THE EFFECT OF WORKER RIGHTS ON THE ATTRACTION OF FOREIGN DIRECT INVESTMENT

by

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(Under the Direction of K. Chad Clay)

ABSTRACT

This thesis examines the relationship between the amount of foreign direct investment (FDI) attracted to a state as a result of that state's respect for six worker rights: Compulsory Labor, Minimum Age, Reasonable Working Hours, Association and Collective Bargaining, Minimum Wage, and Occupational Safety and Health. I theorize that states with strong respect for lower cost worker rights will attract FDI while states with strong respect for higher cost worker rights will deter FDI. In accordance with my theory, I find that respect for Minimum Age rights is positively associated with FDI inflows and respect for Occupational Safety and Health rights in developing countries is negatively associated with FDI inflows. This analysis suggests that worker rights conditions within a state do in fact influence multinational corporations' investment decisions.

INDEX WORDS: Human rights, Worker rights, Labor rights, Foreign direct investment (FDI), Multinational corporations (MNCs), Investment, Foreign investment, Compulsory labor, Minimum age, Reasonable working hours, Association and collective bargaining, Minimum wage, Occupational safety and health

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INTRODUCTION

In June of 2009, the Haitian Parliament unanimously passed a law that would raise the minimum wage almost three fold for Haitian assembly zone workers. The wage increase was intended to increase wages from 22 cents per hour, to 62 cents per hour, or to approximately five dollars a day (Coughlin and Ives 2011). The Haitian factory owners, who were contractors for American clothing companies including Hanes, Fruit of the Loom, Dockers, Nautica and Levi's, protested this 40 cent wage hike and instead offered a compromise of nine cents, which would raise the hourly wage to only 31 cents instead of 62.

In the preceding years, the government of the United States had become increasingly connected to Haitian trade. In 2006, Congress passed the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) bill and two years later they passed an enhanced bill, HOPE II. Together, these bills designated preferential trade incentives for Haitian assembly zone manufacturers, duty-free textile exports to the United States for ten years and the Haitian branch of the United States Agency for International Development (USAID) provided training and technical assistance to aid factories in taking full advantage of the bills (Coughlin and Ives 2011; Katz 2010).

The close trade relationship between the US and Haitian governments led to a strong US presence weighing in on the minimum wage hike in 2009. USAID, in conjunction with the Association of Haitian Industry (ADIH), funded studies to investigate the impact of the originally proposed 40 cent wage hike on the textile sector and deemed it economically unfeasible. According to confidential US State Department cables released by WikiLeaks in

2009, Haitian assembly zone workers were the lowest paid in the Western hemisphere, yet a representative from ADIH said the minimum wage hike "would make the sector economically unviable and consequently force factories to shut down" (Coughlin and Ives 2011). The WikiLeaks cables also reported that the US Embassy intently monitored this piece of legislation and recognized its popularity among civilians. Civilian support included representatives of Haiti's private sector who were aware of reports that textile competitors, the Dominican Republic and Nicaragua, were also increasing their national minimum wages (Coughlin and Ives 2011).

Following the pressure from the US government and its urgings for the Haitian President, René Préval, to intervene, Préval struck a deal with the Haitian Parliament to create a unique minimum wage for the textile industry. Industrial and commercial sectors would gain the minimum wage increase originally proposed of about $5 per day, while the minimum wage for the textile industry would be two dollars lower, around $3 per day.

According to Jonathan M. Katz (2010), a writer for the Associated Press, the daily minimum wage in Haiti in February 2010 was "approximately the same as the minimum wage in 1984 and worth less than half its previous purchasing power." Minimum wage is a worker right outlined by the International Labour Organization (ILO). The ILO outlines that minimum wage policies should consider "the needs of workers and their families…the cost of living…the requirements of economic development" (C. 131 Article 3 1970). With increasing inflation and food prices and a famine that lead to riots in 2008, it appears as though the Haitian government has not fulfilled its responsibility to update the minimum wage as outlined by the ILO (Jonathan M. Katz 2010; Coughlin and Ives 2011).

The level of interest and concern exerted by the US government over Haiti's proposed changes to their minimum wage policy indicates how highly the American government prioritized preserving its trade and foreign investment relationship. The US government was acting in conjunction with large American corporations that were concerned about the extent to which this policy change would impact their bottom line. This paper takes a deeper look at just how significantly a country's minimum wage policies, as well as five other worker rights policies outlined by the ILO, affect the amount of foreign direct investment attracted to that country.

DETERMINING FDI DESTINATIONS

Foreign investment by multinational corporations (MNCs) is considered to constitute foreign direct investment (FDI) when the corporation has a lasting management interest of at least 10% of its voting power in an economy that is not its home economy (OECD 2008:48). Dunning (2000:164) outlines the major types of FDI[1]:

1. Market-seeking FDI- investment designed to satisfy the demand in a particular market or markets,
2. Resource-seeking FDI- investment designed to utilize the natural resource supply (for example, minerals, ores, gems, fuels, unskilled labor, or agricultural products),
3. Rationalized or efficiency seeking FDI- investment designed to achieve greater efficiency of labor or production (this type of FDI is usually subsequent to the first and second types of FDI listed above).

The purpose of market-seeking FDI is to increase profits by gaining access to an existing large, or rapidly growing, untapped population of consumers. For example, obtaining access to the vast Chinese population served as the motive behind telecommunications companies, car companies, even tennis shoe companies locating their operations in China (Dunning 2000; Spar 1999:66). This type of FDI is generally the result of large MNCs entering more economically developed states that have ample consumers capable of purchasing their products.

[1] Dunning (2000:164) outlines a fourth major type of FDI (strategic asset seeking FDI) that is not discussed in this paper. Strategic asset seeking FDI is investment designed to heighten the MNC's current advantages and/or lessen the advantages of its competitors.

As its name suggests, resource-seeking FDI can only occur in states that are host to the desired natural deposits, as a result, MNCs conducting resource-seeking FDI generally do not get to select their investment destinations- they are predetermined. This type of FDI requires workers to hold low-skill, extractive jobs (Blanton and Blanton 2009:474). The percentage of total FDI that is represented by resource-seeking FDI has declined compared to the percentage it once represented but it still represents a large portion of first-time FDI, especially in developing states (Dunning 2000:173; Spar 1999:61). As the numbers suggest, resource-seeking FDI often coincides with less economically developed states.

The economic principle of *efficiency* is concerned with the best allocation of available resources to produce the most products as inexpensively as possible (Dunning 1981:9). The purpose of efficiency-seeking FDI is to improve current production and help gain a larger comparative advantage over competitors (Blanton and Blanton 2009:475). This comparative advantage can often be found in the bottom line; one of the best ways to increase profits, it to decrease input costs. MNCs often seek out less economically developed states in an effort to decrease input costs when they are attempting to boost production efficiency.

Beyond the locational considerations that are inherent in the types of FDI discussed above, there are many other factors that contribute to why investors select the FDI destinations in which they do. Many basic characteristics of the state can attract or deter investment. For example, economic characteristics of the state such as the current size of the local market, the potential growth of the local market, the accessibility to regional markets, the general trade policies, and the level of development of the state have long been considered to be important determinants of FDI inflows (Barry, Clay and Flynn 2013; Blanton and Blanton 2007; Gelleny, Richards and Sacko 2002; Kieth, Poe, Tate 1999; etc.).

Political factors also serve as a critical determinant of FDI attraction. Political risk serves as a significant deterrent to investment because of its propensity to hurt investors' bottom line (Jensen 2008:1041). Vernon (1971) suggests that investors can become stuck after making their initial investment into a state and as a result, they can be taken advantage of by the state. This vulnerable position opens the investor up to the risk of the state creating new policies that could render their original contract obsolete, or potentially even risk the nationalization of their invested assets (Jensen 2008:1041). Strong property rights policies, as well as strong political, governmental and investment institutions have been shown to be effective at minimizing political risks (Biglaiser and DeRouen 2006; Biglaiser and DeRouen 2007:849). States that can ensure stable policies and contract commitments to investors appear more market-friendly and are more likely to be considered a desirable FDI destination (Jensen 2006).

In addition to the signals that government stability can send to investors, governments also send signals by instilling various financial incentives like preferential tax policies, cash grants, credits, subsidies and targeted benefits (Jensen 2006:53). These financial tools are used as part of a country's larger "industrial policy" which is defined as "government efforts to alter industrial structure to promote productivity based growth" (Nov 2006:835; Oman 1999). FDI host countries may also enter into bilateral, regional or international trade agreements, as well as trade organizations, in an effort to signal trade openness and a commitment to potential international investors (Elkins, Guzman and Simmons 2006; Neumayer and Spess 2005). These investment-attracting, profit-maximizing incentives help catch the eye of MNCs looking for long term investment destinations.

While preferential financial policies are used as positive tools to entice FDI, other potentially detrimental policies can also be used to entice investment. In an attempt to be

considered an ‘ideal’ destination for FDI, states may create policies that sacrifice the good of the whole for the benefit of the few (Cardoso and Faletto 1969). One of the most effective ways to use policy to attract foreign investment is to present neglectful policies that contain lapses in human rights provisions (Blanton and Blanton 2009:472; London and Ross 1995:208). Workers in less developed states of the world are the ones creating the rest of the world’s goods but they are not reaping a proportionate share of the benefits. Often with no other options for work in higher paying or safer industries, MNCs capitalize on their vulnerability and engage in the repressive cycle referred to as the “race to the bottom” (Collingsworth, Goold and Harvey 1994; Spar 1999:64). This cycle is a foundational assumption of the traditional perspective of the relationship between human rights and FDI.

THE TRADITIONAL UNDERSTANDING OF HUMAN RIGHTS AND FDI ATTRACTION

The traditional understanding of human rights and FDI has historically perceived the two as mutually exclusive endeavors (Lenin 1919, 1939). The earliest research on this relationship explains that as corporations achieve the maximum profit margins possible while operating within their domestic market, they are forced to relocate abroad to continue growing profits. In order to maximize these profit margins, corporations seek out locations in which "local populations can be exploited and controlled." (Blanton and Blanton 2007:144) Peter Evans (1979) uses dependency theory to highlight this relationship in which multinational firms usurp resources from the periphery states at the expense of the labor class. In terms of FDI, the extraction of periphery states' resources may be in terms of natural resources, or it may be in terms of human capital- i.e. exploitation of the labor class' human rights in the name of enhanced profit margins. Reciprocally, once the host country bourgeoisie reaps the disproportionate economic benefits of the multinational firm's presence, they will be more apt to prioritize a continued cash flow over the human rights of the labor class (Maxfield 1998).

The traditional theory leads one to conclude that this reciprocal relationship creates a cycle of human rights repression- especially among the lower class- that is targeted at continued attraction of foreign capital and increased economic growth (Hymer 1971). There is evidence within the traditional understanding framework that suggests that some MNCs prefer to seek out international destinations that have less respect for human rights as to engage in repression themselves (Falk 2002:64; Spar 1999:59; Spar 1998:11). The puzzle then, is in light of the

traditional understanding of human rights and FDI, why do any MNCs invest long-term in any states that consistently respect human rights?

THEORY AND HYPOTHESES

In recent years, scholars have begun to challenge the traditional assumption and have found support that foreign investors do sometimes invest in states with records of human rights respect (Gelleny, Richards and Sacko 2001; Blanton and Blanton 2007; Blanton and Blanton 2009). In an effort to contribute to the existing literature that contradicts the traditional understanding of human rights and FDI attraction, this paper examines the relationship between six different worker rights and FDI inflows (Poe, Tate and Keith 1999; Richards, Gelleny and Sacko 2001; Blanton and Blanton 2007; Mosley 2011). I propose that worker rights can actually be used as a tool to attract FDI inflows as opposed to simply deterring them; however, I do not believe that all worker rights affect FDI attraction identically. I theorize that some worker rights attract more FDI than other worker rights based how cumbersome MNCs perceive the right to be. In other words, does the right place a significant burden on the investor? If the worker right has high costs associated with its imposition or maintenance, or if it requires significant effort to adhere to, then states with strong respect for that right will attract less FDI. On the other hand, if the imposition and enforcement of the worker right require a negligible financial commitment, or if it requires marginal effort from investors, then states with strong respect for that right will attract more FDI.

Beyond simply examining the financial burden that is imposed on MNCs by a right, the extent to which the right attracts or deters FDI inflows is also based on the potential repercussions that come hand in hand with the violation of that right. The existing literature tells us that shaming does in fact influence decision making by states and by MNCs (Keck and

Sikkink 1998; Weisband 2000; Barry, Clay and Flynn 2013). Barry, Clay and Flynn (2013) find that human rights international nongovernmental organizations' (INGOs) "naming and shaming" activities lead to decreased multinational investment in developing states.

The pressure applied to MNCs through the spotlight effect has intensified dramatically in the last couple of decades due to greater communication facilitated by the internet, the resulting media scrutiny, and the activism that it spawns (Spar 1998:7). If a corporation is caught in the spotlight violating worker rights, it risks tarnishing its reputation, its brand name, and its bottom line. Spar (1998:8) explains that by "Using inexpensive electronic mailing campaigns, human rights groups can reach a far wider audience than in the past, drawing supporters from across national borders to mobilize consumer boycotts or political action campaigns." When MNCs are evaluating the costs associated with a right, they must evaluate not only the financial burden of the implementation and maintenance of the worker right, but they must also consider the potential financial burden and negative publicity that would be incurred if they violated the right.

In this paper, I examine six worker rights that have been identified by the ILO as critical worker rights; each of the six rights has been labeled by the ILO as either being a "fundamental" principle or as a "priority" right that is critical for achieving good governance (International Labour Organization 2014). Those six worker rights are: (A) the right of association and the right to organize and bargain collectively, (B) the prohibition on the use of any form of forced or compulsory labor, (C) the minimum age for the employment of children, (D) the reasonable limitation of working hours, (E) the right to earn minimum wage; and (F) the right to work in acceptable safety and health conditions.[2] Based on my theory that different worker rights have

[2] All worker rights are grounded in international law, most notably, the International Covenant on Civil and Political Rights: Part III Article 22, the International Covenant on Economic, Social and Cultural Rights: Part III, Articles 7 and 8, and many conventions from the International Labor Organization.

differing levels of cost associated with them, I divide these six rights into two categories: low cost worker rights and high cost worker rights.

> **Hypothesis 1:** Greater respect for low cost worker rights will be positively associated with FDI inflows.
> **Hypothesis 2:** Greater respect for high cost worker rights will be negatively associated with FDI inflows.

I believe that three of the six rights identified as critical by the ILO are low cost worker rights and therefore will attract more FDI inflows. Those three low cost rights are, (C) the prohibition on the use of any form of forced or compulsory labor, (D) the minimum age for the employment of children, and (E) the reasonable limitation of working hours. Going forward, these rights will be referred to as *compulsory labor*, *minimum age*, and *reasonable working hours* respectively.

Compulsory labor is the right to be free from forced labor.[3] Work cannot be extracted from anyone involuntarily or under threat. A person's choice to work must be a decision made by their own free will and not coerced. Compulsory labor includes the abduction of a person for forced work, indentured servitude and slavery. Adherence to this worker right requires that the corporation simply not engage in the acquisition of forced labor. While adhering to this right requires a negligible amount of effort, it does require a financial burden in so much as it requires employees be paid, as opposed to being forced to work without compensation. Spar (1999:69) highlights "coercion" as one of the human rights abuses that captures the attention of consumers in the industrialized world. Knowing that the violation of this right has the potential to shine the spotlight directly on the violator, and to create a particularly grave backlash, I believe that MNCs will perceive the potential costs of violating this right far too risky compared to the costs associated with paying employees.

[3] All six worker rights definitions and descriptions are from the Worker Rights in Law and Practice Dataset's codebook, "Coding Government Respect for Worker Rights."

Hypothesis 1a: Greater respect for the right to be free from compulsory labor is positively associated with FDI inflows.

Minimum age requirements vary across industry and circumstance according to the ILO's standards for this right but the effective goal of the right is to end child labor and to keep young people that do work safe while they do so. The ILO specifically states that school age children are prohibited from working during normal school hours, and that children of any age should not be employed at night or in hazardous conditions. Similarly to compulsory labor, adherence to minimum age rights can also be accomplished with little to no effort by the corporation but can have severe repercussions should investors violate this right. In the mid-1990s, Reebok was accused of buying soccer balls that were stitched using Pakistani child labor. In an effort to mitigate the impending backlash, Reebok established independent monitors, built a new production facility in Pakistan and even created a new label that read, "Made without Child Labor" which they printed on each product (Spar 1998:9). Child labor is one of the most visible worker rights in that it draws massive media coverage and incites anger and activism. The risk of being targeted for child labor is too significant; therefore, states that exhibit greater respect for minimum age rights, will entice more investment.

Hypothesis 1b: Greater respect for minimum age rights is positively associated with FDI inflows.

R*easonable working hour* rights establish a standard workweek guideline of forty hours of work per week (eight hours per day), a day (twenty four consecutive hours) of rest per week, voluntary overtime with compensation, and overtime pay that is consistent with time and a quarter. Abuse of reasonable working hour rights can begin to look very similar to compulsory labor and therefore can be equally as visible. Although this right does place a financial burden on corporations to pay employees overtime, compared to the potential financial burden that could

be incurred should the spotlight expose violations of this right, the burden of adhering to hour limitations and paying overtime is still relatively small.

Hypothesis 1c: Greater respect for the right to the reasonable limitation of working hours is positively associated with FDI inflows.

The remaining three ILO identified worker rights are, (A) the right of association and the right to organize and bargain collectively, (F) the right to earn minimum wage, and (G) the right to work in acceptable safety and health conditions. Going forward, these rights will be referred to as, *association and collective bargaining, minimum wage,* and *occupational safety and health* respectively. I believe that these three rights are high cost rights from the viewpoint of the corporation and therefore deter FDI inflows.

The ILO identifies the freedom of association and the right to bargain collectively as two independent rights; however, I will hypothesize about these rights in tandem for two reasons. First, association is a necessary, but not sufficient, condition for collective bargaining to occur. Secondly, I'd like to stay consistent with the previous literature on worker rights and FDI (Mosley 2011). I am identifying this combined right as *association and collective bargaining.*

Association authorizes workers and employers to form or join organizations, such as unions, and to establish the required rules, constitutions, representatives, programs, affiliate with international organizations, and be protected against dissolution or suspension by administrative authority. Neither the government nor the employer may interfere in this process by delaying formation of these organizations or restricting civil liberties once they are formed; nor may employers discriminate against those affiliated with trade unions. Employers that attempt to block trade union formations may be penalized by fines or other sanctions.

Collective bargaining establishes the right for workers to be represented in negotiating the prevention and settlement of disputes with employers. ILO standards mandate that the right

to bargain collectively requires trade unions to be able to bargain collectively in order to regulate the terms and conditions of employment, as well as any other matters that affect the livelihood of workers. ILO standards also require that trade unions have the right to strike and workers who do choose to exercise their right to strike may not be terminated because of their actions. Association and collective bargaining rights have the potential to place a large financial burden on investors because the investors are beholden to the actions of the organizations of which their employees are members. Association and collective bargaining rights are inherently unpredictable and uncertain and therefore create a great deal of undesired risk for investors. The right of association and collective bargaining is not a particularly visible right, nor is it a particularly incendiary right to the average consumer in the industrialized world. While child labor elicits strong feelings of anger and outrage, the denial of the right to organize and bargain collectively does not elicit a similar response. The financial risk associated with this right, as well as the lack of visibility of the right, serve as a disincentive for MNCs to invest in states that respect this right.

Hypothesis 2a: Greater respect for the association and collective bargaining right is negatively associated with FDI inflows.

The *minimum wage* worker right requires minimum hourly wages to be sufficient to provide a decent standard of living for workers and their families. The ILO outlines that the minimum wage should be adjusted at least annually in order to keep up with changes in the cost of living. The ILO also mandates that the minimum wage should not be different for persons of different ages, i.e. young people may not have lower minimum wage requirements. The relationship between minimum wage rights and FDI inflows is a complex one that is dependent upon the type of FDI being pursued. As exhibited by the story of the Haitian minimum wage legislation that was presented in the introduction of this paper, minimum wage is a significant

concern for low skill FDI like the garment manufacturing industry. The threat of a minimum wage hike, and the resulting financial burden, called for government intervention from the viewpoint of the American MNCs invested in Haiti. On the other hand, high skill FDI prefers appropriately qualified labor over cheap labor. For example, in the mid-1990s Intel chose to locate a new assembly plant and test site in Costa Rica because it had "a qualified labor pool and an educational system capable of producing the technicians and other employees that the Intel plant would demand." (Spar 1999:64) MNCs desiring skilled labor will offer higher wages, health services and training in an effort to retain employees (Spar 1999:65). Obtaining the appropriate type of labor required by the investment is far more important to the MNC than is considering the costs associated with the right itself or with the potential backlash of violating the right. Although the minimum wage right does not have a uniform directional implication, in general, investors still prefer paying lower wages; therefore, states with strong respect for minimum wage rights will deter FDI inflows.

Hypothesis 2b: Greater respect for the right to an adequate minimum wage is negatively associated with FDI inflows.

Occupational safety and health regulations are sets of standards that outline what is minimally required to keep the work place safe. These standards include training employees on the appropriate usage of hazardous machinery and materials, as well as maintaining the work place, machinery, tools, equipment, chemicals, etc. On April 24, 2014, a factory building just outside of Dhaka, Bangladesh collapsed killing 1,127 people (Yardley 2013). The factory collapse followed only several months after a slew of fires broke out in Bangladeshi factories because of "short circuits, faulty wiring, or sudden power surges." (Cohen 2013; Devnath and Power 2012) Some firms were quick to admit their ties to the now collapsed building, while many other firms tried to distance themselves despite the existence of customs documents and

other evidence that placed their products in American ports only days or months prior to the collapse (Greenhouse 2013). Several corporations claimed that they had once used the factory space but were no longer in production at that location, some repositioned blame to their vendors or subcontractors, and some denied ties all together with the factory building. As more physical evidence and documentation surfaced, one firm even began to change its story while still denying full production operations in the building at the time of its collapse (Greenhouse 2013). The response to the factory collapse in Bangladesh leads me to conclude that the costs inherent to respecting occupational safety and health rights must greatly outweigh the visibility of the violations of those rights in the mind of the MNC. Monitoring and maintaining the facility and all of the workplace components within it places a significant financial burden on investors.

Hypothesis 2c: Greater respect for occupational safety and health rights is negatively associated with FDI inflows.

Earlier in the paper, I discussed each of the three types of FDI (market-seeking, resource-seeking, and efficiency-seeking) and how their characteristics often loosely dictate their investment destinations (Dunning 2000:164). Similarly, the purpose of the FDI inherently dictates its relationship with worker rights (Blanton and Blanton 2009). The pursuit of new consumers in somewhat-developed markets lends itself to valuing human rights, whereas the pursuit of efficiency in the form of lower cost inputs (i.e. employee wages, facility safety, rights of employees) may lead to cutting corners and risking any number of worker rights violations (Blanton and Blanton 2009:475). Just as efficiency-seeking FDI has a delicate relationship with worker rights, so too does resource-seeking FDI. Workers in resource rich nations generally do not feel the trickle-down effects of investment since the resources being extracted are sold abroad. Instead, the close relationship between the extracting company and the state that is generally forged over their shared profit interests, may actually lead to abuse by an increasingly

strong government (Spar 1999:61). In addition to government repression, workers may also feel repression from the MNCs themselves as they assert control over their acquired natural resources (Blanton and Blanton 2009:474). In general, worker rights seem to play less of a role in determining investment destinations in market-seeking FDI than in resource-seeking and efficiency-seeking FDI; therefore, this paper is primarily concerned with the latter two types of FDI.

MODELING WORKER RIGHTS AND FOREIGN DIRECT INVESTMENT

The dependent variable in this analysis is the amount of *FDI inflows* to a state, measured as net inflows (new investment inflows minus disinvestments) in current US dollars. This analysis examines FDI flows as the dependent variable, as opposed to FDI stock, because FDI stock represents sunk costs that are virtually impossible to move across borders without incurring steep transactional costs. I am interested in the attraction of FDI as a result of states' respect for worker rights, which in theory can move freely across borders in response to changes in worker rights climates; therefore FDI inflows, not FDI stock, contain the information in which I am interested. If FDI figures are negative, it signifies a net disinvestment of assets, or more assets leaving the country than entering the country. FDI inflows are from the World Bank's (2012) World Development Indicators and are logged in order to account for skewness.

As discussed earlier in the paper, the six worker rights that serve as the independent variables of primary interest are: Occupational Safety and Health, Minimum Wage, Association and Collective Bargaining, Reasonable Working Hours, Minimum Working Age, and Compulsory Labor. Each of these independent variables is coded on a three-code scale by the Worker Rights in Law and Practice Dataset (WRLP) according to the US State Department's Country Reports on Human Rights Practices. Each worker right is coded in "law", which is coded based on the level of worker right protections recorded in that country's laws during the year in question, and in "practice", which is coded based on the level of worker right protections observed during the year in question by that country's government and any of its agents, including police and paramilitary forces (Barry, Cingranelli and Clay 2012). Coding scores are

assigned to each country both in law and in practice. Generally, a "score of 0 indicates that workers' rights were severely restricted; a score of 1 indicates that workers' rights were somewhat restricted; and a score of 2 indicates that workers' rights were fully protected during the year in question." (Barry, Cingranelli and Clay 2012) For this analysis, I summed each country's "law" and "practice" scores to create a single measure of respect for each of the six rights. This new summed worker right variable is coded on a five-point scale from 0 to 4 with a score of 0 representing the least respect for the worker right and a score of 4 representing the most respect for the worker right.

The association and collective bargaining right is composed of two individual rights (the freedom of association and the right to bargain collectively) that are coded individually in the WRLP dataset. However, the WRLP codebook establishes that the right to association is a necessary, but not sufficient, condition for collective bargaining rights to be legitimized, in other words, "the collective bargaining variable should always be coded in tandem with the right to association." (Barry, Cingranelli and Clay 2012:8) Due to the connectedness of the two individual variables, I have summed them to create one variable that measures respect for both rights and ranges from 0 to 8. Just like the other five variables, a code of 0 represents the least respect for association and collective bargaining and now a code of 8, as opposed to a code of 4, represents the most respect for association and collective bargaining.

In order to confirm the directionality of my overarching theory that proposes lower cost worker rights attract FDI while higher cost worker rights deter FDI, I created two addition variables, *Low Cost Worker Rights* and *High Cost Worker Rights. Low Cost Worker Rights* is the summation of the three worker rights that I believe are less expensive worker rights: compulsory labor, minimum age and reasonable working hours. The *Low Cost Worker Rights*

variable ranges from 0 to 12 with a 0 representing the least respect for the right and 12 representing the most respect for the right. The other cumulative variable, *High Cost Worker Rights*, is the summation of the three worker rights that I believe are more expensive worker rights: association and collective bargaining, minimum wage and occupational safety and health. The *High Cost Worker Rights* variable ranges from 0 to 16 with 0 representing the least respect for the right and 16 representing the most respect for the right.

In order to isolate the effects of worker rights on FDI inflows, I control for several variables that have been identified in previous literature as affecting FDI inflows. *Market size* must be controlled for because it "is the most commonly used determinant of FDI. A country with a large market likely attracts FDI as it allows for economies of scale in terms of production and distribution" (Blanton and Blanton 2007:147). Market size is controlled for using gross domestic product (GDP) per capita figures obtained from the World Bank's (2012) World Development Indicators. GDP per capita is an indicator of a nation's wealth which is important to investors because it is indicative of consumer demand, market supply and the infrastructure required to facilitate access to markets (Barry, Clay and Flynn 2013:537). The natural log of these figures is taken to account for skewness. *Economic growth* signifies market growth potential and sends a signal about future profitability (Jensen 2006). Thus, I include economic growth operationalized as the percentage change in GDP from the previous year. Economic growth is from the World Bank's (2012) World Development Indicators and is logged to account for skewness.

In order to maximize exposure and potential profits, investors need their goods to move freely across borders and throughout the global economy. Therefore, the variable, *trade openness*, measures a country's access and connectedness to trading partners. Trade openness is

calculated by summing a country's exports and imports to get its amount of total trade, and then dividing its total trade figure by its total GDP (Jensen 2006). Total GDP figures are from the World Bank's (2012) World Development Indicators and export and import figures are from the Correlates of War Dataset (Barbieri and Omar 2012). Trade openness figures are logged to account for skewness. Not only do investors need their goods to move freely across borders, they also need their capital to move freely across borders as well. To asses each country's level of *financial openness*, I use the Chinn-Ito Financial Openness Index which measures a country's openness to cross-border financial transactions (Chinn and Ito 2011).

The quality of human capital available, in terms of education received, is attractive to investors because it signals advanced worker capacity and higher trainable capabilities (Noorbakhsh, Paloni and Youssef 2001; Spar 1999:64). High quality of human capital also indicates the ability to absorb technological spillover due to FDI which could potentially decrease future investment transactional costs (Borensztein, De Gregorio and Lee 1998). In accordance with the existing literature, *human capital* is operationalized by using female life expectancy at birth figures (Blanton and Blanton 2007; Barry, Clay and Flynn 2013:538). Figures for female life expectancy at birth are from the World Bank's (2011) World Development Indicators and are measured in years. Similarly, population is controlled for because a relationship exists between FDI attraction and the quantity of human capital available. *Population* figures are from The World Bank's (2012) World Development Indicators and are logged to account for skewness.

Investors value stability and credible commitments as it reduces their level of risk and their potential losses (Jensen 2008). In that way, more democratic governance can provide the institutions and infrastructure that will entice investors. On the other hand, those same

democratic institutions that provide security also regulate more closely than their autocratic counterparts and typically cannot offer the same kind of policies that may draw potential investors. In either case, *democracy* has an effect on the level of FDI attracted and therefore is controlled for using the Polity scale (Marshall, Jaggers and Gurr 2003).

Resource-seeking FDI represents a large portion of first-time FDI, especially in developing states so I must control for natural resource wealth (Dunning 2000:173). *Resource wealth* is operationalized as the share of total exports represented by fuel, metal and ore exports. This variable is created by summing the percentages of total merchandise exports that are represented by fuel exports and by metal/ore exports. Both of these figures were obtained from the World Bank's (2012) World Development Indicators.

FDI stock is the final variable controlled for in this model. The amount of current FDI stock in a country is a good indicator of the amount of FDI inflows that the country will see in the following year. Current FDI stock signifies already existing infrastructure which translates into lower transactional costs for future investors. FDI stock figures are from the United Nations Conference on Trade and Development (UNCTAD) (2012) FDI Statistics database and are logged to account for skewness.

To assess the impact of worker rights on FDI attraction, I used a linear model in which all of the independent variables are lagged by two years. The use of the lagged independent variables indicates that the conditions in the country two years prior are responsible for the level of FDI Inflows in the current year (i.e. the worker rights conditions in Country A in year 2000, are responsible for the FDI inflows to Country A in year 2002). Previous literature has cited a two year lag in the evaluation of a state's human rights practices and the amount of foreign aid allocated to that state (Cingranelli and Pasquarello 1985, 544). I believe MNCs make FDI

inflow decisions on a similar timeline. MNCs make investment decisions based off of qualitative and quantitative data; however, data gathering, reporting and analysis is not an immediate process. First, there must be an evaluation of the rights environments in each state and any changes from the previous year must be noted. Then that information must be distributed publically, which only occurs once annually, so the information distributed in a year is actually information about the rights violations from the preceding year. Once the data are distributed, MNCs must analyze them, make future investment plans based off of the information and then actually implement these plans. I estimate a two year timeline from the time that the rights violations occur until the time that the violation actually affects MNC investment decisions; hence, I impose a two year time lag on all independent variables in my model.

Model 1 is the unrestricted, lagged linear model that includes 193 countries from 1996 through 2010. Model 1 has 2006 observations and serves as the base model in this analysis. The 34 states that are members of the Organisation for Economic Co-operation and Development (OECD) have been removed from Model 2. Model 2 is a lagged linear model and contains 1546 observations. Model 3 is composed of only the 34 member states of the OECD. Model 3 is also a lagged linear model and contains 460 observations. I created Models 2 and 3 with the intention of exploring the relationship between worker rights and FDI attraction based on the different kinds of FDI that developed and developing countries tend to attract

The cross-sectional time-series data comprise 193 countries spanning seventeen years from 1994-2010; however, due to the two year lag imposed on the independent variables, the analysis is reduced to a fifteen year timespan from 1996 through 2010.[4] Because many of the six rights examined in this analysis are closely related to one another, I decided to only examine the rights aggregately in order to avoid missing variable bias that occurs when the rights are

[4] The list of the 193 countries examined in this analysis can be found in Appendix A.

analyzed individually. Table 1 provides the descriptive statistics for the primary independent variables in Model 1.[5] Table 2 contains the descriptive statistics for the remaining variables in their original forms.

Table 1: **Descriptive Statistics of Primary Independent Variables in Model 1 (1996-2010)**

Variable	Median	Std. Dev.	Minimum	Maximum
Compulsory Labor	3	1.0333	0	4
Minimum Age	2	1.0560	0	4
Minimum Wage	2	0.9621	0	4
Occupational Health and Safety	2	1.1181	0	4
Reasonable Working Hours	2	1.0090	0	4
Association and Collective Bargaining	5	2.0469	0	8
Low Cost Worker Rights	7	2.2213	0	12
High Cost Worker Rights	8	3.3114	0	16

N= 2006

Table 2: **Descriptive Statistics of Raw Control Variables (1996-2010)**

Variable	Observations	Mean	Std. Dev.	Minimum	Maximum
FDI Inflows (Millions of $)	3265	5078.07	21531.77	-28259.96	340065.00
Market Size (Millions of $)	3265	8.94	16.53	0.00	193..89
Economic Growth (Percentage)	3123	4.02	5.97	-50.25	106.28
Trade Openness (Millions of $)	3265	77345.50	240916.60	0.00	3466210.00
Financial Openness	2943	0.31	1.57	-1.86	2.44
Resource Wealth (Percentage)	3263	16.91	26.27	0.00	99.74
FDI Stock (Millions of $)	3036	52079.92	218309.80	0.26	3551307.00
Human Capital	3107	69.51	10.86	29.73	86.44
Population (in Millions)	3265	32.32	123.91	0.00	1337.71
Democracy	2712	3.20	6.60	-10.00	10.00

[5] Descriptive statistics for the primary independent variables in Model 2 and Model 3 can be found in Appendix B.

ANALYSIS AND DISCUSSION

The results of the six individual worker rights analyzed in Models 1, 2 and 3 are displayed in Table 3. The results of the two cumulative rights (Low Cost Worker Rights and High Cost Worker Rights) analyzed in Models 1, 2 and 3 are displayed in Table 4.

Table 3: **FDI Inflows- Individual Rights (1996-2010)**

	Model 1	*Model 2*	*Model 3*
	FDI Inflows	*FDI Inflows*	*FDI Inflows*
Compulsory Labor	-0.0271 (-0.0385)	-0.0172 (-0.0454)	-0.142 (-0.0637)**
Minimum Age	0.126 (-0.0418)***	0.077 (-0.0516)	0.198 (-0.0651)***
Minimum Wage	-0.0222 (-0.0448)	-0.0731 (-0.0661)	-0.142 (-0.0492)***
Occupational Safety and Health	-0.068 (-0.045)	-0.121 (-0.0533)**	-0.0114 (-0.0791)
Reasonable Working Hours	0.0257 (-0.0423)	0.0356 (-0.0525)	-0.0201 (-0.055)
Association and Collective Bargaining	0.0264 (-0.0257)	-0.0109 (-0.0312)	0.0346 (-0.0452)
Logged Population	0.303 (-0.0514)***	0.250 (-0.063)***	0.234 (-0.0865)***
Logged Market Size	0.163 (-0.0635)**	0.0704 (-0.0773)	-0.0822 (-0.131)
Financial Openness	-0.0438 (-0.0312)	-0.0774 (-0.0375)**	0.152 (-0.0588)***
Logged Trade Openness	0.158 (-0.0788)**	0.142 (-0.0922)	0.022 (-0.151)
Logged FDI Stock	0.611 (-0.0415)***	0.600 (-0.049)***	0.608 (-0.0709)***
Democracy	0.0181 (-0.00802)**	0.0168 (-0.00907)*	0.0217 (-0.032)
Human Capital	0.0286 (-0.00584)***	0.0352 (-0.00666)***	-0.0303 (-0.0199)
Resource Wealth	0.00211 (-0.00143)	0.00439 (-0.00166)***	-0.00202 (-0.00331)
Logged Economic Growth	2.766 (-0.331)***	2.859 (-0.365)***	2.129 (-0.966)**
Constant	-14.83 (-1.607)***	-12.94 (-1.897)***	-1.428 (-4.316)
R-squared	0.654	0.530	0.602
Observations	2006	1546	460

Standard errors in parentheses.
*p < 0.1; **p < 0.05; ***p < 0.01.

Table 4: **FDI Inflows- Cumulative Rights (1996-2010)**

	Model 1	*Model 2*	*Model 3*
	FDI Inflows	*FDI Inflows*	*FDI Inflows*
Low Cost Worker Rights	0.0428 (-0.021)**	0.0332 (-0.0253)	0.000237 (-0.0328)
High Cost Worker Rights	-0.00428 (-0.0158)	-0.0489 (-0.0213)**	-0.032 (-0.0256)
Logged Population	0.299 (-0.0511)***	0.246 (-0.0625)***	0.214 (-0.0857)**
Logged Market Size	0.178 (-0.0619)***	0.0728 (-0.0754)	0.00825 (-0.128)
Financial Openness	-0.0495 (-0.0307)	-0.0864 (-0.0365)**	0.168 (-0.0582)***
Logged Trade Openness	0.163 (-0.0782)**	0.143 (-0.0901)	0.136 (-0.15)
Logged FDI Stock	0.606 (-0.0414)***	0.597 (-0.0485)***	0.634 (-0.0703)***
Democracy	0.0180 (-0.00751)**	0.0191 (-0.00841)**	0.0401 (-0.0316)
Human Capital	0.0262 (-0.00573)***	0.0332 (-0.00648)***	-0.0373 (-0.0199)*
Resource Wealth	0.00181 (-0.00139)	0.00419 (-0.00161)***	-0.0000323 (-0.00326)
Logged Economic Growth	2.791 (-0.331)***	2.892 (-0.365)***	2.008 (-0.975)**
Constant	-14.87 (-1.587)***	-12.88 (-1.867)***	-2.567 (-4.336)
R-squared	0.652	0.529	0.588
Observations	2006	1546	460

Standard errors in parentheses.
*p < 0.1; **p < 0.05; ***p < 0.01.

In accordance with hypothesis 1b, minimum age is positively correlated with FDI inflows and is significant at the .01 level in Model 1. More specifically, for every one unit increase in the coding of respect for minimum age in a state, FDI inflows (measured on the original scale) to that state will increase by 13.38%. The OECD states that are included in this model tend to have FDI that is human capital rich and therefore the skills that generally accompany age are valued highly. In other words, if child labor isn't something that is beneficial to a state because it primarily attracts high quality human capital FDI (as opposed to less developed states that tend to attract more low-skill, manufacturing FDI), then there is no disincentive for countries to establish strong minimum age policies. As discussed earlier, the potential backlash from the spotlight effect may also be reinforcing this relationship between respect for minimum wage and increased FDI.

Most of the control variables performed as anticipated in Model 1. Logged market size, logged trade openness, and democracy are all positively associated with FDI inflows and are significant at the .05 level. Logged economic growth, logged FDI stock, human capital and logged population are also all positively associated with FDI inflows and are significant at the .01 level. The summed FDI attracting variable is also positively correlated with FDI inflows and is significant at the .05 confidence level. However, since neither of the other two FDI attracting variables (compulsory labor and reasonable working hours) are significant at any level, we can assume that the minimum age variable is causing the FDI attracting variable to be significant and therefore we can dismiss the significance of this variable in Model 1.

In accordance with hypothesis 2c, occupational safety and health is found to be negatively associated with FDI inflows at the .05 level in Model 2. For every one unit increase in the coding of respect for occupational safety and health in a state, FDI inflows (measured on the original scale) to that state will decrease by 11.4%. In other words, in the less developed countries of the world, strong respect for occupational safety and health rights leads to 0.886 times less FDI inflows. This finding is also consistent with the theory presented earlier that MNCs pursuing efficiency-seeking FDI, which is generally found in less developed countries, care less about that backlash from the spotlight effect than they do about achieving a financial competitive advantage.

Just as in Model 1, the same four control variables in Model 2, the model without OECD member states, are positively associated with FDI inflows and are each significant at the .01 level: logged economic growth, logged FDI stock, human capital and logged population. Logged market size and logged trade openness (which were significant at the .05 level in Model 1) are not significant at any level in Model 2 and democracy (which was also significant at the .05 level

in Model 1) is still positively associated with FDI inflows but now is only significant the .1 level. Resource wealth, which was not significant at any level in Model 1, is now positively associated with FDI inflows and is significant at the .01 level. And lastly, I find that financial openness (which also was not significant at any level in Model 1) is significant at the .05 level but is negatively associated with FDI inflows.

In accordance with hypothesis 2, the cumulative variable, High Cost Worker Rights, is negatively associated with FDI inflows at the .05 significance level. More specifically, for every one unit increase in the coding of respect for high cost worker rights in a state, FDI inflows (measured on the original scale) to that state will decrease by 4.77%. Although occupational safety and health was the only primary independent variable that was significant in Model 2, when the variables were analyzed individually, minimum wage was also negatively associated with FDI inflows and significant at the .1 level in accordance with hypothesis 2b. Specifically, a one unit increase in the coding of respect for minimum wage in a state, FDI inflows (measured on the original scale) to that state decreased by 10.84%. Therefore, since at least two of the three High Cost Worker Rights, minimum wage and occupational safety and health, are significant in variations of Model 2, I believe that the significance of the cumulative high cost worker rights variable is valid and cannot be dismissed as I did with the cumulative low cost worker rights variable in Model 1.

Three of the six individual worker rights appear statistically significant in Model 3, the model with only OECD member states. In accordance with hypothesis 2b, minimum wage is negatively associated with FDI inflows, minimum age is positively associated with FDI inflows as predicted in hypothesis 1b, and compulsory labor behaves contradictory to the relationship anticipated in hypothesis 1a and is negatively associated with FDI inflows. Despite the statistical

significance of these variables, I do not believe that these findings can be substantively interpreted due to the limited variance of these variables in Model 3. For example, over 85% of the 460 minimum wage observations in Model 3 are coded as either a 2 or a 4.[6] Nearly 60% of the 460 minimum age observations are coded as a 4.[7] And nearly 85% of the 460 compulsory labor observations in Model 3 are coded as either a 3 or a 4 and nearly 50% of those 460 observations are coded as 4s.[8] There simply isn't enough variance in these variables to validate their significance in Model 3. Further tests would need to be conducted in order to determine the validity of the relationships between these rights and FDI inflows in OECD member states.

The control variables generally behave as predicted in Model 3. Population, financial openness, and logged FDI stock are all positively associated with FDI inflows and significant at the .01 level, while logged economic growth is also positively associated with FDI inflows but is significant at the .05 level. It is not surprising that resource wealth is not significant in this model as OECD nations are not generally hosts to resource-seeking FDI. Nor is it surprising that trade openness is not significant because market-seeking FDI, which is generally the most common type of FDI in OECD nations, is not intended to be traded across country borders. It is surprising, however, that market size is not significant in this model but the importance of market size may be being picked up by the significance of FDI stock and/or the significance of economic growth. It is also surprising that human capital is not significant in this model; however, human capital is operationalized as female life expectancy which does not have much

[6] The codes of the 460 minimum wage observations in Model 3 break down as follows: 20 observations coded as 0s; 19 observations coded as 1s; 232 observations coded as 2s; 23 observations coded as 3s; and 166 observations coded as 4s.

[7] The codes of the 460 minimum age observations in Model 3 break down as follows: 0 observations coded as a 0; 12 observations coded as 1s; 101 observations coded as 2s; 74 observations coded as 3s; and 273 observations coded as 4s.

[8] The codes of the 460 compulsory labor observations in Model 3 break down as follows: 1 observation coded as a 0; 9 observations coded as 1s; 59 observations coded as 2s; 163 observations coded as 3s; and 228 observations coded as 4s.

variance among OECD nations so I believe the lack of significance is being driven by the lack of variance in the variable. Similarly, democracy is not significant in this model probably due to the lack of variance within OECD nations. Neither of the two summed variables, Low Cost Worker Rights nor High Cost Worker Rights, are significant in Model 3.

The right to the reasonable limitation of working hours and the right to association and collective bargaining are not significant in any of the models in which the six rights are examined aggregately. When these two rights are run individually in each model, they remain insignificant. When these two rights are removed completely from the analysis, the significance of the remaining four rights does not change dramatically. All of this testing leads me to conclude that perhaps these two rights do not affect MNC investment decisions; however, I believe further investigation is needed prior to completely ruling out their significance in these models.

There are several interesting findings that are revealed in these three models. First, the worker rights that are significant in Models 1 and 2 behave in the ways in which I theorized. Generally, this means that there is an existing relationship between worker rights and the amount of FDI attracted to both developed and developing states. From that point emerges the second interesting finding. Two additional worker rights were found to be significant in Model 3 but due to the lack of variance within those rights, I am not able to substantively interpret these findings without further investigation. One of those two additional significant rights in Model 3, compulsory labor, behaved contradictory to my hypothesis and therefore it certainly warrants more analysis in the future. Lastly, further investigation is needed into the relationship between FDI inflows and the reasonable limitation of working hours and the right to association and collective bargaining to determine if these rights are truly insignificant in terms of FDI attraction.

CONCLUSION

This paper aims to contribute to the existing literature that challenges the traditional understanding of the relationship between FDI attraction and human rights by proposing that worker rights and FDI attraction are not incongruous but in fact, some worker rights can actually help attract FDI inflows. I propose that strong state respect for low cost worker rights will attract FDI, while strong state respect for high cost worker rights will deter FDI inflows. I found support for this theory throughout three models that grouped different types of states (less economically developed states and more economically developed states) together in an effort to target the effects of worker rights on different types of FDI. Empirical evidence found in the analysis of the three models supports three of the hypotheses proposed in this paper.

The worker rights that are significant in this analysis, and their directional relationships with FDI inflows, lead to some interesting policy implications. Strong respect for minimum age rights is positively associated with FDI inflows; therefore, governments interested in increasing the amount of FDI inflows to its state should strengthen its respect for minimum working age rights. On the other hand, strong respect for occupational safety and health rights in developing countries is negatively associated with FDI inflows. In other words, the greater a state's respect for this right, the more MNCs will be deterred from investing in that state. So according to these findings, if a government wanted to increase FDI inflows to its state, it should diminish respect for this right by weakening the laws and by loosening the enforcement of those laws. These policy implications must be handled with care as they are not always in the best interest of pursuing human rights protections.

In light of how these policy implications may not always act to promote respect for human rights, it becomes apparent that additional tools are needed to help encourage positive rights practices. Hafner-Burton (2005) highlights how preferential trade agreements (PTAs) that contain hard human rights standards often lead to better human rights practices. "Hard" human rights standards indicate that benefits "are in some way conditional on member states' actions" and therefore can be terminated should a party not live up to the standards outlined in the agreement (Hafner-Burton 2005:606). Hard standard PTAs provide consequences for human rights abusers that are otherwise unattainable in other trade agreements. In addition to these PTAs, non-governmental organizations' (NGOs) naming and shaming activities becomes even more important as they tacitly threaten to shine the spotlight on human rights abusers.

The findings in this analysis, in conjunction with previous findings that have already established that some human rights have positive relationships with FDI inflows, lend even more support for the further investigation into the role of worker rights on FDI attraction (Blanton and Blanton 2007; Blanton and Blanton 2009; Gelleny Richards and Sacko 2001). Moving forward in future research, a wider array of economic human rights needs to be explored. It is critical in future iterations of FDI and human rights research that separate models are examined for OECD member states and OECD non-member states as this paper finds evidence that supports a fundamental difference in the way that worker rights impact the attraction of different types of FDI. Previous literature highlights many economic, political and social factors that influence the attraction of FDI, but in order to gain a more robust understanding of FDI determinants, we must continue to explore how human rights affect the attraction of foreign investment.

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APPENDICES

Appendix A

Afghanistan, Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bhutan, Bolivia, Bosnia Herzegovina, Botswana, Brazil, Brunei, Bulgaria, Burkina Faso, Burma, Burundi, Cambodia, Cameroon, Canada, Cape Verde, Central African Republic, Chad, Chile, China, Colombia, Comoros, Democratic Republic of the Congo, Republic of the Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Djibouti, Dominica, Dominican Republic, East Timor, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, The Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, Democratic People's Republic of Korea, Republic of Korea, Kosovo, Kuwait, Kyrgyz Republic, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Federated States of Micronesia, Moldova, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, Somalia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Swaziland, Sweden, Switzerland, Syria, Taiwan, Tajikistan, Tanzania, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Uruguay, Uzbekistan, Vanuatu, Venezuela, Vietnam, Yemen, Zambia, Zimbabwe

Appendix B

Table 5: **Descriptive Statistics of Primary Independent Variables in Model 2 (1996-2010)**

Variable	Median	Std. Dev.	Minimum	Maximum
Compulsory Labor	3	1.0393	0	4
Minimum Age	2	0.9567	0	4
Minimum Wage	2	0.7124	0	4
Occupational Health and Safety	2	0.9343	0	4
Reasonable Working Hours	2	0.9259	0	4
Association and Collective Bargaining	4	1.8489	0	8
Low Cost Worker Rights	7	1.9507	2	12
High Cost Worker Rights	7	2.4950	0	16

N=1546

Table 6: **Descriptive Statistics of Primary Independent Variables in Model 3 (1996-2010)**

Variable	Median	Std. Dev.	Minimum	Maximum
Compulsory Labor	3	0.7871	0	4
Minimum Age	4	0.9031	1	4
Minimum Wage	2	1.1391	0	4
Occupational Health and Safety	4	0.8867	1	4
Reasonable Working Hours	3	0.9665	0	4
Association and Collective Bargaining	6	1.5590	0	8
Low Cost Worker Rights	10	1.7023	3	12
High Cost Worker Rights	13	2.7132	2	16

N=460