

labour legislation on costs is difficult to evaluate.<sup>45</sup> He cites the example that the adoption of standards for the protection of workers can result in major savings, by *inter alia* reducing the disruptions in production owing to the absence of workers, and reducing the need to train replacements. Edgren also reached the conclusion that "it is open to discussion to what extent adoption of the ... standards would affect production costs and hence the international competitiveness of export producers in low-wage countries."<sup>46</sup>

Nor does the existence of "lower" or "weaker" labour rights (whether formal, or in the sense of weaker enforcement) imply that wages or labour costs will not rise. Fields conducted an analysis on four newly industrialized economies (Singapore, Taiwan, Hong Kong, and South Korea) which have not actively promoted labour rights and organized labour, and have experienced high rates of economic growth.<sup>47</sup> Fields found that increased demand for labour bid up wages as firms competed for the labour supply, and that real wage rates rose. He concluded that the experiences of the four economies "exhibit a common feature: although the institutional structure of industrial relations continues to restrict labour organizations and collective bargaining, labour market opportunities have been getting very much better."<sup>48</sup> This conclusion may, however, beg the question of what would have happened to real wage rates if "strong" labour rights were in place in these economies.<sup>49</sup>

#### 5.4 Problems with Enforcement

In addition to the unclear relationship between labour rights and costs, empirical data is generally lacking on the question of enforcement of labour laws. Systematic files on enforcement are not kept by the International Labour Organization or any

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<sup>45</sup> J.M. Servais, "The Social Clause in Trade Agreements: Wishful Thinking or an Instrument of Social Progress?", *International Labour Review*, Vol. 129, No. 6, p.427.

<sup>46</sup> Gus Edgren, "Fair Labour Standards and Trade Liberalisation", *International Labour Review*, Vol. 118, No.5, Sep-Oct 1979, p. 529.

<sup>47</sup> Gary S. Fields, "Labour Standards, Economic Development, and International Trade", in S. Herzenberg and J. Perez-Lopez, *Labour Standards and Development in the Global Economy*, US Department of Labour, 1990.

<sup>48</sup> *Ibid.*, p.27.

<sup>49</sup> A firm's competitive situation, which would be affected by higher wages, would, of course, also depend upon the firm's productivity, as discussed earlier in this Paper. The point here is that wages may rise in the absence of "strong" labour rights.