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Globalization, Logics of Action, International Labor Standards and National Government Roles

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Globalization, Logics of Action, International Labor Standards and National Government Roles

Abstract

In an earlier article, (Frenkel and Kuruvilla, 2002) we argued that the interplay between three different logics of action, i.e., the logic of competition, the logic of industrial peace, and the logic of employment-income protection determines the employment relations pattern in any given nation. We demonstrated the operation of this logic of action framework in selected Asian countries. We also demonstrated that changes in one logic to another underlie changes and transformations in industrial relations systems, with evidence from Asian countries.

In this article, we examine how the logics underlying industrial relations systems play out in terms of the international labor standards debate, in and of itself a force for convergence in industrial relations. We briefly describe the different approaches to the regulation of international labor standards, and then argue for a new role for national governments. We argue that this new role shows potential for significantly enhancing progress in international labor standards, since it enables governments to balance between the demands of two competing logics. Of course, this approach is not without its own problems, but in the context of numerous imperfect approaches to the international labor standards issue, we feel that it is appropriate to revisit the role of national governments.

Keywords

international labor standards, logics of action, industrial relations, soft law, codes of conduct, ILO, WTO, certification, reporting, core labor, standards, labor standards and trade

Disciplines

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Globalization, Logics of Action, International Labor Standards and National Government Roles

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In an earlier article, (Frenkel and Kuruvilla, 2002) we argued that the interplay between three different logics of action, i.e., the logic of competition, the logic of industrial peace, and the logic of employment-income protection determines the employment relations pattern in any given nation. We demonstrated the operation of this logic of action framework in selected Asian countries. We also demonstrated that changes in one logic to another underlie changes and transformations in industrial relations systems, with evidence from Asian countries.

In this article, we examine how the logics underlying industrial relations systems play out in terms of the international labor standards debate, in and of itself a force for convergence in industrial relations. We briefly describe the different approaches to the regulation of international labor standards, and then argue for a new role for national governments. We argue that this new role shows potential for significantly enhancing progress in international labor standards, since it enables governments to balance between the demands of two competing logics. Of course, this approach is not without its own problems, but in the context of numerous imperfect approaches to the international labor standards issue, we feel that it is appropriate to revisit the role of national governments.

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I. Introduction

In an earlier article, (Frenkel and Kuruvilla, 2002) we argued that the interplay between three different logics of action, i.e., the logic of competition, the logic of industrial peace, and the logic of employment-income protection determines the employment relations pattern in any given nation. We demonstrated the operation of this logic of action framework in selected Asian countries. We also demonstrated that changes in one logic to another underlie changes and transformations in industrial relations systems, with evidence from Asian countries (Kuruvilla and Erickson, 2002).

In this article, we examine how the logics underlying industrial relations systems play out in terms of the international labor standards debate, in and of itself a force for convergence in industrial relations. The first part of our paper briefly explains the logic of action framework. In the second part of the paper, we examine the implications of the framework when applied to the international labor standards debate, focusing specifically on the role of national governments in that debate.

1. The logics of action framework

A more detailed explication of the framework can be found in Frenkel and Kuruvilla (2002) and Kuruvilla and Erickson (2002). However, it is briefly reviewed here. Drawing from institutional theory, we see logics of action as underlying constructs driving important decisions. Barley and Tolbert (1997), for example, refer to logics as sensemaking constructs that embody conventionalized understandings about what is appropriate and reasonable, thereby shaping actors' strategies. Actors in ER (government officials, employers, and workers) take action and justify their decisions with reference to an underlying logic. An understanding of the strength of different logics in action, we argue, is necessary to understand why certain patterns of employment relations exist, and helps explain future changes in these patterns. The basic idea is that each logic results in the development of rules and institutions about employment relations. When new logics are introduced, the new logic leads to new rules and changes in institutional arrangements, although the old system is rarely completely replaced. More often, old institutions are reformed in terms of the new logic. A crucial aspect of our argument is that the relative strength of the logics tend to vary over time within and across nations, and that the different combinations of these logics account for similarities and differences in ER patterns and tendencies to converge or diverge. In Frenkel and Kuruvilla (2002) we have applied this framework in China, India, Malaysia and the Philippines to explain the varying patterns of industrial relations in those countries.

2. Logics

We start with the logic of industrial peace since it features prominently in the emergence of employment relations systems (Kuruvilla and Mundell, 1999). Following struggles for independence, ex-colonial countries (e.g. India and Malaysia) recognized trade unions and established tripartite and bipartite bargaining and arbitration bodies. Centralized wage determination was an attempt to take wages out of competition. Restrictions on the right to strike were introduced, and in some cases, the subjects of bargaining were restricted (DeSouza, 1999; Hiers and Arudsothy, 1999). Thus, the focus of ER policy was to limit industrial conflict in the interest of economic development. In many of these countries, governments adopted economic developments strategies based on the import substitution industrialization (ISI) model. This curbed internal and external competition through licensing regulations and protectionist tariffs to assist local industry, and helped sustain industrial peace in many countries (Kuruvilla, 1996). In other cases like Singapore, the government emphasized industrial peace as an incentive for foreign investors. A tripartite ER system was created in order to ensure this objective was attained (Chiang, 1988). This was a common "binding constraint" at the time of the inception of ER systems in many developing countries (Kuruvilla and Erickson, 2001) and with subsequent industrialization meant that legislation and public policy aimed at preventing and resolving industrial conflict continued to be relevant.

The pursuit of economic development based on export-oriented industrialization (EOI) including increased foreign direct investment and market liberalization policies in many Asian countries (e.g. as in India and China) has led to the ascendancy of the logic of competition. This became most transparent in the 1980s and 1990s as globalization gathered pace (Kuruville and Erickson, 2001). The rationale of ER under this logic is the facilitation of enterprise efficiency, both in terms of labor market flexibility and labor productivity. A range of policies and practices are typically associated with this logic. For example, competition fosters decentralized decision-making aimed at tailoring wage levels to the particular economic environment of firms, rather than industries, hence decentralized wage determination. With an emphasis on cost containment, many managers come to see trade unions as unnecessary impediments to efficiency, hence the adoption of practices designed to marginalize or eliminate these organizations. Export processing zones that are exempt from national labor legislation are often established in developing nations to achieve these goals (e.g., Philippines and Sri Lanka). Governments may also use selective immigration as a means of ensuring an adequate and flexible supply of labor (e.g., Singapore and Malaysia). Where competition is based on quality and innovation rather than solely on cost, employers and governments are likely to stress the importance of training in order to improve workers' competencies, particularly where labor shortages occur.

Rapid industrialization is often accompanied by disruption of extended family support systems, increasing dependence on industrial work, and later, demands for participation in the political system. Increasing competition, and the unrestrained, and often unpredictable, movement of capital, lead to rising job insecurity and unemployment. The employment policies of multinationals and their suppliers contrast with those in smaller, local firms who cannot afford the higher incomes and welfare provisions provided by their new competitors. These developments most often occur against the backdrop of very limited state social welfare provision (e.g., India). Thus, in developing countries most exposed to globalization, there is often rapidly growing support for the logic of employment-income protection. This is manifested in demands for increased worker protection against lay-offs, long working hours, poor health and safety conditions, discrimination, and protection against arbitrary management power.¹⁾ There are also demands for a living wage, unemployment pay and pensions. This logic, promoted by employees and trade unions, and by human rights groups and Non-Government Organizations intent on ensuring that large multinational firms act in a more socially responsible manner (Klein, 2001). Wider political demands also occur, usually when industrialization has created a coherent working class. Threats to prevailing standards of living, such as the 1997-98 Asian Financial crisis, can provoke political action. Thus, a more democratic and responsive state has emerged in countries like Indonesia, Thailand and South Korea in recent years. This logic has also been used by governments to take pre-emptive action to limit potential political instability and maintain working class support. This is especially evident where the class-consciousness and power of urban workers has increased (Malaysia) or is growing rapidly (China).

Thus, the logic of Employment-income protection represents workers' responses to employment instability and employer control. It aims to alleviate labor market and management-imposed hardship on workers through rules limiting labor market flexibility and employer discretion, or through the provision of social safety nets via unemployment insurance, funds for retraining, and social security. Typical protections include tripartite or bipartite agreements that promote the role of unions in collective bargaining, and regulation of substantive issues.

3. Factors Influencing Logic Strength

The strength of the above three logics vary over time within each nation. We use our four cases to identify critical factors affecting

1) This logic underpins both defensive and offensive actions. It includes employer resistance against employee norms and attempts to improve employment stability, rewards and career opportunities. In the context of developing countries facing increasing competition in traditional product markets, this logic is conceived mainly as a defense against the downside of market movements.

logic strength. We find that five factors appear to influence the strength of the three logics. These are economic development strategies, globalization intensity, government responsiveness to workers' expectations, the state of the labor market, and union strength. We briefly discuss each factor in turn. Before doing so however, it is worth noting that these five factors may be supported or counteracted by industry or firm-specific factors. For example, the employment relations policies of American multinationals in the athletic footwear industry in China has a strong E-I logic, mainly in response to the influence of human rights campaigners (Frenkel, 2001). Another example is the Philippines refrigerator industry, where ER practices reflect a strong competitive logic, encouraged by the Montreal protocol on limiting chlorofluorocarbons in refrigerator production. Also note that although each factor exerts independent effects on logic strength, they can work together as well.

Where a government pursues an economic development strategy based on ISI, the logic of industrial peace is likely to be strong. The aim is to produce locally instead of importing to conserve foreign exchange, thus increasing local employment and stimulating local investment. However, the success of ISI depends on shielding infant industries from foreign competition, through tariffs. Protection from competition sustains highly protective labor legislation. In contrast, the adoption of an export oriented industrialization strategy, or a less comprehensive policy of opening the economy to foreign investment and trade, will be associated with a strong logic of competition. This arises from an increase in competition -- local employers will now have to compete with foreign multinationals in the domestic economy and in international export markets.

The strength of different logics is also influenced by the intensity of globalization, a term that refers to a country's length and depth of exposure to foreign trade and investment.

Other things being equal, the logic of competition is likely to be stronger in countries that have been exposed to globalization for longer over a wider range of sectors. As an illustration of cross-country variance in the intensity of globalization, using four indicators, Table 1 shows that Malaysia and the Philippines are more intensely globalized than China and India.²⁾ Note also that Malaysia and the Philippines have had a much longer exposure to the international economy, having adopted EOI strategies in the 1970s compared with China and India which started on this course more recently -- China in the late 1970s and India in the early 1990s. China currently receives more foreign direct investment than any other developing country and is fast approaching Malaysia in the contribution of foreign investment to the country's economy.

2) Table 1: Foreign trade, foreign direct investment and annual GDP growth, India, China,

Country	Exports as a% of GDP		Imports as a% of GDP		Inward FDI as % of Gross Fixed Capital Formation		Outward FDI as a % of Gross Fixed Capital Formation	
	1980-89	1990-97	1980-89	1990-97	1980-89	1990-97	1980-89	1990-97
India	6.4	9.4	8.5	10.	n.a.	1.9	n.a.	0.2
China	10.1	18.8	11.6	17.2	2.0	11.1	n.a.	1.1
Philippines	24.7	34.7	26.3	41.6	3.9	8.0	n.a.	0.2
Malaysia	58.1	86.0	55.6	86.4	10.3	17.6	n.a.	n.a.

Malaysia and the Philippines, 1980-97.

Country	Exports as a % of GDP		Imports as a % of GDP		Inward FDI as % of gross fixed capital formation		Outward FDI as a % of gross fixed capital formation	
	1980-89	1990-97	1980-89	1990-97	1980-89	1990-97	1980-89	1990-97
India	6.4	9.4 ¹⁾	8.5	10.0 ¹⁾	n.a.	1.9 ²⁾	n.a.	0.2 ³⁾
China	10.1	18.8	11.6	17.2	2.0	11.1	n.a.	1.1
Philippines	24.7	34.7	26.3	41.6	3.9	8.0	n.a.	0.2 ⁴⁾
Malaysia	58.1	86.0	55.6	86.4	10.3	17.6	n.a.	n.a.

Source : IMF(1999); ILO(2000).

Note: 1) 1990-95, 2) 1991-97, 3) 1994-97, 4) 1993-97.

Motivated by the logic of competition, intense globalization encourages large-scale industrial restructuring that causes employment insecurity, unemployment and sometimes political instability. In this way globalization may serve to increase the strength of the logic of employment-income protection and if conflict prevails, this may encourage major reforms of ER institutions underpinned by the logic of industrial peace. South Korea is a case in point. Thus, the impact of globalization is likely to be complex and contingent, and changing over time.

A third factor that influences the strength of different logics is government responsiveness to workers' expectations. Where governments are more responsive to the demands of capital, we can expect the logic of competition to be strong. This is especially evident in Singapore and Philippines, where government employer coalitions are strong. Where governments are also dependent on industrial workers to remain in office—as in India, and Malaysia, we can expect concessions based on the logic of Employment-income protection. Efforts to prevent industrial instability also occur through the development of ER frameworks that permit worker representation through independent unions. On the other hand, where governments are based on a single party that monopolizes power—as in China or Vietnam - responsiveness to workers' interests is likely to be lower, despite rhetoric to the contrary, and so we anticipate a weaker logic of Employment-income protection in this case.

A fourth factor that affects the strengths of different logics concerns the state of the labor market. Tight labor markets, for example, encourage governments to pursue human resource development strategies placing more emphasis on skill upgrading and functional flexibility within firms, as Kuruvilla and Chua (1999) show in their study of Singapore. This arises because it becomes more difficult to compete on the basis of low cost, low skilled labor where labor markets are tight. Government policy can also encourage employers to adopt more advanced human resource policies in order to more effectively motivate and retain skilled workers who have a propensity to move between firms in search of improved pay and conditions. Thus, tight labor market conditions tend to increase the strength of the logic of Employment-income protection. Although China, India, and the Philippines have surplus labor in most, but not all occupational categories, Malaysia has experienced more widespread, chronic labor shortages, and a relatively stronger logic of employment-income protection. So has India's software sector, where there is a focus on functional flexibility and favorable pay and conditions i.e. a relatively strong logic of employment-income protection.

The fifth and final factor that affects the strength of different logics— union strength. Is also related to the state of the labor market. Where labor markets are tight, unions may form and bargain more easily³). This will result in a stronger logic of Employment-income protection compared to industries or countries where labor markets are characterized by labor surpluses. In general, where the state is more sympathetic to unions, enabling them to engage in bargaining and political activity, we expect a stronger logic of Employment-income protection. In this regard, India, particularly prior to economic liberalization, was comparatively strongly unionized. This was due to the close link between unions and political parties. Our three other countries lacked one or more of these conditions. For example, in Malaysia, unions are relatively constrained by legislation, however, workers' interests are taken seriously by the government. In the Philippines, unions are relatively free (although very weak given excessive fragmentation) and the government appears much less concerned with workers' interests. In China, independent unions are not permitted and despite the government taking some interest in workers' welfare, these government policies are not rigorously enforced. Thus, other things equal, strong unions will be associated with a strong Employment-income protection logic.

Relationship between Logics. The three logics discussed above rarely operate alone. At least two of the three logics tend to be present in varying degrees of strength in all industrializing societies, depending mainly on the impact of the factors discussed earlier. The relations between logics may be contradictory or reinforcing. For example, the logic of industrial peace may contradict the logic

3) Note that other factors, such as protective legislation, political linkages, also influence union strength.

of competition, if union strength, facilitated by a collective bargaining framework, is used to limit innovation and organizational change. On the other hand, these two logics may reinforce one another, if, by maintaining industrial stability, union strength leads to additional investment and earnings growth. Similarly, the logic of Employment-income protection is likely to support the logic of industrial peace since workers with better wages and conditions are less likely to engage in disruptive collective action. On the other hand, this logic may contradict the logic of competition if employment stability limits numerical flexibility and sustains higher labor costs. However, the logic of employment-income may reinforce the logic of competition by promoting functional flexibility in firms competing on quality and innovation. In short, the impact of the interactions between various logics cannot be understood apart from the context in which those logics operate.

II. International Labor Standards

The debate around international labor standards appears to be stymied by the lack of progress on several key fronts. The failure of the last WTO round and the lack of consensus on social dimensions of the Free Trade of the Americas Agreement (FTAA) have further signaled the need for making progress on the question of improving labor standards internationally.

Basically, the debate regarding international labor standards stems from the fundamental failure of national governments to enforce their own labor laws. The failure of national governments in this key regulatory role has resulted in a number of international approaches to the regulation of national labor standards. Unfortunately, ALL of these different approaches have significant limitations, as we shall discuss below.

The ILO: By establishing and promoting core labor standards (and a host of other standards as well) the ILO has set a process in motion that could, by degrees, lead to better labor standards globally. However the ILO's effective reach ends with adoption of these labor conventions. The implementation of these conventions is left up to each national government. Failure to implement can result in a complaint to the ILO. However, the ILO does not have any punitive power and must rely on moral suasion. History is replete with examples of countries adopting ILO conventions and not implementing or enforcing labor laws. Further, at the global level, the ILO does not have the resources to monitor and enforce standards.

Regionalization Initiatives: The most developed regionalization initiatives, i.e., the EU and NAFTA also have agreements on labor conditions. While the EU follows the principle of upward harmonization of all relevant labor legislation, NAFTA's approach is to condition each member country to respect each other's labor laws, and to force countries (through a complicated complaint process) to enforce their own labor laws. While the EU's approach clearly has the capacity to create uniform labor conditions in the region, NAFTA's approach does not. Rather, in the various cases under NAFTA that have been investigated, we have seen very little in terms of NAFTA's ability to create uniform labor standards in The US, Canada, and Mexico. (For a detailed investigation into NAFTA's labor side agreement, please see Compa, 1999). Critics point to its narrow scope and limited powers to argue that this approach, while useful in educating the parties and publicizing the violations, is unlikely to make an appreciable impact on a large scale (EPI, 2001; Compa, 1999). Other recently emerging regionalization initiatives, such as MERCOSUR and ASEAN have not yet developed detailed agreements on the labor issue, although MERCOSUR has made a start and appears to be following the EC model. ASEAN has not discussed labor side issues as yet.

1. Reporting Initiatives

Another multilateral initiative to improve international labor standards are various reporting systems. The essential element of a reporting system is that it requires those corporations who agree to participate in the system to report on the enforcement of such standards in their own firms. The best examples of these are the GRI (Global Reporting Initiative) and the UN Global Compact. The key problems with this approach is a) they are voluntary and not all multinational corporations participate, b) there is no monitoring, i.e. no one is going to inspect to see if corporations are following the standards. The hope is that the transparency inherent in participation in reporting systems (and the danger that someone might actually check if the corporation is following core labor standards) will be sufficient to ensure that labor rights are expected all over the world.

2. Codes of Conduct and Certification Systems

Private initiatives such as Corporate Codes of conduct have made some progress in improving labor standards but their reach is limited and it is unclear if they can make a significant impact without the help of national governments. These efforts are likely to benefit only a small segment of the target workforce (OECD, 2000a, 2000b; Scherrer and Greven, 2001). Corporate Codes have made some progress within the niche of internationally-traded consumer goods. Codes were first established in consumer goods sectors such as toys, clothing, shoes and rugs. The success of corporate codes is premised on a robust consumer preference in high-income countries for “ethically-made” goods. They will succeed as long as consumers are willing to pay a premium to ensure that goods they buy are not made in sweatshops (Blank and Freeman, 1994; Freeman, 1994, 1998), or if they are unwilling to buy brands that do not follow basic labor standards. Thus, the impact of corporate codes may be ascribed at least in part to the presence of two factors: consumer goods and consumer preference. In the absence of these constraints, there would be little or no pressure to improve labor standards. It is this pressure that can be argued to form the basis for most corporate code movements such as the FLA, the CCC and the ETI. It is not clear what will happen if this consumer preference diminishes or disappears over time. What we do know is that corporate codes have diffused much more slowly in industry sectors whose goods are not sold directly to the consuming public. We also know about several problems with the code. For example, workers often do not know the code, monitoring by accounting companies suspect, codes are often a public opinion management gimmick, limited focus on consumer goods industries, many codes have no penalties for violation, and most codes say nothing about the right to organize freely. In addition, the monitoring of compliance is a big problem, with relatively few neutral monitors who have the sufficient skills and resources to monitor effectively.

There are other approaches as well. The bilateral trade agreements that the US has signed with several countries (Jordan, Singapore), or the Caribbean basin initiative for example link trade to the following labor standards. In the Jordan case however, a core labor standard, gender equality has been left out!

The point that is important about these various initiatives is that while they attempt to improve labor standards, there are numerous issues that limit their ability to do so effectively, and the overall reach of these efforts is limited. Thus, there are several multi-lateral tools for the job, but none of them are very effective.

3. Logics and International Labor Standards

Both logics of competition and employment-income protection are important in understanding international labor standards. On the one hand, the logic of employment-income protection is the basis on which NGOs and consumers in the advanced countries ask for good labor standards in developing countries. The argument here is that core labor standards is a universal right that must be shared by everyone on the planet. This logic is also the basis on which third world workers and unions, and NGOs also ask for

enforcement of labor laws. The demands of labor unions in the advanced countries for implementation of core labor standards in developing countries can be traced to a limited conception of the logic of employment-income protection...they would like to protect the employment and incomes of their own workers, hence they would like developing countries to raise labor standards so that capital from their own countries will not move to these developing nations. Protectionism relies heavily on the logic of employment and income protection.

The logic of competition is the basis on which those who support unrestricted free trade argue for delinking trade and labor standards. Some third world governments also oppose linking trade and labor standards, on the basis of the argument that it undercuts their competitive advantage, thus here, the logic of competition is the basis for this argument. Yet, at the same time, governments have to be responsive to increased demands for protection from parts of their workforces as globalization's impact (particularly in terms of casualization and informalization of third world workers) is concerned. At the same time, governments have a responsibility to act under the logic of competition to allow its employers to capitalize on their national sources of comparative advantage. Frenkel and Kuruvilla (2002) demonstrate several instances in India and China where the governments try to balance policies based on both logics. In India for example, the government acts on the basis of the logic of competition to call for debates regarding labor law reform, but does not carry out reforms because it is responsive to workers' demands for employment and income protection (which India's labor laws provide). Similarly in China, on the basis of the logic of employment and income protection, the Chinese government enacts strong labor legislation, but at the local level, China's municipal officers, to attract foreign investment do not enforce these protective labor laws (the logic of competition is operative here).

My central argument in this paper is that national governments (the same national governments whose failure to enforce their own labor laws started the debate for core labor standards internationally) have a key role to play in balancing the demands of the two logics of competition and employment-income protection. The central problems in the current approaches to labor standards regulation require, in our view, a new conceptualization of the role of national governments. In this paper, we ask specifically, What role, beyond the traditional role of governance and enforcement, could or should national governments play in international attempts to improve labor standards? We need to keep in mind that to begin with, the debate on labor standards started because of the failure of national governments to fulfill their traditional roles. Hence, it is appropriate to ask what else can national governments do to achieve better labor standards?

Consider that labor standards and its enforcement nationally have to balance the logics of competition and employment-income protection. New regulations need to be seen as being friendly to the interests of both developing and industrialized countries. Currently, there is a north-south divide here—the drive for labor standards comes from the “north” most often. To accomplish this, the movement for better labor standards will have to shed its profile as an initiative originating in high-wage countries and being exported to low-wage countries. As long as new regulations are seen as “external” initiatives, there will be resistance within developing countries to adopting them. What is needed is a process that will bring the issue of better labor standards into the internal debates within each country. In order for that to happen national governments need to be engaged and their engagement needs to go beyond their traditional roles.

In the search for solutions, it has been suggested that we blend “hard” regulation (i.e. the system of laws, monitoring and enforcement) with “soft” regulation (i.e. through education, awareness and moral suasion), with the intention of reshaping market forces and embedding them into a regulatory framework that protects core labor rights (Stone, 1999). We argue that while governments need to keep pushing in the area of better legislation and enforcement, this formal “hard law” approach alone will not be enough to make progress in the near term. To improve labor standards, national governments can develop an activist program to engage employers, unions and community groups in a dialogue over labor standards. This will develop a momentum around private

initiatives and help create the climate for more rapid social and political change. While such a “soft law” approach has not always attracted support from all advocates of labor standards, we view this role of national governments as the missing link between the current private initiatives on the one hand and the future “hard law” regimes that are expected to take shape globally, on the other hand.

Moreover, to bridge the North-South divide, it is vitally important to internalize the labor standards debate at the national level within each country. This approach would address some of the key problems of making progress in the past. In many ways, the UN’s *Global Compact*⁴⁾ is a similar idea at the international level. This process begun at the global level could cut across all industry sectors. The hope behind *Global Compact* is that the largest corporations’ voluntary compliance would lead to a snowball effect in which other companies, including suppliers, would follow. This expectation is not entirely unrealistic if the largest 500 firms were to comply. These firms would become eager, in turn, to see that the others comply with similar standards. It would be in their self-interest as well others’ to see the standards extended as far and wide as possible.

In our view, at the national level, each government would initiate a process similar to *Global Compact* at the national level⁵⁾. The process could be initiated by at a meeting of business, labor and government leaders at the national level. The parties would be charged with developing a set of standards for firms for both their domestic and international operations. These standards would establish a “floor” below which the signatories would undertake not to operate. Given that most of the participating firms may already be above the “floor”, it would not be costly for them to agree to a minimum standard below. If the experience of other industry groups is indicative, it would be possible to arrive at a set of standards to which that the largest 500 firms could agree.

The national pattern can be replicated in within various industry sectors. Initially, we see the process involving the largest businesses because they would have the resources to commit to this process. However, over time it can be gradually extended in stages to their own suppliers and other smaller firms that did not participate at the initial stages.

There are several advantages of repeating this process at the national level. A national-level adoption of core labor standards through a voluntary effort would cover a much larger segment of the domestic formal sector than under any other private initiative. The international private efforts can continue because they would have synergy with the transnational movement. Together, they would expand greatly the reach of corporate codes of conduct as we now know them today.

Further, the activist role of national governments could help move attention away from the North-South controversies. The unproductive divide between rich and poor nations will likely abate because *all* governments would submit to it, not just the rich or just the poor ones. When the labor standards debate becomes more prominent domestically, it is less likely to be seen as an external imposition by developing countries. If the process is still debatable, it would be debated by labor, management and government within the country. Our proposition is that if more countries, both rich and poor, adopted an activist government role, the process would appear more equitable to everyone.

The activist process could begin with any of the three actors. However, its best advocate is the government. By urging for better labor standards, Governments can appear to be leading the way. National governments can lead the way for businesses and labor to follow. As more national governments sign on to this process it will be easier for additional governments to persuade their firms and

4) Of the nine principles, two concern human rights, four address labor issues and the remaining three relate to environmental issues. The four labor principles are drawn from the ILO’s Fundamental Principles of Rights at Work. They are: right to freedom of association, elimination of forced labor, child labor and discrimination in employment. The Secretary-General, Mr. Kofi Annan, challenged world business leaders to voluntarily sign the UN’s *Global Compact*, which requires signatories to comply with nine principles including four concerning labor (Ruggie, 2000; Courchene, 2001).

5) This discussion builds on an earlier articulation of this issue in Verma (2004).

unions to join in the process.

This approach suggested here is not without its problems. A few key issues need to be addressed here. First, what is necessary to prod national governments (which have not been too effective at implementing protective labor legislation) to take on this new activist role? Second, what mechanism or incentives can the national government use (beyond moral suasion) to encourage large employers to adopt the kinds of standards and practices that we are suggesting? Third, what mechanisms will be there to ensure that large employers who agree to adopt these standards are actually practicing them? Finally, this paper is essentially suggesting a trickle-down effect from large employers to smaller and medium size employers. There are obvious obstacles to such trickle-down processes. Is there a way for governments to encourage smaller employers as well to adopt these practices?

One option, for a government wanting to be seen as more “activist”, is perhaps to provide a tax incentive, say, a percentage reduction of business or corporate taxes for those firms who adopt and comply with such practices. This is likely to increase adoption, as the cost of adopting core labor standards may not be as high as the reduction in taxes.

III. Conclusion

In sum, in this paper, we argue for a new conceptualization of the role of national governments in the international labor standards debate. In conceptualizing this new role, we are sensitive to the needs of governments to balance the need to be competitive (responding to the logic of competition) with the need to improve labor standards (responding to the need for employment-and income protection). Our argument realizes that we are coming around full circle to the original starting point, i.e., to the national government. However, given the failure of national governments at the “hard” approach, our new role for governments is now based on a “soft” approach that enables the governments to better attain a balance between the demands of two competing logics.

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