Are Left-Wing Governments Really Pro-Labor? An Empirical Investigation for Latin America

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"We have a law which will go down in history. That history...tells us that the triumph of the people, of the workers, has never come about without a long process of resistance, of struggle, suffering even. This law, which I will have the honour of signing...is the product of a long process of struggle."[1]
- Hugo Chavez, late President of Venezuela, on signing new labor legislation on 1st May 2012

I. INTRODUCTION

Are left-wing governments in Latin America, as proclaimed by leaders such as the late Hugo Chavez, really pro-labor? While there is a lot of anecdotal evidence suggesting that left-wing governments, particularly in Latin American countries, have implemented policies considered pro-labor, to the best of our knowledge there is no convincing empirical evidence to lend support to these claims. Focusing on one of the important labor welfare policies, labor rights in Latin American countries, this paper presents evidence on whether a left-leaning ideology of the chief executive is any different to other governments in upholding both *de jure* (laws) and *de facto* (practices) labor rights.[2] There is solid theoretical and empirical literature on the international economic and political factors as key determinants of labor rights. These studies demonstrated that foreign direct investment (FDI), trade openness, and subjective indices as proxy for

[1]See: http://venezuelanalysis.com/news/6962

[2]The focus of the paper is on collective labor rights rather than individual labor rights such as contract of employment, minimum wage, working time, health and safety of individual workers. Lack of quantifiable data on individual labor rights makes it difficult to analyze. Moreover, Murillo and Schrank (2005) argue that individual labor laws are deregulated while collective labor rights laws are regulated by left-wing governments in favor of unions.

globalization (Vadlamannati 2012; Dreher et al. 2012; Mosley 2011; Greenhill et al. 2009; Davies and Voy 2009; Neumayer and de Soysa 2005; Neumayer and de Soysa 2006; Mosley and Uno 2007), inter-country competition for investments (Davies and Vadlamannati 2013), and political variables such as international NGOs and ratification of ILO conventions (Rodrik 1999; Boockmann 2004; Murillo and Schrank 2005) do explain a significant variation in labor rights. However, labor rights are likely to be affected not only by external but also internal factors. Given that decisions to design policies protecting labor rights are essentially political, it is likely that the political ideology of the government is a powerful explanatory variable of labor rights. As the opening quote illustrates, the left-leaning governments in Latin America have vowed to design policies to protect collective labor rights; whether they ensure effective enforcement of those laws is a question which remains unexplored.[3] This paper aims to fill this gap in the literature. Previous studies on this subject have found that left-leaning governments play a vital role in shaping specific national labor codes (Botero et al. 2004; Murillo and Schrank 2005). These studies, however, remain silent on the broader set of laws which protect collective labor rights and, importantly, the enforcement of those laws. We build on the *political power* theory of Botero et al. (2004) in which institutions, as argued by Karl Marx (1872), are designed by those in power so as to benefit themselves and their interest groups. Thus, we expect in the context of Latin America that left-leaning chief executives design laws that protect labor rights as a signal to their core support base, i.e. workers' unions, whose benefits are more visible at least on the paper, in return for their electoral support. However, given the poor track record of enforcement of laws in developing countries, and due to other economic and political considerations, we expect that the enforcement of laws protecting labor rights under left-leaning chief executives will be no different to that of non-left-leaning governments.

The focus of this paper is exclusively on Latin America and Caribbean countries for two specific reasons. First, outside the OECD group, the only region where countries have enjoyed democracy with a considerable degree of variation is the Latin America and the Caribbean. With the exception of Cuba, there is also variation in the number of years a country in this region has been democratic. The second prerequisite is the existence of political competition among parties. Existence of partisan politics in a democratic setup allows parties to consolidate their social support bases (Lupu and Stokes 2010). This explains the support base which the left-wing parties in Latin America have built among workers and trade unions. Latin America in particular provides fertile ground for study as it offers variation in democracy, partisanship and ideology which is

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[3]Ronconi's (2010) work is an exception which examines the effect of government enforcement of labor law on labor markets outcomes within various regions in Argentina.

unavailable in other regions of the developing world.[4] Concurrently, the multi-party system prevalent in many parts of Latin America and the Caribbean offers a good opportunity to adjudicate the competing claims advanced by theories focusing on the role of political ideology of the government in upholding *de jure* and *de facto* labor rights.

We rely on new measures of labor rights and ideology of the Chief Executive. First, previous studies used dummy variables (Pinto and Pinto 2008) to measure the political ideology (Coppedge 1997). We use Bjørnskov's (2008) measure which places the ideology of the Chief Executive on left to right scale (and also construct ideology score of the ruling parties in the parliament by weighting respective political parties' ideology with their seat shares) using the information from the Database of Political Institutions (Beck et al. 2001). Second, previous studies measuring labor rights and standards have used indicators capturing only single dimensions, such as labor regulations, number of ILO conventions (Botero et al. 2004), rate of worker injuries (Bonnal 2008) and other subjective indices (Cingranelli and Richards 2006). Unlike these studies, we use Mosley and Uno (2007) all-inclusive labor rights index measuring 37 aspects of both *de facto* (practices) and *de jure* (laws) violations of labor rights. To the best of our knowledge, no study has estimated how political ideology impacts all the three distinctive dimensions of labor rights. Using both these new measures we employ panel data on 26 Latin American and Caribbean countries over the period 1985–2002. We find that a chief executive's ideology leaning towards the left fails to uphold labor rights. While a chief executive's left-leaning ideology does legislate laws to protect labor rights, the enforcement of these laws under their regime is considerably weaker. Further evidence suggests that cohesive left-wing governments are more likely to legislate laws protecting labor rights than very diverse governments. These results are robust to alternative measures of ideology, estimation methods, and controlling for endogeneity concerns.

The rest of the paper is organized as follows: we derive testable hypotheses based on theoretical arguments on the relationship between political ideology and labor rights in the next section. Section 3 introduces the main variables of interest. Section 4 describes the research design. While section 5 presents empirical findings, section 6 concludes the study.

II. HYPOTHESIS

Labor rights in a country are violated for many reasons but the process is largely internal to these societies and is in turn the outcome of existing labor market institutions (Aggarwal 2005; Potrafke 2011). Given that policy decisions which

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[4]For a detailed overview of partisan politics in Latin America, see essays in Levitsky and Roberts' (2011) *The Resurgence of the Latin American Left*.

shape the labor market institutions are essentially political, they are expected to be influenced by the political ideology of the party in government. In this analysis, we define labor rights based on the '*Declaration on Fundamental Principles and Rights at Work*' adopted by International Labor Organization (ILO hereafter) member states in June 1998. These core rights include freedom of association (right to unionize), effective recognition of the right to collective bargaining (right to bargain and protest), elimination of all forms of forced or compulsory labor, effective abolition of child labor, and elimination of discrimination with respect to employment and occupation. Often, these are considered as the basic rights of workers and are expected to be inviolable. Up to now, only a few studies have attempted to illustrate the collective labor rights (Kucera 2002; Busse 2004). The purpose of this study is to provide an answer to the following question: does political ideology of the executive affect labor rights. Based on previous theoretical and empirical literature we derive some testable hypotheses on the potential effects of ideology on labor rights laws and practices. The potential effect of ideology on both components of labor rights is discussed below.

There is a general perception that labor movements led by left-leaning political parties, labor associations and unions have played a key role in producing more egalitarian distributional outcomes and have thereby promoted social protection and welfare policies. According to the *power resource* theory advanced by Korpi (1983) and Stephens (1979) when left-wing governments are in power, social welfare policies are expected to advance and consequently there will be an increase in spending on social welfare programs. For instance, in the post-World War II period the rapid expansion of social protection policies and formation of the welfare state in Europe is attributed to the labor movement (Jensen 2012). Likewise, examining household income inequality before and after government redistribution, Bradley et al. (2003) finds that increased union density decreases pre-tax inequality and left political parties in power are associated with reductions in inequality through taxes and transfers. Similar examination of German states during the post-World War II period by Potrafke (2012) reveals that leftwing governments have spent more on social security and public healthcare[5] than the rightwing governments in the 1970s and 1980s. Focusing on Canada, Kellermann (2005) also finds higher levels of union membership and left-leaning governments are associated with lower post-tax-and-transfer inequality. Countries outside the OECD however received little attention simply because there were no strong democratic countries with the exception of a few countries in Asia and Latin American region. In the case of Latin American countries though, Huber et al. (2008) find evidence to support the claim that left wing

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[5]Potrafke (2009a, 2010a) focusing on OECD countries also found that left-leaning governments did increase spending on public services and healthcare during 1970-2005 period. Likewise, Bjørnskov (2008) finds that under left-wing governments, income inequality is negatively associated with economic growth in a sample of 178 countries.

governments increase social sector spending. Similarly, Niedzwiecki (2010) also shows that left-leaning governments did spend more on social security in Brazil and Argentina.

Over the years, alterations have been made to the *power resource* theory in which Huber and Stephens (2001) highlight the shift in the importance from grand labor movement towards left-leaning political parties. It is argued that left-wing parties in power would want to maximize the redistribution through expanding the social welfare policies in favour of workers and unions who form their main support base.[6] We extend the same analogy to labor rights in which a left-leaning chief executive is likely to legislate laws which protect collective labor rights, which is the major concern among blue-color workers as well as labor unions. The left's move to legislate laws to protect labor rights can be traced back to *political power* theory.[7] According to the *political power* theory, the extent of labor regulations in a country is a function of laws which are shaped by the parties winning elections and the influence that interest groups exert over the incumbent government (Olson 1965; Becker 1983; Botero et al. 2004). Therefore, one generally find that regulations or laws that favor workers are formulated by left-leaning governments as their core support is derived from the workers, unions and labor associations. In fact, Murillo and Schrank (2005) show that in Latin American countries left-wing political parties are more likely to introduce pro-labor national labor codes when holding office in order to keep the broader support of workers. It is also expected that when a left-wing government comes to power, the labor unions will try exerting control over governments to influence legislating laws which are pro-labor in return for their political support. Murillo and Schrank (2005) cite numerous examples from Argentina, Mexico, Peru and Venezuela, among others, wherein the labor unions engaged in explicit bargaining with the left-leaning parties in power to extract key policy concessions related to labor laws. The electoral compulsions and reliance on labor unions for support allowed the governments to respond favorably to their demands. This provides some support to the claim in the *political power* theory that governments respond to the demands of their support constituent base.

The contentious point, however, is whether the response of autocratic governments towards labor is different to that of democratic governments. It is well known that in autocratic regimes the labor unions are controlled by the state, with little or no freedom to strike and collective bargaining for wages and other benefits. Furthermore, there is a mandatory membership in state-led unions.

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[6]This argument stems from the assumption that labor unions and left-wing governments share the same goals and policy preferences namely, economic redistribution as a means to generate social protection to the workers in general (see Korpi and Palme 2003; Allan and Scruggs 2004; Iversen and Stephens 2008).

[7]In general *political power* theory is one of the three underlying theories (efficiency and legal theories being the other two) explaining why governments usually intervene in the labor market (see Botero et al. 2004).

During our study period in our sample the only authoritarian country for which the data is available is Cuba. The ideology of the Cuban government is strongly left-leaning and hinges on the plank of economic redistribution and equity. We therefore expect that in Cuba labor relations are given considerable importance as opposed to other authoritarian regimes that are comparably more open to business and private enterprise and repress labor with arbitration procedures in favor of business. By incorporating the issues which are of considerable importance to the labor sector (such as labor rights and other material benefits), the regime in Cuba provides incentives to the workers to cooperate in turn for political stability (Yong 1992; Kim and Gandhi 2010).

It is also true that governments face external pressures to deregulate labor markets. However, in the advent of political uncertainty, which is often associated with the crisis period, left-leaning governments might choose to consolidate their support base by sending strong signals to their core constituents by introducing regulatory over deregulatory collective labor law reforms (Fehn and Meier 2001). In the case of Latin American countries, Murillo and Schrank (2005, p. 979) argue that "*collective labor reforms offer labor-backed parties a relatively low-cost, high-return means to lock in the support of their traditional constituencies in a time of growing electoral uncertainties*". In fact they point that during the crisis period of 1980s and 1990s Latin American countries with left-leaning governments reformed collective labor laws, a move which was strongly in favor of the labor. The data collected from the ILO on reforming specific sets of national labor codes in 11 Latin American countries between 1985 and 1998 reveals that 15 out of 18 changes to labor codes were largely union-friendly. Out of the 11 countries eight were left-leaning governments. We thus expect labor rights laws in Latin American countries to be more protective of labor when left-leaning chief executives are in power (Saint-Paul 2000; Botero et al. 2004).[8] Thus, the key testable implication is:

Hypothesis: *Ceteris paribus*, *left-leaning chief executives in power are associated with legislating laws protecting collective labor rights*.

Although left-leaning chief executives are associated with legislating laws which protect labor rights, it is most likely that however noble their intentions may be, they are likely to behave no differently when it comes to enforcing the laws. We identify four mutually exclusive reasons that support this claim. First, it is not only costly but also complicated to enforce laws which are intended to

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[8]Of course whether tight regulation of labor market is harmful or not is up for debate. In general if workers do not enjoy considerable amount of rights and are perceived to be exploited then regulating the labor market can actually be beneficial. On the other hand though, if such regulations give labor the undue power it can lower the efficiency. For instance, Besley and Burgess (2004) show that labor market regulations can have negative influence on manufacturing performance.

protect labor rights in developing countries like Latin America. Ronconi (2010), for instance, describes the cost and complexity created by the various institutional features of labor inspection in Latin American countries. These activities are directly controlled by the president of the country and the labor inspectors are bestowed with more powers to carry out such inspections. However, due to inadequate funding and limited fiscal resources the labor inspections are often infrequent and ineffectively implemented. Moreover, lack of permanent appointments and job security means labor inspectors are subject to political manipulation by the political agents. Because the labor inspection capacity is weaker in Latin American countries, the probability of catching firms violating labor rights laws is low. This in turn provides strong incentives for both domestic and foreign firms to not to report violations of labor laws. The other plausible explanation could be that stronger labor laws also provide incentives for the firms to bribe the labor inspectors as they hold monopoly over examining and issuing clearances to firms with respect to compliance of labor laws, thus hindering the enforcement of labor laws (Bjørnskov 2011).

Second, majority of the workforce in Latin American countries is in informal or unorganized sector. It is estimated that roughly 57% of the workforce in Latin America and Caribbean countries is concentrated in the informal sector. Under such a scenario, even if voters demand a stricter enforcement of labor rights, tracing labor laws violations in sectors like garments, footwear, retail and food processing becomes simply impossible for the existing enforcement machinery (Aggarwal 2005). This is one of the main reasons why manipulation of labor laws is very high in the informal sector because the propensity to flout laws is a direct outcome of poor enforcement. Moreover, the lack of access to labor unions, who can influence political decisions of leftist government, to represent informal sector labor force also results in poor regulatory enforcement capacity. Although Bensusán (2006) argues that labor unions in Latin America failed to lobby for effective enforcement of labor laws in the formal sector, they nevertheless provide an active platform for the workers to express their views on key issues and voice their concerns.

Third, it is plausible that left-leaning governments deliberately turn a blind eye to noncompliance of labor laws by the firms in the hope to attract more investments and trade. In relatively poor countries like Latin America, trade and investments might actually benefit labor in the medium to long run. A large body of literature demonstrates the role of international trade and investments in influencing labor rights (Mosley 2011; Neumayer and de Soysa 2011; Greenhill et al. 2009; Mosley and Uno 2007). Mosley (2008) argues that leftist governments are not particularly against new investments and might actually allow investments in a way that protects the interests of their support group. Traditional economic growth theory predicts the importance of investments in generating higher rates of economic growth (Barro and Sala-i-Martin 2004). In fact, the

rewards from investment to the labor are imbibed in stylized-theories such as 'Heckscher-Ohlin' models which suggest that workers in capital poor and labor rich countries like Latin America will stand to gain from trade and new investments, whereas domestic rent-seeking forces could lose out. New foreign investments create job opportunities that are associated with higher wages and better working conditions compared to those offered by local firms. As labor is mobile across industries, this results in driving the wages up across the board (Pandya 2010). As large sections of the labor and working class stand to gain, it is most likely that the median electorate would prefer the governments which support capital importation policies (see: Bhagwati 1999; Jakobsen and de Soysa 2006). Therefore, the left-leaning government might think that turning blind eye to noncompliance is a necessary condition to reap the rewards from economic openness in the near future. Thus, even if trade and investments do not flow in as a result of a government's policy towards noncompliance, if the incumbent government believes that it does then this alone could result in poor enforcement of labor laws protecting labor rights. Mosley and Uno (2007) lend support to this argument in finding that government ideology conditional upon trade openness has no significant impact on protecting collective rights.

The fourth reason could be that leftist governments might succumb to political lobbying for noncompliance by domestic industries. As labor regulations determine the production costs, there are strong incentives to lobby governments to turn a blind eye to noncompliance. For instance, if the members of the local supply chain networks do not comply with labor laws then local industries have incentives to keep the input costs low by pressing government authorities to overlook the violations. This argument is broadly in-line with other studies such as Lupu (2010) who finds that it is not the lower and poorer sections of the society who vote for Hugo Chavez, rather, he derives support from the upper classes, which notably include industrialists. Similarly, Murillo et al. (2011) find evidence in favor of left-leaning governments introducing policies which are favorable to industry after coming to power by promising to initiate pro-labor policies. We thus expect:

Hypothesis: *Ceteris paribus, the enforcement of laws protecting labor rights are abysmally weak under left-leaning chief executives.*

III. MEASURING LABOR RIGHTS AND POLITICAL IDEOLOGY

To measure labor rights we use the Labor Rights index developed by Mosley (2011) and Mosley and Uno (2007). The index is constructed annually from 1985 to 2002 for about 148 countries. It is a composite index capturing "basic collective labor rights" following the template of Kucera (2002) covering 37 types of violations of labor rights under six different categories. These categories

include (a) freedom of association and collective bargaining-related liberties, (b) right to establish and join worker and union organizations, (c) other union activities, (d) right to bargain collectively, (e) right to strike, and (f) rights in export processing zones. It is noteworthy that the index does not capture aspects of labor standards such as minimum wages, employment benefits and working conditions. In each of these six categories, the violation of labor rights by the government or employers (local and/or foreign firms) are identified as an absence of legal rights, limitations in legal rights, and a violation of these legal rights. Thus, the index covers the *de jure* (laws) and *de facto* (practices) aspects of labor rights in each county. The labor laws captures whether or not the laws required to safeguard the collective rights of workers are in place. An example would be whether the industry is allowed to impose limits on the right to strike or bargain collectively. The labor practices capture the actual number of violations observed in labor rights. Extending the same example as above, this measures whether there are any registered acts regarding the violation of such laws.

The source of information used by Mosley (2011) for coding the violations of labor rights under each of these six categories was drawn from three different organizations. The first source is the US State Department's annual country reports on human rights practices. These reports exclusively cover violations of labor rights in each country which are related to the freedom of association, right to bargain collectively and strike, and export processing zones. The second source consists of reports from both the Committee of Experts on the Application of Conventions and Recommendations (CEACR) and the Committee on Freedom of Association (CFA), which is associated with the International Labor Organization (ILO). Both CEACR and CFA provide annual reports which contain the information provided by respective governments on complaints filed by unions, workers' organizations, and other employee associations.[9] These reports are reviewed by two independent experts appointed by the ILO in the case of CEACR, and nine members with three representatives each from the government, employers and workers in the case of the CFA. This process helps to ensure that unbiased evaluations of governments' performance in terms of meeting international standards are carried out. Finally, annual surveys on the violations of trade union rights, published by the International Confederation of Free Trade Unions (ICFTU), provide information on legal barriers against unions, violations of rights, murders, disappearances and detention of members associated with labor unions. The information reported in these annual surveys comes from the labor union centers of the respective nations.

The index is constructed using Kucera's methodology, which assigns weights to each of the six aforementioned categories. Exhibit 1 (in online appendix)

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[9]The ILO mandates its member countries to submit these reports every year. Governments are also expected to present action taken reports the filed grievances.

displays the weights allotted by Kucera to each category. If the information from all three sources displays a violation of labor rights for that year, Mosley (2011) assigns a score of 1 for each of the 37 indicators for a country. If this is not the case, a score of 0 is assigned.[10] These individual scores are then combined with the weights given for each category. This resulted in a labour rights laws index on a scale of 0–28.5 and a labour practices rights index ranging from 0–27.5 where higher values represent the successful upholding of labour laws/practices. The sum of these category scores is then the annual measure of labour rights violations, which in Latin American and Caribbean sample of countries has a mean of 24.3 and a maximum of 37. The difference between laws and practices is noteworthy. While labor rights laws have a mean value of about 23.2 with the minimum value of 11, the mean of practices is just about 20 with the minimum value of 0. This illustrates the relatively weak protection provided for workers in Latin American and Caribbean countries. Note that for easy interpretation, the original scores (in which 37.5 is equal to a high violation of labor rights, and 0 low violations) is reversed by Mosley (2011).

Overall, Mosley's (2011) measure is a huge improvement on previous measurements offered by Cingranelli and Richards (2006) and Bohning (2005) because of the multiple sources of information and their reliability, and the sophisticated weighting methodology used. Figure 1 in the appendix captures the labor rights laws and practices indices for each of the 26 Latin American and Caribbean countries during 1985–2002 period. We find that in each of the 26 cases the indices capturing laws and practices reveals that legal protections are always higher than the enforcement of laws protecting labor rights over time. Interestingly, in some countries like Cuba, the Dominican Republic, Bolivia, Brazil, Argentina, Peru, Mexico and Costa Rica the difference between legal protections and enforcements are much higher compared to other countries in the sample.

III.1. Political Ideology measurement

To quantify the political ideology, we follow Coppedge (1997) broadly who formulates ordinal scores ranging from 1 (right) to 5 (left) to measure the political ideology of the ruling governments in 18 Latin countries. We use the political institutions dataset generated by Beck et al. (2001) which categorize ruling parties in government according to whether they are leftwing, center or rightwing parties. Note that Latin American countries are Presidential system and therefore we are interested in the ideology of the chief executive, i.e., the President of the country. For instance, Cheibub et al. (2011) find that the Presidential system in

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[10]If a violation of labor rights in the respective indicators is recorded more than once (in either one source or multiple sources), the maximum value according to Mosley and Uno remains 1.

Labor Rights Laws & Practices in Latin America (1985-2002).
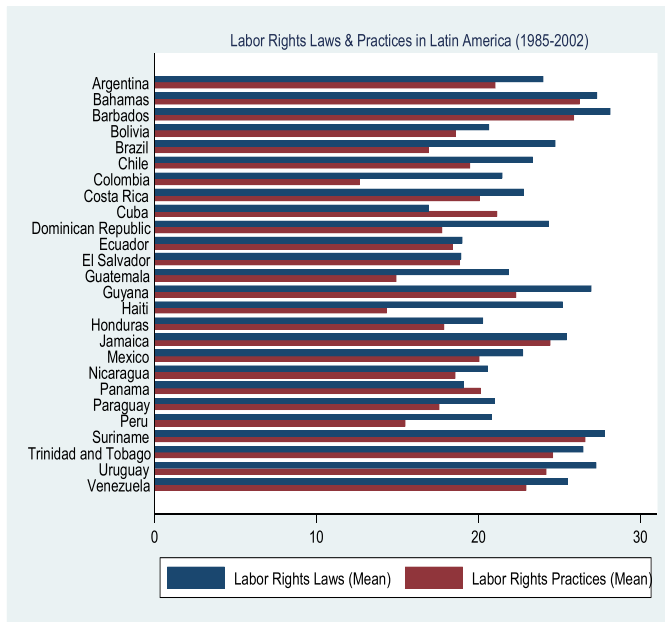
Notes: The graph shows the labor rights laws (in dark color) and practices indices for Latin American countries for the 1985-2002 period. Labor rights law index range from 0-28.5 and labour practices rights index ranging from 0-27.5 where higher values represent the successful upholding of labour laws/practices. *Source:* Mosley (2011).

Latin America is unique in which a high degree of lawmaking powers rests with the chief executive as opposed to the legislature. Using the data assembled by the Comparative Constitutions Project (CCP) Cheibub et al. (2011) review various constitutional provisions written during 1786 and 2006. They review 193 constitutional systems written in Latin American during the 1810-2007 period to arrive at the conclusion that, "…*Latin American constitutions are uniquely inclined to empower presidents to decree laws, initiate legislative proposals, and exert powers in emergency conditions. None of these powers is stereotypical of presidentialism – indeed; some of them are thought to be elective attributes of parliamentarism*" (Cheibub et al. 2011). We therefore focus on the ideology of the chief executive and not on the ruling party dominating the legislature. In doing so, we follow Bjørnskov (2008) to place the ideology of the chief executive on a discrete left-to-right scale where the left-leaning party is assigned the value +1, center-left-leaning party the score of +0.5, the centrists party 0, the center-right-leaning party gets a score of -0.5 and right-wing party -1. Figure 2

Figure 2

Government Ideology in Latin America (1985-2002).

Government Ideology in Latin America (1985-2002)
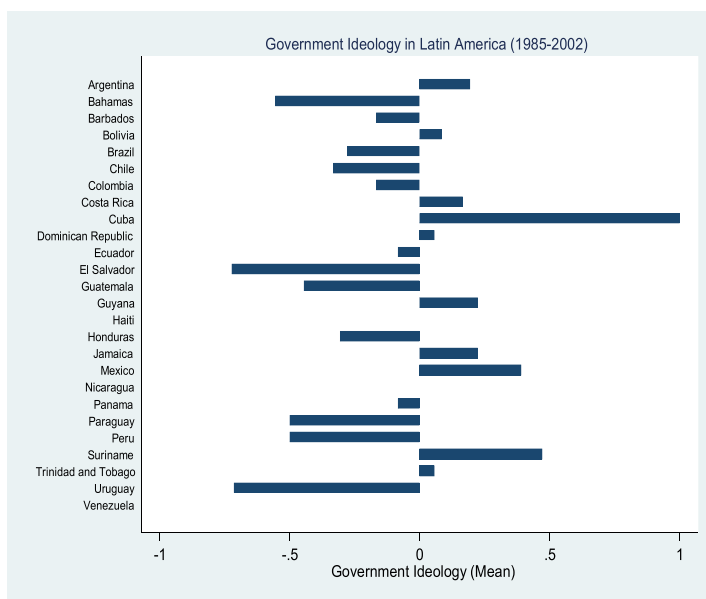
Notes: The graph shows the political ideology of the chief executive for Latin American countries for the 1985-2002 period. The ideology of the chief executive on a discrete left-to-right scale where the left-leaning party is assigned the value +1, center-left-leaning party the score of +0.5, the centrists party 0, the center-right-leaning party gets a score of -0.5 and right-wing party -1. *Source:* Own construction based on Bjørnskov (2008).

in Appendix provides the (mean) ideology position of Presidents in each of the 26 Latin American and Caribbean countries during the period 1985–2002. As seen, 13 out of the 26 countries in the sample have, on average, been dominated by right leaning Presidents. On the other hand, 11 countries have witnessed the domination of left- leaning Presidents. The sample of countries during the 1985–2002 had a mean value of -0.08 with a high degree of standard deviation of 0.59 suggesting a high turnover of Presidents with varying degrees of ideology.

We also construct the ideology score of the ruling governing party in the national Parliaments of 26 Latin American countries as some of important legislations have to be approved by the majority in the national Parliaments. We construct a weighted ideology measure developed by Bjørnskov (2008, 2005). According to this measure, we first place the ideology of the ruling party in the government on a discrete left-to-right scale where the leftwing parties are

assigned the value +1, center parties 0 and rightwing parties -1.[11] In the next step, the parties within the government with their respective ideology scores are weighted with their respective seat shares in the national parliament, which is described as:

$$rp\_i_t \;\; = \;\; \sum \frac{\sum_{j=1}^{3} ss_{jt} \; i_{jt}}{\sum_{j=1}^{3} ss_{jt}} \tag{1}$$

Where, rp_i_t is the ruling parties ideology in the year t which is a function of weighted sum of the ideology i_{jk} of three largest parties in the government at time t. The weight (ss_{jt}) is the share of the seats held by the party j relative to the total seats in parliament held by the incumbent government at time t, thus reflects the influence on government by any ideological category represented. Like Bjørnskov (2008), we also assume here that the influence wielded by one of these three parties on government policy is proportional to the share of seats held by that particular party. The weighting scheme adopted here to construct the ideology position of the government is the important and key difference to the ideology variables (such as dummy measures and so on) used in the literature so far.[12] Thus, it can be argued that the ideology indicator used here is more precise. That said the present indicator is not free from limitations. Placing the political parties in developing countries strictly on three categories of left-to-right scale is rather crude and imprecise way of measuring political ideology. The lack of further information on the political parties, however, makes it virtually impossible to place them accurately on a scale with more steps.

If Cheibub et al. (2011) argument on the Presidential system in Latin America with a high degree of lawmaking powers of the chief executive as against Legislature is correct, then we expect the ruling parties ideology to have no significant impact on labor rights laws and practices during our study period.

IV. DATA AND METHODS

We analyze a time-series cross-section dataset consisting of 26 Latin American and Caribbean countries (see Appendix 1 for the list) covering the 1985-2002

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[11]On the contrary, Potrafke's (2010a b, 2009a b) codes the parties on left-right scale between 1 and 5 in which 1 is coded if the share of governing rightwing parties in terms of seats in the cabinet and in parliament is larger than two-thirds, and codes 2 if it is between one-third and two-third. The index is coded 3 if the share of centre parties is 50%, or if the leftwing and rightwing parties form a coalition government that is not dominated by one side or the other. The index take the value of 5 4 and 5 if the leftwing parties dominate. Unfortunately, Potrafke's index is available only for OECD countries. It does not capture the differences between the party families across countries.

[12]Slightly different variant of methodology was adopted by Bjørnskov and Potrafke (2012) for Canadian regions, Potrafke (2009a, 2009b) for a sample of OECD countries and few other developing countries. While Bjørnskov's (2005) measure of ideology captures only the largest government party.

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period. The model to be estimated is specified as:

$$LR_{it} = \phi_1 \, lr_{it-1} + \phi_2 \, CE\_i_{it-1} + \phi_3 \, Z_{it-1} + \upsilon_t + \eta_i + \omega_{it} \tag{2}$$

Where, LR_{it} is the aggregate labor rights index, labor rights laws index and labor rights practices index for country *i* at year *t*. CE_i_{it} captures the hypothesis variable chief executive ideology (lagged by one year), and Z_{it} includes the vector of control variables (lagged by one year). υ_t are time dummies, η_i are country specific dummies and ω_{it} is the error term. Following others, we include lagged dependent variables (lr_{it-1}) as past decisions on laws and enforcements can influence decisions in the current year. On the other hand, inclusion of a lagged dependent variable may soak up variance so that theoretically interesting results are likely to become statistically insignificant. Nevertheless, we estimate all the models with a lagged dependent variable.[13] The vector of control variables (Z_{it}) includes other potential determinants of labor rights which are obtained from the extant literature on the subject. We follow the previous studies of Mosley (2011), Greenhill et al. (2009), Mosley and Uno (2007), Neumayer and de Soysa (2005, 2006), as well as other comprehensive evaluations of these earlier studies focusing on the determinants of labor rights violations (Busse 2004) in selecting the control variables. Note that the list of control variables to be captured is long and we are aware of the trap of "garbage-can models" (Achen 2005) or "kitchen-sink models" (Schrodt 2010) in which various variables are dumped onto the right hand side of the equation. We therefore adopt a conservative strategy of accounting only for known factors affecting labor rights in a step-wise manner into the models. Accordingly, we control for the effects of development by including per-capita income (log) in US$ (year 2000 constant prices) sources from Penn World Tables 2011. We then include a measure of democracy measured using Freedom House's civil and political liberties average score[14] coded on a scale of 1 (no liberties) to 7 (full liberties). In the next step, we account for the ratification of key ILO conventions to measure whether these ratifications have had any measurable impact. Busse (2004) and Neumayer and de Soysa (2006) fail to find any impact of these agreements on labour rights in developing countries. Following Neumayer and de Soysa (2006), we include a variable which is equal to one when a country has ratified either the ILO convention number 87, which deals with freedom of association, or the convention number 98, which secures the right to collectively bargain. The variable is constructed using the information from the ILO's Database of International Labour Standards (www.ilo.org/ilolex/english/). Likewise, we also include total

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[13]The results remain consistent without a lagged dependent variable.

[14]Note that the Polity IV measure is not being considered because the sample includes many small countries like Barbados, Guyana, among others, for which the Polity IV index is absent. In order to avoid losing too many observations, we settle for the Freedom House score. Alternatively, when using the Polity IV index the main results do not change significantly.

number of NGOs per capita (log) sourced from the year books of International Organizations (UIA) to capture the pressure from civil society groups fighting for labor standards and rights (Murillo and Schrank 2005). In the subsequent model, we add more economic variables like trade openness measuring exports and imports as a share of GDP and Foreign Direct Investment (FDI hereafter) inflows measured as FDI as a share of GDP sourced from UNCTAD statistics 2011. Both trade and FDI capture the economic globalization aspects which can significantly influence labor rights (e.g., Mosley and Uno 2007). Following Neumayer and de Soysa (2006), we also include manufacturing value added as a share of GDP as it is difficult to identify the violation of labor rights in the primary sector. Finally, in non-fixed effects models, we include legal origins namely, British, Socialist and French legal origins (which Socialist legal origins as a reference category). The descriptive statistics and data sources and the definitions are provided in Appendix 2 and 3 respectively.

We estimate OLS two-way fixed effects estimation specification with panel corrected standard errors (Beck and Katz 1995).[15] Note that the Hausman (1978) test favours fixed effect over random effect models. Note that when we include variables of legal origins we estimate OLS specification with panel corrected standard errors but controlling only for time fixed effects because legal origins variables are 'time invariant'. Usage of two-way fixed effects will not only be collinear with time-invariant or largely time-invariant regressors, but also generate biased estimates (see: Beck et al., 2001). Thus, we present the results with both two-way fixed effects estimations and estimations which include legal origins variables with only time fixed effects.

IV.1. Conditional effects

We examine if cohesive left-wing governments are any different from a diverse government in upholding labor rights in Latin America. By cohesiveness of the government, we mean whether the chief executive's party dominates the national parliament. This is important because some key legislation has to be approved by the majority in the national parliaments and cohesive left-wing governments might push through legislations which benefit labor (which is presumably their core support base). To explore this link, we introduce an interaction effect model in which the chief executive ideology variable is interacted with Herfindahl index of the ruling parties in the national parliament which explain the transmission mechanism as:

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[15]One possible concern with two-way fixed effects and a lag dependent variable is the Nickell bias problem (see Nickell 1981). Since the dataset used here includes 18 years across 26 countries, this may not be a huge problem. Nevertheless, we use system-GMM to counter this problem alongside the possible endogeneity concerns.

$$LR_{it} = \phi_1 \, lr_{it-1} + \phi_2 \, CE\_i_{\,it-1} + \phi_3 \, (CE\_i \times HI)_{\,it-1} + \phi_4 \, HI_{\,it-1} \qquad (3)$$
$$+ \phi_5 \, Z_{it-1} + \upsilon_t + \eta_i + \omega_{it}$$

Where, $CE\_i \times HI$ is the interaction term between chief executive ideology and Herfindahl index of the ruling parties in the national parliament. The Herfindahl index measures how cohesive the ruling party in the national parliament is, which is coded on the scale of 0-1. The highest value (i.e. 1 in this case) represents absolute monopoly of a party in the national parliament. We make use of Herfindahl index to measure the cohesiveness of the government sourced from Beck et al. (2001). We estimate all our interaction effects using the OLS panel corrected standard errors estimator controlling for both country and time fixed effects.

IV.2. Endogeneity Concerns

It is quite possible that the key explanatory variable, ideology, is endogenous to having better labor rights. Some might argue that the endogeneity could result from the fact that a left-leaning president's assuming power can also be a result, rather than a cause, of better labor rights conditions. The issue is not trivial because those who argue that the left-leaning presidents improve labor rights also make causal claims that better conditions of labor rights result in support base for left-leaning presidents. It is also plausible that the electorate can foresee a change in labour rights and standards if the government of their choice comes to the power. That said it is hard to believe that there will be any reverse causation when estimating the effects of chief executive ideology on labor rights. It is difficult to argue that an improvement in labor rights would result in the electorate voting for a Presidential candidate of a specific political ideology because voting decisions usually are primarily driven by economic conditions and not labor rights issue alone. Apart from reverse causality, if omitted variables are correlated with political ideology and also influence labor rights then it results in endogeneity. Nevertheless, we utilize an instrumental variable approach, wherein the dynamic system-GMM estimator as suggested by Arellano and Bond (1991), Arellano and Bover (1995) and Blundell and Bond (1998) is employed which takes into account the Windmeijer (2005) correction, where we instrument for both lag dependent variable and chief executive ideology measures. Thus, we treat chief executive ideology and lag dependent variables as endogenous and other variables as strictly exogenous. For instruments, we use two-year lags of both the variables. The dynamic panel GMM estimator exploits an assumption regarding the initial conditions to obtain moment conditions that remain informative, even for persistent data. In all the GMM estimations we include time dummies. In order to minimize the number of instruments in the regressions

we collapse the matrix of instruments as suggested by Roodman (2006). However, GMM estimator is not without limitations, especially the estimator is sensitive to the lag structure. Moreover, the requirement of GMM estimator depends upon the availability of valid external exogenous instruments. But getting valid external instruments both from theoretical and empirical point of view, at least in this case is very difficult. Thus, lack of exogenous instruments for ideology variable force us to use GMM estimator.

V. EMPIRICAL RESULTS

V.1. Baseline Results

Table 1–5 present our results. Table 1 shows results with aggregate labor rights as our dependent variable, Table 2 and 3 include labor rights laws and practices are dependent variables respectively. Table 4 provides results from the system-GMM estimator addressing endogeneity concerns and Table 5 presents the results on interaction effects between ideology and Herfindahl index of the government. Before turning to the results, it is interesting to note that the sample mean of the labor rights laws is about 23. When we divide countries which fall above and below the mean value of chief executive ideology we find that countries that fall above the mean display marginally higher (mean) value for labor rights laws. Of course, countries above the mean value of ideology also score high on aggregate labor rights. One might conclude with these simple stylized facts that a shift in the ideology of chief executive towards the left is associated with improvement in overall labor rights. While these differences could also be spurious, we turn to the first table which reports the effects of chief executive ideology on labor rights. As expected, we do not find any significant effect of chief executive ideology on aggregate labor rights after controlling for the lag dependent variable and other controls in the subsequent columns. Note that an F-test of the joint inclusion of the fixed period effects in table 1 is strongly significant, which indicates time dependence of the dependent variable.

Table 2 captures the results on labor rights laws. As seen, we find positive significant effects of chief executive ideology on laws protecting labor rights, which is significantly different from zero at 5% level (column 1). Note that the labor rights laws index scale stretches from 0 (low rights) to 28.5 and ideology of chief executive from -1 (right leaning) to +1 (left leaning), thus a positive sign suggests that a shift towards a left-leaning ideology improves laws protecting labor rights. The substantive effect suggests that a standard deviation above mean is associated with about 0.31 points increase in the index on labor rights laws, which is about 8% of the standard deviation of labor rights laws. However, moving from an ideology of centrist to centre-left is associated with 0.27 points increase, while moving towards a complete left-leaning ideology increases the index on labor

Table 1

Chief Executive Ideology and Labor Rights

	(1)	(2)	(3)	(4)	(5)
	Labor Rights	Labor Rights	Labor Rights	Labor Rights	Labor Rights
Lagged Dependent Variable	0.330*** (0.0795)	0.253*** (0.0779)	0.242*** (0.0763)	0.242*** (0.0762)	0.488*** (0.0648)
Ideology of Chief Executive (t-1)	0.0945 (0.497)	0.160 (0.485)	0.172 (0.483)	0.169 (0.472)	0.365 (0.418)
Per capita GDP (log) (t-1)		-0.216 (1.751)	-1.654 (1.941)	-2.097 (2.029)	1.285*** (0.422)
Freedom House Democracy index (t-1)		1.547*** (0.275)	1.590*** (0.272)	1.644*** (0.283)	0.853*** (0.247)
ILO Conventions 87 and 98 ratified (t-1)			0.940 (1.106)	1.050 (1.115)	-0.270 (0.489)
NGOs per capita (log) (t-1)			6.047 (3.770)	5.952 (3.753)	1.184*** (0.288)
Industry Share in GDP (t-1)				0.00981 (0.0421)	0.0683** (0.0279)
FDI inflows/GDP (t-1)				-0.0332 (0.0439)	-0.104* (0.0544)
Trade/GDP (t-1)				-0.00598 (0.00961)	-0.00224 (0.00845)
British Legal Origin					-0.277 (2.031)
French Legal Origin					-2.538 (2.105)
Constant	15.33*** (2.062)	9.537 (15.47)	35.08 (21.98)	38.31* (22.01)	-1.644 (3.887)
R-squared	0.761	0.777	0.779	0.779	0.729
Country Fixed Effects	YES	YES	YES	YES	NO
Time Fixed Effects	YES	YES	YES	YES	YES
Number of Countries	25	25	25	25	25
Number of Observations	425	425	425	425	425

Robust standard errors in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Table 2

Chief Executive Ideology and Labor Rights Laws

	(1)	(2)	(3)	(4)	(5)
	Laws	Laws	Laws	Laws	Laws
Lagged Dependent Variable	0.196** (0.0883)	0.174** (0.0886)	0.142 (0.0878)	0.142 (0.0875)	0.432*** (0.0776)
Ideology of Chief Executive (t-1)	0.531** (0.261)	0.594** (0.268)	0.618** (0.263)	0.608** (0.254)	0.377* (0.202)
Per capita GDP (log) (t-1)		-0.666 (1.186)	-2.556* (1.411)	-3.421** (1.416)	0.856*** (0.235)
Freedom House Democracy index (t-1)		0.528*** (0.157)	0.591*** (0.157)	0.651*** (0.162)	0.216 (0.133)
ILO Conventions 87 and 98 ratified (t-1)			0.366 (0.590)	0.448 (0.578)	0.533 (0.331)
NGOs per capita (log) (t-1)			7.837** (3.283)	7.741** (3.266)	0.407** (0.175)
Industry Share in GDP (t-1)				0.0251 (0.0284)	0.0337* (0.0173)
FDI inflows/GDP (t-1)				-0.0228 (0.0268)	-0.0652** (0.0305)
Trade/GDP (t-1)				-0.00974 (0.00666)	-0.00744* (0.00444)
British Legal Origin					4.228** (1.692)
French Legal Origin					2.465 (1.695)
Constant	18.48*** (1.998)	21.71** (10.80)	56.41*** (18.10)	62.42*** (18.00)	1.279 (2.918)
R-squared	0.691	0.698	0.706	0.709	0.619
Country Fixed Effects	YES	YES	YES	YES	NO
Time Fixed Effects	YES	YES	YES	YES	YES
Number of Countries	25	25	25	25	25
Number of Observations	425	425	425	425	425

Robust standard errors in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Table 3

Chief Executive Ideology and Labor Rights Practices

	(1)	(2)	(3)	(4)	(5)
	Practices	Practices	Practices	Practices	Practices
Lagged Dependent Variable	0.356*** (0.0763)	0.277*** (0.0752)	0.275*** (0.0751)	0.271*** (0.0747)	0.459*** (0.0646)
Ideology of Chief Executive (t-1)	-0.356 (0.362)	-0.359 (0.353)	-0.356 (0.353)	-0.349 (0.349)	0.0350 (0.322)
Per capita GDP (log) (t-1)		0.164 (1.413)	0.356 (1.549)	0.768 (1.539)	0.536** (0.236)
Freedom House					
Democracy index (t-1)		1.027*** (0.202)	1.013*** (0.200)	1.022*** (0.202)	0.707*** (0.180)
ILO Conventions 87 and 98 ratified (t-1)					-0.796*** (0.286)
NGOs per capita (log) (t-1)			-0.885 (2.248)	-0.895 (2.250)	0.825*** (0.216)
Industry Share in GDP (t-1)				-0.0157 (0.0256)	0.0373** (0.0177)
FDI inflows/GDP (t-1)				-0.0158 (0.0344)	-0.0521 (0.0378)
Trade/GDP (t-1)				0.00314 (0.00564)	0.00508 (0.00589)
British Legal Origin					-4.365*** (0.985)
French Legal Origin					-5.102*** (0.923)
Constant	11.87*** (1.619)	5.643 (12.36)	1.486 (16.52)	-0.0455 (16.17)	9.746*** (1.945)
R-squared	0.697	0.716	0.717	0.717	0.673
Country Fixed Effects	YES	YES	YES	YES	NO
Time Fixed Effects	YES	YES	YES	YES	YES
Number of Countries	25	25	25	25	25
Number of Observations	425	425	425	425	425

Robust standard errors in parentheses; ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Table 4

Chief Executive Ideology and Labor Rights: SGMM Estimations

	(1) Labor Rights	(2) Labor Rights	(3) Laws	(4) Laws	(5) Practices	(6) Practices
Lagged Dependent Variable	1.030 (0.761)	1.005 (0.780)	0.248 (0.296)	0.163 (0.301)	0.407 (0.551)	0.421 (0.549)
Lagged Dependent Variable (t-2)	-0.685 (0.801)	-0.700 (0.792)	-0.0386 (0.257)	-0.130 (0.263)	0.759 (0.505)	0.827 (0.588)
Ideology of Chief Executive (t-1)	3.066 (3.151)	2.966 (3.282)	2.378** (1.144)	2.710*** (1.190)	0.195 (1.403)	0.344 (1.587)
Per capita GDP (log) (t-1)	2.075 (2.824)	1.965 (2.381)	1.181** (0.524)	1.361** (0.532)	-0.793 (1.112)	-0.872 (1.134)
Freedom House Democracy index (t-1)	0.908 (0.889)	0.984 (1.158)	0.900*** (0.321)	0.514** (0.220)	0.164 (0.316)	-0.0573 (0.744)
ILO Conventions 87 and 98 ratified (t-1)	-0.200 (1.289)	-0.363 (1.125)	0.342 (0.448)	0.610 (0.452)	-0.756 (0.560)	-0.618 (0.662)
NGOs per capita (log) (t-1)	0.00639 (0.0728)	0.0141 (0.0873)	0.0221 (0.0233)	0.0104 (0.0261)	0.00368 (0.0315)	-0.00558 (0.0492)
Industry Share in GDP (t-1)	1.805 (2.026)	1.395 (1.304)	0.822*** (0.300)	0.682*** (0.261)	-0.0285 (1.056)	-0.00226 (0.839)
FDI inflows/GDP (t-1)	0.000602 (0.123)	-0.0421 (0.161)	-0.0113 (0.0427)	-0.0363 (0.0474)	0.0130 (0.0549)	0.0298 (0.0808)
Trade/GDP (t-1)	-0.00414 (0.0151)	-0.00551 (0.0170)	-0.00704 (0.00566)	-0.0151** (0.00731)	-0.00180 (0.00712)	-0.00416 (0.0111)
Socialist Legal Origin		-2.156 (5.151)		-8.111** (3.178)		1.934 (5.886)
French Legal Origin		-2.685 (3.626)		-2.506** (1.018)		2.401 (6.968)
Constant	-4.328 (9.867)	-1.316 (8.469)	3.763 (2.483)	11.04** (4.498)	2.719 (3.627)	1.148 (6.775)
Arellano-Bond test for AR(2): *p-value*	0.254	0.251	0.349	0.275	0.21	0.217
Sargan test (*p-value*)	0.908	0.926	0.339	0.458	0.672	0.704
Number of Instruments	29	31	29	31	29	31
Country Fixed Effects	NO	NO	NO	NO	NO	NO
Time Fixed Effects	YES	YES	YES	YES	YES	YES
Number of Countries	25	25	25	25	25	25
Number of Observations	400	400	400	400	400	400

Robust standard errors in parentheses ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Table 5

Chief Executive Ideology, Herfindahl Index and Labor Rights: Fixed Effects Model

	(1)	(2)	(3)	(4)	(5)	(6)
	Labor Rights	Labor Rights	Laws	Laws	Practices	Practices
Lagged Dependent Variable	0.232*** (0.0759)	0.476*** (0.0650)	0.133 (0.0870)	0.423*** (0.0775)	0.262*** (0.0744)	0.450*** (0.0650)
Ideology of Chief Executive (t-1) X Herfindahl Index of Government (t-1)	0.291 (1.867)	0.346 (1.762)	1.236 (0.847)	0.602 (0.873)	-0.637 (1.421)	-0.175 (1.281)
Herfindahl Index of Government (t-1)	-2.271** (1.085)	-1.637** (0.817)	-0.729 (0.649)	-0.700 (0.456)	-1.471* (0.857)	-1.036* (0.553)
Ideology of Chief Executive (t-1)	-0.0223 (1.663)	0.0588 (1.581)	-0.420 (0.738)	-0.139 (0.769)	0.224 (1.295)	0.172 (1.152)
Per capita GDP (log) (t-1)	-2.584 (2.032)	1.261*** (0.425)	-3.731** (1.461)	0.829*** (0.237)	0.571 (1.519)	0.526** (0.242)
Freedom House Democracy index (t-1)	1.648*** (0.287)	0.860*** (0.243)	0.674*** (0.163)	0.221* (0.131)	1.007*** (0.205)	0.703*** (0.178)
ILO Conventions 87 and 98 ratified (t-1)	0.851 (1.065)	-0.387 (0.520)	0.281 (0.573)	0.443 (0.352)	0.496 (0.823)	-0.835*** (0.318)
NGOs per capita (log) (t-1)	5.086 (3.854)	1.190*** (0.293)	7.244** (3.323)	0.410** (0.174)	-1.326 (2.300)	0.823*** (0.219)
Industry Share in GDP (t-1)	0.0114 (0.0410)	0.0731*** (0.0280)	0.0233 (0.0283)	0.0354** (0.0173)	-0.0129 (0.0251)	0.0403** (0.0177)
FDI inflows/GDP (t-1)	-0.0255 (0.0425)	-0.0990 (0.0539)	-0.0243 (0.0265)	-0.0651** (0.0304)	-0.00786 (0.0329)	-0.0456 (0.0369)
Trade/GDP (t-1)	-0.00584 (0.00957)	-0.000963 (0.00840)	-0.00945 (0.00661)	-0.00674 (0.00441)	0.00307 (0.00560)	0.00576 (0.00594)
British Legal Origin		2.672*** (0.654)		1.938*** (0.374)		0.976** (0.438)
French Legal Origin		2.969 (2.136)		-2.373 (1.686)		5.437*** (0.958)
Constant	43.02** (21.64)	-2.613 (3.425)	65.58*** (18.08)	4.945** (2.230)	0.539 (16.16)	2.917 (2.098)
R-squared	0.781	0.731	0.711	0.621	0.719	0.675
Country Fixed Effects	YES	NO	YES	NO	YES	NO
Time Fixed Effects	YES	YES	YES	YES	YES	YES
Number of Countries	25	25	25	25	25	25
Number of Observations	425	425	425	425	425	425

Robust standard errors in parentheses ***$p < 0.01$ **$p < 0.05$, *$p < 0.1$

rights laws by about 0.53 points. Notice that adding several other variables, starting with per capita income, democracy in column 2, ILO conventions and NGOs in column 3, industry share in GDP, FDI and trade openness in column 4 has only a very small effect on the impact of chief executive ideology, which is still positive and significantly different from zero at the 5% level (see column 2-4). Our results on ideology remains robust in column 5 when drop country-fixed effects to accommodate time-invariant variables namely, British and French legal origins.

We now move to Table 3 wherein we do not find any significant effect of chief executive ideology on labor rights practices. It is noteworthy that ideology of chief executive, as the literature suggests, can also ostensibly have many indirect effects through income level, and economic openness, which are all held constant in the models in column 2-5. Even in non-fixed effects model in column 5 the effect of ideology on labor rights practices remain statistically insignificant. The non-significant results on ideology possibly support the argument that chief executive ideology matters only for drafting laws intended to protect labor rights. The long run impact of our findings is huge. It is noteworthy that labor market protection regulations are vastly studied and considered to be a key factor in explaining labor market rigidities. As a result, these regulations are often cited as one of the important causes for the large cross-country differences in labor market performance. Our findings suggest that the protection and enforcement of labor rights might have long-term effects in the framework of labor market rigidities which, in turn, can produce higher degrees of unemployment.

Next, we present results in Table 4 which controls for possible endogeneity between labor rights and chief executive ideology in Latin America. As discussed earlier, we make use of the System-GMM estimator. Note that we estimate two models for each of the labor rights index with and without legal origin variables. The *p-values* from Sargan J-statistic test and the Arellano-Bond test for autocorrelation do not reject the GMM specifications at conventional levels of significance across the columns. The *p-values* from Sargan J-statistic show that the null-hypothesis of exogeneity of the instruments cannot be rejected at the conventional level of statistical significance. As seen, in Table 4 we find that a shift in ideology of the chief executive towards the left is positively associated with laws protecting labor rights, which is significantly different from zero at the 5% level (see columns 3 and 4). A noteworthy issue is that after controlling for potential feedback from labor rights laws, the value of the coefficient of ideology in column 3 and 4 has more than doubled from 0.63 to 2.37 and 2.7. Note that the effects of chief executive ideology on aggregate labor rights and practices remain statistically insignificant even after controlling for the possible problem of endogeneity. The results demonstrate that Latin American countries witness laws protecting labor rights are legislated when the ideology of the incumbent chief executive is left leaning. But our evidence also

demonstrates that the enforcement of these laws (i.e. practices) under a left-leaning chief executive is no different to that of any other government with a non-leftist ideology.
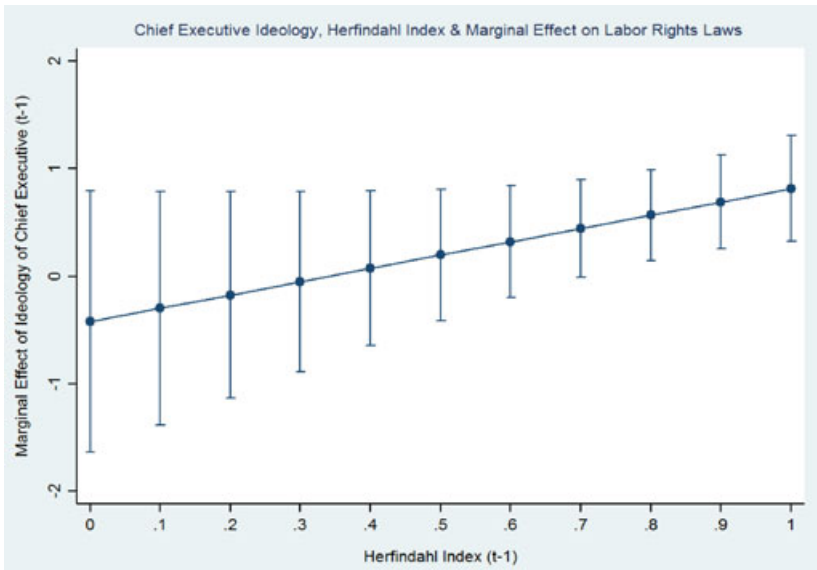
V.2. Interaction effects

Next, we examine if cohesive left-wing governments are any different from very diverse governments in upholding labor rights in Latin America. We introduce interaction term Chief Executive ideology and Herfindahl index of government in Table 5. We estimate two models for each measure of labor rights with and without legal origin variables. Note that when legal origin variables are included we drop country-fixed effects. As can be seen we do not find any significant effect of interaction term between chief executive ideology and Herfindahl index on all three measures of labor rights (see column 1-6). Importantly, however, Herfindahl index on its own, i.e., when the value of ideology is set to 0, has a negative effect on aggregate labor rights and practices (see column 1-2; 5-6) suggesting that a more cohesive government (in the absence of ideology) reduces labor rights. The individual effects of ideology though remain statistically insignificant. The interactive effect especially on labor rights laws is best assessed with a margins plot presented in Figure 3 and 4 respectively. It is important to note that the interpretation of the interaction term even in linear models is not straight forward as the statistical significance of the interaction term may change at various class intervals of the interacted variable (i.e. ideology). Consequently, a simple t-test on the coefficient of the interaction term is not sufficient to examine whether the interaction is statistically significant (Ai and Norton 2003). We thus rely on marginal plots as shown in Figure 3 and Figure 4, which depict the magnitude of the interaction effect on labor rights laws. It is noteworthy that the margins plots for aggregate labor rights and labor rights practices are statistically insignificant throughout the class intervals of ideology score. To calculate the marginal effect for the models of labor rights laws, we take into account both the conditioning variable (Herfindahl index) and the interaction term and display graphically the total marginal effect conditional on Herfindahl index. The y-axis of Figure 3 and 4 displays the marginal effect of an increase in the score of chief executive ideology on the x-axis. Note that we include the 90% confidence interval in both figures.

As seen in Figure 3, and in line with our results, an additional unit increase in ideology score would increase the labor rights laws (at the 90% confidence level at least) when the Herfindahl index is above than 0.6 (on a scale of 0-1). However, the margins plots also show that the effect of ideology on labor rights laws remains statistically insignificant when Herfindahl index is below 0.7. The marginal effects are significant and negative when the lower bound of the confidence interval is below zero. These results suggest that cohesive

Figure 3

Chief Executive Ideology, Herfindahl Index & Marginal Effect on Labor Rights Laws.
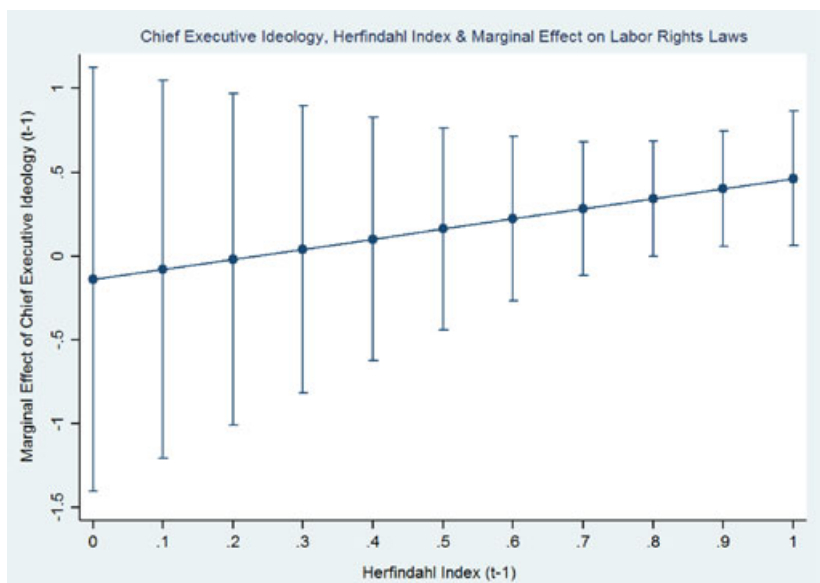

Notes: The graph shows the marginal effects of chief executive ideology index (lagged by one year) on Labor rights laws. Marginal effects are conditioned to different values of the Herfindahl index of the ruling parties in the national parliament which measures how cohesive the ruling party in the national parliament is, which is coded on the scale of 0-1. Dashed lines denote the upper and lower boundaries of the 90% confidence interval.

left-leaning governments are more likely to legislate laws protecting labor rights than very diverse governments. We do not find much difference in the results on interactions depicted in margins plot in Figure 4 when we include legal origin variables. Here too, we find one additional unit increase in ideology score increase the labor rights laws (at the 90% confidence level) when the Herfindahl index score is over 0.7. The ideology variable has no statistical significant effect on the labor rights laws when Herfindahl index is below 0.7 points of the index.

With respect to the control variables we find positive effects of per capita GDP on labor rights practices (Table 3), while the results are mixed for laws. After controlling for country fixed effects, however, much of the statistical significance of per capita GDP disappears, while it retains statistical significance in GMM estimations for labor rights laws (see Table 4). Next, in all our models irrespective of the estimation technique used, our measure of democracy is positively associated with labor rights, practices and laws. Note that our measure of democracy is from Freedom House wherein a higher value reflects better civil and political liberties. For instance, a standard deviation increase over mean in

Figure 4

Chief Executive Ideology, Herfindahl Index & Marginal Effect on Labor Rights Laws.

Notes: The graph shows the marginal effects of chief executive ideology index (lagged by one year) on Labor rights laws. Marginal effects are conditioned to different values of the Herfindahl index of the ruling parties in the national parliament which measures how cohesive the ruling party in the national parliament is, which is coded on the scale of 0-1. Dashed lines denote the upper and lower boundaries of the 90% confidence interval.

democracy score is associated with about 2.2 points jump in aggregate labor rights index (column 2, Table 1), which is roughly 28% of the standard deviation of aggregate labor rights index. While do not find any robust evidence on the effects either of ILO convention ratification, we find that presence of NGOs do matter for laws and practices which is in line with the previous findings of Murillo and Schrank (2005). Interestingly we find that the value added by industry to GDP is positive and significantly different from zero at 5% and 10% level on all forms of labor rights. However, they remain insignificant once country-fixed effects are retained. With respect to economic openness measures, while we find trade openness is remains insignificant, we find negative effect of FDI on aggregate labor rights and laws. These negative results are not surprising, as previous studies like Neumayer and de Soysa (2006) also find similar results. However, these results become statistically insignificant once country-fixed effects are retained. Finally, with respect to legal origins, we find that Latin American countries with French legal heritage are associated with lower labor

rights practices compared to Socialist legal origin, while British legal origin is associated with better laws to protect labor rights.

V.3. Checks of Robustness

We examine the robustness of our main findings in the following ways. First, we replace our measure of chief executive ideology with ruling party ideology index proposed in equation 1. If the finding of Cheibub et al. (2011) is correct, i.e., high degree of lawmaking powers rests with the chief executive as opposed to the legislature in Latin America, then we expect to find no impact of ruling parties ideology score on labor rights. Our results indeed support the claim of Cheibub et al. (2011). On all three measures of labor rights, the ruling party ideology index remains statistically insignificant. Second, we replace the index of ideology with a simple dummy which takes the value 1 if the chief executive is a leftist and 0 otherwise. Using this alternative measure of ideology of chief executive we still find some positive effect of left-leaning ideology on laws protecting labor rights. However, the significance level of this new variable is always lower in comparison to the proposed ideology measure. Third, we add new control variables which explain the labor rights namely, labor force (log), GDP growth rate, and spatial measure of labor rights, practices and laws (weighted by the GDP of the sample). Davies and Vadlamannati (2013) use spatial econometrics to examine the extent of competition in labor standards among nation states to attract FDI and trade. They show that countries deliberately lower their labor standards to attract FDI after their competitors have done so. In order to capture the competitive effects within Latin American countries, we build a spatial lag variable for aggregate labor rights, laws and practices weighted by the GDP. The reason for using GDP as weight is in the anticipation that country i pays more attention to what is taking place in large countries rather than small ones (see: Davies and Vadlamannati 2013). Introducing these variables into the model individually does not alter our main findings. The main findings in fact remain robust despite inclusion of respective lag dependent variables and these additional controls. Finally, the reported effects could be driven by some individual countries which have enjoyed uninterrupted governance by left-leaning governments, such as Cuba. We therefore test whether the results are sensitive to the exclusion of Cuba. Estimating all the models without Cuba yields similar results in models with fixed effects and without fixed effects and both with and without lagged dependent variables. In fact the results also remain robust when re-estimating the models using GMM estimations. The results of all of the robustness checks are not reported here due to space considerations, but they are available upon request. Given the weight of this evidence, we can reject the hypothesis that the ideology of the chief executive leaning

towards the left increases overall labor rights. It should be noted, however, that the effects vary between the different aspects of labor rights: the legislation of laws and the actual enforcement of these laws.

VI. CONCLUSION

Previous studies based on *power resource* theory have argued and provided evidence to support the claims that the labor movement (represented by labor unions and left-leaning parties) are a prime driver of social welfare policies both in developed as well as in developing world. Accordingly, left-leaning governments tend to be more generous in promoting social welfare policies. In this paper, we extend this line of argument to collective labor rights implying that labor regulations are more protective of workers when a left-leaning chief executive is in power. The anecdotal evidence suggests that leftist governments provide policy concessions to the labor unions and workers associations in return for their political support. Existing empirical evidence however, remains relatively scant when it comes to labor rights – a key concern among blue-collar workers and trade unions. The main objective of this paper therefore is to present the first set of empirical results exploring the effects of chief executive ideology on labor rights in Latin American and Caribbean countries. Importantly, the labor rights measure is disaggregated using Mosley's (2011) measure into labour laws and labor practices. While the ideology of the chief executive is measured using the Bjørnskov's (2008) methodology. Using panel data on 26 Latin American and Caribbean countries during 1985–2002 period, we find that left-leaning chief executive ideology does not have any effect on aggregate labor rights. However, this pattern is less evident in labour laws, suggesting that a left-leaning chief executive ideology does legislate laws which protect labor rights of the workers. On the other hand, we do not find any impact when it comes to enforcement of laws protecting labor rights. Further evidence suggests that cohesive left-wing governments are more likely to legislate laws protecting labor rights than very diverse governments. These results are robust to alternative measures of ideology, estimation methods, sample sizes, and controlling for the potential endogeneity concerns.

We believe that our analysis on labor rights and political ideology in Latin America makes an important contribution, which is by no means unimportant to comparative political economy literature. We challenge the conventional wisdom that left-leaning governments are friendlier to the cause of the labor and uphold labor rights. Our findings during 1985-2002 period in Latin America exposes the labor-friendly character of left-leaning governments that legislate laws to protect labor rights, only on the paper, in return for political support from the working class. However, the actual enforcement of these laws on the ground is very weak. Therefore, irrespective of the political ideology,

upholding labor rights in Latin America requires strengthening the enforcement capacity. By way of conclusion, we stress that a number of other parallel theoretical possibilities exist that could be explored for future research on this topic. Already some studies began exploring this specific topic from various dimensions (see Ronconi 2010 for instance on Argentina). Given the clarity of the findings, empirical explorations of the robustness of these findings by extending the current dataset till 2010 (during which there has been a rapid surge in left wing parties winning elections across Latin American countries) as well as relaxing the assumption that all left-wing parties in power follow similar goals with similar means (for instance Lula da Silva in Brazil vs. Hugo Chavez) and that left-wing governments and labour unions pursue the same policies seem potentially useful directions of future research on this topic.

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SUPPORTING INFORMATION

Additional Supporting Information may be found in the online version of this article at the publisher's website.

Appendix S1: Countries under study.
Appendix S2: Descriptive Statistics.
Appendix S3: Data definitions and sources.

SUMMARY

Are left-wing governments in Latin America, as proclaimed by their leaders, really pro-labor? It is often argued that left-wing governments in Latin America have implemented pro-labor policies. In this paper we put these claims to an empirical test using 37 aspects of de facto (practices) and de jure (laws) violations of labor rights. Using panel data on 26 Latin American and Caribbean countries during the period 1985–2002, we do not find any effect of left-leaning chief executives on labor rights. While left-leaning chief executives do legislate laws protecting labor rights, the enforcement of these laws is abysmally weak. Further evidence suggests that cohesive left-wing governments are more likely to legislate laws protecting labor rights than diverse governments. These results are robust to alternative measures of ideology, estimation methods, and controlling for endogeneity. The policy implications suggest that irrespective of the political ideology, upholding labor rights in Latin America requires strengthening the enforcement capacity.