

Labor Clauses in Regional Trade Agreements and Effects on Labor Conditions: An Empirical Analysis

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Abstract

An increasing number of bilateral or plurilateral trade agreements (or regional trade agreements: RTAs) include “labor clauses” that require or urge the signatory countries to commit to maintaining a certain level of labor standards. This paper attempts to perform an empirical analysis of the effects of such labor clauses provided in RTAs on working conditions that laborers in the RTA signatory countries actually face, using macro-level data for a wide variety of countries. The paper first extensively examines more than 200 currently-effective RTAs in terms of their labor-related provisions to classify those into two groups, “RTAs with labor clauses” and “RTAs without labor clauses,” according to two criteria: (i) whether or not the agreement urges or expects the signatory countries to harmonize their domestic labor standards with internationally recognized standards, and (ii) whether or not the agreement stipulates the procedures for consultations and/or dispute settlement on labor-condition issues between the signatory countries. Based on this RTA labor-clause classification, this paper then estimates the impacts of a country’s trade intensities with partners of RTAs with labor clauses and of those without on four measured working conditions in the country: average earnings, average work hours, fatal occupational injury rate, and the number of the ILO’s fundamental conventions ratified. The empirical result indicates that RTAs with labor clauses do not differ from RTAs without labor clauses in the direction of their impacts (improving or worsening) on actual working conditions, and trade intensity with RTA partners should not have a statistically significant impact on the country’s working conditions regardless of whether or not those RTAs include labor clauses. It, however, may be premature to conclude that RTA labor clauses are not effective, since there should be some technical issues inherent in the method and data employed in the current study.

Key words: International trade, Regional trade agreements, Labor standards,
Labor clauses