

## **The effect of ILO conventions on Labor standards**

### **The structural change**

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#### ***Abstract***

How do labor standards develop in countries after international labor conventions are ratified? Previous studies suggest that despite high ratification rates, the protection of labor rights is not enhanced. Using panel data on both de jure and de facto labor conditions for 132 countries from 1981 to 2011 this question is addressed empirically. The International Labor Organization (ILO) underwent a major structural change in 1998 from a complex set of conventions to a more active promotion of core labor principles. This paper analyzes the effects of the new approach and explores country differences in more detail. I find that the organizational change has overall not improved labor standards, but that ILO conventions can have positive effects in transition countries. The limited and partially adverse impact of conventions on labor rights might question the future role of the ILO, but also points to a general weakness of international human rights treaties.

Key words – labor rights, International Labor Organisation (ILO), human rights treaties, treaty ratification

JEL classification F53, J8, K33, K31

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## 1. INTRODUCTION

In December 2010 Qatar won its bid to host the 2022 World Cup, which led to an estimated spending of US\$100 billion on infrastructure. The international media, human rights organization and unions have soon begun to bring attention to labor law violations of migrant workers in Qatar.<sup>2</sup> These include the exploitative ‘kafala sponsorship’<sup>3</sup> system, lack of freedom of associations and harmful working conditions among many other violations. Qatar has promised to improve the working conditions, but has yet failed to deliver upon the protection of migrant worker’s rights even though it has signed 5 of the 8 fundamental international labor conventions. This is one of the many examples that suggest labor rights and their effective protection are still not self-evident around the world. It exemplifies how labor standards are constantly under threat, especially in less developed or less democratic countries. It is often for economic reasons and since the number of products and productions processes that cross borders is growing, a global governance of labor standards is more relevant than ever. The international community aspires to cooperate on standards to avoid the strategic exploitation of workers. It does however not imply normative consensus on the level of protection; countries have different preferences for regulation. Is it therefore reasonable to organize standards globally, since they are defined and implemented locally depending on domestic legislation, norms and institutions? The understanding of the effectiveness of labor provisions in any form, be it through international conventions or bilateral agreement is limited. From a theoretical perspective, human rights law and in particular labor law is underexposed in the economic analysis of public international law and further research should be attributed to it.<sup>4</sup>

The International Labor Organization (ILO) is the most visible and comprehensive actor. It is the key organization to define the norms and practices around international labor standards. Although it is one of the most active international organizations in releasing conventions it has been largely criticized for its approach, especially its weak enforcement mechanisms. Due to its labor market activity, the ILO is often benchmarked with trade and finance oriented international organizations such as the WTO or IMF. Yet, it should also be put into perspective with other global human rights bodies (Guzman 2004).

To understand why labor conventions are ineffective one needs to look at the interaction of labor rights and globalization. It ranges from positive wealth implications through liberalisation to negative consequences due to competitive pressures put on firms and governments alike. Overall it appears that the adoption of liberal policies comes as a trade-off to labor rights. Blanton and Blanton (2016) found that major aspects of globalization, economic but also social and political

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<sup>2</sup> Amnesty International published a report in May 2017 on "Abuse of migrant workers remains widespread as World Cup stadium hosts first match".

<sup>3</sup> A local company needs to sponsor foreign workers, in order for their visas to be valid. This means workers are dependent on their employer, exposing them to harmful exploitation and bypassing of local laws.

<sup>4</sup> Sykes already (2007) claimed that from a theoretical perspective very little research has been undertaken on international human rights law by economic scholars, which is still the case today.

integration negatively influence labor practices. They distinguish between de jure and de facto labor rights and use the KOF Economic Globalization index by Dreher and Gaston as main control variable. It follows that both de jure and de facto labor right suffer from globalization. Other global developments such as financial crises also have detrimental effects on labor rights (Gutmann, Pfaff, and Voigt 2017). Others have argued, however, that the best linkage between trade and human rights is to rely primarily on the benefits of trade, since “rising real incomes and greater openness to trade tends to promote human rights” (Sykes 2003). They claim that decent labor conditions can best be guaranteed through competition among companies, not the tools that are meant to protect labor themselves.<sup>5</sup>

The aspect of ratification itself generates contradictory effects. While there is evidence for positive regional peer effects, where countries that ratify labor conventions positively influence their neighbouring countries to follow (Davies, Vadlamannati 2013 and also Baccini, Koenig-Achribugi 2014),<sup>6</sup> other findings imply that the ratification of ILO conventions carries “expressive benefits” for countries but actually deteriorates labor practices. This “radical decoupling” effect was identified by Peksen and Blanton (2016) and describes the behaviour of countries that join conventions to gain external reputational and trade benefits but neglect the standards internally. They use seemingly unrelated (SUR) models to estimate the covariates of workers’ rights and the probability of convention ratification and find that the ratification of core ILO conventions is associated with worse worker rights. From that it is concluded that it might be advantageous to have no ratification at all over having empty ones. There also are several econometric studies, which question the efficacy of the ILO at the fundamental level where ratification has zero influence on domestic practices on labor standards; countries merely comply with conventions which already fit into their national legislation (Helfer 2006). On the other hand there is also evidence for a connection between higher domestic labor standards and ILO ratification (Chau Kanbur, 2001).

To shed more light onto these results I want to explore the effects of labor conventions on labor rights and practices in more detail. Of special interest is the structural change of the ILO in 1998, which effects have never been analysed empirically. The organization moved from 189 legally binding conventions to the promotion of 4 core labor principles. Additionally, specific country group effects are explored in more detail. It also adds to the scholarship on a conceptual level, namely by explaining the impact of human rights treaties and conventions on state practices.

Results indicate that the organization’s record of influencing labor rights remains negative, at an even slightly higher level. It is also shown that the tools of the ILO can be effective for transition countries, but not for all types of countries.

The paper is organized as follows: section 2 provides theory on the economic and political

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<sup>5</sup> Milton Friedman (2009), for example argues that a minimum wage and trade unions rather prevent good labor conditions, although they can have a positive impact if endowed correctly.

<sup>6</sup> Also referred to as “California effect”. The idea originates from environmental policies, where nations adopt higher standards from their trading partners.

background of labor rights and presents current forms of international cooperation on the issue. In section 3 the research design is explained and section 4 and 5 present empirical results and robustness checks. Section 6 concludes on the implications for the ILO and other human rights treaties.

## 2. THEORY AND HYPOTHESES

### 2.1 Economics of Labor Rights

Countries around the world differ dramatically in their regulatory approach to the work relationship, from very detailed to more laissez-faire regimes. There is no universal concept on the optimal level of labor protection and different solutions can apply depending specific institutions, capacity, historical tradition and the overall economic situation in a country.

Laws influence the cost of labor as they function through multiple channels such as income levels, productivity and output, bargaining power and reputation (De Ville, Orbie and van den Putte 2016). Therefore the “allocation of rights and risk between the parties to the labor contract” is fundamental to a society and its economy (Rittich, 2005). The main reason for a government to intervene in a voluntary contractual relationship is that there is market failure; an optimal level of labor protection, such as employment security, health&safety provisions, and investment into skills will not be reached (Charnovitz 2000). This is largely due to the inherent power asymmetry in the working relationship, which is aimed to be mitigated by equipping employees with additional rights. The underlying assumption is that employer naturally possesses more power over resources and information than the employee. To ensure equal negotiation power on both ends, employees are given the possibility to form unions, which allow for an artificially constructed even power structure (Dau-Schmidt, Seth and Lobel 2009). The political dimension adds complexity as a variety of actors seek to pursue individual interests in labor policies; governments, politicians, businesses, lobbyists, trade unions, employers, consumers and NGOs. Labor standards are part of social policies and enjoy great exposure to voter’s preferences. Directly felt by each individual worker, they become a major component in many election campaigns.

When analyzing the costs and benefits of regulation, it is not clear what the optimal level of social protection is, even on a domestic level. The flexibility of the labor market is for example crucial in responding to economic shocks, but also means less protection of and less investment into the workforce. On an international level this issue becomes even more complex. The general protection level tends to be lower, as resources and enforcement abilities differ among the countries and monitoring is costly. Additionally, labor rights are specifically complex to implement. Whereas many other fundamental rights are monitored and enforced by the state, labor rights are defined at a state level but are predominantly exercised by an employer. Existing labor laws often do not reflect the actual state of labor practices in a country. The discrepancy between de jure and de facto labor standards becomes especially problematic in the global realm as monitoring and enforcement is more difficult across borders and the accountability of global

cooperations is harder to track.

Labor rights are a major determinant of a country's economic performance and competitiveness. In an open economy, depending on how many other instruments a government has at its disposal to increase competitiveness, such as "technical standards, tariffs or government procurement" they might choose to use "social dumping" instead (de Ville, Orbie, van den Putte, 2016). In that sense, labor rights always come as a trade-off to other economic incentives, such as cost reduction and increased flexibility.

## 2.2 Linking Labor Rights to Human Rights

In international law, labor rights are commonly accepted as part of human rights, although there is some scepticism towards this view (Mantouvalou 2012). Initially the ILO did not explicitly base its conventions on human rights, but with its structural change in 1998 and the promotion of a decent work agenda, a core set of labor rights is endorsed as human rights.<sup>7</sup> From theoretical discussion around the classification it follows that certain labor rights are human rights, but that the field of human rights does not reflect labor law exhaustively (Mantouvalou 2012). In the further analysis, the universality of fundamental labor rights and their human rights character is assumed, which is used to explain a great deal of the dynamics attached to international labor conventions.

In international human rights treaties, the observed gap between treaty adoption and treaty ratification is a common phenomenon, described as insincere or strategic ratification (Cole 2012). Human rights agreements often suffer from non-reciprocity and are not self-enforcing as the defection of one party does not incur costs on the other (Sykes 2007). The absence of strong market forces such as in trade or finance, combined with weak monitoring and enforcement mechanisms and often minimal implementation capacities lead to low expectations towards human rights treaties. What does theory offer to explain why countries enter into human rights treaties?

The realist approach implies that powerful states sign treaties if they are aligned with their interest anyway (Goldsmith and Posner 2005).<sup>8</sup> More repressive states might be willing to sign to benefit from positive political externalities. Countries with a weak civil society and poor human rights can ratify for mere symbolic reason. In fact the human rights situation might worsen afterwards, as violations increase under the "shield" of goodwill (Neumayer 2005). The institutionalist view assumes benefits through cooperation but concludes that treaties need to be self-enforcing and renegotiation-proof. This leads to either small, but deep (few countries) or wide (large number of countries), but shallow cooperation (Neumayer 2005). A more optimistic view is offered by constructivists, where countries generally aim at complying with treaties, but

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<sup>7</sup> Freedom of association, the right to collective bargaining, the elimination of forced and compulsory labor, the abolition of child labor and the elimination of discrimination in employment.

<sup>8</sup> Goldsmith and Posner (2005, p.127) argue that states ratify treaties when the benefits outweigh the cost of signing, but with not real intention to change behavior.

sometimes lack the capacity to fulfill the requirements. In that regard, human rights treaties represent long-term goals that are achieved over a longer period of time. Particular importance is posed on NGOs and other civil society actors to help achieve those goals. Norms are particularly followed if the process to reach them is considered as legitimate and fair (van Aaken 2014). Especially, in transition countries, which are in the process of democratization, international human rights treaties can have a considerable effect on mobilizing domestic groups, organizations political parties and protesters (Simmons 2009). To them, these treaties can act as a point of reference to pressure their own governments into action (Neumayer 2005).

### 2.3 International cooperation as a response

Economic inequalities among states have often led to international conflicts, and domestic mistreatment of workers contributed to this through social unrest or friction with trading partners (Hurd 2014). This connection was widely recognized after World War I and brought the ILO into its existence. Unlike other issues of international interest such as trade, environment, security and monetary aid with strong externalities, cooperation on human rights issues is harder to accomplish (Neumayer 2005). The international cooperation on labor standards to ensure a minimum protection is subject to a collective action problem. Countries are incentivized to lower their labor standards to compete globally, attract more foreign capital or reach a competitive advantage in production which leads to a “race-to-the-bottom” in standards (Davis and Vadlamannati 2013).

This is aggravated by the immobility of labor versus capital which leaves labor vulnerable to an open global competition.<sup>9</sup> There are numerous examples across industries, such as the textile or electronic sector, where production shifts towards low-skilled labor with weak labor protection. Developing countries sometimes argue in favor of lower standards because they reflect their level of development and represent their competitive advantage. From a conceptual point of view, however, there is wide-spread agreement on fundamental principles of labor rights. This is also reflected in the extremely high rates of ILO ratifications worldwide, which did not translate into an overall positive development of labor standards.<sup>10</sup> For countries to adhere to international labor standards, different incentives come into play than efforts to establish a national solution. Competitive dynamics change with greater exposure to a global arena and countries interest to establish standards nationally need not to be necessarily reflected in their external policies. International labor standards are formulated by a certain set of mainly liberal norms and might not always reflect a country’s preference for the level of protection. The incentives to deviate from international conventions are therefore high.

To analyse the phenomenon of high ratifications rates but also high deviation, the rationale for a country to enter international labor conventions needs to be understood. Are the incentives to

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<sup>9</sup> Some argue the definition of labor injustice should not move along the lines of poor and rich nations, but more along the lines of “inequality of power between capital and labor. In Dahan, Lerner, Milman-Sivan (2016), p14.

<sup>10</sup> 187 ILO member states.

enter into international agreements merely of political and reputational nature? Which in turn leads to a strong link between labor conventions and economic performance, in a sense that transparency and information of ratified members is increased (Chau, Kanbur 2001). To understand how the structure of the ILO contributes to high signatory willingness but low compliance the following chapter looks into the characteristics of International Organizations (IOs) and ILOs specific features.

#### 2.4 The Nature of International Organisations and ILOs structural change

Are international organizations “autonomous actors in World politics” or are they simply as powerful as their member states allow them to be (Barnett and Finnemore, 2004)? IOs mandate politics and issues around the world. They can exert power, moderate conflicts, provide resources and sometimes advance their own political agenda.

The ILO was created to address problems of strategic interdependence in labor standards and policy and to ensure a minimum protection of labor rights worldwide. However, when it comes to industrial or labor policy, very few states are willing to delegate any authority to an international agency (Hurd 2014). It is a highly politicized matter and usually aims right at the centre of domestic economic and social policies. Labor and industrial policies are main pillars of economic performance and simultaneously a highly relevant human rights issue. The position of the ILO is therefore complex, but still membership is nearly global. Figure 1 shows ratification patterns of ILO core conventions from 1981 to 2011. It becomes clear that signatory willingness has increased substantially with respect to all core conventions.<sup>11</sup> The organisation broadened its appeal from limited demand of workers to the entire field of social policy.

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<sup>11</sup> C182 – Worst Form of Child Labor Convention not included in graph, since it was only issued in 1999, but ranks among the most quickly and widely ratified Convention (181 countries).

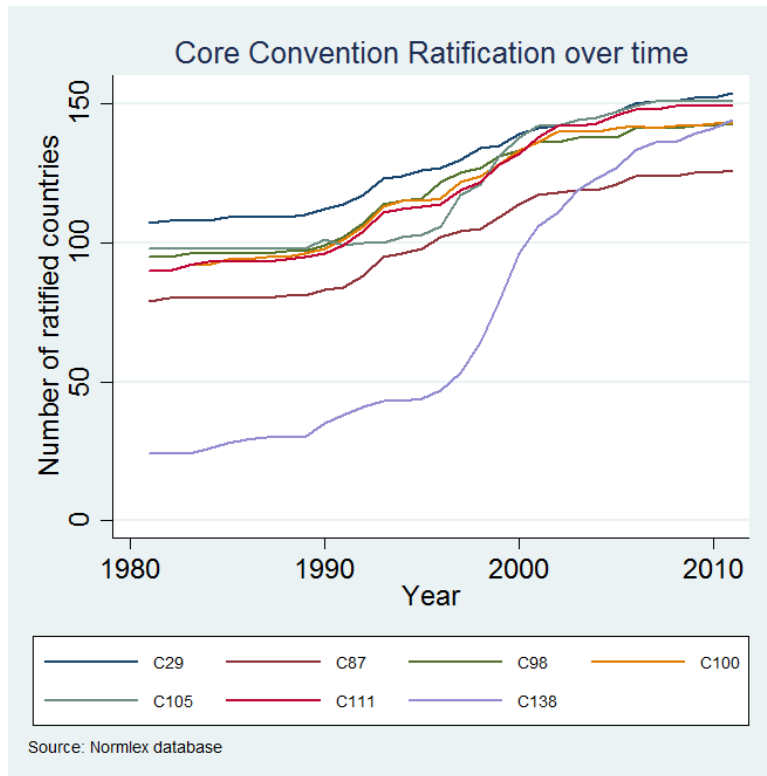


Figure 1: Number of countries that ratified Core Conventions until 2011

Two main instruments characterize the organization: conventions and recommendations. Conventions can be signed and ratified by members and upheld as programmatic norms before national courts. The countries are obliged to implement the rules domestically, but have no possibility of invoking these rights in an international court (Sauer 2014). The transposition of rules into the national legislation is left to signatory members. Recommendations aim at providing guidance on legislation and policy but require no ratification by the national governments. Although the ILO has no “legislative power” in the classical sense it contains characteristics of supranational authority. The supervisory mechanism is very elaborate, including a permanent periodical reporting system by member states and specific complaint procedures. The countries are obliged to report back on the laws and practices covered by the convention. Even if they do not adopt them into their national legislation they have an obligation to report them in a public statement.<sup>12</sup> The ILO cannot impose forceful sanctions, like other organization such as the WTO, but relies on exerting political pressure and peer effects in enforcing conventions.<sup>13</sup> In fact, the ILO counts on interstate pressure, as it has no own tools to pressure countries apart from monitoring and publicizing violations. Complaints can be brought forward to the ILO at various levels, workers and employer groups, member countries or the ILO

<sup>12</sup> See also Blume, Voigt (2007) on extensive endowments of positive rights, which leads to larger gap of de jure and de facto rights.

<sup>13</sup> See Baccini, Koenig-Archibugi (2014) for evidence on positive regional peer effects.



governing body itself (Hurd 2014). There are rare cases, e.g. in Myanmar in 2002, in which many countries imposed economic sanctions for extensive slave labor in public works.<sup>14</sup> In practice, it means that the tools at hand to ensure treaty enforcement are mostly limited to “positive sanctions”, such as technical aid and promotion of rights.

This leads to the question whether the ILO willingly sacrifices its objectives for high rates of ratification (Hurd 2014)? If ratification of countries is strategic and the enforcement mechanisms of the ILO are weak, signing labor conventions do not lead to the improvement of labor standards. Monitoring is difficult for the ILO as there might be large differences between de jure and de facto labor rights and reporting is based on self-evaluation. Instead of improving labor rights, ILO conventions therefore only allow member states to gain international advantages but don't lead to internal policy changes. This leads to my first hypothesis:

**H1a:** ILO conventions have no impact on labor rights (de jure)

**H1b:** ILO conventions negatively impact labor practices (de facto)

As argued earlier existing institutions and capacity play a critical role in enhancing labor rights. Following the theory that human rights treaties can have a positive effect in transition countries I expect

**H2:** ILO conventions positively impact labor rights in transition countries

After establishing the overall link between conventions and labor standards, the effects of the structural change of the ILO are analysed. Increased trade flows, workers migration and a substantial change in production and technologies forced the ILO to readjust its approach. The organization underwent a major overhaul in 1998, when it became clear that the linkage between labor standards and trade was too weak. ILO standards and practices were criticized for being too remote from the reality of the countries' level of economic and social development (Blanton and Blanton 2016). The organization responded by introducing the decent work agenda in order to unite efforts and core principles and streamline resources and activities.<sup>15</sup> Members automatically declared the principles from the very fact of membership, in contrast to the earlier opt-in mechanism for conventions. Instead of the prior rather complex system of 189 conventions, the declaration contained only 8 conventions, summarized into 4 core principles and pursued through stronger technical assistance and development policies (See Appendix A for details). More recently, the Declaration on Social Justice for a fair Globalization in 2008 can be viewed as an advancement of the decent work agenda, which relies even more on capacity building.

It becomes clear that collective labor rights, next to all forms of fundamental human rights violations (forced labor, child labor, discrimination) continue to play a major role. While some

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<sup>14</sup> Formal complaints procedure brought forward by different ILO delegates and workers groups, of Myanmar being in violation with Convention 29 (Elimination of forced labor in all its forms).

<sup>15</sup> Declaration on Fundamental Principles and Rights at Work ('1998 Declaration') includes 4 strategic goals on: employment creation, social protection, rights at work and social dialogue.

argue that the change in the structure has flaws, such as anchoring standards in principles rather than in rights, the adherence to voluntarism in enforcement and the soft approach of promotion (Alston 2004), others see major advantages in the simplicity of the new approach. So, what did change for the countries following the new approach of the ILO? It meant a shift from legal instruments combined with a permanent monitoring body to an active promotion of countries' self-interest and the focus on core labor standards. The promotion of labor rights has changed, the reporting and monitoring body, however, has not. The development of complaints brought forward to the ILO and quality of monitoring report has not changed after 1998.<sup>16</sup>

Following the prior argumentation on incentives structures for countries to comply with conventions, and given that the ILO has not changed its monitoring or reporting practices, I argue that labor rights have not changed significantly in response to the structural shift in 1998.

**H3:** ILO conventions have no effect on labor rights after 1998

In line with the argumentation that there might be positive effects expected in transition countries, and the fact that the ILO has extended its approach to support countries in building capacities, I argue further that

**H4:** ILO conventions positively affect labor rights in transition countries after 1998

### 3. RESEARCH DESIGN

#### 3.1 Data

##### *Dependant variable*

To test the hypotheses outlined above, I rely on two different sets of labor rights indicators that are time-series cross-sectional data delineated by year and country. The main outcome variable Workers' Rights stems from the CIRI dataset (Cingranelli and Richards 2012) and covers the period 1981-2011 in 152 countries. It captures to which extent workers enjoy the following rights: "(A) the right of association; (B) the right to organize and bargain collectively; (C) a prohibition on the use of any form of forced or compulsory labor; (D) a minimum age for the employment of children; and (E) acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health."<sup>17</sup> It, thus, measures most of the issues covered by ILO core conventions. The variable takes a value between 0 and 2, where 0 reflects no respect of worker's rights and 2 shows full respect of worker's rights. It is only based on one source, the US State Department annual reports, but is the only available global indicator that allows assessing the entire period up until 2011. To account for the distinction between labor laws and labor practices i.e, de jure and de facto labor rights, the second outcome variable Labor Practices is used. Data on this variable is obtained from the Mosley & Uno data set (Mosley & Uno 2011). The analysis covers the period from 1985 to 2002, includes 132 countries and is

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<sup>16</sup> Report on "Dispute Settlement in the trade and sustainable development chapters of EU Trade Agreement" (2017), Leuven Centre for Global Governance Studies.

<sup>17</sup> CIRI (2014), p. 65.

chosen according to the availability of labor rights data. It provides comprehensive data on collective labor rights and practices, such as freedom of association, collective bargaining and the right to strike, acknowledged as core labor standards.<sup>18</sup> The indicator reflects violations that are tied to real instances, such as the maltreatment of union members, discrimination for union membership or disempowerment of union control. The coding scheme is based on Kucera (2002), by placing a certain weight on each type of violation enabling a cross-national comparison of labor rights. It reports on 37 violations in six categories, drawn from 3 different sources which makes it ultimately superior and less dependent than other indices on worker's rights; the U.S. State Department of Annual Reports on Human Rights Practices, the ILO Committee of Experts on the Applications of Conventions and Recommendations and the International Confederation of Free Trade Unions (ICFTU) Annual Survey of Violations of Trade Union Rights. The score ranges from 0 to 76.5, lower scores mean fewer violations. In practice, no country violates labor rights in every dimension and maximum scores are around 35. For the purpose of the analysis, the score has been inverted so that higher scores indicate better labor practices.

### *Explanatory Variables*

The key determinant in my hypothesis is defined by the treatment effect of ILO conventions. To examine this, I use an ILO ratification variable, which shows the number of core conventions that are ratified by each individual country.<sup>19</sup> There are several other covariates, such as political and economic factors that influence labor rights, which are controlled for. I use panel data with country fixed effects to control for time invariant unobserved effects. In addition a restricted subsample of developing countries is created to isolate effects dependent on the development status of a country. To model the structural change of the ILO in 1998, a dummy variable approach is applied. To examine the effects of the structural change, a longer time period after 1998 needs to be observed. For this part of the analysis I therefore need to rely on the CIRI index.

The ILO ratification variable is an ordinal index of cumulative number of fundamental core conventions signed by each country. The information is drawn from the ILO NORMLEX database, stating convention type and the number of ratified conventions by country/region per year.<sup>20</sup> While one might argue that ratification numbers are an oversimplified proxy for the influence of the ILO in a given country, it nevertheless shows whether the instrument of conventions is an effective tool.

Regardless of the presence of ratified ILO conventions, there are various domestic factors that positively correlate with labor rights and labor practices. These country specific circumstances

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<sup>18</sup> The right to establish and join worker and union organizations; other union activities; the right to bargain collectively; the right to strike; and rights in export processing zones. See Mosley&Uno (2011), p. 929.

<sup>19</sup> Blanton&Peksen (2016) established this approach by creating a variable that counts the number of core conventions adopted by a country in a given year.

<sup>20</sup> Based on Blanton and Peksen (2016), full dataset available at: <http://www.ilo.org/dyn/normlex/en/f?p=1000:12001:::NO::>

predetermine the outcome, since ratification can unfold into many ways of adaptation. According to Simmons (2009), international treaties are never capable of changing countries behavior fundamentally but can induce marginal changes conditional on existing institutions. Clearly levels of wealth and democracy have a strong influence on existing labor laws, but also historical developments and legal traditions impact practice and legislation. Furthermore local NGOs can make a significant contribution to the monitoring and law-abiding in a country (Helfer 2006).

The overall number of human rights treaties (*Total HR treaties*) ratified in a country will serve as an indicator for the general attitude in a country towards human rights issues. In order to capture the overall economic condition of a country, I use *GDP per capita (logged)* and annual economic growth (*GDP growth*) as a control variable, sourced from the World Databank for the time period 1985-2011. It is usually assumed that respect for labor rights correlates positively with higher levels of income (Neuymayer and de Soysa 2006). It might also enable greater political participation and give workers more negotiating power in demanding higher levels of labor rights. The government direction strongly influences local labor rights practices, where it is assumed that higher levels of democracy are accompanied with greater protection of labor rights. To control for a regime type, the *Polity IV* index of democratic institutions and governance (Marshall, Jaggers and Gurr 2007) is utilized. This variable ranges from 0 (full autocracy) to 21 (full democracy) and indicates “patterns of authority” and regime changes in all countries with total population greater than 500,000.<sup>21</sup> It is also used to classify countries as democratic, autocratic or transitory in the extended analysis. Global economic integration effects labor rights in many ways and will be measured through *Trade* and *FDI inflow* (both natural logs as percentage of GDP). Two key variables that were identified in the literature to predict ratification are *legal system* and *peer effects* (Chau, Kanbur 2001) and will also be incorporated in the analysis. Furthermore labor market specific indicators play a major role in influencing the adaptation of international conventions. A higher *unemployment rate* will effect labor protection, although the direction is not clear. One would also expect stark differences in labor practices according to the *industry sector*.

To respond to the problem of evolving standards in the U.S. State Department reports, which the CIRI workers’ rights index is based on, I follow Fariss (2014) and include two additional variables. A *time trend* which accounts for the number of years the since the first workers’ rights data are available. Additionally different empowerment rights in the CIRI dataset are combined by Schnakenberg and Fariss (2014) to generate a *Latent Empowerment* variable. To account for demographic effects the natural log of *Population* is included in the equation.

Endogeneity poses a major concern with all voluntarily ratified international agreements. Does self-selection of countries into conventions bias the results in a sense that countries only enter into those agreements in which they have already attained high standards? Two arguments speak against the concern of non-random selection, namely, nearly all countries worldwide have

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<sup>21</sup> For further details see [www.systemicpeace.org](http://www.systemicpeace.org)

ratified ILO conventions and attached obligations appear to be low. Nevertheless, the problem of endogeneity will still be addressed in the empirical analysis.

### 3.2 Method of Analysis

I first estimate a difference-in-differences (DID) model with panel data fixed effects. The main relationship is denoted as follows:

$$(A) \quad LR_{i,t} = \alpha + \beta_1 ILO_{i,t-1} + \beta_2 X_{i,t} + \gamma_t + \delta_i + \varepsilon_{i,t}$$

The main explanatory variable, number of ILO ratifications (*ILO*) represents the 7 core conventions, lagged by one period to allow the adaptation into national legislation. A set of other control variables, such as GDP, Polity Index, net levels of trade, FDI, and proxy for the general existence of other Human Rights Treaties is represented by the vector (*X*). Country ( $\delta_i$ ) and year fixed effects ( $\gamma_t$ ) control for time-invariant country characteristics, such as geography, and time specific effects, respectively.

To test the third hypothesis, a dummy variable (*De*) is introduced to reflect the status before and after the structural shift in 1998.

$$(B) \quad LR_{i,t} = \alpha + \beta_1 ILO_{i,t-1} + \beta_2 X_{i,t} + \beta_3 De_t * ILO + \gamma_t + \delta_i + \varepsilon_{i,t}$$

## 4. FINDINGS AND DISCUSSION

The main sample includes all countries. Column I of Table 1 presents estimated figures from the baseline model. It shows results for the overall Workers Rights index. Column II shows the restricted sample (RS), which excludes developed countries and Column III and IV reproduce results for Labor Practices. In all estimations, labor rights and practices are negatively correlated with the number of ILO conventions ratified. Results for the full sample are significant at the 1 % level. The estimates suggest that, in line with existing literature, trade levels also have a negative impact on workers' rights. The regime type positively influences labor regulation, which is consistent with the general expectation that more democratic regimes provide a higher level of workers protection. The fact that GDP has a negative effect is counterintuitive, but could be driven by the large share of low-skilled labor in transition countries and could, therefore, represent a development and not income level effect. This means that a lot of the variation in GDP is explained through lower income countries.

	Worker Rights		Labour Practices	
	FS	RS	FS	RS
ILO Conventions	-0.0298*** (0.00929)	-0.0251** (0.00997)	-0.163** (0.0811)	-0.157* (0.0877)
Total HR Treaties	0.0480*** (0.0112)	0.0373*** (0.0123)	-0.156* (0.0902)	-0.162 (0.103)
Trade	-0.121*** (0.0390)	-0.120*** (0.0413)	-1.051*** (0.318)	-1.051*** (0.345)
FDI Inflows	0.000631 (0.00160)	-0.000292 (0.00219)	-0.0123 (0.0132)	-0.0133 (0.0143)
GDP per Capita	-0.222*** (0.0510)	-0.192*** (0.0539)	-0.487 (0.440)	-0.395 (0.485)
GDP growth	-0.00170 (0.00158)	-0.00176 (0.00165)	0.0145 (0.0116)	0.0126 (0.0124)
Democracy	-0.00290 (0.00309)	-0.00454 (0.00331)	0.0830*** (0.0217)	0.0813*** (0.0232)
Communist	-0.404*** (0.153)	-0.416*** (0.158)	0.152 (-1.902)	0.116 (-2.018)
Left Government	-0.0139 (0.0257)	-0.0444 (0.0325)	0.396* (0.209)	0.220 (0.272)
Latent Empowerment	0.660*** (0.0304)	0.725*** (0.0341)		
Time Trend	-0.0134*** (0.00335)	-0.0135*** (0.00425)		
Population	0.227** (0.104)	0.315** (0.129)	-9.683*** (0.783)	-9.523*** (0.846)
Constant	-0.325 -1.815	-1.997 -2.188	186.6*** (12.17)	181.8*** (13.07)
Observations	3,562	2,952	2,201	1,853
R-squared	0.284	0.307	0.157	0.154
Countries	152	128	147	126
Standard errors in parentheses		*** p<0.01, ** p<0.05, * p<0.1		

To test the third hypothesis, I model the structural change in 1998 by introducing a dummy variable *year dum* that splits the analysis into the years before and after 1998. The interaction term *iloyear* reflects the additional effect of ILO conventions that can be attributed to the time period after 1998. This analysis is only run with the Workers Rights index, due to the longer time period available. The results in Table 2 consistently show a negative effect of ILO conventions on workers' rights at the even higher level; -0.036 (-0.026 + (-0.010)) compared to - 0.298 in the entire period. The negative sign of the interaction term leads to the conclusion that the level of workers' rights decreased even further after the structural change. One explanation might be found in the breakdown of the Soviet Union, where countries swiftly signed conventions, without being able to adjust that quickly. Another important factor is the financial crisis that began soon after the structural change of the ILO. Empirical literature suggests that these types of crisis have detrimental effects on labor rights (Blanton and Peksen 2015). These effects will be further disentangled in the robustness check section.

Table 2: The effect of ILO core Conventions on Worker Rights after the structural change 1998		
	Workers Rights	
	FS	RS
ILO Conventions	-0.0260*** (0.00966)	-0.0207** (0.0105)
Total HR Treaties	0.0498*** (0.0112)	0.0389*** (0.0123)
Trade	-0.122*** (0.0391)	-0.122*** (0.0414)
FDI Inflows	0.000472 (0.00160)	-0.000804 (0.00218)
GDP per Capita	-0.263*** (0.0484)	-0.251*** (0.0512)
GDP growth	-0.00171 (0.00158)	-0.00185 (0.00165)
Democracy	-0.00216 (0.00308)	-0.00430 (0.00332)
Communist	-0.391** (0.153)	-0.382** (0.158)
Left Government	-0.0170 (0.0257)	-0.0462 (0.0325)
Latent Empowerment	0.659*** (0.0305)	0.722*** (0.0342)
Time Trend	-0.00681* (0.00370)	-0.00202 (0.00424)
ILO Convention*Structural break 1998	-0.0103	-0.0197
Constant	3.561*** (0.390)	3.351*** (0.387)
Observations	3,562	2,952
R-squared	0.283	0.306
Countries	152	128
Standard errors in parentheses	*** p<0.01, ** p<0.05, * p<0.1	

According to Simmons (2009), human rights treaties can only be effective under certain political conditions. In line with this argument, one would not expect that ILO commitments have much of an effect in neither stable democracies nor in regimes that have never experienced any degree of political accountability. To test the proposition that ILO conventions help to enhance labor standards in transition countries, the analysis excludes all stable democracies and stable autocracies, coded according to Beth Simmons definition (Polity Index never below 8 for stable democracies, always below -5 for stable autocracies). The idea is that in transitory countries, domestic groups and stakeholders have the motives and means to organize and demand compliance. The international conventions can even help them to promote their agenda.

The results shown in table 3 indicate a positive correlation of workers rights and ILO Conventions in transitory countries. However they are not significant. The Labor Practice

Indicator still remains negative, indicating that actual practices have not changed in transitory countries either. H2 and H4 cannot be confirmed on the basis of these results, but further research should be attributed to it. This assumption presents an extension to the results of Peksen and Blanton (2016), that the worsening effect of labor rights only takes place in autocratic regimes, but is not a holistic phenomenon.

Table 3: ILO Conventions on Workers Rights and Practices in Transitory Countries

	Workers Rights	Labour Practices
	TC	TC
ILO Conventions	0.0111 (0.0292)	-0.539** (0.221)
Total HR Treaties	0.0271 (0.0337)	0.00581 (0.254)
Trade	-0.388*** (0.0906)	0.262 (0.599)
FDI Inflows	0.000486 (0.00508)	-0.0243 (0.0391)
GDP per Capita	0.0270 (0.155)	1.481** (0.623)
GDP growth	0.00517 (0.00419)	-0.0138 (0.0305)
Democracy	0.0141* (0.00746)	0.107* (0.0600)
Communist	-1.073*** (0.358)	9.741*** (-3.534)
Left Government	-0.0526 (0.0472)	0.246 (0.399)
Latent Empowerment	0.736*** (0.0697)	3.069*** (0.625)
Time Trend	-0.0272*** (0.00660)	-0.242*** (0.0597)
Observations	780	491
R-squared	0.452	0.229
Countries	33	33
Standard errors in parentheses	*** p<0.01, ** p<0.05, * p<0.1	

## 5. ROBUSTNESS CHECKS

### 5.1 Heterogeneous treatment effects

To account for the effect heterogeneity of labor conventions, subsamples are created according to regional and development characteristics and are analysed singularly. The results still show a negative correlation between labor conventions and the level of labor rights. Latin America for example shows a positive correlation, which goes in line with the assumption ILO conventions are capable of improving standards in transitioning environments.



	Eastern Europe	Latin America	SubS. Africa	Asia
ILO Conventions	-0.100*** (0.0276)	0.0164 (0.0380)	-0.0356** (0.0146)	-0.0356** (0.0146)
Total HR Treaties	0.0189 (0.0348)	0.0212 (0.0379)	0.0648*** (0.0190)	0.0648*** (0.0190)
Trade	0.0448 (0.129)	-0.392*** (0.103)	0.0420 (0.0627)	0.0420 (0.0627)
FDI Inflows	-0.00107 (0.00524)	-0.00776 (0.00812)	-0.00276 (0.00300)	-0.00276 (0.00300)
GDP per Capita	0.127 (0.204)	0.346* (0.196)	-0.646*** (0.0876)	-0.646*** (0.0876)
GDP growth	0.0101** (0.00456)	0.00285 (0.00537)	-0.00367 (0.00248)	-0.00367 (0.00248)
Democracy	0.0237* (0.0137)	0.0168** (0.00825)	-0.0150*** (0.00535)	-0.0150*** (0.00535)
Communist		-1.054*** (0.363)		
Left Government	-0.141* (0.0768)	-0.0686 (0.0580)	-0.0337 (0.0643)	-0.0337 (0.0643)
Latent Empowerment	0.542*** (0.134)	0.673*** (0.0791)	0.754*** (0.0534)	0.754*** (0.0534)
Time Trend	-0.0208 (0.0187)	-0.0336*** (0.00737)	-0.00169 (0.00538)	-0.00169 (0.00538)
Observations	390	579	1,026	1,026
R-squared	0.433	0.476	0.325	0.325
Countries	24	22	42	42
Standard errors in parentheses		*** p<0.01, ** p<0.05, * p<0.1		

As described earlier, labor standards in a given country are highly correlated with political and economic factors on a national but also global level. To account for specific global trends and crises, certain time periods will be analysed in more detail.

The effectiveness of ILO core conventions might differ dramatically, as they touch upon different fields or regulation. To account for these differences the ILO main ratification variable will be defined in alternative ways, such as that only the effect of certain conventions will be examined. The effect of conventions might also become stronger the more conventions are ratified. This will be tested subsequently.

## 5.2 Endogeneity

The selection of countries into ILO conventions is potentially endogenous since the existing level of labor standards might drive the decision to sign. Blanton and Peksen (2016) have found no statistically significant correlation between prior working conditions and the likelihood of ratifying a treaty, which they tested in bivariate and multivariate probit models. Additionally, they employed an IV approach, using general “ratification hurdles” in a country to predict entering into international agreements. I will use a different IV approach to deal with potential

endogeneity- the flow of development aid into a certain country. The assumption is that development aid increases the likelihood of ratification of ILO conventions, but does not influence labor rights directly.

## 6. CONCLUSION

Although labor standards are recognized as crucial factors that determine income levels and social justice, as well as contribute to the international peace order, studies on how the ILO conventions affect labor rights are scarce. Through examining the relationship between treaty ratification and the adaptation of labor rights, I provide insights into the effectiveness of ILOs programmatic appeal on a global scale. I was particularly interested whether a structural change within the organization resulted in better outcomes.

The main sample included 132 countries and covered a period from 1981-2011. A DID panel data fixed effects analysis was employed to account for country specific time variant effects, such as social, political and economic factors. Furthermore, a dummy variable approach was used, to assess the effect of the structural change of the organization in 1998. The results indicate a statistically significant decrease in the level of labor standards (de jure and de facto) over time after ILO conventions are ratified. The structural change leads to an aggravation of that effect, and the relationship overall remains negative. These findings confirm that ILO conventions might trigger an adverse effect on labor rights. It emphasizes the assumption that the ILO sacrifices its objectives for high rates of ratification. Countries might willingly enter conventions for mere signaling effects, but with little incentives to change actual labor laws and practices. The question remains whether ratification is a tool that simply carries “expressive benefits” (Peksen and Blanton 2016) but leads to a de facto deterioration of labor rights. More research needs to be attributed to the specific mechanisms behind this effect. In order to account for the heterogeneity of the effect, country differences were explored, by splitting the analysis into autocratic, democratic and transition regimes. The results clearly indicate that the responsiveness of a country to ILO conventions differs according to the regime type. ILO conventions can have positive effects in those specific transition countries. More research is needed to further explore that phenomenon.

The robustness of the results was documented in additional exercises. First a variation of country samples was introduced to assess regional effects. Secondly, the treatment variable was modified to isolate specific convention effects. To account for potential endogeneity, an IV approach was used.

The relevance of the ILO in defining the future workplace is disputable, but it has certainly gained acknowledgement as the global body to define what decent work is. ILO’s share in defining a universal concept of “decent work” and its role of serving as a reference for private and public actors alike should not be underestimated. Since “nation states frequently turn to IOs to address the myriad collective action problem that transcend national borders” (Helfer 2006), the ILO is called into action where nations are not able to solve work-related disputes bilaterally.

It also functions as a reliable source for third parties who plan to invest and want to secure decent working rights attached with their investment. A clear advantage of the labor rights field and to a large extent an achievement by the ILO is how well developed the right to work and work-related rights are in normative terms. Hence, it is shortsighted to merely study the empirical evidence of state's compliance or violations with international agreements if one aims to evaluate the effectiveness of an organization. IOs might exhibit "prior influence over how resources are allocated by the state".<sup>22</sup>

Empirical evidence on how ILO conventions affect labor standards is not straightforward to identify. Consequently, it does not automatically lead to conclude it is ineffective, but rather the channels through which it impacts state behavior is so interdependent with other political decisions that it hard to isolate its independent effects. The findings underline how difficult it is for international human rights organizations to enforce their objectives and points to the question of how these can be further improved.

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<sup>22</sup> Hurd (2014), p. 91.

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## APPENDIX A

Table A1 shows the 4 fundamental principles and its corresponding conventions. Other conventions have not been replaced and still remain active.

Table A1: Fundamental Principles after 1998 Declaration

<b>Fundamental Principles 1998 Declaration</b>	<b>Corresponding ILO Core Conventions</b>
Freedom of association and the effective recognition of the right to collective bargaining	<ul style="list-style-type: none"> <li>• Freedom of Association and the Protection of the Right to Organise Convention, 1948 (C87)</li> <li>• Right to Organise and collective Bargaining Convention, 1949 (C98)</li> </ul>
Elimination of all forms of forced or compulsory labour	<ul style="list-style-type: none"> <li>• Forced Labour Convention, 1930 (C29)</li> <li>• Abolition of Forced Labour Convention, 1957 (C105)</li> </ul>
Effective abolition of child labour	<ul style="list-style-type: none"> <li>• Minimum Age Convention, 1973 (C138)</li> <li>• Worst Forms of Child Labour Convention, 1999 (C182)</li> </ul>
Elimination of discrimination in respect of	<ul style="list-style-type: none"> <li>• Equal Remuneration Convention, 1951 (C100)</li> <li>• Discrimination Convention, 1958 (C111)</li> </ul>

Source: [www.ilo.org](http://www.ilo.org)

Table A2: Variable Description

<b>Variables/Source</b>	<b>Period/Countries</b>	<b>Scale</b>
CIRI Worker Rights, Cingranelli-Richards Index	1981-2011, 195 countries	0-2, 0 no respect, 2 full respect of workers rights
Labour Practices, Mosley&Uno dataset workers right.	1985 – 2002, 178	Reports 37 violations in 6 categories, weighted index. From 0-76.5. Lower score mean fewer violations. Mean score 37. (Inverted in analysis)
ILO ratification Variable, ILO NORMLEX Database	1985-2011	189 conventions in total, 8 “fundamental” conventions
GDP per capita World Databank	1981-2011, World development indicators, current US\$	
Polity IV dataset	1800-2006	21-point scale ranging from -10 (hereditary monarchy) to +10 (consolidated democracy)
HRT, total No of Human Rights Treaties active in a given country		
Freedom house Index	1973 – 2011, 195 countries	1-7 scale (1 indicates highest degree of freedom, 7 the lowest)