IMF = I'M Fired!: IMF Program Participation and Workers' Rights·

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Abstract:

How do International Monetary Fund (IMF) programs and conditions affect labor rights? Critics of the IMF contend that participation in an IMF program is detrimental to workers' rights as the IMF tries to impose pro-business labor policies via conditionality when a country has no choice but to participate in a program. Countering the criticisms, the IMF management has stepped up its rhetoric on how IMF programs try to promote inclusive growth, providing productive employment, and protecting the most vulnerable population within a country. In this paper, we argue that the effect of a program hinges on included conditionality which shows a wide variation. When numerous conditions are included in a program, labor rights are to be more seriously compromised than when few conditions are included in a program. Furthermore, we theorize that the negative effect of IMF conditionality can be mitigated by two important domestic political factors – proportional representation system and a left government. Utilizing a labor rights dataset and IMF labor-market conditionality dataset, we demonstrate that IMF programs with stricter labor-market conditions have more detrimental effects on both de jure labor rights and de facto labor practices. We also show that when domestic political circumstances allow labor interests to be well represented in policy making, the negative effect of labor conditionality is significantly reduced.

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Introduction

In May 2010, the Greek government signed into an IMF program after a long and heated negotiation with the European Union (EU) and the International Monetary Fund (IMF). The deal, which secured three-year 30 billion Euro financial assistance from the IMF as a part of 110 billion Euro financing package with the IMF/EU, was touted as "a historic course of action that will give this proud nation (Greece) a chance of rising above its current troubles and securing a better future for the Greek people" by then IMF Managing Director Dominique Strauss-Kahn (IMFPressReleaseGreece 2010). To meet such a goal, the program contained a wide range of policy reform measures, commonly known as conditionality, aimed at tackling massive fiscal imbalance and restoring long run economic viability. At the time of the press release, Mr. Strauss-Kahn emphasized the importance of Greek government's following up with the polity conditions by empathetically stating "implementation in now the key (IMFPressReleaseGreece 2010)."

It turned out, as many anticipated, that implementation of the policy conditions of the IMF program was anything but smooth-sailing for the Greek government. Within hours of signing the agreement, the program was met with anger of the Greek public. Union members, teachers, pensioners, and students took streets and squares and protested the belt-tightening austerity measures included in the IMF program. In the following months, massive general strikes and intense riots continued and the politics in the Greek parliament became increasingly contentious. The turbulent politics of IMF program implementation culminated with two rounds of votes of confidence in 2011. The incumbent government narrowly edged to win in both, but the second one in November 2011 eventually led to the resignation of Prime Minister Papandreou. After some of the

conditions included in the program were not met, the 2010 Stand-by agreement was scrapped and was replaced by a new four-year program under the Extended Fund Facility. The drama still unfolds with frequent political crises and renegotiations of the program. Five different prime ministers resided over as many years amidst the crisis and Greece only narrowly escaped a national default.

While Greece significantly departs from a typical IMF program participating country in many regards – the last time when a European, developed country participated in an IMF program was in 1970s –, what subsequently happened after the initial IMF agreement in 2010 in Greece exemplifies typical political dynamics of IMF program implementation: the IMF and a government negotiate an IMF program that includes many domestically unpopular policy reform measures, only to see that these conditions are often seriously challenged when the government tries to implement. Since an IMF program is an international agreement that does not require a formal ratification at the time of an agreement, a participating government and the IMF are able and free to agree on an ambitious reform plan, sometimes with a hope to "tip the balance" against domestic reform opposition (Vreeland 2003). However, implementation of such reforms often requires ex ante explicit approval or at least implicit acquittal of domestic actors, such as legislature and various interest groups. Only few governments are immune to such domestic approval and without such consent from domestic actors some IMF programs abort prematurely and others remain incomplete in the middle of domestic political contestation (Ivanova *et al*. 2001, Vreeland 2003, Woo 2010).

As it was the case in Greece, standing at the frontline of the battle against the IMF program implementation are workers and labor unions. There are several reasons why

workers and labor unions stand against an IMF program. IMF programs often include labor market reform measures, such as wage restrictions, hiring freezes, privatizations, lay-offs, or labor market flexibility legislations that directly hurt workers' rights. In addition, many other measures indirectly compromise workers' rights. For instance, IMF programs often mandates cutting government spending and this often results in reduction in social wages and benefits that workers often rely on (Nooruddin and Simmons 2006). In sum, workers' response to IMF programs, exemplified in the recent Greek case illustrated above, seems reasonable as there is a reason to believe that workers' rights are negatively affected by IMF programs.

We theorize and empirically investigate how IMF programs affect workers' rights. While the political battle between the IMF, a government, and workers and labor unions highlight front pages of newspapers, there are only a few scholarly articles written on the effect of IMF programs on workers' rights. Moreover, while existing studies often emphasize conditionality as the main link between IMF programs and workers' rights, none have directly examined how conditionality in a program affects workers' rights. All existing studies instead examine how IMF program participation as a dichotomous indicator, affects workers' rights. But recent studies of politics of IMF programs have demonstrated that conditionality included in an IMF program widely varies in the number of sectors affected by conditionality or the number of conditions included in a program (Stone 2008, Woo 2010, Dreher 2007). If conditionality varies widely across programs, it is reasonable to suspect that programs with varying conditionality should have different effects.

In this paper, we advance our understanding of the actual effect of IMF programs on workers' rights. In doing so, we introduce a few innovations to the literature. First, departing from the common way of examining the effect of IMF program participation, we evaluate actual contents of IMF programs – IMF labor market conditionality directly targeting compromises in labor rights. IMF programs are diverse in terms of conditionality included in them yet evaluating the effect of IMF program participation does not adequately capture such diversity. All the actions are packed in conditionality thus it is crucial to explore variation in IMF conditionality. Second, we directly capture labor rights and differentiate de facto and de jure labor rights. These two innovations are possible thanks to new datasets introduced in recent studies (Greenhill, Mosley, and Prakash 2009, Caraway, Rickard, and Anner 2012). Third, we incorporate domestic political dynamics into the picture and theorize how domestic political institutions might mitigate the negative effects of IMF conditionality. We identify proportional representation and left government are key factors that can mitigate negative effects of IMF programs on workers' rights.

We argue that the more stringent IMF labor market conditionality is, the worse de jure and de facto labor rights become in the following year. This negative effect can be partially mitigated if there exist domestic political institutions or circumstances that can provide protections over workers. One such case would be a leftist government that relies on support of workers, thus that has incentive to provide as much protection as possible over workers. In such case, we contend, the negative effect of IMF labor market conditionality can be partially offset. Another such case would be a proportional

representation system. Compared to single member district system, proportional representation tends to accommodate more voice from workers.

We indeed find that the more labor conditionality a program includes, the worse de jure and de facto labor rights the country sustains in the following year. The results are robust to different empirical specifications. In addition, as we contend, the negative effect is partially mitigated domestic political circumstances favorable to workers rights protection, such as a leftist government or multiple member electoral districts.

The paper is organized as follow. In the next section, we briefly review extant studies addressing how IMF programs affect workers and labor rights. In the theory section, we present our theoretical argument and summarize it in two hypotheses. In the following empirical section, we discuss our empirical strategy and present and interpret our main findings. In the conclusion, we discuss policy implications and future plans.

Literature Review

Despite the political salience of the conflict between the IMF and workers in program participating countries, there are only a few scholarly studies done on the impact of IMF program participation on workers' rights.

Pastor Jr. (1987) provides one of the earliest empirical assessment of the effect of the IMF on labor. Examining the effect of IMF programs in Latin America, he argues that "IMF's desire to secure the cooperation of local elites may lead them to design programs which place the burden of adjustment on workers and other popular classes (Pastor Jr. 1987, pp 258)." As IMF programs increasingly require wage restraint, devaluation, and removal of price controls and other consumer subsidies, he expects that IMF programs

should have a negative effect on labor. He indeed finds that labor share of income is significantly reduced during the course of IMF programs for 18 Latin American countries between 1965 and 1981. Wage (1999) similarly reviews labor market conditions in Latin American countries, such as wages, unemployment, unionization, and workers' rights between 1970 and 1998, and attributes significant deterioration of workers' rights and rise of unemployment to policy liberalization and deregulation demanded by IMF and World Bank conditionality. Departing simple comparison of before and after IMF program participation and expanding data coverage to 110 countries from 1961 to 1993, Vreeland (2002) finds that labor share of income in manufacturing is significantly reduced when countries participate in IMF programs, after controlling for observable and non-observable factors affecting IMF program participation.

Oberdabernig (2013) examines the effect of IMF programs on poverty and inequality and presents more subtle findings. While the effect of IMF programs on poverty and inequality, which often are associated with quality of life of workers, are overall negative – increase in poverty and inequality – between 1982 and 2009 in a short run, the effect reverses when analysis is done for the 2000-2009 sub period. In this sub-period, when IMF programs have became increasingly concerned at poverty alleviation, the contemporaneous effect of IMF program participation is statistically significant and positive, leading decrease in both poverty indicators and inequality.

Blanton, Blanton, and Peksen (2015) show that when a country accepts IMF and World Bank programs, the country tends to experience deterioration of labor rights protection due to significant policy reforms included in the IFI programs.

Most studies reviewed above assess the effects of IMF programs by comparing before and after IMF program participation or comparing with and without IMF program participation. More recent studies tend to be more methodologically sophisticated, often controlling for selection effects – which countries are more likely to participate in an IMF program – before evaluating the effect of IMF program participation. However, in making the main explanatory variable of these studies a dichotomous variable of IMF program participation, these studies make the implicit assumption that all IMF programs are similarly designed to each other or that IMF programs would have similar effects once they are signed, regardless of their design.

Yet, IMF programs are very much different from each other. A few studies of IMF conditionality, for instance, report large variation in IMF program design, whether in the number of conditions included in a program (Dreher 2007, Copelovitch 2010, Woo 2010) or in the scope of conditionality covered within a program (Stone2008). Similarly, Caraway, Rickard, and Anner (2012) show that there is tremendous variation in labor related conditionality. And aforementioned studies show that differences between IMF programs in their design are not random but stem from international and domestic political circumstances surrounding deliberate negotiations between the IMF and participating governments. Thus we cast doubt on whether the most common approach of the literature that treat IMF programs and their effect homogenous across countries is unproblematic.[1]

This inattention to variation in conditionality seems to be problematic given that theoretical reasoning behind the connection between IMF programs and labor rights

[1] One research actually examines the effects of varying conditionality and finds that stricter conditions tend to catalyze more FDI. See Woo (2013).

highlight the central role of conditionality. Studies reviewed earlier examining the effect of IMF programs on labor often explicitly state that conditionality included in IMF programs force governments to adopt policies – such as restriction in wage increases in public sectors that directly target workers or reduction of social spending which indirectly affect workers – that compromise workers rights significantly. Yet in their empirical analysis, they do not pay attention to the variation of specific labor market conditions included in IMF programs. As shown in Caraway, Rickard, and Anner (2012), some programs carry few, if any, labor market conditions, while others include a sizeable number of conditions. We believe that it is unreasonable to expect to these diverse programs have similar effects on labor rights. We attempt to address this issue by exploring how IMF conditionality, specifically on labor market, affects workers' rights.

Theoretical Argument

As an international agreement, IMF programs are negotiated by the IMF and a government, then once a program is agreed, the program proceeds to be implemented domestically. Analytically, these two sequential processes are intimately linked and in the context of IMF lending, this would mean that the design of an IMF program and domestic politics of reform policies implementation, and hence subsequent effect of them – are closely linked. The design of an IMF program would take into consideration of the possibility of program implementation. In particular, political consideration of workers and labor unions to resist labor market reforms should play a key role in the design of IMF programs. In turn, the probably of successful implementation and domestic political struggle over labor market reforms should depend on how an IMF program is designed.

Thus, we conceptualize IMF program negotiation and program implementation in two-staged process, much like how two level games are conceptualized, with IMF program negotiation happening between the IMF and a national government and the politics of IMF program implementation is contested between the national government and a potential opposition by workers and labor unions once a program is agreed. And intimately, the interaction between program design and implementation is what shapes the outcome – workers' rights.

While domestic politics of program implementation clearly constrains the IMF and a government, it would be a mistake to posit that domestic constraints are largely deterministic in shaping up labor market conditionality in an IMF program. Rather, while domestic constraints clearly affect the design of an IMF program to a certain extent, there is still much room for strategic and bureaucratic interests of the IMF on the one hand and political motivations of the participating government to come into play. This is because there is some uncertainty over how politics of labor market reform measures implementation will shake up in the future. In addition, labor opposition is partly endogenous to how an IMF program is designed. Thus, a government can try to use IMF programs politically. For instance, existing IMF studies demonstrate that a government can bring in an IMF program to tip the balance against reform opposition, presumably including labor unions (Vreeland2003). By brining in the IMF, a reform-minded government can increase the cost for labor unions of rejecting reform initiatives. Others also have demonstrated that American strategic interests and IMF staff's own bureaucratic and organizational interests affect many aspects of IMF programs. In other

words, the IMF and a government enjoy a limited autonomy when they negotiate an IMF program.

The outcome of this negotiation, conditionality, varies significantly. Recent studies of IMF conditionality indeed show that there are tremendous variations in overall number of or scope of IMF conditionality. In addition, Caraway, Rickard, and Anner (2012), shows that labor market conditionality varies significantly. Of all the programs signed between 1980 and 2000, the average number of labor conditions in IMF programs is 1.69 according to arrangement letters or is 5.26 according to letters of intent with standard deviation of 3.43 and 5.13 respectively. What is more astonishing is the gap between the minimum and the maximum. While several programs contain zero labor conditions, certain programs contain more than 20, 30, or even 40 conditions.

Existing studies do not take this variation seriously. By choosing IMF program participation – a dichotomous variable – as the main explanatory factor intead, scholars impose an implicit assumption that all IMF programs are designed similarly or else have homogeneous effects, regardless of design. Yet, we observe that IMF programs can be very different (Dreher 2007, Stone 2008, Copelovitch 2010 ,Woo 2010, Caraway, Rickard, Anner 2012). It is unlikely that such heterogeneous programs affect participating countries uniformly. Consequently, we suspect that the literature's conventional empirical approach is likely masking important facets of IMF programs' effects on workers' rights.

We contend that the more labor conditions a program includes, the worse worker rights are affected by the program in the following year. Simply put, when a program contains a large number of labor market conditions, workers rights are to be

compromised subsequently more so than when a program does not contain such conditions. Labor conditions include restrictions on public sector wage levels, public sector employment levels, privatization, private sector minimum wages, other private sector wage restraint, social security, public pension, labor market flexibility, and collective bargaining decentralization (Caraway, Rickard, Anner 2012). These explicit labor market conditions compromise the interest of workers. Because these labor market conditions target the interests of workers, holding other variables constant, as the labor conditionality becomes more stringent, the workers' rights deteriorates.

Hypothesis 1a: When an IMF program contains more stringent labor market conditions, workers de jure rights are more likely to be negatively affected by the program.

Hypothesis 1b: When an IMF program contains more stringent labor market conditions, de facto labor practices are more likely to be negatively affected by the program.

We further contend that there are some domestic political factors that can intervene and mitigate the negative effect of labor market conditions. Note that we early emphasize that not all labor conditionality are implemented. Indeed, implementation of IMF conditions is nothing but given because often implementation of these conditions face stiff resistance domestically. And the IMF and a government is willing to make concessions when faced with stiff concessions. Some programs are scrapped all together and renegotiated. Other programs go ahead with slight modifications of conditions. In still other instances, non-compliance to certain conditions is not always punished by the

IMF but instead waivers are issues. We argue that when workers have more political representation or channels of influence, the negative effect of implementing labor market conditions can be mitigated. One such case, we contend, is that when a government is leftist. When political left is better politically represented in a country, implementation of labor market conditions can be compromised or modified, partially offsetting the negative effect of labor market conditions on workers' rights.

Hypothesis 2a: When a left government participates in an IMF program containing more stringent labor market conditions, workers de jure rights are less likely to be negatively affected by the program than when a right government participates in such a program.

Hypothesis 2b: When a left government participates in an IMF program containing more stringent labor market conditions, de facto labor practices are less likely to be negatively affected by the program than when a right government participates in such a program.

In addition to a partisanship of a government, we pay attention to another domestic political circumstance – electoral system. A vast literature on comparative political economy has demonstrated that institutional features of domestic political systems have a significant association with economic policy-making and public policy outcomes. Political institutions affect the motivation and ability of governments to respond to the collective demands of domestic interests, because they define the ways in which political representatives maximize their chances of retaining power (Rogowski 1987; Mansfield and Busch 1995; Persson and Tabellini 1999; Milesi-Ferretti et al.2002;

Grossman and Helpman 2005; Chang 2008; Rickard 2009). Another line of research also suggests that various dimensions of domestic political institutions (e.g. regime types, electoral formula, and party systems) influence governments' willingness to be integrated to the international economy, and also mediate the impact of external changes and shocks on domestic policy outcomes (Garrett 1995; Kaufman and Segura-Ubiergo 2001; Adserà and Boix 2002; Ahlquist 2006; Milner 1999; Rudra 2002).

One important implication emerged from these studies is that the relationship between labor-related loan conditions in IMF programs and a country's de jure and de facto protection of labor rights could be conditioned by domestic political institutions. Even if stringent labor-market reforms are proposed for IMF loans at the time of negotiations and agreements, their effects on the level of respect for collective labor rights might vary, depending on the extent to which political institutions guarantee the political representation of workers and unions.

Here we argue that electoral systems condition the relationship between labor market conditionality and collective labor rights. The existing research strongly suggests that there is a strong affinity between proportional representation (PR) systems and broad-based class politics. Unlike majoritarian systems with single-member districts, PR systems have strong associations with higher public spending (Iversen and Soskice 2006), lower equality (Birchfield and Creapz 1998), and more redistribution (Alesina and Glaeser 2004). The lower vote-seat elasticity in PR systems tends to generate a multi-party system which makes the entry of new parties representing the interests of workers and unions much easier. PR systems are more likely to serve the collective benefits of domestic labor than majoritarian systems, because coalition parties in PR systems are less

likely to deviate from the preference of their core-partisan supporters (Iversen and Soskice 2006). Specifically a closed-list PR in which party labels matter more than personal reputations allow organized labor to enforce and punish elected representatives through parties (Naoi and Krauss 2009). In this vein, we hypothesize that a closed-list PR and/or a high-level of proportionality of electoral systems will suppress the negative effects of stringent-labor related conditions on collective labor rights. For instance, large district magnitudes in closed-list PR systems would increase the likelihood that organized labor's demands to protect labor rights are translated into actual votes, and thus induce representative policymakers to protect de jure and de facto labor rights.

Hypothesis 3a: When a country that adopts a closed-list PR system participates in an IMF program containing more stringent labor market conditions, workers de jure rights are less likely to be negatively affected by the program than when a country with other types of electoral systems (e.g. majoritarian, semi-proportional, or open-list PR) participates in such a program.

Hypothesis 3b: When a country that adopts a closed-list PR system participates in an IMF program containing more stringent labor market conditions, workers de facto rights are less likely to be negatively affected by the program than when a country with other types of electoral systems (e.g. majoritarian, semi-proportional, or open-list PR) participates in such a program.

Data and Methods

Equations (1) and (2) summarize the hypothesized relationship between IMF labor market conditionality, government ideology, and collective labor rights. In equation (1), collective labor rights for a given country is predicted from the stringency of labor-related conditions, government partisanship, and a set of control variables that might affect labor standards at the domestic level. Specifically, equation (1) includes a multiplicative interaction term between labor market conditionality and government partisanship. In doing so, we hypothesize that the extent to which IMF labor conditions affect collective labor rights is conditioned by the partisan orientation of governments. Thus the marginal effect of labor market conditionality on collective labor rights can be expressed in equation (2) below, by taking the derivative of equation (1) with regard to IMF labor market conditionality.

$$
\begin{aligned}
(1)\ & \textit{Collective Labor Rights}_{it} \\
&= \beta_0 + \beta_1 \textit{IMF Labor Market Conditionality}_{it-1} + \beta_2\, \textit{Left}_{it-1} \\
&+ \beta_3\, \textit{IMF Labor Market Conditionality}_{it-1} \times \textit{Left}_{\ it-1} \\
&+ \beta_4\, \textit{Trade}_{it-1} + \beta_5\, \textit{FDI flows}_{it-1} + \beta_6\, \textit{Polity}_{it-1} + \beta_7\, \textit{Population}_{it-1} \\
&+ \beta_8\, \textit{GDP}_{it-1} + \beta_9\, \textit{GDP per capita}_{it-1} + \beta_{10}\, \textit{Collective Labor Rights}_{it-1} + \varepsilon_{it-1}
\end{aligned}
$$

$$
\begin{aligned}
(2)\ & \partial \textit{Collective Labor Rights} \,/\, \partial \textit{IMF Labor Market Conditionality} \\
&= \beta_1 + \beta_3 \textit{Left}
\end{aligned}
$$

To estimate equation (1), we exploit new data on workers' rights and IMF conditionality in the recent literature. Indicators of collective rights of workers are

employed from Greenhill, Mosley, and Prakash (2009). These measures evaluate a country's labor standards at the aggregate level, considering labor rights related to freedom of association, collective bargaining, union organizations, union activities, rights to strike, and rights in export processing zones (EPZs). We examine the effects of IMF conditions on collective labor rights in two dimensions: *Labor Laws* and *Labor Practices*. It is important to distinguish between de jure and de facto protection of labor rights. The formal legislation of workers' rights does not always guarantee the actual implementation of such rights, especially if governments lack abilities to monitor and enforce labor standards in practice. Following Greenhill et al., *Labor Laws* represents the extent to which a given country legally protects workers' rights to organize, bargain, and strike collectively. *Labor Practices* considers the degree to which those laws are violated and limited by government officials and/or employers in public and private sectors. *Labor Laws* and *Labor Practices* are both coded such that higher values in each measure indicate more legal provisions for the protection of labor rights and stronger implementation of those rights, respectively.

Our key independent variables are the aggregate measures of labor market conditionality for IMF funds. Data on labor-related conditions included in IMF programs are derived from Caraway, Rickard, and Anner (2012). Unlike much of previous research, Caraway et al. quantify the intrusiveness or stringency of labor market reform conditions from official IMF loan documents, such as letters of intention and arrangement letters. The letters of intention show how borrowers evaluate the major issues in their economies and the overall policy programs to resolve such issues. Arrangement letters, on the other hand, only spell out conditions that the IMF suggest borrowing countries should fulfill to

receive IMF loans. Caraway et al. evaluate the level of conditionality from several areas of labor issues, such as levels of wage and employment, social security and pension systems, labor market flexibility, and collective bargaining decentralization. They however distinguish between labor conditions in the letters of intent and those in arrangement letters, since the former usually tend to be much broader and stricter than the latter. Like Caraway et al., we examine the extent to which labor-related loan conditions suggested in each type of these documents affect the legislation of collective labor rights and their implementation. Large positive values in *Letters of Intent* and *Arrangement Letters* both represent greater intrusiveness of labor market conditionality. Thus if IMF labor market conditionality exerts adversely affect de jure and de facto protection of labor rights, the coefficients for *Letters of Intention* and *Arrangement Letters* should be negatively signed and statistically significant.

We also consider government partisanship and types of electoral systems in order to measure the extent to which domestic political institutions mediate the suggested relationship between IMF conditionality and collective labor rights. *Left is* a dummy variable which is coded 0 if the chief executive's party is left-oriented and 1 for otherwise. Although not presented in equation (1), our model later includes *Closed-List PR* and *Proportionality* as intervening variables, which would mediate the effects of labor-related loan conditions on labor rights. *Closed-list PR* is a dummy variable that is coded 1 for a closed-list PR 0 for otherwise. Following previous research (Rogowski and Kayser 2002), *Proportionality* is defined as a natural log of district magnitudes in the lower house. Data on electoral systems and government ideology are all obtained from Database of Political Institutions (Clark, Keefer, and Walsh 2001).

Our model also includes a set of domestic political and economic variables which might be associated with levels of labor rights. To control for the effects of regime types, we use the Polity 4 project dataset in which regime scores (=*Polity*) range from -10 for full autocracies to 10 for full democracies (Marshall and Jaggers 2002). We also control for the level of a country's openness to international economy as the existing literature offers competing arguments on the effect of globalization on labor standards and inequality. *Trade* is defined as the sum of imports and exports as a share of GDP, and *FDI* indicates the amount of FDI inflows as a percentage share of GDP. Data on the measures of trade and financial openness and all other economic variables are collected from World Development Indicators. Summary statistics for all of these variables are reported in Table 1.

Empirical Results

This section reports the main results of estimating equation (1). Here we focus on examining the effect of IMF programs on collective labor rights in two dimensions: first, the extent to which labor-related conditions suggested in IMF loan documents change labor standards in a borrowing country; and second, whether and to what extent domestic political institutions mediate the relationship between labor-related loan conditions and labor rights.

Table 2 presents the estimated effects of the IMF labor market conditionality on *de jure* protection of collective labor rights (=*Labor Laws*). In almost all cases of Table 2, our key independent variables - *Letters of Intent* and *Arrangement Letters* - consistently have a negative and statistically significant association with the dependent variable. The

negative and significant coefficients for these variables suggest that the greater the intrusiveness or stringency of labor market reform conditions which a borrowing country and the IMF each proposes for financing, the lower the borrower's legal protections for labor rights. For instance, columns 1 and 5 show that an increase of one standard deviation in *Letters of Intent* and *Arrangement Letters* will cause a decrease in the predicted value of *Labor Laws* by 0.152 and 0.107 point, respectively. These findings support the argument that IMF programs are likely to put the burdens of structural adjustment on workers through limitations on wages, employment and public benefits (Pastor Jr. 1987; Wage 1999, and Vreeland 2002).

[Insert Table 2 here]

In Table 2, we also consider the effects of government partisanship on the relationship between labor-related conditions for IMF loans and legal provisions for collective labor rights. The partisan orientation of the executive might be associated not only with the pre-existing labor laws but also with the country's respect for labor laws during negotiations with the IMF. Specifically left governments are more likely to have strong partisan and electoral incentives to protect labor laws than their center-right counterparts, as they tend to have workers and union organizations as their core constituencies (Franzese 2002; Caraway, Rickard, and Anner 2012).

In order to clarify the conditioning effects of the partisan orientation of the government, Table 2 also includes a simple dummy variable *Left* and its interaction terms with each indicator of IMF labor market conditionality. The results in the remaining columns provide evidence that the extent to which IMF conditionality decreases a borrowing country's labor laws itself declines in the presence of left governments. In

column 2, the coefficients for *Letters of Intent* and its multiplicative interaction term with *Left* are -0.206 and 0.155, respectively, and they are both statistically significant. This results indicate that when center-right parties hold the chief executive's office, an one unit increase in *Letters of Intent* generates a decrease in labor law scores by 0.206. If left governments are present, however, the same change in *Letters of Intent* reduces labor law scores by 0.051.

Our findings that government partisanship conditions the effect of the intrusiveness of labor-related conditions on labor laws remain robust, if we narrow the sample to stable democracies with the Polity scores of 6 or higher. Column 3 indicates that the extent to which *Letters of Intent* decrease labor laws score will change from -0.222 to -0.05 when there is a left government. Similarly column 7 shows that under the same circumstances, the direction of the coefficient for *Arrangement Letters* becomes even positive but still statistically significant (=0.154). The findings of Table 2 also suggests that the hypothesized relationships between IMF labor conditionality, government ideology, and labor laws do not hold for autocracies. Columns 4 and 8 show that in countries with the Polity scores less than 6, the coefficients for *Letters of Intent* and *Arrangement Letters* lose their statistical significance, but their multiplicative interaction terms with *Left* are both negatively signed and significant. These results suggest that left governments in autocracies are less likely to mitigate the negative impacts of IMF programs on labor laws than their counterparts in democracies, as they rely less on electoral support from workers.

[Insert Table 3 here]

Table 3 reports the interactive effects of IMF labor market conditionality and government partisanship on *de facto* protection of labor rights (=*Labor Practices*). Interestingly, the results presented in Table 3 show that the intrusiveness of labor-related conditions proposed in *Letters of Intent* have almost no significant effect on the actual implementation of labor rights in practice, regardless of regime types. Column 6, however, shows that a change in government partisanship from center-right to left would change the coefficient for *Arrangement Letters* from -0.11 to 0.138, which are statistically significant. This finding implies that even if the IMF strongly demands stringent labor market reforms from a borrowing country, those conditions do not exert negative influence on labor practices in the presence of left governments.

To test the robustness of our findings, we further extend our analysis by examining the effects of domestic political institutions. In Table 4, we examine how domestic political factors, such as government ideology and types of electoral systems interactively mediate the relationship between the stringency of labor market conditionality and *Labor Laws*. Like the earlier findings, the results in Table 4 show that labor-related loan conditions captured in *Letters of Intent* and *Arrangement Letters* both consistently have negative and statistically significant associations with de jure protection of labor rights, even when we focus on the subsample of consolidated democracies with polity scores higher than 5.

[Insert Tables 4 and 5 about here]

More importantly, Table 4 provides interesting evidence supporting the hypothesis that the effect of IMF labor conditionality on collective labor rights is conditioned by government partisanship and types of electoral systems in a borrowing

country. Specifically we find that stringent labor-related loan conditions are least likely to weaken the pre-existing labor laws when the borrowing country has a leftist government with a close-list PR system. In column 2, for instance, the marginal effect of *Letters of Intention* on *Labor Laws* can be rewritten as an equation (3) below, by taking the derivative of the model with regard to *Letter of Intent.*

(3) ∂*Labor Laws* / ∂*Letters of Intent*

= -1.132 + 1.017 × *Left* + 0.926 × *Closed-list PR* - 0.8× *Left* × *Closed-list PR*

Here equation (3) proposes that the ways and the extent to which labor-related loan conditions suggested in *Letters of Intent* changes the level of respect for *Labor Laws* determined by both government partisanship and types of electoral systems. Our findings in equation (3) indicate that in countries with no left governments and closed-list PR systems, an one unit increase in *Letters of Intent* generates a decrease in domestic labor laws by 1.132 point. However, the degree to which *Letters of Intent* decrease the level of Labor laws itself will be moderated to 0.115 and 0.206 point, respectively, with the presence of either left governments or a closed-list PR. The marginal effect of *Letters of Intent* reaches its minimum value of 0.011 when the borrowing country has both leftist governments and closed-list PR systems. The findings tend to hold if we consider the subsample of our data, depending on Polity scores, or if we capture the stringency of labor-related conditions from *Arrangement Letters*. In column 7, for instance, *Arrangement Letters* decrease the scores of *Labor Law* by 0.759 point, if a borrowing country is run by a center-right government with plurality or open-list PR systems. The

effect of *Arrangement Letters*, however, will be reduced to -0.637 and -0.245 if the country has a left-wing government or closed-list PR system, respectively.

Table 5 reports the estimated coefficients of labor-related loan conditions, government partisanship, and electoral systems on de facto protection of labor rights (=*Labor Practices*). Unlike the case of *Labor Laws*, Table 5 provides no evidence that *Letters of Intent* exert significant and negative influence on *Labor Practices*. In columns 1 and 5, the positive and significant coefficients on *Left* and *Closed-List PR* rather suggest that the actual implementation of labor law protection might be initially associated with domestic political circumstances. As shown earlier in Table 4, however, the results in columns 6 and 7 demonstrate that the negative significant effect of *Arrangement Letters* on *Labor Practices* is moderated by either *Left Governments* or *Closed-List PR systems.*

[Insert Tables 6 and 7 here]

Tables 6 and 7 report the estimated effects of left governments and proportionality of electoral systems on the link between IMF labor conditions and collective labor rights. Overall, the findings in Table 6 demonstrate that an increase in *Proportionality* mitigates the negative effect of labor-related conditions on de jure rights, especially if countries with center-right governments. For instance, columns 3 and 4 of Table 6 shows that the marginal effect of *Letters of Intent* on *Labor Laws* would be summarized as -0.696+0.176×*Proportionality* and as -1.235+ 0.497×*Proportionality*, respectively, without the presence of left governments. In these cases, the negative effect of *Letters of*

Intent on *Labor Laws* would become positive as the value of *Proportionality* passes a threshold of 3.955 in column 3 and 2.485 in column 4. The results in these columns also suggest that the extent to which *Proportionality* of electoral systems itself moderates the negative effects of labor market conditionality on *Labor Laws* would vary depending on government partisanship. If there is a left government, the marginal effect of *Letters of Intent* on *Labor Laws* in columns 3 and 4would be rewritten as 0.214-0.107×*Proportionality* and as 0.276-0.126×*Proportionality*, respectively. These results imply that a left government might be able to attenuate the negative impact of stringent labor conditions on *Labor Laws* only within the certain range of *Proportionality*.

However, our findings in Table 7 provide evidence that for consolidated democracies, higher proportionality of electoral systems and left governments mutually mitigate the negative influence of labor conditions on the actual implementation of labor rights. Columns 4 and 8 of Table 7 clearly demonstrate that the degree to which IMF conditionality decrease de factor labor rights (=*Labor Practices*) itself will always decline along with an increase in proportionality of electoral systems, regardless of the ideological orientation of governments.

Conclusion

While there have been multiple calls for and emphasis on more inclusive and balanced growth by the IMF, the actual materialization of inclusive and balance growth seems hard to obtain.[2] For instance, in early 2011 when then managing director of the IMF,

[2] See for instance IMF Survey Magazine December 2013 issue at https://www.imf.org/external/pubs/ft/survey/so/2013/pol121213a.htm.

Dominique Strauss-Kahn, and then World Bank president, Robert Zoellick, met a delegation of the International Trade Union Confederation (ITUC) in Washington, they repeated the rhetoric that these Bretton Woods institutions are committed to "broaden the distribution of economic growth while extending social protections."[3] However, beyond repeated declarations of intent, it is uncertain how concrete measures would be taken to achieve such goals.

While Mr. Zoellick promised that the World Bank will consult with unions at national and global level to protect core labor standards and workers protections, one of the publications of the World Bank, "Doing Business" still punishes those countries that provide better workers rights protection. The Guardian article reports:

> Despite the crisis, the 2011 (Doing Business) report still penalises those countries that require contributions by employers for unemployment insurance, workers' compensation, pensions, maternity leave or other social protection programmes. … countries that introduced social security contributions, such as, for example, Cambodia, were seen as business-unfriendly, while regimes such as Belarus were highly ranked for making it easier to eliminate jobs, even though the country had already lost its preferential trade status with the European Union for violating fundamental workers' rights such as freedom of association and collective bargaining. … In the 2010 edition of Doing Business, the 'top reformer' prize was won by Rwanda, because employers were no longer

[3] http://www.theguardian.com/global-development/poverty-matters/2011/jan/26/imf world-bank-recovery-workers-rights

required to consult with the employees' representatives or notify the labour inspector before announcing job cuts.[4]

We show that indeed, more popular assessment of the effect of the IMF and the World Bank on workers seem to suggest the opposite of what the IMF hopes to hear.

We recognize that our analysis is preliminary. In particular, we want to address the issue of endogenous labor conditionality. But we are cautiously confident that our results would hold even after taking the endogenous nature of labor conditionality. Taken together with Caraway, Rickard, and Anner (2012)'s study, for instance, stronger political representation of workers allow both more lenient labor market conditions and more compromised implementation of those agreed conditions.

[4] http://www.theguardian.com/global-development/poverty-matters/2011/jan/26/imf world-bank-recovery-workers-rights

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TABLE 1. Summary Statistics

Variable	Observations	Mean	Standard Deviation	Minimum	Maximum
Labor Laws	2367	22.752	5.697	0	28.5
Labor Practices	2367	22.405	4.496	0	27.5
Letters of Intent	700	5.493	5.206	0	44
Arrangement Letters	701	1.951	3.721	0	24
Left	3585	0.535	0.499	0	1
Closed-List PR	4640	0.288	0.451	0	1
Proportionality (LnDM)	3772	1.089	1.380	-0.329	6.109
Polity	1929	-0.423	6.810	-10	10
Trade	2061	75.153	40.711	1.531	282.402
FDI Flows	1973	2.727	6.978	-82.873	145.210
Population (log)	2358	15.265	2.161	9.547	20.970
GDP (log)	1954	7.864	0.940	5.830	10.086
GDP per capita (log)	5064	8.509	1.272	4.614	11.722

TABLE 2. IMF Labor Market Conditionality, Government Ideology, and Labor Laws

	Dep. Var. = Labor Laws							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Polity>=6	Polity<6			Polity>=6	Polity<6
Letters of Intent	-0.167***	-0.206***	-0.222***	-0.476				
	(0.049)	(0.055)	(0.084)	(0.445)				
Letters of Intent × Left		0.155***	0.172**	-1.416***				
		(0.044)	(0.074)	(0.306)				
Arrangement Letters					-0.165***	-0.188***	-0.216***	-0.082
					(0.058)	(0.047)	(0.078)	(0.415)
Arrangement Letters × Left						0.163	0.370***	-0.923***
						(0.158)	(0.118)	(0.354)
Left	0.174	-0.878	-0.796	-24.614	-0.042	-0.311	-0.311	-2.296
	(0.835)	(0.896)	(1.068)	(27.347)	(0.904)	(0.760)	(0.834)	(25.538)
Trade	0.054	0.031	0.083	1.874**	0.01	0.008	-0.034	1.236
	(0.090)	(0.084)	(0.215)	(0.810)	(0.101)	(0.100)	(0.242)	(1.101)
FDI flows	-0.048**	-0.050***	-0.040*	-0.186	-0.048**	-0.051**	-0.04	-0.318*
	(0.019)	(0.019)	(0.024)	(0.243)	(0.021)	(0.021)	(0.028)	(0.175)
Polity	0.191***	0.206***	0.210***	-1.126***	0.125*	0.141**	0.147**	-0.889**
	(0.066)	(0.068)	(0.063)	(0.317)	(0.068)	(0.065)	(0.066)	(0.374)
Population (log)	-0.595**	-0.645**	-0.439	-10.788	-0.698**	-0.732**	-0.519	-7.905
	(0.302)	(0.300)	(0.387)	(9.795)	(0.319)	(0.322)	(0.445)	(15.978)
GDP (log)	-0.875	-1.156	-1.327	-36.294	-1.267	-1.392	-1.893	-29.298
	(1.219)	(1.122)	(0.971)	(48.181)	(1.447)	(1.450)	(1.176)	(44.486)
GDP per capita (log)	2.394***	2.798***	3.068***	81.362	2.954***	3.063***	3.888***	43.67
	(0.815)	(0.852)	(0.734)	(72.855)	(0.977)	(0.941)	(0.942)	(75.747)
Lagged Dependent Variable	0.387***	0.378***	0.404***	-0.156	0.382***	0.384***	0.402***	-0.391
	(0.091)	(0.096)	(0.124)	(0.703)	(0.091)	(0.092)	(0.121)	(0.841)
Constant	12.854	13.216	7.396	-169.44	12.96	13.756	6.597	45.77
	(9.774)	(9.343)	(12.129)	(223.214)	(11.174)	(11.124)	(14.485)	(219.027)
R^2	0.490	0.498	0.537	0.772	0.469	0.473	0.515	0.749
Number of Observations	81	81	66	15	81	81	66	15

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01

TABLE 3. IMF Labor Market Conditionality, Government Ideology, and Labor Practices

	Dep. Var. = Labor Practices							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Polity>=6	Polity<6			Polity>=6	Polity<6
Letters of Intent	-0.06	-0.056	0.023	-0.809				
	(0.048)	(0.064)	(0.101)	(0.522)				
Letters of Intent × Left		-0.017	-0.133	-1.369				
		(0.112)	(0.148)	(1.860)				
Arrangement Letters					-0.075	-0.110*	-0.117	-0.364
					(0.068)	(0.060)	(0.129)	(0.410)
Arrangement Letters × Left						0.248***	0.310**	-0.46
						(0.092)	(0.152)	(0.798)
Left	0.281	0.397	1.549	-86.909	0.186	-0.225	0.177	-48.127
	(0.585)	(1.038)	(1.173)	(63.142)	(0.618)	(0.622)	(0.666)	(51.852)
Trade	0.011	0.014	-0.118	3.37	-0.01	-0.013	-0.185	2.425
	(0.092)	(0.101)	(0.301)	(2.767)	(0.104)	(0.107)	(0.360)	(1.965)
FDI flows	0.041*	0.041*	0.068**	0.483	0.040*	0.035	0.056*	0.073
	(0.023)	(0.023)	(0.031)	(0.658)	(0.021)	(0.022)	(0.031)	(0.437)
Polity	-0.124	-0.126	-0.250***	-1.218	-0.143	-0.118	-0.208**	-0.664
	(0.111)	(0.109)	(0.080)	(1.530)	(0.119)	(0.122)	(0.100)	(1.750)
Population (log)	-0.327	-0.321	0.031	-36.722***	-0.379	-0.428	-0.161	-22.655
	(0.307)	(0.314)	(0.477)	(13.923)	(0.296)	(0.303)	(0.511)	(15.209)
GDP (log)	-3.342*	-3.305*	-3.061	-138.924	-3.473*	-3.595*	-3.577*	-99.050*
	(1.972)	(1.963)	(1.875)	(87.368)	(1.997)	(2.040)	(2.058)	(52.810)
GDP per capita (log)	6.494***	6.443***	6.778***	280.127*	6.733***	6.792***	7.391***	176.729
	(1.853)	(1.881)	(2.253)	(169.838)	(1.847)	(1.940)	(2.435)	(119.632)
Lagged Dependent Variable	0.259**	0.260**	0.281	-0.914	0.253**	0.266**	0.284	-0.631**
	(0.129)	(0.128)	(0.184)	(0.569)	(0.128)	(0.127)	(0.178)	(0.273)
Constant	-10.494	-10.52	-22.267**	-580.906	-10.468	-9.076	-18.730*	-271.01
	(7.201)	(7.259)	(9.809)	(486.850)	(7.253)	(7.463)	(10.146)	(373.293)
	0.478	0.478	0.531	0.839	0.477	0.484	0.535	0.793
	81	81	66	15	81	81	66	15

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01

TABLE 4. Government Ideology, Electoral Systems, and the Marginal Effect of IMF Conditionality on Labor Laws

	Dep. Var. = Labor Laws							
			Polity>0	Polity>5			Polity>0	Polity>5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Letters of Intent	-0.166***	-1.132***	-1.150***	-0.982***				
	(0.054)	(0.212)	(0.233)	(0.084)				
Left	-0.061	-3.158***	-3.372***	-2.491**	-0.304	-0.431	-0.563	-0.402
	(0.773)	(0.911)	(0.888)	(0.973)	(0.853)	(0.903)	(0.904)	(1.038)
Closed-List PR	0.381	-2.533**	-2.755**	-1.457	0.612	-0.332	-0.419	0.3
	(0.979)	(1.125)	(1.159)	(1.589)	(1.239)	(1.090)	(1.083)	(1.507)
Letters of Intent × Left		1.017***	1.068***	0.903***				
		(0.218)	(0.241)	(0.081)				
Letters of Intent × Closed-List PR		0.926***	0.966***	0.776***				
		(0.214)	(0.238)	(0.140)				
Left × Closed-List PR		1.499	1.725	0.797		-0.633	-0.461	-0.625
		(1.385)	(1.350)	(2.028)		(1.039)	(0.998)	(1.444)
Letters of Intent × Left × Closed-List PR		-0.800***	-0.877***	-0.700***				
		(0.231)	(0.253)	(0.159)				
Arrangement Letters					-0.166*	-1.062***	-0.759***	-0.284
					(0.087)	(0.291)	(0.271)	(0.202)
Arrangement Letters × Left						0.425***	0.402***	0.416**
						(0.104)	(0.115)	(0.192)
Arrangement Letters × Closed-List PR						0.817***	0.525**	0.024
						(0.268)	(0.233)	(0.100)
Arrangement Letters × Left × Closed-List PR						0	0	0
						(.)	(.)	(.)
Polity	0.024	0.143	0.239	0.282	-0.043	0.042	0.044	0.066
	(0.140)	(0.103)	(0.171)	(0.426)	(0.164)	(0.109)	(0.201)	(0.438)
Trade	-0.067**	-0.055*	-0.049	-0.039	-0.075**	-0.057*	-0.051	-0.043
	(0.032)	(0.032)	(0.034)	(0.041)	(0.033)	(0.033)	(0.035)	(0.044)
FDI flows	0.143**	0.168*	0.14	0.154	0.105	0.102	0.081	0.096
	(0.069)	(0.096)	(0.096)	(0.120)	(0.102)	(0.116)	(0.116)	(0.147)
Population (log)	-1.155**	-0.684	-0.58	-0.329	-1.367**	-0.839*	-0.772	-0.575
	(0.527)	(0.433)	(0.441)	(0.579)	(0.586)	(0.447)	(0.474)	(0.649)
GDP (log)	-2.864	-1.673	-1.357	-1.852	-4.13	-2.042	-1.873	-2.315
	(2.715)	(2.327)	(2.361)	(2.320)	(2.779)	(2.423)	(2.324)	(2.295)
GDP per capita (log)	5.732***	4.665***	4.310**	5.200***	7.176***	5.439***	5.388***	6.251***
	(1.860)	(1.624)	(1.799)	(1.873)	(1.812)	(1.636)	(1.725)	(1.803)
Constant	19.852	12.782	10.568	0.978	21.609	9.805	7.481	-0.71
	(13.889)	(11.789)	(13.732)	(17.486)	(15.188)	(13.020)	(14.393)	(19.085)
R2	0.41	0.493	0.524	0.519	0.367	0.451	0.457	0.465
Observations	78	78	72	63	78	78	72	63

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01

TABLE 5. Government Ideology, Electoral Systems, and the Marginal Effect of IMF Conditionality on Labor Practices

	Dep. Var. = Labor Practices							
			Polity>0	Polity>5			Polity>0	Polity>5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Letters of Intent	-0.082	-0.375	-0.335	-0.167				
	(0.073)	(0.307)	(0.265)	(0.103)				
Left	1.733***	-1.013	-0.404	0.992	1.530***	0.609	1.061	1.639
	(0.574)	(1.432)	(1.075)	(0.784)	(0.557)	(1.053)	(0.957)	(1.017)
Closed-List PR	3.641**	0.823	1.063	2.326	3.513*	1.97	2.609*	3.377*
	(1.621)	(1.961)	(2.036)	(1.609)	(1.847)	(1.699)	(1.548)	(1.810)
Letters of Intent × Left		0.423	0.354	0.202**				
		(0.312)	(0.247)	(0.094)				
Letters of Intent × Closed-List PR		0.266	0.225	0.219				
		(0.280)	(0.261)	(0.173)				
Left × Closed-List PR		2.408	2.177	1.942		-0.947	-0.923	-1.325
		(2.129)	(1.859)	(1.603)		(1.789)	(1.676)	(1.905)
Letters of Intent × Left × Closed-List PR		-0.543*	-0.488*	-0.514***				
		(0.300)	(0.269)	(0.176)				
Arrangement Letters					-0.096	-0.686***	-0.690**	0.008
					(0.110)	(0.160)	(0.341)	(0.225)
Arrangement Letters × Left						0.425***	0.496***	0.233
						(0.138)	(0.171)	(0.168)
Arrangement Letters × Closed-List PR						0.466***	0.390*	-0.09
						(0.122)	(0.235)	(0.148)
Arrangement Letters × Left × Closed-List PR						0	0	0
						(.)	(.)	(.)
Polity	-0.248	-0.097	-0.218	-0.28	-0.249	-0.159	-0.479	-0.265
	(0.178)	(0.132)	(0.238)	(0.482)	(0.191)	(0.144)	(0.311)	(0.554)
Trade	0.028	0.035	0.052	0.086**	0.025	0.022	0.037	0.073*
	(0.038)	(0.040)	(0.037)	(0.040)	(0.038)	(0.040)	(0.035)	(0.040)
FDI flows	-0.082	-0.055	-0.095	-0.203	-0.094	-0.042	-0.067	-0.154
	(0.131)	(0.173)	(0.164)	(0.163)	(0.151)	(0.197)	(0.179)	(0.186)
Population (log)	-0.697	-0.495	-0.233	0.35	-0.747	-0.64	-0.394	0.218
	(0.637)	(0.519)	(0.496)	(0.618)	(0.631)	(0.521)	(0.504)	(0.632)
GDP (log)	-9.732***	-5.177**	-5.385***	-6.697***	-9.646***	-5.549***	-6.322***	-6.982***
	(2.091)	(2.124)	(1.711)	(2.438)	(2.074)	(2.135)	(1.582)	(2.380)
GDP per capita (log)	13.41***	9.386***	10.17***	12.71***	13.49***	9.909***	11.75***	12.85***
	(1.863)	(1.558)	(1.486)	(2.992)	(1.902)	(1.531)	(1.656)	(3.042)
Constant	-5.809	-11.561	-20.907	-44.364**	-6.481	-10.686	-22.766	-41.115**
	(19.221)	(15.241)	(13.733)	(19.138)	(19.556)	(15.995)	(14.583)	(19.350)
R2	0.359	0.43	0.466	0.543	0.367	0.435	0.481	0.529
Observations	78	78	72	63	78	78	72	63

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01

TABLE 6. Government Ideology, Proportionality, and the Marginal Effect of IMF Conditionality on Labor Laws

	Dep. Var. = Labor Laws							
			Polity>0	Polity>5			Polity>0	Polity>5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Letters of Intent	-0.186***	-0.314**	-0.696***	-1.235**				
	(0.071)	(0.144)	(0.179)	(0.558)				
Left	0.326	0.417	-2.106***	-2.910***	-0.121	1.355	0.833	0.923
	(0.537)	(1.639)	(0.506)	(0.678)	(0.810)	(1.101)	(0.783)	(0.679)
Proportionality	0.47	0.293	-0.989	-1.621	0.671	0.27	-0.04	0.664
	(0.375)	(0.305)	(0.647)	(3.809)	(0.500)	(0.306)	(0.500)	(3.630)
Letters of Intent × Left		0.179	0.910***	1.511***				
		(0.391)	(0.154)	(0.561)				
Letters of Intent × Proportionality		0.021	0.176***	0.497*				
		(0.036)	(0.066)	(0.254)				
Left × Proportionality		-0.681	-0.001	0.561		-1.094***	-1.005***	-1.005***
		(0.614)	(0.207)	(0.418)		(0.405)	(0.248)	(0.245)
Letters of Intent × Left × Proportionality		0.01	-0.283***	-0.624**				
		(0.148)	(0.062)	(0.259)				
Arrangement Letters					-0.241**	-0.697***	-1.012***	-1.457
					(0.108)	(0.192)	(0.226)	(1.113)
Arrangement Letters × Left						-0.02	0.908***	1.836
						(0.321)	(0.240)	(1.370)
Arrangement Letters × Proportionality						0.095**	0.200***	0.484
						(0.043)	(0.062)	(0.548)
Arrangement Letters × Left × Proportionality						0.289**	-0.109	-0.617
						(0.130)	(0.080)	(0.647)
Polity	0.342**	0.444***	1.361***	1.612	0.291	0.457***	0.968***	0.936
	(0.159)	(0.161)	(0.311)	(1.167)	(0.184)	(0.114)	(0.224)	(1.208)
Trade	-0.075***	-0.093***	-0.128***	-0.127***	-0.080***	-0.109***	-0.140***	-0.135***
	(0.024)	(0.022)	(0.014)	(0.033)	(0.025)	(0.024)	(0.015)	(0.039)
FDI flows	0.051	0.203**	0.280***	0.264***	0.02	0.154	0.225**	0.278**
	(0.115)	(0.099)	(0.064)	(0.087)	(0.148)	(0.116)	(0.096)	(0.136)
Population (log)	-0.997**	-0.881**	-0.543	-0.313	-1.169**	-0.924**	-1.119***	-1.245
	(0.442)	(0.399)	(0.391)	(1.247)	(0.507)	(0.405)	(0.394)	(1.274)
GDP (log)	-7.691**	-5.480**	-3.301*	-5.112	-9.520***	-6.092***	-4.702**	-6.541
	(3.051)	(2.412)	(1.686)	(5.650)	(2.955)	(2.241)	(1.935)	(5.644)
GDP per capita (log)	8.902***	6.357***	1.083	2.093	11.15***	7.035***	3.980*	6.023
	(2.805)	(2.390)	(2.352)	(9.843)	(2.897)	(2.091)	(2.253)	(9.599)
Constant	28.99***	30.87***	50.11***	51.71**	27.54**	31.2***	47.34***	45.532**
	(8.238)	(8.166)	(8.615)	(23.171)	(10.891)	(9.541)	(6.415)	(22.721)
R2	0.51	0.548	0.63	0.645	0.508	0.583	0.614	0.622
Observations	68	68	63	54	68	68	63	54

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01

TABLE 7. Government Ideology, Proportionality, and the Marginal Effect of IMF Conditionality on Labor Practices

	Dep. Var. = Labor Practices							
			Polity>0	Polity>5			Polity>0	Polity>5
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Letters of Intent	-0.076	0.018	0.129	-1.363***				
	(0.081)	(0.308)	(0.353)	(0.345)				
Left	1.327	1.019	1.645	-1.151	1.072	0.417	0.401	0.471
	(0.829)	(1.964)	(1.862)	(1.602)	(0.817)	(2.103)	(2.057)	(1.713)
Proportionality	0.294	0.076	0.58	-2.342	0.301	0.113	0.724	-0.399
	(0.460)	(0.366)	(1.151)	(2.752)	(0.463)	(0.304)	(0.739)	(2.287)
Letters of Intent × Left		-0.182	-0.277	1.302***				
		(0.302)	(0.376)	(0.324)				
Letters of Intent × Proportionality		-0.022	-0.073	0.774***				
		(0.068)	(0.119)	(0.166)				
Left × Proportionality		-0.159	-0.407	1.255***		-0.402	-0.364	-0.309
		(0.781)	(0.638)	(0.367)		(0.944)	(0.881)	(0.956)
Letters of Intent × Left × Proportionality		0.056	0.1	-0.770***				
		(0.087)	(0.147)	(0.149)				
Arrangement Letters					-0.089	-0.244	-0.123	-2.336***
					(0.102)	(0.479)	(0.456)	(0.861)
Arrangement Letters × Left						0.058	0.262	2.457**
						(0.467)	(0.472)	(0.995)
Arrangement Letters × Proportionality						0.021	-0.042	1.252**
						(0.099)	(0.109)	(0.581)
Arrangement Letters × Left × Proportionality						0.159	0.069	-1.225**
						(0.125)	(0.144)	(0.560)
Polity	0.218	0.088	-0.196	0.861	0.2	0.117	-0.159	0.87
	(0.192)	(0.129)	(0.493)	(0.768)	(0.191)	(0.156)	(0.339)	(0.853)
Trade	0.027	0.022	0.033	0.023	0.024	0.009	0.011	0.013
	(0.038)	(0.039)	(0.041)	(0.045)	(0.038)	(0.035)	(0.035)	(0.054)
FDI flows	-0.129	-0.07	-0.1	-0.178	-0.138	-0.035	-0.025	-0.088
	(0.132)	(0.136)	(0.149)	(0.197)	(0.142)	(0.140)	(0.153)	(0.184)
Population (log)	-0.523	-0.669	-0.732	0.098	-0.581	-0.701	-1.008	-0.194
	(0.695)	(0.484)	(0.713)	(1.167)	(0.641)	(0.497)	(0.651)	(1.334)
GDP (log)	-9.906***	-5.525	-5.304	-7.960*	-9.964***	-5.811*	-5.753*	-8.185**
	(2.826)	(3.575)	(3.550)	(4.090)	(2.643)	(3.392)	(3.274)	(4.138)
GDP per capita (log)	12.19***	8.621**	9.264**	8.351	12.42***	8.705**	9.366**	8.721
	(2.793)	(3.880)	(4.591)	(6.566)	(2.542)	(3.758)	(3.986)	(5.743)
Constant	2.662	0.271	-5.432	8.769	2.179	3.022	2.642	9.353
	(18.239)	(18.654)	(20.594)	(24.052)	(17.622)	(17.219)	(19.276)	(22.900)
R2	0.359	0.389	0.409	0.53	0.365	0.404	0.427	0.5
Observations	68	68	63	54	68	68	63	54

Notes: Robust standard errors clustered by country are shown in parentheses. * p<0.10;** p<0.05;*** p<0.01