

[MUSIC PLAYING] SPEAKER 1: Hello and welcome to the Harvard Center for International Development's weekly podcast.

SPEAKER 2: Earlier this year, thousands of Bangladesh garment workers clashed with the police as they tried to push for higher wages. One person was killed as the police fired rubber bullets and tear gas against the protesters. This is unfortunately common throughout low-end supply chains. Governments try to repress laborers in order to curb minimum wage increases and keep costs low.

This week, Salimah Samji, director of CID's Building State Capability program talks to Alice Evans, lecturer at King's College London and associate at the Building State Capability program on possible solutions to this pressing issue.

SALIMAH SAMJI: Welcome to the BSC podcast series. Today we have Alice Evans. Again, she's one of my favorite people on the podcast. The level of energy Alice brings to the room is just-- if you've never met Alice, you really should. It's a must. Welcome, Alice.

ALICE EVANS: Hi, thank you for having me.

SALIMAH SAMJI: [LAUGHS] I want to start with-- we're going to talk about labor rights today, right? 10,000 laborers in Bangladesh were fired because they protested. Can you explain-- like this is happening today. This is not something about the past. This is not like 10 years ago, hundreds years ago. This is like today.

ALICE EVANS: Yeah, absolutely. So in Bangladesh, workers went on strike trying to push for a higher wage and recognition of their skills, and the police returned with tear gas and rubber bullets so killing one worker, injuring others. And then to try to control and deter further mobilization, they've all lost their jobs and been blacklisted.

And so this is common throughout low-end supply chains. Governments try to repress laborers in order to curb minimum wage hikes and keep costs low. So this is a big problem, but we don't really know how to solve it. So it's a hugely debated issue. So there are three possibilities.

One is private regulation, corporate codes of conduct. Second is thinking that it's a problem of domestic politics, so strengthening organized labor, supporting civil society. And the third is tackling global economic governance, so biased practices, trade reform. So if we maybe talk through those three options.

SALIMAH SAMJI: Yeah, that would be great if you could start with--

ALICE EVANS: So private regulation is the idea that we should collect information about what's happening in the factory, the working conditions, the building safety. So companies like Nike or H&M might try to find out what's going on and then adjust their procurement. So you source more from factories that appear to be doing good.

The problem is that managers often intimidate workers, prepare for inspections, so that data isn't that good, and companies don't pay that much attention to it. Really they just look for whoever's supplying it

with the lowest possible costs to the fastest deadline. So all the data suggest the private regulation might improve occupational health and safety, but does little else. It doesn't improve workers' rights, it doesn't improve their pay, and we see this.

So Tim Bartley's done this nice study comparing certified factories and non-certified factories in China-- finds no difference in terms of grievances with management, in terms of wages. Similarly in Indonesia, Richard Locke here at MIT did a big study finding it doesn't make an improvement at all.

SALIMAH SAMJI: And why? What's their explanation for that? Because that's counterintuitive, right? If you think that that's one of the ways to make change.

ALICE EVANS: Absolutely. Absolutely. So the problem is that we can't insulate factories as islands of better performance totally neglecting the wider political economy, totally neglecting market forces, the huge size of surplus labor, labor repression, you know, whether the workers can feel they can agitate, whether they can go on strike, how they'll be treated by managers, how they'll be treated by governments. So by trying to corner off this factory and make this factory nice without paying any attention to whether workers can go on strike or whether they'll be shot down in Bangladesh, that's just not going to work. So domestic politics is hugely important.

SALIMAH SAMJI: But it's an ecosystem, right? I mean, they don't just live on their own.

ALICE EVANS: Yeah, absolutely. So then-- here's the second idea. The problem is domestic politics. So for example, going back to the Bangladesh example, over about 56% of politicians have a business background. Many of them own garment factories. So that gives them a strong vested interest in keeping wages low, in deregulating the sector, turning a blind eye to labor abuses, understaffing, labor inspectorates because they want to keep costs low in order to-- so the regulatory capture might be one possible explanation of what's going on.

So seeing that, some people in wealthy countries like the US and UK think, right, what we need to do is strengthen organized labor because across the world organized labor, trade unions, and independent labor movements have been absolutely critical to wage hikes. For example, in Vietnam where I work, in 2006, 200,000 workers went on strike and they secured a 30% increase in the minimum wage and annual inflation-adjusted increments thereafter.

So across the world, in Indonesia, in Cambodia, workers have protested abuses, they've decried this, they've pushed for change, and through collectively disrupting production, that gives managers and governments a vested interest in tackling the labor dispute so they can then resume production. So organized labor is hugely important. That's without question.

The problem-- the question is what we then do about it. So there's this one idea that what we need to do is in-country intervention. So capacity building, training, financing trade unions and labor NGOs. So

the EU might do that, here in the US they do that. Problem is there's very little evidence that donor support enables unions and NGOs to achieve outcomes that they otherwise wouldn't.

And that's because, you know, aid is nothing compared to the coercive power of the state. Like you know, suppose you're getting a donor grant of 20,000, but you know the police might crack down. And you know in Bangladesh there are hired muscle men at your factory, et cetera. You're terrified of the possibility of blacklisting, the possibility of dismissal, the possibility of losing your job, of being beaten up, of never seeing a successful strike might make you despondent.

So even if you've got this small bit of donor funding or capacity building or networking, donor funding might actually be counterproductive. You know, the idea of seeking donor funds fosters outward accountability to donors possibly undermining and jeopardizing collective action of working together.

It certainly might deter membership recruitment because you don't need to collect this local membership dues. It might undermine local democracy. So even if we all accept that organized labor is critical, it's not really clear how we as wealthy citizens and countries can best support them.

So let's think about the third option-- global economic governance. So one of the reasons why governments across the world might be keen to repress labor is global economic competition. So if you've got footloose buyers who can traverse the world looking for the lowest possible cost, the most desperate women workers, you know, in order to retain those contracts, governments need to keep labor costs low. So there's an economic incentive to repress labor.

There's this new paper by Wang in New Political Economy and they find that when one country represses workers, curbs their freedom of association and collective bargaining, then neighboring economic competitors are even more likely to follow suit. So if you see that Myanmar is keeping the wage low, then Bangladesh is also like, well, we better keep the wages low too otherwise we'll lose these contracts.

SALIMAH SAMJI: Business.

ALICE EVANS: And so what we see is this global competition provides an incentive to repress laborers. So what can we do about that? Well, one possibility is trade labor conditionalities, and the US has been really key on this, so for example, in negotiating NAFTA or agreements with Central American countries. They might stipulate, right, OK, if you want market access, then you need to introduce labor reforms, allow freedom of association. And I think that's a nice idea.

The problem, however, is these trade labor conditionalities are rarely implemented and they're rarely enforced, because like Matt Andrews has said in his wonderful book *The Limits of Institutional Reform*, the external pressure, external incentives, whether it's in the form of aid or trade agreements, they provide the incentive to create the veneer of reform but not necessarily implement it. Like if you're the government of Cambodia, it's better to pretend or give the facade that everything is fine rather than actually change those practices because changing

those practices would raise your labor cost and make you less economically competitive.

SALIMAH SAMJI: It's the form versus functionality.

ALICE EVANS: Absolutely. Absolutely. So really I'm just writing a footnote here to Matt's work.

[LAUGHTER]

SALIMAH SAMJI: No, you're doing much more. So you know, thank you. That's really nice to be able to kind of hear what the three areas are. But has anyone actually made improvements? I know you've done a lot of work in Bangladesh and Vietnam. What can we learn from what we call positive deviance? What's the story you can share?

ALICE EVANS: Yeah, I think this is so important. For me in my research I like to study places that have made positive change and try to learn from those drivers of change. You know, what's working in practice and what can we learn from that. And so both Vietnam and Bangladesh have recently reduced restrictions-- rescinded restrictions on organized labor, both of them.

So Vietnam and Bangladesh are quite different in some ways. So in Vietnam, independent trade unions are not allowed. The only union federation that's allowed is VGCL, which is sort of subordinate to the Vietnamese Communist Party. So the leaders are adopted by the Communist Party at branch level, factory level. The trade union leaders are often chosen by management.

So it's really not a voice for the workers. The VGCL can't critique the government, they can't push for higher wages because they've got to be supporting the government, they've got to be supporting regime legitimacy. So even though workers in Vietnam have gone on strike, they've protested, they've secured some wage increases, because they don't have a strong organized body pushing for their rights, pushing for their economic interests, they've really struggled. So this is a really big problem in Vietnam-- the lack of representation.

And Bangladesh has a similar issue in that even though trade unions are legally allowed, there are huge restrictions on their activism, so de facto restrictions. One is in terms of factories hiring local musclemen, in terms of bureaucratic obstacles. So you've got to get 30% of workers in each factory to sign up in order to join a union. And if you've got a factory of 50,000 workers, that's hard.

Moreover, you've then got to pass over the names of all workers who want to join the union to the management in order to get approval, which is a bit of a disincentive to sign up, right? So in both-- in Bangladesh you find less than 5% or 10% of factories have unions. So we don't-- so in both countries, workers have gone on strike, they've pushed for higher wages, and organized labor has been critical, but they face huge obstacles.

SALIMAH SAMJI: Right, just like the one that we started with, right? I mean, 10,000 of them fired.

ALICE EVANS: Right. So this has persisted that workers have tried to go on strike, they've tried to mobilize, but they haven't really got anywhere until recently. So in Vietnam-- Vietnam has enjoyed huge economic growth through economic liberalization, through broadening up-- opening up to the world. And about five years ago now it started negotiating the Trans-Pacific Partnership. So this was going to increase market access, give geopolitical security, international alliances, enable crucial market access to the USA.

But-- so Vietnamese leaders were very excited by this but it had one condition. US Congress insisted on freedom of association. And by that they meant that the Vietnamese government would allow independent trade unions. Now, many conservatives within the party were really concerned about this because they thought, well, if we allow independent trade unions, then that might undermine and destabilize the regime just like in the USSR, Poland, Korea, et cetera. There were big debates about this.

But what happened in 2014? China deployed an oil rig in the South China Sea and this fueled huge protests across the Vietnamese because it was seen as like an infringement on sovereignty. And then the conservatives within the regime thought that, well, actually we need to broaden our international alliances. We can no longer rely on China as a big brother. So many people became more supportive of TPP.

And as part of this, the ILO-- the International Labor Organization-- convened a series of workshops, and discussions about international labor standards. So as a part of joining the international community, part of making these reforms, it was going to be allowing independent trade unions.

And this was really important because there have always been reformists within Vietnam. So even in 1988 people were calling for trade union reform. But they'd been reluctant to speak out openly because in Vietnam calling for independent unions is a bit like calling for a new political party. Like it's seditious.

So if you think that all your peers won't support it, then you yourself might be really hesitant to speak out openly in an authoritarian regime because you worry about dismissal, job loss, promotions. So you don't realize that other people are privately supportive, and we call this pluralistic ignorance, that you might underestimate wider support for your ideas. But then this external economic incentive for a shared goal-- economic growth and market access-- actually stimulated, legitimized, enabled, and emboldened all these reformists and more people were speaking out.

Then the president of VGCL, he actually went on TV [INAUDIBLE] and he said, right, we're ready to work with these independent unions. And people were like-- the blogosphere, Facebook groups were like, whoa, maybe this is a stepping stone to democratization? Activists got emboldened. People were excited. The Independent Labour Organization were organizing in the south. Then November 2016, the Communist Party announces Resolution number 6 and they announce independent trade unions will be allowed. Phwoar, that's where we'll pause the story. So that's where we'll pause the story.

SALIMAH SAMJI: OK.

ALICE EVANS: Now going over to Bangladesh. So the underlying message there is that when there's an economic incentive to reduce labor repression, then that might work. So in Bangladesh, something similar happened in a way. Rana Plaza five years ago-- almost six years ago now-- horrific collapse of a building killing over 1,000 workers.

And buyers-- and governments in Bangladesh were terrified that buyers would leave en masse. I mean, this was a huge reputational crisis. Bloomberg said, it was one of the biggest reputational crises of that year. And there was a really big concern that buyers who are reputation-conscious-- you know, Nike and H&M don't want to have blood on their hands. So there was more. And 80% of Bangladesh's exports are in garments.

So it was a worry that this could just totally decimate everything. So Bangladeshi governments and manufacturers are scrabbling quickly to paper it over, to restore their reputation, salvage their reputation from the rubble of Rana Plaza. So they quickly, quickly initiate all these sorts of labor reforms saying, well, we're doing to reduce restrictions on labor organizing, we're going to support workers rights, we're going to allow for this health and safety initiative.

They allowed the Bangladesh Accord, which is sort of a legally-binding agreement between unions and manufacturers. So they reduced restrictions on labor organizing. And seeing that, just like in Vietnam, the domestic activists mobilized. So we saw a huge rise in trade union registrations. More and more workers were pushing to organize unions.

And we also saw at the grassroots level workers getting active because they were emboldened. They were less fearful. They saw hope. And in September of that year, in 2013, there was a huge mass protest pushing for higher wages because when the political restrictions reduced, then they could push for more economic concessions.

SALIMAH SAMJI: Right, there was space for change.

ALICE EVANS: Yes. So in Bangladesh it was the economic incentive to introduce pro-labor reforms. So it's slightly different. It's not about expanding market access but just securing the status quo. So in both countries we see that the economic incentive from the global economic community might motivate reform. And you think, well, wait a minute, Alice. Maybe there were domestic drivers. How can we test this empirically? How do we know that it was really an international incentive as opposed to something else?

Well, fortunately, this is kind of like a natural experiment because in both countries those international incentives then fell by the wayside because-- let's go back to Vietnam. Three days after the Communist Party announced Resolution 6, something happened that no one saw coming.

SALIMAH SAMJI: [LAUGHS] The election of Trump.

ALICE EVANS: Exactly! And so what does Trump do in January of that

year? He pulls out of TPP. So what does that tell the Vietnamese communists?

SALIMAH SAMJI: I don't need to do this anymore.

ALICE EVANS: Absolutely. Absolutely. And what happened to the reform process? Totally stalled.

SALIMAH SAMJI: Gone.

ALICE EVANS: Gone totally. So all-- you know, so I was in Vietnam that year and the following year, and people-- we don't really know what's happening. You know, it's not on the legislative agenda. No one's talking about it. And then not only did the reform stagnate but the crackdown worsened. So there was increased repression of dissent. So I interviewed lots of human rights activists and they told me how it had become even harder to organize, to hold events, to raise their claims, even to like have a session on business and human rights. The police stopped that happening.

So there was a huge crackdown. In 2018, the government introduced a number of laws. One of them was a surveillance law closely modeled on China's law. So because there wasn't this economic incentive to be seen to be doing good, that totally stalled. And so we saw in 2018-- Human Rights Watch noted a huge increase in labor repression with absolutely no incentive to do anything about it because there wasn't the international economic incentive for pro-labor reform.

And very similar dynamics happened in Bangladesh. So yes, initially the government worried that buyers might leave en masse. But by around 2015 the government saw that actually, after Rana Plaza, exports were skyrocketing. Bangladesh was doing better than before even though those buyers weren't insisting-- you know, we see that by looking at exports, by looking at-- Layna Mosley has looked to US shipment level data and they find, yeah, people are still procuring from Bangladesh, turning a blind eye to abuses, not necessarily signing up to the Accord, the Alliance, the CSR initiatives. And so seeing that, the government's like, well, we can just continue with business as usual.

SALIMAH SAMJI: Yeah, we don't have to change.

ALICE EVANS: Absolutely, moreover. Mark Anner over at University of Pennsylvania has showed that buyers were actually squeezing prices so there was a 13% drop after Rana Plaza of the price that they were paying Bangladeshi manufacturers for the garments, meaning the Bangladeshi manufacturers don't have the money they need to make buildings upgradings.

You know, if you're making a bunch of trousers and you've only got a three-month contract or a six-month contract and then you worry the buyer might go elsewhere and the buyer is giving you even less of your money, you know, what incentive is there to invest in much-needed building safety improvements?

So exports skyrocketed, buyers squeezed prices, the economic incentive to introduce labor reforms totally rescinded. So I think by looking at the long-term in Vietnam, Bangladesh, totally different places, we see

that economic incentives can have a really powerful effect.

But you see, it's that two-step process. The outsiders can't secure substantive change, but they can create the incentive for those sort of de jure legislative reforms, and that opens up the space for civil society who've always wanted these reforms. And then they get active and they're the ones in the driving seat pushing for economic concessions and substantive change on the ground.

SALIMAH SAMJI: Great. Wow. Thank you so much. I mean, I love the title of your paper, right? Labor Rights, It's All Of Our Business. Why did you-- why is it our business, right? No one seems to care. People go to H&M and all of these stores and Nike and they buy them, they want to buy them cheap, and they want to have 50 million clothes as opposed to like 3 pairs of shirts, and so they clearly don't care. Why should we care? Should we care?

ALICE EVANS: OK, you say they don't care. Here's where I disagree. Just today the German minister of economic cooperation has announced a new draft mandatory due diligence law. So this is the idea that all large German companies should identify and reduce risks of human rights abuses in their global supply chains. So each German company should take steps to ensure that things like Rana Plaza doesn't happen by working out who they're procuring from.

And is Germany a blip? No. Because the Swiss National Council last year voted for similar legislation mandating corporate accountability and due diligence. In 2018, France introduced Devoir de Vigilance laws, a law which mandates this duty of vigilance idea and corporate accountability for all large companies. Now in Luxembourg, they're actually pushing for the EU to put this forward at EU level to create a level playing field for all European businesses. Finland, they've also got to campaign for exactly this.

So these are civil society campaigners across Europe. They say, we do care. We don't want to be buying clothes if it comes at the cost of human rights abuses like Rana Plaza and what's happening in Bangladesh today. Across Europe and Canada, the International Development Selection Committee has also discussed this and Sweden also discussed this. So across the world actually the age of CSR is over and this new era of corporate accountability is beginning because of our activism, because of us pushing for a new change in how we do globalization.

SALIMAH SAMJI: That's fantastic. Because if they can show that you can still earn profits in your global supply chains and let the laborers earn minimum wage-- it's not even-- then, you know, it would give others incentives to be able to do the same.

ALICE EVANS: Yeah, absolutely. And you know, there are economic advantages of workers earning more money because then you're boosting domestic consumption and that has various multiplier effects.

SALIMAH SAMJI: Right, absolutely.

ALICE EVANS: And a nice case study here is Dominican Republic. The government-- there was a trade agreement with the US which motivated the Dominican Republic to make certain labor reforms and to invest in



industrial policy in a way to motivate firms' compliance, and that actually enabled them to upgrade in the global value chain because when workers are fed and, you know, sleep properly, they're more productive. So you can actually do better by doing good.

SALIMAH SAMJI: Great. Thank you very much, Alice. Like I said when I started, it's always a pleasure. I always learn so much and it just is a pleasure to be with you. If you want to-- for all of those listeners out there to read Alice's paper, you will find a link to her paper in the text of the podcast. Thank you very much, Alice.

ALICE EVANS: Thank you.

SPEAKER 1: If you want to learn more about CID's research and events, please visit [CID.Harvard.edu](http://CID.Harvard.edu). See you next week.

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