

Bringing the law to the factory

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The recent factory collapse in Bangladesh has renewed attention to the global issue of workplace standards. In many countries, similar problems have arisen from a lack of enforcement for existing laws pertaining to safety, wages and overtime, or an absence of labor contracts for workers.

These problems occur for a variety of reasons, including a lack of funding for regulators; difficulties acquiring solid information about potential problems in the first place; and corruption in the enforcement process.

"We have a huge problem with enforcement," says Matthew Amengual, an assistant professor of management at the MIT Sloan School of Management, who has studied the issue in multiple countries.

Now, after extensive on-the-ground research in Argentina, Amengual has a distinctive new paper on the subject that will be published in *Industrial and Labor Relations Review*.

In the paper, titled "Pathways to Enforcement," Amengual details his findings, including the observation that effective regulators can overcome the constraints on their work by creating informal fact-finding alliances with [advocacy groups](#) and others who may have unique information about dubious [labor practices](#). Or, as Amengual writes in the paper, "Regulators can use these groups to make up for state weakness."

So while some people may view effective regulation as a process that needs to be free of political influence, Amengual has discovered that just isn't so: For better or worse, underfunded regulators will try to connect with outside groups where it is politically feasible, and those alliances tend to generate the instances where laws are firmly enforced. Reducing political influence on the inspection process, he notes, is not the only way to increase enforcement.

Explaining enforcement

Indeed, follow-up on regulations is so rare, Amengual says, that [academic researchers](#) essentially need to examine why it happens at all, and what it consists of when it does take place. Or, as he says, "How do we explain enforcement in areas where we don't expect it to occur?"

Argentina provides a good window into this question because it has a set of national regulations, but a regional system of enforcement. That provided Amengual with the opportunity to examine the differences in

enforcement that occur among and within regions. He spent 16 months conducting research in Argentina in 2008 and 2009, interviewing more than 190 government officials, inspectors, labor leaders and firm managers; conducting an original survey of labor inspectors; studying government data and documents; and even reviewing about 1,400 local newspaper articles about labor regulation.

In the paper, Amengual details the enforcement process in two provinces, based around the cities of Córdoba and Buenos Aires, in which enforcement varied from industry to industry.

In Córdoba, the Labor Secretariat was charged with enforcing regulations, and conducted a relatively large number of inspections—higher than the number per capita in France, for instance—but those investigations were uneven. In the informal brick-kiln industry, where workers form mud into bricks that are then baked in small ovens, labor problems had been publicized in the local press, but few enforcement actions were taken. In the larger-scale metal industry, workplace problems appear to have been less extreme, but the regulators took far more action.

Why? Local unions were stronger in the metal industry, and could provide inspectors with copious amounts of information on labor standards. In Córdoba, as Amengual writes, "there is enforcement, but it is skewed toward industries with large numbers of union demands."

A related story holds in Buenos Aires, with a few twists. There, regulators had fewer ties with the metal industry unions, and did not investigate the industry as fully as their counterparts in Córdoba—but established a strong working relationship with an advocacy group, La Alameda, that supported Bolivian immigrants in the garment industry. The enforcement that followed was heavily oriented toward violations pertaining to the garment-makers.

Such working relationships were necessary because informal sweatshops are not necessarily obvious from the outside. Rather than, say, trying to study electricity-usage records to deduce where off-the-books production was occurring, inspectors could get information from the advocacy groups that had direct ties to workers.

"This allowed them to find highly vulnerable workers they never would have been able to locate," Amengual says. Or, as one senior official in charge of inspectors told Amengual about how he approached his job: "I went looking for allies."

The pitfalls of outside help

Other scholars in the field are impressed by the study. "The paper is creative and in some ways it's path-breaking," says Janice Fine, an associate professor in Rutgers University's School of Management and Labor Relations. Amengual, she adds, "has really become an important voice in the debate about labor standards enforcement," by meticulously documenting the on-the-ground strategies inspectors have been using and the generally overlooked tactic of forging [alliances](#) with groups in civil society.

"People haven't really been thinking about it this way," Fine adds.

Amengual emphasizes that he is not offering the tactics of the Argentine regulators as a one-size-fits-all prescription for better factory-law enforcement around the globe. After all, the pattern he discovered—of regulators seeking information from outside sources—could be used to justify keeping enforcement budgets small, and it does represent a politicized process of enforcement.

"This shouldn't be a replacement for strengthening bureaucracies," says Amengual, who is turning his research into a book about industry and

[regulation](#), including workplace and environmental issues.

At the same time, Amengual does not endorse leaving enforcement in the hands of companies themselves, as some would prefer. Amengual is among many MIT-based scholars who have conducted research on the subject with Richard Locke, the former head of MIT's Department of Political Science and a former associate dean at MIT Sloan, who once advocated for self-enforcement among firms, but has since come to view state action as an essential part of safe factory conditions.

"We need the state to do this," Amengual agrees.

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