

## **The Silent Erosion of Freedom of Association and Collective Bargaining (FACB) and its Implications for Social, Political, and Economic Instability**

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### **I. Research Objective**

Policymakers need greater understanding of how worker insecurity can lead to instability in high and middle income industrialized countries. Many researchers who have found a link between worker insecurity and instability have argued that these effects are primarily due to changes in demographics or technology. However, these scholars have ignored or downplayed an important factor relevant to democracy, political stability, and to better outcomes for workers. Over the past twenty years, around the world, individuals are less able to use two processes, freedom of association and collective bargaining (FACB) that provide them with a voice in society as well as in the workplace. This project will analyze what determines a decline in FACB and how a decline in FACB can affect instability.

### **II. Background**

Today many middle and high income countries such as Brazil, France, and the U.K. are increasingly unstable (Munich Security Conference: 2017, 5-7; McCain: 2017). Democracy is regressing in countries such as Hungary, Poland, Brazil and the Philippines (Diamond: 2008; Foa and Mounk: 2015). Analysts disagree as to why instability is on the rise in high and middle income nations. Some researchers cite factors such as globalization and technological change, others have attributed rising instability to economic nationalism due to increased immigration, high rates of unemployment and underemployment, and the changed role of women and minorities in the workplace (Mudde: 2017, ILO: 2016; Global Economic Forum: 2017, 11). Scholars and research organizations have found that many members of the middle class fear that with job or income loss, they could easily slip into poverty. Worker insecurity has led to political polarization and distrust in government (Burrows: 2016, 12; ILO: 2016).

We believe the forces behind worker insecurity deserve greater explanation; understanding these factors may help us understand why so many long stable countries are experiencing instability. In many countries, fewer individuals are consistently able to engage in freedom of association and collective bargaining two processes that are essential both to improving worker outcomes (including wages) and to achieving democratic accountable governance (Langlois: 2009, Kerrissey: 2015). Freedom of Association (FA) refers to the right of individuals to establish and join organizations of their choosing including societies, clubs, and unions. Individuals who can freely associate can work together to hold managers or policymakers accountable. Collective Bargaining (CB) refers to the right of individuals (often workers) to organize and achieve change as a group. Individuals collectively bargain in legislatures as members of caucuses or parties, in civil society groups such as the Sierra Club, and in the workplace.

FACB laws and policies are particularly important for reducing insecurity in Western democracies, which have large economies, generally long periods of stability, and strong institutions of governance (Silver: 2003; Kerrissey: 2015; Huber et al: 2006). Scholars have shown that FACB institutional mechanisms help reduce transaction costs and promote cooperation (Fukuyama: 2000; Easterly, Woolcock, and Ritzen: 2006). Where individuals can associate and collectively bargain, they can also use their organizational and political clout to influence democracy, cooperation and peaceful conflict resolution (Kiai: 2016, 4). They can ensure that governments establish social safety nets, advance opportunities, reduce favoritism and corruption, and prevent political upheaval (Dean: 2015; Sengenberger: 2005; Farrell: 2014; Kerrissey: 2015; Lee: 2007; Pierson and Hacker: 2010). Countries that allow individuals to freely associate and collectively bargain can limit destructive downward competition among nations for trade, and investment (Langille: 1997; Neumeyer and de Soysa, 2005; and Sengenberger: 2015). Unsurprisingly, Western democracies try to disseminate FACB through international agreements, aid incentives and trade agreements. In addition, the U.S. and Canada

obligate their free trade partners to respect FACB, while the EU, Chile and New Zealand rely on aspirational language (Aaronson and Rioux: 2007).

However, several researchers have found that FACB has been declining around the world since the 1990s (Cingranelli and Wang: 2016; Davies and Vadlamannati: 2013; Olney: 2013; and Freedom House: 2010). Some 60% of the world's workers are contingent workers, who toil without contracts. The ILO reports that the majority of the world's workers, including informal, women, migrant and agricultural workers, are often excluded from national legal protective frameworks, leaving them unable to exercise these processes (ILO: 2002; 2012). Some 74% of migrant workers are located in high income countries (ILO: 2015). Researchers have found that policymakers at the national and local levels are changing their laws in ways that make it harder for individuals to use these processes (Kiai: 2016; Farrell: 2013; Crouch: 2004; Kucera and Sari: 2012). The decline in FACB is particularly noteworthy in middle income and wealthy nations. For example, Marx and Soares (2017, 59) find that FACB has declined significantly in high income countries Greece and Spain, as well as in middle income countries. In a June 2016 testimony to the UN Human Rights Council, the UN Special Rapporteur for Freedom of Association and Assembly gave many examples of how these rights have been threatened. He cited Australia's Tasmania State where it is now a crime to a protest in a way that obstructs or prevents business activity. Kiai also noted that Canada's Anti-Terrorism Act of 2015 expanded the definition of national security to include "the economic or financial stability of Canada." He believes activists who sought to block a logging road could be labelled a threat to national security (Kiai: 2016, 4). Finally, Kiai found that many governments limit registration or foreign funding of associations (Kiai: 2012)

### **How can the decline in FACB help us better understand rising instability?**

When governments and firms deny individuals FACB, these individuals can get frustrated and turn to the streets or ballot boxes in protest. If peaceful protests do not yield changes, workers may turn to violence. Hence, a decline in FACB can directly lead to political, social, and economic instability (Crouch: 2004; Neumayer and de Soysa: 2005). For example, from April to July 2016, hundreds of thousands of French workers and students protested peacefully against labor reform legislation. However, some of the protesters in Paris turned violent and hundreds of people were arrested. In the months that followed, workers blocked access to food and fuel depots, clashed with the police, and tried to disrupt the economy. In July, the French government passed the legislation by decree rather than by Parliamentary vote (Agence France Presse: 2016; Love and Picy: 2016). When governments and firms deny individuals FACB, it may also have indirect effects on instability. Individuals who cannot organize or collectively bargain will be less able to prod managers to raise wages as productivity increases, and also less able to influence government to assist them (Dean, 2015). Scholars have shown that wage inequality is increasing within many states, which indirectly creates instability (Dabla Norris et al: 2015; Ostry, Berg, and Tsangarides: 2014). Wage inequality has even increased in industrialized countries with strong social safety nets (Lakner and Milankovic: 2015; Autor, Dorn and Hanson: 2016; Ebenstein, Harrison and McMillan: 2015; Lawrence: 2007). The graphic and explanatory sections below illuminate how a decline in FACB can affect stability.

**1. Social Stability:** A decline in FACB can make workers feel less secure. Workers who feel insecure are likely to be less trusting and more pessimistic. Moreover, because workers cannot use FACB to determine their destiny, they may feel they are losing autonomy (ILO: 2013, 2016; Langlois: 2009, 9). According to the ILO, pessimistic individuals can lose faith that their government is working for their best interest. They do not trust that policymakers can encourage sufficient economic growth to create either enough jobs or better jobs. They are angry that their government has not ensured that workers receive sufficient compensation to support a family and save for the future (ILO: 2013). These individuals may fear that their own and their children's future is precarious (Moffitt: 2016; ILO: 2016).

**2. Political Stability:** A decline in FACB can affect democracy both directly and indirectly. Without FACB, fewer workers are likely to join the middle class because as noted above, workers will have less of an ability to affect their compensation. Researchers have long believed that the middle class is the front of democracy. If the middle class population shrinks and becomes weaker, individuals or firms with greater funds and political influence can capture government agencies and agents, while those with less income have less influence (Stiglitz: 2012; Novelli: 2016). Government bureaucracies will deliver for those with influence, but no longer for all of their constituents. In such situations, corruption tends to rise (Chong and Gradstein: 2007; Zhuang, de Dios and Lagman-Martin: 2010). Meanwhile, other scholars have found that rising wage inequality has left the middle class increasingly dissatisfied with democratic institutions, policies, and policymakers (Foa and Mounk: 2015; Pew: 2014; Dalton and Wetzel: 2014). Discontented individuals are more likely to turn away from traditional elites and longstanding policies and may be more willing to turn to populist leaders (Mudde: 2004; Packer: 2015).

**3. Economic Stability:** A decline in FACB may also reduce economic growth since a decline in FACB is associated with greater wage inequality (Dean, 2015). A recent IMF study found that a one percentage point increase in the income share of the top 20% will drag down growth by 0.08 percentage points over five years, while a rise in the income share of the bottom 20% actually boosts growth (Dabla Norris et al. 2015). Inequality could also threaten public confidence in growth-boosting policies like freer trade or policies to reduce inflation (Economist: 2015). Over time, inequality can create volatility, trigger crises, and diminish productivity, which undermines growth (Stiglitz: 2012).

### III. Methodology to understand this problem

Scholars could rely on an innovative research technique (QCA) to examine what factors influenced government respect for FACB. QCA is an analytic technique and software (freely available online) which allows researchers to model interaction effects between two or more variables for a limited number (between 10 and 50) of cases. With QCA, researchers can assess multiple conjunctural causation, which implies that: (1) most often, it is a combination of conditions that produces an outcome; (2) several different combinations of conditions may produce the same outcome; and (3) a given condition may have a different impact on the outcome depending on the context (i.e. depending on the causal ‘conjuncture’). This feature of QCA is premised on the idea that different causal paths may lead to the same outcome. Marx and Soares (2016) identified more than 10 domestic and international factors that combine to affect a decline in FACB, although every country’s mix was different. These factors included, *inter alia*, the openness of a country to international trade, the level of foreign direct investment, the domestic political constellation, and the ratification of international human rights and labor (ILO) conventions.

However, these factors are not sufficient to explain why and how FACB is declining in so many countries, and in particular, in previously stable high- and middle-income industrialized countries. We believe that in many of these countries other factors such as demographics (population booms or migration), new technologies, distrust in government, and worker perceptions combine in different ways to influence FACB (OECD: 2012). Thus, in our analysis we will identify and analyze the added value of these additional factors. In addition, we assume that these factors will not work in isolation to influence FACB, but rather in combination with other factors.

Scholars should use both in-depth case studies and QCA to understand these complexities. The research population should consist of middle-income and industrialized countries. The key dependent variable is a significant change in FACB in a given country over a 10-year period. In order to operationalize the dependent variable scholars should use and update a labor rights datasets (Marx et al., 2015), complemented with other datasets on FACB (such as Anner et al, Cingranelli, and Kucera). The database should be made public. To analyze how different factors combine to generate a significant change in FACB scholars should use QCA (*infra*) which is specifically designed to analyze interaction effects in the context of a small number of cases. QCA will allow us to identify which factors, and the interaction of these factors, that help us explain a significant change in FACB. In order to show how these factors generate this change (causal processes), we will select 6 countries for an in-depth case study, in which process-tracing will be used to link the explanatory factors to a

decline in FACB. The case studies are also designed to help us understand how a decline in FACB can lead either directly or indirectly to instability, without claiming that FACB is the sole factor contributing to the instable social and political climate. Thus, the country cases will be selected on two criteria: (1) significant decline in FACB and (2) occurrence of political, social, and economic instability. Researchers have used QCA in more than 300 studies to understand how different combinations of explanatory factors influence a country-level outcome (Rihoux et al.: 2013). With QCA, we will be better positioned to identify different causal pathways leading to a decline in FACB. Moreover, we believe a clear delineation of how these explanatory factors evolve and interact might help defense planners and others predict the occurrence of social unrest and political instability. In addition, the project will allow us to assess the limits and potential of QCA for this type of research.

**IV. Potential Implications for national security:** The Department of Defense aims to protect the US from real and potential threats. As noted above, instability is on the rise in many middle- and upper-income states. In many of these countries, policymakers are forcing changes to longstanding shared efforts to promote human rights or trade liberalization, questioning alliances such as NATO, and challenging international organizations such as the UN, the WTO, or the European Union. Hence, instability in industrialized and middle-income countries has international spillovers which are hard for defense strategists to anticipate (Sullivan and DeBonis: 2017; Tusk: 2017). Thus, national security policymakers could benefit from broader insights into the diverse root causes of this instability. Policymakers will gain:

1. A greater understanding of how the decline in FACB leads to social, political and economic instability,
2. Detailed case study analysis of causes of unrest in middle and upper income countries,
3. A new public dataset for QCA analysis,
4. Assessment of FACB as a predictor of social, political and economic instability, and
5. Application of new methods to understand factors determining instability.

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