapsed, claiming the lives of a further 1,132 garment workers and again bringing working conditions in Bangladesh to the headlines. The collapse of the Rana Plaza was one of the deadliest factory disasters in modern history (Manik & Yardley, 2013).

The government of Bangladesh has fairly strong laws on the books to protect workers, as well as other regulations that should promote worker safety such as building and zoning permits and fire laws. Bangladesh has also ratified many International Labour Organization (ILO) conventions, including seven of the eight so-called “fundamental” conventions (ILO, 2002). In spite of these protections, labor conditions in Bangladeshi factories remain among the worst in the world, in clear violation of international human rights standards (Ahmed, Greenleaf, & Sacks, 2014; US Department of State, 2000).

The failures of export-intensive countries like Bangladesh to protect their workers have often been attributed to low state capacity. Elliott and Freeman (2003, p. 11) note that: “the problem of low [labor] standards often stems from a lack of capacity to enforce labor codes.” Other scholars propose that labor advocates might better focus their efforts on building state capacity rather than non-state or international solutions to labor rights violations. Seidman (2007, p. 102) writes that

“transnational campaigns may be most effective when they seek to strengthen states’ capacity for protecting citizens at work”, proposing that “instead of trying to make do with voluntary schemes, perhaps transnational activists should focus their efforts on shoring up weak states, reinforcing national institutions, rather than trying to replace them with even weaker NGOs” (2007, p. 139). Locke, Qin, and Brause (2007, p. 21) likewise suggest, “if improved working conditions are the result of more stringent or capable state regulation and monitoring, then proponents of international labor standards should focus their attention on helping developing countries build up this capacity.”

Given the common assumption that weak administrative state capacity is one of the most fundamental barriers to improved labor rights and standards, it is surprising that no cross-national studies have tested this expectation empirically. Neumayer and de Soysa (2006), Mosley and Uno (2007), Greenhill, Mosley, and Prakash (2009), Mosley (2010), and Davies and Vadlamannati (2013) have all quantitatively investigated the effects of different types of integration into the global economy on the protection of labor rights, yet none have evaluated the potential impact of state capacity. This prompts the question: what is the empirical relationship between state capacity and labor rights? When state capacity increases, do protections for workers also increase? Most importantly, we seek to investigate the particular scope conditions under which such a relationship is most likely to exist. In light of the prominent role that state capacity plays in academic and public discussions about labor rights, this is an important gap for new research to fill.

We find that improvements in labor rights require not just state capacity, but also political will. Although political will can arise for numerous idiosyncratic reasons, we argue that

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the political will to use increased state capacity in ways that improve labor rights is most likely to arise in contexts where the interests of workers are strongly represented in the political system. In countries where the political representation of labor is likely to be strong – as a result of more democratic political systems, powerful left-wing political parties, or higher rates of union membership – we posit that increases in state capacity will be associated with better protection of labor rights. Where the political representation of labor is weak, on the other hand, we expect to find no relationship, or even a negative relationship, between changes over time in state capacity and changes in labor rights.

We test this argument using time-series-cross-section models of a measure of the protection of labor rights across developing countries from 1985 to 2002 (Mosley & Uno, 2007), using country fixed effects to take into account only variation over time within each country. We find that increases in administrative state capacity have a positive effect on the protection of labor rights *only* where the political representation of labor is likely to be strong – in more democratic countries and in countries with more powerful left-wing political parties. We also find some evidence that the relationship between state capacity and labor rights is stronger in countries with higher union density, and in countries with higher potential labor power (Rudra, 2008). Our main results are robust to numerous alternative modeling choices, such as larger or smaller samples of countries, and alternative dependent variables. Thus, while state capacity is positively associated with labor rights under left-leaning or democratic governments, we find no empirical evidence that increases in overall state capacity lead to improvements in the promotion and protection of labor rights in the absence of other contributing factors.

These findings show that although political elites may possess the capacity to protect labor rights, they also possess the discretion to neglect them, either because other goals take precedence or because the repression of labor is an explicit economic or political strategy. We thus argue that policymakers looking to protect the rights of workers must take seriously the domestic political configurations that work to actively constrain and curb labor power. Policymakers need a comprehensive approach that directs attention and resources toward not only improving capacity, but also simultaneously toward creating political and economic incentives that will induce compliance by firms, and enforcement by governments.

The next section reviews relevant literature on state capacity and presents our argument regarding the relationship between capacity, the political representation of workers, and labor rights. We then discuss our data and modeling approach, and present the results. Finally, we return to the case of Bangladesh and discuss how our results reflect political developments over the last decade, and their implications for future improvements in labor rights.

2. STATE CAPACITY AND LABOR RIGHTS

(a) *National-level state capacity*

State capacity has figured prominently in discussions about poor labor rights in developing countries and global supply chains. Gereffi and Mayer (2006) consider the limited capacity of developing countries to regulate their economies and societies to be one of three major “governance deficits” in the global economy. Kolben (2011, p. 427) argues that the necessary institutions for successful labor law enforcement do not exist in many developing countries, arguing, “the primary issues

[for labor rights] are the failure of rule of law and underdeveloped regulatory regimes. These systems face serious challenges both in generating rules and norms and in enforcing them.”

State capacity has also played an important role in debates over the efficacy of transnational private labor standards, such as corporate codes of conduct and private monitoring programs. Some have argued that private standards are an appropriate response to weak state capacity and expect that such standards can be effective in such contexts, at least under certain scope conditions (Bartley, 2005; O’Rourke, 2003; Sabel, O’Rourke, & Fung, 2000), or where private regulation generates unintended consequences (Kim, 2013) or complementarities with government inspections (Amengual, 2010). Other scholars have even argued that weak state capacity can be an enabling factor for external initiatives (Berliner & Prakash, 2013, 2014; Lake, 2014).

Yet many maintain that private standards are poor substitutes for effective state regulation and suggest that it is precisely in the context of weak state capacity that such programs are most likely to fail (Kolben, 2011; Locke, 2013; Locke *et al.*, 2007; Seidman, 2007). For example, Locke *et al.* (2007, p. 15) find that country-level rule of law (a proxy for the strength of a country’s regulations and institutions) is associated with factory performance on Nike’s internal audits of code of conduct compliance and where state capacity was weak, audit performance was poor.

More broadly, many scholars have linked state capacity to improvements in economic development and political stability (Besley & Persson, 2013; Evans & Rauch, 1999; Hanson & Sigman, 2011; Huntington, 1968; Knutsen, 2013; Sobek, 2010), decreasing corruption (Baskaran & Bigsten, 2013), protecting human rights (Englehart, 2009), the provision of goods and services (Halleröd, Rothstein, Daoud, & Nandy, 2013; Ziblatt, 2008), and the protection of property rights and contract enforcement (North, 1990; North & Weingast, 1996; Olson, 1993; Weingast, 1995).

Yet state capacity has been defined in a variety of different ways and used to mean a number of different things. Brautigam, Fjeldstad, and Moore (2008, p. 1) refers to the state’s ability to “provide security, meet basic needs, and foster economic development.” Hanson and Sigman (2011, p. 9) differentiate between extractive capacity, coercive capacity, and administrative capacity. Hendrix (2010, pp. 274–276), on the other hand, distinguishes among several different dimensions: military capacity; bureaucratic/administrative capacity; bureaucratic quality/rule of law; export profiles, natural resources, and extractive capacity; and finally, the quality and coherence of political institutions. Focusing on administration, monitoring, and enforcement, Besley and Perrson (2013, p. 6) identify fiscal and legal capacity as the two types of capacity that are most closely related to economic development, defining fiscal capacity as the necessary infrastructure to raise revenue from broad tax bases, and legal capacity as the necessary infrastructure to protect property rights and enforce contracts. For Evans (1995) and Schrank (2013), on the other hand, autonomy is a more salient dimension of state capacity.

While state capacity has been defined in these myriad ways, we focus on administrative capacity, rather than revenue collection, military strength, or political autonomy, since this is the dimension of state capacity that is theoretically most relevant for labor monitoring and enforcement. For the purposes of this article, therefore, we define state capacity to mean the resources, expertise, and administrative structures necessary for state agents to monitor and enforce compliance with a set of established rules.

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