**Taking Workers' Rights on the Road?**
**Multinational Firms and the Transmission of Labor Practices**

Layna Mosley
Dept. of Political Science
University of North Carolina at Chapel Hill
mosley@unc.edu

*Draft, February 2013*

**Abstract:** This paper investigates the influence of multinational firms on labor-related outcomes in host economies. I posit that, under some conditions, and contrary to a "race to the bottom" logic, multinational corporations can promote the upgrading of labor-related practices. This potential for upgrading stems from the incentives faced by firms, both in terms of ensuring the efficiency of their global operations, and in terms of avoiding negative externalities for which they may be held accountable. Such incentives will vary across industries and types of firms; national-level analyses may obscure variation in these mechanisms. I begin by situating research on multinational corporations and labor rights in the context of recent scholarship in international political economy. I then describe the causal processes through which multinational firms may affect labor-related practices in host economies. I draw from literature that considers foreign direct investment as a source of spillovers, both in terms of technology as well as human resource practices. I suggest that the propensity of firms to generate spillovers depends on multinational firms' structure: where firms are organized hierarchically, we can expect a spillover from home to host economies. But, where firm structure is flat, or where the acquisition of subsidiaries is motivated by the parent firm's desire to access affiliates' technologies, such spillovers are unlikely to occur. Third, for situations in which spillover is likely, I consider the nature of labor-related practices that are likely to be transmitted. This relates to the prevailing practices in the home economy – a "varieties of capitalists" argument, as well as to the sector of the firm (labor versus capital intensive) and the extent to which the firm is exposed to the "spotlight" of shareholders and consumers. In the fourth section, I provide an initial analysis of the some of the paper's empirical implications, using data on firm attitudes and behaviors related to labor. I report evidence that foreign-owned firms, firms that produce for the export sector and firms that produce capital-intensive goods are more likely to protect labor rights than their domestically-oriented or labor-intensive counterparts.

For feedback on previous versions of this paper, I thank participants in the Transnational Integration Regimes and Domestic Institutional Change workshop (European University Institute), the IR Faculty Colloquium at Princeton University, and the Multinational Enterprises in World Politics conference. I also thank Edmund Malesky for including labor-related items on the 2012 PCI Vietnam survey.

To what extent, and through what mechanisms, do multinational corporations engage in the governance of labor-related issues? Although transnational human rights activists often characterize multinational corporations as sources of labor rights violations – creating "race to the bottom" incentives in host economies – research on firm-level behavior suggests that multinational corporations can instead promote the upgrading of labor-related practices. While MNCs may have some incentives to engage in behaviors that generate externalities for host countries – for instance, to exploit their workers by exposing them to dangerous chemicals, or to repress workers' attempts at collective mobilization – many firms face another set of contradictory material incentives. These incentives, which can contribute to the upgrading of labor-related practices in host economies, relate to the benefits of standardizing practices across affiliates, as well as the potential costs to firms for violating corporate social responsibility commitments. Put differently, the benefits to firms of engaging in behaviors that generate negative externalities for workers are often offset by the costs of doing so. Therefore, understanding the potential effects of MNCs on host country labor-related outcomes requires greater attention to firm- and sector-level variation in firm attitudes and behaviors.

I begin by situating research on multinational corporations and labor rights in the context of recent scholarship in international political economy. In Section II, I describe the mechanisms by which multinational firms may affect labor-related practices in host economies. In doing so, I rely on literature that considers foreign direct investment as a source of spillovers, both in terms of technology as well as human resource practices. I suggest that the propensity of firms to generate spillovers depends on the type of multinational structure: where firms are organized hierarchically, we can expect a spillover from home to host economies. But, where firm structure is flat, or where the acquisition of subsidiaries is motivated by the parent firm's desire to access affiliates' technologies, such spillovers are unlikely to occur. Third, for situations in which spillover is likely, I consider the nature of labor-related practices that are likely to be transmitted. This relates to the prevailing practices in the home economy – a "varieties of capitalists" argument, as well as to the sector of the firm (labor versus capital intensive) and the extent to which the firm is exposed to the "spotlight" of shareholders and consumers. In the fourth section, I test some of the empirical implications of this claim, using data on firm attitudes on labor-related issues. Are foreign-owned firms, firms that produce

for the export sector and firms that produce capital-intensive goods more likely to protect labor rights than their domestically-oriented or labor-intensive counterparts? Section V concludes with a discussion of additional empirical tests that would further explore the causal claims presented.

## I. Multinational Production, Labor Rights and International Political Economy

Human rights activists, consumers and corporate shareholders often are concerned with workers' rights and working conditions, especially in the developing world. Activists note that workers often suffer various sorts of repression, ranging from exposures to hazardous chemicals and forced overtime without pay to a denial of the right to organize or bargain collectively (e.g. Freedom House 2010, ITUC 2011). At the same time, some multinational corporations worry about the negative consequences that can result when activists' "spotlight" identifies problems in their factories or those of their suppliers (Spar 1999). For instance, a decade ago, reports of abuses in Nike's supplier factories -- including the underpayment of wages by subcontractors in Indonesia; the use of child labor in the production of soccer balls in Pakistan; and exposure of workers in China and Vietnam to a variety of dangerous chemicals-- received widespread public attention (Locke 2003). Firms' concerns about the negative effects of such reports on reputation and sales, coupled with activism from groups such as United Students against Sweatshops, has generated an expansion in individual corporate codes of conduct, as well as a growth in industry-wide efforts at corporate social responsibility (CSR; OECD 2001). More than 7,000 firms, in 145 countries, now participate in the United Nations' Global Compact initiative, in which businesses commit to meet standards of behavior related to labor, as well as to human rights, the environment and anti-corruption.

The occurrence of workers' rights violations in many parts of the developing world, coupled with the increase in multinationals' production abroad, has brought to the fore the causal link between these phenomena: to what extent does participation in the global economy lead to deteriorations in labor-related outcomes, as developing country governments and firms seek a competitive edge? Alternatively, under what conditions might multinational production, via the positive externalities it sometimes generates in host economies, lead to improvements in workers' fates?

In recent work (Greenhill, Mosley and Prakash 2009, Mosley 2011), I examine this question. I posit that the way in which multinational production is structured – whether it occurs via arm's-length subcontracting or via directly owned production – affects its consequences in developing host economies. I predict that, all else equal, greater levels of FDI will be associated with greater respect for workers' rights; but higher levels of subcontracting activity will be associated with weaker protections for workers. To test these expectations cross-nationally, I employ newly-developed measures of collective labor rights outcomes, which cover a wide set of low- and middle-income countries. I report that, indeed, developing countries with higher levels of trade openness exhibit greater violations of collective labor rights – a pattern consistent with "race to the bottom" concerns (also see Compa and Vogt 2001, O'Rourke 2005, Greenhill et al 2009, Hafner-Burton 2009, Locke et al 2007, Vogel 2009). At the same time, however, higher levels of FDI are associated with greater respect for collective labor rights.[1]

While this research helps to advance the debate regarding economic globalization and labor rights, it is conducted largely at the country (rather than industry or firm) level.[2] Although firm- and industry-level work that seeks to assess the effects of global production on labor-related outcomes certainly exists, its focus is usually on single firms or sectors, and often with an emphasis on the most visible industries (e.g. factories owned by, or that subcontract for, brands such as Nike, Gap or Reebok). Much of this work, undertaken by activists as well as scholars, focuses on demonstrating that violations exist in foreign-owned or foreign-subcontracted factories, rather than on evaluating *whether* violations exist, and the extent to which they exist in foreign-oriented versus domestically-oriented firms and sectors.

Within international and comparative political economy, however, research that explores the consequences of foreign direct investment for policy outcomes has retained a national-level focus, especially in terms of its empirical content. Yet firms, and particularly multinational corporations, are central to many research programs: for instance, the debate regarding the extent to which globalization generates cross-national policy convergence puts businesses at its center: capital's cross-border mobility allows it to make

[1] Other statistically significant correlates of collective labor rights include regime type, income per capita, country size (population) and labor rights outcomes in a country's geographic region.
[2] For recent work that begins to consider differences in the effects of FDI by economic sector, see Blanton and Blanton 2009, Pinto and Pinto 2008. Also see Locke 2013 for work that employs firm-level data on labor-related practices.

credible threats of exit; if governments respond to such threats, regulatory races to the bottom could result.[3] Similarly, firms' preferences over trade policy (Bauer, Pool and Dexter 1963, Milner 1988), host country political institutions (Jensen 2006) and social policy (Mares 2003, Martin and Swank 2001) feature prominently in contemporary political economy. Firms also are the key actors in theoretical accounts of industry self-regulation (e.g. Haufler 2000); private-sector standard-setting (Büthe and Mattli 2011); and financial sector regulation (Singer 2007). Yet political scientists have tended to test these theoretical logics with data from the country, rather than firm or sector, level. The use of cross-national data allows for the inclusion of a wide range of countries and years, but it also creates a disjuncture between the level of analysis of the causal mechanisms, on the one hand, and the level of analysis of the data, on the other. As such, it may fail to illuminate the precise causal mechanisms by which firms influence public policy outcomes.[4] In the remainder of this article, I offer one means of moving the analytical framework to the firm level, discussing how firm- and sector-level attributes are likely to generate subnational variation in the attitudes and behaviors of firms with respect to labor-related issues.

While individual firms' actions on labor-related issues stem from the incentives they sometimes face – competitive pressures as well as pressures to avoid generating certain negative externalities – we also can think of firms' collective behavior as a source of global governance. In the labor rights area, host country governments may fail to provide legal protections of internationally-recognized core labor rights (see, for instance, Weisband 2000).[5] Even when legal protections are offered, governments may – for reasons of political capacity or political will – fail to effectively enforce such rights (Greenhill, Mosley and Prakash 2009, (see Rodríguez-Garavito 2005).

At the same time, the international institution that works most directly on labor rights, the International Labour Organization (ILO), has little capacity for direct enforcement, and its material resources

[3] A range of empirical evidence suggests that this causal story is too simplistic but, in any case, it offers a central role for firms (as well as investors).

[4] Note that some recent work in international political economy on MNCs has moved to the firm level, using surveys of firm behaviors or attitudes. See Jensen 2010, Locke et al 2007, Malesky and Tausig 2010.

[5] These rights include the elimination of all forms of compulsory and forced labor; the prohibition of discrimination in employment and pay based on race, gender, ethnicity or religion; the elimination of child labor (or, at least, "the worst forms of child labor"); and freedom of association and the right to collective bargaining.

are very limited. Its role is more one of making explicit general norms of behavior (which may or may not be embraced by governments, perhaps with prodding from activists, as in Keck and Sikkink 1998); of providing information via its monitoring and adjudication processes; and providing technical assistance to governments, sometimes in conjunction with firms and NGOs (Abrami 2003; Chiu 2007). We might view the recent emergence of industry-level codes of corporate conduct as an attempt to fill the governance gap in the area of labor rights: industry self-regulation and private-public partnerships could serve as alternate means of affecting labor rights outcomes (Abbott and Snidal 2010, Mattli and Woods 2009). These new forms of governance, like their interstate predecessors, also involve considerations of power; they do not necessarily generate improvements in labor rights, although they may do so under some conditions. Again, these forms of governance highlight the importance of considering firm- and industry-level processes.

## II. Multinationals as Sources of Practices: the Spillover Mechanism

While political science has devoted scant recent attention to firms, scholars in fields including industrial organization, economic geography and sociology offer a rich literature on which to draw. Theories of multinational organization, such as Dunning's OLI (organization, location and internalization) framework (1992) and those addressing firms' mode of entry into foreign markets (Antràs 2005, Helpman et al 2004, Henisz and Williamson 2001), focus on the strategic considerations of individual firms. Other analyses consider a single firm, with a focus on the relationships among its constituent parts (e.g. Kristensen and Zeitlin 2005). And work in the global value chain (GVC) tradition treats industries and their distinctive supply chains pattern as the central feature of interest (Gereffi et al 2005).

This existing literature suggests three mechanisms by which multinational firms influence labor rights outcomes in developing nations. First, firms could act as developers or sources of labor-related standards. For many firms, the desire to appear "responsible" (in line with the general trend toward corporate social responsibility, CSR) has created a market for labor standards (Elliott and Freeman 2003); this is part of a more general "market for virtue" (Vogel 2005; also see Bernhagen and Mitchell 2010). Indeed, Vogel (2009) notes the existence of over 300 industry or product codes, nearly all of which address labor or environmental

practices; more than 3,000 global firms now issue reports on their social and environmental standards (also see Bartley 2003 2007). The rise of corporate codes reflects a confluence of factors, including firms' concerns about consumer or shareholder pressure in home countries and other product markets,[6] as well as the efforts of human and labor rights activists to bring pressure to bear on large, visible ("branded") firms. Firms that seek a longer-running relationship with host country governments – perhaps because they intend to sell their product to local consumers, or because they envision a continuing production presence – may be particularly inclined to protect their reputation in the host country. Mutual monitoring also contributes to the diffusion of firm-level codes of conduct: where competitor firms in the same industry monitor one another's behavior, each firm has an added interest in protecting its reputation (Sabel 2006). Moreover, when lead firms require other firms in their supply chain (subcontractors) to adopt the lead firm's code of conduct, as Nike did in 1997, private voluntary standards can spread through production networks.

The diffusion of private codes of conduct raises many questions about their effectiveness; codes vary in their provisions for monitoring and enforcement and, thus far, the empirical record is mixed. Locke and colleagues' studies of labor conditions in global supply chains (Locke et al 2007, Locke et al 2009, Locke 2013) suggest that foreign-owned (versus domestically-owned) supplier firms in developing nations have higher rates of compliance with corporate codes of conduct. Furthermore, those suppliers that have a longer-term relationship with a supplier are better able to effect improvements in labor conditions (also see Barrientos and Smith 2007, Frenkel 2001). This suggests that foreign firms may serve as a source of better labor practices (see below), and that lead firms' propensity to form longer-term supply chain relationships facilitates effective private sector-based rulemaking. Of course, there remain many unresolved questions regarding private voluntary governance in the area of labor rights, an issue I return to in the conclusion.

Second, firms might influence host country governments' adoption of new, or enforcement of existing, labor rights laws. MNCs may attempt to effect host country changes because of competitive pressures: foreign firms sometimes have incentives to guard against the generation of negative externalities in

[6] For instance, Potoski and Prakash (2009) find that developing nations with higher levels of ISO 9000 (a set of standards for quality management systems and practices) export more products, all else equal, than countries with lower rates of adoption. They argue that ISO 9000 adoption helps to provide information to foreign firms (purchases of exports) about the ways in which products are manufactured.

their host economies. For example, they may have incentives to implement labor practices that exceed what is legally required in the host country. But, when such MNCs compete with domestically-owned firms – either in domestic markets or in third countries – they may worry that their superior practices put them at a cost disadvantage. Lobbying host governments to ratchet up their country-level labor regulations offsets this competitive disadvantage. Indeed, studies in the environmental policy field observe such a "race to the top" dynamic (Garcia-Johnson 2000, Prakash and Potoski 2007; Perkins and Neumayer 2010). I expect that this sort of activity is more likely to occur when MNCs are compelled, for market-seeking or resource-seeking reasons, to locate in a given jurisdiction; and when they face competition from domestic firms.

Multinationals' efforts to change host country legal environments also may stem from concerns about market access. Preferential trade agreements, as well as the Generalized System of Preferences (GSP) programs, increasingly link access to markets with various human and labor rights conditions (Hafner-Burton 2009). Although these provisions are not consistently enforced *ex post*, they provide some *ex ante* influence to partner countries, as well as to labor activists in those countries (Kim 2011). If US firms want to see the passage of a free trade agreement with Colombia, for instance, and if a condition for such an agreement is greater legal protection for trade unionists, then key US firms with operations in Colombia may lobby its executive and legislature for legal changes. This mechanism, like the first, generates several hypotheses for future firm-level research.

Third, firms can transmit their labor-related practices across national borders. My focus is on this mechanism, which I broadly term as "spillover." Firms can affect labor rights outcomes in host economies via the transfer of human resources, or labor-related, practices from their headquarters to their host-country affiliates, to subcontractors in their supply chains, and, over time, to domestically-owned firms in the host economy. This process is an instance of the broader category of spillovers, in which multinational firms generate a variety of positive externalities in host economies (see Crespo and Fontoura 2007, Jordaan 2009 for reviews).

The literature on spillovers identifies a variety of causal linkages between MNC practices or technologies and host country practices or technologies: first, foreign-owned firms often have input and

output linkages with host-country suppliers; these linkages facilitate knowledge transfer. Second, as workers move from foreign-owned to domestic-owned firms, they transmit knowledge to local firms. Third, in a more informal process, managers of domestic firms observe the practices of foreign firms, and perhaps interact with foreign firm managers socially; the resulting "demonstration effect" leads to changes in home country firms' practices (Ferner and Varul 2000). Finally, the presence of foreign-owned firms may create competition in the host economy. When domestic firms are competitors with (rather than suppliers to) foreign-owned firms, these firms must improve their own practices in order to remain competitive (Alfaro and Rodríguez-Clare 2004). The general claim regarding spillovers, then, is that the presence of foreign-owned firms generates a variety of positive externalities in the host economy.

Note that each of these mechanisms for spillover assumes certain types of foreign-owned firms: the first requires that multinational firms have supplier relationships with host country firms. If foreign-owned firms operate in a more enclave-type situation, in which they purchase inputs from abroad rather than domestically, this process will not occur. Some have noted, for instance, that Japanese MNCs tend to carry their work organization practices abroad, but that they also guard these practices as proprietary business knowledge (Ferner 1997). As a result, there is little diffusion beyond local affiliates. Similarly, the third mechanism requires interaction between employees of foreign- and domestically-owned firms. And the final mechanism, based on competition, assumes that MNC affiliates and locally-owned firms are competing domestically, either in terms of the labor market (both attempting to hire from the same pool of workers) or in terms of products (both attempting to sell to the same set of buyers). While each of these conditions exists under some circumstances, they are not universal.[7]

The literature on the spillover of knowledge and industrial technologies is characterized by a debate regarding the extent to which spillovers occur. Some studies report that foreign-owned firms indeed have higher levels of labor productivity, and that domestic firms in the same sectors benefit from the presence of foreign firms (e.g. Blomström and Sjöholm 1999; Haskel et al 2007). Burstein and Monge-Naranjo (2009)

[7] Another consideration is the extent to which foreign lead firms serve to diffuse standards and practices throughout their supply chain, versus externalizing the costs of competitive pressures on firms and workers further down the supply chain. Posthuma and Nathan's (2010) study of India suggests, for example, that lead firms may either promote *or* retard industrial and social upgrading.

suggest that host countries – especially those in the developing world – experience significant benefits, related to MNCs' superior management practices, from the arrival of foreign firms. Other work finds less of an effect. And still other work posits that some spillovers are negative, in that domestic firms may be harmed by the presence of foreign firms (Aitken and Harrison 1999).

The most recent generation of scholarship on technological spillovers finds that their extent and nature (positive or negative) is conditional on the level of foreign participation in the host economy (Javorcik and Spatareanu 2003); the nationality of foreign firms; the motivation (exploiting technological superiority or differences in unit labor costs; or accessing superior technology in the host economy) of foreign firms (Driffield and Love 2007) ; and the absorptive capacity of host country firms (Crespo and Fontoura 2007). Some recent work also suggests that technological spillovers may happen less within, and more across, industries (Alfaro and Rodríguiez-Clare 2004, Jordaan 2009).

With respect to labor-related practices, there are a variety of mechanisms that facilitate the transfer of practices from home to host country facilities. Multinationals often are interested in standardization across their operations, as it limits the fixed costs associated with operating subsidiaries abroad (Helpman et al 2004, Pauly and Reich 1997). The very practices that render firms more likely to become multinational in the first place – that is, that make them among the most efficient firms in their home economy – also can be used to maintain productive advantages abroad. And, assuming that multinationals' managerial practices significantly affect their productivity, it makes sense that multinationals will carry these practices to their foreign operations.[8]

This efficiency-motivated transfer of practices also occurs in the area of environmental regulation. Multinationals with operations in developing countries often implement technologies and policies that mimic those used at home; these often exceed the requirements of host countries (Dasgupta et al. 2000, Prakash and Potoski 2007). Garcia-Johnson (2000) reports that U.S.-owned chemical firms operating in Brazil and Mexico tended to bring higher-end technology with them, because they found it more efficient to standardize across

[8] Consistent with the notion that foreign direct investment is a mode of entry pursued by the most efficient firms, Bloom and Van Reenen 2010 offer empirical evidence that multinationals' management practices are superior to those of other national firms.

facilities. This suggests a pattern of upgrading, in which the most stringent set of regulations to which a firm is subject become the standard practice across that firm's facilities – a sort of "California effect" (Vogel 1995). Moreover, in the area of management techniques, Bloom and Van Reenen (2010) find that multinational firms have some success in transporting their better practices, even when local conditions are not conducive to such transfers.

A second mechanism that facilities the transfer of labor practices from home to host country facilities is labor market competition. MNCs that are seeking to reap efficiency gains abroad often are attracted by lower production costs, including the lower (relative) cost of labor. But overall labor costs are a function of wages as well as productivity; MNCs often are interested in hiring at the top of the local labor market. In developing nations, for instance, they seek to hire the most skilled workers, even when the overall labor pool is relatively unskilled. They also aim to retain these workers, particularly if they have provided them with specialized training.

Consistent with this mechanism, a variety of studies document the existence of a multinational wage premium, in which foreign-owned firms tend to pay higher wages for workers engaged in similar tasks and within the same industry (Flanagan 2006). Using plant-level data for establishments in Finland, for example, Huttunen (2007) finds that the foreign acquisition of domestic firms has a positive and significant effect on wages. This effect, which occurs over several years, is above and beyond that related to plant and worker characteristics, industry or region effects, or to acquisition generally. The data from Finland do suggest, however, that foreign firms hire workers that are more skilled that comparable domestically-owned firms, offering further support to the notion that MNCs endeavor to hire at the top end of the local labor market. Other studies also find that MNCs undertake greater efforts in the training of local workers than do their domestically-owned counterparts (Alfaro and Rodríguez-Clare 2004). In addition to offering higher wages as a means of attracting the best workers, MNCs also can offer better working conditions and respect for collective labor rights. Doing so not only helps MNCs to attract and retain the most productive workers; it also can avoid labor unrest (Moran 2002). And, for MNCs that worry about pressures from transnational

labor rights activists – firms from developed countries, firms with high public visibility, and firms that manufacture branded and luxury goods – bringing home country "better practices" has additional benefits.

Competition in the local labor market also provides an opportunity for the broader diffusion of foreign firms' practices, both through learning (as in Dimaggio and Powell 1983) and through competition. If domestic firms want to improve their capacity to compete in hiring the most productive workers, then they, too, must offer higher wages and improved labor conditions. A material interest in productive local suppliers also can play a role. For instance, Jordaan's (2009) study, based on firm-level surveys and interviews in the Mexican state of Nuevo Leoń, finds foreign-owned firms offer assistance to suppliers with training at more than twice the rate of Mexican-owned firms. 59% of FDI firms, compared with 22% of Mexican-owned firms, offer training program support to their suppliers of material inputs. A similar pattern holds for offering training programs to suppliers of production services. This pattern also holds in multivariate analyses, although first generation *maquila* firms are less likely to provide training. We can expect, then, that the spillover of labor rights practices will extend beyond individual firms' subsidiaries and supply chains (Moran et al 2005).

Given the above logic, we could imagine that multinational firms serve as direct conduits for human resource practices. As most MNCs operating in developing nations are based in jurisdictions with more stringent labor rights laws and practices, foreign direct investment should generally be a mechanism for the upgrading of labor rights.[9] Moreover, given that developing nations receive FDI from varying home countries, we might expect that the precise nature of the practices that are transferred will differ (Mosley 2011). For instance, developing economies with a high proportion of FDI from labor-friendly Scandinavian nations will receive a different set of diffused labor-related practices than will developing economies with a high proportion of FDI from the UK and the US (see below). This is consistent with work in the organizational behavior field, which reports continued "country of origin" effects on human resource practices (Ferner 1997). And, as outward FDI from emerging markets expands, we might expect additional differences in the types of labor rights practices that are brought to host economies.

[9] Note, though, that the host country legal environment also affects the transmission of practices: MNCs may sometimes be legally constrained from implementing certain policies when they go abroad (see Ferner 1997).

Several caveats are therefore in order: first, while national "varieties of capitalism" (Doremus et al 1999, Hall and Soskice 2001) may influence the type of labor-related practices that are brought to host economies, national identity is not the sole determinant of firms' human resource and labor practices. We can expect significant variation in firm practices within, as well as across, countries.[10] Even if we expect theoretically that firms will transfer practices across national borders, we need to know something about the content of those practices: are they oriented toward individual or collective labor rights, or both? Are they consistent with internationally-recognized labor standards? Do they meet or exceed host countries' domestic legal requirements for the treatment of workers? Second, while multinational firms have some incentives to retain their headquarters' practices, they also may face pressures to adapt their technologies and management practices to the host economy (Berger and Dore 1996). Indeed, many MNCs attempt to ensure that their home-country managers gain an appreciation for local business and cultural practices. Such training might lead to the diffusion of practices, but in the reverse direction, from domestic firms to foreign affiliates.

Third, and perhaps most importantly, not every developed nation MNC is likely to bring best (or better) practices to host economies. Indeed, we can expect that some MNCs are fleeing, rather than exporting, home country labor regulations; this would generate a competitive lowering, rather than an upgrading, of labor-related outcomes (Ferner 1997). This logic underlies the race to the bottom claim. Although this claim has not received strong systematic empirical support in the comparative and international political economy literature, it likely holds under some conditions. For example, in their study of firm-level FDI flows across western and eastern European nations, Javorcik and Spatareanu (2005) find that greater flexibility in the host country's labor market policies significantly and positively increases the probability of direct investment. This effect exists as an absolute as well as a relative one: the larger the gap between home and host country labor market regulations, the more likely direct investment is, all else equal. Similarly, Rosenzweig and Nohria (1994) find that German and Swedish affiliates operating in the US have human

[10] Note that "new new trade theory" would suggest that firms that engage in exporting, and especially those that become multinational, differ in important ways from those that remain domestically-focused. Such firms tend to be more efficient and larger; what this means for their labor-related practices is an open question.

resource policies that are quite different from those of their parent firms; they posit that, given the gap between US and European HRM practices, these affiliates find it necessary to adapt to US practices.[11]

Therefore, the tendency to transplant home country practices should be greater in higher-technology, higher-skill sectors, in which competition to attract skilled labor is most important. I also expect, however, that firms in labor-intensive sectors will be less likely, all else equal, to push for an upgrading of standards in their host-country facilities. These firms are more sensitive to labor costs and less concerned with labor productivity and skill. Put differently, the costs of labor standards upgrading – the reward for avoiding certain host-country externalities -- outweigh the benefits for such firms. Of course, foreign direct investment is generally less prevalent (compared with subcontracting) in industries such as apparel and textiles (see Mosley 2011). In addition, MNCs' labor-related practices are more likely to diffuse throughout the host economy when MNCs are more integrated with the host economy, either in terms of purchasing inputs from local suppliers, or in terms of seeking to service domestic markets.[12] And diffusion throughout the host economy also is conditional on existing domestic institutions. If domestic labor regulations are particularly stringent, for instance, MNC practices will have a much smaller effect. In his examination of the German automobile industry, Streeck (1996) notes that German labor legislation, combined the country's broader set of domestic institutional arrangements, greatly limits the transposing of Japanese-style lean production to the German context.

Moreover, the way in which foreign direct investment enters the host economy also makes a difference: when MNCs are created or expanded via mergers and acquisitions (so that an existing local firm is purchased), the transfer of practices is less likely (also see Crespo and Fontoura 2007, Kristensen and Zeitlin 2005). Such firms are multinational in structure, but for reasons that often relate more to a financial

---

[11] Ferner (1997) also offers a "cultural distance" dimension to this argument: where foreign MNC human resource practices are markedly different from local ones, it is more difficult for MNC managers to affect changes in local affiliates. Björkman et al's (2007) study of European MNC affiliates compares the management practices of those operating in Russia with those operating in Finland and the US. They find that a gap in host and home country practices makes the transmission of practices more, rather than less, likely. Affiliates operating in Russia are more likely to bring home country MNC policies along with them, rather than adapt to the local market environment. Their argument is that the large gap between host and home country practices and laws (especially in Russia) generates a greater functional need for the international transmission of best practices.

[12] In his study of technological spillovers in Mexico, Jordaan (2009) finds that newer (second and third generation) *maquila* firms are more integrated into the host economy, and more likely therefore to generate spillovers, than are their first generation counter parts.

diversification strategy than to a desire for horizontal and/or vertical integration. Conversely, FDI that reflects a greenfield project, in which a foreign subsidiary is created, will likely be associated with the transfer of practices from home country headquarters to host country affiliates. Given these considerations, we can expect the diffusion of best practices to vary with the type of corporate structure, the industry or sector (and, specifically, its knowledge and capital-intensity), and the nature of labor-related practices in the home economy (or, in the language of organization theory, the HRM – human resources management[13] – environment). I further develop these expectations in the next section.

**III. Bringing Best Practices?**

The extent and nature of the transfer of practices from multinational firms to their host country environments will vary in systematic ways. When we consider the possibility for the influence of corporate headquarters on labor rights practices in affiliates and subsidiaries (and, ultimately, in domestically-owned firms), two dimensions are important: first, the nature of firm-level practices that could be transmitted (that is, what are the firm's standards?); and second, the availability of mechanisms for their transmission (that is, the likelihood that the headquarters and affiliates are organized in such a way that renders developing country affiliates likely to receive "best practices" from the home country headquarters).

Table 1 summarizes these features; the columns indicate the nature of firm-level labor rights practices. Is the firm more concerned, overall, with the reduction of labor costs, or with the retention of highly-skilled workers? The former is most likely in cases of labor-intensive sectors, particularly for producers of non-branded commodities. Such firms are very sensitive to labor costs, and less concerned with productivity and skill. These are firms that use direct investment to exploit the locational advantage of lower labor costs (assuming a given level of productivity) and regulations; such firms could be understood as fleeing from home country best practices (exploiting the gap between home and host economies), rather than bringing better practices with them. Furthermore, these firms often operate as part of buyer-driven commodity chains (Gereffi 2001), in which buyers' price considerations trump most other factors. These

---

[13] Literature in the HRM area focuses on practices that include employee training, performance-based compensation, performance appraisal, merit-based promotion and internal communication protocols.

types of MNCs will be loathe to press for the improvement of labor standards in host economies. Of course, foreign directly-owned production is less prevalent than subcontracting as a mode of entry in labor-intensive industries such as apparel and textiles.

**Table 1: Predictions Regarding the Transmission of Labor Rights Practices**

| **Character of Firm-Level Labor Practices** / **Structure of Authority in Corporation** | **High Standards, Concerned with Labor Productivity and Retention** | **Low Standards, Concerned with Labor Costs** |
|---|---|---|
| **Hierarchical, One Way from HQ to Affiliates** | Upgrading of labor standards most likely | Transmission of standards likely, downward convergence |
| **Flat or Parallel** *no transmission* | Labor standards remain divergent across the firm | Labor standards remain divergent across firm |
| **Reverse** *affiliates to HQ transmission* | Downgrading of labor standards in HQ possible | Upgrading of labor standards least likely |

On the other hand, firms in higher-technology, higher-skill sectors, as well as those that have a high level of visibility with shareholders and consumers, are more likely to bring home country human resource practices to their facilities abroad.[14] Assuming that skill- and capital-intensive firms bring best practices with them to their foreign production facilities, we should then ask what the content of such practices is. We might imagine that firms from home economies with greater protections for collective labor rights will be more likely to allow, or even promote, collective labor organization in their facilities abroad. But firms from home economies without strong traditions of collective wage bargaining may focus more on individual conditions and rights (e.g. wages and benefits; see Golden et al 1997, Hafner-Burton 2009) than on collective

[14] This discussion assumes that there is a similarity among firms in the same industry regarding labor-related practices. This is akin to the notion of "industrial recipes" in which there is a sector-level consensus among managers regarding appropriate business practices. See Whitley (1987). In their analysis of firm membership in the UN Global Compact, Bernhagen and Mitchell (2010) argue that the home country political environment provides incentives for home country firms to join and adhere to corporate codes. In countries with stronger environmental activism, for instance, firms will gain a greater domestic material benefit when they participate in such codes. Similar, where the UN is perceived as more legitimate, the rewards to firms for participating in a UN-based program are greater.

ones. Therefore, even when MNCs transfer practices, the content of these practices will vary.[15] One might expect, for instance, that national "varieties of capitalism" (Hall and Soskice 2001) will have implications for the types of practices carried abroad. And, as a country's sources of foreign direct investment change – for instance, as China and India become more important as home countries for MNCs – the character of transmitted human rights practices also will vary.

The rows in Table 1 summarize the other key feature, which is the structure of authority in the multinational firm. If the firm's structure is hierarchical, as in many vertically integrated firms, then we can expect strong lines of authority running from headquarters to affiliates. Through these lines of authority, the standardization of practices across subsidiaries, as well as the direct transfer of such practices via management, is likely. Firms will tend to act as innovators, bringing new (relative to the host economy) practices to their foreign operations. We might imagine such situations to prevail where greenfield investment is the main mode of firm expansion; such MNCs may create production facilities in developing nations in order to take advantage of various locational advantages; in such instances, a firm's value chain may be split into many pieces, each representing one or more stages of the overall production process. Strong "lead firms," as described in the literature on global value chains, are able to set standards not only for production and components, but also for the behavior of their affiliates and subsidiaries (Gibbon et al 2008). These producer-driven commodity chains are categorized by significant hierarchy. For instance, Prakash and Potoski (2006) describe how multinational firms pressure subsidiary firms in developing countries to adopt voluntary environmental standards (ISO 14001). In this model, the transmission of practices throughout the firm is quite likely; the MNC's units are under the direct control of headquarters; and the MNC behaves in a way that is quite rational.[16]

Another possibility, however, is a flat or parallel industrial structure, one that might characterize a horizontally-integrated firm (the firm serves multiple markets, each with a parallel structure; it also may be

---

[15] Another possibility is that some types of labor-related practices are more subject to host-to-affiliate diffusion than others. Ferner (1997) notes, for instance, that foreign affiliates' practices are more likely to resemble those of the host country in areas such as wage determination and hours of work. Home country practices may be more important in areas such as management development.

[16] Kristensen and Zeitlin (2005), following Perlmutter's (1965, 1969) typology, would describe this model as the ethnocentric phase of the multinational; a high level of hierarchy prevails. Also see Whitley (1987).

active in multiple sectors; Whitley 1987), as well as a firm created by mergers and acquisitions of existing entities (rather than by the creation of new entities). Under such structures, the affiliates and subsidiaries of the MNC may act quite autonomously from their headquarters firm, making the transmission of practices from headquarters to affiliates, or the standardization of practices across affiliates, unlikely. Kristensen and Zeitlin (2005)'s study of APV, a UK-headquartered multinational, offers such an example. The firm was created through a series of acquisitions and mergers, and each subsidiary retained its distinct practices. Indeed, the subsidiaries had significant autonomy from corporate headquarters, and each subsidiary acted in ways that remained quite distinct. The corporate headquarters was focused on the firms' valuation on the stock market; as such, it cared about the subsidiaries' overall financial results, but not how they achieved such results.[17] In such a "polycentric" situation, the diffusion of practices across the MNC is quite unlikely (also see Björkman et al 2007, Ferner 1997). Rather, subsidiaries are operated by host-country managers, and their connections to the larger corporate entity are quite tenuous. These affiliates often act as adapters (to host country practices) rather than innovators (Ferner and Varul 2000).

With regard to human resource practices, then, such firms are likely to exhibit little cross-corporate convergence, and limited diffusion of knowledge from the headquarters to the affiliates. Particularly when firm expansion occurs rapidly – with numerous acquisitions or mergers in a short period of time – it is likely that affiliates will act more like subcontractors (that is, retaining their distinct corporate identities) than like parts of a single corporate chain.  Note the implicit contrast between FDI which occurs through a greenfield process and that which is accomplished through acquisitions and mergers (also see Crespo and Fontoura 2007). Most discussions of FDI in the international political economy literature discuss direct investment in ways that assume the former; and, of course, overall measures of national-level investment pool together M&A with greenfield FDI. Yet we might imagine that M&A has very different effects on host countries than does greenfield investment.

[17] Note that the firm in Kristensen and Zeitlin's study was publicly traded, giving managers incentives to privilege the views of capital markets and institutional investors. We might ask how the dynamic varies for privately-held firms, which presumably are not subject to the "institutional equity nexus."

A final possibility, with regard to industrial structures, is a situation in which the structure of authority in the corporation, or at least the transmission of management practices, operates in reverse. Rather than diffusing from headquarters to affiliates, practices diffuse from affiliates to headquarters – a reverse diffusion. Along these lines, Ferner and Varul (2000) analyze the practices of German multinationals operating in the UK. On the basis of semi-structured interviews with approximately forty German subsidiaries, they find evidence of reverse diffusion of human resource management and work organization practices in half of German MNCs.[18] Another variant of such a process would be the convergence of practices among units of a firm: different affiliates may learn from one another, so that firm level practices become more similar, but not in a process that's necessarily directed by corporate headquarters. This process may be most likely in MNCs that seek a single, global strategy, because they aim to serve worldwide (rather than regional or national) markets.[19] Reverse diffusion also is possible when acquisitions are themselves driven by a desire to gain access to intangible assets. For example, firms based in emerging markets may seek to gain expertise about a given developed country market and its production processes by acquiring a firm based there – a "late industrializer" strategy. Along these lines, Driffield and Love (2007) note that some direct investment is motivated by superior technologies in the host economy: in such "technology sourcing" instances, firm tend to borrow knowledge from their foreign affiliates, rather than the reverse.[20] Therefore, if the production technologies employed in the newly-acquired affiliate are attractive to the headquarters firm, we may observe a reverse diffusion process.

In terms of labor rights practices, it is difficult to predict what such "reverse diffusion" situations will imply. This depends largely on the nature of the affiliates whose practices are emulated. The downgrading of

---

[18] Given the largely inductive nature of Ferner and Varul's study, however, its external validity remains open to question.

[19] Diffusion also could occur among multinational firms from different parts of the world, if a set of globally-accepted best practices gains acceptance. Björkman et al (2007) examine the possibility of this process. They hypothesize that MNC subsidiaries in countries without strong human resource management traditions will be most inclined to adopt the practices of their parent firms. Ferner and Varul (2000) describe how some German MNCs established international human resource committees, which served as forums for managers to discuss practices in various affiliates. These committees sometimes were the locus of cross-firm adaption of a given managerial practice.

[20] Driffield and Love (2007) test their argument using data on FDI inflows to the UK. According to their categorizations, most inward FDI does not fall into this "technology sourcing" category. Rather, its motivation is "technology exploiting" (where foreign affiliates have technology that is superior to that of host country firms) or efficiency seeking (taking advantage of differences in unit labor costs). Driffield and Love's analysis suggests that (unlike technology-exploiting investment) technology-sourcing FDI does not provide positive spillovers to the host economy, and may even generate negative spillovers.

human resources management practices is possible, but so is an upgrading – or a revision, in a way that is perhaps more neutral for workers' outcomes – of these practices. Table 1 then implies that we will observe marked variation in the transmission of labor-related practices across national borders and within firms. Hierarchically-structured MNCs in knowledge- and capital-intensive sectors are likely locations for the upgrading of labor rights practices in developing host economies. But non-hierarchical MNCs in labor-intensive industries are likely to experience little transfer of "best practices." And when multinational firms attempt to borrow practices from their acquired affiliates, particularly in cost-sensitive industries, downward pressures on human resources practices may occur.

Lastly, note that Table 1 focuses mainly on *internal* spillovers – across MNC affiliates or between headquarters and their affiliates. The broader spillover literature also suggests a transfer of practices and knowledge from developing country MNC affiliates to domestically-owned firms, either in the same industrial sector or in downstream sectors. Where labor-related practices do, in fact, diffuse from MNC headquarters to MNC subsidiaries, their further diffusion is most likely when the MNC is more integrated with the host economy, either in terms of purchasing inputs from local suppliers, or in terms of seeking to service domestic markets. Interestingly, this higher level of integration may be more likely in affiliates that are established through mergers and acquisitions, or through joint ventures, because such firms have an existing foothold in the domestic economy (e.g. Crespo and Fontoura 2007, Javorcik and Spatareanu 2003).

What are the implications, empirically, from the framework offered in Table 1? At the national level, we can expect that the effects of foreign direct investment on host country labor rights outcomes will vary with firm nationality. That is, the home country identity of FDI, plus the nature of labor-related practices in that home economy, will be related significantly to host country labor rights outcomes. Table 1 also predicts sectoral variation in the extent to which home country labor rights practices motivate outward FDI: in labor-intensive sectors, the use of multinational production will be driven by firms' efforts to flee home country "best practices." As such, the gap between home and host country practices should help to predict direct investment or subcontracting activity. For firms in capital-intensive industries, however, the magnitude of the host-home country gap should not be a significant driver of overseas investment decisions. Another sector-

level implication is that firm attitudes regarding labor costs and labor regulations should vary by economic sector (or, more specifically, by the skill intensity of production). Firms that engage in lower-skill, labor-intensive activities will report greater concerns with labor costs and labor regulations than firms engaged in higher-skill, capital intensive production; the latter, on the other hand, should devote more effort to human resource-related activities and should have greater success at retaining employees. We also can expect that foreign-owned firms, which are more likely to fall under the "spotlight" of shareholders, consumers and host country governments, as well as to bring with them labor-related practices that are more in line with global core labor rights, will have higher rates of unionization in their factories and will undergo more audits for labor-related behaviors. I test some of these expectations below.

**IV. Empirical Patterns**

At the national level of analysis, does the origin of FDI matter for its effects on labor related outcomes? Some evidence indicates that it does: in recent research (Greenhill et al 2011; also see Mosley 2011), we explore the link between collective labor rights and the nationality of foreign direct investment. We posit that labor rights outcomes in low and middle income nations are influenced by labor rights practices in FDI home countries. Where FDI partners have stronger labor rights protections, all else equal, developing countries also can be expected – with a time lag – to exhibit better labor rights protections. We test this claim with cross-sectional time series data, covering 90 developing countries during the 1985-2002 period. We find some empirical support: a country's "bilateral FDI context" (that is, the weighted average of labor rights laws and practices among its FDI home countries) is a significant predictor of collective labor rights practices. These empirical results, however, are somewhat weak (in terms of robustness); additionally, we find no relationship on the side of collective labor rights law.

This finding also points to the possibility that the rise of outward FDI from emerging markets could effect host country labor rights outcomes in new ways. That is, emerging market-based MNCs may transfer a different set of practices than their developed-nation counterparts. In the context of discussing the recent growth in outward FDI from developing nations, the ILO (2007) warns that "many Northern MNEs bring

with them higher labour standards as part of their corporate social-responsibility practices, but these practices may not be as widely implemented by Southern MNEs (ILO 2007, p. 47)." Along these lines, Moran (2002), reports that workers in export processing zones are more likely to be treated poorly in plants that are owned by non-OECD investors (as well as in those that require the lowest level of skills and that produce non-branded products). Similarly, Gallagher (2005) notes that overseas ethnic Chinese investors (based in Hong Kong and elsewhere) are the most egregious violators – compared to their American and European counterparts -- of labor rights in mainland China (also see Chiu 2007, Hewison and Chiu 2008). Furthermore, in their study of labor conditions in Taiwanese-owned factories in China and Vietnam, Chang and Wang (2005) observe that Korean and Taiwanese managers are renowned for their disciplinarian approach to workers. Won's (2007) study of factories in China finds that workers and middle managers would strongly prefer to work for US, European or Japanese firms, as they view Korean-owned enterprises as treating workers less well, and as discouraging the formation of labor unions.[21] The involvement of Chinese-owned extractive sector firms in Africa provides another opportunity to assess differences based on nationality: Lee (2011) argues that Chinese managers treat local workers no differently than do other foreign-owned (Australia, South African) firms.

Given, however, that most studies of investor nationality tend to focus on labor intensive types of production, it is unclear whether these patterns are driven by the nationality of owners (and managers), or by the sector of production. In Central America and the Caribbean, for example, most of the direct investment from middle-income nations (often, Hong Kong and South Korea) is in apparel and textile factories. Similarly, over eighty percent of Korean-owned enterprises in China are involved in labor-intensive manufacturing, and most of these are small and medium-sized firms. Larger, more capital intensive Korean

[21] Also see Frenkel's (2001) study of athletic footwear manufacturing in China, which contrasts – in terms of personnel management practices and the treatment of workers -- plants owned by Korean and Taiwanese with those owned by Americans and Europeans. Ngai (2005) examines two apparel factories in China, one owned by Hong Kong nationals, and another owned by Taiwanese nationals. He reports that labor conditions in the factories are far from those prescribed by the codes of conduct of the U.S. and European MNCs for which the Chinese firms serve as suppliers and subcontractors.

firms with operations in China (e.g. Hyundai and Samsung) are reported to provide relatively good working conditions as well as extensive skills training (Won 2007).[22]

This suggests, again, the utility of sector- and firm-level measures. In the remainder of this section, I employ firm-level survey data to discuss general patterns. The first set of measures come from the World Bank's Enterprise Surveys data. Through this program, the World Bank conducts opinion analyses of firms in various developing and transition economies.[23] The surveys were first conducted in 2002; they now include survey responses for over 120,000 firms in approximately 125 nations. Many countries have now had two or three waves of surveys. The surveys usually are weighted toward firms in specific economic sectors, often those with ties to the global economy, such as textiles, electronics and pharmaceuticals. Respondents provide general information about the firm (size, sector, main products and export markets); employment and labor costs (total employment and wage costs, with some distinctions between skilled and unskilled labor); and the extent to which various factors create impediments to doing business. The latter usually includes at least one survey item dealing with labor laws and regulations.

Second, an analysis of data from the first round of World Bank surveys (2002 to 2004), covering five Asian nations --Bangladesh, Cambodia, India, the Philippines and Sri Lanka – and 4,500 total firms, reveals that firms are involved in the global economy differ, often significantly, from domestically-oriented firms. First, firms with foreign ownership are more likely to report that labor regulations present an obstacle to their operation and growth. The average "labor rights as an obstacle" score for firms with more than 10 percent foreign ownership is 1.44 (n=393), on a four-point scale, compared with an average of 1.16 (n=3768) for other firms.[24] If the cutoff for foreign ownership is raised to 25 percent, this difference persists. Both

[22] Note, though, that the good individual working conditions in Korean-owned factories do not necessarily correlate with collective labor rights. Samsung (routinely rated as the best Korean company for which to work in China) does not allow any independent union activities at its factories in China.

[23] These include the Investment Climate Surveys, conducted in Latin America, Asia and sub-Saharan Africa, as well as the Business Environment and Enterprise Surveys, conducted jointly with the EBRD in transition economies. Firm survey data and questionnaires are available through the World Bank's Enterprise Survey Portal, https://www.enterprisesurveys.org/portal/Default.aspx. The core firm survey is available at http://www.enterprisesurveys.org/documents/Manufacturing_Sector_Module_coded.pdf. For a summary of overall firm characteristics, by survey country and year, see https://www.enterprisesurveys.org/documents/datadetails.xls

[24] Firms were asked whether competing firms avoid labor and social security regulations. Responses ranged from zero ("not at all") to 4 ("to a great degree"). This question was included in Bangladesh and Cambodia. Firms that export their main product averaged a score of 2.14 (n=70); the average score for other firms was 1.47 (n=394).

foreign- and domestically-owned firms, however, report very similar views (averaging 1.13 for both sets) on the extent to which the skills and education of available workers are obstacles to business operations.

In addition, firms that produce for export express greater concerns about labor regulations. The average level of concern about labor regulations is 1.51 among firms (n=837) whose *main product* is exported, compared with an average of 1.06 among firms who do not export their main product (n=2131). The former set of entrepreneurs also worries more, on average, that competing firms fail to enforce labor regulations. Among firms with a majority of *sales* accounted for by exports, the average level of concern with labor regulations is 1.43 (n=1046); firms with less than 50 percent of total sales as exports average 1.10 (n=2970) on the labor regulations item. Again, such firms also are more likely to report that competing firms avoid enforcing labor regulations. Similarly, firms that use export-processing zones for part or all of their production report a greater degree of concern about labor market regulations, as well as about minimum wage laws, than do other firms. EPZ-involved firms, of course, are focused mostly on the global economy, with an average of 68 percent of their sales accounted for by exports.[25]

Furthermore, dividing firms by sector also reveals differences in attitudes and labor practices. Table 2 classifies firms by sector -- textiles and apparel, electronics, and all other firms.[26] Firms in electronics and textiles participate in export markets at a higher rate (21 percent of total sales among electronics firms are exports; exports account for 46 percent of sales by textiles firms). Such firms also report higher rates of foreign ownership (17.3 percent, on average, in electronics; 9.5 percent in textiles; and 2.8 percent in firms overall).Firms in the textile sector do, in fact, report higher labor costs than other firms: labor costs average 23 percent of total costs in textiles, compared with 20 percent in electronics and 19 percent in other firms. Hence, textile firms might experience greater temptation to repress collective labor rights. And firms in the textile and apparel sector also report greater concern with labor regulations than do non-textile firms (1.27 versus 1.08, in terms of the "obstacle" measure). Interestingly, firms in the electronics sector – a less labor-intensive sector – also report a higher degree of concern with labor market regulations (1.33). Both

[25] Among firms that do not use EPZs, exports account for 28.5% of total sales, on average.
[26] Because of cross-national differences in survey items, the number of respondent firms varies by question.

electronics and textiles firms are more likely than other firms (means of 1.81 and 1.91, versus 1.33 for other firms) to suggest that competing firms avoid enforcing labor and social security regulations.

In terms of unionization within their production facilities, firms in both electronics and textiles sectors are more likely to have a union presence than other firms; fifty percent of firms in textiles and 63 percent of firms in electronics report that their workforce is unionized. Thirty-nine percent of other firms are unionized. In textiles firms with unions, a higher percentage of workers (9.82 percent, on average) are union members than in electronics (4.82 percent) or in other firms (8.56 percent). Moreover, firms in textiles and electronics are more likely than others to lose employee working days to strikes. So, despite the possibility that textile firms will have greater incentives to repress labor rights, unions often are able to operate in such firms. One possible explanation for this pattern is that internationally-oriented firms – either those with significant foreign ownership or those with significant export activities – are, given the "spotlight" that accompanies global production, more likely to allow labor organization.

**Table 2: Firm Responses and Characteristics, by Sector**

| | Textiles & Apparel | Electronics | All Other Firms |
|---|---|---|---|
| **Labor Costs, as % of Total Costs** | 23.35% (n=1063) | 19.78% (n=226) | 19.34% (n=832) |
| **Labor Regulations as Obstacle (0 to 4)** | 1.27 (n=1529) | 1.33 (n=369) | 1.08 (n=2055) |
| **Competitors avoid Labor Regulations (0 to 4)** | 1.81 (n=211) | 1.91 (n=70) | 1.33 (n=471) |
| **Is your plant's workforce unionized? (% yes)** | 50% (n=1340) | 63% (n=352) | 39% (n=1768) |
| **If unionized, % workers who are union members** | 9.82% (n=1596) | 4.82% (n=397) | 8.56% (n=2153) |
| **Days lost to strikes by employees at firm, previous year** | 1.35 (n=159) | 1.2 (n=5) | 0.18 (n=513) |
| **Exports as percent of total sales** | 46.2% (n=1598) | 20.5% (n=393) | 9.4% (n=2118) |
| **Percent of firm that is foreign-owned** | 9.54% (n=1655) | 17.34% (n=387) | 2.83% (n=2177) |

In this sample generally, both foreign ownership and participation in export markets are associated with greater levels of firm unionization, as well as with higher levels of union activity. Strike days, for instance, are greater among firms that use export processing zones (0.45 per year, versus 0.21 per year in other firms); they also are greater in firms with significant foreign ownership and in those with higher participation in export markets. In terms of unionization, 55 percent of export-oriented firms are unionized, compared with 43 percent of other firms. Among firms with labor unions, the rate of union membership also is higher in export-oriented firms (15.1 percent versus 8.8 percent in other firms). These patterns may reflect the fact that foreign-oriented firms – be they owned by domestic firms or by multinationals – permit greater collective labor mobilization than do domestically-owned firms. Perhaps it is the "spotlight" of activists and codes of conduct, described in Section II, which generates this effect.[27] Were this true, it would suggest that multinational production, regardless of the mode of entry, can be a boon to workers in developing nations. Alternatively, this pattern could reflect demand for labor representation: if workers in foreign-oriented firms have more complaints than their domestic counterparts, they may be more likely to strike and to unionize.

These surveys, then, suggest that participation in the global economy – either via foreign ownership or by export sales – is linked with greater firm concerns about labor market regulations, but also with a greater extent of organized labor activity. Multivariate analyses that consider the broader set of more recent surveys, covering the 2006-2010 period and over 14,000 firms in 55 nations (albeit with high rates of missing data), indicate that firm responses regarding "labor regulations as an obstacle" vary with firm characteristics. Firms in the most visible low-technology sectors – garments, textiles and leather – are significantly more likely to view labor relations as an obstacle, as are firms that perceive higher levels of competition in their main product market. Larger firms – in terms of number of employees – also express greater concerns about labor regulations. Interestingly, foreign ownership also predicts higher levels of concern with labor regulations; this effect is not conditional on being located in the apparel/textiles/footwear sector. Measures of foreign ownership do not, however, distinguish among firms on the basis of country of ownership. The extent to which a firm exports its main output is not, on the other hand, does not explain variation in attitudes

[27] Another possibility is that some unions are employer-dominated entities, which do not provide real representation to workers. See Moran 2002, Robertson 2007.

regarding labor regulations.[28] The World Bank survey data are, however, characterized by a high prevalence of missing data; concerns also exist about the extent to which firm responses on a given "obstacle" item are conditioned by the structure of the survey, which can vary across countries and across years.

A second source of firm-based data is the Provincial Competitiveness Index, an annual assessment of the business environment in Vietnam (see Malesky et al 2011 for details); the survey was first performed in 2005, and has been repeated annually, with some changes to the sampling strategy and the survey items. The PCI survey includes approximately 7,300 domestic firms and 1,155 foreign-invested enterprises, located throughout the country. The sample is estimated to account for 20 percent of the entire population of foreign investors in Vietnam, with investors from China, Japan, South Korea and Taiwan most heavily represented. The survey also includes foreign investors from the UK, US, France, Australia and Germany. The PCI queries domestic and foreign firms on a variety of issues, including their consideration of various factors as part of their investment decisions; their behaviors regarding costs, staffing and unionization; and their attitudes regarding a range of government policies and regulations.

The PCI asks foreign firms about the factors that affect their decisions to invest in Vietnam; the items ask whether a given factor had a positive effect, a negative effect, or no effect on the firm's calculus. Three items (from among a total of 25 items) relate to labor: business-labor relations, labor costs and labor quality. In the 2010 survey, few firms listed any of these items as one of their top three considerations: among 1,155 firms, 44 firms listed business-labor relations among the top three factors. Labor quality was among the three top-rated items for 131 firms; 82 percent of those firms viewed labor quality positively. A total of 283 firms listed labor costs as a top-three factor; again, their view of Vietnam's costs were overwhelming positive, with 95 percent of these firms reporting that labor costs had a positive impact on their decision. Given that the firms surveyed are actual, rather than potential investors; given Vietnam's efforts to position itself as an (more skilled?) alternative to Chinese coastal provinces; and given the constraints placed on organized labor within Vietnam's domestic political system, these generally positive views are not surprising.

[28] In such analyses, it also may be appropriate to control for the country's existing level of labor market regulations.

What is more interesting to note are variation s in behaviors across firms. If we compare firms that are subsidiaries of foreign MNCs (n=562) with those that are not (n=489), we find that subsidiaries retain workers at a higher rate (on average, 68.3 percent of workers remain for more than one year, compared with 62.5 percent in non-subsidiaries), and that MNC subsidiaries are more likely to have a union presence (63.8 versus 58.3 percent of firms). Firms that are foreign MNC subsidiaries also report far more CSR-related inspections of their facilities, an average of over 11 inspections in the last three years, compared with an average of 3.7 for non-subsidiaries. The "spotlight," then, does seem to shine more brightly on foreign affiliates.[29] This spotlight also may generate differences in labor activity: beyond the union presence, MNC subsidiaries conclude collective agreements at a higher rate – an average of 12.3 in the last 3 years for subsidiaries, compared with 7.9 agreements for other firms. Nearly 20 percent of subsidiaries report having experienced a strike, while just over 13 percent of other firms do; interestingly, however, non-MNC subsidiaries report a significantly higher total number of strikes. If firms are sorted instead according to the percentage of their output that is exported, similar patterns exist: the most export-oriented firms (defined as those that export more than 75 percent of their main product) have significantly higher rates of CSR inspections, union presence, collective bargaining agreements and strikes (both in terms of having ever experienced a strike and in terms of total strikes). International involvement, then, does predict firm practices that may be more consistent with internationally-recognized core labor rights.[30]

If we instead consider variation according to industry, firms in high technology sectors (n=194) report higher levels (compared to 961 non-high tech firms) of skilled employees (as a percentage of total employees), greater expenditures on workforce training, and a higher retention rate. Only 42 percent of firms in high technology industries report a union presence, however, compared with 66 percent of other firms. This leads, again, to the question of whether an absence of unions reflects satisfaction among workers (and,

[29] Similarly, in the 2012 PCI, foreign firms also received greater attention from domestic labor inspectors. Only 8 percent Eight percent of firms in the domestic sample list DOLISA (the domestic labor inspector) as one of the three most active agencies, in terms of visits. Twenty-one percent of firms in the foreign sample, by contrast, list DOLISA as one of the three most frequent inspectors. Among these foreign firms, medium-sized firms (employing between 200 and 500 employees) are most likely to list DOLISA as one of the three most frequent inspectors (29% of firms with 200-299 employees, and 30% of firms with 300-499 employees). While domestic firms with more employees also are more likely to be visited by DOLISA inspectors than their smaller counterparts, these visits happen at a lower rate.

[30] This pattern persists in more recent surveys: in 2012, 12.8 percent of foreign firms reported experiencing at least one strike, compared with only 0.6 percent of domestic firms.

therefore, no demand for a union) or the repression of labor rights. Note that high technology firms also have a higher ratio of human resource officers to employees, suggesting perhaps an investment in human capital. Lastly, these firms undergo far fewer CSR-related inspections, perhaps highlighting the fact that firms in such sectors are assumed to have better practices in place, or the fact that attention from transnational advocacy groups has focused instead on labor intensive activities.

The 2012 PCI includes an additional set of items asking foreign firms in Vietnam to identify the risks that they face. From among a set of seven potential risks (macroeconomic risk, expropriation risk, contract risk, regulatory risk, labor risk, corruption and political instability), respondents are asked to rank the three most important. Perhaps reflecting the economic climate in Vietnam in 2012, macroeconomic instability was most frequently reported (48 percent of investors) as one of the top three risks. Labor risk, on the other hand, was placed in the top three by 22 percent of investors. Among those investors who cited labor risk as one of the three main risks, most ranked it as third most important. This is consistent with the pattern in previous years, in that foreign firms in Vietnam tend to take a positive view regarding the country's labor force. While foreign firms, on average, have slightly less favorable views than their domestic counterparts regarding the education and skill level of the Vietnamese workforce, only 3.5 percent of foreign firms agree with the claim that the local workforce does not possess appropriate skills. This certainly reflects a selection process, at least in part: foreign firms are able to locate in countries, and in provinces within countries, that match the needs of their production processes.

What is perhaps more interesting is that, in 2012, union presence, strikes and collective agreements continue to be much more prevalent in foreign-owned than in domestic-owned firms. While 65 percent of foreign firms surveyed reported that a union had been established in their enterprise, only 17 percent of domestic firms had a union presence. Among foreign firms with unions, the mean age of the union was seven years – establishment of the union in 2005. Foreign firms that are located wholly or partly in industrial zones (a sort of export processing zone) are even more likely to have labor unions (78 percent of foreign firms, versus 55 percent of foreign firms not located in industrial zones). Foreign firms in the industrial zones also

have higher rates of strike activity, but they report fewer (an average of 19, versus an average of 8.1) collective agreements concluded in 2012.

A small subset – 346 of the 1540 surveyed – of foreign firms provided information on their firms' home location. Many foreign firms are based elsewhere in Asia, with 94 in Japan, 53 in South Korea, 30 in Singapore, 13 in Hong Kong and 12 in mainland China. Another 40 firms are based somewhere on the European continent, and 19 are based in the United States. We might expect, given the stronger collective labor laws that characterize many continental European countries, that European firms would be more likely to report a union presence. The data suggest the opposite, however: 85 percent of South Korean firms report a union presence, compared with 77 percent of Singaporean firms, 71 percent of US firms, 70 percent of Japanese firms and 69 percent of European firms.

While much more analysis is needed – examining, for instance, the role of firm ownership, nationality and sector in predicting attitudes and behaviors related to labor – firm-level data suggest that the claims advanced in Section III are plausible ones. Foreign-oriented ones may act in ways that are more likely to advance – or not to repress – the rights and conditions of workers, and that sectors characterized by higher levels of human and physical capital also may be ones in which labor rights are well respected, and through which international best practices are more likely to diffuse.

## V. Conclusion

This article identifies the conditions, based on theoretical literature as well as extant empirical analyses, under which multinational firms can serve as agents of change – specifically, as transmitters of better labor practices and standards – in host economies. Using firm-level survey data, I assess these predictions briefly; I find some support for the existence of best practice mechanisms. Future work could consider the extent to which differences in firm nationality – rather than just foreign versus domestic ownership or foreign versus domestic involvement – are associated with differences in attitudes and behaviors toward labor related issues. Data from firm-level audits (for compliance with corporate codes of conduct) also could be used to address this issue: for instance, do firms that subcontract with lead firms based in China have a different level

and type of labor-related problems than those that subcontract mostly with lead firms based in Europe and North America?

Beyond considering additional empirical implications of the "best practices" mechanism, scholars also should explore other mechanisms by which MNCs affect labor-related outcomes in host economies. In the area of firm- and industry-level codes of conduct, future research should identify the conditions under which firms adopt various codes of conduct;[31] the determinants of which specific labor-related provisions (e.g. the right to organize; health and safety protections; guarantees of overtime pay) are included in codes; and, perhaps most importantly, the circumstances under which firms are most likely to implement their codes. I anticipate that codes will be more common among producers of branded and luxury products, and in supply chains with highly visible (to the shareholders and the public) lead firms. Moreover, although the need for codes may be greatest when host country political will and capacity are lowest, the effectiveness of these same codes is likely to be greater when the code is consistent with domestic labor laws, and when domestic labor inspectors reinforce the work of third party monitors.

With respect to MNC lobbying of host county governments, we should consider the conditions under which MNCs invest resources in lobbying governments for policy changes, as well as the content of MNCs' demands. This may require an updating of the obsolescing bargain model of firm-host government relations, particularly if firms lobby continuously, rather than only prior to making an investment (Eden et al 2005). We also might consider how various domestic political institutions, from regime type to the qualities of domestic regulatory agencies, affect firms' capacity to press for host country policy changes (also see Evans 1979). While the investment required to achieve host country change may be too great in many circumstances – especially if firms can achieve outcomes through private-sector mechanisms – we are likely to observe it situations that provide firms with a sufficient payoff from an industry- or nation-wide change in labor laws.

[31] In a study of the determinants of levels (aggregated nationally) of ISO 14001 and Global Compact adoption, Perkins and Neumayer (2010) find that wealthier and more democratic nations are more likely to experience a spillover of standards across national borders. Higher levels of standard adoption among a country's export and FDI partners also predict standards adoption. Bernhagen and Mitchell (2010) report that, among Fortune 2000 firms, Global Compact membership is significantly associated with having a firm-level human rights policy statement.

**References**

Abbott, Kenneth W. and Duncan Snidal. 2010. "International Regulation without International Government: Improving IO Performance through Orchestration." *Review of International Organizations* 5.

Abouharb, Rodwan M. and David Cingranelli. 2008. *Human Rights and Structural Adjustment.* Cambridge: Cambridge University Press.

Abrami, Regina M. 2003. Worker Rights and Global Trade: The U.S.-Cambodia Bilateral Textile Trade Agreement. Harvard Business School Case 703-034.

Aitken, Brian J. and Ann E. Harrison. 1999. "Do Foreign Firms Benefit from Foreign Direct Investment? Evidence from Venezuela." *American Economic Review* 89(3): 605-618.

Alfaro, Laura and Andrés Rodríguez-Clare. 2004. "Multinationals and Linkages: An Empirical Investigation." *Economía* 4(2): 113-169.

Antràs, Pol. 2005. "Property Rights and the International Organization of Production." *American Economic Review* 95(2): 25-32.

Balleisen, E. J. and M. Eisner. 2009. "The Promise and Pitfalls of Co-Regulation: How Governments Can Draw on Private Governance for Public Purpose." In David Moss and John Cisternino, ed., *New Perspectives on Regulation.* Cambridge, MA: The Tobin Project

Barrientos, Stephanie and Sally Smith. 2007. "Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems." *Third World Quarterly* 28(4): 713-429.

Bartley, Tim. 2003. "Certifying Forests and Factories: States, Social Movements and the Rise of Private Regulation in the Apparel and Forest Products Fields." *Politics and Society* 31(3): 433-464.

Bartley, Tim. 2007. "Institutional Emergence in an Era of Globalization: The Rise of Transnational Private Regulation of Labor and Environmental Conditions." *American Journal of Sociology* 113(2): 297-351.

Bauer, Raymond, Ithiel de Sola Pool and Lewis Anthony Dexter. 1963. *American Business and Public Policy: the Politics of Foreign Trade.* New York: Atherton Press.

Berger, Suzanne. 2005. *How We Compete: What Companies around the World are Doing to Make it in Today's Global Economy.* New York: Doubleday.

Berger, Suzanne and Ronald Dore. eds. 1996. *National Diversity and Global Capitalism.* Ithaca: Cornell University Press.

Björkman, Ingmar, Carl F. Fey, and Hyeon Jeong Park. 2007. "Institutional Theory and MNC Subsidiary HRM Practices: Evidence from a Three-Country Study." *Journal of International Business Studies* 38: 430-446.

Blanton, Shannon Lindsey and Robert G. Blanton. 2009. "A Sectoral Analysis of Human Rights and FDI: Does Industry Type Matter?" *International Studies Quarterly* 53(2): 469-493.

Blomström, Magnus and Fredrik Sjöholm. 1999. "Technology Transfer and Spillovers: Does Local Participation with Multinationals Matter?" *European Economic Review* 43: 915-923.

Bloom, Nicholas and John Van Reenen. 2010. "Why do Management Practices Differ Across

Firms and Countries?" *Journal of Economic Perspectives* 24(1): 203-224.

Burstein, Ariel T. and Alexander Monge-Naranjo. 2009. "Foreign Know-How, Firm Control, and the Income of Developing Countries."*The Quarterly Journal of Economics* 124(1): 149-195.

Büthe, Tim and Walter Mattli. 2011. *The New Global Rulers: The Privatization of Regulation in the World Economy.* Princeton: Princeton University Press.

Chan, Anita and Hong-zen Wang. 2004. "The Impact of the State on Workers' Conditions: Comparing Taiwanese Factories in China and Vietnam." *Pacific Affairs* 77(4): 629-646.

Chiu, Catherine C. H. 2007. "Workplace Practices in Hong Kong-Invested Garment Factories in Cambodia." *Journal of Contemporary Asia* 37 (4): 431-448.

Compa, Lance and Jeffrey S. Vogt. 2001. The Generalized System of Preferences: A 20-Year Review. *Comparative Law and Policy Journal* 22 (2/3): 199-238.

Crespo, Nuno and Maria Paula Fontoura. 2007. "Determinant Factors of FDI Spillovers: What do We Really Know?" *World Development* 35(3): 410-425.

Dasgupta, S. H. Hettige, H. Hettige, and D. Wheeler. 2000. "What Improves Environmental Compliance? Evidence from Mexican Industry." *Journal of Environmental Economics and Management* 39: 39–66.

DiMaggio, P.J. and Powell, W.W. 1983. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48: 147 - 160.

Doremus, Paul N., William W. Keller, Louis W. Pauly, and Simon Reich. 1999. *The Myth of the Global Corporation.* Princeton: Princeton University Press.

Driffield, Nigel and James Love. 2007. "Linking FDI Motivation and Host Economy Productivity Effects: Conceptual and Empirical Analysis." *Journal of International Business Studies* 38: 460-473.

Dunning, John H. 1992. *Multinational Enterprises and the Global Economy*. Wokingham, England: Addison-Wesley.

Eden, Lorraine, Stefanie Lenway and Douglas Schuler. 2005. "From the Obsolescing Bargain to the Political Bargaining Model." In Robert Grosse (ed.) *International Business-Government Relations in the 21st Century*. Cambridge, UK: Cambridge University Press.

Elliott, Kimberly Ann and Richard B. Freeman. 2003. *Can Labor Standards Improve Under Globalization?* Washington: Institute for International Economics.

Evans, Peter. 1979. *Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil.* Princeton: Princeton University Press.

Ferner, Anthony. 1997. "Country of Origin Effects and HRM in Multinational Companies." *Human Resource Management Journal* 7(1): 19-37.

Ferner, Anthony and Matthias Varul. 2000. "'Vanguard' Subsidiaries and the Diffusion of New Practices: A Case Study of German Multinationals." *British Journal of Industrial Relations* 38(1): 115-140.

Flanagan, Robert J. 2006. *Globalization and Labor Conditions: Working Conditions and Worker Rights in a Global Economy.* Oxford: Oxford University Press.

Freedom House. 2010. *The Global State of Workers' Rights: Free Labor in a Hostile Word.* New York: Freedom House. Available at http://freedomhouse.org/uploads/specialreports/workers_rights/2010/WorkerRightsFULLBooklet-FINAL.pdf

Frenkel, Stephen J. 2001. "Globalization, Athletic Footwear Commodity Chains and Employment Relations in China." *Organization Studies* 22(4): 531-562.

Gallagher, Mary. 2005. *Contagious Capitalism: Globalization and the Politics of Labor in China.* Princeton: Princeton University Press.

Garcia-Johnson, Ronie. 2000. *Exporting Environmentalism: U.S. Multinational Chemical Corporations in Brazil and Mexico.* Cambridge: MIT Press.

Gereffi, Gary. 2001. "Shifting Governance Structures in Global Commodity Chains with Special Reference to the Internet." *American Behavioral Scientist* 44(10): 1616-1637.

Gereffi, Gary, John Humphrey and Timothy Sturgeon. 2005. "The Governance of Global Value Chains," *Review of International Political Economy* 12:1 (February), pp. 78-104.

Gibbon, Peter, Jennifer Bair and Stefano Ponte. 2008. "Governing Global Value Chains: An Introduction." *Economy and Society* 37(3): 315-338.

Giroud, Axèle and Joanna Scott-Kennel. 2008. "MNE Linkages in International Business: A Framework for Analysis." *International Business Review* 18: 555-566.

Golden, Miriam, Peter Lange and Michael Wallerstein. 1997. "Unions, Employers and Wage-Setting Institutions in Northern and Central Europe, 1950-1992." *Industrial and Labor Relations Review* 50: 379-401.

Greenhill, Brian, Layna Mosley, and Aseem Prakash. 2012. "Contingent Convergence: Unpacking the Linkages between Labor Rights and Foreign Direct Investment." Manuscript, Dartmouth College.

Greenhill, Brian, Layna Mosley, and Aseem Prakash. 2009. "Trade-based Diffusion of Labor Rights: A Panel Study, 1986–2002." *American Political Science Review* 103(4):669-689.

Hafner-Burton, Emilie. 2009. *Forced to Be Good: Why Trade Agreements Boost Human Rights.* Ithaca: Cornell University Press.

Hall, Peter A. and David Soskice. eds. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage.* Oxford: Oxford University Press.

Haskel, Jonathan E., Sonia C. Pereira and Matthew J. Slaughter. 2007. "Does Inward Foreign Direct Investment Boost the Productivity of Domestic Firms?" *The Review of Economics and Statistics* 89(3): 482-496.

International Trade Union Confederation. 2011. *Annual Survey of Violations of Trade Union Rights.* Brussels: ITUC. Available at http://www.ituc-csi.org/annual-survey-of-violations-of,271.html

Haufler, Virginia. 2000. *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy.* New York: Carnegie Endowment for International Peace.

Helleiner, Eric. 2011. Understanding the 2007–2008 Global Financial Crisis: Lessons for Scholars of International Political Economy." *Annual Reviews of Political Science,* forthcoming.

Helpman, Elhanan, Marc J. Melitz and Stephen R. Yeaple. 2004. "Export versus FDI with Heterogeneous Firms." *American Economic Review* 94(1): 300-316.

Henisz, Witold J. and Oliver E. Williamson. 2001. "Comparative Economic Organization – within and between Countries," *Business and Politics* 1: 261-277.

Hewison, Kevin and Catherine C. H. Chiu. 2008. "Hong Kong-Invested Factories in Thailand: Labour Relations and Practices." Working Paper, University of North Carolina.

Huttunen, Kristina. 2007. "The Effect of Foreign Acquisition on Employment and Wages: Evidence from Finnish Establishments." *Review of Economics and Statistics* 89(3): 497-509.

International Labour Organization (ILO). 2007. *Labour and Social Trends in ASEAN 2007: Integration, Challenges and Opportunities.* Bangkok: ILO Regional Office for Asia and the Pacific.

Javorcik, Beata Smarzynska and Mariana Spatareanu. 2003. "To Share or Not to Share: Does Local Participation Matter for Spillovers from Foreign Direct Investment?" *World Bank Policy Research Working Paper* 3118 (August).

Javorcik, Beata Smarzynska and Mariana Spatareanu. 2005. "Do Foreign Investors Care about Labor Market Regulations?" *Review of World Economics* 141(3): 375-403.

Jensen, Nathan M. 2006. *Nation-States and the Multinational Corporation.* Princeton: Princeton University Press.

Jensen, Nathan. 2010. "Mobile Capital and the Nation-State: Taxing the Investments of Multinational Corporations." Manuscript, Washington University in St. Louis.

Jordaan, Jacob A. 2009. *Foreign Direct Investment, Agglomeration and Externalities: Empirical Evidence from Mexican Manufacturing Industries.* Farnham, Surrey, UK: Ashgate.

Keck, Margaret and Kathryn Sikkink. 1998. *Activists beyond Borders: Advocacy Networks in International Politics.* Princeton: Princeton University Press.

Kim, Moonhawk. 2011. "Ex Ante Due Diligence: Formation of PTAs and Protection of Labor Rights." *International Studies Quarterly* forthcoming.

Kristensen, Peer Hull and Jonathan Zeitlin. 2005. *Local Players in Global Games: The Strategic Constitution of a Multinational Corporation.* Oxford: Oxford University Press.

Kucera, David. 2002. "Core Labour Standards and Foreign Direct Investment." *International Labour Review* 141, nos. 1-2:31-69.

Leblang, David and Sonal Pandya. 2009. "The Financial Crisis of 2007: Our Waterloo or Take a Chance on IPE?" *International Interactions* 35(4): 430-435.

Lee, Ching Kwan. 2011. "The 'Labor Question' of Chinese Capitalism in Africa." University of North Carolina at Chapel Hill, October.

Locke, Richard M. 2003. "The Promise and Perils of Globalization: The Case of Nike." In Richard Schmalenese and Thomas A. Kochan, eds. *Management: Inventing and Delivering its Future.* Cambridge: MIT Press.
Locke, Richard. 2013. *Improving Labor Rights in a Global Economy.* New York: Cambridge University Press, forthcoming.

Locke, Richard M., Fei Qin and Alberto Brause. 2007. "Does Monitoring Improve Labor Standards? Lessons from Nike." *Industrial and Labor Relations Review* 61(1): 3-31.

Malesky, Edmund and Markus Tausig. 2010. "Institutions and Firm Strategy at the Bottom of the Pyramid: The Case of Business Formalization in Vietnam." Manuscript, University of California, San Diego.

Mares, Isabela. 2003. T*he Politics of Social Risk: Business and Welfare State Development.* Cambridge: Cambridge University Press.

Martin, Cathie Jo and Duane Swank. 2001. "Employers and the Welfare State." *Comparative Political Studies* 34: 889-923.

Mattli, Walter and Ngaire Woods. Eds. 2009. *The Politics of Global Regulation.* Princeton: Princeton University Press.

Milner, Helen. 1988. *Resisting Protectionism: Global Industries and the Politics of International Trade.* Princeton: Princeton University Press.

Moran, Theodore H. 2002. *Beyond Sweatshops: Foreign Direct Investment and Globalization in Developing Countries.* Washington: Brookings Institution Press.

Mosley, Layna. 2009. "Private Governance for the Public Good? Exploring Private Sector Participation in Global Financial Regulation," in Helen V. Milner and Andrew Moravcsik, eds., *Power, Interdependence and Non-State Actors in World Politics.* Princeton: Princeton University Press.

Mosley, Layna. 2011. *Labor Rights and Multinational Production.* New York: Cambridge University Press.

Neumayer, Eric and Indra de Soysa. 2006. "Globalization and the Right to Free Association and Collective Bargaining: An Empirical Analysis." *World Development* 34 (1): 31-49.

Ngai, Pun. 2005. "Global Production, Company Codes of Conduct and Labor Conditions in China: A Case Study of Two Factories." *The China Journal* 54: 101-113.

OECD. 2000. *International Trade and Core Labour Standards*. Paris: OECD.

OECD. 2001. *Corporate Codes of Conduct: Expanded Review of their Contents.* Paris: OECD.

O'Rourke, Dara. 2005. "Market Movements: Non-Governmental Organization Strategies to Influence Global Production and Consumption." *Journal of Industrial Ecology* 9(1-2): 115-128.

Pauly, Louis and Simon Reich. 1997. *National Structures and Multinational Corporate Behaviors*. International Organization. 51: 1-30.

Pinto, Pablo M. and Santiago M. Pinto. 2008. "The Politics of Investment Partisanship and the Sectoral Allocation of Foreign Direct Investment." *Economics and Politics* 20 (2): 216-254.

Perkins, Richard and Eric Neumayer. 2010."Geographic variations in the early diffusion of corporate voluntary standards: comparing ISO 14001 and the Global Compact." *Environment and Planning A* 42(2): 347 – 365.

Posthuma, Anne and Dev Nathan. Eds. 2010. *Labour in Global Production Networks in India.* Oxford: Oxford University Press.

Potoski, Matthew and Aseem Prakash. 2009. "Information Asymmetries as Trade Barriers: ISO 9000 Increases International Commerce." *Journal of Policy Analysis and Management* 28(2): 221-238.

Prakash, Aseem, and Matthew Potoski. 2006. "Racing to the Bottom? Trade, Environmental Governance and ISO 14001." *American Journal of Political Science* 50(2): 350-364.

Prakash, Aseem and Matthew Potoski. 2007. "Investing Up: FDI and the Cross-National Diffusion of ISO 14001." *International Studies Quarterly* 51(3): 723-744 .

Robertson, Graeme B. 2007. "Strikes and Labor Organization in Hybrid Regimes." *American Political Science Review* 101(4): 781-798.

Rodríguez-Garavito, César. 2005. "Global Governance and Labor Rights: Codes of Conduct and Anti-Sweatshop Struggles in Global Apparel Factories in Mexico and Guatemala." *Politics and Society* 33(2): 203-233.

Rodrik, Dani. 1996. "Labor Standards in International Trade: Do They Matter and What do We Do about Them?" In *Emerging Agenda for Global Trade: High Stakes for Developing Countries*, eds. Robert Z. Lawrence, Dani Rodrik, and John Whalley. Washington, D.C.: Johns Hopkins University Press.

Rosenzweig, P. and Nohria N. 1994. "Influences on Human Resource Management Practices in Multinational Corporations." *Journal of International Business Studies* 25(2): 229-251.

Sabel, Charles. 2006. *Learning by Monitoring.* Cambridge: Harvard University Press.

Singer, David Andrew. 2007. *Regulating Capital: Setting Standards for the International Financial System*. Ithaca: Cornell University Press.

Spar, Debora L. 1999. "Foreign Investment and Human Rights." *Challenge* 42 (January-February): 55-67.

Streeck, Wolfgang. 1996. "Lean Production in the German Automobile Industry: A Test Case for Convergence Theory." In Suzanne Berger and Ronald Philip Dore, *National Diversity and Global Capitalism* (Ithaca: Cornell University Press).

Vogel, David. 1995. *Trading Up*: *Consumer and Environmental Regulation in a Global Economy.* Cambridge, MA: Harvard University Press.

Vogel, David. 2005. *The Market for Virtue*. Washington: Brookings Institution Press.

Vogel, David. 2008. "Private Global Business Regulation." *Annual Review of Political Science* 11: 261-282.

Vogel, David. 2009. "The Private Regulation of Global Corporate Conduct." In Mattli and Woods, eds., pp. 151-188.

Weisband, Edward. 2000. "Discursive Multilateralism: Global Benchmarks, Shame, and Learning in the ILO Labor Standards Monitoring Regime." *International Studies Quarterly* 44: 643-666.

Whitley, Richard. 1987. "Taking Firms Seriously as Economic Actors: Towards a Sociology of Firm Behaviour." *Organization Studies* 8(2): 125-147.

Won, Jaeyoun. 2007. "Post-Socialist China: Labour Relations in Korean-Managed Factories." *Journal of Contemporary Asia* 37(3): 309-325.