

Non-European Industrial Relations Models

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Regulation of Labor Relations in Global Supply Chains

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Understanding Industrial Relations Systems through analysis of their underlying Logics.

Origins of Most Systems: Logic of Industrial Peace

a) Minimum standards

b) Labor rights, especially FOA.

Shifts in Industrial Relations: The Logic of Competition and Economic Logic

a) Prioritize business and Exports

b) Less of a focus on rights.

Stylized Models of Industrial Relations Under the The Logic of Industrial Peace

Tripartism
Industry Level Bargaining
Strongly enforced Legislation
Workplace Level Institutions such as works councils

Western Europe, EU

Some Tripartism
Strongly Enforced Legislation
Company level bargaining
No workplace level institutions

Singapore, S. Korea, India, Malaysia, Ghana,
some Anglphone African Countries, Some
middle east

No Tripartism
Decentralized Company level Bargaining
Weak Legislation, poorly enforced
No workplace level institutions

USA, Other Asian and African countries

No Tripartism
No significant Bi-partite bargaining
Weak Legislation
Weak Enforcement
Some Middle east Countries

Large informal sectors
Francophone Africa

Union Density and Bargaining Coverage in Different Systems

Data from 2005

| | Union Density (%) | Barg. Coverage |
|-------------|-------------------|----------------|
| Australia | 41.3 | 82.0 |
| Austria | 32.0 | 98.0 |
| Belgium | 53.7 | 90.0 |
| Canada | 28.0 | 32.0 |
| Denmark | 67.0 | 80.0 |
| Finland | 74.3 | 95.0 |
| France | 8.0 | 90.0 |
| Germany | 24.0 | 62.0 |
| Italy | 33.0 | 80.0 |
| Netherlands | 22.0 | 85.0 |
| New Zealand | 23.0 | 25.0 |
| Norway | 57.0 | 74.0 |
| Portugal | 41.7 | 73.0 |
| Spain | 16 | 70.0 |
| Sweden | 71 | 90.0 |
| Switzerland | 18 | 40 |

| | Union Density (%) | Barg. Coverage |
|-------------|-------------------|----------------|
| China | 63.4 | 15.1 |
| India | 6 | 2.0 |
| Japan | 20.9 | 24.0 |
| Korea | 15.2 | 17.0 |
| Malaysia | 12.6 | 2.6 |
| Philippines | 24.3 | 3.7 |
| Singapore | 19.8 | 18.8 |
| Taiwan | 29.1 | 3.4 |
| USA | 9.0 | 20.7 |

Comparative Trade Union Density

Union Density is typically measured by

$$UD = \frac{\text{Total Number of Union members}}{\text{Total Civilian workforce.}}$$

Variation in Denominators Used:

such as total workforce,
nonagricultural workforce
Civilian Workforce

Variation in how Numerator data is collected:

Union Self Reports
National Social surveys
Employer Reports

| Country | Union Density | CB Coverage | Country | Union Density | CB Coverage |
|--------------|---------------|-------------|-----------|---------------|-------------|
| | | | Argentina | | 60 |
| Egypt | 26.1 | 3.4 | Antigua | 55 | |
| Ethiopia | 12.9 | 22.7 | Bermuda | 24.6 | |
| Ghana | 70 | 70 | Bolivia | 26.6 | |
| Kenya | 35.5 | 3.7 | Brazil | 20.9 | 60 |
| Malawi | 20.6 | 20.8 | Canada | 26.6 | 29.3 |
| Sierra leone | 46.8 | 46.8 | Chile | 13.6 | 9.6 |
| S.Africa | 39.8 | 27.3 | Colombia | 28.7 | - |
| Tanzania | 18.7 | - | Cuba | 81.4 | 81.4 |
| | | | Mexico | 17.2 | 10.5 |
| Israel | 35 | 50.1 | Nicaragua | 2.1 | 2.0 |
| Syria | 16.9 | | USA | 11.5 | 12.9 |
| | | | Uruguay | 19 | 89.0 |

| Country | Density | Coverage | Country | Density | Coverage |
|------------|---------|----------|-------------|---------|----------|
| Australia | 19.1 | 38.2 | New Zealand | 20.8 | 17.8 |
| Hong Kong | 21.5 | | Pakistan | 15.7 | |
| India | 6.7 | | Philippines | 3.2 | 1.1 |
| Japan | 18.0 | | Singapore | 31.7 | 17.3 |
| Korea | 10.0 | | Sri Lanka | 6.0 | |
| Malaysia | 10.3 | 10.4 | Taiwan | 35.9 | |
| Bangladesh | | 5.0 | Thailand | 2.1 | |
| Indonesia | | 14.0 | | | |

| Country | Density | Coverage | Country | Density | Coverage |
|-------------|---------|----------|----------------|---------|----------|
| Armenia | 27.4 | 10.3 | Georgia | 40.7 | 17.0 |
| Austria | 26.6 | 95.0 | Germany | 19.9 | 48.1 |
| Belarus | 90.5 | 95.6 | Greece | 30.6 | |
| Belgium | 79.2 | 96.6 | Hungary | 14 | 40.6 |
| Cyprus | 54.5 | 67.7 | Iceland | 74 | 99.0 |
| Czech | 17.3 | | Ireland | 20.8 | |
| Denmark | 71.5 | 95.6 | Italy | 24.0 | 90 |
| Estonia | 6.9 | | Latvia | 11.6 | 39.9 |
| Finland | 63.5 | 98.0 | Luxembourg | 40 | 53.9 |
| France | 7.9 | 97.7 | Malta | 60 | |
| Moldova | 26.8 | | Netherlands | 17.7 | |
| Norway | 65.5 | | Portugal | 14.7 | 29.2 |
| Romania | 21.4 | | United Kingdom | 28.0 | 34.6 |
| Spain | | 68.6 | Sweden | 65.8 | 85.0 |
| Switzerland | 23.7 | | Turkey | 14.6 | 26.0 |

Conclusion

Countries chose different pathways to attain industrial peace

-a protective pathway with strong institutions that yielded industrial peace and collaborative relationships between management and labor

-A liberal pathway with weak institutions which often did not yield industrial peace or labor management collaboration

IR Systems have been gradually changing over time.

Europe

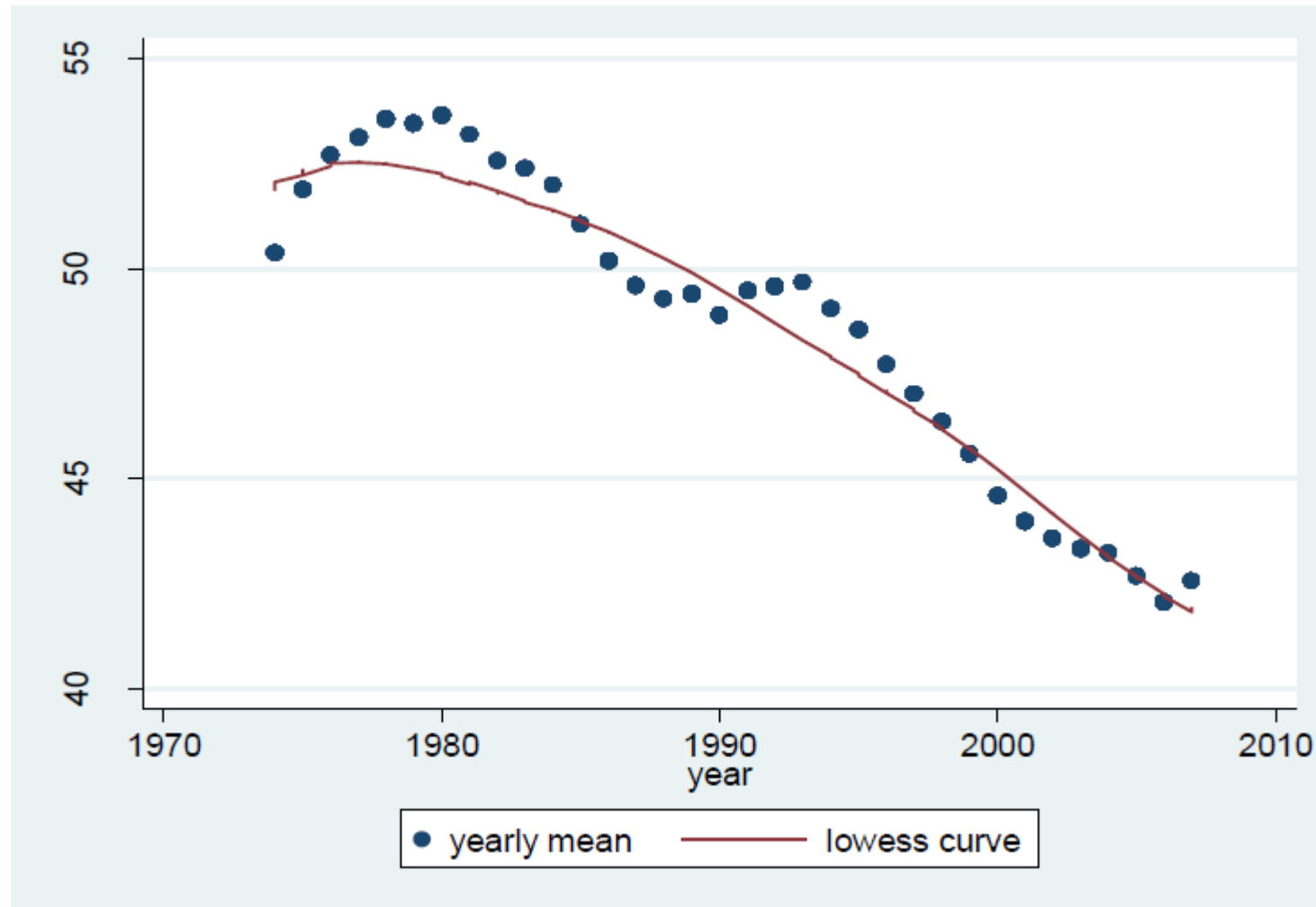
Declining Union Density

From Centralized to More Decentralized Bargaining

Less Protections for workers

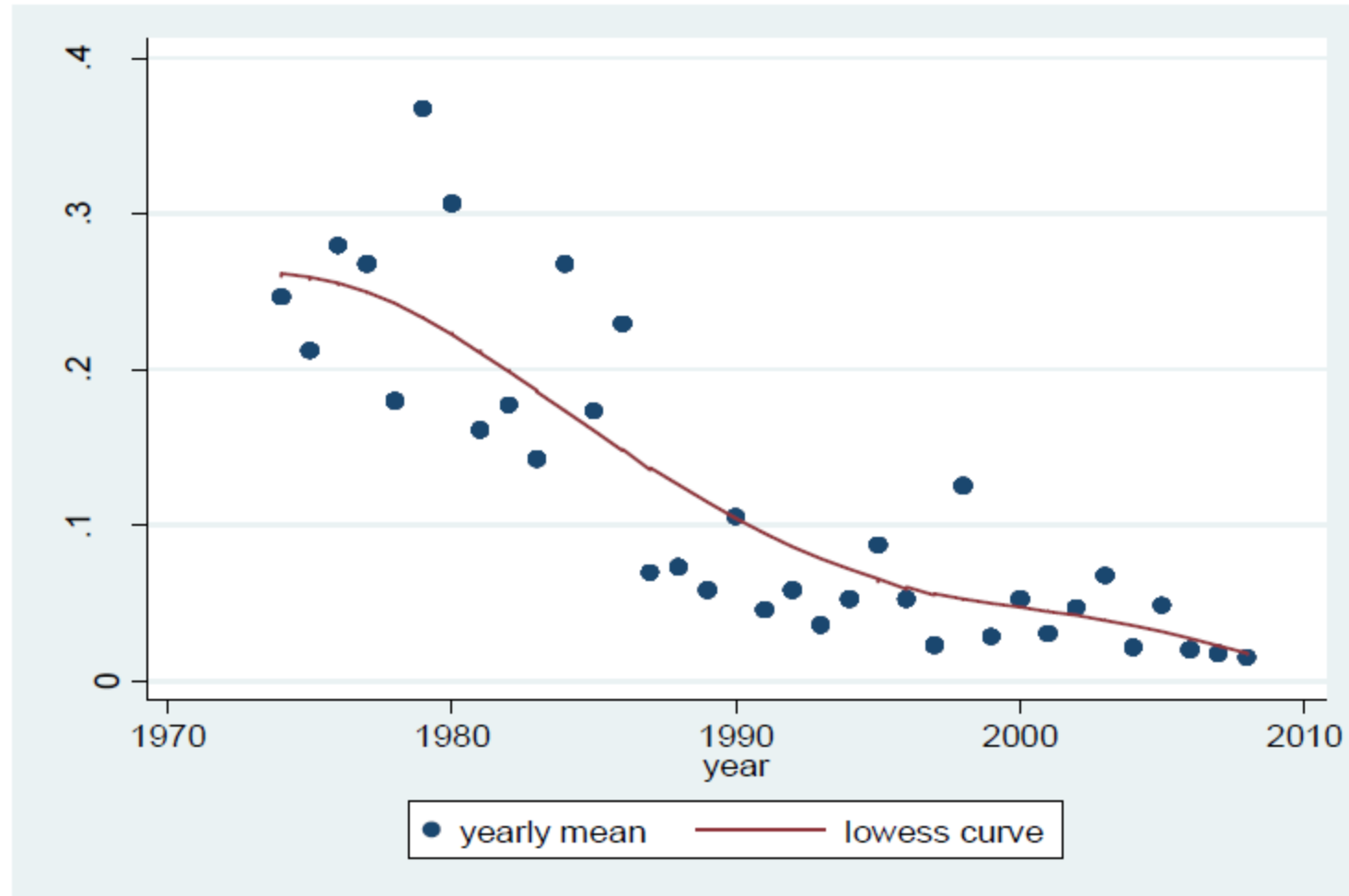
Declining Industrial Relations in Europe: Union Density

Figure 1: The evolution of average union density in 12 European countries



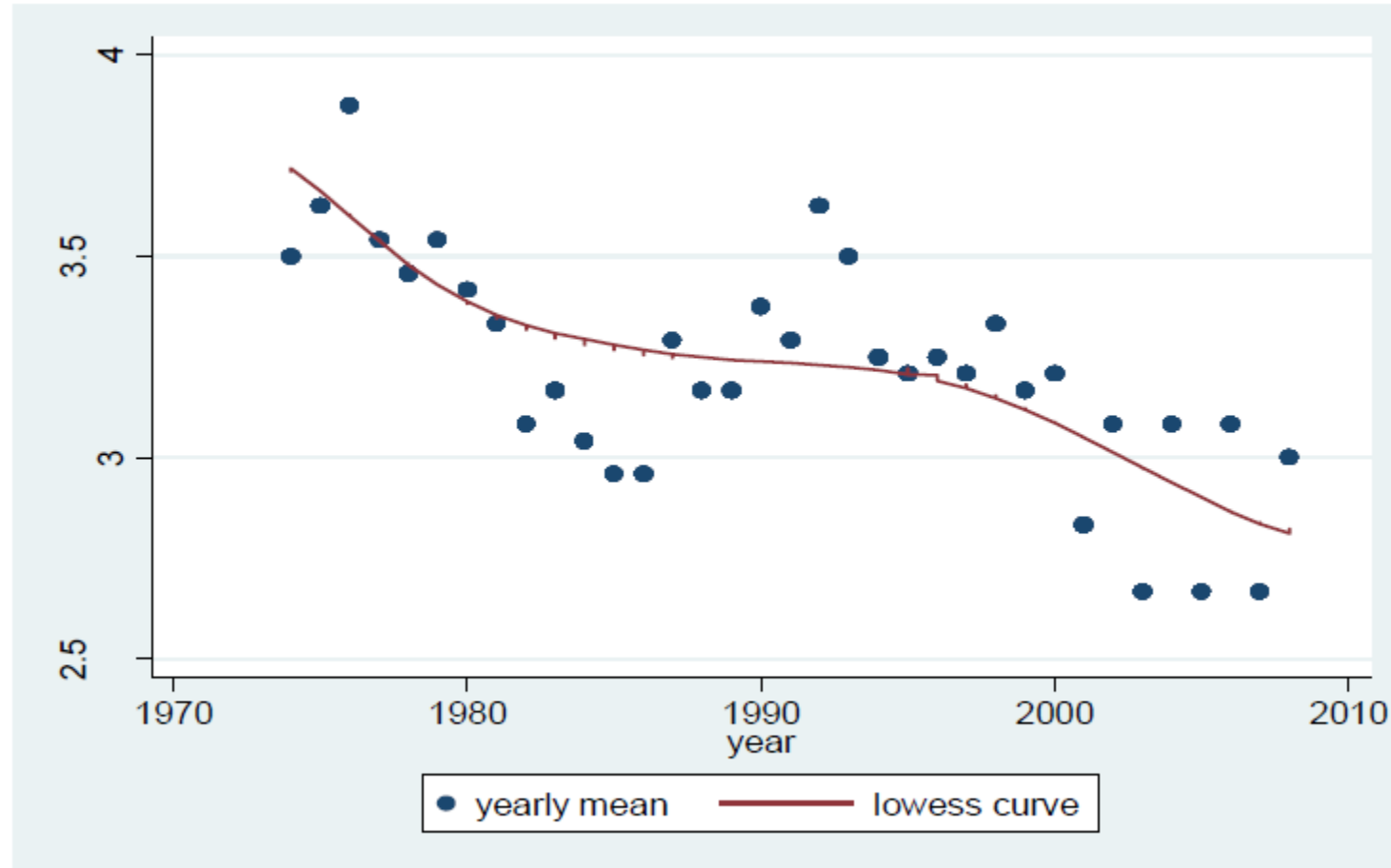
Europeans are Striking Less.....

Figure 3: The trajectory of industrial conflict in 12 European countries



Bargaining structure is decentralizing in Europe

Figure 4: The evolution of bargaining structure



The Relationship Between Trade Union Density, Collective Bargaining Coverage and Inequality. 2000s

| Country | UD | CB | GINI | Country | UD | CB | GINI |
|---------|----|-------|------|-----------|----|----|------|
| Austria | 32 | 98 | 30.5 | Canada | 28 | 32 | 32 |
| Belgium | 54 | 96 | 28 | New Zeal | 23 | 25 | 36.2 |
| Denmark | 67 | 80 | 29 | Switzer | 18 | 40 | 33 |
| Finland | 75 | 90 | 26.8 | USA | 9 | 20 | 45 |
| France | 9 | 98 | 32.7 | China | 63 | 15 | 44 |
| Germany | 20 | 62 | 27 | India | 6 | 2 | 40 |
| Italy | 33 | 80 | 32 | Singapore | 19 | 18 | 47 |
| Holland | 22 | 85 | 31 | Japan | 20 | 24 | 37 |
| Norway | 54 | 70-80 | 25 | Malaysia | 12 | 3 | 46.2 |
| Spain | 16 | 70 | 32 | Philippin | 24 | 3 | 46 |
| Sweden | 71 | 98 | 33 | Korea | 15 | 17 | 31 |
| | | | | UK | | 36 | 40 |

| Country | CB | GINI | Country | CB | GINI | |
|------------|-----|------|--------------|-----|------|--|
| Thailand | <5 | 53 | S. Africa | <10 | 65 | |
| Seychelles | <2 | 65 | Sierra Leone | < 5 | 63 | |
| Namibia | <8 | 70 | lesotho | <5 | 63 | |
| Colombia | <10 | 56 | | | | |

If Industrial Relations was gradually weakening in Europe, it was changing more rapidly in Asia, as Asian countries increasingly tied labor relations policies to their economic development strategy.

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| | Import Substitution Industrialization (ISI) | Export-Oriented Industrialization (EOI) |
|------------------|---|---|
| <i>Primary</i> | IR/HR Policy Goal = Industrial Peace | IR/HR Policy Goal = Cost Containment |
| <i>Secondary</i> | IR/HR Policy Goals = Industrial Peace, Stability and Productivity Enhancement | IR/HR Policy Goals = Workplace Flexibility, Productivity, Skills Development |

Note: The institutional arrangements countries choose to meet the IR/HR policy goals described here will vary as a function of the state's political choices and the previous IR/HR institutional history.

*Variation in Institutional Arrangements to Meet National
IR/HR Policy Goals: Singapore, Malaysia, the Philippines, and India*

| <i>ISI</i> | | | |
|-----------------------|--|---|--|
| 1 st Stage | <i>IR/HR Policy Goal = Peace and Stability Political Choices</i> | | |
| | <i>India 1947-1980</i> | <i>Malaysia & Singapore 1955-1955</i> | <i>Philippines 1945-1959</i> |
| | <ul style="list-style-type: none"> - Minimum standards legislation - Free CB - Multiple Unionism - Job security - Industry & enterprise level bargaining - Political unionism - Institutions to reduce conflict | <ul style="list-style-type: none"> - Minimum standards legislation - Collective bargaining - Emphasis on conflict reduction - Restrictions on bargaining subjects | <ul style="list-style-type: none"> - Minimum standards legislation - Unfair labor practices legislation - Free CB - Industry and enterprise bargaining |

*Variation in Institutional Arrangements to Meet National
IR/HR Policy Goals: Singapore, Malaysia, the Philippines, and India*

| <i>EOI</i> | | | |
|-----------------------|---|---|---|
| 1 st Stage | <u><i>IR/HR Policy Goal = Cost Containment</i></u> <u><i>Political Choices</i></u> | | |
| | <i>Singapore 1955-1970s</i> | <i>Malaysia 1975-1986</i> | <i>Philippines 1960-current</i> |
| | <ul style="list-style-type: none"> - Tripartism - Centralized wage determination - Restrictions on bargaining subjects and strikes | <ul style="list-style-type: none"> - Cost reduction through changes in overtime legislation - Ban on unionization in export sector - High government involvement in union recognition and dispute settlement | <ul style="list-style-type: none"> - <u>Martial Law</u> - Ban on strikes - Compulsory arbitration - Downward revision of labor standards - Rationalization of union structure - Decriminalization of URLP of employers - <u>Democracy</u> - Liberalization of Marcos-era laws - Fragmented and weak unions |

*Variation in Institutional Arrangements to Meet National
IR/HR Policy Goals: Singapore, Malaysia, the Philippines, and India*

| EOI | | | |
|-----------------------|---|---|--|
| 2 nd Stage | <i>IR/HR Policy Goals = Workplace Flexibility, Productivity, Skills Development</i> | | |
| | <i>Singapore 1978-</i> | <i>Malaysia 1986-</i> | <i>India 1991-</i> |
| | <ul style="list-style-type: none"> - Education restructuring - Skills development institutions - Rationalization of bargaining structure to enterprise level - Wage decentralization - Rules emphasizing workplace flexibility | <ul style="list-style-type: none"> - Education restructuring - Skills development institutions - Withdrawal of unionization ban - Less government intervention - Rules emphasizing workplace flexibility | <ul style="list-style-type: none"> - Labor relations legislation under debate - Job security provisions under revision - Workplace flexibility under debate |

Implication

Where IR Systems are closely tied to economic development strategies based on the comparative advantage of low labor costs, the chances are high that governments will ensure that labor and environment laws will NOT be enforced

- Most Third world Countries "develop" today through export oriented industrialization ---often through the back end of value chains of different commodities.
- Flowers, Cocoa, Bananas, Cobalt, Apparel, Toys, Electronics?

So how can we regulate labor conditions across borders—i.e hold companies accountable for the violations of labor or damage to the environment in their subsidiaries or their supply chains?

Problem: The inability to hold global companies accountable for violations of human rights or causing environmental damage in host countries:

Early Failures

Bhopal India, 1984: Union Carbide India Ltd—leakage of methyl isocyanate gas 22000 killed 55000 wounded, multi-generational effects. American Multinational Union Carbide Corp.

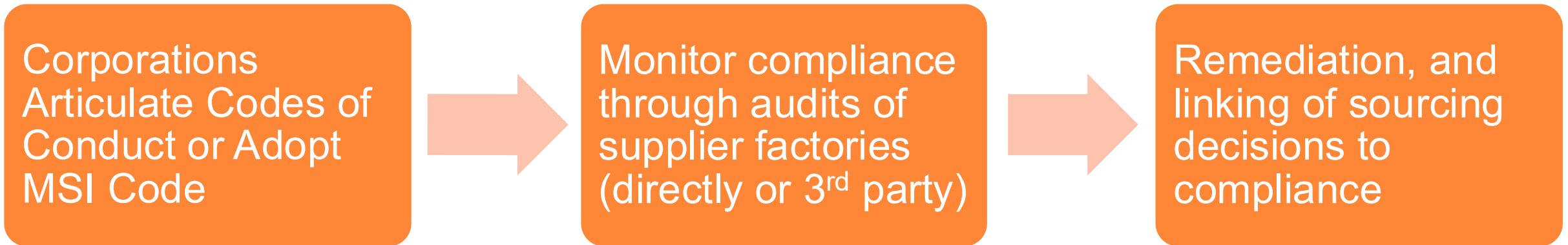
Potaro Mining District, Guyana 1995: Leakage of Cyanide into the Essequibo Rive contaminating Food supply for years. Canadian multinational Cambior Corp.

Efforts to sue these MNCS in their home countries were not successful, despite efforts for over 30 years.

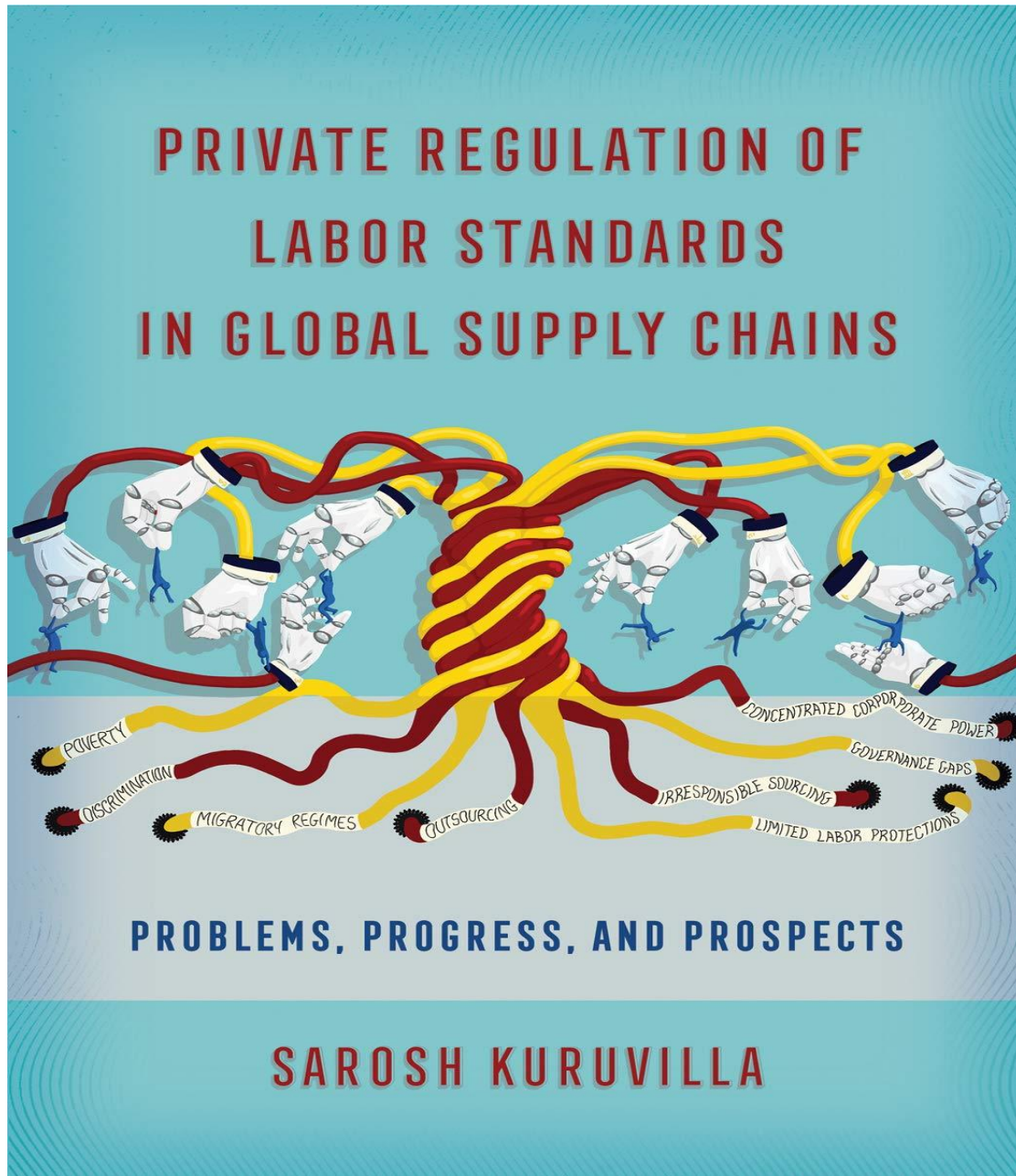
Reason: “*Forum Nonconveniens*”

The Development of Private Voluntary Regulation

The Failure of National Regulation in Host Countries + Absence of an international legal regulatory regime to hold global companies accountable for harms to human rights and the environment + The anti-globalization movement, epitomized by the “Battle in Seattle”, led to the corporate response of “Private Regulation”.



Has Private Regulation Worked?



John Oliver “Fashion” , Last Week Tonight =, October 2015

-2021 Book Published:
Comprehensive Evidence from
40,000 audits that show no
consistent improvement in
labor rights and conditions in
the supply chain over time.

-Confirms prior single case
studies, especially of Nike by
Locke (2013).

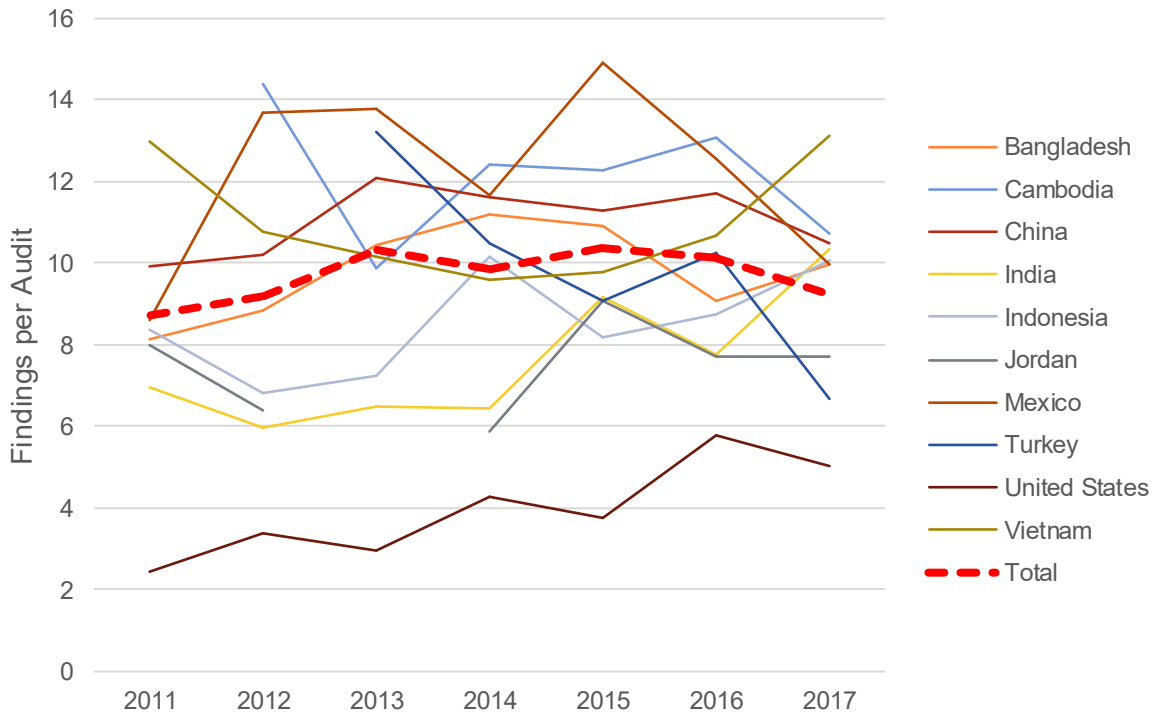
For Empirical research
evidence after 2021: See my
website :

<https://www.saroshkuruvilla.com/olsh>

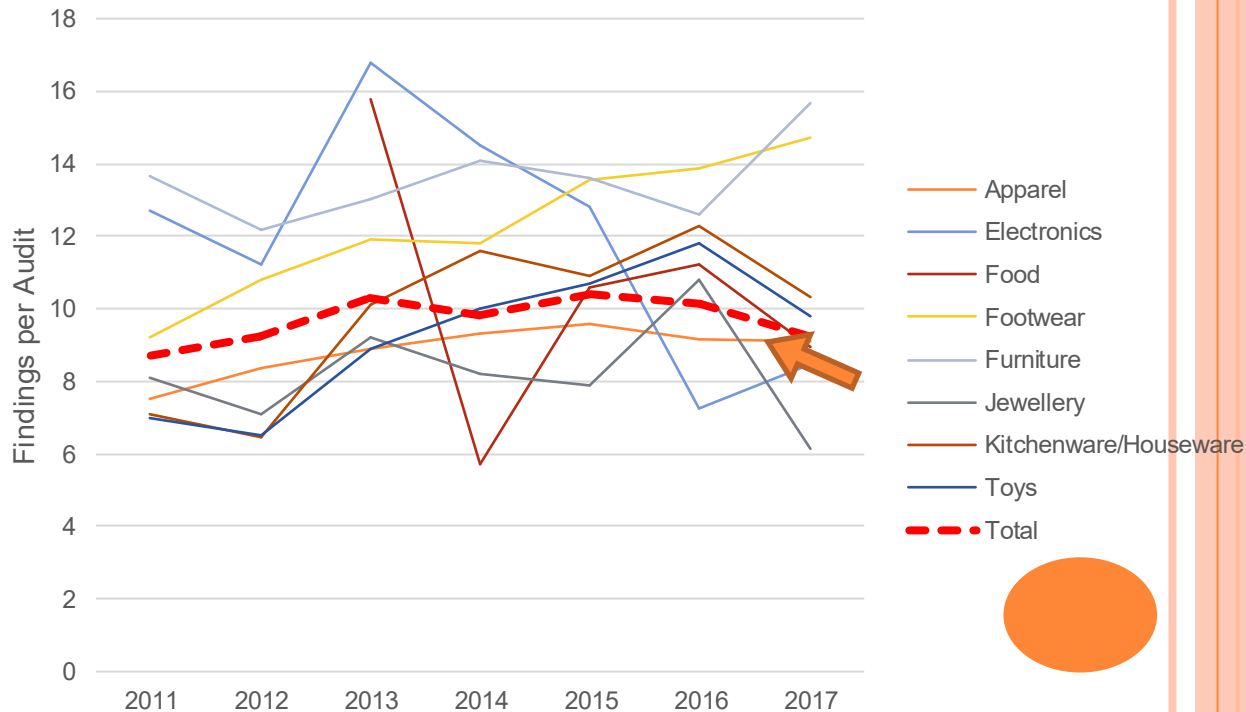
Overall Progress

Data from 40,000 audits do not show progress in average number of violations per audit over time (2011-2017).

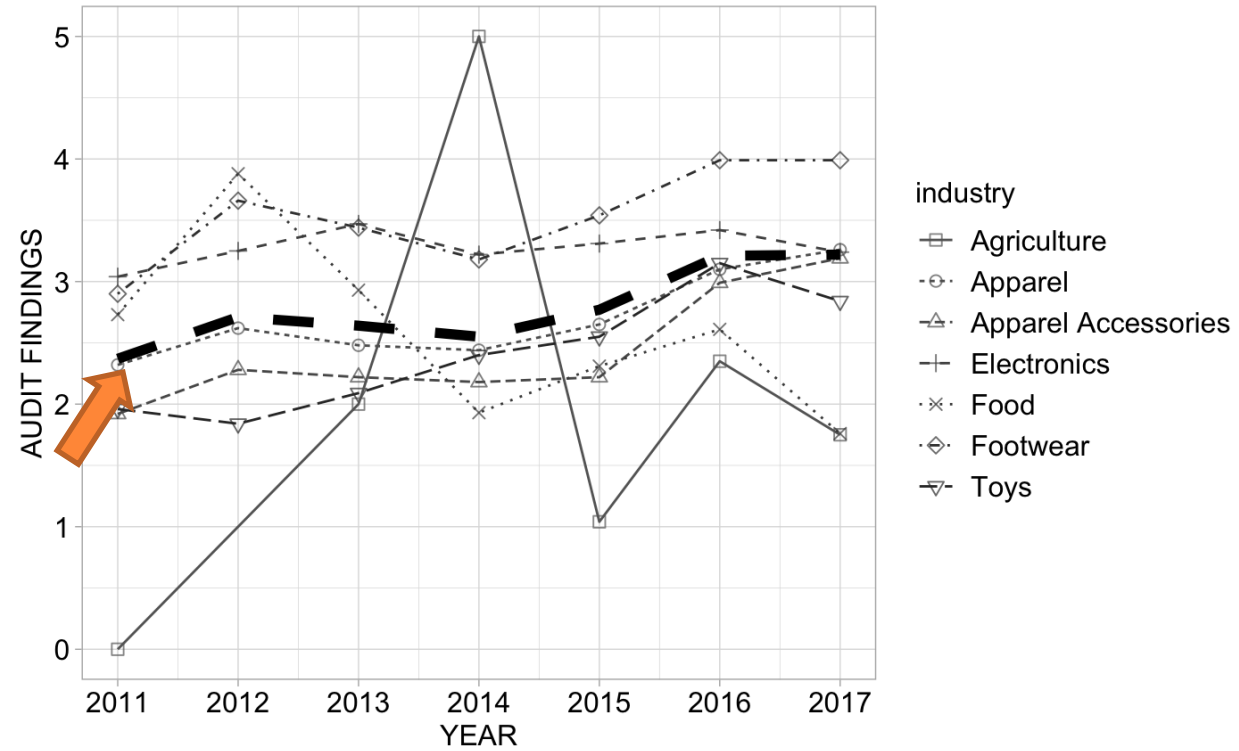
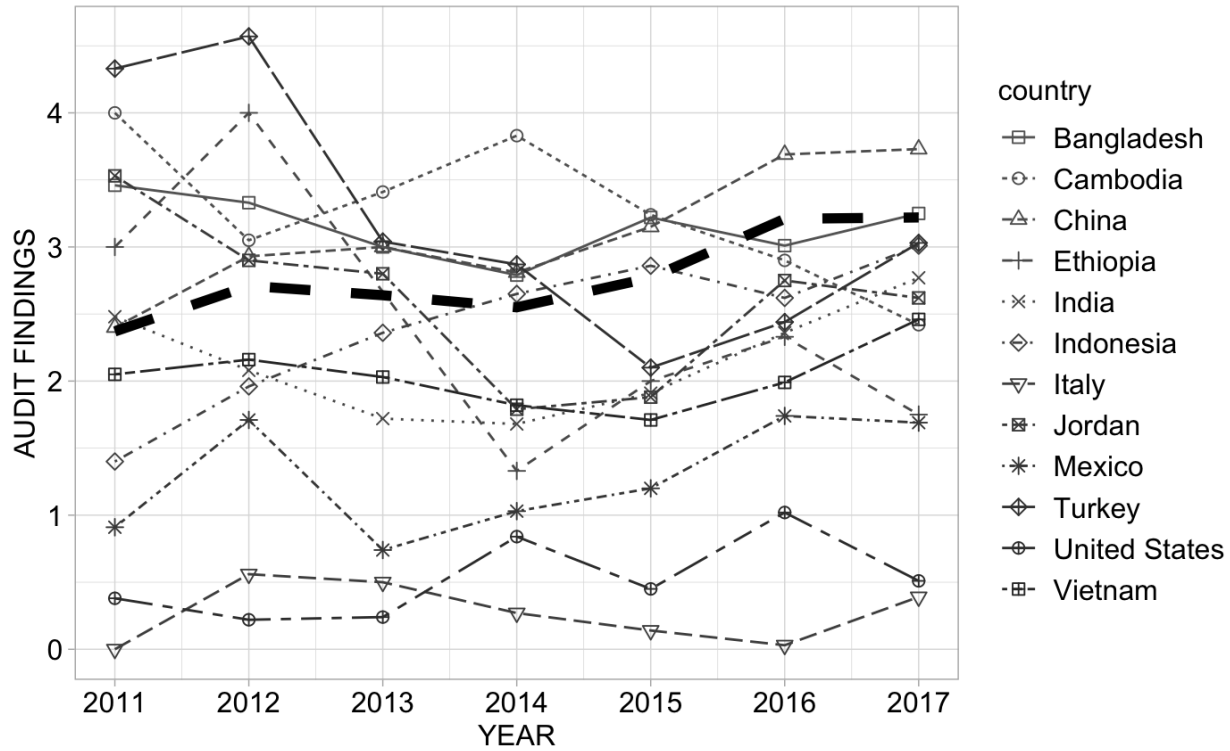
Total Violations per Audit by Country



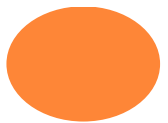
Total Violations per Audit by Industry



Violations per audit: labor issues



Source: Audco Data

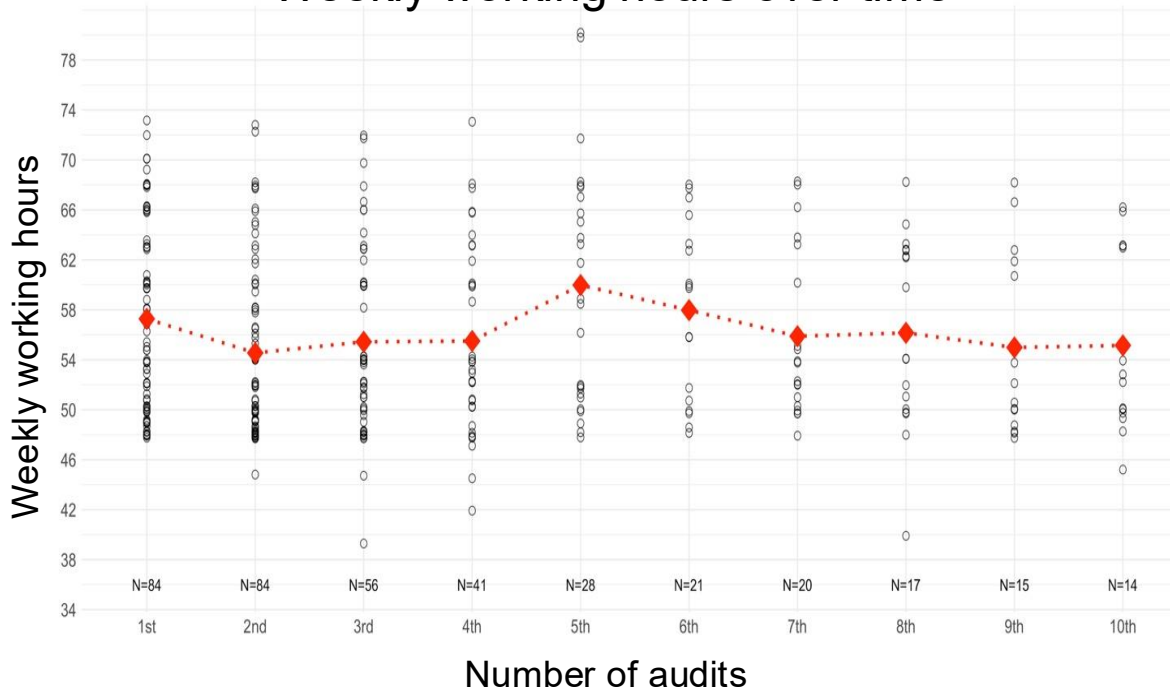


Repeated Audits do not result in Improvement

Following the same apparel factories over time over multiple audits (2014 - 2018) shows no discernible improvement (India subset)

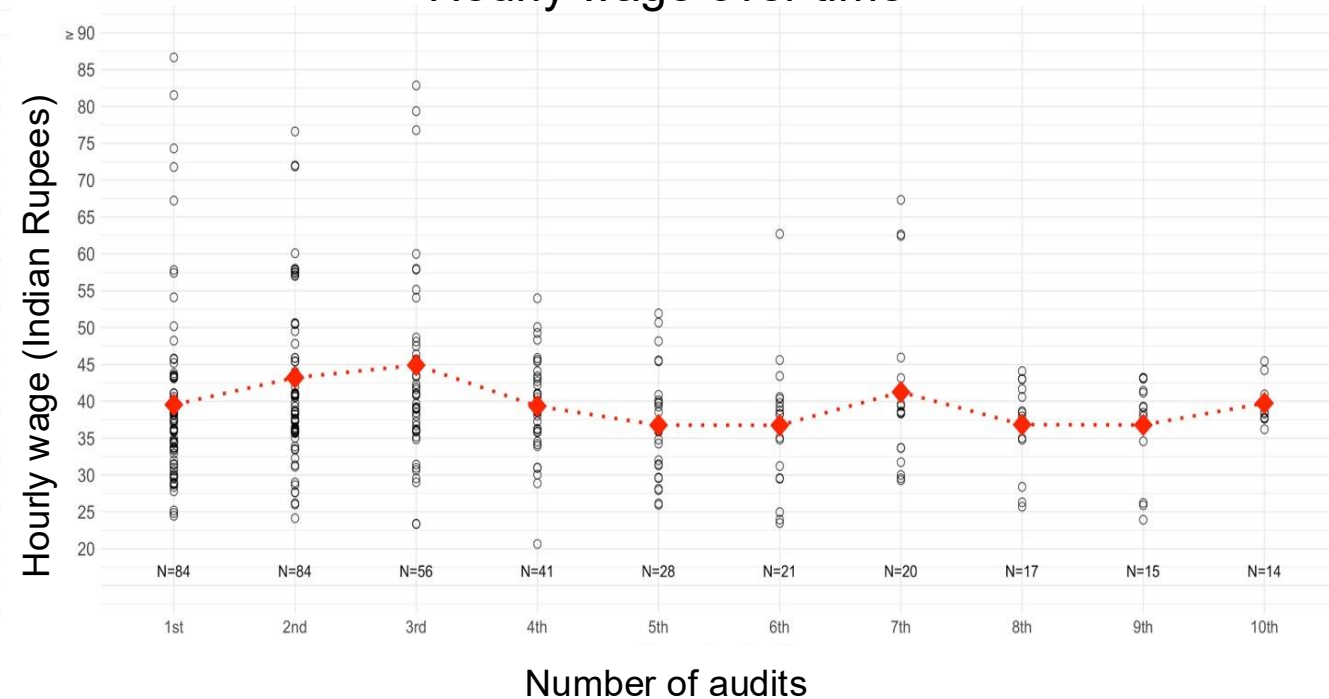
(Note: generally true of most if not all labor standards)

Weekly working hours over time



Source: Audco Data

Hourly wage over time



Average Wages in 30000 Audits

Although wages are above the minimum in most countries, there is a long way to go for wages to reach living wage estimates.

| Country | Average Basic Monthly Wage (\$PPP) | Percentage increase from Basic Monthly Wage in order to meet: | | |
|------------|------------------------------------|---|--------------------------------|----------------------|
| | | Wage Indicator Lower Estimate | Wage Indicator Higher Estimate | Asia Floor Wage 2017 |
| Bangladesh | 223.40 | 66.7 % | 114.3 % | 428.6 % |
| Cambodia | 193.80 | 225.0 % | 361.9 % | 509.4 % |
| China | 621.20 | NA | NA | 90.1 % |
| India | 502.90 | 47.9 % | 112.5 % | 134.8 % |
| Indonesia | 612.90 | -12.3 % | 11.9 % | 92.7 % |
| Jordan | 530.10 | NA | NA | NA |
| Mexico | 481.60 | 15.8 % | 75.6 % | NA |
| Turkey | 926.00 | 55.8 % | 137.4 % | NA |
| Vietnam | 567.00 | 21.0 % | 74.9 % | 108.3 % |

Wages in Supply Chain of Global Apparel Retailer, 2017

| Country | Aver. Basic Wage in nominal \$USD | Aver. Basic Wage in \$PPP | Increase from Aver. Basic Wage (PPP\$) to meet: | | |
|--------------------|-----------------------------------|---------------------------|---|--------------|-----------------|
| | | | Wage Indicator Foundation | | Asia Floor Wage |
| | | | Lower bound | Higher bound | |
| Bangladesh | 81.20 | 214.60 | 79.0% | 140.3% | 375.8% |
| Cambodia | 130.90 | 380.30 | NA | NA | 168.5% |
| China | 296.50 | 560.50 | NA | NA | 82.2% |
| India | 103.90 | 408.70 | 87.5% | 171.5% | 149.8% |
| Indonesia | 152.90 | 497.70 | 3.0% | 42.4% | 105.1% |
| Pakistan | 121.50 | 443.50 | 48.5% | 142.0% | 130.2% |
| Philippines | 193.10 | 495.60 | NA | NA | 106.0% |
| Sri Lanka | 104.20 | 329.10 | NA | NA | 210.2% |
| Vietnam | 155.50 | 458.50 | 67.0% | 131.1% | 122.7% |

Source: Kuruvilla 2021

Argument: Failure of Private Regulation Due to Four Problems

The Behavioral Invisibility Problem: Can Global Brands actually see and understand how their suppliers are behaving with respect to human rights?

The Practice Multiplicity Problem: How do differences in approaches of global brands affect suppliers?

The Leverage Assumption: Do Global Brands have the power to compel the supplier to comply?

The Causal Complexity Problem: Are poor labor conditions due to Supplier exploiting their own workers, or due to the purchasing practices of global brands?

Research Evidence in the Book and various articles and can be presented if there are questions.

Public Regulation to the Rescue?

Holding Corporations accountable for harms to people and planet throughout their operations

2017: French Supply Chain Act

2022: Norwegian Supply Chain Act

2023: German Supply Chain Act

2024: EU Mandatory Due Diligence Legislation

2026: EU Mandatory Due Diligence Legislation

Conclusion

Weakness of public regulation makes us still dependent on private regulation

Citizen and consumer pressure and education will be key.

In contrast to the process requirements in current private and public regulation, there is need for more evidence on outcomes in the supply chain.