

# Efficiency case for International Labor Standards?

Comments

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# Better Factories Cambodia

- More than 10 years in operation
- Applies to all apparel exporters in Cambodia through audits/assessments
- Change in rules of disclosure of information in 2006

# Paper's hypothesis



# Paper's approach

## 1. Rule out selection or omitted bias

- Sensitive buyers

- Crisis/credit constraints

- Enhanced managerial information

# Paper's advantages

- Policy relevant
  - Workers' welfare and firm survival
- Innovative
  - Establishing the link between compliance and survival
- Interesting
  - Combining different sources of data

# Suggestions

1. Data and estimation
2. Mechanisms to comply
3. Findings /context

# 1.- Data and estimation

## 1. Productivity data is essential

- Firms could have survived because of other factors (e.g governments' incentives)

## 2. Variation on compliance

- Intensity in compliance
- Controlling for firm's characteristics

## 2.- Mechanisms to comply

- Why would firms comply?
  - Can firms be penalized for not complying?
- How do firms comply?
  - Spillovers or externalities
  - Continuous process



# 3.- Findings

## Post MFA Cambodia

Country	Across Country Changes	Within Country Changes			
	Exports Value/ Market Share (% change 04-08)	Total Employment	Wages Premium	Upgrading	Working Conditions
<b>Bangladesh</b>	Improved	Improved	Improved	Yes	Improved (declined for women)
<b>Vietnam</b>	Improved	Improved	Improved	Yes	No Change Declined for women
<b>Pakistan</b>	Stagnant	Improved	Improved	Yes	Declined for women
<b>India</b>	Improved	Improved	Improved	Yes	Declined
<b>Sri Lanka</b>	Stagnant	Declined	Declined	Yes	Mixed
<b>Cambodia</b>	Improved	Improved	Declined	No Change	Declined
<b>Morocco</b>	Stagnant	Declined	n.a.	Yes	n.a.
<b>Honduras</b>	Declined	Declined	Declined	No Change	Declined
<b>Mexico</b>	Declined	Declined	Declined	No Change	Declined

# 3.- Findings

Implications for other settings  
(how to create incentives)

## Bangladesh SME firms

- Not willing to undertake basic resettlement which will be beneficial to them and workers
- Not interested in incentives to retain workers ( e.g training)

Thank you