Racing to the Bottom or Climbing to the Top?
Economic Globalization and Collective Labor Rights

Layna Mosley
University of North Carolina at Chapel Hill
Dept. of Political Science
CB 3265
Chapel Hill, NC 27599-3265
(919) 962-0416
(919) 962-0432 fax
mosley@unc.edu

Saika Uno
University of Notre Dame
Dept. of Political Science
suno@nd.edu

Keywords: labor rights, multinational corporations, globalization, foreign direct investment.

Abstract: This article explores the impact of economic globalization on workers' rights in developing countries. We hypothesize that the impact of globalization on labor rights depends not only on the overall level of economic openness, but also on the precise ways in which a country participates in global production networks. Using a new dataset on collective labor rights, we test these expectations. Our analysis of the correlates of labor rights in ninety developing nations, for 1986-2002, highlights globalization's mixed impact on labor rights. As "climb to the top" accounts suggest, FDI inflows are positively and significantly related to the rights of workers. But, at the same time, trade competition generates downward, "race to the bottom" pressures on collective labor rights. We also find that domestic institutions and labor rights in neighboring countries are important correlates of workers' rights.

Does the internationalization of production lead to increased abuses of workers in developing countries, as governments allow the competitive lowering of labor standards? The proponents of economic globalization dismiss these worries, citing the benefits of foreign direct investment (FDI) and liberalized trade, including the transfer of technologies, better employment opportunities, and higher rates of economic growth. Detractors of globalization, on the other hand, worry that governments will engage in a "race to the bottom" in economic and social policies, leading them to favor the interests of firms over those of workers.

The complexity of the effects of globalization in developing nations and the lack of systematic cross-national data on labor rights have hampered analyses of this issue. While there are several econometric studies of the linkages between economic openness and growth, there are few systematic analyses of globalization's impact on workers. Scholars have analyzed globalization's impact on *human* rights, yet collective labor rights are very distinct from overall human rights, which encompass civil and political rights and protection of physical integrity.[1]

We begin to fill this lacuna by generating an annual measure of labor rights violations[2] and by testing statistically the relationship between violations and economic globalization in 90 developing nations, for 1986-2002. Our data focus on the legal rights of workers to organize, bargain collectively, and strike, and the practical observation of these rights. This index encompasses components of human rights practices that are most likely to be related to economic globalization. While other types of labor issues, such as wage levels and working conditions, also are important, we do not address them in this article. We assume, however, a positive association between greater collective labor rights and improvements in wages and working conditions (e.g. Aidt & Tzannaos 2002; Huber & Stephens 2001; also see below).

Like recent studies of the relationship between globalization and policy outcomes (including social protection, welfare state policies, and taxation), our analysis reveals a nuanced picture: different elements

of economic globalization affect workers' rights

differently. The impact of globalization depends on the precise ways in which a country participates in global production networks. As "racing to the top" accounts suggest, FDI inflows are positively and significantly related to the rights of workers. But, at the same time, trade openness is negatively associated with collective labor rights.

We hypothesize about causal linkages between economic globalization and labor rights in the first section. We then describe the construction of our collective labor rights measure. Next, we summarize our expectations regarding the correlates of labor rights, and we present the results of our quantitative analyses. In conclusion, we consider avenues for future research, particularly variations in production and export profiles within individual countries.

I. Labor Rights and the Global Economy: Causal Linkages

Globalization's impact on workers' rights in developing nations is likely to be mixed (also see Gallagher 2005; Hafner-Burton 2005). Some aspects of economic globalization improve workers' status vis-à-vis investors and employers; others reduce workers' bargaining capacity, generating a decline in their rights. While we acknowledge the influence of domestic political and economic factors on labor outcomes, we focus theoretically on the impact of external economic forces. We consider two distinct, but related, influences. First, the overall impact of direct investment on workers' rights is likely to be a positive one, promoting a "climb to the top" among developing nations.[3] Second, trade openness is likely to give rise to strong competitive pressures among developing nations, generating downward pressure on collective labor rights. Differences in how firms and countries engage the global economy, then, generate variations in how workers fare.

FDI and Labor Rights: The Positive Case. Foreign direct investment refers to longer-term cross-border investment, which provides the investor (a multinational firm) with a management interest in an enterprise (an affiliate) and direct control over its production activities. Direct investment is distinguished from portfolio investment by its longer time horizon and by its direct control of assets. As

part of the broader phenomenon of economic globalization, foreign direct investment has increased significantly in recent years (UNCTAD 2004). Most developing nations have liberalized their rules regarding direct investment, and many offer various incentives to foreign corporations (Mandle 2003; UNCTAD 2002).

There are three causal pathways through which directly-owned production, or FDI, could enhance collective labor rights. First, MNCs may urge governments directly to improve the rule of law, protect the vulnerable, and invest in social services and infrastructure (Biersteker 1978; Richards et al 2001). Second, foreign direct investors can bring "best practices" for workers' rights to host countries (Finnemore 1996; Garcia-Johnson 2000; OECD 2002). Activist and NGO attention to MNC behavior can promote the transmission of best practices, either by changing firms' and governments' beliefs about appropriate labor rights practices (Keck & Sikkink 1998; Brown et al 2003) or by providing material incentives for multinationals to treat workers well (Bhagwati 2004; Frankel 2003; Haufler 2000). Third, direct investors may care about the quality of labor rather than its cost (Moran 2002; Santoro 2000; Spar 1999). In such cases, corporations are likely to invest in countries with higher education levels, to expend resources on employee training and benefits, and to pay higher wages to reduce turnover (Gallagher 2005; Garrett 1998; Hall & Soskice 2001; Moran 2002; Santoro 2000; Spar 1999). This is likely true particularly when FDI is motivated by access to specific consumer markets, rather than by efforts to lower production costs. Through each of these three mechanisms, a "climb to the top" should appear.

Another set of observers, however, argues that FDI has negative consequences for workers' rights. Such claims are based on competitive pressures: the mobility of MNCs, coupled with a desire to create jobs, produces incentives for governments to engage in cross-national "races to the bottom" (e.g. Drezner 2001). This perspective is reminiscent of dependency theory in its view of the exploitative tendencies of MNCs (e.g. Cardoso & Faletto 1971; Evans 1979; Maskus 1997; Smith et al 1999), as well as in its suggestion that national governments limit workers' rights in order to attract investment. Skeptics also point out that repression can persist after foreign firms have invested in a particular nation. Given the

ease of moving operations, particularly labor-intensive ones, MNCs are increasingly able to threaten exit *ex post.* In response, workers who want to preserve their employment might disavow union organization, collective bargaining, or efforts at better working conditions.

What does the empirical record show? A few cross-national studies suggest that competition to attract foreign capital results in the reduction of social welfare and respect for human and labor rights (e.g. Rodrik 1997).[4] At the same time, however, other empirical assessments provide modest support for our expectations. Several report a positive, albeit small, relationship between FDI and labor rights (Aggarwal 1995; Busse 2003; OECD 2000; Rodrik 1996); others find no significant relationship (Kucera 2002; Neumayer & de Soysa 2006; Oman 2000; Smith et al 1999). These, together with previous research on the various positive economic consequences of FDI (Bhagwati 2004; Biersteker 1978; Brown et al 2003; Frankel 2003; Graham 2000; Leahy & Montagna 2000; Moran 2002; Mutti 2003; OECD 2002; Santoro 2000), lead us to anticipate that FDI will be positively associated with labor rights**.**

Anecdotal evidence involving maquiladoras and sweatshops notwithstanding, market access remains the most important determinant of FDI flows (Hatem 1998; MIGA 2002). Much MNC activity is aimed at producing products closer to regional or national consumer markets, and at producing high-technology, skill-intensive commodities (Graham 2000; Moran 2002; UNCTAD 2002). While governments in some developing nations may *believe* that restricting labor rights (especially in EPZs) makes them more attractive, MNCs from OECD countries often do not consider core labor standards a factor in assessing investment locations (TUAC 1996). Thus, FDI represents the positive side, for workers, of economic globalization.

Trade and Labor Rights: The Negative Case. It is in the area of trade openness that we expect empirical support for the pessimists' claims. Trade openness in developing nations, like FDI activity, has increased dramatically since the 1980s, sometimes as a component of structural adjustment programs and other times in an effort at export-led development (Garrett 2000). Trade openness could have positive

effects on labor rights, via the use of consumer pressures and trade sanctions, or via its longer-term impact on economic growth. But sanctions and consumer pressures often are ineffective at improving workers' rights (Elliott & Freeman 2001). Rather, participation in global commodity chains, via imports and exports, often forces developing nations (and their workers) into competition with one another.

Contemporary multinational firms conduct many of their operations via trade, rather than via direct investment.[5] The standardization of manufactured commodities, the liberalization of trade in manufactures, and the decline in long-distance transportation costs have facilitated the development of global production networks (Gereffi & Korzeniewicz 1994). Multinational firms may retain ownership of production within these networks (generating FDI, as above) *or* they may purchase inputs from firms in various countries. The latter decisions, which generate subcontracting relationships, entail seeking out the most cost-effective suppliers and local partners. Surveys of MNCs suggest that, across industries, concerns about costs are the major influence on *subcontracting* and *outscouring* decisions (UNCTAD 2004). In this context, a nation's ability to produce a good at the lowest possible cost is central to increasing export share, as well as to winning business for local subcontracting firms.

Collective labor rights play an important role in production costs, given the empirical linkages between unions and collective bargaining, on the one hand, and wage levels and non-wage benefits, on the other (Aidt & Tzannaos 2002; Gallagher 2005; Graham 2000; Murillo & Schrank 2005). Firms can reduce demands for wages and non-wage benefits by restricting collective labor rights; governments can further serve investors' interests (O'Donnell 1988) by not providing, or not enforcing, these rights. For instance, many developing nations have attempted to meet the demands of firms for lower-cost production locations by establishing export-processing zones (EPZs). These zones specialize in the manufacture of goods for export, often via subcontracting; jobs in these areas are low-skilled and labor intensive, and labor rights often are restricted (Madami 1999; Mandle 2003; Moran 2002).

In order to capture this facet of globalization, we need to assess nations' participation in the subcontracting component of global production networks. Direct investment statistics, however, do not capture subcontracting, offshoring, franchising, or the myriad other ways in which firms do business internationally (WTO 2005). Many manufacturing firms produce a large proportion of their goods overseas, but rely more heavily on locally-owned subcontractors than on their own affiliates (Navaretti & Venables 2004; UNCTAD 2004). In such situations, no FDI occurs; rather, subcontractor sales and purchases generate imports and exports (Aizenman & Noy 2005).

Unfortunately, little systematic information about subcontracting activities exists (WTO 2005). A reasonable proxy for subcontracting activity, however, is trade. Because global production networks rely on the movement of goods between nations, they generate large import and export flows. Once we control for the (positive) effects of FDI on workers' rights, we expect a residual negative effect from trade. Cingranelli and Tsai (2003)'s research lends support to this expectation; they report a negative association between trade and their labor rights measure (also see Murillo & Schrank 2005; Neumayer & de Soysa 2006).

To summarize, participation in the global economy is a mixed bag for workers in developing nations. Trade openness may present governments and firms with one set of pressures, while capital market openness may expose them to a different – and perhaps contradictory – set of demands. The overall impact of economic openness depends on how each country is integrated into the global economy, and this varies across countries and over time.

II. Measuring Collective Labor Rights

Despite the fact that labor rights are the subset of human rights most likely to be influenced by economic globalization, few studies have examined systematically the relationship between globalization and labor rights specifically. We fill this empirical hole by constructing a dataset of collective labor rights. This dataset, which consists of annual observations for 1985-2002, focuses on the legal rights of

workers to freedom of association and collective bargaining, key elements of core labor standards, and respect for these rights (when present) in practice.[6]

Kucera's (2002) template, which we use to construct our dataset, records thirty-seven types of violations of labor rights, in six categories: freedom of association and collective bargaining-related liberties; the right to establish and join worker and union organizations; other union activities; the right to bargain collectively; the right to strike; and rights in export processing zones.[7] In each of these broad categories, specific violations include the absence of legal rights, limitations on legal rights, and the violations of legal rights by governments or employers. On the basis of expert assessments, Kucera's methodology assigns a weighting to each violation, with more serious violations (e.g. general prohibitions) weighted more heavily than others (e.g. a requirement of previous government authorization to form a union).[8] The complete coding template is contained in the data appendix.[9]

To reduce bias, our assessments of violations of collective labor rights are drawn from three (rather than one) sources: U.S. State Department *Annual Reports on Human Rights Practices*; ILO Committee of Experts on the Applications of Conventions and Recommendations (CEACR) and Committee on Freedom of Association (CFA) reports;[10] and the International Confederation of Free Trade Unions (ICFTU) *Annual Survey of Violations of Trade Union Rights* (on ICFTU reports, Weisband and Colvin 2000). Single sources vary over time in their geographic coverage, and in the attention given to certain types of violations. Single sources also may be prejudiced. For instance, one might expect that U.S. State Department reports would be biased toward U.S. allies and against U.S. adversaries (Milner et al 1999; Poe et al 2001).[11] Likewise, we might worry that – given donor interest, access to information and local activists, and the level of political openness – transnational advocacy networks pay more attention to violations in some countries than in others. Although it is impossible to remove all potential biases in reports of labor rights violations, the use of multiple sources helps to reduce many of these biases.[12]

When a country displays a violation of labor rights

for one of the 37 dimensions, we assign a score of "1" for that category and year. If a violation is recorded more than once in a source, or in multiple sources, the maximum score per category remains one. If no violation is reported for a given category, we assign a score of zero. We multiply these scores by the weighting for each category; the sum of these category scores provides the annual measure of labor rights violations. Possible scores on the labor standards indicator, then, range from zero to 76.5. In practice, however, no country exhibits violations in every category of labor rights, and maximum scores are in the mid-30s. For ease of presentation, we reverse the scale of the labor rights indicator, so that higher values indicate *better* collective labor rights, and lower values represent less respect for such rights.

Our labor rights data represent a dramatic improvement over existing measures. While this methodology does not distinguish between single and multiple violations within the same category, it allows us to capture an overall picture of variations in labor rights across countries and over time. The index of labor rights also is distinct from conventional human rights measures.[13] For instance, for the years (1985-2001) during which our data overlap with "personal integrity rights" data[14] the overall bivariate correlation between the two measures is .18, with annual correlations ranging from .07 (1997) to .34 (1991). Our scores also are distinct from other cross-sectional time series measures of workers' rights (Cingranelli 2002; Cingranelli & Tsai 2003; OECD 2000; Rodrik 1996): we consider domestic labor legislation as well as actual behavior regarding workers' rights; our scores include multiple categories of rights; and we draw from multiple sources.[15] These differences generate scores that are noticeably different. For instance, the correlation between our labor rights measure and Cingranelli's (1985-2002, all countries) is .43; for the nations included in our analyses, the correlation is .27.

For the 1985-2002 period, observations on the labor rights indicator range between zero (greatest violations) and 34.5 (no violations), with a mean of 25.1 and a standard deviation of 7.71. Figure 1 summarizes the labor rights measure, by region and over time. On average, labor rights are most

respected in Western Europe, and least respected in the

Middle East, North Africa and Latin America. There also are some deteriorations over time, as in Latin America, Asia and sub-Saharan Africa; Central and Eastern Europe, on the other hand, display improvement over time. These broad patterns suggest that, as economic integration has increased, so have violations of collective labor rights. The empirical question, then, is whether these two trends are related to one another: do nations with greater participation in global production networks also display lower collective labor rights scores?

Insert Figure 1 here.

III. Expectations and Independent Variables

In this section, we summarize our hypotheses regarding the correlates of collective labor rights; these include international economic factors, interstate diffusion and competition, and various domestic factors. Table 1 summarizes the measurement of independent variables, indicates the hypothesized direction of their effects, and provides summary statistics.

Insert Table 1 here.

International Economic Factors. Our expectations regarding the causal relationship between FDI and workers' rights are informed by "race to the top" arguments, as discussed in Section I. While collusion between local elites and MNCs has sometimes led to repression of the working class (Evans 1979; O'Donnell 1988), recent public attention toward corporate behavior serves to strengthen the incentives for MNCs to help promote – or, at least, not detract from – labor rights. Moreover, a dearth of labor rights in developing nations – and the more general occurrence of repression – may have less to do with the presence of MNCs than with trade openness and with internal political and economic factors. We expect that, *ceteris paribus,* FDI is related positively to workers' rights.

We employ two measures of FDI; both are scaled to gross domestic product, capturing a country's reliance on direct investment. The FDI inflows variable focuses on the impact of new direct investment on labor rights. The stock variable (the accumulated total of FDI) gauges the overall presence of foreign

investment in the country. While it is plausible that both new and total FDI could have a positive impact on labor rights, we expect a more pronounced effect from the flow variable. While the FDI stock variable cumulates FDI from all previous years, the flow variable captures the more immediate influences on labor rights outcomes.

At the same time, we anticipate a "race to the bottom" relationship between trade openness and collective labor rights. While trade openness could generate demands for greater social safety nets, Rudra (2002) finds that, particularly where labor has little political power, trade openness is associated with a decline in welfare state policies (Kaufman & Segura-Ubiergo 2001). In our analyses, we measure trade using the conventional metric for openness, the ratio of imports and exports to GDP. Given our focus on multinational production, an indicator that captures both elements – imports and exports – of trade is most appropriate.

We also control for the level of external debt. Where debt is high, governments are more subject to the pressures of both private international investors and international financial institutions. The structural adjustment policies suggested by these groups can have negative consequences for labor, as well as human (Abouharb & Cingranelli 2006; Richards et al 2001), rights. Higher debt, therefore, could be associated with less respect for labor rights.

Interstate Diffusion and Competition. In addition to considering the direct effects of economic globalization, we also explore the effect of competitive diffusion on labor rights. As nations compete with one another to attract and retain investment, the behavior of "peer" nations will influence governments' propensity to protect collective labor rights. We consider two types of peer nations – regional and economic. The regional variable (Brooks 2005; Simmons & Elkins 2004) captures the extent to which competition for FDI takes place among neighboring countries. If MNCs undertake investment because they want access to certain consumer markets, natural resources, or low transportation costs, competition may occur within geographic regions. Our regional variable is the average, for a given year, of the labor rights score elsewhere in the region. We expect a positive relationship between labor

rights in the region and labor rights in a particular country.

The economic peer variable considers competition among nations with similar levels of economic development and factor endowments. If MNCs undertake foreign investment as part of a strategy of vertical integration – to locate different parts of the production process in their most efficient locations – then nations with similar resource endowments, skill levels, and infrastructure will be in competition with one another. For instance, in the apparel sector, where firms are motivated primarily by lower labor costs, patterns of firm location and relocation often are cross-regional (Mandle 2003). The economic peer measure is the mean of the labor rights scores, in each year, for all other countries in the same per capita income decile. Again, we expect that peer labor rights outcomes will be positively associated with national labor rights outcomes: better rights protections in peers facilitate better rights protections at home, but lower rights in peers provide incentives for less respect for labor rights at home.

Domestic Variables. Many recent studies of economic globalization and national policies find that the key influences on domestic policy outcomes often remain internal, rather than external (Brooks 2002; Huber & Stephens 2001; Mosley 2003; Murillo & Schrank 2005; Wibbels & Arce 2003). According to a "domestic factors" view, it is not so much differences in economic internationalization that drive variations in labor rights, but differences in political institutions, ideologies, and interest groups. While our focus is on external factors, our analyses control for large-scale variations in domestic economic and political institutions.

Where the level of democracy is higher, labor rights should be better protected throughout the economy (Cingranelli & Tsai 2003; Neumayer & de Soysa 2006; Poe et al 1999; Richards et al 2001). Our democracy variable controls for large-scale differences in political regimes and, therefore, in the ability of workers to demand protection. We do not test the importance of middle-range domestic variables, such as government ideology with respect to economic issues. Measuring ideology in a cross-national context is fraught with difficulties, particularly among lower income nations, as well as democratizing and semi-democratic (or even non-democratic) regimes. Future qualitative work, however,

could assess the impact of other types of institutional and interest group structures on labor rights.

We also expect that, all else equal, wealthier nations will be characterized by greater respect for collective labor rights. Likewise, increased economic growth should provide greater opportunities for workers' political participation and should be associated positively with our labor rights measure.[16] Moreover, where nations are characterized by civil conflicts or wars, we expect to find worse labor rights practices. Finally, we are agnostic regarding the association between population size and rights: smaller populations may make repression easier to carry out. At the same time, though, a larger population presents more opportunities for violations of labor rights (e.g. Poe & Tate 1994: Poe et al 1999; Richards et al 2001).

Human Rights NGOs. Finally, to assess the effects of human and labor rights activists on labor rights outcomes (Brown et al 2003; Keck & Sikkink 1998; Murillo & Schrank 2005), we control for the total number of human rights NGOs in each country-year. NGOs could be positively or negatively related to our measure of labor rights: NGO activity could lead to increased reporting of labor rights violations in developing nations, generating a negative relationship.[17] At the same time, however, where MNC behavior is more closely monitored by human rights NGOs, firms may be more inclined to respect workers' rights, generating a positive association between rights and NGOs. Our analyses include both an overall measure of human rights NGOs, as well as an interaction term between FDI inflows and NGO activity.[18]

IV. Quantitative Analyses

We estimate cross-sectional time-series models for annual data from 1986 to 2002.[19] The list of countries included in our analyses is found in the data appendix. The late 1980s and 1990s are periods of growing – and often high – economic openness and, therefore, the years for which the impact of globalization on labor rights should be most pronounced; these years also provide the broadest data coverage on key variables.[20] We include developing nations from Africa, Latin America, Asia and the

Middle East in our analyses; omitted country-years from

these regions are those for which data on our independent variables are not available. We exclude developed and transition countries from our analyses, as we expect that the independent variables of interest will have different effects in these countries.[21] With respect to developed – wealthy, historically democratic – countries, we seek to avoid biasing our cases toward a set of nations with large amounts of trade and direct investment activity and very few reports of labor rights violations. With regard to transition nations, during first part of our sample period, these nations were under Communist rule, and reliable data on economic indicators are usually unavailable. In the latter part of our sample period, these countries remain very different from the others in our sample (Bunce 1995). While they are not necessarily exceptional in their simultaneous economic and political transitions, they are quite unique in their Communist legacy (and the attendant treatment of workers), as well as in their degree of economic restructuring (mass privatizations and the movement away from a closed, command economy), and in the efforts of many former Communist countries to join the European Union.

We employ OLS estimation with panel corrected standard errors, developed by Beck and Katz (1995; 2004) and widely used for cross sectional time series data, particularly when the number of countries (N) exceeds the number of time periods (T). We assume first-order autocorrelation within panels (an AR1 process).[22] We opt against using fixed effects, given the fact that fixed effects will be collinear with time-invariant, or largely time-invariant, regressors (Beck 2001). Since several important independent variables (i.e. democracy, population, income per capita) remain fairly constant across time, the inclusion of fixed effects would dilute greatly the implied importance of these variables. While random effects models do not suffer from this shortcoming, they do require the assumption that unit-specific errors do not correlate with the model's independent variables (see Hsaio 1986). This is, in our view, too strong an assumption for cross-sectional time series data. Our estimated models assume that the disturbances across panels are heteroskedastic (variance specific to each panel) and contemporaneously correlated.[23]

Table 2 reports our results, based on annual observations for ninety middle and lower-income developing nations. Positive coefficients imply a positive impact on labor rights, given the rescaling of our indicator. The correlation matrix for the cases included indicates little potential collinearity.

Insert Table 2 here.

Our results give credence to the "mixed bag" view of economic globalization. The results for our main model, which are reported in the second column of Table 2 – the effects implied by the coefficients (coefficient*one standard deviation) are included in the third column – also suggest that both domestic and international factors are important to collective labor rights outcomes. As we expect, both FDI variables[24] are associated positively with collective labor rights. Only the flow variable estimate, however, is statistically significant, suggesting a more pronounced effect of recent FDI. Where inflows of FDI are higher, respect for labor rights is greater, lending support to a "climb to the top."[25] All coefficient signs and significances remain if we omit the FDI stock variable from our model.

At the same time, trade is negatively and significantly related to collective labor rights. Nations with higher levels of imports and exports are less likely to treat workers well; this reflects the competitive pressures that stem from participation in global production networks. The substantive effect of the trade variable is just slightly greater than that of FDI flows; in overall terms, therefore, the impact of globalization on workers' rights is contingent on the particular way in which a country participates in the global economy.[26] If we include an interaction between trade and growth, testing whether growth-promoting openness improves rights, the coefficient on trade openness remains as it is; the interaction term is positive but insignificant. The external debt variable is not significantly related to labor rights outcomes.[27] The NGO variable, on its own, is negative but insignificant. This result may stem from contending effects – "reporting of violations" versus "reduction of actual violations" – of NGOs. The interaction between FDI flows and national NGO activity also is statistically insignificant.

Moreover, we find some evidence of an indirect impact of globalization, via competition. Both competition variables (regional or economic peers) are positively associated with labor rights; only the regional variable, however, is statistically significant. The implied effect of the regional variable is larger, by a factor of three, than the effects of FDI or trade. The impact of regional competition also is greater than that of democracy or civil war. The regional effect could be the result of shared norms (Simmons & Elkins 2004; Weyland 2003), or of the similarity in firms and workplaces across nations in the same region. Further qualitative research into the competitive diffusion of labor rights could help to distinguish among these causal mechanisms.

Turning to internal factors, Table 2 suggests that domestic variables also have important influences on collective labor rights. First, the level of democracy is significantly and positively associated with collective labor rights; the implied effects of democracy are substantively large (0.88, compared with 0.52 for FDI inflows). Second, civil war is negatively and significantly related to labor rights. Third, the coefficient on population is negative and significant; larger populations appear to provide more opportunities for repression, or at least for the reporting of it.[28] The annual rate of economic growth, however, is not related significantly to labor rights.

Next, the level of per capita income is significantly and negatively linked with labor rights: wealthier developing nations have worse labor rights practices. This result appears to contradict theories that predict improvements in rights as a result of economic development. One possible explanation for this finding is that the relationship between income and rights varies among countries. Opportunities for violating workers' rights may be greater in more industrialized developing nations, which also tend to have higher incomes per capita; industrial sectors tend toward higher unionization and greater demands by workers for collective labor rights than the agriculture and services sectors. The structure of economies, then, is likely important to labor outcomes.[29]

Furthermore, our results are robust to the inclusion of a finer-grained measure of domestic labor strength. The second model reported in Table 2 includes "potential labor power" (PLP; Rudra 2002),

based on the ratio of skilled to unskilled workers and the

presence of surplus labor in an economy. The inclusion of PLP greatly reduces the number of country-years included, as the variable is available only through 1997, and only for a subset of our sample nations. PLP is not significantly associated with labor rights outcomes; the main model results on our key external variables (i.e., FDI, trade) persist. Finally, our results also are robust to the inclusion of regional dummy variables, which might capture regional economic cycles, culture, or religion. A main model that includes four of five regional dummy variables, with Latin America as the excluded category, is included in the final column of Table 2.

In sum, our cross-sectional time-series models give credence to the "mixed picture" view of economic globalization and labor rights. We find support for both the race to the bottom and the climb to the top views: trade openness augurs poorly for workers' rights, but inflows of direct investment are associated with better labor rights outcomes. We also find that national respect for labor rights is strongly related to regional respect for labor rights. This result gives some credence to diffusion-oriented accounts of policy choice, and to a potential indirect effect of FDI via regional diffusion or competition. Finally, our results suggest that domestic factors, including the degree of democracy, are also important for labor rights laws and practices.

V. Conclusion and Future Directions

This article contributes to the literature regarding the consequences of economic globalization by creating a new, cross-national measure of collective labor rights, and by using this measure to test statistically the relationships between labor rights and various facets of economic openness. We find that the effects of economic globalization are contingent on the particular ways in which a nation is integrated into the global economy. Inflows of direct investment are associated with better collective labor rights, but trade openness is negatively related to rights. Additionally, behavior among peer nations is strongly related to national labor rights outcomes. Moreover, we find that a country's level of democracy, its income per capita and population, and the occurrence of civil conflict are strong correlates of labor rights.

These findings highlight the importance of exploring further, perhaps in a qualitative context, the interaction between the internal (domestic) and external drivers of labor rights outcomes.

Our analyses suggest three additional lines of inquiry. First, in a dynamic sense, how do collective labor rights change as multinational production changes? Second, what are the significant determinants of other types of labor practices, such as child labor, working hours, and workplace health and safety? Third, and perhaps most importantly, "economic globalization" should be further disaggregated. Within the categories of trade and FDI, there is variation in how developing nations participate in the global economy. For instance, despite the overall positive effect of FDI on workers' rights, it is likely that some types of MNCs are associated with improvements in rights, while others are associated with deteriorations. One way to differentiate among MNCs is according to their motives: some investors aim to extract natural resources, while others seek access to local markets. Yet another set of foreign direct investors are efficiency-seeking (e.g. Feng 2001; Kobrin 1987; Leahy & Montagna 2000).[30] Such variety in motivations is likely to generate diversity in labor rights practices; efficiency-seeking MNCs probably are more concerned with labor costs than resource- and market-seeking affiliates.[31]

Another possible distinction among MNCs is by economic sector. Multinationals involved in labor-intensive production (e.g. apparel) should be more concerned with labor costs than multinationals involved in capital- or technology-intensive sectors (Hatem 1998; Nunnenkamp and Spatz 2002). In such industries, labor costs are a large portion of firms' overall budgets, creating greater incentives for repression (Elliot & Freeman 2001). Exit also is easier in such sectors; firms may move repeatedly, seeking out those locations with lower labor costs and less stringent regulations (Mandle 2003; Mutti 2003). In capital-intensive sectors, however, labor costs are a relatively small portion of firms' overall costs, and it is important for employers to attract and retain skilled labor (Hall & Soskice 2001; Moran 2002; Spar 1999). Finally, as capital-intensive industries entail larger sunk costs, it is more difficult for

firms to threaten exit *ex post.* As the sectoral composition of a country's FDI changes, then, FDI's impact on labor rights also should change.

A final source of variation within MNCs is nationality. Our results support the notion that MNCs can help to promote "best practices" (e.g. Garcia-Johnson 2000). But, as FDI increasingly comes from non-OECD nations (UNCTAD 2004), where core labor standards are not fully respected, MNCs' respect for labor rights could decline (Gallagher 2005; Moran 2002). It also may be the case that foreign direct investors' preferences vary across source countries as the result of cross-national differences in corporate culture and corporate social responsibility (e.g. Doremus et al 1999). For instance, North American and Asian firms report greater concerns with obtaining information about labor costs, as well as with labor relations and regulations, than do their European counterparts.[32]

Disaggregating further the elements of developing nation participation in the global economy will provide additional evidence regarding the causal impact of global production on labor rights. At present, few (if any) studies employ data on FDI by sector or source country; these data often are not widely available for developing nations. Future work on economic globalization and labor rights would do well to collect and employ such indicators.

References

Abouharb, M. R. & D. L. Cingranelli. (2006). The human rights effects of World Bank structural adjustment, 1981-2000. *International Studies Quarterly,* 50, 233-262.

Achen, C. H. (2000). Why lagged dependent variables can suppress the explanatory power of other independent variables. Political Methodology Working Paper.

Aggarwal, M. (1995). International trade, labor standards, and labor market conditions: an evaluation of the linkages. US International Trade Commission *Working Paper* 95-06-C.

Aidt, T. & Z. Tzannaos. (2002). *Unions and collective bargaining: economic effects in a global environment.* Washington: World Bank.

Aizenman, J. & I. Noy. (2005). FDI and trade: two-way linkages? NBER *Working Paper* 11403.

Apodaca, C. (2001). Global economic patterns and personal integrity rights after the Cold War. *International Studies Quarterly*, 45, 587-602.

Beck, N. (2001). Time-Series-Cross-Section data: what have we learned in the past few years? *Annual Review of Political Science,* 4; 271-293.

_____ & J. N. Katz. (1995). What to do (and not to do) with time-series cross-section data. *American Political Science Review,* 89, 634-647.

_____. 2004. Time series cross section issues: dynamics, 2004. Working Paper, New York University and California Institute of Technology.

Bhagwati, J. (2004). *In defense of globalization.* New York: Oxford University Press.

Biersteker, T. J. (1978). *Distortion or development? contending perspectives on the multinational corporation*. Cambridge: Massachusetts Institute of Technology Press.

Brooks, S. M. (2002). Social protection and economic integration: the politics of pension reform in an era of capital mobility. *Comparative Political Studies,* 35, 491-525.

_____. (2005). Interdependent and domestic foundations of policy change: the diffusion of pension privatization around the world. *International Studies Quarterly* 49(2), 273-294.

Brown, D. K., A. V. Deardorff & R. M. Stern. (2003). The effects of multinational production on wages and working conditions in developing countries. NBER *Working Paper* 9669.

Buckley, P. J. & P. N. Ghauri. (2004). Globalisation, economic geography and the strategy of multinational enterprises. *Journal of International Business Studies,* 35, 81-98.

Bunce, V. (1995). Should transitologists be grounded? *Slavic Review* 54, 111-122.

Busse, M. (2003). Do transnational corporations care about labor standards? *The Journal of Developing Areas*, 36, 39-57.

Cardoso, F. H. & E. Faletto. (1971). *Dependency and development in Latin America*. Berkeley: University of California Press.

Cingranelli, D. L. (2002). Democratization, economic globalization, and workers' rights. In E. McMahon & T. Sinclair (eds.), *Democratic institution performance: research and policy perspectives* (pp. 139-158). New York: Praeger Press.

_____ & C. Tsai. (2003). Democracy, Workers' Rights, and Income Inequality: A Comparative Cross-National Analysis. Paper presented at the annual meeting of the American Political Science Association, Philadelphia, PA.

de Soysa, I. & J. R. Oneal. (1999). Boon or bane? reassessing the productivity of foreign direct investment. *American Sociological Review,* 64, 766-782.

Doremus, P. N., W. W. Keller, L. W. Pauly, & S. Reich. (1999). *The myth of the global corporation*. Princeton: Princeton University Press.

Drezner, D. (2001). Globalization and policy convergence. *International Studies Review,* 3, 53-78.

Elliott, K. A. & R. B. Freeman. (2001). White hats or Don Quixotes? Human rights vigilantes in the global economy. NBER *Working Paper* 8102.

Evans, P. (1979). *Dependent Development: the Alliance of multinational, State and Local Capital in Brazil.* Princeton: Princeton University Press.

Feng, Y. (2001). Political freedom, political instability, and policy uncertainty: a study of political institutions and private investment in developing countries. *International Studies Quarterly,* 45, 271-294.

Finnemore, M. (1996). *National interests in international society.* Ithaca: Cornell University Press.

Frankel, J. A. (2003). The environment and globalization. NBER *Working Paper* 10090.

Gallagher, M. (2005). *Contagious capitalism: globalization and the politics of labor in China.* Princeton: Princeton University Press.

Garcia-Johnson, R. (2000). *Exporting environmentalism: U.S. multinational chemical corporations in Brazil and Mexico.* Cambridge: MIT Press.

Garrett, G. (1998). Global markets and national politics: collision course or virtuous circle? *International Organization*, 52, 787-824.

_____. (2000). The causes of globalization. *Comparative Political Studies,* 33, 941-991.

Gereffi, G. & M. Korzeniewicz, eds. (1994). *Commodity chains and global capitalism.* New York: Praeger.

Graham, E. M. (1996). *Global corporations and national governments.* Washington, DC: Institute for International Economics.

_____. (2000). *Fighting the wrong enemy: antiglobal activists and multinational enterprises.* Washington: Institute for International Economics.

Hafner-Burton, E. (2005). Right or robust? the sensitive nature of repression to globalization. *Journal of Peace Research* 42, 679-698.

Hall, P. A. & D. Soskice, eds. (2001). *Varieties of capitalism: the institutional foundations of comparative advantage.* Oxford: Oxford University Press.

Hatem, F. (1998). *International investment: towards the year 2002.* Paris: United Nations/Invest in France Bureau.

Haufler, V. (2000). *A public role for the private sector: industry self-regulation in a global economy.* New York: Carnegie Endowment for International Peace.

Henisz, W. J. & O. E. Williamson. (1999) Comparative economic organization – within and between countries. *Business and Politics,* 1, 261-277.

Hsaio, C. 1986. *Analysis of panel data.* New York: Cambridge University Press.

Huber, E. & J. D. Stephens. (2001). *Development and crisis of the welfare state.* Chicago: University of Chicago Press.

Innes, J. E. (1992). Human rights reporting as a policy tool: an examination of the State Department *Country Reports*. In T. B. Jabine & R. P. Claude, eds., *Human rights and statistics: getting the record straight* (pp. 235-257). Philadelphia: University of Pennsylvania Press.

Jensen, N. (2003). Democratic governance and multinational corporations: political regimes and inflows of foreign direct investment. *International Organization* 57, 587-616.

Kaufman, R. & A. Segura-Ubiergo, (2001). Globalization, domestic politics, and welfare spending in Latin America: a time-series cross-section analysis, 1973-1997. *World Politics,* 53, 551-585.

Keck, M. & K. Sikkink. (1998). *Activists beyond borders.* Ithaca: Cornell University Press.

Kobrin, S. J. (1987). Testing the bargaining hypothesis in the manufacturing sector in developing countries. *International Organization,* 41, 609-638.

Kucera, D. (2002). Core labour standards and foreign direct investment. *International Labour Review*, 141, 31-69.

Leahy, D. & C. Montagna. (2000). Unionisation and FDI: challenging conventional wisdom. *The Economic Journal,* 110, C80-C92.

Leary, V. A., (1996). The paradox of workers' rights as human rights. In L. A. Compa & S. F. Diamond, *Human rights, labor rights, and international trade* (pp. 23-47). Philadelphia: University of Pennsylvania Press.

Li, Q. & A. Resnick. (2003). Reversal of fortunes: democratic institutions and foreign direct investment inflows to developing countries. *International Organization,* 57, 175-211.

Madami, D. (1999). A review of the role and impact of export processing zones. *World Bank Policy Working Paper*.

Mandle, J. (2003). *Globalization and the poor.* Cambridge: Cambridge University Press.

Maskus, K. E. (1997). Should core labor standards be imposed through international trade policy? *World Bank Policy Research Working Paper* 1817.

Meyer, W. H. (1996). Human rights and MNCs: theory versus quantitative analysis. *Human Rights Quarterly,* 18, 368-397.

_____. (1998). *Human rights and international political economy in the third world nations: multinational corporations, foreign aid, and repression*. Westport: Praeger.

MIGA (Multilateral Investment Guarantee Agency). (2002). *Foreign direct investment survey.* Washington: World Bank.

Milner, W. T., S. C. Poe & D. Leblang. (1999). Security rights, subsistence rights, and liberties: a theoretical survey of the empirical landscape. *Human Rights Quarterly,* 21, 403-443.

Moran, T. H. (2002). *Beyond sweatshops: foreign direct investment and globalization in developing countries*. Washington: Brookings Institution Press.

Mosley, L. (2003). *Global capital and national governments.* Cambridge: Cambridge University Press.

Murillo, M. V. & A. Schrank. (2005). With a little help from my friends? partisan politics, transnational alliances, and labor rights in Latin America. *Comparative Political Studies,* 38, 971-999.

Mutti, J. H. (2003). *Foreign direct investment and tax competition.* Washington: Institute for International Economics.

Navaretti, G. B. & A. J. Venables. (2004). *Multinational firms in the world economy.* Princeton: Princeton University Press.

Neumayer, E. & I. de Soysa. (2006). Globalization and the right to free association and collective bargaining: an empirical analysis. *World Development,* 34, 31-49.

Nunnenkamp, P. & J. Spatz. (2002). Determinants of FDI in developing countries: has globalization changed the rules of the game? *Transnational Corporations,* 11, 1-34.

O'Donnell, G. (1988). *Bureaucratic authoritarianism: Argentina, 1966-1973, in comparative perspective.* Berkeley: University of California Press.

OECD. (2002). *Foreign direct investment for development: maximising benefits, minimising costs.* Paris: OECD.

_____. (2000). *International trade and core labour standards*. Paris: OECD.

Oman, C. (2000). *Policy competition for foreign direct investment: a study of competition among governments to attract FDI*. Paris: OECD Development Center.

Poe, S. C. & N. Tate. (1994). Repression of human rights to personal integrity in the 1980s: A global analysis. *American Political Science Review,* 88, 853-872.

Poe, S. C., N. Tate, & L.C. Keith. (1999). Repression of the human right to personal integrity revisited: a global cross-national study covering the years 1976-1993. *International Studies Quarterly,* 43, 291-313.

Poe, S. C., T. Vazquez & S. Carey. (2001). How are these pictures different: assessing the biases in the U.S. State Department's Country Reports on Human Rights Practices." *Human Rights Quarterly,* 23, 650-677.

Reis, A. B. (2001). On the welfare effects of foreign investment. *Journal of International Economics,* 54, 411-427.

Richards, D. L., R. D. Gelleny, & D. H. Sacko. (2001). Money with a mean streak? foreign economic penetration and government respect for human rights in developing countries." *International Studies Quarterly,* 45, 219-239.

Rodrik, D. (1996). Labor standards in international trade: do they matter and what do we do about them? In R. Z. Lawrence, D. Rodrik, & J. Whalley (eds), *Emerging agenda for global trade: high stakes for developing countries* (pp. 35-80). Washington: Johns Hopkins University Press.

_____. (1997). *Has globalization gone too far?* Washington: Institute for International Economics.

Rudra, N. (2002). Globalization and the decline of the welfare state in less developed countries. *International Organization*, 56, 411-445.

Santoro, M. A. (2000). *Profits and principles: global capitalists and human rights in China.* Ithaca: Cornell University Press.

Simmons, B. A. & Z. Elkins. (2004). The globalization of liberalization: policy diffusion in the international political economy. *American Political Science Review,* 98, 171-189.

Smith, J., M. Bolyard & A. Ippolito. (1999). Human rights and the global economy: a response to Meyer. *Human Rights Quarterly,* 21, 207-219.

Spar, D. L. (1998). The spotlight and the bottom line. *Foreign Affairs,* 77(2), 7-12.

_____. 1999. Foreign investment and human rights. *Challenge,* 42, 55-67.

Trade Union Advisory Committee to the OECD (TUAC). (1996). *Labour standards in the global trade and investment system.* Paris: TUAC.

United Nations Conference on Trade and Development (UNCTAD). (1999). *World investment report 1999.* New York: United Nations.

_____. (2002). *World investment report 2002*. New York: United Nations.

_____. (2004). *World investment report 2004.* New York and Geneva: United Nations.

Weisband, E. & C. J. Colvin. (2000). An empirical analysis of International Confederation of Free Trade Unions (ICFTU) Annual Surveys. *Human Rights Quarterly,* 22, 167-186.

Wibbels, E. & M. Arce. (2003). Globalization, taxation and burden-shifting in Latin America. *International Organization,* 57, 111-136.

Weyland, K. (2003). Theories of policy diffusion: an assessment. Paper presented at the annual meetings of the American Political Science Association, Philadelphia, PA.

World Bank. (2002). *Global development finance.* Washington: World Bank.

World Trade Organization (WTO). (2005). *World trade report.* Geneva: World Trade Organization.

Table 1: Independent Variables: Expectations and Summary Statistics

Variable	Operationalization	Expected Relationship with Labor Rights	Mean (Standard Deviation)
Economic Globalization			
Foreign Direct Investment – Flows	FDI Inflows/GDP	Positive relationship	2.22 (2.84)
Foreign Direct Investment – Stocks	FDI stock/GDP	Positive	19.45 (18.45)
International Trade	Imports and Exports/GDP	Negative	67.63 (37.54)
Other External Variables			
External Debt	Total external debt/GDP	Negative	90.09 (87.19)
Competition Variables			
Regional Practices	Average labor rights score for every other country in the region, by year.	Positive	23.41 (3.31)
Economic Peers' Practices	Average labor rights score for all other nations in the same income decile, by year.	Positive	23.98 (2.43)
Internal Variables			
Income	Income per capita (natural log)	Positive	7.69 (0.81)
Economic Growth	Annual change in income per capita	Positive	3.39 (5.14)
Population	Total population (natural log)	Positive or Negative (Offsetting effects)	16.26 (1.58)
Democracy	Polity IV measure of democracy	Positive	1.41 (6.49)
Civil Conflict	Uppsala measure of civil war	Negative	0.21 (0.41)
Presence of NGOs	Total number of NGOs in a country-year (natural log)	Positive or Negative (Offsetting effects)	2.16 (1.25)
Potential labor power	Skilled/unskilled workers * 1/surplus labor	Positive	1.96 (2.22)

Table 2: Correlates of Labor Rights, Cross Section Time Series Analysis

Independent Variable	Main Model	Implied Effect: Coefficient *One Standard	Model with Potential Labor	Main Model, with Regional Dummy

		Deviation	Power	Variables
FDI Inflows	0.1351* (0.0788)	0.5184	0.5640* (0.2603)	0.1371* (0.0797)
FDI Stock	0.0063 (0.0135)	0.1171	-0.0209 (0.0302)	0.0160 (0.0141)
External debt	0.0041 (0.0043)	0.3554	0.0221* (0.0101)	0.0049 (0.0044)
Trade	-0.0176* (0.0089)	-0.6600	-0.0669* (0.0184)	-0.0251* (0.0101)
Regional Average, Labor Standards	0.5114* (0.0761)	1.6941	0.5639* (0.1293)	0.6937* (0.1006)
Economic Peers' Labor Standards	0.1174 (0.0869)	0.2849	0.2242 (0.1436)	0.0566 (0.0839)
Human Rights NGOs	-0.4450 (0.2999)	-0.5575	-0.4389 (0.4542)	-0.3613 (0.3036)
NGOs*FDI flows	-0.0480 (0.0411)	-0.3909	-0.2958* (0.1119)	-0.0461 (0.0412)
Income per capita	-1.5062* (0.3147)	-1.2173	0.4911 (1.0401)	-1.1680* (0.4672)
Economic Growth	0.0398 (0.0277)	0.2048	-0.0079 (0.0570)	0.0368 (0.0277)
Population size	-1.4484* (0.2836)	-2.2847	-1.2491* (0.4133)	-1.6259* (0.3551)
Democracy	0.1368* (0.0477)	0.8878	0.1537* (0.0744)	0.1822* (0.0532)
Civil conflict	-1.0743* (0.6130)	-0.4383	-2.6951* (1.0355)	-1.2273* (0.6185)
Potential Labor Power			0.2291 (0.2784)	
North Africa/Middle East				2.2217* (0.8902)
Caribbean				-4.4762* (1.3262)
Sub-Saharan Africa				0.7524 (0.9425)
Asia-Pacific				0.7956 (1.0720)
Constant	43.6933* (5.8428)			40.6970* (7.4155)
N	1286		397	1286
Number of Countries	90		48	90
R^2	0.38		0.46	0.38
rho	0.59		0.45	0.59
Wald Chi^2	287.97		1137.26	713.68

*p<.10.

Standard errors are in parentheses. Note that positive coefficients imply lower levels of violations.

Biographical Paragraphs and Acknowledgements

Layna Mosley is Assistant Professor in the Department of Political Science at the University of North Carolina at Chapel Hill. Her research focuses on the impact of global capital markets – short-term as well as long-term – on policy choices in developing and advanced countries. She is author of *Global Capital and National Governments* (2003).

Saika Uno is Ph.D. candidate in the Department of Political Science at the University of Notre Dame. Her dissertation, "Public Support and Democracy: Identifying Causal Mechanisms for the Erosion of Democracy in Latin America," investigates the relationship between public opinion and the stability of democratic regimes in Argentina, Peru and Venezuela.

Acknowledgement: We thank David Cingranelli, John Freeman, Emilie Hafner-Burton, Frances Hagopian, Robert Keohane, Micheline Ishay, Steven Poe, Ngaire Woods, three anonymous reviewers and the editor of CPS, as well as participants in seminars at Duke University, the University of North Carolina, the University of Notre Dame and FGV-Rio de Janiero for comments. The Institute for Scholarship in the Liberal Arts, College of Arts and Letters, and the Kellogg Institute for International Studies, University of Notre Dame provided funding for data collection. Aahren DePalma and Sarah Moore provided research assistance.

[1] We use "collective labor rights" and "workers' rights" interchangeably, to refer to the rights to join unions, to bargain collectively, and to strike. These are distinct from individual labor rights, which include working conditions and compensation.

[2] This dataset is generated according to the template and methodology created by Kucera (2002).

[3] Our theoretical framework does not consider short-term financial flows, as these are less likely to be causally related to labor rights. See below for empirical confirmation of this expectation.

[4] Given the paucity of data on labor rights, most analyses focus on human rights (e.g. Apodaca 2001; de Soysa & Oneal 1999; Hafner-Burton 2005; Meyer 1998; Poe & Tate 1994; Poe et al 1999; Richards et al 2001; Spar 1998). In these studies, FDI often is linked with human rights via economic growth or via rule of law and investment risk (Jensen 2003; Li & Resnick 2003).

[5] A large literature explores why multinationals choose wholly-owned (directly invested) or arms' length (trade, licensing, subcontracting) production strategies. See, among others, Buckley & Ghauri (2004); Henisz & Williamson (1999).

[6] See Leary 1996; Moran 2002. International Labor Organization (ILO) Convention 87 covers freedom of association, and Convention 98 addresses collective bargaining.

[7] The six components of labor rights are positively and often strongly correlated with one another; factor analysis of our scores by component indicates a strong loading on a single dimension.

[8] There is a high correlation – .89 for all nations and .87 for developing countries – between weighted and unweighted (assigning each category a score of "1") labor rights scores.

[9] The data appendix and coding template are available at http://www.unc.edu/~lmosley/mosleyuno.htm

[10] Complaints may be filed (by national or international workers' or employers' associations) against any ILO member, regardless of whether the nation has signed Conventions 87 and 98.

[11] Innes 1992 posits that State Department reports have become less biased over time.

[12] Furthermore, we code information from ICFTU reports (which tend to be the most pro-labor of our sources) only when the reported violations are cited as "credible" or are confirmed by outside sources. In

a factor analysis of scores generated using a single source (ILO, State Department, ICFTU), all three scores load onto a single factor.

[13] Human rights measures include personal integrity rights, physical integrity rights, civil liberties and political rights. For an overview, see Milner et al 1999.

[14] The personal integrity rights measure (the "political terror scale") categorizes countries on a five point scale, using either State Department or Amnesty International annual reports (see Poe et al 1999). To calculate correlations, we use the average of the Amnesty International and State Department scores, and we reverse the scale. We thank Mark Gibney for updated data.

[15] For instance, Cingranelli's (2002) scores, drawn exclusively from State Department reports, are 0, 1, and 2; the OECD (2000) groups countries into four categories on the basis of ratifications of five core ILO conventions, as well as cases heard by the ILO's CEACR.

[16] At the same time, where unemployment is high, firms can more easily repress workers' rights. The economic growth measure, however, has much better data coverage, so we include growth rather than unemployment in our models.

[17] For instance, today's ICFTU surveys are approximately five times as long as ICFTU surveys published in the early and mid-1980s. On a similar trend in ILO complaints, see Moran (2002).

[18] In alternative specifications, we also include an interaction between trade and NGOs. The interaction term, however, is insignificant and has no impact on other results.

[19] Observations from 1985 are omitted because of missing values on one independent variable.

[20] Also, Nunnenkamp and Spatz's (2002) study, based on 28 developing nations, suggests that the determinants of FDI do not change much between the late 1980s and the present.

[21] Developed nations include Western Europe, Australia, Canada, Japan, New Zealand, and the United States. Transition nations are those in Eastern Europe and the former Soviet Union.

[22] Additionally, while some (e.g. Beck & Katz 2004) recommend the inclusion of a lagged dependent variable (LDV) in CSTS models, others (e.g. Achen 2000) warn against doing so. Such warnings are

based on the fact that LDVs tend to dominate the regression equation, generating downwardly biased coefficient estimates on the explanatory variables, as well as on the atheoretical nature of the LDV. We therefore opt to use an AR(1) process, but no LDV.

[23] Our results are robust to changing this assumption, e.g. with only heteroskedastic disturbances (no contemporaneous correlation across panels).

[24] In our sample, the correlation between FDI stocks and flows is quite small, at -0.08.

[25] Kucera (2002) and Neumayer & de Soysa (2006)'s cross-sectional models use data from the mid-1990s; they report no significant relationship between FDI and labor rights.

[26] If we estimate the main model reported in Table 1 using random effects (requiring the assumption that error terms are uncorrelated with regressors), we find a similar effect of trade openness. The effect of FDI remains positive, but it is the coefficient on FDI stocks, rather than on flows, that is significant. Full results of the random effects model are available upon request.

[27] A measure of portfolio investment flows, when included, was not associated significantly with collective labor rights, nor did it change our overall results.

[28] When China and India (states with large populations) are excluded from the model, this result remains. The only substantive difference in such a model is the reduced statistical significance (approaching a 90% level of confidence) of the FDI inflows variable.

[29] When we include a measure of the proportion of workers in the industrial sector, its coefficient is negative and significant, and the income variable loses significance. This measure is available for only 40% of our observations (n=487). Full results for this model are available upon request.

[30] Efficiency versus market-seeking FDI is sometimes termed "vertical" vs. "horizontal" FDI.

[31] For evidence from China of variation in firm motives, and therefore in the treatment of workers, see Gallagher (2005) and Santoro (2000).

[32] MIGA 2002, p. 16, 30, Appendix 2. Hatem 1998 reports a similar finding.
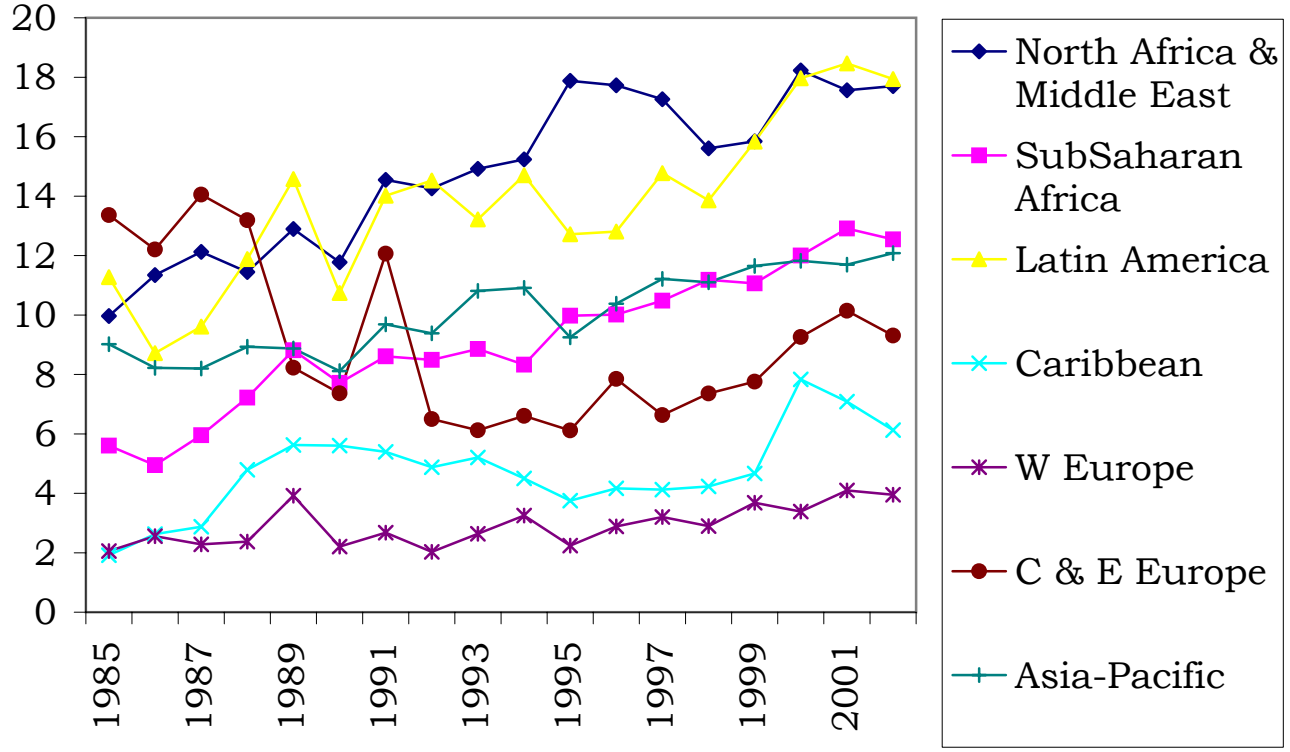
Figure 1: Labor Rights Violations, by Region