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Workers' Rights in Open Economies

Global Production and Domestic Institutions in the Developing World

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Previous large-N research suggests that globalization could have either positive or negative consequences for labor rights in developing nations. This article examines the ways in which domestic political institutions and interests conditions the effects of economic globalization. It develops several hypotheses regarding the impact of domestic factors on labor rights outcomes and uses the case of Costa Rica to assess these hypotheses. The result is that although segments of the Costa Rican economy and labor force have benefited from industrial upgrading in recent years, the enclave nature of the export-oriented economy and the historical repression of organized labor render difficult the achievement of some internationally recognized core labor rights. The article concludes by discussing some of the issues for future research that are highlighted by the Costa Rican case.

Keywords: *labor rights; foreign direct investment; multinational production; Costa Rica; export processing zones*

What are the implications of global production and commerce—trade, direct investment, and subcontracting—for workers in developing nations? When capital is mobile internationally but labor is not, do workers suffer? Does cross-national competition bring about the reduction in workers' collective rights and a worsening of working conditions? Or does participation in global markets help to upgrade wages and working conditions, as multinational corporations (MNCs) bring cutting-edge technology and developed country practices to developing nations?

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The question of how local labor is affected by the global economy requires answers that draw both from comparative politics and international political economy. Economic globalization has elements external (global markets, foreign MNCs) and internal (exporting firms, local capitalists) to countries. Other international actors, such as multilateral trade institutions, labor rights activists, and developed country governments, also can affect labor outcomes. And domestic institutions and practices play central roles in mediating the impact of external forces; these domestic factors include the nature and history of the political regime; the partisan orientation and coalitional considerations of the government; and the structure of the domestic economy and its workforce. As a result, unpacking the labor rights–globalization relationship demands attention both to internal and external factors and to the interaction among them over time.

Although recent quantitative research assesses the broad patterns of relationships between multinational production and labor rights outcomes, it provides less of a sense of the longer term processes linking the global economy, domestic politics and institutions, and the rights of workers. Such causal processes often unfold over many years, indicating the potential for longer run, as well as path dependent, causal chains. By investigating a single case over a longer period of time, we can assess the ways in which external variables (here, economic globalization) are linked with outcome variables (labor rights) via various domestic political and economic institutions. When the longer term case study succeeds in identifying the mechanisms hypothesized to link globalization with labor rights outcomes, our confidence in the causal nature of these processes is increased (Mahoney, 2007). Put differently, given that the linkages between the global economy and national-level outcomes are varied and complex, an in-depth case analysis allows us better to observe (and to test) the mediating effect of domestic-level factors.

In this article, I take such an approach, considering the experience of Costa Rica. During the past two decades, Costa Rica has become more involved in global production and commerce: The importance of both exports and foreign direct investment (FDI) to the country's economy has expanded markedly. These changes are expected to generate both positive and negative pressures on collective labor rights. FDI, on the one hand, could be associated with increased respect for workers' rights, especially as firms shift from labor-intensive to technology-intensive production. At the same time, however, increased trade competition can place downward pressures on the provision and implementation of collective labor rights. The key question, then, is how and to what extent this set of pressures is mediated by domestic political institutions and histories. As the empirical analysis suggests, domestic factors can counteract the positive effects of global production and reinforce the negative pressures of trade competition on workers' collective rights. Particularly where participation in high-technology industries is limited to a small portion of the labor force, as it is in Costa Rica, the positive effects of multinational production may not obtain.

This analysis focuses on workers' collective rights, including freedom of association, collective bargaining, and the right to strike (also see Kucera, 2002). These rights are a central element of core labor rights, as identified in the International Labour Organization (ILO)'s 1998 Declaration of Fundamental Principles and Rights at Work. The ILO conventions related to these rights have been widely ratified: As of November 2006,[1] the freedom of association convention (No. 87) had been ratified by 147 nations, while the collective bargaining convention (No. 98) had received 156 ratifications. Although ratification and compliance are by no means the same, these rates of ratification are substantially higher than those for conventions related to working conditions (also see Böhning, 2005). Moreover, although collective rights are analytically distinct from individual labor rights (Murillo, 2005), collective rights provide employees with the capacity to achieve more favorable outcomes in terms of wages, benefits, and working conditions. As a result, there is an established association between greater respect for collective labor rights and improvements in wages and working conditions (Aidt & Tzannaos, 2002; also see Morici & Schulz, 2001).

I begin by reviewing recent literature that investigates the linkages between globalization and labor rights. I then develop several hypotheses regarding the impact that the clusters of domestic political and societal factors have on the globalization–labor rights relationship. In the section on the Costa Rican Case, I test these expectations using an in-depth case study of Costa Rica, which has experienced dramatic changes in its degree and type of engagement with the global economy. On the basis of this analysis, I contend that, despite changes in Costa Rica's level and type of engagement with the global economy, the country's domestic political legacies and institutions limit the achievement of some core labor rights. I conclude by discussing directions for future research on the labor rights–globalization nexus.

The Global Economy, Developing Nations, and Labor

One of the hallmarks of contemporary economic globalization is the multinational nature of production: many goods and services are created within global production networks. As a result of both technological and policy changes (Garrett, 2000), developing nations increasingly participate in these networks, receiving substantial amounts of FDI and importing and exporting a variety of commodities. Although the majority of FDI continues to flow between developed nations, the growth of FDI has been particularly pronounced in developing nations, where it accounts for the largest share of external financing. In 2005, FDI flows to developing countries accounted for 36% of global FDI, compared with approximately 20% of global flows in the late 1970s (United Nations Conference on Trade and Development [UNCTAD], 2006).

The overall growth in FDI, and the broader internationalization of production, is likely to have a variety of effects—some negative and some positive—within countries. Most research on this subject is in agreement on two broad points: First, despite pressures for policy convergence and some narrowing of cross-national differences in certain policy areas, a substantial degree of cross-national diversity remains, the result of the mediating role played by domestic political institutions and political histories (Avelino, Brown, & Hunter, 2005; Brooks, 2002; Hays, 2003; Huber & Stephens, 2001). Second, given their external financing needs and their frequent reliance on a narrow set of commodity exports, developing nations are more exposed to the competitive pressures emanating from the global economy (Rudra & Haggard, 2005; Simmons & Elkins, 2004; Wibbels, 2006; Wibbels & Arce, 2003).

With respect to the specific impact of multinational production on developing nations, extant work highlights the importance of domestic institutions (Jensen, 2006; Li & Resnick, 2003), as well as the asymmetry in bargaining power between developing nations and foreign corporations (Evans, 1979; Kobrin, 1987; O'Donnell, 1988). Despite these potential asymmetries, though, a wide range of research highlights the overall positive consequences of global production and commerce. MNCs, for instance, often bring a variety of benefits, including greater capital formation, newer technologies, and increased and higher quality employment (e.g., Brown, Deardorff, & Stern, 2003; Mutti, 2003; Navaretti & Venables, 2004). At the same time, these positive effects may not obtain for all workers, in all industries, or in every nation (Gallagher, 2005; Hafner-Burton, 2005).

Turning specifically to labor rights, multinational production could have a positive causal impact via several channels. First, MNCs can explicitly urge governments to improve the rule of law, protect the vulnerable, and invest in social services and infrastructure. Second, foreign direct investors can bring best practices of workers' rights to host countries, often importing corporation-wide standards and rules and paying wages higher than locally owned firms in the same industries (Garcia-Johnson, 2000; Graham, 2000;

Lipsey & Sjöholm, 2002). Consumer and nongovernmental organization (NGO) attention to MNC behavior can further promote the transmission of best practices, through either ideational change or material incentives (Blanton & Blanton, 2007; Brown et al., 2003; Haufler, 2000). Third, many MNCs are drawn to countries with higher skilled labor forces. In such countries, retaining skilled employees, rather than paying the lowest possible wages, will be most important to firms (Gallagher, 2005; Hall & Soskice, 2001; Moran, 2002; Santoro, 2000).

Other mechanisms, though, may lead to downward pressures on labor rights. Participation in global commodity chains often forces developing nations into competition with one another. The ability to produce a given good at the lowest possible cost is central to increasing export share, as well as to winning business for local subcontracting firms. Given the empirical linkages between unions and collective bargaining on one hand and wage levels and nonwage benefits on the other (Compa & Diamond, 1996; Frundt, 2002; Graham, 2000), restricting collective labor rights—either in a country generally or in its export processing zones (EPZs) specifically—can be a means of reducing demands for higher wages and nonwage benefits (e.g., Madami, 1999). Indeed, although surveys of MNCs report great variety in the determinants of investment locations, they also suggest that, across industries, concerns about costs are the major determinant of subcontracting (or outsourcing) decisions (UNCTAD, 2004).

Several recent studies aim to adjudicate among these various mechanisms, empirically investigating the conditions under which economic globalization affects labor-related outcomes. A central challenge for this work has been the cross-national measurement of labor-related outcomes. Indeed, even wage data are difficult to compare in a cross-national developing country context. As a result, many analyses have focused on the relationship between human, rather than labor, rights, and economic openness (e.g., Blanton & Blanton, 2007; Poe, Tate, & Keith, 1999; Richards, Gelleny, & Sacko, 2001). Moreover, a great deal of literature on the subject relies on anecdotal evidence, usually with the aim of demonstrating the negative consequences of openness. The few cross-national quantitative analyses report mixed findings. Some suggest that competition to attract foreign capital results in a reduction of the respect for human and labor rights (e.g., Rodrik, 1997). Others report a positive, albeit small, relationship between FDI and labor rights (Aggarwal, 1995; Busse, 2003; Organisation for Economic Cooperation and Development [OECD], 2000); still others find no significant relationship (Kucera, 2002; Neumayer & de Soysa, 2006; Oman, 2000).

To address the challenge of measuring collective labor rights outcomes in a cross-national context, Mosley and Uno (2007) generate a new data set of collective labor rights violations. Their measure focuses on the legal rights of workers to organize, bargain collectively, and strike, as well as the practical observance of these rights. This annual measure considers elements of both law and practice (rather than simple ratification of ILO conventions); draws from multiple sources of information; and is available for a broad set of countries and years. Using this dependent variable, Mosley and Uno (2007) assess the relationship between labor rights and economic globalization in 90 developing nations from 1986 to 2002. Controlling for a range of other factors (such as income per capita and the level of democracy), they find that higher inflows of FDI are significantly associated with greater respect for labor rights. At the same time, though, nations with higher levels of trade openness (imports and exports as a percentage of GDP) display significantly lower levels of respect for collective labor rights, perhaps reflecting the competitive pressures that stem from participation in global production networks. They also report some evidence of an indirect effect of globalization, via cross-national competition or diffusion (Brooks, 2005; Simmons & Elkins, 2004). The average level of labor rights in a nation's geographic region is associated significantly with a country's labor rights score. These results suggest that the impact of multinational production on labor rights is multifaceted, in that different elements (trade, direct investment) have contending effects. The ultimate effects of globalization on workers depend not only on the extent to which a given country is integrated into the global economy, but also on the means (MNCs, subcontracting, EPZs) by which it participates.

Although large-N analyses allow researchers to establish broad patterns of relationships, they fall short in addressing the issue fully, particularly with regard to low-income and middle-income nations. Using overall measures of trade and finance, as most extant work does, is a reasonable large-N strategy, given the lack of disaggregated production profile, direct investment, and subcontracting data for many developing nations (World Trade Organization, 2005). But doing so assumes that the effects of trade openness and direct investment on labor are the same across countries, across industries (so that FDI in pharmaceuticals has the same effect as FDI in textiles, for instance), and over time (so that contemporary FDI, often motivated by efficiency considerations, has the same effects as FDI in the 1980s, which often took the form of horizontal integration; see Markusen 1995). Given the heterogeneity among developing nations and among multinational production activities, though, these assumptions are likely to obscure important causal processes.

Linking Domestic Politics with Multinational Production

Although the global economy may exert powerful influences on domestic labor rights outcomes, domestic institutions also play an important role, as a great deal of recent work at the comparative-international political economy nexus demonstrates. A lack of respect for collective labor rights in a given developing country may have much more to do with that country's level of economic development and its degree of democracy than with its economic openness. Mosley and Uno (2007) report, for instance, that a country's level of democracy is a substantively and statistically significant correlate of labor rights outcomes. Furthermore, even where global economic factors are associated significantly with labor rights outcomes, domestic political variables may play an important mediating role. For instance, the effects of export competition on collective labor rights likely depend on the ideological orientation of the government and on the strength of the organized labor movement. This section develops several hypotheses regarding the ways in which various domestic factors mediate the effects of multinational production on labor rights.

Political competition and coalitions. A large body of literature demonstrates that domestic political interests and institutions affect national responses to economic globalization (e.g., Adserá & Boix, 2002; Basinger & Hallerberg, 2004; Brooks, 2002; Garrett, 1998). Much of this literature suggests that the effects of such domestic variables are interactive, complex, and long running. Although economic openness may promise aggregate benefits to developing nations, it is domestic interests and institutions that determine whether workers gain as much as employers or whether workers in some sectors gain as much as workers in other sectors.

When we consider the impact of interests on collective labor rights, the first key factor is the ideological orientation of the governing parties and the chief executive. In nondemocratic systems, the economic ideology of the leadership—and of the "selectorate"—is likely to influence labor-related outcomes. In nations with competitive political systems, left-oriented parties and governments should be more inclined than their centrist or right-leaning counterparts to protect the interests of their traditional, working-class constituents. This reasoning is consistent with research suggesting that, even in an era of neoliberal economic reforms, left-leaning governments pursue different types of policies than right-oriented ones do (e.g., Brooks & Kurtz, 2007). Left governments may welcome all or some forms of foreign capital,[2] particularly in the face of economic downturns, but they will attempt to do so in a way that protects the interests of their core constituents.

Along these lines, Murillo (2005) posits that, despite a broader regional trend of labor market deregulation in Latin America during the late 1980s and 1990s, some political parties used labor market policy as a means of retaining electoral support from their labor-oriented constituencies. In particular, she argues that office-holding left parties that were uncertain about their future electoral prospects supported regulatory (rather than deregulatory) labor law reforms. These reforms provided benefits to the parties' traditional supporters (organized, formal sector workers who pay close attention to such policies), without attracting much notice from the median voter (worried more about other types of economic reform). The argument, then, is that labor regulation is a relatively cheap tool with which to reward labor-based interest groups for their political support. Murillo suggests that this is particularly true for reforms affecting collective as opposed to individual labor rights. In the case of the latter, there are stronger economic incentives to increase wage flexibility and decrease the costs of hiring and firing. Indeed, of the collective labor law reforms that occurred between 1985 and 1998, 12 were regulatory, whereas only 5 were deregulatory (also see Madrid, 2003). I expect, therefore, that partisanship will serve as an important mediating factor between global economic pressures and collective labor rights outcomes.

Hypothesis 1: When left governments hold office, they are likely to protect collective labor rights, even under conditions of trade and financial openness.

Indeed, when a dichotomous measure of left government (from the Database of Political Institutions) is included in the cross-sectional time series models reported in Mosley and Uno (2007), we observe a mediating impact of ideology on collective labor rights. Although government partisanship on its own is not associated significantly with labor rights outcomes, the interactive effect of trade openness and left government is significant. The finding, summarized above, that trade is negatively linked with collective labor rights is one that prevails under center and right governments (where the interaction term is 0). But when left parties hold a legislative majority, trade openness is instead associated with better protection of collective labor rights. An initial large-N analysis, then, provides some support for the notion that partisanship conditions the effects of global economic factors on labor rights outcomes.[3]

Next, the possibility of changes in collective labor rights—or conversely, the likelihood of path dependent policy lock-in—depends on the concentration or fractionalization of decision-making authority. The existence of a higher degree of political constraints (operationalized as veto players and including the size of legislative coalitions; the ideological distance among coalition members; the ideological similarity between the executive and legislative branches; the political authority of subnational units; and the number of legislative chambers) can render changes in existing laws less likely (Basinger & Hallerberg, 2004; Henisz & Mansfield, 2006; Jensen, 2006; Tsebelis, 2002). A greater number of veto players should be associated with fewer changes to labor laws, all else equal. As a result, where collective labor rights have traditionally been well protected, their legal foundations will be difficult to change (also see Murillo & Schrank, 2005).[4] But where governments have tended to repress labor rights, it will be difficult to create legal guarantees of those rights, even where domestic interest groups, transnational advocacy networks, or MNCs press for regulatory reform.

The fragmentation of political authority also can affect labor rights through a second channel related to the implementation of laws on the books. Even with the political will to ensure labor rights, many nations have limited fiscal resources for labor law improvements. Because a large number of veto players renders fiscal policy sticky, fragmented governments will be less likely to devote additional resources to implementation. Even as the demand for labor inspectors or labor courts increases (with the arrival of MNCs, the expansion of EPZs, or increased monitoring by NGOs), their supply will remain fairly constant (also see Frundt, 2002). On the other hand, in systems with fewer veto players, governments are more likely—again, assuming a will to do so—to adjust the resources dedicated to implementation. In both cases—reforms of collective labor laws and enforcement of existing laws—the veto players argument is about changes in, rather than levels of, collective labor rights protection:

> *Hypothesis 2:* Political systems with more veto players are less likely to reform collective labor laws or to change the amount of resources dedicated to their implementation. In such situations, collective labor rights outcomes will be very path dependent.

The economic and political strength of organized labor. Left parties and union federations often draw on one another, with union strength owing to past periods of left government (and policies implemented during these periods) and the left's electoral performance linked with unions' mobilization of their members. Of course, not all labor unions are left leaning, particularly in semiauthoritarian systems with largely state-sponsored industrial relations systems. In general, though, there is an ideological affinity between labor unions and left parties (Garrett, 1998; Huber & Stephens, 2001; Murillo, 2005). Unions that are inclined to support the left also are likely to press for the observation of collective labor rights in the face of economic openness.

In terms of linking collective labor rights with organized labor, we need to consider the political strength of organized labor. Conceptualizing union strength is by no means straightforward (e.g., Madrid, 2003), but in general, organized labor's linkages with political parties will affect its voice in the policy-making process. In his study of social policy in OECD nations, Garrett (1998) finds that the interaction of left government with labor power (rather than either element individually) conditions the impact of economic openness on public spending. Along slightly different lines, Murillo and Schrank (2005) posit that the historical position of labor in the polity—whether it has played a role in politics or been repressed by previous governments and economic elites—affects the strategies that workers use to protect their collective rights. And Murillo (2005) points out that the strength of political party–union ties has a large impact on labor law reforms: When unions have strong institutional ties with incumbent political parties, the probability of regulatory reforms to individual labor law is three times as high as the probability of deregulatory reforms (also see Madrid, 2003).[5]

As a result, where labor unions have strong ties with the governing party or parties, union members will press for the maintenance of their status quo (protected) position (e.g., Cortázar, Lustig, & Sabot, 1998; Murillo, 2001), even in the face of competitive pressures related to economic globalization and multinational production. Indeed, under some conditions, foreign firms could benefit from such ties, if disciplined, well-organized unions facilitate more efficient tripartite bargaining among businesses, workers, and government officials. On the other hand, if foreign firms do (as some activists contend) avoid locations with highly entrenched labor unions, countries with tight labor union–governing party ties may participate less in global production, whereas countries in which local elites have long cooperated with multinational capital to repress labor (Evans, 1979; O'Donnell, 1988) will be more adept at attracting foreign investment. It is the mediating effect of independent labor unions that is most central to assessing the causal pathways through which domestic factors condition the effects of global production:

Hypothesis 3: Where labor unions are an influential domestic interest group, with strong ties to the governing party or parties, multinational production is likely to be associated with protection of collective labor rights.

Labor market conditions. Last, the capacity of workers to organize and to make demands of both politicians and firms is contingent on labor market conditions, as well as on the industrial structure of the economy. In general, tight labor markets increase the appeal of labor unions, as workers are able to act collectively to exploit the mismatch between demand and supply. Success in such action heightens the incentive to join labor unions. At the same time, tight labor markets also render multinationals more likely to offer protections to their employees (Rudra, 2002), as they strive to hire and retain workers. On the other hand, if unemployment is high, workers will have less bargaining power, rendering them more likely to accept labor rights violations without complaint. In developing countries, labor market conditions entail not only unemployment rates in the formal sector but also the relative weight of the informal sector in the economy: A large informal sector implies a pool of surplus labor from which firms could draw.

The industrial structure of a country's economy also has implications for the organizational capacity of its workforce. Workers generally are less likely to organize in the agricultural and service sectors; but in manufacturing industries as well as in the public sector, collective action obstacles are less severe (Iversen & Wren, 1998). Nations with large agricultural and service sectors, then, will experience lower levels of collective labor organization and fewer demands for respect for collective labor rights, all else equal. Within countries, this also implies that workers in the manufacturing and public sectors will be most likely to advance demands for, and take advantage of, collective labor rights.[6]

Moreover, the particular types of production in an economy, in terms of the demand for skilled versus unskilled workers (or put differently, the presence of labor-intensive vs. capital-intensive production) also affect the organizational capacity and bargaining power of workers. Some sectors—including much agriculture, as well as lower technology manufacturing such as apparel—employ mostly unskilled labor, and their costs are largely due to wages rather than to capital equipment (e.g., Hatem, 1998). Other industries (i.e., pharmaceuticals, electronics) employ a large proportion of skilled and semiskilled workers. The latter set of industries tends toward capital-intensive or technology-intensive production, so that wage costs are a lower proportion of overall production costs. The Stolper-Samuelson and Heckscher-Ohlin theorems (Hiscox, 2002) suggest that nations in which unskilled workers are the relatively abundant factor of production will enjoy comparative advantages in sectors that use unskilled labor intensively. As a result, unskilled workers in such nations should enjoy greater real returns as the country's trade openness increases. These results, however, assume a political situation in which workers are able (vis-à-vis their employers) to reap the benefits of trade openness. Yet in many circumstances, unskilled workers may not have the political strength to prevent reductions in welfare state policies (Rudra, 2002), avoid a shift in the tax burden from capital to labor (Wibbels & Arce, 2003), or bargain effectively with employers (Weeks, 1999).

The inability of unskilled workers to benefit from their relative abundance in many developing nations relates not only to labor supply (see above) but also to the role of labor costs in firms' international competitiveness. In industries that use labor intensively, such as apparel, governments and firms face pressures to keep wages low (Elliott & Freeman, 2003; Murillo, 2005). Because exit is easier in such sectors, firms can credibly threaten to move to locations with lower labor costs and less stringent regulations, limiting the capacity of unskilled workers to demand greater collective rights. Along these lines, Morici and Schulz (2001) report that nations that are more dependent on textile and apparel exports are more likely to have weaker protections for freedom of association.

On the other hand, when countries specialize in skill-intensive and capital-intensive production, firms and governments worry about the supply and retention of a well-trained labor force. Concerns about labor quality often dominate concerns about labor costs (Hall & Soskice, 2001; Moran, 2002; Spar, 1999). Employers have pronounced incentives to encourage workers to invest in the acquisition of skills and to retain highly trained workers (Hall & Soskice, 2001). For instance, Moran's (2002) analysis of working conditions in EPZs indicates that companies that export higher end products (e.g., electronics) are very concerned, for productivity reasons, with attracting and retaining the best workers (Graham, 2000; Mares, 2003). More recent reports from China and India point to a shortage of skilled labor, leading some multinational firms to consider moving to other developing nations or returning to their home countries (Arnold, 2006; Surowiecki, 2007). Of course, differences related to the skill level of workers and the capital or technological intensity of production manifest themselves within, as well as across, countries. Santoro's analysis of foreign firms in China, for instance, reports that some MNCs there are interested in lowering overall costs, using a sweatshop model; others are interested in accessing the growing domestic market and in training and retaining highly motivated, highly trained workers (also see Gallagher, 2005).

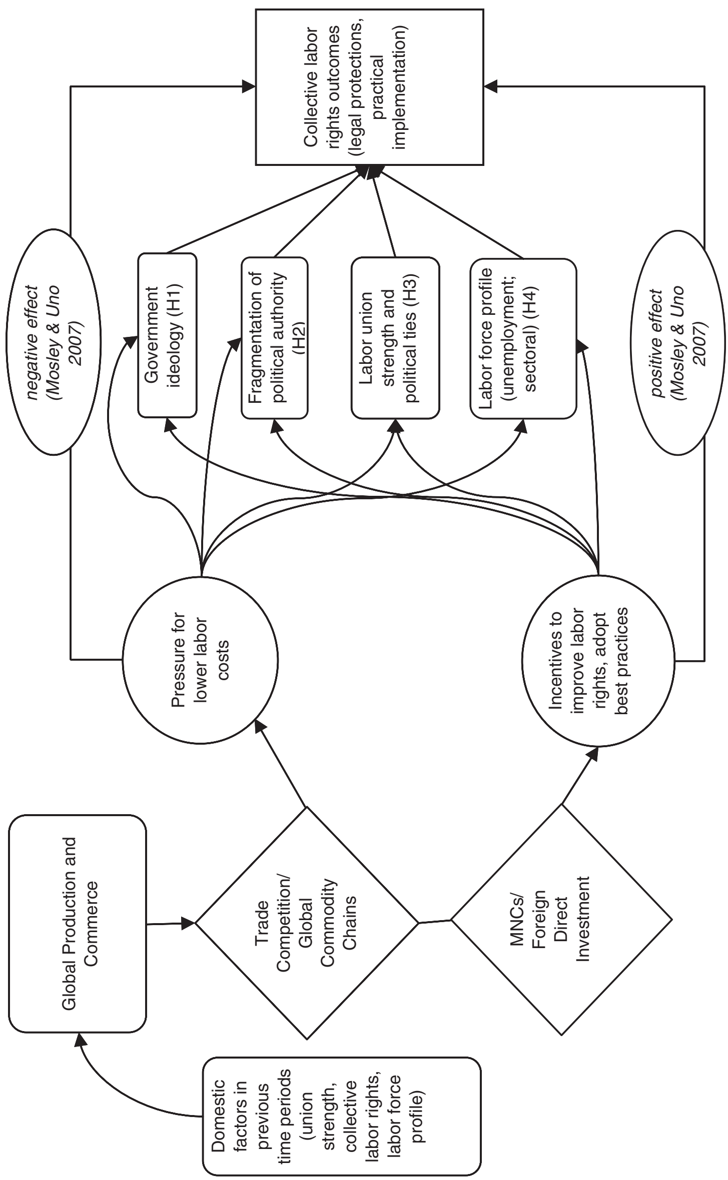
Hypothesis 4: Collective labor rights will be better protected, in law as well as in practice, where the supply of appropriate workers is smaller, where firms' incentives to retain workers are greater, and where workers are better able—in terms of collective action factors—to organize.

This final hypothesis works through two mechanisms: On the side of workers, the mechanism is organizational capacity; on the side of firms, the mechanism is the availability and cost (relative to other production costs) of an appropriate labor force. Both mechanisms are conditioned by the status of the local labor market (unemployment, the size of the formal sector), as well as by the country's industrial profile.

Taken together, these four hypotheses suggest that the impact of multinational production on collective labor rights will be mediated by domestic political and labor market institutions. Where political parties of the left hold office (Hypothesis 1) and where independent unions have strong ties to governing parties (Hypothesis 3), multinational production is more likely to have a "climb to the top" effect. At the same time, the centralization of political authority can reinforce either climb-to-the-top or race-to-the-bottom pressures (Hypothesis 2), allowing for easier changes to collective labor laws and the resources dedicated to their enforcement. The fragmentation of authority, on the other hand, can render existing collective labor laws stickier, despite economic globalization. Last, the organizational capacity of workers and their bargaining power vis-à-vis employers will affect their ability to demand—and achieve—collective labor rights (Hypothesis 4). In situations characterized by tight labor markets and a bias toward skill-intensive and capital-intensive production, workers should be better able to achieve the rights to act collectively. This proposition also is consistent with an "industrial upgrading" view, in which developing nations experience various positive effects (economic growth, improved conditions for workers) via a shift from lower technology to higher technology production, brought about by participation in global commodity chains (Porter, 1990; also see Breznitz, 2007; Gereffi, 1999).

Figure 1 details the causal processes linking economic globalization with collective labor rights outcomes. As the figure indicates, a country's starting level of engagement with global production and commerce is somewhat endogenous to its past economic and political characteristics, perhaps including labor rights practices. In addition, as past research suggests, global production creates varied pressures, both positive and negative, on labor rights outcomes. The four hypotheses developed above suggest the various ways in which domestic factors serve to mediate—in some cases to retard and in other cases to enhance—these pressures. Competitive pressures to lower labor costs, for instance, can be reinforced by right-leaning governments or historically weak union movements. Of course, the factors identified by these four hypotheses are not exhaustive. As additional mediating channels, others have considered the intervening

Figure 1
Multinational Production, Domestic Politics, and Collective Labor Rights



effects of bureaucratic quality on the protection of collective labor rights (Schrank & Piore, 2007) or the impact of political and fiscal federalism on MNC behavior within countries (Jensen, 2006). At the same time, international factors beyond trade, FDI, and subcontracting may affect collective labor rights laws and practices. For instance, U.S. labor unions (especially the American Federation of Labor–Congress of Industrial Organizations [AFL-CIO]), the ILO, and a variety of transnational activists have served as important influences on labor rights throughout much of Latin America (e.g., Murillo, 2005). These additional influences, both domestic and foreign, may be important under some conditions, and their interaction with the central independent variables identified above is a fruitful area for future research. At present, I focus on the potential mediation of international pressures by the domestic factors included in the above hypotheses.

The Costa Rican Case

To initially assess the validity of the above hypotheses, I examine the experience of Costa Rica. Focusing on the past two decades, I consider how domestic factors mediate influences from the global economy, in a static as well as in a dynamic sense. The within-case analysis (see, e.g., Mahoney, 2007) limits the empirical domain, but it offers several advantages over cross-sectional time-series analyses. First, case studies allow for an in-depth exploration and identification of the causal mechanisms that connect multinational production, domestic politics, and collective labor rights outcomes. In exploring these dynamics, case studies also may reveal causal mechanisms not indicated in—or not tested for—quantitative studies (Sambanis, 2004).

Case studies also allow us to observe the mediating or interactive role that domestic politics play in conjunction with FDI and trade. If the case analysis reveals the hypothesized mediating effects, our confidence in the proposed causal linkages (as identified in Figure 1) is enhanced. For instance, if a high number of veto players contributes to the path dependence of collective labor laws (as Hypothesis 2 suggests), we gain confidence that domestic institutions remain key, despite pressures from the global economy. Moreover, by treating the conjunctural nature of causation as given, case analyses may avoid the problems associated with specifying and interpreting interaction effects in a statistical context (Braumoeller, 2004). Furthermore, the processes linking economic globalization with labor rights may be dynamic ones, accumulating and unfolding over the medium or long term (e.g., Huber, Nielsen, Pribble, & Stephens, 2006; Mahoney, 2007). Even if operationalizing key domestic variables quantitatively were straightforward—as it often is not in a developing country context—large-N analyses would do less well at tracing the dynamic mechanisms through which they operate. As such, this analysis should be seen as a complement, rather than a competitor, to statistically oriented work on labor rights (e.g., Neumayer & de Soysa, 2006).

Third and perhaps most important, large-N analyses assume unit homogeneity (also see Sambanis, 2004): The processes linking labor rights, domestic politics, and the global economy are taken to be the same across countries. If, however, the causes of collective labor rights vary across units, studies that pool units may produce flawed results. One possible source of heterogeneity is differences in the way in which countries are involved in global production: It is not just that some countries are more open to trade or receive more FDI than others. It is also that different countries receive different types of FDI in varying economic sectors, through diverse modes of industrial organization and at varying levels of skill intensity (Gereffi, Humphrey, & Sturgeon, 2005; Navaretti & Venables, 2004). Yet previous analyses, such as much recent work on direct investment more generally, treat MNC activity (FDI flows) at the national level.

Although this strategy has empirical roots (the serious lack of data on FDI by sector for most developing nations), it makes an inferential leap from theoretical work on direct investment, which is informed by predictions of incentives and behavior at the firm and/or industry level (e.g., Henisz, 2000; Jensen, 2006; Li, 2006).[7] Case studies of countries for which more detailed information on multinational production activity is available provide an alternate means of accounting for sector-level (vs. national-level) variation in global production activities. Along these lines, Hypothesis 4, which considers the impact of labor market characteristics, implies that patterns of labor rights outcomes will change as the structure of national economies and national workforces change.

Why, then, focus on the case of Costa Rica? During the past two decades, Costa Rica has undergone pronounced changes in its degree and type of engagement with the global economy. Its exports have grown relative to the size of the country's economy, from a starting level that was typical for developing nations, to one that is markedly higher. If trade competition leads to downward pressures on labor rights, this change should augur poorly for workers' rights. At the same time, though, Costa Rica has experienced an increase in the importance of FDI to its domestic economy. In addition, new direct investment is different from older multinational activity, as it has been concentrated in high-technology, skill-intensive industries. In terms of direct investment, then, extant research would predict positive trends in collective labor rights. This expectation is also consistent with an "industrial upgrading" view of the benefits for developing nations of integration into global production networks. In the face of these contending global pressures, then, the mediating role of domestic political institutions and histories is critical. I begin by situating Costa Rica and its experience with the global economy in a broader developing country context. Next, I summarize levels and trends in the key independent variables. I then turn to collective labor rights in Costa Rica, detailing how these have changed over time, where important violations remain, and what these changes imply for the hypotheses developed above.

Costa Rica and the global economy. Costa Rica's economic and political history may render it better able than many other developing nations to take advantage of global economic integration. Costa Rica's income per capita was $4,370 in 1986, compared with $3,385 elsewhere in Latin America and $2,972 elsewhere in the developing world. By 2002, Costa Rica's income per capita was almost $9,000, nearly 50% greater than that elsewhere in Latin America and over 70% more than the average in other developing regions. Costa Rica also has been distinguished by a very high level of literacy (Rodríguez-Clare, 2001; Schrank & Piore, 2007). And perhaps most important in comparison to its closest geographic neighbors, Costa Rica was a long-standing democracy, unmarked by the post–World War II experience of civil war, and viewed by potential investors as having a well-developed rule of law. It has long had a well-developed social security system and a large public sector (Wilson, 1999).

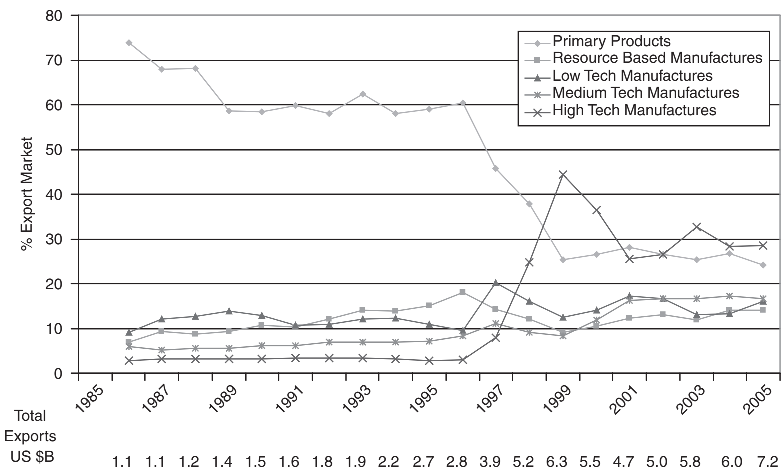
In terms of economic policy changes, however, Costa Rica's experience is more typical: Costa Rica experienced negative or very low rates of growth during the first half of the 1980s. In the early 1980s, it shifted away from an import substitution model of industrialization and toward economic openness via the creation of EPZs, the liberalization of trade, and participation in the Caribbean Basin Economic Recovery Act, the latter providing increased access to the U.S. market (Rodríguez-Clare, 2001). In Costa Rica, these efforts were very successful: During the mid-1980s, Costa Rica's exports were equivalent to 31.3% of its gross domestic product, very close to the mean level of exports (31.0% of GDP) for developing (non-OECD, non-Soviet bloc) nations. Similarly, Costa Rica's accumulated stock of direct investment was 23.0% of GDP in 1986, compared with 21.1% for developing nations.[8] By 2002, Costa Rica's export openness, at 42.4% of national income, had surpassed the mean level (37.4%) in other developing nations. As in many developing nations, direct investment grew in importance to Costa Rica's economy, with FDI inflows in 2003 representing 17%

of gross fixed capital formation, compared with 10.3% elsewhere in Latin America and the Caribbean, and 9.8% in the developing world generally (UNCTAD, 2006). The total amounts of these flows also grew markedly, more than tripling (in U.S. dollar terms) between the beginning and the end of the 1990s.[9]

At the sectoral level, Costa Rica experienced a dramatic shift during the 1980s and 1990s. Although agriculture accounted for approximately 20% of value added in the late 1980s and early 1990s, its contribution had fallen to less than 10% by the year 2000.[10] Similarly, in 1992, half of FDI inflows were in the agricultural sector. By the late 1990s, FDI in agriculture accounted for less than 10% of annual inflows; in 2002 and 2003, FDI in these sectors was negative, representing the removal of investments. Much of the decline in agriculture was paralleled by a rise in the services sector, including tourism as well as financial services and data processing. The contribution of manufacturing to Costa Rica's economy remained largely constant throughout the 1980s and 1990s—at between 20% and 25% of GDP each year—but the types of products manufactured changed markedly. This shift is also reflected in employment data. In 1985, 27% of workers were employed in agriculture, 21% in industry (which includes manufacturing, extractive activities, and public utilities), and 51% in services (public and private sector). By 2003, employment in agriculture had fallen to 15% of the total, whereas employment in services had expanded to 62%. Employment in industry remained fairly constant at 22%. The labor force generally increased during this period, from just under 1 million workers in 1985 to 1.8 million in 2003.[11]

Although the size of the overall manufacturing sector remained constant over time, Costa Rica also experienced a shift in the composition of manufacturing activity. Figure 2 focuses on the role of five intermediate categories of exports in Costa Rica's total exports: primary products (including the agricultural sector), resource-based manufactures, low-tech manufactures, medium-tech manufactures, and high-tech manufactures.[12] Two trends feature prominently: the relative decline of agricultural exports (mostly coffee and bananas) and the rise of high-tech manufacturing, particularly after the mid-1990s. Similarly, data on export profiles by two-digit Standard International Trade Classification (SITC) code reveal that, in 1986, the two most important categories of exports were coffee (SITC Category 07, accounting for 37% of exports) and fruit (SITC 5, representing 24% of exports). By 2002, coffee had fallen to 3.7% of exports, whereas fruit (bananas and pineapples) remained the second-largest export category (nearly 18% of exports). Costa Rica's largest export category in 2002 was office machines and data-processing equipment

Figure 2
Costa Rica's Exports to the World Market



(SITC 75). Other top-five export categories included apparel and clothing (8% of exports), as well as electrical machinery and appliances (SITC 77) and professional and scientific instruments (SITC 87), with each of the latter accounting for 7.6% of exports.

The changes in Costa Rica's export profile reflect not only the pressures generated by falling global coffee prices in the 1980s but also a deliberate change in the strategy of the country's privately run export promotion agency, Coalicíon Costarricense de Inícitivas para el Desarrollo (CINDE). During its first decade of existence (the 1980s), CINDE focused on agricultural activities and unskilled labor-intensive *maquilas*, such as apparel assembly (Clark, 1997). In the early 1990s, motivated by competition from other economies in the region (particularly Mexico) and by a desire to exploit Costa Rica's endowment of relatively skilled workers (Buitelaar & Perez, 2000), CINDE changed course. Its new strategy, aimed at service as well as high-technology manufacturing activities, included the development of an EPZ system, with exemptions from corporate taxation and free repatriation of profits. The free trade zones (*zona franca,* or EPZs) contained 109 firms in 1992 and 227 firms in 2005. By 2005-2006, these EPZ firms, in sectors including textiles, electrical machinery, and pharmaceuticals, accounted for 36,000 jobs and 52% of the country's total exports (Boyenge, 2007). They were home to 42% of the country's direct investment in 2005, a near doubling from 1997 (PROCOMER, 2006). The majority of firms in the EPZs are based in the United States;[13] in the service sector, they include Procter and Gamble and Western Union, both of which established call centers in Costa Rica in the 1990s (Rodríguez-Clare, 2001).

In manufacturing, FDI grew from less than one quarter of total FDI inflows in 1992 to more than two thirds of total flows in 2002. Foreign MNCs include Remec, Sawtek, Conair, Abbott and Baxter, all involved in electronics and medical devices. Perhaps the most visible success in Costa Rica's export promotion efforts was Intel Corporation's 1996 decision to build a microchip assembly and inspection plant there; strikingly, Costa Rica's main competitors for the Intel plant were not other Central American nations but emerging markets in Asia and Europe (Moran, 2002; Spar, 1998). Although Intel was not the first MNC to site a high-technology manufacturing operation in Costa Rica, its investment was large and visible: Between 1997 and 1999, it invested $390 million, equivalent to approximately 3% of Costa Rica's GDP. In 1999, Intel accounted for nearly 40% of Costa Rica's total exports (Rodríguez-Clare, 2001). Many observers point to Intel as evidence that—building on the appeal of the EPZ system and its offer of vocational training for local workers—Costa Rica was able to pursue (and benefit from) an industrial upgrading strategy. Indeed, if workers' situations do not improve with the arrival of high-skilled, capital intensive FDI, then we might worry about the robustness of the finding (Mosley & Uno, 2007) that FDI generally has positive consequences for collective labor rights and about the plausibility of Hypothesis 4.

Independent variables. Hypothesis 1 posits an impact of government partisanship—specifically of left parties—on collective labor rights. Like most Latin American nations, Costa Rica's executive system is presidential, although its president is weak relative to presidents elsewhere in Latin America (Wilson, 1994). Direct presidential and legislative elections are held every 4 years. For many years, the party system was dominated by two main parties, the National Liberation Party (PLN) and the Social Christian Unity Party (PUSC); in the 1980s and 1990s, electoral volatility was low, especially in comparison to the rest of the region (Roberts & Wibbels, 1999). Within Costa Rica's centrist party system, the PLN leans to the social democratic left, whereas the PUSC is inclined toward the Christian democratic right (Coppedge, 1998). Owing largely to term limits on both presidents and legislators, party discipline is low (Wilson, 1999).

In the 1982 and 1986 elections, the PLN won both the presidency and a majority of seats in the assembly. During this time, there was some disagreement within the PLN regarding the need for economic policy reform in the face of economic crisis (Clark, 1997; Wilson, 1994). In 1990, PUSC candidates were elected both to the presidency and to a majority of legislative seats. The parties alternated power again in 1994, although the PLN won only 28 (of 57) assembly seats, leaving it without a majority. During this time, the PLN presided over economic reform (Wilson, 1999), despite sometimes strong opposition from Costa Rican labor unions. The 1998 election brought the return of a right-leaning president, with the largest share of legislative seats (27) won by the PUSC. The PUSC candidate again won the presidency in 2002, although legislative elections resulted in 19 seats for the PUSC, 17 PLN seats, and 13 seats for the recently formed, populist Citizens' Action Party. As Costa Rica became more engaged in the global economy, its leaders alternated between left and right governments. During much of the past decade, though—when these pressures were likely most severe—right-leaning parties held office; Hypothesis 1, then, would predict few improvements to collective labor rights, all else equal.

Turning to Hypothesis 2, we expect political fragmentation (a high number of veto players) to limit changes in either direction in collective labor rights. The pattern of political fragmentation in Costa Rica predicts a marked degree of path dependence in labor rights. Throughout the past two decades, ruling political parties' legislative majorities were often thin. By the mid-1990s, they had become nonexistent.[14] The trend toward legislative fractionalization intensified in 2002. Although the presidency remained in the hands of the PUSC, the Citizens' Action Party, a populist party founded in 2000 on an anticorruption platform and opposition to neoliberal reforms, received a substantial number of votes in the 2002 elections. Even with the political will to pass laws protecting collective labor rights, then, governments in such a fractionalized system would have difficulty enacting legal changes. Moreover, right-leaning politicians have electoral incentives to promote market liberalization and labor market deregulation as a means to spurring economic growth and winning the support of "winners" from globalization (skilled workers, owners of small and medium enterprises with potential linkages to MNCs). Again, then, the domestic degree of fractionalization leads us to expect few changes to Costa Rica's labor legislation—or to increased implementation of existing laws—in the 1990s.

Hypothesis 3 directs our attention to the strength and political connections of labor unions. Although this factor is somewhat endogenous to collective labor rights in earlier eras, the development over time of labor union strength helps to predict the ease (or difficulty) with which governments will repress (or promote) labor rights in the wake of growing potential or actual multinational production. Indeed, when facing increased electoral uncertainty, the PLN may have incentives to appeal to labor-based constituencies (through expanded provision and enforcement of collective rights; e.g., Murillo, 2005), assuming that the labor movement is organized sufficiently to deliver votes to the PLN.

Rates of unionization in Costa Rica are low by regional standards, and they have remained low throughout recent decades.[15] In 1985, 22.9% of Costa Rica's nonagricultural labor force and 29.1% of wage and salary earners were union members.[16] McGuire (2005) reports that, by 1995, this figure had declined to 13.1%, compared with 14.8% in developing countries generally. Data for 2000 indicate that 12% of all Costa Rican workers are unionized. These rates vary markedly between the public and private sectors: 53% of public sector workers are unionized, although public sector unions generally lack the right to bargain collectively. In the private sector, only 5.2% of workers belong to unions; if unions of small agricultural producers are excluded, the rate falls to 2.3% of private sector workers.[17]

In addition, Costa Rica is characterized by weak labor mobilization. In recent decades, labor unions have not enjoyed tight linkages with the main political parties or with presidents and legislative leaders. Although organized labor was politically influential prior to the 1948 civil war, postwar governments tended to repress labor unions (Wilson & Rodríguez Cordero, 2006), often with the cooperation of local agricultural oligarchs (Murillo & Schrank, 2005; Schrank & Piore, 2007). In terms of links with political parties, the social democratic-oriented PLN, formed in 1952, has its roots at the elite and upper middle-class level, rather than among working classes; many of the party's early founders were university-affiliated elites who joined with conservative factions of the oligarchy to oppose President Calderón's populist reforms and labor mobilization (Roberts, 2002). The 1943 Labor Code imposed broad limits on the right to strike, and later governments—even those led by the PLN—sometimes used labor-related laws to repress labor and resist external actors' (especially the ILO's) calls for reform. As a result, although Costa Rica had the most active labor movement in Central America at the start of the 1940s (Rueschemeyer, Stephens, & Stephens, 1992), organized labor was not a key political actor later in the 20th century. By the 1980s, low rates of union membership and concentration[18] rendered organized labor unable to play a strong role in the development of economic and social policies. In terms of Hypothesis 3, then, we would expect little impact of the labor movement on Costa Rica's labor laws and labor rights practices. The low rate of unionization, particularly in the private sector (where pressures from trade competition are greatest) suggests that unions may not play a key role in mediating global economic pressures.

Last, Hypothesis 4 highlights the influence of labor market conditions and structures on workers' capacity to demand protections of collective labor rights, as well as on firms' incentives to provide such rights. In terms of overall labor supply, Costa Rica's unemployment rate has ranged from a low of 4.1% in 1992 and 1993 to a high of 6.8% in 1985, again reaching 6% during the first half of this decade. Costa Rica has a small informal sector compared to other countries in the region. Schneider (2006) estimates the informal sector at 26.2% of GDP for 1999-2000, 27% for 2001-2002, and 27.8% in 2002-2003.[19] This compares with a 2002 average of 43.4% of GDP throughout the Latin American region; shadow economies accounted for 34% of GDP in the Dominican Republic, 48% in Nicaragua, and 52% in Guatemala. The smaller informal sector suggests that Costa Rica's workers should be in a relatively strong bargaining position vis-à-vis employers.

Workers' capacity to achieve collective labor rights also depends on the composition of the labor force in two ways. First, skilled workers should, all else equal, have better bargaining power vis-à-vis employers. In 1985, 9% of Costa Rica's workforce was categorized as working in professional and technical occupations. In 1999, 15.7% of workers were employed as managers, professionals, and technicians; by 2004, the proportion of professional workers had increased to 23.4%.[20] Similarly, Rudra's (2002) measure of potential labor power, which is composed of the ratio of skilled to unskilled workers, multiplied by the inverse of a measure of surplus labor, predicts a greater voice for labor over time. The ratio increases from 0.85 in 1985 to 1.44 in 1997, the last year for which the measure is available.

Second, workers in some sectors are likely better able to organize than those in other sectors. Agriculture—which, from the point of view of labor unions, is notoriously difficult to organize—accounted for 27% of employment in 1985, but only 16% in 2002.[21] At the same time, however, employment growth has largely occurred in services (over 60% of the economically active population in 2002), which includes both the sheltered public services as well as tourism, call centers, and financial services.[22] Tourism and call centers, in particular, tend to be labor intensive and low or semi skilled; often, unions have difficulty mobilizing workers in such sectors. Within the manufacturing sector, there have been some employment shifts toward more skill-intensive industries, particularly in the EPZs. PROCOMER (2006) reports, for instance, that workers in EPZ textile-oriented firms accounted for nearly 50% of total EPZ workers in 1997. By 2005, the largest proportion of EPZ workers was in electronic and electrical equipment (23%) and services (22%); textiles accounted for 19% of employment, whereas medical equipment firms employed 13% of EPZ workers.

We might expect, then, that, given their bargaining power vis-à-vis MNCs, as identified by Hypothesis 4, these skilled workers will be offered expanded collective labor rights. At the same time, though, this segment of the labor market is very small—approximately 0.02% of the total labor force. Indeed, in 2002, the MNCs with the most employees in Costa Rica were Conair Costa Rica (finance sector: 2,100 employees) and Intel (2,000 employees).[23] Such positive industrial upgrading effects on collective labor rights may be felt only very narrowly.

Taken together, the values on our key independent variables suggest that collective labor rights will be difficult to achieve and/or reform in Costa Rica (Hypotheses 1 and 2). Although labor market conditions suggest some bargaining power for workers, especially those in skilled, capital-intensive industries (Hypothesis 4), labor unions' lack of organizational strength and political party ties (Hypothesis 3) does not bode well for collective labor rights. More broadly, Costa Rica's historical tendency to exclude organized labor from the political process—a tendency with roots in a post–World War II agriculture-based economy—has meant that the arrival of MNCs in skilled sectors does not lead necessarily to a climb to the top in collective labor rights. Indeed, some observers suggest that the exclusion of labor unions and government support for employer-backed *solidarismo* organizations has helped Costa Rica to attract multinationals.

Collective labor rights in Costa Rica. Our hypotheses identify several domestic factors that may mediate the impact of globalization on labor rights. Ideally, we would isolate the independent impact of each factor (as Figure 1 suggests), allowing us to test each hypothesis separately. In reality, though, the effects of government ideology, the fragmentation of political authority, labor unions' political strength, and the nature of the labor force likely are conjunctural and therefore difficult to disentangle, particularly with a single (albeit multifaceted) dependent variable. Instead, then, we can ask whether the pattern of collective labor rights changes in Costa Rica is consistent with the "mediating factors" logic that informs all four hypotheses.

How, then, are the effects of increases in direct investment moderated by a political system that lacks strong left party union ties and in which organized labor is historically weak? How does Costa Rica's tight labor market and its (modest) shift toward more highly skilled employment affect the capacity of workers to achieve the rights to organize, bargain collectively, and strike? The overall picture is mixed: The observation of collective labor rights in Costa Rica has improved during the past two decades, although many (legal and practical) impediments to the full observation of these rights remain.

In terms of the legal elements of these rights, Costa Rica's 1949 constitution recognizes freedom of association and the right to organize; the right to voluntary collective bargaining; and the right to strike. And Costa Rica has ratified the eight ILO core conventions, including those related to freedom of association and collective bargaining.[24] The 1943 Labor Code, however, imposes limitations on some elements of freedom of association and collective bargaining, as various ILO bodies and nongovernmental activists, as well as the U.S. State Department (in its annual *Country Reports on Human Rights Practices*), have noted repeatedly. Costa Rica's governments have eliminated some of these restrictions, particularly with the 1993 reform of the Labor Code, carried out under a right-leaning PUSC government (Murillo & Schrank, 2005). In some instances, the Supreme Court—its own role reformed in the late 1980s—played a key part in the expansion of collective rights (see Wilson & Rodríguez Cordero, 2006).

Table 1 identifies the main criticisms of collective labor rights in Costa Rica; where relevant, it notes recent changes that address the problem as well as the economic sector in which the problem occurs. This table reveals a pattern of improvements over time, but with notable problems remaining. First, Costa Rican law prohibits nonnationals from holding trade union office. In Costa Rica, this is most relevant in the sugar and banana industries, in which many workers are from Nicaragua. The ILO has repeatedly criticized this law as contravening freedom of association, but legislation to repeal it has not been enacted. Second, the 1943 Labor Code appeared to fall short in terms of protecting workers from antiunion discrimination, and particularly from dismissals on the basis of union membership. The 1993 reforms made more explicit the prohibition, elaborating the right of union leaders to special protections from retaliatory dismissal (*fuero sindical*). In this case, the ILO and others have expressed satisfaction with legal reforms but also worry about their practical implementation. For instance, in response to long delays in the adjudication of workers' complaints, the constitutional court ruled in 1999 that the labor inspectorate was required to investigate allegations of discrimination within 2 months.

Perhaps the most frequent criticism of collective labor rights in Costa Rica concerns solidarity associations and, specifically, the extent to which such associations prevent effective and independent interest representation. *Solidarismo* associations, in which membership is supposed to be voluntary,

Table 1
Collective Labor Rights Problems in Costa Rica: Legal Elements

Labor Rights Issue	Summary and Legal Basis	Economic Sector	ILO Findings	Relevant Changes
Trade Union Office	Non-nationals may not hold trade union office. Labor Code (LC), Sect. 345 Constitution (C), Art. 60	All	CEACR reports, from 1994.	Draft legislation in 1996, 1998, 2002, 2003, 2005; not passed.
Anti-Union Discrimination	Concern that 1943 Labor Code does not adequately specify protection and remedies; complaints are investigated slowly; reinstatement provision of 1993 law not well enforced.	All	CEACR and CFA reports, from early 1990s. These request effective protection against all types of anti-union discrimination, and note problems with addressing complaints.	1993 LC reform (Act 7360): prohibits anti-union discrimination; protects union officials from dismissal. 1999: Constitutional Court rules that labor inspectorate must comply with 2 month time limit for investigations. 2003: draft bill 14676.
Solidarity Associations (SA)	Concern that SAs interfere with collective bargaining. Number of direct agreements vs. collective bargaining contracts. Trade unions require 20 members; SAs require 12.	Private	CFA, 1990 and 1991: Inequalities of treatment between SAs and unions; concern about SA involvement in collective bargaining. CEACR: Continued concerns, 2001-2006	1993 LC modifications (Act 7360): prohibits SAs from engaging in collective bargaining; trade unions may be formed with a minimum of 12 members. 2000 Workers' Protection Act
Collective Bargaining. (CB)	Prohibited for all public sector employees with statutory employment status (Public Administration Act of 1978). Supreme Court rulings, 2000	Public sector	1998: violates Convention 98 2001: Task Force reports serious deficiencies 1995-2006 CEACR	1994: Bill introduced to guarantee CB in public sector, but not passed. 2001 decree adopted (Assembly approves rule allowing)
Official Intervention in Collective Bargaining	Terms of agreements require authorities' approval for "proportionality and rationality."	Public sector (case: RECOPE oil refinery, 2000)	CEACR 2001 and after.	

Table 1 (continued)

Labor Rights Issue	Summary and Legal Basis	Economic Sector	ILO Findings	Relevant Changes
Right to Strike	Requires 60% of workers in enterprise to approve. (LC 373)	All	CEACR: 1993 and after.	Draft legislation 2005 (Bill 13475); not passed.
Right to Strike	Broad definition of essential services, including transport (LC 376)	Public	CEACR: 1993 and after.	Scope of prohibitions narrowed in 2003, but ILO still critical on transport. Draft legislation 2005 (Bill 13475); not passed.
Right to Strike	Prohibited in public sector and agriculture (LC 375 & 376); essential services are defined to include activities like coffee and sugar cane.	All	CEACR 1991-1998	1998: Supreme Court rules that public sector workers do have a right to strike.

Note: CEACR = ILO Committee of Experts on the Application of Conventions and Recommendations; CFA = ILO Committee on Freedom of Association; ILO = International Labour Organization.

provide members with benefits such as access to credit. Employers (and often the government) point out that these associations provide a variety of services to employees but that they do not aim to replace labor unions. Some EPZ firms instead argue that, by providing such services, as well as relatively good working conditions, they eliminate workers' need for unions (Moran, 2002). But some employees and labor rights activists allege that solidarity associations represent an attempt by employers to undermine collective organization and bargaining, by concluding direct agreements at the firm (rather than at the industry or national) level. *Solidarismo* has its roots in Costa Rica's banana plantations, but solidarity associations now exist throughout the economy: Castro (2003) reports that, in the 1996-2003 period, solidarity associations outnumbered unions by a factor of 4 or 5. In 2002, there were 219 active unions and 1,074 active solidarity associations; solidarity associations were estimated to have 330,000 workers as members.[25]

For over a decade, the ILO's Committee of Experts on the Applications of Conventions and Recommendations has noted that solidarity associations interfere with freedom of association. Although solidarity associations continue to dominate the private sector, the Costa Rican government has made changes to the laws governing them, as Table 1 notes. A new chapter in the Labor Code (Act 7360, passed in 1993) prohibits solidarity associations from undermining trade unions by signing labor-related collective agreements; the reforms also reduced (from 20 to 12) the number of workers needed to form a union, putting unions on par with solidarity associations. In another reform related to solidarity associations, the Workers' Protection Act of 2000 allows unions to administer occupational deposit funds and pension funds, a task often performed by solidarity associations (Vice Ministers, 2005).

The next items in Table 1 concern additional elements of collective bargaining. Costa Rica historically restricted collective bargaining for many public sector employees and, where collective bargaining contracts were allowed, required administrative approval of collective pacts. In 2001, however, following a 2000 Supreme Court ruling, the Parliament adopted a decree allowing collective bargaining by a broader set of public employees. Administrative approval of public sector collective contracts remains a requirement, despite some promises of reform. Last, workers' right to strike has been restricted, in terms of the sectors in which strikes are allowed and the requirements for a legal strike. The former, which has been subject to judicial as well as legislative modification, prohibited strikes in sectors that went beyond the internationally accepted set of essential sectors (AFL-CIO, 2001). In 1998, the Supreme Court ruled that most public sector workers do have the right to strike, and legislative action in 2003 narrowed the definition of *essential*. A legal strike continues to require that 60% of an enterprise's workers approve of the proposed action, a requirement deemed onerous by the ILO.

In purely legal terms, then, we could note that the existence of a relatively tight and somewhat formalized labor market, along with the shift toward higher-technology production, has been accompanied by improved collective labor rights. Most observers agree that, with a few exceptions, Costa Rica's collective labor legislation is in line with core international standards (Murillo, 2005; Vice Ministers, 2005).

Observers also note, though, that enforcement of these standards is sometimes problematic (ILO, 2003; U.S. State Department, various years). Of the 94 violations that the ILO's Trade Union Freedom Committee substantiated in Costa Rica in 1990 through 2006, the offending parties fully complied in 10 cases, partially in 30 instances, and not at all in 54 cases—a high rate of noncompliance.[26] Such problems are most evident in dismissals related to union activities. Although the 1993 reforms clarified workers' legal rights in such cases, they did not specify procedures in the case that employers refuse to reinstate wrongfully dismissed workers. There are many outstanding rulings for reinstatement, particularly in the private sector (Castro, 2003; U.S. State Department, 2002). In addition, the judicial process for addressing acts of antiunion discrimination has remained slow (ILO, 2003; Vice Ministers, 2005). On a positive note, the government created specialized labor courts in the late 1990s, reducing its backlog of outstanding cases related to union rights from over 16,000 in 1998 to fewer than 8,000 in the year 2000 (U.S. State Department, 2003). The backlog, however, began to grow after 2002; the government has prepared but not passed legislation to further reform the labor court system. Given the degree of polarization in Costa Rica in recent years (Hypothesis 2), the lack of legislative action to further guarantee labor rights is not surprising, despite international pressure.

A related enforcement issue concerns the labor inspectorate: A lack of resources devoted to inspections is likely to lead to a disjuncture between legal and practical observance of rights. Throughout much of the 1990s, the U.S. State Department (various years) noted that Costa Rica had 1 labor inspector for every 30,000 workers. Inspectors tend to focus on urban areas, leading to the possibility of worse collective labor rights practices in the agriculture sector and in manufacturing firms located in more rural areas (AFL-CIO, 2001). More recent data from the mid-2000s suggest that Costa Rica still has a shortage of labor inspectors, with 4.66 inspectors per 100,000 workers. This is a much lower ratio than Chile (19.25 inspectors per 100,000 workers), albeit a higher one than Mexico (1.72 inspectors) or Ecuador (0.57; Schrank & Piore, 2007). The shortage of inspectors could be particularly troubling in the private sector. For instance, there are very few private sector strikes in Costa Rica. Without effective monitoring, it is difficult to know if this is the result of repression or the consequence of a satisfied workforce. Put differently, all Costa Rican labor laws apply in the EPZs, but it is unclear whether they are followed in practice and whether adherence to them varies across types of firms (as Hypothesis 4 implies). Similarly, the limited availability of inspectors in EPZs may make it difficult to determine whether the prevalence of direct arrangements over collective contracts, and of solidarity associations rather than unions, reflects a denial in practice of collective labor rights (e.g., Moran, 2002).[27] Recently, however, Costa Rica has joined other Latin American nations in renewing its enforcement efforts; in 2002, it introduced a plan to reorganize and expand its labor inspectorate. Between 2002 and 2005, the Labor Ministry's budget increased by 25%, and its compliance budget doubled.[28]

Hypothesis 4 implies that collective labor rights outcomes might vary across economic sectors. Indeed, reported violations appear most severe in the agricultural sector, where labor union organization is typically weak and where labor costs are a central concern. Specific incidents mentioned in the ICFTU's annual surveys (various years) are overwhelmingly from the agricultural sector. Of the 129 denunciations for union persecution registered with the Labor Ministry and originating in the private sector from 1993 to 2000, 52% were from banana plantations. Violations identified by the ICFTU involve both multinational and Costa Rican firms (ITUC, 2007; also see Frundt, 2002). Moreover, the bias toward direct accords and away from collectively bargained agreements is most pronounced in agriculture: In the 1998-2003 period, there were 311 direct accords in agriculture and 9 collective bargaining agreements; in nonagriculture private sector enterprises, there were 51 direct accords and 18 collective bargaining agreements (Castro, 2003). Very recently, though, multinational banana companies have begun to respond to corporate social responsibility campaigns, upgrading working conditions on plantations when they find themselves under the spotlight from activists or under pressure because of Central American Free Trade Agreement debates.

The mixed picture for collective labor rights in Costa Rica, then, calls into question somewhat a simplistic climb-to-the-top view. The expansion of Costa Rica's EPZs has contributed to export diversification, but MNCs may be drawn to Costa Rica because of its hostility toward—or at least a lack of embrace for—organized labor. As Hypotheses 1 through 4 predict, domestic factors—a history of labor repression and a lack of strong ties between unions and ruling political parties, combined with a sizable proportion of service-related employment, in which union organization is difficult—can conspire to mute the potential positive effects of FDI and reinforce the potential negative effects of trade competition on collective labor rights.

At the same time, though, if we draw a distinction between collective and individual labor rights, a more optimistic account may emerge. Limited collective labor rights may not detract from protections of individual rights and working conditions, particularly if industrial upgrading occurs and skilled labor becomes better able to bargain with employers (e.g., Moran, 2002). Put differently, solidarity associations may interfere with the ability of workers to bargain collectively in the traditional sense; but the absence of this right may be offset by the benefits that come in the form of better jobs and higher wages. Along these lines, some observers distinguish between Costa Rica's labor laws vis-à-vis unions and its (more favorable) laws vis-à-vis individual workers (see Frundt, 1998; Schrank & Piore, 2007). If we consider individual working conditions, we find that Costa Rica's real wages increased during much of the 1970s, 1980s, and 1990s, in contrast with much of Latin America (Weeks, 1999). If we consider nonwage labor costs as indicative of workers' individual conditions (i.e., sick pay, health care, pensions), Costa Rica has high nonwage labor costs relative to its peers: Nonwage labor costs averaged 26% of salary in 2005. These costs rank 33rd of 156 countries surveyed; Costa Rica has higher costs than Sweden (33%) but lower costs than Germany (20%).[29] And if we look at the EPZ level, we see marked wage growth there between 1997 and 2005. The ratio of minimum salaries of all EPZ workers relative to that of semiskilled workers elsewhere in the economy was 1.33 in 1997. By 2005, EPZ minimum salaries were more than 1.7 times those of semiskilled, non-EPZ workers (PROCOMER 2006, p. 47; also see Madami, 1999).

By the same token, these positive effects at the individual level may be felt only in a small set of firms: Rising wages in EPZs benefit the approximately 40,000 individuals currently employed there, but they may offer little to the remainder of Costa Rica's workforce, particular in low-technology, labor-intensive activities. At the same time, other workers in Costa Rica may experience the negative effects of economic openness, as competitive pressures (via trade and tourism) lead to greater downward pressure on wages, working conditions, and collective rights in the agricultural and service sectors. By demonstrating the plausibility of a series of domestic-level variables as important intervening factors, the Costa Rican case lends support to the proposition that national responses to economic globalization are very contingent on domestic institutions. We can expect the global economy to have varying effects across countries, over time and within nations. This assertion is consistent with recent scholarship on industrial upgrading, which identifies it as a necessary but not sufficient condition for positive changes (see Breznitz, 2007; Gereffi, 1999).

A Research Agenda for the Future

Given that the case of Costa Rica reveals the value in tracing countries' experience with collective labor rights over time and in treating domestic factors as important mediating variables, how ought future research on economic globalization and labor rights proceed? Four strategies are likely to be worthwhile. First, analyzing a wider set of cases qualitatively will allow us to move beyond probing the plausibility of hypotheses. Ideally, such cases would display different combinations of economic globalization variables, such as high levels of both FDI and trade, low levels of both FDI and trade, high levels of FDI but low levels of trade, and low levels of FDI but high levels of trade. Assessing this array of cases in conjunction with domestic factors will provide a better sense of how different facets of economic globalization interact to affect governments' and firms' behavior.

Second, and returning to differences within economies, such cases could be cast not only at the national but also at the sectoral level (e.g., Henisz & Macher, 2004). Different types of multinational production may have different consequences for labor rights. And violations of these rights also may be focused on particular industries. To take an example, Mosley and Uno's (2007) data for Thailand's collective labor rights indicator include 37 reported violations of rights in practice between 1993 and 2002. Of these, 51% (19 violations) occurred in the textile sector. Among these 37 violations, 6 of the firms were foreign owned, and another 11 were subcontractors for foreign corporations; of the remaining firms, 6 were identified as export-oriented producers. In total, then, 62% of firms with violations were involved in global production, albeit in different ways.

Moreover, multinational production no longer necessarily involves FDI and this, too, may have implications for workers' rights. Many manufacturing firms now rely more heavily on locally owned subcontractors than on their own affiliates for overseas production (Navaretti & Venables, 2004); firms often elect to buy rather than to make, especially in certain industries (Gereffi et al., 2005; Henderson, Dickens, Hess, Coe, & Yeung, 2002; Henisz, 2000; Markusen, 1995). In terms of the implications for workers, we might expect that multinationals will have greater influence on outcomes and practices in wholly-owned or partly-owned subsidiaries than in subcontracted, arm's length production. This relationship may stem from MNC's inherent preference for respecting core labor rights; from material incentives to retain the most productive employees; or from pressures by transnational human and labor rights activists. These sorts of pressures are likely strongest for products and firms with a clear brand identity and for multinationals with direct control over their foreign operations (Elliott & Freeman, 2003; Gereffi et al., 2005; Haufler, 2000).[30]

Third, the possibility for pressure from transnational activists highlights the issue of other forms of international influence on labor rights outcomes.

This article focuses on the linkages between domestic and international economic influences on labor rights. Additional international mechanisms may affect labor rights outcomes. For example, Murillo and Schrank (2005) find that in traditionally labor-repressive polities, unions formed transnational coalitions with U.S. labor unions, bringing U.S. government pressure to bear on their home governments. In Costa Rica, labor federations worked with the AFL-CIO to petition the U.S. Trade Representative for removal of the country's Generalized System of Preferences privileges, alleging violations of internationally recognized core labor standards (Frundt, 2002); such pressure may have contributed to the 1993 Labor Code reforms. This fits with a broader trend of including labor-related provisions in U.S. trade agreements, including North American Free Trade Agreement, Central American Free Trade Agreement, and bilateral agreements with Jordan (2000), Chile (2003), Singapore (2003), and Morocco (2004).

Similarly, intergovernmental organizations and national government agencies (such as United States Agency for International Development) may direct resources toward labor rights. The particular orientation and funding strategies of these entities may affect outcomes. Frundt (2002) notes, for instance, that several international donors (official and private) have recently directed resources away from labor unions and toward NGO-based support for workers' rights and health, as well as child labor (Vice Ministers, 2005, Annex E). By 2001, he points out, Central America hosted 20 internationally funded projects on *maquila* issues, but only 1 that directly supported union organizing.

Finally, we might usefully distinguish—empirically and theoretically—between two subsets of collective labor rights, law, and practice (Murillo & Schrank, 2005). Governments interested in taking part in a race to the bottom may not make explicit changes to their legal frameworks. Rather, they might simply fail to enforce standards. Indeed, the labor rights measure developed in Mosley and Uno (2007) contains both legal and practical elements, which can be separated to generate law and practice scores. Country-year scores on the legal dimensions are correlated positively with practice scores, but the correlations are relatively low: .27 for all countries and .23 for developing nations. Perhaps legal elements are slower moving (and more subject to path dependence) than practical ones; or practical elements are more subject to violation than legal ones; or global economic factors play a greater role in affecting one type of rights (practical, perhaps) than the other. Each of these four areas provides fruitful areas for exploring the role of domestic factors in mediating influences emanating from the global economy.

Notes

1. Ratification information for the eight core conventions is taken from the ILOLEX database: http://www.ilo.org/ilolex/english/docs/declworld.htm, accessed November 25, 2006.

2. Pinto and Pinto (2006) posit that left-leaning governments will favor foreign direct investment (FDI) inflows in labor-intensive industries and that firms will respond to partisanship by increasing direct investment in these industries. Their empirical analyses use sectoral FDI data for Organisation for Economic Cooperation and Development nations.

3. Details of the cross-sectional time-series model are available in Mosley and Uno (2007). Results of this model are available from the author on request.

4. For a similar argument with respect to welfare state policies, see Huber and Stephens (2001).

5. In many countries, labor is organized into multiple confederations, often on the basis of sectoral divisions. Different confederations may have varying ties with political parties. This, too, may contribute to differences in labor rights within countries, across economic sectors.

6. If workers make few attempts to organize, we will observe few violations of labor rights in practice. But when workers demand collective rights, violations also may be more common. Along these lines, Mosley and Uno (2007) report a negative relationship between the percentage of workers employed in industry (vs. in agriculture and services) and collective labor rights.

7. In a larger sense, very little recent literature in comparative and international political economy explicitly treats firms—versus broad sectors or categories such as trade and FDI—as political actors, as did some earlier work (e.g., Bauer, de Solar Pool, & Dexter, 1963; Evans, 1979; Milner, 1987).

8. These statistics are based on data used in Mosley and Uno (2007), covering the period 1985-2002. Exports and trade openness are taken from the *World Development Indicators*; direct investment stock comes from United Nations Conference on Trade and Development's (UNCTAD) *Foreign Direct Investment Database*: http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1

9. This is based on data from UNCTAD's Foreign Direct Investment Country Profile for Costa Rica: http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1

10. Data are from *World Development Indicators,* Agriculture, value added as a percentage of GDP.

11. These statistics are drawn from the ILO's Key Indicators of the Labour Market database.

12. This is based on data from the COMTRADE database, using the classifications developed in Lall (2000). Data are calculated and provided by Gary Thompson.

13. This is based on data from UNCTAD's Foreign Direct Investment Country Profile for Costa Rica. Also see Buitelaar and Perez (2000).

14. Seligson (2002) examines the roots of this fractionalization in terms of voters' assessments of political system legitimacy.

15. Union density data are notoriously inaccurate and difficult to compare cross-nationally in developing countries. The U.S. State Department's *Country Reports on Human Rights Practices* list the same rate of unionization (15%) for each year between 1993 and 2002, which seems unlikely. For discussions of union density data, see Böhning, 2005; National Research Council, 2004; Scruggs & Lange, 2002; Rudra, 2002.

16. In 1995, 16.6% of wage and salary earners were union members (McGuire, 2005). Schrank and Piore (2007) report a lower rate of union density for Costa Rica in the early 1980s—14%. They point out that this is below both the Central American (16%) and Latin American (21%) means.

17. Data for 2000 are reported by the American Federation of Labor–Congress of Industrial Organizations 2001. In its 2005 *Country Report on Human Rights Practices,* the State Department reported that 9% of Costa Rica's workers were unionized, a decline from the 12% it reported in 2003.

18. Roberts (2002) reports a peak rate of union density (in the 1970-1995 period) of 15.4%, compared with 31.9% in Latin American "labor mobilizing" political systems. He characterizes Costa Rica's union concentration (the percentage of unionized workers belonging to the largest labor union) as low.

19. Schrank and Piore (2007) suggest that the informal sector has become less important over time. In early 1980s, 52% of Costa Rica's workforce labored in the informal sector.

20. Calculated from data on economically active population by occupation and status, ILO LABORSTA database, Table 1D. Through 1998, these data use the ISCO-1968 classification of employees (categories 0 and 1 cover professional and technical workers). From 1999, the ISCO-88 classification is used. I treat professional workers as categories 1, 2, and 3 in the newer classification.

21. Much of Costa Rica's population, however, remains rural; rural population declined from over 50% in the mid-1980s to 38% in 2005. In Central America as a whole, the rural population accounted for 32% of total population in the mid-1980s and 23% in 2005.

22. Data are taken from the *World Development Indicators* database, unemployment, employment in agriculture, employment in manufacturing, and employment in services. Similar data on employment by broad sectors are found in the ILO's LABORSTA database, Table 1C.

23. Data are from UNCTAD, Foreign Direct Investment Country Profile, Costa Rica: http://www.unctad.org/Templates/Page.asp?intItemID=3198&lang=1

24. In addition, the Supreme Court has ruled that, when protections to fundamental rights (including core labor rights) are higher in international norms than in domestic law, international standards should prevail (Vice Ministers, 2005).

25. The membership estimate is taken from the 2004 U.S. State Department *Country Report on Human Rights Practices* for Costa Rica, Section 6.

26. Information is taken from the QVILIS database: http://www.oit.org.pe/qvilis_world/

27. The International Confederation of Free Trade Unions (ICFTU; 1995) reports that in the early 1990s, approximately 90% of U.S. multinational corporations (MNCs) in EPZs dealt solely with solidarity associations. The ICFTU (1993) also has alleged that CINDE openly promotes *solidarismo* as an alternative to trade unions. A recent marketing presentation from CINDE touts the "non-existent unions in the private sector" as well as the flexibility of Costa Rica's labor law in comparison with other Latin American nations. See http://www.cinde.org/UserFiles/File/CINDE%20General%20Presentation%20EN.pps#35

28. Schrank and Piore (2007) note, however, that reforms of the labor inspectorate may be easiest to achieve under left-leaning national governments and with left-leaning governments in office in the United States. By the time Costa Rica's labor ministry decided to embark on reforms of the inspectorate, the right-leaning Rodriguez was in office, and there was little pressure from the U.S. government. The number of Costa Rican labor inspectors declined in real terms, and relative to the work force, in the early years of this decade.

29. Data are from the 2005 version of the World Bank's *Doing Business* survey: http://www.doingbusiness.org/ExploreTopics/EmployingWorkers/

30. Under some conditions, MNCs may have incentives to also worry about subcontractor practices. Nongovernmental organization campaigns aimed at MNCs that produce high-visibility branded products (e.g., collegiate-licensed apparel and branded fashion goods) can create incentives for firms to monitor subcontractors as well as their own operations.

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